

# Agenda

<b>Meeting name</b>	<b>Meeting of the Cabinet</b>
<b>Date</b>	<b>Wednesday, 13 September 2023</b>
<b>Start time</b>	<b>4.30 pm</b>
<b>Venue</b>	<b>Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire. LE13 1GH</b>
<b>Other information</b>	<b>This meeting is open to the public</b>

Members of the Cabinet are summoned to the above meeting to consider the following items of business.

**Edd de Coverly**  
**Chief Executive**

## Membership

<b>Councillors</b>	P. Allnatt (Chair)	M. Glancy (Vice-Chair)
	S. Butcher	S. Cox
	P. Cumbers	

**Quorum:** 3 Councillors

<b>Meeting enquiries</b>	Democratic Services
<b>Email</b>	democracy@melton.gov.uk
<b>Agenda despatched</b>	Tuesday, 5 September 2023

No.	Item	Page No.
1.	<b>APOLOGIES FOR ABSENCE</b>	
2.	<b>MINUTES</b> To confirm the minutes of the meeting held on 23 August 2023.	1 - 6
3.	<b>DECLARATIONS OF INTEREST</b> Members to declare any interest as appropriate in respect of items to be considered at this meeting.	7 - 8
4.	<b>MATTERS REFERRED FROM SCRUTINY COMMITTEE IN ACCORDANCE WITH SCRUTINY PROCEDURE RULES</b> No items have been referred from Scrutiny Committee in accordance with the Scrutiny procedure rules.	
5.	<b>PLANNING ENFORCEMENT POLICY</b> Report to follow.	
6.	<b>QUARTER 1 HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL BUDGET MONITORING REPORT 2023/24</b> A report to provide information on actual expenditure and income incurred on the Housing Revenue Account (HRA) compared to the latest approved budget for the period 1 April 2023 to 30 June 2023 for revenue and capital budgets.	9 - 20
7.	<b>QUARTER 1 GENERAL FUND REVENUE AND CAPITAL BUDGET MONITORING REPORT 2023/24</b> A report forecasting budget holders position against their 2023/24 revenue budgets as at 30 June 2023.	21 - 34
8.	<b>RISK MANAGEMENT</b> A report to provide an update on the risk management arrangements.	35 - 48
9.	<b>QUARTER 1 TREASURY MANAGEMENT UPDATE</b> A report providing a summary of the Treasury activities to the end of June 2023.	49 - 70
10.	<b>SUPPORTING DELIVERY OF THE MMDR SOUTH</b> Report to follow.	



# Minutes

<b>Meeting name</b>	<b>Cabinet</b>
<b>Date</b>	<b>Wednesday, 23 August 2023</b>
<b>Start time</b>	<b>4.30 pm</b>
<b>Venue</b>	<b>Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire. LE13 1GH</b>

## Present:

**Chair** Councillor P. Allnatt (Chair)

**Councillors** M. Glancy (Vice-Chair) S. Butcher  
S. Cox P. Cumbers

**Officers** Director for Housing and Communities (Deputy Chief Executive)  
Director for Corporate Services  
Director for Growth and Regeneration  
Assistant Director for Housing Management  
Corporate Property and Assets Manager  
Deputy Monitoring Officer  
Senior Democratic Services and Scrutiny Officer  
Democratic Services Officer (HA)

Minute No.	Minute
18	<p><b>Apologies for Absence</b> No apologies were received for this meeting.</p>
19	<p><b>Minutes</b> The Minutes of the meeting held on 19 July 2023 were confirmed and authorised to be signed by the chair.</p>
20	<p><b>Declarations of interest</b> There were no declarations of interest advised for this committee.</p>
21	<p><b>Matters referred from Scrutiny Committee in accordance with Scrutiny Procedure Rules</b> In accordance with the Scrutiny Procedure Rules, this item had been referred from the Scrutiny Committee:</p> <p><b>Scrutiny feedback on the CCTV post implementation review.</b></p> <p>The Chair of the Scrutiny Committee, Councillor Mike Brown, introduced the report advising members that the Scrutiny Committee had met on 25 July 2023 and considered the CCTV post implementation review report.</p> <p>The Portfolio Holder for Customers, Communities and Neighbourhoods thanked officers for the report and the Scrutiny Committee for their comments and acknowledged that the new system recently implemented is working well and is already preventing crime and should lead to a reduction in Anti-Social Behaviour.</p> <p>Cabinet <b>AGREED</b> to have regard for Scrutiny Committee's feedback.</p> <p style="text-align: center;">**</p> <p>In accordance with the Scrutiny Procedure Rules, this item had been referred from the Scrutiny Committee:</p> <p><b>Scrutiny feedback on Community Health &amp; Wellbeing Plan.</b></p> <p>The Chair of the Scrutiny Committee, Councillor Mike Brown, introduced the report advising members the Scrutiny Committee met on 25 July 2023 and considered the report on the draft Community Health and Wellbeing Plan.</p> <p>The Leader of the Council, Councillor Pip Allnatt thanked officers for their input into the draft report and the Scrutiny Committee for its comments and acknowledged that both the Cabinet comments and the Scrutiny Committee comments had been well received from officers and had been included in the revised draft version of the Health and Wellbeing Plan.</p> <p>The Portfolio Holder for Customers, Communities and Neighbourhoods thanked officers for the report and highlighted that the document recognised the paucity of digital resources which affects peoples' ability to access online services.</p>

The Director for Housing and Communities, Deputy Chief Executive, confirmed the following:

- Comments and consideration from the Scrutiny Committee had been considered and implemented into the Plan.
- The remit of the Plan is one to which Melton Borough Council contributes along with other Partners with key things we can feed into and influence, one of which will be support around digital access and access to health services.
- The next step would be to have an action plan that goes alongside the Plan to show the changes that are being made within the community, this would be taken to the Scrutiny for further feedback.

The Portfolio Holder for Corporate Finance, Property and Resources thanked the Scrutiny for their comments and commented that whilst the Storehouse foodbank provision in the town doesn't provide fresh fruit and veg, there are several voluntary services and agencies within the provision and network of our district that do so on a weekly basis.

Cabinet:

- 1) **AGREED** to have regard for Scrutiny Committee's feedback.
- 2) Informally **ENDORSED** the Community Health and Wellbeing Plan.

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### **Leicestershire Housing Protocols for Care Leavers and 16 & 17 year olds**

The Director for Housing and Communities (Deputy Chief Executive) introduced the report the purpose of which introduced countrywide protocols to guide the ways in which Leicestershire Local Authorities would support homeless 16/17-year-olds and care leavers up to the age of 25.

Director for Housing and Communities (Deputy Chief Executive) advised the Protocol would ensure that young people do not keep getting referred from organisation to organisation, or from District to District, when they present as homeless and need support. The complexities of each case are investigated before reaching a duty of homelessness, even when they come from another authority.

The Portfolio Holder for Corporate Finance, Property and Resources advised that the Policy needs to reinforce that all the correct information is received from other authorities or districts when a young person presents, to avoid any delay in the sharing of information children with complex issues and children leaving care.

Director for Housing and Communities (Deputy Chief Executive) advised

- the Protocol does not place an expectation on the extended family to accommodate young people. All options would be explored on a case-by-case basis to accommodate and support young people safely and appropriately.
- The Protocol would provide support for young people to advise them where to look for legal advice and support them to understand their rights of responsibilities, on a case-by-case basis.

Cabinet:

- 1) **ENDORSED** the 'Leicestershire 16/17-Year-old Protocol', for use by Melton Borough Council.
- 2) **ENDORSED** the 'Leicestershire Care Leavers Protocol' for use by Melton Borough Council.

*Reasons for Recommendations:*

*Local authorities must have regard to the corporate parenting principles identified in section 1 of the Children and Social Work Act 2017 when exercising their function in relation to looked after children and care leavers (former and relevant children). The principles apply to the whole range of local authority functions and not just to children's services functions. The Corporate Parenting of Children in Care and Care Leavers extends to all agencies involved in their support. Melton Borough Council is one of these agencies.*

*The protocols set out how Leicestershire County Council and district and borough councils will work better together to prevent young people becoming homeless. It fits with the councils corporate parenting responsibilities and ensures that care leavers and 16/17-year-olds presenting as homeless are treated consistently across the county.*

*The protocols refine the current procedures and ensure that move on plans towards 18+ and beyond are considered. It defines the working arrangements for all agencies involved in supporting this age group as well as defining the pathways for young people who present as struggling to remain at home can follow to access support.*

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### **Local Authority Housing Fund**

The Leader and Portfolio Holder for Housing and Landlord Services introduced the report the purpose of which proposed a programme to purchase three homes up to a total value of £750,000 using LAHF R2 funding of £360,000 and match funding of £390,000 from Section 106 commuted sums together with funding from the Flexible Housing Fund.

The Portfolio Holder for Corporate Finance, Property and Resources thanked the officers for their tenacity in identifying the match funding which had enabled the Government funding to proceed.

The Director for Housing and Communities, Deputy Chief Executive, advised that the commitment was to ensure that best value was achieved in terms of the purchase of the properties, so that the properties would meet the decent homes standards and the management costs would all be met within the boundaries of the funding available.

The Leader and Portfolio Holder for Housing and Landlord Services confirmed that the framework in place would allow for the purchase of 3 decent homes within the boundaries set.

Cabinet:

- 1) **AGREED** to the Council receiving LAHF R2 grant to purchase up to three homes.
- 2) **AGREED** that authority be delegated to the Director for Corporate Services to sign the 'Memorandum of Understanding' with the Department for Levelling Up, Housing and Communities.
- 3) **APPROVED** the capital investment of up to £390,000 of Section 106 commuted sums and Flexible Housing Fund awards to match fund the total available LAHF R2 grant funding of £360,000 in order to acquire up to three dwellings.

- 4) **AGREED** that authority be delegated to the Director for Housing and Communities in consultation with the Director for Corporate Services and Portfolio Holder for Housing and Landlord Services, to purchase up to three houses in accordance with the grant agreement and within the total budget, and to add these to the Council's housing stock.
- 5) **AGREED** that authority be delegated to the Director for Housing and Communities to develop and implement a 'Local Lettings Policy' to enable the direct allocations of two homes funded through this arrangement to Afghan households who are being assisted through the ARAP and ACRS schemes.

*Reason for Recommendations:*

*Delivering three new homes with the aid of grant funding will help to meet the corporate priority of providing high quality council homes and landlord services.*

*The LAHF R2 programme is intended to deliver accommodation which will be available to the Council in the long term and can be used to meet housing need beyond the initial period where they are required to accommodate refugees.*

The meeting closed at: 5.18 pm

Chair

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## MEMBER INTERESTS

### Do I have an interest?

#### 1 DISCLOSABLE PECUNIARY INTERESTS (DPIs)

A “Disclosable Pecuniary Interest” is any interest described as such in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 and includes an interest of yourself, or of your Spouse/Partner (if you are aware of your Partner's interest) that falls within the following categories: Employment, Trade, Profession, Sponsorship, Contracts, Land/Property, Licences, Tenancies and Securities.

A Disclosable Pecuniary Interest is a Registerable Interest. Failure to register a DPI is a criminal offence so register entries should be kept up-to-date.

#### 2 OTHER REGISTERABLE INTERESTS (ORIs)

An “Other Registerable Interest” is a personal interest in any business of your authority which relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority; or
- b) any body
  - (i) exercising functions of a public nature
  - (ii) any body directed to charitable purposes or
  - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

#### 3 NON-REGISTRABLE INTERESTS (NRIs)

“Non-Registrable Interests” are those that you are not required to register but need to be disclosed when a matter arises at a meeting which directly relates to your financial interest or wellbeing or a financial interest or wellbeing of a relative or close associate that is not a DPI.

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**In each case above, you should make your declaration at the beginning of the meeting or as soon as you become aware. In any other circumstances, where Members require further advice they should contact the Monitoring Officer or Deputy Monitoring Officer in advance of the meeting.**

# Declarations and Participation in Meetings

## 1 DISCLOSABLE PECUNIARY INTERESTS (DPIs)

- 1.1 Where a matter arises at a meeting which **directly relates** to one of your Disclosable Pecuniary Interests which include both the interests of yourself and your partner then:
- a) you must disclose the interest;
  - b) not participate in any discussion or vote on the matter; and
  - c) must not remain in the room unless you have been granted a Dispensation.

## 2 OTHER REGISTERABLE INTERESTS (ORIs)

- 2.1 Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registerable Interests i.e. relating to a body you may be involved in:
- a) you must disclose the interest
  - b) may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter; and
  - c) must not remain in the room unless you have been granted a Dispensation.

## 3 NON-REGISTRABLE INTERESTS (NRIs)

- 3.1 Where a matter arises at a meeting, which is not registrable but may become relevant when a particular item arises i.e. interests which relate to you and /or other people you are connected with (e.g. friends, relative or close associates) then:
- a) you must disclose the interest;
  - b) may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter; and
  - c) must not remain in the room unless you have been granted a Dispensation.

## 4 BIAS

- 4.1 Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias. If you have been involved in an issue in such a manner or to such an extent that the public are likely to perceive you to be biased in your judgement of the public interest (bias):
- a) you should not take part in the decision-making process
  - b) you should state that your position in this matter prohibits you from taking part
  - c) you should leave the room.

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**In each case above, you should make your declaration at the beginning of the meeting or as soon as you become aware. In any other circumstances, where Members require further advice they should contact the Monitoring Officer or Deputy Monitoring Officer in advance of the meeting.**



Helping people | Shaping places



## Cabinet

13 September 2023

### Housing Revenue Account Budget Monitoring - 1 April 2023 to 30 June 2023

<b>Report Author:</b>	<b>Carol King</b> , Senior Technical Accountant 01664 502446 CKing@melton.gov.uk
<b>Chief Officer Responsible:</b>	<b>Dawn Garton</b> , Director of Corporate Services 01664 502444 dgarton@melton.gov.uk <b>Michelle Howard</b> , Director for Housing and Communities (Deputy Chief Executive) 01664 504322 mhoward@melton.gov.uk
<b>Lead Member/Relevant Portfolio Holder</b>	<b>Councillor Sarah Cox</b> - Portfolio Holder for Corporate Finance, Property and Resources <b>Councillor Pip Allnatt</b> - Leader of the Council, Portfolio Holder for Housing and Landlord Services

<b>Corporate Priority:</b>	Providing high quality council homes and landlord services Ensuring the right conditions to support delivery (inward)
<b>Relevant Ward Member(s):</b>	N/A
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No
<b>Key Decision:</b>	No
<b>Subject to call-in:</b>	No Not key decision

# 1 Summary

- 1.1 This report seeks to provide information on actual expenditure and income incurred on the Housing Revenue Account (HRA), compared to the latest approved budget for the period 1 April 2023 to 30 June 2023 for revenue and capital budgets.
- 1.2 As at 30 June 2023, budget holders are projecting a forecast revenue underspend for the HRA of £261k, of which £170k is in regard to investment income which is below the net cost of services level, and which will result in a reduced contribution from the Regeneration & Development Reserve in order to increase the approved working balance to £1m.
- 1.3 With regard to capital spend budget holders are projecting a forecast underspend of £302k by the end of the financial year, against a budget of £4.904m.
- 1.4 In addition to formal quarterly reporting to Cabinet, the budget position is reported monthly to the Senior Leadership Team. This is to ensure that any early warnings that highlight pressures can be collectively understood and action taken.

# 2 Recommendations

## That Cabinet:

- 2.1 **Notes the financial position on the HRA at 30 June 2023 and the year-end forecast for both revenue and capital.**
- 2.2 **Approves the increase to the overall value of the HRA capital programme to include £118k for the estimated expenditure on 3 fire damaged properties to be funded from insurance and a virement from another capital programme item.**

# 3 Reason for Recommendations

- 3.1 The Council, having set an agreed budget at the start of the financial year, needs to ensure that the delivery of the budget is achieved. Consequently there is a requirement to regularly monitor progress so that corrective action can be taken when required, which is enhanced with the regular reporting of the financial position.
- 3.2 During this and the previous year the housing stock has been affected by a number of fires in its properties, which require capital works to remedy. The works to the properties are covered by insurance, less a £5k excess per property claim. The increase of £118k will be covered by the insurers to the value of £109k.

# 4 Background

- 4.1 The HRA is a high risk service account which is monitored regularly by the budget holders and the service accountant. The service and financial performance are then reported to the Senior Leadership Team.

# 5 Main Considerations

- 5.1 **Overall Revenue Position at 30 June 2023**
- 5.2 A summary of income and expenditure for the HRA is attached at appendix A, and is split into controllable and internal support income and expenditure and depreciation costs.

5.3 A summary of the total income and expenditure of the HRA compared to the approved budget at 30 June is as follows:

2023-24

	Approved Budget £	Estimated Year End Position £	Variance £
Expenditure	8,807,910	8,676,910	-131,000
Income	-8,975,050	-8,935,050	40,000
<b>Net Cost of Services</b>	<b>-167,140</b>	<b>-258,140</b>	<b>-91,000</b>

5.4 The following paragraphs outline the reasons for the current potential year end underspend and the action currently being taken by officers to ensure that value for money, efficiency and effectiveness are at the forefront of the service provision.

5.5 **Budget Variance Exception Reporting +/- £10k**

5.6 As part of the budget monitoring process variances are being promptly and proactively managed, facilitating more detailed reporting. Details of the more significant year end controllable variances +/- £10k (as shown in appendix A) are set out below:

5.6.1 Expenditure

General Management 22k overspend:

Anticipated underspends of employee costs (£17k) due to a vacant post not being recruited and the budgeted pay-award yet to be applied as well as court costs (£6k) underspend due to the continuation of the back-log on income recovery and court proceedings, is being off-set by the expected council tax empty rate (£28k) due to the longer term vacant properties.

The fire insurance renewal to the HRA has increased by 32% on 2022-23 levels, due to the high level of fires in our properties, this equates to an estimated overspend of £17k.

Repairs & Maintenance £153k underspend:

£10k employee costs – career graded posts currently showing as lower than budgeted as staff work towards their higher grade, a vacant post saving is expected to fund staffing pressures elsewhere in the service.

£143k Professional fees underspend due to the costs relating to the specific stock condition surveys being lower than budgeted.

The Northgate system which holds much of the repairs & maintenance commitment information is double counting the commitments made where replacement orders have been generated. The team is looking at the extent of the duplication and putting in place resources to clear them. Procedures will be enacted to ensure no repeat occurs. It is expected that more robust information will be available to be reported in the April to September monitoring report.

Income £40k shortfall:

£40k rent income – this includes an extrapolation of the reduced rent to quarter 1 but allows for a continued focus on bringing these properties back into use by the use of pre-termination inspections. The delayed capital purchases of 8 affordable rented properties

is causing the shortfall on the affordable housing rental income, these are expected to complete once the outstanding legal issues are concluded.

In addition, a 10 point action plan has been developed to have a significant impact on the level of rent arrears which the council is currently carrying. This includes both additional staffing resources and improved operating procedures. Currently the council's rent arrears (including FTA's) stands at 11.8% which, while the upward trend is consistent with other providers, places the council's performance in the lower quartile nationally, which is a concern and needs to be addressed both for its impact on the HRA and to ensure the council is in the best possible position as it prepares for regulatory inspection. Hence the need for the above intervention.

## 5.7 **Forecast Position**

The figures as shown in appendix A as at the end of June 2023 indicate a year to date underspend of £237k which is due to budget profiling and the uneven payment of invoices. However, as above the current forecast position, at net cost of services level, for the year end is a potential projected underspend of £91k.

Interest rates have increased since the budgets were set with investments achieving higher returns. The latest forecast to date will add an additional £170k of interest received on HRA balances in the year. This is in addition to the £91k underspend noted above resulting in an overall potential projected underspend of £261k.

## 5.8 **Overall Capital Position at 30 June 2023**

5.9 The capital programme summary is attached at appendix B and shows the latest spend forecast of £4.530m against a £4.904m budget. This would result in an underspend of £374k.

The larger variances are summarised below:

<b>Project</b>	<b>Total Budget £'000</b>	<b>Actual April 2023 To June 2023 £'000</b>	<b>Year End Forecast £'000</b>	<b>Variance (-) = Underspend £'000</b>	<b>Reason</b>
Affordable Housing (Use of RTB Monies)	1,718	-49	1,298	(420)	Revised purchase price for 8 affordable rent properties £1,347,320. includes fees, 5% contingency and 5k admin fee. The hold is due to the unilateral undertaking for all the properties on the development and problems with procuring the energy efficient insulated panels. Opportunities to purchase further properties will be pursued in order to ensure the required RTB receipts are spent in time which may mean either a carry forward into next year for this scheme and/or later years budgets moving forward into 2023-24 if new purchases over-lap. Variance assumes initial scheme only completes in year.
3 x Fire damaged properties	0	46	118	118	Works to fire damaged properties, not budgeted for, will be funded in part by insurance arrangements, the remainder to be covered from a virement form another capital programme item.

## 6 Options Considered

6.1 No other options considered. If the report were not provided Councillors would not be aware of on-going developments and therefore would not be able to represent their residents effectively.

## 7 Consultation

7.1 The service accountant and budget holders discussed the financial performance of the HRA at the budget monitoring meetings held on 4 July.

7.2 The report has also been reviewed with the Portfolio Holder for Corporate Governance, Finance and Resources and the Portfolio Holder Housing and Communities.

## 8 Next Steps – Implementation and Communication

8.1 Any additional spend against this budget will be in line with the approved business plan and the annually reviewed Asset Management Plan.

## 9 Financial Implications

9.1 All financial implications have been addressed in sections 4 and 5 above.

## **10 Legal and Governance Implications**

- 10.1 The Council is required by s74 of the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA), which records all revenue expenditure and income relating to the provision of council dwellings and related services. In formulating its proposals using best estimates and assumptions, the Authority must set a balanced account. In its role as landlord, the Council has statutory and contractual obligations to maintain the structure of, and installations in, its housing stock. The HRA Budget will assist the council in fulfilling those obligations.

**Legal Implications reviewed by: Monitoring Officer**

## **11 Equality and Safeguarding Implications**

- 11.1 Equalities and Safeguarding issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report.

## **12 Data Protection Implications (Mandatory)**

- 12.1 A Data Protection Impact Assessments (DPIA) has not been completed for the following reasons because there are no risks/issues to the rights and freedoms of natural persons.

## **13 Community Safety Implications**

- 13.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

## **14 Environmental and Climate Change Implications**

- 14.1 No implications have been identified.

## **15 Other Implications (where significant)**

- 15.1 No other implications have been identified.

## **16 Risk & Mitigation**

<b>Risk No</b>	<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk</b>
1	Repairs to overspend against budget in this and future years, due to low spend in previous years	Significant	Critical	Medium Risk
2	Higher levels of rent arrears and reduced collection performance	High	Critical	High Risk
3	Budgets are insufficient including costs associated with delivering improvements on continuing health & safety compliance risks	Very Low	Critical	Medium Risk
4	Increasing Right to Buy sales over those budgeted for cause reductions to rent income streams	Low	Marginal	Medium Risk
5	Ability to completely cleanse repairs commitments from Northgate housing	High	Critical	High Risk



	system and accurately show spend against budgets			
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		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High			2,5	
	4 Significant			1	
	3 Low		4		
	2 Very Low			3	
	1 Almost impossible				

Risk No	Mitigation
1	The HRA Asset Management Plan aims to focus spend on planned investment in key areas of high spend on revenue repairs. For example, targeted and planned investment to address damp and mould in properties will reduce the strain on the revenue repair budgets.
2	A sharp focus on income recovery, and implementing the income policy, procedure and ten point action plan, plus dedicated resources will significantly improve performance. It is important to note that there was no dedicated resource managing income for over two years, and whilst good results can be achieved with relatively new debts, the high level of older debts which the HRA holds will prove challenging.
3	The key areas of health and safety compliance have now been procured and budgets are set based on the tendered rates.
4	We now budget for a more realistic level of RTB sales per year and this will continue to be monitored and updated if required.
5	The team is looking at the extent of the duplication and putting in place resources to clear them. Procedures will be enacted to ensure no repeat occurs

## 17 Background Papers

17.1 None

## 18 Appendices

18.1 Appendix A – HRA Summary of Income & Expenditure



**HOUSING REVENUE ACCOUNT**  
**SUMMARY OF EXPENDITURE & INCOME**

**APRIL TO JUNE 2023**

	Original Budget	Approved Budget @ Jun 23	April - June Budget	Total Year to date Net (Income) / Expenditure	Variance Underspend(-) Apr-Jun	Year End Forecast	Year End Variance Underspend(-)
	£	£	£	£	£	£	£
<b>Expenditure</b>							
1 General Management	883,960	985,460	261,526	202,396	-59,130	1,007,460	22,000
2 Special Services	853,090	945,960	197,494	199,315	1,821	945,960	0
3 Repairs & Maintenance	3,466,270	3,618,190	840,408	662,338	-178,070	3,465,190	-153,000
4 Bad & Doubtful Debts	100,000	100,000	0	0	0	100,000	0
<b>5 Total Controllable Expenditure</b>	<b>5,303,320</b>	<b>5,649,610</b>	<b>1,299,428</b>	<b>1,064,049</b>	<b>-235,379</b>	<b>5,518,610</b>	<b>-131,000</b>
<b>6 Controllable Income (-)</b>	<b>-8,795,050</b>	<b>-8,795,050</b>	<b>-2,220,342</b>	<b>-2,222,263</b>	<b>-1,921</b>	<b>-8,755,050</b>	<b>40,000</b>
<b>7 Net Controllable Cost of Services</b>	<b>-3,491,730</b>	<b>-3,145,440</b>	<b>-920,914</b>	<b>-1,158,214</b>	<b>-237,300</b>	<b>-3,236,440</b>	<b>-91,000</b>
8 Internal Support Expenditure	1,502,640	1,502,640	0	0	0	1,502,640	0
9 Depreciation	1,655,660	1,655,660	0	0	0	1,655,660	0
10 Internal Support Income	-180,000	-180,000	0	0	0	-180,000	0
<b>11 Net Cost of Services</b>	<b>-513,430</b>	<b>-167,140</b>	<b>-920,914</b>	<b>-1,158,214</b>	<b>-237,300</b>	<b>-258,140</b>	<b>-91,000</b>
10 Loan Charges - Interest	1,169,960	1,169,960	130,646	130,750	104	1,169,960	0
11 Investment Income	-246,000	-246,000	0	0	0	-416,000	-170,000
<b>12 Net Operating Expenditure</b>	<b>410,530</b>	<b>756,820</b>	<b>-790,268</b>	<b>-1,027,464</b>	<b>-237,196</b>	<b>495,820</b>	<b>-261,000</b>
13 Contribution to Capital	112,090	112,090	0	0	0	112,090	0
14 Contribution to/from(-) Reserves	-772,620	-1,118,910	0	0	0	-857,910	261,000
<b>15 Surplus (-) / Deficit</b>	<b>-£250,000</b>	<b>-£250,000</b>	<b>-£790,268</b>	<b>-£1,027,464</b>	<b>-£237,196</b>	<b>-£250,000</b>	<b>£0</b>

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## CAPITAL PROGRAMME SUMMARY HRA 2023-24

	Approved Budget 23-24 (£'000)	Actual April to June 23 (£'000)	Year End Forecast (£'000)	Variance (-) = Underspend (£'000)	Comment
<b>HRA</b>					
Lifeline - Analogue To Digital	18	0	18	0	A review is currently underway to determine the requirements.
Aids & Adaptations	350	81	350	0	Demand led budget, expect fully spend
Replacement Kitchens And Bathrooms	25	18	25	0	This is to complete the 22/23 programme
Replacement Kitchens	688	139	688	0	Number of kitchens required have been identified and work is progressing as planned
Replacement Bathrooms	101	29	101	0	Number of bathrooms required have been identified and work is progressing as planned
Install Central Heating	52	5	52	0	This is to complete the 22/23 programme
Replace Exterior Windows & Doors	254	35	254	0	Programmed works are in progress, expect fully spend
Rewire Council Properties	146	0	146	0	Works have been identified, plan to spend fully
Capitalisation Of Housing Inspector	180	0	180	0	Dependant upon actual employee time. Final calculation undertaken at year end
Fire Safety Works	360	18	360	0	Passive fire protection work in flats, expect to spend fully
Affordable Housing- New Build	1718	-49	1298	(420)	Revised purchase price for 8 affordable rent properties £1,347,320. includes fees, 5% contingency and 5k admin fee. The hold is due to the unilateral undertaking for all the properties on the development and problems with procuring the energy efficient insulated panels. Opportunities to purchase further properties will be pursued in order to ensure the required RTB receipts are spent in time which may mean either a carry forward into next year for this scheme and/or later years budgets moving forward into 2023-24 if new purchases over-lap. Variance assumes initial scheme only completes in year.
Gretton Court	408	16	408	0	This project is subject to tenants agreeing to the works, underspend in year will be carried forward. Contractors on site to do bathroom upgrades.
Boiler Replacements	224	34	224	0	Expect to fully spend by the end of financial year
Void Properties	112	15	112	0	Demand led. Longer term voids, expect to be fully spent in year
Scooter Pods	33	28	33	0	Project is now complete.
Fire Damage - Drummond Walk	35	0	35	0	Works remain on-going
Fire Damage - 17 Bentley Street	0	34	34	34	Works are now complete, excepting £5k excess, will be funded by insurance
Fire Damage- Burgins Lane	0	8	80	80	Potential for works to continue into next financial year. Full costs estimated at circa 80k, excepting £5k excess, will be funded by insurance.
Fire Damage -19 Burnaby Place	0	4	4	4	Works are now complete
Fire alarm systems upgrade	200	20	200	0	Works are underway, estimate to spend in line with budget
<b>HOUSING REVENUE ACCOUNT TOTAL</b>	<b>4,904</b>	<b>435</b>	<b>4,602</b>	<b>-302</b>	

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## Cabinet

13 September 2023

### General Fund and Special Expenses – Budget Monitoring 1 April 2023 to 30 June 2023

<b>Report Author:</b>	<b>Natasha Allsopp</b> , Senior Management Accountant 01664 502393 NAllsopp@melton.gov.uk
<b>Chief Officer Responsible:</b>	<b>Dawn Garton</b> , Director for Corporate Services 01664 502444 DGarton@melton.gov.uk
<b>Lead Member/Relevant Portfolio Holder</b>	<b>Councillor Sarah Cox</b> , Portfolio Holder for Corporate Finance and Resources

<b>Corporate Priority:</b>	Ensuring the right conditions to support delivery (inward)
<b>Relevant Ward Member(s):</b>	All
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No
<b>Key Decision:</b>	No
<b>Subject to call-in:</b>	No Not key decision

#### 1 Summary

- 1.1 As part of the Council’s budget monitoring procedures all budget holders are asked on a quarterly basis to provide details of service and financial performance.
- 1.2 As at 30 June budget holders are forecasting the following position against their 2023/24 revenue budgets:

General Fund	£15k	Underspend
Special Expenses Melton Mowbray	£5k	Overspend

On the general fund there is a gross £358k overspend for 2023/24 forecast across all services. This overspend is offset by non-specific grant income received in year and higher investment income predicted based on increased interest rates.

- 1.3 In relation to capital budgets, budget holders are projecting an overspend of £18k against the latest approved programme.
- 1.4 In addition to formal quarterly reporting to Cabinet, the revenue budget position is reported monthly to the Senior Leadership Team. This is to ensure any early warnings that highlight pressures can be collectively resolved.

## 2 Recommendations:

### That Cabinet:

- 2.1 **Notes the year end forecast and financial position for the General Fund and Special Expenses at 30 June 2023 for both revenue and capital.**
- 2.2 **Approves the increase to the General Fund IT capital programme by £47k for the estimated increased expenditure on projects, and the additional need to draw from the IT repairs and renewals fund**

## 3 Reason for Recommendations

- 3.1 The Council, having set an agreed budget at the start of the financial year, needs to ensure that the delivery of this budget is achieved. Consequently, there is a requirement to regularly monitor progress so that corrective action can be taken when required, which is enhanced with the regular reporting of the financial position.
- 3.2 Following the in-sourcing of ICT services, the increase in costs around firewall implementation and security concerns over authenticator apps, the IT capital programme needs increasing. The financing can be covered by the IT repairs and renewals fund.

## 4 Background

### 4.1 Overall Position at 30 June 2023:

A summary of the total income and expenditure for the General Fund and Special Expenses revenue budget compared to the approved budget at 30<sup>th</sup> June 2023 is as follows:



## SUMMARY OF INCOME AND EXPENDITURE APRIL TO JUNE 2023

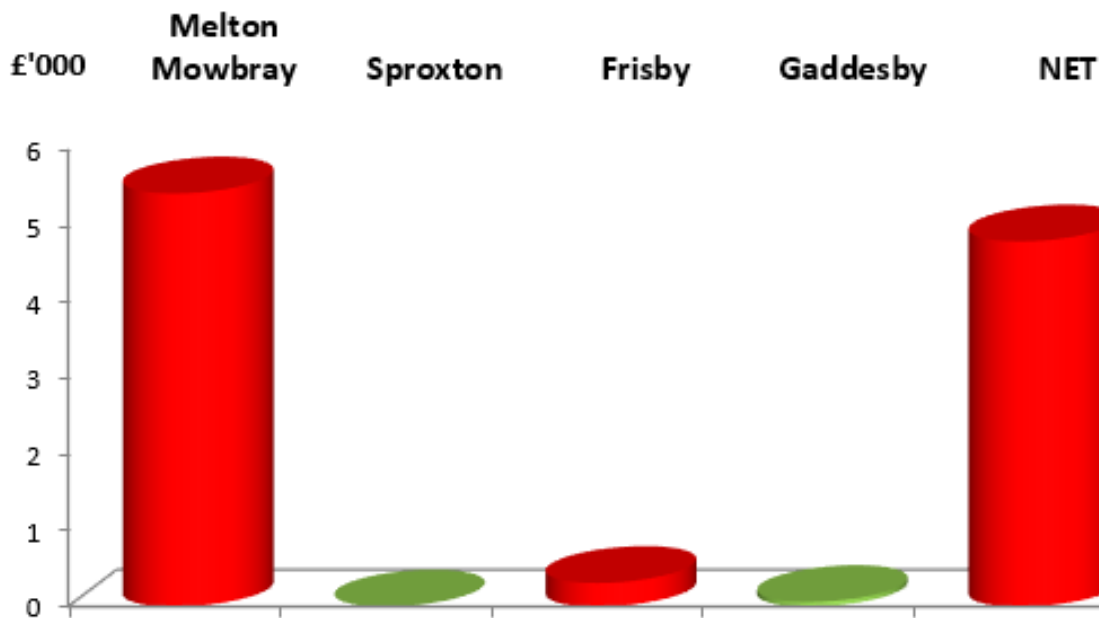
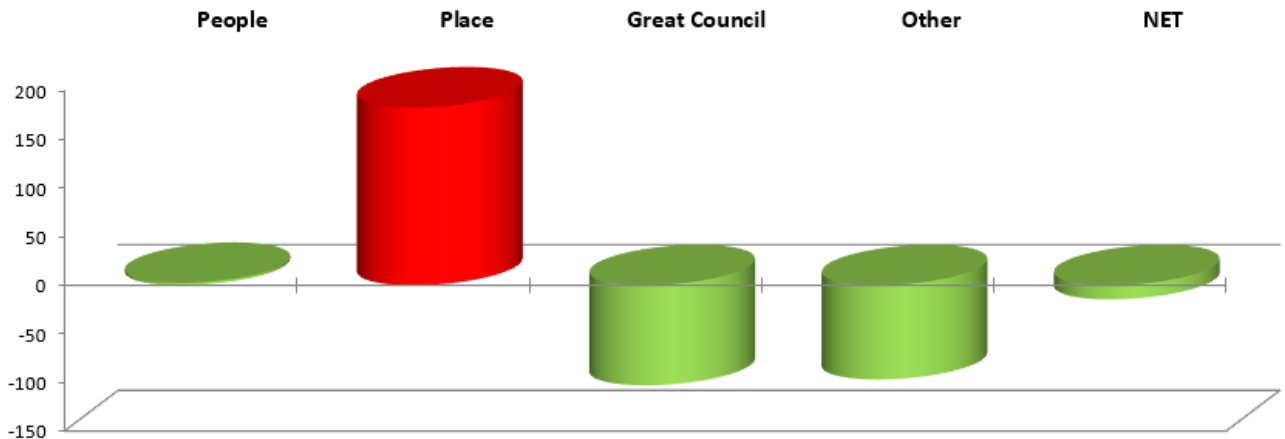
	Approved Budget at June '23 £'000	Year End Forecast £'000	Year End Variance* £'000
<b>GENERAL FUND</b>			
<b>Portfolio:</b>			
People	2,490	2,492	2
Place	5,301	5,484	183
Great Council	278	175	(103)
Pay Award	0	60	60
<b>Total Service Cost - All Portfolios</b>	<b>8,069</b>	<b>8,211</b>	<b>142</b>
Other Expenses	(3,222)	(3,379)	(157)
<b>Net Expenditure Requiring Funding</b>	<b>4,847</b>	<b>4,832</b>	<b>(15)</b>
<b>Funded by:</b>			
Ctax, NNDR, NHB and General Grants	(4,246)	(4,246)	0
Corporate Reserves**	(751)	(751)	0
<b>NET UNDER/OVERSPENDING*</b>	<b>(150)</b>	<b>(165)</b>	<b>(15)</b>
<b>SPECIAL EXPENSES</b>			
Melton Mowbray	718	723	5
Sproxton	6	6	0
Gaddesby	7	7	0
Frisby	6	6	0
<b>Total Service Costs - Special Expenses</b>	<b>737</b>	<b>742</b>	<b>5</b>
<b>Other Expenses</b>			
Interest and Investment Income	(2)	(2)	0
Depreciation Reversal	(97)	(97)	0
Other Expenses	(99)	(99)	0
<b>Net Expenditure Requiring Funding</b>	<b>638</b>	<b>643</b>	<b>5</b>
<b>Funded by:</b>			
Council Tax	(522)	(522)	0
Carry forwards	(20)	(20)	0
Reserves**	(96)	(96)	0
<b>Total Funding</b>	<b>(638)</b>	<b>(638)</b>	<b>0</b>
<b>NET UNDER/OVERSPENDING*</b>	<b>0</b>	<b>5</b>	<b>5</b>

\* Underspending (-), Overspending (+)

\*\* Use of Reserves (-) Contribution to Reserves (+)

## Over/Under Spending by Category

£'000



### 5 Main Considerations

- 5.1 There are a number of reasons for the estimated forecast overspend of £358k on general expenses (before taking into account the non-specific grant income received and higher investment income predicted), as outlined in paragraph 4.3 below. Assuming full use of these funding resources, the forecast is a potential underspend of £15k.
- 5.2 This demonstrates the challenges facing the budget with overspends, some of which will impact on later financial years, having to be met from largely non-recurring grant and investment income.
- 5.3 The main variances within the figures above are as follows:

#### People Portfolio:

- Waterfield Leisure Centre – Potential Shortfall of up to £150k in operator management fee still subject to negotiation.

- Case Management (£23k), Customer Services (£21k) and Community Safety (£24K) – There are savings from part-year vacancies, recruitment at a lower spinal point, change in hours and appointment of an apprentice.
- Rent Rebates and Rent Allowances – Shortfall of £23k expected in overpayment recovery. Also slight variance expected in subsidy actuals however this will be refined further as part of the mid-year subsidy return.

#### **Place Portfolio:**

- Building Control £14k – Increase in partnership costs due to lack of applications and therefore loss of income. The general economic outlook and interest rate rises are having a detrimental effect on building improvements and new builds.
- Cattle Market (£13k) – latest throughput information from operator is showing income is up which is mainly related to animal auctions.
- Development Control £147k - Indication that income will be below the expected budget by £110k based on applications received to date. Potential value could be up to £260k however the forecast has been reduced to reflect the potential for some larger applications which are dependant upon the progress of the MMDR. Additional £29k fee claimed by LCC re bio-diversity demands and a further £8k for temporary employment to cover vacancies.
- Land Charges £16k – Shortfall in income predicted. Interest rates for mortgages are thought to be discouraging house purchases.
- Environmental Maintenance £12k – Tree surveys have identified works required. Cost is an estimate.
- Parkside (£25k) – Additional rental income is expected from temporary use of office space.

#### **Great Council Portfolio:**

- Corporate and Democratic Core (£11k) – There has been a change in the split of Special Responsibility Allowances (SRA's) following the elections. Some Members are now taking on more than one role however only one SRA is paid per Member. There is also one less portfolio holder and the Cabinet support Member has not been appointed.

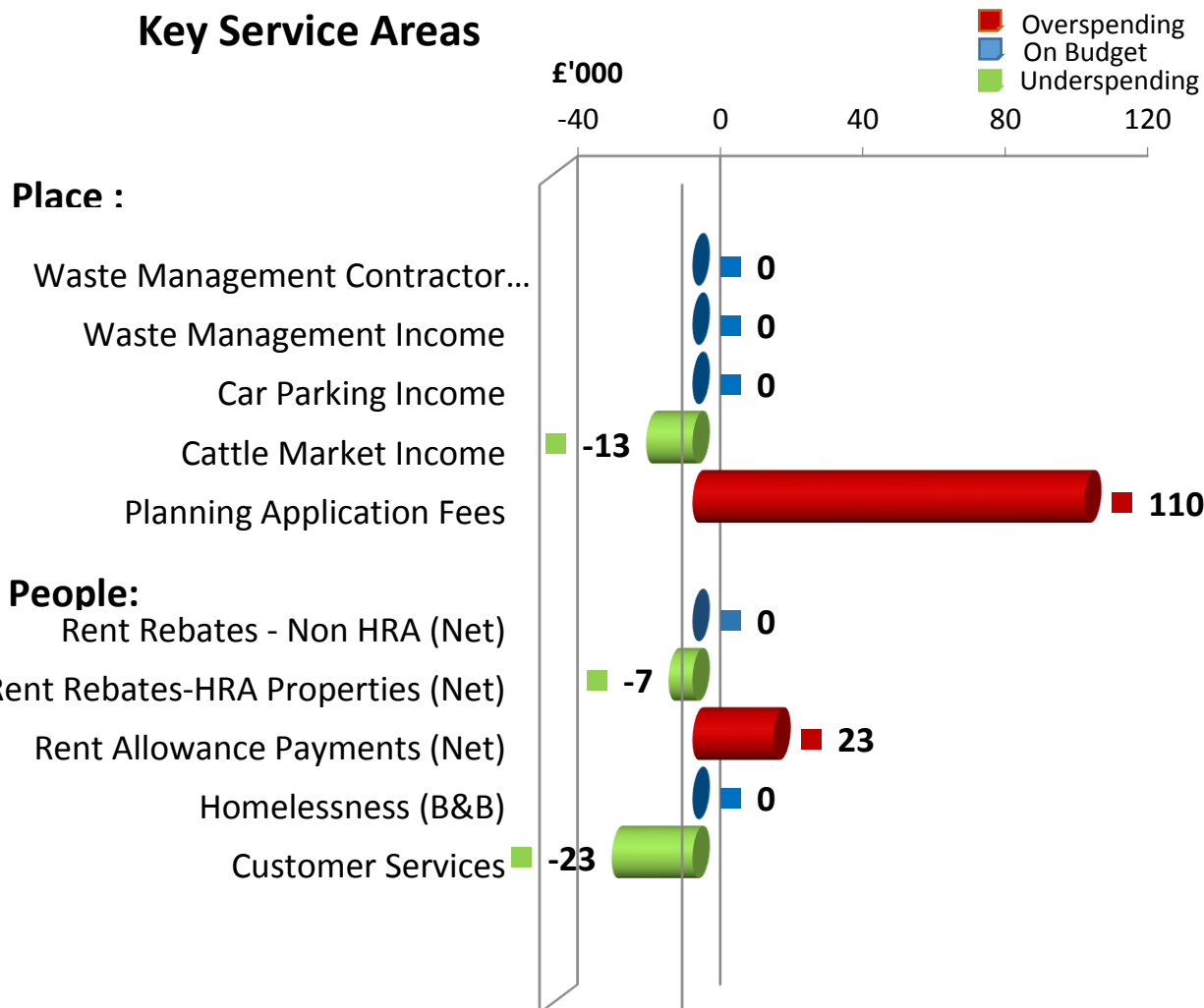
#### **Other:**

- Pay award – the budget includes an allowance for a 4% pay increase. Initial correspondence suggest £1,925 will be added to each spinal point for those earning up to £49,950, and a 3.88% increase for higher earners, leading to an estimated £60k overspend. The pay award is still under negotiation. This risk was considered by Members when the budget was set.
- Interest Income (£157k) – Increase in interest rates against those budgeted for linked to the rise in base rate.
- Grant Funding (£216k) – various grants received have been offered up towards corporate pressures. This includes Homes for Ukraine £18k, Asylum grant £97k and revenues and benefits new burdens funding £101k. there is the risk that some of this funding may be required to meet the requirements of the grants.

## **5.4 Key Service Areas**

The Key Service Areas report as at the end of June 2023 for all services is attached at Appendix A. This report is presented to the Senior Leadership Team on a regular basis and highlights high risk budgets that were identified as part of the Council's budget

protocols. These budgets are reviewed with budget holders monthly. Those budgets which are more complex in nature are supported by more detailed analysis of the service usage that drives the financial position. The Key Service Areas are summarised below:



## 5.5 Special Expenses

The predicted year end position for Special Expenses Melton Mowbray is an overspend of £5k due to a public liability insurance claim.

There is also expected to be an overspend on the closed churchyard at Frisby due to repair and maintenance requirements for the boundary walls however this can not yet be quantified.

## 5.6 Overall Capital Position at 30 June 2023

The capital programme is attached at Appendix B and the latest spend is forecast to be an overspend of £18k against a budget of £15.815m.

	Total Budget 23-24 (£'000)	Actual April to Jun 23 (£'000)	Year End Forecast (£'000)	Variance (-) = Underspend (£'000)
Great Council	154	(13)	182	28
People	15	14	15	0
Place	15,646	151	15,636	(10)
Total General Expenses	15,815	152	15,833	18

The key areas to note are:

### Great Council

ICT capital programme needs to be increased. A further £28k is required to cover all works required for the Network Access Controller (NAC), Privilege Access Management (PAM) and User Authentication works, part of which are audit requirements. The increased costs are as a result of firewall implementation costs increasing and also security concerns over authenticator apps meaning all users will require an NFC token whereas original budget assumed non-corporate mobile phone users only.

Following the in-sourcing of ICT services, one off investment works are required to support the implementation at a cost of circa £19k. This is not currently in the capital programme and therefore not shown in the table above.

### Place

Cattle market farmers market works identified as part of previous condition surveys are no longer required and can be removed from the capital programme at budget setting (£13k).

## 6 Options Considered

- 6.1 No other options considered. If the report were not provided Councillors would not be aware of on-going developments and therefore would not be able to represent their residents effectively.

## 7 Consultation

- 7.1 The service accountant and budget holders discussed the financial performance of the services at the budget monitoring meetings during July.
- 7.2 The report has also been reviewed with the Portfolio Holder Corporate Governance, Finance and Resources.

## 8 Next Steps – Implementation and Communication

- 8.1 The Council's budget position will continue to be monitored at future Strategic Leadership Team meetings and further reports will be presented to Cabinet each quarter.

## 9 Financial Implications

- 9.1 This is the Quarter 1 budget monitoring report that provides information on the forecast outturn for the Council for 2023-24. The Council has robust methods for reporting and

forecasting budgets in place and alongside formal quarterly reporting to Cabinet, the financial position is reported regularly at the Strategic Leadership Team (SLT). In the event of any early warning highlighting pressures and potential overspends, the SLT take collective responsibility to identify solutions to resolve these to ensure a balanced budget can be reported at the end of the year.

- 9.2 Officers are closely monitoring the financial position on a monthly basis. The latest review as at the end of July for period 4 indicated a slightly increased underspend of £17.5k now being forecast.
- 9.3 The various overspends such as increased pay costs, biodiversity costs and loss of Waterfield management fee are on-going cost pressures not factored into the current MTFS. Planning fees would also need to recover substantially to not cause a further loss in later years. The grant funding of circa £200k is non-recurring and the interest rates are unlikely to remain at these heightened levels. Therefore these ongoing cost pressures will not be able to be met in future years without further recurring savings being identified.
- 9.4 In recognition of the pressures in the current and future years the Senior Leadership team are looking at areas where in year savings can be made as well as pulling together a longer term financial sustainability plan. Should the situation not be mitigated sufficiently by this action then more directive action will be considered.
- 9.5 As outlined above the current position are based on forecasts and whilst officers have based their forecast predictions based on best available information there could be further changes later in the year.

**Financial Implications reviewed by: Director for Corporate Services**

## **10 Legal and Governance Implications**

- 10.1 The report concerns the duty of the Council to avoid a budget shortfall. The Chief Finance Officer has a personal duty under the Local Government Finance Act 1988 Section 114A to make a report to the executive if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources available to it to meet that expenditure.

**Legal Implications reviewed by: Alison McKane, Monitoring Officer**

## **11 Equality and Safeguarding Implications**

- 11.1 Equalities and Safeguarding issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report.

## **12 Data Protection Implications (Mandatory)**

A Data Protection Impact Assessments (DPIA) has not been completed as there are no risks/issues to the rights and freedoms of natural persons.

## **13 Community Safety Implications**

- 13.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

## **14 Environmental and Climate Change Implications**

- 14.1 No implications have been identified.

## 15 Other Implications (where significant)

15.1 No other implications have been identified

## 16 Risk & Mitigation

16.1 These are assessed as part of the Corporate Services Risk Register

Risk No	Risk Description	Likelihood	Impact	Risk
1	Failure to secure financial stability in the medium term	Very High	Catastrophic	High Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				1
	5 High				
	4 Significant				
	3 Low				
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	Senior Leadership/Directorate Teams reviewing the financial position. Availability of General Fund Balances.

## 17 Background Papers

17.1 2023/24 Budget Report

## 18 Appendices

18.1 Appendix A – Key Service Areas

18.2 Appendix B – Capital Programme Summary





BUDGET MONITORING- KEY SERVICE AREAS 2023-24

1 APRIL 2023 - 30 JULY 2023

General Expenses

- ☺ - In line with budget
- ☺☺ - Underspent
- ☹ - Overspent
- ☹☹ - Overspending has increased

Main Code	Service Area	Latest Approved Budget	Budget to Period 4	Adjusted Actual to Period 4	Variance		Projected Full Year Variance ( ) = Favourable	Rating	Comments	Priority
					Adverse	Favourable				
		£	£	£	£	£	£			
<b>EXPENDITURE</b>										
G1480	Waste Management Contractor Costs	1,973,850	657,950	640,712	-	17,240	-	☺	Current indexation is negative due to reduction in fuel index. If it stays negative the contract cost should go down. YTD variance is due to new properties, they get invoiced separately at the end of the year, and variation order invoice is late for the month.	Place
G1700	Rent Rebates - Non HRA (Net)	10	3	0	-	-	-	☺		People
G1710	Rent Rebates-HRA Properties (Net)	(48,240)	(16,080)	(148,072)	-	131,990	(6,710)	☺☺	Subsidy is currently 99.3% compared to budget of 98.93%. It is not unusual for this % to fluctuate throughout the year due to the nature of the service. In addition, there is a shortfall of overpayment recovery £5.5k based on 1st quarter actuals. YTD variance is due to timing of subsidy payments and receipts which balance out at year end.	People
G1720	Rent Allowance Payments (Net)	(58,800)	(19,600)	180,554	200,150	-	22,700	☹	Subsidy forecast is set at budget of 98.86%. It is not unusual for this % to fluctuate throughout the year due to the nature of the service (£7.7k). In addition, there is a shortfall of overpayment recovery £15k based on 1st quarter actuals. YTD variance is due to timing of subsidy payments and receipts which balance out at year end.	People
G1770	Homelessness (B&B)	154,450	51,483	(99,922)	-	151,410	0	☺	In line with budget YTD variance due to Homelessness grant received at the beginning of the year	People
G3620	Customer Services	521,701	173,900	204,169	30,270	-	(22,680)		Multiple staff savings. YTD variance due to annual software invoice paid at the start of the year	People
<b>Total Expenditure</b>		<b>2,542,971</b>	<b>847,657</b>	<b>777,441</b>	<b>230,420</b>	<b>300,640</b>	<b>(6,690)</b>			

BUDGET MONITORING- KEY SERVICE AREAS 2023-24

1 APRIL 2023 - 30 JULY 2023

General Expenses

- 😊 - In line with budget
- 😊😊 - Underspent
- 😞 - Overspent
- 😞😞 - Overspending has increased

Main Code	Service Area	Latest Approved Budget	Budget to Period 4	Adjusted Actual to Period 4	Variance		Projected Full Year Variance ( ) = Favourable	Rating	Comments	Priority
					Adverse	Favourable				
		£	£	£	£	£	£			
<b>INCOME</b>										
G1480	Waste Management Income	(397,850)	(132,617)	(112,001)	20,620	-	-	😊	Income is in line with the budget, YTD variance is due to some of the income being invoiced at the end of the quarter	Place
G1310	Car Parking Income	(658,000)	(219,333)	(146,212)	73,120	-	-	😊	Current parking income levels are in line with the budget. YTD variance is due to timing difference against profiled budget.	Place
G1320	Cattle Market Income	(245,930)	(81,977)	(58,368)	23,610	-	(13,000)	😊😊	More income has been received in relation to animal auctions against that budgeted for across the first quarter. YTD variance is due to only receiving the fixed monthly fee amount with an adjustment at the year end.	Place
G1510	Planning Application Fees	(620,000)	(206,667)	(107,323)	99,340	-	110,000	😞	The income is way below the target. It is estimated that it could be £260k below the budget target at the year end using the extrapolation method, however there are three potential larger applications which may come in but these are dependant upon the MMDR.	Place
<b>Total Income</b>		<b>(1,921,780)</b>	<b>(640,593)</b>	<b>(423,904)</b>	<b>216,690</b>	<b>0</b>	<b>97,000</b>			
<b>Net Position</b>		<b>4,464,751</b>	<b>1,488,250</b>	<b>1,201,345</b>	<b>447,110</b>	<b>300,640</b>	<b>90,310</b>			

**GENERAL EXPENSES**

**CAPITAL PROGRAMME SUMMARY 2023-24**

	Original Budget 23-24 (£'000)	Carry forward	in year virements	Revised Budget 23-24 (£'000)	Actual April to July 23 (£'000)	Year End Forecast (£'000)	Variance (-) = Underspend (£'000)	Comment
<b>GREAT COUNCIL</b>								
Network Access Controller	0	14	0	14	0	22		Due to increase costs on Firewall implementation, there is insufficient capital to cover NAC and PAM from original Capital estimates. Audit requirement - request 8 to fund from R&R.
Privilege Access Management	0	10	0	10	0	24		Due to increase costs on Firewall implementation, there is insufficient capital to cover NAC and PAM from original Capital estimates. Request to fund from R&R. Potential to be in 2024-25.
Network Switches	0	14	0	14	0	14		This work has been carried from prior year, it is expected the scheme will be 0 delivered this financial year and within budget
WAN Improvement and Active Data	0	17	0	17	0	17		This work has been carried from prior year, it is expected the scheme will be 0 delivered this financial year and within budget
Firewall Update	0	31	0	31	-6	31		This work has been carried from prior year, it is expected the scheme will be 0 delivered this financial year and within budget
Wi-Fi Upgrades	0	30	0	30	0	30		Original estimate for budget was based on pre-pandemic hardware costs, 0 Hardware costs have now increased significantly
IT Power security	22	0	0	22	0	22		This work has been carried from prior year, it is expected the scheme will be 0 delivered this financial year and within budget
IT User Authentication	16	0	0	16	0	21		Security concerns with Authenticator apps may increase overall cost of this project - as all users will require an NFC token, originally the scope was only for non-corporate mobile phone users to have a token. Also price increases since 5 original estimate
Service Asset & Desk Management	0	0	0	0	-5	0		Partner organisation is reviewing the actual recharged costs, likely need an 0 adjustment
Ict Data Centre Replacement	0	0	0	0	-2	0		Partner organisation is reviewing the actual recharged costs, likely need an 0 adjustment
<b>Total Great Council</b>	<b>38</b>	<b>116</b>	<b>0</b>	<b>154</b>	<b>-13</b>	<b>181</b>	<b>28</b>	
<b>PEOPLE PRIORITY</b>								
Lifeline	0	15	0	15	14	15		Scheme is complete. The purchase of digital lifeline units to replace the analogue 0 units has happened.
<b>Total People</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>15</b>	<b>14</b>	<b>15</b>	<b>0</b>	
<b>PLACE PRIORITY</b>								
<b>Private Sector Housing Grants</b>								
LUF Stokyard	0	0	11,100	11,100	19	11,100		0 The project grants have been approved , the project is progressing.
Campus Theatre Luf			2,000	2,000		2,000		0 The project grants have been approved , the project is progressing
UKSPF	0	0	378	378	15	378		0 The project grants have been approved , the project is progressing

Disabled Facilities Grants (Private Sector Mandatory)	345	336	-40	641	0	641	0	Financial performance data is provided by Blaby District Council who carry out the DFG process on MBC's behalf. It should be noted that any underspend will need to be paid back or permission received from Better Care Fund/LCC to carry this forward. current year grant is 304k .the rest of the budget needs to be carried forward
Warm Homes Grants	0	8	0	8	0	8	0	This is demand led with no expenditure incurred in year so will be carried forward. Suggest to remove this from the capital budget as no activity for 2 years.
EMT Vehicle/Frontline Service Machine replacement	40	180	0	220	117	220	0	the team is progressing with the purchase of the vehicles, two vans have been purchased and in the process of acquiring six mowers. In case of the project delay this will need to be carried over to 2024/25. the cost of vehicles come a bit higher due to inflation, suggest review the programme for future years.
Lake Terrace Waste Depot Refurbishment	0	76	0	76	0	76	0	SLT approved an action plan to commission £120k to undertake work necessary to remedy defective drainage. The project manager, administrator and principal designer have been appointed. Initial investigations have begun which will inform the works required and the design team will put a proposal together for approval. The government guidelines have meant the design and spec need to change.
Drainage at MSV	0	47	0	47	0	50	3	Meltons Sports village drainage requires remedial work. Awaiting report from engineers. No works will be carried out until the report has been assessed. Works estimated to be complex due to the geographical location connected to the drainage ditch and pipe under the railway track. Remedial cost is estimated to be 67k excluding design fees. There may also be further works required to the pipe, that is currently flooded.
LCC Education Infrastructure Condition Survey Asset Works	0	250	0	250	0	250	0	The Council are to be invoiced by the County Council as various triggers / stages are met as per the staged payment agreement agreed by Council.
-Cattle Market - Farmers Market	0	13	0	13	0	0	0	(13) This is no longer required, to be removed from the capital programme
-Car Parks	0	108	43	151	0	151	0	Work on all car parks has started, expected to complete in the Autumn.
Asset Development Programme	592	170	0	762	0	762	0	waiting for the outcome of the NHS/CCG feasibility regarding the proposal for the surgery
<b>Total Place</b>	<b>977</b>	<b>1188</b>	<b>13481</b>	<b>15646</b>	<b>151</b>	<b>15,636</b>	<b>-10</b>	
<b>Sub Total General Expenses</b>	<b>1,015</b>	<b>1,319</b>	<b>13,481</b>	<b>15,815</b>	<b>152</b>	<b>15,832</b>	<b>18</b>	



## Cabinet

13 September 2023

### Risk Management 6 monthly Update

<b>Report Author:</b>	<b>David Scott</b> , Assistant Director for Resources 01664 502448 dscott@melton.gov.uk
<b>Chief Officer Responsible:</b>	<b>Dawn Garton</b> , Director for Corporate Services 01664 502444 DGarton@melton.gov.uk
<b>Lead Member/Relevant Portfolio Holder</b>	<b>Councillor Margaret Glancy</b> - Portfolio Holder for Governance, Environment and Regulatory Services (Deputy Leader)

<b>Corporate Priority:</b>	Ensuring the right conditions to support delivery (inward)
<b>Relevant Ward Member(s):</b>	N/A
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No
<b>Key Decision:</b>	No
<b>Subject to call-in:</b>	No Not key decision

#### 1 Summary

- 1.1 This report provides an update on the risk management arrangements and outlines the current significant risks that have been captured on the recent review of the Council's strategic risk register by the Senior Leadership Team.

## 2 Recommendations

### That Cabinet:

- 2.1 **Notes the content of the report and the updated Strategic Risk Register and associated risk management action plan, as attached at Appendix A**

## 3 Reason for Recommendations

- 3.1 Whilst Risk Management forms part of Audit and Standards terms of reference it is important that Cabinet have oversight and awareness of the strategic risks that could impact on the Council, to review the risk management arrangements in place and the activities that are being undertaken to mitigate those risks.

## 4 Background

- 4.1 The Strategic Risk Register captures the current significant risks and outlines mitigating actions. The previous Cabinet last reviewed this in March 2023 prior to the elections in May so this is the first time the new administration will have received this report. In line with the current corporate performance and risk management reporting framework it has been previously agreed to update members on a 6 monthly basis.
- 4.2 The council also maintains directorate risk registers to help manage those risks that are more service specific to support and manage service delivery. These are reviewed by directors and managers regularly as well as the Senior Leadership Team to help inform any discussions around risks that may need to be escalated to the strategic risk register. Risks will be monitored at both a directorate and corporate level and then may move on the scoring matrix or between the different risk registers depending on level of risk or concern at the time. However, it is recognised risks are dynamic and can change depending on the latest information and actions taken and therefore are kept under review and mitigation modified accordingly.
- 4.3 Project risks are also managed through the council's project management framework with risk registers maintained for high profile projects which are regularly reviewed through project teams and programme boards.

## 5 Main Considerations

- 5.1 The Strategic Risk Register has been recently reviewed and updated by Senior Management to capture the current significant risks and outline mitigating actions. The risks are allocated by corporate category focus area.
- 5.2 A copy of the Strategic Risk Register is attached as Appendix A. This consists of a Risk Matrix which plots the risks being managed at this level along with the actual register itself which includes the current and target risk score, along with further details for each risk such as potential consequences, the controls in place and any action required. Members

will note there are currently 12 risks being monitored at this level – 4 high (red) risks and 8 medium (amber) risks. In summary these are:

<b>Category Focus</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Total</b>
Place	0	2	0	<b>2</b>
Priorities	2	0	0	<b>2</b>
Service and Governance	2	6	0	<b>8</b>
<b>Total</b>	<b>4</b>	<b>8</b>	<b>0</b>	<b>12</b>

An explanation of the three risk categories referred to in the table above, and the specific risks considered within them is set out below:

**PLACE – those areas which directly impact our communities:**

- Inability to influence, secure and then maximise the benefit to Melton residents from Devolution, County Deal and UK Shared Prosperity Fund
- Cost of Living - Impact on households and businesses across Melton





**PRIORITIES – those commitments made in our Corporate Strategy**

- Failure to deliver MMDR (in full or in part) and the financial and legal impacts on Melton Borough Council arising from the agreement with the County Council which seeks to support delivery
- Uncertainties regarding future leisure provision in Melton

**SERVICE AND GOVERNANCE – those areas which are associated with our service areas and corporate governance**

- Failure to Secure financial stability in the medium term
- Following new arrangements the stability of future provision of ICT services
- Financial pressures undermining partnerships (integrated working)
- Failure of a key supplier e.g. Housing Repairs, Waste and Leisure
- General Data Protection Regulation (GDPR) compliance
- ICT Security Breaches
- Resourcing of the projects relating to Levelling Up Funding, the UKSPF Investment Plan, Asset Development Plan and Leisure developments
- Lack of capacity to deliver services and projects due to resourcing issues in specific teams (NEW RISK)

5.3 Summarised in the table below are the main risks that we would like to draw members attention to, based on the current risk score, changes to previous scoring or new risks that have been identified:

<b>RISK</b>	<b>RISK CATEGORY</b>	<b>RATING</b>	<b>SCORE</b>	<b>MITIGATING ACTION/CHANGE</b>
Uncertainties regarding future leisure provision in Melton	Priorities	High	15 Previous Score (15) 	<ul style="list-style-type: none"> <li>• Procurement of leisure contract (to go live 1st April 2024). Key decision making milestone in November 2023.</li> <li>• Develop longer term vision and plan for leisure centre capital financing, Consider investment options for current facilities to extend lifespan and improve facilities.</li> <li>• Application submitted to Swimming Pool Support Fund.</li> </ul>
Failure to Secure financial stability in the medium term	Service and Governance	High	24 Previous Score (24) 	<ul style="list-style-type: none"> <li>• Development of the financial sustainability plan that is realistic and achievable and sufficient to meet budget gap</li> <li>• Prioritise spending plans that will generate savings in return.</li> <li>• Consider options for reducing failure demand e.g. prevention and demand reduction through service transformation.</li> <li>• Continue to lobby government and other groups to ensure fair ongoing funding.</li> </ul>
Stability of future provision of ICT services following new arrangements	Service and Governance	High	15 Previous Score (15) 	<ul style="list-style-type: none"> <li>• Regular monitoring and review of planned activities and consideration of further investment in ICT.</li> <li>• Review of findings of diagnostic review and adapt plans accordingly.</li> <li>• Implementation of planned ICT improvements. Update to documentation.</li> <li>• Training and support to existing and newly recruited staff.</li> <li>• Backup restoration through full disaster recovery test.</li> </ul>
Failure to deliver MMDR (in full or in part) and the financial and legal impacts on Melton Borough Council arising from any agreement with the County Council which seeks to support delivery.	Priorities	High	15 Previous Score (12) 	<ul style="list-style-type: none"> <li>• The Council is working with the County Council and Homes England on a remediation plan to address the cost escalation risks. At this stage it is unclear whether a resolution will be found but all parties are committed to addressing and a report is due to be considered by Cabinet.</li> </ul>



Since the last review the keys point to note from the table above and the risks attached are:

- 5.4 The risk concerning the failure to deliver the MMDR has increased due to the cost escalation risk due to inflationary pressures putting additional burdens on County Council finances that make affordability a greater challenge. Whilst construction for the North and East sections has started, the Southern section is less well developed and subject to similar cost escalation and a risk remains that LCC fail to receive the Housing Infrastructure Fund for the southern section. LCC could also refuse to forward fund the required infrastructure or developer contributions are not realised. There is also a risk that in seeking to reduce cost a sub-optimal option is pursued which doesn't meet local needs or expectations fully. Efforts to mitigate this risk are the subject of a separate Cabinet report on this agenda.
- 5.5 The risk associated with the Cost of Living - Impact on households and businesses across Melton has been reduced from a high to medium risk following a number of actions being taken to help support the community including establishing a cost of living project group and developing a Rural Food Hub project through UKSPF funding.
- 5.6 A new medium risk has been added around Lack of capacity to deliver services and projects due to resourcing issues in specific teams. High levels of sickness absence coupled with evidence from the Staff Survey that suggests some colleagues are experiencing pressure from high level of workloads, additional work pressures arising from the establishment of the new council and expectations arising from it, increase in customer expectations due to cost of living, difficulties in recruiting to certain posts and the impact from Single Points of Failure due to the lack of resilience arising from small teams in statutory service areas.
- 5.7 The other risk scores have remained the same as a number of actions are still being worked through and have a longer timeline for implementation of mitigating actions
- 5.8 As referred to in para 3.2 the council also maintains directorate risk registers to help manage those risks that are more service specific to support and manage service delivery. Some of the directorate risks that are being managed within services for example are:
- Delivery of the asset development programme
  - Impact on finances and resources for dealing with enforcement and appeals work
  - Council housing stock not being compliant with property health and safety standards
  - Addressing the climate change agenda
  - Delivery of key projects with directorates
  - Fraud and corruption
  - Cemetery Provision
  - HRA business processes including Voids, Right to Buy, housing systems, rent collection and housing regulatory changes (currently under review to access the full impact in case any risk escalation is required).

## 5.9 Risk Management Update / Annual Review

5.9.1 Over the past 12 months the council has achieved a number of risk management success which include:

- **Training** –The Council has been developing an E-Learning course which will be a useful supplement to aide in refresher training which is due to be rolled out in the coming months. Training for members post the local elections has been arranged for September 2023.
- **Health and Safety (H&S)** – A lot of work has been undertaken by the new health and safety officer to review policies and safety management standards, alongside an overview of H&S compliance across the organisations Corporate Assets and Housing Assets through a H&S Audit. They have also reviewed the Risk Assessment safety management standard to look at the current risk assessment template, with the aim to make it simpler to work with and use, in order to encourage managers and team leaders to engage with this process in a more positive manner.

## 6 Options Considered

6.1 An alternative option is that Cabinet do not review the Strategic Risk Register. This is not considered a viable alternative as it is essential that members have strategic oversight of the organisation.

## 7 Consultation

7.1 Audit and Standards committee will be reviewing the updated strategic risk register and annual report at their next committee meeting.

## 8 Next Steps – Implementation and Communication

8.1 Senior Management will continue to monitor and update the Strategic Risk Register as appropriate and will report back to members later in the year with a further update.

8.2 Officers will provide the continued training and support of both staff and members including the rollout of E-Learning and the upcoming Zurich Risk Management workshop for members.

## 9 Financial Implications

9.1 There are financial implications from poor Risk Management however, with robust procedures these should be minimised or eradicated

9.2 The Council's insurance contract contains provision for support on a range of risk management areas with the upcoming member training being funded from this provision and therefore incurring no additional cost to the council.

9.3 This above fund has also supported the development of the E-Learning module with some residual cost being funded from the corporate training budget for the development on Skillgate – the Councils internal training and development module.

## **10 Legal and Governance Implications**

- 10.1 The Accounts and Audit Regulations 2015 Part 2 Section 3A(c) require the Council to have in place a 'sound system of internal control which includes effective arrangements for the management of risk'.
- 10.2 Failure to adequately address legal issues arising from any activity of the Council increases risk. Officers endeavour to ensure Members are adequately advised and projects properly implemented to ensure that Legal requirements are met

**Legal Implications reviewed by: Monitoring officer**

## **11 Equality and Safeguarding Implications**

- 11.1 There are no direct implications arising.

## **12 Data Protection Implications (Mandatory)**

A Data Protection Impact Assessments (DPIA) has not been completed for the following reasons because there are no risks/issues to the rights and freedoms of natural persons.

## **13 Community Safety Implications**

- 13.1 There are no direct implications arising.

## **14 Environmental and Climate Change Implications**

- 14.1 There are no direct implications arising.

## **15 Other Implications (where significant)**

- 15.1 There are no direct implications arising.

## **16 Risk & Mitigation**

- 16.1 All risks are outlined in the risk register in Appendix A.
- 16.2 A summary of the risk register scoring matrix and assessment guidance is also included in Appendix A that officers have used when making their judgements on the likelihood and impact of each risk in order to identify the overall risk rating.

## **17 Background Papers.**

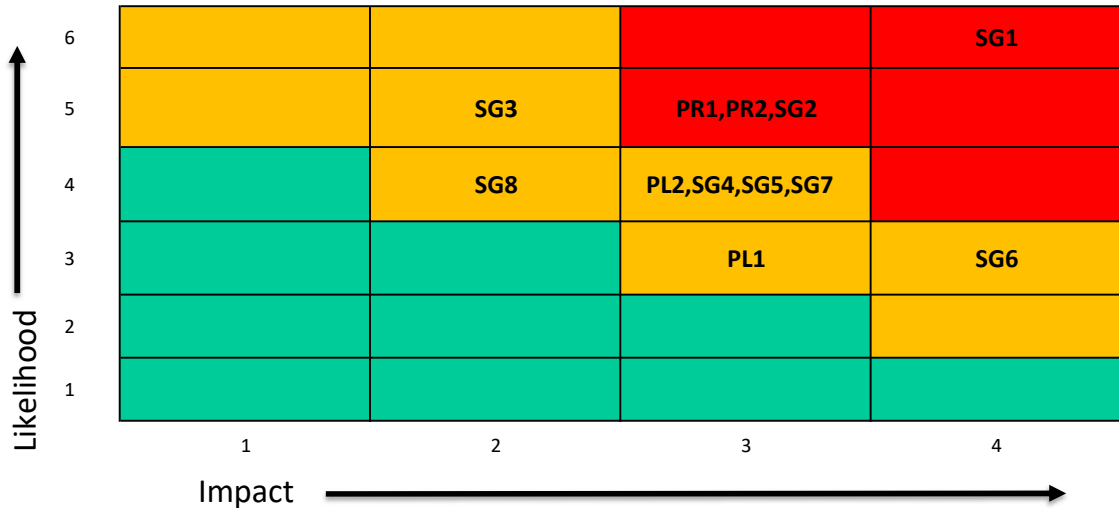
- 17.1 There are no specific background papers

## **18 Appendices**

### **18.1 Appendix A - Strategic Register Sept 2023**



## Risk Register



Risk Ref	Risk Description	Current Risk Rating	Target Risk Rating
PL1	Inability to influence, secure and then maximise the benefit to Melton residents from Devolution, County Deal and UK Shared Prosperity Fund	9	6
PL2	Cost of Living - Impact on households and businesses across Melton	12	4
PR1	Failure to deliver MMDR (in full or in part) and the financial and legal impacts on Melton Borough Council arising from any agreement with the County Council which seeks to support delivery.	15	3
PR2	Uncertainties regarding future leisure provision in Melton	15	4
SG1	Failure to secure financial stability in the medium term	24	12
SG2	Stability of future provision of ICT services.	15	12
SG3	Financial pressures undermining partnerships (integrated working)	10	8
SG4	Failure of a key supplier e.g. Housing Repairs, Waste and Leisure	12	9
SG5	General Data Protection Regulation (GDPR) / Request for Information compliance	12	6
SG6	ICT Security Breaches	12	8
SG7	Resourcing of the LUF, UKSPF, ADP and Leisure developments	12	6
SG8	Lack of capacity to deliver services and projects due to resourcing issues in specific teams	12	6

# Risk Register

REF	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK VULNERABILITY AND CAUSE	RISK CONSEQUENCES	EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	TARGET RISK RATING (6-12mths) (See next tab for guidance)			RISK OWNER	CATERGORY FOCUS	RISK REVIEW DATE
					LIKELI HOOD	IMPACT	RISK RATING		LIKELI HOOD	IMPACT	RISK RATING			
PL1	<b>Inability to influence, secure and then maximise the benefit to Melton residents from Devolution, County Deal and UK Shared Prosperity Fund</b>	The Levelling Up White Paper was published in January 2022. It sets out 12 Missions which it seeks to achieve by 2030. 9 pathfinder locations were confirmed as having the opportunity to negotiate a County Deal. Leicestershire has been confirmed as one of the pathfinders. The White Paper has confirmed that any 'deals' will be with upper tier authorities only. The Levelling Up and Regeneration Bill has also now been published. It remains unclear what any deal would include though the County Councils have confirmed they are only able to pursue a level 2 deal and therefore the prospect of early progress has reduced. The extent to which District Councils will have an opportunity to influence, contribute to and support remain unclear though assurance have been provided.	Inability to achieve corporate objectives / In ability to secure additional funding to support priorities / Duplication of focus / Breakdown in relationships and partnerships.	The 7 District Council Leaders previously provided written support to the County Council's submission of a County Deal proposal. Further discussions have taken place and the at this stage the focus is on governance and the County Council have confirmed they will be pursuing a level 2 deal. D2N2 have recently confirmed finalisation of their level 3 deal. The County Council have advised that limited progress is currently being made in this area and it is unclear when that will change. District Leaders recently met with the City Mayor to maintain ongoing dialogue.	3	3	9	The House of Lords recently added an amendment to the draft Bill which would require district councils to be part of any governance structure that emerged. This would be a welcome amendment but now requires consideration by the House of Commons. All Leicestershire District Leaders have collectively written to our MPs seeking their support to retain the amendment in the final legislation. We understand Parliament will debate the legislation in the Autumn. Alongside this Government has confirmed that LEP powers will transfer to upper tier authorities from April 2024. The Chief Executive is the District's representative on the LLEP Transition Board and will actively seek to influence discussions to ensure districts are not disadvantaged through any new arrangements	2	3	6	Chief Executive	PLACE	Dec-23
PL2	<b>Cost of Living - Impact on households and businesses across Melton</b>	High levels of inflation likely to continue, high energy costs. Likely impact across the Borough leading to reduce financial resilience and vulnerability. Potential recession, loss of jobs and financial hardship	Vulnerable households, financial pressures on households and businesses, risk of ill health and inability to make healthy choices, risk of poverty, food poverty. Increased household stress. Risk of rent and council tax arrears, inability to pay bills. Risk of increased reliance on high interest loans or illegal lending. Impact on mental health, wellbeing and resilience across communities.	Cost of Living project group in place (cross directorate) and cost of living plan in place, agreed by cabinet with clear focus on:  Communication and information Insight and Evidence Support (including direct route to case management team, and high rate of referrals through the household support fund)  UKSPF - Rural Food Hub project in development. Leadership of countywide groups on cost of living.	4	3	12	REDUCED TO MEDIUM RISK. Maintain cost of living project group and monitor progress against actions. Work through cross-district groups to share best practice and support initiatives. Continue to refer to Household Support Fund. Rural Cost of Living Event	2	2	4	Director for Housing and Communities Director for Growth and Regeneration	PEOPLE PLACE	Mar-24
PR1	<b>Failure to deliver MMDR (in full or in part) and the financial and legal impacts on Melton Borough Council arising from any agreement with the County Council which seeks to support delivery.</b>	Following some recent uncertainty due to cost inflation, the funding for the North and East is largely in place and the final steps for securing the DFT funding are currently being taken by LCC. Initial work on the north and east is underway. The Southern section is less well developed and subject to similar cost escalation and a risk remains that LCC fail to receive the Housing Infrastructure fund for the southern section. LCC could also refuse to forward fund the required infrastructure or developer contributions are not realised. There is also a risk that in seeking to reduce cost a sub-optimal option is pursued which doesn't meet local needs or expectations fully.	Undermines the Melton Local Plan and broader growth aspirations. More pressure for Housing growth in rural areas. Reputational impact. Legal Challenge and financial implications which affect services and the Council's sustainability through any agreement with the County Council.	DfT has awarded £50m funding for the north and east sections and the funding has now been confirmed and construction has started. In relation to the Southern section the Council has agreed and approved a Masterplan for the Southern SUE and entered an Infrastructure Funding agreement with the County Council which has enabled them to accept the Housing Infrastructure Fund. Alongside this the Council has also adopted a Developer Contributions SPD. Work continues with the county council on delivery of the southern section but inflationary pressures will undoubtedly make affordability a greater challenge.	5	3	15	The Council is working with the County Council and Homes England on a remediation plan to address the cost escalation risks. At this stage it is unclear whether a resolution will be found but all parties are committed to addressing and a report is due to be considered by MBC's Cabinet in September updating on the latest position (LIKELIHOOD RAISED BY ONE)	1	3	3	Chief Executive	PRIORITIES	Dec-23

# Risk Register

REF	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK VULNERABILITY AND CAUSE	RISK CONSEQUENCES	EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	TARGET RISK RATING (6-12mths) (See next tab for guidance)			RISK OWNER	CATERGORY FOCUS	RISK REVIEW DATE
					LIKELI HOOD	IMPACT	RISK RATING		LIKELI HOOD	IMPACT	RISK RATING			
PR2	Uncertainties regarding future leisure provision in Melton	Ageing facilities, identification of need for improved leisure facilities, service and reputational associated with them. Need for improved leisure facilities and identification of funding to support this.	Reputational, continuity of provision and services, cost of enabling new facilities, costs to address dilapidation issues link to age of existing facilities	Contract management in place with SLM as current service provider. Dialogue between key teams and contractor on asset related issues to ensure remedial action on a case by case basis at Waterfield Leisure Centre. Leisure procurement project underway, set within financial context. Currently no financial support from government for the leisure sector - key risk.  Ongoing work on health and leisure vision progressing (in line with corporate strategy commitment) and is necessary to appropriately address this risk item. Health and safety audit completed at WLC. Remains a key strategic risk due to financial climate. Application to Swimming Pool Support Fund in development.	5	3	15	Procurement of leisure contract (to go live 1st April 2024). Key decision making milestones in March 2023 and November 2023.  Develop longer term vision and plan for leisure centre capital financing. Consider investment options for current facilities to extend lifespan and improve facilities, Submit application to Swimming Pool Support Fund.	2	2	4	Director for Housing and Communities Director for Growth and Regeneration	PRIORITIES	Mar-24
SG1	Failure to secure financial stability in the medium term	Government funding cuts and uncertainty regarding longer term funding position alongside inflationary pressures on Council and local community increasing costs. Decline in income streams. Fair funding Review and review of business rates baseline originally due to be effective from 2020/21 but timing now delayed and unclear when it will go ahead, what form it will take. Retained business rates more volatile due to government policy changes including a review of how reliefs are funded, revaluation and inflationary pressures also some changes to the councils higher valued businesses. NHB to be phased out but unclear what if any growth incentivised funding will replace this. Partnership funding cuts. Demographics (increased demand). Structural deficit in the budget relying on reserves to balance in 2023/24 followed by further forecast budget gaps in later years. Cipfa financial resilience and LGA financial review concerns primarily regarding the level and rate of depletion of reserves. Ability to fund unexpected events such as enforcement action and appeals. Need and desire to invest versus low level of capital receipts. Capital strategy is not as well formed as it could be due to corporate Asset management Plan not in place and only essential repairs affordable, other capital asset needs	Inability to achieve corporate objectives. Savings having to be made that impact service delivery. Low staff morale and high staff turnover as workforce is reduced leading to capacity issues. High cost services that fail to meet customer needs, demands and expectations. Poor customer satisfaction leading to high failure demand. Deterioration in asset conditions and no capital to invest in aspirations which could lead to increased income/reduced expenditure.	Priorities agreed through corporate strategy. Regular liaison and consultation with unions. People Strategy e.g. staff training and support. Maximising partnership working to deliver better outcomes at reduced local cost. Regular review of MTFS. Well informed public and members around priorities, cost of services and resources available. Regularly review risk associated with partnership projects and funding. Risk assessed working balance which takes into account potential fluctuations of income and expenditure levels against budget. Move to increase the working balance to the higher level of the range identified through the risk assessment. MTFS is subject to sensitivity analysis. Ongoing review of any changes in government funding. Ongoing consideration to be given to public consultation to ensure the proposals are understood within the context of the financial position. Regular liaison and lobbying of government and other groups to recognise the need for fair funding. Development of financial sustainability programme.	6	4	24	Development of the financial sustainability plan that is realistic and achievable and sufficient to meet budget gap. Prioritise spending plans that will generate savings in return. Consider options for reducing failure demand e.g. prevention and demand reduction through service transformation. Continue to lobby government and other groups to ensure fair ongoing funding.	4	3	12	Director for Corporate Services	SERVICE AND GOVERNANCE	Dec-23
SG2	Stability of future provision of ICT services.	LICTP recently moved to an in house service provision via HBBC and loss of one partner. Documentation from outgoing contractor is poor and there has been a loss of senior engineers post move. Risk that there is instability whilst documentation is improved and infrastructure is updated. Increased demand for ICT services due to need for more increased remote working. Customer impact / accessibility when ICT is unstable.	Poor IT operational service leading to service issues and poor customer service, failure to invest in IT developments both strategic and operational leading to lack of service progress. Poor staff morale and frustration with IT provision. Failure of core systems resulting in loss of service.	Additional resources provided by partners to support service needs and escalate infrastructure improvements. Independent diagnostic review to ensure roadmap will address core infrastructure improvements required. Regular strategic review meetings to ensure partnership is aligned. Governance reviewed to support the new service arrangements. New business analysts provided as part of new structure to work with partner services to develop future IT provision.	5	3	15	Improved regular monitoring and review of planned activities and consideration of further investment in ICT. Clear action plan developed from diagnostic review and adapt plans accordingly. Implementation of planned ICT improvements. Update to documentation. Training and support to existing and newly recruited staff. Backup restoration through full disaster recovery test.	4	3	12	Director for Corporate Services	SERVICE AND GOVERNANCE	Feb-24
SG3	Financial pressures undermining partnerships (integrated working)	Reduced funding from partners. Conflicting priorities between partners.	With ongoing financial pressures it is difficult to achieve effective partnership working that can have a real impact on key issues such as crime, ASB, substance misuse, social mobility, inclusive growth and homelessness.	Maintaining relationships with senior leaders and commissioners from other organisations. Working through existing partnership structures. Take advantage of co-location and shared uses of buildings. Proactive engagement with key partners to support outcomes for communities including leadership role in key health and wellbeing partnerships and Melton Helping People Partnership. Increased collaboration with Lightbulb project and homelessness partnerships. Continued investment in Community Grants Scheme with policy aligned to evidence based Council priorities and outcomes means the council can continue to support local community and voluntary sector organisations. Current budget consultation with county council proposes potential reduction to public health funding (possible impact on healthy and active communities service	5	2	10	Relaunch of helping people partnership as Community, Health and Wellbeing Partnership. Community grants pot maintained and support to community and voluntary sector included as part of UKSPF. Monitor impacts of LCC budget reductions on services such as homelessness and healthy / active communities	4	2	8	Director for Housing and Communities	SERVICE AND GOVERNANCE	Mar-24
SG4	Failure of a key supplier e.g. Housing Repairs, Waste and Leisure	Supplier failure. Bankruptcy. Volatility of construction sector, vulnerability inflationary/recessionary pressures	Failure to deliver service. Reputational damage. Financial costs. Capacity to deal with the implications. Legal implications.	Robust procurement. Performance Bonds. Regular dialogue with and monitoring of the key suppliers and contracts. Ongoing dialogue with leisure provider regarding affordability of current contract.	4	3	12	Ongoing monitoring of key suppliers/contracts. Audit of leisure contract management in 23/24 audit programme. Waste contract proposed 24/25 (one strategic contract audited per year proposed)	3	3	9	Director for Housing and Communities	SERVICE AND GOVERNANCE	Mar-24
SG5	General Data Protection Regulation (GDPR) / Request for Information compliance	Failure to invest in the required systems and posts required to ensure compliance. Failure to adequately train staff in the requirements of the Regulations. Lack of resource (capacity and expertise) to ensure data is accurate, retained in line with retention periods, documented and maintained.	Non compliance with statutory requirements.	Policies have been updated, data protection guidance and training for staff/members undertaken on a rolling basis, Data Protection Officer in place.	4	3	12	Information Asset Register to be reviewed by managers on an annual basis, Information champions to be established. Information Governance Strategy to be drafted. Look at resources to provide more support for the control of data and recording of data held. Post to be recruited to due to staffing changes and training to be provided to BSO's	2	3	6	Director for Corporate Services Assistant Director for Governance & Democracy	SERVICE AND GOVERNANCE	Feb-24

## Risk Register

REF	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK VULNERABILITY AND CAUSE	RISK CONSEQUENCES	EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK	CURRENT RISK RATING (See next tab for guidance)			FURTHER ACTION REQUIRED	TARGET RISK RATING (6-12mths) (See next tab for guidance)			RISK OWNER	CATERGORY FOCUS	RISK REVIEW DATE
					LIKELI HOOD	IMPACT	RISK RATING		LIKELI HOOD	IMPACT	RISK RATING			
SG6	<b>ICT Security Breaches</b>	Data loss or inability to deliver systems and services from internal or external ICT Security breaches. Internal breaches by employees may be malicious or accidental, either compromising data or systems by deliberate action or inaction. External breaches are by Cyber actors deliberately attempting or breaching ICT perimeter controls, or by misleading staff to take action that compromises ICT security, to remove data, encrypt systems, extort monies, or disable the authorities ability to deliver its services	Loss of data, security breach introducing a virus into council systems, breach of legislation such as data protection resulting in prosecution or fine and reputational damage. System loss leading to interruption in services being delivered to customers.	Perimeter Security, Systems and data is backed up, Annual IT Health checks and penetration testing, Cyber Essentials and PSN accreditation, Security Working Group, policies in place to support and advise staff, ICT monthly articles and newsletters aimed at increasing staff cyber security awareness, Encryption detection software, Antivirus software, Mail Filtering, Sophos Unified Threat Manager, Intrusion detection software. Dark Trace antigen in place identifying unusual activity and autonomously blocking activities, also Intercept X detecting and unauthorised encryption and protecting files 3-2-1 Backups in place 3 copies, 2 locations, 1 Off-site	3	4	12	Additional Cyber security appliances to reduce the likelihood of successful intrusion and unusual behaviour, Network Access Control to secure the network from unauthorised devices, Privilege Access Management to mitigate internal threats. Implement additional internal protections such as Zero Trust or Mico segmentation to stop employees or attackers with a foot hold in the network from being able to laterally move across the network, implement Managed SOC (Security Operations Centre) as well as a PAM (privilege access management) to reduce the ability of privileged users to access and exfiltrate data or perform unaudited changes. implementation of audit recommendations including cyber security training and learning from other organisations.	2	4	8	Director for Corporate Services	SERVICE AND GOVERNANCE	Jan-24
SG7	<b>Resourcing of the LUF, UKSPF, ADP and Leisure developments (CPA 16 and Regen 07)</b>	Delivery of these projects will require a different set of experience, knowledge and skill set at various stages of the projects. Not all skill sets are available within the existing teams. Involvement from Property, Regeneration, Housing and Communities and Corporate services will be required to implement these projects. The teams are busy with the day to day and operational activities and will be stretched with key strategic priorities being delivered simultaneously.	Stretched resources or lack of relevant skill sets could lead to delays in delivery, mistakes, lack of compliance to regulations, and reputational damage	Additional resource needs are included in the ask for external grant funding such as LUF and UKSPF to increase capacity within the team and seek external support where required. Any future capital funding need for delivery of large scale projects will include additional resources for project management and niche technical advice.	4	3	12	A resource plan will be prepared identifying focus areas. SLT will maintain oversight of projects delivery to ensure resource pressure are considered at all stages of the projects. New posts will be recruited at relevant stages in accordance with the resource and project plan.	2	3	6	Director for Growth & Regeneration	PLACE	Jan-24
SG8	<b>Lack of capacity to deliver services and projects due to resourcing issues in specific teams</b>	High levels of sickness absence coupled with evidence from the Staff Survey that suggests some colleagues are experiencing pressure from high level of workloads, additional work pressures arising from the establishment of the new council and expectations arising from it, increase in customer expectations due to cost of living, difficulties in recruiting to certain posts and the impact from Single Points of Failure due to lack of resilience. Difficulty in recruitment in some technical areas such as legal, planning and environmental health is another contributing factor to capacity issues.	Inability to deliver statutory and discretionary services to the public and to deliver on corporate priorities and projects. increased sickness and mental health issues due to the pressure of work, high turnover as staff leave and poor morale. Lack of resilience whereby the loss of a single member of the team can quickly create a significant issue. vacant posts and high cost of interim staff.	Programme Boards to manage projects across the council, corporate strategy to set priorities, regular team meetings and 1 to 1s to identify areas of concern, range of mental health initiatives to support staff with mental wellbeing.	4	2	8	New corporate strategy to take into account resources available. Reset priorities and non priorities and ensure clear focus provided across the organisation.	3	2	6	Chief Executive	SERVICE AND GOVERNANCE	Apr-24



## Risk Matrix and Scoring Guide

			Impact / Consequences			
			Negligible	Marginal	Critical	Catastrophic
		Probability	1	2	3	4
Likelihood	Score/ definition					
	6 Very High	More than 90%	Medium (6)	Medium (12)	High (18)	High (24)
	5 High	55% to 90%	Medium (5)	Medium (10)	High (15)	High (20)
	4 Significant	15% to 55%	Low (4)	Medium (8)	Medium (12)	High (16)
	3 Low	5% to 15%	Low (3)	Low (6)	Medium (9)	Medium (12)
	2 Very Low	1% to 5%	Low (2)	Low (4)	Low (6)	Medium (8)
	1 Almost impossible	0% to 1%	Low (1)	Low (2)	Low (3)	Low (4)

Likelihood		Impact	Description guide
Very High	> 90%	Negligible	Minor financial, no effect on service provision or reputation, limited physical consequences
High	55% to 90%	Marginal	£10k - £200k??, service slightly reduced broken bones/illness, objectives of one area not met, minor adverse local media, impact on inspection (s)
Significant	15% to 55%	Critical	£200K - £1M, service suspended short term / reduced, loss of life/major illness, area objectives not met, industrial action, adverse national publicity
Low	5% to 15%		
Very Low	1% to 5%	Catastrophic	£1M- £10M, service suspended long term, statutory duties not delivered, major loss of life/large scale major illness, corporate objectives not met, mass staff leaving/Unable to attract staff, Remembered for years!! Service taken over permanently

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Helping people | Shaping places



## Cabinet

13 September 2023

### Treasury Management Quarter 1 Report 2023-24

<b>Report Author:</b>	<b>Natasha Allsopp</b> , Senior Management Accountant 01664 502393 NAllsopp@melton.gov.uk
<b>Chief Officer Responsible:</b>	<b>Dawn Garton</b> , Director for Corporate Services 01664 502444 DGarton@melton.gov.uk
<b>Lead Member/Relevant Portfolio Holder</b>	<b>Councillor Sarah Cox</b> , Portfolio Holder for Corporate Finance and Resources

<b>Corporate Priority:</b>	Ensuring the right conditions to support delivery (inward)
<b>Relevant Ward Member(s):</b>	N/A
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No
<b>Key Decision:</b>	No
<b>Subject to call-in:</b>	No Not key decision

#### 1 Summary

- 1.1 The quarterly Treasury Report is a requirement of the Council's reporting procedures and provides a summary of the Treasury activities to the end of June 2023. The report also covers the actual position to date on the Prudential Indicators in accordance with the Prudential Code.
- 1.2 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management 2021 and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both codes through Regulations issued under the Local Government Act 2003

## 2 Recommendations

### That Cabinet

- 2.1 **Notes the Quarter 1 position on treasury activity for 2023-24**
- 2.2 **Notes the Quarter 1 position on Prudential Indicators for 2023-24**

## 3 Reason for Recommendations

- 3.1 The Prudential Code requires the Council to monitor and report performance on Treasury Management activities at least quarterly. As a minimum full Council need to receive an annual report on the strategy and plan for the coming financial year, a mid year review and an annual report on performance of the treasury management function. In addition monitoring reports should be received at least quarterly alongside revenue and capital monitoring by the cabinet as the body delegated responsibility for treasury management functions.
- 3.2 To facilitate the decision making process and support capital investment decisions the Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators.

## 4 Background

- 4.1 The Treasury Management & Prudential Indicators quarter 1 report for 2023-24 is attached at Appendix A. The report covers:
  - Economics, Interest and borrowing rate updates
  - Investment and Borrowing Strategies
  - Compliance with Treasury and Prudential Limits
- 4.2 The underlying purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance/Investment regulations. These state that Members receive and adequately scrutinise Treasury Management services.

## 5 Main Considerations

- 5.1 The underlying economic environment has been challenging for a number of years which had been impacting on investment returns, however interest rates have continued to rise with the base rate moving to 5.00% at the Monetary Policy Committee on 22<sup>nd</sup> June 2023 as part of the Bank of England's response to the escalating inflation rates.
- 5.2 The report shows that the basis of the treasury management strategy, the investment strategy and the PI's have not materially changed, except where shown.

- 5.3 The report is structured to highlight the key changes to the Councils capital activity (the prudential indicators), the economic outlook and the actual and forecast treasury management activity (borrowing and investment).

## **6 Options Considered**

- 6.1 No other options considered. If the report was not provided councillors would not be aware of the ongoing management of the treasury functions and appropriate scrutiny would not be undertaken in accordance with the treasury framework.

## **7 Consultation**

- 7.1 Consultation has been undertaken with the portfolio holder regarding the position for the 2023-24 financial year

## **8 Next Steps – Implementation and Communication**

- 8.1 As this is a monitoring report there are no further steps required.

## **9 Financial Implications**

- 9.1 The Treasury Management Strategy and Policy are core financial policies which underpin all the work of the Treasury Management function and incorporate any implications arising from the capital programme.
- 9.2 Following the previous suppressed interest rates there has been a period of continued positivity with rates steadily increasing with 12 month rates now over 6% in some instances. Interest rates are expected to remain high for the remainder of the year, with officers looking to continue to maximise returns with the latest forecast predicting a surplus of £328k against a budgeted income level of £589k (across General Fund and HRA). This will help to support some of the other in year pressures the Council is facing.
- 9.3 In terms of performance in comparison to the benchmarking group Melton is part of, at the end of Q1 (latest data available) the council is outperforming all benchmarks achieving an average return of 4.95%, which is above the benchmark average of 4.55% which includes county level authorities as well. This is a positive achievement as the Council looks to maximise its returns whilst striving to balance risk and return.
- 9.4 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During quarter 1 ending 30<sup>th</sup> June 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24.
- 9.5 The Director for Corporate Services can confirm that no difficulties are envisaged for the current or future years in complying with these indicators and that all treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices

**Financial Implications reviewed by: Director for Corporate Services**

## 10 Legal and Governance Implications

- 10.1 The Local Government Act 2003 provides the powers to invest and borrow as well as providing controls and limits on the activity. There are no direct legal implications arising from this report. Failure to follow the Code of Practice and Strategy could increase the risk of financial loss.

**Legal Implications reviewed by: Monitoring Officer**

## 11 Equality and Safeguarding Implications

- 11.1 There are no direct equality or safeguarding issues arising from this report.

## 12 Data Protection Implications (Mandatory)

A Data Protection Impact Assessments (DPIA) has not been completed as there are no risks/issues to the rights and freedoms of natural persons.

## 13 Community Safety Implications

- 13.1 There are no direct links to community safety arising from this report.

## 14 Environmental and Climate Change Implications

- 14.1 No implications have been identified but members may wish to note the council has an investment in a green and sustainable product that is focused around sustainable economic growth investment.

## 15 Other Implications (where significant)

- 15.1 No other implications have been identified.

## 16 Risk & Mitigation

- 16.1 These are assessed as part of the Corporate Services Risk Register

Risk No	Risk Description	Likelihood	Impact	Risk
1	Loss of investment income during 2023-24 as result of changed in interest rates	Low	Marginal	Low Risk
2	Reduction in the valuation of the Councils Property Fund investment resulting in an actual loss should the regulations change to charge the loss to revenue account.	Significant	Marginal	Medium Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant		2		
	3 Low		1		
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	Continue to maximise returns in line with the Treasury management investment strategy
2	Establishment of a property fund reserve to help mitigate any losses in the future should the statutory override be removed and there is a need to be charged direct to the revenue account in line with any change in accounting rules.

## 17 Background Papers

17.1 Treasury Management Strategy Statement 2023-24

## 18 Appendices

18.1 Appendix A – Quarter 1 Treasury Management Review 2023-24

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# Treasury Management Update

Quarterly report  
30<sup>th</sup> June 2023

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# Treasury Management Update

## Quarter Ended 30<sup>th</sup> June 2023

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

### 1. Economics update – provided the Councils Treasury Advisors

- The first quarter of 2023/24 saw:
  - A 0.2% m/m rise in real GDP in April, partly due to fewer strikes;
  - CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7;
  - Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
  - A tighter labour market in April, as the 3 month year on year rate (3myy) growth of average earnings rose from 6.1% to 6.5%;
  - Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
  - 10-year gilt yields nearing the “mini-Budget” peaks, as inflation surprised to the upside.
- The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year. Our central assumption is that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024.
- CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn't rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.
- This suggests the Bank may have more work to do than the Fed or ECB. Indeed, the Bank of England sounded somewhat hawkish in the June meeting. This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.
- That said, the Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that “the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting”. Moreover, the Committee did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. We still think it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, we think rates are more likely to peak between 5.50-6.00%. Our forecast is also for rates to be cut in the second half of 2024, and we expect rates to then fall further than markets are pricing in.
- Growing evidence that UK price pressures are becoming increasingly domestically generated has driven up market interest rate expectations and at one point pushed the 10-year gilt yield up to 4.49% in late June,

very close to its peak seen after the “mini-budget”. Yields have since fallen slightly back to 4.38%. But growing expectations that rates in the UK will remain higher for longer than in the US mean they are still more than 70 bps above US yields. While higher interest rates are priced into the markets, the likely dent to the real economy from the high level of interest rates is not. That’s why we think there is scope for market rate expectations to fall back in 2024 and why we expect the 10-year PWLB Certainty Rate to drop back from c5.20% to 5.00% by the end of this year and to 4.20% by the end of 2024.

- The pound strengthened from \$1.24 at the start of April to a one-year high at \$1.26 in early May, which was partly due to the risks from the global banking issues being seen as a bigger problem for the US than the UK. The pound then fell back to \$1.23 at the end of May, before rising again to \$1.28 in the middle of June as the strong core CPI inflation data released in June suggested the Bank of England was going to have to raise rates more than the Fed or ECB in order to tame domestic inflation. However, sterling’s strong run may falter because more hikes in the near term to combat high inflation are likely to weaken growth (and, hopefully, at some point inflation too) to such a degree that the policy rate will probably be brought back down, potentially quite quickly, as the economic cycle trends downwards decisively. This suggests that additional rate hikes are unlikely to do much to boost the pound.
- In early April, investors turned more optimistic about global GDP growth, pushing up UK equity prices. But this period of optimism appears to have been short-lived. The FTSE 100 has fallen by 4.8% since 21<sup>st</sup> April, from around 7,914 to 7,553, reversing part of the 7.9% rise since 17<sup>th</sup> March. Despite the recent resilience of economic activity, expectations for equity earnings have become a bit more downbeat. Nonetheless, further down the track, more rate cuts than markets anticipate should help the FTSE 100 rally.

### **MPC meetings 11<sup>th</sup> May and 22<sup>nd</sup> June 2023**

- On 11<sup>th</sup> May, the Bank of England’s Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22<sup>nd</sup> June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.
- Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon. Talk of the Bank’s inflation models being “broken” is perhaps another reason why gilt investors are demanding a premium relative to US and Euro-zone bonds, for example.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has already hiked short-term rates to a range of 5.00%-5.25%, but a further increase is pencilled in for July, whilst the ECB looks likely to raise its Deposit rate at least once more to a peak of 3.75%, with upside risk of higher to come.

## **2. Interest rate forecasts**

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.

The latest forecast, made on 26<sup>th</sup> June, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

Link’s forecasts have steadily increased during the quarter as the data continued to spring upside surprises, and the Bank of England continued to under-estimate how prevalent inflation is, and how tight the labour market is. The Government has also noted that despite immigration increasing markedly, high levels of ill-health amongst the workforce has led to wage demands remaining strong until such time as there is a loosening in demand for business services.

Link’s current and previous PWLB rate forecasts below are based on the Certainty Rate.

Link Group Interest Rate View		26.06.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

Link Group Interest Rate View		24.05.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	4.75	5.00	5.00	4.75	4.50	4.00	3.50	3.25	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.80	5.00	5.00	4.80	4.50	4.00	3.50	3.30	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	5.10	5.20	5.10	4.90	4.50	3.90	3.40	3.20	2.90	2.60	2.60	2.60	2.60
12 month ave earnings	5.40	5.40	5.30	5.00	4.50	3.90	3.40	3.20	2.90	2.70	2.70	2.70	2.70
5 yr PWLB	5.00	5.00	5.00	4.80	4.50	4.10	3.70	3.50	3.30	3.20	3.20	3.10	3.10
10 yr PWLB	5.00	5.00	5.00	4.80	4.40	4.10	3.80	3.60	3.50	3.40	3.30	3.30	3.30
25 yr PWLB	5.30	5.30	5.20	5.10	4.80	4.50	4.20	4.00	3.80	3.70	3.60	3.60	3.60
50 yr PWLB	5.10	5.10	5.00	4.90	4.60	4.30	4.00	3.80	3.60	3.50	3.40	3.40	3.40

Link Group Interest Rate View		27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.20	3.10

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

## A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Link's central forecast for interest rates was previously updated on 25<sup>th</sup> May and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened to a degree, especially as it moved to a more aggressive 0.5% hike in June but, with inflation remaining elevated, they anticipate that Bank Rate will need to increase to at least 5.5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.
- Moreover, Link also still anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged. Link's current judgment is that rates will have to increase and stay at their peak until the second quarter of 2024 as a minimum.
- In the upcoming months, Link's forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine and whether there are any further implications for Russia itself following the recent aborted mutiny by the Wagner group.
- On the positive side, consumers are still estimated to be sitting on excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

## PWLB RATES

- Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since our previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.
- Link view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

### The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

### Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, the rising gilt yields we have seen of late).
- **The Bank of England** increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.
- **A broadening of banking sector fragilities**, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

**Upside risks to current forecasts for UK gilt yields and PWLB rates: -**

- Despite the recent tightening by 0.5%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

### 3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 23<sup>rd</sup> February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

As shown by the charts below and the interest rate forecasts in section 2, investment rates have improved dramatically during the first quarter of 2023/24 and are expected to improve further as Bank Rate continues to increase over the next few months.

#### **Creditworthiness.**

There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

#### **Investment counterparty criteria**

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

#### **Credit Default Swap prices**

For UK banks, these have retreated from the spikes caused by the Truss / Kwarteng policy approach in September. Prices are not misaligned with other creditworthiness indicators, such as credit ratings.

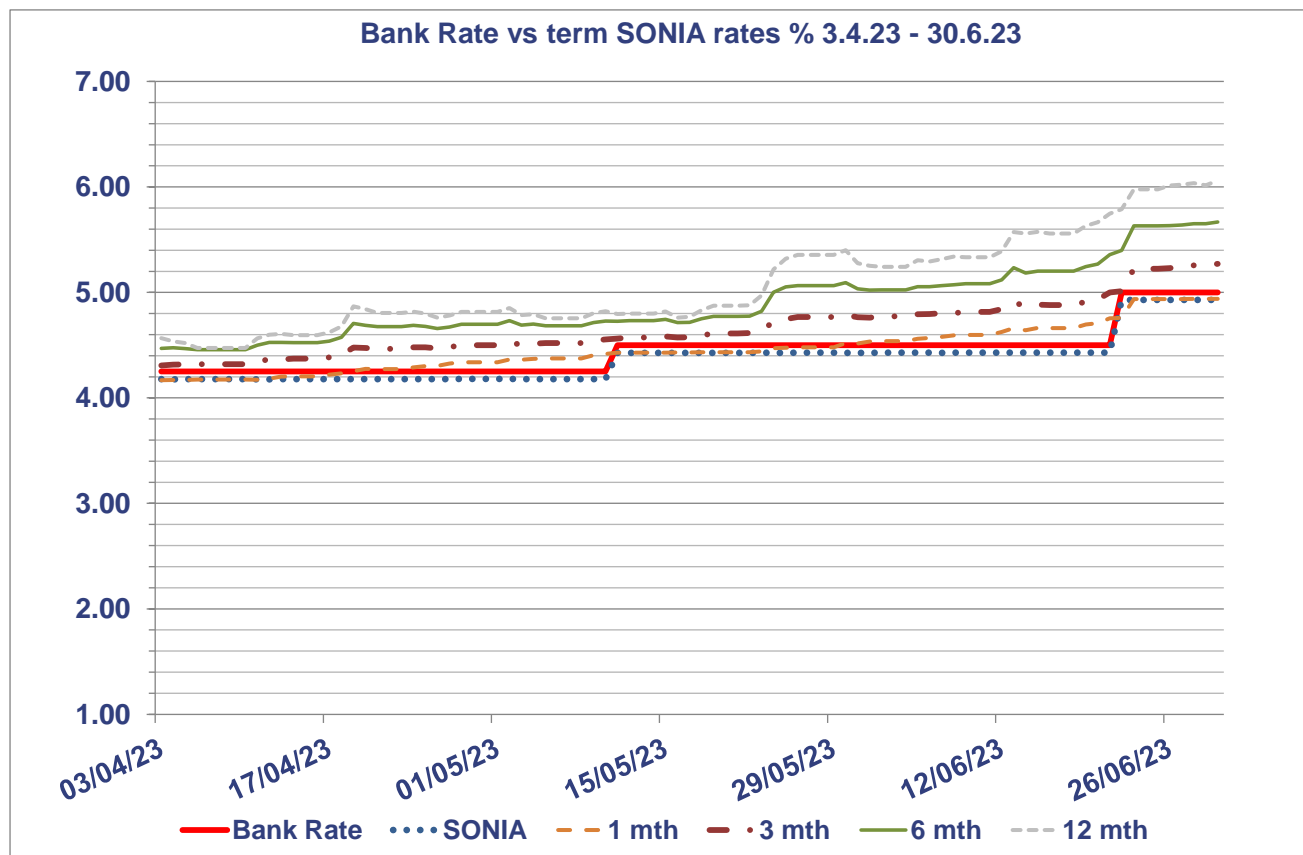
**Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.**

#### **Investment balances**

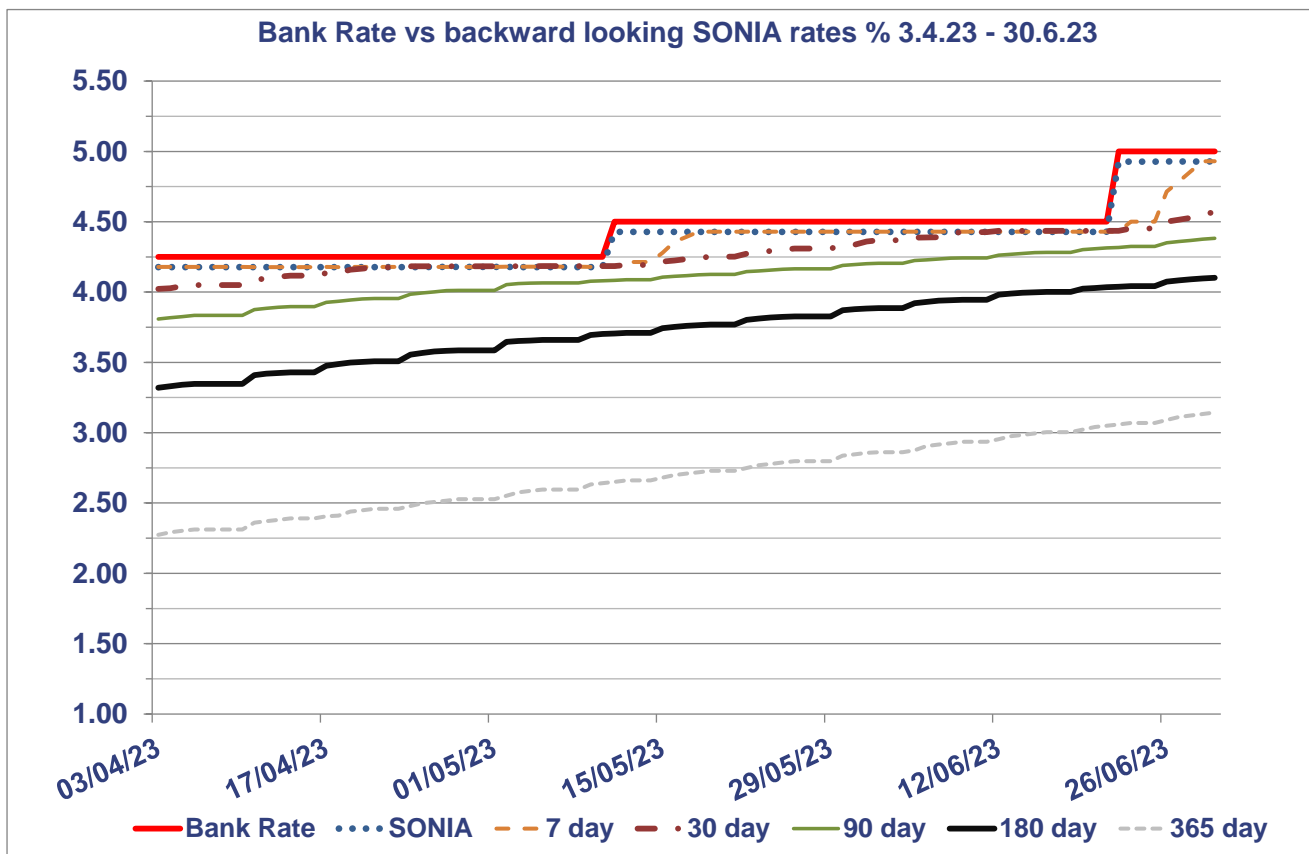
The average level of funds available for investment purposes during the quarter was **£23.4m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds **£2m** core cash balances for investment purposes (i.e., funds available for more than one year).



Investment performance year to date as of end-June 2023



FINANCIAL YEAR TO QUARTER ENDED 30/6/2023						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
<b>High</b>	5.00	4.93	4.94	5.27	5.67	6.06
<b>High Date</b>	22/06/2023	30/06/2023	29/06/2023	30/06/2023	30/06/2023	30/06/2023
<b>Low</b>	4.25	4.18	4.17	4.31	4.46	4.47
<b>Low Date</b>	03/04/2023	04/04/2023	03/04/2023	03/04/2023	06/04/2023	06/04/2023
<b>Average</b>	4.44	4.37	4.46	4.66	4.90	5.08
<b>Spread</b>	0.75	0.75	0.77	0.96	1.21	1.59



FINANCIAL YEAR TO QUARTER ENDED 30/06/2023							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
<b>High</b>	5.00	4.93	4.93	4.57	4.38	4.10	3.14
<b>High Date</b>	22/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023	30/06/2023
<b>Low</b>	4.25	4.18	4.18	4.02	3.81	3.32	2.27
<b>Low Date</b>	03/04/2023	04/04/2023	11/04/2023	03/04/2023	03/04/2023	03/04/2023	03/04/2023
<b>Average</b>	4.44	4.37	4.34	4.27	4.11	3.74	2.70
<b>Spread</b>	0.75	0.75	0.75	0.55	0.57	0.78	0.87

The weighted average rate of return earned on investments for the first quarter of 2023/24 was 4.95%. The comparable performance indicator is the average 7-day SONIA rate, which was 4.34%. The Council's budgeted investment return for 2023/24 is **£589k**, and performance for the year is currently forecast to be **£328k** above budget.

#### Fund investments

- Money Market Funds (MMFs) – with the increase in the bank rates, the return on MMFs has followed the trend and were around 4.5% at the end of quarter one compared to circa 3.9% at the end of 2022/23.
- Property Funds – despite the value of the property fund declining slightly further from that at the end of March (£1.845m as at 30<sup>th</sup> June compared to £1.847m as at 31<sup>st</sup> March), there has been a positive move in the interest return with the Q1 return being 4.38% compared to 4.12% at the end of March.

#### Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30<sup>th</sup> June 2023.

A full list of investments held as of 30<sup>th</sup> June 2023 is in Appendix 2.

## 4. Borrowing

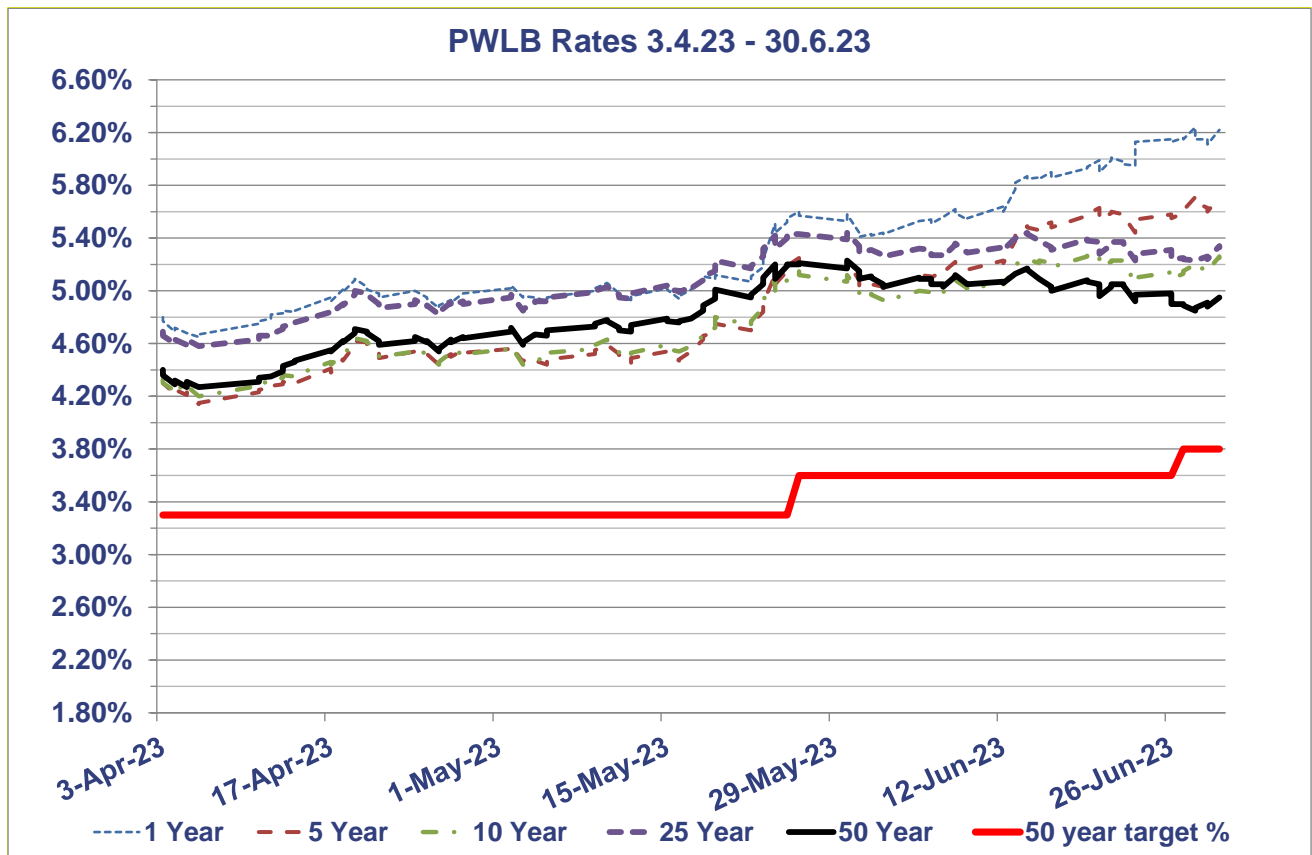
No borrowing was undertaken during the quarter ended 30<sup>th</sup> June 2023. There is a potential that further borrowing will be undertaken during this financial year to finance the LCC Education Infrastructure, as per the capital programme, should the southern MMDR progress.

### PWLB maturity Certainty Rates 1<sup>st</sup> April to 30<sup>th</sup> June 2023

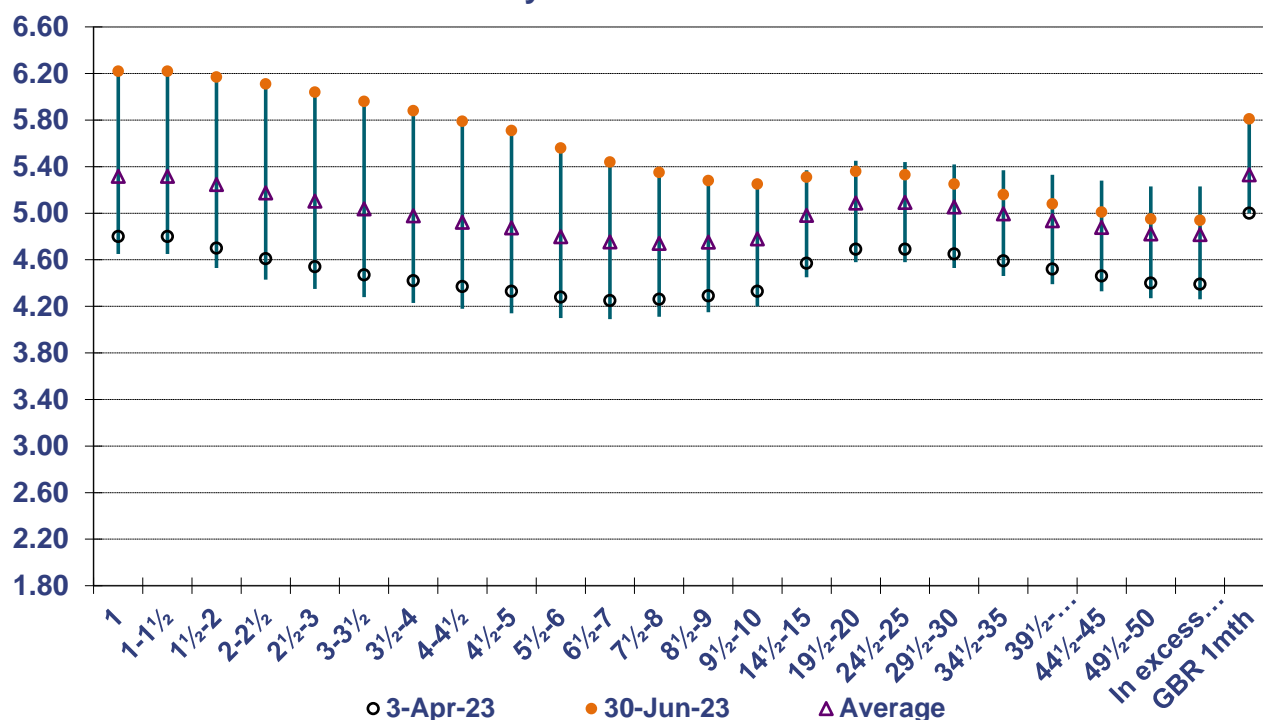
Gilt yields and PWLB rates were on a rising trend between 1<sup>st</sup> April and 30<sup>th</sup> June.

The 50-year PWLB Certainty Rate target for new long-term borrowing started 2023/24 at 3.30% before increasing to a peak of 3.80% in June. As can be seen, with rates elevated across the whole of the curve, it is advised to not borrow long-term unless the Authority wants certainty of rate and judges the cost to be affordable. (Please also note that from 15<sup>th</sup> June, HRA borrowing is 0.4% lower than the Certainty Rate)

### PWLB RATES 03.04.23 - 30.06.23 (note: the 1<sup>st</sup>/2<sup>nd</sup> April was a weekend)



### PWLB Certainty Rate Variations 3.4.23 to 30.6.23



#### HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 30.06.23

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	4.65%	4.14%	4.20%	4.58%	4.27%
<b>Date</b>	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
<b>High</b>	6.24%	5.71%	5.28%	5.44%	5.23%
<b>Date</b>	28/06/2023	28/06/2023	20/06/2023	30/05/2023	30/05/2023
<b>Average</b>	5.32%	4.87%	4.78%	5.09%	4.82%
<b>Spread</b>	1.59%	1.57%	1.08%	0.86%	0.96%

## 5. Debt rescheduling

Debt rescheduling opportunities have increased significantly in the current quarter where gilt yields, which underpin PWLB rates and market loans, have risen materially. Members will be advised if there is value to be had by rescheduling or repaying a part of the debt portfolio.

## 6. Compliance with Treasury and Prudential Limits

The prudential and treasury Indicators are shown in Appendix 1.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30<sup>th</sup> June 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Director for Corporate Services reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

## APPENDIX 1: Prudential and Treasury Indicators for 2023-24 as of 30<sup>th</sup> June 2023

Treasury Indicators	2023/24 Budget £'000		30.06.23 Actual £'000
Authorised limit for external debt	46,000		46,000
Operational boundary for external debt	34,000		34,000
Gross external debt	31,456		31,456
Investments	16,527		23,960
Net borrowing	14,929		7,496
<b>Maturity structure of fixed rate borrowing - upper and lower limits</b>			
	Lower	Upper	
Under 12 months	0%	50%	0.31%
12 months to 2 years	0%	50%	12.73%
2 years to 5 years	0%	50%	0.96%
5 years to 10 years	0%	50%	0.96%
10 years to 20 years *1	0%	50%	15.92%
20 years to 30 years *1	0%	50%	32.92%
30 years to 40 years *1	0%	50%	36.21%
40 years to 50 years *1	0%	50%	0%
<b>Upper limit for principal sums invested over 365 days (split by financial years beyond current year end): - *2</b>			
Year 1	Upper Limit £10m annually		Actual invested £2m (property fund)
Year 2			
Year 3			
Total			

Prudential Indicators	2023/24 Budget £'000		2023/24 Forecast £'000	
	HRA	GF	HRA	GF
Capital expenditure	4,904	15,815	4,530	15,848
Capital Financing Requirement (CFR)	31,484	293	31,484	293
Annual change in CFR	0	-11	0	239
In year borrowing requirement	0	0	0	250
Ratio of financing costs to net revenue stream	29.33	-8.08	27.52	-11.78

## APPENDIX 2: Investment Portfolio

Investments held as of 30<sup>th</sup> June 2023 compared to our counterparty list:

### Melton Borough Council

#### Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest LT / Fund Rating	Historic Risk of Default
MMF Deutsche	3,000,000	4.51%		MMF	AAAm	
MMF Insight	2,960,000	4.54%		MMF	AAAm	
National Bank of Kuwait (International) PLC	2,000,000	3.02%	02/08/2022	01/08/2023	A	0.004%
Goldman Sachs International Bank	1,500,000	4.06%	05/09/2022	04/09/2023	A+	0.008%
Standard Chartered Bank (ESG)	1,000,000	5.14%	04/10/2022	03/10/2023	A+	0.012%
Lloyds Bank Corporate Markets Plc (NRFB)	1,500,000	5.66%	12/06/2023	12/03/2024	A	0.032%
Qatar National Bank	1,000,000	4.75%	20/03/2023	19/03/2024	A	0.033%
Lloyds Bank Corporate Markets Plc (NRFB)	1,000,000	6.29%	28/08/2023	28/03/2024	A	0.034%
Lloyds Bank Corporate Markets Plc (NRFB)	2,000,000	5.14%	03/04/2023	02/04/2024	A	0.034%
Qatar National Bank	1,000,000	5.27%	03/04/2023	02/04/2024	A	0.034%
National Bank of Kuwait (International) PLC	1,000,000	5.12%	12/04/2023	11/04/2024	A	0.035%
Qatar National Bank	3,000,000	5.92%	31/05/2023	30/05/2024	A	0.041%
Qatar National Bank	1,000,000	6.57%	27/08/2023	26/06/2024	A	0.045%
<b>Borrower - Funds</b>	<b>Principal (£)</b>	<b>Interest Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>		
CCLA Local Authorities Property Fund	2,000,000	4.38%				
<b>Total Investments</b>	<b>£23,960,000</b>	<b>4.91%</b>				
<b>Total Investments - excluding Funds</b>	<b>£21,960,000</b>	<b>4.95%</b>				<b>0.028%</b>
<b>Total Investments - Funds Only</b>	<b>£2,000,000</b>	<b>4.38%</b>				

Note: An historic risk of default is only provided if a counterparty has a counterparty credit rating and is not provided for an MMF or USDBF, for which the rating agencies provide a fund rating. The portfolio's historic risk of default therefore measures the historic risk of default attached only to those investments for which a counterparty has a counterparty credit rating and also does not include investments which are not rated.

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