



## General Fund Revenue Budget 2023/24 and Medium Term Financial Strategy 2024/25 to 2026/27

<b>Corporate Priority:</b>	All
<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 The Council monitors budget and service performance on a continuing basis with regular reports provided to Cabinet. For 2022/23, in respect of General Expenses, an overspend of £37k is forecast for the year, primarily due to the non-recurring cost of an enforcement case, ongoing inflationary impacts and loss of income in planning and leisure, offset by an improvement in business rate and investment income. With regard to Special Expenses Melton Mowbray, an overspend of £45k is forecast primarily due to the reduction in burial income and the loss of income and costs associated with the cemetery lodge.
- 1.2 The 2023/24 draft budget has been prepared based on the Council's approved Corporate Strategy 2020 to 2024. It allows for an overall increase in council tax of 2.99% across all Council funds in line with the Government's referendum limit. A small number of growth items are being put forward for funding. The overall position is a deficit of £141k on General Expenses with the inclusion of the proposed growth item and £66k on Special Expenses Melton Mowbray, plus a non-recurring growth item for approval of £30k. The details of the proposals are set out within the report alongside the risks and assumptions associated with the budget estimates.

- 1.3 Forecasts of the council's financial position for the next 3 years are set out within the report alongside sensitivity analysis of these forecasts. This clearly shows the wide ranging potential financial impact from 2024/25 onwards primarily due to the uncertainty with regard to the levels of inflation particularly in respect of salary costs with further significant increases to the national living wage likely. At all sensitivity levels savings are forecast to have to be made to balance the budget. This is for both General and Special Expenses Melton Mowbray. The position with regard to Special Expenses Melton Mowbray is particularly acute with council tax generating relatively low levels of income for this fund and the forward projections demonstrating an ongoing need to draw on the reserves which would become exhausted, without intervention, by 2026/27 based on the projections. This demonstrates the continuing importance of the council identifying areas where savings can be made either from efficiencies or service reductions across both funds.
- 1.4 Whilst prudent management has ensured the level of reserves have stabilised in recent years, they remain at a relatively low level, providing an ongoing challenge and making the council more susceptible to financial shocks. The 2022/23 position is fairly stable due to increased business rates being forecast against budget for General Expenses. The 2023/24 position draws on reserves to balance the budget which will reduce overall levels and if sustained over time would put the council in an unsustainable position. The proposed budget for Special Expenses Melton Mowbray will also require a draw on reserves, which while modest in absolute terms, is quite significant in the context of the size of the fund.
- 1.5 In recent years, the council has successfully managed any potential deficits in its budget through the development and utilisation of a Financial Sustainability Plan, which has set out a range of options for efficiencies, savings or additional income. This has facilitated the stability of the council's reserves set out above. In view of the projected budget deficit for 2023/24, it is proposed to continue development of options and ideas within the Financial Sustainability Programme, such that they can be brought forward in-year, enabling the deficit, and subsequent draw on reserves to be reduced from the current projection.
- 1.6 Capital remains low although the asset development programme is aimed at addressing this. The Council's minimum reserve - the Working Balance has previously been increased to £850k and the budget proposals include provision for this to increase further to the £1m level recommended by the LGA following their review of the council's financial sustainability.

## 2 Recommendations

### That Cabinet:

- 2.1 **Note the year end forecast and financial position for the General Fund and Special Expenses for 2022/23.**
- 2.2 **Note the proposed budget for 2023/24 which remain subject to the final settlement and delegate authority to the Director for Corporate Services to make any amendments necessary to the estimates prior to their submission to Council for approval as a result of changes to the final finance settlement over the provisional.**
- 2.3 **Approve the Special Expenses Policy attached as Appendix C.**
- 2.4 **Recommend to Council subject to any amendment arising from the final finance settlement:**

- 2.4.1 The revenue budget for 2023/24 for General and Special Expenses as set out in Appendix B and summarised in section 4.5 be approved resulting in an overall council tax increase of 2.99%, the individual council tax levels being as set out in para 4.5.5;**
- 2.4.2 That the council continues to disregard 100% of any war widows (widowers)/war disablement scheme/armed forces compensation scheme payments in any benefits assessment.**
- 2.4.3 Any underspend on general expenses at 31 March 2023 be used to increase the current level of the working balance in order to move closer to the target level of £1m and any overspend be met by reducing the budgeted transfer to the Regeneration and Innovation Reserve with any further shortfall being met from the Corporate Priorities Reserve in order to maintain the current level at £850k;**
- 2.4.4 That the general expenses working balance be increased to the £1m level recommended by the LGA in 2023/24 by transferring £150k from the Corporate Priorities Reserve;**
- 2.4.5 Any surplus/deficit for Special Expenses Melton Mowbray be transferred to/from the Special Expenses Reserve thereby bringing the actual working balance back to the target;**
- 2.4.6 Members note the changes made to the risk categorisation of budgets as set out in para 4.8.1 and Appendix E.**

### **3 Reason for Recommendations**

- 3.1 The Council, having set a Budget at the start of the financial year, needs to ensure the delivery of this Budget is achieved. Consequently, there is a requirement to regularly monitor progress so corrective action can be taken when required, which is enhanced with the regular reporting of the financial position.**
- 3.2 To propose to Council a General Fund budget and level of council tax for the 2023/24 financial year which takes into account the proposals set out in the approved Corporate Strategy. The proposals take into account the net expenditure that the Council expects to spend in the next financial year to deliver services to our customers. The report also includes details of the funding and income received to support these services to ensure a balanced budget is proposed.**
- 3.3 The Council also holds a number of reserves which can be drawn upon to fund future expenses. The level of reserves is considered within this report, as is the future outlook for spending in the years ahead in order for the Council's future financial resilience to be considered as part of the proposals.**
- 3.4 Cabinet and Council are required to consider and approve the General Fund Revenue Account budget proposals in order to set the budget and council tax for the forthcoming financial year.**

## 4 Main Considerations

### 4.1 Forecast Year End Position 2022/23

4.1.1 The forecast year end position for General Expenses is in an overspend of £37k prior to any additional pressures/savings which may emerge between now and the year end. This takes into account approved contributions to/from the reserves, supplementary estimates, and approved carry forwards from 2021/22. The key variances that make up this underspend are:

#### 4.1.2 Spending Reductions – where there is a forecast underspend on expenditure or additional income generated

- Community Safety (£33k) – Vacant Neighbourhood Officer, held temporarily to the end of the financial year pending a review of future structure arrangements (underway)
- Customer Services (£31k) – Vacant Customer Services Lead post expected until end of the financial year. A revised structure and leadership arrangement is being implemented within this service area as part of a wider realignment of roles and responsibilities within both the housing and communities directorate and the corporate services directorate.
- Cattle Market (£15k) – latest throughput information is showing income is up which is mainly related to animal auctions and the tavern. Additional income is also expected for the new leases on the southern site.
- Industrial Estates (£11k) – Budget includes an allowance for bad debt which is not currently expected to materialise. Additional £3k in relation to a backdated invoice for unit rent.
- Economic Development (£32k) – Project officer post retained vacant to contribute towards corporate saving needs (net after supporting Assistant Director for Planning interim arrangement).
- Growth and Regeneration (£42k) – Various salary savings including Regulatory Services Manager vacancy due to retirement, business support officer and new employees starting at lower bands. This has been partly used to offset the additional costs relating to the conservation resource referred to below in para 4.1.3.
- Environmental maintenance (£142k) – NNDR cost recharge to contractor for 5 years for Lake terrace which had previously been paid by MBC and which now needs to be recovered from the contractor who hold the liability. The forecast outturn allows for recovery of this debt.
- Interest Income (£140k) – Additional income generated by sharp increase in interest rates against those budgeted for linked to the rise in base rates.
- Business Rates (£299k) – the latest monitoring and review for the collection rates for the year is expecting an increase in NNDR income based on the identification of a number of renewable energy sites for which the Council retains 100% of business rates and these have been backdated to the date they came onto the rating list creating a windfall for the year.

#### 4.1.3 Spending Increases where there is a forecast increase / overspend on expenditure or projected shortfalls in income

- Pay Award (£212k) – The national pay award has been agreed at £1,925 on every spinal point, which equates to an average of 4.75% overall pay increase, compared to 1.75% budgeted which equates to a potential impact of £232k but this has been slightly reduced by the ‘mini-budget’ NI rate reduction that has been confirmed.
- Rent Rebates and Rent Allowances (£39k) – Latest subsidy predictions are showing an overspend based on the mid-year subsidy return.
- Waterfield (£105k) – When the budget was set half the previous contracted management fee was expected in 2022/23, however, the final agreement was for £20k plus profit share arrangement. Based on the latest open book accounts, and the significant and ongoing challenge facing the leisure sector due to covid and inflation, the contract is running at a deficit and therefore it is unlikely any profit share will be received. This position continues to be reviewed with ongoing review of the accounts and agreement to approve in-year price changes due to current inflationary cost pressures.
- Car Parking (£16k) – Actuals are at 92% of the levels anticipated within the budget but expected to improve over the remainder of the year, however overall shortfall is still forecasted (£19K) plus Penalty Charge Notice income is also down (£12k). Partially offset by income from the COVID vaccination centre use of Burton Street car park (£15k)
- Waste Management (£37k) - additional costs relating to contract inflation assumed at 7% compared to budgeted 3% mainly driven by fuel price increase as well as salary increases and general inflation. This has been partly offset by additional income including green waste royalties for additional users.
- Environmental Health (£53k) – Final expected cost of £99k for successful animal welfare enforcement case. This has been partly offset by savings elsewhere in service relating to capitalisation of salaries which the Council has been able to apply against the LAD2 schemes and legacy Covid grants.
- Conservation Officer (20K) – additional costs have been incurred for the provision of external expertise on conservation matters which fall outside the knowledge base within the team. This has been offset by salary savings within the service but with the ongoing requirement for this support a growth bid has been submitted as part of the 2023/24 budget process.
- Planning income (£233k) - Indication that income will be below the expected budget. Average monthly income is £29k for the half year. Forecasting forward with the average monthly income plus three more expected larger applications in the region of £50k. In depth analysis has been undertaken by the service and established this trend is likely to continue for the foreseeable future. Following the outturn at similar levels in the previous financial year it has been agreed that, prudently the budget should be reduced in order to be more realistic in 2023/24.
- Land Charges (£19k) - Lower volume of land searches than budgeted for.

- 4.1.4 In addition to the above there is also backdated service charges for occupiers of Phoenix House and Parkside which are being progressed, which if recovered would significantly improve this position further, and mitigate the projected overspend.
- 4.1.5 As part of the budget for 2022/23 provision was made to transfer £384k into the Regeneration and Innovation Reserve following the positive settlement for 2022/23. Based on current usage and agreed decisions the unallocated balance on this reserve is £255k. As such this transfer, should there be an overspend at year end, the balance could be met from this reserve.
- 4.1.6 The forecast year end position for Special Expenses Melton Mowbray is an overspend of £45k. This is primarily due to:
- Cemetery (£39k)- this is mainly due to a reduction in burial income and additional cost for maintenance.
  - Cemetery lodge (£10K) remaining vacant due to damp and other maintenance issues and incurring costs and suffering loss of income. Proposals for future options to be considered at a future cabinet meeting. An option which reduces ongoing liabilities will be explored.
- 4.1.7 There are no significant variations forecast on the closed churchyards at present.
- 4.1.8 The forecast year end position is only an indication of the actual position at year end and budget holders can only spend at this level if they seek approval through virements and supplementary estimates. For general expenses It is proposed that any surplus over the current working balance at 31<sup>st</sup> March 2023 be used to increase the Working Balance closer to the target £1m and any overspend be met initially by reducing the budgeted transfer to the Regeneration and Innovation Reserve. Whilst this is not anticipated, should this not be sufficient to meet any overspend then the corporate priorities reserve should be used in order to maintain the working balance at its current level of £850k. For special expenses Melton Mowbray it is proposed that any surplus/deficit be transferred to/from the Special Expenses Reserve thereby bringing the actual working balances back to the target.
- 4.2 **Considerations for developing the 2023/24 Budget - State of Melton Report and Residents Survey**
- 4.2.1 The Corporate Strategy 2020-24 sets out the Council's focus and aspirations for this period. Following public consultation and engagement with our stakeholders and partners, the Council agreed a clear vision and ambition for Melton and the people who live and work here. The Council continues to deliver against the priorities set out in the Corporate Strategy for the period 2020-2024. These six priorities are:
1. Excellent services positively impacting on our communities
  2. Providing high quality council homes and landlord services
  3. Delivering sustainable and inclusive growth in Melton
  4. Protect our climate and enhance our rural natural environment
  5. Ensuring the right conditions to support delivery (inward)
  6. Connected with and led by our community in Melton (outward)

The State of Melton Report was first published in 2021 and included key information which will help guide Councillors and Officers as they consider which areas of our strategy need a particular focus at any given time.

We committed to an annual refresh of this documentation and the most up to date version can be found at Appendix A.

4.2.2 A State of Melton Debate was held with Members on 28<sup>th</sup> September 2022. Members received a presentation from officers on the main changes since 2021 and the current position of the borough. This highlighted some of the key issues for the Council and its partners and reflected on the way that the borough has changed and what things may be impacting over the next few years. They were given an opportunity to reflect on a variety of data including the Census 2021, emerging challenges identified by the LGA and the outcome of the Residents Survey in 2022.

4.2.3 The Council undertook a Residents Survey in 2022 as a follow up to the previous survey which took place in 2019 to inform the development of the Corporate Plan 2020-24. A [full report](#) covering the outcome of the Residents Survey 2022 was taken to Cabinet on 16<sup>th</sup> November 2022. The results of the Residents Survey show a positive picture for the Council with satisfaction increasing from 2019 across most of the questions against a backdrop of very challenging circumstances. Satisfaction with our services have also improved as shown in the table below.

	<b>2022</b> <i>% Satisfied</i>	<i>2019</i> <i>% Satisfied</i>	<b>2022</b> <i>% Dissatisfied</i>	<i>2019</i> <i>% Dissatisfied</i>
Waste and refuse collection	<b>87%</b>	<i>82%</i>	<b>7%</b>	<i>9%</i>
Doorstep recycling collection	<b>80%</b>	<i>75%</i>	<b>7%</b>	<i>10%</i>
Parks and open spaces	<b>74%</b>	<i>66%</i>	<b>10%</b>	<i>14%</i>
Collection of Council Tax	<b>66%</b>	<i>63%</i>	<b>6%</b>	<i>8%</i>
Health and safety of local businesses	<b>59%</b>	<i>55%</i>	<b>6%</b>	<i>7%</i>
Grass cutting	<b>59%</b>	<i>54%</i>	<b>24%</b>	<i>26%</i>
Street cleaning	<b>54%</b>	<i>56%</i>	<b>26%</b>	<i>22%</i>
Promoting the area and encouraging tourism	<b>49%</b>	<i>48%</i>	<b>19%</b>	<i>19%</i>
Sport/leisure facilities	<b>45%</b>	<i>45%</i>	<b>26%</b>	<i>26%</i>
Promoting healthy activities	<b>43%</b>	<i>38%</i>	<b>20%</b>	<i>22%</i>
Support to vulnerable people and families in need	<b>40%</b>	<i>32%</i>	<b>21%</b>	<i>22%</i>
Processing planning applications	<b>37%</b>	<i>37%</i>	<b>22%</b>	<i>22%</i>
Management of council house tenancies	<b>35%</b>	<i>34%</i>	<b>21%</b>	<i>23%</i>
Tackling nuisance and anti-social behaviour	<b>33%</b>	<i>29%</i>	<b>29%</b>	<i>31%</i>
Taking enforcement action against litter	<b>31%</b>	<i>29%</i>	<b>40%</b>	<i>37%</i>
Taking enforcement action against dog fouling	<b>27%</b>	<i>26%</i>	<b>49%</b>	<i>47%</i>

4.2.4 The council service areas where dissatisfaction was the lowest were:

- Enforcement action against dog fouling
- Enforcement action against litter
- Tackling nuisance and anti-social behaviour

These three council service areas also had the highest levels of dissatisfaction in 2019. Both taking enforcement action against litter and taking enforcement action against dog fouling had increased dissatisfaction levels on those reported in 2019 with tackling nuisance and anti-social behaviour reducing in dissatisfaction since 2019. However, it is worth noting, that all three areas had increased satisfaction levels with residents since

2019. The work being undertaken to improve those 3 service areas is reflected in the response and additional resources have been added in planning enforcement during the course of 2022/23. This includes:

- Greater promotion of work done by legal and within services to promote successful action undertaken to tackle antisocial behaviour, dog fouling and littering.
- Raising awareness of opportunities for residents to get involved in keeping their communities clean and safe.
- Further investment in developing services (through UKSPF and Levelling Up Bids).
- Greater focus and reporting on ASB management in Housing Services
- Investment in modernised CCTV system approved, and associated project underway

### 4.3 Key Budget Principles for 2023/24

4.3.1 A number of key principles have been considered as part of the budget setting process some of which were considered as part of the previously approved Medium Term Financial Strategy (MTFS) and these are set out below:

- a) The need to increase the working balance for General Expenses to the £1m level recommended by the Local Government Association, following their review of the council's financial sustainability;
- b) The target working balance for Special Expenses Melton Mowbray be retained at £50k;
- b) No general inflation be provided for in the 2023/24 budget at service budget level, other than salaries which has been provided for at 4%, unless adjusted for known cost increases by budget holders such as contractual requirements. Pay progression across the scales has been provided for with the establishment budgeted for in full, but no budget provided for recruitment costs.

### 4.4 Local Government Finance Settlement 2023/24

4.4.1 The finance settlement sets out the centrally allocated resources for all councils which are allocated within the context of the spending review. A Settlement Funding Assessment is awarded which consists of a Revenue Support Grant (which Melton receives a negligible amount) and a Baseline Funding Level which is used to calculate the level of business rates that can be retained from that estimated to be collected locally. The settlement also provides the information on the level of other specific grants a local authority will receive for the coming and potentially future years as well as setting out the level of council tax that can be set without triggering a referendum.

4.4.2 In 2016 the government set out its intention to move to multi year settlements to provide certainty to councils over future levels of funding and a four year settlement was announced covering the period 2016/17 to 2019/20. Consultation papers were then issued with the 2019/20 finance settlement relating to the long standing review of local government finance. This covered proposals for a full business rates baseline reset meaning any growth retained since the business rates retention system was introduced in 2013/14 would be lost. Consideration of how the split of business rates was to be made between lower and upper tier authorities; with the concern being that the funding pressures of upper tier authorities



would result in a greater share allocated to this class of authority. Alongside the business rates reform, other funding streams were also announced for review, including consideration regarding the costs of rurality and the future of New Homes Bonus. Whilst any changes to these funding streams have the potential to impact on the council and therefore create a degree of uncertainty, it is also unclear how any damping mechanism would work and over what time period in order to mitigate the impact on any individual council in the early years. This review was expected to be completed in time for the 2020/21 finance settlement.

4.4.3 This review has been repeatedly delayed with single year finance settlements issued. The 2022/23 settlement referred to the need to consult the sector on “updating the System” with DLUHC officials clarifying that this was likely to encompass a response to the review of New Homes Bonus. This consultation did not take place and the 2023/24 settlement contains principles for the 2023/24 and 2024/25 financial years but with actual financial information for 2023/24 only. The final settlement is not expected until late January /early February 2023 and will need to be received before the council tax is formally set by Council.

4.4.4 The key elements set out in the 2023/24 provisional finance settlement are as follows:

- a) Business Rates - The Settlement Funding Assessment used to calculate retained business rates was as expected with the added complexity of a business rates revaluation from 1<sup>st</sup> April 2023. Following an assessment the Leicestershire business rates pool is continuing for 2023/24 based on an estimated £15m benefit to the area in 2022/23;
- b) Council Tax - The settlement has confirmed the announcement made in the Autumn Statement that the referendum limit for district councils is the higher of 3% or £5 overall increase in a Band D property. An increase from the previous 2% or £5 overall;
- c) Rural Services Delivery Grant - The Efficiency for SPARSE services grant has been confirmed as continuing in line with that received in 2022/23 for Melton, this is provisionally confirmed as £191k;
- d) New Homes Bonus (NHB) - 2017/18 saw significant changes to the calculation of NHB with the government reducing legacy payments from 6 to 5 years in 2017/18 and to 4 years in 2018/19 onwards. In addition local authorities whose housing growth is less than 0.4% receive no NHB payment; otherwise authorities will only receive the payment on amounts over the 0.4%. The Government outlined proposals in previous consultations to remove NHB funding from 2021/22 onwards. As part of the 2021/22 settlement the Government extended the NHB scheme for a further one off year in both 2021/22 and 2022/23 with these payments not forming part of any legacy payments. For 2023/24 the government has again extended the scheme for a further year on the same basis. As such Melton will receive a one off payment for new homes built over the previous year in 2023/24, but these will not form part of any future legacy payments. This results in a final NHB payment for 2023/24 of £506k. The Government has stated previously the intention to consult on the future of a new housing incentive with the aim of moving to a new more targeted approach that rewards local authorities that are ambitious in delivering homes however this has not been reiterated in the settlement for 2023/24;
- g) Funding Guarantee - A new one off funding stream has been created in recognition of the inflationary pressures across the sector. This replaces the previous Lower Tier

Services Grant and the legacy payment element of the New Homes Bonus. This is to ensure that all authorities will see at least a 3% increase in their Core Spending Power. The amount for Melton in the provisional settlement is £109k;

h) Services Grant – This grant introduced in 2022/23 has again formed part of the settlement and is to fund general responsibilities. In 2022/23 it included funding for the increase in employer national insurance contributions which has since been reversed. As such this grant is lower at £52k in 2023/24.

#### 4.5 Proposed Budget 2023/24

4.5.1 The proposed budget for 2023/24 is set out in Appendix B and is summarised in the table below:

<b>Proposed Budget 2023/24</b>	<b>£000</b>
<b>General Expenses</b>	
Net Cost of services-Updated Base Budget	7,709
Proposed Growth (Appendix Ci)	20
<b>Proposed Net Cost of Services</b>	
Non Service Related Budgets	-2,314
Business Rates Equalisation Reserve	-908
<b>Net Expenditure</b>	<b>4,507</b>
<b>Net Expenditure Met by:</b>	
Non Domestic Rates	-914
NNDR Collection Fund Deficit	1,078
Council Tax Collection Fund Surplus	-12
New Homes Bonus	-506
Council Tax	-3,893
Corporate Priorities Reserve – Non Recurring Cost	-119
<b>Deficit to be met from the Corporate Priorities Reserve</b>	<b>141</b>
<b>Special Expenses Melton Mowbray</b>	
Net Cost of Services-Updated Base Budget	668
Proposed Growth	30
Non Service Related Budgets	-99
<b>Net Expenditure</b>	<b>599</b>
<b>Net Expenditure Met by:</b>	
Council Tax	503
<b>Deficit to be met from Special Expense Reserve</b>	<b>96</b>

4.5.2 The budget for 2023/24 has been prepared on the basis of maintaining services at their agreed levels except where the Council has already agreed to a change in which case any change in cost has been incorporated into the base budget. The proposed budget aligns with and continues to focus on enabling delivery of aspirations set out in the Corporate Strategy approved in September 2020.

4.5.3 One proposal for growth has been put forward for consideration in respect of General Expenses and one in respect of Special Expenses Melton Mowbray as set out below. The growth for Special Expenses is a non-recurring item and therefore meets the criteria for being funded from the reserve, although the low level of the reserve should be noted, which is a result of needing to draw on this to balance the budget in current and previous years, with no council tax being set for this fund in previous years. The growth on general expenses is an ongoing commitment and therefore increases the deficit that needs to be funded from reserves. The special expenses proposal as shown below, would see the lifespan of the existing cemetery site capacity increase for burial plots, cremation plots and cremation vaults. This would allow for further analysis and strategic consideration of options for future cemetery provision in the borough.

<b>Plot Type</b>	<b>Remaining Capacity at July 2022 and (years)</b>	<b>Additional Capacity if Footway/shrub works carried out</b>	<b>Total in Numbers and (Years)*</b>
Burial Plots	389 (6.5)	<b>135</b>	<b>524 (8.7)</b>
Cremation Plots	128 (2.6)	<b>418</b>	<b>546 (10.9)</b>
Cremation Vaults	10 (n/a)	<b>196</b>	<b>206 (n/a)</b>
Child Plots	63 (n/a)	<b>0</b>	<b>63 (n/a)</b>

These have been incorporated into the budget and MTFS as set out in Appendix B and the above table and are summarised below:

<b>General Fund Ongoing Growth Proposal</b>	<b>£000</b>
Conservation Resource – Ongoing support to planning officers for the provision of conservation advice used in the determination of planning applications	20
<b>Special Expenses Non Recurring Growth Proposal</b>	
Cemetery – remove redundant footpaths in order to extend the cemetery life	30

4.5.4 All service budgets and projected income streams have been subject to scrutiny by the Senior Leadership Team. The draft budget and proposals have been considered by the Scrutiny Committee. A number of principles and assumptions have been applied when preparing the summary set out in Appendix B as follows:

- a) That the Council sets a 2.99% overall council tax increase. Increases for Special Expenses for Sproxton, Gaddesby and Frisby have been set at the level required to balance the budget, Special Expenses Melton Mowbray at 2.99% leaving the increase for General Expenses at 2.83% in order to bring the overall increase to 2.99%. Capping levels are set to include all council funds;

- b) The approved establishment has generally been budgeted for in full, but no provision has been made for recruitment costs or savings as a result of any vacancies;
- c) The capital programme as set out elsewhere on this agenda is approved. The revenue implications of which have been considered when preparing the budget;
- d) Assumptions have been made in respect of a number of service related income streams in addition to assumptions over the level of interest from investments. The actual position could differ significantly from that estimated;
- e) Estimated retained business rates income has been based on the Council's estimated NNDR1 form (Non Domestic Rating Income Calculation and Estimate of Collection fund Surpluses and Deficits). As experience has shown, the actual amount can vary significantly in and between years as a result of levy calculations. This is complicated in 2023/24 as a result of the revaluation undertaken and applicable to businesses from 1 April 2023. A business rates equalisation reserve is held to smooth out some of these implications between years and £908k is included in the budget for 2023/24 to cover a large proportion of the £1,078 estimated deficit on the NNDR collection fund. Based on the forecast for 2022/23 this will put the estimated balance at 31.3.24 at the bottom end of the recommended level (£250k to £300k) for this fund;
- f) Assumptions have been made regarding grant income and charges for services provided by other partners, where certainty surrounding these costs and income, have not yet been provided;
- g) No contingency has been included in the budget for 2023/24 due to affordability;
- h) The impact of the UK shared prosperity fund and Levelling Up fund have not been included in the estimates at this stage. These will be incorporated as the programmes for these funding streams develop in line with the appropriate governance process;
- i) The forecast deficit of £37k at 31<sup>st</sup> March 2023 on general expenses be met initially from a reduced contribution to the Regeneration and Innovation fund and then from the Corporate Priorities Reserve. For Special Expenses Melton Mowbray the forecast deficit is transferred from the Special Expenses Reserve balance;
- j) The Housing Benefit Regulations 2006 make provision for the first £10.00 of income from War Widows (Widowers)/War Disablement Scheme and the Armed Forces Compensation Scheme to be disregarded in any benefit assessment. The cost of this disregard is fully reimbursed to the Council. The Social Security Administration Act 1992 gives the Council discretion to disregard any amount it chooses in addition to the statutory provision in accordance with its approved Modified Scheme. Historically the Council has disregarded 100% of these payments received in the assessment of housing benefit and council tax support awards. The costs to the council of awarding this discretionary in 2021/22 was £16,775. As part of the Housing Benefit Assurance Process the Council is being asked to affirm this policy and the budget is set on the basis that this will continue. The intention of disregarding this income in the assessment of Housing Benefit and Council Tax Support is to ensure that members of the armed forces who have been disabled during service or the widows, widowers or surviving civil partner of those who died in the service of their country, should not be penalised by having their pensions or payments made in relation to their service, considered in the calculation of their entitlement. It also ensures continued alignment between treatment of these

incomes under the Housing Benefit scheme set by the Department for Works and Pensions, and MBC's own Council Tax support scheme.

4.5.5 The proposals and assumptions set out above result in the proposed Council Tax levels for each fund as set out below.

Fund	Council Tax at Band D	Change over 2022/23
	£	%
General Expenses	197.64	2.83
Special Expenses - Melton Mowbray	54.14	2.99
Special Expenses – Sproxton Nos. 2 & 4	78.28	30.49
Special Expenses - Frisby	23.18	31.63
Special Expenses - Gaddesby	23.17	23.39
Average	224.14	2.99

#### 4.6 Financial Sustainability

4.6.1 As can be seen above the proposed budget for 2023/24 is not a balanced one with the proposals being that the modest deficit be met from the Corporate Priorities Reserve. Given volatility both in the economy, the general uncertainty regarding public finances, and late notice of the finance settlement, this is considered a reasonable approach, so as to avoid hastily introducing savings proposals without time to properly consider or consult on implications.

4.6.2 In order to address this shortfall it is proposed that the work already undertaken on the financial sustainability plan be developed further and proposals will be brought forward for consideration by April which would seek to mitigate the budget deficit. Where proposals can be implemented in year this will reduce the draw on the reserve with the aim being to address the ongoing budget shortfall for later years.

4.6.3 The following workstreams are being considered as part of this process:

##### **Procurement/Contract management**

- Identify opportunities to reduce costs within key contracts for example, considering changes to services or policy and approach to delivery arrangements which reduce the need for variation orders.

##### **Service and process reviews**

- Review of customer service and customer journey across the council, including consideration of systems, processes, roles and responsibilities, automation, performance, post room arrangements and reception arrangements, plus implementation of analysis and insight capability to improve customer journey and

experience, and to inform future service and system needs. This will build on service review work initiated prior to the pandemic.

- Review of caretaking needs and requirements;
- Review of service arrangements for leisure provision to protect the contractual management fee.

### **Income generation**

- Review of various fees and charges across the borough;
- Business development and growth of Welland procurement service;
- Assessment of ability to implement parking permits in HRA properties;
- Assessment of ability to remove/sell general fund residents car parks;
- Potential to offset some core spend utilising grant funding;
- Review of car parking arrangements at Cattle market

4.6.4 Work will be undertaken up to April 2023 to either refine and confirm potential savings against each of these aspects to establish whether the deficit can be met or scope out the work required to progress potential efficiencies and savings. It should be noted that alongside the above, concurrently, longer-term work is underway in relation to the asset development programme which has the potential to realise savings through the following:

- Diversification of Parkside
- Development of Phoenix House
- Reconfiguration of the Cove
- Development of the Stockyard

4.6.5 Also, discussions relating to distribution of the funds available through the Business Rates Pool have yet to be concluded. Melton Borough Council is one of 9 councils in the pool and there is potential for us to access significant additional funds, in the medium term, however there are multiple calls on this money and no agreement has been reached as to how it should be distributed.

4.6.6. If taken together, the proposals and approach set out above is unable to address the in year budget deficit, then a process to review discretionary services would need to be undertaken during the summer/autumn to enable identification of potential services areas where reductions and savings could be agreed.

### **4.7 Parish Precepts**

4.7.1 For information, a summary of the parish precepts received to date is set out at Appendix D, although it should be noted that some of the formal notifications for these are still awaited. These continue to be chased up and of course will need to be available in time to feed into the council tax calculations for the Council meeting on 23<sup>rd</sup> February 2023.

### **4.8 Budget Monitoring**

4.8.1 For the purpose of budget monitoring, services are designated as one of three categories which determines the level and frequency of budget monitoring.

These are:

a) High risk and complex budgets.

- b) High risk budgets.
- c) Lower risk budgets.

4.8.2 The categorisation of the various services has been reviewed for 2023/24 and is set out in Appendix E. Changes have been made to the risk profile with the removal of repairs and maintenance from the high risk category as these have now stabilised in recent years and the removal of building control with this having moved to the partnership. Leisure income is also removed from the high risk category as this is no longer a profit share arrangement. Whilst the receipt of a management fee is a high risk to the budget the level is a fixed amount and therefore enhanced monthly budget monitoring is not required to identify if the risk is realised in year or not.

#### 4.9 Financial Projections for Future Years (Medium Term Financial Plan)

4.9.1 The estimates in Appendix B contain forward projections for the financial years 2024/25 to 2026/27 as set out below. This is based on the estimated likely position for these future years. The uncertainty regarding future levels of inflation, particularly with regard to wage inflation, is a key factor resulting in a rising deficit position. Whilst there is great uncertainty regarding government funding, particularly post 2024/25, this has been assumed at current levels in the forecast even if the category of funding may change.

<b>Budget Forecast</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Expenses</b>				
Net Cost of Services	7,729	8,233	8,510	8,859
Non Service Related Budgets	-2,314	-2,249	-2,273	-2,174
Business Rates Equalisation Reserve	-908	0	0	0
<b>Net Expenditure</b>	<b>4,507</b>	<b>5,804</b>	<b>6,237</b>	<b>6,685</b>
<b>Net Expenditure Met by:</b>				
Non Domestic Rates	-914	-914	-914	-914
Council Tax Collection Fund Surplus(-)/Deficit	-12	0	0	0
NNDR Collection fund Deficit	1,078	0	0	0
New Homes Bonus/Fair Funding	-506	-506	-506	-506
Council Tax	-3,893	-4,067	-4,250	-4,440
Use of Reserves	-119	0	0	0
<b>Deficit for the Year</b>	<b>141</b>	<b>317</b>	<b>567</b>	<b>825</b>
<b>Special Expenses Melton Mowbray</b>				
Net Cost of Services	698	695	723	752
Non Service Related Budgets	-99	-99	-99	-99
<b>Net Expenditure</b>	<b>599</b>	<b>596</b>	<b>624</b>	<b>653</b>
<b>Net Expenditure Met by:</b>				
Council Tax	-503	-529	-556	-583
Contributions to/from (-)Special Expense Reserve	-96	-67	-68	-70
<b>Deficit for the Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

4.9.2 With the ongoing uncertainty regarding inflation levels coupled with long term uncertainty regarding government funding it is extremely challenging to project the Council's financial

position into these later years. As such sensitivity analysis has been undertaken and for information best and worse case scenarios of the potential surplus/deficit for future years set out below.

	2024/25	2025/26	2026/27
Potential Surplus (-)/Deficit	£000	£000	£000
Best Case Scenario	-295	-145	-63
Worse Case Scenario	1,086	1,441	1,800

4.9.3 The key factors influencing the sensitivity analysis and creating such a large variations between best and worse case scenarios are the assumptions regarding inflation, including increases to fees and charges. In drawing up this projection a number of other assumptions have been made regarding service expenditure and income following discussions with budget holders, and scrutiny by the Senior Leadership Team. Some of the key assumptions that have been made in preparing these forward projections and have influenced the large variations between best and worse case scenarios are as follows:

- a) That an overall increase in council tax of 2.99% will be set in future years;
- b) There will be significant increases in external audit fees from 2024/25 with variations in the assumptions made;
- c) That there is likely to be a reduction or removal of the current management fee paid in respect of leisure, due to challenges facing the sector currently and the need to procure a new service contract from 2024;
- d) Varying assumptions made regarding the future of fixed term posts currently funded from reserves;
- e) The expected position is based on the current level of service provision with assumptions incorporated regarding general inflation changes to prices and pay, pension costs and income streams and estimated changes in demand. No allowance is made as part of the projections for the delivery of any financial sustainability savings or income generation which would require a change to service levels/policy. This is to enable the true surplus/deficit to be identified that will require management intervention in order to address the position;
- f) Growth projections for council tax growth have been based on the housing growth figures provided by the local plans team;
- g) An allowance have been made for the transfer of the land charges service to the Land Registry in 2024/25;
- h) No allowance has been made for the potential introduction of mandatory food waste collection with the assumption that any additional costs will be covered by a new burdens payment. The Leicestershire Waste and Resources Strategy 2022-2050 caveats a proposal relating to food collection, noting that implementation would be subject to total and ongoing government funding.



## 4.10 Reserves

4.10.1 A Statement of Revenue and Capital Reserves is attached at Appendix F. The key reserves set out in this statement which are affected by the 2023/24 funding proposals are summarised below.:

	Corporate Priorities Reserve	General Reserve Special Expenses	General fund Working Balance	Regeneration and innovation Reserve	Business Rates Equalisation Reserve
	£000	£000	£000	£000	£000
Actual Balance 1.4.22	1,181	322	734	176	1,158
Estimated net change 2022/23	-179	-100	116	123	0
Estimated balance 1.4.23	1,002	222	850	299	1,158
Proposed Movement in Reserves 2023/24	-410	-96	150	-44	908
<b>Estimated Balance 31.3.24</b>	<b>592</b>	<b>126</b>	<b>1,000</b>	<b>255</b>	<b>250</b>

4.10.2 The figures set out in the statement at Appendix F are based on the following assumptions:

- a) The capital programme and the movement in the reserves and balances is as reflected in the budget;
- b) The forecast overspend at 31.3.23 is met by reducing the contribution to the Regeneration and Innovation Reserve. The budget deficit in 2023/24 is met from the Corporate Priorities Reserve in order to maintain the working balance at its current level of £850k at 31.3.23 and that the level is increased to £1m in 2023/24 by a further transfer from the Corporate Priorities Reserve;
- c) The forecast shortfalls for Special Expenses Melton Mowbray in 2022/23 and 2023/24 are met by transfers from the Special Expenses Reserve;
- d) Transfers are made from and to the business rates equalisation reserve in order to mitigate the financial implications between years of the levy payments and collection fund surplus/deficits. This follows the establishment of a reserve at the end of 2014/15.

4.10.3 With regard to the revenue reserves the council has three main categories. These are either 'earmarked'; for a specific purpose, 'general'; where the use is flexible and 'working balances'; which are in effect a contingency for unforeseen but risk assessed events. A brief description of the purpose and future intention with regard to each reserve and provision held by the Council is set out in Appendix G.

- 4.10.4 In relation to the non-earmarked general reserves, they are available to support a range of projects which may be required for the Council to deliver, as well as being available to support capital expenditure should that be necessary due to a low level of capital receipts being held. The reserves have in recent years been utilised to support non recurring expenditure in support of structural changes, and to balance the budget as is proposed for 2023/24. The reserves had stabilised in recent years but it is clear that the financial challenges are now increasing, and this is putting significant pressure on these moving forward. The Council clearly has a structural deficit that needs to be addressed through the financial sustainability programme and the actions required to address this shortfall will have a lead time to implement and in some cases a cost of implementation which will continue to put pressure on the reserves and is likely to cause further reductions in their levels.
- 4.10.5 The forecast balance on the Special Expenses Reserve Melton Mowbray as at 31.3.24 is £126k as shown in the above table. Due to previous decisions to limit the increases on this fund there is an ongoing need to continue to draw on this reserve to balance the budget. Based on current projections this will result in this reserve becoming exhausted in the future without an appropriate intervention. The need to consider longer term cemetery provision is now indicating a need for funding to support this in the future subject to member approval regarding the way forward. As such savings will be required to enable this fund to become balanced in the future as well as generating sufficient headroom to cover the revenue costs of any borrowing undertaken to fund the cemetery provision. This will be considered as part of the financial sustainability programme.
- 4.10.6 CIPFA (the Chartered Institute of Public Sector Finance and Accountancy) have issued a Financial Resilience index for all councils which is available publicly. This is in response to concerns regarding the viability of councils. It is suggested that Chief Finance Officers should comment on the results as part of their statement on the adequacy of the reserves as part of their budget reports. COVID-19 had an impact on the index in 2020/21 and CIPFA stated this year should therefore be viewed in the context of this having been a transitional year. This therefore impacts on the ability to draw clear conclusions on movements between years for this period. The index continues to illustrate the financial resilience of authorities but figures on reserves have been affected by a series of coronavirus-related payments at the very end of the 2020/21 financial year. The latest version of the indicator has some reserve indicators missing for some authorities including Melton so once again it is difficult to draw conclusions in this area. The key messages for Melton for the residual indicators are as follows:
- a) Compared to other district councils, and particularly similar district councils classed as being our “nearest neighbours” in terms of comparability, Melton has a high level of debt and interest payable to net revenue expenditure. This is because the indicators include HRA debt. Not all councils have a HRA and therefore it is difficult to draw comparisons in this area, particularly given MBC has no general fund debt currently;
  - b) Melton continues to be shown as being at a lower risk compared to similar authorities and other districts as a result of generating a high proportion of income from fees and charges. This is because this places less reliance on central government for funding with fees and charges being within the authority’s control. However, when events such as the pandemic occur such income can become a significant risk. Melton is also shown as having a higher proportion of council tax in relation to its net revenue expenditure which is also deemed a lower risk again due to the lower reliance on central government funding. However, this is similar to its nearest neighbours reflecting the position that

such rural authorities are lower funded and therefore will have had to rely on higher council tax over the years to fund service provision;

- c) Melton is at a lower risk compared to similar authorities and other districts as a result of having lower business rates growth. The implications being that with this source of funding being at risk of the baseline being reset, above which a portion of growth is retained, Melton has comparatively less to lose than other councils.

4.10.7 The need to draw on reserves to balance the 2023/24 budget due to what is a structural deficit will mean that future years indices will be negatively affected. The action and proposals to increase the working balance is a prudent one and sets a clear level for the minimum level of reserves in what are challenging financial circumstances. It does need to be recognised that as reserves above the minimum level deplete further, the ability to support the financial implications of change and transformation from reserves – e.g. costs arising from changes to staffing structure - will be more difficult and such costs could have to be met from within the annual revenue budget. This would therefore require sufficient savings to be made in year or income generated to meet these costs. Should reduced funding from central government result in further savings and efficiencies having to be made then there is a high risk that reserves would need to be drawn on to support the associated one off costs of achieving these. Whilst not covered by the resilience index, as set out in the capital strategy, the Council is vulnerable due to its low level of capital receipts and the ongoing need to invest in existing assets that have needs identified through stock condition surveys. If assets are not identified for sale that will generate additional receipts that can be invested elsewhere -opportunities for which are limited - then the council will need to identify revenue it can use to fund such capital expenditure directly or to fund the costs of borrowing. The council has an asset development programme which is progressing and this should lead to the realisation of capital receipts which would be available for asset improvements or investment elsewhere for a revenue return.

## **5 Options Considered**

- 5.1 It is a requirement to set an annual budget and consider the impact on the Council's reserves and balances. The options contained within the budget have been subject to scrutiny and reflect the feedback given.

## **6 Consultation**

- 6.1 Public consultation has been undertaken in relation to the proposals set out within the Corporate Strategy and the outcome reported as part of the approval of the strategy in 2020. A residents survey was undertaken in 2022 and the results compared to previous surveys so the direction of travel could be understood.
- 6.2 The State of Melton debate held on 28<sup>th</sup> September 2022 provided all members the opportunity to receive information from the residents survey and core service data and utilise these to engage in service delivery options early in the process.
- 6.3 The Scrutiny Committee has considered the budget proposals and the outcome of their consideration is set out elsewhere on the agenda. All members were invited to the Scrutiny committee. Prior to this formal meeting a Budget Scrutiny Workshop was held in January 2023.

- 6.4 Budget holders, managers and staff have been engaged at various stages in the process as the budget has been developed.
- 6.5 Business ratepayers have been consulted via the website.
- 6.6 Should any proposals be identified as part of the development of the Financial Sustainability Plan, consideration will be given at the time as to whether further consultation is required.

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

- 7.1 The recommended budget and council tax proposals will be presented to the Council meeting on 23rd February 2023 alongside the council tax calculations including the various preceptor amounts as required by the regulations set out in the Local Government Finance Act 1992. Following their approval the budget book and council tax invoices will be finalised and raised. The budgets set will be monitored and reported on as appropriate during 2023/24

## **8 Financial Implications**

- 8.1 Section 25 of the Local Government Act 2003 imposes a duty on the Chief Finance Officer to report formally to council on the following:
  - a) The robustness of the estimates utilised to set the Council Tax;
  - b) The adequacy of the proposed financial reserves.
- 8.2 With regard to the robustness of the estimates, by their very nature estimates are not factual they are the best estimate of the likely position taking into account the various risks associated with items of income and expenditure. One of the key areas of risk with regard to the robustness of the estimates relates to the assumptions made regarding income levels and inflationary impacts particularly the level of any national pay award and the management fee/payment associated with the future leisure contract. Further assumptions have had to be made in bringing together the estimates for 2023/24 and these are set out elsewhere in the report along with the key risks set out in Section 14 alongside some elements that were not finalised at the time the budget was produced for this report. Of particular concern is the structural deficit within the general expenses budget and that this is being met from the reserves. Whilst there is uncertainty associated with the future funding of local government and there could be a view that a cautious approach to service reductions should be taken, unfortunately the low level of the Council's reserves does not give this flexibility without substantial risk. As such the financial sustainability programme needs to be developed and implemented as a priority. Subject to these concerns the S151 Officer has confirmed that she is satisfied with the robustness of the 2023/24 base budget.
- 8.3 With regard to the adequacy of the reserves the council does review the level of general fund working balances required based on an assessment of risk, which is the minimum required, on an annual basis. As highlighted earlier as a result of the LGA financial resilience review this minimum level is proposed to be increased. As a result of the current extreme financial pressures on the budget it is vital that there are sufficient minimum level

of reserves to cushion the council against unexpected events. A statement of the reserves is attached at Appendix F. Low levels of reserves inhibit the Council's ability to either invest to save or to balance the revenue budget until savings are identified or to fund any one off costs of delivering against savings plans. In such an event such limited reserves would quickly be depleted. The council's low level of capital receipts are also a concern which represents a risk in funding any future repairs required to maintain the Council's assets .

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

## **9 Legal and Governance Implications**

- 9.1 Under section 151 of the Local Government Act 1972 a local authority has to make proper arrangements for the administration of its financial affairs.
- 9.2 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.
- 9.3 Under section 28 of the Local Government Act 2003 a local authority has to review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration in it's budget.
- 9.4 The Council is required under statute to fix the level of council tax for 2023/24 by 11 March 2023 and in order to do so will have to agree a balanced budget by the same date taking into account a range of factors, including consultation feedback, and decisions must also be taken in accordance with the Council's duties under the Equality Act 2010.
- 9.5 The budget approval process is separate from individual decisions which would be incidental to the budget setting process. Legal implications will continue to be considered in implementing budget proposals.
- 9.6 Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities issued under the Local Government Act 2003 provides assurance that the council's investments are, and will continue to be, within its legal powers.

**Legal Implications reviewed by: Deputy Monitoring Officer 15.01.23**

## **10 Equality and Safeguarding Implications**

- 10.1 When considering the MTFs, and any savings and investment proposals, the Council must have due regard to the public sector equality duty (PSED) contained within section 149 of the Equality Act 2010 which requires the Council to have due regard in it's decision-making processes to the need to: eliminate discrimination, harassment, victimisation or other prohibited conduct, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't.

Should it be considered that elements of the budget proposals may have equalities issues then these have been considered by the service area and assessed accordingly.

## **11 Community Safety Implications**

11.1 Individual budgets will have links to community safety issues as a core service area of the Council.

## 12 Environmental and Climate Change Implications

12.1 Individual budgets will have links to environmental and climate change across the council and will be incorporated into the budgets being proposed.

## 13 Other Implications (where significant)

13.1 There are no other implications to those set out elsewhere within the report.

## 14 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	Failure to secure financial stability in the medium term. (This is a corporate level risk and is the overall risk arising from a number of high level risks associated with financial sustainability including the lack of certainty regarding the future level of government funding for local authorities and additional responsibilities not covered by new burdens funding).	Very High	Catastrophic	High Risk
2	Assumptions around demand and usage resulting in fees and charges and other income including the leisure management fee not being achieved.	High	Critical	High Risk
3	Grant incomes for supporting service delivery are withdrawn or reduced over that budgeted for; funding is provided in areas such as benefits administration, sports commissioning homelessness.	Low	Marginal	Low Risk
4	Assumptions made for retained business rates aren't achieved resulting in reduced income over that estimated. This could be the result of less growth, changes in reliefs and discounts over that estimated, closure of businesses, successful and backdated appeals being higher than estimated, changes to baseline assumptions, impact of revaluation.	High	Critical	High Risk
5	Projections for Housing growth used to calculate council tax are inaccurate.	Low	Marginal	Low Risk

<b>6</b>	Any bi-elections are not budgeted for resulting in an overspend or savings having to be made elsewhere to cover	Significant	Marginal	Medium Risk
<b>7</b>	Unexpected costs arise in areas such as enforcement, planning appeals with the associated legal costs.	Significant	Marginal	Medium Risk
<b>8</b>	Homelessness costs are unable to be contained within budget as a result of rising need.	Significant	Marginal	High Risk
<b>9</b>	As a result of the focus on sundry debt recover there is an increase in bad debts that need to be written off and provisions need to be increased as a result.	High	Critical	High Risk
<b>10</b>	Inflation provided for is insufficient for contractual and pay increases particularly in light of the impact on the national living wage, contractual commitments and energy prices.	High	Critical	High Risk
<b>11</b>	Income assumptions in relation to property rentals and service charges is not achieved	Significant	Marginal	Medium Risk
<b>12</b>	The long term use of the children's centres could impact on the current allocation of costs between general and special expenses impacting on the net position of either fund at a level which is difficult to support without identifying savings elsewhere.	Significant	Marginal	Medium Risk
<b>13</b>	Depletion of the Council's capital resources increases the need to borrow for any capital spend which will impact on the revenue budget with any borrowing costs needing to be met and this increases pressure on revenue spend elsewhere.	High	Critical	High Risk
<b>14</b>	The costs of the new Elections Act are higher than budgeted.	Low	Marginal	Low Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
<b>Likelihood</b>	Score/ definition	1	2	3	4
	6 Very High				1
	5 High			2,4, 9,10, 13	
	4 Significant		6,8, 7,11,12		
	3 Low		3,5,14		
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	<p>As a corporate risk this is being managed with a full action plan in place.</p> <p>Mitigation includes priorities agreed through corporate strategy, Regular liaison and consultation with the unions, the workforce strategy, 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.</p> <p>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 and an increase to the minimum balance, 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 and business as usual costs through fair funding review. The key mitigation is the development of a robust</p>



	and achievable financial sustainability plan that is regularly reviewed and delivered as a priority.
<b>2,3,4,5,6,7,8,9,10,11,14</b>	Robust budget monitoring processes in place which are risk assessed to enable potential overspends to be highlighted at an early stage so corrective action can be taken to curtail expenditure elsewhere to offset such losses and shortfalls. The council does hold unearmarked reserves and some specific reserves that could be used for some areas of pressure, albeit these are reducing and are extremely limited, and should be taken in the context of the future significant cuts that are set to continue and the recent draw on these.
<b>12</b>	Ensure the business case for Phoenix House and subsequent use of the Childrens' Centres as an alternative venue for those displaced considers the ongoing revenue implications on both the general and special expenses.
<b>13</b>	Prioritise identification of assets for sale in order to realise capital receipts to use to fund capital spend elsewhere.

## 15 Background Papers

15.1 There are no background papers.

## 16 Appendices

Appendix A – State of Melton Report

Appendix B – Summary of Committee Estimates

Appendix C – Special Expenses Policy

Appendix D – Parish Council Precepts

Appendix E – Risk Assessment of Budgets

Appendices F and G – Statement of Revenue and Capital Reserves and

Purpose and Future Intentions of Reserves

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