

## General Fund Revenue Budget 2024/25 and Medium Term Financial Strategy 2025/26 to 2027/28

<b>Report Author:</b>	<b>Dawn Garton</b> , Director for Corporate Services
<b>Report Author Contact Details:</b>	01664 502444 dgarton@melton.gov.uk
<b>Chief Officer Responsible:</b>	<b>Dawn Garton</b> , Director for Corporate Services
<b>Chief Officer Contact Details:</b>	01664 502444 dgarton@melton.gov.uk
<b>Portfolio Holder Responsible</b>	<b>Councillor Sarah Cox</b> - Portfolio Holder for Corporate finance, Property and Resources

<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

### 1 Summary

- 1.1 **Current year 2023/24:** The Council monitors budget and service performance on a continuing basis with regular reports provided to Cabinet. For 2023/24, in respect of General Expenses, an underspend of £9k is forecast for the year, primarily due to in year grant income plus additional interest income offsetting a number of spending pressures across services and income shortfalls (mainly planning income). With regard to Special Expenses Melton Mowbray, an overspend of £16k is forecast primarily due to a public liability insurance claim, purchase of vaults for cremated remains and reduction in income from the cemetery.

- 1.2 **Draft Budget 2024/25:** The 2024/25 draft budget has been prepared based on the Council's draft new Corporate Strategy (due to be considered on the same agenda). It proposes an overall increase in council tax of 2.99% across all Council funds, in line with the Government's referendum limit. Following ongoing work to secure income and achieve efficiencies, the draft baseline budget provides a modest surplus, however a number of growth items are proposed, as well as savings proposals for Special Expenses Melton Mowbray. Assuming all the proposed growth and savings items are approved, and after utilising reserves to fund non-recurring growth proposals, the overall position would be a deficit of £81k on General Expenses and, a £13k deficit on Special Expenses Melton Mowbray. These deficits would be met by reserves to ensure a balanced budget. The details of the proposals are set out within the report alongside the risks and assumptions associated with the budget estimates.
- 1.3 **Future Years 2025/26 onwards:** 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 2025/26 onwards, primarily due to the uncertainty with regard to the levels of inflation (particularly on salary costs with further significant increases to the national living wage likely). In addition, there is the uncertainty of whether spend currently funded by grant income will continue. 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 improves, subject to the savings and council tax increase proposals being accepted, resulting in much lower projected deficits in later years than previously forecast. However further action will need to be taken in later years to return the fund to an ongoing balanced position which due to the low level of reserves for this account will be necessary. This demonstrates the continuing importance of the Council identifying areas where savings can be made either from efficiencies, additional revenue income or, if necessary, service reductions across both funds.
- 1.4 **Use of Reserves:** Whilst prudent management has ensured the level of Council reserves have stabilised, and through the business rates pool funding, seen them actually increase in recent years, they remain at a relatively low level. This presents the Council with an ongoing challenge making the Council more susceptible to external financial shocks. The projected 2023/24 outturn position is fairly stable due to the Council having secured non-recurring grant funding, which has offset ongoing pressures elsewhere in the budget. Assuming all proposed growth items are funded, the 2024/25 position will require a draw on reserves to balance the budget, and to fund a number of non-recurring items. While the Council's minimum reserve - the Working Balance - has been increased to £1m over recent years, the additional use of un-ringfenced reserves will reduce overall levels, and if sustained over time would eventually 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 a sizeable portion in the context in the overall size of the fund.
- 1.5 **Financial Sustainability Plan:** 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. The sustainability plan now focusses on longer term opportunities (for example through the Asset Development Programme) which are the subject of feasibility and business case development to determine the timing and quantum of any benefit that

may be possible. Until these potential gains are quantified and projects approved the Council will need to identify savings elsewhere or utilise reserves to balance the budget which reduces their availability for other non-recurring investment.

- 1.6 **Capital Resources:** Capital resources remain low, but have been supplemented in recent years by a number of disposals. The asset development programme is aimed at addressing this.

## 2 Recommendation(s)

**That Cabinet:**

- 2.1 **Note the year end forecast and financial position for the General Fund and Special Expenses for 2023/24.**
- 2.2 **Recommend that Council:**
- 2.2.1 **Approve the revenue budget subject to any amendment arising from the final settlement for 2024/25 for General and Special Expenses, including proposed growth and savings items, as set out in Appendix A and D and summarised in section 4.5;**
  - 2.2.2 **Approve an overall Band D council tax increase of 2.99%, with the individual Band D council tax levels across each fund set out in para 4.5.7;**
  - 2.2.3 **Note that the Council's employee establishment will be updated in line with any changes arising from approval of any of the growth proposals set out in Appendix A;**
  - 2.2.4 **Approve implementation of a 100% premium for properties that have been empty and unfurnished for longer than one year and a 100% premium for second homes as set out in para 4.5.5. The premiums will be implemented from 1 April 2025;**
  - 2.2.5 **Delegate authority to the Chief Executive, in consultation with the Director for Corporate Services, to increase resources required to meet the needs of the resettlement scheme subject to there being sufficient grant funding to meet the revenue costs;**
  - 2.2.6 **Delegate authority to the Chief Executive, in consultation with the Director for Corporate Services, to access the Corporate Priorities Reserve to fund any one off change and redundancy costs arising from the reconfiguration of the IT service provided by the Leicestershire ICT Partnership, as set out in para 4.5.6 (m);**
  - 2.2.7 **Delegate authority to the Chief Executive, in consultation with the Director for Corporate Services, to access the Corporate Priorities Reserve to fund any one off costs associated with any potential future planning appeals;**
  - 2.2.8 **Delegate authority to the Chief Executive, in consultation with the Director for Corporate Services, to access the Corporate Priorities Reserve to fund a permanent Environmental Programme Manager to support the introduction of food waste collection and other environmental projects until such time as the sufficiency or otherwise of the revenue grant funding is known and assessed;**
  - 2.2.9 **Approve that any current year surplus/deficit on general expenses at 31 March 2024 be met by transfers to or from the Corporate Priorities**

**Reserve in order to maintain the working balance at its agreed level of £1m;**

**2.2.10 Approve that any current year surplus/deficit for Special Expenses Melton Mowbray at 31 March 2024 be transferred to/from the Special Expenses Reserve thereby bringing the actual working balance back to the target £50k;**

**2.2.11 Note the changes made to the risk categorisation of budgets as set out in para 4.8.1 and Appendix F.**

### **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 facilitated through regular reporting of the financial position.
- 3.2 The recommendations set the Council's General Fund budget and proposed level of council tax for the 2024/25 financial year which takes into account the proposals set out in the draft 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 residents. 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 2023/24**

##### **4.1.1 General Expenses – Current Year:**

4.1.2 The forecast year end position for General Expenses is in an underspend of £9k prior to any additional pressures/savings which may emerge between now and the end of March 2024. This takes into account approved contributions to/from the reserves, supplementary estimates, and approved carry forwards from 2022/23. The key variances that make up this underspend are:

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

- **Grant Funding (£185k)** – various grants received have been utilised to support existing corporate commitments and pressures. This includes Homes for Ukraine £18k, Levelling Up Fund staffing costs £70k and revenues and benefits new burdens funding £97k. There is the risk that some of this funding may be required to meet additional

resource requirements so as to meet the expectations of the grants. This will be monitored closely.

- **Investment Income (£271k)** – Increase in interest rates against those budgeted for linked to the rise in the base rate.
- **Salary savings (£72k)** – Through effective vacancy management a number of savings have been delivered in year. These are from part-year vacancies, recruitment at a lower spinal point, change in hours, appointment of an apprentice and staff not in pension scheme. Case Management (£28k), Customer Services (£17k), Community Safety (£14K) Organisational Development (£13k).
- **Car Parking (£13k)** – Parking fee income is exceeding budgeted expectations.
- **Cattle Market (£13k)** – latest throughput information from the operator is showing that income is currently exceeding expectations, which is mainly related to animal auctions.
- **Phoenix House (£150k)** – additional income will be secured through the one off back dated historical service charges for the last five years to be invoiced to tenants.

#### 4.1.4 **Spending Increases – where there is a forecast increase / overspend on expenditure or projected shortfall in income:**

- **Rent Rebates and Rent Allowances (£47k)** – Shortfall expected in overpayment recovery. Also slight variance expected in subsidy actuals however this will be refined further.
- **Legal Services (£15k)** – Extended use of agency staff to cover multiple vacancies.
- **Homelessness (£21k)** – recovery of B&B charges has reduced, therefore income levels are unlikely to be achieved. This is based on the number of people being placed in B&B significantly reducing over previous years.
- **Melton Lifeline (£23k)** – Increased equipment costs due to the digital switchover. There is also a shortfall in income.
- **Parkside (£74k)** – latest utility bills are showing a significant increase in charges linked to the inflationary rises.
- **Development Control (£301k)** – £253k Shortfall expected in planning income based on applications received to date. £29k increased fee claimed by LCC re biodiversity net gain and a further £19k for temporary employment to cover vacancies and recruitment costs. This does not allow for any planning appeal costs which could materialise. As such, delegated authority is requested to enable timely access to the reserves to fund any costs arising from preparing for, responding to and where appropriate, defending any potential planning appeals that may occur.
- **Building Control (£42k)** – 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. £250k loss of income across the Leicestershire partnership.
- **Environmental Maintenance (£29k)** – High cost and volume of vehicle maintenance works with the addition of hire vehicle whilst waiting for the delivery of a new van. Tree works required following surveys.

- **National Non Domestic Rates (NNDR) shortfall (£42k)** – Levy calculation higher than budgeted (£16k). In-year monitoring has also identified an increased levy which is not fully off-set by increased government grant leading to a £26k shortfall.
- **Pay award (£60k)**– the 2023/24 budget included an allowance for a 4% pay increase. However, the final pay award was a flat rate £1,925 to each spinal point for those earning up to £49,950, and a 3.88% increase for higher earners, resulting in an overspend against budget. This risk was highlighted to Council when the budget was set.

#### 4.1.5 **Special Expenses – Current Year:**

4.1.6 The predicted year end position for Special Expenses Melton Mowbray is an overspend of £16k due to a public liability insurance claim, purchase of vaults for cremated remains and reduction in income for the cemetery.

4.1.7 There are no significant variations forecast on the parish closed churchyards at present.

#### 4.1.8 **Summary – Current Year:**

4.1.9 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/deficit over the current working balance at 31<sup>st</sup> March 2024 be transferred to the Corporate Priorities Reserve. 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. The report includes specific recommendations to facilitate this approach.

#### 4.2 **Links to the new Corporate Strategy**

4.2.1 The new Corporate Strategy sets out the Council's focus and aspirations both through a long term vision up to 2036, and through a 4-year Corporate Delivery Plan. Following public consultation and engagement with our stakeholders and partners, a clear vision and ambition for Melton and the people who live and work here is proposed for approval alongside these budget proposals.

#### 4.3 **Key Budget Principles for 2024/25**

4.3.1 A number of key principles have been considered as part of the budget setting process for 2024/25, some of which were considered as part of the previously approved Medium Term Financial Strategy (MTFS) and these are set out below:

- a) The target working balance for General Expenses be retained at £1m;
- b) The target working balance for Special Expenses Melton Mowbray be retained at £50k but consideration be given to this increasing when affordability allows;
- b) No general inflation be provided for in the 2024/25 budget at service budget level, other than salaries which has been provided for at 5%, unless adjusted for known cost increases by budget holders such as contractual requirements. Pay progression across the scales has been provided for within the establishment budgeted for in full, but no budget has been provided for recruitment costs which would typically be met from underspends arising from a vacancy.

#### 4.4 **Local Government Finance Settlement 2024/25**

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 of £2.8k) 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 maximum increase in 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.
- 4.4.3 This review and any prospect of a multi-year settlement has been repeatedly delayed with single year finance settlements repeatedly issued in recent years. 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 contained principles for the 2023/24 and 2024/25 financial years but with actual financial information for 2023/24 only. The final settlement for 2024/25 is not expected until late early February 2024 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 2024/25 provisional finance settlement are as follows:
- a) Business Rates – The Settlement Funding Assessment used to calculate retained business rates was increased by 4%. However there was also some technical changes to the calculation which now separate out how retained rates are calculated for small and large businesses. The resulting calculations has resulted in a moderate increase in business rates income after allowing for the likely outcome of appeals and bad debt provisions. Following an assessment the Leicestershire business rates pool is continuing for 2024/25 based on estimated significant growth across the pool area;
  - b) Council Tax – The settlement has confirmed that the referendum limit for district councils is the higher of 3% or £5 overall increase in a Band D property;
  - c) Rural Services Delivery Grant – The “Efficiency for SPARSE” services grant has been confirmed as continuing in line with that received in 2023/24 for Melton, this is therefore confirmed as £213k;
  - 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; with authorities only receiving the payment on

growth amounting to over 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 2021/22, 2022/23 and 2023/24 with these payments not forming part of any legacy payments. For 2024/25 the government has again extended the scheme for a further year on the same basis with indications this will be the final year. As such Melton will receive a one off payment for new homes built over the previous year in 2024/25, but these will not form part of any future legacy payments. This results in a final NHB payment for 2024/25 of £726k;

- e) Funding Guarantee – The government provides a funding guarantee grant to ensure all councils receive an inflationary increase of at least 3% in their Core Spending Power. Due to the increase in New Homes Bonus the Council is no longer eligible to receive anything in 2024/25. For information Melton received £84k in 2023/24;
- f) Services Grant – An additional grant was awarded in 2022/23 to fund general responsibilities such as the increases in external audit fees based on the 2013/14 shares of the Settlement Funding Assessment. This grant also included funding for local government costs for the increase in employer National Insurance Contributions that were planned but as these were reversed in the previous spending review this element was removed from the overall funding envelope last year and has been reduced further for 2024/25. For Melton the grant for 2024/25 is £8k which compares to £54k received in 2023/24.

## Proposed Budget 2024/25

4.5.1 The proposed budget for 2024/25 is set out in Appendix D and is summarised in the table below:

<b>Proposed Budget 2024/25</b>	<b>£000</b>
<b>General Expenses</b>	
Net Cost of services-Updated Base Budget	8,664
Recurring and One-off Growth Proposals (Net utilisation of UKSPF funding) (see Appendix A and C and paragraph 4.5.3 below)	371
Increased costs due to Special Expenses Saving	16
<b>Proposed Net Cost of Services</b>	<b>9,051</b>
Non Service Related Budgets	-2,925
Business Rates Equalisation Reserve	-332
<b>Net Expenditure</b>	<b>5,794</b>
<b>Net Expenditure Met by:</b>	
Non Domestic Rates	-948
NNDR Collection Fund Deficit	332
Council Tax Collection Fund Surplus	-45
New Homes Bonus	-726
Revenue Support Grant	-3
Council Tax	-4,075
Corporate Priorities Reserve – Non Recurring Cost	-248
<b>Deficit to be met from the Corporate Priorities Reserve</b>	<b>81</b>



<b>Special Expenses Melton Mowbray</b>	
Net Cost of Services-Updated Base Budget	700
Proposed Growth and Savings	-20
Non Service Related Budgets	-117
<b>Net Expenditure</b>	<b>563</b>
<b>Net Expenditure Met by:</b>	
Council Tax	-540
Special Expenses Reserve – Non Recurring Cost	-10
<b>Deficit to be met from Special Expense Reserve</b>	<b>13</b>

4.5.2 The budget for 2024/25 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 the draft new Corporate Strategy and Corporate Delivery Plan.

4.5.3 The growth and savings proposals are set out in Appendices A and B with a summary at Appendix C. The growth for Special Expenses is a non-recurring item and therefore meets the criteria for being funded from the reserve. The low level of the Special Expenses reserve should though be noted, which is a result of needing to draw on this to balance the budget in current and previous years, with some years there being no council tax increase set for this fund. The growth proposals for general expenses are both non recurring and ongoing commitments, and therefore after utilising reserves for the non recurring items, results in a budget deficit of £81k that then also needs to be funded from reserves. These have been incorporated into the budget and MTFs as set out in Appendix D and the above table and are summarised below:

#### **Growth Proposals:**

<b>General Fund Growth Proposals</b>	<b>Recurring £000</b>	<b>Non Recurring £000</b>
<b>Local Plan:</b> Resources required to deliver the review and update of the Local Plan		130,000
<b>Housing Options:</b> Shortfall in funding for existing Housing Options Officer post	5,507	
<b>Private Sector Housing Quality:</b> Resources to meet increasing requirements to improve private sector housing quality, and address issues like damp and mould. Investment to fund 1 FTE Private sector Housing officer	41,513	
<b>Environmental Maintenance and Property:</b> Resources to improve working arrangements between environmental maintenance and property through a shared role – assisting with managing inspections and co-ordinating ‘pride in place’ work. Investment to fund 1 FTE Shared Admin Role offset by reduction in vacant 0.5 Community Safety Admin Post	10,480	
<b>Consultation and Engagement:</b> Investment in new Consultation and Engagement Software to assist the council in more effective community engagement and undertaking in house rather than having to commission externally.	11,200	10,000
<b>Performance Management:</b> Investment in new Performance Management Software to increase the Council’s grip on performance.		21,000

<b>Regulatory Services:</b> Investment in system administration within regulatory services to improve effectiveness. 1 FTE system admin role	45,590	
<b>Town Centre:</b> Development of a Town centre Design Guide to establish agreed standards and expectations		30,000
<b>Town Centre:</b> Establishment of a Town centre / Pride of Place Fund (to supplement existing UKSPF funding focussed on the town centre)		20,000
<b>Legal &amp; Enforcement:</b> Investment in a Legal Case Management System to improve effectiveness of legal team and enforcement action.	6,696	9,610
<b>Data Management:</b> Investment in an FOI Case Management System to improve effective management of info requests and ability to improve wider service and complaint requests.	2,615	3,150
<b>Physical Activity &amp; Wellbeing:</b> Funding to maintain existing service provision and address funding shortfall in physical activity and sports team budget following reduction in public health funding.		25,000
<b>Planning Development:</b> Temporary resources to address backlog in planning development.		50,875
<b>Planning Enforcement:</b> Temporary increase for resources in planning enforcement to strengthen focus on addressing community issues (0.5 FTE)		22,170
<b>Environmental Health:</b> Temporary additional technical capacity within environmental health to support new leadership structure and improve response to concerning issues like noise.		15,000
<b>Special Expenses Non Recurring Growth Proposal</b>		
<b>Cemetery:</b> Essential repairs to cemetery wall		10,000

#### 4.5.4 Savings Proposals:

Savings in respect of Special Expenses Melton Mowbray are also proposed as included in Appendix B These are as follows:

- In line with current usage by the housing team to support local service delivery, and recognising the asset is owned by the HRA, it is proposed to transfer the costs arising from the Fairmead Community Centre from Special Expenses back to the HRA, in-line with its current use as an operational housing asset. It is further proposed that the housing team to then undertake a review and options appraisal into the most appropriate future use.
- Close the Cemetery Chapel. Future repairs liabilities have been identified as part of the Asset Management Plan of £3.5k per annum. The chapel is only used a handful of times per annum generating circa £1k in income. Closure is proposed to mitigate future repairs costs, the exception being any essential external health and safety repairs that are required. It is proposed that the cemetery chapel is not used from 1<sup>st</sup> April 2024 and that options regarding its future use are brought forward for consideration in 24/25. There are no bookings currently in place after 1<sup>st</sup> April that would be adversely impacted by these changes.

4.5.5 Savings proposals are also being put forward to support the Council's budget in future years specifically in respect of changes to Council Tax premiums. The Government's Levelling Up and Regeneration Act included further discretionary options for the application of Council Tax premiums on empty properties and second homes. Billing Authorities are encouraged to adopt council tax premiums on empty properties to incentivise property owners to bring properties back into use. At present, premiums can be charged where properties are left empty and substantially unfurnished for periods of two years or more. The Council has previously resolved to charge an empty homes premium of the relevant maximum in addition to the full council tax charge. The relevant maximum is:

- i) 100% for dwellings that have remained unoccupied and substantially unfurnished for a period of less than 5 years.
- ii) 200% for dwellings that have remained unoccupied and substantially unfurnished for a period of at least 5 years.
- ii) 300% for dwellings that have remained unoccupied and substantially unfurnished for a period of at least 10 years.

The recommendation is now to apply these premiums after 1 year. This would affect approximately 80 properties.

In addition to the premium on empty homes, the bill also enables a 100% premium on second homes to be levied and this is also recommended to be introduced. Billing authorities that wish to adopt any changes arising from the Act are required to make a Full Council resolution confirming their requirements at least 12 months prior to the financial year in which the changes will come into effect. Accordingly, a Full Council resolution is required prior to 31 March 2024 in order to adopt the changes for the year commencing 1 April 2025. These proposals will provide additional council tax income of circa £23k for this Council as well as additional income for other preceptors. Indirectly this could increase the stock of housing as it encourages empty homes to be brought back into use. This would affect approximately 50 properties

#### 4.5.6 Budget Development and Assumptions

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 the proposed budget and Appendix D 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, and it has been proposed that the increase for Special Expenses Melton Mowbray would be 4.99% leaving the increase for General Expenses at 2.53% in order to bring the combined, overall increase to 2.99%. Capping levels are set to include all council funds. The proposed larger increase for Special Expenses arises from the need to secure additional revenue to assist in reducing the deficit on that account and minimise the draw on dwindling reserves. The higher increase in respect of Frisby is due to one off repair needs within the closed churchyard for which this Council is responsible. The Parish Council has been notified;

- 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. A business rates equalisation reserve is held to smooth out some of these implications between years and £332k is included in the budget for 2024/25 to cover the deficit on the NNDR collection fund. Based on the forecast for 2024/25 this will put the estimated balance at 31.3.25 at just under £400k which is within the margins of what is considered appropriate 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) The improvements to leisure facilities as required under the recently awarded 10 year contract are to be funded through grant from the Leicestershire Local Enterprise Partnership. Provisional confirmation of this grant has been received and the Council is in the process of completing the grant agreement for this funding;
- h) That the financial impact of the new leisure contract is smoothed across the life of the contract through the creation of a reserve drawn from the Corporate Priorities Reserve;
- i) No contingency has been included in the budget for 2024/25 due to affordability;
- j) The forecast surplus of £9k at 31<sup>st</sup> March 2024 on general expenses to be transferred to the Corporate Priorities Reserve. For Special Expenses Melton Mowbray the forecast deficit of £16k is to be met from a transfer from the Special Expenses Reserve balance;
- k) No allowance has been made for the outcome of the review of Members Allowances in 2024/25;
- l) The cost of external audit is intended to be met in full with clarity needed on which of the accounts are to be subject to a full audit still awaited;
- m) An allowance has been made within the revenue budget for the estimated costs of changes being made by the Leicestershire ICT partnership. This is in addition to a capital sum in the capital programme. The future operating model is still being discussed and modelled. This is necessary to ensure future IT stability and ensure systems and resources are fit for the future due to the speed at which technology is moving and under investment in the past. There is also the possibility for membership numbers to reduce. This could result in some redundancy costs for which all partners will be liable. The extent and split of these is not known and therefore it is highly likely that resources from reserves will be needed to meet these costs. A delegation is requested within the recommendations to address this.

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

<b>Fund</b>	<b>Council Tax at Band D</b>	<b>Change over 2023/24</b>
	<b>£</b>	<b>%</b>
General Expenses	202.64	2.53
Special Expenses - Melton Mowbray	56.84	4.99
Special Expenses – Sproxton Nos. 2 & 4	77.94	-0.49
Special Expenses – Frisby	41.84	80.51
Special Expenses – Gaddesby	28.29	22.09
<b>Average</b>	<b>230.85</b>	<b>2.99</b>

#### 4.6 Parish Precepts

4.6.1 For information, a summary of the parish precepts received to date is set out at Appendix E.

#### 4.7 Budget Monitoring

4.7.1 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.

4.7.2 The categorisation of the various services has been reviewed for 2024/25 and is set out in Appendix F. Changes have been made to the risk profile with Building Control added onto the list of high risk budgets due to the increasing costs of the building control partnership and regulatory changes in this area.

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

4.8.1 The estimates in Appendix D contain forward projections for the financial years 2025/26 to 2027/28 as set out below. This is based on the estimated likely position for these future years. Maximum council tax increases plus increased yield from new properties does not cover the forecast increase in salaries and contract costs. This therefore creates an ever increasing deficit in the forecast. This is worsened by the assumed cessation of time limited grant funding in 2025/26 and 2026/27 alongside a lack of certainty regarding future levels of inflation, particularly with regard to wage inflation. Whilst there is great uncertainty regarding government funding this has been assumed at current levels in the forecast even if the category of funding may change. The table below does not take account of any management interventions to achieve efficiencies, secure new revenue (e.g. through the Stockyard) or implement any of the key aspects of the Financial Sustainability Plan (e.g. Asset Development Programme). If delivered, these would help to reduce the deficits projected below and work will continue to achieve this, as it has in previous years.

<b>Budget Forecast</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Expenses</b>				
Net Cost of Services	9,051	9,346	9,787	10,304
Non Service Related Budgets	-2,925	-2,909	-2,781	-2,677
Business Rates Equalisation Reserve	-332	0	0	0
<b>Net Expenditure</b>	<b>5,794</b>	<b>6,437</b>	<b>7,006</b>	<b>7,627</b>
<b>Net Expenditure Met by:</b>				
Non Domestic Rates	-948	-1,006	-1,065	-1,125
Council Tax Collection Fund Surplus(-)/Deficit	-45	0	0	0
NNDR Collection fund Deficit	332	0	0	0
New Homes Bonus/Fair Funding	-726	-726	-726	-726
Revenue Support Grant/Fair Funding	-3	-3	-3	-3
Council Tax	-4,075	-4,264	-4,454	-4,652
Use of Reserves	-248	0	0	-120
<b>Deficit for the Year</b>	<b>81</b>	<b>438</b>	<b>758</b>	<b>1,001</b>
<b>Special Expenses Melton Mowbray</b>				
Net Cost of Services	681	699	728	758
Non Service Related Budgets	-117	-117	-115	-114
<b>Net Expenditure</b>	<b>564</b>	<b>582</b>	<b>613</b>	<b>644</b>
<b>Net Expenditure Met by:</b>				
Council Tax	-540	-568	-596	-626
Use of Reserves	-10	0	0	0
<b>Estimated Deficit for the Year</b>	<b>14</b>	<b>14</b>	<b>17</b>	<b>18</b>

4.8.2 With the ongoing uncertainty regarding inflation levels coupled with long term uncertainty regarding government funding it is extremely challenging to reliably 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 with regard to general expenses as set out below.

	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>Potential Deficit</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Best Case Scenario	99	373	568
Worse Case Scenario	1,239	1,720	2,211

4.8.3 The key factors influencing the sensitivity analysis and creating such a large variations between best and worse case scenarios are the assumptions regarding inflation and decisions that will be made to services currently funded through time limited grant funding. 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) Varying assumptions made regarding the future of fixed term posts currently funded from reserves and grant income;
- c) That various time limited funding streams cease at the end of their initial period;
- d) 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;
- e) Growth projections for council tax growth have been based on historical trends;
- f) An allowance have been made for the transfer of part of the land charges service to the Land Registry in 2025/26;
- g) No revenue allowance has been made for the potential introduction of mandatory food waste collection with the assumption that any additional costs will be covered by new burdens grant. 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. The Council has received notification of a Capital funding allowance to support implementation but the sufficiency of this is still being assessed. As well as any ongoing revenue implications there will be a need to cover the one off costs of implementation and project management. The Council currently has a shared service arrangement with Harborough District Council for waste management senior officer support. Harborough District Council has signalled their intention to end this arrangement which will leave a gap in resources at this level. A delegation is included to utilise reserves until such time as the ongoing costs are known and grant funding notified;
- h) No allowance has been made for any Extended Producer Responsibility Grant due to the lack of information on both the value and likely distribution of this and any associated burdens.

## Reserves

- 4.9.1 A Statement of Revenue and Capital Reserves is attached at Appendix G. The key reserves set out in this statement which are affected by the 2024/25 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 1.4.23	1,239	215	850	505	1,639
Estimated net change 2023/24	288	-112	150	-119	-908
Estimated balance 1.4.24	1,527	103	1,000	386	731
Proposed Movement in Reserves 2024/25	-558	24	0	-94	-332
<b>Estimated Balance 31.3.25</b>	<b>969</b>	<b>79</b>	<b>1,000</b>	<b>292</b>	<b>399</b>

4.9.2 The figures set out in the statement at Appendix G 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) Any surplus/deficit on the general expenses and Special Expenses MM revenue budget is met from a transfer to and from the Corporate Priorities Reserve and Special Expenses Reserve respectively in order to maintain the working balances at their current target levels;
- c) That a new Leisure Smoothing reserve is established in order to equalise the management fee from the leisure contract over the 10 year life of the contract, this is created through a transfer from the Corporate Priorities Reserve which will be repaid in later years;
- 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.;
- e) No allowance is made for any approvals made under delegation in line with the recommendations.

4.9.3 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 H.

4.9.4 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 2024/25. The reserves had stabilised in recent years and have increased with the addition of the business rates pool money however the budget for 2024/25 does draw heavily on these to establish the Leisure Smoothing Fund, funding of non recurring revenue growth items and the in year deficit. The £230k transferred to the Leisure smoothing fund will be restored in the middle years of the 10 year contract as the management fee increases due to the initial investment. It is clear that the financial challenges remain, particularly with the ending of non recurring grant funding, this is putting significant pressure on these moving forward. The Council clearly has a structural deficit that needs to be addressed through future savings 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. There is the expectation of further allocations from the business rates pool which will further boost reserves of circa £700k across the next 2 years.

4.9.5 The forecast balance on the Special Expenses Reserve Melton Mowbray as at 31.3.25 is £79k 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, although the proposals for increased council tax and savings in 2024/25 reduce this significantly. Further actions will therefore be needed in later years to bring this account back into balance. At the same time it would also be prudent to consider increasing the working balance from its current level of £50k as this has not been revised for some years and there has been a trend of overspending on this account. It is considered a larger balance would help mitigate any overspends and when considered alongside the reducing reserves would assist with financial resilience with regard to this fund. The need to consider longer term cemetery provision will require further funding, subject to future consideration by the Council. As such as well as savings being required to enable this fund to become balanced in the future there will also be a need to identify further savings to generate sufficient headroom to cover the revenue costs of any borrowing undertaken to fund the cemetery provision.

4.9.6 CIPFA (the Chartered Institute of Public Sector Finance and Accountancy) issue 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. The key messages for Melton are as follows:

- a) The Council is deemed at higher risk due to its level of reserves in comparison to net revenue expenditure and the relative level of earmarked reserves. This was a key concern which led to the increase to the working balance in 2023/24. This is a key resilience indicator as it affects the Council's ability to respond to unexpected events and manage the financial impacts of any changes needed to become more efficient;
- b) 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;
- c) Melton is shown as being at a medium risk compared to similar authorities and other districts as a result of the proportion of income from fees and charges it generates. 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;

d) 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.

4.9.7 The relative low level of the Council's reserves compared to other similar authorities is also highlighted in the new Office for Local Government (Oflog) corporate indicator set. This is an issue for small councils due to their comparative size. The Council needs to be mindful of this when considering its budget position and future financial resilience.

4.9.8 Whilst the Council's reserves have stabilised, and increased in recent years, the need to draw on reserves to balance the 2024/25 budget due to what is a structural deficit will mean that future year's indices will be negatively affected. 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. Further gains from the business rates pool will mitigate this and support resilience but if used to support savings plans will not then be available to support other non recurring direct service delivery expenditure. 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 recently drafted Asset Management Plan identifies asset for sale but there is insufficient information to put a potential value to what this could generate and therefore there is not sufficient evidence to make any assumptions with regard to potential capital receipts and what this could fund. 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 elsewhere on this agenda. 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 20<sup>th</sup> September 2023 provided all members the opportunity to input into the development of the Corporate Strategy receive information from previous residents surveys 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 December 2023. The proposals presented to the scrutiny committee have been amended in this report to reflect further information received and also comments received from the committee. The changes made are as follows:
- the inclusion of recommendation 2.2.8 to provide a delegation to address the resourcing needs of the environmental service
  - the removal of the financial impact of introducing additional car parking charges on Sundays and in the evenings which will not be taken forward at this time but will be considered as part of a wider.
- 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.

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

- 7.1 The recommended budget will be presented to the Council meeting on 8th February 2024. Council tax calculations including the various preceptor amounts as required by the regulations set out in the Local Government Finance Act 1992 will be presented to Council on 22<sup>nd</sup> February 2024. 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 2024/25

## **8 Financial Implications**

- 8.1 The financial implications of proposals are set out above. With regard to the changes recommended to the empty homes premium, by bringing forward the applicable date to one year from two will generate an additional £159k of council tax income based on current numbers and charges. This would be shared across all preceptors with approx. 9% benefitting this Council's general expenses. The recommended introduction of a premium on second homes would generate approximately £102k of council tax based on current numbers and charges. With this again benefitting all preceptors with approx. 9% benefitting this Council's general expenses
- 8.2 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.

8.3 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. Further assumptions have had to be made in bringing together the estimates for 2024/25 and these are set out elsewhere in the report along with the key risks set out in Section 15 alongside some elements that were not finalised at the time the budget was produced for this report. A number of the growth proposals include posts which have yet to be subject to job evaluation. There are concerns these will not be sufficient to recruit the right personnel however should the grade following job evaluation be higher than the growth proposal then this would need to be found from savings elsewhere to still be within the budget envelope. As set out above future maximum increases in council tax alongside council tax growth is not sufficient to meet the rising costs of service provision. Unless future opportunities arise from other funding streams there is therefore an ongoing pressure to meet the costs of existing service provision from efficiencies and savings if the budget is to remain balanced. Of particular concern is the structural deficit, albeit modest, within the general expenses budget and that this needs to be met from the reserves. Whilst there is considerable uncertainty associated with the future funding of local government, alongside the Council having a track record of prudently managing its finances, 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 reduces the level of flexibility the Council has, and therefore there is a real risk that the Council may have to make more aggressive service savings in future years if the deficits cannot be mitigated. Further one off funding of circa £700k which will boost reserves is expected from the business rates pool however the £700k received in 2024/25 has already been largely utilised as part of the 2024/25 budget proposals. As such the Financial Sustainability Programme, and key elements like the Asset Development Programme, need to continue to be progressed and implemented as a priority. Subject to these concerns the S151 Officer has confirmed that she is satisfied with the robustness of the 2024/25 base budget.

8.4 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. Following a LGA financial resilience review the general expenses working balance was increased during 2023/24 to £1m. 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 G. 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. Due to the pressure on the Special Expenses MM fund it would be prudent to consider an increase to this working balance as part of measures to address the budget gap.

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 2024 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 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: C. Tobin, Assistant Director for Governance and Democracy, Monitoring Officer.**

## **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 Data Protection Implications**

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

## 12 Community Safety Implications

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

## 13 Environmental and Climate Change Implications

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

## 14 Other Implications (where significant)

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

## 15 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 planning fees, investment income and property rentals not being achieved.	High	Critical	High Risk
3	Grant and partnership income for supporting service delivery are withdrawn or reduced over that budgeted for; funding is provided in areas such as benefits administration, sports commissioning homelessness, climate change and resettlement schemes.	Significant	Critical	Medium Risk
4	Assumptions made for retained business rates aren't achieved resulting in reduced income over that estimated and a deficit in the collection fund which would impact on future financial sustainability. This could be the result of less growth, changes in	High	Critical	High Risk

Risk No	Risk Description	Likelihood	Impact	Risk
	reliefs and discounts over that estimated, closure of businesses, successful including empty relief and backdated appeals being higher than estimated, changes to baseline assumptions.			
5	Projections for Housing growth used to calculate council tax are inaccurate.	Low	Marginal	Low Risk
6	Any bi-elections are not budgeted for resulting in an overspend or savings having to be made elsewhere to cover.	Significant	Marginal	Medium Risk
7	Unexpected costs arise in areas such as enforcement, planning appeals with the associated legal costs.	Significant	Marginal	Medium Risk
8	Homelessness costs are unable to be contained within budget as a result of rising need including asylum seekers.	Significant	Marginal	Medium Risk
9	As a result of the focus on sundry debt recovery there is an increase in bad debts that need to be written off and provisions need to be increased as a result.	Significant	Marginal	Medium Risk
10	Inflation provided for is insufficient for contractual, utilities and pay increases particularly in light of the impact on the national living wage.	High	Critical	High Risk
11	Funding from the LLEP for leisure improvements is not received.	Low	Critical	Medium Risk
12	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
13	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
14	Due to essential asset repairs being undertaken only, as a result of	Significant	Critical	Medium risk

Risk No	Risk Description	Likelihood	Impact	Risk
	affordability, that this creates future asset repairs that are unaffordable.			
15	Changes in Government Policy relating to waste including the requirement to collect food waste is not fully funded. A permanent post is being recommended to be funded from reserves until the funding position is known. The risk is that this increases the burden on the revenue budget if not fully funded in future through grant	High	Critical	High Risk
16	There is a need to draw on reserves to fund the changes required to the IT service to address previous underfunding and to keep pace with technological changes.	Significant	Critical	Medium risk
17	Job evaluation results in a higher grade than that assumed in the growth bids for new posts.	Significant	Marginal	Medium Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				1
	5 High			2,4,10,13,15	
	4 Significant		6,7,8,9,12,17	3,14,16	
	3 Low		5	11	
	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 and achievable financial sustainability plan that is regularly reviewed and delivered as a priority.</p>
2,3,4,5,6,7,8,9,10,14,16	<p>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.</p>
11	<p>Ensure robust business case and documentation provided to the LLEP to justify spend and compliance with grant conditions.</p>
12	<p>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.</p>
13,14	<p>Prioritise identification of assets for sale in order to realise capital receipts to use to fund capital spend elsewhere.</p>
15	<p>Work with other councils to ensure any shortfall in funding is understood and lobby Government and other bodies such as LGA, DCN to increase the funding to the level that meets costs. Work with contractor to mitigate increased costs to fit within funding provided.</p>
17	<p>Job descriptions to be designed to fit the assumptions made in the budget. Recurring savings would need to be found elsewhere to ensure costs of new staffing are maintained within the budget envelope</p>

## **16 Background Papers.**

16.1 There are no background papers.

## **17 Appendices**

Appendix A - General Expenses Growth Proposals

Appendix B – Special Expenses Melton Mowbray Growth and Savings Proposals

Appendix C – Summary of Budget Proposals

Appendix D – Summary of Committee Estimates

Appendix E – Parish Council Precepts

Appendix F – Risk Assessment of Budgets

Appendices G and H – Statement of Revenue and Capital Reserves and Purpose and Future Intentions of Reserves