

## **FULL COUNCIL**

**7 FEBRUARY 2018**

### **REPORT OF THE DIRECTOR FOR CORPORATE SERVICES**

#### **REVENUE BUDGET 2018/19 AND MEDIUM TERM FINANCIAL STRATEGY**

##### **1.0 PURPOSE**

- 1.1 The purpose of this report is to provide information on the budget issues facing the Council in 2018/19 and beyond, seek a decision on the level of the budget including growth and savings and agree the level of Council Tax for Borough Council purposes.
- 1.2 The Council is to 'make' a Member Allowances Scheme for each year that the scheme relates and review its scheme for the forthcoming Civic Year 2018/19.

##### **2.0 RECOMMENDATIONS**

**It is recommended that:**

- 2.1 Any increase or shortfall against the target working balance on General Expenses at 31 March 2018 be adjusted by transfers to/from the Corporate Priorities Reserve and for Special Expenses Melton Mowbray any surplus/deficit be transferred to/from the Special Expenses Reserve (paras 3.4.2, 3.4.4 and 3.5.4 refer);
- 2.2 The proposals for General Expenses and Special Expenses MM as set out in Appendix A be approved for inclusion in the 2018/19 budget resulting in the estimates set out in Appendix B;
- 2.3 The revenue budget for 2018/19 for General and Special Expenses as set out in Appendix B be approved resulting in an overall council tax increase of 2.99%, the individual council tax levels being as set out in para 3.5.5;
- 2.4 That delegated authority be given to the Director for Corporate Services to amend the estimates to account for any changes to the final Formula Funding amount over the provisional figure by adjusting the contribution to/from the Reserves as appropriate;
- 2.5 That delegated authority be given to the Director for Corporate Services to amend the estimates to account for any changes arising from the decisions taken regarding the Wheels to Work service by the Community and Social Affairs Committee when it meets to consider the reconfigured scheme by adjusting the contribution to/from the Corporate Priorities Reserve as appropriate
- 2.6 That members note the changes made to the risk categorisation of budgets as set out in para 3.6.3 and Appendix E;
- 2.7 That the New Homes Bonus Reserve be closed down and the balance transferred to the Corporate Priorities Reserve.
- 2.8 The Member Allowances Scheme to commence in the Civic Year 2018/19 as set out at Appendix I be approved.

### **3.0 KEY ISSUES**

#### **3.1 Medium Term Financial Strategy (MTFS)**

3.1.1 The key issues set out in the previously approved Budget Framework with respect to the 2018/19 budget are as follows:

- The retention of the target working balances for General Expenses of £640k, for Special Expenses Melton Mowbray of £50k and £750k for the HRA;
- The Council retains its objective of setting a balanced budget over the life of the Medium Term Financial Strategy;
- No inflation is provided for in the 2018/19 budget other than fees and charges which has been provided for at the rate of 2.5%, unless adjusted for known prices by budget holders and 1% for pay. The provision for pay being amended to 2.5% following the information received regarding the pay award offered;
- The Management Team determine the relative priority of schemes for members to consider and allocate funding based on the information set out in the project mandates.

#### **3.2 Local Government Finance Settlement 2018/19**

3.2.1 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 (fixed grant) 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. Figures were announced for the period 2016/17 to 2019/20 in 2016 with the announcement that where a council desired the certainty of a guaranteed four year budget this would be available with the submission of an efficiency statement. The Council submitted its efficiency statement as approved by the Policy Finance and Administration Committee in 2016 by the deadline and received notification that this had been accepted by the government.

3.2.2 The provisional local government finance settlement was announced on 19<sup>th</sup> December 2017. The settlement is subject to consultation which closed on 16<sup>th</sup> January 2017 with the Council submitting a response. Following the consultation final figures are provided to councils. A verbal update will be provided at the meeting should the final figures be received in time and revised supporting papers provided if appropriate. There have been occasions when the final figures have been different to the provisional as such should this be the case it is proposed that any changes be accommodated by adjusting the level of the contribution to/from the Corporate Priorities Reserve in order to balance the budget. The provisional settlement was broadly in line with the four year settlement (2016/17 to 2019/20) finalised on 8<sup>th</sup> February 2016 with figures for the Revenue Support Grant being the same and no Transition Grant being awarded as expected. The Rural Services Delivery Grant however was increased to be in line with the amount in 2017/18 which had been expected to fall. Slight changes to the baseline and tariff amounts for business rates have been made which provides the calculations to enable the Council to estimate the level of retained business rates. No further changes to the New Homes Bonus were made which following previous announcement which was unexpected. A Fair funding Consultation paper was also issued with the settlement. For information the figures contained in the provisional settlement are set out in the table below.

	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
<b>Settlement Funding Assessment</b>	1,791	1,490	1,329	1,136
<b>-Revenue support Grant</b>	576	251	52	0
<b>-Baseline Funding Level</b>	1,215	1,239	1,277	1,305
<b>Business Rates Adjustment</b>	0	0	0	-169
<b>Rural Services Delivery Grant</b>	181	146	146	146
<b>Transitional Grant</b>	28	28	0	0

3.2.3 As previously reported this four year settlement results in an overall loss of grant of £933k between the baseline financial year 2015/16 and 2019/20, representing a 42% reduction. This is in addition to the previous reductions of £1,859k or 57% over the period 2010/11 to 2015/16. It can also be seen that once Revenue Support Grant no longer exists an adjustment is made to the business rates retained in order to continue with the reductions to funding. However this recent settlement has announced that this adjustment is to be reconsidered.

3.2.4 Proposals were also announced that RSG, Rural Services Delivery Grant and other non district Council grants will be funded through retained business rates from 2020/21. This would mean Local Government retaining 75% of business rates. Further information will be forthcoming to enable us to model the impact but it is not expected to result in any additional funding overall. Disappointingly the 100% business rates pilot bid by Leicestershire authorities was unsuccessful however an opportunity to bid again for 2019/20 may be available.

3.2.5 After proposing no changes to the referendum criteria in a previous technical consultation the government announced that district Councils will be allowed to increase council tax by up to 3% or an overall increase of up to £5 for a Band D property. This means that any overall council tax increase above this limit will require a referendum to be held providing the local electorate with the opportunity to approve or veto the increase, in a binding referendum. As part of the consultation there has been lobbying to increase the overall amount of £5 above which council tax cannot be raised by a district council without holding a referendum. This is due to some district councils not benefiting from the increase from 2% to 3%. Should this be adjusted members will be briefed accordingly on any changed flexibility and the potential financial implications should they wish to consider this as an option for council tax either as part of this meeting or any subsequent meeting before the council Tax is formally set on 22 February 2018.

### 3.3 Policy Framework and Budget Process

3.3.1 Following detailed scrutiny by the Management Team the Conservative Chairs meeting on 13<sup>th</sup> November 2017 considered the latest projections. Following this process a draft budget was produced.

3.3.2 The Strategic Planning 'Away Day' was held on 10th January 2018 to which all Councillors and Heads of Service were invited, to provide their views on the budget proposals and financial position of the Council for the current, next and future years. This exercise enabled Members knowledge of the Council's financial position to be

enhanced and also resulted in a steer being provided regarding the assumptions to be made in the budget and the Council Tax increase for Council funds.

### **3.4 Estimated Year End Position 2017/18**

3.4.1 The estimated year end position for the current financial year 2017/18 is shown in Appendix B. This has been compiled on the basis of the 'best estimate' of income and expenditure for the year provided by budget holders and includes requests for supplementary estimates that have been approved by the Policy, Finance and Administration Committee.

3.4.2 The estimated year end position for General Expenses results in a surplus for the year of £131k. This takes into account approved contributions from the Corporate Priorities Reserve relating to non-recurring expenditure as included in the original budget, supplementary estimates, and approved carry forwards from 2016/17. In year monitoring is showing a break even position this will continue to be monitored.

3.4.3 The variances between the in year approvals and the estimated year end position primarily relate to:

- Salary savings achieved from the senior management review as well as the Communities and Neighbourhoods restructure. Savings have also been achieved within the communication team. Some of these savings have been used or allocated for the recruitment costs and interim arrangements whilst the new realignment proposals are put into place and any staffing related one off costs relating to the new public conveniences.
- Additional income generated from treasury management investments
- Contingency allowance not required for pension auto-enrolment
- Loss of car parking, cattle market and building control income over that originally estimated
- Loss of income from Leicestershire Partnership Trust as they vacated their occupation at Parkside during the year when the budget was based on them remaining at a reduced level for 2017/18.
- Additional fees required to support the new waste contract procurement process primarily due to additional tenderers over that expected.
- Overspend within the Wheels to Work scheme due to the unsuccessful bid for funding to operate the Northampton scheme meaning the third party income budgeted for will not be received and a reduction in take up of the scheme over that projected.
- Write off for a number of bad debts within the homelessness service and lifeline services due to increased scrutiny of aged debts.

3.4.4 For Special Expenses (Melton Mowbray) there is an underspend of circa £5k forecast after allowing for the approved carry forward of budgets from 2016/17 which is mainly due to the savings within open spaces as there has been a reduction in play area maintenance following capital investment in recent years. This has been partly offset by a shortfall expected in income from the children's centres due to a decline in the usage plus additional expenditure at the centres in relation to maintenance, service agreements and internet charges.

3.4.5 With regard to the parish special expenses the estimated year end position is for more favourable balances than originally estimated brought forward from 2016/17 over that estimated.

3.4.6 The estimated year end position is only an indication of the likely position at the year end and budget holders can only spend at this level if they seek approval through

virements and supplementary estimates. Whilst the estimated year end position for General Expenses is showing an underspend there is still some pressure on increased costs in some areas and also the additional costs from the realignment proposals and their implementation and the interim arrangements that need to be covered from these underspends.

- 3.4.7 Management Team continue to monitor budgets closely on a monthly basis and will be looking to end the financial year as close as possible to the approved budget. It is proposed that any surplus/deficit over the approved working balances at 31<sup>st</sup> March 2018 be adjusted by transfers to/from the Corporate Priorities Reserve and Special Expenses Reserve as appropriate.

### **3.5 Proposed Budget 2018/19**

- 3.5.1 The budget proposals for General Expenses and Special Expenses Melton Mowbray are set out in Appendix A. These proposals along with a proposed overall 2.99% council tax increase result in the estimates set out in Appendix B. These are as proposed at the Strategic Planning Away Day with no further changes arising from the Policy Finance and Administration Committee at their meeting on 24<sup>th</sup> January 2018. All of the growth proposals put forward at the Away Day are being recommended for approval. Two savings proposals for General Expenses are not recommended for approval and these are set out in Appendix C.
- 3.5.2 The budget for 2018/19 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.
- 3.5.3 All service budgets have been subject to scrutiny by both the Management Team and considered at the Conservative Chairs meeting. In accordance with the MTFS no inflation has been provided for general prices unless adjusted by budget Holders for known increases or contractual commitments. Pay inflation has been provided based on the current pay proposals.
- 3.5.4 A number of principles and assumptions have been applied when preparing the summary set out in Appendix B as follows:
- That the Council sets a 2.99% overall council tax increase. General Expenses has been set at 3.65%, Sproxtton and Frisby Special Expenses at the level required to balance the budget, Special Expenses Melton Mowbray at 0% in order to bring the overall level to 2.99%;
  - The approved establishment has generally been budgeted for in full, but no provision has been made for recruitment costs as a result of any vacancies;
  - The capital programme as set out elsewhere on this agenda is approved. The revenue implications of which have been considered when preparing the budget;
  - 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. Those services that continue to be particularly affected are retained business rates, building control, development control, the sale of co-mingled waste, car parking, Wheels to Work, Me and My Learning and industrial unit rents. Assumptions have also been made relating to price increases which could also differ to that estimated;
  - Estimated retained business rates income has been based on the Council's 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;

- The finance settlement is still provisional and therefore the final settlement could impact on the estimates including any changes to the council tax referendum limits;
- The public conveniences have been delayed and this will impact on the delivery of estimated savings. This will need to be met from any savings in year;
- That the cost of the wheels to work service will be reduced in line with reduced external funding of £80k in order to result in no increase in the net cost of the service. This will require the service to be reconfigured and a report will be submitted to a future meeting of the Community and Social Affairs Committee setting out the proposals for the service in order to achieve this. Any delay in approval and implementation will result in the full year saving not being achieved;
- Melton went with the full Universal Credit (UC) service in November 2016 of which we currently have around 275 tenants on UC – and of these around 93% are in arrears which has a significant impact upon both our arrears and our service delivery. However, over the past few months the caseload has started to reduce slowly of which the recent changes announced by government will impact further which are:
  - Families with 2 children or more cannot claim UC until Feb 2019
  - Homeless accommodation – this will return to HB and not UC for the rent
  - The 7 day waiting days is abolished from Feb 2018
  - From April 2018, HB will continue for a further 2 weeks to allow transition to UC

These should all have a positive impact but the Council will monitor this closely and is expected to slow the number of rent arrears. We have agreed with Housing Benefit that they will award Discretionary Housing Payments (DHP) for the first 4 weeks of a new tenancy where the new tenant is claiming UC, and are making best use of DHP where possible. We have secured MADMAC money advice to work with clients with multiple debts until the end of March 2018 and an extra ½ post to work on UC within the team. This is largely a HRA issue but will also impact to some extent on the General Fund;

- As the council has yet to award the contract for the Waste service from 1<sup>st</sup> October 2018 estimates have been based on the best estimate of the likely position at this point in the process;
- Estimates of maintenance requirements for council assets is based on best estimates provided by the property team and a review would be beneficial of these in the coming months;
- To compensate for the reduced council tax base, as a result of the council tax support scheme, an element of Revenue Support Grant has been allocated to each special expense and parishes on the basis of the estimated loss that will be incurred following the policy introduced in 2013/14. This is on a reducing basis to reflect the anticipated reduction in RSG in future years as approved by the Council on 11<sup>th</sup> December 2013, with the grant no longer being payable from 2020/21 financial year onwards;
- Any balance on the General Expenses revenue budget is transferred to/from the Corporate Priorities Reserve and Special Expenses Melton Mowbray is transferred to/from the Special Expenses Reserve.

3.5.5 The proposals and assumptions set out above 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 2017/18 %</b>
General Expenses	168.69	3.65
Special Expenses - Melton Mowbray	57.96	0
Special Expenses – Sproxtton Nos. 2 & 4	61.08	-10.9
Special Expenses - Frisby	23.98	-31.6
Average		2.99

3.5.6 For information, a summary of the parish precepts is set out at Appendix D.

### 3.6 Budget Monitoring

3.6.1 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:

- High risk and complex budgets.
- High risk budgets.
- Lower risk budgets.

3.6.2 The categorisation of the various services has been reviewed for 2018/19 and is set out in Appendix E.

3.6.3 Following consultation with the Management Team changes have been made to the risk profile with planning professional fees being added to the high risk category to reflect the heightened risk of costs associated with appeals and other professional fee requirements due to workload. Two services have been removed these being the lottery and the Leisure Vision/Melton sports village due to the revenue budgets for these now being more stable.

### 3.7 Financial Projections for Future Years

3.7.1 The estimates in Appendix C contain forward projections for the financial years 2018/19 to 2020/21. This is based on the estimated likely position for these future years. In drawing up this projection a number of assumptions have been made regarding service expenditure and income following discussions with budget holders, and scrutiny by the Management Team and Conservative Chairs. Some of the key assumptions that have been made in preparing these forward projections as follows:

- That an overall increase in council tax of 2.99% will be set in 2019/20 followed by further overall increases of £5 to 2021/22;
- The expected position is based on the current level of service provision with assumptions incorporated regarding inflation changes to income streams and demand. No allowance is made as part of the projections for the delivery of 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;

- The full extent of any financial impact arising from Welfare Reform including Universal Credit has not been allowed for due to insufficient information;
- RSG will continue to reduce significantly and then discontinue entirely in 2019/20 in line with the four year provisional settlement with business rates being reduced in 2019/20 to continue the Government's austerity programme. However the government have indicated in the 2018/19 provisional settlement that this policy will be reviewed as such this is subject to change;
- No assumptions have been incorporated for the impact of 75% retention of business rates due to the lack of detail surrounding this at the present time. There is likely to be a baseline reset in 2020/21 above which a portion of business rates are retained. As no information is available on how this is likely to be calculated this remains unaccounted for and a risk to future income projections with regard to business rates;
- No allowance has been made in the forward projection for income that may need to be utilised to support the Melton Distributor Road as the detail of any funding is still being finalised and any shortfall in funding is not certain;
- The LCC review of Early Help is likely to impact on the income received in respect of children's centres in the borough. This is a Special Expense and will need to be incorporated into the estimates once details are known. In addition funding for Supporting Leicestershire Families is also under review. The council is the employer for some of these positions and this could result in costs as a result of this service reducing/ceasing which is a general fund expense ;
- NHB projections have been based on the housing growth figures provided by the local plans team based on the current grant criteria.

3.7.2 The forward projection for General Expenses based on the likely position is as follows:

Year	Projected Deficit £000
2019/20	190
2020/21	346
2021/22	191

3.7.3 In order to address this funding gap a Budget Management Strategy is in the early stages of development. A prudent approach has been taken with regard to values being assigned to projects identified at this stage in the process as the council is yet to undertake a prioritisation exercise. The strategy needs to be realistic in terms of the reductions to net expenditure that could arise from the projects it contains as well as the ability to resource and deliver the projects on time. A full copy is included at Appendix F a summary of which is set out below along with the revised surplus/deficit position for the general fund as a result of the projects included to date.



<b>General Expenses</b> <b>£'000</b>	2019/20	2020/21	2021/22
Commercialism	(10)	0	0
Service reviews/efficiencies	(40)	(72)	0
Asset maximisation/rationalisation	(58)	(28)	0
Procurement	(230)	0	0
<b>Total</b>	<b>(338)</b>	<b>(100)</b>	<b>0</b>
Revised (surplus)/deficit	(148)	(192)	(247)

<b>Special Expenses</b> <b>£'000</b>	2019/20	2020/21	2021/22
Asset maximisation/rationalisation	(15)	0	0
<b>Total</b>	<b>(15)</b>	<b>0</b>	<b>0</b>
Increased transfer to reserve	(15)	(25)	(36)

3.7.4 The projections have been subject to sensitivity analysis which shows that any changes in the assumptions primarily relating to income, staffing costs and government grants could significantly alter the forward projections both positively and negatively.

### 3.8 Reserves

3.8.1 The Local Government Act 2003 requires the Responsible Financial Officer to comment on the adequacy of reserves and the robustness of the estimates. The key issues that could impact on the robustness of the estimates in year are primarily covered by the high risk budgets set out in Appendix E and the risks set out in section 9. The forward projections set out in the Medium Term Financial Strategy also indicate the deficits that are likely to arise if the council does not develop and deliver its Budget Management Strategy meaning that reserves will have to be utilised as with 2018/19 which is not sustainable in the medium term.

3.8.2 A Statement of Revenue and Capital Reserves is attached at Appendix G and this is based on the following assumptions:

- The capital programme and the contribution from the reserves and balances is approved as set out earlier on this agenda and the revenue budget as set out in Appendices A and B is approved;
- Any increase or shortfall against the target working balance on General Expenses 31 March 2018 be adjusted by transfers to/from the Corporate Priorities Reserve and for Special Expenses Melton Mowbray any surplus/deficit be transferred to/from the Special Expenses;
- 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.

- 3.8.3 With regard to the revenue reserves the council has three main categories. These are 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.
- 3.8.4 With regard to the general reserves which are not earmarked there are a range of projects for which these reserves may be required for the Council to deliver particularly those included in the Council's Budget Management Strategy as well as being available to support capital expenditure should that be necessary due to a low level of capital receipts being held. In 2018/19 these are being utilised to meet the budget deficit and if the Budget Management Strategy is not developed and delivered it will be necessary to draw on these again until alternative savings are identified and delivered.
- 3.8.5 Some years ago the council set up a New Homes Bonus Reserve where a portion of New Homes Bonus Grant that was not needed to support the revenue budget was used to support strategic and local infrastructure and new houses in support of growth. The balance of this fund was used to support the feasibility study into the Melton Distributor road. With the grant now much reduced and the revenue budget under pressure contributions are no longer made to this reserve and the remaining balance stands at £6k. As such it is recommended that this remaining balance be transferred to the Corporate Priorities Reserve.
- 3.8.6 As part of making the assessment around the adequacy of reserves some reserves warrant more detailed review and commentary given their nature and purpose of funding council expenditure specifically the Corporate Priorities Reserve and Capital Receipts.

#### Corporate Priorities Reserve

As the table below highlights there has been reduction in this reserve which is due to a combination of budgets that have been carried forward which go into the reserve at year end, supplementary estimates agreed in year and transfers to the Spending Pressure Reserve. Overall the estimated reserve balance in 2018/19 is similar to that in 2013/14 which was £1,591k and therefore remains at a healthy level to support revenue budget priorities.

£'000	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Projection	2018/19 Estimate
<b>Closing Balance</b>	£1,591k	£2,003k	£2,507k	£2,004k	£1,523k	£1,480k

However, as outlined in section 3.7 above, based on the current financial projections over the medium term, the forecast deficits would require funding to be drawn from the Corporate Priorities Reserve in order to balance the budget but this would put this reserve under considerable pressure should this be the case. Therefore, it is critical for the future funding of Council priorities that the increased income and savings outlined in the Budget Management Strategy are delivered.

#### Capital Receipts

This reserve is the main funding source for the General Fund capital programme which had been reducing over the past few years as the Council has delivered a number of key projects including the Redevelopment of the Cattle Market (£2m), contribution towards delivery of the broadband project (£360k), purchase of Melton Sports Village site (£573k) and funding of the public conveniences project (£390k). This can be seen in the table below with the projected balance at the end of 2017/18 being circa £800k.

£'000	<b>2013/14 Actual</b>	<b>2014/15 Actual</b>	<b>2015/16 Actual</b>	<b>2016/17 Actual</b>	<b>2017/18 Projection</b>	<b>2018/19 Estimate</b>
<b>Closing Balance</b>	£5,330k	£4,729k	£3,584k	£2,269k	£782k	£782k

As outlined in the Capital programme report elsewhere on this agenda there is minimal capital spend identified for 2018/19 therefore the current estimated balance is sufficient to meet this but this doesn't include any 'business as usual' projects to maintain our assets and therefore highlights the limited capital balances for funding of future schemes. In addition to this the council is keen to develop proposals around growth and regeneration which is likely to mean in order to fund further capital programme items the main options available to the Council are generating additional capital receipts, use of other revenue reserves such as Corporate Priorities (which is already under pressure as highlighted above) or external borrowing. Any external borrowing would incur revenue costs in terms of the interest and principal repayments and therefore the projects would either need to be on an invest to save basis or further revenue savings would need to be found to support the associated debt costs.

- 3.8.7 Subject to the concerns set out above I am satisfied with the robustness of the 2018/19 base budget estimates and the adequacy of the reserves on the basis of the information available to me at this time and advised by budget holders and the assumptions set out in para 3.5.4.

### **3.9 Member Allowances Scheme – Civic Year 2018/19**

- 3.9.1 Each Council is to review its Member remuneration arrangements annually and approve a scheme for the forthcoming financial year to which the allowances relate. The Member Allowances Scheme was last reviewed by the independent Welland Remuneration Panel in Summer 2016 and the Council approved the Panel's recommendations on 12 October 2016. There has been no change made to any of the allowances (apart from the NJC pay award) and it reflects the recommendations and monetary values approved by the Full Council in October 2016. The proposed scheme for 2018/19 is set out at Appendix I.

- 3.9.2 The Member Allowances Scheme must not rely on its NJC index for annual adjustment for more than a four year period before seeking a recommendation from an Independent Remuneration Panel on the application of such an index. Melton is next due a review of its annual adjustment index arrangements in 2020. As previously mentioned, all allowances remain index linked to the NJC pay award scheme and the 2017/18 pay award has been applied to the current scheme.

### **4.0 POLICY AND CORPORATE IMPLICATIONS**

- 4.1 Following approval of the budget, the MTFs and budget book will be published as a joint document and it is intended this will be available for circulation to members at the Council meeting on 22nd February 2018.

- 4.2 The ability to attract and retain interested and hard working Members is essential to enable the Council to meet its priorities and an appropriately set remuneration package is a contributing factor in achieving these aims.

- 4.3 There are no further policy and corporate implications directly arising as a result of this report other than those set out above.

### **5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

- 5.1 There is the opportunity for Members to consider any change to the Member allowances scheme and subject to this, the position relating to financial implications could be affected.

5.2 There are no further financial and resource implications other than those set out above.

## 6.0 **LEGAL IMPLICATIONS/POWERS**

6.1 The Local Authorities (Members Allowances) (England) Regulations 2003 and the Local Authorities (Members Allowances)(England)(Amendment) Regulations 2003 set out the requirements on the Council in making a Member Allowances Scheme and these requirements are included within the Council's proposed updated scheme at Appendix I.

## 7.0 **COMMUNITY SAFETY**

7.1 Individual budgets could have links to community safety issues. These are covered in any associated reports and financial forms that refer to these budgets as they progress through the decision making process.

## 8.0 **EQUALITIES**

8.1 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.

## 9.0 **RISKS**

9.1 There is always the risk that an item of income or expenditure is not adequately reflected in the budget for any financial year. The process followed as set out in the Service and Financial Planning Timetable is aimed at mitigating this risk. However, the Council has a working balance which is annually reviewed and calculated on a risk based approach. This working balance is there to provide for any variations in actuals against budget that could not have been anticipated at this stage. The detailed calculations are contained in the Council's MTFS and were presented to the Policy Finance and Administration Committee at its meeting on 26<sup>th</sup> September 2017.

9.2 There are a number of budgets where assumptions have had to be made which are of higher risk than others and these could impact on the robustness of the estimates. The level of budget monitoring in year is based on the risk assessment undertaken and the frequency and extent of in year monitoring and reporting reflects the relative risk of each budget.

9.3 There are a number of financial pressures and uncertainties which have been highlighted earlier in the report which could affect the estimates particularly in future years. Collectively these indicate significant financial pressure on the council's resources. The forward projections have been subjected to sensitivity analysis in light of the potential risks associated with particular items and assumptions. These do indicate potential wide fluctuations in any year which could see the likely surplus/deficit being substantially different to that expected. This emphasises both the high level and impact of the risks that face the Council's finances in the future. In recognition of the significance of these risks there is a risk contained within the Council's corporate risk register relating to finance as set out in the following table. As a corporate risk an action plan is in place and is actively managed. Other key areas of risk which would impact on the council's financial position are also set out in the table below.

<b>L I K E L I H O O D</b>	<b>A</b>	<b>Very High</b>				
	<b>B</b>	<b>High</b>			<b>1</b>	
	<b>C</b>	<b>Significant</b>		<b>3,10,12</b>	<b>8,9,</b>	
	<b>D</b>	<b>Low</b>		<b>11, 13,14</b>	<b>2,4,6,7</b>	<b>5</b>
	<b>E</b>	<b>Very Low</b>				
	<b>F</b>	<b>Almost Impossible</b>				
			<b>Negligible 1</b>	<b>Marginal 2</b>	<b>Critical 3</b>	<b>Catastrophic 4</b>

**IMPACT**

<b>Risk No</b>	<b>Risk Description</b>
1	Risk of achieving a balanced budget as a result of government funding cuts and non achievement of the Budget Management Strategy, and growth estimates without resulting in significant cuts in service provision.
2	Assumptions around demand and usage result in fees and charges income not being achieved in areas such as planning fees and car parking.
3	Grant incomes for supporting service delivery are withdrawn or reduced; funding is provided in areas such as wheels to work, benefits administration, sports commissioning Me and My Learning.
4	Changes to assumptions regarding waste management costs due to contract not yet awarded.
5	A shortfall in funding for the MMDR reduces the council's income streams to a level that impacts on the council's future financial sustainability
6	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.
7	Increased Income projections for the cattle market as a result of the capital works and new partnership arrangements are not achieved.
8	Uncertainty over the impact and potential cost pressures arising from certain projects set out in the Budget Management Strategy and arising from the prioritisation exercise

9	Projections for Housing growth used to calculate the New Homes Bonus are inaccurate.
10	Withdrawal of children centre funding from review of Early Help cause financial pressure on special expenses
11	Lease income from MBC assets aren't achieved including key buildings such as Parkside, Cattle Market and Phoenix House.
12	The Community and Social Affairs Committee do not approve a service configuration for the wheels to work service which achieves the financial position of no increase in net costs over that provided for in the budget.
13	If Members' remuneration is not at an appropriate level the Council will not be able to recruit and retain good quality Members. The use of an independent remuneration panel with a professional Chair using data and statistics from other Councils should assist in reducing this risk to a low level.
14	In the current economic climate there is the risk that the Council cannot afford to fund significant increases in Member allowances without making cuts to services elsewhere.

9.4 Offset against the above risks are the level of reserves and balances the Council holds. Whilst the Council does have a good level of reserves and balances this should be taken in the context of the future significant cuts that are set to continue. Should the Budget Management Strategy not be achieved these would soon be depleted. As such the council needs to develop a range of lower priority areas it would be able to disinvest from should the need arise. In addition the council's non earmarked capital resources are now almost depleted and with no firm planned asset sales the only source of capital funding aside from borrowing will become the Corporate Priorities Reserve.

## 10.0 CLIMATE CHANGE

10.1 Individual budget heads could have climate change issues but these are considered individually as they progress through the approval process.

## 11.0 CONSULTATION

11.1 The Council's corporate priorities were approved following consideration of national priorities, local intelligence, partner's priorities, community views, internal requirements and future challenges. These have been taken into account as part of the budget setting process.

11.2 The Service and Financial Planning Timetable sets out the Council's approach to consultation and its links to the budget setting process. All Heads of Service and Members are involved in the process at various stages.

11.3 Union representatives were invited to attend the Strategic Planning Away Day in order to facilitate communication with staff representatives.

11.4 Business ratepayers have been consulted on revenue and capital spending plans via the council's website. No comments have been received to date but should any be received prior to the meeting the Council will be updated verbally.

## 12.0 WARDS AFFECTED

12.1 All wards are affected.

Contact Officer: Dawn Garton

Date: 19 January 2018

Background Papers: Budget Working Papers  
Strategic Planning and Budget 'Away Day' notes.

List of Appendices:  
Appendix A – Budget Proposals  
Appendix B- Summary of Proposed Committee Estimates  
Appendix C – General fund Savings not Proposed  
Appendix D - Parish Council Precepts  
Appendix E - Risk Assessment of Budgets  
Appendix F – budget Management Strategy  
Appendices G and H - Statement of Revenue and Capital Reserves and Purpose and Future Intentions of Reserves  
Appendix I – Member Allowances Scheme 2018/19

Reference: X: Council, C'tee & Sub-C'tees/Council/2017-18/07-02-18/Revenue Budget 2018/19