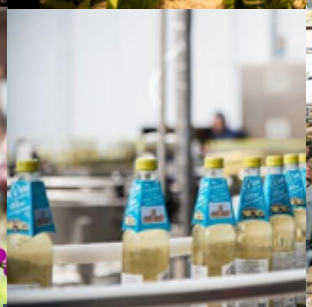
APPENDIX B

# Melton Borough Council

# Narrative Statement

Helping People. Shaping Places.



Melton Borough Council

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# 1. Preface Introduction to the 2017/18 Statement of Accounts by Councillor Joe Orson, Leader and Lead Member for Resources

I am very pleased to present Melton Borough Council's Statement of Accounts for 2017/18 in this my first full year as Leader of Melton Borough Council. Whilst by their very nature the accounts are backward looking they provide the context of the challenging financial position within which I will be leading the Council.

The Council has continued to receive cuts in funding from central government with more to come. The Council is set to incur an overall loss of grant of £0.933m between the financial years 2015/16 and 2019/20 representing a 42% reduction as part of the four year funding settlement. This is in addition to the previous reductions of £1.859m or 57% over the period 2010/11 to 2015/16. By 2019/20 the Council will no longer be set to receive any general central government funding. Consultation is currently on-going relating to changes to how business rates are distributed as well as the Fairer Funding Review which could also see further reductions in funding at a local level creating more uncertainty for the council.

The financial situation undoubtedly remains challenging and we are developing a Budget Management Strategy to ensure we maintain our financial stability. The strategy will focus on four key themes including becoming more commercial, maximising value from our assets, achieving effective procurement and undertaking efficiency and process reviews to harness technology and drive out wasteful practices. There are a number of specific projects which are currently being considered and these will form part of a prioritisation exercise which will ensure we focus our efforts on those things which best contribute to our vision and which we can then appropriately resource.

The need to prioritise was a key finding from an LGA Peer Challenge undertaken in December 2017 and which has validated our direction of travel and provided some invaluable insights into what we need to do to improve further. As a relatively new Leader working with a new Chief Executive we have been keen to reset our direction and this will include refreshing our Corporate mission and vision, re-clarifying our priorities and updating our corporate values.

This is a significant time for Melton Borough Council, as we continue to pursue funding for the relief road, seek the adoption of our Local Plan, finalise our new waste contract and procure a new housing repairs contract. Whilst remaining ambitious we also must remain focussed and our work responding to the Peer Challenge and our budget management strategy well help us remain sustainable whilst continuing to deliver for the benefit of the communities we serve

2017/18 is the first year that there is a new statutory requirement to close the accounts a month earlier by 31st May each year and it's been pleasing to see the preparation in previous years by the finance team to manage this transition has been successful.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It aims to provide information so that the reader can:

- Understand the overarching financial position of the Council and the outturn for 2017/18;
- Have confidence that public money has been used and accounted for in an appropriate manner; and
- That the financial position of the Council is sound and secure.

The style and format of the accounts complies with the CIPFA standards and is similar to previous years. The narrative report provides information about Melton, including the key issues affecting the accounts. It also provides a summary of the financial position at 31 March 2018.

I would like to thank all of our finance team and other officers who have supported the process and have worked so hard to meet this challenging target. In addition my thanks also go to the team and services who have managed the budgets throughout the year in order to bring actual expenditure in at the year-end well under budget whilst delivering on service promises. This enables the Council to have confidence in our financial estimates which therefore assists with sound decision making.

Councillor Joe Orson

Leader [and Lead Member for Resources]

# 2. Melton Today – A Portrait

Located within the heart of the East Midlands, Melton Borough has a total population of approximately 50,376 (Census 2011). More recent data compiled from the ONS Annual Population Survey estimated the total population in 2015 to be 50,900. The working age population is made up of 31,200 (61.3%) of the total resident population. On average the population of those under 15 is lower (17%) than the England average of 19%, whilst the population of those that are aged over 64 is higher (20%) than the England average of 16% (ONS, 2017).

The main activities of the borough are centred within the market town of Melton Mowbray, with a large number of attractive villages within the surrounding rural area, including the larger settlements of Asfordby, Bottesford, Long Clawson and Waltham on the Wolds.

House prices in Melton Borough are slightly below the Housing Market Area (HMA) average, as are land values. Longer-term price growth has been relatively modest (a £92,000 increase between the years 2000 and 2015); relative to incomes. However, house prices are notably above average (with lower quartile prices 8.9% times incomes in 2015) when compared to the national average. Whilst rental costs are close to the HMA and national average, they are again above wider benchmarks relative to incomes. Rents have grown strongly since 2011 (HEDNA, January 2017).

Melton Borough benefits from a vibrant economy. Employment has traditionally been provided through farming and food production, however over the last 50 years jobs in manufacturing and services have grown significantly as a proportion of overall jobs. Melton Mowbray Town Centre is the main destination for shopping and leisure within the borough, with a rich and diverse retail and other uses offer, enhanced by a weekly Livestock Market and twice-weekly Farmers Market.

Melton Mowbray is England's 'Rural Capital of Food' and the borough's employment base is primarily in food and drink related manufacturing, which is significantly higher than the national average. Whilst this food and drink specialism provides bespoke opportunities and a degree of local resilience, there is a need to closely monitor how this sector will perform in the future. Other key sectors are emerging within the borough and will be explored further as part of this plan.

Contributions made from the rural area cannot be underplayed and is expected to grow in the future. There is a diversity of mostly small rural enterprises in and around the borough's villages, including farm diversification, from small scale up to regional tourism enterprises.

There are also an increasing number of business start-ups and a growing trend for home working within the rural area, which is matched with an attractive working environment.

The borough currently has very low levels of unemployment. It also has high levels of low paid/low skilled employment, especially within Melton Mowbray. Of the working age population in Melton Borough, the proportion qualified below NVQ level 2 and 3 is very high and the proportion qualified to NVQ level 4 and above is also very high (Local Futures Profile, 2017). This gap in skills reflects the relatively low skilled jobs that are available in the town and represents a significant challenge for the economy, particularly in providing a labour force to service industry. This has led to the borough having the lowest average income in the sub-region. A key focus going forward will be working in partnership with employers and education organisations to alleviate some of these issues.

Growth in a range of economic sectors is essential for the borough's economic future. A more resilient and higher performing economy will need to provide a greater diversity of jobs in a broader range of industries.

Achieving the right balance of economic growth and opportunities between Melton Mowbray and the rural communities is also crucial to achieving a stronger, more competitive economy.

In order to achieve this balance, the concept of Inclusive Growth 'is characterised by a rising level of prosperity which opens up opportunities for all parts of the population and ensures a fair distribution in society of the prosperity which has been generated' (Annual Economic Report: For Inclusive Growth in Germany and Europe, 2017).

The Inclusive Growth Commission (2017) suggests that 'too many families, communities and places were being left behind by the economy'.

Governments and businesses are under pressure to find economic solutions that spread prosperity, opportunity and reward more fairly. Much of this centres on the nature of local economies in towns and cities across the UK, where devolution opens up the opportunity to recast our model of growth to one that works for everyone. The Inclusive Growth Commission identifies that whilst inclusive growth needs to be a national agenda, clearly defined and supported by the centre, its design and implementation should ideally be local.

As well as Inclusive Growth, we must also consider the impact of the Social Mobility Index. This identifies the most and the least socially mobile areas of the country. It does so by examining in detail the chances available to young people from poorer backgrounds, in each of the 324 local authority areas in England, to get the educational qualifications they need to succeed in life and the qualifications in the local area to convert these qualifications into a good job and a decent standard of living. In some cases, rural and largely affluent areas are often some of the worst performing areas.

Unfortunately, at this time, Melton Borough is performing within the worst 20% in the country. However, there are grounds for optimism. The Index identifies key areas to address in order to improve our Social Mobility Score, including improving transport connectivity, improvements in secondary education and improving digital connectivity. As this Growth and Prosperity Plan highlights, these are all actions the local authority are progressing currently through a variety of projects and initiatives.

The aim of the Social Mobility Index is to help inform national and local policymakers and to encourage them to take action in tackling 'social mobility cold spots' – where outcomes are relatively bad – drawing on the 'social mobility hot spots where they are relatively good.

Using these two concepts as a starting point, we will ensure Inclusive Growth and Social Mobility are embedded into the subsequent actions and outcomes of the Melton Growth and Prosperity Plan and its supporting Action Plan.

## 2.1 Projections in Future Population Growth and Links to the Economy

Demographic characteristics have a fundamental influence on the social and economic development of an area. Population change has an impact on levels of economic growth through the size of the resident workforce and on the demand for services such as health, education and housing.

In order to fully comprehend the linkages between population change, economic development and housing, the Leicester and Leicestershire Enterprise Partnership and all local authorities within the area commissioned a Housing and Economic Development Needs Assessment (HEDNA). This report assessed future housing needs, the scale of future economic growth and the quantity of land and floorspace required for B-class economic development uses (office, industrial and warehouse/distribution space) between 2011 and 2031/36.

Sub-National Population Projections (2014) projected population growth of 191,600 persons (19.5%) across Leicester and Leicestershire between the years 2011 and 2036. This represents population growth of 0.7% per annum. During the same period, employment growth of 99,200 is expected, representing growth of 0.7% per annum, matching that expected nationally and exceeding regional performance. This significantly exceeds the historical growth rate of 0.4% per annum between the years 1993 and 2010 (HEDNA, 2017).

## 2.2 The Melton Growth and Prosperity Plan (2018-2020)

Melton's Growth and Prosperity Plan is built on sound evidence through a Place Profile, which has been used to identify and address our local challenges and opportunities. As a result the following four strategic priorities have been identified:

- Promoting Innovation, Enterprise and Growth in Key Sectors
- Enhancing Aspirations, Skills and Economic Activity in the Borough
- Improving the vitality of the Town and surrounding villages
- Maximising Inward Investment Opportunities

Melton Borough Council has a good track record for securing external funding and delivering projects including £3.5 million LLEP growth funding for Phase 1 to rationalise and redevelop Melton Mowbray Livestock Market as well as ESF funding to establish 'Me and My Learning' at Phoenix House to support skills and employment issues in the borough. Moving forward attracting investment in strategic growth projects such as Melton Mowbray Distributor Road and increasing Superfast Broadband connectivity across the borough, will be important in responding to Melton's growth ambitions.

## 2.3 Political Structure

Melton has 16 wards and there are 28 Councillors serving on Melton Borough Council. They are each elected for a 4 year term. During the financial year 2017/18 the Leader of the Council was Councillor Joe Orson (Conservative). The next Borough Election is to be held in May 2019. The Political Balance of the Council is 26 Conservatives, one Labour and one Independent. This Balance settles how seats on Committees are allocated.

During 2017/18 Melton operated a Committee system with decision-making made by four policy committees, two regulatory committees and a Governance Committee. The Council and policy Committees meet in five cycles a year.

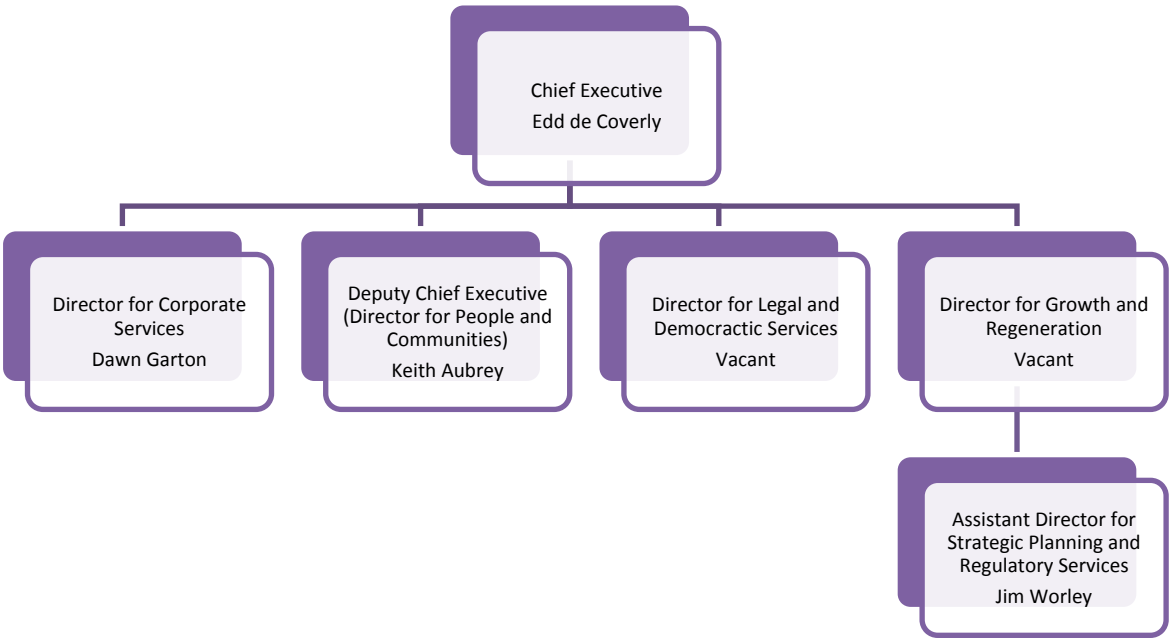
Membership of the Committees is determined each year at the Annual Meeting. At this meeting the Leader of the Council was elected for 2018/19 and this was Councillor Joe Orson. The Memberships for 2018/19 were approved at the Annual Meeting of the Council held in May which included a change to three policy committees after a governance review was recently undertaken which focused on improving the decision making processes within Melton.

## 2.4 Management Structure

Supporting the work of Councillors is the organisational structure of the Council. This was revised during the year and is reflective of the Council's key corporate activity:

- Growth and Regeneration
- Corporate Services
- Legal and Democratic Services
- People and Communities

The Chief Executive has overall responsibility for these services supported by four Directors. As at the 31 March 2018 we employed 176 staff (151 full time equivalents).



Trade Union Time

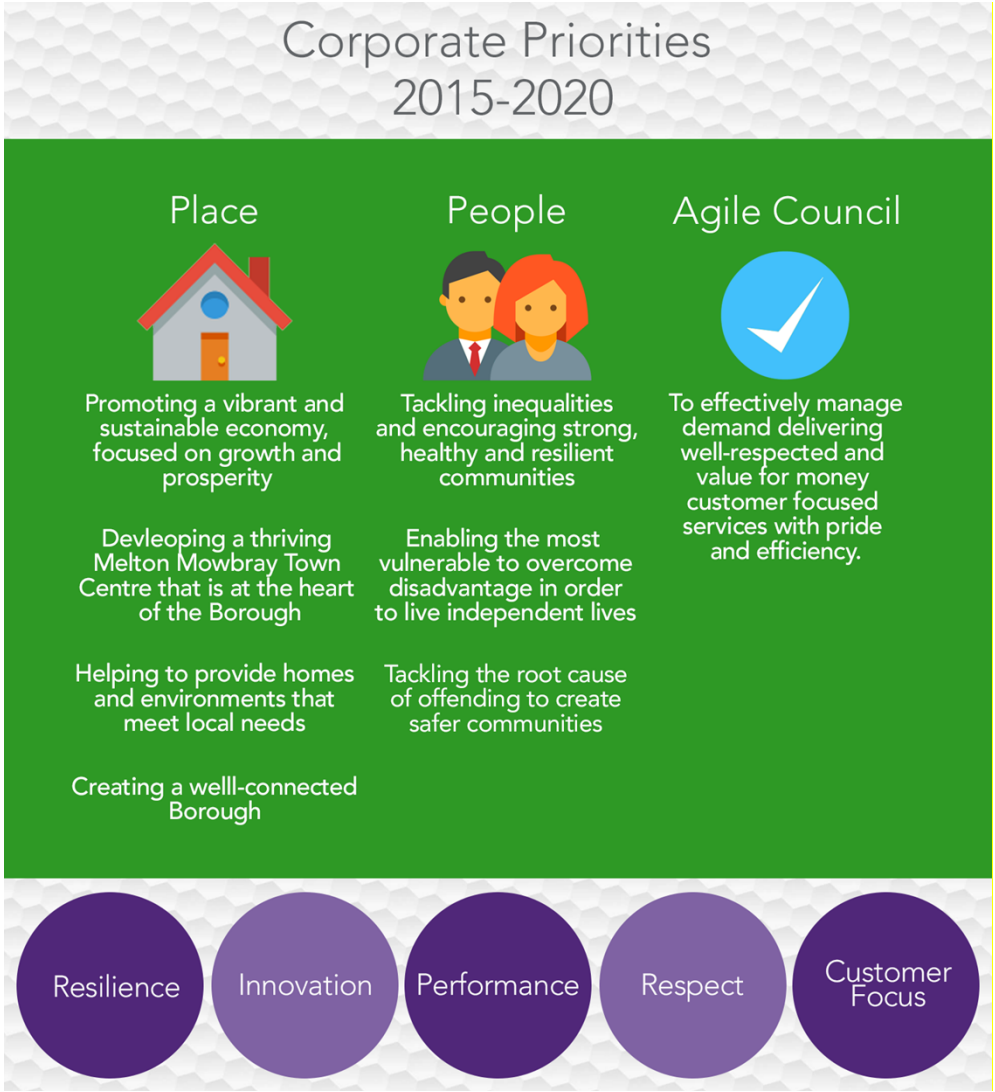
The Cabinet Office has published Government guidance on the facility time reporting requirements. These regulations require relevant public sector employers to collect and publish, on an annual basis, a range of data in relation to their usage and spend of Trade Union (TU) facility time in respect of their employees who are TU representatives. These regulations came into force on 1 April 2017 and the data for Melton is summarised below.

| | |
|---|---|
| 1. Total number (absolute number and full time equivalent) of staff who are union representatives (including general, learning and health and safety representatives) | 4 staff (3.4 FTE)<br>9.4 days union activity per year |
| 2. Total number (absolute number and full time equivalent) of union representatives who devote at least 50 per cent of their time to union activity | Nil |
| 3. The names of all trade unions represented in the local authority | UNISON<br>GMB |
| 4. A basic estimate of spending on unions (calculated as the number of full time equivalent days spent on union duties multiplied by the average salary), | £755 |
| 5. A basic estimate of spending on unions as a percentage of the total pay bill (calculated as the number of full time equivalent days spent on union activities multiplied by the average salary divided by the total pay bill). | 0.003% |

## 2.5 Melton Borough Council Corporate Plan – Goals and Priorities

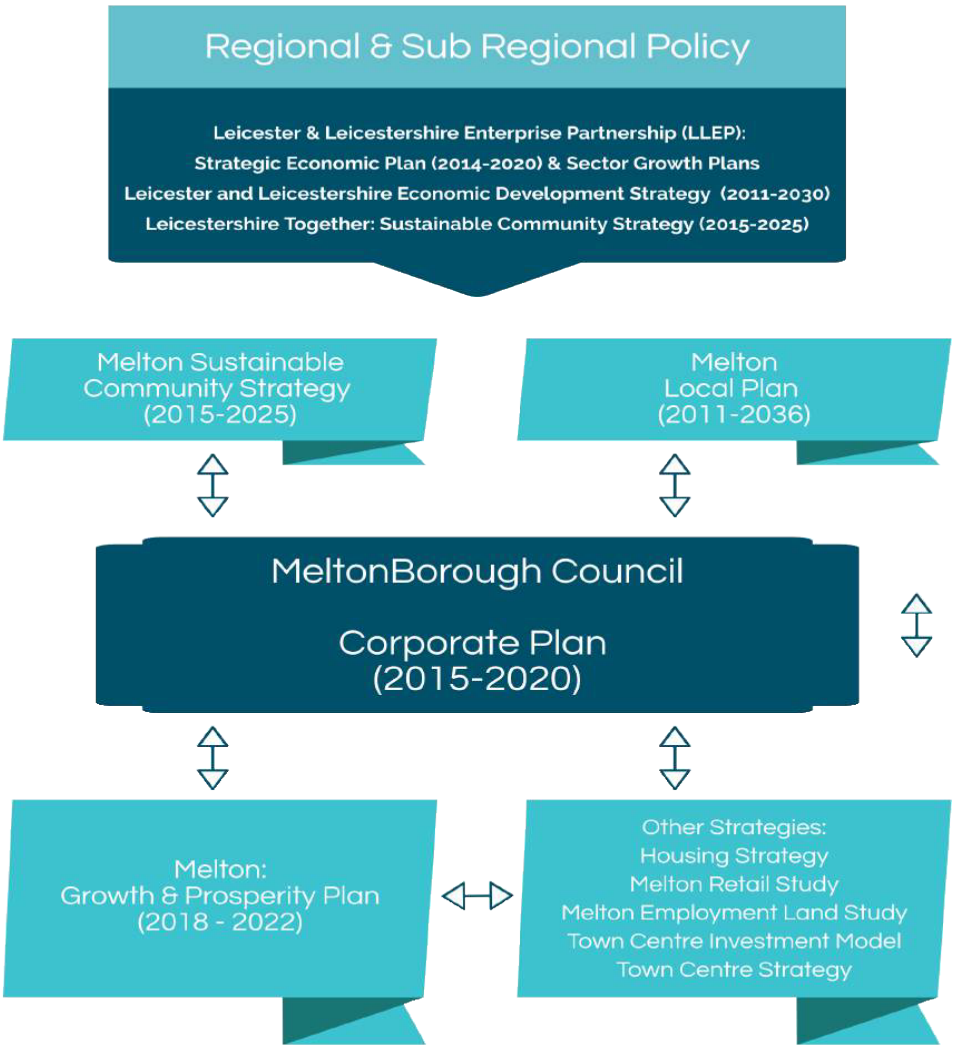
The vision and strategic priorities for the Borough provide a 'golden thread' that run through this narrative statement. The Council's goal is to enhance the quality of life for everyone in the borough of Melton to achieve a sustainable, prosperous and vibrant community a place where enterprise can flourish and where people want to live, work and visit.

The current Corporate Plan (CP) 2015-2020 was last reviewed in 2015 and was in operation throughout 2017/18 but in light of a new Leader and Chief Executive being in place a refresh is currently being undertaken with an updated version considered at an extraordinary council meeting in May 2018. The Corporate Vision and Priorities set out the Council's ambitions, providing a framework to enable a robust approach to business planning; ensuring that our projects, activities and spending decisions are based on sound evidence, thorough analysis and understanding of community needs. The **One Council Corporate Delivery and Development Plan**, links together the very high level strategy with the day-to-day services and working practices of the Council. This again has recently been updated for 2018/19 through the development of a new Corporate Delivery Plan.




In 2015 Melton Borough Council published our Vision, Values and Corporate Priorities up to 2020 through the Corporate Plan. The Corporate Plan itself sets out for the Council its strategic priorities for the next five years, providing a framework to enable a robust approach to business planning; ensuring that our vision, priorities and spending decisions are based on sound evidence, thorough analysis and understanding of community needs. It is prudent to regularly keep these under review and with the appointment of a new Leader in 2017, joined by a new Chief Executive shortly afterwards, it represented a good time to take stock and reflect on whether any refinements were needed. In pursuing our vision, work will take place in the Council to refresh its priorities to ensure they better reflect where the Council will focus in 2018 until 2020, which will help reset the direction of the Council, provide greater clarity on our priorities, reconfirm the type of organisation we want to be and streamline the way in which we make decisions

## 2.6 Policy Context




## 2.7 Melton Local Plan

The Melton Local Plan is currently being prepared and will work hand in hand with key council strategies including the Growth and Prosperity Plan and wider sub-regional strategies to ensure that the Borough Council is doing everything possible to support delivery of sustainable growth to enhance the prosperity of its residents and businesses.

The Submission Local Plan (Sept 2017) incorporates 'focused changes' in "Growing Melton Borough – The Spatial Strategy" has identified the challenges the Borough faces in terms of its ageing population and the impact this might have on the economic growth of the Borough through the ability to service businesses with an appropriate workforce. It proposes a level of growth to address these trends and to develop infrastructure in order to enable the borough to unlock its potential and allow growth to flourish. Key within this is the Melton Mowbray Transport Strategy which includes

an outer Distributor Road as a key element to alleviate congestion within the town centre of Melton Mowbray, one of the main constraints on growth. Working with the local Highways Authority, central government funding has been awarded to develop a full business case for this road was submitted and detailed route planning has begun.

Melton BC is a partner in the production of the Leicester and Leicestershire Strategic Growth Plan (SGP) alongside other Councils, the City and County Council and the LLEP. This is a long term plan to address the growth and development challenges in the Leicester and Leicestershire area and the opportunities they present. It will be a non-statutory plan but, in its final form, it will set out an agreed strategy for the period to 2050. The strategy will be delivered through Local Plans. The SGP was the subject of consultation form Jan – April 2018 and identifies Melton Mowbray as a Growth Area. Accessibility will be improved by the A46 Expressway, and local improvements will provide better connectivity. The Strategic growth facilitated by the proposed Melton Mowbray Distributor Road, will be complemented by further strategic development in the town to support economic growth and regeneration of the town centre.

Growth in a range of economic sectors is essential for the Borough's future. A more resilient and higher performing economy will need to provide a greater diversity of jobs in a broader range of industries. The Leicester and Leicestershire Enterprise Partnership (LLEP) have identified key priority sectors within Leicestershire:

- Food and Drink Manufacturing
- Distribution and Logistics
- Creative and Knowledge-Based Services
- Leisure and Tourism
- Financial and Businesses Services
- Environmental Technologies
- Aerospace and Space Technology

Melton Borough has many clear strengths in terms of some of the sectors detailed above, particularly those centred on food and drink manufacturing, leisure and tourism and distribution and logistics. The Council will continue to explore opportunities to attract and increase knowledge based sectors to the Borough, particularly financial, business services and creative businesses. Working with our partners, the Local Plan and adopted Growth and Prosperity Plan (2015-2020) will ensure that our Strategic Priorities and those priorities identified by the LLEP remain aligned. The Council is also currently working with the LLEP and wider stakeholders as it develops a new Local Industrial Strategy Prospectus to focus on supporting growth in Leicester and Leicestershire up to 2030.

## 2.8 Melton Community Partnership Sustainable Community Strategy

The Melton Community Partnership brings together proactive and engaged public, private, voluntary and community organisations that work or are based in the Borough. The MCP alongside Local Area Co-ordination, works towards delivering a key social and communities based programme, and is supported by all members of MCP who share the common vision of:

- **Improve the local economy and infrastructure**
- **Re-vitalise Melton Mowbray Town Centre**
- **Improve learning opportunities to help individuals achieve their potential**
- **Making existing structures and projects more accessible**

- **Reduce traffic congestion in Melton Mowbray**
- **Focus our work in the priority neighbourhoods**
- **Create a safer and stronger community**
- **Enable and support the provision of affordable housing**
- **Improve the health and well-being of local people**

## 2.9 Devolution and Partnership Working

A proposal to develop a Combined Authority for Leicester and Leicestershire was submitted to the Government on 21 December 2015, following approval by the City, County and District Councils and endorsement by the LLEP Board. The Partners are still awaiting advice from Government on the anticipated date for the order to establish the Combined Authority; though we understand this is unlikely to arrive until after the government's new guidance on devolution is released and the partners have had the opportunity to consider whether any further aspects should be added.

The Combined Authority comprises the County and City Councils the District councils together with representation from the LLEP. Our proposal focuses on the areas of long term economic investment/development through closer working in relation to the following key areas:

- **Planning**: councils to work together to agree a clearer, long-term framework to meet future housing and employment needs for the whole area and identify future growth locations
- **Transport**: focusing on long-term investment in road, rail and other public transport infrastructure
- **Skills**: driving and delivering skills and training, to give local people the chance to get better qualifications and employment

The draft Constitution and Operating Agreement have been agreed by the Partners.

**Devolution Deal**

Closer working through the Combined Authority is an important step to getting more powers from Government and ensuring local decisions are made locally.

Work has been carried out to develop an ambitious Devolution Deal for Leicester and Leicestershire, setting out the ambition for the area, consider those areas where increased collaboration is critical to improving service delivery and delivering priority outcomes, and identify which of these would benefit from devolved powers/funding from Government.

A key aspect of the Devolution Deal will be to demonstrate cross-border collaboration with neighbouring LEPs and Combined Authorities, building on many significant collaborative initiatives over the last few years.

# 3 Key Factors that have influenced the financial position of the Council in 2017/18

The key factors that have influenced the Council and the services that it provided in the financial year 2017/18 are presented and analysed in the table below using a PESTLE technique to examine and frame the impacts of certain macro forces on the Council's business.

A number of bills and legislative acts are making their way through Parliament, which may impact the Council's Finances and have influenced plans for 2017/18 onwards, for example the Homelessness Reduction Act and General Data Protection Regulation. The Government is also reviewing the funding of local government which could see significant changes in how resources are distributed across the country and different classes of authority from 2020/21. This includes the Governments Spending Review, a Fair Funding Review, a business rates baseline reset and also potentially changes to other funding streams such as the New Homes Bonus.

An important focus continues to be on how economic growth can be enabled to bring in medium to longer term financial returns through NNDR, the new homes bonus and council tax, which will help underpin the financial viability of the Council over the longer term.

| FORCE | FACTOR |
|---|---|
| **Political** | • Devolution (Cities and Local Government Devolution Act 2016) with the focus on bringing together both decision making and control of resources closer to the people of Leicester and Leicestershire.<br>• The General Election in May 2015 focused on reducing the national deficit which continued in the following summer budget of July 2015 targeting a further £20 million reduction in public sector spending by 2020. The Vote to leave the European Union followed with another General Election being in June 2017 has meant a lot of political change.<br>• Government spending Review, Fair Funding Review, Business Rates Baseline Reset from 2010/21 could all see significant changes in local government finance as well as the share allocated to Melton Borough Council<br>• Welfare Reform Act with further reductions announced by the Chancellor in July 2015 to reduce spending by £12million, although there have been subsequent changes put forward since the Summer Budget.<br>• Uncertainty due to BREXIT.<br>• Homelessness Reduction Act which comes into force during 2018.<br>• Change of political leadership at The Council.<br>• Peer challenge and review of governance structure and priorities. |
| **Economic** | • The Council used its discretionary powers to support local businesses by implementing 3 new discretionary rate relief schemes: one targeted at Public Houses; a second focussing on businesses which had lost small business rate relief following the revaluation of all businesses.<br>• The third scheme supported businesses that had seen their rates increase in April 2017 and was particularly aimed at supporting small businesses. Overall more than £180K worth of relief was awarded from these schemes. |

| | |
|---|---|
| | • Melton has adopted The National Living Wage which was £7.50 per hour in April 2017 and now stands at £7.83 from April 2018. Following the recent pay award the lowest salary band at Melton is £8.50 per hour which is in excess of the Living Wage. This will put the overall salary costs under more financial pressure and this has been built into the Councils MTFS. It is uncertain how its introduction will impact small local businesses and low paid sectors locally such as retail, hospitality and social care.<br>• Nationally, business investment growth was flat between Quarter 3 and Quarter 4 of 2017, but when compared with the same quarter a year ago business investment grew by 2.1%.<br>• The level of self-employment in the UK increased from 3.8m in 2008 to 4.6m in 2015. The rising trend in self-employment in Melton Borough is evident. The growth in self-employment lies as much in the structural changes to the local economy as in the short-term cyclical fluctuations of the past few years. Comparing the rate of self-employment, the East Midlands reached 9.8% in December 2016, England was 10.6% and Melton Borough was 14.2%.<br>• Of the working age population in Melton Borough, the proportion qualified below NVQ level 2 and 3 is very high and the proportion qualified to NVQ 4 and 5 is also very high. This gap in skills reflects the relatively low skilled jobs that are available in the town and represents a significant challenge for the economy, particularly in providing a labour force to service industry.<br>• Local and national data indicates Melton is an area with low skills and a low wage economy which is needs to develop in order to have economic growth in the future.<br>• National Trends are showing that with employment rates increasing and the economy picking up the workforce are more confident to seek new employment which has been experienced by Melton at a local level with the high turnover of staff.<br>• The Council has approved a commercial strategy which will mean more of an emphasis on commercial activities and income generation within the Council. |
| **Social** | • The Welfare Reform and Work Act 2016 – received royal assent in March 2016 and includes wide ranging provisions covering employment, apprenticeships, support for troubled families and life chances, and benefit cap, social security and tax credits, loans for mortgage interest and social housing rents.<br>• The Childcare Act 2016- received royal assent in March 2016 and includes free childcare for young children of working parents and the publication of information about childcare and related matters by local authorities in England.<br>• The Government are continuing the rollout of universal credit in supporting independence of vulnerable members of society but the long term impact on both finances and success will need to be understood and monitored. The medium-long term challenge for the Government is in measuring the true unemployment rates until Universal Credit is fully established and running in all areas. This could still be a number of years and until then, it will be difficult to maintain a comparative analysis of unemployment rates/labour market statistics |

| | |
|---|---|
| | • Social Mobility index – highlighted the low mobility of the population of Melton Borough, including a low wage economy and significant disparity between high and low earners.<br>• In March 2017 the Inclusive Growth Commission published a report emphasising the importance of economic growth benefiting everyone. This is particularly important for Melton given that we have a very high number of working age people who earn less than the National Living Wage. |
| **Technological** | • With the continued focus on Transformation and 'Digital First', the dynamics of technology innovation is becoming increasingly more important in promoting channel shift and demand management to drive local government efficiencies. This is set against a limited availability of technological resources within the Borough (eg. slow roll out of Broadband and poor bandwidth and poor mobile connectivity) which is currently being developed with a countywide infrastructure project.<br>• Nationally 5g connectivity is being introduced and as a rural area Melton needs to keep pace with this change<br>• Increase in online activity has led to the increased availability of information about Council customers; this level of customer insight is improving the Council's design of key services such as MyAccount and enhancing access options for registering for Council Tax, Benefit applications and rent account view. Further inward investment will be required to develop the Customer Relationship Management system.<br>• Through the IT partnership the council continues to give consideration to utilising new technologies such as Cloud and web hosted software in order to continually drive improvements to service delivery and deliver transformation objectives. The approval of the partnership digital strategy provides greater scope for more joined up working on this agenda. |
| **Legal** | • Key changes in employment law could impact on staff management at Melton. Recent changes have been the ACAS removal of employees having to pay for Tribunal and the need for mediation beforehand may lead to an increase in the number of hearings. This could lead to an increase in costs and resource time.<br>• Accounts and Audit Regulations 2015 – which has changed the timeline for production and approval of Local Authority Statement of Accounts for 2017/18 onwards.<br>• The Neighbourhood Planning Act – has introduced a clause allowing County Councils to intervene where a district fails to produce a local plan.<br>• The Homelessness Reduction Act – which gives councils new responsibilities for preventing homelessness.<br>• The government have reviewed the performance measures around planning decisions in pursuit of continuous improvement and have proposed to increase the 'performance standards' by 2018<br>• Legal Services coming back in house form the previous shared service |

| | |
|---|---|
| **Environmental** | • Local Plan and sustainable development, planning and delivering the level of growth required and co-ordinating infrastructure requirements to support it.<br>• Globally there has been a slowdown in recycling with China refusing to take any further recyclable materials at the moment which could lead to paper mountains and potential reductions in recycling credits.<br>• A new waste contract for the council from 1st October 2018 provides greater opportunity for environmental impacts. |

# 4 The 2017/18 Revenue Budget Process

The Management Team scrutinised all budget submissions prior to submission for member scrutiny. The Budget and Strategic Planning Working Group (BSPWG) met on 9th November 2016 to consider the draft estimates and to provide guidance on a number of areas for both General and Special Expenses. The Town Area Committee met on 21st November 2016 to also consider special expense (Melton Mowbray) budgets. Amendments were made to individual draft service budgets following these meetings.

The emphasis of these meetings was to achieve a balanced budget for 2017/18 as this was a key principle agreed by the council's Policy Finance and Administration (PFA) Committee at its meeting on the 28th September 2016 as part of the Budget Framework. As well as this these meetings were also held to scrutinise all service growth and savings put forward, including their fit with Council priorities and to ensure only those that fit such criteria move forward through the budget process. In addition, the Members present considered the ongoing issues experienced in balancing the budget and the particular pressures and risks faced as a result of the financial implications in relation to the ongoing significant cuts in central government grants both this council and our partners are experiencing. These were discussed with a view to considering how best the Council could manage these impacts and plan for the future and by doing so minimise the likelihood of cuts in services being necessary.

Following amendments to the proposed budgets both during and following the BSPWG and Management Team meetings, the latest position on the General Fund was presented to members at a meeting of the PFA Committee on 30th November 2016 as part of the Revenue Estimates and Medium Term Financial Plan report for 2017/18. The figures showed a budget deficit at that time on general expenses which reflected the difficult and challenging economic environment the council is operating within and the significant cuts being applied to grants from central government. Whilst the budgeted net cost of services had reduced by just over £500k over the original budget for 2016/17 this wasn't enough at that stage to cover the estimated reduction in Revenue Support Grant and New Homes Bonus. The MTFS previously identified a deficit of £350k for 2017/18 so the council looked to respond to this and take decisions as part of this budget setting in order to start addressing this deficit. There were a number of growth proposals, which would increase the budget deficit if approved alongside the concern of future funding reductions so the Head of Central Services continued to work with Management Team to review the budget estimates in order to identify further savings or potential budget reductions which could contribute to meeting the future financial challenges the Council faces. There were still a number of key estimates that we were awaiting further information on which could have impacted on the estimated deficit further. The final list of prioritised budget growth and reductions were presented to members for consideration at the Strategic Planning Away Day in January 2017 along with an updated general fund position which highlighted a balanced budget following the further work undertaken by Management Team.

The Strategic Planning 'Away Day' was held on 11th January 2017 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. This was against a backdrop of the Council's priorities and achievements which were also discussed.

The growth and savings proposals were also discussed at the Strategic Planning Away Day and it was agreed at this meeting that the proposals be put to the Policy Finance and Administration Committee at their meeting on 25th January 2017 for them to consider and make recommendations to Full Council. At the meeting of Full Council held on 8th February 2017 the 2017/18 budget was formally approved which after taking into account the proposed savings and growth proposals resulted in a balanced budget for 2017/18.

The HRA rent setting and budget proposals for 2017/18 which are underpinned by the 30 year business plan were presented to the Community and Social Affairs committee as their meeting held on 24 January 2017.

# 5 Council Tax

At the meeting of the BSPWG on 9th November 2016 members of the working group supported the budget assumption of applying a £5 increase on the General Fund. This principle was further discussed at the PFA meetings held in November 2016 and January 2017 alongside the Strategic Planning away day. It was agreed that Council tax will be increased by £5 on the average band D in line with the MTFS as currently assumed with parish special expenses being set at a level to balance the budget, special expenses at a level of 1.99% and the balance being allocated to General Expenses. The final proposal for General Expenses was set at 3.13%, Sproxton and Frisby Special Expenses to be set at a level required to balance the budget over the next two financial years, Special Expenses Melton Mowbray at 0% in order to bring the overall level to 2.69%, within the £5 limit, which was formally approved by Full Council at their meeting on 23rd February 2017. During this period the other major preceptors of Leicestershire County Council, Police & Crime Commissioner for Leicestershire and Leicestershire Combined Fire Authority also set their precepts and charges along with the Parish Councils.

The comparison of Council Tax levels for 2016/17 and 2017/18 is shown below:

| | **2016/17**<br>**£** | **2017/18**<br>**£** | **Increase**<br>**%** |
|---|---|---|---|
| Melton Borough Council (average for whole area excluding Parish Councils) | 186.04 | 191.04 | 2.69 |
| Leicestershire County Council | 1,127.40 | 1,172.38 | 3.99 |
| Police & Crime Commissioner for Leicestershire | 183.58 | 187.23 | 1.99 |
| Leicestershire Combined Fire Authority | 61.62 | 62.84 | 1.98 |
| Parish Councils (average for whole area) | 57.92 | 60.46 | 4.38 |
| Average for whole area (including precepts) | 1,589.08 | 1,645.28 | 3.54 |

### 5.1 Council Tax Base

The revision to the 2017/18 Tax base, resulting in an increase of 120 to the number of Band D equivalents (as shown in the table below), produced a increase in Council tax of £108k when taking into account the council tax increase of £5 on an average band D property.

| | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| Number of Band D Equivalent dwellings | 17,909 | 17,990 | 18,110 |

### 5.2 Collection Fund

The payments out of the Collection Fund for the in-year Council Tax (excluding prior year surpluses/deficits) from 2016/17 to 2017/18 are set out in the table below and show a year on year increase in funding available for the Precepting Bodies reflecting the increase in Council Tax Base and any general increases on the Council Tax charge.

| | 2015/16 £'000 | 2016/17 £'000 | 2017/18 £'000 |
|---|---|---|---|
| Leicestershire County Council | 19,416 | 20,282 | 21,232 |
| Police & Crime Commissioner for Leicestershire | 3,224 | 3,303 | 3,391 |
| Leicestershire Combined Fire Authority | 1,082 | 1,109 | 1,138 |

# 6 Medium Term Financial Strategy for 2017/18

The key issues for the Medium Term Financial Strategy (MTFS) for 2017/18 were set out in the budget framework approved by the PFA committee in September 2016. The key issues were:

- The target working balance for General Expenses be set at £640k, taking into account the revised calculations set out in an appendix to the report and the use of any surplus over that amount be approved.
- The existing target levels of working balance be retained for special expenses (Melton Mowbray) at £50,000 and the Housing Reserve Account (HRA) at £750,000
- The Council retained its objective of setting a balanced budget in 2017/18.
- No inflation was provided for in the 2017/18 budget other than fees and charges which has been provided for at the rate of 2%, unless adjusted for known prices by budget holders and 1% for pay.
- The Programme Board determine the relative priority of schemes for members to consider and allocate funding based on the information set out in the project mandates.

As part of the budget report to Full Council the financial projections for future financial years were presented as part of the MTFS. These were based on the estimated likely position for these future years. In drawing up this projection a number of assumptions were made regarding service expenditure and income following discussions with budget holders, and scrutiny by both the Management Team and the BSPWG. Some of the key assumptions that were made in preparing these forward projections are as follows:

- That an overall increase in council tax of £5 will be set in 2018/19 to 2020/21;
- The expected position assumes the efficiency statement will be achieved in full in the years the savings are estimated to be achieved. In addition savings are projected due to new tenancies, the replacement of public conveniences with semi-automatic facilities, increases to certain income streams, and savings from the new waste contract;
- Additional costs are projected from changes to pension costs, the impact of the national living wage, general pay and price rises, withdrawal of partner funding in some areas including dry recycling credits, and one off costs to be funded from the Corporate Priorities Reserve e.g. elections;
- The full extent of any financial impact arising from Welfare Reform including the introduction of 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. This will be offset slightly by the rising Rural Services Delivery Grant;
- No assumptions have been incorporated for the impact of 100% retention of business rates due to the lack of detail surrounding this at the present time;
- NHB projections have been based on the housing growth figures provided by the local plans team with no allowance for any reduction for homes built on appeal or for the Council not having an adopted local plan, which at the time were proposals due to be consulted on in the future

# 7 Projected Level of Balances

One important issue that was relevant to both the MTFS and also the 2017/18 budget, was the assumption about the level of balances that the council would require to address any unexpected spending pressures. These balances need to reflect spending experience and risks to which the Council might be exposed.

The key issues that could impact on the robustness of the estimates were covered by the high risk budgets set out in an appendix accompanying the 2017/18 budget report to members. In addition assumptions were made regarding partner contributions and external funding where notification of funding levels were yet to be received and there were a number of initiatives in progress that were yet to be fully costed and included in the estimates. Reserves would need to be adequate to fund any in year requests for schemes not supported as part of the budget setting process and each case would need to be assessed at that time based on the availability of individual reserves available to support any such requests.

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 accompanied the budget report as part of the Councils reserve strategy.

At the meeting of Full Council on the 8 February 2017 the total reserves as at 31 March 2016 were £19.939m and were expected to decrease to £10.463m as at 31 March 2018 as result of financing the capital programme in the main. The statement of accounts revises the level of balances at the end of 2017/18 to £13.709m mainly as a result of slippage on the capital programme and revenue budget carry forwards / underspends.

# 8 Budget Monitoring

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.

The categorisation of the various services are reviewed annually in consultation with the Management Team and reported to Full Council as part of the annual budget report.

During the financial year revenue and capital budget monitoring information is reported to each committee for their relevant portfolios with the PFA committee having an overview for the General Fund and the Community and Social Affairs committee monitoring the HRA. The Town Area Committee monitors the Special Expenses – Melton Mowbray budgets. Management team receive monthly finance reports on the revenue position and Programme Board undertake regular monitoring of the Capital Programme.

In addition, treasury management performance is reported to the BSPWG and then Full Council as part of the CIPFA code of best practice on Treasury Management which includes the Annual Strategy, Mid-year performance review and Annual report.

# 9 Capital Strategy and Capital Programme

The Council has a five-year capital programme. During the first part of the financial year the Programme Board had operational oversight of the capital programme which has changed during the year to 3 different focused boards which are:

- Budget and Commercial Strategy Board
- Place and Regeneration Board
- Customer and Organisational Improvement Board

These boards take a proactive approach in ensuring a realistic and affordable programme is developed that meets the Council's priorities and objectives as set out within the various strategies contained in the Corporate Policy Framework. The Capital Programme report was approved at the Council meeting on 8th February 2017 and provided the framework within which the Council's capital investment plans will be delivered.

It is good financial practice to incorporate the financial effects of capital spending plans into revenue budgets prior to the consideration and approval of the revenue budgets. As such Members at the Strategic Planning Away Day on 11th January 2017 considered and made recommendations on the projects for both General and Special Expenses to be funded in the capital programme for 2017/18 in addition to those which have already had funding approved. The impact of these recommendations were incorporated into the revenue budget and prudential indicators as part of the Treasury Management Strategy presented to Full Council.

A provisional 2017/18 capital programme in respect of the HRA was approved by the Community & Social Affairs (CSA) Committee at a meeting held on 16 November 2016.

In total the capital programme in 2017/18 was £7.010m including £6.164m spend on the HRA. The majority of funding comes from Capital Receipts and third party contributions with respect to the general fund and for the HRA the Major Repairs Reserve and cash backed depreciation. As 2017/18 progressed, the initial plans were revised to incorporate expenditure profiling from the previous year, approvals and scheme updates as information became available.

# 10 Revenue Outturn Position 2017-18

**General Expenses** – the net revenue expenditure of the Council for 2017-18 prior to council tax and grant funding was originally estimated at £5.149m, which was subsequently updated to an estimated year end position of £5.532m. The actual net expenditure for the year was £5.140m, a saving over the original estimate of £9k. After taking into account the allocation to reserves and other adjustments the deficit for the year is £284k compared to an original £225k deficit. This results in an additional reduction to reserves of £59k when compared to the original estimate. However, when taking into account the supplementary estimates approved in in year and anticipated carry forward levels the actual balance on the corporate priorities reserve is £34k higher at £1.431m than the approved level of £1.398m. This demonstrates the Council has been proactive in managing its finances through utilising underspends across the Council to fund cost pressures rather than seeking additional funding via members from reserves.

**Special Expenses** (Melton Mowbray, Sproxton and Frisby combined) – the net revenue expenditure for 2017-18 in respect of all special expenses was originally estimated at £500k, which was subsequently updated to an estimated year end position of £505k. The actual net expenditure for the year was £505k, which was an overall increase in expenditure of £5k when compared to the original budget. This results in £20k being allocated to the special expense reserve when compared to the original surplus estimate of £25k.

**Housing Revenue Account (HRA)** – The original estimate for the HRA was a deficit of £60k. The actual year end position was a surplus of £481k, resulting in an underspend of £541k.

The table below compares the original estimate with the actual year end position for all Council funds:

| | 2017-18 Original Estimate £'000 | 2017-18 Actual £'000 | 2017-18 Variances £'000 |
|---|---|---|---|
| **General Expenses** | | | |
| Cost of Service Provision | 5,846 | 5,124 | -722 |
| Other Items | -697 | 17 | 714 |
| Council Tax, BRR & Grant Income | -4,924 | -4,857 | 67 |
| Deficit /Surplus(-) for Year | 225 | 284 | 59 |
| Transfer from (-)/ to Reserves | -225 | -284 | -59 |
| Net Surplus(-)/Deficit | 0 | 0 | 0 |
| **Special Expenses (All)** | | | |
| Cost of Service Provision | 634 | 629 | -5 |
| Other Items | -134 | -124 | 10 |
| Council Tax & Grant Income | -525 | -525 | 0 |
| Deficit/Surplus(-) for Year | -25 | -20 | 5 |
| Transfer to General Reserve | 22 | 14 | -8 |
| Net Surplus(-)/Deficit | -3 | -6 | -3 |
| **Housing Revenue Account (HRA)** | | | |
| Expenditure | 7,956 | 7,603 | -353 |
| Income | -7,896 | -8,084 | -188 |
| Deficit/Surplus(-) for year | 60 | -481 | -541 |

The reduced spend on general expenses of £9k excluding movements in reserves over the original estimate was mainly due to:

**General Fund Services**

Underspends

- **Project Work** - It should be noted there was an underspend against the Commercialism budget which will be partly carried forward into 2018/19 to enable completion of some outstanding items prior to project closure (£11k). In addition, funds provided to support the Cattle Market redevelopment will be carried forward into 2018/19 to support the review of phase two development on the southern section of the site (£28k).
- **Benefits** – There has been an underspend on rent rebates (£14k) due to the level of subsidy being higher than budgeted due to an increase in recovery of benefit

overpayments. However, this has been partly offset by rent allowances being higher than anticipated with a number of large non eligible overpayments being processed (£13k).

- **Business Rates** – Increased funds were received from Government relating to the Small Business Rate Reliefs offered (£33k) and additional section31 grants were also provided (£10k).
- **Digital Strategy** – due to the appointment of a new Chief Executive and structural realignment this has impacted on the ability to progress the Digital Strategy Roadmap which will be carried forward into 2018/19 to be delivered (£40k).
- **Reduced costs –** In general there have been a number of savings across services such as a delay in Housing Strategy being refreshed (£24k), Council Tax Collection costs lower than expected (£18k), professional fees and additional income generated around Legal Services (£22k). There was also a saving generated within the Environmental Maintenance Service through lower staff costs and Repairs & Renewals contributions (£23k) as well reduced Waste management costs due to delays in procurement of new bins (£12k).
- **Staffing** – due to vacancies and staffing changes across the Council during the year a number of services have seen an underspend including; Regulatory Services (£18k), Procurement Unit (£11k), Me and My Learning (£14k) and Communications including underspend relating to the training budget as a result of the in-year vacancies (£109k). Some of these have been requested to be carried forward.
- **Income** – the council has seen an increase in a some key income streams such as:
  - Development control with higher than anticipated number of level and complexity of applications being received in year coupled with the 20% fee increased introduced during 2017/18 which was offset by additional staffing levels (£40k).
  - Land charge income is up due to increase demand for services (£12k)
  - Investment income from interest received was higher than anticipated as a result of greater returns achieved from Treasury Management activities (£103k)

In addition to the above there are a number of other service underspends where approval has been given to carry forward the budget into 2018-19.

<u>Overspends</u>

- **Wheels to Work –** There have been a number of issues affecting this service during the year including the number of riders being lower than anticipated, large number of write-offs being processed due to the level of bad debt and the funding bid for the Northampton scheme being unsuccessful leading to an overspend of £117k.
- **Write Offs –** along with the write offs referred to above there have been other services which have had to manage levels of bad debt and process write offs during the year. These include Homelessness (£20k) and Melton Lifeline (£15k).
- **Income –** the council has seen a reduction of some key income streams such as**:**
  - Rents and service charges at Parkside are down due to Leicestershire Partnership Trust leaving during the year and replacement tenants not being identified as assumed in the budget (£16k).
  - Shortfall in car parking income due to usage levels being down (£29k)
  - Cattle Market commission levels are lower than budgeted due to over optimistic throughput levels being provided by the market operator. (£111k)
  - The number of applications received through the Building Control service was down during the year resulting in reduced income (£49k)

- **Additional costs –** along with the overspends outlined above there have been some additional costs incurred elsewhere which include the management fee and legal fees incurred as part of the new interim lease negotiations for the Melton Sports Village (£17k).

Housing Revenue Account

The HRA year-end position when compared to the estimated year end budget shows a net reduction in spending of £541k. The majority of the underspend has been caused by an underspend on responsive repairs (£167k) and planned maintenance (£124k) due to a delay in some contract work commencing in relation to the longer than anticipated procurements process coupled with a reduction in demand. There has also been additional income achieved from higher interest on balances (£84k) and higher number of Right to Buy Sales (£40K). Alongside these there have been additional costs relating to write offs (totalling £90k) due to the increase in bad debts as a result of the Universal Credit roll out and changes to the Welfare system.

Impact of the Current Economic Climate

The current economic climate continues to prove challenging for the Council in terms of financial management and is set to worsen with the continued planned cuts in Government grant funding coupled with the uncertainty over the 100% Business Rate Retention Scheme and outcome of the Fairer Funding Review. The Council has developed a Budget Management Strategy to help meet the future budget pressures with the aim of these savings and income generation initiatives to mitigate the loss in grant funding. This will be a challenging target and requires a One Council approach in order to achieve.

Basis of Preparation and Accounting Policies

Local authorities in the United Kingdom are required to prepare their Statement of Accounts (accounts) in accordance with 'proper practices', which is based on the Code of Practice of Local Authority Accounting (the Code).

The Council following parameters sent out by External Audit in their Audit Planning Report where a materiality level is set to determine whether the financial statements are free from material error for which they define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Their evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. They have determined that overall materiality for the financial statements for Melton is £605k based on 2% of gross revenue expenditure for 2016/17. They will communicate uncorrected audit misstatements greater than £30k to the Governance and Audit Committee.

Long Term Borrowing – Public Works Loans Board (PWLB)

During the year, no loans were repaid and none raised leaving the outstanding loan debt at 31 March 2018 at £31.413m. The maturity profile of the outstanding loan debt at 31 March 2017 and 2018 is shown below:

| Balance 31 March 2017 £'000 | Analysis of Loans by maturity | Balance 31 March 2018 £'000 |
|---|---|---|
| 0 | Maturing in less than 1 year | 0 |
| 0 | Maturing in 1-5 years | 0 |
| 4,098 | Maturing in 5-10 years | 4,098 |
| 27,315 | Over 10 years | 27,315 |
| **31,413** | | **31,413** |

Accounting practice requires that local authorities disclose the fair value, i.e. (the settlement value), of their portfolio. The fair value at 31 March 2018 was £47.224m (£47.632m at 31 March 2017).

The figures have been calculated by reference to the 'premature repayment' set of rates in force on that day.

Investments

During the year investments decreased by £0.400m and stood at £20.100m at 31 March 2018.

**Capital Expenditure**

Capital expenditure amounted to £4.012m which resulted in an underspend on the programme of £1.976m. Of this underspend, £1.945m has been carried forward into 2018-19.

The major items of capital expenditure in 2017-18 were; Cattle Market £966k, Disabled Facilities Grants £130k, and various works to Council owned dwellings £2.751m

The programme was funded by the following sources:

| | £'000 |
|---|---|
| Capital receipts | 1,072 |
| Major repairs reserve | 1,795 |
| Development & Regeneration Reserve | 956 |
| Third party contributions | 171 |
| Direct Revenue Financing | 0 |
| Use of reserves | 0 |
| | **4,012** |

Other than the expenditure on capital projects set out above and income received from capital receipts in the sum of £906k the other material change to assets and liabilities follows the revaluation of a number of assets. In the year the revaluation reserve has increased by £4.000m, which is primarily due the annual valuation exercise showing an increase in asset values across the Council.

Reserves

Overall revenue reserves and revenue account surpluses decreased by £100k and at 31 March 2018 totalled £13.709m. These are analysed below:

| | **31 March 2017** | **31 March 2018** |
|---|---|---|
| | **£'000** | **£'000** |
| Special reserves | 9,687 | 9,666 |
| Other reserves | 2,249 | 1,684 |
| General Expenses working balance | 640 | 640 |
| Special Expenses working balance | 47 | 52 |
| Housing Revenue Account working balance | 1,186 | 1,667 |
| | **13,809** | **13,709** |

Pensions Liability

Since 2003-04 Local Authorities have had to account for retirement benefits when they are committed to give them, even if the actual payment will be many years into the future. As a result a total liability of £17.718m has been included in the balance sheet, thereby decreasing the net worth of the Council. This is a reduction on the liability of £18.144m at 31 March 2017. This is principally because financial assumptions at 31 March 2018 are more favourable than they were at 31 March 2017

# 11 Non-Financial Performance of the Council 2017/18

## 11.1 Key Achievements

Melton Borough Council has the full support and commitment from its public, private and voluntary sector partners and has built a strong spirit of partnership and sense of common purpose. It has a strong track record and is well placed to deliver at pace and provide value for money. Significant successes have already been achieved, and include:

- Making considerable progress towards securing our Local Plan; one of the most important pieces of work this council will produce for a generation. We are currently out for consultation on a number of modifications and look forward to the Inspector considering any final representations before making her decision. As well as progressing our Local Plan we have also supported and overseen the successful implementation of a number of Neighbourhood Plans within the borough. The Council has also been working on a Strategic Growth Plan which has reached draft development stage.
- We've seen the fruits of our investment and efforts at the Cattle Market celebrated both by an official opening and visit by Her Royal Highness, Princess Anne and more recently through winning the East Midlands Regeneration Award at the Royal Institute for Chartered Surveyors 2018 Awards. The judges recognised that the completion of phase one of the project will safeguard the market's key role in the local economy for the next 20 years. The new development also provides a platform for strengthening Melton's status as a rural centre for food tourism and a feasibility into further options for developing the site is currently underway.
- We've made other sizeable investments which have improved our housing stock for our tenants with £1.2m invested in refurbishing Granby House and a further £2.3m invested in refurbishing and improving Beckmill Court.
- As key driver's to support our growth ambitions, we've also made improving Melton's infrastructure and connectivity a key focus. We have worked closely with our county council colleagues to submit a significant funding bid to the Department for Transport in support of the relief road. We hope to hear about the outcome of this bid shortly and remain hopeful of a positive outcome. We have also started work to explore the feasibility of improving rail connectivity with Nottingham. This will improve our access to another major market as well as open up improved possibilities to benefit from HS2 and the East Midlands Airport developments.
- We've undertaken a number of significant procurements this year as we work to ensure we maximise the value and quality of a number of significant service areas. This includes a new waste collection and cleansing provider which has helped mitigate the loss of recycling credits and we are in the process of procuring a significant new housing repairs contract which should enable us to exploit new technology and improve the quality of service we offer to our tenants. We've also recently aligned our leisure contract at the sports village with the one at Waterfield meaning both will now run until 2022 enabling us to look again at what the overall future leisure offer in Melton should look like. We've commissioned a full options appraisal and will report back on the outcome of this later in the year.

- As an organisation we've renewed our determination to customer service quality and were delighted to be re-accredited with the Customer Service Excellence standard, as well as achieving the Matrix Standard for the quality of advice and guidance provided by the Me and My Learning service.
- Melton has always had a strong track record of partnership and this was recently recognised at the Local Government Chronicle Awards through the innovative Lightbulb Project which provides a much more joined up approach to housing adaptations across health services and district and county councils.
- We've also taken further steps towards becoming a more commercial organisation, both through starting to trade and sell services through the Timesage brand, as well as more recently agreeing a broader Commercial Strategy which will focus our effort both to maximise the value from existing trading services, as well as explore new potential commercial ventures.
- Melton has always been a trail blazer, and once again this was recognised as we became the UKs Most Pet Friendly Town, as well as being re-accredited with the Purple Flag standard and maintaining the Green Flag status at the Country Park. We are also been accepted to bid for Sustainable Food Cities status for which the council will be working on the proposals during 2018.
- We've adopted a new corporate management structure, commenced a recruitment drive and are in the process of developing a Workforce Strategy to ensure we attract, develop and retain the very best team at Melton.
- We have undertaken a Corporate Peer Challenge and responded quickly to the findings, culminating in the recent adoption of a new Corporate Delivery Plan and a more streamlined committee structure and decision making processes.

## 11.2 Performance Against Corporate Objectives

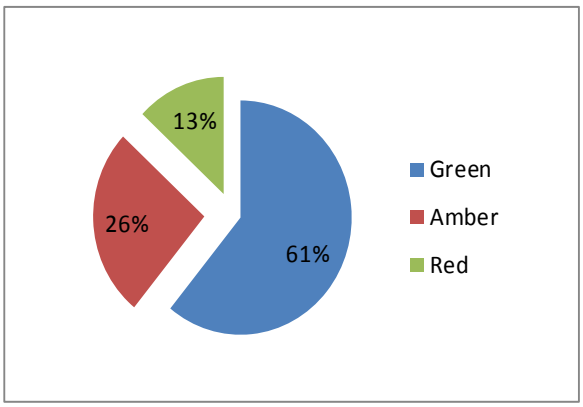
Traditionally the Council's performance has focused invariably on targets that are fed by inputs and outputs (i.e. percentage of customers dealt with in a certain amount of time). A key objective for the refreshed Corporate Plan (2015-2020) and the associated performance management framework is to focus on how the Council can work towards an outcome based performance system that builds up a picture of the collective performance of the organisation in terms of impact. The intention is to ensure information can be tracked in a way that allows us to tell the story of transformational change within the Borough and to ensure the Council captures outcomes and (customer) experiences that have occurred as a consequence of the Council's work.

Performance against the delivery of Melton Borough Council's three corporate themes of Place, People and Organisational (previously Agile Council), were monitored and reported quarterly through the year to a Performance Management Task Group – PMITG. Moving forward the Corporate Policy Committee will receive overarching performance information to assess how their services are performing which can be used to inform and drive policy development.

A self-assessment overview of corporate performance for 2017/18 is presented below:

**Corporate Metrics Set**

| Live Metrics | % | |
|---|---|---|
| Total | 100% | 23 |
| Green | 61% | 14 |
| Amber | 26% | 6 |
| Red | 13% | 3 |




# 12 Governance and Risk

## 12.1 Annual Governance Statement

The council undertakes an annual review of the sufficiency and effectiveness of its governance framework. At the end of each year annual assurance statements are issued to each Member of the Senior Management Team to provide assurances on the identification and assessment of risks, and that sound operational arrangements exist within their service. Following their return these are considered by the officer Corporate Governance Group to identify which of the issues raised are appropriate to be included in the Annual Governance Statement (AGS). In addition the Council receives an annual report from the Head of the Internal Audit Consortium providing details of the effectiveness of Internal Control with an annual opinion. This information is considered alongside the Council's Local Code of Corporate Governance which is consistent with the principles set out in the CIPFA/SOLACE Framework 2016.

The conclusion from the review is that the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective, and are consistent with the local code of Corporate Governance which is consistent with the principles set out in the CIPFA/SOLACE Framework 2016. Progress against those items identified in the 2016/17 annual governance statement were reviewed and set out in Appendix to the AGS. Consideration was given to any issues that needed to remain an area of focus during 2018/19 along with new areas of focus during 2018/19 identified and are set out in the action plan in the same document.

## 12.2 Risk Management

The Council has a Strategic Risk Register which is was formally reviewed and updated during the year with the Strategic Management Team in conjunction with our Insurers Risk Consultants. A formal annual review is also undertaken by the Governance Committee. A refresh of the Risk Management Strategy, Tool Kit and associated risk registers has taken place during 2017/18. This will be reported to the first governance committee in the new council year. The risks contained in the updated Corporate Risk Register are:

- Failure to Secure financial stability in the medium term
- Not having a Local Plan
- Lack of people and skills to deliver (capacity and resilience)
- Failure to deliver inclusive growth
- Failure to deliver the Melton Mowbray Distributer Road
- Financial pressures undermining partnerships (integrated working)
- Failure of a key supplier e.g. Housing Repairs, Waste and Leisure
- Failure to govern the organisation effectively

All risks in the Strategic Risk Register are supported by an action plan which is regularly reviewed and updated.

At an operational level a risk register review has also been undertaken within each of the four directorate areas to refresh and update the current service risks which will be regularly reviewed by directorates. Key projects are also supported by a risk log and reports to the Council's Policy committees also have a section where the risks of proposals are considered as part of the decision making process.

# 13 Summary Position

The year-end position for 2017/18 has shown that flexible budget management processes and the good working relationships and partnership between finance and budget holders has enabled increased costs to be offset by savings elsewhere. With only one revenue request for additional funding being approved early in the financial year the close positon at the year end against the original budget shows that whilst this is achievable it remains challenging. This represents a tremendous achievement for the Council in such economically challenging times.

In 2017/18 the Council has faced a number of challenges and with the further significant changes ahead the Council will need to adapt and meet these challenges. There are risks as highlighted above which will need to be managed through the Melton's robust risk management processes. Overall the Council is in a good position as it moves into 2018/19.

# 14 Receipt of Further Information

If you would like to receive further information about these accounts please do not hesitate to contact me at Melton Borough Council, Corporate Services, Parkside - Station Approach, Burton Street, Melton Mowbray, LE13 1GH.

# 15 Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, from the Finance team and other services, who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

D K Garton CPFA

Section 151 Officer

Director for Corporate Services