
Subject: COUNCIL BUDGET 2018/19 AND MEDIUM TERM FINANCIAL PLAN 2018/19–2021/22

Meeting and Date: Cabinet – 5 February 2018

Scrutiny (Policy and Performance) Committee – 27 February 2018

Report of: Mike Davis, Director of Finance, Housing and Community

Portfolio Holder: Councillor Michael Conolly, Portfolio Holder for Corporate Resources and Performance

Decision Type: Key

Classification: Unrestricted

Purpose of the report: To progress approval of the 2018/19 budget and the Medium Term Financial Plan (MTFP) for 2018/19–2021/22

Recommendation: It is recommended that Cabinet:

(a) Consider the draft General Fund Revenue Budget, the Capital and Special Projects Programmes, the Housing Revenue Account budget, and the content of the Medium Term Financial Plan (MTFP) as proposed in Appendix 1, and advise the Director of Finance, Housing and Community of any changes they require to be incorporated in the final version.

(b) Note that the Council Tax Resolution and Treasury Management Strategy will be added to the MTFP and other minor adjustments made before being presented to Council in March.

1. Summary

1.1 This report has been produced to seek Cabinet approval to develop the 2018/19 budget and MTFP for 2018/19 – 2021/22 on the basis detailed in Appendix 1. The report will also be considered by Scrutiny (Policy and Performance) on 27th February.

1.2 If agreed by Cabinet, the document will be amended and finalised before being presented back to Cabinet, together with any Scrutiny recommendations, and then to Council in March, together with the specific recommendations for Cabinet and Council and the resolution to set the Council Tax. At this stage the resolution to set the Council Tax cannot be included because the precepts from Towns and Parishes, Kent County Council (KCC), Kent Police Authority and Kent and Medway Towns Fire Authority have not all been received.

2. Introduction and Background

2.1 As part of its financial management process the Council is required to consider the MTFP and its implications for the Council's service objectives and financial management. The Director of Finance, Housing and Community (as Section 151 Officer) is required to comment on the robustness of the budget and the adequacy of the reserves. These requirements are addressed in the attached Budget and Medium Term Financial Plan report (Appendix 1).

- 2.2 The MTFP contains a number of recommendations. These are shown at the end of the sections within the MTFP and consolidated in Annex 12.

General Fund Budget

- 2.3 The Council is required to approve a General Fund revenue budget having regard to net expenditure requirements, Government funding, available internal reserves and the yield from Council Tax and the localisation of Business Rates.
- 2.4 The Council has discretion over allocation of resources to service priorities and its use of reserves, and can determine its Council Tax within the constraints as set by Government (the Council has no influence over the level of Government funding) but must have due regard to the capacity to set viable budgets in ensuing years.
- 2.5 The 2018/19 settlement from Government is currently under consultation and the figures in Appendix 1 are based on the provisional settlement provided in December 2017. It is not anticipated that there will be significant changes to the settlement figures in the final version of the report.
- 2.6 The figures for Business Rates are draft at this stage, based on the draft settlement, but amended for known errors in the calculation of tariff due to errors in the data supplied by VOA to MHCLG, and prior to the completion of the 2018/19 NDR1 return which sets the 2018/19 funding level. In addition Kent has been approved as a pilot area for the 100% business rates growth retention proposals, the impact of which is still being modelled across the Kent authorities. There is a high level of uncertainty with the figures due to the impact of the 2017 revaluation, changes to small business rates relief, the impact of existing and potential appeals, and the lack of a fully-developed pilot scheme model for detailed calculations of growth retention (although expected to be favourable), etc. These figures will be reviewed further after the completion of the NDR1 return, and the MTFP will be revised if necessary.
- 2.7 The main pressure faced by the General Fund in the 2018/19 budget is the impact of the increased need for provision of temporary accommodation for homeless prevention. This has been offset by additional income from investments, following the approval of the new Treasury Management Strategy, and income from properties in line with the approved Property Investment Strategy. These additional income streams have prevented the need for any significant changes to services.

Capital Programme

- 2.8 The Council has limited capital resources, but within these resources it has discretion over which projects to support. The Medium Term Capital Programme shows that resources have been applied to the regeneration projects in support of the Council's corporate objectives.
- 2.9 The funding for capital and revenue projects will be significantly reduced by the current programme. Future capital receipts are expected to come mainly from housing right to buy sales and amount to £1m per annum at current sales levels, so will not replenish capital funds and will not be sufficient to maintain the current level of activity in the future. No other major receipts are currently expected. Revenue project resources will also be largely depleted and no significant new resources are expected other than from contributions from the revenue budget.

Housing Revenue Account (HRA)

- 2.10 The DCLG has directed that Councils reduce rents by 1% per annum (in cash terms) from 2015/16 levels for each of the following 4 years and this is included in the budget and MTFP. The aggregated loss of this rent income over the 4 year period is projected to be £6.9m.
- 2.11 The Council has to ensure that the HRA remains viable and the impact of the rent reduction is having a significant impact on the HRA position. Due to the rent reductions and significant one-off capital projects the HRA surplus has been reduced for 2018/19. This position is forecast to improve in future years due to the ability to return to rent increases from 2020/21 and the impact of additional housing properties to the HRA stock.

Future Budgets

- 2.12 The MTFP is a planning document, so approval of the budget for 2018/19 and adoption of the MTFP does not commit the Council to the forecast budgets for 2019/20 to 2021/22. These are for planning purposes and are likely to be adjusted in the light of new information or changes in the Council's circumstances.

3. Identification of Options

- 3.1 Cabinet cannot change the financing received from government. They can recommend an increase in Council Tax, subject to the referendum conditions, and they can change budget allocations. Cabinet then recommend the budget and Council Tax level to Council.
- 3.2 The Council is required to set a budget, and so declining to do so is not an option. Council could choose to amend Cabinet's budget recommendations, but is subject to the same constraints concerning government funding and Council Tax. Council can change the allocation of resources between services, and that option remains open to the Council during the financial year.

4. Resource Implications

- 4.1 The revenue budgets and capital plans determine the level of Council Tax and the utilisation of resources for the next year. The MTFP is a key element in the prudent use of resources over the medium term.

5. Corporate Implications

- 5.1 Comment from the Section 151 Officer: No further comments to add.
- 5.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.
- 5.3 Comment from the Equalities Officer: The report doesn't not specifically highlight any equalities implications, however in discharging their responsibilities members are required to comply with the public sector duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

6. Appendices

Appendix 1 – DRAFT Budget for 2018/19 and Medium Term Financial Plan 2018/19-2021/22

7. **Background Papers**

2018/19 budget working papers

Contact Officers: Helen Lamb (Extn 2063) & Mike Davis (Extn 2107)