
Subject:	COUNCIL BUDGET 2019/20 AND MEDIUM-TERM FINANCIAL PLAN 2019/20–2022/23
Meeting and Date:	Cabinet – 5 February 2019 Scrutiny (Policy and Performance) Committee – 12 February 2019
Report of:	Mike Davis, Strategic Director (Corporate Resources)
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 2019/20 Budget and the Medium-Term Financial Plan (MTFP) for 2019/20–2022/23

Recommendation: It is recommended that Cabinet:

- 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 Strategic Director (Corporate Resources) of any changes they require to be incorporated in the final version;
- Agree that a web-based consultation on the budget is undertaken;
- Note that the Council Tax Resolution and Treasury Management, Investment and Capital Strategies 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 2019/20 budget and MTFP for 2019/20–2022/23 on the basis detailed in Appendix 1. The report will also be considered by Scrutiny (Policy and Performance) on 12 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 Strategic Director (Corporate Resources), 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 2019/20 settlement from Government is currently under consultation and the figures in Appendix 1 are based on the provisional settlement provided in December 2018. 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 also draft at this stage, based on the draft settlement. These figures will be reviewed further after the completion of the NDR1 return, and the MTFP will be revised if necessary.

Capital Programme

- 2.7 The Council holds limited capital resources (other than the capacity to borrow¹), 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.
- 2.8 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 fully replenish capital funds and will not be sufficient to wholly maintain the current level of activity in the future. No other major receipts are currently expected. Revenue project resources will also be significantly used and no significant new resources are expected other than from contributions from the revenue budget.

Housing Revenue Account (HRA)

- 2.9 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 estimated to be £6.9m.
- 2.10 The Council has to ensure that the HRA remains viable and the impact of the rent reduction is having an impact on the HRA position. This position is forecast to

¹ Borrowing can be undertaken for capital purchases but has a resultant impact on revenue budgets to finance the interest and repayment costs.

improve in future years due to the ability to return to rent increases² (from 2020/21) and the impact of additional housing properties to the HRA stock.

Future Budgets

- 2.11 The MTFP is a planning document, so approval of the budget for 2019/20 and adoption of the MTFP does not commit the Council to the forecast budgets for 2020/21 to 2022/23. These are for planning purposes and are likely to be adjusted in the light of new information or changes in the Council's circumstances.

Consultation

- 2.12 A web based consultation has been prepared to offer residents and businesses the opportunity to comment on the budget. It is proposed to launch the consultation following the Cabinet meeting for this report.

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: This report does not specifically highlight any equality implications however in discharging their duties members are required to comply with the public sector equality 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 2019/20 and Medium Term Financial Plan 2019/20 - 2022/23

7. Background Papers

² The Government announcement in the Autumn that the rent reduction policy won't continue beyond the end of March 2020 and that rent policy will revert back to rent increases capped at CPI +1%.

2019/20 budget working papers

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