

<b>Subject:</b>	<b>COUNCIL BUDGET 2020/21 AND MEDIUM-TERM FINANCIAL PLAN 2020/21–2023/24</b>
<b>Meeting and Date:</b>	<b>Cabinet – 3 February 2020</b> <b>Overview and Scrutiny Committee – 10 February 2020</b>
<b>Report of:</b>	<b>Mike Davis, Strategic Director (Corporate Resources)</b>
<b>Portfolio Holder:</b>	<b>Councillor Stephen Manion, Portfolio Holder for Finance and Governance</b>
<b>Decision Type:</b>	<b>Key</b>
<b>Classification:</b>	<b>Unrestricted</b>
<b>Purpose of the report:</b>	To progress approval of the 2020/21 budget and the Medium-Term Financial Plan (MTFP) for 2020/21–2023/24
<b>Recommendation:</b>	<p>It is recommended that Cabinet:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Agree that the draft budget is placed on the Council's website, to be available for comments;</li> <li>• 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.</li> </ul>

## 1. Summary

- 1.1 This report has been produced to seek Cabinet approval to develop the 2020/21 budget and MTFP for 2020/21 – 2023/24 on the basis detailed in Appendix 1. The report will also be considered by Scrutiny (Policy and Performance) on 10<sup>th</sup> 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 10.

#### 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 2020/21 settlement from Government is currently under consultation and the figures in Appendix 1 are based on the provisional settlement provided in December 2019. 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 borrow<sup>1</sup>), 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 £500k 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. Revenue project resources will also be significantly used and no significant new resources are expected other than from contributions from the revenue budget. It is imperative that Members take this into consideration when reviewing the project programme and when committing to individual projects.

#### Housing Revenue Account (HRA)

- 2.9 Following consultation with tenants, Members will be considering the future arrangements for the management of DDC's housing stock. The budget has been produced on the broad assumption that business will continue on the current basis – but with provision to draw on reserves to finance any costs of change and transition that may arise from a decision to change the management arrangements.
- 2.10 The Council has to ensure that the HRA remains viable and the impact of the rent reduction has had a negative impact on the HRA position. This position is forecast to improve due to the ability to return to rent increases and the impact of additional housing properties to the HRA stock.

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

## Future Budgets

- 2.11 The MTFP is a planning document, so approval of the budget for 2020/21 and adoption of the MTFP does not commit the Council to the forecast budgets for 2021/22 to 2023/24. 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, nor can they directly affect Business Rates, which are set by Government, the bulk of which the Council does not retain. They can recommend an increase in Council Tax, subject to the referendum conditions, and they can change budget allocations. Cabinet then recommends 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, Business Rates 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 2020/21 and Medium Term Financial Plan 2020/21 - 2023/4

### **7. Background Papers**

2020/21 Budget Working Papers

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