

MAIDSTONE BOROUGH COUNCIL

COUNCIL

28 FEBRUARY 2018

**REPORT OF THE POLICY AND RESOURCES COMMITTEE – MEDIUM TERM
FINANCIAL STRATEGY & BUDGET PROPOSALS 2018/19**

Issue for Decision

To consider the proposed Revenue and Capital Estimates for 2018/19, including service savings and growth, in accordance with the agreed budget strategy and in the context of the Medium Term Financial Strategy and the Strategic Revenue Projection.

To calculate and approve the Council Tax requirement for 2018/19.

To adopt the Treasury Management Strategy and prudential indicators.

Recommendations Made

1. That the revised revenue estimates for 2017/18 be agreed as set out in Appendix A.
2. That the minimum level of General Fund Balances be set at £2m for 2018/19.
3. That the proposed Council Tax of £252.90 at Band D for 2018/19 be agreed.
4. That the revenue estimates for 2018/19 incorporating the growth and savings items set out in Appendix A be agreed.
5. That the Statement of Earmarked Reserves and General Fund Balances as set out in Appendix A be agreed.
6. That the Capital Programme as set out in Appendix A be agreed.
7. That the funding of the Capital Programme as set out in Appendix A be agreed.
8. That the Medium Term Financial Strategy as set out in Appendix A be agreed.
9. That the Strategic Revenue Projection, as set out in Appendix A as the basis for future financial planning, be endorsed.
10. That it be noted that the Council's Council Tax base for the year 2018/19 has been calculated as 60,921.6 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) regulations 1992.

11. That it be noted that in accordance with Government guidance the yield from business rates has been calculated as £56,621,934.
12. That it be noted that the individual parish area tax bases set out in Appendix B are calculated in accordance with regulation 6 of the Regulations and are the amounts of the Council Tax Base for the year for dwellings in those parts of the Council's area to which a special item relates.
13. That the Council Tax requirement for the Council's own purposes for 2018/19 (excluding Parish precepts) is £15,407,072.
14. That the following amounts now be calculated by the Council for the year 2018/19 in accordance with Section 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011:-
 - (a) £89,367,784 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) of the Act taking into account all precepts issued to it by Parish Councils.
 - (b) £72,149,614 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) of the Act.
 - (c) £17,218,170 being the amount by which the aggregate at 14(a) above exceeds the aggregate at 14(b) above, calculated by the Council in accordance with Section 32(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 32(4) of the Act).
 - (d) £282.63 being the amount at 14(c) above (Item R), all divided by the figure stated at 10 above (Item T in the formula in section 33(1) of the Act), calculated by the Council, in accordance with Section 33 of the Act, as the basic amount of its Council Tax for the year (including parish precepts).
 - (e) £1,811,097 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix B).
 - (f) £252.90 being the amount at 14(d) above less the result given by dividing the amount at 14(e) above by the tax base given in 10 above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to

which no Parish precept relates.

15. That it be noted that for the year 2018/19 Kent County Council, the Kent Police & Crime Commissioner and the Kent & Medway Fire & Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

<u>Valuation Bands</u>	<u>KCC PRECEPT</u> £	<u>KCC ADULT SOCIAL CARE</u> £	<u>KPCC</u> £	<u>KMFRA</u> £
A	779.76	45.36	112.77	50.34
B	909.72	52.92	131.56	58.73
C	1039.68	60.48	150.36	67.12
D	1169.64	68.04	169.15	75.51
E	1429.56	83.16	206.74	92.29
F	1689.48	98.28	244.33	109.07
G	1949.40	113.40	281.92	125.85
H	2339.28	136.08	338.30	151.02

16. That, having calculated the aggregate in each case of the amounts at 14 (d), and 15 above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets out in Appendix D, the amounts of Council Tax for the year 2018/19 for each of the categories of dwellings shown.
17. That the Treasury Management Strategy 2018/19 and the Treasury Management and Prudential Indicators, outlined in Appendix A to this report, be adopted.

Reasons for Recommendation

At its meeting on 25 October 2017, Council agreed a Medium Term Financial Strategy (MTFS) for the next five years. Whilst the Council is in a relatively strong financial position currently, there is a high degree of uncertainty about the medium term position. Given the uncertainty about the future, various potential scenarios were modelled in the MTFS, representing (a) favourable, (b) neutral and (c) adverse sets of circumstances. Projections were prepared for each of the scenarios modelled and the MTFS stated that budget proposals would be sought to address all the potential scenarios. The 'neutral' budget proposals have been considered by Service Committees and the Policy and Resources Committee for their respective areas. Policy and Resources Committee also considered the capital programme at its meeting on 24th January. Once each Committee had considered the budget proposals, the Policy and Resources

Committee considered the Budget as a whole at its meeting on 14th February 2018 and recommended it to Council for adoption.

At the Policy and Resources Committee held on 14 February 2018, the Committee recommended that £20,000 be transferred from the Communications budget to the Environmental Enforcement budget. This recommendation has been incorporated into the budget book attached as Appendix A.

The Policy and Resources Committee considered the approach to allocating the proceeds from the Business Rates Retention Pilot Financial Sustainability Fund at its meeting on 24th January 2018. As this is likely to be a one-off contribution, rather than an ongoing addition to the budget, this will be treated as a discrete, earmarked item, separate from the main revenue budget. At its meeting on 14th February 2018, Policy and Resources Committee considered a number of projects to be funded from the Financial Sustainability Fund. It was agreed that these projects be given further consideration regarding their priority and scope by the Committee.

The recommendations contained in this report allow the Council to set the budget, including the Council Tax rate, for 2018/19 according to the specific provisions contained within the Local Government Finance Act 1992.

Alternatives Considered and Why Not Recommended

The Council could choose not to pass a budget. However, this would be contrary to the Local Government Act 2003.

The Council could choose to amend the budget. Any amendments would be additional to the recommendations already made by the Service Committees, as well as the recommendation made by the Policy and Resources Committee. It is important that the Council has a balanced budget after taking account of any amendments. The Director of Finance and Business Improvement (section 151 Officer) must provide confirmation to Council that "the budget calculations are based upon robust estimates and that the level of reserves is sufficient for the purposes of the budget exercise". Care must be taken in amending the budget so that the Director of Finance and Business Improvement is able to make the necessary confirmation.

Guidance from the Monitoring Officer

The Local Government Act 2003 (as amended) requires Council to adopt the annual budget which is recommended by the Policy and Resources Committee. The Council has a statutory obligation to set a balanced budget differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficits estimated to be brought forward from previous years, and any amounts required to be transferred between funds required under the Local Government Finance Act 1992 and related legislation.

In compliance with the principles of administrative law, members are required to take into account relevant considerations and disregard irrelevant ones. Any decision made must be one that only a reasonable authority, properly directing itself could have reached.

Members must act prudently taking into account the professional advice of officers, in particular the statutory obligations placed upon the Director of Finance and Business Improvement, the S151 officer. Members can make alternative proposals in achieving a balanced budget but are exposed to a personal risk if they disregard clearly expressed professional advice.

Members are required to have regard to the guidance of the S151 officer on the budget estimates and adequacy of reserves. The wider duties placed on the Council relating to its financial affairs must be taken into account. This includes the distinction between revenue and capital expenditure specified within the Local Government and Housing Act 1989.

Prudential borrowing limits must be set by the Council having regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code. The Code sets a framework for self-regulation of capital spending, enabling Councils to invest in capital projects without any limit, so long as they are affordable, prudent and sustainable taking into account prudential indicators which must be monitored.

It is a criminal offence for a member with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made – the Local Government Finance Act 1992, section 106. To avoid criminal liability, relevant members must make a declaration at the outset of the meeting that he or she is in arrears and will not be voting on the decision for that reason. The member concerned must then abstain from voting.

Having set a budget for the new municipal year, the Council is under a duty to monitor that budget during the year and to take remedial action if at any time it appears likely that expenditure will exceed available resources.

Background Documents

Appendix A: Budget Book

Appendix B: Schedule of Council Tax Base and Additional Council Tax in Parts of the Area with Parish Precepts

Appendix C: Schedule of Council Tax levels for all Bands and all Parts of the Area