

**MAIDSTONE BOROUGH COUNCIL**

**CABINET**

**WEDNESDAY 12 FEBRUARY 2014**

**REPORT OF CORPORATE LEADERSHIP TEAM**

**Report prepared by Paul Riley**

**1. BUDGET STRATEGY 2014/15**

1.1 Issue for Decision

1.1.1 This report brings together the Revenue and Capital Budgets for 2014/15 with a view to recommending them to Council on the 5 March 2014 along with a proposed level of Council Tax.

1.1.2 The budget outlined in this report incorporates the growth and savings agreed at the Cabinet meeting on 18 December 2013. The report also identifies issues emerging since that time and requests Cabinet to consider the issues in the context of the agreed Budget Strategy.

1.1.3 The report also gives further guidance on the financial position beyond 2014/15, the prospect for growth and savings and the delivery of a sustainable budget in the medium term

1.2 Recommendation of Corporate Leadership Team

1.2.1 It is recommended that Cabinet:

- a. Agree the revised revenue estimate for 2013/14 as set out in Appendix C as modified, if necessary, by any actions agreed as a result of the Third Quarter Budget Monitoring Report for 2013/14;
- b. Agree the revenue estimate for 2014/15 including proposed savings as set out in Appendices C & D and section 1.9;
- c. Agree to recommend to Council that the minimum level of General Fund balances be maintained at £2m for 2014/15;
- d. Agree to set a level of working balances for day to day activity for 2014/15 of £2.3m;

- e. Agree the revised Capital Programme set out in Appendix F;
- f. Consider options for the level of Council Tax and agree a recommendation to Council for 5 March 2014;
- g. Endorse the Medium Term Financial Strategies for Revenue and Capital budgets as set out in Appendices G & H;
- h. Note the results of the budget consultation exercise;
- i. Consider as necessary any issues referred to Cabinet by Audit Committee following their consideration of the risk assessment set out at Appendix J;
- j. Agree to make the appropriate recommendations to Council regarding Council Tax requirement and the Estimates for 2013/14 based on the Cabinet's decisions relating to this report's recommendations and as required by the Local Government Finance Act 1992 as amended by the Localism Act 2011.

### 1.3 Reasons for Recommendation

- 1.3.1 The Cabinet has on two previous occasions this year considered the developing budget strategy for 2014/15 onwards. It has agreed a strategic revenue projection and a level of council tax for planning purposes that have been used in consultation with the public and with overview and scrutiny.
- 1.3.2 The Strategic Leadership and Corporate Services Overview and Scrutiny Committee, at its meetings, through its budget working group and through an all member workshop has given consideration to the budget and the savings proposals. The Committee has in general agreed with the approach taken by Cabinet but has expressed concerns about the size of the task ahead of the Council to maintain a balanced budget in future years.
- 1.3.3 Only a low level public consultation has been carried out this year. This is because a major review of the budget strategy will be carried out in 2014/15 alongside the Strategic Plan review in time for 2015/16. This work will incorporate significant consultation and the work may result in the introduction of a new strategy. The results of the consultation are considered further at section 1.15 of this report.
- 1.3.4 The Cabinet has received two quarterly budget monitoring reports for 2013/14 that have both considered revenue, capital and other balance sheet items. These reports have shown an expectation that

certain income sources will be significantly above target and concerns regarding the pressure on budgets in areas such as housing, the museum, the market and parking. A third quarter report is elsewhere on this agenda which updates the Cabinet with the position at December 2013.

- 1.3.5 Despite the budget pressures that have been in evidence throughout the year there is a developing under spend arising in the main from the fact that income levels relating to planning and recycling are continuing to over achieve budget targets by a significant margin. Actions taken by budget managers are partially managing areas of over spend and, during the third quarter, there has been a developing level of employee vacancy. The report elsewhere on this agenda predicts an under spend of £0.5m by year end.
- 1.3.6 At its meeting on 18 December 2013 the Cabinet agreed the level of fees and charges for 2014/15 and the influence of the amended charges on the budget have been incorporated into this report. The Cabinet also considered the Capital Programme 2014/15 to 2018/19 and a position statement on the Budget Strategy for 2014/15 onwards. On the day of that meeting the Government announced the provisional finance settlement for 2014/15 and indicative figures for 2015/16. The figures were a reduction over the assumptions in the strategic revenue projection and this meant that the budget strategy did not produce a balanced budget for 2014/15. The Cabinet tasked officers to identify further savings to achieve a balanced budget during January 2014.
- 1.3.7 The budget strategy has been developed in parallel with the Cabinet's consideration of a number of other plans. In particular the budget strategy incorporates consideration of the following:
  - a) The Strategic Plan – the budget strategy has been developed in parallel with the revision to the strategic plan. The medium term financial strategy has been produced to ensure the efficient use of the Council's resources in delivering the strategic objectives.
  - b) The People Strategy – budget provision is included for expected employee costs.
  - c) The Asset Management Strategy – the budget requirements identified in this strategy have been previously included within the budget strategy and have been maintained for 2014/15 onwards at their current levels. The asset management strategy recognises the pressure on the capital programme from the need for future funding and assesses options for the appropriate utilisation of assets, the pressures upon the capital programme are considered as a complete package and not as individual

schemes.

- d) ICT Strategy – the resources for this strategy are limited but some resources for developments in ICT remain available. The exact nature of the strategy and the arrangements for the use of resources for the ICT Strategy are currently evolving as the MKIP Shared Service commences across Maidstone, Swale and Tunbridge Wells Councils. Funding for both partnership requirements and local requirements for this authority are available and will be used subject to a satisfactory business case for each proposal.
- e) The Infrastructure Delivery Plan – budgets for the initial projects required by the plan are set out in the Capital Programme and funding assumptions from developer contributions and new homes bonus are also built into the programme.
- f) Strategic Risk Register – the strategic risks are reviewed regularly by Audit Committee and Cabinet. The funding for actions within the risk actions plans are, where appropriate, incorporated into the budget strategy.
- g) Other Strategies – appropriate resources to aid various other strategies are incorporated into the budget strategy. These include strategies for areas such as Regeneration and Economic Development, Housing, Climate Change, Equalities, Integrated Transport and Community Development.

#### 1.4 Strategic Leadership and Corporate Services Overview and Scrutiny Committee

- 1.4.1 The Committee, at its meeting on 7 January 2014, considered the three budget strategy decision made by the Cabinet on 18 December 2013. The Committee considered all aspects of the reports and the Council's ability to produce a balanced budget.
- 1.4.2 Due to the Committee involvement during 2013/14 in developing the strategy the Committee was aware of a number of the issues and through first hand involvement had influenced some. The Committee was able to conclude that the decision of Cabinet arose from a comprehensive assessment of the situation but pressed the officers and members in attendance to resolve the issue of the additional need for savings for 2014/15 and work with them to solve the future budget pressures facing the Council.

#### 1.5 Audit Committee

1.5.1 The Committee will, at its meeting on 10 February 2014, consider the operational risk assessment of the budget strategy. The Committee normally considers strategic risk but makes an exception in this case. The strategic risk for the budget is the ability to obtain the right level of resources to achieve the Council's objectives. This risk is controlled in the main by the responses to the operational risks set out in the Finance Section's service plan.

1.5.2 The debate and any reference from the Audit Committee will be reported to the Cabinet at its meeting, during the consideration of this report.

## 1.6 The Finance Settlement

1.6.1 The provisional finance settlement was announced on the same day as the last meeting of the Cabinet, 18 December 2013. The settlement for 2014/15 will be confirmed as final by the Government no later than the day of this meeting of the Cabinet, 12 February 2014. Changes to the settlement are not expected but it is hoped that the finalisation of the settlement will be reported as a verbal update to the Cabinet at the meeting.

1.6.2 The provisional figures provided in the settlement are given in the table below, along with the indicative figures for 2015/16 that were also provided at that time. The table compares these figures to the estimates that had been used during the development of the budget strategy prior to that date. Members will note that for both years there is a reduction in both the revenue support grant and the business rates retained by this Council.

Funding	Total			Total			Total		
	RSG £,000	BR £,000	2013/14 £,000	RSG £,000	BR £,000	2014/15 £,000	RSG £,000	BR £,000	2015/16 £,000
Basic Grant	3,146	2,092	5,238	3,011	2,725	5,736	2,000	2,801	4,801
2011/12 Freeze Grant	202	133	335	197	137	334	193	140	333
Homelessness Prevention	60	41	101	59	41	100	57	42	99
Local Council Tax Support	874	581	1,455						
Returned Top Slice				7		7			
	4,282	2,847	7,129	3,274	2,903	6,177	2,250	2,983	5,233

1.6.3 The table demonstrates the reduction in grant over the three available years of the new system. This also clearly indicates the slow transfer of the burden special grants from RSG funding to business rates baseline funding.

## 1.7 Local Council Tax support Scheme

1.7.1 Incorporated into the finance settlement for 2014/15, rather than shown as a separate grant, is the funding for the local council tax

support scheme (LCTS). In 2013/14 total funding was £1.455m as shown in the table above. This included an additional one year grant from the Department for Communities and Local Government (DCLG) to maintain the reduction in LCTS discount to 8.5%. Up to the point of that announcement the Council's expected scheme, on which it had consulted, was a reduction of 13%. At the Council meeting in December 2013, following further public consultation, the Council agreed to revert to the original scheme of a 13% reduction in support for 2014/15 (i.e. a discount on council tax equivalent to 87% of the council tax benefit that could have been claimed under the previous national system).

1.7.2 The reduction in funding within the finance settlement from 2013/14 to 2014/15 is 13% and while the Government has suggested that LCTS funding has remained stable within the overall grant this cannot be directly demonstrated and all elements of grant, where evidence exists, are shown to be reducing. In addition the LCTS grant is not ring-fenced, increases or reductions in the discount granted to claimants are a direct cost or benefit to this Council. As the distinction no longer exists around the grant for this scheme, in developing and monitoring the strategy for LCTS it will be assumed a reduction in line with the overall reduction in the finance settlement has occurred to the LCTS element.

1.7.3 Included in the main grant for the Council is an element that the DCLG states is funding for the loss incurred by Parish Council's from reductions in their precept due to the discount. In 2013/14 the full amount of this funding of £0.11m was distributed to Parish Council by this Council based upon their loss of income from Council Tax due to the introduction of the scheme. A similar approach was agreed by Cabinet at its meeting on 18 December 2013 with the total amount distributed being reduced by 12% in line with the Council's expected, rather than actual, loss of government funding. Shortly after the Cabinet meeting on 18 December 2013 the distributed amounts were notified to Parishes as provisional figures along with their tax base figures. The provisional nature of the figures recognises the fact that the final decision will be made at Council on 5 March 2014 when the Cabinet present their budget. To assist the Cabinet the agreed distribution is set out in **Appendix A**.

## 1.8 Business Rates

1.8.1 The finance settlement outlined in section 1.6 above reported the baseline need value for retained business rates in 2014/15. The full set of Government assessed figures is tabled below.

	<b>£</b>
Assessed Business Rates Total	56,392,275
Central Government 50%	28,196,138
Kent County Council 9%	5,075,305
Kent Fire 1%	563,923
MBC Share 40%	22,556,910
Less MBC Tarrif to government	19,653,700
Baseline Need	2,903,210

- 1.8.2 The Council applied for and was approved as a partner in the Kent business rates pool. The pool for 2014/15 is a partnership between Maidstone Borough Council and Kent County Council. The primary objective of the pool is growth within the region (i.e. within the Maidstone borough area but would expand if other district councils join the pool in future years) and the benefit it brings is to enable the levy on business rates growth to be retained locally. The risk of the pool is that the Council may slip below the safety net for business rates collected but will receive no national support to reduce its losses.
- 1.8.3 The pool agreement shares any levy saved between the Council, the County Council and a Growth Fund in equal shares after a charge of 10% which is used to fund a safety net provision. The growth fund will be used to support growth in the region.
- 1.8.4 The Council's own estimate of business rates has to incorporate the recent changes in exemptions announced in the autumn statement by the Chancellor of the Exchequer. The calculation given in the table below suggests that after allowance for all exemptions the Council's actual business rates income will be below safety net however the Government has confirmed that it will reimburse local authorities for the loss of business rates from its latest exemptions and these payments will form part of the levy and safety net calculations. Allowing for these payments, officers currently predict that all relevant income will be above the baseline need set out in the table above and without the Kent pool the Council would be subject to a levy at the end of 2014/15 of 50% of the increase shown in the table.

	<b>£</b>
NNDR1 Business Rates Total	54,171,300
Central Government 50%	27,085,650
Kent County Council 9%	4,875,417
Kent Fire 1%	541,713
MBC Share 40%	21,668,520
<b>Less</b> MBC Tarrif to government	19,653,700
Business Rates Retained	2,014,820
<b>Add</b> Section 31 Grant	1,194,098
Total Income	3,208,918
Baseline Need	2,903,210
Net Increase subject to levy	305,708

1.8.5 The main risk to the estimate of business rates above is the level of outstanding appeals to the Valuation Office Agency that existed at the time the new system was introduced. In Maidstone approximately 30% of the rateable value of the borough was under appeal on 1<sup>st</sup> April 2013 and a provision was set up to allow for backdated payments that would be required by the pool. Provision for current and future appeals form part of the overall mechanism of the localisation of business rates.

#### 1.9 Strategic Revenue Projection and Savings Proposals

1.9.1 The strategic revenue projection (SRP) is given at **Appendix B** and has been updated to show the finance settlement figures reported verbally to Cabinet on 18 December 2013.

1.9.2 The inflation index for business rates paid by the Council has also been adjusted. This is because the Government has confirmed the increase at 2% whereas the inflation index used in previous SRPs presented to the Cabinet was 3.1%. The Council Tax income has also been adjusted to reflect the maximum increase available within a 2% referendum limit. This is 1.99%.

1.9.3 The increase in savings requirement that this SRP identifies is £41,000 after the two adjustments above. Officers have reviewed the proposed savings for possible additions, have reviewed budgets for new items of saving and have reconsidered all growth pressures. At this late stage the proposals that came forward were proposals with an ability to influence future years' savings targets and by proposing to produce the savings early increased the risk of delivery and the risk for future years.



1.9.4 One proposal has been identified that has certainty at this late stage in the budget planning cycle and will provide the necessary saving. The proposal is to reduce the revenue support provided to the Capital Programme. The revenue support, currently £0.35m, was introduced in recent years through the budget strategy process during a period when the Council expected there would be little or no funding for capital projects. From more recent decisions of Cabinet and Council the future programme is supported by the full amount of new homes bonus. This means that the revenue support now has more significance when considered against the pressures on the SRP rather than the requirements of the Capital Programme. This report therefore proposes the removal of that support over 2014/15 and 2015/16 and the revenue budget and capital programme reported here incorporate the necessary changes.

#### 1.10 Revenue Estimates

1.10.1 A summary of the revenue estimate by portfolio is attached as **Appendix C**. This also summarises the approved use of balances. This estimate assumes the final approval of all growth and savings set out in the SRP and savings detailed in this report. The estimate is based upon the funding available from a 1.99% Council Tax increase. Any alternative decision will require amendment to the revenue estimates as set out above.

1.10.2 Details of the savings proposals, as amended following the finance settlement, are given at **Appendix D**.

#### **Revised Estimate 2012/13**

1.10.3 The revised estimate 2013/14, shown in Appendix C, totals £26.74m. This compares to an original estimate of £19.499m as approved by Council in March 2013. The increase reflects the decisions of Cabinet to approve the carry forward of resources from 2012/13 and the decision of the Leader of the Council on the use of the revenue under spend in 2011/12 and 2012/13.

#### **Original Estimate 2013/14**

1.10.4 The estimate 2014/15, given in Appendix C, shows a cost of service estimated at £19.031m. After net contribution from balances of £0.012m, the budget requirement for 2014/15 will be £19.019m. This figure excludes the funding of parish councils for loss due to the local council tax support scheme that is incorporated in the SRP at Appendix B.

1.10.5 Cabinet will recall that the budget, as proposed in this report, has been based on a number of initiatives completed during the year.

These include:

- a) A final refresh of the strategic plan before producing a new plan during 2014/15.
- b) A budget consultation exercise.
- c) Membership of the Kent business rates pool.
- d) The introduction of a council tax premium on long term empty homes

### 1.11 Statement of Balances

1.11.1 Attached as **Appendix E** is a statement of the general fund balances. The statement identifies in detail the agreed use of balances arising from the 2013/14 budget, approved by Council in March 2013, and subsequent decisions by Cabinet and the Leader of the Council.

1.11.2 During the development of the budget strategy for 2014/15 there has been one proposal for the use of balances agreed. This is support in the medium term for the increase in employer contributions to the pension fund deficit. This support totals £0.2m over a three year period. In addition there is a possible need for resources to cover the unexpected cost of the recent flood emergencies. Elsewhere on this agenda the third quarter budget monitoring report projects an under spend at 31 March 2014 that may be available as an alternative to direct use of balances.

1.11.3 It is necessary at this time for Cabinet to consider the level of working balances it wishes to set for operational purposes. There are two levels set:

- a) The first is a practical minimum below which Cabinet cannot approve the use of balances without agreement of Council. In the past this has been set at 10% of net revenue spend, which equates to £1.91m. However in recent years, as net revenue expenditure has declined due to Government reductions in public sector spending, the balance has been retained at £2m. It would be prudent to continue at this level and Cabinet is recommended to propose this level to Council;
- b) The second is an operational minimum, set for daily use of balance by Cabinet. In the past this has been £0.3m greater than the Council set practical minimum. This would be £2.3m and it is recommended that Cabinet set this operational minimum.

## 1.12 Council Tax Levels

- 1.12.1 The SRP given at Appendix B has been developed with a council tax increase of 1.99% which is above the level of previously planned increase by 0.09%. The change is as part of the proposed response to the reduction in the funding provided by the finance settlement announced on 18 December 2013.
- 1.12.2 For 2014/15 and 2015/16 the Government has again offered a 1% council tax freeze grant. The grant benefits from two issues over previous years. Firstly the fact that the grant is paid on the gross tax base before amendment to account for local council tax support discount and secondly that it will be rolled into the base figures for the finance settlement.
- 1.12.3 A 1.99% Council tax increase provides £0.19m additional resources in perpetuity and would cost a band D full tax payer an additional 38 pence per month. A band D tax payer on maximum local council tax support would pay an additional 5 pence per month. Acceptance of a small increase of this size was responded to positively in the budget consultation, which is detailed later in section 1.15.
- 1.12.4 The government grant for a freeze on council tax would be £0.16m (1% but on a higher base value). This would be rolled in to the finance settlement and be available long term. However it is clear from the trend between the 2013/14 and 2015/16 finance settlement figures set out in paragraph 1.6.2, that revenue support grant will decline to almost zero in the next five years. Business Rates Baseline Need will remain steady over the same period. In summary the council will initially receive additional resources from a freeze in Council Tax but should expect those resources to decline in line with the already announced reductions to support government austerity measures.
- 1.12.5 Over the five years of the SRP the loss of resources would be a minimum of £0.16m plus any additional reduction in the finance settlement which cannot be estimated at this time but could be up to an additional £0.4m.
- 1.12.6 The Cabinet should note that at this time the level of increase requiring a referendum has not been announced by Central Government. The report assumes 1.99% for consistency with the 2013/14 limit of 2%. The latest date that the Government can announce the referendum limit is 12 February 2014, the day of the Cabinet meeting. This is also the day that the Government will confirm as final the finance settlement figures for 2014/15. It is possible that either or both of the values used in developing the budget strategy will change. If necessary officers will identify the

consequences of any changes on the day of the meeting.

### 1.13 Strategic Assessment of the Revenue Estimate

1.13.1 The revenue estimate for 2014/15 as detailed in this report requires net resources of £19.019m. This can be balanced by a 1.99% increase in the Council Tax charged and the additional savings from revenue support to the capital programme as set out in section 1.9. The funding is detailed in the table below:

<b>Funding:</b>	<b>£</b>
Revenue Support Grant	3,274,384
Business Rates	2,903,210
<b>Less:</b> Parish LCTS Support	- 96,802
Council Tax at £222.39 (Band D), tax base 55675.1	12,617,091
1.9% Council Tax Increase (£4.50 @Band D)	250,510
Collection Fund Adjustment	70,705
<b>TOTAL AVAILABLE RESOURCES</b>	<b>19,019,098</b>

1.13.2 Should cabinet wish to consider an alternative approach a 1% change in Council Tax charged will result in a £95,000 change in the level of income. Cabinet should be aware that council tax freeze grant is offered only when there is no increase in council tax. It cannot be claimed proportionately.

### 1.14 Capital Programme

1.14.1 The Capital Programme as agreed by the Cabinet on 18 December 2013 is given at **Appendix F** with one amendment. The amendment relates to the proposal to remove the revenue support to the capital programme as discussed in section 1.9 in order to achieve the necessary level of savings. The programme's funding for transport and other infrastructure has been amended to compensate as this is not project specific funding at this time.

1.14.2 The Cabinet should be aware that the Government is to review the new homes bonus scheme in 2014/15 and the funding set out in the programme assumes a 30% loss of funding from 2015/16 onwards. The actual review and the consequences will be considered as part of the development of the 2015/16 budget.

### 1.15 Consultation

1.15.1 In recent years Cabinet has taken a coordinated approach to the views it has sought during consultation. This has been done with the intention of building a body of knowledge of opinions on various

elements of the budget.

- 1.15.2 During the development of the 2009/10 budget strategy the consultation was through a budget simulator to allow respondents to create their own budget and asked them to achieve a council tax increase below 5%. The choices available for growth or savings were larger key service areas that most respondents displayed a desire to protect, such as refuse and street cleansing.
- 1.15.3 During the development of the 2010/11 budget strategy the consultation was carried out by formal market research. This research focused on income generating services through consideration of price and elasticity of demand. Questions included the preference for payment for services by council tax or by direct fee at time of use.
- 1.15.4 During the development of the 2011/12 budget strategy members and officers completed comprehensive public engagement under the banner of "My Council, What Matters to ME" which reviewed opinion on discretionary services and Cabinet's proposals for savings. It also gave an opportunity for respondents to put forward further ideas for consideration.
- 1.15.5 Consultation on the 2012/13 budget followed a similar format requesting ideas for savings beyond those already identified and an evaluation of seven statutory services that were not placed as high priority in the Cabinet's priority matrix. The consultation looked at the potential from variations in the level of customer service.
- 1.15.6 Two consultations were carried out for the 2013/14 budget strategy. The first was on the Local Council Tax Support Scheme proposals. The second related to alternative methods of delivery related to the developing commissioning strategy, plans to acquire commercial property through prudential borrowing and the channel shift strategy through questions on the cost of contacting the Council.
- 1.15.7 For the 2014/15 budget the consultation has again been in two separate elements. The Council consulted on the Local Council Tax Support scheme proposals in order to ensure compliance with regulations and to confirm, after the first year of operation that the proposals for year two remained acceptable. The Council also consulted on a the budget through a series of direct questions on the sources of revenue resources. The response levels to each question are set out in **Appendix G** attached but of note are the following issues:
  - a) There is general support for the Council's proposals

- b) A 52% yes answer was received to the possibility of a 36 pence per month increase in Council tax but only a 45% yes vote to a Government Maximum 2% increase. As these are essentially the same (2% would equal 38 pence per month) it indicates the influence of percentage quotes over value quotes and the need to promote to tax payers the real value of the services provided.
- c) The proposal to reduce staffing by £0.25m received a 42% no answer, combined with not sure this was 66% of answers to the question.

#### 1.16 Future Actions to set the Council Tax

- 1.16.1 As Members will be aware, it is a statutory requirement of this Authority to resolve the level of Council Tax for the area. To achieve this objective the recommendations detailed in this report need to be addressed. In addition the precepts of Kent County Council, the Police Authority, the Fire Authority and all parish councils are required. These will all be incorporated into a resolution to the Council meeting on 5 March 2014.
- 1.16.2 The Cabinet will note that the date of the Council meeting has been put back by one week. This is because of the concerns expressed by major preceptors regarding the announcement of the referendum limit arriving after their precept setting meetings and the potential this gave for delay. By setting the date as 5 March 2014 the Council has allowed time for the preceptors to amend their precept setting meetings if required.
- 1.16.3 It is the intention of officers to collate the decisions from this meeting and incorporate them into the necessary resolutions to achieve the above in time for the Council meeting on 5 March 2014.
- 1.16.4 In addition it is necessary for the section 151 Chief Financial Officer to give her opinion to Council, when setting the above requirements, that the budget calculations are based upon robust estimates and that the level of reserves is sufficient for the purposes of the budget exercise. Based upon the process undertaken this year, and the information contained within this report, it is not anticipated that this opinion will include any adverse comments.

#### 1.17 Medium Term Financial Strategy

- 1.17.1 For the first time the Council will publish two separate financial strategies. One for revenue plans and one for capital plans. This arises from the proposals of Strategic Leadership and Corporate Services Overview and Scrutiny Committee. The desire of the

Committee is to make the capital programme and strategy more evident and clear. Cabinet agreed to the proposal earlier this year when considering the Committee's SCRAIP following their review.

1.17.2 Attached as **Appendix H** is the Revenue Medium Term Financial Strategy (RMTFS) for 2014/15 and at **Appendix I** is the Capital Medium Term Financial Strategy (CMTFS) for 2014/15. The strategies are focused on the five year period of the Council's planning cycle. In some local authorities plans of ten years and plans of three years are often seen. It is considered that a three year plan is too short to meet the requirements of the Council's strategic planning environment and that ten years is too long a period for a reasonable level of assessment about the future to be made.

1.17.3 The financial projection that complements the RMTFS is given at Appendix B. It summarises the growth and savings items detailed in Appendix C. The financial projection considers the targeted need for growth and savings over the period of the RMTFS and incorporates a number of assumptions about inflation and changes in local and national initiatives. These are all detailed in the RMTFS statement given at Appendix H.

1.17.4 Both strategies may require amendment following Cabinet's consideration of this report and following consideration by Council on 5 March 2014. The final versions will be published as part of the budget documents on the Council's website following the Council meeting.

#### 1.18 Alternative Action and why not Recommended

1.18.1 The major alternatives are included within the report for consideration.

1.18.2 The Cabinet could recommend to the Council the setting of a Council Tax level greater than that used as a planning assumption in the strategic revenue projection. The Department for Communities and Local Government are expected to announce the level of increase that would trigger a local referendum on Council Tax for 2014/15 on 12 February 2014 and this will be reported to the meeting if possible and amendments may be required to the recommendations in this report. Any increase above the limit will trigger a referendum for this Council at significant cost and, due to the issue being tested, the most likely response to a referendum will require the Council to reset its budget, re-bill all tax payers and incur further additional cost.

1.18.3 The Cabinet could chose not to accept the additional saving proposal and retain the revenue support for the capital programme at its current level. This will mean a need to identify further savings prior to

the meeting of Council on 5 March 2014 and seek approval from the Cabinet before the final recommendation to Council. Officers have considered a number of alternative approaches to the additional need for savings. The reduction in revenue support has been recommended because it is achievable for the immediate need of the strategy at this late stage and the full budget saving has greater impact and relevance to the revenue budget than it does to the current capital programme.

1.18.4 The setting of a balanced budget is a statutory obligation. To choose not to set a budget and a Council Tax level for 2014/15 is not an option.

1.19 Impact on Corporate Objectives

1.19.1 The capital and revenue budgets developed from this budget strategy provide resources for the achievement of corporate priorities and have been developed in conjunction with the refresh of the Strategic Plan.

1.20 Risk Management

1.20.1 The budget strategy process is a major element of the mitigation of the strategic risk of having the right resources available to achieve the Council’s priorities. The robust process followed, along with the Council policy to deliver a balanced budget, ensures that the budget produced is appropriate for the delivery of council services.

1.20.2 The policy on balances addresses the strategic risk of budget pressures arising from unbudgeted spend or the financial consequences of unplanned costs.

1.20.3 The key risks identified during the budget strategy process and in this report are detailed in the risk assessment attached as **Appendix J**. The risk assessment has been considered by Audit Committee in the format given.

Other Implications

1.20.4

- 1. Financial
- 2. Staffing
- 3. Legal
- 4. Equality Impact Needs Assessment

X
X
X



5. Environmental/Sustainable Development
6. Community Safety
7. Human Rights Act
8. Procurement
9. Asset Management


1.20.5 **Financial Implications** – These are dealt with comprehensively in the body of the report.

1.20.6 **Staffing Implications** – The current budget provides the resources necessary to fund the proposed staffing levels and support the Government's public sector pay strategy.

1.20.7 **Legal Implications** – The Localism Act 2011 and the review of local government finance have introduced a number of changes to the recommendations to Council for setting the Council Tax and agreeing a balanced budget from 2013/14. These changes are the subject of national discussion and the most up to date guidance will be used at the time required to produce the report to Full Council for 2014/15. In other respects this report and the recommendations it proposes will enable Council to set a balanced budget and a Council Tax within the time limits and other constraints of legislation.

## 1.21 Relevant Documents

### 1.21.1 Appendices

- Appendix A – Distribution of Parish LCTS Funding 2014/15.
- Appendix B – Strategic Revenue Projection 2014/15 to 2018/19
- Appendix C – Summary Revenue Budget 2014/15
- Appendix D – Savings Proposals 2014/15 to 2018/19
- Appendix E – Statement of General Fund Balances
- Appendix F – Capital Programme 2014/15 to 2018/19
- Appendix G – Consultation Responses
- Appendix H – Medium term Financial Strategy – Revenue 2014/15 Onwards
- Appendix I – Medium term Financial Strategy – Capital 2014/15 Onwards
- Appendix J – Risk Assessment

1.21.2 Background

None.

<b><u>IS THIS A KEY DECISION REPORT?</u></b>		<b><u>THIS BOX MUST BE COMPLETED</u></b>	
Yes	<input checked="checked" type="checkbox"/>	No	<input type="checkbox"/>
If yes, this is a Key Decision because: .....			
.....			
Wards/Parishes affected: .....			
.....			