MAIDSTONE BOROUGH COUNCIL

REPORT OF POLICY & RESOURCES HELD ON 15th FEBRUARY 2017

MEDIUM TERM FINANCIAL STRATEGY 2017/18 ONWARDS

Issue for Decision

To consider the proposed Revenue and Capital Estimates for 2017/18, 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 2017/18.

Recommendations Made

1. That the revised revenue estimates for 2016/17 be agreed as set out in Appendix A.

2. That the minimum level of General Fund Balances be set at £2m for 2017/18.

3. That the proposed Council Tax of £245.61 at Band D for 2017/18 be agreed.

4. That the revenue estimates for 2017/18 incorporating the growth and savings items 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 statements for revenue and capital 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 2017/18 has been calculated as 59,439.3 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 £56,789,676.

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 2017/18 (excluding Parish precepts) is £14,598,886.

14. That the following amounts now be calculated by the Council for the year 2017/18 in accordance with Section 32-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011:-

(a)	£87,569,013	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)	£71,304,720	being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) of the Act.
(c)	£16,264,293	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)	£273.63	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)	£1,665,923	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)	£245.61	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 2017/18 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:-

Valuation Bands	**KCC PRECEPT £**	**KCC ADULT SOCIAL CARE £**	**KPCC £**	**KMFRA £**
A	756.24	29.64	104.77	48.90
B	882.28	34.58	122.23	57.05
C	1008.32	39.52	139.69	65.20
D	1134.36	44.46	157.15	73.35
E	1386.44	54.34	192.07	89.65
F	1638.52	64.22	226.99	105.95
G	1890.60	74.10	261.92	122.25
H	2268.72	88.92	314.30	146.70

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 C, the amounts of Council Tax for the year 2017/18 for each of the categories of dwellings shown.

Reasons for Recommendation

This report sets out the final considerations of Policy & Resources Committee in relation to the revenue and capital estimates for 2017/18 and the medium term financial strategy through to 2021/22. The formal recommendations arising from the Committee's decision are set out for decision by Council in accordance with the Local Government Finance Act 1992 and the Localism Act 2011.

The medium term financial strategy has been developed by Policy & Resources Committee in collaboration with the other service committees and alongside the annual refresh of the Strategic Plan.

Detailed considerations of Policy & Resources Committee are set out below.

Background

Policy and Resources Committee has considered the developing Medium Term Financial Strategy for 2017/18 onwards on a number of occasions during the course of the municipal year. In June 2016 a Strategic Revenue Projection and a Council Tax level was set for planning purposes and the process for developing a Medium Term Financial Strategy and Efficiency Plan was agreed.

In September 2016 the Committee considered a draft Medium Term Financial Strategy and Efficiency Plan for submission to Council. The MTFS / Efficiency Plan considered how the Council's corporate objectives and key priorities could be delivered within the constraints of the government's four year funding settlement to local authorities, together with assumptions about service pressures, the Council's capacity to generate income and the broader economic environment. A budget gap over the five year planning period was identified and an approach was proposed for closing the gap. The MTFS / Efficiency Plan was agreed by Council at its meeting on 21 September 2016.

Public consultation took place on service priorities and officers developed detailed budget proposals that contributed £3.4 million towards the £4.2 million budget gap. On 3rd January 2017 the Committee considered revenue budget proposals for services within its own remit and referred the remaining budget proposals to the relevant Service Committees. A second report was considered at the Committee's 18 January meeting specifically on the capital programme. The outcomes of the consideration of budget proposals are set out below.

In addition the Committee has considered three quarterly budget monitoring reports for the current financial year. These reports have reviewed revenue, capital and other balance sheet items and reported on any major variances or other issues. The reports identified areas where income or expenditure is significantly above or below budget. The implications for future financial planning are considered below.

Current Year 2017/18

The second quarterly budget monitoring report, considered by the Policy & Resources Committee on 23rd November 2016, projected an overspend for the year of £445,000. A number of actions were identified that sought to reduce the overspend in the remaining months of the year.

The third quarterly budget monitoring report projects a reduced overspend of £288,000 for the year. This represents welcome progress, but there remains further work to be done over the remaining two months of the year to try and reduce the overspend still further. The most significant variances are as follows.

Temporary Accommodation - £357,000 adverse

This represents a reduction from the previous projection of a £500,000 adverse variance. The Council has agreed a new Temporary Accommodation Strategy, incorporating more in-house provision and a greater focus on quick turnaround. However, pressures will continue into 2017/18 and may be exacerbated by new legislation. Accordingly, the Strategic Revenue Projection provides an additional £235,000 budget for 2017/18 only.

Development Management - £213,000 adverse

The Planning Service made extensive use of agency staff in the first part of the year but it has now been able to bring monthly spend back in line with budget.

Mote Park Café - £197,000 adverse

A report on the café's performance will be considered by Heritage, Culture and Leisure Committee on 7th March 2017. This will consider a range of options for the future of the café, given that performance indicates that the current operating model is not sustainable. Given the current position, and in spite of urgent efforts being devoted to remedying it, it is unrealistic to expect the café to achieve its budgeted performance for the full 2017/18 financial year. Accordingly a contingency against failure to meet the budget is included in next year's estimates and is shown in Appendix A, Strategic Revenue Projection.

Pay and Display Parking - £320,000 favourable

Further income growth of £100,000 was already assumed for 2017/18 in the budget proposals. Given that the service is already over-achieving against this, it is not unreasonable to incorporate an additional £200,000 saving in the budget proposals. This is reflected in the budget proposals.

Debt Recovery Income

The current year's trading indicates that the Debt Recovery Service has established itself successfully. This has led to an upward revision of the net revenue projection for 2017/18 by £38,000 as compared with that shown in the original savings proposals.

Strategic Revenue Projection

The Policy and Resources Committee originally considered a Strategic Revenue Projection at its meeting on 29 June 2016 and considered and agreed an update at its meeting on 3 January 2017. Set out below is the latest information about the key elements of the updated projection. The Strategic Revenue Projection itself is included at Appendix A.

Local Government Finance Settlement 2017/18 – Revenue Support Grant and Business Rates Adjustment

The provisional local government finance settlement was announced on 15 December 2016. This confirmed that figures for year 2 of the government's four year funding settlement for local authorities, ie 2017/18, would remain as previously announced. No change is therefore required to the Strategic Revenue Projection in this respect. Maidstone will receive no Revenue Support Grant (RSG) in 2017/18, as anticipated, and will be subject to a Business Rates adjustment, in effect negative RSG, of £1.589 million in 2019/20.

The main impact of the local government finance settlement for District Councils like Maidstone has been the reduction in New Homes Bonus. Previously, New Homes Bonus was paid for six years after a new home is built. From 2017/18 it will only be paid for five years, and from 2018/19 for four years. Additionally, the bonus will only be paid on housing growth in excess of 0.4% (growth in Maidstone has averaged around 1% in recent years). The impact on Maidstone's New Homes Bonus income, as compared with the projected amounts, will be a reduction of £750,000 in 2017/18 and an ongoing annual reduction of around £1.5 million. However, there is no direct impact on the revenue budget, as Maidstone has used New Homes Bonus to support capital expenditure rather than revenue expenditure. The effect will be that the Council will need to start borrowing to fund the capital programme sooner than would otherwise have been the case. This will be reflected in the Treasury Management Strategy, which will be considered by Council alongside the Budget at its Council Tax setting meeting on 1st March 2017.

Business Rates

The business rates estimate for 2017/18 is based on the recently calculated NNDR1 return provided to the Department for Communities & Local Government on 31st January 2017. The return predicts growth above the baseline business rates level set out in the finance settlement. The table below sets out the distribution of the business rates calculated for the NNDR1 return and compares this to the assumed values from the government's finance settlement announced on 15th December 2016.

The significant differences in the table occur due to four factors:

a) The finance settlement figures are the product of inflationary increases in the original baseline figures set at the commencement of the system on 1 April 2013. The figures do not reflect growth or changes in exemptions and allowances.

b) There are a number of allowances that have been introduced by central government such as retail relief and the extension of the 100% small business rates relief and the effect of these were unknown in 2013/14 and were built into the system at a value that allowed a high level of take up which has not materialised yet.

c) In the initial year of the system, 2013/14, the Council was required to set aside a significant provision against the cost of backdated and current appeals by businesses against their rateable value assessments. This provision requires an annual adjustment each year.

d) A small amount of real growth in the rateable businesses premises in the borough.

The table below shows that the Council technically retains 40% of the income collected, but in practice there is a tariff payable to central government which reduces this percentage to 5.8%. The tariff is set as part of the finance settlement in each year and the Council must pay a tariff of £18,110,632 from its share in 2017/18. The balance is termed the 'business rates baseline' in the finance settlement. Any growth above this baseline is attributable to the Council.

Authority and share	Provisional Settlement Figures £	Retained Income Forecast £	Growth against Baseline £
Business Rates Collectable	52,887,200	58,012,124	5,124,924
Central Government – 50%	26,443,600	29,006,062	
Kent County Council – 9%	4,759,848	5,221,091	
Kent & Medway Fire & Rescue – 1%	528,872	580,121	
Maidstone Borough Council – 40%	21,154,880	23,204,850	
Government Tariff on Maidstone	-18,110,632	-18,110,632	
Business Rates Baseline	3,044,248	5,094,219	2,049,970

In normal circumstances the growth of £2,049,970 would be subject to a 50% levy which is payable to central government. Due to the fact that the Council is a member of the Kent Business Rates Pool the levy will not be due in full. The shares of the growth that are retained locally are set out in the table below:

Description	Amount £
Business Rates Growth	2,049,970
MBC Retains first 50%	-1,024,985
Levy paid to Government	-90,660
Balance - shared within Pool as follows:	**934,325**
Retained by Maidstone (30%)	280,298

Growth Fund contribution (30%)	280,298
Passed to Kent County Council (30%)	280,298
Held as provision against losses (10%)	93,433
	934,325

The Committee has previously agreed the principles governing use of the growth. It has been agreed that it should be utilised in two ways. The initial 50% share retained by the Council will be included as a contribution to the revenue budget and is accordingly shown as such in the Strategic Revenue Projection (£1,025,000).

The balance retained from the pool will be utilised in accordance with the Memorandum of Understanding which suggests two purposes:

- To enhance financial resilience for each of the pool members; and
- To promote further economic growth within the district based pool area.

Having considered options to utilise the resources to achieve the second purpose, Committee has agreed to use the funds to support actions required in the Economic Development Strategy.

Council Tax

The Local Government Finance Settlement confirmed that, as last year, local authorities may increase Council Tax by £5.00 per annum or up to 2%, whichever is the greater, without having to consult voters in a referendum.

In Maidstone's case, the cash limit of £5 generates a higher increase than the percentage increase. Policy and Resources Committee agreed at its meeting on 29th June 2016 that a Council Tax increase of £5 should be assumed for planning purposes. Given the loss of Revenue Support Grant and the other spending pressures faced by the Council, it is reasonable that the Council should seek to maximise the potential revenue from Council Tax.

As last year, it is recommended that the Council Tax increase is based on the maximum cash increase. This is treated as being £4.95 rather than £5, as a figure that is divisible by 9 facilitates compliance with the legislation about the rates for different Council Tax bands. The additional income that a £4.95 increase generates for Maidstone Borough Council is £294,225 and this is included within the projected Council Tax income in the Strategic Revenue Projection. The £4.95 increase gives a Band D Council Tax of £245.61. An increase at this level will help to ensure that the Council is able to deliver on its priorities and maintain financial stability.

To aid the Committee's decision making the following details were considered:

a) For each 1% increase in the charge for this Council's element of the council tax, the income generated in 2017/18 is approximately £143,000.

b) At the current Band D council tax charge, a 1.99% increase in council tax would equate to an annual increase of £4.79. This is a monthly increase of 40 pence.

c) A £4.95 increase in council tax charge equates to 41 pence per month and would be a 2.06% increase.

d) Indications are that the major preceptors' increases, at the current Band D council tax charge, will be:
   - Kent County Council: 3.99%, an annual increase of £45.27 (including 2% adult social care precept);
   - Kent Police: £5.00 maximum annual increase allowable to low precept police forces (equal to a 3.3% increase); and
   - Kent & Medway Fire & Rescue Authority: 1.88%, an annual increase of £1.35.

e) The total increase if all these precept increases are agreed is that the band D council tax charge would move from £1,598.36 for 2017/18 to £1,654.93, an increase of £56.57 or £4.71 per month.

f) In rural areas tax payers may be required to pay a charge to cover a parish precept.

g) Under the Council's currently agreed council tax reduction scheme, tax payers who are assessed as in need can receive a discount. This is dependent on circumstances and is provided through a scheme agreed by Council in December 2016.

A further increase of £4.95 is assumed in in 2018/19 in the Strategic Revenue Projection. From 2019/20 a 2% figure is used as this gives a higher cash increase.

The following further adjustments need to be made to Council Tax income as follows:

- Collection Fund adjustment – as reported to the Committee on 18th January, there is projected to be a one-off surplus of £96,000 arising from Council Tax collection activity in 2017/18.
- Empty Property Discount – The Committee agreed at its meeting on 18th January to remove the Council Tax discount on Empty Properties, with certain exceptions, thus providing an additional £73,200 of income and £20,000 of staff savings.
- Council agreed at its meeting on 7th December to a new Council Tax Reduction Scheme, which is expected to generate an additional £60,000 of Council Tax income.

Parish Funding

Parishes are in the process of setting their precepts for 2017/18. In 2017/18, these precepts generated £1.497 million in total, an average amount for Band D Council Tax payers in parished areas of £48.54. Details of the precepts for 2017/18 are included as Appendix B.

At its meeting on 16th December 2015 Policy and Resources Committee considered the amount and distribution of the Local Council Tax Support Grant that the Council had hitherto received as part of Revenue Support Grant. The Council had previously passported the relevant portion of the Local Council Tax Support Grant to parish councils. However, the Committee agreed, and it was subsequently confirmed by Council, that when the Council ceased receiving Revenue Support Grant in 2017/18 the grant to parishes would cease.

The Council continues to make a contribution to parishes for services that they provide and which are provided by the Council itself in non-parished areas. This contribution is made through the Parish Services Scheme, which is included in the budgets for the Communities, Housing and Environment Committee. The Parish Services Scheme will be reviewed in 2017/18 and the outcomes of this review will be reported to the Communities Housing and Environment Committee in the first instance.

Other Income

A major contribution to the Council's budget is made by income generated from sources such as Car Parks, Planning Fees, Commercial and Garden Waste collection. At each service committee meeting in January 2017 the level of fees and charges made by each committee's service areas was considered and set for 2017/18.

A further increase in Fees and Charges in respect of the Legal Service was agreed by Policy and Resources Committee at its meeting on 15th February 2017.

The combined considerations of all fees and charges including the Legal Service amendment will increase the income budget by £371,490 and this has been incorporated into the budget.

In considering future years of the strategy an assumption of approximately a 1% increase in fees and charges income has been incorporated into the strategic revenue projection for the period 2018/19 to 2021/22.

Spending Pressures

Specific changes to expenditure budgets have been considered and are set out in the Strategic Revenue Projection attached at Appendix A. The principal changes to the Strategic Revenue Projection that was reported to the Policy and Resources Committee at its meeting on 3rd January 2017 are as follows.

Homelessness Prevention

A new Homelessness Reduction Bill is currently going through the parliamentary process and may be implemented as early as October 2017, and by April 2018 at the latest. This places a number of new duties on local authorities in respect of preventing homelessness. Grant funding to carry out the extra duties will in principle be available under the 'new burdens' doctrine.

The Council already recognises the value of homelessness prevention, both in itself and for the financial benefits in terms of reducing the cost of providing temporary accommodation. We wish to develop our prevention service in advance of the legislation being implemented so that the Council is well placed to meet its statutory obligations. Accordingly, one-off funding of £94,000 in 2017/18 and £36,000 in 2018/19 (£130,000 in total) is proposed. Given the potential for grant funding in the future, this funding would only be made available for one year.

Mote Park Café reprovision

The overspend against the Café's budget is reported above. Urgent action is being undertaken to address the problem, but it is nevertheless appropriate to build in a contingency against failure to meet the budget in next year's estimates.

Local Plan review

In his interim findings, the Local Plan Inspector has identified a number of issues that will need to be addressed in a review, which would have a target adoption date of April 2021. In practice, this means that the review process will need to start much earlier. Based on the scale of one-off resource input needed to prepare the current draft Local Plan, it would be prudent to provide a contingency of £200,000 per annum for the period to 2020/21. As more detailed costings are prepared and scrutinised they will be included in the revenue budgets.

Savings Required

As set out in the Strategic Revenue Projection, the Council will need to identify £4.2 million of net savings over the period of the medium term financial strategy. In 2017/18 the requirement is £1.8 million. This figure has increased as compared to the figure of £1.5 million reported to the Policy & Resources Committee on 3rd January 2017, owing to the spending pressures outlined in the previous section. However, the additional requirement can be met, thanks to further savings which are summarised at below.

Proposals intended to reduce the budget gap were presented to Policy and Resources Committee at its meeting on 3rd January 2017. All Service Committees have now considered the individual budget proposals for services within their remit. They were asked to demonstrate how their budget proposals responded to the priorities expressed in the budget consultation and specifically in relation to Sports and Recreation and Culture and Tourism. The Heritage, Culture and Leisure Committee was also asked to review the growth item of £100,000 relating to the Museum Service (£50,000 in 2017/18 and £50,000 in 2018/19) and the benefits that it would provide and whether that is justified. The outcomes of Service Committees' consideration of the budget proposals have been as follows.

Policy and Resources Committee (3rd January 2017)

Budget proposals for services within the remit of the Committee were agreed.

Strategic Planning, Sustainability and Transportation Committee (10th January 2017)

Members commented that a reduction in staffing levels could negatively affect the team's improved performance. The Local Plan was on track for adoption, but the Inspector had requested commitment to a full review and this may require further Officer time. Any savings should be sought through the application of system improvements and through maximising income generation, eg through Planning Performance Agreements, rather than reductions in staffing.

The proposed budget reduction of £45,000 within Planning Policy for 2017/18 was not supported, as the Committee believed that to make this cut would lead to a reduction in the service to a level of deterioration which would be unacceptable. It requested that alternative areas for savings be considered, but no specific suggestions for savings were proposed by the Committee.

Communities, Housing and Environment Committee (17th January 2017)

Questions were asked about the Parish Services Scheme and about budget proposals relating to CCTV, Disabled Facilities Grants and Recycling Collection. The conclusion was that budget proposals for services within the remit of the Committee were agreed.

The Committee also considered a report on Service Level Agreements and Grant Budgets. This recommended that the Council's grants budget of £223,500 be reduced by 25% over the five year period from 2017/18, ie £55,000 in total, rather than 100% as set out in the initial budget proposals presented to Policy and Resources Committee, and that a number of uncommitted project budgets be removed.

Heritage, Culture and Leisure Committee (31st January 2017)

Budget proposals for services within the remit of the Committee were agreed. The growth of £100,000 in the Museum Service was considered. A motion to remove £50,000 of this growth was proposed but was not seconded. There were no changes proposed to any other budget items.

It can be seen that the Service Committees proposed only one substantive change to the budget proposals, being removal of the budget reduction of £45,000 in relation to Planning Policy.

The Strategic Planning, Sustainability and Transportation Committee's representation has been considered carefully. It is recommended that the proposed budget reduction be retained, for the following reasons.

- The total expenditure budget of the Planning Service is around £3.5 million. The proposed saving is around 1% of this budget, so it is hard to see that it would lead to an unacceptable deterioration in service levels.

- A review of the Planning Service is currently being undertaken which is likely to generate a range of recommendations for the future of the service. These will address the level of service provided and it would be inappropriate to prejudge the findings of the review.

- Additional resources of £200,000 per annum have been allocated to the Planning Service to allow it to carry out an update of the Local Plan in 2021, reflecting the Committee's comments. Whilst these resources do no directly substitute for the £45,000, they help to ensure that the core Planning service will not be impaired by having to support this major one-off piece of work.

Accordingly, the saving of £45,000 continues to be included in the budget.

The savings included in the budget total the required £1.8 million. The proposals therefore produce a balanced budget. The outcome is that this report brings together all previous considerations into a balanced budget for recommendation to Council.

For future years, 2018/19 to 2021/22, savings of £1.6 million have been proposed. The Medium Term Financial Strategy requires additional savings and efficiencies in order to balance over the next five years. These savings remain to be achieved to ensure plans exist for the continued future financial resilience of the Council.

Revenue Estimates

Attached at Appendix A is a summary of the revenue budget for 2017/18. The summary shows the Original Estimate 2017/18 as approved by Council in March 2016; the Revised Estimate 2017/18 calculated as part of the budget development work completed this year; and the Estimate for 2017/18 based upon the details set out in this report. The Estimate for 2017/18 is analysed between gross expenditure, income and net expenditure, so that Members may see clearly how income generated by the Council contributes towards expenditure budgets.

Appendix A presents the Council with the budget structured in line with the relevant Service Committees and separately structured in line with the strategic priorities set out in the Strategic Plan.

The Revised Estimate 2017/18 shown in Appendix C totals £19,428,410. This figure is net of all income with the exception of the use of balances, the finance settlement and the council tax requirement.

The Estimate for 2017/18 shown in Appendix C totals £18,896,890. This incorporates the savings and other adjustments discussed above. The figure is net of all income with the exception of the use of balances, business rates income and the finance settlement and the council tax requirement. This figure excludes the value of all precepts.

Capital Estimates

A draft Capital Programme was reported to Policy and Resources Committee at its meeting on 18th January. The programme covers the same period as the strategic revenue projection, ie 2017/18 to 2021/22. A small number of minor modifications have been made to the programme and a proposed Capital Programme for consideration by Council is set out in Appendix A.

The Council has previously made the decision that New Homes Bonus should not be used as a temporary resource to provide a balanced revenue budget. With the exception of Local Plan development and some small value revenue projects that were one-off in nature, resources gained from New Homes Bonus have been reserved for support to the capital programme.

For the financial year 2017/18 the Council will receive a New Homes Bonus grant of £4,001,418. This is around £750,000 less than originally projected and will lead to a greater reliance on borrowing to fund the Capital Programme than would otherwise have been the case.

Other resources available to the council for capital expenditure are:

1) Capital Grants and Contributions, eg Disabled Facilities Grant
2) Developer Contributions (S 106) and Community Infrastructure Levy
3) Prudential Borrowing
4) Internal Borrowing, ie use of the Council's own cash balances.

The programme was considered by the Policy & Resources Committee at its meeting on 18th January 2017 and has only received minor modification. The focus of the Programme is largely on Housing and Regeneration, reflecting the updated Commercialisation Strategy agreed by the Committee at its meeting on 23rd November 2016. By building up our existing asset base, the Council can secure a long term, stable revenue stream that will support core services in the medium to long term. A focus on housing in particular will allow the Council to address the shortage of good quality homes for market rent in Maidstone, whilst generating an attractive financial return. By building new homes (rather than acquiring second hand stock) the Council can also help to regenerate the borough and make an active contribution to the delivery of the emerging Local Plan.

Balances / Earmarked Reserves

Attached at Appendix A is a statement of general fund balances and details of the earmarked reserves.

The earmarked reserves incorporate a capital reserve that includes all of the retained New Homes Bonus and other revenue support to the capital programme available from previous years.

The estimated level of resources available from business rates growth is identified. The in year receipt will be held for use in the following year based on the principles set out in the memorandum of understanding to the Kent Business Rates Pool.

General fund balances are estimated to be £3,624,000 by 31 March 2018. In considering the level of reserves that should be maintained Policy and Resources Committee made two decisions:

a. The first is an absolute minimum below which the Committee cannot approve the use of balances without agreement by the Council. Since 2009 this has been held stable at £2,000,000 despite the net revenue expenditure level decreasing from £22 million to £19 million. It is recommended that Committee propose to Council that the minimum level of balances be maintained at £2,000,000.

b. The second is an operational minimum set for daily use of balances by the Policy and Resources Committee. In the past this has been set £300,000 above the Council set minimum. This would be £2,300,000 and it is recommended that Committee approve the principle that the minimum level of balances for daily use should be £300,000 above the Council set minimum.

Medium Term Financial Strategy / Efficiency Plan

Attached as Appendix A is the updated Medium Term Financial Strategy / Efficiency Plan. The Strategy covers the five year period of the Council's planning cycle.

The financial projection that complements the Medium Term Financial Strategy Statement is the Strategic Revenue Projection given at Appendix A. The financial projection considers the targeted need for growth and savings over the period of the Medium Term Financial Strategy and incorporates a number of assumptions about inflation and changes in local and national initiatives.

The financial projection that complements the Capital Medium Term Financial Strategy Statement is the capital programme given at Appendix A.

The final version of the Medium Term Financial Strategy will be published as part of the budget documents on the Council's website following the Council meeting.

CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

Consultation with the Public

Consultation on the budget in Autumn 2016 took the form of a short survey. Residents were asked to prioritise ten areas of spending and then to consider whether the spending for those ten areas should remain the same, be reduced or cut altogether. The survey could be accessed both as a paper document or on-line via the Council's website. It was promoted through face to face budget roadshows at a wide range of venues around the borough, in the Kent Messenger and in a range of other media. In total, 2,008 responses were received. Both the number of responses and an analysis of respondents suggest that the information obtained is statistically significant and can be seen as a reasonable representation of residents' views. The results of the survey have been reported to each Service Committee and have informed their consideration of the budget proposals.

Consultation with Service Committees

The Service Committees have been involved in the development of the Medium Term Financial Strategy and have specifically considered budget proposals at their meetings in January 2017. The outcomes of this consultation are reported above.

Consultation with Audit, Governance and Standards Committee

The Audit, Governance and Standards Committee is responsible as part of its remit for the consideration of risk. Accordingly, it considered a risk analysis for the Budget Strategy at its meeting on 16th January 2017.