

MAIDSTONE BOROUGH COUNCIL

REPORT OF THE CABINET HELD ON 12 FEBRUARY 2014

BUDGET STRATEGY 2014/15 ONWARDS

Issue for Decision

To consider the proposed Revenue and Capital Budgets for all portfolios for 2014/15, including service savings and growth, in accordance with the agreed budget strategy and in the context of the Medium Term Financial Strategy and the Medium Term Financial Projection.

To calculate and approve the Council Tax requirement for 2014/15.

To approve the introduction of a premium of 50% to the Council Tax payable for properties that have been empty and unfurnished for two years.

Recommendations Made

1. That the revised revenue estimates for 2013/14 be agreed as set out in **Appendix A** (circulated separately).
2. That the minimum level of General Fund Balances be set at £2m for 2014/15.
3. That the proposed Council Tax of £231.12 at Band D for 2014/15 be agreed.
4. That a premium of 50% to the Council Tax charge be introduced on 1st April 2014 for properties that have been empty and unfurnished for two years. This to include periods prior to 1st April 2014 but not payable on charges prior to 1st April 2014.
5. That the revenue estimates for 2014/15 incorporating the growth and savings items set out in **Appendix A** be agreed.
6. That the Statement of Reserves and Balances as set out in **Appendix A** be agreed.
7. That the Capital Programme, as set out in **Appendix A** be agreed.
8. That the funding of the Capital Programme as set out in **Appendix A** be agreed.
9. That the Medium Term Financial Strategy as set out in **Appendix A** be agreed.

10. That the Medium Term Financial Projection, as set out in **Appendix A** as the basis for future financial planning be endorsed.
11. That it be noted that the Council's Council Tax base for the year 2014/15 has been calculated as 55675.1 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) regulations 1992.
12. That it be noted that in accordance with Government guidance the yield from business rates has been calculated as £54,171,300.
13. That it be noted that, as detailed in **Appendix B**, the Council Tax Base for each of the Parish Areas, calculated in accordance with Regulation 6 of the Regulations, are the amounts of the Council Tax Base for the year for dwellings in those parts of its area to which a special item relates (Parish precepts).
14. That the distribution of Local Council Tax Support funding to parish councils, as set out in **Appendix C**, be approved.
15. That the Council Tax requirement for the Council's own purposes for 2014/15 (excluding Parish precepts) is £12,867,601.
16. That the following amounts now be calculated by the Council for the year 2014/15 in accordance with Section 31A, 31B and 34-36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011:-
 - (a) £83,406,934 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
 - (b) £69,251,582 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (c) £14,155,352 being the amount by which the aggregate at 16(a) above exceeds the aggregate at 16(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act).
 - (d) £254.25 being the amount at 16(c) above (Item R), all divided by the figure stated at 11 above (Item T in the formula in section 31A(4) of the Act), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

- (e) £1,287,752 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) £231.12 being the amount at 16(d) above less the result given by dividing the amount at 16(e) above by the tax base given in 11 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.
17. That it be noted that for the year 2014/15 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</u> <u>£</u>	<u>KPCC</u> <u>£</u>	<u>KMFRA</u> <u>£</u>
A	712.44	96.19	46.20
B	831.18	112.22	53.90
C	949.92	128.25	61.60
D	1,068.66	144.28	69.30
E	1,306.14	176.34	84.70
F	1,543.62	208.40	100.10
G	1,781.10	240.47	115.50
H	2,137.32	288.56	138.60

18. That, having calculated the aggregate in each case of the amounts at 16 (d), and 17 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 2014/15 for each of the categories of dwellings shown.

Reasons for Recommendation

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.

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.

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 Cabinet has received three quarterly budget monitoring reports for 2013/14 that have all 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.

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 projected year end under spend as at the third quarter is £0.5m.

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 has been incorporated into the budget for 2014/15. 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 at that time 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.

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.

Strategic Leadership and Corporate Services Overview and Scrutiny Committee

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.

Due to the Committee's 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.

Audit Committee

The Committee, at its meeting on 10 February 2014, considered 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.

The Committee confirmed the risk analysis was thorough, identifying the major risks and confirmed their satisfaction with the controls in place to monitor and mitigate the risks.

The Finance Settlement

The finance settlement was confirmed as final on 5th February 2014. Changes to the settlement figure were minor, increasing by less than £1,000.

The figures are given in the table below, along with the indicative figures for 2015/16 that were also provided at that time. The table compares the figures to the settlement for 2013/14. Members will note that for both years there is a reduction in both the revenue support grant for this Council.

Funding	Total			Total			Total		
	RSG	BR	2013/14	RSG	BR	2014/15	RSG	BR	2015/16
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,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	198	138	336	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			
Total	4,282	2,847	7,129	3,275	2,904	6,179	2,250	2,983	5,233

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 of special grants from RSG funding to business rates baseline funding as RSG funding declines.

Local Council Tax support Scheme

Incorporated into the finance settlement for 2014/15, rather than 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. An additional one year grant was announced by 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).

The reduction in funding within the finance settlement from 2013/14 to 2014/15 is coincidentally also 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.

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 by Council. The recommended distribution is set out in **Appendix C**.

Business Rates

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

	£
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

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 collect business rates at a level below the safety net but will receive no national support to reduce its losses.

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.

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 the announced exemptions

and these reimbursements 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 below.

	£
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
Less MBC Tarrif to government	19,653,700
Business Rates Retained	2,014,820
Add Section 31 Grant	1,194,098
Total Income	3,208,918
Baseline Need	2,903,210
Net Increase subject to levy	305,708

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 1st 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.

Strategic Revenue Projection and Savings Proposals

The strategic revenue projection (SRP) is given in **Appendix A** and has been updated to show the finance settlement figures.

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%.

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.

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 incorporated in **Appendix A** include the necessary changes.

Revenue Estimates

A summary of the revenue estimate by portfolio is set out in **Appendix A**. This also summarises the approved use of balances. This estimate assumes the final approval of all growth and savings. 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.

Revised Estimate 2013/14

The revised estimate 2013/14 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 2014/15

The estimate 2014/15 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.

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

Statement of Balances

Given in **Appendix A** 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.

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. Budget monitoring for 2013/14 projects an under spend at 31 March 2014 that may be available as an alternative to direct use of balances.

Cabinet considered the level of working balances 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 £1.9m. 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 recommends 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 Cabinet set this operational minimum at their meeting on 12 February 2013.

Council Tax Levels

The SRP given in **Appendix A** has been developed with a council tax increase of 1.99%.

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.

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 instead. Acceptance of a small increase of this size was responded to positively in the budget consultation, conducted by Cabinet.

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 tabulated earlier in this recommendation, 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 would 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.

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.

The Government announced the referendum limit on 5 March 2014 as 2%. The recommendation of Cabinet is within the referendum limit.

Council Tax Premium

The Local Government Finance Act 2012 introduced a new discretion for the Council to vary certain categories of council tax discounts for empty properties. It also provides the option for the Council to charge a premium for properties that have been empty for two years or more.

The changes provide an important tool both to encourage the use of such properties given the significant demand for housing and generate additional revenue to help mitigate the wider pressures on the Council's budget and general level of council tax for residents.

Cabinet has considered an option to charge an additional premium for properties which have been empty and unfurnished for 2 years and incorporated the additional income into the budget strategy.

Such properties are currently charged the full rate of council tax with the legislation allowing the Council to now set an additional premium between 0-50%.

The Secretary of State has through regulation prescribed classes of property for which a premium cannot be charged, including;

- A dwelling which is the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service.
- An annex deemed unoccupied because it is being treated by the occupier of the main dwelling, as part of the main dwelling.

Any adjustment of the above discount/premium will be reflected in the Council Tax, increasing the amount to be generated by the Borough Council, Kent County Council, Police and Fire & Rescue in line with their individual proportion of the overall council tax set. In future years this will be incorporated into the tax base and precepts for parish councils.

There are currently 197 properties within the borough that would be affected by such a change.

In considering the change Cabinet also considered the following points:

- There are a range of statutory exemptions to protect owners who have no choice in leaving the property empty, such as properties subject to probate or left empty due to the owner being in care or hospital. There are no plans to change these exemptions.
- That the Council is proactive to support owners bring empty properties back into use, providing support to plan works, grants to meet the cost of essential repairs and help with advertising.
- At that time the council had 1,282 applicants seeking housing through the councils housing register, with 34 households accepted as homeless and placed in temporary accommodation. At the same time the council had 1239 empty properties, of which 197 would be liable to pay an additional premium due to the period that they have remained empty.
- The council has a dedicated empty homes officer within the housing service whose role is to advise and assist owners of empty homes. In addition the council has an empty homes policy that sets out the range of interventions provided by the council to help bring properties back into use.

Strategic Assessment of the Revenue Estimate

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 above. The funding is detailed in the table below:

Funding:	£
Revenue Support Grant	3,274,384
Business Rates	2,903,210
Less: 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
TOTAL AVAILABLE RESOURCES	19,019,098

Should Council 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. Council should be aware that council tax freeze grant is offered only when there is no increase in council tax. It cannot be claimed proportionately.

Capital Programme

The Capital Programme is given in **Appendix A**.

In assessing and recommending the capital programme to Council, the Cabinet considered the fact 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.

Consultation

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.

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.

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.

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.

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.

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.

For the 2014/15 budget the consultation has again been in two separate elements. The Cabinet 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 Cabinet also consulted on a the budget through a series of direct questions on the sources of revenue resources. The response levels to each question were set out in the report of Corporate Leadership Team to Cabinet on 12 February 2014 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.

Actions to set the Council Tax

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 made to Council need to be addressed. In addition the precepts of Kent County Council, the Police Authority, the Fire Authority and all parish councils require approval.

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. The opinion is given at the beginning of Appendix A to this recommendation.

Medium Term Financial Strategy

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.

The strategies are both included within **Appendix A**. 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 accuracy about the future.

Alternatives considered and why not recommended

The major alternatives are included above for consideration.

Cabinet could have recommended to 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 has set the level of increase that would trigger a local referendum on Council Tax for 2014/15 as 2%. 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.

The Cabinet could have chosen not to recommend the additional saving proposal and retain the revenue support for the capital programme at its current level. This would 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.

The council could decide not to apply a council tax premium or apply a premium at a lower rate (between 0 -50%). In taking such action the council would limit the impact on the change both in terms of properties being returned to use and financial benefit to the council and wider council tax payer.

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.

Background papers

None