

This report will be made public on 20 February 2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report number **A/17/23**

To: Council
Date: 28 February 2018
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Member: Councillor David Monk, Leader
Councillor Malcolm Dearden – Finance Portfolio

SUBJECT: GENERAL FUND BUDGET AND COUNCIL TAX 2018/19

SUMMARY: This report concludes the budget setting process for 2018/19. It sets out recommendations for setting the council tax after taking into account the district's council tax requirement (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity), the precepts of Kent County Council, the Kent Police & Crime Commissioner and the Kent & Medway Fire & Rescue Service.

REASONS FOR RECOMMENDATIONS:

Council is asked to agree the recommendations set out below to approve the Budget and set the Council Tax for the year commencing 1 April 2018.

RECOMMENDATIONS:

1. To receive and note Report A/17/23
2. To approve the District Council's budget for 2018/19 as presented in Appendix 1 to this report and the council tax requirement for 2018/19, to be met from the Collection Fund, of £12,183,131.
3. To approve that the following amounts be now calculated by the Council for the year 2018/19 in accordance with sections 31 to 36 of the Local Government Finance Act 1992 (the Act):
 - a) £100,643,071 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act (as in Appendix 2).
 - b) £88,459,940 – being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act (as in Appendix 2).
 - c) £12,183,131 – being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year (as in Appendix 2).
 - d) £317.99 – being the amount at 3(c) above divided by the tax base of 38,312.22 calculated by the Council, in accordance with Section

31B(1) of the Act, as the basic amount of its council tax for the year.

- e) £2,814,644 – being the aggregate of all special items (including parish precepts) referred to in Section 34(1) of the Act.
- f) £244.53 - being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by the tax base of 38,312.22 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 special item relates, ie Old Romney and Snargate.
- g) Part of the Council's area

Folkestone	333.14	Being the amounts given by adding to the amount at 3(f) above the special items relating to dwellings in those parts of the Council area mentioned here divided in each case by the appropriate tax base calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.
Sandgate	317.23	
Hythe	302.54	
Lydd	324.18	
New Romney	360.88	
Acrise	246.76	
Elham	268.79	
Elmsted	254.34	
Hawkinge	332.22	
Lyminge	277.13	
Lympne	286.16	
Monks Horton	254.03	
Newington	288.41	
Paddlesworth	255.29	
Postling	262.32	
Saltwood	268.40	
Sellindge	306.80	
Stanford	276.64	
Stelling Minnis	264.80	
Stowting	258.25	
Swingfield	290.56	
Brenzett	282.50	
Brookland	305.52	
Burmarsh	278.93	
Dymchurch	307.94	
Ivychurch	295.56	
Newchurch	277.34	
Old Romney	244.53	
St Mary in the Marsh	278.93	
Snargate	244.53	

(h) Part of the Council's area**Valuation Bands**

Parish	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Folkestone	222.09	259.11	296.13	333.14	407.17	481.21	555.24	666.28
Sandgate	211.49	246.74	281.99	317.23	387.73	458.23	528.72	634.46
Hythe	201.69	235.31	268.92	302.54	369.77	437.00	504.23	605.08
Lydd	216.12	252.14	288.16	324.18	396.22	468.26	540.30	648.36
New Romney	240.59	280.69	320.79	360.88	441.08	521.28	601.47	721.76
Acrise	164.50	191.92	219.34	246.76	301.59	356.43	411.26	493.52
Elham	179.19	209.06	238.92	268.79	328.52	388.25	447.98	537.58
Elmsted	169.56	197.82	226.08	254.34	310.86	367.38	423.90	508.68
Hawkinge	221.48	258.40	295.31	332.22	406.05	479.88	553.71	664.44
Lyminge	184.75	215.55	246.34	277.13	338.71	400.30	461.88	554.26
Lympne	190.77	222.57	254.36	286.16	349.75	413.34	476.93	572.32
Monks Horton	169.36	197.58	225.81	254.03	310.49	366.94	423.39	508.06
Newington	192.28	224.32	256.37	288.41	352.51	416.60	480.69	576.82
Paddlesworth	170.20	198.56	226.93	255.29	312.03	368.76	425.49	510.58
Postling	174.88	204.02	233.17	262.32	320.61	378.90	437.20	524.64
Saltwood	178.93	208.75	238.57	268.40	328.04	387.68	447.33	536.80
Sellindge	204.53	238.62	272.71	306.80	374.98	443.15	511.33	613.60
Stanford	184.43	215.16	245.90	276.64	338.11	399.59	461.06	553.28
Stelling Minnis	176.53	205.96	235.38	264.80	323.65	382.49	441.34	529.60
Stowting	172.17	200.86	229.55	258.25	315.64	373.02	430.41	516.50
Swingfield	193.71	225.99	258.27	290.56	355.13	419.70	484.27	581.12
Brenzett	188.34	219.73	251.12	282.50	345.28	408.06	470.84	565.00
Brookland	203.68	237.63	271.58	305.52	373.42	441.31	509.21	611.04
Burmarsh	185.96	216.95	247.94	278.93	340.92	402.90	464.89	557.86
Dymchurch	205.30	239.51	273.73	307.94	376.38	444.81	513.24	615.88
Ivychurch	197.04	229.88	262.72	295.56	361.24	426.92	492.60	591.12
Newchurch	184.89	215.71	246.52	277.34	338.97	400.60	462.23	554.68
Old Romney	163.02	190.19	217.36	244.53	298.87	353.21	407.55	489.06
St Mary in the Marsh	185.95	216.95	247.94	278.93	340.91	402.90	464.88	557.86
Snargate	163.02	190.19	217.36	244.53	298.87	353.21	407.55	489.06

Being the amounts given by multiplying the amounts at 3(f) and 3(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. To note that for the year 2018/19 Kent County Council, Kent Police and Crime Commissioner and the Kent & Medway Fire & Rescue Service 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:

	A £	B £	C £	D £	E £	F £	G £	H £
Kent County Council	825.12	962.64	1,100.16	1,237.68	1,512.72	1,787.76	2,062.80	2,475.36
Kent Police and Crime Commissioner	112.77	131.56	150.36	169.15	206.74	244.33	281.92	338.30
Kent & Medway Fire & Rescue	50.34	58.73	67.12	75.51	92.29	109.07	125.85	151.02

Major preceptor amounts remained subject to confirmation at the time of preparing this report.

5. That, having calculated the aggregate in each case of the amounts at 3(h) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2018/19 for each of the categories of dwelling shown below:

(i) Part of the Council's area Valuation Bands

Parish	A £	B £	C £	D £	E £	F £	G £	H £
Folkestone	1,210.32	1,412.04	1,613.76	1,815.48	2,218.92	2,622.36	3,025.80	3,630.96
Sandgate	1,199.72	1,399.67	1,599.62	1,799.57	2,199.48	2,599.38	2,999.29	3,599.14
Hythe	1,189.92	1,388.24	1,586.56	1,784.88	2,181.52	2,578.15	2,974.79	3,569.76
Lydd	1,204.35	1,405.07	1,605.80	1,806.52	2,207.97	2,609.42	3,010.87	3,613.04
New Romney	1,228.82	1,433.62	1,638.42	1,843.22	2,252.83	2,662.43	3,072.04	3,686.44
Acrise	1,152.73	1,344.85	1,536.98	1,729.10	2,113.34	2,497.58	2,881.83	3,458.20
Elham	1,167.42	1,361.99	1,556.56	1,751.13	2,140.27	2,529.40	2,918.54	3,502.26
Elmsted	1,157.79	1,350.75	1,543.72	1,736.68	2,122.61	2,508.54	2,894.47	3,473.36
Hawkinge	1,209.71	1,411.33	1,612.95	1,814.56	2,217.80	2,621.04	3,024.27	3,629.12
Lyminge	1,172.98	1,368.48	1,563.97	1,759.47	2,150.46	2,541.46	2,932.45	3,518.94
Lympne	1,179.00	1,375.50	1,572.00	1,768.50	2,161.50	2,554.50	2,947.50	3,537.00
Monks Horton	1,157.58	1,350.51	1,543.44	1,736.37	2,122.23	2,508.09	2,893.96	3,472.74
Newington	1,180.50	1,377.25	1,574.00	1,770.75	2,164.25	2,557.75	2,951.26	3,541.50
Paddlesworth	1,158.42	1,351.49	1,544.56	1,737.63	2,123.78	2,509.92	2,896.06	3,475.26
Postling	1,163.10	1,356.96	1,550.81	1,744.66	2,132.36	2,520.06	2,907.76	3,489.32
Saltwood	1,167.16	1,361.68	1,556.21	1,750.74	2,139.79	2,528.84	2,917.89	3,501.48
Sellindge	1,192.76	1,391.55	1,590.35	1,789.14	2,186.73	2,584.31	2,981.90	3,578.28
Stanford	1,172.65	1,368.09	1,563.54	1,758.98	2,149.86	2,540.75	2,931.63	3,517.96
Stelling Minnis	1,164.76	1,358.89	1,553.01	1,747.14	2,135.39	2,523.65	2,911.90	3,494.28
Stowting	1,160.39	1,353.79	1,547.19	1,740.59	2,127.39	2,514.18	2,900.98	3,481.18
Swingfield	1,181.93	1,378.92	1,575.91	1,772.90	2,166.88	2,560.85	2,954.83	3,545.80
Brenzett	1,176.56	1,372.66	1,568.75	1,764.84	2,157.03	2,549.22	2,941.41	3,529.68
Brookland	1,191.91	1,390.56	1,589.21	1,787.86	2,185.17	2,582.47	2,979.77	3,575.72
Burmarsh	1,174.18	1,369.88	1,565.58	1,761.27	2,152.67	2,544.06	2,935.46	3,522.54
Dymchurch	1,193.52	1,392.44	1,591.36	1,790.28	2,188.12	2,585.97	2,983.81	3,580.56
Ivychurch	1,185.27	1,382.81	1,580.35	1,777.90	2,172.99	2,568.07	2,963.16	3,555.80
Newchurch	1,173.12	1,368.64	1,564.16	1,759.68	2,150.72	2,541.76	2,932.79	3,519.36
Old Romney	1,151.25	1,343.12	1,535.00	1,726.87	2,110.62	2,494.37	2,878.12	3,453.74
St Mary in the Marsh	1,174.18	1,369.88	1,565.57	1,761.27	2,152.66	2,544.06	2,935.45	3,522.54
Snargate	1,151.25	1,343.12	1,535.00	1,726.87	2,110.62	2,494.37	2,878.12	3,453.74

- 6. To determine that the District Council's basic amount of council tax for 2018/19 is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.**

1. INTRODUCTION

- 1.1 This report concludes the budget setting process for 2018/19.
- 1.2 Cabinet considered the Council's final General Fund budget for 2018/19 and the council tax requirement at its earlier meeting on 28 February 2018. Cabinet has approved the General Fund Revenue Budget, a summary of which is included at Appendix 1. The draft budget was subject to review by Overview and Scrutiny Committee on 12 December 2017. It was also published for public consultation during December and January.
- 1.3 This report makes recommendations to enable the Council to set the council tax for each part of its area, after taking into account its council tax requirement for 2018/19 (including town and parish council requirements and special expenses in respect of the Folkestone Parks and Pleasure Grounds Charity) and the precepts of Kent County Council, the Kent Police & Crime Commissioner and Kent & Medway Fire & Rescue Service. Changes in respect of the major precept assumptions may result in a revised report having to be tabled.
- 1.4 The proposed General Fund budget for 2018/19 results in an increase to the average council tax at Band D of 2.98% to £258.39. This is the amount that Central Government monitors when considering whether any increase in council tax is excessive. The council tax bill separates out the special expenses element for Folkestone and Sandgate payers from this amount.

2. GENERAL FUND REVENUE BUDGET 2018/19

- 2.1 The General Fund budget has been prepared on the basis of the Council's approved Medium Term Financial Strategy (MTFS) and Budget Strategy. It also takes into account announcements, where relevant, in the Chancellor's Autumn Statement; and both the Provisional, and Final Local Government Finance Settlements for 2018/19.
- 2.2 Initially the MTFS projected a shortfall of £574k. This shortfall was increased to £706k by the time the Budget Strategy was approved in November 2017. This work identified significant savings and changes to fees & charges, but unavoidable growth and the temporary accommodation budget pressure lead to an increased deficit being projected at that time. It stood at £853k (or £732k after the use of reserves for financing of fixed assets) when the Draft Budget was approved in December 2017. The Budget that is now presented to Members for approval has been balanced.

General Fund Revenue Budget 2018/19

- 2.3 The 2018/19 budget (excluding town and parish precepts and before any withdrawal from the General Reserve) is £14,364,781 representing a £1,414,969 net decrease compared to the 2017/18 budget of £15,779,750. The budget details are set out at Appendix 1.

- 2.4 The deficit for the year represents a withdrawal from the General Reserve of £0.121m which will be a planned contribution to fund schemes in the approved Medium Term Capital Programme.
- 2.5 The budget requirement for 2018/19 is £14.36m, £1.41m lower than the 2017/18 original budget. This reduction is primarily due to:

	£000
Increase in Head of Service Net Expenditure	1,683
Increase in Drainage Board levy	9
Net decrease in treasury management costs	(300)
Reduction in New Homes Bonus income received	210
Net increase in Other Government Grants	(341)
Increased transfers from Earmarked Reserves	(667)
Reduced contribution to financing of Fixed Assets from revenue	(1,993)
Adjustment to Minimum Revenue Provision	(16)
Total Reduction	<u>(1,415)</u>

Town and Parish Precepts

- 2.6 Town and parish precepts form part of the council tax requirement. Total local council precepts in 2018/19 are £2,283,454 – an increase of £230,540 (11.2%) in cash terms compared to £2,052,914 in the current year. An increase in precepts increases the council tax requirement and affects the average tax calculation; however it is not taken into account by the Government when monitoring ‘excessive’ increases. Town and parish councils are not currently subject to referendums.

Council Tax Requirement

- 2.7 The statutory calculation for the council tax requirement is shown at Appendix 2. This sets out gross expenditure and gross income, including the Housing Revenue Account and overall changes to reserves. The outcome results in recommendations 3(a), (b) and (c).

3. GENERAL FUND REVENUE RESERVES

3.1 The Council's reserves position is shown below:

Reserve	1/4/2017 Balance £000	2017/18 Movement £000	31/3/2018 Balance £000	2018/19 Movement £000	31/3/2019 Balance £000
Earmarked Reserves:					
VET ¹ Reserve	876	(236)	640	28	668
IFRS ² Reserve	67	(18)	49	(11)	38
Corporate Initiatives	754	(439)	315	0	315
New Homes Bonus	2,431	283	2,714	(189)	2,525
Otterpool	1,989	(970)	1,019	(1,019)	0
Carry Forward	1,117	(890)	227	(50)	177
Business Rates	2,682	0	2,682	335	3,017
Economic					
Development	2,027	(150)	1,877	0	1,877
Invest to Save	366	0	366	0	366
Leisure	146	50	196	0	196
Grave Maintenance	12	0	12	0	12
Total Earmarked Reserves	12,467	(2,370)	10,097	(906)	9,191
General Reserve	4,902	(537)	4,365	(121)	4,244
Total General Fund Reserves	17,369	(2,907)	14,462	(1,027)	13,435

¹ VET = vehicles, equipment and technology

² IFRS = International Financial Reporting Standards

3.2 The General Reserve is forecast to be £4.2m by 31 March 2019 on the assumption that in-year budget variances are contained within the overall approved 2018/19 budget. Total General Fund Reserves (General Reserve plus Earmarked Reserves) are forecast to be £13.4m at 31 March 2019.

4. CALCULATING COUNCIL TAX IN RESPECT OF DISTRICT AND PARISH REQUIREMENTS

4.1 The Council must calculate a 'basic amount' of tax for all Band D properties in each part of the district, taking into account not only the net expenditure of the District Council but also the precepts of the town and parish councils and the net expenditure of the Folkestone Parks and Pleasure Grounds Charity, which are charged to their local areas.

4.2 This net expenditure is known as the council tax requirement and is determined after taking in to account retained non-domestic rates, revenue support grant and the Council's share of the Collection Fund surplus. The calculation is set out at section 4.4 below.

4.3 The result of the calculation is divided by the Tax Base to give the tax rate. The Tax Base for 2018/19 of 38,312.22 Band D equivalent properties was approved by Full Council on 17 January 2018.

4.4 The basic amount of tax (average District tax) is as follows:

	£
Expenditure - see Appendix 2	100,643,071
Income - see Appendix 2	<u>(88,459,940)</u>
Council Tax Requirement- demand on the Collection Fund	12,183,131
Divided by Tax Base	\div 38,312.22
Basic amount of Council Tax - average District council tax	<u>£317.99</u>

The calculations for the basic amounts for each part of the District are set out at Appendices 3 and 4.

4.5 The average District council tax for Band D properties, including town and parish precepts, will be £317.99. This is an increase of £12.24 (4.00%) over 2017/18.

4.6 For the purposes of measuring Shepway's council tax increase against the Government's referendum criteria, the amount in respect of town and parish precepts is excluded.

Band D Tax Rates	2018/19	2017/18	Increase
	£	£	(Decrease)
Band D Council Tax - including Town and Parish precepts	317.99	305.75	4.00%
Town and Parish precepts - Band D equivalent	(59.60)	(54.84)	8.67%
Band D Council Tax - excluding Town and Parish precepts	258.39	250.91	2.98%

4.7 The average Council Tax to finance Shepway's net expenditure plans in 2018/19, including Special Expenses, is proposed to increase by 2.98% to £258.39.

4.8 The Council Tax applicable to dwellings in valuation bands other than Band D has been calculated in accordance with the proportions set out in the Act. The result of these calculations is set out in recommendation 3(h).

5. SETTING THE TOTAL AMOUNTS OF COUNCIL TAX FOR EACH PART OF THE DISTRICT

5.1 The final step in setting the council tax is for the Council to aggregate the District council tax with the precepts of Kent County Council, Kent Police and Crime Commissioner and Kent & Medway Fire & Rescue Service. The County and Fire & Rescue precepts remain to be confirmed at the time of preparing this report.

5.2 Kent County Council, the Kent Police & Crime Commissioner and Kent & Medway Fire & Rescue Service plan to issue precepts of £47,418,268; £6,480,512; and £2,892,956 respectively. The County Council's precept includes £2,606,763 for the Adult Social Care precept which will be itemised separately on council tax bills.

- 5.3 The average total tax at Band D is summarised in the table below, confirming an overall increase of £85.26 (4.97%).

Authority	2018/19 £	2017/18 £	Increase £	Increase %
Shepway DC - including Special Expenses	258.39	250.91	7.48	2.98%
Town and Parish Councils	59.60	54.84	4.76	8.67%
Total District Council	317.99	305.75	12.24	4.00%
Kent County Council	1,237.68	1,178.82	58.86	4.99%
Kent Police Commissioner	169.15	157.15	12.00	7.64%
Kent & Medway Fire & Rescue	75.51	73.35	2.16	2.94%
Total	1,800.33	1,715.07	85.26	4.97%

- 5.4 Appendix 4 sets out the result of adding the precept figure to the District council tax for each part of the District and Recommendation 5 seeks approval to the council tax for each area analysed over the tax bands.

- 5.5 The relative elements of the average council tax charge for 2018/19 are as follows:

Council Tax 2018/19 – Band D	2018/19 £	% of total bill
Shepway DC (including Special Expenses)	258.39	14.4%
Town and Parish Councils	59.60	3.3%
Total District Council	317.99	
Kent County Council	1,237.68	68.7%
Kent Police Commissioner	169.15	9.4%
Kent Fire and Rescue Service	75.51	4.2%
Total	1,800.33	

6. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 6.1 The Local Government Act 2003 requires the Council's Chief Finance Officer to give an opinion on the robustness of the budget and adequacy of the reserves. This statement is set out in full at Appendix 5.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (DK)

The Council must consistently comply with the Local Government Finance Act 1992 (as amended) and associated legislation. All the legal issues have been covered in the body of this report.

7.2 Finance Officer's Comments (CS)

This report and appendices cover all financial matters necessary to enable Council to make the determinations in accordance with the Local Government Finance Act 1992 as amended by the Localism Act 2011.

7.3 Diversities and Equalities Implications (CS)

The Equality Impact Assessment is attached at Appendix 6.

8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

Charlotte Spendley, Head of Finance

Telephone: 01303 853420

Email: charlotte.spendley@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

- Budget working papers
- 11 October 2017 - Report to Cabinet and Council - Medium Term Financial Strategy for the period 2018/19 to 2021/22
- 15 November 2017 - Reports to Cabinet - Budget Strategy 2018/19 and Fees & Charges 2018/19
- 14 December 2017 - Report to Cabinet - Draft General Fund Original Revenue Budget 2018/19
- 17 January 2018 - Report to Cabinet - Update to the General Fund Medium Term Capital Programme

Appendices:

Appendix 1 - General Fund Budget 2018/19

Appendix 2 - Calculation of District Council's Council Tax Requirement in accordance with Section 31A of the Local Government Finance Act 1992.

Appendix 3 - Calculation of Basic Amounts of Council Tax in accordance with Sections 31B and 34 of the Local Government Finance Act 1992.

Appendix 4 - Council Tax Calculations at Band D for each Area in the District.

Appendix 5 - Robustness of the Estimates and Adequacy of Reserves.

Appendix 6 - Equality Impact Assessment

APPENDIX 1

2016/17		2017/18	2018/19
Outturn		Original Budget	Original Budget
£		(based on £	outturn prices) £
SUMMARY OF NET EXPENDITURE			
Service Heads			
1,073,782	Leadership Support	833,080	912,620
	Corporate Director – Strategic		
220,536	Development	0	253,830
259,617	Communications	240,530	253,770
4,935,378	Head of Democratic Services & Law	4,774,650	4,882,470
2,495,481	Head of HR	962,390	2,459,240
2,380,413	Head of Finance	4,227,010	3,311,828
2,846,092	Head of Communities	2,254,850	2,181,620
828,294	Head of Strategic Development Projects	359,600	1,321,470
542,857	Head of Economic Development	470,740	298,540
814,381	Head of Planning	923,150	765,740
2,504,401	Head of Commercial & Technical Services	2,551,020	2,421,570
-1,738,179	Recharges	-1,980,500	-1,980,500
	Net employee adjustment including vacancy saving target	-224,000	-6000
17,163,053	TOTAL HEAD OF SERVICE NET EXPENDITURE	15,392,520	17,076,198
435,774	Internal Drainage Board Levies	444,272	452,770
241,507	Interest Payable and Similar Charges	526,000	452,210
-948,430	Interest and Investment Income	-451,000	-678,430
-1,949,615	New Homes Bonus Grant	-1,571,779	-1,361,666
-2,320,264	Other non-service related Government Grants	-899,350	-1,240,021
12,622,025	TOTAL GENERAL FUND NET OPERATING EXPENDITURE	13,440,663	14,701,061
1,437,398	Net Transfers to/(from) Earmarked Reserves	-239,843	-906,650
405,134	Minimum Revenue Provision	388,930	373,370
2,190,295	Financing of Fixed Assets	2,190,000	197,000
16,654,852	TOTAL TO BE MET FROM REVENUE SUPPORT GRANT AND LOCAL TAXPAYERS	15,779,750	14,364,781
1,828,834	Town and Parish Council Precepts	2,052,914	2,283,454
-681,958	Transfer to/(from) the Collection Fund	-203,378	-100,000
-4,613,836	Business Rates Income	-3,747,186	-4,244,104
-1,736,222	Revenue Support Grant	-848,140	-
11,451,670	TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND AND GENERAL RESERVE	13,033,960	12,304,131
-10,838,835	Council Tax - Demand on Collection Fund	-11,444,953	-12,183,131
612,835	(SURPLUS) / DEFICIT FOR YEAR	1,589,007	121,000

APPENDIX 2

**CALCULATION OF DISTRICT COUNCIL'S COUNCIL TAX
REQUIREMENT IN ACCORDANCE WITH SECTION 31A
OF THE LOCAL GOVERNMENT FINANCE ACT 1992**

EXPENDITURE (including additions to Reserves and Contingencies)	£	£
1. Gross Revenue Expenditure (excl. Special Items)	96,128,618	
2. Special Items		
a) Special Expenses	531,190	
b) Parish Precepts	2,283,454	
3. Addition to Reserves		
a) New Homes Bonus Reserve	1,024,771	
b) Vehicles, Equipment and Technology	144,341	
c) Business Rates	334,567	
4. Allowance for contingencies in the year	196,130	
TOTAL EXPENDITURE Recommendation 3(a)		100,643,071
<hr/>		
INCOME (including use of Reserves)		
1. Gross Revenue Income	(85,372,610)	
2. Use of Reserves		
a) Vehicles, Equipment and Technology Reserve	(116,000)	
b) Carry Forwards Reserve	(50,000)	
c) IFRS Reserve	(11,480)	
d) New Homes Bonus Reserve	(1,214,000)	
e) Otterpool	(1,018,850)	
f) Housing Revenue Account	(456,000)	
g) General Reserve	(121,000)	
3. Transfer of share of Collection Fund surplus	(100,000)	
TOTAL INCOME Recommendation 3(b)		(88,459,940)
<hr/>		
COUNCIL TAX REQUIREMENT Recommendation 3 (c)		12,183,131
<hr/>		

APPENDIX 3

**CALCULATION OF BASIC AMOUNTS OF COUNCIL TAX
IN ACCORDANCE WITH SECTIONS 31B AND 34
OF THE LOCAL GOVERNMENT FINANCE ACT 1992**

1. BASIC AMOUNT OF TAX			
a) Council Tax Requirement			£12,183,131
	Recommendation 3(c)		
b) Divided by Tax Base			38,312.22
c) Basic amount of Tax			£317.99
	Recommendation 3(d)		
2. BASIC AMOUNT OF TAX FOR THOSE PARTS OF AREA TO WHICH NO SPECIAL ITEMS RELATE			
a) Basic amount of tax			£317.99
	Recommendation 3(d)		
b) Special Expenses	£531,190		
c) Parish Precepts	£2,283,454		
d) Special Items	£2,814,644		
	Recommendation 3(e)		
e) Divided by Tax Base	38,312.22	(£73.46)	
f) Basic Amount of Tax for Areas with no Special Items			£244.53
	Recommendation 3(f)		
	See Appendix 4 for individual parishes		
3. BASIC AMOUNT OF TAX FOR THOSE PARTS OF AREA TO WHICH SPECIAL ITEMS RELATE			
a) Basic Amount of Tax for Areas with no Special Items			£244.53
	Recommendation 3(f)		
b) Special Items for each individual area of the District	£X		
c) Divided by Tax Base for each individual area of the District		Y =	£Z
d) Basic Amount of Tax for Areas with Special Items			£244.53 + £Z
	Recommendation 3(g)		
	See Appendix 4 for individual parishes		

APPENDIX 4

COUNCIL TAX CALCULATIONS AT BAND D FOR EACH AREA IN THE DISTRICT

Area	Precepts	+ F/stone Parks Charity	= Special Items	÷Tax Base	= Council Tax for Special Items	+ Council Tax for General Items	= District* Council Tax	+ KCC, Police and Fire Precepts	= Total Council Tax
	£	£	£		£	£	£	£	£
Folkestone	786,950	467,905	1,254,855	14,161.17	88.61	244.53	333.14	1,482.34	1,815.48
Sandgate	75,968	63,285	139,253	1,915.34	72.70	244.53	317.23	1,482.34	1,799.57
Hythe	353,872		353,872	6,100.59	58.01	244.53	302.54	1,482.34	1,784.88
Lydd	170,970		170,970	2,146.45	79.65	244.53	324.18	1,482.34	1,806.52
New Romney	309,507		309,507	2,660.05	116.35	244.53	360.88	1,482.34	1,843.22
Acrise	200		200	89.81	2.23	244.53	246.76	1,482.34	1,729.10
Elham	17,760		17,760	732.18	24.26	244.53	268.79	1,482.34	1,751.13
Elmsted	1,500		1,500	152.88	9.81	244.53	254.34	1,482.34	1,736.68
Hawkinge	260,811		260,811	2,974.10	87.69	244.53	332.22	1,482.34	1,814.56
Lyminge	38,098		38,098	1,168.67	32.60	244.53	277.13	1,482.34	1,759.47
Lympne	26,339		26,339	632.73	41.63	244.53	286.16	1,482.34	1,768.50
Monks Horton	597		597	62.82	9.50	244.53	254.03	1,482.34	1,736.37
Newington	6,500		6,500	148.12	43.88	244.53	288.41	1,482.34	1,770.75
Paddlesworth	200		200	18.58	10.76	244.53	255.29	1,482.34	1,737.63
Postling	2,000		2,000	112.44	17.79	244.53	262.32	1,482.34	1,744.66
Saltwood	9,500		9,500	398.05	23.87	244.53	268.40	1,482.34	1,750.74
Sellindge	40,280		40,280	646.87	62.27	244.53	306.80	1,482.34	1,789.14
Stanford	6,000		6,000	186.87	32.11	244.53	276.64	1,482.34	1,758.98
Stelling Minnis	5,565		5,565	274.53	20.27	244.53	264.80	1,482.34	1,747.14
Stowting	1,650		1,650	120.28	13.72	244.53	258.25	1,482.34	1,740.59
Swingfield	22,296		22,296	484.39	46.03	244.53	290.56	1,482.34	1,772.90
Brenzett	5,100		5,100	134.30	37.97	244.53	282.50	1,482.34	1,764.84
Brookland	10,000		10,000	163.95	60.99	244.53	305.52	1,482.34	1,787.86
Burmarsh	3,899		3,899	113.33	34.40	244.53	278.93	1,482.34	1,761.27
Dymchurch	83,000		83,000	1,308.86	63.41	244.53	307.94	1,482.34	1,790.28
Ivychurch	4,842		4,842	94.89	51.03	244.53	295.56	1,482.34	1,777.90
Newchurch	4,050		4,050	123.45	32.81	244.53	277.34	1,482.34	1,759.68
Old Romney	-		-	83.95	-	244.53	244.53	1,482.34	1,726.87
St Mary in the Marsh	36,000		36,000	1,046.51	34.40	244.53	278.93	1,482.34	1,761.27
Snargate	-		-	56.06	-	244.53	244.53	1,482.34	1,726.87
	2,283,454	531,190	2,814,644	38,312.22					

*Recommendation 3(f) and 3(g)

ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

Introduction

The council has a legal duty to produce a balanced budget and must take all reasonable factors into account when doing so. Under the Local Government Act 2003 section 25(1) (b), the Chief Finance Officer (CFO) must advise the council about the **robustness of the budget** and the **adequacy of the council's reserves** when it considers its budget and council tax. The Act requires Members to have regard to this report in making their decisions.

As the council's CFO, I confirm that in my opinion the draft budget is robust and the proposed level of reserves is adequate in respect of the proposed budget for 2018/19. The reasons for this opinion are set out below.

Members should note that if they wish to depart from or amend the draft Budget, the comments within this Appendix may require revision.

Background

In December 2011, CIPFA sent a letter to all CFOs highlighting their legal duties in respect of setting the budget. The letter was sent in the context of the challenges local authorities and CFOs were facing as a result of unprecedented pressure on local authority budgets

These challenges are still with us. The Local Government Finance Settlement figures for 2018/19 – 2019/20 (issued on 19 December 2017) were a continuation of the government's 4 year funding settlement and continued the reduction of funding for Local Authorities through the Revenue Support Grant (RSG). It is expected that 2018/19 will be the final year of this grant.

Despite the challenges, over recent years, through sound and robust financial management, the council has maintained its financial position. As a result, the council is able to propose a balanced budget for 2018/19 and is forecast to have reserves above minimum levels at 31 March 2019.

In addition to balancing the annual budget, the council has been able to increase its focus on the longer term financial implications as set out in its Medium Term Financial Strategy (MTFS) approved by Members in October 2017. The MTFS covers a four year horizon to 2021/22 focusing on the council's future financial sustainability to enable it to deliver the strategic objectives set out in the Corporate Plan. The MTFS has been used to inform the 2018/19 Budget setting process.

However, whilst the council remains in a relatively strong financial position, the rapidly changing environment for local government, particularly in relation to moving away from Government grant to local taxation funding, brings increased financial uncertainty. This inevitably results in a greater degree of estimation in the calculations for the Budget and MTFS, which means that a risk-based approach to assessing the robustness of estimates and the adequacy of reserves, is crucial.

Robustness of the Estimates

In assessing the robustness of the estimates this statement looks at the key factors and risk areas associated with the proposed 2018/19 budget and how they have been and can be managed.

The MTFS

In considering the budget calculations for 2018/19 regard should be had to the medium term financial position of the council. The outlook for local government financing remains challenging over the next few years.

Moreover, there are a number of significant areas of change that currently cannot be fully quantified but will have potential financial impact over the planning period, including the proposed move to 75% business rate retention by the end of the Parliament and the recently commenced Fair Funding Review. At this stage it is not possible to estimate the impact of this on the Council until further detail is provided.

The council has various strategies in place to address the medium term funding gap. The multi-pronged approach to achieving a balanced position is set out in the MTFS and Budget Strategy. Specific initiatives include:

- the Transforming Shepway Programme
- the council's regeneration and housing company, Oportunitas
- a range of Strategic Development Projects
- continued emphasis on economic development and building more homes
- the use of reserves to ensure future financial sustainability.

The Government's new guidance on the flexible use of capital receipts which have been extended for a further 3 years will enable local authorities to fund expenditure costs incurred on transforming or improving service delivery designed to generate ongoing revenue savings through capital receipts.

Development of Budgets

The MTFS 2018/19 to 2021/22 was presented to Cabinet and approved by Full Council in October 2017 and the 2018/19 Budget Strategy was approved by Cabinet in November 2017. Prior to this, both were subject to scrutiny by the Overview & Scrutiny Committee.

In December 2017 the 2018/19 General Fund Draft Budget was examined in detail by the Overview & Scrutiny Committee, together with the proposed 2018/19 Fees and Charges. The HRA Revenue and Capital budgets and the Medium Term Capital Programme were also presented for scrutiny in December 2017. The Committee focused in particular on challenging the major budget variations in income and expenditure.

The conclusion of the formal budget process takes place on 28 February 2018 when the General Fund Budget and council tax requirement are considered for approval by Full Council following a final update report to Cabinet.

This report is the culmination of the budget process; detailed work has taken place behind the scenes with finance officers, budget holders, heads of service

and CMT to ensure the budget estimates are robust. In addition to this there have been regular updates to Informal Cabinet.

The budget-setting process commenced during spring 2017 and was then revisited during the summer when detailed budget guidelines covering the General Fund, HRA and Capital Programme were issued. This ensured that a consistent approach was used in preparing the budget estimates. During the summer Finance staff worked with Heads of Service and budget holders to build the base budget, including realignment of budgets to reflect approved in-year changes. Staff establishment budgets were prepared based on the approved structure for each cost centre on a post by post basis; growth and efficiency proposals were scrutinised and challenged by finance officers and CMT, and a rigorous process was carried out in relation to setting the 2018/19 fees and charges.

Past experience, combined with an assessment of future risks, provides a sound basis for determining the robustness of estimates. Given the context of significant underspends in previous years and the requirement to make savings going forward, the Corporate Management Team (CMT) undertook a rigorous review of all service budgets with Heads of Service and their budget holders. The review focused on past spending trends, as well as current projections for income and expenditure, with a view to identifying where efficiencies and/or savings could be made through reducing expenditure and increasing income, or where budgets required 'right-sizing'.

The budget estimates necessarily include assumptions around a number of key factors. The process for determining the 2018/19 budget has again required the majority of budgets to be cash limited. The only budgets that have been adjusted for inflation are salaries and existing inflationary commitments in relation to contracts. A 1.5% provision for pay awards has been held centrally.

Where appropriate, external advice has been sought in setting budget estimates, for example, the advice of the council's treasury management advisers has been used in determining the interest received and payable on investments and loans.

Estimates have also taken account of the financial implications of the council's Capital Programme and the level of financing required to meet the expenditure demanded. The capital programme is fully funded as presented to Members. This is based on the use of reserves and the investment of future income streams.

It is worth commenting that the Council has ambitious plans for the future of the district and in particular the development of the Otterpool Park Garden Town. This is a long term project which has the potential to offer significant rewards for the council. However, it is likely to require significant investment over a long period and the risks of this will need to be managed robustly in the future in order to realize the benefits of the garden town proposal.

Savings proposals

A risk based approach is particularly important when it comes to the delivery of savings contained within budgets. 2018/19 service budgets have been prepared after taking into account £0.593m budget savings that were approved by Cabinet in November 2017. Various growth items of £312,700 were approved as part of

this and an extra £500,000 for increased costs in bed and breakfast and homelessness pressures.

Funding Assumptions

Following the Government's introduction of the Business Rates Retention Scheme in 2013/14, the council's funding is no longer solely based on a guaranteed amount of grant. Business rates funding is dependent on the council's ability to retain and grow its business rates base. As a result, estimates have had to be made for the level of income taking into account various assumptions about the number of businesses, appeals against ratable values and levels of collection. I am satisfied that the estimates and assumptions used are reasonable based on the information available to the council at the current time. However, the degree of volatility in business rates is difficult to predict and it is important to note that the council has balances within the business rates reserve to help mitigate against subsequent adverse changes. It should also be noted that the Council is included within the successful business rates pilot for Kent and Medway.

The budget has been prepared based on a council tax increase of 3%; (to be approved by full Council). The proposed increase is within the Government's cap. Collection rates have been prudently estimated based on current collection levels.

Mitigating Risks

To assist with mitigating the risks associated with budget preparation there is a CMT contingency within the budget to allow for unforeseen events and to assist with ensuring corporate priorities are delivered.

Robust and timely monitoring of key savings delivery plans will continue to be carried out throughout the year.

Stringent budget monitoring will continue to be undertaken, with particular emphasis being placed on monitoring income targets, salary costs, high-risk expenditure items and volatile funding sources. Prompt responses to in-year projected deficits will be demanded by Cabinet Members and Senior Officers. The financial monitoring system covers both revenue and capital expenditure and work is being undertaken to bring forward and continually improve the budget preparation process.

Both the understanding of the council's financial position and the commitment to ensure delivery of balanced budgets will continue to be developed across all service areas enabling the council to be more effective in its financial planning and management. Ongoing training is being provided together with training events on specific topics. In addition, the finance team continues to focus on ensuring that its customers receive relevant, timely, professional and accurate information and that any projected overspends can be identified early on and addressed promptly.

Conclusion

In conclusion, therefore, the 2018/19 General Fund estimates are considered to be robust on the basis that a rigorous process has been applied in setting the estimates and that:

- Stringent monitoring, together with prompt responses to variances is actioned

- Total net expenditure is maintained within approved budgets, and
- Early consideration is undertaken to set out the strategy for addressing future years funding shortfalls

4. Adequacy of Reserves

The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). The level of working balances and reserves held by a council is not prescribed. The minimum prudent level of reserves that the council should maintain is a matter of judgment.

The current approach of the council reflects the guidance issued within LAAP Bulletin 99. This sets out that reserves should be held for three main purposes:

- a **working balance** to help cushion the impact of uneven cash flows and avoid the need for temporary borrowing;
- a **contingency** to cushion the impact of unexpected events or emergencies;
- **earmarked reserves** to meet known or predicted requirements.

The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem, or a series of events, the council could be forced to cut spending during the year in a damaging and arbitrary way.

The council reviews annually the adequacy of the reserve levels taking into account the council's exposure to risk, the systems of internal control, the robustness of the estimates, adequacy of financial management arrangements, our track record on budget monitoring, the strength of financial reporting, capacity to manage in year budget pressures and cash flow requirements to determine appropriate levels for the reserves. The monitoring and control systems in place are robust and identify at an early stage any significant variations within the council's activities.

Having considered these risks within the review undertaken last year, the conclusion is that minimum levels should remain as currently specified within the Medium Term Financial Strategy.

The council has other reserves ear-marked for specific purposes. These are currently under review in order to ensure the optimal use of reserves. Details of these reserves and forecast balances can be found in the General Fund Budget and Council Tax Requirement 2018/19 report.

Tim Madden CPFA (Chief Finance Officer)
7 February 2018

EQUALITY IMPACT ASSESSMENT

Directorate: Organisational Change
Service: Finance

Accountable Officer: Tim Madden
Telephone & e-mail: 01303 853371 tim.madden@shepway.gov.uk

Date of assessment: 6 February 2018

Names & job titles of people carrying out the assessment:
Charlotte Spendley, Head of Finance

Name of service/function/policy etc: General Fund Revenue Budget 2018/19

Is this new or existing? Annual production of Council's General Fund Budget and Council Tax Setting.

Stage 1: Screening Stage

1. Briefly describe its aims & objectives

The council's Corporate Plan informs preparation of the Medium Term Financial Strategy (MTFS) and Budget Strategy which underpin preparation of the General Fund Revenue Budget each year.
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The Budget is the detailed financial plan of how the council will operate its day to day activities to achieve corporate objectives.
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2. Are there external considerations? (legislation/government directive etc.)

The council is required comply with the Local Government Finance Act 1992 (as amended) and associated legislation when setting the budget and council tax. The position is also informed by the Local Government Settlement, which this year was provisionally announced on 22 December 2017.

3. Who are the stakeholders and what are their interests?

The main stakeholders are local taxpayers, the electorate, Members and central government.
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The General Fund budget report sets out planned expenditure and income for day to day service delivery activities. It informs taxpayers and the electorate about how council tax, government grants, business rates and other sources of income are utilised. It enables them to see in financial terms how Corporate Plan objectives will be delivered and how the council will deliver services and statutory functions during the year.
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Members approve the budget and council tax. Their responsibility is to ensure that there are adequate resources to deliver policies and services and that approved budgets are used for the specified purpose. Stakeholders are consulted during budget-setting and may challenge the council if they identify any matters of concern in how these responsibilities are fulfilled.

Actual expenditure and income compared to the approved budget is monitored on a monthly basis throughout the year and is reported to Members every quarter. The approved budget is also reported to Central Government via an annual return.

4. What outcomes do we want to achieve and for whom?

The aim is to achieve a balanced budget that reflects the Medium Term Financial Strategy and Budget Strategy to satisfy the stakeholders as identified in 3. Also to ensure that the council's statutory responsibilities are fulfilled.

5. Has any consultation/research been carried out?

Yes.

Internally - consultation took place with the Corporate Management Team (CMT), Cabinet Members, Heads of Service and budget managers through their involvement in setting strategies. This informs the MTFs, the Budget Strategy, the annual budget and the fees & charges strategy. Heads of Service/budget managers are also asked to align their budget and service plans annually. Budget Managers and Heads of Service contribute towards the agreed growth and savings identified within both the budget strategy & detailed budget proposed. The budgets are set in consultation with budget managers and signed off by service heads. Ultimately the budget is reviewed by CMT, Overview & Scrutiny Committee and Cabinet before being approved by Full Council.

Externally - during December & January the Council undertook budget consultation with key stakeholder representatives. The target audience and communication channels included:

Group	Channel
Residents	<ul style="list-style-type: none">• Council website• Dedicated e-mail address• Option to receive/submit information by post
Business Community	<ul style="list-style-type: none">• Attendance at Shepway Business Advisory Board
Other Community Groups	Direct engagement with: <ul style="list-style-type: none">• Community Safety Partnership• Shepway Homelessness Forum • Shepway Employment and Training Forum• Voluntary and Community Sector Forum• Youth Advisory Group

6. Are there any concerns at this stage which indicate the possibility of inequalities/negative impacts? (Consider and identify any evidence you have - equality data relating to usage and satisfaction levels, complaints, comments, research, outcomes of review, feedback and issues raised at previous consultations, known inequalities) If so please provide details.

All these considerations will have been taken into account when EIAs have been completed by Service Heads for strategies that affect their services. Any negative impacts will have been reviewed at that stage.

The process for EIAs is part of the annual service planning process and all completed EIAs are coordinated centrally.

In addition, all reports to CMT, Cabinet and Council require implications to be considered – this includes financial implications.

7. Could a particular protected characteristic be affected differently in either a negative or positive way? (Positive – it could benefit, Negative – it could disadvantage, Neutral – neither positive nor negative impact or Not sure?)

	Type of impact, reason & any evidence
Disability	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Race (including Gypsy & Traveller)	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Age	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Gender	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Transgender	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Sexual Orientation	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Religion/Belief	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
Pregnancy & Maternity	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.

Marriage/ Civil Partnership Status	Not applicable – individual service strategies and plans will address these impacts before they are included in the budget.
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8. Could other socio-economic groups be affected e.g. carers, ex-offenders, low incomes?

Yes – This will have been considered through the Corporate Plan and individual strategies and service plans before they are included in the budget.

9. Are there any human rights implications?

Potentially although these will have been considered through the Corporate Plan and individual strategies and service plans before they are included in the budget.

10. Is there an opportunity to promote equality and/or good community relations?

Yes – This will have been considered through the Corporate Plan and individual strategies and service plans before they are included in the budget

11. If you have indicated a negative impact for any group is that impact legal? (not discriminatory under anti-discrimination legislation)

Not applicable

12. Is any part of this policy/service to be carried out wholly or partly by contractors?

No

Please note that normally you should proceed to a Stage 2: Full Equality Impact Assessment Report if you have identified actual, or the potential to cause, adverse impact or discrimination against different groups in the community. (Refer to Quick Guidance Notes at front of template document)

13. Is a Stage 2: Full Equality Impact Assessment Report required?

No

14. Date by which Stage 2 is to be completed and actions

N/A

Please complete

