



**BUDGET PANEL**

**16 January 2018**

**CABINET**

**22 January 2018**

**COUNCIL**

**30 January 2018**

**FINANCIAL PLANNING**

**Council Finances 2017/18-2020/21: Medium Term Financial Strategy  
Treasury Management Strategy 2018/19**

## Part A

**Report to:** Cabinet  
**Date of meeting:** 22 January 2018  
**Report of:** Director of Finance  
**Title:** Financial Planning

### 1.0 SUMMARY

1.1 The purpose of this report is to enable the Cabinet to consider service level expenditure, funding and council tax levels for the medium term 2018/19 to 2020/21, including the use of reserves. This budget is a component part of the 2018/19 Council Tax calculations.

1.2 The report sets out:

- the revenue budgets for the period 2018-21 and a revised budget for 2017/18
- the capital programme for the period 2018-21
- the Council's income charging policy (including the individual service fees and charges)
- the Treasury Management Strategy 2018/19

all of which are subject to Council approval.

1.3 The Cabinet is recommended to agree the Council Tax Base to apply for 2018/19.

1.4 The report includes advice from the Director of Finance on the adequacy of general reserves and balances in the context of the three year planning horizon 2018-21.

### 2.0 Risks

2.1 The potential risks in this report are shown below; (based on a calculation of severity of impact (1 – 4) and likelihood of risk materialising (1 - 4); 1= very low risk, 16 = a very high risk)

<b>Nature of Risk</b>	<b>Consequence</b>	<b>Suggested Control Measures</b>	<b>Response (Treat, tolerate, terminate, transfer)</b>	<b>Risk Rating (combination of severity and likelihood)</b>
That Cabinet does not agree the council tax base before the statutory date	The Council tax charge is not set	Revert to prior year's tax base	Treat	1
That Cabinet does not recommend revenue and capital estimates for 2018/19 to Council	The Council does not legally set a budget	Revert to previous MTFS	Treat	1
That the Council will exceed its borrowing parameters	Breach of Treasury Management Strategy (TMS)	Revision of TMS Prudential indicators	Treat	1
That the Council will be unable to service its annual borrowing costs	Budget Pressure	Provision in MTFS for anticipated borrowing	Tolerate	1
Investment with a counterparty that subsequently defaults	Recovery of principal will take longer	Invest in accordance with TMS	Tolerate	2
That the estimates used in the preparation of the	Budget not correct	Mitigate through in	Treat	3

report will not be sufficiently accurate.		year budget monitoring . Reset Budget at period 8		
That the Council will not have adequate reserves to manage emerging risks.	Reserves diminish	Increase general fund balance to £2M	Treat	3

### 3.0 RECOMMENDATIONS

#### That Cabinet:

- 3.1 Delegates to the Director of Finance and Portfolio Holder the ability to amend the budget figures in accordance with decisions taken at the Cabinet meeting and any minor variations that may occur before the Council meeting.

#### That Cabinet recommends

#### That Council:

- 3.2 Resolves in accordance with the *Local Authorities (Calculation of Tax Base) Regulations 1992*, the amount calculated by Watford Borough Council as its Council Tax Base for the year 2018/19 is **32,393.9** as outlined in the report.
- 3.3 Approves the continuation of the Local Council Tax Reduction Scheme for 2018/19.
- 3.4 Approves the estimate of the surplus position on the Collection Fund.
- 3.5 Approves the budget (**Attachment 1**) as laid out in the report, including:
  - the base budget for 2018/19
  - the growth and savings
  - the Capital Investment Programme 2017-21
- 3.6 Approves the schedule of fees and charges (**Attachment 2**) and to delegate authority to the Director of Finance in conjunction with the Managing Director and the Portfolio Holder (Resources) to implement any recommendations emanating from a full review of the Council's discretionary fees and charges.
- 3.7 Approves the strategy for flexible use of capital receipts.
- 3.8 Agrees to increase the annual Council Tax for a Band D property in 2018/19 by 2.99%. This will apply to all other bands.
- 3.9 Approves the creation of an enhanced band 11 pay band for some of the section head posts within the Council. (**Attachment 4**)
- 3.10 Approves to delegate to the Managing Director in consultation with the Director of Finance authority to provide parental guarantees for the Council's projects as required subject to those guarantees complying with an approved business plan.

- 3.11 Notes the key risks identified and approves their proposed mitigations.
- 3.12 Notes the advice provided by the Director of Finance on the robustness of estimates and the adequacy of reserves
- 3.13 Notes the indicative budgets for 2019/20 and 2020/21.
- 3.14 Approves the Treasury Management Strategy for 2018/19 (**Attachment 3**). Within this strategy Council is requested to:
- delegate authority to the Portfolio Holder, in consultation with the Director of Finance, to approve any variation to the Treasury Management Strategy during the year with the objective of maximising the Council's returns without significantly increasing risk. Any changes will be notified to Council at the earliest opportunity.
  - approve the Council's Minimum Revenue Provision (MRP) Strategy and Policy Statement (para 2.3 of the Treasury report).
  - approve the Council's treasury prudential indicators (para 3.3 of the Treasury report)
  - approve the Annual Investment Strategy (para 3.5 of the TMS report) including the counterparty list contained in the Annex A to the report (Treasury Management Practices 1).
  - approve the flexibility for the Property Investment Board to invest treasury funds within its scheme of delegation.

#### **4.0 CONSULTATION**

- 4.1 Budget Panel has been fully engaged throughout this process and feedback from its meeting will be circulated prior to the Cabinet meeting.
- 4.2 As part of the statutory consultation with business ratepayers, copies of this report have been sent to the Watford Business Improvement District, the Watford Chamber of Commerce and the borough's Local Strategic Partnership-One Watford. Any feedback will be reported at the meeting.

#### **5.0 IMPLICATIONS**

##### **5.1 Financial Implications**

These are covered within the report.

##### **5.2 Legal Implications**

- 5.2.1 In the Constitution it is Council who is required to set the budget, which includes the Council Tax Base and setting the level of Council Tax. Cabinet therefore must forward its recommendations on the budget to Council. The Constitution also requires that any recommendation from Cabinet to Council regarding the budget must be submitted before the 8 February in the preceding financial year to enable the Mayor to have the opportunity to call in any decision of Council on the budget. The Council must set its 2018/19 budget by 11 March 2018. The Local Council Tax Reduction Scheme has to be approved by Council by 31 January

each year for the next financial year.

- 5.2.2 It is a statutory requirement that the Treasury Management Strategy and Treasury Management Practices are reviewed annually. The report meets the requirement of CIPFA's Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities and complies with the Local Government Act 2003.
- 5.2.3 It is a statutory requirement that the Chief Financial Officers provides a report under Section 25 of the Local Government Act 2003 on the robustness of estimates used in the budget and the sufficiency of the Council's reserves. This is included in the report.
- 5.2.4 Under Section 15 of the Local Government Act 2003 which offers authorities the opportunity to use Capital Receipts more flexibly to fund the costs which generate ongoing savings for authorities, subject to the expenditure qualifying under the guidance and a strategy being approved by Council. The strategy for 2018/19 is included in the report.

## **6.0 Equalities**

- 6.1 Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the Equality Act 2010 it is important to demonstrate how policies, practices, and decisions impact on people with different protected characteristics. It is also important that the Council is not discriminating unlawfully when carrying out any of its functions.
- 6.2 This report provides an over view of Budget proposals and equalities issues will need to be specifically considered before any changes to existing service levels are introduced.

### **Contact Officers:**

For further information on this report please contact:-

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Report approved by Joanne Wagstaffe, Director of Finance.

### **Attachments:**

1. Budget Setting report
2. Income Charging Policy
3. Treasury Management Strategy 2018/19
4. Section Head Pay – Proposal for an Extended Pay Band