

## AGENDA

### COUNCIL MEETING

Date: Wednesday, 21 February 2018

Time: 7.00 pm

Venue: Swale House, East Street, Sittingbourne, Kent, ME10 3HT

#### RECORDING NOTICE

Please note: this meeting may be recorded.

At the start of the meeting the Chairman will confirm if all or part of the meeting is being audio recorded. The whole of the meeting will be recorded, except where there are confidential or exempt items.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during this recording will be retained in accordance with the Council's data retention policy.

Therefore by entering the Chamber and speaking at Committee you are consenting to being recorded and to the possible use of those sound records for training purposes.

If you have any queries regarding this please contact Democratic Services.

Quorum = 16

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- |                                   |       |
|-----------------------------------|-------|
|                                   | Pages |
| 1. Prayers                        |       |
| 2. Emergency Evacuation Procedure |       |

The Chairman will advise the meeting of the evacuation procedures to follow in the event of an emergency. This is particularly important for visitors and members of the public who will be unfamiliar with the building and procedures.

The Chairman will inform the meeting whether there is a planned evacuation drill due to take place, what the alarm sounds like (i.e. ringing bells), where the closest emergency exit route is, and where the second closest emergency exit route is, in the event that the closest exit or route is blocked.

The Chairman will inform the meeting that:

(a) in the event of the alarm sounding, everybody must leave the building via the nearest safe available exit and gather at the Assembly points at the far side of the Car Park. Nobody must leave the assembly point until

everybody can be accounted for and nobody must return to the building until the Chairman has informed them that it is safe to do so; and

(b) the lifts must not be used in the event of an evacuation.

Any officers present at the meeting will aid with the evacuation.

It is important that the Chairman is informed of any person attending who is disabled or unable to use the stairs, so that suitable arrangements may be made in the event of an emergency.

3. Apologies for Absence

4. Minutes

To approve the Minutes of the Meeting held on 24 January 2018 (Minute Nos. 446 - 456) as a correct record.

5. Declarations of Interest

Councillors should not act or take decisions in order to gain financial or other material benefits for themselves or their spouse, civil partner or person with whom they are living with as a spouse or civil partner. They must declare and resolve any interests and relationships.

The Chairman will ask Members if they have any interests to declare in respect of items on this agenda, under the following headings:

(a) Disclosable Pecuniary Interests (DPI) under the Localism Act 2011. The nature as well as the existence of any such interest must be declared. After declaring a DPI, the Member must leave the meeting and not take part in the discussion or vote. This applies even if there is provision for public speaking.

(b) Disclosable Non Pecuniary (DNPI) under the Code of Conduct adopted by the Council in May 2012. The nature as well as the existence of any such interest must be declared. After declaring a DNPI interest, the Member may stay, speak and vote on the matter.

(c) Where it is possible that a fair-minded and informed observer, having considered the facts would conclude that there was a real possibility that the Member might be predetermined or biased the Member should declare their predetermination or bias and then leave the room while that item is considered.

**Advice to Members:** If any Councillor has any doubt about the existence or nature of any DPI or DNPI which he/she may have in any item on this agenda, he/she should seek advice from the Monitoring Officer, the Head of Legal or from other Solicitors in Legal Services as early as possible, and in advance of the Meeting.

6. Mayor's Announcements

7. Questions submitted by the Public

To consider any questions submitted by the public. (The deadline for questions is 4.30 pm the Friday before the meeting – please contact Democratic Services by e-mailing [democraticservices@swale.gov.uk](mailto:democraticservices@swale.gov.uk) or call 01795 417330).

8. Questions submitted by Members

To consider any questions submitted by Members. (The deadline for questions is 4.30 pm the Wednesday before the meeting – please contact Democratic Services by e-mailing [democraticservices@swale.gov.uk](mailto:democraticservices@swale.gov.uk) or call 01795 417330).

9. Leader's Statement

Members may ask questions on the Leader's Statement. (To follow).

- |  |         |
|--|---------|
| 10. Budgets and Council Tax for 2018/19            | 1 - 40  |
| 11. Treasury Management Strategy 2018/19           | 41 - 54 |
| 12. Draft Timetable of Meetings 2018/19            | 55 - 58 |
| 13. Election of Mayor and Deputy Mayor for 2018/19 |         |

If more than one nomination is received for either position a secret ballot will be taken at the start of the meeting and the Mayor will declare at this point in the meeting who has been elected Mayor and Deputy Mayor elect for 2018/19.

If one nomination is received for either position the Mayor will announce the nomination and Council will be asked to approve the appointment for Mayor and Deputy Mayor elect.

- |                                  |         |
|----------------------------------|---------|
| 14. Recommendations for Approval | 59 - 60 |
|----------------------------------|---------|

Council is asked to note the recommendations from the Cabinet meeting on 7 February 2018.

## Issued on Monday, 12 February 2018

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEMOCRATIC SERVICES on 01795 417330**. To find out more about the work of Council, please visit [www.swale.gov.uk](http://www.swale.gov.uk)

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|------------------------|------------------------|
| <b>Council Meeting</b> | <b>Agenda Item: 10</b> |
|------------------------|------------------------|

|                        |  |
|------------------------|--|
| <b>Meeting Date</b>    | 21 February 2018   |
| <b>Report Title</b>    | Budgets and Council Tax for 2018/19  |
| <b>Cabinet Member</b>  | Cabinet Member for Finance and Performance,<br>Councillor Duncan Dewar-Whalley |
| <b>SMT Lead</b>        | Mark Radford, Chief Executive  |
| <b>Head of Service</b> | Nick Vickers, Chief Finance Officer  |
| <b>Lead Officer</b>    | Philip Wilson, Financial Services Manager                                      |
| <b>Key Decision</b>    | Yes  |
| <b>Classification</b>  | Open   |
| <b>Forward Plan</b>    | Reference number:  |

|                        |   |
|------------------------|---|
| <b>Recommendations</b> | <ol style="list-style-type: none"> <li>1. That Members note the Chief Finance Officer's opinion on the robustness of the budget estimates and the adequacy of reserves.</li> <li>2. That Minute Number 472/02/18 approved by the Cabinet on 7 February 2018 on the report on the Medium Term Financial Plan and the 2018/19 Revenue and Capital Budgets be approved.</li> <li>3. That the resolutions contained in Appendix I be approved.</li> <li>4. That in accordance with the proposals contained within SI 2014 No. 165 that a recorded vote be taken on the 2018/19 Budget and Council Tax.</li> </ol> |
|------------------------|---|

## 1. Purpose of Report and Executive Summary

- 1.1 At their meeting on 7 February 2018, the Cabinet recommended the 2018/19 Council Tax for Swale Borough Council, the 2018/19 Revenue Budget, the Capital Programme for 2018/19 to 2019/20 and the Medium Term Financial Plan for 2018/19 to 2020/21.
- 1.2 The purpose of this report is for the Council to approve the Council Tax Requirement, Revenue Budget, Capital Programme and Council Tax for the year 2018/19 as set out in the report to the Cabinet on 7 February 2018, subject to any amendments, and to approve the Council Tax Resolutions set out in Appendix I.
- 1.3 This report reflects the latest information available for the preceptors at the time of writing this report (8 February). Should there be any changes to these, members will be informed.

## 2. Background

- 2.1 As part of the 2018/19 budget setting process, the Cabinet first received a report on the budget proposals for 2018/19 and an update on the Medium Term Financial Plan on 6 December 2017. The draft budget was then considered by the Cabinet at its meeting on 7 February 2018.

## 3. Proposal

- 3.1 In accordance with section 25 of the Local Government Act 2003 the Council's Section 151 Officer is required to report formally to the Council on the robustness of the estimates and the adequacy of the reserves. It should be noted that Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The Section 151 Officer (the Chief Finance Officer), in accordance with Local Government Act 2003, hereby has confirmed his opinion that the 2018/19 budget submitted is robust and that the reserves are reasonable given an assessment of risks. The Budget report to the Cabinet on 7 February 2018 set out the background to this opinion.
- 3.2 All councils have to provide the Government with a forecast for their business rates to be collected for the forthcoming financial year (NNDR1), which has a statutory deadline of 31 January. For 2018/19 the Council is part of the Kent and Medway Business Rate Pilot and the NNDR1 forms for all Kent authorities are being collated and any significant changes will be reported to members as part of the monitoring reports during 2018/19.
- 3.3 The Town and Parish Council Precepts for 2018/19 are detailed in Appendix I and total £1,162,817. The increase in the average Band D Council Tax for parished areas is 2.35% and results in an average Band D Council Tax for parishes of £41.01 for 2018/19 (£24.96 including those areas of the borough which are unparished).
- 3.4 As well as its own Council Tax, Swale Borough Council collects on behalf of the other 'precepting authorities', i.e. Kent County Council, the Kent and Medway Fire and Rescue Authority and the Kent Police & Crime Commissioner.
- 3.5 At the time of writing this report, Kent and Medway Fire and Rescue Authority were due to meet on 13 February 2018. This report is based upon a precept of £3,518,071, which results in a Band D Council Tax of £75.51 (2.94% increase).
- 3.6 At the time of writing this report the Police and Crime Panel were due to meet on 8 February 2018 to consider the budget proposals from the Kent Police & Crime Commissioner. The decision was for a precept of £7,880,832, which results in a Band D Council Tax of £169.15 (7.64% increase).
- 3.7 At the time of writing the report, Kent County Council were due to meet on 20 February 2018 and set their precept at £57,664,489 resulting in a Band

D Council Tax of £1,237.68 (4.99% increase including Social Care precept).

3.8 Appendix II provides more detail on the calculation of the Council Tax requirement and a summary of the calculation of Band D Council Tax.

3.9 Appendix III is the Budget report submitted to Cabinet on 7 February 2018.

## 4. Alternative Options

4.1 The options are detailed in the Budget report to the Cabinet on 7 February 2018.

## 5. Consultation Undertaken or Proposed

5.1 Details on the consultation on the budget are in the Budget report to the Cabinet on 7 February 2018.

## 6. Implications

| Issue                               | Implications  |
|-------------------------------------|---|
| Corporate Plan                      | As detailed in the Budget report to the Cabinet on 7 February 2018. |
| Financial, Resource and Property    | As detailed in the Budget report to the Cabinet on 7 February 2018. |
| Legal and Statutory                 | As detailed in the Budget report to the Cabinet on 7 February 2018. |
| Crime and Disorder                  | As detailed in the Budget report to the Cabinet on 7 February 2018. |
| Sustainability                      | As detailed in the Budget report to the Cabinet on 7 February 2018. |
| Health and Wellbeing                | As detailed in the Budget report to the Cabinet on 7 February 2018. |
| Risk Management and Health & Safety | As detailed in the Budget report to the Cabinet on 7 February 2018. |
| Equality and Diversity              | As detailed in the Budget report to the Cabinet on 7 February 2018. |

## 7. Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Council Tax Resolutions
- Appendix II:
  - (i) Council Tax Requirement 2018/19
  - (ii) Calculation of Band D Council Tax 2018/19
- Appendix III: Budget Report to Cabinet 7 February 2018

## 8. Background Papers

8.1 As detailed in the Budget report to the Cabinet on 7 February 2018.

Council is recommended to resolve as follows:

1. That it be noted that at its meeting on 24 January 2018 (Minute 456/01/18) the Council calculated:
  - 1.1 the Council Tax Base 2018/19 for the whole Council area as 46,590.79 (item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended) (the 'Act') and,
  - 1.2 for dwellings in those parts of its area to which a Parish Precept relates as set out below:

| <b>Parish / Town Council</b>      | <b>Tax Base</b>  |
|-----------------------------------|------------------|
| Bapchild                          | 458.51           |
| Bobbing                           | 963.82           |
| Borden                            | 1,079.06         |
| Boughton-Under-Blean              | 689.33           |
| Bredgar                           | 287.53           |
| Doddington                        | 223.45           |
| Dunkirk                           | 492.80           |
| Eastchurch                        | 784.93           |
| Eastling                          | 146.75           |
| Faversham Town Council            | 6,279.21         |
| Graveney & Goodnestone            | 185.46           |
| Hartlip                           | 365.61           |
| Hernhill                          | 284.26           |
| Iwade                             | 1,445.30         |
| Leysdown                          | 1,171.19         |
| Lower Halstow                     | 453.94           |
| Luddenham                         | 43.68            |
| Lynsted                           | 470.51           |
| Milstead                          | 88.66            |
| Minster                           | 5,411.75         |
| Newington                         | 878.94           |
| Newnham                           | 156.19           |
| Norton & Buckland                 | 185.85           |
| Oare                              | 170.11           |
| Ospringe                          | 280.13           |
| Queenborough Town Council         | 843.66           |
| Rodmersham                        | 242.17           |
| Selling                           | 363.56           |
| Sheldwich, Leaveland & Badlesmere | 348.42           |
| Stalisfield                       | 100.46           |
| Teynham                           | 882.00           |
| Throwley                          | 143.56           |
| Tonge                             | 261.72           |
| Tunstall                          | 708.14           |
| Upchurch                          | 964.79           |
| Warden                            | 500.97           |
| <b>Total Parished Areas</b>       | <b>28,356.42</b> |



2. That, as a preliminary step, the calculation of the Council Tax requirement for the Council's own purposes for 2018/19 (excluding parish precepts) is £7,912,514, as detailed in the report to Cabinet on 7 February 2018.
3. That the following amounts be calculated for the year 2018/19 in accordance with Sections 30 to 36 of the Act:
  - 3.1 £95,892,597 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.
  - 3.2 £86,817,266 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - 3.3 £9,075,331 being the amount by which the aggregate at 3.1 above exceeds the aggregate at 3.2 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 31B of the Act.)
  - 3.4 £194.79 being the amount at 3.3 above (Item R), all divided by item 1.1 above, calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
  - 3.5 £1,162,817 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
  - 3.6 £169.83 being the amount at 3.4 above, less the result given by dividing the amount at 3.5 above by 1.1 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.

3.7 Part of the Council's area

| <b>Parish / Town Council</b>      | <b>£ p</b> |
|-----------------------------------|------------|
| Bapchild                          | 195.02     |
| Bobbing                           | 189.78     |
| Borden                            | 222.89     |
| Boughton-Under-Blean              | 247.72     |
| Bredgar                           | 204.21     |
| Doddington                        | 207.87     |
| Dunkirk                           | 193.76     |
| Eastchurch                        | 211.87     |
| Eastling                          | 204.83     |
| Faversham Town Council            | 227.82     |
| Graveney & Goodnestone            | 223.75     |
| Hartlip                           | 191.71     |
| Hernhill                          | 203.25     |
| Iwade                             | 205.26     |
| Leysdown                          | 191.18     |
| Lower Halstow                     | 246.60     |
| Luddenham                         | 169.83     |
| Lynsted                           | 206.07     |
| Milstead                          | 231.86     |
| Minster                           | 197.44     |
| Newington                         | 222.93     |
| Newnham                           | 204.12     |
| Norton & Buckland                 | 201.96     |
| Oare                              | 220.20     |
| Ospringle                         | 196.60     |
| Queenborough Town Council         | 235.02     |
| Rodmersham                        | 210.09     |
| Selling                           | 200.17     |
| Sheldwich, Leaveland & Badlesmere | 194.51     |
| Stalisfield                       | 198.70     |
| Teynham                           | 223.66     |
| Throwley                          | 190.88     |
| Tonge                             | 178.24     |
| Tunstall                          | 197.86     |
| Upchurch                          | 200.09     |
| Warden                            | 199.77     |

being the amounts given by adding to the amount at 3.6 above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1.2 above, 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 special items relate.

3.8

|                                       | Band -A | Band A | Band B | Band C | Band D | Band E | Band F | Band G | Band H |
|---------------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                       | £ p     | £ p    | £ p    | £ p    | £ p    | £ p    | £ p    | £ p    | £ p    |
| Bapchild                              | 108.34  | 130.01 | 151.68 | 173.35 | 195.02 | 238.36 | 281.70 | 325.03 | 390.04 |
| Bobbing                               | 105.43  | 126.52 | 147.61 | 168.69 | 189.78 | 231.95 | 274.13 | 316.30 | 379.56 |
| Borden                                | 123.83  | 148.59 | 173.36 | 198.12 | 222.89 | 272.42 | 321.95 | 371.48 | 445.78 |
| Boughton-Under-Blean                  | 137.62  | 165.15 | 192.67 | 220.20 | 247.72 | 302.77 | 357.82 | 412.87 | 495.44 |
| Bredgar                               | 113.45  | 136.14 | 158.83 | 181.52 | 204.21 | 249.59 | 294.97 | 340.35 | 408.42 |
| Doddington                            | 115.48  | 138.58 | 161.68 | 184.77 | 207.87 | 254.06 | 300.26 | 346.45 | 415.74 |
| Dunkirk                               | 107.64  | 129.17 | 150.70 | 172.23 | 193.76 | 236.82 | 279.88 | 322.93 | 387.52 |
| Eastchurch                            | 117.71  | 141.25 | 164.79 | 188.33 | 211.87 | 258.95 | 306.03 | 353.12 | 423.74 |
| Eastling                              | 113.79  | 136.55 | 159.31 | 182.07 | 204.83 | 250.35 | 295.87 | 341.38 | 409.66 |
| Faversham Town Council                | 126.57  | 151.88 | 177.19 | 202.51 | 227.82 | 278.45 | 329.07 | 379.70 | 455.64 |
| Graveney & Goodnestone                | 124.31  | 149.17 | 174.03 | 198.89 | 223.75 | 273.47 | 323.19 | 372.92 | 447.50 |
| Hartlip                               | 106.51  | 127.81 | 149.11 | 170.41 | 191.71 | 234.31 | 276.91 | 319.52 | 383.42 |
| Hernhill                              | 112.92  | 135.50 | 158.08 | 180.67 | 203.25 | 248.42 | 293.58 | 338.75 | 406.50 |
| Iwade                                 | 114.03  | 136.84 | 159.65 | 182.45 | 205.26 | 250.87 | 296.49 | 342.10 | 410.52 |
| Leysdown                              | 106.21  | 127.45 | 148.70 | 169.94 | 191.18 | 233.66 | 276.15 | 318.63 | 382.36 |
| Lower Halstow                         | 137.00  | 164.40 | 191.80 | 219.20 | 246.60 | 301.40 | 356.20 | 411.00 | 493.20 |
| Luddenham                             | 94.35   | 113.22 | 132.09 | 150.96 | 169.83 | 207.57 | 245.31 | 283.05 | 339.66 |
| Lynsted                               | 114.48  | 137.38 | 160.28 | 183.17 | 206.07 | 251.86 | 297.66 | 343.45 | 412.14 |
| Milstead                              | 128.81  | 154.57 | 180.34 | 206.10 | 231.86 | 283.38 | 334.91 | 386.43 | 463.72 |
| Minster                               | 109.69  | 131.63 | 153.56 | 175.50 | 197.44 | 241.32 | 285.19 | 329.07 | 394.88 |
| Newington                             | 123.85  | 148.62 | 173.39 | 198.16 | 222.93 | 272.47 | 322.01 | 371.55 | 445.86 |
| Newnham                               | 113.40  | 136.08 | 158.76 | 181.44 | 204.12 | 249.48 | 294.84 | 340.20 | 408.24 |
| Norton & Buckland                     | 112.20  | 134.64 | 157.08 | 179.52 | 201.96 | 246.84 | 291.72 | 336.60 | 403.92 |
| Oare                                  | 122.33  | 146.80 | 171.27 | 195.73 | 220.20 | 269.13 | 318.07 | 367.00 | 440.40 |
| Ospringle                             | 109.22  | 131.07 | 152.91 | 174.76 | 196.60 | 240.29 | 283.98 | 327.67 | 393.20 |
| Queenborough Town Council             | 130.57  | 156.68 | 182.79 | 208.91 | 235.02 | 287.25 | 339.47 | 391.70 | 470.04 |
| Rodmersham                            | 116.72  | 140.06 | 163.40 | 186.75 | 210.09 | 256.78 | 303.46 | 350.15 | 420.18 |
| Selling                               | 111.21  | 133.45 | 155.69 | 177.93 | 200.17 | 244.65 | 289.13 | 333.62 | 400.34 |
| Sheldwich, Leaveland & Badlesmere     | 108.06  | 129.67 | 151.29 | 172.90 | 194.51 | 237.73 | 280.96 | 324.18 | 389.02 |
| Stalisfield                           | 110.39  | 132.47 | 154.54 | 176.62 | 198.70 | 242.86 | 287.01 | 331.17 | 397.40 |
| Teynham                               | 124.26  | 149.11 | 173.96 | 198.81 | 223.66 | 273.36 | 323.06 | 372.77 | 447.32 |
| Throwley                              | 106.04  | 127.25 | 148.46 | 169.67 | 190.88 | 233.30 | 275.72 | 318.13 | 381.76 |
| Tonge                                 | 99.02   | 118.83 | 138.63 | 158.44 | 178.24 | 217.85 | 257.46 | 297.07 | 356.48 |
| Tunstall                              | 109.92  | 131.91 | 153.89 | 175.88 | 197.86 | 241.83 | 285.80 | 329.77 | 395.72 |
| Upchurch                              | 111.16  | 133.39 | 155.63 | 177.86 | 200.09 | 244.55 | 289.02 | 333.48 | 400.18 |
| Warden                                | 110.98  | 133.18 | 155.38 | 177.57 | 199.77 | 244.16 | 288.56 | 332.95 | 399.54 |
| All other parts of the Council's area | 94.35   | 113.22 | 132.09 | 150.96 | 169.83 | 207.57 | 245.31 | 283.05 | 339.66 |

being the amounts given by multiplying the amounts at 3.6 and 3.7 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. That it be noted that, for the year 2018/19, Kent County Council, the Kent Police & Crime Commissioner, and the Kent and Medway Fire and 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 dwelling shown below:

|                        |
|------------------------|
| <b>Valuation Bands</b> |
|------------------------|

**SWALE BOROUGH COUNCIL**

| -A     | A       | B       | C       | D       | E       | F       | G       | H       |
|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| £94.35 | £113.22 | £132.09 | £150.96 | £169.83 | £207.57 | £245.31 | £283.05 | £339.66 |

**KENT COUNTY COUNCIL**

| -A      | A       | B       | C         | D         | E         | F         | G         | H         |
|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|
| £687.60 | £825.12 | £962.64 | £1,100.16 | £1,237.68 | £1,512.72 | £1,787.76 | £2,062.80 | £2,475.36 |

**THE KENT POLICE & CRIME COMMISSIONER**

| -A     | A       | B       | C       | D       | E       | F       | G       | H       |
|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| £93.97 | £112.77 | £131.56 | £150.36 | £169.15 | £206.74 | £244.33 | £281.92 | £338.30 |

**KENT AND MEDWAY FIRE AND RESCUE AUTHORITY**

| -A     | A      | B      | C      | D      | E      | F       | G       | H       |
|--------|--------|--------|--------|--------|--------|---------|---------|---------|
| £41.95 | £50.34 | £58.73 | £67.12 | £75.51 | £92.29 | £109.07 | £125.85 | £151.02 |

5. That, having calculated the aggregate in each case of the amounts at 3.8 and 4 above, the Council, in accordance with Sections 30 and 36 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 dwellings shown below:

**Council Tax Resolutions****Appendix I**

|                                       | Band -A | Band A   | Band B   | Band C   | Band D   | Band E   | Band F   | Band G   | Band H   |
|---------------------------------------|---------|----------|----------|----------|----------|----------|----------|----------|----------|
|                                       | £ p     | £ p      | £ p      | £ p      | £ p      | £ p      | £ p      | £ p      | £ p      |
| Bapchild                              | 931.86  | 1,118.24 | 1,304.61 | 1,490.99 | 1,677.36 | 2,050.11 | 2,422.86 | 2,795.60 | 3,354.72 |
| Bobbing                               | 928.95  | 1,114.75 | 1,300.54 | 1,486.33 | 1,672.12 | 2,043.70 | 2,415.29 | 2,786.87 | 3,344.24 |
| Borden                                | 947.35  | 1,136.82 | 1,326.29 | 1,515.76 | 1,705.23 | 2,084.17 | 2,463.11 | 2,842.05 | 3,410.46 |
| Boughton-Under-Blean                  | 961.14  | 1,153.38 | 1,345.60 | 1,537.84 | 1,730.06 | 2,114.52 | 2,498.98 | 2,883.44 | 3,460.12 |
| Bredgar                               | 936.97  | 1,124.37 | 1,311.76 | 1,499.16 | 1,686.55 | 2,061.34 | 2,436.13 | 2,810.92 | 3,373.10 |
| Doddington                            | 939.00  | 1,126.81 | 1,314.61 | 1,502.41 | 1,690.21 | 2,065.81 | 2,441.42 | 2,817.02 | 3,380.42 |
| Dunkirk                               | 931.16  | 1,117.40 | 1,303.63 | 1,489.87 | 1,676.10 | 2,048.57 | 2,421.04 | 2,793.50 | 3,352.20 |
| Eastchurch                            | 941.23  | 1,129.48 | 1,317.72 | 1,505.97 | 1,694.21 | 2,070.70 | 2,447.19 | 2,823.69 | 3,388.42 |
| Eastling                              | 937.31  | 1,124.78 | 1,312.24 | 1,499.71 | 1,687.17 | 2,062.10 | 2,437.03 | 2,811.95 | 3,374.34 |
| Faversham Town Council                | 950.09  | 1,140.11 | 1,330.12 | 1,520.15 | 1,710.16 | 2,090.20 | 2,470.23 | 2,850.27 | 3,420.32 |
| Graveney & Goodnestone                | 947.83  | 1,137.40 | 1,326.96 | 1,516.53 | 1,706.09 | 2,085.22 | 2,464.35 | 2,843.49 | 3,412.18 |
| Hartlip                               | 930.03  | 1,116.04 | 1,302.04 | 1,488.05 | 1,674.05 | 2,046.06 | 2,418.07 | 2,790.09 | 3,348.10 |
| Hernhill                              | 936.44  | 1,123.73 | 1,311.01 | 1,498.31 | 1,685.59 | 2,060.17 | 2,434.74 | 2,809.32 | 3,371.18 |
| Iwade                                 | 937.55  | 1,125.07 | 1,312.58 | 1,500.09 | 1,687.60 | 2,062.62 | 2,437.65 | 2,812.67 | 3,375.20 |
| Leysdown                              | 929.73  | 1,115.68 | 1,301.63 | 1,487.58 | 1,673.52 | 2,045.41 | 2,417.31 | 2,789.20 | 3,347.04 |
| Lower Halstow                         | 960.52  | 1,152.63 | 1,344.73 | 1,536.84 | 1,728.94 | 2,113.15 | 2,497.36 | 2,881.57 | 3,457.88 |
| Luddenham                             | 917.87  | 1,101.45 | 1,285.02 | 1,468.60 | 1,652.17 | 2,019.32 | 2,386.47 | 2,753.62 | 3,304.34 |
| Lynsted                               | 938.00  | 1,125.61 | 1,313.21 | 1,500.81 | 1,688.41 | 2,063.61 | 2,438.82 | 2,814.02 | 3,376.82 |
| Milstead                              | 952.33  | 1,142.80 | 1,333.27 | 1,523.74 | 1,714.20 | 2,095.13 | 2,476.07 | 2,857.00 | 3,428.40 |
| Minster                               | 933.21  | 1,119.86 | 1,306.49 | 1,493.14 | 1,679.78 | 2,053.07 | 2,426.35 | 2,799.64 | 3,359.56 |
| Newington                             | 947.37  | 1,136.85 | 1,326.32 | 1,515.80 | 1,705.27 | 2,084.22 | 2,463.17 | 2,842.12 | 3,410.54 |
| Newnham                               | 936.92  | 1,124.31 | 1,311.69 | 1,499.08 | 1,686.46 | 2,061.23 | 2,436.00 | 2,810.77 | 3,372.92 |
| Norton & Buckland                     | 935.72  | 1,122.87 | 1,310.01 | 1,497.16 | 1,684.30 | 2,058.59 | 2,432.88 | 2,807.17 | 3,368.60 |
| Oare                                  | 945.85  | 1,135.03 | 1,324.20 | 1,513.37 | 1,702.54 | 2,080.88 | 2,459.23 | 2,837.57 | 3,405.08 |
| Ospringe                              | 932.74  | 1,119.30 | 1,305.84 | 1,492.40 | 1,678.94 | 2,052.04 | 2,425.14 | 2,798.24 | 3,357.88 |
| Queenborough Town Council             | 954.09  | 1,144.91 | 1,335.72 | 1,526.55 | 1,717.36 | 2,099.00 | 2,480.63 | 2,862.27 | 3,434.72 |
| Rodmersham                            | 940.24  | 1,128.29 | 1,316.33 | 1,504.39 | 1,692.43 | 2,068.53 | 2,444.62 | 2,820.72 | 3,384.86 |
| Selling                               | 934.73  | 1,121.68 | 1,308.62 | 1,495.57 | 1,682.51 | 2,056.40 | 2,430.29 | 2,804.19 | 3,365.02 |
| Sheldwich, Leaveland & Badlesmere     | 931.58  | 1,117.90 | 1,304.22 | 1,490.54 | 1,676.85 | 2,049.48 | 2,422.12 | 2,794.75 | 3,353.70 |
| Stalisfield                           | 933.91  | 1,120.70 | 1,307.47 | 1,494.26 | 1,681.04 | 2,054.61 | 2,428.17 | 2,801.74 | 3,362.08 |
| Teynham                               | 947.78  | 1,137.34 | 1,326.89 | 1,516.45 | 1,706.00 | 2,085.11 | 2,464.22 | 2,843.34 | 3,412.00 |
| Throwley                              | 929.56  | 1,115.48 | 1,301.39 | 1,487.31 | 1,673.22 | 2,045.05 | 2,416.88 | 2,788.70 | 3,346.44 |
| Tonge                                 | 922.54  | 1,107.06 | 1,291.56 | 1,476.08 | 1,660.58 | 2,029.60 | 2,398.62 | 2,767.64 | 3,321.16 |
| Tunstall                              | 933.44  | 1,120.14 | 1,306.82 | 1,493.52 | 1,680.20 | 2,053.58 | 2,426.96 | 2,800.34 | 3,360.40 |
| Upchurch                              | 934.68  | 1,121.62 | 1,308.56 | 1,495.50 | 1,682.43 | 2,056.30 | 2,430.18 | 2,804.05 | 3,364.86 |
| Warden                                | 934.50  | 1,121.41 | 1,308.31 | 1,495.21 | 1,682.11 | 2,055.91 | 2,429.72 | 2,803.52 | 3,364.22 |
| All other parts of the Council's area | 917.87  | 1,101.45 | 1,285.02 | 1,468.60 | 1,652.17 | 2,019.32 | 2,386.47 | 2,753.62 | 3,304.34 |

6. That it be determined the Council's relevant basic amount of Council Tax for 2018/19 is not excessive in accordance with principles approved under Section 52ZC of the Local Government Finance Act 1992. The principles for the 2018/19 financial year are set out in Annex A of the Referendums Relating to Council Tax Increases (Principles) (England) Report 2018/19. As the billing authority, the Council has not been notified by a major precepting authority that its relevant basic amount of Council Tax for 2018/19 is excessive and therefore the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Local Government Finance Act 1992.
7. That the revenue and capital estimates for 2018/19 in the budget book be approved.

**Council Tax 2018/19**

Our Council Tax requirement is:

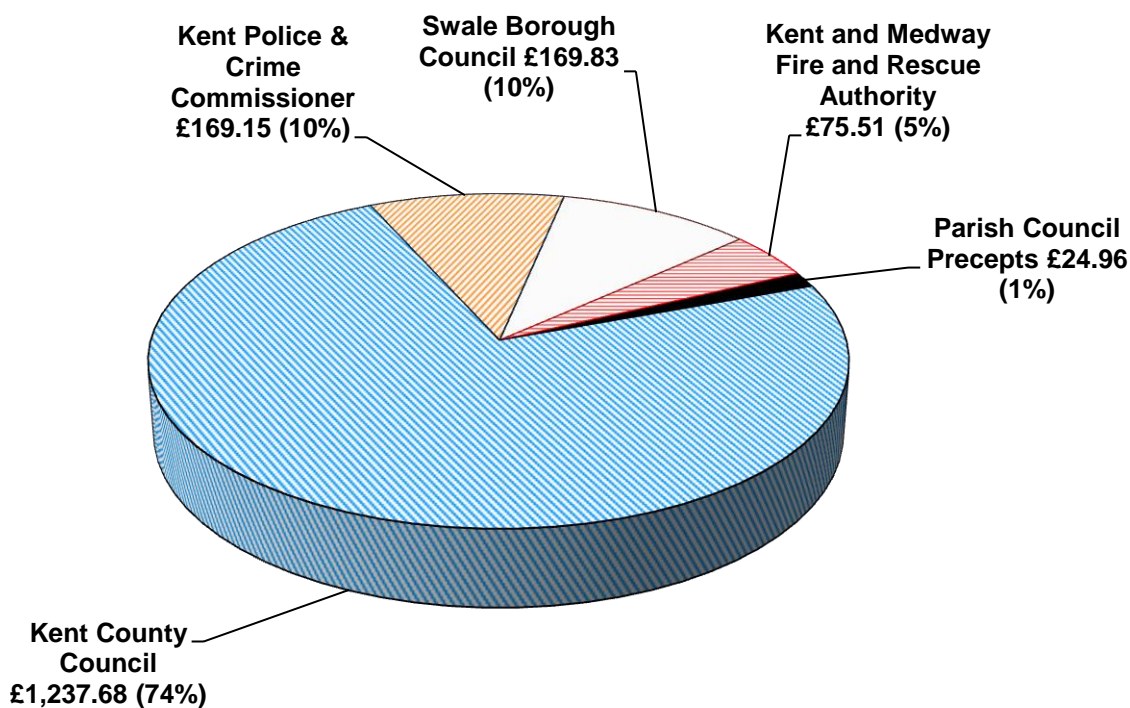
|                                 | <b>2017/18</b><br>£ | <b>2018/19</b><br>£ |
|---------------------------------|---------------------|---------------------|
| <b>Swale Budget Requirement</b> | <b>15,353,156</b>   | <b>16,531,514</b>   |
| Less Revenue Support Grant      | (1,238,110)         | 0                   |
| Less Business Rates             | (6,506,000)         | (8,441,000)         |
| Less Collection Fund surplus    | (140,000)           | (178,000)           |
| <b>Council Tax Requirement</b>  | <b>7,469,046</b>    | <b>7,912,514</b>    |
|                                 |                     |                     |
| Band D Council Tax              | 164.88              | 169.83              |
|                                 |                     |                     |
| Tax Base                        | 45,299.89           | 46,590.79           |

As well as our own Council Tax, we collect on behalf of the other 'precepting authorities', i.e. Kent County Council (4.99% increase), the Kent and Medway Fire and Rescue Authority (2.94% increase) and the Kent Police & Crime Commissioner (7.64% increase). For a Band D property this equates to an overall increase of 4.95% compared to the increase of 3.73% in 2017/18. Where applicable there will be an additional sum collected on behalf of the Parish Councils which have chosen to levy a local precept (see Appendix I).

| 2017/18           |                    | Authority                                 | 2018/19           |                    |
|-------------------|--------------------|---|-------------------|--------------------|
| Precept           | Band D Council Tax |   | Precept           | Band D Council Tax |
| £                 | £                  |   | £                 | £                  |
| 53,400,416        | 1,178.82           | Kent County Council                       | 57,664,489        | 1,237.68           |
| 7,118,878         | 157.15             | Kent Police & Crime Commissioner          | 7,880,832         | 169.15             |
| 3,322,747         | 73.35              | Kent and Medway Fire and Rescue Authority | 3,518,071         | 75.51              |
| 7,469,046         | 164.88             | Swale Borough Council                     | 7,912,514         | 169.83             |
| <b>71,311,087</b> | <b>1,574.20</b>    | <b>BASIC COUNCIL TAX</b>                  | <b>76,975,906</b> | <b>1,652.17</b>    |
| 1,099,953         | 24.28              | Parish Council Precepts*                  | 1,162,817         | 24.96              |
| 72,411,040        | 1,598.48           | Council Tax inc. Parish Precepts          | 78,138,723        | 1,677.13           |

\* The Band D Council Tax is the average tax in respect of Parish Council Precepts for the whole Borough.

Allocation of Council Tax:





|                        |  |
|------------------------|--|
| <b>Cabinet Meeting</b> |  |
| <b>Meeting Date</b>    | 7 February 2018  |
| <b>Report Title</b>    | Medium Term Financial Plan and 2018/19 Revenue and Capital Budgets   |
| <b>Cabinet Member</b>  | Cllr Duncan Dewar-Whalley, Cabinet Member for Finance & Performance  |
| <b>SMT Lead</b>        | Nick Vickers, Chief Financial Officer  |
| <b>Head of Service</b> | Nick Vickers, Chief Financial Officer  |
| <b>Lead Officer</b>    | Phil Wilson, Financial Services Manager  |
| <b>Key Decision</b>    | Yes  |
| <b>Classification</b>  | Open   |
| <b>Recommendations</b> | <p>5. To approve the 2018/19 revenue budget proposals.</p> <p>6. To note the medium term funding position.</p> <p>7. To approve the draft capital budget.</p> <p>8. To note the additional amount of Council tax for parish precepts.</p> <p>9. To consider the recommendations of Scrutiny Committee.</p> <p>10. To approve the Minimum Revenue Provision Statement as set out in Appendix IX</p> |

## **1 Purpose of Report and Executive Summary**

- 1.1 This report sets out the Council's Medium Term Financial Plan (MTFP) and the 2018/19 revenue and capital budget proposals.
- 1.2 Cabinet received a budget report on 6 December prior to the Provisional Local Authority Grant Settlement announced on 20 December. This report updates that version of the budget report, taking into account the implications of the settlement.
- 1.3 The 6 December Cabinet report provided the basis for Scrutiny Committee's examination of the budget proposals on 25 January.
- 1.4 This report, if agreed by Cabinet, will then go forward to Council on 21 February.

## **2 Background**

### **Provisional Local Government Finance Settlement 2018/19**

- 2.1 It was not expected that there would be major changes from the Settlement given the Multi Year Settlement from 2016/17 but in fact there were a number of very significant developments announced which will be considered below.

#### 100% Business Rate Pilots

- 2.2 The 6 December report to Cabinet included the Kent submission to be one of the pilot areas for the full localisation of business rates. The Secretary of State announced that there would be 11 pilots including Kent and Medway rather than the five expected. These cover 89 authorities and in total 200 authorities applied to be a pilot. The list in full is London boroughs (GLA already has a pilot started in 2017/18), Berkshire, Derbyshire, Devon, Gloucestershire, Leeds City Region, Lincolnshire, Solent, Suffolk and Surrey. At the LGA Local Authority Finance Settlement Conference on 9 January, the Secretary of State in his presentation said that pilots would continue into 2019/20.
- 2.3 In the submission document, the model agreed between the Kent and Medway Councils projected the largest gainer of any of the lower tier Councils being Swale with a projected increase in funding of £700,000. The actual figure will depend upon the 2018/19 NNDR3 return and it is prudent to assume some gain in revenue in the base but the position will be much clearer for 2019/20. As a result of being in the pilot, the Council will not receive the Revenue Support Grant in 2018/19, but is offset by an equivalent reduction in the tariff to be paid on business rates by the Council.

#### Adjustments for the Business Rate Retention System

- 2.4 Each authority's Top-up or Tariff, Baseline Funding Level (BFL) and Revenue Support Grant (RSG) has been updated to reflect the new multiplier which, from 2018/19 onwards, will be based on the CPI.
- 2.5 Changes have also been made to the way that the Government will adjust for the effect of the 2017 revaluation. The final version of the 2017 revaluation has generated revised tariffs and top-ups for 2017/18 with a one-off adjustment being made in 2018/19. The result is to reduce the Council's retained business rates by £100,000 from the level previously forecast.

#### Council Tax Threshold

- 2.6 Local authorities will be able to increase their "core" Band D Council Tax by an additional 1% in 2018/19. The previously announced threshold was 2%, and the new threshold will be 3%. The higher threshold for "core" Band D is justified on the grounds that it keeps pace with inflation. District councils will be able to increase their Band D council tax by the higher of £5 or 3%.

- 2.7 Swale is one of 88 authorities to whom the additional 1% does not add to the revenue that we can raise because for Swale a £4.95 increase equates to an increase of 3.002%.

#### New Homes Bonus

- 2.8 The Government has decided not to implement any further changes to the way that New Homes Bonus (NHB) is calculated. It had been proposed in a recent consultation paper (September 2017) that NHB payments might be reduced where the Council had refused planning permission which was subsequently granted on appeal. Also in 2017/18 the Government announced that it would reduce the number of payments for which legacy payment would be made, from 6 years to 4 years. This element of the scheme remains in 2018/19.
- 2.9 Compared with our previously projected figure of £2,056,000 the actual figure announced is £10,000 lower.

#### Changes in Local Government Funding in 2020/21

- 2.10 Two significant announcements were made which will take effect from 2020/21.
- 2.11 Firstly a consultation document was published on the Fair Funding Review; this is a fundamental reworking of needs based funding allocations.
- 2.12 Secondly and unexpectedly the Secretary of State announced that the local share in the Business Rate Retention Scheme (BRRS) will increase from 50% to 75% in 2020/21. The increase in local share will be fiscally neutral and will be matched by transfers of Revenue Support Grant, public health grant and other grants. No announcement has been made about the tier split that will accompany the increase in local share to 75%. That the transferred grants will largely be upper-tier possibly indicates that the increase in local share will go to counties in two-tier areas, but this is only speculation. We will not know for certain until later in the review process.
- 2.13 The Secretary of State also suggested that there would be a full baseline reset for 2020/21 but there was no clarity on whether there would be a full or partial reset. This whole issue is very significant for the Council given the extent of business rate growth since the partial localisation from 1 April 2013. When the reset is combined with the extension of business rate localisation and a Comprehensive Spending Review in 2019 it makes any forecasts beyond 2019/20 highly speculative.

#### Planning Fees

- 2.14 The Settlement confirmed previous indications that Councils could increase their planning fees by 20%, This had been trailed earlier in the year in the Housing White Paper. However, the increased fee income will need to be spent on the Planning Service. In the draft budget we had assumed that this income was available to support the Council's base budget but this will not be the case and the income will have to be spent on planning activities.

**Staff Pay**

- 2.15 The Council has locally set pay scales and it decides the annual pay award. The December Cabinet report assumed a 1.2% increase.
- 2.16 Subsequent to this nationally a 2% increase has been agreed and locally Unison have written requesting a 2% increase as well. In their letter Unison say “This settlement would reflect the two competing pressures; employees who are facing rising costs (with inflation at 3%) and pay rises which have not kept pace over a number of years, against the financial pressures faced by Swale Borough Council.”
- 2.17 The Council has kept pay increases to around 1% for the last six years and discussions will be held with the Trade Unions on 2% given the higher level of inflation currently being experienced and the level of commitment and contribution made by staff across the Council. This would require a funding increase of £80,000.

**Capital Budget**

- 2.18 In March 2016 Council agreed to a borrowing facility of up to £30m subject to individual business case and in November and December Cabinet agreed a business case for borrowing up to £28m for Sittingbourne Town Centre regeneration. This facility was extended to £60m in February 2017 with any additional borrowing being subject to business cases to Cabinet.
- 2.19 In considering investing its investment strategy there are two overriding principles to be applied:
- (1) Minimising the cost to the revenue budget - given the continued reductions in local government financing there is no scope within the revenue budget to meet debt charge costs. If the Council incurred debt charge costs then, unless the investment generated sufficient income to cover these costs, the Council may have to reduce services to fund the costs. In the case of the Sittingbourne Town Centre investment all the capital financing costs will be funded from rental income; and
  - (2) Strategic impact - if the Council is going to invest in property it needs to support wider Council objectives around regeneration of the borough and creating new employment. This means there needs to be additionality in-terms of the wider economic benefits e.g. higher business rates.
- 2.20 For many years the Council has had a very limited capital budget; basically 100% grant funded Disabled Facilities Grant and small projects funded mainly by capital receipts and reserves. For 2018/19 and beyond the position changes significantly due to:
- (1) Sittingbourne Town Centre- progress is already underway on the Retail and highways works. The Retail development will be completed in March. The Development Agreement and Funding Agreement have been signed at a cost of £32m.

- (2) Multi Storey Car Park - Huber are contracted for the construction of a 302 space car park commencing work in Spring 2018. The projected cost is £3.5m.
- (3) Leisure Centres- work is continuing on options for the Swallows and Sheppey Leisure Centres in advance of the current contract ceasing in late 2019. Detailed work has been undertaken on the options for the centres and prior to any final decision at this stage an allowance of £2m is made for capital spend.
- (4) Open space play equipment renewal - a capital budget of £0.5m is proposed.

2.21 With regard to funding the projects above; the Retail, early phase highways works and the Multi Storey Car Park will be funded from internal borrowing. Officers are working with Arlingclose the Council’s treasury adviser to develop an optimised long-term borrowing strategy. The improvements to the leisure centres and open space play equipment will be funded from internal borrowing and then savings on the leisure contract.

### **3 Proposals**

#### **Medium Term Financial Plan**

3.1 The updated MTFP is attached in Appendix I. An updated 10 year plan is attached in Appendix II.

#### **Balanced Budget Proposals**

3.2 The 6 December budget report identified a revenue budget gap for 2018/19 of £677,000 and also highlighted a revenue reserve to help smooth the 2018/19 and 2019/20 years of £677,000. It has to be emphasised that 2018/19 is an extremely difficult year for the Council and there is a fine line to tread in setting an achievable budget which allows core services to be developed and improved for residents. The table below summarises and explains the main movements from the 6 December base position.

|  | <b>£'000</b> | <b>£'000</b> |
|--|--------------|--------------|
| Opening position (shortfall)   |              | 677          |
| <b>Add</b>   |              |              |
| Improved Staff Pay Award   | 80           |              |
| Adverse movement in business rates   | 100          |              |
| Adverse movement in NHB  | 10           |              |
| Additional B&B costs<br><i>(additional to the £200k already allocated)</i> | 50           |              |

|   | £'000 | £'000 |
|---|-------|-------|
| Additional Planning posts<br><i>(to be funded from the additional income from increase in planning fees)</i>  | 201   |       |
| Data Protection resource<br><i>(the new General Data Protection Regulations (GDPR) come into force in the UK on 25 May 2018, effectively replacing the provisions of the Data Protection Act)</i> | 60    |       |
| Other items   | 4     |       |
| <b>Sub-total</b>  | 505   | 1,182 |
| <b>Less</b>   |       |       |
| Staff savings<br><i>(including deletion of the Corporate Services Director post)</i>  | 250   |       |
| Delete pensions back funding pressure<br><i>(fund from reserves)</i>  | 50    |       |
| Delete MKS additional legal costs for planning work<br><i>(not a base issue - fund from reserves if required)</i>   | 80    |       |
| Additional core planning fees   | 50    |       |
| Section 31 grant for difference between RPI and CPI   | 86    |       |
| Additional business rates from pilot  | 350   |       |
| <b>Sub-total</b>  | 866   |       |
| Revised shortfall   |       | 316   |

3.3 The shortfall of £316,000 will be drawn down from the £677,000 reserve.

3.4 The updated detailed budget proposals are attached in Appendix III.

### Council Tax

3.5 The budget proposals assume an increase of £4.95 in the band D Council Tax to £169.83.

3.6 The Collection Fund and Council tax base is set out in Appendix IV.

3.7 The Council tax base was agreed by Council on 24 January.

3.8 The calculation of the Budget Requirement and Council Tax Requirement is shown in Appendix V.

3.9 Parish precepts are shown in Appendix VI.

### Capital Budget

3.10 The capital budget is attached in Appendix VIII.

**Reserves**

- 3.11 The key principles for the management of Reserves moving forward are:
- (1) Maintain a prudent level of reserves to allow the Council to deal with unexpected one-off events,
  - (2) Funding the Council's strategic priorities, and
  - (3) Fund one-off items of expenditure to support service delivery.
- 3.12 When the Council is considering its budget requirement it is the Chief Financial Officers' duty under S25 of the Local Government Act 2003 to report on the adequacy of reserves. These have been reviewed in line with guidance from the Chartered Institute of Public Finance and Accountancy.
- 3.13 The Council seeks to maintain a minimum of £1.5m as its General Fund balance and there is no reason to change this. The Council holds earmarked reserves for specific purposes. The remaining unallocated funds form the General Reserve. The Chief Financial Officers' view is that the level of reserves and balances held by the Council are at a reasonable level. Reserves and balances are set out in Appendix VII.
- 3.14 It is proposed that £150,000 is transferred from the General Fund balance to the Performance Fund to fund on going service developments and £150,000 is added to a reserve to meet costs of the next phase of the Local Plan work.
- 3.15 The Council's Section 151 Officer (Chief Financial Officer), in accordance with the Local Government Act 2003, has hereby confirmed his opinion that the 2018/19 budget is robust, and the reserves are reasonable given the risks faced by the Council.

**Risk**

- 3.16 The Council's risk register has been updated to reflect developments and will be reported to Audit Committee on 14 March.

**4 Alternative Options**

- 4.1 The proposals made reflect discussions with Cabinet following the Settlement to establish the best way to meet the Council's objectives, given the resources available.

**5 Consultation Undertaken or Proposed**

- 5.1 The budget proposals were reported to Cabinet on 6 December 2017 and were examined by Scrutiny Committee on 25 January.

## 6 Implications

| Issue                                 | Implications   |
|---------------------------------------|--|
| Corporate Plan                        | The budget proposals for 2018/19 support the Corporate Plan objectives.                    |
| Financial, Resource and Property      | The report sets out the approach to the 2018/19 budget and the medium term financial plan. |
| Legal and Statutory                   | The report reflects the legal requirement for the Council to set a balanced budget.        |
| Crime and Disorder                    | Any potential impact has been assessed by service managers and is manageable.              |
| Environmental Sustainability          | Any potential impact has been assessed by service managers and is manageable.              |
| Health and Wellbeing                  | No issues identified.  |
| Risk Management and Health and Safety | The financial risks are reflected in the Council's Risk Register.                          |
| Equality and Diversity                | Any potential impact has been assessed by service managers and is manageable.              |
| Privacy and Data Protection           | The budget proposals allocate additional funds to data protection.                         |

## 7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Medium Term Financial Plan
- Appendix II: Outline 10 Year Plan
- Appendix III: Detailed Budget Proposals
- Appendix IV: Collection Fund and Council Tax Base
- Appendix V: Budget Requirement and Council Tax Requirement
- Appendix VI: Parish Precepts
- Appendix VII: Reserves
- Appendix VIII: Capital Programme
- Appendix IX: Minimum Revenue Provision Statement

## 8 Background Papers

Cabinet budget report 6 December 2017

<http://services.swale.gov.uk/meetings/documents/s8633/Cabinet%20December%20017%202018-19%20Budget%20Report%20v4.pdf>



Medium Term Financial Plan

|  | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|--|----------------|----------------|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
| Base Budget  | 17,916         | 17,916         | 17,916         | 17,916         |
| Growth items   | 0              | 549            | 551            | 552            |
| Unavoidable cost pressures                                       | 0              | 488            | 636            | 479            |
| Loss of income   | 0              | 12             | 12             | 12             |
| Additional income  | 0              | (995)          | (1,026)        | (1,048)        |
| Committed price increases  | 0              | 291            | 317            | 373            |
| Lower Medway Internal Drainage Board                             | 783            | 803            | 827            | 852            |
| <u>Salary Related:</u>   |                |                |                |                |
| Pay Award (2%)   | 0              | 213            | 430            | 652            |
| Other Pay Increases  | 0              | 78             | 125            | 150            |
| Contribution to/(from) reserves                                  | (372)          | (11)           | (11)           | (11)           |
| Revenue Support Grant  | (1,238)        | 0              | 0              | 0              |
| Business Rates   | (6,506)        | (8,441)        | (8,272)        | (8,339)        |
| Contribution from Business Rates Reserve                         | (255)          | 0              | 0              | 0              |
| Council Tax - maximum increase every year                        | (7,469)        | (7,913)        | (8,310)        | (8,730)        |
| New Homes Bonus  | (2,743)        | (2,046)        | (1,945)        | (1,666)        |
| <b>Savings Required</b>  | <b>116</b>     | <b>944</b>     | <b>1,250</b>   | <b>1,192</b>   |
| Service savings  | 0              | (628)          | (588)          | (709)          |
| Rental income from Sittingbourne Town Centre Regeneration Scheme | 0              | 0              | (112)          | (450)          |
| Requirement for balanced position                                | 0              | 0              | (550)          | (33)           |
| <b>Committed savings</b>   | <b>0</b>       | <b>(628)</b>   | <b>(1,250)</b> | <b>(1,192)</b> |
|  |                |                |                |                |
| <b>Contribution (to) from General Fund</b>                       | <b>116</b>     | <b>316</b>     | <b>0</b>       | <b>0</b>       |

Ten-Year Plan

| <b>Swale Council 10 Year MTFP</b>               | <b>Budget 2017-18<br/>£'000</b> | <b>Plan 2018-19<br/>£'000</b> | <b>Plan 2019-20<br/>£'000</b> | <b>Plan 2020-21<br/>£'000</b> | <b>Plan 2021-22<br/>£'000</b> | <b>Plan 2022-23<br/>£'000</b> | <b>Plan 2023-24<br/>£'000</b> | <b>Plan 2024-25<br/>£'000</b> | <b>Plan 2025-26<br/>£'000</b> | <b>Plan 2026-27<br/>£'000</b> |
|---|---------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Expenditure</b>                              |                                 |                               |                               |                               |                               |                               |                               |                               |                               |                               |
| Net Service Expenditure c/f                     | 17,819                          | 18,699                        | 18,727                        | 19,200                        | 19,229                        | 19,462                        | 19,701                        | 19,946                        | 20,198                        | 20,457                        |
| Net forecast cost/ (savings)                    | (90)                            | (283)                         | 185                           | (243)                         | 56                            | 57                            | 58                            | 59                            | 60                            | 61                            |
| Lower Medway Internal Drainage Board            | 783                             | 20                            | 24                            | 25                            | 26                            | 26                            | 27                            | 28                            | 29                            | 30                            |
| Pay Award                                       | 109                             | 213                           | 217                           | 222                           | 226                           | 231                           | 235                           | 240                           | 245                           | 250                           |
| Other Salary Increases                          | 78                              | 78                            | 47                            | 25                            | 25                            | 25                            | 25                            | 25                            | 25                            | 25                            |
| Efficiency savings                              |                                 |                               |                               |                               | (100)                         | (100)                         | (100)                         | (100)                         | (100)                         | (100)                         |
| <b>Net Service Expenditure b/f</b>              | <b>18,699</b>                   | <b>18,727</b>                 | <b>19,200</b>                 | <b>19,229</b>                 | <b>19,462</b>                 | <b>19,701</b>                 | <b>19,946</b>                 | <b>20,198</b>                 | <b>20,457</b>                 | <b>20,723</b>                 |
| <b>Financing Sources</b>                        |                                 |                               |                               |                               |                               |                               |                               |                               |                               |                               |
| <b>Government Support</b>                       |                                 |                               |                               |                               |                               |                               |                               |                               |                               |                               |
| Revenue Support Grant                           | (1,238)                         | 0                             | 0                             | 0                             | 0                             | 0                             | 0                             | 0                             | 0                             | 0                             |
| New Homes Bonus                                 | (2,743)                         | (2,046)                       | (1,945)                       | (1,666)                       | (1,666)                       | (1,666)                       | (1,666)                       | (1,666)                       | (1,666)                       | (1,666)                       |
| Council Tax                                     | (7,469)                         | (7,913)                       | (8,310)                       | (8,730)                       | (9,077)                       | (9,439)                       | (9,817)                       | (10,210)                      | (10,619)                      | (11,045)                      |
| Business Rates                                  | (6,506)                         | (8,441)                       | (8,272)                       | (8,339)                       | (8,422)                       | (8,506)                       | (8,591)                       | (8,677)                       | (8,764)                       | (8,852)                       |
| Contribution from reserves                      | (743)                           | (327)                         | (11)                          | (11)                          | (11)                          | (11)                          | (11)                          | (11)                          | (11)                          | (11)                          |
| Net Sittingbourne Town Centre rental income     | 0                               | 0                             | (112)                         | (450)                         | (450)                         | (450)                         | (450)                         | (450)                         | (450)                         | (450)                         |
| <b>Total Financing</b>                          | <b>(18,699)</b>                 | <b>(18,727)</b>               | <b>(18,650)</b>               | <b>(19,196)</b>               | <b>(19,626)</b>               | <b>(20,072)</b>               | <b>(20,535)</b>               | <b>(21,014)</b>               | <b>(21,510)</b>               | <b>(22,024)</b>               |
| <b>Budget Gap (surplus)/ deficit</b>            | <b>0</b>                        | <b>0</b>                      | <b>550</b>                    | <b>33</b>                     | <b>(164)</b>                  | <b>(371)</b>                  | <b>(589)</b>                  | <b>(816)</b>                  | <b>(1,053)</b>                | <b>(1,301)</b>                |
| <b>Cumulative Budget Gap (surplus)/ deficit</b> | <b>0</b>                        | <b>0</b>                      | <b>550</b>                    | <b>583</b>                    | <b>419</b>                    | <b>48</b>                     | <b>(541)</b>                  | <b>(1,357)</b>                | <b>(2,410)</b>                | <b>(3,711)</b>                |

Detailed Budget Proposals

| <b>Growth items</b> |   |   |                               |
|---------------------|---|---|-------------------------------|
| <b>No.</b>          | <b>Description</b>  | <b>Cabinet Member / Head of Service</b> | <b>2018/19 over 2017/18 £</b> |
|                     | <b>Resident Services</b>  |   |                               |
| 1                   | Running expenses relating to houses for temporary accommodation.  | Cllr D. Dewar-Whalley / A. Christou     | 7,660                         |
|                     | <b>Economic &amp; Community Services</b>  |   |                               |
| 2                   | Fixed Penalty Notices – Additional fees and equipment offset by additional income from Fixed Penalty Notices (see additional income).     | Cllr A. Horton / C. Hudson              | 139,100                       |
|                     | <b>Mid Kent Services (MKS) - ICT</b>  |   |                               |
| 3                   | Upgrade of the IDOX system.   | Cllr D. Dewar-Whalley / C. Woodward     | 10,000                        |
| 4                   | Remote Desktops are running on an unsupported platform and must be upgraded to take full advantage of Skype for Business.                 | Cllr D. Dewar-Whalley / C. Woodward     | 7,000                         |
| 5                   | General Data Protection Regulation (GDPR) IT impact.  | Cllr D. Dewar-Whalley / C. Woodward     | 10,000                        |
| 6                   | SQL Server licence increase.  | Cllr D. Dewar-Whalley / C. Woodward     | 8,330                         |
|                     | <b>Planning</b>   |   |                               |
| 7                   | Additional Transport / Infrastructure Planner post - three years fixed term offset by additional planning income (see additional income). | Cllr G. Lewin / J. Freeman              | 59,000                        |
| 8                   | New Development Management Planning Post (offset by additional income)  | Cllr G. Lewin / J. Freeman              | 43,000                        |
| 9                   | Planning Enforcement Restructure (offset by additional income)  | Cllr G. Lewin / J. Freeman              | 14,000                        |
| 10                  | Development Management funding of graduate planners and planning technicians (offset by additional income)                                | Cllr G. Lewin / J. Freeman              | 126,000                       |
| 11                  | Development Management Restructure (offset by additional income)  | Cllr G. Lewin / J. Freeman              | 18,000                        |

Detailed Budget Proposals

Appendix III

| <b>Growth items</b> |   |   |                               |
|---------------------|---|---|-------------------------------|
| <b>No.</b>          | <b>Description</b>  | <b>Cabinet Member / Head of Service</b> | <b>2018/19 over 2017/18 £</b> |
|                     | <b>Commissioning &amp; Customer Contact</b>   |   |                               |
| 12                  | Increased rent car park site (Crown Quay).  | Cllr A. Horton / M. Cassell             | 18,000                        |
|                     | <b>Finance</b>  |   |                               |
| 13                  | In order to comply with PCI DSS industry standards of Data Protection the Council needs to upgrade its systems. | Cllr D. Dewar-Whalley / N. Vickers      | 9,700                         |
| 14                  | Data Protection resource for new GDPR regulations   | Cllr D. Dewar-Whalley / N. Vickers      | 60,000                        |
|                     | <b>Others</b>   |   |                               |
| 15                  | Items £5,000 or less.   |   | 19,700                        |
|                     | <b>Total Growth Items</b>   |   | <b>549,490</b>                |

Detailed Budget Proposals

| <b>Unavoidable Cost Pressures</b> |   |   |                               |
|-----------------------------------|---|---|-------------------------------|
| <b>No.</b>                        | <b>Description</b>  | <b>Cabinet Member / Head of Service</b> | <b>2018/19 over 2017/18 £</b> |
|                                   | <b>Property</b>   |   |                               |
| 1                                 | Increased water charges at Swale House.   | Cllr D. Dewar-Whalley / A. Adams        | 6,700                         |
|                                   | <b>Resident Services</b>  |   |                               |
| 2                                 | Homelessness temporary accommodation budget increases.  | Cllr K. Pugh / A. Christou              | 250,000                       |
|                                   | <b>Planning</b>   |   |                               |
| 3                                 | Increase in staffing costs for the Planning Support shared service to maintain performance levels. This will be offset by additional income for Local Land Charges (see additional income).   | Cllr G. Lewin / J. Freeman              | 55,000                        |
|                                   | <b>Commissioning &amp; Customer Contact</b>   |   |                               |
| 4                                 | Waste and recycling bins replacement costs are due to new garden waste bins (some offset by Additional Income for subscriptions). In addition, the ongoing replacement of standard wheeled bins which are coming to the end of useful life and remain the property of the Council not the resident. | Cllr D. Simmons / M. Cassell            | 75,000                        |
|                                   | <b>Finance</b>  |   |                               |
| 6                                 | There has been an increase in the insurance premium on public liability as a result of the Government changes made to how compensation for personal injury and accident claims are calculated. In addition, there is an increase in the revised property valuations.                                | Cllr D. Dewar-Whalley / N. Vickers      | 26,000                        |
| 7                                 | Growth/ savings on principal element of a finance lease for Serco.  | Cllr D. Dewar-Whalley / N. Vickers      | 13,000                        |
|                                   | <b>Mid Kent Services (MKS)</b>  | Cllr D. Dewar-Whalley / S. McGinnes     |                               |
| 8                                 | Increases in MKS shared services for HR, ICT, Parking, Environmental, Fraud, Director and MKS membership.   | Cllr D. Dewar-Whalley / N. Vickers      | 43,070                        |

Detailed Budget Proposals

| <b>Unavoidable Cost Pressures</b>       |   |   |   |
|---|---|---|---|
| <b>No.</b>                              | <b>Description</b>  | <b>Cabinet Member /<br/>Head of Service</b> | <b>2018/19<br/>over<br/>2017/18<br/>£</b> |
| 9                                       | Mid Kent Audit - increase in MKS Audit Shared Services budget | Cllr D. Dewar-Whalley / R. Clarke           | 19,170                                    |
| <b>Total Unavoidable Cost Pressures</b> |   |   | <b>487,940</b>                            |

Detailed Budget Proposals

Appendix III

| <b>Loss Of Income</b> |  |   |   |
|-----------------------|--|---|---|
| <b>No.</b>            | <b>Description</b>   | <b>Cabinet Member /<br/>Head of Service</b> | <b>2018/19<br/>over<br/>2017/18<br/>£</b> |
|                       | <b>Commissioning &amp; Customer Contact</b>                            |   |   |
| 1                     | Income for Sport Facilities has not been achieved over period of time. | Cllr D. Simmons /<br>M Cassell              | 5,630                                     |
|                       | <b>Others</b>  |   |   |
| 2                     | Items £5,000 or less.  |   | 5,950                                     |
|                       | <b>Total Loss Of Income</b>  |   | <b>11,580</b>                             |

Detailed Budget Proposals

| <b>Additional Income</b> |  |   |                               |
|--------------------------|--|---|-------------------------------|
| <b>No.</b>               | <b>Description</b>   | <b>Cabinet Member / Head of Service</b> | <b>2018/19 over 2017/18 £</b> |
|                          | <b>Resident Services</b>   |   |                               |
| 1                        | Increased fee income for Staying Put.  | Cllr D. Dewar-Whalley / A. Christou     | (50,000)                      |
|                          | <b>Property Services</b>   |   |                               |
| 2                        | Miscellaneous properties - additional rental income.   | Cllr D. Dewar-Whalley / A. Adams        | (23,380)                      |
| 3                        | Income from Citizens Advice for occupation of Swale House.   | Cllr D. Dewar-Whalley / A. Adams        | (10,000)                      |
|                          | <b>Economic &amp; Community Services</b>   |   |                               |
| 4                        | Increase in income for Fixed Penalty Notices (See growth item).  | Cllr A. Horton / C. Hudson              | (134,000)                     |
|                          | <b>Commissioning &amp; Customer Contact</b>  |   |                               |
| 5                        | Anticipated additional garden waste subscriptions (see unavoidable cost pressures).  | Cllr D. Simmons / M. Cassell            | (133,000)                     |
| 6                        | Additional income resulting from proposed increase in street naming and numbering.   | Cllr A. Horton / M. Cassell             | (20,500)                      |
| 7                        | Business permits to increase by £5 to £45 to bring in line with resident parking permit charges.                                   | Cllr A. Horton / M. Cassell             | (11,000)                      |
| 8                        | Car Parking - income for Penalty Charge Notices.   | Cllr A. Horton / M. Cassell             | (30,000)                      |
| 9                        | Increase income from bulky waste items.  | Cllr D. Simmons / M. Cassell            | (20,000)                      |
| 10                       | Increase in car parking pay and display income.  | Cllr A. Horton / M. Cassell             | (125,000)                     |
| 11                       | Additional beach hut annual rental income and ground rental income following Leysdown development and future additions at Minster. | Cllr M. Cosgrove / M. Cassell           | (14,100)                      |
|                          | <b>Planning</b>  |   |                               |
| 12                       | Pre-application/Planning Performance Agreement (PPA) increased fee income.   | Cllr G. Lewin / J. Freeman              | (30,000)                      |



Detailed Budget Proposals

| <b>Additional Income</b> |   |   |                               |
|--------------------------|---|---|-------------------------------|
| <b>No.</b>               | <b>Description</b>  | <b>Cabinet Member / Head of Service</b>           | <b>2018/19 over 2017/18 £</b> |
| 13                       | Increased volume of planning application fee income.  | Cllr G. Lewin / J. Freeman                        | (70,000)                      |
| 14                       | 20% increase in national planning fees.   | Cllr G. Lewin / J. Freeman                        | (162,000)                     |
| 15                       | Additional Increased volume of planning application fee income  | Cllr G. Lewin / J. Freeman                        | (50,000)                      |
|                          | <b>Mid Kent Services (MKS)</b>  | Cllr D. Dewar-Whalley / S. McGinnes               |                               |
| 16                       | Mid Kent Planning - Changes to Local Land Charges fees across the three shared service authorities to ensure consistency. | Cllr G. Lewin / J. Freeman                        | (55,000)                      |
| 17                       | Mid Kent Revenue & Benefits - Debt Recovery Service.  | Cllr G. Lewin, Cllr D. Dewar-Whalley / S McGinnis | (25,000)                      |
|                          | <b>Others</b>   |   |                               |
| 18                       | Items £5,000 or less.   |   | (31,550)                      |
|                          | <b>Total Additional Income</b>  |   | <b>(994,530)</b>              |

Detailed Budget Proposals

| <b>Service Savings</b> |   |   |                               |
|------------------------|---|---|-------------------------------|
| <b>No.</b>             | <b>Description</b>  | <b>Cabinet Member / Head of Service</b> | <b>2018/19 over 2017/18 £</b> |
|                        | <b>Resident Services</b>  |   |                               |
| 1                      | Savings arising as a result of online form processing and the implementation of Performance Fund Bid. | Cllr K. Pugh/ A. Christou               | (10,500)                      |
|                        | <b>Economic &amp; Community Services</b>  |   |                               |
| 2                      | Grant to the Alexander Centre no longer required.   | Cllr A. Horton / C. Hudson              | (49,620)                      |
|                        | <b>Mid Kent Services (MKS)</b>  | Cllr D. Dewar-Whalley / S. McGinnes     |                               |
| 3                      | Mid Kent ICT - saving due to implementation of Skype for Business.                                    | Cllr D. Dewar-Whalley / C. Woodward     | (22,670)                      |
|                        | <b>Democratic</b>   |   |                               |
| 4                      | There are no Borough and Parish elections scheduled to take place in 2018                             | Cllr A. Bowles / K. Bescoby             | (12,000)                      |
|                        | <b>Commissioning &amp; Customer Contact</b>   |   |                               |
| 5                      | Reduction due to new contract award for public conveniences.  | Cllr D. Simmons / M. Cassell            | (44,000)                      |
| 6                      | Saving on refuse and recycling.   | Cllr D. Simmons / M. Cassell            | (10,000)                      |
|                        | <b>Finance</b>  |   |                               |
| 7                      | Reduction on interest element of a finance lease for Serco.   | Cllr D. Dewar-Whalley / N. Vickers      | (28,020)                      |
| 8                      | Forecast of SBC's share of surplus on Council Tax Collection Fund at end of 2017/18.                  | Cllr D. Dewar-Whalley / N. Vickers      | (178,000)                     |
|                        | <b>Others</b>   |   |                               |
| 9                      | Staff savings   |   | (250,000)                     |
| 10                     | Items £5,000 or less.   |   | (23,610)                      |
|                        | <b>Total Service Savings</b>  |   | <b>(628,420)</b>              |

## Collection Fund and Collection Tax Base

**Tax Base**

The tax base for 2018/19 is 46,590.79.

**Collection Fund**

As the Billing Authority, Swale Borough Council had to make an estimate of the surplus or deficit on the Collection Fund in January 2018, notifying Kent County Council, the Police and Crime Commissioner for Kent and the Kent & Medway Towns Fire & Rescue Authority of their proportions. The declared surplus of £1,821,400 is shared as follows:

|   | <b>(Surplus)<br/>£'000</b> |
|---|----------------------------|
| Kent County Council                         | (1,133)                    |
| The Police and Crime Commissioner for Kent  | (147)                      |
| Kent & Medway Towns Fire & Rescue Authority | (72)                       |
| Swale Borough Council                       | (307)                      |
| Central Government                          | (162)                      |
| <b>Total</b>                                | <b>(1,821)</b>             |

These amounts are not added to precepts or budgets, but must be taken into account by each Authority when setting their basic Council Tax. The net surplus for Swale Borough Council is therefore £307,200, including a £129,200 surplus for business rates, and a £178,000 surplus for council tax.

Only the council tax surplus is shown in the budget projections for the calculation of the 2018/19 Council Tax, as the business rates surplus will be put to the business rates volatility reserve.

**Other Preceptors**

Kent County Council, the Kent & Medway Fire Authority and the Kent Police and Crime Commissioner will set their own precepting for all valuation bands. These tax levels will form part of the overall Council Tax to be set by full Council on 21 February 2018.

**Parish Council Precepts**

Parish Council precept demands have been submitted during January 2018 as and when the Parish Councils met to set their precepts. These will be expressed as an additional precept.

Budget Requirement and Council Tax Requirement

|   | <b>2018/19<br/>£'000</b> |
|---|--------------------------|
| <b>2018/19 Swale Operating Expenditure Budget Before Savings and Growth Items</b> | <b>18,719</b>            |
| Growth items  | 549                      |
| Unavoidable cost pressures  | 488                      |
| Loss of income  | 12                       |
| Additional income   | (995)                    |
| Committed price increases   | 291                      |
| Pay increases   | 78                       |
| Pay award   | 213                      |
| Contribution to/ (from) reserves  | (327)                    |
| Service savings   | (450)                    |
| <hr/> Sub total   | <hr/> 18,578             |
| New Homes Bonus   | (2,046)                  |
| <hr/> <b>Swale Budget Requirement (to be agreed)</b>                              | <hr/> <b>16,532</b>      |
| Business Rates  | (8,441)                  |
| Collection Fund Surplus   | (178)                    |
| <hr/> <b>Council Tax Requirement (to be agreed)</b>                               | <hr/> <b>7,913</b>       |
| <br>Council Tax Income (assuming £169.83 for Band D)                              | <br>(7,913)              |

Parish Precepts

| Parish / Town Council             | Additional Council Tax for Band D 2017/18<br>£ | Tax Base 2018/19 | Parish Precept (rounded) 2018/19<br>£ | Additional Council Tax for Band D 2018/19<br>£ | Additional Council Tax for Band D 2018/19<br>% Change |
|-----------------------------------|--|------------------|---------------------------------------|--|---|
| Bapchild                          | 23.81  | 458.51           | 11,550                                | 25.19  | 5.80%   |
| Bobbing                           | 19.95  | 963.82           | 19,231                                | 19.95  | 0.00%   |
| Borden                            | 47.81  | 1,079.06         | 57,250                                | 53.06  | 10.98%  |
| Boughton-under-Blean              | 72.29  | 689.33           | 53,695                                | 77.89  | 7.75%   |
| Bredgar                           | 33.59  | 287.53           | 9,884                                 | 34.38  | 2.35%   |
| Doddington                        | 37.96  | 223.45           | 8,500                                 | 38.04  | 0.21%   |
| Dunkirk                           | 23.80  | 492.80           | 11,792                                | 23.93  | 0.55%   |
| Eastchurch                        | 40.94  | 784.93           | 33,000                                | 42.04  | 2.69%   |
| Eastling                          | 35.00  | 146.75           | 5,136                                 | 35.00  | 0.00%   |
| Faversham Town Council            | 53.06  | 6,279.21         | 364,160                               | 57.99  | 9.29%   |
| Graveney & Goodnestone            | 33.20  | 185.46           | 10,000                                | 53.92  | 62.41%  |
| Hartlip                           | 20.74  | 365.61           | 8,000                                 | 21.88  | 5.50%   |
| Hernhill                          | 31.71  | 284.26           | 9,500                                 | 33.42  | 5.39%   |
| Iwade                             | 35.43  | 1,445.30         | 51,208                                | 35.43  | 0.00%   |
| Leysdown                          | 23.08  | 1,171.19         | 25,000                                | 21.35  | -7.50%  |
| Lower Halstow                     | 76.00  | 453.94           | 34,849                                | 76.77  | 1.01%   |
| Luddenham                         | 0  | 43.68            | 0                                     | 0  | 0   |
| Lynsted                           | 36.87  | 470.51           | 17,049                                | 36.24  | -1.71%  |
| Milstead                          | 60.25  | 88.66            | 5,500                                 | 62.03  | 2.95%   |
| Minster                           | 27.61  | 5,411.75         | 149,418                               | 27.61  | 0.00%   |
| Newington                         | 52.53  | 878.94           | 46,675                                | 53.10  | 1.09%   |
| Newnham                           | 35.54  | 156.19           | 5,355                                 | 34.29  | -3.52%  |
| Norton & Buckland                 | 32.00  | 185.85           | 5,971                                 | 32.13  | 0.41%   |
| Oare                              | 50.93  | 170.11           | 8,568                                 | 50.37  | -1.10%  |
| Ospringe                          | 26.05  | 280.13           | 7,500                                 | 26.77  | 2.76%   |
| Queenborough Town Council         | 83.54  | 843.66           | 55,000                                | 65.19  | -21.97%   |
| Rodmersham                        | 32.20  | 242.17           | 9,750                                 | 40.26  | 25.03%  |
| Selling                           | 29.95  | 363.56           | 11,029                                | 30.34  | 1.30%   |
| Sheldwich, Leaveland & Badlesmere | 24.69  | 348.42           | 8,600                                 | 24.68  | -0.04%  |
| Stalisfield                       | 26.01  | 100.46           | 2,900                                 | 28.87  | 11.00%  |
| Teynham                           | 54.67  | 882.00           | 47,480                                | 53.83  | -1.54%  |
| Throwley                          | 22.64  | 143.56           | 3,022                                 | 21.05  | -7.02%  |
| Tonge                             | 15.65  | 261.72           | 2,200                                 | 8.41   | -46.26%   |
| Tunstall                          | 24.98  | 708.14           | 19,850                                | 28.03  | 12.21%  |
| Upchurch                          | 30.26  | 964.79           | 29,195                                | 30.26  | 0.00%   |
| Warden                            | 30.95  | 500.97           | 15,000                                | 29.94  | -3.26%  |
| <b>TOTAL</b>                      |  |                  | <b>1,162,817</b>                      |  |   |

Appendix VII

Reserves

|   | <b>Balance<br/>as at<br/>31/03/17</b> | <b>Forecast<br/>Contrib-<br/>utions to<br/>/ from<br/>Reserves<br/>2017/18</b> | <b>Balance<br/>as at<br/>31/03/18</b> | <b>Forecast<br/>Contrib-<br/>utions to<br/>/ from<br/>Reserves<br/>2018/19</b> | <b>Balance<br/>as at<br/>31/03/19</b> |
|---|---------------------------------------|--|---------------------------------------|--|---------------------------------------|
|   | <b>£'000</b>                          | <b>£'000</b>   | <b>£'000</b>                          | <b>£'000</b>   | <b>£'000</b>                          |
| General Reserve                             | (2,918)                               |  | (2,918)                               |  | (2,918)                               |
| Performance                                 | (535)                                 |  | (535)                                 | (150)  | (685)                                 |
| Regeneration                                | (687)                                 |  | (687)                                 |  | (687)                                 |
| Local Loan Fund                             | (200)                                 |  | (200)                                 |  | (200)                                 |
| Business Rates Volatility                   | (1,425)                               | (130)  | (1,555)                               |  | (1,555)                               |
| Building Maintenance                        | (934)                                 |  | (934)                                 |  | (934)                                 |
| Business Rates Pool (Economic)              | (748)                                 | (520)  | (1,268)                               |  | (1,268)                               |
| Housing Benefits                            | (490)                                 |  | (490)                                 |  | (490)                                 |
| Commuted Sums                               | (331)                                 |  | (331)                                 |  | (331)                                 |
| Preceptors Council Tax Support              | (309)                                 | 66   | (243)                                 | 66   | (177)                                 |
| Repairs & Renewals                          | (295)                                 | (75)   | (370)                                 | (75)   | (445)                                 |
| Transformation                              | (205)                                 |  | (205)                                 |  | (205)                                 |
| Local Development Framework                 | (175)                                 |  | (175)                                 | (150)  | (325)                                 |
| Housing                                     | (157)                                 |  | (157)                                 |  | (157)                                 |
| Stay Put Grants                             | (144)                                 |  | (144)                                 |  | (144)                                 |
| Miscellaneous                               | (1,708)                               | 20   | (1,688)                               | 20   | (1,668)                               |
| <b>Sub Total Earmarked Reserves</b>         | <b>(11,261)</b>                       | <b>(639)</b>   | <b>(11,900)</b>                       | <b>(289)</b>   | <b>(12,189)</b>                       |
| <b>Capital Receipts Reserve</b>             | (986)                                 |  | (986)                                 |  | (986)                                 |
|   | 0                                     |  | 0                                     |  | 0                                     |
| <b>Capital Grants Unapplied<br/>Account</b> | (306)                                 |  | (306)                                 |  | (306)                                 |
| <b>General Fund</b>                         | (4,132)                               | 116  | (4,016)                               | 616  | (3,400)                               |
| <b>Total Reserves</b>                       | <b>(16,685)</b>                       | <b>(523)</b>   | <b>(17,208)</b>                       | <b>327</b>   | <b>(16,881)</b>                       |

Note: This shows the Budget position, but all in-year changes will be reflected in closedown and in the Council's financial accounts.

## Capital Programme

|  | <b>2017/18<br/>Revised<br/>Budget<br/>£</b> | <b>2018/19<br/>Original<br/>Budget<br/>£</b> | <b>2019/20<br/>Original<br/>Budget<br/>£</b> | <b>Budget<br/>Later<br/>Years<br/>£</b> |
|--|---|--|--|---|
| <b><u>ECONOMY &amp; COMMUNITIES</u></b>                                      |   |  |  |   |
| Sittingbourne Town Centre - Multi-Storey Car Park                            | 96,248                                      | 3,532,215                                    | 54,883                                       | 0                                       |
| Sittingbourne Town Centre - Regeneration                                     | 0   | 26,521,826                                   | 0  | 0                                       |
| Sittingbourne Town Centre - Retail Properties                                | 4,807,656                                   | 720,127                                      | 0  | 0                                       |
| Sittingbourne Town Centre - Other Assets                                     | 2,378,981                                   | 59,740                                       | 59,740                                       | 24,890                                  |
| CCTV - Reserves - Repairs & Renewals   | 15,000                                      | 15,000                                       | 15,000                                       | 15,000                                  |
| The Mill Project, Sittingbourne Skate Park - Capital Receipts                | 200,000                                     | 0  | 0  | 0                                       |
| The Mill Project, Sittingbourne Skate Park - S106                            | 25,000                                      | 0  | 0  | 0                                       |
| The Mill Project, Sittingbourne Skate Park - Capital Grant                   | 15,000                                      | 0  | 0  | 0                                       |
| Faversham Creek Basin Regeneration Project (swing bridge) - Capital Receipts | 200,000                                     | 0  | 0  | 0                                       |
| Easthall Farm Community Centre - S106  | 507,740                                     | 0  | 0  | 0                                       |
| <b>TOTAL ECONOMY &amp; COMMUNITIES</b>                                       | <b>8,245,625</b>                            | <b>30,848,908</b>                            | <b>129,623</b>                               | <b>39,890</b>                           |
| <b><u>COMMISSIONING &amp; CUSTOMER CONTACT</u></b>                           |   |  |  |   |
| Leisure Centres  | 0   | 1,000,000                                    | 1,000,000                                    | 0                                       |
| Open Spaces Play Equipment - S106  | 0   | 100,000                                      | 100,000                                      | 100,000                                 |
| Cemeteries - Bell Road - Reserves  | 41,000                                      | 0  | 0  | 0                                       |
| Milton Creek Footpath & Viewing platform - Capital Receipts                  | 17,390                                      | 0  | 0  | 0                                       |
| Newington Car Park Wall - Reserves   | 11,260                                      | 0  | 0  | 0                                       |
| Kemsley Recreation Ground - Sports Improvement - S106                        | 20,640                                      | 0  | 0  | 0                                       |
| Thistle Hill Community Woodland - Trim Trail - S106                          | 35,000                                      | 0  | 0  | 0                                       |
| New Play Area - Iwade Schemes - S106   | 150,000                                     | 0  | 0  | 0                                       |
| Faversham Recreation Ground Improvements- S106                               | 27,640                                      | 0  | 0  | 0                                       |
| Faversham Recreation Ground Improvements- Capital Grant                      | 117,800                                     | 0  | 0  | 0                                       |

Capital Programme

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|   | <b>2017/18<br/>Revised<br/>Budget<br/>£</b> | <b>2018/19<br/>Original<br/>Budget<br/>£</b> | <b>2019/20<br/>Original<br/>Budget<br/>£</b> | <b>Budget<br/>Later<br/>Years<br/>£</b> |
|---|---|--|--|---|
| Iwade Recreation Ground Sports Provision - S106                 | 280,325                                     | 0  | 0  | 0                                       |
| Car Park New Ticket Machines & Installation - Reserves          | 14,000                                      | 0  | 0  | 0                                       |
| Minster Leas Promenade Resurfacing - Capital Grant              | 104,660                                     | 0  | 0  | 0                                       |
| Car Park Information Boards - Reserves                          | 24,360                                      | 0  | 0  | 0                                       |
| Stonebridge Pond Bridge, Faversham - Reserves                   | 20,765                                      | 0  | 0  | 0                                       |
| Modular Toilet Kiosks - Reserves                                | 30,000                                      | 0  | 0  | 0                                       |
| Milton Creek Country Park Access Road - Reserves                | 40,000                                      | 0  | 0  | 0                                       |
| Bridge Deck Replacement at Barton's Point Coast Park - Reserves | 18,860                                      | 0  | 0  | 0                                       |
| Nursery Close/Q'Boro Lines Bridge Replacement - Reserves        | 1,735                                       | 0  | 0  | 0                                       |
| Beach Huts, Leysdown - Capital Receipts                         | 19,260                                      | 0  | 0  | 0                                       |
| New Play Area - Thistle Hill - S106                             | 180,000                                     | 0  | 0  | 0                                       |
| Oare Gunpowder Works - S106                                     | 9,000                                       | 0  | 0  | 0                                       |
| <b>TOTAL COMMISSIONING &amp; CUSTOMER CONTACT</b>               | <b>1,163,695</b>                            | <b>1,100,000</b>                             | <b>1,100,000</b>                             | <b>100,000</b>                          |
| <b><u>RESIDENT SERVICES</u></b>                                 |   |  |  |   |
| Disabled Facilities Grants - Reserves                           | 92,100                                      | 0  | 0  | 0                                       |
| Disabled Facilities Grants – Capital Grant                      | 2,174,090                                   | 1,664,800                                    | 1,664,800                                    | 1,664,800                               |
| <b>TOTAL RESIDENT SERVICES</b>                                  | <b>2,266,190</b>                            | <b>1,664,800</b>                             | <b>1,664,800</b>                             | <b>1,664,800</b>                        |
| <b><u>ICT</u></b>   |   |  |  |   |
| ICT infrastructure and equipment replacement - Reserves         | 0   | 103,400                                      | 42,900                                       | 213,600                                 |
| <b>TOTAL ICT</b>  | <b>0</b>                                    | <b>103,400</b>                               | <b>42,900</b>                                | <b>213,600</b>                          |



Capital Programme

|  | <b>2017/18<br/>Revised<br/>Budget<br/>£</b> | <b>2018/19<br/>Original<br/>Budget<br/>£</b> | <b>2019/20<br/>Original<br/>Budget<br/>£</b> | <b>Budget<br/>Later<br/>Years<br/>£</b> |
|--|---|--|--|---|
| <b><u>FINANCE</u></b>                                  |   |  |  |   |
| Payment Card Software - Reserves                       | 82,500                                      | 0  | 0  | 0                                       |
| <b>TOTAL FINANCE</b>                                   | <b>82,500</b>                               | <b>0</b>                                     | <b>0</b>                                     | <b>0</b>                                |
| <b><u>ENVIRONMENTAL HEALTH</u></b>                     |   |  |  |   |
| Replacement of Air Quality Stations - Capital Receipts | 77,380                                      | 0  | 0  | 0                                       |
| <b>TOTAL ENVIRONMENTAL HEALTH</b>                      | <b>77,380</b>                               | <b>0</b>                                     | <b>0</b>                                     | <b>0</b>                                |
|  |   |  |  |   |
| <b>TOTAL CAPITAL PROGRAMME</b>                         | <b>11,835,390</b>                           | <b>33,717,108</b>                            | <b>2,937,323</b>                             | <b>2,018,290</b>                        |

## Minimum Revenue Provision Statement 2018/19

The Department for Communities and Local Government's Guidance (DCLG) on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision (MRP) has been issued by the Secretary of State, and local authorities are required to "have regard" to such Guidance, under section 21(1A) of the Local Government Act 2003. The Ministry of Housing, Communities and Local Government (MHCLG) has gone out to consultation on Proposed Changes to the Prudential Framework of Capital Finance. This comprises proposed new versions of its Guidance on Local Government Investments and Statutory Guidance on Minimum Revenue Provision. The deadline for responses to the consultation was 22 December 2017 and at time of writing the new Guidance had not been published. Therefore this Statement will be based on the existing 2010 guidance and should the assumptions upon which this is based change significantly, then a revised MRP Statement will be submitted for approval.

The Regulations require that "A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent".

The concept of Minimum Revenue Provision (MRP) was introduced in 1989 to prescribe the minimum amount which must be charged to the revenue account each year to meet credit liabilities (borrowing and leasing costs). MRP is charged to the General Fund and therefore does affect levels of Council Tax. Under the previous MRP regulations MRP was set at a uniform rate of 4% of the adjusted Capital Financing Requirement (CFR), which represents the underlying need to borrow for the Council.

The detailed rules and formulae to be used in the more recent method of calculation were laid down in Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. This system was later radically revised, and now requires an annual statement setting out the method of calculation of MRP.

The Secretary of State for Communities and Local Government issued guidance under section 21(1A) of the Local Government Act 2003. This states that "the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of the grant." This would affect any future borrowing that local authorities may be considering.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method (Equal Instalment or Annuity)
- Option 4: Depreciation Method

Note: This does not preclude other prudent methods.

**MRP in 2018/19:**

Options 1 and 2 may be used only for supported expenditure (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government). Methods of making prudent provision for self-financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if the Council chooses).

The MRP Statement will be submitted to Council before the start of the 2018/19 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

Council on 15 February 2017 resolved that for the 2017/18 financial year, the Council's policy for the calculation of MRP would be as follows:

- for supported expenditure, and for all capital expenditure incurred prior to 1 April 2008, MRP will, under delegated authority, be calculated under the Annuity Method over 50 years;
- MRP for all self-financed capital expenditure incurred after 1 April 2008 will, under delegated authority, be calculated under the Asset Life (Equal Instalment) Method;
- MRP in respect of leases and Public Finance Initiative (PFI) schemes brought on Balance Sheet under the International Financial Reporting Standards based Accounting Code of Practice will match the principal repayment for the associated deferred liability, to ensure that the impact on the revenue account is neutral; and,
- where loans are made to other bodies for their capital expenditure, no MRP will be charged but the Council would apply the capital receipt arising from the principal repayments to reduce the CFR instead

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 does provide a number of options for local authorities to use to calculate their MRP, which must be then be approved by Council annually. Although options are recommended in the guidance the intention was not to be prescriptive, and local authorities can propose alternative approaches as long as they can demonstrate that the resulting MRP will be prudent.

This Policy will be reviewed on an annual basis.

For 2018/19 it is recommended that:

- for supported expenditure, and for all capital expenditure incurred prior to 1 April 2008, MRP will, under delegated authority, be calculated under the Annuity Method over 50 years;
- MRP for all self-financed capital expenditure incurred after 1 April 2008 will, under delegated authority, be calculated under the Asset Life (Equal Instalment) Method;
- MRP in respect of leases and Public Finance Initiative (PFI) schemes brought on Balance Sheet under the International Financial Reporting Standards based Accounting Code of Practice will match the principal repayment for the

associated deferred liability, to ensure that the impact on the revenue account is neutral; and

- where loans are made to other bodies for their capital expenditure, no MRP will be charged but the Council would apply the capital receipt arising from the principal repayments to reduce the CFR instead.

| <b>Council</b>         | <b>Agenda Item No. 11</b>  |
|------------------------|--|
| <b>Meeting Date</b>    | 21 February 2018   |
| <b>Report Title</b>    | Treasury Management Strategy 2018/19   |
| <b>Cabinet Member</b>  | Cllr. Duncan Dewar-Whalley, Cabinet Member for Finance & Performance                               |
| <b>SMT Lead</b>        | Nick Vickers, Chief Financial Officer  |
| <b>Head of Service</b> | Nick Vickers, Chief Financial Officer  |
| <b>Lead Officer</b>    | Olga Cole, Management Accountant   |
| <b>Key Decision</b>    | Yes  |
| <b>Classification</b>  | Open   |
| <b>Recommendations</b> | 1. To approve the Treasury Strategy 2018/19 and the Prudential and Treasury Management Indicators. |

## 1. Purpose of Report and Executive Summary

- 1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services and the Prudential Code require the Council to approve a Treasury Strategy and Prudential Indicators before the start of each financial year.
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has defined Treasury Management as: "The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 1.3 In addition, the Department for Communities and Local Government (DCLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.
- 1.4 This report sets out and seeks approval of the proposed Treasury Management Strategy and Prudential and Treasury Management Indicators for 2018/19.
- 1.5 This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DCLG Guidance. Should the assumptions upon which this report is based change significantly, then a revised Treasury Strategy will be submitted for approval.
- 1.6 Just before Christmas CIPFA published new editions of Treasury Management in the Public Sector Code of Practice and the Prudential Code for Capital Finance in Local Authorities. Publication at the point where budget and treasury strategies are well advanced is far from helpful. The timing may reflect the disquiet reported at local authorities making significant commercial property investments. The concerns have focused upon local authorities investing outside their geographical

area and doing so solely for commercial gain. Based upon our examination of the new requirements there is nothing that this Council is not already complying with.

## **2. Background**

### **Interest rate Forecast and Market Outlook**

- 2.1 The key issue impacting on treasury management is that we remain in a very low interest rate environment despite the Bank of England increasing the base rate to 0.5% in November 2017. Inflation has risen to 3%, driven by the devaluation of sterling but the impact of this will come out of the index in 2018. The Council's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. Arlingclose's forecast is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although if the UK Government's fiscal stance deteriorates this would place upward pressure on rates. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix I.
- 2.2 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ring fence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council - returns from cash deposits however remain very low.

### **Borrowing Strategy**

- 2.3 In March 2016 Council agreed to a borrowing facility of up to £30m subject to individual business cases and in November and December Cabinet agreed a business case for borrowing up to £28m for Sittingbourne Town Centre (STC) regeneration. This facility was extended to £60m in February 2017 with any additional borrowing being subject to business cases to Cabinet.
- 2.4 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead of borrowing at fixed rates for long periods. The Council may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.
- 2.5 The Council has already started to pay significant costs for the STC retail development, highways works and accrued costs for the regeneration development. To date these have all been funded from internal borrowing.

Arlingclose are commissioned to develop a model to underpin the longer term borrowing strategy.

2.6 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body;
- any institution approved for investments;
- UK Local Authorities;
- any other bank or building society authorised to operate in the UK;
- UK public and private sector pension funds (except the Kent Pension Fund);
- capital market bond investors.

### **Investment Strategy**

2.7 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £28m and £48m with an average of £38m.

2.8 In considering investing in assets there are two overriding principles to be applied:

- Minimising the cost to the revenue budget - given the continued reductions in local government financing there is no scope within the revenue budget to meet debt charge costs. If the Council incurred debt charge costs then, unless the investment generated sufficient income to cover these costs, the Council may have to reduce services to fund the costs. In the case of the Sittingbourne Town Centre investment all the capital financing costs will be funded from rental income; and
- Strategic impact - if the Council is going to invest in property it needs to support wider Council objectives around regeneration of the borough and creating new employment. This means there needs to be additionality in terms of the wider economic benefits e.g. higher business rates.

2.9 The Council uses a cash flow forecast to determine the maximum period for which funds may prudently be committed and which aims to minimise the risk of borrowing on unfavourable terms to meet its financial commitments.

2.10 Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

2.11 The Council has had a risk averse investment strategy focussing on deposits with major financial institutions and Money Market Funds. The main diversification has been an investment of £3m in the CCLA Property Fund.

2.12 The Council could make use of the following asset classes:

|                          |  |
|--------------------------|--|
| Government               | Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.  |
| Banks Unsecured          | Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks.<br>These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.  |
| Banks Secured            | Covered bonds and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.<br>The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments. |
| Corporates               | Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.  |
| Non treasury investments | The Council is a significant owner of assets in the borough and will, where there are opportunities, invest either to generate an income stream or for a capital gain.   |
| Registered Providers     | Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.  |
| Pooled Funds             | Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.   |

2.13 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued



suitability in meeting the Council's investment objectives will be monitored regularly.

- 2.14 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
  - any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 2.15 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 2.16 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will, therefore, be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 2.17 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.
- 2.18 The CLG Guidance defines specified investments as those:
- denominated in pound sterling,
  - due to be repaid within 12 months of arrangement,
  - not defined as capital expenditure by legislation, and
  - invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or

- a body or investment scheme of “high credit quality”.

- 2.19 The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.
- 2.20 Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.

### 3. Proposal

- 3.1 The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

|  |  |
|--|--|
| Debt Management Office (Debt Management Account Deposit Facility) and Treasury Bills   | Unlimited                                  |
| Major UK banks / building societies. (Barclays, HSBC, Lloyds Banking Group, RBS Group, Santander UK, Nationwide, Standard Chartered) unsecured deposits  | £3m  |
| Svenska Handelsbanken unsecured deposits   | £3m  |
| Leeds Building Society unsecured deposits  | £1.5m                                      |
| Close Brothers unsecured deposits  | £1.5m                                      |
| Major overseas banks unsecured deposits (to be determined based upon Arlingclose advice)<br>Netherlands: Bank Netherlande Gemeeten, Rabobank Singapore: OCBC, UOB, DBS<br>Sweden: Nordea Bank Denmark: Danske Bank USA: JP Morgan Chase<br>Australia: Australian and New Zealand Banking Group, Commonwealth Bank of Australia, National Australian Bank Ltd, Westpac Banking Corp<br>Canada: Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Toronto Dominion Bank | £1.5m limit per bank,<br>£3m country limit |
| Money Market Funds   | £3m each                                   |
| Cash Plus Funds and Short Dated Bond Funds   | £3m each                                   |
| Multi Asset Income Funds   | £3m each                                   |
| CCLA LAMIT Local Authority Property Fund   | £3m  |
| Supranational Bonds  | £3m in aggregate                           |

|  |  |
|--|--|
| Corporate Bond Funds and Corporate Bonds | £3m in aggregate                         |
| Non treasury investments                 | To be agreed on a case by case basis     |
| Covered Bonds                            | £9m in aggregate with £3m limit per bank |
| Absolute return funds                    | £3m in aggregate                         |
| Equity income funds                      | £3m in aggregate                         |

- 3.2 The Council may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, as loans to local businesses and landlords, or as equity investments and loans to the Council's subsidiaries.
- 3.3 The Council does not directly invest in financial derivatives although these may be present in pooled funds and will be managed in line with the overall treasury strategy.
- 3.4 Local authorities are due to adopt the new International Financial Reporting Standard (IFRS) 9 accounting standard for financial instruments in 2018/19 and the financial implications will be reviewed once CIPFA has published its guidance at a later date.
- 3.5 Currently the maximum duration for unsecured term deposits is 13 months. The Chief Financial Officer in consultation with the Cabinet Member for Finance and Performance may consider longer duration depending on market conditions. For bonds, the maximum duration will be five years including, where applicable, the 5-year benchmark bond which may at the point of issue have a maturity a few months in excess of five years.

#### **Treasury Adviser**

- 3.6 The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. Officers meet with Arlingclose on a quarterly basis, receive information daily and attend relevant training courses.

#### **4. Alternative Options**

- 4.1 The strategy is intended to give flexibility with regard to borrowing and investment options.

#### **5. Consultation Undertaken or Proposed**

- 5.1 Consultation has been taken with Arlingclose.

## 6. Implications

| Issue                                 | Implications  |
|---------------------------------------|---|
| Corporate Plan                        | Good management of the Council's cash balances assists the overall financial position of the Council and this helps meet its objective to be a Council to be proud of.  |
| Financial, Resource and Property      | The budget for investment income in 2018/19 is £110,000, based on an average investment portfolio of £24m at an interest rate of 0.46%.<br><br>Arlingclose are commissioned to develop a model to underpin the longer term borrowing strategy and the financial implications will be reported during 2018/19. |
| Legal and Statutory                   | Ministry of Housing, Communities and Local Government and CIPFA requirements complied with.   |
| Crime and Disorder                    | Not applicable  |
| Sustainability                        | Not applicable  |
| Health and Wellbeing                  | Not applicable  |
| Risk Management and Health and Safety | Risk is controlled through adherence to specific guidance included in CIPFA's Treasury Management Code of Practice and Cross-Sectoral Guidance Notes. The principle of security of funds over-rides investment performance considerations.  |
| Equality and Diversity                | Not applicable  |

## 7. Appendices

7.1 The following appendices are published with this report and form part of the report.

- Appendix I Arlingclose Interest Rate Forecast
- Appendix II Prudential and Treasury Management Indicators

## 8. Background Papers

None

### Arlingclose Interest Rate Forecast

- The Monetary Policy Committee (MPC) have changed their rhetoric, implying a rise in Bank Rate in the near future. Arlingclose are not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.
- This decision is still very data dependent and Arlingclose are now maintaining their central case for Bank Rate at 0.25% whilst introducing near-term upside risks to their forecasts.
- The Arlingclose central case is for gilt yields and therefore long-term interest rates to remain broadly stable in the across the medium term, but there may be near term volatility due to shifts in interest rate expectations.

|                                 | Dec-17      | Mar-18      | Jun-18      | Sep-18      | Dec-18      | Mar-19      | Jun-19      | Sep-19      | Dec-19      | Mar-20      | Jun-20      | Sep-20      | Dec-20      | Average     |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Official Bank Rate</b>       |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                     | 0.25        | 0.25        | 0.25        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.50        | 0.44        |
| <b>Arlingclose Central Case</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> | <b>0.25</b> |
| Downside risk                   | 0.00        | 0.00        | 0.00        | 0.00        | 0.00        | -0.25       | -0.25       | -0.25       | -0.25       | -0.25       | -0.25       | -0.25       | -0.25       | -0.15       |
| <b>3-month LIBID rate</b>       |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                     | 0.30        | 0.30        | 0.30        | 0.60        | 0.60        | 0.60        | 0.60        | 0.60        | 0.60        | 0.60        | 0.60        | 0.60        | 0.60        | 0.53        |
| <b>Arlingclose Central Case</b> | <b>0.25</b> | <b>0.25</b> | <b>0.30</b> | <b>0.30</b> | <b>0.30</b> | <b>0.30</b> | <b>0.30</b> | <b>0.30</b> | <b>0.30</b> | <b>0.30</b> | <b>0.30</b> | <b>0.30</b> | <b>0.30</b> | <b>0.29</b> |
| Downside risk                   | -0.10       | -0.10       | -0.15       | -0.10       | -0.10       | -0.20       | -0.20       | -0.20       | -0.20       | -0.20       | -0.20       | -0.20       | -0.20       | -0.17       |
| <b>1-yr LIBID rate</b>          |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                     | 0.15        | 0.15        | 0.20        | 0.30        | 0.30        | 0.30        | 0.30        | 0.30        | 0.30        | 0.30        | 0.30        | 0.65        | 0.65        | 0.32        |
| <b>Arlingclose Central Case</b> | <b>0.50</b> | <b>0.50</b> | <b>0.50</b> | <b>0.50</b> | <b>0.60</b> | <b>0.70</b> | <b>0.70</b> | <b>0.70</b> | <b>0.70</b> | <b>0.70</b> | <b>0.70</b> | <b>0.60</b> | <b>0.60</b> | <b>0.62</b> |
| Downside risk                   | -0.15       | -0.20       | -0.30       | -0.30       | -0.30       | -0.30       | -0.30       | -0.30       | -0.30       | -0.30       | -0.30       | -0.10       | -0.10       | -0.25       |
| <b>5-yr gilt yield</b>          |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                     | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        |
| <b>Arlingclose Central Case</b> | <b>0.55</b> | <b>0.55</b> | <b>0.60</b> | <b>0.60</b> | <b>0.60</b> | <b>0.65</b> | <b>0.70</b> | <b>0.75</b> | <b>0.80</b> | <b>0.85</b> | <b>0.90</b> | <b>0.95</b> | <b>0.95</b> | <b>0.73</b> |
| Downside risk                   | -0.20       | -0.20       | -0.25       | -0.25       | -0.25       | -0.35       | -0.40       | -0.40       | -0.40       | -0.40       | -0.40       | -0.40       | -0.40       | -0.33       |
| <b>10-yr gilt yield</b>         |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                     | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        |
| <b>Arlingclose Central Case</b> | <b>1.05</b> | <b>1.05</b> | <b>1.05</b> | <b>1.05</b> | <b>1.05</b> | <b>1.10</b> | <b>1.15</b> | <b>1.20</b> | <b>1.25</b> | <b>1.30</b> | <b>1.35</b> | <b>1.40</b> | <b>1.40</b> | <b>1.18</b> |
| Downside risk                   | -0.20       | -0.35       | -0.25       | -0.25       | -0.25       | -0.25       | -0.25       | -0.25       | -0.25       | -0.25       | -0.25       | -0.15       | -0.15       | -0.24       |
| <b>20-yr gilt yield</b>         |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                     | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.70        | 0.70        | 0.57        |
| <b>Arlingclose Central Case</b> | <b>1.60</b> | <b>1.60</b> | <b>1.60</b> | <b>1.60</b> | <b>1.60</b> | <b>1.65</b> | <b>1.70</b> | <b>1.75</b> | <b>1.80</b> | <b>1.85</b> | <b>1.90</b> | <b>1.95</b> | <b>1.95</b> | <b>1.73</b> |
| Downside risk                   | -0.30       | -0.30       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.34       |
| <b>50-yr gilt yield</b>         |             |             |             |             |             |             |             |             |             |             |             |             |             |             |
| Upside risk                     | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.55        | 0.85        | 0.85        | 0.60        |
| <b>Arlingclose Central Case</b> | <b>1.50</b> | <b>1.50</b> | <b>1.50</b> | <b>1.50</b> | <b>1.50</b> | <b>1.55</b> | <b>1.60</b> | <b>1.65</b> | <b>1.70</b> | <b>1.75</b> | <b>1.80</b> | <b>1.85</b> | <b>1.85</b> | <b>1.63</b> |
| Downside risk                   | -0.30       | -0.30       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.35       | -0.50       | -0.50       | -0.37       |

## Prudential and Treasury Management Indicators

### Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

#### 1. Gross Debt and the Capital Financing Requirement (CFR)

This is a key indicator of prudence. In order to ensure that over the medium term net debt will only be for a capital purpose, the local authority should ensure that the net debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

| <b>Gross Debt and the Capital Financing Requirement</b>  | <b>2017/18<br/>Revised<br/>£'000</b> | <b>2018/19<br/>Estimate<br/>£'000</b> | <b>2019/20<br/>Estimate<br/>£'000</b> | <b>2020/21<br/>Estimate<br/>£'000</b> |
|--|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Gross CFR  | 13,069                               | 41,572                                | 41,444                                | 40,299                                |
| Less: Other Long Term Liabilities                        | (200)                                | (41)                                  | (24)                                  | (19)                                  |
| <b>Borrowing CFR</b>                                     | <b>12,869</b>                        | <b>41,531</b>                         | <b>41,420</b>                         | <b>40,280</b>                         |
| Less: External Borrowing                                 | 0                                    | (26,522)                              | (26,522)                              | (26,522)                              |
| <b>Cumulative Maximum External Borrowing Requirement</b> | <b>12,869</b>                        | <b>15,009</b>                         | <b>14,898</b>                         | <b>13,758</b>                         |

#### 2. Estimates of Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax. (See Capital Programme in 2018/19 Budget Report)

| <b>Capital Expenditure and Financing</b> | <b>2017/18<br/>Revised<br/>£'000</b> | <b>2018/19<br/>Estimate<br/>£'000</b> | <b>2019/20<br/>Estimate<br/>£'000</b> | <b>2020/21<br/>Estimate<br/>£'000</b> |
|--|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>Total Expenditure</b>                 | <b>11,835</b>                        | <b>33,717</b>                         | <b>2,937</b>                          | <b>2,018</b>                          |
| Capital receipts                         | 516                                  | 0                                     | 0                                     | 0                                     |
| Grants                                   | 3,647                                | 1,765                                 | 1,765                                 | 1,765                                 |
| Revenue contributions                    | 389                                  | 118                                   | 58                                    | 228                                   |
| Internally borrow                        | 7,283                                | 5,312                                 | 1,114                                 | 25                                    |
| Externally borrow                        | 0                                    | 26,522                                | 0                                     | 0                                     |
| <b>Total Financing</b>                   | <b>11,835</b>                        | <b>33,717</b>                         | <b>2,937</b>                          | <b>2,018</b>                          |

## Prudential and Treasury Management Indicators

### 3. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

| <b>Ratio of Financing Costs to Net Revenue Stream</b> | <b>2017/18 Revised</b> | <b>2018/19 Estimate</b> | <b>2019/20 Estimate</b> | <b>2020/21 Estimate</b> |
|---|------------------------|-------------------------|-------------------------|-------------------------|
|   | %                      | %                       | %                       | %                       |
| <b>Total</b>  | <b>2.88</b>            | <b>7.01</b>             | <b>6.63</b>             | <b>5.66</b>             |

### 4. Incremental Impact of Capital Investment Decision

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact on Council Tax is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement from the capital programme proposed.

| <b>Incremental Impact of Capital Investment Decisions</b> | <b>2018/19 Estimate</b> | <b>2019/20 Estimate</b> | <b>2020/21 Estimate</b> |
|---|-------------------------|-------------------------|-------------------------|
|   | £                       | £                       | £                       |
| <b>Increase/(Decrease) in Band D Council tax</b>          | <b>13.82</b>            | <b>(0.42)</b>           | <b>(0.09)</b>           |

### 5. Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

| <b>Capital Financing Requirement</b> | <b>2017/18 Revised</b> | <b>2018/19 Estimate</b> | <b>2019/20 Estimate</b> | <b>2020/21 Estimate</b> |
|--------------------------------------|------------------------|-------------------------|-------------------------|-------------------------|
|                                      | £'000                  | £'000                   | £'000                   | £'000                   |
| <b>Total CFR</b>                     | <b>13,069</b>          | <b>41,572</b>           | <b>41,444</b>           | <b>40,299</b>           |

### 6. Authorised Limit for External Debt

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e., not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e., long and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent

## Prudential and Treasury Management Indicators

with the Council's existing commitments, its proposals for capital expenditure and financing, and its approved treasury management policy statement and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

| <b>Authorised Limit for External Debt</b> | <b>2017/18 Revised<br/>£'000</b> | <b>2018/19 Estimate<br/>£'000</b> | <b>2019/20 Estimate<br/>£'000</b> | <b>2019/20 Estimate<br/>£'000</b> |
|---|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Borrowing                                 | 60,000                           | 60,000                            | 60,000                            | 60,000                            |
| Other Long-term Liabilities               | 2,000                            | 2,000                             | 2,000                             | 2,000                             |
| <b>Total</b>                              | <b>62,000</b>                    | <b>62,000</b>                     | <b>62,000</b>                     | <b>62,000</b>                     |

### 7. Operational Boundary for External Debt

The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease and other liabilities that are not borrowing.

| <b>Operational Boundary</b> | <b>2016/17 Revised<br/>£'000</b> | <b>2017/18 Estimate<br/>£'000</b> | <b>2018/19 Estimate<br/>£'000</b> | <b>2019/20 Estimate<br/>£'000</b> |
|-----------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Borrowing                   | 55,000                           | 55,000                            | 55,000                            | 55,000                            |
| Other Long-term Liabilities | 200                              | 41                                | 24                                | 19                                |
| <b>Total</b>                | <b>55,200</b>                    | <b>55,041</b>                     | <b>55,024</b>                     | <b>55,019</b>                     |

### 8. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council has adopted the principles of best practice.

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* on 22 February 2012.

Just before Christmas CIPFA published new editions of Treasury Management in the Public Sector Code of Practice and the Prudential Code for Capital Finance in Local Authorities and the intention is to adopt them during 2018/19.

### 9. Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits



### Prudential and Treasury Management Indicators

on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

| <b>Upper Limit</b>  | <b>2018/19<br/>Estimate</b> | <b>2019/20<br/>Estimate</b> | <b>2020/21<br/>Estimate</b> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Interest on fixed rate borrowing                          | 100%                        | 100%                        | 100%                        |
| Interest on fixed rate investments                        | -100%                       | -100%                       | -100%                       |
| <b>Upper Limit for Fixed Interest Rate</b>                | <b>0%</b>                   | <b>0%</b>                   | <b>0%</b>                   |
| Interest on variable rate borrowing                       | 100%                        | 100%                        | 100%                        |
| Interest on variable rate investments                     | -100%                       | -100%                       | -100%                       |
| <b>Upper Limit on Variable Interest Rate<br/>Exposure</b> | <b>0%</b>                   | <b>0%</b>                   | <b>0%</b>                   |

#### 10. Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

| <b>Maturity Structure of Borrowing</b> | <b>Lower Limit<br/>for 2018/19<br/>%</b> | <b>Upper Limit for<br/>2018/19<br/>%</b> |
|--|--|--|
| Under 12 months                        | 0  | 100                                      |
| 12 months and within 24 months         | 0  | 100                                      |
| 24 months and within 5 years           | 0  | 100                                      |
| 5 years and within 10 years            | 0  | 100                                      |
| 10 years and above                     | 0  | 100                                      |

#### 11. Principal Sums Invested for Periods Longer than 364 days

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

|  | <b>2018/19<br/>£'000</b> | <b>2019/20<br/>£'000</b> | <b>2020/21<br/>£'000</b> |
|--|--------------------------|--------------------------|--------------------------|
| Limit on principal invested longer than 364 days | 10,000                   | 10,000                   | 10,000                   |

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|                        |
|------------------------|
| <b>Council Meeting</b> |
|------------------------|

|                        |   |
|------------------------|---|
| <b>Meeting Date</b>    | 21 February 2018                          |
| <b>Report Title</b>    | Timetable of Meetings                     |
| <b>Cabinet Member</b>  | Leader                                    |
| <b>SMT Lead</b>        | Chief Executive                           |
| <b>Head of Service</b> | n/a                                       |
| <b>Lead Officer</b>    | Democratic and Electoral Services Manager |
| <b>Key Decision</b>    | No  |
| <b>Classification</b>  | Open                                      |
| <b>Forward Plan</b>    | Reference number: n/a                     |

|                        |   |
|------------------------|---|
| <b>Recommendations</b> | 1. That Annual Council agrees the programme of meetings set out in Appendix I to this report. |
|------------------------|---|

## 1 Purpose of Report and Executive Summary

1.1 Each year the Timetable of Meetings is submitted to Annual Council to agree the programme for the next Municipal Year. To allow for future programming, the timetable is submitted to Council in February for ratification and then presented to Annual Council for noting.

## 2 Background

2.1 The Constitution requires the Council to approve a programme of meetings for the forthcoming Municipal Year.

2.2 Appendix I sets out a suggested programme of meetings (including foot notes). This is largely based on the previous year's programme, but Council and Cabinet Meetings have been scheduled to be more spread out throughout the year and to meet key deadlines. The timetable also covers the following criteria:

- (i) Planning meetings set to meet planning targets;
- (ii) Council meetings set to ensure financial decisions are made on time;
- (iii) Certain meetings meet on an 'as and when' basis and as such are not programmed into the timetable;

## 3 Proposal

3.1 That Members agree the proposed programme of meetings for the ensuing municipal year.

## 4 Alternative Options

- 4.1 The Council could suggest changes to the timetable of meetings, but the timetable proposed will ensure decision making meets key deadlines. Any changes to the Committee structure would lead to amendments to the timetable of meetings. Any additional meetings would have financial and human resource implications.

## 5 Consultation Undertaken or Proposed

- 1.2 The draft timetable has previously been circulated to the Group Leaders, the Scrutiny Committee Chairman, the Policy Development and Review Committee Chairman, Management Team and Heads of Service.

## 6 Implications

| Issue                                 | Implications  |
|---------------------------------------|---|
| Corporate Plan                        | A Council to be proud of.   |
| Financial, Resource and Property      | The cost of servicing the Council's committees will be met within existing budgets. The establishment of any additional Committee dates would have financial and human resource implications. |
| Legal and Statutory                   | None identified at this stage.  |
| Crime and Disorder                    | None identified at this stage.  |
| Sustainability                        | None identified at this stage.  |
| Health and Wellbeing                  | None identified at this stage.  |
| Risk Management and Health and Safety | None identified at this stage.  |
| Equality and Diversity                | None identified at this stage.  |

## 7 Appendices

The following documents are to be published with this report and form part of the report

- Appendix I: Timetable Of Meetings

## 8 Background Papers

None.

## Timetable of Meetings 2018/19

| Meeting                                 | Day                   | May 2018               | June 2018         | July 2018         | Aug 2018 | Sept 2018 | Oct 2018 | Nov 2018          | Dec 2018 | Jan 2019               | Feb 2019          | March 2019        | April 2019             | May 2019                |
|---|-----------------------|------------------------|-------------------|-------------------|----------|-----------|----------|-------------------|----------|------------------------|-------------------|-------------------|------------------------|-------------------------|
| Council                                 | <i>Wed</i>            | 15,16                  | 13                | 25                |          |           | 10       | 14                |          | 9                      | 20                |                   | 3                      | 21, 22                  |
| Cabinet                                 | <i>Wed</i>            | 30                     |                   | 11                |          | 26        | 31       |                   | 12       |                        | 6                 | 20                |                        |                         |
| Cabinet Agenda Planning                 | <i>Mon</i>            | 14                     | 25                |                   |          | 10        | 15       | 26                |          | 21                     |                   | 4                 |                        | 20                      |
|   |                       |                        |                   |                   |          |           |          |                   |          |                        |                   |                   |                        |                         |
| Audit Committee                         | <i>Wed</i>            |                        |                   | 30 <sup>Mon</sup> |          | 19        |          | 28                |          |                        |                   | 13                |                        |                         |
| General Licensing Committee             | <i>Thurs</i>          |                        |                   | 12                |          |           |          |                   |          | 17                     |                   |                   |                        |                         |
| General Purposes Committee <sup>i</sup> |                       |                        |                   |                   |          |           |          |                   |          |                        |                   |                   |                        |                         |
| Licensing Act 2003 Committee            | <i>Thurs</i>          |                        |                   |                   |          | 6         |          |                   |          |                        |                   | 14                |                        |                         |
| Local Dev. Framework Panel              | <i>Thurs</i>          | 31                     | 27 <sup>Wed</sup> |                   |          | 20        |          | 29                |          | 31                     |                   |                   |                        |                         |
| Planning Committee                      | <i>Thurs</i>          | 24                     | 21                | 19                | 16       | 13        | 11       | 8                 | 6        | 10                     | 7                 | 7                 | 4                      | 9                       |
| Policy Dev. & Review Committee          | <i>Wed</i>            |                        | 6                 | 18                |          | 12        | 24       | 27 <sup>Tue</sup> |          | 16                     | 12 <sup>Tue</sup> |                   |                        |                         |
| Scrutiny Committee <sup>ii</sup>        | <i>Wed</i>            |                        | 7 <sup>Thu</sup>  | 4                 | 29       |           | 3        | 7                 |          | 15 <sup>Tue</sup> , 23 | 27                | 21 <sup>Thu</sup> |                        |                         |
| Standards Committee <sup>iii</sup>      | <i>Tues</i>           |                        |                   | 3                 |          |           |          | 20                |          |                        |                   |                   |                        |                         |
| Swale Joint Transportation Board        | <i>Mon</i>            |                        | 25                |                   |          | 10        |          |                   | 17       |                        |                   | 18                |                        |                         |
|   |                       |                        |                   |                   |          |           |          |                   |          |                        |                   |                   |                        |                         |
| Member Training                         | <i>Tue/<br/>Thurs</i> |                        | 14                | 26                |          | or 27     | 4,18,25  | 1,22              | 13       | 29 <sup>Tue</sup>      | 21                | 12 <sup>Tue</sup> | ,11, 16 <sup>Tue</sup> |                         |
|   |                       |                        |                   |                   |          |           |          |                   |          |                        |                   |                   |                        |                         |
| Conservative Group Meeting - 7pm        | <i>Tue</i>            | 8,14 <sup>Mon</sup>    | 12                | 10,24             |          | 25        | 9, 30    | 13                | 11       | 8 <sup>Tue</sup> ,     | 5,19              | 19                | 2                      | 14, 20 <sup>Mon</sup>   |
| UKIP Group Meeting - 4pm                | <i>Tue</i>            | 8 or 14 <sup>Mon</sup> | 26                | 24                |          | 18        | 16       | 20                | 11       | 22                     | 5                 | 5                 |                        | 13 or 20 <sup>Mon</sup> |

Elections are on 2 May 2019

<sup>i</sup> None scheduled at the moment (merged with Appointments Committee, with Appointments Committee as a Sub-Committee)

<sup>ii</sup> 23 January 2019 – meeting for consideration of the budget (Cabinet Members invited to attend)

<sup>iii</sup> Hearing sub-Committees will be arranged as and when, similar to the arrangement of Licensing Sub-Committee

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**Council: 21 February 2018**

**Recommendations for the Council to note**

**Cabinet Meeting – 7 February 2018**

**Minute No. 472 – Medium Term Financial Plan and 2018/19 Budget**

***Recommended:***

- (1) That the 2018/19 revenue budget proposals be approved.*
- (2) That the medium term funding position be noted.*
- (3) That the draft capital budget be approved.*
- (4) That the additional amount of Council tax for parish precepts be noted.*
- (5) That the recommendations of Scrutiny Committee be considered.*
- (6) That the Minimum Revenue Provision Statement as set out in Appendix IX be approved.*
- (7) That, in light of the Council motion on air quality on 24 January 2018, within the budget provision be made for an extra £50,000 be allocated from reserved for air quality initiatives.*

**Minute No. 473 – Treasury Management Strategy Statement and Investment Strategy 2018/19**

***Recommended:***

- (1) That the Treasury Management Strategy 2018/19 and the Prudential and Treasury Management Indicators be approved.*

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