

## AGENDA

### SCRUTINY COMMITTEE MEETING

Date: Wednesday, 23 January 2019

Time: 7.00pm

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

Membership:

Councillors Mike Baldock, Bobbin, Lloyd Bowen (Chairman), Roger Clark, Derek Conway, Mike Dendor (Vice-Chairman), Mick Galvin, Mike Henderson, Ken Ingleton, George Samuel, Ben Stokes, Lynd Taylor and Roger Truelove.

Quorum = 4

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Pages

#### 1. 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; 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.

#### 2. Apologies for Absence and Confirmation of Substitutes

3. Minutes

To approve the Minutes of the Meeting held on 15 January 2019 (Minute Nos. TBC) as a correct record.

4. 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.

**Part One - Substantive Items**

5. Financial Management Report - April - September 2018

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The Committee is asked to consider the Financial Management Report April – September 2018.

The Cabinet Member for Finance and Performance and the Chief Financial Officer will be attending the meeting.

6. Budget 2019/20 and Medium Term Financial Plan

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To review the draft Budget and Medium Term Financial Plan for 2019/20 and to consider making recommendations to Cabinet on 6 February 2019.

Cabinet Members and their Deputies; and the following Officers have been invited to attend the meeting, as have all Members:

Chief Executive; Director of Regeneration; Chief Financial Officer; Head of Property; Head of Commissioning, Environment and Leisure; Head of Policy, Communications and Customer Services; Head of Planning Services; and Head of Housing, Economy and Community Services.

### **Issued on Monday, 14 January 2019**

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 the Scrutiny Committee, please visit [www.swale.gov.uk](http://www.swale.gov.uk)

**Chief Executive, Swale Borough Council,  
Swale House, East Street, Sittingbourne, Kent, ME10 3HT**

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## Update Report to Scrutiny Committee

### Financial Management Report

#### Introduction

At the request of Scrutiny Committee this report aims to give an update to the formally reported budget monitoring position of the Council in a RAG rated format.

The table below shows any major movements between the September position in the Cabinet report and the October report to SMT.

<b>RAG</b>	<b>ISSUE</b>	<b>COMMENTARY</b>
	Projected underspend at Council level.	Projected underspend increased from £227k to £465k.
	Planning fees.	Increased surplus from £265k to £366k.
	Temporary accommodation costs.	Reduction in overspend of £67k from £102k to £35k.
	Staff salaries.	Underspend increased by £123k from £221k to £344k.
	Pre application planning advice fees	Now projecting break even rather than £18k shortfall.
	Off street car parking income.	Increase of £8k in projected surplus from £143k to £151k.

There were no adverse (Red) movements to report.

Nick Vickers  
Chief Financial Officer

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<b>Scrutiny</b>	
<b>Meeting Date</b>	23 January 2019
<b>Report Title</b>	<b>Financial Management Report – April – September 2018</b>
<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 / Caroline Frampton, Principal Accountant
<b>Key Decision</b>	Yes
<b>Classification</b>	Open
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. Note the projected revenue underspend on services of £227,000 (Table 1 refers).</li> <li>2. Note the capital expenditure of £7.477m to end of September 2018 (Paragraph 3.14 and Table 4 Appendix I refers).</li> <li>3. Note that the Council will use the remaining balance in the Business Rate Pilot Shared Fund to contribute to the M2 Junction 5 improvements.</li> </ol>

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

- 1.1 This report invites Scrutiny to consider the revenue and capital projected outturn activity for 2018/19 as at the end of September 2018. The report is based on service activity up to the end of September 2018 and is collated from monitoring returns from budget managers.
- 1.2 The headline figures are:
- Total forecast revenue underspend of £227,000;
  - Capital expenditure of £7,476,954.
- 1.3 This report will be going to Scrutiny on 23 January 2019.

## **2. Background**

- 2.1 The Council operates a monthly budget monitoring process for budget managers, with regular reports to the Cabinet Member for Finance & Performance and the Strategic Management Team.
- 2.2 Financial monitoring reports are presented to Cabinet on a quarterly basis, as well as to Scrutiny Committee.

### 3. Proposals

#### Revenue Outturn

3.1 As at the end of September the forecast revenue underspend projected to 31 March 2019 is £227,000.

**Table 1: Projected Variance by Service**

		<b>Working Budget</b> £	<b>Projected Outturn</b> £	<b>Projected Variance</b> £
Chief Executive	M. Radford	336,630	281,630	(55,000)
Democratic Services	K. Bescoby	993,140	925,140	(68,000)
Policy, Communications & Customer Service	D. Clifford	1,160,490	1,165,490	5,000
Director of Regeneration	E. Wiggins	219,740	212,740	(7,000)
Commissioning, Environment & Leisure	M. Cassell	5,460,020	5,207,020	(253,000)
Planning	J. Freeman	888,450	873,450	(15,000)
Housing, Economy & Community Services	C. Hudson	3,049,400	3,113,400	64,000
Property	A. Adams	555,490	555,490	0
Resources: Finance, Revenues & Benefits	N. Vickers	2,928,200	2,844,200	(84,000)
Resources: Resilience & Licensing	D. Fackrell	41,390	28,390	(13,000)
Information Technology	C. Woodward	1,166,310	1,139,310	(27,000)
Audit	R. Clarke	176,160	188,160	12,000
Environmental Health	T. Beattie	531,090	516,090	(15,000)
Human Resources	B. Sandher	379,170	340,170	(39,000)
Legal	P. Narebor	437,390	427,390	(10,000)
Corporate Items	N. Vickers	254,930	532,930	278,000
<b>NET REVENUE SERVICE EXPENDITURE</b>		<b>18,578,000</b>	<b>18,351,000</b>	<b>(227,000)</b>
<b>Financed by:</b>				
Revenue Support Grant		0	0	0
Business Rates		(8,441,000)	(8,441,000)	0
New Homes Bonus		(2,046,000)	(2,046,000)	0
Collection Fund Surplus		(178,000)	(178,000)	0
Council Tax		(7,913,000)	(7,913,000)	0
<b>TOTAL FINANCING</b>		<b>(18,578,000)</b>	<b>(18,578,000)</b>	<b>0</b>
<b>NET EXPENDITURE</b>		<b>0</b>	<b>(227,000)</b>	<b>(227,000)</b>
<b>Table 2: Projected Variance by Directorate</b>				
		<b>Working Budget</b> £	<b>Projected Outturn</b> £	<b>Projected Variance</b> £
Chief Executive		336,630	281,630	(55,000)
Democratic Services		993,140	925,140	(68,000)
Regeneration		10,778,100	10,572,100	(206,000)
Resources		3,780,010	3,961,010	181,000
Mid Kent Services		2,690,120	2,611,120	(79,000)
<b>NET REVENUE SERVICE EXPENDITURE</b>		<b>18,578,000</b>	<b>18,351,000</b>	<b>(227,000)</b>



- 3.2 Table 1 in Appendix I details the significant service movements by type of variance.
- 3.3 Table 2 in Appendix I details the line-by-line service variations.

### **Business Rates**

- 3.4 The Council is due to collect £48m of business rates in 2018/19. After the complicated system of levies and tariffs has been accounted for, the Council is forecast to receive £8.4m.
- 3.5 Council has previously agreed to the establishment of a Business Rates Volatility Reserve, in order to assist the Council in managing the anticipated volatility in business rate income resulting from the introduction of business rate localisation from 2013/14. There are a number of causes of this volatility, such as new businesses opening, existing business growing or closing, rating appeals, and collection rates. The balance on the reserve is currently £3.5m.
- 3.6 The Council has set aside £8.5m for business rate appeals. This indicates how business rate income can vary greatly as a result of a decision made on business rate appeals.
- 3.7 The Council is participating in the pilot full localisation of business rates as one of 11 pilots being run nationally. As previously reported in the budget report, Swale will benefit significantly from this and in the budget we allowed for an additional £250,000 of income. Initial monitoring suggests that this figure will be exceeded. Work has already started on a bid for pilot status in 2019/20. The Government recently announced that the 2019/20 pilots will be based upon 75% rather than 100% of local business rate retention. An agreed bid for 2019/2020 has been made.
- 3.8 The total level of business rates is due to be less than originally forecast, due to a lower level of business development than originally anticipated. However, as a result of the Council participating in the Kent wide pilot scheme, the Council's own share of business rates is due to be greater than budgeted by £300,000.

### **Improvement and Regeneration Funds**

- 3.9 Table 3 below details the position on a number of reserve funds. Total reserves not committed is £1,115,000.
- 3.10 Cabinet in July approved the topping up of funds as detailed in the table below.
- 3.11 Table 3 in Appendix I details the approvals from the Improvement and Regeneration Funds during 2018/19. These total £221,292.

**Table 3: Improvement and Regeneration Funds**

<b>Funds</b>	<b>Balance as at 1 April 2018</b>	<b>Topping up of funds in 2018/19</b>	<b>Funds Committed as at 1 April 2018</b>	<b>Funds Committed (refer to Appendix I) 2018/19</b>	<b>Funds Not Yet Committed</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Performance	316	300	(264)	(40)	312
Regeneration	350	300	(217)	(47)	386
Communities	111	75	(40)	(53)	93
Pension & Redundancy	205	0	0	(81)	124
Local Loan Fund	200	0	0	0	200
<b>TOTAL</b>	<b>1,182</b>	<b>675</b>	<b>(521)</b>	<b>(221)</b>	<b>1,115</b>

**Capital Expenditure**

3.12 This section of the report details actual capital expenditure and highlights any variations between the revised 2018/19 capital budget and the projected outturn.

3.13 A reconciliation between the original and revised capital budgets is set out below:

**Table 4: Reconciliation of Original to Revised Capital Budget**

	<b>£</b>
<b>Original Budget</b>	<b>33,717,120</b>
2017/18 rollovers (Minute 112/07/2018)	1,935,972
Leisure Centres (Minute 40/05/2018)	1,000,000
Queenborough Causeway (Minute 104/07/2015)	60,000
Former Bus Depot, East Street (Minute 198/09/2017)	1,155,694
Swale Lifts Replacement (Minute 194/09/2017)	73,060
<b>Revised Budget</b>	<b>37,941,846</b>

3.14 Actual expenditure to end of September 2018 is £7,476,954 (Table 5 below refers). This represents 20% of the revised budget. Although an overspend of £44k is forecast at this stage this will be met from internal reserves or S106 receipts and is therefore for noting only. Further details by Heads of Service are set out in Table 4 in Appendix I.

**Table 5: Capital Programme Expenditure**

	<b>Revised Budget 2018/19</b>	<b>Actual to end of September 2018</b>	<b>Projected Full Year Variance 2018/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>

	<b>Revised Budget 2018/19</b>	<b>Actual to end of September 2018</b>	<b>Projected Full Year Variance 2018/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Commissioning, Environment & Leisure	2,384	108	44
Housing, Economy & Community Services	35,325	7,288	0
Property	73	73	0
Environmental Services MKS	57	8	0
ICT MKS	103	0	0
<b>Total Swale Borough Council funded</b>	<b>34,809</b>	<b>6,775</b>	<b>0</b>
<b>Total Partnership funded</b>	<b>3,133</b>	<b>702</b>	<b>44</b>
<b>Total Capital Programme</b>	<b>37,942</b>	<b>7,477</b>	<b>44</b>
% spent to date compared to Revised Budget		20%	

- 3.15 The phasing of the capital programme will not be equal through the year and STC spend is heavier in the second half of the year with the commencement of the leisure build.
- 3.16 The 2018/19 capital programme expenditure of £7,476,954 is funded as set out in Table 6 below. As yet, the Council has not undertaken any external borrowing.
- 3.17 Through the Business Rates Pilot there is a shared fund with KCC for projects which both councils agree and the balance is £800k. This Council can only use these funds for a purpose agreed with KCC under the rules of the scheme. Discussions have taken place between the Leaders and the KCC Cabinet Member for Highways, Transportation and Waste on both KCC and this Council making a financial contribution to ensure that the new M2 Junction 5 does achieve the improvements that are needed.

**Table 6: Capital Programme Funding**

Source of funding	Revised Budget 2018/19	Actual to end of September 2018	Projected Full Year Variance 2018/19
	£'000	£'000	£'000
Internal Borrowing	33,989	6,603	0
Partnership funding (including S106 Grants)	3,133	702	44
Earmarked Reserves	362	164	0
Capital Receipts	458	8	0
<b>Total Funded</b>	<b>37,942</b>	<b>7,477</b>	<b>44</b>

**Payment of Creditors**

3.18 The payment of creditors to end of September 2018 is 99.5% paid in 30 days against the target of 97%.

**Debtors**

3.19 Tables 5 and 6 in Appendix I analyse the sundry debt outstanding.

**4. Alternative Options**

4.1 None identified – this report is for information.

**5. Consultation Undertaken or Proposed**

5.1 Heads of Service and Strategic Management Team have been consulted in preparing this report.

**6. Implications**

Issue	Implications
Corporate Plan	Good financial management is key to achieving our Corporate Plan priority of being “A council to be proud of”.
Financial, Resource and Property	As detailed in the report.
Legal, Statutory and Procurement	None identified at this stage.
Crime and Disorder	None identified at this stage.
Environment & Sustainability	None identified at this stage.
Health & 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.
Privacy and Data Protection	None identified at this stage.

## **7. Appendices**

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

- Appendix I: Financial Monitoring as at the end of September 2018;

## **8. Background Papers**

8.1 [Budget 2018/19 and Medium Term Financial Plan 2018/19 to 2020/21](#)

## Financial Monitoring Report – April – September 2018

**Table 1: Service Movements by Type**

Service/Contract	Reason for Variance	Projected Variance (September 2018) £'000
<b>Additional Income: (brackets in variance mean additional income)</b>		
Parking Management	Additional off street parking income	(143)
Parking Management	Net income on-street parking	(39)
Planning	Net additional planning income	(265)
Licensing	Hackney Carriage (net)	(34)
Corporate	External interest (net)	(103)
Highways	Street naming	(20)
Seafront	Beach hut income	(6)
Homelessness	Homelessness Prevention Grant	(10)
Refuse Collection/Street Cleansing/Public Conveniences	Additional income from sale of wheeled bins	(32)
<b>Loss of Income:</b>		
Development Control	Pre-Application Planning Advice	18
Land Charges	Reduced income from fees	45
Parking Management	Penalty charge notice	25
Licensing	Gambling licence fees	22
Housing Benefit & Council Tax	Loss of Admin Grant (net)	108
Homelessness	Homelessness housing	18
Stay Put Scheme	Reduced income from Disabled Facilities Grants (DFG) fees	3
<b>Total Net Income</b>		<b>(413)</b>
<b>Procurement /Shared Service Savings/Costs: (brackets in variance mean underspend)</b>		
Refuse Collection/Street Cleansing/Public Conveniences	Contracts	(73)
Parking	Partnership	34
Internal Audit	Shared service	12

<b>Service/Contract</b>	<b>Reason for Variance</b>	<b>Projected Variance (September 2018) £'000</b>
Environmental Services	Shared service	(10)
CCTV	Additional contract costs	8
Leisure	Swallows operating & management costs saving	(13)
Democratic Services	MKS graduate shared service (underspend in 17/18)	(38)
Enforcement Service – Council Tax	Additional expected profit shared service	(46)
Planning	Shared service	30
Planning	Reduced costs building control	(8)
<b>Total Procurement/Shared Service Savings/Costs</b>		<b>(104)</b>
<b>Additional Costs:</b>		
Homelessness	Temporary accommodation (net)	102
Sittingbourne Master Plan	Consultancy fees re Sittingbourne Town Centre project	55
Parking Management	Car Parks – business rates	28
Parking Management	Car Parks – cash security and RingGo fees	51
Refuse Collection/Street Cleansing/Public Conveniences	Purchase of wheeled bins	39
Additional Minimum Revenue Provision (MRP) costs due to capital investment in Leisure Centres	Leisure Centres	103
Corporate Savings	Staff savings as part of the 18/19 budget not achieved (original budget £250k)	70
<b>Total Additional Costs</b>		<b>448</b>
<b>Underspends: (brackets in variance mean additional underspend)</b>		
Salaries	(refer to note A below)	(221)
Chief Executive	Special projects	(10)
Democratic Services	Members' allowances & travel	(30)
Legal	External legal fees	(11)

<b>Service/Contract</b>	<b>Reason for Variance</b>	<b>Projected Variance (September 2018) £'000</b>
Corporate	Pension Enhancements	(15)
Markets	Business rates	(16)
<b>Total Underspends</b>		<b>(303)</b>
<b>Total Variance</b>		<b>(372)</b>
<b>Movement on reserves (See Corporate Items Table 2 in Appendix I)</b>		137
<b>Other Net Overspends</b>		8
<b>Net Total Variance</b>		<b>(227)</b>

Note A – The projected underspend on salaries includes £177k savings being made in Revenue Services to offset the loss of DWP Housing Benefit Grant.



**Table 2: Projected Net (Under)/Overspend / Income Shortfall  
as at end of September 2018 by Service**

<b>Service – Cabinet Member (Budget Manager)</b>	<b>£'000</b>	<b>Explanation</b>
<b>CHIEF EXECUTIVE – Mark Radford (Cllr A. Bowles)</b>		
Chief Executive & Corporate Costs	(55)	(£39k) Underspend – net staff costs. (£10k) Underspend – special project costs. (£6k) Net Underspend.
<b>TOTAL CHIEF EXECUTIVE</b>	<b>(55)</b>	
<b>DEMOCRATIC SERVICES – Katherine Bescoby (Cllr A. Bowles)</b>		
Democratic Process	(29)	(£21k) Underspend – members' allowances. (£12k) Underspend – members' travel. £4k Net additional costs.
Elections & Electoral Registration	(1)	(£1k) Underspend – net salary costs.
MKS shared Service Corporate Costs	(38)	(£38k) Underspend on costs of MKS graduate shared service costs from MBC as a result of underspend in 2017/18.
<b>TOTAL DEMOCRATIC SERVICES</b>	<b>(68)</b>	
<b>POLICY, COMMUNICATIONS AND CUSTOMER SERVICES (David Clifford) (Cllr A. Bowles)</b>		
Communications	(11)	Savings net salary and agency staff costs.
Customer Services	(44)	(£12k) Savings net general salary and agency staff costs; plus, (£23k) Savings salary staff costs offsetting overspend in Transformation Team. (£9k) Savings net other costs.
Policy	(14)	Underspend net salary costs.
Transformation	54	£54k Overspend net staff costs due to extension of Project Team to the end of February. These costs are offset by savings in Revenues & Benefits (£27k) and Customer Services (£23k).
Information Governance	20	£20k Overspend net agency staff.
<b>TOTAL POLICY, COMMUNICATIONS AND CUSTOMER SERVICES</b>	<b>5</b>	

<b>Service – Cabinet Member (Budget Manager)</b>	<b>£'000</b>	<b>Explanation</b>
<b>REGENERATION – (Emma Wiggins)</b>		
Head of Regeneration	(7)	(£7k) Underspend – net salary costs.
<b>TOTAL REGENERATION</b>	<b>(7)</b>	
<b>HOUSING, ECONOMY AND COMMUNITY SERVICES – Charlotte Hudson</b>		
<b>Community Services (Cllrs All)</b>		
CCTV	8	£8k Additional contract costs. (£2k) Line rental savings. £2k Other fees & charges overspend.
Community Halls and Centres	0	Nil variance reported.
Community Safety	(25)	Net staff costs saving.
Economy & Community Services, Cultural & Economic	(22)	Net salary and agency staff costs saving.
Members' Grants	0	Nil variance reported.
Economic Development	3	Net staff costs overspend.
Learning, Business & Skills	11	£8k Additional cost of apprentices. £3k Additional licence cost.
Tourism	6	Net staff costs overspend.
Arts Events & Activities	0	Nil variance reported.
Markets	(16)	(£5k) Business rates saving Sittingbourne market. (£11k) Business rates saving Faversham market.
Sports Development	(7)	Net staff costs saving.
Sub-total	(42)	
<b>Housing / Health – Cllrs A. Horton and D. Dewar-Whalley</b>		
Homelessness Temporary Accommodation	102	(£88k) Landlord payments less than forecast. £192k Benefit income less than forecast. (£2k) Net savings other costs.
Homelessness Temporary Houses	18	£14k Rent received reduced income. £4k Net other additional costs.
Housing Advice / Options	10	Net staff costs overspend.
Housing Development and Strategy	(12)	(£4k) Savings current salary costs. (£8k) Net savings salary costs.
Private Sector Housing	(3)	£7k Staff costs overspend. (£10k) Net additional income.

<b>Service – Cabinet Member (Budget Manager)</b>	<b>£'000</b>	<b>Explanation</b>
Stay Put Scheme	(9)	(£12k) Net salary and agency staff costs saving. £3k DFG fees reduced income.
Sub-total	106	
<b>TOTAL HOUSING, ECONOMY &amp; COMMUNITY SERVICES</b>	<b>64</b>	
<b>PLANNING – James Freeman (Cllr G. Lewin)</b>		
Building Control/ Dangerous Structures	(8)	Underspend – contract costs.
Development Control	(191)	(£265k) Additional income – planning fees. £68k Additional costs – agency fees – Enforcement. £18k Reduced income – Pre-Application planning advice. (£5k) Underspend – planning appeal. £13k Net other additional costs. (£20k) Net savings salary costs.
Development Services	32	Additional costs – Salaries and agency staff.
Local Land Charges	45	Reduced income from land charges.
Local Planning & Conservation	74	<b>N.B. Any underspend or overspend on the local plan will be transferred to the ring fenced reserve to be used solely to fund Local Development Framework (LDF) associated work.</b>
Mid Kent Planning Service (MKPS)	33	Additional costs.
<b>TOTAL PLANNING</b>	<b>(15)</b>	
<b>COMMISSIONING, ENVIRONMENT AND LEISURE – Martyn Cassell (Cllr Horton &amp; Cllr Simmons)</b>		
Commissioning & Procurement	(7)	(£5k) Savings salary costs. (£2k) Net savings miscellaneous costs.
Environmental Response Team	(11)	(£9k) Savings Dog Kennelling, Skip Clearance and mileage. (£2k) Additional income Returned Dogs.
Highways SBC	(19)	(£20k) Street naming & numbering fees additional income. £1k Net additional costs.

Service – Cabinet Member (Budget Manager)	£'000	Explanation
Parking Management	(56)	<p>(£7k) Staff costs saving.</p> <p>£34k Additional costs – Parking Partnership.</p> <p>£28k Additional costs – business rates and water rates.</p> <p>£3k Additional costs – cash security costs for cash in transit.</p> <p>£51k Additional costs – increased use of cashless parking option RingGo. We collect their fees for additional services and then pay them back out. Offset by increased income.</p> <p>(£143k) Net additional income – pay &amp; display fees (including season tickets).</p> <p>£25k Reduced income – Penalty charge notices.</p> <p>(£39k) Net surplus on-street parking (see note below).</p> <p>(£8k) Contract savings.</p> <p><b>N.B. Any surplus on street parking will be transferred to the ring fenced on-street parking account under Section 55 of the Road Traffic Act 1984.</b></p>
Client & Amenity Services and Technical Services	(59)	<p>(£52k) Net savings salary and agency staff costs.</p> <p>(£3k) Savings - postage.</p> <p>(£4k) Net savings miscellaneous costs.</p>
Contracts and Procurement	(1)	<p>£10k Overspend cellphone and postage.</p> <p>(£5k) Salary staff costs saving.</p> <p>(£5k) Savings equipment costs.</p> <p>(£1k) Saving miscellaneous other costs.</p>

Service – Cabinet Member (Budget Manager)	£'000	Explanation
Refuse Collection / Street Cleansing/ Public Conveniences	(81)	(£73k) Contract costs savings. (£32k) Additional income wheeled bins. £39k Wheeled bins costs additional expenditure. (£11k) Net additional income Special Collections, including A249 Litter Picking. (£3k) Savings Public Conveniences rates. (£1k) Net other costs savings.
Grounds Maintenance	(5)	Net grounds maintenance costs saving.
Cemeteries and Closed Churchyards	(2)	(£10k) Additional income interments. £8k Overspend Grounds Maintenance (off contract) costs.
Seafront and Harbour & Quays	(5)	£10k Overspend salary costs. (£6k) Net additional income Beach Huts. (£11k) Additional income memorial benches. £2k Additional cost RNLI contract.
Leisure, Sports, Open Spaces, Parks, Countryside and Country Parks	(7)	(£13k) Leisure centres operating and management contracts costs saving. £3k Overspend cesspool clearance Barton's Point. (£33k) Savings play areas equipment maintenance offset by £33k overspends on grounds maintenance (non- contract), equipment purchase and signage. (£5k) Savings grounds maintenance (non- contract) Open Spaces, Milton Country Park and Oare Gunpowder Works offset by £8k overspend other costs.
<b>TOTAL</b>	<b>(253)</b>	

Service – Cabinet Member (Budget Manager)	£'000	Explanation
<b>RESOURCES – Nick Vickers</b>		
Finance	(4)	(£4k) Net savings.
Revenues & Benefits	(80)	<p>£306k Loss of income Housing Benefit Admin Subsidy;            (£198k) Additional DWP Housing Benefit Grant;            (£177k) Staff cost savings;            (£3k) Additional DWP grant income.  <b>N.B. The additional net saving of (£72k) detailed above will be transferred to reserves at year end.</b></p> <p>(£27k) Additional staff cost savings offsetting overspend in Transformation Team.</p> <p>£35k Loss of income – from under recovery of overpayments of Housing Benefits.</p> <p>(£46k) Additional income – MKS Debt Enforcement Partnership anticipated surplus for 18/19.</p> <p>£34k additional staff costs.</p> <p>(£4k) Net other costs savings.</p>
Resilience & Licensing	(13)	<p>(£40k) additional income – Hackney Carriage licences.            £6k Additional costs – Hackney Carriage.            £22k Reduced income – gambling licence fees.            (£1k) Net savings.  <b>N.B. Any surplus on Hackney Carriage Licensing will be transferred to the ring fenced reserve to be used solely to fund Hackney Carriage related work</b></p>
<b>Sub Total</b>	<b>(97)</b>	
<b>ENVIRONMENTAL HEALTH – Tracey Beattie (Cllr. D. Simmons)</b>		
Environmental Health MKS	(10)	Underspend on shared service.
Environmental Services	(5)	Net underspends on client side.
<b>TOTAL ENVIRONMENTAL HEALTH</b>	<b>(15)</b>	
<b>PROPERTY – Anne Adams (Cllr. D. Dewar-Whalley)</b>		
Administrative Buildings	6	£6k Net additional costs.

<b>Service – Cabinet Member (Budget Manager)</b>	<b>£'000</b>	<b>Explanation</b>
Property Services	(11)	£11k Net savings.
Property Management	5	(£6k) Savings on utility costs at Sheerness District Office. £11k Net additional costs on general fund properties.
Building Maintenance	0	Nil variance.
<b>TOTAL PROPERTY</b>	<b>0</b>	
<b>TOTAL RESOURCES</b>	<b>(112)</b>	
<b>IT SERVICES – Chris Woodward (Cllr D. Dewar-Whalley)</b>		
Telecommunications (Admin Buildings)	(27)	£15k savings on equipment maintenance. £10k savings on line rental. £2k savings on courier fees.
Mid Kent ICT	0	<b>N.B. Any variance at year-end on IT maintenance &amp; software will be transferred to the ring fenced reserve to be used solely to fund IT related expenditure in future years.</b>
<b>TOTAL IT SERVICES</b>	<b>(27)</b>	
<b>INTERNAL AUDIT – Rich Clarke (Cllr D. Dewar-Whalley)</b>		
Mid Kent Audit	12	Additional shared service costs.
<b>TOTAL INTERNAL AUDIT</b>	<b>12</b>	
<b>HUMAN RESOURCES – Bal Sandher (Cllr D. Dewar-Whalley)</b>		
Mid Kent HR Service	(39)	Saving on shared service partnership
<b>TOTAL HUMAN RESOURCES</b>	<b>(39)</b>	
<b>LEGAL – Patricia Narebor (Cllr D. Dewar-Whalley)</b>		
Mid Kent Legal Partnership	0	Nil variance reported.
External Legal Fees	(10)	Underspend reported.
S106 Income	0	Nil variance reported.
<b>TOTAL LEGAL</b>	<b>(10)</b>	
<b>NON-SERVICE BUDGETS</b>		
Sittingbourne Town Centre Regeneration	55	Overspend on consultancy and specialist advice for regeneration works.
Princes Street Retail Park	10	Additional expenditure – Service charges

Service – Cabinet Member (Budget Manager)	£'000	Explanation
Corporate Items	213	<p>(£83k) Additional income – including external interest. Increase in cash flow and an improved return on our investments.</p> <p>£100k Overspend due to MRP incurred on leisure capital spend assuming the scheme is completed and goes live in 2018/19.</p> <p>£70k Salary savings in 2018/19 budget not being achieved.</p> <p>£6k Additional expenditure – Insurance premiums.</p> <p>(£15k) Reduced expenditure – Annual Pension</p> <p>£137k net contribution to reserves ring fenced services as detailed in the table above.</p> <p>(£2k) Additional income.</p>
<b>TOTAL</b>	<b>278</b>	
	<b>(227)</b>	<b>NET REVENUE EXPENDITURE (Underspend)</b>



**Table 3: Improvement & Regeneration Fund Allocations 2018/19  
as at the end of September 2018**

<b>Performance Fund</b>	<b>Amount £</b>
Housing Register Apprentice	9,895
Best Companies b-Heard Survey 2018/19	12,000
Transformation Team	17,812
<b>Total Performance Fund Approved as at September 2018</b>	<b>39,707</b>
<b>Regeneration Fund</b>	<b>Amount £</b>
Member Grants	47,000
<b>Total Regeneration Fund Approved as at September 2018</b>	<b>47,000</b>
<b>Communities Fund</b>	<b>Amount £</b>
The Mount Garden	5,000
Dolphin Sailing Barge Museum	35,000
Feasibility works for TS Hasarde	13,700
<b>Total Communities Fund Approved as at September 2018</b>	<b>53,700</b>
<b>Pension &amp; Redundancy Fund</b>	<b>Amount £</b>
Pension and Redundancy costs	80,885
<b>Total Pension &amp; redundancy Fund Approved as at September 2018</b>	<b>80,885</b>
<b>Total All Funds Approved as at September 2018</b>	<b>221,292</b>

Table 4: Capital Programme 2018/19

	Original Budget 2018/19 £	Revised Budget 2018/19 £	Actual to September 2018 £	Projected Full Year Variance 2018/19 £	Notes
<b><u>Commissioning, Environment &amp; Leisure - M. Cassell</u></b>					
New Play Area - Thistle Hill - S106	0	2,533	6,082	3,549	(a)
Iwade Orchard Artwork – S106	0	0	5,000	5,000	(a)
Play Area Refurbishment - Milton Recreation Ground - S106	0	0	35,190	35,190	(a)
Faversham Recreation Ground Improvements – S106	0	16,679	1,364	0	
Gunpowder Works Oare Faversham - S106	0	9,000	0	0	
Open Spaces Play Equipment – S106	100,000	100,000	0	0	
Cemeteries - Bell Road – Reserves	0	41,000	0	0	
Milton Creek Access Road – Reserves	0	40,000	0	0	
Modular Toilet Kiosks – Reserves	0	30,000	0	0	
Nursery Close/Queenborough Lines Bridge Replacement - Reserves	0	0	400	400	(b)
Queenborough Causeway - Reserves	0	60,000	60,000	0	
Resurfacing Promenade, The Leas - External Grant	0	85,000	34	0	
Leisure Centres – Internal Borrowing	1,000,000	2,000,000	0	0	
<b>Total Commissioning Environment &amp; Leisure</b>	<b>1,100,000</b>	<b>2,384,212</b>	<b>108,070</b>	<b>44,139</b>	

Table 4: Capital Programme 2018/19

	Original Budget 2018/19 £	Revised Budget 2018/19 £	Actual to September 2018 £	Projected Full Year Variance 2018/19 £	Notes
<b><u>Housing, Economy &amp; Community Services – C. Hudson</u></b>					
Easthall Farm Community Centre - S106	0	158,165	3,604	0	
The Mill Project, Sittingbourne Skate Park - S106	0	4,017	225	0	
The Mill Project, Sittingbourne Skate Park - Capital Receipts	0	200,000	0	0	
The Mill Project, Sittingbourne Skate Park - Capital Grant	0	15,000	0	0	
CCTV - Reserves - Repairs & Renewals	15,000	15,000	0	0	
Faversham Creek Basin Regeneration Project (swing bridge) - Capital Receipts	0	200,000	0	0	
Former Bus Depot, East Street – Internal Borrowing	0	1,155,694	1,155,694	0	
Sittingbourne Town Centre - Retail Properties - Internal Borrowing	720,130	720,130	864,951	144,821	(c)
Sittingbourne Town Centre - Other Assets - Internal Borrowing	59,740	59,740	1,689,027	1,629,287	(c)
Sittingbourne Town Centre - Multi Storey Car Park - Internal Borrowing	3,532,220	3,532,220	1,282,263	0	
Sittingbourne Town Centre - Regeneration - Internal Borrowing	26,521,830	26,521,830	1,611,157	(1,774,108)	(c)
Disabled Facilities Grants - External Grant	1,664,800	2,742,740	650,344	0	
Housing Renovation Grants Over 60 – External Grant	0	0	1,825		
HRG - Winter Warmth Grants – External Grant	0	0	7,477		
RHB2 Decent Home Loans Owner Occupier – External Grant	0	0	21,455		
<b>Total Housing, Economy &amp; Community Services</b>	<b>32,513,720</b>	<b>35,324,536</b>	<b>7,288,022</b>	<b>0</b>	

Table 4: Capital Programme 2018/19

	Original Budget 2018/19 £	Revised Budget 2018/19 £	Actual to September 2018 £	Projected Full Year Variance 2018/19 £	Notes
<b><u>Property - A. Adams</u></b>					
Swale House - Lifts Refurbishment - Reserves	0	73,060	73,064	4	(d)
<b>Total Property</b>	<b>0</b>	<b>73,060</b>	<b>73,064</b>	<b>4</b>	
<b><u>Environmental Services MKS – T. Beattie</u></b>					
Replacement of Air Pollution Monitoring Station – Capital Receipts	0	56,638	7,798	0	
<b>Total Environmental Health</b>	<b>0</b>	<b>56,638</b>	<b>7,798</b>	<b>0</b>	
<b><u>ICT MKS - C. Woodward</u></b>					
ICT infrastructure and equipment replacement – Reserves	103,400	103,400	0	0	
<b>Total ICT</b>	<b>103,400</b>	<b>103,400</b>	<b>0</b>	<b>0</b>	
Total Capital Programme Funded by Swale Borough Council	31,952,320	34,808,812	6,775,111	404	
Total Capital Programme Funded by Partners	1,764,800	3,133,034	701,843	43,739	
<b>Total Capital Programme</b>	<b>33,717,120</b>	<b>37,941,846</b>	<b>7,476,954</b>	<b>44,143</b>	

## Notes

- (a) There are the resources to fund this from s106 grants
- (b) This is the balance left on an accrual from 2017/18
- (c) The Sittingbourne Town Centre Project is not forecast to vary to the overall budget for this project
- (d) This scheme is fully funded from the Building Maintenance reserve

**Table 5: Total Debt (Including Not Due) by Due Date**

	<b>September (2<sup>nd</sup> Quarter) 2018 £'000</b>	<b>June (1<sup>st</sup> Quarter) 2018 £'000</b>	<b>September (2<sup>nd</sup> Quarter) 2017 £'000</b>
Not Due (less than 1 Month)	368	222	561
1 – 2 Months	43	287	229
2 – 6 Months	59	73	50
6 – 12 Months	75	75	49
1 – 2 Years	28	24	21
2 – 3 Years	18	22	39
3 – 4 Years	33	25	24
4 – 5 Years	7	10	18
5 – 6 Years	4	0	2
> 6 Years	35	36	37
<b>Total</b>	<b>670</b>	<b>774</b>	<b>1,030</b>
<b>Total Due</b>	<b>302</b>	<b>552</b>	<b>469</b>
<b>% Total Due</b>	<b>45%</b>	<b>71%</b>	<b>46%</b>

**Table 6: Total Debt (Including Not Due) by Head of Service**

	<b>September (2<sup>nd</sup> Quarter) 2018 £'000</b>	<b>June (1<sup>st</sup> Quarter) 2018 £'000</b>	<b>September (2<sup>nd</sup> Quarter) 2017 £'000</b>
Property	193	190	174
Housing Services	117	128	189
Commissioning & Customer Contact	51	68	45
Economy & Communities	10	51	71
Environmental Health	0	15	18
Planning	3	2	7
Other	296	320	526
<b>Total</b>	<b>670</b>	<b>774</b>	<b>1,030</b>

Note – Property includes £109k relating to one company. The Other amount includes £270K as S106 Income.

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<b>Scrutiny</b>	
<b>Meeting Date</b>	23 January 2019
<b>Report Title</b>	Budget 2019/20 and Medium Term Financial Plan
<b>Cabinet Member</b>	Cllr 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>	<b>Open</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. To note the draft 2019/20 revenue budget, and</li> <li>2. To note the Medium Term Financial Plan.</li> </ol>

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

- 1.1 This report invites Scrutiny to consider the proposals for the Council's draft 2019/20 revenue budget and the draft Medium Term Financial Plan.
- 1.2 The Council has had a clear strategy for dealing with the long term reductions in funding; costs have been tightly controlled but not at the price of blanket service reductions, income streams that the Council can control are maximised but taking affordability for residents into account and one-off funds are used to improve service provision to residents. The draft budget put forward maintains these themes.
- 1.3 The 2019/20 Local Government Finance Settlement will be the last under the current funding regime for local government. The settlement will not be known before this report is published but it is expected to be on 6 December so a verbal update will be given on any important changes.
- 1.4 The whole basis of local government funding will change in a quite unprecedented way from 2020/21 onwards. The combination of the full localisation of business rates, the Fair Funding implementation and the impact of the 2019 Spending Review introduces a huge degree of uncertainty into the future funding of the Council. We cannot model these changes at this time so our Medium Term Financial Plan will be a combination of factors where we have a high degree of certainty, such as Council Tax, and areas where we will roll forward existing assumptions but in the near certain knowledge that they will change, such as Business Rates and New Homes Bonus.
- 1.5 The contents of this report will form the basis of the formal scrutiny of the proposals on 23 January and the Scrutiny Committee will be updated prior to the Committee meeting on the impact of the Settlement.

## 2 Background

### Local Government Finance

- 2.1 2019/20 is the last year of the Four Year Financial Settlement introduced in 2016/17 and covering Revenue Support Grant, business rate tariff, Rural Services Delivery Grant and Transition Grant.
- 2.2 The key announcements in the Chancellor of the Exchequer's budget on 29 October were:
- Day-to-day departmental spending is projected to increase by an average of 1.2 per cent a year in real terms from 2019/20 until 2023/24,
  - Confirmation of the above-inflation increases for the NHS announced by Teresa May in June,
  - £650 million for adult social care in 2019/20, comprising a continuation of the previously-announced £240 million "winter pressures" funding into 2019/20, plus a one-off payment of £410 million in 2019/20,
  - £420 million in 2018/19 to help deal with potholes and other urgent road repairs,
  - £400 million of in-year capital funding to help schools provide for "little extras",
  - Abolition of the Housing Revenue Account cap that limits borrowing for local authority house building, and
  - An additional £55 million in 2018/19 for the Disabled Facilities Grant to provide home aids for disabled children and adults.
- 2.3 Of these proposals only the latter two directly impact upon lower tier councils. As a Council that has transferred its housing stock, the Housing Revenue cap on borrowing does not apply to this Council. The additional Disabled Facilities Grant is welcomed and the large increases in recent years has enabled the Council to reduce backlogs and provide a much higher level of assistance to residents in need.
- 2.4 Reference has already been made to the main 2020/21 changes which in more detail are:
- (1) Full localisation of business rates - the Council is currently participating in one of 16 pilots for the partial localisation of business rates. For 2020/21 there will be full localisation. There are two main issues with this. Firstly, it will be accompanied by the devolution of additional services from Central Government in all likelihood to upper tier councils. Secondly, there is the key issue of the first reset of each council's base position since 1 April



2013. The most recent indications from the Ministry of Housing, Communities and Local Government (MHCLG) are that no resets, full resets and rolling resets have now been ruled-out. Partial or phased/lagged resets will be used instead. If MHCLG do indeed decide to go in this direction for the baseline reset this has massive distributional consequences, and for councils who are currently well above baseline, it means that they can now expect that a reset will only take some of this growth away from them. It also means that there will be less to redistribute to other councils. This is extremely important for this Council which potentially will not lose all of its above average growth in business rates.

(2) Fair Funding Review- this major review will determine the baseline for business rate retention, therefore influences tariffs and top-ups which make up a significant element of redistribution. It will also continue to include elements for relative needs and relative resources. To some extent fair funding is a misnomer as this does quickly become an argument between different tiers of councils over how funding should be allocated, in particular between Inner London Councils and County Councils.

2.5 There are strong indications that New Homes Bonus (NHB) will be dropped as a funding stream from 2020/21 onwards. That is potentially a major problem for this Council given the amount of NHB the Council receives and the fact that it is used to support the base budget.

2.6 Overall there are a number of conflicting forces which will impact on where the Council stands financially from 2020/21. Positives are the extent of business rate growth and the potential for retaining some of this growth. However, the negatives are the concern over whether Fair Funding will recognise the high needs of a lower tier south east council, our low Council Tax level and Council tax base and the potential loss of New Homes Bonus.

## **Business Rates**

2.7 From 1 April 2013 business rates were part localised. Given the large growth in business rates in the borough this has been hugely positive for the Council's finances.

2.8 For three years prior to 2018/19 the Council participated in a business rates pool with KCC, 10 other borough/district councils and the Fire Authority. The pool enabled business rates which would otherwise be passed to Central Government to be retained in the county. Under the arrangement the borough/district, KCC and a joint fund received 30% each and 10% went in to a reserve. For this Council the direct financial benefit was around £1.3m and the shared fund is the same amount. The shared fund has been allocated to the Sheppey Lower road improvements (£250k), the Visitor Economy Strategy (£250k) and M2 Junction 5 improvements (£800k).

2.9 As has previously been reported for 2018/19 the Government invited bids from groups of councils for the full localisation of business rates and the Kent councils including KCC and Medway Council successfully put together a bid

anchored on promoting economic growth across the county. The bid needed to include all councils and the financing split meant that those councils with the largest growth had to give up some of that growth to councils with less growth. Most of the additional funding will be retained by the council where the income accrues but there is also a shared growth fund on a regional basis which for this council is North Kent. The Council is proposing to use this funding to develop incubator business units in Faversham. Early indications are that the Council will retain an additional £750k from the pilot of which £350k was taken in to the base.

- 2.10 The 2018/19 pilot was for one year only and in July the Government invited bids for 2019/20 pilots but on the basis of 75% retention. Local Government finance commentators believe that the move to 75% was as a result of the decision to pull back on Negative Revenue Support Grant which affected 168 Councils including 9 in Kent and which would have raised £153m. All the feedback from MHCLG is that the Kent bid for 2018/19 was a strong one and a new bid was agreed by the Leaders in October. The main changes being an increase in the proportion of funding retained by upper tier councils and less shared growth fund money. For this Council a successful bid should retain an additional £400-500k.
- 2.11 Finally, for 2018/19 the actual level of business rates is below forecast largely due to the phased opening of one very large new distribution warehouse and our model assumed a full operation earlier.

### **Council Tax**

- 2.12 The 2019/20 budget and the Medium Term Financial Plan assumes at this stage an increase of 3%.

### **Housing**

- 2.13 For councils which have transferred their stock the main focus in terms of housing is the management of homelessness and the management of inspection services on private landlords. Except for councils with very large levels of reserves, the scope for direct intervention in the local housing market typically through arms length companies is very limited. However, even though resources for this are limited, the Council is actively exploring options for cost effective direct investment for use as temporary accommodation.
- 2.14 In the detailed budget papers, there is a small additional budget pressure on homelessness. This area has received a considerable amount of member and officer attention in recent years and is subject to review at the current time by independent housing consultants. Given the limited financial reserves and the high cost of acquiring properties directly we need to examine a wide range of solutions to the current pressures.

## Revenues & Benefits

2.15 The escalation of full Universal Credit (UC) roll-out along with the reduction in the DWP administration grant prompted a review to explore alternative service delivery options in order that we can align the salary budget with the grants received. The proposed structure will require us to reduce our current staffing capacity by approximately 13 FTE inclusive of one Manager; this figure is also inclusive of the three vacant posts that we already hold on the establishment. The unit managers have worked closely with Human resources to minimise the adverse impact at an individual level. Efficiency savings proposed under a new structure have been identified by carrying out individual reviews on each service area and where there are individual roles. Savings will be achieved by remodelling key processes to improve the flow and reducing waste and duplication. Savings that will be achieved as a result of this restructure will be £403k. Service key performance indicators are currently good and will be closely monitored to ensure that performance levels are not adversely affected.

## Contractual Price Inflation

2.16 The Council's major contracts are subject to price inflation (or deflation) provisions. The main contracts have the following provisions:

Contract	Inflation Provision
Refuse/Street cleaning	Average Weighted Earnings (AWE) 40%, Consumer Price Index (CPI) 40%, and Diesel fuel index 20%;
Grounds maintenance	Retail Price Index excluding mortgage interest payments (RPIX)
Leisure	Retail Price Index
Public Conveniences	AWE 55%, CPI 35%, and Diesel fuel index 10%.

## Staff Pay

2.17 The staff pay increase, to which members' allowances increases are linked, is subject to negotiation locally. The current budget provision is for a 2% increase plus staff increments where applicable.

## Capital Strategy

2.18 For the first time the Council will be required to submit a Capital Strategy to Council alongside the budget report and the treasury strategy. This reflects concern within Government at council activity in the commercial property market for investment rather than regeneration purposes. This Council's approach to capital investment has reflected the dual requirements of return and regeneration locally.

2.19 The Capital Strategy and Programme will be presented to Cabinet and Council in February.

### **3 Proposals**

3.1 Given the timing of this report, this is an interim step in the development of fully balanced budget proposals.

3.2 The updated Medium Term Financial Plan is attached in Appendix I. It currently shows a gap to be closed for a balanced position of £503k.

3.3 Variations over £5,000 from the 2018/19 base budget are set out in Appendix II. These are shown against the following categories:

<b>Heading</b>	<b>Explanation</b>
Growth Items	These are items where the Council does have discretion
Unavoidable Cost Pressures	These are items where due to legal or contractual requirements there is largely no choice over incurring the expenditure
Loss of Income	Loss of income currently within the base budget
Service savings	Cashable cost savings identified by services
Additional Income	Increases in income over the current base

### **4 Alternative Options**

4.1 These are Cabinet's budget proposals as at 12 December 2018 and reflect extensive work undertaken since the summer on options to work towards a balanced budget position. They will be subject to review by Scrutiny Committee and will be submitted to cabinet and Council in February 2019.

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

5.1 Formal consultation with the business community will be undertaken.

### **6 Implications**

<b>Issue</b>	<b>Implications</b>
Corporate Plan	The budget proposals support the achievement of the Council's corporate priorities.

<b>Issue</b>	<b>Implications</b>
Financial, Resource and Property	The report sets out the Council's resourcing position.
Legal, Statutory and Procurement	The Council is required to set a Council tax and a balanced budget.
Crime and Disorder	Any potential implications will be addressed by service managers in their budget proposals.
Environment and Sustainability	Any potential implications will be addressed by service managers in their budget proposals.
Health and Wellbeing	Any potential implications will be addressed by service managers in their budget proposals.
Risk Management and Health and Safety	Any potential implications will be addressed by service managers in their budget proposals.
Equality and Diversity	Any potential implications will be addressed by service managers in their budget proposals.
Privacy and Data Protection	Any potential implications will be addressed by service managers in their budget proposals.

## **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: Budget Variations

## **8 Background Papers**

None

## Medium Term Financial Plan (MTFP)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Base Budget	17,924	17,924	17,924	17,924
Growth items	0	698	673	674
Unavoidable cost pressures	0	58	80	91
Loss of income	0	714	680	680
Additional income	0	(1,030)	(823)	(1,422)
Committed price increases	0	326	521	688
Lower Medway Internal Drainage Board	803	817	838	859
<u>Salary Related:</u>				
Pay Award (2%)	0	230	464	704
Other Pay Increases	0	78	125	150
Contribution to/(from) reserves	(11)	(11)	(11)	(11)
Revenue Support Grant (assuming Kent pilot continues into 2019/20 for 75% retention)	0	0	0	0
Business Rates assumes 75% Retention from 19/20 (Kent Pilot) then nationally thereafter. No assumption made for Baseline reset	(8,441)	(8,105)	(8,334)	(8,576)
Contribution from Business Rates Reserve	0	(250)	0	0
Council Tax - maximum increase every year	(7,913)	(8,270)	(8,644)	(9,037)
New Homes Bonus (assume continuation of scheme from 2020/21)	(2,046)	(1,847)	(1,530)	(1,413)
<b>Savings Required</b>	<b>316</b>	<b>1,332</b>	<b>1,963</b>	<b>1,311</b>
Service savings	0	(829)	(1,053)	(1,082)
Requirement for balanced position	0	(503)	(910)	(229)
<b>Committed savings</b>	<b>0</b>	<b>(829)</b>	<b>(1,963)</b>	<b>(1,311)</b>
<b>Contribution (to) from General Fund</b>	<b>316</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance of Usable Reserves at 31 March</b>	<b>(17,933)</b>	<b>(16,085)</b>	<b>(15,685)</b>	<b>(15,249)</b>

## Budget Variations

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
Adams	Growth items	Vaccinations for staff (hepatitis)	5,000
Adams	Growth items	Princes Street Retail Park operational running costs	10,000
Adams	Additional income - increase in existing fees and charges	Rent Properties	(15,850)
<b>Adams</b>		<b>Total</b>	<b>(850)</b>
Beattie	Growth items	Air Quality Project Officer	50,000
Beattie	Growth items	Air Quality Project Officer contribution from the General Reserve	(50,000)
Beattie	Unavoidable cost pressures	Mid Kent Environmental Health - increase in shared service budget	9,980
<b>Beattie</b>		<b>Total</b>	<b>9,980</b>
Bescoby	Growth items	Budget for Members induction as a result of the May 2019 Election.	2,000
Bescoby	Growth items	Borough and Parish Elections - Hire of Premises	17,000
Bescoby	Growth items	Borough and Parish Elections - Fees and Services	15,000
Bescoby	Growth items	Borough and Parish Elections - Poll Clerks	18,000
Bescoby	Growth items	Borough and Parish Elections - Counters and Clerical	18,000
Bescoby	Growth items	Borough and Parish Elections - Presiding Officer	18,000
Bescoby	Growth items	Borough and Parish Elections - Poll Cards	12,000
Bescoby	Growth items	Borough and Parish Elections - Postage	20,000
Bescoby	Growth items	Funding of 2019/20 elections from reserves	(120,000)
Bescoby	Growth items	Electoral Registration - Maintenance of scanners for electoral registration and postal votes.	5,000
Bescoby	Growth items	Electoral Registration - Online response service and external printing.	15,000
Bescoby	Additional income - new charges raised	Estimate of recovery of costs from running parish and town council elections in May 2019	(15,000)
<b>Bescoby</b>		<b>Total</b>	<b>5,000</b>

## Budget Variations

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
Cassell	Growth items	Car Park Staff - MKS Charges for car parking	34,300
Cassell	Growth items	Client and Amenity Reorganisation of team resource as per transformation project. Recognition that some seasonal resource is needed with increasing number of beach huts (see service savings).	10,050
Cassell	Service savings	Client and Amenity Reorganisation of team resource as per transformation project (see growth)	(34,100)
Cassell	Growth items	Seafront Equipment Purchase (Funded by grant - see additional income)	29,000
Cassell	Additional income - increase in existing fees and charges	Seafront grants to fund equipment (see growth item)	(29,000)
Cassell	Growth items	Increased annual contribution to Faversham Swimming pool	20,000
Cassell	Growth items	Contracts - Serco Leisure Operations	59,140
Cassell	Service savings	Contracts - Swale Community Leisure	(211,110)
Cassell	Growth items	Swale Open Spaces grounds maintenance. Funds for Faversham Rec maintenance.	12,000
Cassell	Growth items	Swale Cemeteries grounds maintenance - Heritage repair costs	1,790
Cassell	Loss of income	Swale Play Areas - contracts	3,000
Cassell	Loss of income	Swale Open Spaces - contracts	30,000
Cassell	Growth items	Car park maintenance increase 1: to meet service demands and health and safety for car parks (see additional income).	15,000
Cassell	Growth items	Car park maintenance increase 1: to meet service demands due to vandalism of equipment in Swale Car Parks (see additional income).	3,360
Cassell	Additional income - increase in existing fees and charges	Car park maintenance increase 1: to meet budget increase in maintenance for car parks (see growth)	(18,360)



## Budget Variations

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
Cassell	Growth items	Car parks increase 2: road lining: (see additional income)	10,000
Cassell	Growth items	Car parks increase 2: parking adjudication fees (see additional income)	7,660
Cassell	Additional income - increase in existing fees and charges	Car parks increase 2: funding from ring-fenced fund (see growth items).	(17,660)
Cassell	Growth items	Swale Car Parks - Licence fees. GDPR compliance. Upgrade of parking database.	32,120
Cassell	Unavoidable cost pressures	Footway lighting KCC contract. Current KCC Lighting contract with Districts to end in 2018/19, will lead to increased maintenance costs.	4,000
Cassell	Unavoidable cost pressures	Mid Kent Parking service - increase in shared services budget	1,350
Cassell	Loss of income	Car Parking: Car Parks - Penalty Charge Notices (see additional income)	45,230
Cassell	Additional income - increase in existing fees and charges	Car Parking: On Street Car Parking - Penalty Charge Notices (see loss of income)	(45,230)
Cassell	Loss of income	Swale Car Parks - Overpayments loss due to change in VAT treatment.	60,000
Cassell	Additional income - increase in existing fees and charges	Swale Car Parks - fees and charges	(193,680)
<b>Cassell</b>		<b>Total</b>	<b>(171,140)</b>
Clarke	Unavoidable cost pressures	Mid Kent Audit - Increase in MKS Audit Shared Services budget	3,920
<b>Clarke</b>		<b>Total</b>	<b>3,920</b>
Clifford	Loss of income	Sheerness Gateway - staff cost recovery (see service savings)	4,260
Clifford	Growth items	Sheerness Gateway - contracts (see savings)	1,280
Clifford	Service savings	Sheerness Gateway - salaries (see loss of income)	(6,960)
<b>Clifford</b>		<b>Total</b>	<b>(1,420)</b>

## Budget Variations

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
Freeman	Growth items	Spatial Planning - Salaries	54,280
Freeman	Growth items	Heritage Conservation and Design - Salaries	36,170
Freeman	Growth items	Heritage Conservation and Design - Project costs for agency/contract staff	25,000
Freeman	Growth items	Planning market supplements	14,000
Freeman	Growth items	MKS Planning Support to meet requirements for increase in Planning applications	50,000
Freeman	Service savings	Planning Admin Team - MKS Charges for Planning review of running costs	(10,000)
Freeman	Additional income - increase in existing fees and charges	Development Management - Planning fees	(216,000)
Freeman	Additional income - increase in existing fees and charges	Development Management - Pre-application planning advice	(30,000)
Freeman	Service savings	Building Control - Contract	(15,000)
<b>Freeman</b>		<b>Total</b>	<b>(91,550)</b>
Hudson	Loss of income	Temporary Accommodation - fees and charges adjustment to more accurately reflect benefit income (see savings)	199,810
Hudson	Service savings	Temporary Accommodation - B & B Landlord payments (see loss of income)	(111,200)
Hudson	Loss of income	Temporary Accommodation - homelessness contribution to rent costs	5,900
Hudson	Additional income - increase in existing fees and charges	Temporary Accommodation - Homeless - Flexible Homeless Support Grant	(82,680)
Hudson	Service savings	Temporary Accommodation - Refund of Housing Benefit	(12,980)
Hudson	Growth items	Increased contract CCTV Partnership cost for monitoring & maintenance service due to monitoring changes for the other partners in the Partnership.	8,000
Hudson	Loss of income	Stay Put private work income	2,200
<b>Hudson</b>		<b>Total</b>	<b>9,050</b>

## Budget Variations

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
Narebor	Growth items	New MKLS staffing structure. Cost increase offset by additional income, increase in legal fees, and increase in MKLS partnership income	73,730
Narebor	Additional income - increase in existing fees and charges	Increase in legal fees - Property Vatable	(2,920)
Narebor	Additional income - increase in existing fees and charges	Increase in legal fees - Property Exempt	(6,930)
Narebor	Additional income - increase in existing fees and charges	Increase in legal fees - Planning S106	(11,530)
Narebor	Additional income - increase in existing fees and charges	MKLS contributions from partners	(52,350)
Narebor	Growth items	Legal market supplements: this will be offset by additional income for contributions from partners towards this cost	54,000
Narebor	Additional income - increase in existing fees and charges	Legal market supplements: share of additional cost borne by Maidstone and Tunbridge Wells Borough Councils	(38,000)
<b>Narebor</b>		<b>Total</b>	<b>16,000</b>
Sandher	Unavoidable cost pressures	Mid Kent HR/Payroll service - increase in shared services budget	5,140
<b>Sandher</b>		<b>Total</b>	<b>5,140</b>
Sutcliffe	Growth items	Swale BC Publications - developing and printing	4,000
Sutcliffe	Growth items	Swale BC Publications - Postage	1,000
<b>Sutcliffe</b>		<b>Total</b>	<b>5,000</b>

## Budget Variations

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
Vickers	Service savings	Revenues Service: Salary savings arising from restructuring of the Benefits service. This will be offset by the reduction in the Government admin grant for the Benefits services.	(333,990)
Vickers	Loss of income	Revenues Service: Reduction in the Benefits and Council Tax Admin Grant, This is offset by salary savings on Council Tax and Benefits	336,530
Vickers	Service savings	Revenues Service: Salary savings from the Council Tax service. This is offset by the reduction in the Government Council Tax admin grant.	(68,680)
Vickers	Growth items	Revenues Service: Council Tax posts which previously have been funded from reserves are included in the Council's base budget. This will be offset by Council Tax salary savings.	66,140
<b>Sub Total Revenues Service</b>			<b>0</b>
Vickers	Growth items	Revenues Service: Benefit Equipment Maintenance	1,550
Vickers	Service savings	Forecast of the Council's share of surplus on Council Tax Collection Fund at end of 2018/19	(23,890)
Vickers	Unavoidable cost pressures	Corporate Costs: Pension commitments from last revaluation	88,370
Vickers	Unavoidable cost pressures	Corporate Costs: Pension commitments from last revaluation funded from reserves	(88,370)
Vickers	Unavoidable cost pressures	Financial Services - Insurance	8,070
Vickers	Unavoidable cost pressures	Mid Kent Fraud Partnership - increase in shared service budget	660
Vickers	Unavoidable cost pressures	Mid Kent Services - increase in shared services budget	760
Vickers	Unavoidable cost pressures	Mid Kent Services Director - increase in shared services budget	720
Vickers	Loss of income	Licensing: Loss of income for gambling licences.	18,280
Vickers	Service savings	Financial Services: Reduction in cost of pension enhancements	(8,350)

## Budget Variations

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
Vickers	Service savings	Financial Services: Minimum Revenue Provision (MRP) for Leisure capital project	100,000
Vickers	Service savings	Financial Services: Interest Payable for Serco Leisure Finance Lease (see MRP for Serco Finance Lease and Leisure Capital Project)	(21,900)
Vickers	Service savings	Financial Services: Minimum Revenue Provision (MRP) for Serco Leisure Finance Lease (see Interest Payable for Serco Finance Lease and MRP for Leisure Capital Project)	(43,000)
Vickers	Service savings	Financial Services: MRP for Multi Storey Car Park (MSCP) which is operational in 2019/20	92,080
Vickers	Service savings	Financial Services: MRP for Retail Park which is operational in 2019/20	138,200
Vickers	Service savings	MRP for MSCP and Retail Park funded from reserves	(230,280)
Vickers	Additional income - new charges raised	Retail Park Rental Income	(240,000)
Vickers	Service savings	Financial Services: MRP for funding of historic capital projects due to end in 2067.	1,300
<b>Vickers</b>		<b>Total</b>	<b>(205,800)</b>
Woodward	Growth items	Customer Services Centre Software Assurance licence which is a Mitel support charge.	11,000
Woodward	Unavoidable cost pressures	Mid Kent ICT and GIS service - increase in shared services budget	9,540
<b>Woodward</b>		<b>Total</b>	<b>20,540</b>
	<b>Grand Total</b>		<b>(396,130)</b>

Minor Changes	7,270
Committed Price Increases	325,400
<b>Total Budget Changes for Medium Term Financial Plan (MTFP)</b>	<b>(63,460)</b>

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