

<b>Cabinet Meeting</b>	
<b>Meeting Date</b>	6 February 2019
<b>Report Title</b>	2019/20 Revenue Budget/Medium Term Financial Plan and Capital Strategy
<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>	<ol style="list-style-type: none"> <li>1. To approve the 2019/20 Revenue Budget proposals.</li> <li>2. To approve the proposed Council Tax band D increase for 2018/19 to £174.42.</li> <li>3. To note the Medium Term Financial Plan.</li> <li>4. To approve the Capital Strategy.</li> <li>5. To approve the Capital Programme proposals.</li> <li>6. To note the additional amount of Council Tax for Parish Precepts.</li> <li>7. To consider any recommendations of Scrutiny Committee.</li> <li>8. To approve the Minimum Revenue Provision Statement as set out in Appendix VIII</li> </ol>

## 1. Purpose of Report and Executive Summary

- 1.1 This report sets out the Council's Revenue budget proposals for 2019/20, the Medium Term Financial Plan (MTFP) and the Capital Strategy. The latter is a new Treasury Management requirement reflecting Government concerns over Councils investing for investment purposes only out of their area.
- 1.2 Cabinet received a budget report on 12 December prior to the Provisional Local Authority Grant Settlement announced on 13 December. This report reflects the implications of the settlement.
- 1.3 This report, if agreed by Cabinet, will then go forward to Council on 20 February.

## 2. Background

### Provisional Local Government Finance Settlement 2019/20

- 2.1 This is the last year of the Four Year Financial Settlement and as anticipated, there were very few changes in the Provisional Settlement other than the announcement that Kent had not been successful in its bid for being a Business Rate Pilot in 2019/20.
- 2.2 The main issues to highlight are:
- Negative Revenue Support Grant has been cancelled, with the cost funded by the Government. This has no impact on this Council;
  - The New Homes Bonus national baseline increase was as expected 0.4%, and the Government transferred £20m to fund the additional cost. Actual income is £28k higher than projected in the December Cabinet report;
  - Additional funding was also found to ensure that the Rural Services Delivery Grant remained at the same level in 2019/20 as it was in 2018/19 (£16m), again no impact on this Council.
- 2.3 As has previously been reported Kent was a pilot for 100% business rate retention in 2018/19 alongside 10 other pilot areas. A significant amount of work went in to developing and agreeing a new bid which reflected conversations which Officers at Maidstone Borough Council, the scheme “banker”, had had with Government officials. These conversations had been very positive about the Kent scheme. In the event, Kent has not been selected to be one of the pilots for 2019/20.
- 2.4 Only three areas (outside London and “devo” areas) will continue their pilots from 2018/19 to 2019/20: Solent, Berkshire and Leeds City Region (this time alongside North Yorkshire). Other areas that were unsuccessful from 2018/19 are Suffolk, Surrey, Devon, Gloucestershire, Lincolnshire, and Derbyshire.
- 2.5 Commentators have observed that new areas include a number such as Lancashire, Norfolk and East Sussex, which have been high profile about their funding difficulties. The Leader has formally asked for clarification from the Secretary of State on why the Kent pilot bid was not successful. It has been confirmed that the business rate pool previously operated with ten other Borough/District Councils and KCC will be re-established. The impact of the business rate pilot not proceeding as assumed in the December budget report is a loss of £337k but the Council will receive £113k of Revenue Support Grant.

## Reserves

- 2.6 The Council's Reserves have increased substantially in recent years; at 31 March 2010, they stood at £10.316m and on 31 March 2018 at £19.876m. Research undertaken nationally shows that in aggregate Council Reserves have increased over the same period although there are large variations between Councils. Those District/Borough Councils that have increased Reserves have done so in the knowledge that their longer term funding position is likely to remain very difficult, with funding in aggregate likely to be flat or slightly decreased and this tier of Councils unlikely to be favoured in the future Fair Funding regime as Government seeks to find resources for upper tier Councils with Adult and Children Social care responsibilities. The core reasons for the increase in Reserves at this Council have been one-off VAT reimbursements, significant underspends driven by planning and car parking income and initially buoyant New Homes Bonus income then followed by strong growth in business rates. None of these are likely to be as sustained in the future.
- 2.7 A breakdown of the Council's Reserves is shown in Appendix VII. Broadly, Reserves fall in to two main categories: General and Earmarked Reserves. The General Reserve and the General Fund can be used for any purpose. The agreed policy of the Council is to maintain a General Fund balance of a minimum of £1.5m. Earmarked Reserves can be further broken down in to those where the Council could move resources out, for example the Repairs and Renewals Fund for building maintenance, and funds which have come from Specific Government Grants, such as Housing, where funding can only be used for specific purposes.
- 2.8 The rationale for maintaining Reserves are:
- (1) To meet statutory requirements. Sections 32 and 43 of the Local Government Finance Act 1992 require local authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement. Chief Financial Officers have a duty to report on the robustness of estimates and adequacy of reserves under section 25 of the Local Government Act 2003.
  - (2) To meet unexpected items of expenditure. With a reduced revenue budget there is much less scope to meet unexpected items in year.
  - (3) To fund service developments. This particularly applies to the Performance Fund and the Regeneration Fund. The Performance Fund is used for internal facing projects such as funding the Transformation Team. The Regeneration Fund is for outward facing projects such as funding Member Grants. Delivering service improvements would be very difficult without such funds.
  - (4) To fund pension and redundancy costs. When an Officer aged over 55 is made redundant their pension benefits become payable and the Council has to pay the Kent Pension Fund the costs of paying the pension benefits early (the actuarial strain costs). These can be very substantial where benefits

could be paid at age 55, 12 years earlier than an individual's Normal Retirement Age. There are also the redundancy costs. The Council has had fairly limited costs in recent years with senior officers choosing to retire and therefore not incurring additional costs for the Council.

- 2.9 A Council with minimal or low levels of Reserves becomes much more prone to short term decision making and can be thrown off course much more easily than one with a prudent level of Reserves. Short-term financial issues can then have a predominant impact on decision making.
- 2.10 The budget proposals which follow do make use of Reserves, but to fund one-off items not recurring expenditure, such as election costs. The Council needs to ensure that it does not use Reserves to fund base budget expenditure, as the Council needs to be able to function within the funding envelope that it receives or raises on a recurring basis.
- 2.11 A further consideration is the Markets in Financial Instruments Directive generally referred to as MiFID II. This legislation introduced in May 2016 required organisations such as Councils to opt for either Professional or Non-Professional status as an investor. Those organisations, such as this Council, which opted for Professional status could, subject to passing various tests with financial intermediaries, invest in a much wider range of financial products. Therefore, the investment in the CCLA Property Fund is only possible if you are a Professional investor. A further requirement is that the organisation must have available to invest a minimum of £10m. So maintaining sufficient designated investments as defined in MiFID II to remain a professional investor is an important consideration.

## **Capital Strategy**

- 2.12 This Capital Strategy is a new item for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services. The proposed Treasury Management Strategy is reported separately to this meeting. The proposed capital programme and its funding are detailed in appendix VI to this report.
- 2.13 The Council is not asset rich and the revenue budget constraints minimise the ability to purchase new assets. The Sittingbourne Town Centre (STC) project has shown that even within these constraints the Council can deliver a major project. The Capital Strategy needs to build upon this to identify viable new projects which help the Council achieve its wider objectives be they regeneration, housing or planning related.
- 2.14 In March 2016, Council agreed to a borrowing facility of up to £30m subject to individual business case and in November and December 2016 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. The only business cases which have been agreed are for STC and the Leisure Centre

refurbishment. In January 2019 the Council took out two loans of £5m each, from other local authorities. One loan is for 12 months at a rate of 1.1% and the other for 18 months at a rate of 1.21%.

2.15 Each year, the Council agrees an annual Treasury Management Strategy covering the management of council debt and cash investments with the 2019/20 strategy due to be considered on 20 February 2019. In considering investing, for the Council's 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 effectively would have to reduce services to fund the costs. In the case of the STC investment all the capital financing costs will be wholly 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.

2.16 The process for agreeing the STC investment was a transparent one with two reports to Cabinet and a robust examination by Scrutiny Committee. Financial return was the main objective, the Council accepted higher risk on commercial investment than with treasury investments. The principal risk exposures include the development risk, the risk of voids and the potential for falls in capital values. These are mitigated by a fixed cost funding arrangement with Spirit of Sittingbourne, good progress on tenants and a long-term investment horizon.

2.17 The Council will also invest for service purposes and an example of this has been the refurbishment of the Sittingbourne and Sheerness Leisure Centres. With the end of the current contract with Serco in 2019 a full options appraisal process was undertaken involving Members and Officers supported by external consultants. This culminated in a report to Cabinet in May 2018. Going back to the principles set out in paragraph 2.15 this project is self-financing with the costs of capital being funded by revenue savings.

2.18 In the last year, the Council acquired land adjoining Swale House on East Street. This was an opportunistic purchase from an owner that had not previously considered a sale. This has potential for both commercial or service related development in the future.

2.19 The Council has not made any commercial investments outside of the Borough and is very unlikely to do so. Revenue and capital funds are very limited and the investment criteria for strategic impact would make it very hard to prioritise spend

outside the Borough given that by definition investment outside of the Borough cannot deliver the wider strategic regeneration benefits within the Borough.

- 2.20 In 2018 the Council was successful alongside KCC and Kent Police in bidding for funding under the auspices of One Public Estate for funding for a scoping exercise on rationalising the property holdings of the three organisations in Sittingbourne Town Centre. A consultancy firm Pellings have been procured to undertake the work and a report is expected in mid-2019. This alongside clarity on future phases of STC will allow the Council to start to move forward a plan for moving out of Swale House and for the use of the land purchased on East Street Sittingbourne.
- 2.21 Decisions on either commercial or service investment will be made by Cabinet.
- 2.22 Debt is only a temporary source of finance, since loans must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). MRP is a charge to the revenue budget which then accrues on the Balance Sheet; it is not an external payment. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.
- 2.23 All organisations need to manage their cash flow. For most Councils their cash flow level is much larger than their Reserves as they take in funds through sources such as Business Rates and Council Tax which they hold before making payments to other bodies such as KCC. The Council's daily cash balances are typically £27m. With short-term deposit rates continuing to be very low, where a Council is investing in a capital project it can fund this capital investment from cash flow and this is known as internal borrowing. Internal borrowing defers the financial commitment to external borrowing. MRP still has to be made. The Council to date has been using internal borrowing to fund expenditure on STC, the Multi-Storey Car Park, the purchase of land adjoining Swale House and the Leisure Centre refurbishment. The Chief Financial Officer closely monitors cash flow to ensure that there is no adverse impact.
- 2.24 The 2019/20 will see the completion of the Multi-Storey Car Park (MSCP) and the STC development. The Chief Financial Officer will be seeking to minimise external borrowing until such time as the tenant rent free periods expire. In this period there will be very little scope for any other significant capital spend except in areas such as Disabled Facilities Grant which is 100% funded by specific grants.
- 2.25 For any significant investment the Council will supplement the expertise of Members and Officers with appropriate external specialist expertise to ensure that proposals are fully tested and risks considered.
- 2.26 The Chief Financial Officer believes that the Capital Strategy and Capital Programme proposed are sustainable.

### 3. Proposals

#### Medium Term Financial Plan

3.1 The updated MTFP is attached in Appendix I.

#### Balanced Budget Proposals

3.2 The 12 December budget report identified a revenue budget gap for 2019/20 of £503k. It should also be highlighted that a revenue reserve of £677k to help smooth the 2018/19 and 2019/20 years has £361k remaining. The overall impact of the Settlement is summarised below:

	£000	£000
Budget gap reported to Cabinet 12 December 2018		+503
Effect on business rates of not being in a Pilot but remaining in a Pool	+337	
Revenue Support Grant	-113	
SBC share of Levy Account surplus	-65	
Effect of actual tax base on C Tax income	-9	
Actual New Homes Bonus compared to forecast	-28	
Total differences		+122
Requirement for a balanced budget		+625

3.3 With the application of the £361k reserve, this leaves a gap of £264k.

3.4 It should also be highlighted that in light of work on the Housing, Homelessness and Rough Sleepers Strategy, currently out to consultation, an additional £100,000 has been earmarked to support this work.

3.5 The Balanced Budget proposals are set out below:

Budget Heading	(Saving)/ Increase £	Description
Heritage Conservation and Design	(61,170)	Funded from reserves in accordance with the requirements of the Local Plan review
Beach Huts	(4,000)	Increased income identified
Markets	(17,000)	Saving on Business Rates
MKS Planning Support	(11,000)	Budget pressure reduced from £50,000 to £39,000
Licensing - Loss of income for gambling licences	(18,280)	The pressure has been reduced and the budget increase can be deleted
MKS Debt Recovery	(50,000)	Additional income
Staff savings	(50,000)	Staff vacancy factor
Use of 2018/19 underspend	(74,050)	
Reduction in Council Tax	21,300	
<b>Total</b>	<b>(264,200)</b>	

3.6 Detailed Revenue Budget Proposals are attached in Appendix II.

### **Council Tax**

3.7 The budget proposals assume an increase of 2.7% in the Band D Council Tax to £174.42 in line with the December Retail Price Index.

3.8 The Collection Fund and Council Tax are set out in Appendix III.

3.9 The Council Tax base was agreed by Council on 9 January.

3.10 The calculation of the Budget Requirement and Council Tax Requirement is shown in Appendix IV.

3.11 Parish precepts are shown in Appendix V.

### **Capital Programme**

3.12 The Capital Budget is attached in Appendix VI.

### **Reserves**

3.13 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.

3.14 When the Council is considering its budget requirement, it is the Chief Financial Officer's 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.

3.15 The Council seeks to maintain a minimum of £1.5m as its General Fund balance and there is no reason to change this - the balance at 1 April 2018 was £4.695m. The Council holds earmarked reserves for specific purposes. The remaining unallocated funds form the General Reserve. The Chief Financial Officer's 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.



3.16 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.

#### 4. Alternative Options

4.1 The proposals made reflect the views of Cabinet as being 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 12 December 2018 and were examined by Scrutiny Committee on 23 January.

#### 6. Implications

Issue	Implications
Corporate Plan	The budget proposals for 2019/20 support the Corporate Plan objectives.
Financial, Resource and Property	The report sets out the approach to the 2019/20 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.
Environmental Sustainability	Any potential impact has been assessed by service managers.
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.
Privacy and Data Protection	No issues identified.

## **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: Detailed Budget Proposals
- Appendix III: Collection Fund and Council Tax Base
- Appendix IV: Budget Requirement and Council Tax Requirement
- Appendix V: Parish Precepts
- Appendix VI: Capital Programme
- Appendix VII: Reserves
- Appendix VIII Minimum Revenue Provision Statement

## **8. Background Papers**

Cabinet budget report 12 December 2018

<https://services.swale.gov.uk/meetings/documents/s11288/Item%205%20budget.pdf>

## Medium Term Financial Plan

	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	619	596	597
Unavoidable cost pressures	0	58	80	101
Loss of income	0	696	662	662
Additional income	0	(1,084)	(873)	(882)
Committed price increases	0	325	517	715
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	0	(113)	0	0
Business Rates	(8,441)	(7,768)	(8,040)	(8,159)
Contribution from Business Rates Reserve	0	(250)	0	0
Levy account surplus		(65)	0	0
Council Tax	(7,913)	(8,258)	(8,632)	(9,021)
New Homes Bonus	(2,046)	(1,875)	(1,574)	(1,474)
<b>Savings Required</b>	<b>316</b>	<b>1,323</b>	<b>2,076</b>	<b>2,165</b>
Service savings	0	(962)	(1,062)	(1,090)
Requirement for balanced position	0	0	(1,014)	(1,075)
<b>Committed savings</b>	<b>0</b>	<b>(962)</b>	<b>(2,076)</b>	<b>(2,165)</b>
<b>Contribution from General Fund</b>	<b>316</b>	<b>361</b>	<b>0</b>	<b>0</b>
<b>Balance of Usable Reserves at 31 March</b>	<b>(17,693)</b>	<b>(15,435)</b>	<b>(14,831)</b>	<b>(14,120)</b>

## Detailed Budget Proposals

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 Elections	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>

## Detailed Budget Proposals

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)	12,500
Cassell	Service savings	Client and Amenity reorganisation of team resource as per transformation project (see growth)	(34,100)
Cassell	Additional income	Additional income from Beach Huts	(4,000)
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)

## Detailed Budget Proposals

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	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>(172,690)</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)
Clifford	Growth items	Swale publications - developing and printing	4,000
Clifford	Growth items	Swale publications - postage	1,000
<b>Clifford</b>		<b>Total</b>	<b>3,580</b>
Freeman	Growth items	Spatial Planning - salaries	54,280
Freeman	Growth items	Planning market supplements	14,000

## Detailed Budget Proposals

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
Freeman	Growth items	Heritage Conservation and Design costs	61,170
Freeman	Growth items	Heritage Conservation and Design – contribution from General Reserve	(61,170)
Freeman	Growth items	MKS Planning Support to meet requirements for increase in planning applications	39,000
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>(163,720)</b>
Hudson	Growth items	Housing, Homelessness and Rough Sleepers Strategy	100,000
Hudson	Growth items	Housing, Homelessness and Rough Sleepers Strategy funded from reserves	(100,000)
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	Service savings	Saving on business rates for Markets	(17,000)
Hudson	Loss of income	Stay Put private work income	2,200

## Detailed Budget Proposals

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
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
<b>Hudson</b>		<b>Total</b>	<b>(7,950)</b>
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 VAT 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>
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)



## Detailed Budget Proposals

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
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	Additional income	Revenues Service: additional income from MKS Debt Recovery	(50,000)
Vickers	Service savings	Forecast of the Council's share of surplus on Council Tax Collection Fund at end of 2018/19	(40,000)
Vickers	Service savings	Contribution to reserves of the Council's share of surplus on Council Tax Collection Fund at end of 2018/19	14,660
Vickers	Service savings	Corporate Costs: use of 2018/19 underspend	(74,050)
Vickers	Service savings	Corporate Costs: staff vacancy factor	(50,000)
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

## Detailed Budget Proposals

Head of Service	Medium Term Financial Plan (MTFP) Category	Description	2019/20 over 2018/19 £
Vickers	Service savings	Financial Services: reduction in cost of pension enhancements	(8,350)
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 capital projects funded from internal borrowing	302,000
Vickers	Service savings	MRP for capital projects funded from reserves	(302,000)
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>(399,580)</b>
Woodward	Growth items	Increase in licence costs and improved cyber security	49,830
Woodward	Service savings	Savings on telephones budget	(38,830)
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>(680,630)</b>
Minor Changes			7,270
Committed Price Increases			325,400
<b>Total Budget Changes for Medium Term Financial Plan (MTFP)</b>			<b>(347,960)</b>

## Collection Fund and Council Tax Base

### Tax Base

The tax base for 2019/20 is 47,344.08.

### 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 2019, notifying Kent County Council, the Police and Crime Commissioner for Kent and the Kent & Medway Towns Fire & Rescue Authority of their proportions. The declared deficit of £18,000 is shared as follows:

	<b>Deficit/ (Surplus) £'000</b>
Kent County Council	(40)
The Police and Crime Commissioner for Kent	(35)
Kent & Medway Towns Fire & Rescue Authority	(11)
Swale Borough Council	104
<b>Total</b>	<b>18</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 deficit for Swale Borough Council is therefore £104,000, including a £144,000 deficit for business rates, and a £40,000 surplus for council tax.

Only the council tax surplus is shown in the budget projections for the calculation of the 2019/20 Council Tax, as the business rates deficit will be met from 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 20 February 2019.

### Parish Council Precepts

Parish Council precept demands have been submitted during January 2019 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>2019/20</b>
	<b>£'000</b>
<b>2019/20 Swale Operating Expenditure Budget Before Savings and Growth Items</b>	<b>18,741</b>
Growth items	619
Unavoidable cost pressures	58
Loss of income	696
Additional income	<b>(1,084)</b>
Committed price increases	325
Pay increases	78
Pay award	230
Contribution to/ (from) reserves	<b>(687)</b>
Service savings	<b>(922)</b>
<b>Sub total</b>	<b>18,054</b>
New Homes Bonus	<b>(1,875)</b>
<b>Swale Budget Requirement (to be agreed)</b>	<b>16,179</b>
Revenue Support Grant	<b>(113)</b>
Business Rates	<b>(7,768)</b>
Collection Fund Surplus	<b>(40)</b>
<b>Council Tax Requirement (to be agreed)</b>	<b>8,258</b>
Council Tax Income (assuming £174.42 for Band D)	<b>(8,258)</b>

## Parish Precepts

Parish / Town Council	Additional Council Tax for Band D 2018/19 £	Tax Base 2019/20	Parish Precept (rounded) 2019/20 £	Additional Council Tax for Band D 2019/20 £	Additional Council Tax for Band D 2019/20 % Change
Bapchild	25.19	459.28	12,125	26.40	4.80%
Bobbing	19.95	992.79	19,806	19.95	0.00%
Borden	53.06	1,084.19	59,000	54.42	2.56%
Boughton-under-Blean	77.89	693.62	56,635	81.65	4.83%
Bredgar	34.38	283.53	10,121	35.70	3.84%
Doddington	38.04	229.55	8,732	38.04	0.00%
Dunkirk	23.93	495.69	12,027	24.26	1.38%
Eastchurch	42.04	819.53	34,362	41.93	-0.26%
Eastling	35.00	146.16	5,116	35.00	0.00%
Faversham Town Council	57.99	6,357.73	368,684	57.99	0.00%
Graveney & Goodnestone	53.92	187.56	11,127	59.33	10.03%
Hartlip	21.88	362.39	8,000	22.08	0.91%
Hernhill	33.42	287.69	10,000	34.76	4.01%
Iwade	35.43	1,452.72	51,470	35.43	0.00%
Leysdown	21.35	1,188.13	25,000	21.04	-1.45%
Lower Halstow	76.77	451.92	37,000	81.87	6.64%
Luddenham	0	44.54	0	0	0.00%
Lynsted	36.24	477.56	17,049	35.70	-1.49%
Milstead	62.03	86.17	5,500	63.83	2.90%
Minster	27.61	5,521.88	152,459	27.61	0.00%
Newington	53.10	907.92	47,842	52.69	-0.77%
Newnham	34.29	154.43	5,295	34.29	0.00%
Norton & Buckland	32.13	184.59	6,320	34.24	6.57%
Oare	50.37	171.95	8,825	51.32	1.89%
Ospringe	26.77	283.84	7,500	26.42	-1.31%
Queenborough Town Council	65.19	859.22	65,000	75.65	16.05%
Rodmersham	40.26	244.41	10,500	42.96	6.71%
Selling	30.34	369.60	20,254	54.80	80.62%
Sheerness Town Council		2,799.24	139,962	50.00	New parish
Sheldwich, Leaveland & Badlesmere	24.68	352.63	8,600	24.39	-1.18%
Stalisfield	28.87	100.40	2,925	29.13	0.90%
Teynham	53.83	903.29	49,480	54.78	1.76%
Throwley	21.05	144.18	3,098	21.49	2.09%
Tonge	8.41	394.38	2,200	5.58	-33.65%
Tunstall	28.03	704.30	20,212	28.70	2.39%
Upchurch	30.26	1,003.54	50,177	50.00	65.23%
Warden	29.94	505.85	15,000	29.65	-0.97%
<b>TOTAL</b>			1,367,403		

## Capital Programme

	Funding SBC/ Partnership	2018/19 Original Budget £	2018/19 Revised Budget £	2019/20 Original Budget £	2020/21 Original Budget £	Budget Later Years £
<b><u>Commissioning, Environment &amp; Leisure - M.Cassell</u></b>						
Faversham Recreation Ground Improvements – S106	P	0	27,440	225,920	21,320	53,310
Faversham Recreation Ground Improvements – External Grants	P	0	133,950	1,103,000	104,080	260,290
Gunpowder Works Oare Faversham – S106	P	0	9,000	0	0	0
Iwade Orchard Artwork – S106	P	0	5,000	0	0	0
Leisure Centres – Internal / External Borrowing	SBC	1,000,000	2,000,000	0	0	0
Milton Creek Access Road – Reserves	SBC	0	0	40,000	0	0
Modular Toilet Kiosks – Reserves	SBC	0	0	30,000	0	0
New Play Area – Iwade Schemes – S106	P	0	0	45,000	0	0
New Play Area – Thistle Hill – S106	P	0	26,380	0	0	0
Nursery Close/Queenborough Lines Bridge Replacement – Reserves	SBC	0	400	0	0	0
Open Spaces Play Equipment – S106	P	100,000	14,000	226,000	130,000	100,000
Play Area, Windermere Faversham – S106	P	0	13,890	0	0	0
Play Area Refurbishment, Milton Recreation Ground – S106	P	0	45,190	0	0	0
Play Improvements – Reserves	SBC	0	150,000	150,000	100,000	100,000
Queenborough Causeway – Reserves	SBC	0	60,000	0	0	0
Resurfacing Promenade, The Leas – External Grant	P	0	30	84,970	0	0
<b>Total Commissioning, Environment &amp; Leisure</b>		<b>1,100,000</b>	<b>2,485,280</b>	<b>1,904,890</b>	<b>355,400</b>	<b>513,600</b>

## Capital Programme

	Funding SBC/ Partnership	2018/19 Original Budget £	2018/19 Revised Budget £	2019/20 Original Budget £	2020/21 Original Budget £	Budget Later Years £
<b><u>Housing, Economy &amp; Community Services - C.Hudson</u></b>						
CCTV – Reserves	SBC	15,000	15,000	15,000	15,000	15,000
Disabled Facilities Grant – External Grant	P	1,664,800	3,290,640	2,062,800	1,850,000	1,850,000
Dolphin Yard Sailing Barge Museum – S106	P	0	70,000	0	0	0
Dolphin Yard Sailing Barge Museum – Reserves	SBC	0	35,000	0	0	0
Easthall Farm Community Hall – S106	P	0	158,170	0	0	0
Faversham Creek Basin Regeneration Project (Swing Bridge) – Capital Receipts	SBC	0	0	200,000	0	0
Former Bus Depot, East Street – Internal/External Borrowing	SBC	0	1,155,690	0	0	0
The Mill Project, Sittingbourne Skate Park – S106	P	0	4,020	0	0	0
The Mill Project, Sittingbourne Skate Park – Capital Receipts	SBC	0	50,000	150,000	0	0
The Mill Project, Sittingbourne Skate Park – Capital Grant	P	0	0	15,000	0	0
Sittingbourne Town Centre – Internal/External Borrowing	SBC	30,833,920	12,983,862	14,212,758	0	0
<b>Total Housing, Economy &amp; Community Services</b>		<b>32,513,720</b>	<b>17,762,382</b>	<b>16,655,558</b>	<b>1,865,000</b>	<b>1,865,000</b>

## Capital Programme

	Funding SBC/ Partnership	2018/19 Original Budget £	2018/19 Revised Budget £	2019/20 Original Budget £	2020/21 Original Budget £	Budget Later Years £
<b><u>Property – A. Adams</u></b>						
Swale House – Lifts Refurbishment – Reserves	SBC	0	78,560	0	0	0
<b>Total Property</b>		<b>0</b>	<b>78,560</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Environmental Health – T. Beattie</u></b>						
Replacement of Air Pollution Monitoring Station – Capital Receipts	SBC	0	56,640	0	0	0
<b>Total Environmental Health</b>		<b>0</b>	<b>56,640</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>ICT - C. Woodward</u></b>						
ICT Infrastructure & Equipment Replacement - Reserves	SBC	103,400	27,000	91,200	20,000	91,000
<b>Total ICT</b>		<b>103,400</b>	<b>27,000</b>	<b>91,200</b>	<b>20,000</b>	<b>91,000</b>
<b><u>Finance - N.Vickers</u></b>						
Agresso Upgrade – Reserves	SBC	0	25,000	0	0	0
<b>Total Finance</b>		<b>0</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Capital Programme Funded by SBC	SBC	31,952,320	16,637,152	14,888,958	135,000	206,000
Total Capital Programme Funded by Partners	P	1,764,800	3,797,710	3,762,690	2,105,400	2,263,600
<b>Total Capital Programme</b>		<b>33,717,120</b>	<b>20,434,862</b>	<b>18,651,648</b>	<b>2,240,400</b>	<b>2,469,600</b>



## Capital Programme

	2018/19 Original Budget £	2018/19 Revised Budget £	2019/20 Original Budget £	2020/21 Original Budget £	Budget Later Years £
<b>Total Capital Expenditure</b>	<b>33,717,120</b>	<b>20,434,862</b>	<b>18,651,648</b>	<b>2,240,400</b>	<b>2,469,600</b>
<b><u>Funding Analysis</u></b>					
<b>Partnership Funding</b>	<b>1,764,800</b>	<b>3,797,710</b>	<b>3,762,690</b>	<b>2,105,400</b>	<b>2,263,600</b>
<b>Revenue Contributions</b>					
(a) Repairs & Renewals Reserves					
- CCTV	15,000	15,000	15,000	15,000	15,000
(b) General Reserve					
- Housing	0	0	0	0	0
- Play Improvements	0	150,000	150,000	100,000	100,000
- Disabled Facilities Grant	0	0	0	0	0
- Cemeteries Bell Road	0	0	0	0	0
- Milton Creek Access Road	0	0	40,000	0	0
- Modular Toilet Kiosks	0	0	30,000	0	0
- Dolphin Barge Museum	0	35,000	0	0	0
- Queenborough Causeway	0	60,000	0	0	0
- Nursery Close/Q'Boro Lines Bridge Replacement	0	400	0	0	0
- Adelante Upgrade	0	25,000	0	0	0
- ICT Infrastructure & Equipment Replacement	103,400	27,000	91,200	20,000	91,000
<b>Sub Total</b>	<b>118,400</b>	<b>312,400</b>	<b>326,200</b>	<b>135,000</b>	<b>206,000</b>
<b>(c) Building Maintenance Fund</b>					
- Swale Lifts – Replacement	0	78,560	0	0	0
<b>Sub Total</b>	<b>0</b>	<b>78,560</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Revenue Contributions</b>	<b>118,400</b>	<b>390,960</b>	<b>326,200</b>	<b>135,000</b>	<b>206,000</b>

## Capital Programme

## Appendix VI

	2018/19 Original Budget £	2018/19 Revised Budget £	2019/20 Original Budget £	2020/21 Original Budget £	Budget Later Years £
<b>Capital Receipts</b>					
- Adelante Payment Card Software	0	0	0	0	0
- The Mill Project, Sittingbourne Skate Park	0	50,000	150,000	0	0
- Faversham Creek Basin Regeneration Project (swing bridge)	0	0	200,000	0	0
- Beach Huts Leysdown	0	0	0	0	0
- Milton Creek Footpath and Viewing Platform	0	0	0	0	0
- Replacement of Air Quality Stations	0	56,640	0	0	0
<b>Total Capital Receipts</b>	<b>0</b>	<b>106,640</b>	<b>350,000</b>	<b>0</b>	<b>0</b>
<b>Internal/ External Borrowing</b>	<b>31,833,920</b>	<b>16,139,552</b>	<b>14,212,758</b>	<b>0</b>	<b>0</b>
<b>Total SBC Funding</b>	<b>31,952,320</b>	<b>16,637,152</b>	<b>14,888,958</b>	<b>135,000</b>	<b>206,000</b>
<b>Unfunded</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Reserves

	Balance as at 31/03/18 £'000	Forecast Contrib- utions to / from Reserves £'000	Balance as at 31/03/19 £'000	Forecast Contrib- utions to / from Reserves £'000	Balance as at 31/03/20 £'000
General Reserve	(3,015)	172	(2,843)	1,015	(1,828)
Performance	(316)	(300)	(616)	0	(616)
Regeneration	(350)	(300)	(650)	0	(650)
Local Loan Fund	(200)	0	(200)	0	(200)
Parking	(305)	0	(305)	36	(269)
Pension & Redundancy	(205)	0	(205)	0	(205)
Business Rates Volatility	(3,549)	(130)	(3,679)	394	(3,285)
Building Maintenance	(824)	78	(746)	0	(746)
Business Rates Pool (Economic)	(1,346)	0	(1,346)	0	(1,346)
Housing Benefits	(416)	0	(416)	0	(416)
Commuted Sums	(258)	0	(258)	0	(258)
Preceptors Council Tax Support	(563)	66	(497)	0	(497)
Repairs & Renewals	(186)	(33)	(219)	31	(188)
Local Development Framework	(237)	0	(237)	0	(237)
Financial Services	(183)	25	(158)	0	(158)
Stay Put	(183)	0	(183)	0	(183)
Communities	(112)	(75)	(187)	0	(187)
Miscellaneous	(1,526)	(45)	(1,571)	85	(1,486)
<b>Sub Total Earmarked Reserves</b>	<b><u>(13,774)</u></b>	<b><u>(542)</u></b>	<b><u>(14,316)</u></b>	<b><u>1,561</u></b>	<b><u>(12,755)</u></b>
<b>Capital Receipts Reserve</b>	(1,081)	107	(974)	350	(624)
<b>Capital Grants Unapplied Account</b>	(326)		(326)		(326)
<b>General Fund</b>	(4,695)	2,618	(2,077)	347	(1,730)
<b>Total Reserves</b>	<b><u>(19,876)</u></b>	<b><u>2,183</u></b>	<b><u>(17,693)</u></b>	<b><u>2,258</u></b>	<b><u>(15,435)</u></b>

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

**Minimum Revenue Provision Statement**

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2018.

The broad aim of the CLG Guidance is to ensure that capital expenditure is financed 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 that grant.

The CLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

For 2019/20 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.

Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21. MRP on property is not required until the asset is operational.

The budget implications of MRP are detailed elsewhere in this report and the estimated Capital Financing Requirement is detailed in the Annual Treasury Management Report for 2019/20.