

Council Meeting		Urgent Item
Meeting Date	16 March 2016	
Report Title	Budget Framework Variation	
Cabinet Member	Cllr Bowles, Leader	
SMT Lead	Abdool Kara, Chief Executive	
Head of Service	Nick Vickers, Head of Finance	
Lead Officer	Nick Vickers, Head of Finance	
Key Decision		
Classification	Open	
Forward Plan	Reference number:	
Recommendations	1. That the Council agree an in-year change to the current budget and policy framework to allow it to set up the facility to borrow up to £30m.	

1 Purpose of Report and Executive Summary

- 1.1 This report seeks approval to an in-year change in the budget and policy framework to allow for a significant amount of borrowing for capital expenditure purposes.

2 Background

- 2.1 The Council faces further very significant reductions in Central Government funding over the remainder of this decade. Like many other Councils, the reality of maintaining any sort of reasonable level of service provision for residents in the face of continuing reductions in revenue Support Grant is that the Council must identify new income streams. For some Councils this means a much more active stance in capital investment within the area to generate capital receipts and/or revenue streams.
- 2.2 The purpose of this report is, therefore, to provide the Council with the flexibility to undertake such investments as and when opportunities arise. These might include developments that the Council is party to (including, for example, elements of the Sittingbourne Town Centre regeneration proposals), or developments elsewhere in the Borough where a positive return on the investment is projected. It may include investment to help kick-start a development, or buying a ready-made asset 'off the shelf' – whether new, or one that is already in operation.
- 2.3 In all such cases the Council should be able to take advantage of the fact that the cost of capital to the Council by borrowing from the Public Works Loan Board at rates around 3% are lower than the sources of capital for developers and investors.

- 2.4 Any individual investment decisions will be taken on their own merits, via formal Cabinet-level decision taking reports with accompanying business cases. As these will be Cabinet decisions, they will be subject to scrutiny provisions. Wherever possible, pre-decision scrutiny will be offered.
- 2.5 The relevant business cases would need to see the borrowing costs covered by projected income, with some degree of contingency built in. However, many such projects will also generate additional business rates (where it is a new development), and/or Council Tax and New Homes Bonus, all of which will be vital for the future of the Council, as well as the beneficial economic multiplier effect on the area of the development (where it is new).
- 2.6 It is worth noting that all or most such decisions will have to be made under Section 100A(4) of the Local Government Act 1972 as they will involve the likely disclosure of exempt information such as information relating to the financial or business affairs of the Council and the body(ies) that we would be negotiating any such contract with.

3 Proposals

- 3.1 That the Council agree an in-year change to the current budget and policy framework to allow it to set up the facility to borrow up to £30m, whether as a single drawdown or in multiple drawdowns that do not collectively amount to more than £30m.

4 Alternative Options

- 4.1 This report is an enabling report, and any future decisions to draw upon this borrowing capacity will be taken on the merits of individual business cases that will be brought forward. To not take this decision at this point in time will prevent the flexibility to proceed at pace should an opportunity present itself.

5 Consultation Undertaken or Proposed

- 5.1 Consultation will be undertaken on individual projects where there is a proposal to invest.

6 Implications

Issue	Implications
Corporate Plan	The option to borrow for investment fully supports the Council's corporate priority of being a Council to be Proud of, and specifically of Objective 3.4.2 to "Assess and pursue options for generating revenue to reduce dependence on government-controlled funding streams".
Financial, Resource and	Borrowing is a variation from the budget and policy framework and therefore requires specific Council approval.

Property	
Legal and Statutory	The Council is legally able to borrow for capital expenditure purposes.
Crime and Disorder	Not applicable.
Sustainability	Not applicable.
Health and Wellbeing	Not applicable.
Risk Management and Health and Safety	The detailed business cases that will be brought forward will, in each case, have to very carefully examine the financial risks to the Council of borrowing for such investment.
Equality and Diversity	Not applicable.

7 Appendices

7.1 None.

8. Background documents

8.1 None.