

| Cabinet Meeting | |
|------------------------|---|
| Meeting Date | 1 February 2017 |
| Report Title | Medium Term Financial Plan and 2017/18 Budget |
| Cabinet Member | Cllr Dewar-Whalley, Cabinet Member for Finance & Performance |
| SMT Lead | Abdool Kara, Chief Executive |
| Head of Service | Nick Vickers, Head of Finance |
| Lead Officer | Phil Wilson, Chief Accountant |
| Key Decision | Yes |
| Classification | Open |
| Forward Plan | Reference number: |
| Recommendations | <ol style="list-style-type: none"> 1. To approve the 2017/18 budget proposals. 2. To approve the proposed Council tax band D increase for 2017/18 to £164.88. 3. To note the Medium Term Financial Plan funding position. 4. To approve the capital investment principles. 5. To approve increasing the borrowing facility from £30m to £60m. 6. To approve the draft Capital Programme. 7. To note the additional amount of Council Tax for parish precepts. 8. To approve the Minimum Revenue Provision Statement as set out in Appendix IX. 9. To consider the recommendations of Scrutiny Committee. |

1 Purpose of Report and Executive Summary

- 1.1 This report sets out the Council's Medium Term Financial Plan (MTFP), and the 2017/18 budget proposals.
- 1.2 Cabinet received a budget report on 7 December. This report updates that version of the budget report, taking into account the Provisional Local Authority Grant Settlement announced on 15 December.
- 1.3 The 7 December Cabinet report provided the basis for Scrutiny Committee's examination of the budget proposals on 26 January.
- 1.4 This report, if agreed by Cabinet, will then go forward to Council on 15 February for final decision.

2 Background

Provisional Local Government Finance Settlement 2017/18

- 2.1 On 15 December the Provisional Local Government Finance Settlement was announced. The main high level features of the Settlement were:
- (I) the four-year settlements that were offered in the 2016/17 settlement have been confirmed. The following funding streams are included: Revenue Support Grant (RSG), Business rates tariff and top up payments, (which will not change for reasons relating to the relative needs of local authorities), Rural Services Delivery Grant, and Transition Grant;
 - (II) 97% of local authorities including Swale accepted the Four Year deal;
 - (III) Core Spending Power is published by the Government to show the overall impact on local authorities of changes in funding and locally-raised council tax. At a national level it shows that overall spending power is expected to reduce by only 1.14% in 2017/18. This is driven by a reduction of 12.46% in the Settlement Funding Assessment (primarily the significant cut in RSG), which is partially offset by an expected increase in Council Tax (5.60%). It is really important to reinforce that in their funding assumptions Government assumes maximum increases in Council Tax, and they also take into account some growth in the Council Tax base, thus continuing the change introduced in 2016/17 when the previous policy of encouraging Council Tax to be held was abandoned;
 - (IV) the main issue in the media before the Settlement was speculation over increased funding for adult social care. The Settlement allows councils with adult social care statutory responsibilities a maximum 6% increase in Council Tax over the next three years, with a maximum increase in any one year of 3%; and
 - (V) the Government is also reducing New Homes Bonus funding by £240m in 2017/18 to fund an Adult Social Care Grant for councils with social care responsibility.
- 2.2 By far and away the biggest issue for the Council from the Settlement is its long awaited changes to how the New Homes Bonus system operates. The Government consultation on New Homes Bonus was completed in March 2016, with no announcements made until the Settlement in December 2016.
- 2.3 In the Settlement it was announced that grant in 2017/18 will be paid for five years (rather than the previous six years), and from 2018/19 the basis of the award will be reduced further, to only four years.
- 2.4 The Government also introduces the concept of baseline growth in the housing stock. For 2017/18 they have assumed 0.4% 'deadweight' growth.
- 2.5 From 2018/19 further unspecified additional conditions will be introduced, subject to consultation in the new year.

2.6 The financial impact on the Council is set out in the table below:

| | 2017/18 | 2018/19 | 2019/20 |
|-----------------|----------------|----------------|----------------|
| | £ | £ | £ |
| Total forecast | 3,097,000 | 2,273,000 | 2,272,000 |
| Amount budgeted | 2,860,000 | 2,273,000 | 2,272,000 |
| New allocation | 2,743,000 | 2,089,000 | 2,005,000 |
| Reduction | 117,000 | 184,000 | 267,000 |

Note: in 2016/17 the Council took £2,860,000 of New Homes Bonus into the base budget.

2.7 The reduction for 2017/18 in the total funding for New Homes Bonus is clearly very disadvantageous to the Council, and we have made strong representations back to Government on the proposed changes. This is compounded by the longer term changes to New Homes Bonus (NHB) which significantly reduces the incentive effect of NHB on housing delivery.

2.8 Overall the Settlement sees the Council's Spending Power reduce by 6.84% in 2017/18, compared with a shire district average reduction of 5.2%. The Council was already budgeting for a further 41% or £848,000 reduction in RSG. The spending power calculation by Government allows for a £5 increase in Council Tax, and unspecified growth in the Council Tax base.

3 Proposals

Medium Term Financial Plan

3.1 The Medium Term Financial Plan (MTFP) is the core forecast of the financial position of the Council over the next three years. The financial context for the MTFP has completely changed in recent years, with the reduced reliance upon RSG and a much greater reliance on locally based revenue streams. This makes forecasting much more difficult, particularly in relation to highly volatile business rates income.

3.2 The future financing projections for the Council therefore will be dominated by considerations related to Council Tax, business rates growth, New Homes Bonus, and fees and charges income. The Council has to identify and realise new funding streams if services are to not just be retained at existing levels, but also to be improved to reflect residents' aspirations for the services the Council provides.

3.3 This has been the background for the proposals which have been agreed, subject to full due diligence, for the Council to become the funder and owner of sections of the Sittingbourne Town Centre redevelopment. At the heart of this proposal is the creation of new income streams which will replace the lost Central Government funding.

- 3.4 The three year forward plan is also now supplemented with an indicative ten-year financial plan, based on a set of assumptions which are largely guesswork beyond 2019/20, given that:
- (i) the Government's plan to devolve the whole of business rates income to local government to replace RSG, on a basis yet to be determined;
 - (ii) the Government's plan to introduce a new needs based formula for local government, the basis of which is at this stage entirely unknown; and
 - (iii) further changes to the NHB calculation, which are also unknown at the present time.
- 3.5 Nonetheless, having such a plan reflects the need for the Council to look further ahead than three years in its quest to become self-financing, and this will be an evolving initiative which we will develop further over coming years.
- 3.6 The updated MTFP is attached in Appendix I. Any variations from the 7 December Cabinet report are explained below. The updated ten-year plan is attached in Appendix II.

Balanced Budget Proposals

- 3.7 The only change to the detailed budget proposals in the 7 December budget report is the deletion of the £500 major events licence additional income following clarification in the fees and charges update process. These are set out in Appendix III.
- 3.8 The 7 December report identified a gap of £61,000 for 2017/18. The changes to this position are set out below:

| | | |
|--|----------|----------|
| 2017/18 funding gap | | £61,000 |
| Add | | |
| Reduction in New Homes Bonus (NHB) | £354,000 | £415,000 |
| Less | | |
| No contribution from NHB to Regen Fund | £237,000 | |
| Higher final Council Tax base | £58,000 | |
| Revised Collection Fund surplus | £4,000 | £299,000 |
| Required drawdown from Reserves | | £116,000 |

Council Tax

- 3.9 The Council has not increased Council Tax since 2010/11, and the band D at £159.93 is the second lowest in the County. Whilst the borough council element is by far the smallest element of the Council Tax (in non-parished areas), it has been an important principle for the Council to not increase the financial burden on residents at a time of financial restraint for many residents. Despite the fact that Government now assumes that councils will increase Council Tax by the maximum possible in their funding assumptions, it remains

a central belief of the Administration that Council Tax should be kept as low as possible.

- 3.10 However, as was explained in the 7 December Cabinet report, the 133% increase in the Lower Medway Internal Drainage Board (LMIDB) precept costing the Council an additional £442,000 per annum was a new financial pressure which just could not be absorbed within the funding envelope available for 2017/18.
- 3.11 Under the regulations all borough or district councils have the option of increasing Council tax by a maximum of £5 per annum rather than just 2%. Therefore the budget proposals assume a £4.95 increase in the band D Council Tax, to £164.88 per annum.
- 3.12 The Collection Fund and Council Tax base is set out in Appendix IV.
- 3.13 The Council Tax base was agreed by Council on 25 January.
- 3.14 The calculation of the Budget Requirement and Council Tax Requirement is shown in Appendix V.
- 3.15 Parish precepts are shown in Appendix VI.

Capital Strategy

- 3.16 Over a long period the Council has had a very limited capital programme focussed upon specific grant-funded items, primarily Disabled Facilities Grant, and use of some reserve funds to support identified priority projects such as the Sittingbourne Skatepark or building improvements at Faversham Swimming Pool. The Council has also been debt free.
- 3.17 In March 2016 Council agreed that a borrowing facility of up to £30m could be put in place to fund capital projects. This reflected a fundamental change in the Council's stance, recognising that some capital investment could be undertaken to create some of the income generation opportunities. The Council is not alone in taking this approach - nationally, in the third quarter of 2016 councils invested £800m in to Commercial Property, representing 10% of the total investment in Commercial property, which was more than in the previous ten years combined.
- 3.18 In considering investing in assets there are two overriding principles to be applied:
 - (i) 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 Sittingbourne Town Centre investment all the capital financing costs will be wholly funded from rental income; and

- (ii) strategic impact - if the Council is going to invest in property it needs to support wider Council objectives around regeneration of the Borough, including creating new employment. This means there needs to be additionality in-terms of the wider economic benefits e.g. higher business rates.

3.19 The timing of new investment opportunities cannot be predicted in advance, and so it is proposed that a facility is created which would enable the Council to borrow up to an additional £30m on top of the £30m previously agreed. This borrowing would need to satisfy the principles set out in paragraph 3.18, and any project would be subject to a business case report to Cabinet.

3.20 The capital programme is set out in Appendix VII.

Reserves

3.21 The key principles for the management of Reserves moving forward are:

- maintain a prudent level of reserves to allow the Council to deal with unexpected one-off events;
- funding of strategic Council priorities; and
- fund one-off items of expenditure to support service delivery.

3.22 When the Council is considering its budget requirement, it is the Chief Financial Officers' duty under section 25 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.

3.23 The Council currently seeks to maintain a minimum of £1.5m as its General Fund balance, and there is no reason to change this. The Council also holds earmarked reserves for specific purposes. The remaining unallocated funds form the General Reserve. The Head of Finance's view is that the level of reserves and balances held by the Council are at a reasonable level.

3.24 The Council's Section 151 Officer (Head of Finance), in accordance with the Local Government Act 2003, has hereby confirmed his opinion that the 2017/18 budget is robust, and the reserves are reasonable given an assessment of the financial risks faced by the Council (see Appendix VIII).

4 Alternative Options

4.1 The proposals made reflect the views of Cabinet on 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 7 December, and were examined by Scrutiny Committee on 26 January.

5.2 Consultation with local business groups has been undertaken as required by legislation.

5.3 As there are no proposed reductions in service provision, there is no requirement to consult with service users on any proposals contained within this budget.

6 Implications

| Issue | Implications |
|---------------------------------------|--|
| Corporate Plan | The budget proposals for 2017/18 support the Corporate Plan objectives. In particular, setting a balanced budget meets the priority of being a Council to be Proud of. |
| Financial, Resource and Property | The report sets out the approach to the 2017/18 budget, and the medium term financial plan. |
| Legal and Statutory | The approach reflects the legal requirement for the Council to agree a balanced budget. |
| Crime and Disorder | Any potential impact will be addressed by service managers. |
| Sustainability | The sustainability implications of budget decisions will be fully investigated by service managers in implementing proposals. |
| Health and Wellbeing | No issues identified. |
| Risk Management and Health and Safety | A register of the key financial risks is attached in Appendix VIII. Corporate risks are reviewed through the Corporate Risk register. |
| Equality and Diversity | Any implications will be addressed via service managers preparing equality risk assessments. |

7 Appendices

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

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

- Appendix X: Minimum Revenue Provision Statement 2017/18

8 Background Papers

Cabinet budget report 7 December 2016

[http://services.swale.gov.uk/meetings/documents/s6621/Item%205%20Cabine
t%20Report%201718%20v4%20AK%20NV%20final.pdf](http://services.swale.gov.uk/meetings/documents/s6621/Item%205%20Cabine%20Report%201718%20v4%20AK%20NV%20final.pdf)

Medium Term Financial Plan

| | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|------------------|------------------|
| Base Budget | 18,146 | 18,146 | 18,146 | 18,146 |
| Growth items | 0 | 78 | 82 | 94 |
| Unavoidable cost pressures | 0 | 364 | 470 | 525 |
| Loss of income | 0 | 213 | 213 | 214 |
| Additional income | 0 | (259) | (273) | (308) |
| Committed price increases | 0 | 144 | 250 | 305 |
| Lower Medway Internal Drainage Board (LMIDB) | 0 | 456 | 472 | 488 |
| Contribution from reserves for LMIDB | | (220) | 0 | 0 |
| <u>Salary Related:</u> | | | | |
| Pay Award (1.2%) | 0 | 109 | 201 | 294 |
| Other Pay Increases | 0 | 78 | 125 | 150 |
| Contribution to/(from) reserves | 395 | 3 | 42 | 42 |
| Revenue Support Grant | (2,086) | (1,238) | (707) | (113) |
| Business Rates | (5,682) | (6,506) | (7,132) | (7,398) |
| Contribution from Business Rates Reserve | 0 | (255) | 0 | 0 |
| Council Tax | (7,030) | (7,469) | (7,831) | (8,030) |
| New Homes Bonus | (3,482) | (2,743) | (2,089) | (2,005) |
| Collection Fund Surplus/Deficit C Tax | (261) | (140) | (72) | 0 |
| Savings Required | 0 | 761 | 1,897 | 2,404 |
| Service savings | 0 | (645) | (572) | (629) |
| Requirement for balanced position | 0 | 0 | (1,325) | (1,775) |
| Committed savings | 0 | (645) | (1,897) | (2,404) |
| Contribution (to) from General Fund | 0 | 116 | 0 | 0 |

Ten-Year Plan

| Swale Council Ten-Year MTFP | Budget | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan | Plan |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Expenditure | | | | | | | | | | |
| Net service expenditure c/f | 17,914 | 18,146 | 18,684 | 19,114 | 19,279 | 19,121 | 18,965 | 18,810 | 18,658 | 18,508 |
| Net forecast cost/ (savings) | 66 | (105) | 275 | 31 | 56 | 57 | 58 | 59 | 60 | 61 |
| Lower Medway Internal Drainage Board | 0 | 456 | 16 | 16 | 17 | 17 | 17 | 18 | 18 | 19 |
| Pay award | 109 | 109 | 92 | 93 | 94 | 95 | 95 | 96 | 97 | 98 |
| Non pay award salary increases | 57 | 78 | 47 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Efficiency savings | | | | | (350) | (350) | (350) | (350) | (350) | (350) |
| Net Service Expenditure b/f | 18,146 | 18,684 | 19,114 | 19,279 | 19,121 | 18,965 | 18,810 | 18,658 | 18,508 | 18,361 |
| Financing Sources | | | | | | | | | | |
| Government Support | | | | | | | | | | |
| Revenue Support Grant | (2,086) | (1,238) | (707) | (113) | 0 | 0 | 0 | 0 | 0 | 0 |
| New Homes Bonus | (3,482) | (2,743) | (2,089) | (2,005) | (2,005) | (2,005) | (2,005) | (2,005) | (2,005) | (2,005) |
| Council Tax | (7,030) | (7,469) | (7,831) | (8,030) | (8,347) | (8,669) | (8,997) | (9,330) | (9,669) | (10,014) |
| Business Rates | (5,682) | (6,506) | (7,132) | (7,398) | (7,472) | (7,547) | (7,622) | (7,698) | (7,775) | (7,853) |
| Collection Fund surplus for C Tax | (261) | (140) | (72) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contribution to/(from) reserves | 395 | (588) | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 |
| Net Sittingbourne Town Centre rental income | 0 | 0 | 0 | 0 | (500) | (500) | (500) | (500) | (500) | (500) |
| Total Financing | (18,146) | (18,684) | (17,789) | (17,504) | (18,282) | (18,679) | (19,082) | (19,491) | (19,907) | (20,330) |
| Budget Gap (surplus)/ deficit | 0 | 0 | 1,325 | 1,775 | 839 | 286 | (272) | (833) | (1,399) | (1,969) |
| Cumulative Budget Gap (surplus)/ deficit | 0 | 0 | 1,325 | 3,100 | 3,939 | 4,225 | 3,953 | 3,120 | 1,721 | (248) |

Detailed Budget Proposals

| Growth items | | | | |
|---|---|---|--------------------------------------|-----------------------------------|
| No. | Description | Cabinet Member / Head of Service | 2016/17 Original Budget £ | 2017/18 over 2016/17 £ |
| Economy & Community Services | | | | |
| 1 | Swale Contribution to Kent Integrated Domestic Abuse Commissioning Contract | Cllr A. Horton / C. Hudson | 0 | 21,040 |
| 2 | Communications - Squiz CMS licence and support costs | Cllr A. Bowles / E. Wiggins | 530 | 8,250 |
| Mid Kent Improvement Partnership (MKIP) Services | | | | |
| 3 | Essential Users Car Allowance | Cllr D. Dewar-Whalley / D. Smart | 44,600 | 4,130 |
| Democratic Services | | | | |
| 4 | Members' Allowances | Cllr A. Bowles / M. Radford | 397,060 | 38,840 |
| Environmental Health | | | | |
| 5 | Single Employing Proposal for the Mid Kent Environmental Health Service | Cllr D. Simmons / T. Beattie | 51,160 | 5,800 |
| Total Growth Items | | | | 78,060 |

| Unavoidable Cost Pressures | | | | |
|-----------------------------------|--|---|--------------------------------------|-----------------------------------|
| No. | Description | Cabinet Member / Head of Service | 2016/17 Original Budget £ | 2017/18 over 2016/17 £ |
| Mid Kent ICT | | | | |
| 1 | Increase in licence fees due to Microsoft realigning prices in British pounds to be close to Euro levels | Cllr D. Dewar-Whalley / A. Cole | 148,730 | 3,600 |
| Resident Services | | | | |
| 2 | Increase in homelessness costs | Cllr K. Pugh / A. Christou | 237,600 | 170,000 |

Detailed Budget Proposals

| Unavoidable Cost Pressures | | | | |
|---|--|-------------------------------------|------------------------------|---------------------------|
| No. | Description | Cabinet Member / Head of Service | 2016/17 Original Budget £ | 2017/18 over 2016/17 £ |
| Economy & Community Services | | | | |
| 3 | Potential increase in costs of dog kennelling and re-homing service - currently out to tender, so increase is based upon maximum predicted costs for the service | Cllr A. Horton / C. Hudson | 17,800 | 20,000 |
| Mid Kent Improvement Partnership (MKIP) Services | | | | |
| 4 | Auto enrolment in the Local Government Pension Scheme (LGPS) for those that currently opt out - estimate based on 90% take up | Cllr D. Dewar-Whalley / D. Smart | 0 | 51,990 |
| 5 | Apprenticeship levy | Cllr D. Dewar-Whalley / D. Smart | 0 | 29,230 |
| Mid Kent Legal Services (MKLS) | | | | |
| 6 | Swale BC is increasing its use of MKLS resources - so the Council will have to increase its contribution by approximately 3%, though possibly more in 2017/18 | Cllr D. Dewar-Whalley / E. Culligan | 0 | 20,000 |
| Director Of Corporate Services | | | | |
| 7 | Duty officer charge not previously budgeted for | Cllr D. Dewar-Whalley / M. Radford | 0 | 2,000 |
| Finance | | | | |
| 8 | Increase in Pension Costs to Kent County Council (KCC) as a result of triennial revaluation | Cllr D. Dewar-Whalley / N. Vickers | 0 | 60,000 |
| Environmental Health | | | | |
| 9 | Shellfish Sampling - Port of London passing on sampling costs to SBC for monthly monitoring. | Cllr D. Simmons / T. Beattie | 17,500 | 7,500 |
| Total Unavoidable Cost Pressures | | | | 364,320 |

Detailed Budget Proposals

| Additional Income | | | | |
|---|---|-------------------------------------|------------------------------------|---------------------------------|
| No. | Description | Cabinet Member / Head of Service | 2016/17 Original Budget £ | 2017/18 over 2016/17 £ |
| Resident Services | | | | |
| 1 | In House Debt Recovery Service | Cllr D. Dewar-Whalley / A. Christou | 0 | (50,000) |
| Property Services | | | | |
| 2 | Guildhall, Queenborough - additional rental income | Cllr D. Dewar-Whalley / A. Adams | (1,300) | (1,100) |
| 3 | Miscellaneous properties - additional rental income | Cllr D. Dewar-Whalley / A. Adams | (13,000) | (3,000) |
| 4 | Rental/Service charge income from Swale Action to End Domestic Abuse (SATEDA) | Cllr D. Dewar-Whalley / A. Adams | 0 | (6,200) |
| Economy & Community Services | | | | |
| 5 | Environmental Response Team - Fixed Penalty Notice's | Cllr D. Simmons / C. Hudson | (3,000) | (3,000) |
| Commissioning & Customer Contact | | | | |
| 6 | Increase in season ticket charges to bring these closer in line with the current Pay & Display tariff | Cllr A. Horton / D. Thomas | (50,000) | (8,500) |
| 7 | Increase in resident and visitor parking permit charges | Cllr A. Horton / D. Thomas | (97,000) | (13,000) |
| 8 | Garden Waste collections - Increased subscriber base | Cllr D. Simmons / D. Thomas | (367,500) | (17,500) |
| 9 | Refuse collection contract | Cllr D. Simmons / D. Thomas | (57,000) | (20,000) |
| 10 | Current pay and display income remains above expectation following the uplift in parking tariffs last year. This will enable the budget expectation to be increased | Cllr A. Horton / D. Thomas | (1,564,900) | (100,000) |

Detailed Budget Proposals

| Additional Income | | | | |
|--------------------------|--|---|--|---|
| No. | Description | Cabinet Member / Head of Service | 2016/17 Original Budget £ | 2017/18 over 2016/17 £ |
| | Mid Kent Legal Services (MKLS) | | | |
| 11 | Proposal to charge a flat rate of £210 per hour for all legal work may see a slight rise in legal income | Cllr D. Dewar-Whalley / E. Culligan | (12,300) | (1,400) |
| 12 | Significant increase in S106 receipts in 16/17 is expected to be continued in 17/18 | Cllr D. Dewar-Whalley / E. Culligan | (9,000) | (20,000) |
| | Environmental Health | | | |
| 13 | Management of the new Kent & Medway Air Quality monitoring contract | Cllr D. Simmons / T. Beattie | 0 | (5,000) |
| | Finance | | | |
| 14 | Increased income from external interest of investments | Cllr D. Dewar-Whalley / N. Vickers | (100,480) | (10,000) |
| | Total Additional Income | | | (258,700) |

Detailed Budget Proposals

Loss Of Income

| No. | Description | Cabinet Member / Head of Service | 2016/17 Original Budget £ | 2017/18 over 2016/17 £ |
|---|--|-------------------------------------|------------------------------------|---------------------------------|
| Property Services | | | | |
| 1 | Net loss of income due to vacant site at Gas Road and other rent increases | Cllr D. Dewar-Whalley / A. Adams | (336,270) | 15,000 |
| 2 | Faversham Dry Sports. No recharge from tenant for insurance premium but offset by reduction in amount recharged from insurance budget | Cllr D. Dewar-Whalley / A. Adams | (1,510) | 1,510 |
| Economy & Community Services | | | | |
| 3 | Reduced income from ending of CCTV monitoring contract by third party | Cllr A. Horton / C. Hudson | (8,150) | 6,210 |
| Commissioning & Customer Contact | | | | |
| 4 | The Council will no longer be undertaking the Kent Highways Service Maintenance work with the consequent reduction in income from KCC offset by a saving to the ground maintenance budget. See service savings | Cllr D. Simmons / D. Thomas | (138,660) | 138,660 |
| 5 | No longer operating Queenborough Harbour moorings | Cllr D. Simmons / D. Thomas | 0 | 2,000 |
| Mid Kent Legal Services (MKLS) | | | | |
| 6 | Savings through restructure in MKS Legal. This saving will be offset by the loss of income from the resulting lower contributions from the other Legal shared service authorities | Cllr D. Dewar-Whalley / E. Culligan | (1,039,970) | 49,500 |
| Total Loss Of Income | | | | 212,880 |

Detailed Budget Proposals

| Service Savings | | | | |
|---------------------------------------|---|-------------------------------------|------------------------------------|---------------------------------|
| No. | Description | Cabinet Member / Head of Service | 2016/17 Original Budget £ | 2017/18 over 2016/17 £ |
| Mid Kent Legal Services (MKLS) | | | | |
| 1 | Savings through restructure in MKS Legal. This saving will be offset by the loss of income from the resulting lower contributions from the other Legal shared service authorities | Cllr D. Dewar-Whalley / E. Culligan | 1,316,000 | (66,000) |
| Resident Services | | | | |
| 2 | £3,000 paid to Kent Rural Housing Enabler to develop their rural housing policy and carry out housing needs surveys. There is little demand for the surveys and there is little to no funding available to build rural affordable housing at present. Continuing to make the full contribution to fund the agency may not provide value for money | Cllr K. Pugh/ A. Christou | 4,000 | (2,000) |
| 3 | Mileage, no longer needed to send staff to other offices on such a regular basis. There are also no longer Visiting Officers; we therefore have less mileage claims going through | Cllr K. Pugh/ A. Christou | 8,530 | (7,000) |
| 4 | Staff restructuring in Housing | Cllr K. Pugh/ A. Christou | 271,600 | (15,000) |
| 5 | Homeless hostel budget. New agreement with Amicus Horizon to use Housing Benefit Subsidy to cover management costs of this accommodation mean a reduction in this expenditure | Cllr K. Pugh/ A. Christou | 35,000 | (20,000) |
| 6 | Saving in Fraud Partnership | Cllr K.Pugh / A. Christou | 75,530 | (74,000) |
| Property Services | | | | |
| 7 | Guildhall - budget not required | Cllr D. Dewar-Whalley / A. Adams | 330 | (330) |

Detailed Budget Proposals

| Service Savings | | | | |
|---|---|-------------------------------------|------------------------------------|---------------------------------|
| No. | Description | Cabinet Member / Head of Service | 2016/17 Original Budget £ | 2017/18 over 2016/17 £ |
| 8 | Health & Safety budget reduction possible as Technical Index cancelled | Cllr D. Dewar-Whalley / A. Adams | 3,250 | (2,000) |
| 9 | Print Room. Reduction in hours of print room operator | Cllr D. Dewar-Whalley / A. Adams | 39,800 | (9,000) |
| Economy & Community Services | | | | |
| 10 | Rates - budget no longer required | Cllr A.Horton / C. Hudson | 3,460 | (3,460) |
| 11 | Cancellation of fibre optic lines, following decommissioning of cameras from CCTV effectiveness review | Cllr A.Horton / C. Hudson | 48,080 | (6,180) |
| Commissioning & Customer Contact | | | | |
| 12 | A249 litter picking reduced cost | Cllr D. Simmons / D. Thomas | 4,800 | (800) |
| 13 | Wheeled bins - Reduced need | Cllr D. Simmons / D. Thomas | 5,000 | (1,000) |
| 14 | Procurement reduction | Cllr D. Simmons / D. Thomas | 10,000 | (2,000) |
| 15 | Reduction in bin purchases | Cllr D. Simmons / D. Thomas | 14,000 | (2,000) |
| 16 | Activity programme at Milton Creek Country park | Cllr D. Simmons / D. Thomas | 7,440 | (2,440) |
| 17 | Cancelled subscription to Cleaner Kent | Cllr D. Simmons / D. Thomas | 3,000 | (3,000) |
| 18 | Grounds Maintenance Contract | Cllr D. Simmons / D. Thomas | 1,409,000 | (50,000) |
| 19 | The Council will no longer be undertaking the Kent Highways Service Maintenance work with the consequent reduction in income from KCC offset by a saving to the ground maintenance budget. See loss of income | Cllr D. Simmons / D. Thomas | 135,430 | (135,430) |

Detailed Budget Proposals

| Service Savings | | | | |
|------------------------|--|---|--|---|
| No. | Description | Cabinet Member / Head of Service | 2016/17 Original Budget £ | 2017/18 over 2016/17 £ |
| | Planning | | | |
| 20 | Dangerous Structures - reflects underspend over past few years | Cllr G. Lewin / J. Freeman | 3,000 | (2,000) |
| 21 | MKS Planning Support and Local Land Charges - SBC contribution revision | Cllr G. Lewin / J. Freeman | 312,910 | (87,080) |
| | Director Of Corporate Services | | | |
| 22 | Savings on newspapers & periodicals, officer subscriptions, cellphone and Warning and Informing budgets | Cllr D. Dewar-Whalley / M. Radford | 7,830 | (1,390) |
| | Finance | | | |
| 23 | Reduction in cost of adding interest to selected funds | Cllr D. Dewar-Whalley / N. Vickers | 8,210 | (1,000) |
| 24 | Reduction on interest element of a finance lease | Cllr D. Dewar-Whalley / N. Vickers | 72,570 | (3,910) |
| 25 | Contributions to risk management reserve originally agreed from 2009 insurance tender no longer required as a result of the 2016 insurance tender | Cllr D. Dewar-Whalley / N. Vickers | 15,000 | (15,000) |
| 26 | Tender for the cost of processing debit and credit card transactions resulted in a reduction in costs | Cllr D. Dewar-Whalley / N. Vickers | 79,970 | (30,000) |
| 27 | Change in the basis of the calculation of the Minimum Revenue Provision | Cllr D. Dewar-Whalley / N. Vickers | 318,040 | (100,000) |
| | Environmental Health | | | |
| 28 | Renewal of Air Quality station data monitoring contract with Kent & Medway Air Quality Monitoring Network. In addition a review of the number of monitoring stations from 4 to 3 | Cllr D. Simmons / T. Beattie | 10,000 | (2,500) |
| | Total Service Savings | | | (644,520) |

Collection Fund and Council Tax Base

Tax Base

The tax base for 2017/18 is 45,299.89.

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 2017, notifying Kent County Council, the Police and Crime Commissioner for Kent and the Kent & Medway Towns Fire & Rescue Authority of their proportions. The declared surplus of £3,625,600 is shared as follows:

| | (Surplus)/ £'000 |
|---|-----------------------------|
| Kent County Council | (1,087) |
| The Police and Crime Commissioner for Kent | (116) |
| Kent & Medway Towns Fire & Rescue Authority | (79) |
| Swale Borough Council | (1,119) |
| Central Government | (1,224) |
| Total | (3,625) |

These amounts are not added to precepts or budgets, but must be taken into account by each Authority when setting their basic Council Tax. The net surplus for Swale Borough Council is therefore £1,119,400, including a £979,000 surplus for business rates, and a £140,400 surplus for council tax.

Only the council tax surplus is shown in the budget projections for the calculation of the 2017/18 Council Tax, as the business rates surplus will be put to the business rates volatility reserve.

Other Preceptors

Kent County Council, the Kent & Medway Fire Authority and the Kent Police and Crime Commissioner will set their own precepting for all valuation bands. These tax levels will form part of the overall Council Tax to be set by full Council on 15 February 2017.

Parish Council Precepts

Parish Council precept demands have been submitted during January 2017 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

| | 2017/18 £'000 |
|---|------------------|
| 2016/17 Swale Operating Expenditure Budget Before Savings and Growth Items | 18,146 |
| Lower Medway Internal Drainage Board | 456 |
| Growth items | 78 |
| Unavoidable cost pressures | 364 |
| Loss of income | 213 |
| Additional income | (259) |
| Committed price increases | 144 |
| Pay increases | 78 |
| Pay award | 109 |
| Contribution to/ (from) reserves | (588) |
| Service savings | (645) |
| Sub total | 18,096 |
| New Homes Bonus | (2,743) |
| Swale Budget Requirement (to be agreed) | 15,353 |
| Revenue Support Grant | (1,238) |
| Business Rates | (6,506) |
| Collection Fund Surplus | (140) |
| Council Tax Requirement (to be agreed) | 7,469 |
| Council Tax Income (assuming £164.88 for Band D) | (7,469) |

Parish Precepts

| Parish/Town Council | Additional Council Tax for Band D 2016/17 £ | Tax Base 2017/18 | Parish Precept (rounded) 2017/18 £ | Additional Council Tax for Band D 2017/18 £ | Parish Precept 2017/18 % Change |
|-----------------------------------|--|------------------|---------------------------------------|--|------------------------------------|
| Bapchild | 22.95 | 461.95 | 11,000.00 | 23.81 | 3.75% |
| Bobbing | 19.82 | 902.12 | 18,000.00 | 19.95 | 0.66% |
| Borden | 46.47 | 1,071.93 | To be advised | | |
| Boughton-under-Blean | 66.30 | 680.48 | 49,195.00 | 72.29 | 9.03% |
| Bredgar | 33.08 | 286.21 | 9,615.00 | 33.59 | 1.54% |
| Doddington | 35.97 | 218.69 | 8,302.00 | 37.96 | 5.53% |
| Dunkirk | 24.42 | 495.44 | 11,792.00 | 23.80 | -2.54% |
| Eastchurch | 42.74 | 732.80 | 30,000.00 | 40.94 | -4.21% |
| Eastling | 22.34 | 145.99 | 5,110.00 | 35.00 | 56.67% |
| Faversham Town Council | 53.06 | 6,193.73 | 328,638.00 | 53.06 | 0.00% |
| Goodnestone & Graveney | 30.37 | 184.29 | 6,118.00 | 33.20 | 9.32% |
| Hartlip | 19.38 | 361.56 | 7,500.00 | 20.74 | 7.02% |
| Hemhill | 28.24 | 283.86 | 9,000.00 | 31.71 | 12.29% |
| Iwade | 35.43 | 1,361.82 | 48,250.00 | 35.43 | 0.00% |
| Leysdown | 22.66 | 1,083.36 | To be advised | | |
| Lower Halstow | 64.68 | 446.49 | 35,455.00 | 79.41 | 22.77% |
| Luddenham | 0 | 46.03 | 0 | 0 | 0 |
| Lynsted | 37.58 | 462.38 | 17,049.00 | 36.87 | -1.89% |
| Milstead | 58.77 | 91.28 | 5,500.00 | 60.25 | 2.52% |
| Minster | 26.89 | 5,216.95 | 144,056.00 | 27.61 | 2.68% |
| Newington | 50.55 | 871.04 | 45,760.00 | 52.53 | 3.92% |
| Newnham | 35.46 | 150.67 | 5,355.00 | 35.54 | 0.23% |
| Norton & Buckland | 31.31 | 182.71 | 5,847.00 | 32.00 | 2.20% |
| Oare | 51.63 | 168.23 | 8,568.00 | 50.93 | -1.36% |
| Ospringe | 25.31 | 278.31 | 7,250.00 | 26.05 | 2.92% |
| Queenborough Town Council | 58.91 | 780.72 | 65,225.00 | 83.54 | 41.81% |
| Rodmersham | 31.54 | 240.71 | 7,750.00 | 32.20 | 2.09% |
| Selling | 23.92 | 346.70 | 10,384.00 | 29.95 | 25.21% |
| Sheldwich, Leaveland & Badlesmere | 24.56 | 348.27 | To be advised | | |
| Stalisfield | 26.80 | 99.96 | 2,600.00 | 26.01 | -2.95% |
| Teynham | 52.78 | 868.43 | 47,480.00 | 54.67 | 3.58% |
| Throwley | 23.14 | 139.84 | 3,166.00 | 22.64 | -2.16% |
| Tonge | 14.13 | 140.61 | 2,200.00 | 15.65 | 10.76% |
| Tunstall | 24.23 | 702.95 | 17,560.00 | 24.98 | 3.10% |
| Upchurch | 28.85 | 921.95 | 27,900.00 | 30.26 | 4.89% |
| Warden | 31.70 | 484.70 | 15,000.00 | 30.95 | -2.37% |
| TOTAL | | | | | |

Reserves

| Description | Forecast Contributions | | Forecast Contributions | | Balance as at 31/03/18 £'000 |
|---|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| | Balance as at 31/03/16 £'000 | to / from Reserves 2016/17 £'000 | Balance as at 31/03/17 £'000 | to / from Reserves 2017/18 £'000 | |
| General Reserve | (3,088) | 230 | (2,858) | | (2,858) |
| Performance Fund | (537) | | (537) | | (537) |
| Transformation Fund | (212) | | (212) | | (212) |
| Regeneration Fund | (362) | (522) | (884) | | (884) |
| Swale Local Loan Fund | (250) | | (250) | | (250) |
| Building Maintenance Fund | (818) | | (818) | | (818) |
| Housing Reserves | (198) | | (198) | | (198) |
| Repairs and Renewals Funds | (289) | (90) | (379) | (90) | (469) |
| Local Development Framework Fund | (70) | | (70) | | (70) |
| Stay Put Grants Reserve | (152) | | (152) | | (152) |
| Revenues Main Reserve | (277) | | (277) | | (277) |
| Business Rates Volatility Reserve | (2,649) | 1,348 | (1,301) | (724) | (2,025) |
| Preceptors Council Tax Support Reserve | (250) | 66 | (184) | 66 | (118) |
| Commuted Sums | (259) | | (259) | | (259) |
| Other Reserves | (1,643) | (79) | (1,722) | 21 | (1,701) |
| Total Earmarked Reserves | (11,054) | 953 | (10,101) | (727) | (10,828) |
| Usable Capital Receipts Reserve | (1,127) | | (1,127) | | (1,127) |
| Capital Grants Unapplied Account | (312) | | (312) | | (312) |
| General Fund | (5,365) | 1,377 | (3,988) | 336 | (3,652) |
| Total Usable Reserves | (17,858) | 2,330 | (15,528) | (391) | (15,919) |

Appendix VIII

Capital Programme

| | Funding SBC / Partnership | 2016/17 Original Budget £ | 2016/17 Revised Budget £ | 2017/18 Original Budget £ | 2018/19 Original Budget £ | Budget Later Years £ |
|---|---------------------------------|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|-------------------------------|
| <u>Commissioning & Customer Contact - D.Thomas</u> | | | | | | |
| Cemeteries - future burial provision - Capital Receipts | SBC | 0 | 22,000 | 0 | 0 | 0 |
| Cemeteries – Bell Road - Reserves | SBC | 0 | 41,000 | 0 | 0 | 0 |
| Sheppey Leisure Centre – Exercise Studio Floor – Reserves | SBC | 0 | 35,000 | 0 | 0 | 0 |
| Milton Creek Footpath & Viewing platform - Capital Receipts | SBC | 0 | 16,200 | 0 | 0 | 0 |
| Newington Car Park Wall – Capital Receipts | SBC | 0 | 125,000 | 0 | 0 | 0 |
| Beach Huts, Leysdown – Capital Receipts | SBC | 0 | 60,000 | 0 | 0 | 0 |
| Resurfacing Promenade, The Leas – Capital Grant | P | 0 | 306,000 | 0 | 0 | 0 |
| Thistle Hill Community Woodland - Trim Trail - S106 | P | 0 | 35,000 | 0 | 0 | 0 |
| New Play Area - Iwade Schemes - S106 | P | 0 | 92,200 | 0 | 0 | 0 |
| Borden Playstool Playground Equipment – S106 | P | 0 | 13,100 | 0 | 0 | 0 |
| Car Park Machines – Reserves | SBC | 15,000 | 45,000 | 0 | 0 | 0 |
| Car Park Information Boards – Reserves | SBC | 0 | 40,000 | 0 | 0 | 0 |
| Milton Creek Access Road – Reserves | SBC | 0 | 40,000 | 0 | 0 | 0 |
| Bridge Deck Replacement at Bartons Point – Reserves | SBC | 0 | 14,000 | 0 | 0 | 0 |
| Modular Toilet Kiosks – Reserves | SBC | 0 | 30,000 | 0 | 0 | 0 |
| Oare Gunpowder Works - S106 | P | 0 | 9,000 | 0 | 0 | 0 |
| Total Commissioning & Customer Contact | | 15,000 | 923,500 | 0 | 0 | 0 |
| <u>Corporate Services – M. Radford</u> | | | | | | |
| Uniform Licensing Implementation – Capital Receipts | SBC | 0 | 17,000 | 0 | 0 | 0 |
| TOTAL CORPORATE SERVICES | | 0 | 17,000 | 0 | 0 | 0 |

Appendix VIII

Capital Programme

| | Funding SBC / Partnership | 2016/17 Original Budget £ | 2016/17 Revised Budget £ | 2017/18 Original Budget £ | 2018/19 Original Budget £ | Budget Later Years £ |
|--|---------------------------------|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|-------------------------------|
| <u>Economy & Communities – C. Hudson</u> | | | | | | |
| CCTV – Reserves - Repairs & Renewals | SBC | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| The Mill Project, Sittingbourne Skate Park - Capital Receipts | SBC | 200,000 | 200,000 | 0 | 0 | 0 |
| Faversham Creek Basin Regeneration Project (Swing Bridge) - Capital Receipts | SBC | 200,000 | 200,000 | 0 | 0 | 0 |
| Faversham Pools refurbishment - Capital Receipts | SBC | 150,000 | 150,000 | 0 | 0 | 0 |
| The Meads Community Centre - Reserves – Regen Fund | SBC | 0 | 11,100 | 0 | 0 | 0 |
| The Meads Community Centre- S106 | P | 0 | 6,800 | 0 | 0 | 0 |
| Easthall Farm Community Centre - S106 | P | 964,000 | 964,000 | 0 | 0 | 0 |
| Kemsley Community Facilities - S106 | P | 0 | 4,900 | 0 | 0 | 0 |
| Total Economy & Communities | | 1,529,000 | 1,551,800 | 15,000 | 15,000 | 15,000 |
| <u>Environmental Health - T. Beattie</u> | | | | | | |
| Replacement of Air Quality Stations - Capital Receipts | SBC | 55,000 | 55,000 | 35,000 | 0 | 0 |
| Total Environmental Health | | 55,000 | 55,000 | 35,000 | 0 | 0 |
| <u>Finance - N. Vickers</u> | | | | | | |
| Income Management System - Replacement - Capital Receipts | SBC | 0 | 2,500 | 0 | 0 | 0 |
| TOTAL FINANCE | | 0 | 2,500 | 0 | 0 | 0 |

Capital Programme

Housing - A. Christou

| | | | | | | |
|---|-----|------------------|------------------|------------------|------------------|------------------|
| Disabled Facilities Grants - External Grant | P | 1,140,000 | 1,943,100 | 1,664,800 | 1,664,800 | 1,664,800 |
| Disabled Facilities Grants – Reserves | SBC | 0 | 92,100 | 0 | 0 | 0 |
| Total Housing | | 1,140,000 | 2,035,200 | 1,664,800 | 1,664,800 | 1,664,800 |
| | | | | | | |
| Total Capital Programme Funded by SBC | SBC | 635,000 | 1,210,900 | 50,000 | 15,000 | 15,000 |
| Total Capital Programme Funded by Partners | P | 2,104,000 | 3,374,100 | 1,664,800 | 1,664,800 | 1,664,800 |
| Total Capital Programme | | 2,739,000 | 4,585,000 | 1,714,800 | 1,679,800 | 1,679,800 |

Capital Programme

| | 2016/17 Original Budget £ | 2016/17 Revised Budget £ | 2017/18 Original Budget £ | 2018/19 Original Budget £ | Budget Later Years £ |
|--|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|-------------------------------|
| Total Capital Expenditure | 2,739,000 | 4,585,000 | 1,714,800 | 1,679,800 | 1,679,800 |
| Funding Analysis | | | | | |
| Partnership Funding | 2,104,000 | 3,374,100 | 1,664,800 | 1,664,800 | 1,664,800 |
| Revenue Contributions | | | | | |
| (a) Repairs & Renewals Reserves | | | | | |
| - CCTV | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| (b) General Reserve | | | | | |
| - Disabled Facilities Grant | 0 | 92,100 | 0 | 0 | 0 |
| - Cemeteries – Bell Road | 0 | 20,500 | 0 | 0 | 0 |
| - Car Park Information Boards | 0 | 40,000 | 0 | 0 | 0 |
| - Milton Creek Access Road | 0 | 40,000 | 0 | 0 | 0 |
| - Bridge Deck Replacement at Bartons Point | 0 | 14,000 | 0 | 0 | 0 |
| - Modular Toilet Kiosks | 0 | 30,000 | 0 | 0 | 0 |
| - Car Park Machines | 15,000 | 45,000 | 0 | 0 | 0 |
| Sub total | 15,000 | 281,600 | 0 | 0 | 0 |
| (c) Regeneration Fund | | | | | |
| - The Meads Community Centre | 0 | 11,100 | 0 | 0 | 0 |
| (d) Building Maintenance Fund | | | | | |
| - Cemeteries – Bell Road | 0 | 20,500 | 0 | 0 | 0 |
| - Exercise Floor at Sheppey Leisure Centre | 0 | 35,000 | 0 | 0 | 0 |
| Sub total | 0 | 55,500 | 0 | 0 | 0 |
| (e) Performance Fund | | | | | |
| - Uniform Licensing Implementation | 0 | 17,000 | 0 | 0 | 0 |
| Total Revenue Contributions | 30,000 | 380,200 | 15,000 | 15,000 | 15,000 |

Capital Programme

| | 2016/17 Original Budget £ | 2016/17 Revised Budget £ | 2017/18 Original Budget £ | 2018/19 Original Budget £ | Budget Later Years £ |
|---|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|-------------------------------|
| Capital Receipts:- | | | | | |
| - The Mill Project, Sittingbourne Skate Park | 200,000 | 200,000 | 0 | 0 | 0 |
| - Faversham Creek Basin Regeneration Project (Swing Bridge) | 200,000 | 200,000 | 0 | 0 | 0 |
| - Faversham Pools Refurbishment | 150,000 | 150,000 | 0 | 0 | 0 |
| - Newington Car Park Wall – Capital Receipts | 0 | 125,000 | 0 | 0 | 0 |
| - Beach Huts Leysdown – Capital Receipts | 0 | 60,000 | 0 | 0 | 0 |
| - Milton Creek Footpath and Viewing Platform | 0 | 16,200 | 0 | 0 | 0 |
| - Cemeteries - Future Burial Provision | 0 | 22,000 | 0 | 0 | 0 |
| - Income Management System | 0 | 2,500 | 0 | 0 | 0 |
| - Replacement of Air Quality Stations | 55,000 | 55,000 | 35,000 | 0 | 0 |
| Total Capital Receipts | 605,000 | 830,700 | 35,000 | 0 | 0 |
| Total Funds Utilised | 2,739,000 | 4,585,000 | 1,714,800 | 15,000 | 15,000 |

Financial Risk Register

(Very High=4, High=3, Medium=2, Low=1)

| Issue | Likelihood/Impact | Mitigation |
|--|-------------------|--|
| Funding reductions | L 4 x I 3 = 12 | Medium term financial plan Income generation National and local intelligence |
| Sittingbourne Town Centre | L 3 x I 3 = 9 | External advice Due diligence Regular reporting |
| Localisation of business rates, business rates appeals | L4 x I 2 = 8 | Consultation responses In-depth research Modelling |
| Leisure centre contract renewal | L 4 x I 2 = 8 | Early examination of all options Project planning |
| New Homes Bonus | L 3 x I 2 = 6 | Consultation responses Lobbying Budgeting |
| Homelessness | L 3 x I 2 = 6 | Alternative provision Limiting support to budget available |
| Judicial review of a key decision | L2 x I 3 = 6 | Good governance Member and officer training |
| Delivery of 2017/18 budget savings | L 2 x I 2 = 4 | Robust budget preparation Good monitoring |
| Loss of key staff | L 2 x I 2 = 4 | Succession planning Staff development and training |
| Fraud | L 1 x I 3 = 3 | Internal controls Internal audit review Member and staff awareness |

Minimum Revenue Provision Statement 2017/18

The Department for Communities and Local Government's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State, and local authorities are required to "have regard" to such Guidance, under section 21(1A) of the Local Government Act 2003.

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

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

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

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

The four MRP options available are:

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

Note: This does not preclude other prudent methods.

MRP in 2017/18:

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

The MRP Statement will be submitted to Council before the start of the 2017/18 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Council at that time.

Minimum Revenue Provision Statement 2017/18

Council on 17 February 2016 resolved that for the 2016/17 financial year, the Council's policy for the calculation of Minimum Revenue Provision would be the asset life (equal instalment) method for Prudential Borrowing, and the "Regulatory Method" for calculating the MRP for the CFR created by unfunded capital expenditure before 1/4/2008. In this option, MRP is equal to the amount determined in accordance with the former regulations 28 and 29 of the 2003 Regulations as if they had not been revoked. MRP is set at a uniform rate of 4% of the adjusted CFR, i.e. adjusted for "Adjustment A" on a reducing balance method (which in effect means that MRP charges will stretch into infinity).

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

Therefore it is proposed that the MRP element relating to unfunded capital expenditure incurred before 1 April 2008 is changed from 1 April 2017 from the Regulatory Method to the Annuity Method, based on full repayment of the CFR over 50 years, and using an interest rate of 2%. The Council believes that the 50 year period is prudent as the aim is to repay capital expenditure, and this matches the Council's existing accounting policies on the standard useful lives of assets used in our annual accounts. The 2% is taken from the Government's inflation target. The element of the CFR relating to unfunded capital expenditure before 1 April 2008 is forecast to be £4m on 1 April 2017. Using the proposed annuity method this will be fully repaid in 50 years; if the regulatory method had continued to be used, £780,000 would still be left unfunded after the 50 years.

This Policy will be reviewed on an annual basis.

For 2017/18 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.