

Cabinet Meeting	
Meeting Date	7 February 2018
Report Title	Medium Term Financial Plan and 2018/19 Revenue and Capital Budgets
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance & Performance
SMT Lead	Nick Vickers, Chief Financial Officer
Head of Service	Nick Vickers, Chief Financial Officer
Lead Officer	Phil Wilson, Financial Services Manager
Key Decision	Yes
Classification	Open
Recommendations	<ol style="list-style-type: none"> 1. To approve the 2018/19 revenue budget proposals. 2. To note the medium term funding position. 3. To approve the draft capital budget. 4. To note the additional amount of Council tax for parish precepts. 5. To consider the recommendations of Scrutiny Committee. 6. To approve the Minimum Revenue Provision Statement as set out in Appendix IX

1 Purpose of Report and Executive Summary

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

2 Background

Provisional Local Government Finance Settlement 2018/19

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

100% Business Rate Pilots

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

Adjustments for the Business Rate Retention System

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

Council Tax Threshold

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

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

New Homes Bonus

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

Changes in Local Government Funding in 2020/21

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

Planning Fees

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

Staff Pay

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

Capital Budget

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

The Development Agreement and Funding Agreement have been signed at a cost of £32m.

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

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

3 Proposals

Medium Term Financial Plan

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

Balanced Budget Proposals

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

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

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

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

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

Council Tax

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

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

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

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

3.9 Parish precepts are shown in Appendix VI.

Capital Budget

3.10 The capital budget is attached in Appendix VIII.

Reserves

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

Risk

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

4 Alternative Options

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

5 Consultation Undertaken or Proposed

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

6 Implications

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

7 Appendices

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

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

8 Background Papers

Cabinet budget report 6 December 2017

<http://services.swale.gov.uk/meetings/documents/s8633/Cabinet%20December%202017%202018-19%20Budget%20Report%20v4.pdf>

Medium Term Financial Plan

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

Ten-Year Plan

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

Detailed Budget Proposals

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

Detailed Budget Proposals

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

Detailed Budget Proposals

Unavoidable Cost Pressures

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

Detailed Budget Proposals

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

Detailed Budget Proposals

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

Detailed Budget Proposals

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

Detailed Budget Proposals

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

Detailed Budget Proposals

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

Collection Fund and Collection Tax Base

Tax Base

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

Collection Fund

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

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

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

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

Other Preceptors

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

Parish Council Precepts

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

Budget Requirement and Council Tax Requirement

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

Parish Precepts

Parish / Town Council	Additional Council Tax for Band D 2017/18 £	Tax Base 2018/19	Parish Precept (rounded) 2018/19 £	Additional Council Tax for Band D 2018/19 £	Parish Precept 2018/19 % Change
Bapchild	23.81	458.51	11,550.00	25.19	5.80%
Bobbing	19.95	963.82	19,231.10	19.95	0.00%
Borden	47.81	1,079.06	57,250.00	53.06	10.98%
Boughton-under-Blean	72.29	689.33	53,695.00	77.89	7.75%
Bredgar	33.59	287.53	9,884.22	34.38	2.35%
Doddington	37.96	223.45	8,500.00	38.04	0.21%
Dunkirk	23.80	492.80	11,792.00	23.93	0.55%
Eastchurch	40.94	784.93	33,000.00	42.04	2.69%
Eastling	35.00	146.75	5,137.00	35.00	0.03%
Faversham Town Council	53.06	6,279.21	364,160.00	57.99	9.29%
Graveney & Goodnestone	33.20	185.46	10,000.00	53.92	62.41%
Hartlip	20.74	365.61	8,000.00	21.88	5.50%
Hernhill	31.71	284.26	9,500.00	33.42	5.39%
Iwade	35.43	1,445.30	51,208.00	35.43	0.00%
Leysdown	23.08	1,171.19	25,000	21.35	-7.50%
Lower Halstow	76.00	453.94	34,849.00	76.77	1.01%
Luddenham	0	0	0	0	0
Lynsted	36.87	470.51	17,049.00	36.24	-1.71%
Milstead	60.25	88.66	5,500.00	62.03	2.95%
Minster	27.61	5,411.75	149,418.00	27.61	0.00%
Newington	52.53	878.94	46,675.00	53.10	1.09%
Newnham	35.54	156.19	5,355.00	34.29	-3.52%
Norton & Buckland	32.00	185.85	5,971.00	32.13	0.41%
Oare	50.93	170.11	8,568.00	50.37	-1.10%
Ospringle	26.05	280.13	7,500.00	26.77	2.76%
Queenborough Town Council	83.54	843.66	55,000.00	65.19	-21.97%
Rodmersham	32.20	242.17	9,750.00	40.26	25.03%
Selling	29.95	363.56	11,029.00	30.34	1.30%
Sheldwich, Leaveland & Badlesmere	24.69	348.42	To be advised		
Stalisfield	26.01	100.46	2,900.00	28.87	11.00%
Teynham	54.67	882.00	47,480.00	53.83	-1.54%
Throwley	22.64	143.56	3,022.44	21.05	-7.02%
Tonge	15.65	261.72	2,200.00	8.41	-46.26%
Tunstall	24.98	708.14	19,850.00	28.03	12.21%
Upchurch	30.26	964.79	29,195.00	30.26	0.00%
Warden	30.95	500.97	15,000	29.94	-3.26
TOTAL					

Reserves

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

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

Capital Programme

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

Capital Programme

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

Capital Programme

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

Minimum Revenue Provision Statement 2018/19

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

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

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

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

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

The four MRP options available are:

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

Note: This does not preclude other prudent methods.

Minimum Revenue Provision Statement 2018/19**MRP in 2018/19:**

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

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

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

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

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

This Policy will be reviewed on an annual basis.

For 2018/19 it is recommended that:

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

Minimum Revenue Provision Statement 2018/19

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.