

Is the final decision on the recommendations in this report to be made at this meeting?

**Yes****\*Budget 2020/21 and Medium Term Financial Strategy Update**

|                                   |   |
|-----------------------------------|---|
| <b>Final Decision-Maker</b>       | Cabinet   |
| <b>Portfolio Holder(s)</b>        | Cllr. Tom Dawlings, Finance and Governance              |
| <b>Lead Director</b>              | Lee Colyer, Director of Finance, Policy and Development |
| <b>Head of Service</b>            | Jane Fineman, Head of Finance and Procurement           |
| <b>Lead Officer/Report Author</b> | Lee Colyer, Director of Finance, Policy and Development |
| <b>Classification</b>             | Non-exempt  |
| <b>Wards affected</b>             | All   |

**This report makes the following recommendation to the final decision-maker:**

1. That Cabinet considers the changes to the base budget along with the assumptions and approach set out throughout the report;
2. That Cabinet consider the responses to the budget consultation in Appendix P;
3. That Cabinet recommends to full Council the rolling forward of the capital programme including additional gross funding of £3,072,050 for new schemes listed within the report; and
4. That Cabinet recommends to full Council an increase in the 'Basic Amount' of Council Tax of £5.00 per annum for a Band D property.

**This report relates to the following Five Year Plan Key Objectives:**

- A Prosperous Borough
- A Green Borough
- A Confident Borough

The Council's budget involves the allocation of financial resources to deliver the Council's Key Objectives.

**Timetable**

| <b><i>Meeting</i></b>                       | <b><i>Date</i></b> |
|---|--------------------|
| Management Board                            | 3 January 2020     |
| Discussion with Portfolio Holder            | 7 January 2020     |
| Finance & Governance Cabinet Advisory Board | 14 January 2020    |

|              |                  |
|--------------|------------------|
| Cabinet      | 6 February 2020  |
| Full Council | 26 February 2020 |

# Budget 2020/21 and Medium Term Financial Strategy Update

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This report outlines the assumptions that have been built into the budget for 2020/21.

1.2 Cabinet are asked to recommend this budget to full Council which includes the following main headlines:

- Zero Revenue Support Grant from central Government to help fund local services.
- An increase in the Basic Council Tax rate of £5.00 for a Band D property.
- No use of general reserves in balancing the budget.
- The New Homes Bonus of £1,160,360 to be placed into the Grant Volatility Reserve.
- New Capital Schemes with a gross cost of £3,072,050

1.3 The draft budget was subject to six weeks of public consultation.

Members are reminded that section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to matters relating to, or which might affect, the calculation of Council Tax.

Any Member of a Local Authority, who is liable to pay Council Tax, and who has any unpaid Council Tax amount overdue for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that he/she is in arrears and must not cast their vote on anything related to TWBC's Budget or Council Tax.

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## 2. INTRODUCTION AND BACKGROUND

2.1 Cabinet received the first report leading to the setting of the 2020/21 budget at the meeting on 1 August 2019 entitled Budget Projection and Strategy which had also been considered by the Finance & Governance Cabinet Advisory Board. This was followed by a Budget Update report on 24 October 2019 and the Draft Budget on 6 December 2019.

### **Four-Year Settlement**

2.2 The Government's four-year funding settlement has now come to an end and the Council is financially self-sufficient. The ability to fund local services is now dependent on growing the local economy and sharing in the proceeds of business rates growth.

## Queen's Speech

2.3 Following the General Election on 12 December 2019 the second Queen's Speech of 2019 was delivered on 19 December 2019. The speech proposes a total of 29 Bills and various other policies and commitments (which may require additional legislation). The following are of most significance to this Council:

- Business Rates – The importance of business rates to local authority funding is emphasised. The manifesto pledges a fundamental review and an increase to the retail discount relief (from 33 per cent to 50 per cent) and extension of this to cinemas and music venues. In addition, pub relief and an extension of the local newspaper relief are planned. It is expected that the lost business rates income from these new/higher reliefs announced will be, as per previous changes, offset by increased s31 grant payments. The Government restated its commitment to a review of the business rates system and to move to three-yearly revaluations, beginning in 2021. In 2017, the Government adjusted for the impact of revaluation to ensure that authorities' funding positions are unaffected by the changes (subject to the impact of appeals to the new valuations).
- Planning Fees – The Government has committed to publishing a Planning White Paper in the coming months to make the process clearer, more accessible and more certain for all users and to address local authority resourcing and performance.

## Provisional Local Government Finance Settlement 2020/21

2.4 On 20 December 2019, the Secretary of State for the Ministry of Housing Communities and Local Government (MHCLG) made a written statement to Parliament on the provisional local government finance settlement 2020/21. The relevant key points and context are summarised below and have been used to inform the Council's strategy in producing this budget report.

2.5 It is again disappointing that the provisional settlement was delivered very late and is for one year only which is not conducive to the strategic financial planning required for delivering essential local services.

### Settlement Funding Assessment (SFA)

2.6 The components of the SFA will be increased by 1.6 per cent and are set out below;

|                        | 2019/20<br>£m | 2020/21<br>£m | Change<br>£m |
|------------------------|---------------|---------------|--------------|
| Revenue Support Grant  | 0.000         | 0.000         | 0.000        |
| Baseline Funding Level | 2.337         | 2.375         | 0.040        |

### New Homes Bonus (NHB)

- 2.7 The NHB scheme was introduced by the Government in 2011 as a “powerful, predictable, permanent incentive to reward the delivery of housing growth”, funded by a £900 million top-slice of Revenue Support Grant.
- 2.8 NHB will continue for another year however, amounts earned in Year 10 will be paid as one offs and will not attract legacy payments. This is very disappointing as it takes time to deliver new housing particularly in areas of high planning constraints and sensitivities such as Tunbridge Wells.
- 2.9 The government has again questioned the effectiveness of NHB and has made the following statement;

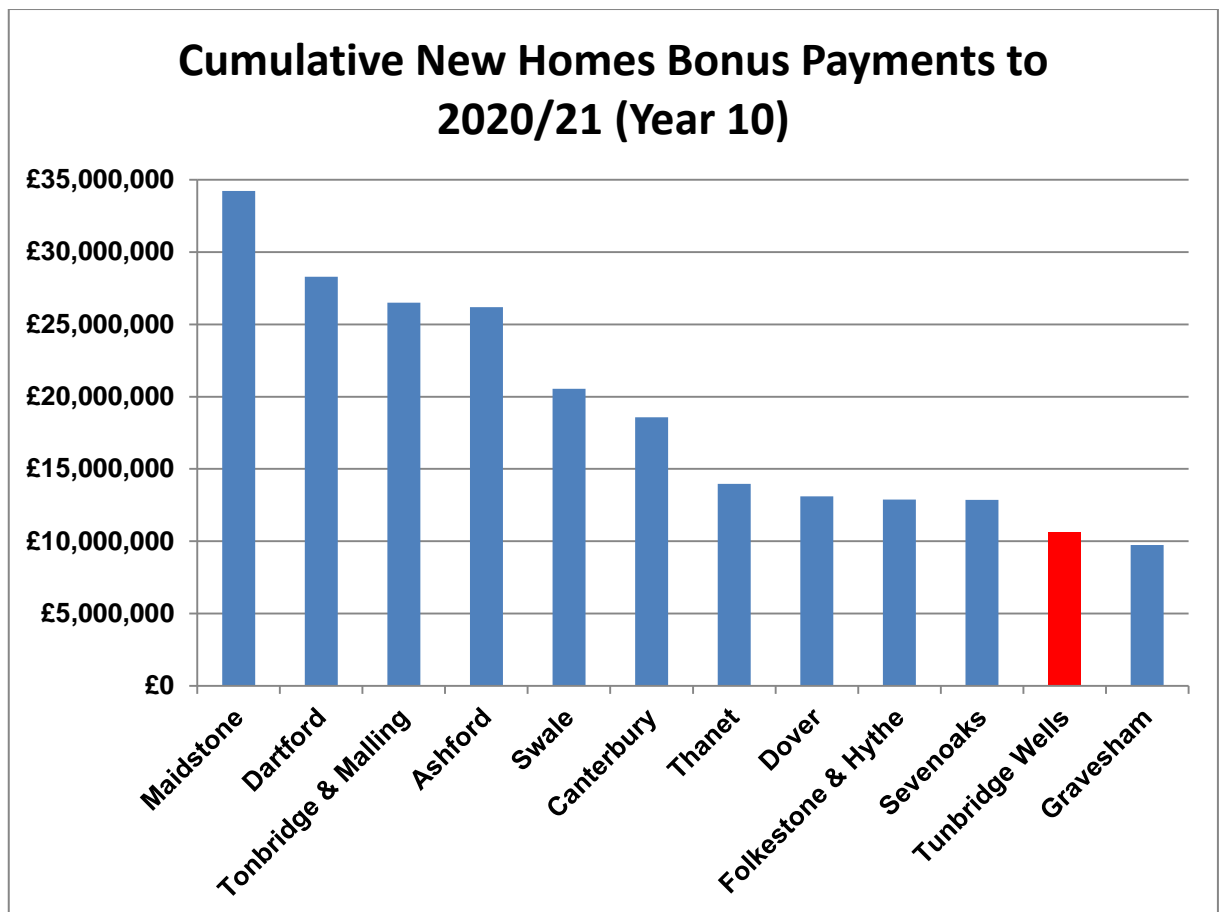
“It is not clear that the New Homes Bonus in its current form is focussed on incentivising homes where they are needed most. I am therefore announcing that the government will consult on the future of the housing incentive in the spring.

This will include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance.”

- 2.10 It would now be prudent for the Council to remove the use of NHB from its base budget and not to be reliant upon future funding from this source of income. Any NHB received will be placed into reserves and can be used to help fund the capital programme. The provisional Year 10 allocation is the highest this Council has ever received, however this will be for one year only. The receipt and use of NHB is shown below. Final notifications of NHB allocations for 2020/21 are not expected until February 2020.

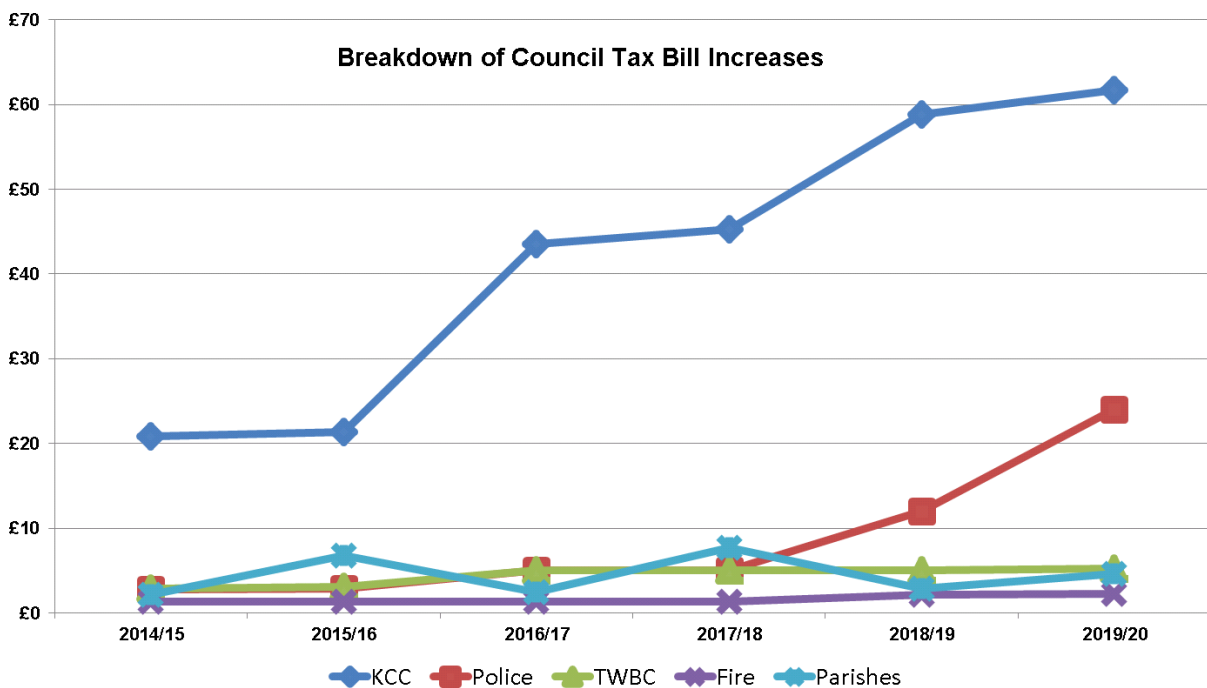
|                        | 16/17        | 17/18        | 18/19        | 19/20        | 20/21        | 21/22      | 22/23      |
|------------------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
|                        | £000s        | £000s        | £000s        | £000s        | £000s        | £000s      | £000s      |
| Year 10 - Net          |              |              |              |              | 571          |            |            |
| Year 9 - Net           |              |              |              | 222          | 222          | 222        | 222        |
| Year 8 - Net           |              |              | 184          | 184          | 184          | 184        |            |
| Year 7 - Net           |              | 183          | 183          | 183          | 183          |            |            |
| Year 6                 | 554          | 554          | 554          | 554          |              |            |            |
| Year 5                 | 135          | 135          | 135          |              |              |            |            |
| Year 4                 | 96           | 96           |              |              |              |            |            |
| Year 3                 | 390          | 390          |              |              |              |            |            |
| Year 2                 | 339          |              |              |              |              |            |            |
| Year 1                 | 259          |              |              |              |              |            |            |
| <b>NHB Allocation</b>  | 1,773        | 1,358        | 1,056        | 1,143        | 1,160        | 406        | 222        |
| <b>NHB in Budget</b>   | 1,773        | 1,358        | 1,056        | 921          |              |            |            |
| <b>NHB to Reserves</b> | 0            | 0            | 0            | 222          | 1,160        | 406        | 222        |
| <b>Total</b>           | <b>1,773</b> | <b>1,358</b> | <b>1,056</b> | <b>1,143</b> | <b>1,160</b> | <b>406</b> | <b>222</b> |

2.11 Since the creation of NHB this Council has received tens of millions of pounds less funding from NHB than neighbouring councils who have facilitated far greater levels of house building which is shown below:



## Council Tax

- 2.12 A universal source of funding for the provision of local services is council tax. This Council has historically had very low levels of council tax but since the introduction of central government 'capping' it has not been possible for district councils to increase their council tax charge above the 'cap' without triggering a referendum.
- 2.13 In recognition of the perverse consequences of having a percentage based 'cap' which rewards inefficient councils with higher council tax rates the government introduced a £5 de minimis in 2015. This de minimis limit has recently been increased for the Police and Crime Commissioner's element of the council tax bill from £5 to £12 in 2018/19 and then to £24 in 2019/20. This is illustrated on the graph below.



## Council Tax 'cap' levels for 2020/01

- 2.14 For 2020/21 the council tax 'cap' for shire districts has been cut from 3 to 2 per cent. There are currently no proposals to uplift the £5 limit for shire district councils.
- 2.15 The Council's council tax strategy is to apply increases up to the 'cap' threshold as this is what the Government expects this council to do as part of their assessment of this Council's spending power. In light of a lower 2 per cent 'cap' the forecast within the Medium-Term Financial Strategy will now revert to £5 increases rather than 3 per cent.

2.16 The proposed 'cap' for other council tax raising bodies within this borough is as follows:

- Kent County Council, 2 per cent 'core' plus 2 per cent for adult social care
- Kent Fire and Rescue Service, 2 per cent
- Kent Police and Crime Commissioner, to be determined by the Home Office in 2020
- Parish and Town Councils, no 'cap'

### **Budget 2020 and Spending Review 2020**

2.17 The Chancellor of the Exchequer is yet to announce a date for the Budget 2020 but this is widely expected to be in February 2020 followed by the Spending Review 2020 in the summer of 2020.

### **National Economic Data**

2.18 To be released by the Office of Budget Responsibility as part of the Government's budget.

### **Economic Data for the Borough of Tunbridge Wells**

#### Gross Disposal Household Income (GDHI)

2.19 Residents of the Borough continue to enjoy the highest GDHI per head in Kent at £25,957. GDHI estimates are published by the Office for National Statistics (ONS) and represent the amount of money individuals have to spend on goods and services, to save or invest, after taxes, National Insurance, pension contributions and interest have been paid.

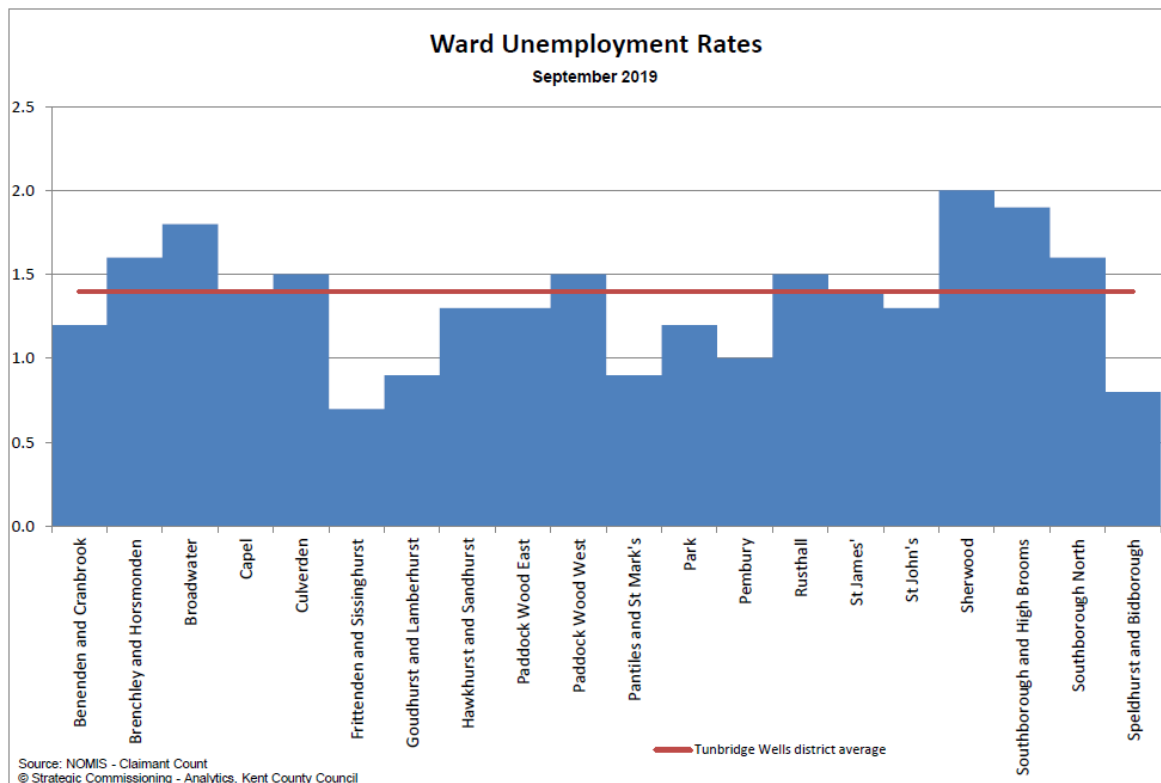
#### Annual Earnings

2.20 The highest earners in Kent live within the borough of Tunbridge Wells with an average of £33,969 per annum. This is almost £10,000 more a year than those in parts of East Kent. Earnings data comes from the Annual Survey of Hours and Earnings (ASHE) from the ONS based on a sample of employees' jobs taken from HM Revenue & Customs PAYE records.

#### Unemployment

2.21 The unemployed rate for the borough was 1.4 per cent as at September 2019. This is significantly below both the national level (2.8 per cent) and the level for Kent (2.6 per cent). Tonbridge & Malling is the only other borough in Kent to not have any wards within the highest 20 percent unemployment rate across Kent. A breakdown per ward is shown below.





## Business Stock

- 2.22 For 2019 the number of VAT registered businesses in the borough of Tunbridge Wells was 7,000 (6,940 for 2018) which continues the year on year upward trajectory since 2015 (6,460).

## Employees in the Knowledge Economy

- 2.23 The borough of Tunbridge Wells is second only to Sevenoaks in the percentage of employees in the knowledge economy in Kent at 23.5 per cent and significantly above the average for Kent at 14.9 per cent. The Knowledge Economy comprises those industries whose main purpose centres on knowledge or information, from highly technical industries and knowledge intensive services to creative industries. The knowledge economy has been identified as a key sector to drive future economic growth.

## Three-Year New Business Survival Rates

- 2.24 The borough of Tunbridge Wells has a three-year new business survival rate of 62 percent (66 per cent for 2018) which is just below the Kent average of 63 per cent.

## Qualifications

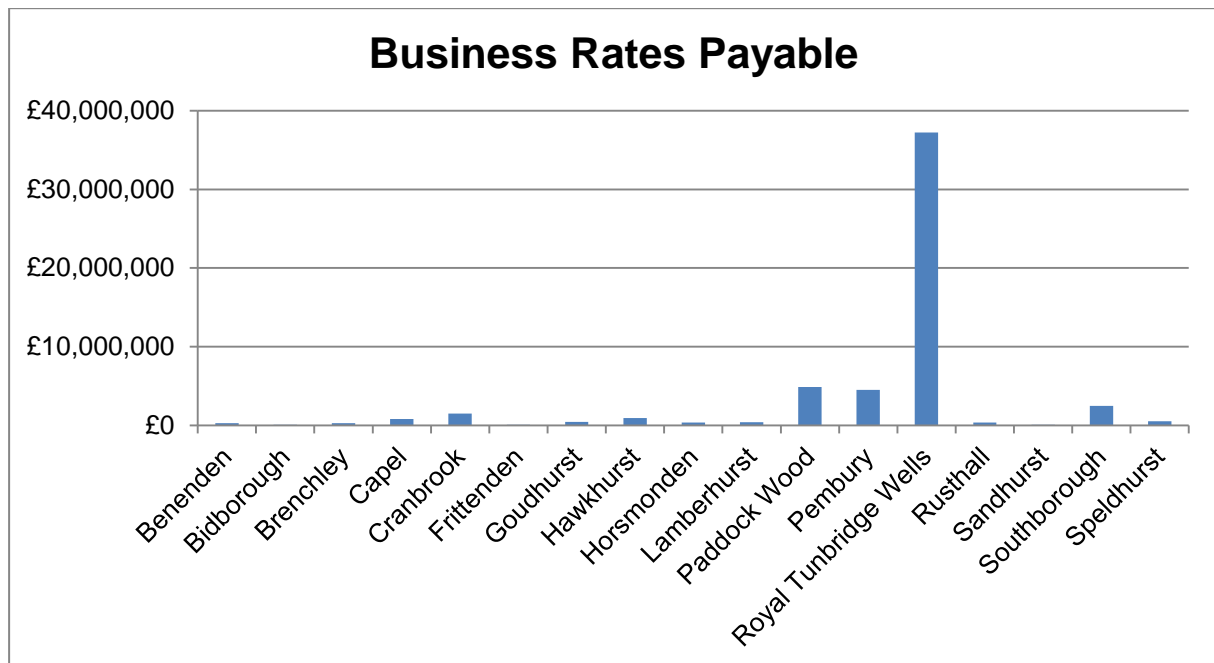
- 2.25 The Borough of Tunbridge Wells has 50 per cent of residents aged between 16-64 who are qualified to NVQ level 4 or above. This is the highest in Kent which has an average of 35 per cent.

## Kent Pool for 50 per cent Localisation of Business Rates

2.26 The MHCLG confirmed on 20 December 2019 that the Kent bid to be a business rate pool for 2020/21 had been successful. This Council will continue to be part of the Kent Pool where it is financially advantageous to do so. The strategy is to not use business rate growth proceeds in the base budget but to transfer any proceeds to reserves to help fund the capital programme. The headline distribution of growth proceeds is as follows.

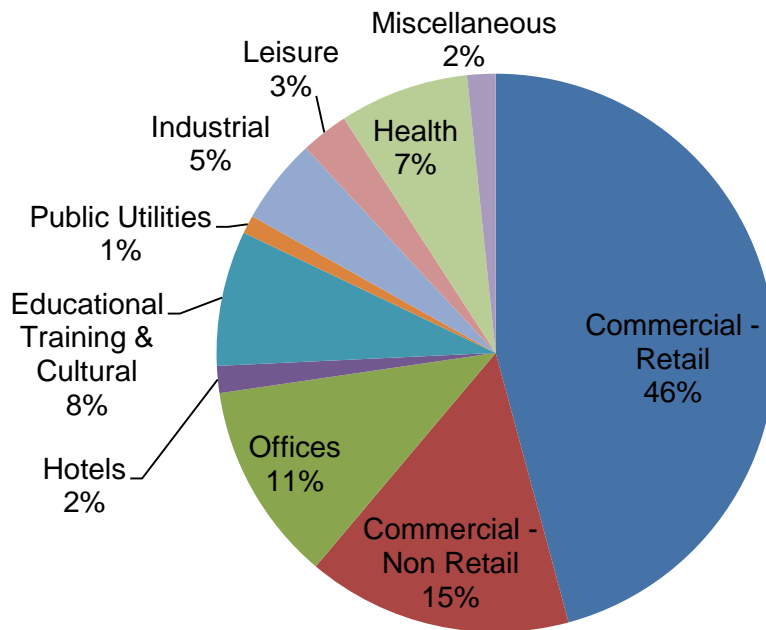
| Type of Authority          | Local Business Rate Growth Share |
|----------------------------|----------------------------------|
| Districts                  | 40%                              |
| Kent County Council        | 9%                               |
| Kent Fire & Rescue Service | 1%                               |
| <b>Total</b>               | <b>50%</b>                       |

2.27 With business rate growth critical to the ability of the Council to fund local services across the borough it is important to recognise that business rate income is predominately derived from the urban parts of the Borough.



2.28 There are 4,100 properties liable for business rates in the Borough which have a combined rateable value of £136 million as at 2019. Below is a summary of the businesses within the borough by rateable classification. This information is useful as context whilst the retail sector continues to undergo a period of change and the need to encourage external investment to facilitate growth in other sectors.

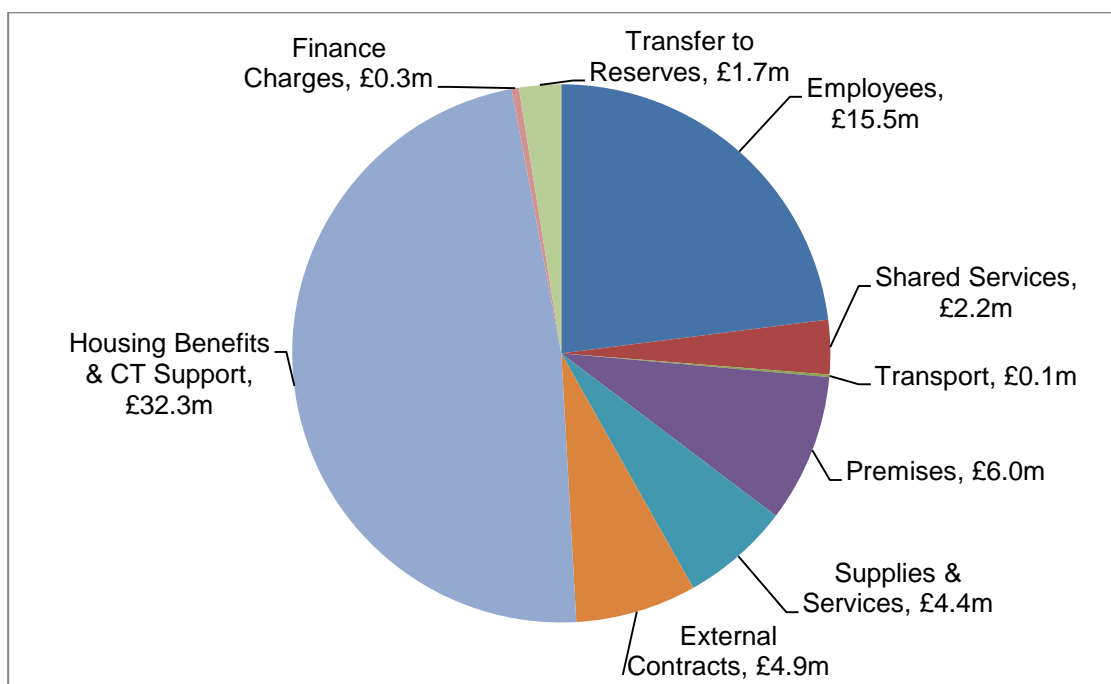
## 2019 VOA Class Analysis by Rateable Value



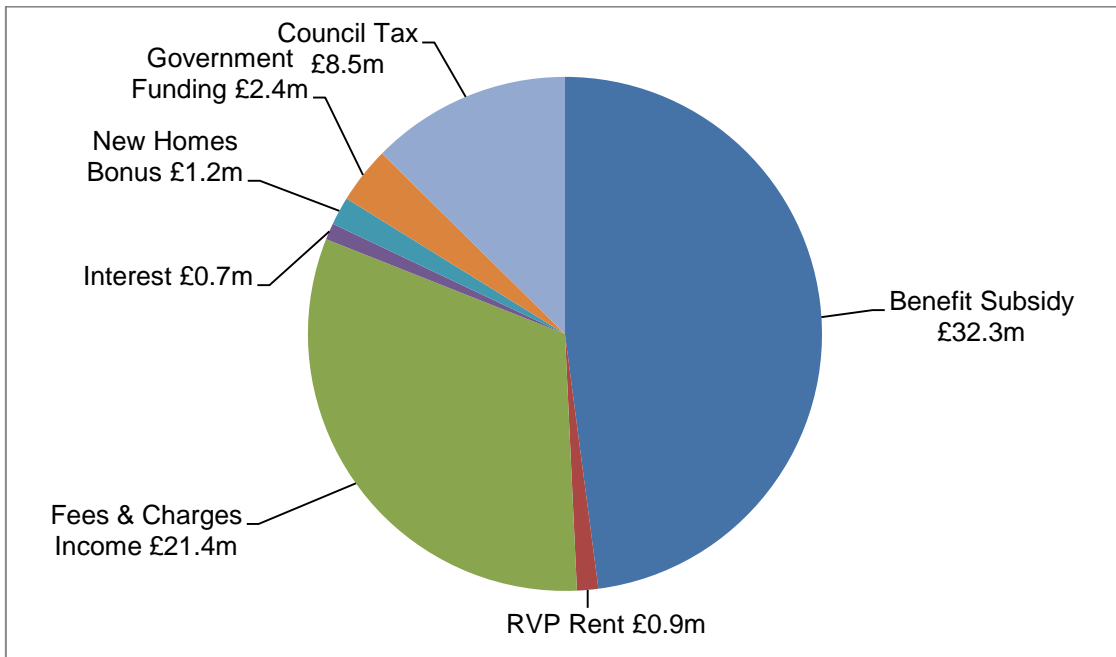
### Budget Breakdown

2.29 The Council provides a diverse range of services across the Borough which is estimated to cost £67.4 million. The services are provided either by contractors, through partnership with other councils or by directly employing staff. The draft budget is based on an approved establishment of 311.57 FTEs (full time equivalents). The following pie charts show the draft revenue expenditure and how this is funded.

### 2020/21 Revenue Expenditure



## 2020/21 Revenue Funding



- 2.30 A breakdown of the draft budget by management account is provided in Appendix B. A subjective breakdown of the current budget per cost centre is available on the Council's website.
- 2.31 The above demonstrates that the Council has successfully moved away from reliance on uncertain government funding in favour of generating income locally with which to provide services.

### Revenue Budget 2020/21

- 2.32 The budget provides the financial resources to deliver the Council's priorities and statutory responsibilities.
- 2.33 The Council has already taken many difficult decisions since 2008, which have mitigated the impact of the financial and economic crisis. But the culture of innovation and rigorous reduction combined with income optimisation will need to continue and there are likely to be further strategic decisions required. The Council is on a firm financial footing and has an embedded culture of change and efficiency from which to face the challenges ahead.
- 2.34 Provided all the corporate savings and budget work streams are delivered then the budget is forecast to be balanced. A snapshot of major changes over the current year are summarised in the table below.

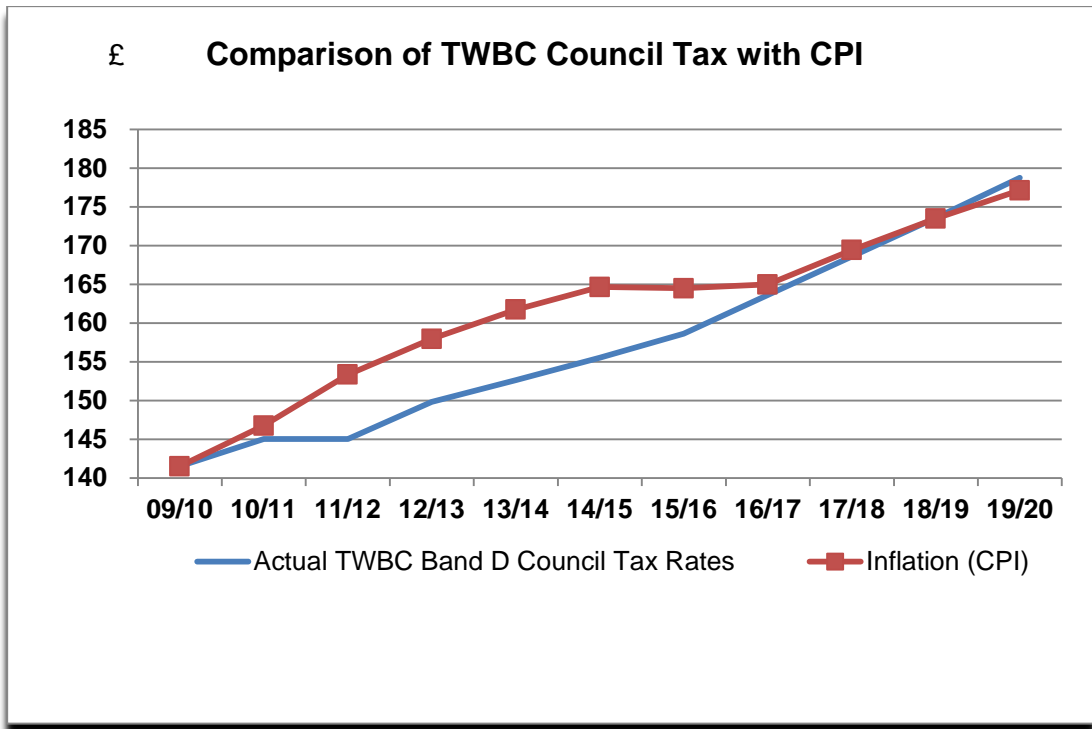
|   |          |
|---|----------|
| <b>Fair Funding Review (Delayed to 2021/22)</b>           | <b>0</b> |
| Employment Costs  | 615      |
| The Amelia Business Development Manager                   | 55       |
| Additional Housing Demand for Temp. Accommodation         | 150      |
| Additional subsidy required for the Assembly Hall         | 67       |
| Additional Business Rates on Council Properties           | 30       |
| Increase in Grounds Maintenance Costs                     | 20       |
| Increase in Gas   | 10       |
| Increase in Electricity                                   | 17       |
| Additional Net Car Parking Income                         | (197)    |
| Additional Council Tax Income                             | (312)    |
| Garden Waste Income                                       | (1,048)  |
| End of Calverley Square Funding Strategy                  | (328)    |
| Interest cost of initial Civic Building capital borrowing | 116      |
| Reduction in establishment linked with Calverley Square   | (116)    |
| Removal of New Homes Bonus from the base budget           | 921      |
| <b>Shortfall</b>  | <b>0</b> |

### Calverley Square

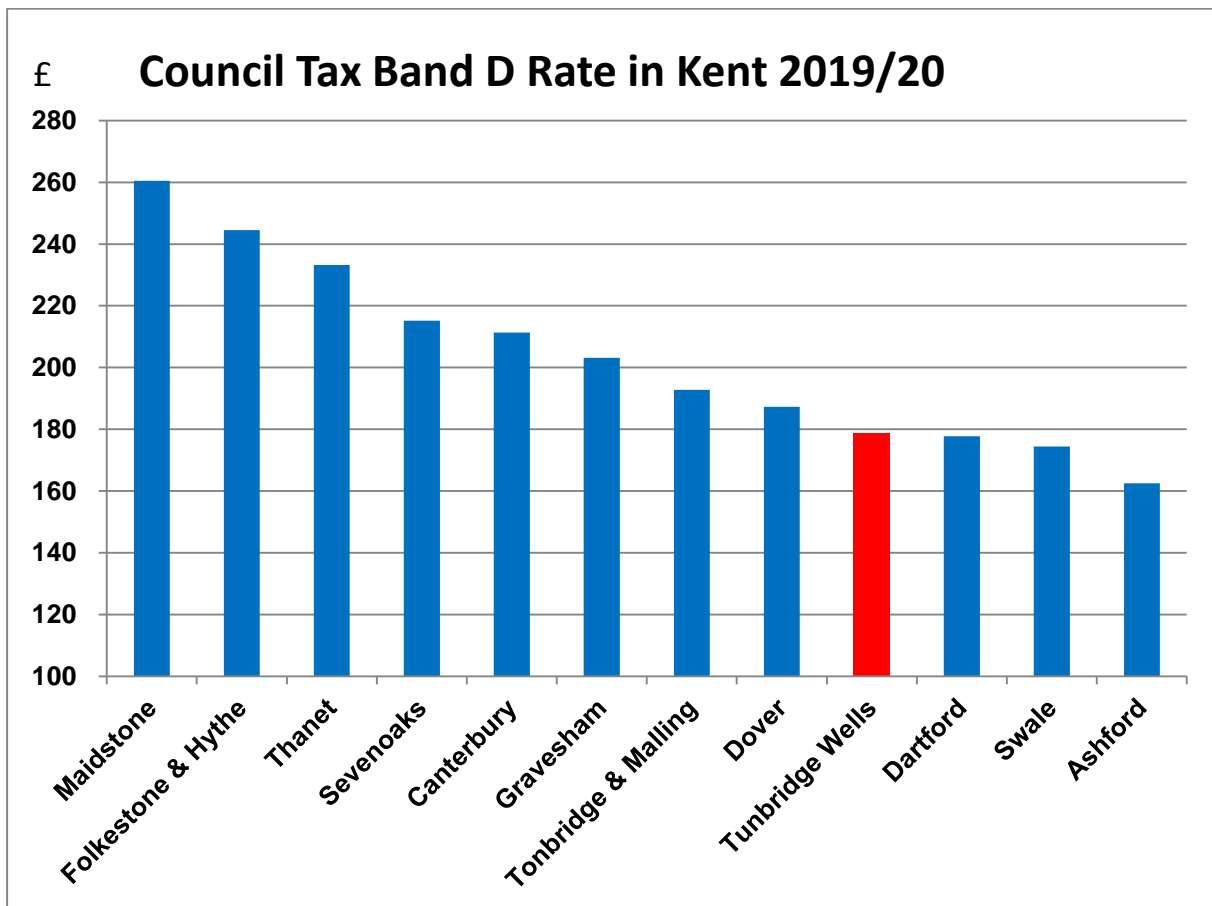
- 2.35 On the 8 October 2019 Full Council decided that the Council would not be delivering the Calverley Square scheme. The financial consequences are that the associated Funding Strategy and the Calverley Square Reserve are ended with funding restored to the base budget and useable reserves respectively.

### Council Tax Strategy

- 2.36 A universal source of funding for the provision of local services is council tax. This Council has historically had a policy of very low council tax levels and the strategy is for council tax to increase up to the threshold for triggering a referendum.
- 2.37 The council tax 'cap' set by government for this council is currently 3 per cent a year but is now proposed to be 2 percent or £5, whichever is the greater. The Government assumes council tax will increase by the 'cap' in their assessment of this Council's available financial resources. It will be for Full Council in February 2020 to decide the level of council tax.
- 2.38 The following graph shows the comparison between council tax and inflation since 2009/10.



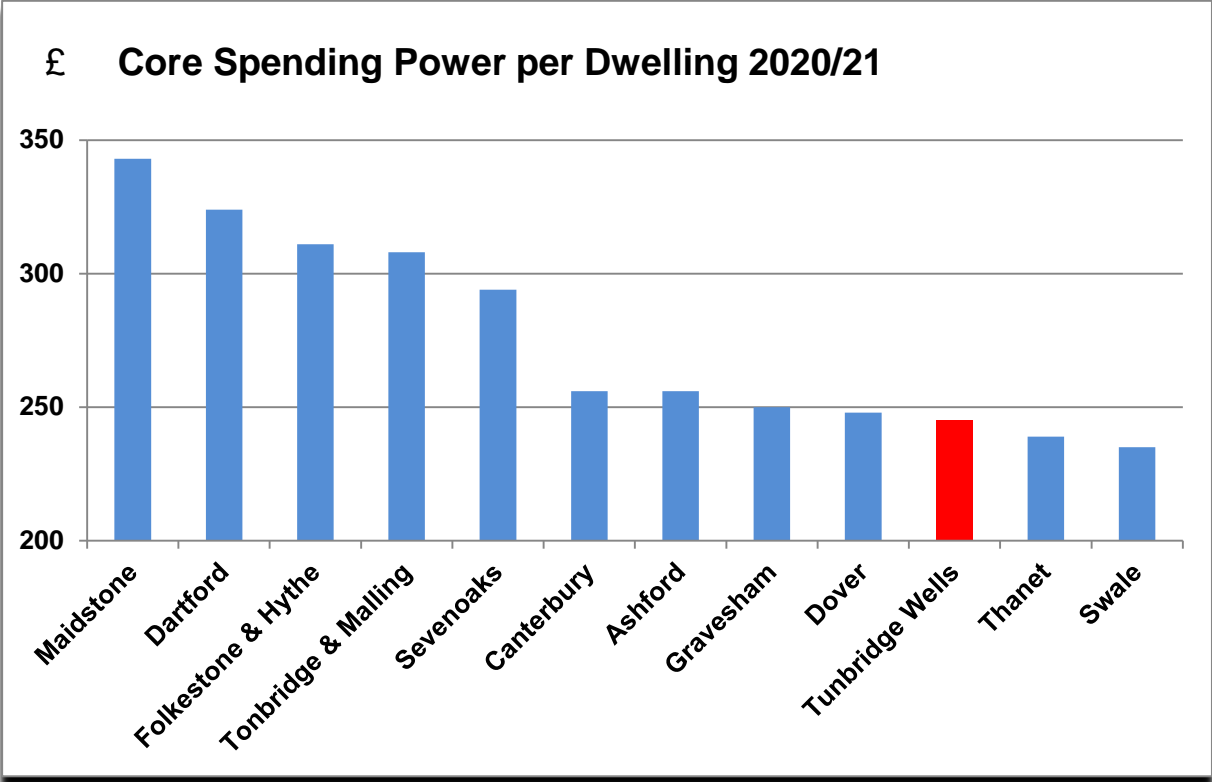
2.39 The graph below shows the comparison across Kent of the level of Council Tax charges for 2019/20.



2.40 The basic amount of Council Tax in the Borough is currently £178.76 (49p a day) which is the fourth lowest in Kent. By way of example if Sevenoaks and Maidstone Councils freeze their council tax every year and this Council agrees an increase up to the capping limit every year then it would take 8 years and 17 years respectively for the TWBC rate to reach the level charged by these councils.

**Spending Power**

2.41 The Government has developed a universal benchmarking indicator called ‘Spending Power’ to enable comparisons between councils of the income they receive from national and local tax payers. This indicator appears to be the best available for identifying how much funding each council receives per household to provide local services. The graph below shows that using the Government’s own calculation TWBC has the second lowest spending power in Kent at just £239 per household (£230 in 2018/19).



2.42 This graph explains why despite being very efficient (as evidenced by the external auditor’s unprecedented ten consecutive clean Annual Audit Letters) and delivering excellent value for money (2015 Residents’ Survey) this Council still faces financial challenges to set a balanced budget.

**User Pays Principle**

2.43 With operating costs and taxation driving up expenditure it will be necessary to recover these costs from the users of those services rather than all council tax payers.

2.44 In November 2019, Cabinet considered the ‘fees and charges’ report for areas which are not dictated by central government. The budget projections have included projected figures based on the charges set out in that report.

**Car Parking Charges**

2.45 There are no plans to increase general pay and display car park charges.

**Staff Savings and Efficiencies**

2.46 Directors/ Heads of Services and Portfolio Holders have been busy trying to identify further efficiency options to reduce the cost of their services and to increase income.

**Digital Transformation**

2.47 It is not possible to keep working harder and faster with fewer resources and still provide safe, effective services. The Council will need to find new ways of working smarter and deliver services in a more digitally efficient form which meets with the way the public now interact with service providers. The Council has a Digital Services Team in place to improve operational delivery and transform the way that services are provided.

**Budget Calculations and Adequacy of Reserves**

2.48 When the budget is set in February, the Council’s Section 151 Officer must give his view on the robustness of the estimates and adequacy of reserves.

2.49 The Council’s Medium Term Financial Strategy 2018/19 to 2022/23 (MTFS) was agreed by Full Council on 21 February 2018 and projected the financial impact of the Council’s current and proposed policies in the short and medium-term. This report and the projections in Appendix A will form part of the MTFS Update for 2020/21.

2.50 It is important to recognise that there are a number of factors that can affect some budgets and where variances could be significant requiring closer budget management. These areas include:

| Risk Area         | Management   |
|-------------------|--|
| Climate Emergency | In July 2019 Full Council declared a climate emergency. A climate cross-party task force has been established and a dedicated report is due with actions to make the Borough carbon neutral by 2030. No financial requirements have been identified or provided for within the Medium-Term Financial Strategy. The cross-party group agreed to lobby central government to provide additional resources and to grant the necessary freedoms to deliver the above ambition. |



|                                 |   |
|---------------------------------|---|
| Brexit                          | <p>The decision of the UK to Leave the European Union is classed by the Government as a planned event. Implications continue to be monitored and are incorporated within Risk Scenario 6: Service Interruption on the Council's Strategic Risk Register.</p> <p><a href="https://www.kentprepared.org.uk">The latest information is maintained by the Kent Resilience Forum; https://www.kentprepared.org.uk</a></p>  |
| Growth                          | <p>The Government is clear that local authorities have a responsibility to grow their local economies through new housing and businesses.</p> <p>The private sector is very selective in identifying those areas in which to invest and there is tough competition between destination towns. The borough needs to be viewed as 'open for business' and receptive to growth if it is to retain and attract residents and businesses and to deliver wider economic benefits.</p> |
| Planning Inquiry Costs          | <p>Whilst the primacy of planning is paramount, decisions taken by the Planning Committee can lead to formal planning inquiries which have the potential for substantial costs to arise which are not budgeted for.</p>   |
| Business Rates Retention Scheme | <p>Part of the Council's funding is now linked to the amount of business rates in the Borough. However, the Government has also transferred the liability for business rate appeals already in the system. To help mitigate the impact of appeals the Council maintains a Grant Volatility Reserve and is part of a Kent Business Rate Pool.</p>  |
| Economic Conditions             | <p>The majority of the Council's income is derived from sources which are subject to the prevailing economic conditions.</p> <p>Economic conditions can also alter the demand for council services and those provided by partners and the voluntary sector.</p>   |
| Employee Costs                  | <p>The move to local pay offers some protection but a watching brief is still required especially regarding the vacancy factor. Changes to pensions, National Insurance and the introduction of an apprentice levy have been included where known but such further changes can have a significant cost.</p> <p>Demand for some professionals exceeds supply and this is exacerbated by the higher salaries available in London and parts of the private sector.</p>             |
| Parking Income                  | <p>Dependant on usage and the economic environment.</p>   |

|  |   |
|--|---|
| Planning and Licensing Income                    | Dependant on the economy and the impact of legislative changes which limit the full recovery of the cost of providing these services.   |
| Crematorium Income                               | Dependant on mortality rates and competition.   |
| Contracts  | Dependant on inflation indices and a competitive market.  |
| Utilities  | Global supply and demand plus above inflation price rises.  |
| Land Charges                                     | The Infrastructure Bill was approved, paving the way for Local Land Charges to be centralised into a single computer system. No details of timeframe or how the Land Registry will provide the service have been released.                  |
| Investment Returns                               | New cash deposits are dependent on interest rates and levels of balances.<br><br>Property investments are dependent on the type of asset and rental demands.  |
| Targeted Options to Reduce Net Expenditure       | Assumes that savings identified are delivered and there are no unintended consequences.   |
| Capital Receipts                                 | Capital is tied up in non-operational assets which if released will help to reduce the use of cash reserves to fund the capital programme.  |
| Government Policy and Announcements by Ministers | There has been a significant increase in the volume of legislation and announcements which can undermine strategic planning and compromise budget assumptions.  |
| Capital Programme                                | Major capital schemes carry a significant risk which is managed through the Council's Strategic Risk Register.<br><br>The funding of capital can also have a significant impact on the revenue budget where external borrowing is required. |

## Capital and Revenue Reserves

2.51 The Medium Term Financial Strategy maintains the following as an adequate level of reserves:

|                            | Minimum      |
|----------------------------|--------------|
| General Reserves (Revenue) | £3.0 million |
| Capital Reserves           | £1.0 million |

2.52 The reserves and balances are currently forecast to meet the above levels although maintaining this position relies on delivering not just a balanced budget in 2020/21 but a sustainable budget for the future.

### Capital Programme

2.53 At the Full Council meeting on 27 February 2019 the capital programme for 2019/20 to 2022/23 was approved.

2.54 Over the course of the past year the Council has made significant efforts to dispose of surplus land and property identified in the Asset Management Plan (AMP) with a view both to deliver capital receipts and to reduce operational running costs. The AMP provides a framework for further such work over the coming year and this work will be funded from a proportion of the capital receipts received (subject to the necessary approvals).

2.55 The four-year capital programme will be rolled forward for another year. Any subsequent additions will be considered using the formal application approval process throughout the year.

| New Schemes  | Total Gross Project Cost £000s | Gross Cost £000s 2020/21 | Earmarked Reserve Funding £000s | Cap & Rev Initiatives Res. Funding £000s | External Funding inc. S106 £000s | Funding from Borrowing £000s |
|--|--------------------------------|--------------------------|---------------------------------|--|----------------------------------|------------------------------|
| <b>A LIST - Health &amp; Safety Related, Revenue or Capital Income Stream Protection</b> |                                |                          |                                 |  |                                  |                              |
| Theatre Sound Desk   | 55,000                         | 55,000                   | 0                               | (55,000)                                 | 0                                | 0                            |
| RVP Car Park Refurbishment   | 855,000                        | 270,000                  | (270,000)                       | 0  | 0                                | 0                            |
| Crematorium Woodland Walk  | 18,500                         | 18,500                   | 0                               | (18,500)                                 | 0                                | 0                            |
| Cinderhill Sewerage System   | 32,500                         | 32,500                   | (32,500)                        | 0  | 0                                | 0                            |
| Cinderhill Additional Plot   | 25,500                         | 25,500                   | 0                               | (25,500)                                 | 0                                | 0                            |
| Digital Communications   | 20,000                         | 20,000                   | (20,000)                        | 0  | 0                                | 0                            |
| Christmas Lights   | 66,350                         | 66,350                   | 0                               | (41,350)                                 | (25,000)                         | 0                            |
| Bayham Changing Facilities   | 75,500                         | 75,500                   | 0                               | 0  | (75,500)                         | 0                            |
| <b>TOTAL</b>   | <b>1,148,350</b>               | <b>563,350</b>           | <b>(322,500)</b>                | <b>(140,350)</b>                         | <b>(100,500)</b>                 | <b>0</b>                     |

|  |                  |                  |          |          |          |                  |
|--|------------------|------------------|----------|----------|----------|------------------|
| <b>B LIST - Civic Site Initial Essential Works</b> |                  |                  |          |          |          |                  |
| Town Hall  | 625,540          | 625,540          | 0        | 0        | 0        | 625,540          |
| Assembly Hall Theatre                              | 180,210          | 180,210          | 0        | 0        | 0        | 180,210          |
| Great Hall Car Park                                | 850,000          | 580,000          | 0        | 0        | 0        | 580,000          |
| 9/10 Calverley Terrace                             | 211,600          | 211,600          | 0        | 0        | 0        | 211,600          |
| Town Hall Access Control System                    | 56,350           | 56,350           | 0        | 0        | 0        | 56,350           |
| <b>TOTAL</b>                                       | <b>1,923,700</b> | <b>1,653,700</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>1,653,700</b> |

2.56 The Council currently has very low levels of debt but with reserves largely allocated it will be necessary to commence borrowing to fund additional capital schemes. The Council does have potential for using new capital receipts, building up usable reserves and access to internal and external borrowing. The

determination as to which source of funding is most appropriate is a technical judgement that will be made by the s151 Officer.

2.57 Above is a summary of new applications to the capital programme which will require Full Council to agree the additional Total Gross Project funding of £3,072,050

2.58 The inclusion of the new capital schemes required to undertake initial work to the civic site properties will require external borrowing. The revenue impact of external borrowing is estimated to be £116,000 per annum for 25 years and will require posts associated with Calverley Square to be removed from the establishment.

2.59 In addition to the revenue and capital budget, the Council has earmarked reserves which form part of the Budget and Policy Framework and are available to fund the specific purpose of the reserve in accordance with the virement procedure rules. The projected balances of these reserves allowing for additional capital schemes of £500,000 per annum are shown below:-

|                                    | 31-Mar-2019<br>Actual<br>£000's | 31-Mar-2020<br>Forecast<br>£000's | 31-Mar-2021<br>Forecast<br>£000's | 31-Mar-2022<br>Forecast<br>£000's | 31-Mar-2023<br>Forecast<br>£000's | 31-Mar-2024<br>Forecast<br>£000's |
|------------------------------------|---------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| General Fund                       | 5,000                           | 2,476                             | 2,476                             | 2,476                             | 2,476                             | 2,476                             |
| Earmarked Reserves                 | 13,674                          | 9,556                             | 6,869                             | 6,284                             | 5,809                             | 5,364                             |
| Calverley Square Reserve           | 1,004                           | 0                                 | 0                                 | 0                                 | 0                                 | 0                                 |
| Capital Grants & Contributions     | 1,156                           | 1,156                             | 1,156                             | 1,156                             | 1,156                             | 1,156                             |
| Capital Receipts Reserve           | 1,000                           | 1,000                             | 1,000                             | 1,000                             | 1,000                             | 1,000                             |
| Amelia Scott Reserve               | 2,579                           | 2,025                             | 0                                 | 0                                 | 0                                 | 0                                 |
| <b>Total Reserves</b>              | <b>24,413</b>                   | <b>16,213</b>                     | <b>11,501</b>                     | <b>10,916</b>                     | <b>10,441</b>                     | <b>9,996</b>                      |
| Outstanding Financing              |                                 |                                   |                                   |                                   |                                   |                                   |
| 33 Monson Road                     | -1,639                          | -1,567                            | -1,496                            | -1,425                            | -1,354                            | -1,282                            |
| Dowding House                      | -2,138                          | -2,049                            | -1,960                            | -1,871                            | -1,781                            | -1,692                            |
| The Lodge, Calverley Park          | -532                            | -511                              | -490                              | -468                              | -447                              | -427                              |
| Royal Victoria Place               | -1,049                          | -1,007                            | -965                              | -923                              | -881                              | -840                              |
| Waste Bins & Caddies               | 0                               | -680                              | -612                              | -544                              | -476                              | -408                              |
| <b>Total Outstanding Financing</b> | <b>-5,358</b>                   | <b>-5,814</b>                     | <b>-5,523</b>                     | <b>-5,231</b>                     | <b>-4,939</b>                     | <b>-4,649</b>                     |

\* Note: Schemes not funded from reserves need to be charged to revenue and this repayment is reflected in the reduction in financing over the life of the asset. The cash to service these schemes is raised through borrowing or cash flow management.

#### Amelia Scott Reserve

|                             | 2017/18      | 2018/19      | 2019/20      | 2020/21      | Total    |
|-----------------------------|--------------|--------------|--------------|--------------|----------|
| <b>Opening position</b>     | <b>0</b>     | <b>1,750</b> | <b>2,579</b> | <b>2,025</b> | <b>0</b> |
| The Amelia Spend per year   | -100         | -559         | -1,941       | -5,080       | -7,680   |
| Holly Farm Receipt per year | 1,850        | 1,388        | 1,387        | 3,055        | 7,680    |
| <b>Closing position</b>     | <b>1,750</b> | <b>2,579</b> | <b>2,025</b> | <b>0</b>     | <b>0</b> |

- 2.60 Any major new capital scheme will need to be funded from a corresponding new capital receipt or borrowing if the minimum level of reserve balances is to be maintained.
- 2.61 In accordance with section 25 of the Local Government Act 2003 the Chief Financial Officer is required to report formally to the Council on the robustness of the estimates and adequacy of reserves. It should be noted that section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget.
- 2.62 At the time of writing this report, I am satisfied with the robustness of the estimates and adequacy of reserves.



Lee M Colyer FCPFA  
Director of Finance, Policy and Development (s151 Officer)

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### **3. AVAILABLE OPTIONS**

- 3.1 The budget-setting process is well rehearsed and has largely been successful in delivering a balanced budget and engaging with the public. There may be other alternatives but ultimately the Council must produce a budget which meets its statutory responsibilities.

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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 To agree the content and recommendations of the report to set a balanced budget that will meet the Council's priorities.

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### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 This is the fourth report in the process of setting the 2020/21 budget and builds on the previous views and recommendations of the Finance and Governance Cabinet Advisory Board and Cabinet.
- 5.2 A well-rehearsed process of public engagement has been used including challenge from the Overview and Scrutiny Committee to encourage engagement and feedback.
- 5.3 A budget survey has been undertaken to obtain the public's prioritisation of funding across the main service headings. This survey included testing the level of council tax increase the public felt appropriate and how to fund the local response to the climate change emergency.

- 5.4 The survey generated a good response rate of 199 compared to 56 in 2019 with respondents coming from across the borough. Public opinion was divided on the need to increase council tax but of those in favour the majority supported a £12 a year increase rather than the recommended £5.
- 5.5 In terms of prioritisation of services the results suggested spending less than is currently the case on Committees and Councillors and for less income to come from the Crematorium and Parking Services. There was a broad desire to spend less on most other council services with additional funds going towards discretionary services such as CCTV, Economic Development, Public Conveniences, Community Support and Leisure.
- 5.6 There was strong support for the principle of setting fees and charges locally rather than being determined by central government which results in services such as Planning and Licensing being subsidised by local council tax payers.
- 5.7 There was strong support for the importance of climate change and recognition that action would require an increase in council tax with most willing to pay an extra £5 a year.
- 5.8 The results of the budget survey are contained in Appendix P.

## 6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The Finance and Governance Cabinet Advisory Board were consulted on 14 January 2020 and agreed the recommendations set out in the report be supported.
- 6.2 Following the decision by Full Council the budget will be placed onto the Council's website

## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue                                   | Implications   | Sign-off<br>(name of officer and date)      |
|---|--|---|
| <b>Legal</b> including Human Rights Act | The Five Year Plan and budget form part of the Council's Policy Framework.   | Head of Legal Partnership                   |
| <b>Finance</b> and other resources      | This report forms part of the Council's Budget and Policy Framework.<br><br>The budget has been prepared with regard to the Chartered Institute of Public Finance and Accountancy, Financial Management Code | Director of Finance, Policy and Development |
| <b>Staffing establishment</b>           | Where savings proposals impact on staff then this will be managed in accordance with Human Resources policies.   | Head of HR                                  |

|                                       |   |                                 |
|---------------------------------------|---|---------------------------------|
| <b>Risk management</b>                | An assessment of the risk factors underpinning the budget will accompany the final budget report. The Strategic Risk Register also includes a risk on funding streams which is being monitored by Cabinet and the Audit and Governance Committee. | Head of Audit Partnership       |
| <b>Environment and sustainability</b> | The budget has regard to the environmental sustainability priorities within the Five Year Plan.   | Sustainability Manager          |
| <b>Community safety</b>               | The budget has regard to the community safety priorities within the Five Year Plan.   | Community Safety Manager        |
| <b>Health and Safety</b>              | The budget has regard to the Health and Safety obligations and priorities within the Five Year Plan.  | Health and Safety Advisor       |
| <b>Health and wellbeing</b>           | The budget has regard to the health and wellbeing priorities within the Five Year Plan.   | Healthy Lifestyles Co-ordinator |
| <b>Equalities</b>                     | Changes to service delivery may impact on equalities; however heads of service will ensure that an equality assessment is in place where this has been identified.  | West Kent Equalities Officer    |

## 8. REPORT APPENDICES

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

- Appendix A: Five Year Budget Projections
  - Appendix B: Net Draft Budget per Service
  - Appendix C: Capital Application, Assembly Hall Sound Desk
  - Appendix D: Capital Application, RVP Car Park Refurbishment
  - Appendix E: Capital Application, Crematorium Woodland Walk
  - Appendix F: Capital Application, Cinderhill Sewerage System
  - Appendix G: Capital Application, Cinderhill Additional Plot
  - Appendix H: Capital Application, Digital Communications
  - Appendix I: Capital Application, Christmas Lights
  - Appendix J: Capital Application, Bayham Changing Facilities
  - Appendix K: Capital Application, Town Hall
  - Appendix L: Capital Application, Assembly Hall
  - Appendix M: Capital Application, Great Hall Car Park
  - Appendix N: Capital Application, 9/10 Calverley Terrace
  - Appendix O: Capital Application, Town Hall Access Control System
  - Appendix P: Summary of consultation responses
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## **9. BACKGROUND PAPERS**

None