

CABINET

11 FEBRUARY 2014

CAPITAL AND REVENUE BUDGETS 2014/15

Portfolio Holder: Councillor Alan Jarrett, Deputy Leader and Finance

Report from: Mick Hayward, Chief Finance Officer

Summary

This report sets out Cabinet's proposals for the capital and revenue budgets for 2014/2015. In accordance with the Constitution this is to be submitted to Council on 20 February, the special meeting convened to set the council tax.

1. Budget and Policy Framework

- 1.1 According to the Council's Constitution, it is the responsibility of Cabinet, supported by the management team, to propose a capital and revenue budget having first consulted the overview and scrutiny committees. Council has the ultimate responsibility for determining the budget and setting the council tax.
- 1.2 In respect of the Housing Revenue Account budget proposals, Full Council is required to carry out an annual review of rents and notify tenants not less than 28 days prior to the proposed date of change.
- 1.3 The Council Plan is part of the Council's Policy Framework as set out in the Constitution. A completed draft of the plan will be considered as a separate item on this agenda.

2. Background

- 2.1 On 26 November 2013 Cabinet considered the draft capital and revenue budget proposals, based on the principles and assumptions contained within the Medium Term Financial Plan (MTFP) 2014/17 approved by Cabinet in October 2013. The MTFP highlighted a potential revenue shortfall of some £16.2 million, after allowing for savings from the 'Better for Less' programme of £1.5 million and a council tax increase of 2% yielding £2.2 million.
- 2.2 The Chancellor's Autumn Statement at the beginning of December 2013 and the subsequent Provisional Financial Settlement announcement on 20 December 2013 have impacted on some of the resource assumptions, albeit more for impact in 2015/16. However the Final Settlement figures are not expected to be released until 12 February 2014 – after Cabinet has met. This may also include a variation to the limit on Council Tax increases deemed as excessive.

2.3 Of greater impact for the draft budget was the incorporation of the outcomes of the first two rounds of budget reviews under the 'star chamber' regime, and enhanced revenue from revised calculations for Council Tax and New Homes Bonus fed by increased properties. These combined to reduce the forecast deficit for 2014/15 from £16.2 million to £4.8 million.

3. Financial Resources

3.1 General Fund

3.1.1 The Provisional Financial Settlement was announced on 20 December 2013 and presented a more favourable position for Revenue Support Grant (RSG) of £0.534 million although this was partly offset by reductions in the Administration Grant for Benefits of £0.196 million and New Homes Bonus of £0.119 million. The latter figure occurring as a result of fewer than expected affordable homes completed to 31 March 2013.

3.1.2 Consultation on the provisional settlement completed on 15 January 2014 with the final settlement expected to be announced on 12 February 2014.

3.1.3 The headline figure from the settlement for Medway for 2014/15 was an Settlement Funding assessment (SFA) at £95.318 million, being a decrease of 9.6% over the equivalent sum for 2013/14 with a further decrease of 13.6% for 2015/16. The detail is set out in Table 1 below.

Table 1 Adjusted and Provisional Settlement Analysis

	2013/14 (adjusted)	2014/15 (Prov.)	2015/16 (Prov.)
	£000's	£000's	£000's
Upper-tier Funding	66,764	59,682	50,046
Lower-tier Funding	18,019	15,446	12,926
2011-12 Council Tax Freeze Compensation	2,463	2,452	2,451
Early Intervention Funding	8,336	7,690	7,033
Homelessness Prevention Funding	150	148	148
Lead Local Flood Authority Funding	132	130	130
Learning Disability and Health Reform Funding	9,566	9,657	9,654
Returned Holdback		113	
Settlement Funding Assessment	105,430	95,318	82,388
% reduction		-9.6%	-13.6%
Revenue Support Grant	63,311	52,379	38,263
Baseline NNDR Funding	42,119	42,940	44,125

3.1.4 Table 1 above demonstrates that £42.9 million of the SFA is the Baseline NNDR Funding. This is predicated on a baseline calculation founded on collections in 2010/11 and 2011/12. The actual contribution to be used as the basis for resourcing the budget will be an anticipated collection for 2014/15 and that will be informed by the actual collection, to date, in 2013/14. This is discussed further in paragraph 3.2 below.

3.1.5 The SFA reduction at 9.6% in 2014/15 is slightly greater than the Shire Unitary average of 9.2% although the 2015/16 position is reversed at 13.6% versus 13.8%. The all England average reduction is 8.8% and 13.2% for 2014/15 and 2015/16 respectively.

3.1.6 In a recent speech the Chancellor has also set out plans to cut an extra £25 billion from the Public Sector in the first half of the next Parliament arguing that the state would have to be 'permanently smaller' in the future to ensure long-term stability.

3.2 NNDR (business rates) Share

3.2.2 The SFA is split between Revenue Support Grant (RSG) and Business Rates Retention (expressed as Baseline Funding). The level of RSG is guaranteed throughout the year, whilst the Baseline Funding is not, and ultimately, the level of business rates collected by authorities in any year will determine the funding available for this element, with any surplus or deficit against expectation dealt with through the Collection Fund. Any such variation will not be clear until the accounts for that year are confirmed and any surplus or deficit is required to be shared with the Kent Fire and Rescue Service (and not the police).

3.2.3 Where an authority's original Baseline Need was higher than their NDR Baseline, a Top Up grant is payable – Medway is such an authority and in 2013/14 received an additional grant of £0.413 million as a result. Authorities with a Baseline Need that is lower than their NDR Baseline, a Tariff is paid to central Government. The Top Up payment is guaranteed and, as the published data confirms, increases annually in line with the multiplier, until the Government re-bases the system which is not expected to occur until 2020.

3.2.4 The provisional settlement announced no changes to the business rates retention scheme although there is a consultation on 13 new proposals for pooling in 2014/15.

The income from business rates, and the subsequent Council share, will be affected by the measures announced in the 2013 Autumn Statement. These are:

- The 3.2 per cent RPI increase for 2014/15 will be capped at 2 per cent;
- A £1,000 discount for all retail, pubs, cafes (excluding banks and betting establishments) with rateable values below £50,000 for 2 years;
- The doubling of Small Business Rate Relief will continue for a further year; and
- Ratepayers will continue to keep their Small Business Rate Relief (SBRR) entitlement for a year where they take on a second property. New occupiers of former retail premises which have been unoccupied for a year will receive a 50 per cent discount for 18 months.

Appendix 6 sets out the proposed relief schemes for these and the previously announced New Build relief all of which require Cabinet to approve the creation of these reliefs under the powers given by Section 47 of the Localism Act 2012. They will not present the Council with a cost burden as DCLG will be compensating for loss of income.

3.2.5 The Government has said that the loss of income suffered by the Council in respect to these schemes will be reimbursed through the section 31 grant arrangement and

in so far as the 2013/14 scheme for the extension of SBRR, the Council received a payment of £0.752 million at the end of January 2014 representing 90% of the estimated sum due. The final and full payment will be made upon completion of the business rate accounts.

- 3.2.6 In determining the available resource from Medway's share of the business rate collection assumptions have to be made about the likely growth or decline in the rateable base and the potential for any successful appeal against the Valuation Office's attribution of rateable value. In respect of the latter there are presently some 450 appeals outstanding, some of which date back to 2005. In addition outstanding appeals that have been settled since 1 April 2013, when the new regime was constituted, have to be apportioned between pre and post 1 April. For the pre 1 April component we are able to spread the cost over 5 years and ease the burden that would otherwise have been imposed and were the claims to have been settled and billed before 1 April 2013 then the National Pool would have suffered the cost rather than Medway. For the purposes of estimating the potential loss of income that may arise from these appeals, officers have been required to assess each appeal and consider the potential outcome from the assessment by the Valuation Office and any consequent change in liability that will be created together with any mitigation from the impact of transitional Relief arrangements whereby such changes are damped over time. Such estimates can invariably only be informed guesswork.
- 3.2.7 In 2013/14 the Council took a view that it would estimate the likely revenue available from business rates at the level declared in the SFA for that year i.e. £42.119 million. This was not an accurate prediction but rather what the Chief Finance Officer considered a reasonable estimate. The current forecast, taking account of top-up, appeals and the S31 grant to cover the lost revenue from the extended SBRR scheme, is for a figure of £41.7 million. This will undoubtedly change between now and finalising the account. A test file of current data has been used to generate initial figures for 2014/15 billing and using this as a baseline and assuming neither growth nor decline in the rateable base, it is forecast that the 2014/15 resource should be assumed at £44.5 million which is £0.120 million less than the estimate used in the draft budget.
- 3.2.8 The forecast income from this source is particularly volatile being subject to both local and central influences. In his Autumn Statement the Chancellor announced a raft of changes to the business rate regime as set out above, and elsewhere in this paper are recommendations that flow from these announcements. The practical accounting arrangements for these changes can be complex and muddy the estimation of income. In addition the local economy at a very specific level can throw up significant change to levels of rate income as was seen with the closure of Kingsnorth power station but equally the commissioning of a new supermarket could push income in the other direction. Whilst there is some advance notice of significant new development such as at Chatham Waters for instance, the sudden collapse of a major business is often a surprise. Variation on both fronts can be of a significant amount and some authorities are planning to use any potential surplus on the Collection Fund to create a reserve to buffer such fluctuation. The forecast income and corresponding revenue demand for Medway do not afford the Council such a luxury at the moment.

3.3 Council Tax

- 3.3.1 In accordance with Council delegation, the Chief Finance Officer and Finance Portfolio holder, on 30 January, agreed the council tax base for 2014/15 at 78,406.79 band D equivalents.
- 3.3.2 The Provisional Finance Settlement confirmed the Government intention to press ahead with the offer of a grant to those authorities that choose to keep council tax at 2013/14 levels. For Medway this 'freeze' grant would be worth £1.011 million and compares to a £0.9 million yield from a 1% increase in council tax. Given the need to maximize revenue in the face of extraordinary levels of cuts in Government support this report assumes that the Council will not take up the offer of a freeze grant but will instead opt for a 1.995% increase in council tax. Press reports suggest that there will be a majority of councils taking this view.
- 3.3.3 In respect to Council Tax levied, Medway's position in 2013/14 remained one of the lowest in both our peer group of Mainland Unitary Councils (7th lowest) and nationally (19th lowest of 326 billing authorities). However, for non-schools expenditure, Council Tax represented only 21% of the resources supporting the 2013/14 budget.
- 3.3.4 The former capping regime is now replaced with a process for referenda for 'excessive' Council Tax increases. Essentially Government determines the rate of increase above which it is deemed to be excessive. This is similar to the old "capping" regime but the level was to be announced before budget and council tax levels are set. Comprehensive Spending Review (CSR) 2013 stated that the level for 2014/15 and 2015/16 would be 2% although recent speculation has been that there will be an announcement post-Cabinet, possibly with the Final settlement, that could amend this figure. Any proposal to exceed the set level will need to be supported by an alternate budget to meet the determined increase and subject to a local referendum.
- 3.3.5 The additional yield from the revised council tax base set against the draft budget proposal for 2014/15 and assuming a 1.995% increase in council tax will be an extra resource of £838,800. In the context of the maximum increase allowable members are advised that a 1.5% increase in Council Tax would reduce resources from those currently forecast by £0.438 million.

3.4 New Homes Bonus

- 3.4.1 New Homes Bonus was introduced in the Local Government Finance Settlement for 2011/12 to recognise the additional burden that new development in an area places upon the Local Authorities. The 'bonus' payment is calculated based upon the increase in taxbase between October in each year together with additional payments for the numbers of affordable homes and empty properties bought back into use in the period. The payment is to be made as a grant payable each year for a six year period.
- 3.4.2 The draft budget assumed £5.581million grant in 2014/15 and £3.081million in 2015/16 as a consequence of a proposed 'top-slice' to the grant of 35%. The latest estimate, including affordable homes accrual, is for £5.462 million in 2014/15 and £6.289 million in 2015/16. The reduction in 2014/15 is attributable to fewer

affordable homes being completed than expected and the increase in funding for 2015/16 is largely as a consequence of Government dropping the proposal to top slice the grant by 35%.

- 3.4.3 New Homes Bonus is payable over a 6-year period thus the 2011/12 grant will cease in 2017/18 creating a revenue pressure of £1.163m increasing by the annual increments of grant so 2018/19 will have a pressure of £2.432m. What is unclear, as it is beyond the view of this settlement, is the longevity of the scheme and whether the 2011/12 loss in 2017/18 will be replaced by a new bonus payment for 2017/18.

3.5 Other Specific Grants

- 3.5.1 The major part of this resource is the Education Services Grant (ESG). This was introduced in 2013/14 to fund education services outside of the DSG. This includes local authorities' statutory responsibilities and funding for services such as school improvement and education welfare. The ESG has been formed from funds transferred out of formula grant under the LACSEG (Local Authority Central Support for Education Grant) adjustment and is therefore not new money. The total deducted from formula grant is split between local authorities and individual academies in proportion to their pupil numbers. For Medway the deduction in 2013/14 was £5.859 million with £3.611 million returned for Medway retained pupils.

- 3.5.2 Based on the funding rates per pupil issued by the DfE and some reasonable assumptions about Academy conversions anticipated during 2014/15, the ESG attributable to non-academies has been calculated as:

2013/14	£3,610,981
2014/15	£3,205,939
2015/16	£2,259,788

- 3.5.3 The draft budget assumed a standstill on academy conversions which is not realistic and therefore the revised forecasts above represent a further pressure in 2014/15 of £0.27 million rising to £0.41 million for 2015/16 with a potential transfer of some 4,613 pupils to academy status compared to current status.
- 3.5.4 Other specific grants for 2014/15 include Council Tax Support New Burdens Funding of £0.145 million, Community Right to Bid funding of £0.008 million, Community Right to Challenge funding of £0.009 million, Lead Local Flood Authorities funding of £0.077 million and Local Reform and Community Voices funding of £0.180 million. All of these grants were matched by budget funding in 2013/14 which remains in the base other than Council tax Support which was removed in error and is now proposed to be reinstated. For 2015/16 all of these non-ESG grants disappear, other than Community Voices and a reduced level (£0.051 million) for Lead Local Flood Authorities.

3.6 Public Health Grant

- 3.6.1 The ring-fenced Public health Grant was introduced for 2013/14 along with the transfer of statutory Public Health responsibilities from the NHS. The grant is scheduled to increase from £13.170 million to £14.280 million in 2014/15 with the

same figure for 2015/16. The ring-fenced nature of the grant for public health purposes is maintained over this period.

3.7 Department for Education (DfE) Funds

3.7.1 Dedicated Schools Grant (DSG)

3.7.1.1 DSG for 2014/15 continues to be calculated in three blocks for Schools, Early Years and High Needs. The per-pupil rates are unchanged from 2013/14, but are multiplied by the latest pupil number data to generate the DSG allocation for 2014/15. The October 2013 school census shows that pupil numbers for 2014/15 will be slightly higher than 2013/14 leading to an increase in the DSG on a like-for-like basis. The only other adjustment made to the DSG in 2014/15 relates to the decision to remove the local authority's responsibility in relation to carbon reduction. Consequently the DSG for 2014/15 has been calculated as set out in Table 2 below:

Table 2: Schools Based grant Funding (DSG)

	2013/14	2014/15	2015/16
	£		
Schools Block – Pupil Numbers	36,826	37,029	37,559
Schools Block Funding	£158,292,248	£158,929,426	£161,235,865
Early Years Block – Pupil Numbers	2,615	2,730	2,850
Early Years Block Funding	£14,407,014	£15,797,014	£16,853,572
High Needs Block Funding	£33,535,265	£33,659,265	£33,659,265
DSG (gross)	£206,234,527	£208,385,705	£211,748,701
Academy Deductions	(£77,184,439)	(£96,270,946)	(£110,645,827)
DSG (Net)	£129,050,088	£112,114,759	£101,102,874
Pupil Premium	£5,692,551	£6,151,760	£5,169,805
Sixth Form Funding	£3,123,422	£1,654,376	£468,909
Net Schools Based Funding	£137,866,061	£119,920,895	£106,741,589

3.7.1.2 The DSG is calculated initially using the pupil numbers for all schools in Medway, including academies. Subsequently the Education Funding Agency will reduce the Council's DSG allocation in respect of schools that have converted to academies. Academies are expected to account for £96.271 million, leaving Medway's net DSG allocation at £112.115 million.

3.7.2 Pupil Premium

3.7.2.1 Schools receive a separate grant to improve the attainment of pupils from deprived backgrounds based on pupils eligible for a free school meal, 'looked after children', and children with a parent in the armed forces.

3.7.2.2 The funding rates for 2014/15 represent a significant increase on the current rates as illustrated below. It should be noted that whereas in the current year schools would attract both sums for a 'looked after child' who was also eligible for free school meals, in 2014/15 'looked after children' only attract the £1,900.

	2013/14		2014/15	
	Primary	Secondary	Primary	Secondary
Free School Meals	£953	£900	£1,300	£935
Looked After Children	£900	£900	£1,900	£1,900
Service Children	£300	£300	£300	£300

3.7.2.3 These rates will produce a total pupil premium grant for Medway schools (excluding academies) of about £6.152 million in 2014/15.

3.7.3 Sixth Form Funding

3.7.3.1 2013/14 sixth form funding is based on the allocations for the remaining two Medway secondary schools and three special schools. It is assumed that one secondary and one special school will convert to academy status in 2014/15 with the final secondary converting in 2015/16. This would leave 2 special schools for the remainder of 2015/16.

3.8 After allowing for transfers to academies, the funds available to the Schools Budget are estimated at £118.267 million, comprising an estimated DSG allocation of £112.115 million and Education Funding Agency (EFA) sixth form grants of £1.654 million together with a Pupil Premium allocation of £6.152 million. Elsewhere on this agenda is a report detailing the final formula funding arrangements for schools/academies for 2014/15 as approved by the Schools Forum on 22 January 2014.

3.9 The funding delegated to schools and academies for 2014/15 from the DSG schools block will be £157.8 million with £1.1 million retained as agreed by the schools forum. The Schools Forum agreed the delegated and central expenditure budgets at their meeting on 22 January 2014 and this is further explained elsewhere on the Cabinet agenda, within the report "Final Funding Formula for Mainstream Schools and Academies 2014-15".

3.10 Capital Settlement

3.10.1 Capital settlement announcements are often delayed and this is again the case, however both the Department for Transport and Department of Health announced 2014/15 allocations last year and these are reflected in Table 3 below. Also in his ministerial statement on 18 December the Secretary of State announced Basic Need Grant allocations for 2014/15, 2015/16 and 2016/17, together with new capital funding to help local authorities respond to the challenge of providing free school meals for all infant age children. Since then the EFA have announced Schools Capital Maintenance and Devolved Formula Capital allocations for 2014/15. From 2015/16 capital funding for Adult Social Care and Disabled Facilities Grant will be included within the 'Better Care Fund' (BCF), whilst Department for Transport capital funding will only be accessible via a bid against the 'Local Sustainable Transport Fund' (LSTF).

Table 3 Indicative capital Grant Allocations

	2013/14	2014/15	2015/16
	£m	£m	£m
Department for Education			
Basic Need Grant	2.513	2.513	2.237
Targeted Basic Need Grant	10.050	0.000	0.000
Schools Capital Maintenance Grant	2.970	2.543	TBA
Schools Devolved Formula Capital	0.532	0.472	TBA
Universal Infant Free School Meals	0.000	0.567	0.000
Department of Health			
Adult Social Care Transformation Grant	0.537	0.547	BCF
Department for Transport (DfT)			
Highway Maintenance	2.153	2.122	LSTF
Integrated Transport	1.576	2.216	LSTF
Department of Communities and Local Government (DFG's)	0.739	0.766	BCF

4. Capital Programme 2014/15 and beyond

- 4.1 This section of the report seeks to ensure that the capital programme process is integrated with the process for setting the revenue budget and the level of council tax and all borrowing under the Prudential Regime for capital investment is affordable, prudent and sustainable. Cabinet will be considering the Treasury Management Strategy incorporating prudential indicators as a separate item on this agenda.
- 4.2 The uncertainty of the financial settlement makes assumptions about future capital funding for local authorities subject to some risk. However it is reasonable to assume that the core components of the current funding regime will continue and to provide an indication of the future capital programme the assumptions are set out in Table 4 below, with estimates in italics.
- 4.3 For some time now, the financial settlement does not include any revenue support for capital, but local authorities still have access to 'unsupported' borrowing through the prudential regime, providing that these capital investment plans are affordable, prudent and sustainable. Developer contributions and capital receipts might also become available for capital investment, but at this stage of the budget setting process, it is assumed that future investment will be restricted to the current programme, supplemented by the Council's expectations in relation to Government grant, with the call on capital receipts restricted to the £1.5 million for highways referred to at paragraph 5.4.1.

Table 4. 2014/15 Government Capital Grant Assumptions

	C & A	BSD	RCC	Total
	£000's	£000's	£000's	£000's
Disabled Facilities Grant	0	0	766	766
Education Basic Needs Grant	2,513	0	0	2,513
Schools Capital Maintenance Grant (est.)	2,543	0	0	2,543
Schools Devolved Formula Capital (est.)	472	0	0	472
Universal Infant Free School Meals	567	0	0	567
Adult Social Care Transformation Grant	547	0	0	547
Integrated Transport Grant	0	0	2,122	2,122
Highways Capital Maintenance Grant	0	0	2,216	2,216
Total Forecast	6,642	0	5,104	11,746

- 4.4 The proposed capital programme reflects slippage from 2013/14, together with the anticipated 2014/15 and 2015/16 grant allocations. This programme will continue to be delivered throughout 2014/15 and beyond and Table 5 summarises planned expenditure, providing an analysis of how it is funded. For completeness, the current schemes that will continue into 2014/15 are detailed and summarised in Appendix 2.

Table 5. Funding the proposed capital programme

	C & A	BSD	RCC	Member Priorities	Total
	£000's	£000's	£000's	£000's	£000's
2014/2015 Forecast	25,373	1,467	26,922	216	53,977
2015/2016 Forecast	2,573	830	8,044	0	11,447
2016/2017 & future year's forecast	2,374	479	2,554	0	5,407
Total Forecast	30,320	2,776	37,520	216	70,831
Funding Source					
Grants	25,621	0	10,114	0	35,735
Prudential borrowing	0	802	12,401	0	13,203
Developer & other contributions	0	0	911	0	911
Capital Receipts	2,437	1,974	2,632	216	7,259
Right To Buy receipts	0	0	392	0	392
Reserves/Revenue	2,262	0	11,070	0	13,332
	30,320	2,776	37,520	216	70,832

5. Departmental Programmes (2014/15)

5.1 Business Support Department

- 5.1.1 There is no new funding identified for 2014/15, the programme consisting of progressing existing approvals, principally the Thin Client (ICT) initiative, Strood Riverside and corporate building maintenance.

5.2 Children and Adults Directorate

- 5.2.1 The Children and Adults proposed programme represents planned expenditure for 2014/15 and beyond, based upon the forecast carry forward from 2013/14 and taking into account new grant funding in 2014/15. Additional funding, in the form of both the Targeted Basic Needs Grant and DSG reserves, has given Members and Chief Officers an opportunity to re-evaluate the directorate's capital investment priorities and to accelerate delivery of the SEN strategy, whilst continuing to create the planned additional primary school places.
- 5.2.2 The proposed capital programme is summarised at Appendix 3a and is broken down into several broad programme areas:
- 5.2.3 **Adult Social Care**
The Adult Social Care programme comprises a number of specific schemes, including the new social care system, occupational therapy adaptations and a trio of 'changing places' facilities, however the carry forward also reflects £889,000 of uncommitted grant funding and capital receipts, which when added to £308,000 of the 2014/15 grant, gives the directorate £1.2 million to fund re-provision of the Napier Unit and Enhanced Care Unit and the potential relocation of integrated care management teams.
- 5.2.4 **Academy Programme**
The Academy Programme is broadly on track to complete on time and within the grant funding available, however there is a risk around the cost of removing asbestos located on the BORA and Brompton sites.
- 5.2.5 **Basic Need: Special Educational Needs**
With the successful Targeted Basic Need bid and Schools Forum agreeing to allocate part of the DSG Reserve, it has been possible to accelerate delivery of the SEN Strategy and £14.4 million has been set aside to fund three key schemes. £11.8 million has already been agreed for Abbey Court Special School, with the balance available to fund expansion works for Dane Court Special School and Will Adams Pupil Referral Unit.
- 5.2.6 **Basic Need: Additional Primary School Places**
The directorate's main priority is the provision of sufficient primary school places in Chatham and Gillingham, however with the successful Targeted Basic Needs bid, it has been possible to develop a programme that delivers the required primary school places, as well as the first phase of the SEN Strategy. The proposed programme does not include any further call on developer contributions, however there are still some uncommitted funds from S106 agreements available to mitigate any risk in the programme. Table 6 below summarises committed schemes amounting to £12.7 million, however the proposed programme also provides for a further £1.5 million to fund expansion at other sites, including the Napier, Cuxton, Halling and Hoo St Werburg Primary Schools.

Table 6: Planned Additional Primary School Places

	2013/14 forecast £	2014/15 onwards £
Committed Schemes		
- Wainscott Primary Expansion	3,336,664	0
- Chatham Primary Academy	1,530,145	4,738,075
- Greenvale Infant Expansion (Phase 2)	117,176	322,824
- Brompton Westbrook Primary	251,000	1,887,622
- Saxon Way Primary	227,957	195,000
- Programme management	45,250	45,000
Total Funding Requirement	5,508,192	7,188,521

5.2.7 Schools Condition Programme

It is anticipated that the 2013/14 condition programme budget will be spent this year and that the 2014/15 Capital Maintenance Grant will similarly be fully allocated to the schools condition programme.

5.3 Regeneration, Community and Culture Directorate

5.3.1 The anticipated funding from Government for both the Highways Maintenance and Integrated Transport were confirmed in the Financial Settlement as £2.122 million and £2.216 million respectively. These compare to allocations of £2.153 million and £1.576 million in 2013/14. The LTP3 Transport Strategy which set out the priorities for the funding, which are in summary as follows:

5.3.2 Integrated transport. This will be used for funding accident reduction measures, traffic management, public transport infrastructure improvements, cycling and walking schemes, and safer routes to schools projects.

5.3.3 Highways capital maintenance. This is funding the maintenance of carriageways, footways, bridges, highway drainage and traffic signals and is further supplemented by the additional funding from capital receipts referred to at 5.4.1 below.

5.3.4 Disabled Facilities Grants (DFG): These grants enable elderly or disabled people to remain in their own home through the provision of adaptations to their property and the forecast carry forward allocation of £914,000 will be supplemented with the grant funding of £766,000 for 2014/15 together with an additional allocation of £500,000 from adult social care resources.

5.3.5 Capital funding for the Housing Revenue Account (HRA) is discussed in more detail in the HRA report elsewhere on the agenda but new funding of £5.585 million, in respect of Planned Maintenance, Disabled Adaptations, and an extension of the House Building programme has been included in the capital programme at Appendix 2, being a combination of use of the Major Repairs Reserve, contribution from the HRA working balance and additional borrowing. The capital works are split £4.529 million and £0.250 million for Planned Maintenance and Disabled Adaptations respectively with the balance being the house building programme.

5.4 Capital Receipts

- 5.4.1 The draft capital programme specifically includes those schemes where funding has already been committed by the Council and new external funding has been secured. The Council has, in previous years, injected considerable sums into the capital programme mainly from capital receipts and prudential borrowing. Given the constraints on revenue and the restricted availability of capital receipts as demonstrated in paragraph 5.4.2 below, the only schemes recommended for continued support are the Highways Capital Investment Programme at £1.5 million to be funded from future Capital Receipts.
- 5.4.2 In recognition of the slow down in the realisation of capital receipts additional borrowing of up to £10 million through the prudential regime was approved in 2008/09 to fund the capital programme in advance of anticipated receipts. The actual loans to cover this borrowing have now been repaid so there is no debt cost in the treasury account. However, £5.4 million was used from this source in 2008/09; a further £1.3 million anticipated for 2013/14; £0.4 million in 2014/15; and £0.5 million in 2015/16 taking the draw down against the £10 million to £8.3 million. This will require to be set aside from capital receipts at some point in the future but it is not anticipated that there will now be any repayment against these funds until 2016/17.
- 5.4.3 Table 7 shows the movement in capital receipt balances, after funding the existing approved capital programme including the £1.5 million highways commitment in paragraph 5.4.1 for next and succeeding years. The accumulated use of the prudential borrowing allocation is now forecast to rise to £8.3 million as described above and it is therefore clear that outside of existing approved funding there is little scope for adding to the programme at this time and future receipts will need to repay the borrowing.

Table 7. Movement in Capital Receipts

Description	General Fund Receipts	Housing Receipts	Total
	£000's	£000's	£000's
Balance @ 1 April 2013	2,388	(2,451)	
Anticipated Receipts 2013/14	(1,442)	(450)	
New Borrowing 2013/14	(1,260)	0	
Applied to Capital Programme 2013/14:	2,935	52	
Estimated Balance at 1 April 2014	2,621	(2,849)	(228)
Anticipated Receipts 2014/15	(5,420)	(461)	
New Borrowing 2014/15	(372)	0	
Applied to Capital Programme: 2014/15	6,089	0	
Estimated Balance at 1 April 2015	2,918	(3,310)	(392)
Anticipated Receipts 2015/16	(1,850)	(461)	
New Borrowing 2015/16	(522)	0	
Applied to Capital Programme: 2015/16	2,669	392	
Estimated Balance at 1 April 2016	3,216	(3,380)	(164)

6. Revenue Budget 2014/15

6.1 The draft budget approved by Cabinet on 26 November 2013 reinforced the principles set out in the Medium Term Financial Plan. The strategic priorities for Medway as set out in the Council Plan are considered elsewhere in this agenda. The Council Plan is the council's business plan. It has four priority areas and sets out what will be done to deliver these and how we will tell what difference has been made. Those four priorities are:

- Children and young people have the best start in life in Medway;
- Adults maintain their independence and live healthy lives;
- Safe, clean and green Medway; and
- Everyone benefiting from regeneration

Our two core values set out the principles of the how we work to deliver these priorities, they are:

- Putting our customers at the centre of everything we do; and
- Giving value for money

- 6.2 In addition, the underlying financial aims of the MTFP and budget remain so as:
- To ensure there is a sustainable budget, without recourse to the use of reserves;
 - Generating efficiencies, in partnership with others where appropriate, for reinvestment in priority spending;
 - Assessing the revenue impact of funding streams supporting capital investment decisions, whether that be from supported borrowing, use of reserves, capital receipts or prudential borrowing; and
 - Avoiding the sanction of central government controls, for example capping.
- 6.3 The budget proposals in this report have been prepared with these principles in mind.
- 6.4 In accordance with the constitutional requirements, the draft budget, proposed by Cabinet, was forwarded to overview and scrutiny committees inviting comments. At that stage the draft budget was some £4.8 million in excess of the anticipated resources available, largely driven by an anticipation of grant reductions, pressures already experienced and the continued growth in those pressures but offset by savings achieved in the first two rounds of the 'star chamber' review process that were detailed in the draft budget appendices.
- 6.5 The Provisional Local Government Financial Settlement announced on 20 December 2013 was a slight improvement on that predicted in the draft budget and, together with other changes in the anticipated resources outlined in section 3, revised the deficit to £3.7 million. It must be hoped that the final settlement due to be announced after Cabinet has met does not worsen this position.
- 6.6 Both during and after the overview and scrutiny process, officers have continued to examine the budget proposals and work closely with portfolio holders to find measures to close the gap and achieve a balanced budget. Whilst attempting to keep a minimal impact on service delivery. These measures are discussed in more detail in Section 9 of this report.
- 6.7 Medway currently has the seventh lowest council tax of all mainland unitary authorities and is, currently, on average, £117 below the combined council tax for Kent County Council (KCC) and Kent districts. Given the scale of the budget challenge both for now and the future, it is not proposed to accept the additional Council Tax Freeze grant for 2014/15 but rather maximise the income yield. This is likely to be in tune with the majority of billing authorities. Referendum rules currently dictate that an increase below 2% will be necessary to avoid the cost and risk of holding a referendum, although there is speculation that this will be reduced in mid-February. Accordingly this report is predicated on a council tax rise of 1.995% and any reduction in the referendum limit, if announced, will need to be considered at full Council.
- 6.8 In accordance with Council delegation, the Chief Finance Officer and Finance Portfolio holder, on 30 January, agreed the council tax base for 2014/15 at 78,406.79, an increase of 724 against that used for the draft budget. This is a significant increase and reflects both the extra new properties that have also driven increases in the New Homes Bonus, but also a reduction in the levels of discounts awarded for the Council Tax Reduction Scheme. For the latter, the 2013/14 taxbase

included an estimated discount reduction equivalent to 12,126 band D properties and this is now calculated at 11,479. The additional yield from the revised council tax base set against the draft budget proposal will be an extra resource of £838,800.

- 6.9 The revenue budget that Medway must set is determined by the total of Government Grant and the amount raised from council tax and is summarised in the table below:

Table 8. Funding Medway's Revenue Budget 2014/16

	Draft Budget Forecast Requirement 2014/15	Proposed Budget Forecast Requirement 2014/15	Proposed Budget Forecast Requirement 2015/16
	£000's	£000's	£000's
Dedicated Schools Grant	216,302	208,386	211,749
Academy Transfer	(86,810)	(96,271)	(110,646)
Other School Specific Grants	6,602	7,806	5,639
Schools Based Resources	136,094	119,921	106,742
Council Tax	90,446	91,285	93,570
Revenue Support Grant	51,845	52,379	38,263
Business Rates Share	44,586	44,466	45,612
New Homes Bonus	5,581	5,462	6,289
Specific Grants	3,895	3,625	2,491
Public Health Grant	14,280	14,280	14,280
General Fund Resources	210,633	211,497	200,505
Estimated Available Funding	346,727	331,418	306,351

7. Council Plan

- 7.1 As the council's overarching business plan, the Council Plan identifies objectives the council wishes to achieve (referred to as its 'priorities'), and as such it is important that it is considered alongside the budget setting process. The national background to the development of the Plan has remained as volatile as it has been in recent years, both in terms of funding and policy developments. The current Council Plan's strategic priorities and commitments will remain the same during 2014-15. There is a need however to review and refresh the current suite of indicators and projects that support the plan to ensure they remain relevant and informative during 2014-15.
- 7.2 The Council Plan forms an essential part of the council's performance management framework, setting out the priorities, commitments, measures and targets against which progress will be judged. This year, in response to members' feedback, targets have been revised at a much earlier stage for members to consider and the plan also references the key change projects that the council is taking forward to support the delivery of its priorities.

7.3 As options for meeting the 2014/2015 budget gap are debated, some of the commitments included in the revised indicators and key projects may need to be revisited. Changes made to the budget up to and including Full Council may also have an impact that will need to be reflected in the final version that Members agree, and an appropriate delegation has been sought in the Council Plan Indicator report on this agenda to enable this alignment of the Council Plan to the final budget decisions.

8. Overview and Scrutiny Responses

8.1 Business Support Overview and Scrutiny Committee considered the views of individual scrutiny committees, together with its own, on 4 February and the recommendations from that meeting will be included in an addendum report. Comments from individual Overview and Scrutiny Committees are summarised below with the detail of discussions to date set out in Appendix 1.

8.2 Business Support 5 December 2013

:

The committee noted the draft capital and revenue budget for 2014/15 and forwarded the programme to individual Overview and Scrutiny Committees. The Committee commented on the poor position of Medway's settlement in comparison to similar authorities and suggested that the local MP's be asked to press for an improved share of resources for the Council.

8.3 Children and Young People 10 December 2013

Members were advised that the draft budget built upon the resource projections and principles as set out in the Medium Term Financial Plan (MTFP) although the funding gap projections had changed with the recent announcements made by the Chancellor in his Autumn statement. The estimated gap now stood at £4.8 million 2014/15 and £17.8 million in 2015/16.

Members then made a number of comments and asked officers questions which included:

- Requesting examples that have contributed to the improvements in the budget forecasts and that have helped to bring the funding gap down. The Committee were advised by officers that various factors were taken into account including: a review of the budget pressures; renegotiation of and achievement of reductions in contract costs; and a re-evaluation of demographic pressures.
- Officers also advised that they were currently considering further opportunities such as shared services and co-location; and were also intending to bring forward rationalisation programmes in order to yield savings.

The Committee noted the draft capital and revenue budget for 2014/15, proposed by Cabinet on 26 November 2013, and also noted the opportunities and implications of the other efficiencies or revenue generating measures for this committee.

The Committee agreed to forward to Business Support Overview and Scrutiny Committee on 4 February 2014 the comments and suggestions made.

8.4 *Regeneration, Community and Culture 12 December 2013*

The Committee received a detailed report setting out the draft capital and revenue budget for 2014/15 as it related to this Committee and in discussion (referring to the impact on Front Line Services) a member expressed the view that as reported it was not possible to assess the potential impact and therefore it would be helpful to have additional information supplied as to the consequence of service delivery so that priorities could be identified if necessary.

Referring to this comment, the Assistant Director – Front Line Services stated that this was not always straightforward for example using demographic projections for concessionary fares, this was carried out via a National Consultation Scheme and the budget would not be agreed until Spring 2014.

The Committee thanked Officers for the draft capital and revenue budget report for 2014/15 and noted the report insofar as it affects this Committee.

8.5 *Health and Adult Social Care 18 December 2013*

The Finance Manager for Children and Adult Services introduced the capital and revenue budget report for 2014/2015. He updated the Committee by stating that the overall budget position had improved since the Medium Term Financial Plan and that the predictions were now that there would be a budget gap of £4.8m for next year rising to £17m for 2015/2016.

Responding to a question raised, the Director of Public Health undertook to share with the Committee the 32 categories of public health activity referred to under the four headings in the report.

Following a further question it was stated that the fees and charges work was ongoing and would be ready shortly.

Discussion took place about the underspend in adult social care and the Deputy Director, Children and Adults stated that this was a very modest sum and needed to take account of possible future demands. The Finance Manager for Children and Adult Services referred to opportunities for the local authority in relation to the Integrated Transformation Fund (ITF also now known as Better Care Fund) but it was pointed out that this was not new money and had to demonstrate a health benefit. In view of the fact that some of the money would be taken from the acute sector the Chief Clinical Officer, NHS Medway Clinical Commissioning Group stated that the Foundation Trust was fully sighted on this aspect.

Reference was made to a recent workshop held with key stakeholders, the voluntary sector and black and minority ethnic groups to look at ways in which smarter ways of working could be achieved.

The draft capital and revenue budget for 2014/2015 was forwarded to Business Support Overview and Scrutiny Committee.

8.6 *Business Support 4 February 2013 (minutes yet to be agreed by Committee)*

The committee is scheduled to meet the day following despatch of the agenda with this report. Accordingly an addendum report will be circulated prior to the Cabinet meeting.

9. Revenue Budget 2014/15 – Proposals to Bridge the Budget Gap

- 9.1 The funding shortfall of £4.812 million in the draft budget report on 26 November has been subject to continuing work both through the overview and scrutiny process and by officers in consultation with portfolio holders. Table 9 below summarises the changes from that position to the proposal presented in this report. Paragraphs 9.7 onwards outline the changes made since 26 November 2013 with an overall summary of budget build at Appendices 3.
- 9.2 The draft budget report as set out on 26 November identified a number of workstreams to identify savings proposals and reduce pressures on the budget. Clearly the final settlement and other resource changes have improved the position for the General Fund by the £0.9 million highlighted above.
- 9.3 Under the financing arrangements for the DSG in 2014/15 the Local Authority can continue to retain funds at the same level as 2013/14 for SEN, Early Years and statutory functions in relation to schools. However, funds can only be retained for non-statutory functions in support of schools with the approval of the Schools Forum. The Schools Forum discussed these budgets on 22 January 2014 and approved all the LA's requests to retain funding centrally in 2014/15. There is a report elsewhere on this agenda that sets out in some detail the financing arrangements for Medway schools (including academies) in 2014/15 and the proposals for retained funds that have been agreed.
- 9.4 The budget build assumed a nil increase in pay for staff and a continued freeze on increments. Officers have been seeking to get the agreement of the Trade Unions to a proposal to amend the present pay structure in tandem with a review of grades and assimilation to the new structure. The results of these negotiations are to be considered at Employment Matters Committee on 6 February 2014. Failure to achieve such an agreement would delay implementation as individual employees would then need to be approached for agreement on an individual basis and any refusal would require a dismissal and re-engagement on the new contract terms. Progress will be reported as an addendum to Cabinet.
- 9.5 Table 9 below identifies some modest increases to costs that have been identified subsequent to the draft budget proposals. These and the £5.8 million of savings proposals that have been found by the directorates are discussed in paragraphs 9.6 to 9.9.

Table 9. General Fund Budget Changes

Budget Preparation Summary 2014/15			
		£000s	£000s
General Fund			
Budget Gap 26 November 2013			
			4,812
Less:	Additional Taxbase (Council Tax)	839	
	Additional Revenue Support Grant	534	
	Additional Business Rates Share	(120)	
	Reduced Education Services Grant	(270)	
	Reduced New Homes Bonus	(119)	
	Sub Total	864	3,948
Add	Pay and Grade review	400	
	BfL Savings Shortfall	800	
	Benefit Administration Grant reduction	196	
	Council Tax Reduction Scheme (new burdens)	145	
	Derelict Property Post	29	
	System Support Posts LAGAN/IDOX	72	
	Sports Development	257	
	Sub Total	1,899	5,847
Less:	Savings from Directorates		
	Children & Adults	2,178	
	Regeneration, Community & Culture	1,311	
	Business Support	504	
	Public Health	1,110	
	Employer's pension Contributions	650	
	Sub Total	5,753	94
	Revised Gap (surplus)		94

9.6 Children and Adults (Appendix 3)

9.6.1 In addition to the full year effect of 2013/14 savings reflected in the MTFP and £4.7 million of savings included in the draft budget considered by Cabinet on 26 November, the Children and Adult Services directorate has identified a further £2.2 million of budget reductions in response to the need to balance the budget overall. The paragraphs below highlight the more significant elements of the additional £2.2 million savings.

9.6.2 *Children's Social care*

£1.044 million of additional savings are proposed from this area as follows:

- £450,000 by the establishment of an 'Access to resources Team' to review children's proposed placements;
- £17,000 by applying a deflator to support packages for disabled children;

- £100,000 by restructuring the senior management in children's disability services: and
- £477,000 by applying the non- ring-fenced Adoption Reform Grant to services.

9.6.3 *Adult Social Care*

Of the £2.2 million £0.632 million relates to Adult Social Care budgets identified in Appendix 3 and largely comprises the following:

- £120,000 from a restriction of free service at the ethnic minority day centres to FACS eligible clients;
- £125,000 by reviewing the current disregards for income purposes in the financial assessment where there is alternative free provision or no longer appropriate;
- £60,000 introduce charges for temporary respite care outside of the facility offered for a week free care and additional provision by GP referral;
- £75,000 inclusion of community meals with other community services as part of the financial assessment;
- £70,000 use of mobility allowances/vehicles for transport to/from daytime facilities;
- £170,000 from more extensive use of Telecare/Telehealth technologies; and
- £12,000 for a service charge of £300 in respect of finalising deceased client affairs.

9.6.4 *Inclusion and School Improvement*

£0.076 million; largely from a reduction in supplies and services budgets.

9.6.5 *Commissioning and Partnerships*

£0.426 million

- £488,000 from a review of voluntary sector contracts;
- £30,000 a post reduction in the performance hub; and
- (£72,000) arising from mainstream home to school transport

9.7 Regeneration, Community and Culture

9.7.1 Since the draft budget was issued the following £1.312m savings have been identified:-

9.7.2 *Supplies and Services (saving £318,000):* from across the Directorate

9.7.3 *Regeneration, Community & Culture Directorate Support (saving £100,000):* Staff savings identified via a restructure within Emergency Planning.

9.7.4 *Frontline Services (saving £341,000):* A reduction of six posts across the Division, a budgeted £90,000 increase in income from Telecare and £64,000 no longer required for the retendering of the supported bus services.

9.7.5 *Leisure & Culture (saving £331,000):* Increase in income of £281,000 from leisure centres and £50,000 via staff savings.

9.7.6 *Housing & Regeneration (saving £222,000)*: Increase in Innovation Centre budgeted income by £40,000 and staff savings from Development Management and Planning, Policy & Design.

9.7.7 These are offset by investment in Sport Development £257,000 to continue the 'legacy' programme and £29,000 to fund the Derelict Property Officer.

9.8 Business Support

9.8.1 Since the draft budget was issued the following £0.504m savings have been identified:

9.8.2 *Legal Services (saving £100,000)*: restructuring & in house advocacy.

9.8.3 *Performance and Intelligence (saving £58,000)*: restructuring and other efficiency measures.

9.8.4 *Administration Hub (saving £152,000)*: review of operation to identify efficiencies.

9.8.5 *Supplies and Services (departmental saving £194,000)*: Target reduction in line with corporate requirement – equates to approximately 4% of spend.

9.8.6 These have been offset by additions in respect of reduced benefit admin. grant £196,000, Council Tax new burdens costs £145,000 and additional system support costs in respect of the LAGAN system £34,000 and IDOX £38,000.

9.9 Public Health

9.9.1 On 10 January 2013 the Department of Health (DoH) released details of the new Public Health Grant to accompany the transfer of responsibility for the Public Health function from the NHS to Local Government. This is a ring fenced grant to be used only for Public Health purposes. The grant for Medway rises from £13.170 million to £14.280 million in 2014/15.

9.9.2 The public health grant is being provided to give local authorities the funding needed to discharge their new public health responsibilities. It is vital that these funds are used to:

- improve significantly the health and wellbeing of local populations
- carry out health protection functions delegated from the Secretary of State
- reduce health inequalities across the life course, including within hard to reach groups
- ensure the provision of population healthcare advice.

9.9.3 The primary purpose of these conditions is to ensure that the grant is spent on the new public health responsibilities being transferred from the NHS to local authorities, and that it is spent appropriately and accounted for properly. The expectation is that funds will be utilised in-year, but if at the end of the financial year there is any underspend this can be carried over, as part of a public health reserve, into the next financial year. In utilising those funds over the next year, the grant conditions will still need to be complied with. However, where there are repeatedly large underspends the Department will consider whether allocations should be

reduced in future years. The DoH have also indicated that future growth in the grant will be linked to the satisfactory achievement of Public Health outcomes.

9.9.4 These conditions do not preclude the use of funds to finance existing Council expenditure that meets the requirements of the grant conditions and is in accord with the Public Health objectives for Medway. Table 10 identifies that in balancing the 2014/15 budget the growth in the Public Health Grant has been used to finance a number of areas of expenditure that fall within these qualifying conditions.

9.10 Revenue Budget Summary

9.10.1 Table 10 below summarises the Revenue budget position for 2014/2015 with a further analysis in Appendices 3, and 3a to 3c.

Table 10 Summary Budget Requirement 2014/15

Directorate/Service	Proposed Budget		
	Expenditure	Income	Net
	£000s	£000s	£000s
Children and Adults			
- DSG and School Specific Expenditure	118,786	(361)	118,425
- Other	141,354	(29,772)	111,582
Regeneration Community & Culture	73,862	(25,595)	48,267
Business Support	147,510	(120,972)	26,538
Public Health	12,572		12,572
Interest & Financing	17,121	(3,915)	13,206
Levies	879		879
BfL	(444)		(444)
Medway Norse JVC		(263)	(263)
Pay & Grade Review	400		400
Superannuation Rate Reduction	(650)		(650)
Headroom	(94)		(94)
Total Net Budget	511,136	(180,878)	331,418
Estimated Funding			
Dedicated Schools Grant			112,115
Other School Specific Grants			7,806
Council Tax			91,285
Revenue Support Grant			52,379
Business rate Share			44,466
New Homes Bonus			5,462
Specific Grants			3,625
Public Health Grant			14,280
Total Funding			331,418

10. Capping Regime

- 10.1 The former capping regime has been removed but in its place is a declaration by the Minister as to what he perceives to be an 'excessive' increase in Council Tax. For Unitary Councils the excessive threshold for 2014/15 is set at 2%. Any increase above the threshold requires the consent of residents through a local referendum. The cost of such an exercise is estimated at £250,000. The proposed increase at 1.995% will not exceed the threshold.

11. Fees and charges

- 11.1 The draft budget proposals have been formulated on an assumption that fees and charges would increase by an overall average of 2.5%. Where market conditions allow or where the Council has a statutory obligation to recover costs, greater increases have been applied. The schedule of proposed fees and charges is set out at Appendix 5, which has been circulated with Supplementary Agenda No. 1.

12. General Reserves

- 12.1 One of the key aims of the MTFP is to produce a sustainable budget without recourse to the use of reserves. Past strategy has been to maintain the overall level of non-earmarked reserves at circa 5% of non-schools budget which equates to circa £10 million. Non-earmarked reserves at 31 March 2013 were some £8.5 million (4.2%) in the form of the Revenue Balance and the General Reserve. This figure excludes the amount approved for severance payments (£3 million) and VAT repayments achieved by Pricewaterhouse Coopers (PWC) as part of the 'Better for Less' programme of just under £1 million. The latter are an offset to costs of implementing the transformational change.
- 12.2 The principal risk to be covered by the contingency balance relates to that of an overspending and this is a reflection of both control and the robustness of the budget set. In that respect past experience has shown that management controls would trip in to contain the potential overspending within the year and deal with the causes in the next budget setting round.
- 12.3 The second significant risk to be covered by the contingency reserve is that of a catastrophe led spend. Events occurring in recent weeks as a consequence of the severe storms serve as a prudent reminder of such occurrences. None the less there are compensatory schemes to mitigate such events and these include the Government 'Bellwin' scheme and our own insurance cover which, whilst largely of a self-insured nature, does provide for extreme claims with property excess capped at £1.25 million and claims above this met by the insurers and the aggregate of liability claims in a similar vein at £2.9 million. The balance on the Insurance Fund at 31 March 2013 was £4.8 million including a provision for identified liabilities of £2.6 million and, whilst reserve cover of a greater amount would be a comfort, it is not warranted on a risk-assessed basis.
- 12.4 Against this background it is difficult to argue the case for a higher level of unallocated balance than that already held, other than on a crude percentage basis.

13. Precepting obligations and Council Tax Leaflet

13.1 This report considers the budget requirement for Medway Council only. There are a number of other factors that will influence the final council tax requirement to be approved by Council on 20 February 2014. Whilst the final rate will be dependent on the level of spending, it will also be affected by:

- The council tax base of 78,406.79 agreed on 27 January and incorporated in the funding proposals in Table 10;
- The parish precepts;
- The Police and Crime Panel for Kent are scheduled to meet on 5 February and their proposal is for a 1.99% increase that would produce a Band D rate of £144.27 if accepted.
- The Kent Fire and Rescue Service (KFRS) precept. A budget meeting will be held on 11 February where it is understood that a 1.99% increase on the 2014/15 Band D rate will be agreed. This, if agreed, would produce a KFRS Band D rate of £69.30.

14. Housing Revenue Account

14.1 The Council is required under the Local Government and Housing Act 1989 to ensure that the Housing revenue Account (HRA) does not fall into a deficit position.

14.2 Business Support Overview and Scrutiny Committee on 4 February 2014 received a report that detailed the HRA revenue and capital budget proposals and a follow-on to that report features elsewhere on this agenda.

14.3 The summarised Housing Revenue Account is attached at Appendix 4 and the capital component is included in Appendix 2

15. Legal Considerations

15.1 Sections 30 to 36 of the Local Government Finance Act 1992 require that the Council sets a budget and council tax by 11 March each year and in doing so make a number of statutory calculations incorporated by resolution. The Localism Act 2011 has amended some of the terms and definitions to accommodate the introduction of powers to call local referendums for excessive council tax increase. The Council is now required to make a calculation of the Council Tax Requirement (Section 31A), excluding Parish precepts. The Act (Section 36) further prescribes that a calculation of the basic amount of Council Tax be presented together with an analysis of the Council Tax across the area and by valuation band. These calculations are required to be presented in a prescribed format and be subject to formal resolution by the Council.

15.2 The Local Authorities (Standing Orders)(England) Regulations 2001 deal, amongst other things, with the process of approving the budget. Under the constitution the adoption of the budget and the setting of the council tax are matters reserved for the Council upon recommendation from Cabinet.

15.3 In seeking to finalise the overall shape and detail of the budget for 2014/2015, Cabinet needs to be cognisant of the following legal considerations.

15.4 *Council budget:* In reaching their decisions, Members and officers must act reasonably taking into account all relevant considerations and ignoring irrelevant

ones. There is a need to ensure that when making budget decisions the result is not one which is irrational in the Wednesbury sense (i.e. one which no reasonable local authority could have made). The Council's overriding duty is to make a lawful budget and this is the touchstone against which other considerations must be tested.

- 15.5 The council must have regard to its public sector equality duties when making decisions. This includes the requirement to undertake a Diversity Impact Assessment in relation to all significant changes to policies, procedures or practice, and to pay 'due regard' to the need to eliminate discrimination and promote equality with regards to race, disability and gender. An overarching Diversity Impact Assessment is attached to this report.
- 15.6 *Legal Obligations:* Local authorities provide services pursuant to statutory duties (a mandatory requirement to provide services), and statutory powers, (where the Council has a discretion whether or not to provide services). Where the Council has a legal duty then it still has a discretion in determining the manner in which those services are provided, so long as the level of quality of service provision is sufficient to fulfil the statutory duty.
- 15.7 Where the Council has a statutory discretion, rather than a duty, budget proposals should not put the Council in a position so that the discretion may not be exercised at all, even where there may be compelling reasons for exercising the discretion in a particular case.
- 15.8 Even where Members and officers are under pressure to make a budget reduction, they must not pre-empt proper decision-making processes by focusing solely on financial considerations. Members and officers must address the core question of individual service users' needs, rather than a lack of resources. Recent case law has held that resources may be a relevant consideration in making a decision relating to the manner of service provision, so long as the individual's assessed needs are met.
- 15.9 *Charges for services:* In considering charges for services, Members and officers should also try to achieve a fair balance between the interests of the users of council services and council tax payers. Where charges are being increased, Members need to bear in mind the scale and extent of the charges, and may need in some cases to have regard to the costs of service provision, associated with the power to charge.
- 15.10 *Members' responsibility to make a personal decision:* In Council, Members must make a personal decision on how to vote on the budget proposals. Members' overriding duty is to the whole community. Members have a special duty to their constituents, including those who did not vote for them. Whilst Members may be strongly influenced by the views of others, and of their party in particular, it is their responsibility alone to determine what view to take when deciding upon budget questions. He/she should not follow party loyalty and party policy to the exclusion of other considerations.
- 15.11 Members need to balance the cost to council tax payers of any budget reductions, against the need for the benefits of services of the particular nature, range and quality, under consideration. If having taken into account all relevant (and disregarding all irrelevant) considerations, Members are satisfied that it is financially

prudent and reasonable to make any budget cuts proposed and adopt the recommendations as proposed then they may properly and reasonably decide to do so.

- 15.12 *Capping:* The Localism Act 2011 has superseded the previous capping legislation and dictates that should a council propose an increase in council tax which would be deemed to be excessive in accordance with principles and levels designated by the minister, then a local referendum on the proposal will be required. This will necessitate the drafting of an alternative proposal that will meet ministerial requirements that is put to the electorate alongside the 'excessive' proposition. Since the proposal is below the 'excessive' threshold this will not apply.
- 15.13 *Housing Revenue Account:* Under Section 76 of the Local Government & Housing Act 1989, the council is required, in advance of the financial year, to formulate proposals which satisfy the requirement that, on certain stated assumptions, the Housing Revenue Account for that year does not show a debit balance. The council is obliged to implement those proposals and from time to time to determine whether the proposals satisfy the 'break even' requirement. If not, then the council shall make such provisions as are reasonable practicable towards securing that the proposals as revised, shall satisfy the requirement.
- 15.14 Under Section 24 of the Housing Act 1985, the council can make such reasonable charges as it determines for the tenancy or occupation of its houses. The council is obliged, from time to time, to review rents charged and make such changes, as circumstances may require. In exercising this function (determining and fixing rent), the council should have regard to the rents charged in the private sector.
- 15.15 A decision to increase rent constitutes a variation of the terms of a tenancy. Under Section 103 of the Housing Act 1985, in respect of secure tenancies, a notice of variation (specifying the variation and date on which it takes effect) must be served on each tenant. For non-secure tenancies (excluding introductory tenancies), a notice must be served that complies with Section 25 of the Housing Act 1985.
- 15.16 The Housing Act 1985 defines the legal requirements for informing tenants of rent increases. In practice this requires the issue of written notification to each tenant a minimum of four weeks in advance of the date that the increase becomes operative. For 2014/15 the latest date for posting the notices (first class) is 10 March 2014.
- 15.17 In respect of the new business rate relief set out at Appendix 6 it is for individual local billing authorities to decide to grant relief under section 47 of the Localism Act 2012, but central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003) based on outturn of relief granted in the circumstances specified.

16. Risk Management

- 16.1 As in previous years there remain risks inherent in the assumptions that underlie the budget build and these are described below.

- 16.2 Other risks in the budget construction and general finances for 2014/15 include:
- The 2014/15 budget is predicated on the successful outcome of a number of significant savings proposals. Such assumptions can be significantly impacted upon by events allied to or even outside of the area affected by the proposals.
 - Further demographic pressures within Children and Adult Services in adult social care and children's services may surface in 2014/15 above those assumed in building the budget. Specialist children's services are particularly volatile given the additional pressures both from referral and the regulatory regime brought about by the high profile problems of other Local Authorities.
 - The very significant changes in the welfare benefits regime that occurred in 2013/14 will continue to impact and indications from Government are that the pressure created in this area will continue to be felt in the coming years. Some of these such as the new Council Tax Support scheme and the 'spare room subsidy' directly impact on Council services. Others will have a knock-on impact particularly for debt collection and as the previous point made, the wider economic situation of the Medway Towns;
 - As is particularly current, extreme weather may increase the demand for highway maintenance and put pressure on other front line services;
 - Inflationary increases and pay award predictions have been set at nil other than for particular contractual commitments. Clearly current RPI indications will put strain on these assumptions, particularly looking ahead;
 - There is no allowance at this stage for discretionary service improvement priorities and any such proposals will require the identification of additional resource.

17. Diversity Impact Assessment

- 17.1 In setting its budget, the Council is exercising a public function and must therefore comply with the duties in section 149 Equality Act 2010 to have 'due regard' to the matters set out that section. Accordingly due regard to the need to eliminate discrimination, advance equality, and foster good relations between those with a protected characteristic (pregnancy and maternity, age discrimination, disability, gender reassignment, marriage and civil partnerships, race, religion or belief, sex and sexual orientation) and those who do not share it must form an integral part of the decision making process in relation to the budget. In practice the Council must show it has thoroughly considered any impact its decisions could have on groups with 'protected characteristics' before any decision is arrived at. Complying with this duty does not prevent the council from making difficult decisions about reorganisations, redundancies and service reductions nor does it stop decisions being made which may affect one group more than another. What must be demonstrated is that where there is potential for disproportionate impact this is transparent and any appropriate mitigating actions have been considered before final decisions are made.
- 17.2 In accordance with statutory requirements, work is currently ongoing by services to ensure that robust diversity impact assessments have been completed for the budget proposals in advance of Full Council's decision on the 20 February, to enable Full Council to have due regard to the matters it is required by law to consider. To manage the potential cumulative effect that proposals could have on particular groups, an overarching assessment will also be conducted and will be made available to Full Council. This will take a strategic view of the aggregate impact of reductions in funding / access to services, in recognition that some

individual proposals on their own may not be significant but may need to be considered against changes in provision by other Council services. This assessment will be circulated to Cabinet members at the meeting on the 11th February, to give services sufficient time to conduct their respective assessments to the required standard.

- 17.3 It should be noted however that although equality impact assessments help to anticipate the likely effects of proposals on different communities and groups, in reality the full impact will only be known once the proposal is introduced. To mitigate against any unintentional and unidentified impact monitoring will continue and will be reported through quarterly monitoring if necessary.
- 17.4 The budget report sets out in full the proposals and funding reductions impacting on the Council. Clearly in a time of limited resources it is not possible to fund the full range of services that may be asked for and choices will have to be made. However, the budget has been compiled to meet the statutory duties and to enable the council to deliver statutory services. It is also based on delivering good quality services to residents despite the need to find savings.

18. Financial and constitutional implications

- 18.1 The financial implications are contained in the body of the report and in the attached appendices.
- 18.2 The council's constitution contains the budget and policy framework rules. The relevant extracts from the constitution are reproduced as follows:
- The budget and policy framework rules contained in the constitution specify that the Cabinet should produce the draft revenue and capital budget. This initial budget which does not have to give full detail, nor be a finalised set of proposals, should be submitted to the overview and scrutiny committees to consider the initial budget and if appropriate offer alternative proposals. Any such proposals will be referred back to the Cabinet for consideration.
 - Under the constitution the Cabinet has complete discretion to either accept or reject the proposals emanating from the overview and scrutiny committees. Ultimately it is the Cabinet's responsibility to present a budget to the Council, with a special Council meeting arranged for this purpose on 20 February 2014. The adoption of the budget and the setting of council tax are matters reserved for the Council.

19. Conclusion

- 19.1 The budget has been formulated to accord with the principles set out in the MTFP. In addition, budgets have been proposed to deliver the aspirations of the Council Plan and preserve those services that are important to residents.
- 19.2 The proposed revenue budget of £331.418 million (table 10) is based on a Council Tax increase of 1.995%. As in previous years considerable effort has been made to achieve a balanced budget without seriously impacting on direct services to the public. There does however remain a gap of £94,000 still to be identified.
- 19.3 Against a backdrop of reducing grant support that is expected to see the Government contribution to Medway services reduce by 48% in the 2010 to 2015

period, the budget as presented in this report is a remarkable achievement with front line service delivery protected.

20. Consultation

- 20.1 The citizens' panel were consulted on which services were most important and which services were least important and this information has been made available for both budget planning and drafting of the council plan. As part of this consultation residents were asked if they could identify areas where they felt the council could improve services while reducing costs. There were few responses and, generally, those comments received proposed the council should 'increase efficiency/effectiveness of employees/services.'
- 20.2 The council has developed a resident engagement strategy detailing how officers will consult and engage with tenants in partnership with tenants' forums. In order to support this commitment, a meeting with tenants to present the proposals for the HRA was held on 31 January 2014 and feedback from residents at the meeting will be provided to Cabinet

21. Recommendations

- 21.1 That Cabinet considers the recommendations from overview and scrutiny committees as summarised in Section 8 and detailed in Appendix 1 of this report;
- 21.2 That Cabinet recommends to Council the capital budget proposals, as set out in Appendix 2;
- 21.3 That Cabinet recommends to Council that the net revenue budget summarised at Table 10, amounting to £331.418 million, should be adopted and that this be funded by a 1.995% increase in Council Tax for 2014/15 with the equivalent Band D figure at £1,164.24. The resolution of the £94,000 gap will be reported to Council.
- 21.4 That Cabinet recommends to Council the fees and charges set out at Appendix 5 to this report.
- 21.5 That Cabinet adopts the schemes for the relief of business rates as set out in Appendix 6 and delegates to the Chief Finance Officer, in consultation with the portfolio Holder for Finance, the detailed application of these schemes.
- 21.6 That the Chief Finance Officer be requested to calculate the formal requirements under Sections 30 to 36 of the Local Government Finance Act 1992 for resolution by Special Council on 20 February 2014.

22. Reasons for decision

- 22.1 The constitution requires that Cabinet's budget proposals must be forwarded to Council for consideration and approval.
- 21.1 The Council is required by statute to set a budget and council tax levels by 11 March each year.

Report author **Mick Hayward, Chief Finance Officer.**

Appendices

1	Record of individual overview and scrutiny committee meetings
2 and (a) to (c)	Summary and Directorate Proposed Capital Programme
3 and (a) to (c)	Directorate Revenue Budget Build
4	Housing Revenue Account
5	Schedule of Fees and Charges
6	Discretionary Relief Schemes

Background papers:

Medium Term Financial Plan 2014/17 – Cabinet 1 October 2013:

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=21413>

Draft budget proposals to Cabinet 26 November 2013.

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=21904>

Provisional Finance Settlement report to Cabinet 14 January 2014

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=22260>

Business Support 5 December 2013

Minute 640 Capital and Revenue Budget 2014/15

Discussion:

The Chief Finance Officer introduced the report that set out the Council's draft capital and revenue budgets for 2014/15.

He advised the Committee of the content of the Chancellor's Autumn Statement, which had been announced earlier in the day in terms of impact on the Council's financial planning.

Members then raised a number of issues and questions including:

- A suggestion that the Chief Finance Officer should write to Medway's three MPs asking them to question the low level of Medway's baseline funding from Central Government compared to comparator authorities and seeking an improved position for Medway.
- The importance of robust Diversity Impact Assessments during the next phase of the development of the draft budget for 2014/15 to ensure that these are taken into account by the Cabinet and Council when deciding on any changes to services as a consequence of budget reductions in 2014/15.

Decision:

- 1) The Committee noted the draft capital and revenue budget for 2014/2015 and forwarded the programme to individual Overview and Scrutiny Committees.
- 2) The Committee asked the Chief Finance Officer to write to Medway's three MPs asking them to question the low level of Medway's baseline funding from Central Government compared to comparator authorities and seeking an improved position for Medway.

Children and Young People 10 December 2013

Minute 631 Draft Capital and Revenue Budget 2014/15

Discussion:

The Finance Manager for Children and Adults Services presented the Council's draft capital and revenue budgets for 2014/15 and advised that the report set out the current position and referred to the forecast overspend. He advised that the draft budget built upon the resource projections and principles as set out in the Medium Term Financial Plan (MTFP) although the funding gap projections set out at Paragraph 4.2 of the report had changed with the recent announcements made by the Chancellor in his Autumn statement. The estimated gap now stood at £4.8 million 2014/15 and £17.8 million in 2015/16.

Members then made a number of comments and asked officers questions which included:

- Requesting examples that have contributed to the improvements in the budget forecasts and that have helped to bring the funding gap down. The Committee was advised by officers that various factors were taken into account including: a review of the budget pressures; renegotiation of and achievement of reductions in contract costs; and a re-evaluation of demographic pressures.
- Officers also advised that they were currently considering further opportunities such as shared services and co-location; and were also intending to bring forward rationalisation programmes in order to yield savings.

Decisions:

- a) The Committee noted the draft capital and revenue budget for 2014/2015, proposed by Cabinet on 26 November 2013, insofar as they affected this overview and scrutiny committee;
- b) The Committee noted the opportunities and implications of the other efficiencies or revenue generating measures for this committee;
- c) The Committee agreed to forward to Business Support Overview and Scrutiny Committee on 4 February 2014 the comments and suggestions made, as set out above, with regard to the preparation of the Council's capital and revenue budget for 2014/2015.

Regeneration, Community and Culture 12 December 2013

Minute 647 Draft Capital and Revenue Budgets 2014/15

Discussion:

The Committee received a detailed report setting out the draft capital and revenue budget for 2014/15 as it related to this Committee.

A member referring to paragraph 5.3.1 of the report (Impact on Front Line Services) expressed the view that as reported it was not possible to assess the potential impact and therefore it would be helpful to have additional information supplied as to the consequence of service delivery so that priorities could be identified if necessary.

Referring to this comment, the Assistant Director – Front Line Services stated that this was not always straightforward for example using demographic projections for concessionary fares, this was carried out via a National Consultation Scheme and the budget would not be agreed until Spring 2014.

Decision:

The Committee thanked Officers for the draft capital and revenue budget report for 2014/15 and noted the report insofar as it affects this Committee.

Health and Adult Social Care 18 December 2013 (minutes yet to be agreed by Committee)**670 Capital and Revenue Budget 2014/2015****Discussion:**

The Finance Manager for Children and Adult Services introduced the capital and revenue budget report for 2014/2015. He updated the Committee by stating that the budget position had improved since the Medium Term Financial Plan had been drawn up and that the predictions were now that there would be a budget gap of £4.8m for next year rising to £17m for 2015/2016.

Members were invited to comment on the areas of savings identified in the report on page 36.

Responding to a question raised, the Director of Public Health undertook to share with the Committee the 32 categories of public health activity referred to under the four headings in the report (page 35).

Following a further question it was stated that the fees and charges work was on-going and should be ready shortly.

Discussion took place about the underspend in adult social care and the Deputy Director, Children and Adults stated that this was a very modest sum and needed to take account of possible future demands. The Finance Manager for Children and Adult Services referred to opportunities for the local authority in relation to the Integrated Transformation Fund (ITF also now known as Better Care Fund) but it was pointed out that this was not new money and had to demonstrate a health benefit. In view of the fact that some of the money would be taken from the acute sector the Chief Clinical Officer, NHS Medway Clinical Commissioning Group stated that the Foundation Trust was fully sighted on this aspect.

Reference was made to a recent workshop held with key stakeholders, the voluntary sector and black and minority ethnic groups to look at ways in which smarter ways of working could be achieved.

Decision:

The draft capital and revenue budget for 2014/2015 was forwarded to Business Support Overview and Scrutiny Committee.

Business Support 4 February 2013 (see addendum report)

Capital Programme 2014/2015 and Beyond

Directorate Summary

Directorate	Spend Forecast for Later Years		
	2014/2015	2015/2016	2016/2017 and future years
Existing Capital Programme	£	£	£
Children & Adults	19,243,993	335,378	25,000
Regeneration Community & Culture	15,039,127	8,044,350	1,748,000
Business Support	1,466,397	830,000	479,227
Member Priorities	215,579	0	0
Total Existing Programme	35,965,096	9,209,728	2,252,227
New Schemes/Funding			
Children & Adults	6,129,025	2,237,275	2,349,139
Regeneration Community & Culture	11,883,000	0	806,000
Business Support	0	0	0
Total New Schemes/Funding	18,012,025	2,237,275	3,155,139
Total Capital Programme	53,977,121	11,447,003	5,407,366

Capital Programme 2014/2015 and beyond

Children and Adults Directorate

Description Of Scheme				Funding the Programme							
	2014/2015	2015/2016	2016/2017 and future years	SCE (R)	Pru Borrow	Govt Grant	Capital Receipts	RTB Receipts	Developer Contribs.	Revenue Contribs.	Total
Existing Capital Programme	£	£	£								
Adult Social Care	981,224	12,500	25,000			722,312	296,412				1,018,724
Aiming High for Disabled Children	193,891	0	0			193,891					193,891
Inclusion	9,542	0	0			9,542					9,542
Early Years	360,659	0	0			301,422				59,237	360,659
Harnessing Technology / Broadband Connectivity	220,540	11,500	0			29,540				202,500	232,040
Primary Strategy Programme	0	0	0			0					0
Academy Programme	10,400	0	0			10,400					10,400
Basic Need - Additional Primary and SEN Places	16,222,611	311,378	0			14,393,256	2,140,733				16,533,989
Other School Projects	33,030	0	0			33,030					33,030
Condition Programme	16,500	0	0			16,500					16,500
Total Existing Programme	18,048,397	335,378	25,000	0	0	15,709,893	2,437,145	0	0	261,737	18,408,775
Total for Devolved Formula Capital	1,195,596	0	0			1,195,596					1,195,596
Total Existing Programme	19,243,993	335,378	25,000	0	0	16,905,489	2,437,145	0	0	261,737	19,604,371
New Schemes/Funding											
Condition Programme	2,542,613	0	0			2,542,613					2,542,613
Basic Need - SEN Programme (DSG Reserve)	2,000,000	0	0			0				2,000,000	2,000,000
Basic Need (2015/16 Grant)	0	2,237,275	0			2,237,275					2,237,275
Basic Need (2016/17 Grant)	0	0	2,349,139			2,349,139					2,349,139
Universal Infant Free School Meals	566,681	0	0			566,681					566,681
Adult Social Care - Transformation	308,140	0	0			308,140					308,140
Adult Social Care - Adaptations	239,300	0	0			239,300					239,300
Sub Total	5,656,734	2,237,275	2,349,139	0	0	8,243,148	0	0	0	2,000,000	10,243,148
Devolved Formula Capital	472,291	0	0			472,291					472,291
Total New Schemes/Funding	6,129,025	2,237,275	2,349,139	0	0	8,715,439	0	0	0	2,000,000	10,715,439
Total Children & Adults	25,373,018	2,572,653	2,374,139	0	0	25,620,928	2,437,145	0	0	2,261,737	30,319,810

Capital Programme 2014/2015 and Beyond

Regeneration, Community & Culture Directorate

Description Of Scheme	Spend Forecast for Later Years			Funding the Programme						
	2014/2015	2015/2016	2016/2017 and future years	Pru / Other Borrowing	Govt / European Grant	Capital Receipts	RTB Receipts	Developer Contribs.	Revenue / Reserves.	Total
	£	£	£	£	£	£	£	£	£	£
EXISTING CAPITAL PROGRAMME										
Gillingham Park	24,151					13,776		10,375		24,151
English Heritage - Local Management Arrangement	42,162					42,162				42,162
Beechings Way Pavillion	25,674							25,674		25,674
Capstone Country Park Environmental Improvements	7,500				7,500					7,500
Eastgate House Refurbishment	1,772,378	75,320		200,000	1,147,698	500,000				1,847,698
Broomhill Park - Access & Play Area Improvements	56,327							56,327		56,327
Strood Community Hub	850,000								850,000	850,000
Total for Leisure and Culture	2,778,192	75,320	0	200,000	1,155,198	555,938	0	92,376	850,000	2,853,512
Medway Tunnel	2,482,702				2,482,702					2,482,702
Four Elms to Tunnel Improvement	150,000	18,771						168,771		168,771
Horsted Gyrotory and Ped Improvements	202,993							202,993		202,993
Highways - Structures and Tunnels	163,725					163,725				163,725
Highways Maintenance LTP3	380,448				380,448					380,448
Darnley Arches	446,673							446,673		446,673
Integrated Transport LTP3	485,995				485,995					485,995
Civic Centre Car Park	248,820			248,820						248,820
Pentagon BS Lease Settlement	185,000								185,000	185,000
Total for Front Line Services	4,746,356	18,771	0	248,820	3,349,145	163,725	0	818,437	185,000	4,765,127
World Heritage Site & Great Lines Heritage Park	10,000				10,000					10,000
At Fort Project	56,140				56,140					56,140
Walls & Gardens	16,500				16,500					16,500
Disabled Adaptations to Council Dwellings	175,670	40,003							215,673	215,673
HRA General House Building Programme	3,551,000	1,041,000	698,000	4,898,000			392,000			5,290,000
Housing Renovation Loans	131,303					131,303			0	131,303
Disabled Facilities Grants	913,983				383,163	280,820			250,000	913,983
Artlands North Kent	5,512			0	5,512					5,512
Rochester Riverside Phase 1a Infrastructure	114,443			114,443						114,443
Rochester Riverside Phase 1a Other	35,028			0	35,028					35,028
Rochester Riverside GPF	1,650,000	2,693,256		4,343,256						4,343,256
Chatham WaterFront GPF	665,000	1,126,000		1,791,000						1,791,000
Rochester Airport	190,000	3,050,000	1,050,000						4,290,000	4,290,000
Total for Housing & Regeneration and Housing Revenue Account	7,514,579	7,950,259	1,748,000	11,146,699	506,343	412,123	392,000	0	4,755,673	17,212,838
Total Existing Schemes	15,039,127	8,044,350	1,748,000	11,595,519	5,010,686	1,131,786	392,000	910,813	5,790,673	24,831,477
NEW SCHEMES										
LTP - Integrated Transport	2,216,000				2,216,000					2,216,000
LTP - Highway Maintenance	2,122,000				2,122,000					2,122,000
Highway Investment	1,500,000					1,500,000				1,500,000
Disabled Facility Grants	1,266,000				766,000				500,000	1,266,000
HRA Planned Maintenance	4,529,000								4,529,000	4,529,000
HRA Disabled Adaptions	250,000								250,000	250,000
HRA General House Building Programme			806,000	806,000						806,000
Total New Schemes	11,883,000	0	806,000	806,000	5,104,000	1,500,000	0	0	5,279,000	12,689,000
Total Programme - Regeneration, Community & Culture	26,922,127	8,044,350	2,554,000	12,401,519	10,114,686	2,631,786	392,000	910,813	11,069,673	37,520,477

Capital Programme 2014/2015 and Beyond

Business Support Department

Description Of Scheme	Spend Forecast for Later Years			Funding the Programme						
	2014/2015	2015/2016	2016/2017 and future years	Pru / Other Borrowing	Govt / European Grant	Capital Receipts	RTB Receipts	Developer Contribs.	Revenue / Reserves.	Total
	£	£	£	£	£	£	£	£	£	£
ICT Strategic Fund	67,626	0	0			67,626				67,626
Thin Client	462,750	140,000	0	602,750						602,750
Medway Crematorium - Mercury Abatement & Improvements	21,738	0	0	21,738						21,738
Better for Less CRM System	10,000	0	0	10,000						10,000
Building Repair and Maintenance Fund	532,783	490,000	232,272			1,255,055				1,255,055
Gun Wharf Reception & Signage	4,000	0	0			4,000				4,000
Strood Riverside	200,000	200,000	246,955			646,955				646,955
Solar Panel Gun Wharf	167,500	0	0	167,500						167,500
Total Existing Schemes	1,466,397	830,000	479,227	801,988	0	1,973,636	0	0	0	2,775,624

Capital Programme 2014/2015 and Beyond

Member Priorities

Description Of Scheme	Spend Forecast for Later Years			Funding the Programme						
	2014/2015	2015/2016	2016/2017 and future years	Pru / Other Borrowing	Govt / European Grant	Capital Receipts	RTB Receipts	Developer Contribs.	Revenue / Reserves.	Total
	£	£	£	£	£	£	£	£	£	£
RCC - Magpie Hall Road sewer connection	6,150	0	0			6,150				6,150
RCC - St Marys Amateur Boxing Club	40,000	0	0			40,000				40,000
BSD - Unallocated balance	169,429	0	0			169,429				169,429
										0
Total Existing Schemes	215,579	0	0	0	0	215,579	0	0	0	215,579

REVENUE BUDGET 2014-15 SUMMARY

Directorate	2013-14 Adjusted Base	2014-15 MTFP Position	2014-15 Draft Budget	Budget Transfers	Further Savings & Pressures	2014-15 Proposed Budget
	£000's	£000's	£000's	£000's	£000's	£000's
Children and Adult Services (C&A):						
DSG and School Specific Expenditure	136,718	134,598	134,598	(16,173)		118,425
Public Health	140	140	140	746		886
General Fund Services	111,763	118,411	113,683	(809)	(2,178)	110,696
Regeneration, Community and Culture (RCC)						
General Fund Services	49,414	52,636	49,627	(854)	(1,025)	47,748
Public Health	155	155	155	364		519
Business Support (BS):						
General Fund Services	25,525	25,672	23,573	1,257	(91)	24,739
DSG	1,496	1,496	1,496			1,496
Public Health	303	303	303			303
Public Health	12,572	13,682	13,682		(1,110)	12,572
Interest & Financing	14,892	14,892	14,892	(686)	0	14,206
Levies	879	879	879			879
Projected savings from 'Better for Less'	(596)	(1,226)	(1,226)	(18)	800	(444)
Norse JVC	(263)	(263)	(263)			(263)
Pay & Grade Review					400	400
Superannuation rate reduction					(650)	(650)
Budget Requirement	352,998	361,375	351,539	(16,173)	(3,854)	331,512
Dedicated Schools Grant	(131,149)	(129,492)	(129,492)	17,377		(112,115)
Other School Specific Grants	(7,079)	(6,602)	(6,602)	(1,204)		(7,806)
Council Tax	(87,565)	(89,763)	(90,446)		(839)	(91,285)
Revenue Support Grant	(63,311)	(51,845)	(51,845)		(534)	(52,379)
Business Rate share	(42,119)	(44,586)	(44,586)		120	(44,466)
New Homes Bonus	(3,613)	(4,698)	(5,581)		119	(5,462)
Specific Grants	(4,022)	(3,895)	(3,895)		270	(3,625)
Public Health Grant	(13,170)	(14,280)	(14,280)			(14,280)
Use of Reserves	(970)	0	0			0
Estimated Available Funding	(352,998)	(345,161)	(346,727)	16,173	(864)	(331,418)
Budget Gap						
- DSG	0	0	0	0	0	0
- General Fund	0	16,214	4,812	0	(4,718)	94

CHILDREN AND ADULT SERVICES - BUDGET BUILD 2014-2015

General Fund Activities	2013-14 Base (Q2 2013)	Remove Support Services	2013-14 Adjusted Base	2014-15 MTFP Assumptions	2014-15 Draft Budget (Nov 2013)	Further Savings and Adjustments	2014-15 Proposed Budget	2014-15 Budget Requirement			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Gross Expenditure £'000	Grant Income £'000	Other Income £'000	Net Expenditure £'000
Commissioning and Client Financial Affairs	2,986	(21)	2,965	2,965	2,965	(74)	2,891	3,416	(525)	0	2,891
Older People	22,110	(979)	21,132	22,010	21,992	(250)	21,742	33,376	(1,746)	(9,888)	21,742
Independent Review & SCB	1,068	(466)	602	602	602	(2)	600	659	(59)	0	600
Social Care Management	(6)	(234)	(239)	(221)	(1,739)	(8)	(1,748)	5,482	(7,230)	0	(1,748)
Physical Disability	12,717	(542)	12,175	12,481	12,135	(72)	12,063	13,025	(201)	(761)	12,063
Learning Disability	25,242	(1,075)	24,167	24,861	24,117	(212)	23,905	25,432	(57)	(1,470)	23,905
Linked Service Centres	63	(16)	47	48	47	(47)	(0)	(0)	0	0	(0)
Mental Health	4,474	(381)	4,092	4,200	4,122	(3)	4,119	4,290	0	(170)	4,119
Total for Adult Social Care	68,654	(3,714)	64,940	66,945	64,240	(669)	63,571	85,679	(9,819)	(12,289)	63,571
Safeguarding Team	6,185	(1,149)	5,036	5,115	5,036	(21)	5,015	5,085	(70)	0	5,015
CRAST Team	4,753	(434)	4,320	5,185	5,120	(11)	5,108	5,305	(70)	(127)	5,108
Specialist Children's Services	18,115	(350)	17,765	19,372	18,977	(1,085)	17,892	18,889	(996)	0	17,892
Children's Care Management Team	405	(17)	389	397	389	(4)	385	385	0	0	385
Child Protection	256	(25)	231	237	231	(0)	231	316	(85)	0	231
Children's Care Training	101	(16)	85	89	85	0	85	110	0	(25)	85
Total for Children's Care	29,815	(1,990)	27,825	30,396	29,837	(1,120)	28,716	30,090	(1,222)	(152)	28,716
Directorate Management Team	937	(38)	899	920	549	(1)	548	600	(52)	0	548
Commissioning, Contracts and Business Support	2,671	(93)	2,578	2,860	2,578	(503)	2,075	2,724	(650)	0	2,075
School Organisation and Student Services	1,767	(116)	1,652	1,768	1,752	69	1,821	2,436	(290)	(325)	1,821
Commissioning Management Team	146	0	146	146	146	0	146	206	(60)	0	146
Total for Commissioning and Traded Services	5,521	(246)	5,275	5,693	5,025	(436)	4,589	5,967	(1,052)	(325)	4,589
Health and Wellbeing	448	(9)	438	446	438	(19)	419	441	0	(22)	419
Integrated Youth Support Services	3,295	(138)	3,157	3,218	2,883	(7)	2,875	3,795	(851)	(69)	2,875
Psychology and Inclusion	15,401	(598)	14,803	15,978	15,947	15,552	31,499	31,979	(427)	(53)	31,499
Inclusion Management Team	949	(55)	893	918	893	(1)	892	2,668	(1,233)	(543)	892
Early Years	15,380	(993)	14,387	14,431	14,387	4,918	19,305	19,643	(31)	(307)	19,305
Schools Commissioning and Traded Services	560	(27)	532	555	532	(22)	510	1,798	(319)	(969)	510
School Challenge and Improvement	955	(36)	919	939	919	27	946	971	0	(25)	946
Total for Inclusion and School Improvement	36,987	(1,857)	35,130	36,485	36,000	20,447	56,447	61,295	(2,860)	(1,988)	56,447
Finance Headings	730	(13)	718	712	720	(195)	525	524	0	1	525
HR Headings	622	(61)	561	877	561	(3)	558	985	0	(428)	558
School Grants	7,079	0	7,079	6,602	6,602	1,204	7,806	7,806	0	0	7,806
Total Schools Retained Funding and Grants	8,431	(73)	8,357	8,191	7,882	1,007	8,889	9,315	0	(426)	8,889
Schools Delegated Funding	107,093	0	107,093	105,436	105,436	(37,642)	67,794	67,794	0	0	67,794
Total for Children and Adult Services Directorate	256,501	(7,880)	248,621	253,146	248,421	(18,414)	230,007	260,140	(14,953)	(15,181)	230,007
Dedicated Schools Grant	138,230	(1,498)	136,732	134,598	134,598	(16,173)	118,425	118,786	(5)	(356)	118,425
General Fund	118,271	(6,382)	111,889	118,549	113,823	(2,241)	111,582	141,354	(14,947)	(14,825)	111,582

REGENERATION, COMMUNITY AND CULTURE - BASE BUDGET BUILD 2014-2015

	2013-14 Adjusted Base	2014-15 MTFP Assumptions	2014-15 Draft Budget (Nov 2013)	Budget Transfers	Further savings	2014-15 Budget Requirement	2014-15 Budget Requirement		
	£'000	£'000	£'000	£'000	£'000	£'000	Gross Expenditure	Direct Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Activities									
Highways	6,491	7,630	6,741	(16)	(25)	6,701	7,135	(435)	6,701
Road Safety	284	284	284	0	0	284	557	(274)	284
Traffic Management	675	675	675	0	0	675	986	(311)	675
Parking Services	(3,115)	(3,115)	(3,115)	0	0	(3,115)	2,800	(5,915)	(3,115)
Waste Services	18,670	19,712	18,670	(46)	(24)	18,600	21,481	(2,880)	18,600
Community Safety Partnership	225	225	225	(21)	0	205	205	0	205
Environmental Health Commercial	1,099	1,099	1,099	0	(38)	1,061	1,134	(73)	1,061
Environmental Services	1,322	1,322	1,322	(16)	0	1,306	1,519	(213)	1,306
Safer Communities Support	206	206	206	19	(29)	196	196	0	196
CCTV/Lifeline	193	193	193	0	(90)	103	3,029	(2,926)	103
Strood Depot Services	(20)	(20)	(20)	(1)	0	(21)	90	(112)	(21)
Front Line Support	585	585	585	0	(43)	542	562	(20)	542
Integrated Transport	6,240	6,481	6,304	0	(92)	6,212	6,962	(750)	6,212
Major Projects	(256)	(156)	(256)	0	0	(256)	607	(863)	(256)
Total for Front Line Services	32,600	35,122	32,914	(79)	(341)	32,494	47,265	(14,771)	32,494
Economic Development	507	507	507	(1)	(40)	466	1,281	(815)	466
Planning Policy & Design	806	806	806	0	(35)	771	789	(18)	771
Development Management	4	4	4	0	(138)	(134)	1,078	(1,212)	(134)
Social Regeneration & Europe	271	271	271	(32)	0	239	499	(260)	239
Building Control	174	174	174	0	0	174	174	0	174
Housing Solutions	1,448	1,592	1,592	0	0	1,592	1,888	(296)	1,592
Homechoice	380	380	380	0	0	380	449	(69)	380
Private Sector Housing	377	377	377	0	0	377	437	(61)	377
Housing Disabled Adaptations	74	74	74	0	0	74	155	(81)	74
Property Management	1	1	1	0	0	1	52	(52)	1
Housing Strategy	263	263	263	0	0	263	279	(16)	263
Housing & Regeneration Support	(29)	(29)	(29)	0	(9)	(38)	28	(65)	(38)
Housing Related Support	1,796	1,796	1,796	0	0	1,796	1,796	0	1,796
Physical Regeneration	267	267	267	0	29	296	348	(52)	296
Total for Development and Transport	6,337	6,481	6,481	(34)	(193)	6,255	9,252	(2,997)	6,255
L&C Management Group	2	2	2	0	0	2	2	0	2
Leisure & Sports	1,546	1,301	1,301	(223)	(75)	1,004	5,087	(4,083)	1,004
Arts, Theatres & Events	966	966	966	(15)	0	951	2,825	(1,874)	951
Heritage	575	575	575	(11)	0	565	828	(263)	565
Greenspaces and Country Parks	3,355	3,355	3,355	(94)	0	3,261	4,047	(786)	3,261
Tourism	461	461	461	(5)	0	456	993	(537)	456
Libraries	3,109	3,164	3,109	(28)	0	3,081	3,335	(254)	3,081
Total for Leisure and Culture	10,015	9,825	9,770	(376)	(75)	9,319	17,115	(7,796)	9,319
Regeneration, Community & Culture Directorate Support	618	738	617	0	(100)	517	547	(30)	517
Unallocated savings	0	417	0	0	(318)	(318)	(318)	0	(318)
Pay award	0	208	0	0	0	0	0	0	0
Increments	0	417	0	0	0	0	0	0	0
Total for Regeneration, Community & Culture	49,569	52,791	49,782	(489)	(1,026)	48,267	73,862	(25,595)	48,267

BUSINESS SUPPORT DEPARTMENT - BUDGET BUILD 2014-2015

General Fund Activities	2013-14	2014-15 MTFP	2014-15	Budget	Further	2014-15	2014-15 Budget Requirement					
	Adjusted Base	Assumptions	Draft Budget				Transfers	Savings &	Budget	Gross	Direct	Net
	£'000	£'000	(Nov 2013)				£'000	Pressures	Requirement	Expenditure	Income	Expenditure
							£'000	£'000	£'000			
Legal Services	1,360	1,360	1,312	0	(100)	1,212	1,416	(204)	1,212			
Land Charges and Licensing	(136)	(136)	(136)	0	0	(136)	441	(576)	(136)			
Building and Design	(458)	(358)	(417)	0	0	(417)	678	(1,095)	(417)			
Category Management	207	207	57	266	0	323	323	0	323			
Asset and Property Management	999	999	999	391	0	1,390	3,326	(1,936)	1,390			
Centralised Budgets	38	38	38	0	0	38	38	0	38			
Facilities Management (Medway NORSE)	5,114	5,114	5,114	1,209	0	6,323	6,323	0	6,323			
AD H&CS Vacancy	(88)	(88)	(88)	0	0	(88)	(88)	0	(88)			
Total for Corporate Services	7,036	7,136	6,879	1,866	(100)	8,645	12,457	(3,812)	8,645			
Benefit Payments	1,391	1,391	1,391	0	0	1,391	104,176	(102,785)	1,391			
Revenues and Benefits Admin Total	(1,240)	(1,240)	(1,240)	0	341	(899)	1,908	(2,807)	(899)			
NNDR Discretionary Relief	251	251	1	0	0	1	1	0	1			
Rural Liaison Grants	110	110	110	0	0	110	110	0	110			
Ward Improvements	165	165	165	0	0	165	165	0	165			
Corporate Management	307	307	307	0	0	307	307	0	307			
Non Distributed Costs	1,553	1,553	1,553	0	0	1,553	1,553	0	1,553			
Corporate Provisions	1,411	691	691	(611)	0	80	80	0	80			
Business Support Management Team	870	870	870	0	0	870	952	(81)	870			
Financial Management	1,174	1,174	899	0	0	899	1,022	(123)	899			
Financial Systems	124	124	124	0	0	124	133	(8)	124			
Financial Support	476	476	476	0	0	476	516	(40)	476			
Creditors and Income Services	394	394	394	0	0	394	418	(24)	394			
Audit Services	544	544	544	0	0	544	550	(7)	544			
FS Vacancy Saving Target	(106)	(106)	(106)	0	0	(106)	(106)	0	(106)			
Total for Finance	7,425	6,705	6,180	(611)	341	5,910	111,785	(105,875)	5,910			
Democratic Services	584	584	584	0	0	584	634	(50)	584			
Members and Mayoral Services	1,026	1,026	1,026	0	0	1,026	1,074	(48)	1,026			
Electoral Services	440	440	440	0	0	440	443	(4)	440			
Community Interpreters	(105)	(105)	(105)	0	0	(105)	186	(291)	(105)			
Registration Services	2	2	2	(2)	0	0	506	(506)	0			
Bereavement Services	(346)	(346)	(346)	(26)	0	(372)	1,524	(1,896)	(372)			
Customer Contact	3,922	3,922	3,922	1	34	3,957	4,147	(190)	3,957			
Customer First	758	758	758	0	0	758	810	(52)	758			
CF Vacancy Saving Target	(150)	(150)	(150)	0	0	(150)	(150)	0	(150)			
Total for Democracy & Customer First	6,131	6,131	6,131	(27)	34	6,138	9,174	(3,035)	6,138			
Performance and Intelligence	570	570	570	0	(58)	512	531	(18)	512			
Communications and Improvement	695	695	695	0	0	695	1,068	(373)	695			
Administration Hub	1,903	1,903	1,903	34	(152)	1,785	2,169	(384)	1,785			
CPP Vacancy Saving Target	(99)	(99)	(99)	0	0	(99)	(99)	0	(99)			
Total for Communications, Performance & Partnerships	3,069	3,069	3,069	34	(210)	2,893	3,668	(775)	2,893			
Human Resource Services	1,461	1,461	1,161	0	0	1,161	5,028	(3,867)	1,161			
Adult Education	(815)	(815)	(815)	(5)	0	(820)	2,053	(2,873)	(820)			
ICT	3,080	3,136	2,830	0	38	2,868	3,603	(734)	2,868			
AD OS Vacancy	(107)	(107)	(107)	0	0	(107)	(107)	0	(107)			
Organisational Services Total	3,619	3,675	3,069	(5)	38	3,102	10,576	(7,474)	3,102			
BFL - Community Hubs	43	43	43	0	0	43	43	0	43			
Better for Less - Project	0	0	0	0	0	0	0	0	0			
Better for Less Total	43	43	43	0	0	43	43	0	43			
Pay award	0	237	0	0	0	0	0	0	0			
Increments	0	474	0	0	0	0	0	0	0			
Supplies & Services	0	0	0	0	(194)	(194)	(194)	0	(194)			
Total for Business Support Department	27,324	27,471	25,372	1,257	(91)	26,538	147,510	(120,972)	26,538			

HOUSING REVENUE ACCOUNT

Description	Budget 2013/14			Q3 Forecast 2013/14			Proposed Budget 2014/15		
	Exp £000's	Income £000's	Net £000's	Exp £000's	Income £000's	Net £000's	Exp £000's	Income £000's	Net £000's
HRA Working Balance B/F			(4,374)			(4,374)			(1,901)
Housing Management Total	0	0	0	0	0	0	0	0	0
Service Improvement Total	252	0	252	186	0	186	253	0	253
HRA Development Team	168	(143)	25	137	(110)	27	168	0	168
Client Side Team Total	1,557	0	1,557	1,481	0	1,481	1,817	(96)	1,720
Community Development Total	88	0	88	74	0	74	67	0	67
Tenancy Services Total	1,613	0	1,613	1,745	0	1,745	1,543	0	1,543
Housing Maintenance Total	2,168	0	2,168	2,128	0	2,128	2,168	0	2,168
Homes for Independent Living Total	700	(2)	698	613	(2)	611	622	(2)	619
Estate Services Total	574	(4)	570	498	(4)	494	572	(4)	568
Housing Benefits Total	167	0	167	131	0	131	150	0	150
Capital Financing Costs Total	5,856	(13)	5,843	5,920	(12)	5,908	6,117	(13)	6,104
Rent Income Total	0	(13,895)	(13,895)	0	(13,852)	(13,852)	0	(14,077)	(14,077)
Other Income Total	0	(144)	(144)	0	(126)	(126)	0	(105)	(105)
Total Housing Revenue Account	13,143	(14,202)	(1,059)	12,915	(14,106)	(1,191)	13,476	(14,298)	(821)
Revenue Contribution to Capital Expenditure			1,664			1,664			1,307
Transfer Reverse to the general Fund			0			2,000			0
HRA Working Balance C/F			(3,769)			(1,901)			(1,416)

BUSINESS RATES DISCRETIONARY RATE RELIEF

1. Background

- 1.1 The Local Government Finance Act 1988 provides local authorities with discretionary powers to grant relief from non domestic rates on property occupied by charities and other non-profit making organisations. Following the introduction of the Business Rates Retention Scheme the Government, Medway Council and Kent & Medway Fire Authority share the cost of granting such relief on a 50:49:1 basis.
- 1.2 Current policy for the determination of awards of relief and the guidelines that underpin such awards were set out in a report to Cabinet on 12 March 2013.
- 1.3 The Localism Act 2011 introduced an additional power for local authorities to award a local discretionary relief where it is in the council tax payers' interests to do so. The cost of any such discount is ordinarily borne on the same basis as outlined at 1.1 above. At present the Council has not identified any classes of schemes for this purpose.
- 1.4 In the Autumn Statement 2012, Government announced its intention to give "empty new-builds" rate relief for up to 18 months.
- 1.5 In the Autumn Statement 2013, Government announced its intention that, from 1 April 2014, new occupiers of retail property that had been empty for more than a year should be given 50% relief for 18 months.
- 1.6 Also in the Autumn Statement 2013, Government announced its intention that for 2014-15 and 2015-16, occupiers of shops, pubs and restaurants with a rateable value below £50,000 should receive a discount of £1,000 on their rates bills.
- 1.7 As these are temporary measures, the Government is not changing the rules on when a property becomes liable for empty property rates. Instead they are providing the exemption by reimbursing local authorities that use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant relief in prescribed circumstances.
- 1.8 It is for individual local billing authorities to decide to grant relief under section 47 but central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under s31 of the Local Government Act 2003) based on outturn of relief granted in the circumstances specified.

2. New Builds Empty Property Rate Relief

- 2.1 The stated purpose of the measure is to help stimulate construction. Construction decisions take into account the risk of paying empty property rates on newly built commercial property if the property does not become fully occupied straight away. Reducing this risk may incentivise some commercial property projects to go ahead that wouldn't otherwise, helping to stimulate the construction industry.
- 2.2 The policy is for the relief to apply to unoccupied non domestic properties for the first 18 months following completion, if completed after 1 October 2013 and before 30 September 2016.
- 2.3 In practice an unoccupied new build would benefit from the relief for the periods that rates are payable, ie once the initial 3 month or 6 month current rate free period has elapsed, subject to the state aid limit.
- 2.4 The relief runs with the property, not the owner, and may apply more than once if the property is occupied for a short period within the 18 month timeframe. An example is a new shop empty for 8 months, occupied for 4 months and then empty again. The rate account would show:
 - 3 months exemption (non-industrial property)
 - 5 months discretionary new builds empty property rate relief
 - 4 months occupied rates
 - 3 months exemption (non-industrial property)
 - 3 months discretionary new builds empty property rate relief

3. New Occupation of Long Term Empty Property Rate Relief

- 3.1 As yet no guidance has been issued to authorities on this particular measure although the Department for Communities and Local Government has declared its intention to do so before the end of March 2014.

4. Retail Relief

- 4.1 The stated aim of this measure is to support town centres in responding to the challenges arising from changes in the retail sector, and in particular internet shopping. The measure currently relates for 2014 – 15 and 2015 – 16 only.
- 4.2 The relief will apply to shops, restaurants, cafes and drinking establishments with a rateable value of £50,000 or less. The government considers that these fall into three broad categories:
 - Hereditaments that are being used for the sale of goods to visiting members of the public
 - Hereditaments that are being used for the provision of certain services to visiting members of the public
 - Hereditaments that are being use for the sale of food and/or drink to visiting members of the public.

- 4.3 Authorities are to determine for themselves whether particular particular properties should or should not come under the various categories.
- 4.4 As the grant of relief is discretionary authorities also have the option not to award relief if goes against the authority's wider objective for the local area.
- 4.5 The government considers that certain services, such as financial, medical and professional are not eligible for relief nor are hereditaments that are not reasonably accessible to visiting members of the public.
- 4.6 The total amount of government-funded relief is £1,000 for each property for each year. Authorities may wish to use their discretionary powers to extend the scheme but 50% of the additional cost would then be borne locally.
- 4.7 This particular relief will be applied against the net bill after all other reliefs (which are borne 50% locally).

5. State Aid

- 5.1 State Aid is support from public bodies which has the potential to distort competition and effect trade between member states of the European Union.
- 5.2 Any form of discretionary rate relief may amount to State Aid. State Aid is generally prohibited, but there are exceptions and aid is allowed under the 'de-minimis' rules. For most businesses this currently means €200,000 over 3 years from ALL sources.
- 5.3 The Government will not fund relief that exceeds the de-minimis limits and it is incumbent on the billing authority to administer the relief in such a way as to ensure the de minimis rules are complied with. In effect, this means asking the ratepayer to complete a declaration.

Background Papers:

<https://www.gov.uk/government/publications/business-rates-new-build-empty-property>

<https://www.gov.uk/government/publications/business-rates-retail-relief>