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CABINET

20 JANUARY 2015

A meeting of the Cabinet will be held at **7.00 pm on Tuesday, 20 January 2015** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor Johnston (Chairman); Councillors: Nicholson, Everitt, D Green, E Green and Harrison

SUPPLEMENTARY A G E N D A

Item
No

Subject

9. **2015/16 BUDGET AND MEDIUM TERM FINANCIAL PLAN 2015-19** (Pages 1 - 86)

17. **ESTABLISHMENT OF EAST KENT SERVICES COMMITTEE AND ASSOCIATED ARRANGEMENTS** (Pages 87 - 132)

Would Members please note that this report replaces the one that is in the paper copy of the main agenda.

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2015-16 BUDGETS AND MEDIUM TERM FINANCIAL PLAN 2015-19

To: **Draft report to Cabinet – 20 January 2015**

Main Portfolio Area: **Financial Services and Estates**

By: **Cllr Rick Everitt, Cabinet Member for Financial Services & Estates**

Classification: **Unrestricted**

Ward: **All wards**

Summary: **To present the draft budget strategy for the General Fund, Housing Revenue Account and Capital programme for 2015-16, and the draft Medium Term Financial Plan for 2015-19.**

For Decision

1.0 INTRODUCTION

1.1 The purpose of this report is to present the Budget for 2015-16 and planning estimates for the following years to 2018-19.

2.0 EXECUTIVE SUMMARY

2.1 The Council has reduced government funding in 2015-16 following the 2013 Spending Review and the 2014 Autumn Statement. Those reductions were already assumed in the Medium Term Financial Strategy (MTFS) 2014-18. The MTFS was approved as part of 2014-15 budget setting.

2.2 This report finalises the funding position for 2015-16 based on the Autumn Statement (subject to any further changes after consultation). It also sets out budget pressures and service priorities that are reflected in setting the 2015-16 budget.

2.3 The MTFS is rolled forward to cover 2015-19 with updated assumptions where appropriate. The MTFS also reflects savings themes to manage the future financial position.

2.4 A review of the Council's reserve holdings has been undertaken supported by a robust financial risk assessment. The proposed reserve balances are considered to be adequate for supporting the Council's ongoing needs and plans.

2.5 The budget assumptions for the Housing Revenue Account are outlined within the report and the proposed Housing Revenue Account balance is considered to be sufficient to support the 30 year HRA Business Plan. The proposed Housing Revenue and Capital budgets were presented to the East Kent Housing Tenant Board for consultation and comment on 19 November 2014. Tenants noted the budget proposals and supported the New Build Programme with its mix of properties.

2.6 The Capital Programme is dependent on the Council's ability to generate capital receipts or to support borrowing to fund the programme. The programme within this report reflects health and safety requirements, Council priorities, and schemes that will generate a revenue saving.

3.0 GOVERNMENT FUNDING AND COUNCIL TAX

3.1 When drawing the budget proposals together, the Council needs to consider its various government funding streams. These are detailed below.

Business Rates Retention

3.2 The Government introduced a business rates retention scheme from 1st April 2013. The scheme provides an incentive to councils to grow their local economy by allowing them to retain a proportion of the business rates collected. In return, authorities share the risk of a fall in rate yield, subject to a safety net mechanism.

3.3 A baseline 2013-14 funding level was established by the Government for each authority. The baseline is increased annually by a standard formula.

3.4 Authorities whose business rates grow above the baseline are able to retain a proportion of that growth in revenue (after paying a levy to HM Treasury), while those whose rates decline or grow at a lower rate experience lower or negative growth in revenue (subject to the operation of a safety net).

3.5 The first 50% of any new business rate yield goes to the Treasury with the balance being split 80% to the district and 20% to the county and major preceptors. The safety net mechanism ensures that no authority's income falls by more than 7.5% of their baseline funding level.

3.6 In 2013-14 it was assumed that the Council would be at or below the safety net; however 2013-14 outturn was at the baseline.

3.7 The 2014-15 forecast is that the Council will exceed its 2014-15 baseline by around £230k. That would lead to retention of £115k, which is expected to be used to achieve a balanced outturn.

3.8 In 2015-16 retention of £300k is forecast before any pooling benefits – see next section 3.9.

3.9 The Council was part of a successful Kent application to DCLG to operate a business rate pool in 2015-16 and thereafter. Membership of the pool will potentially lead to additional retention of £50k+ with a similar additional amount being available for joint economic development projects with KCC.

3.10 Similar levels of retention are forecast for 2016-17 to 2018-19.

3.11 Forecasts on business rate income need to be treated with caution as they are the mercy of business closures and unforeseen changes.

Revenue Support Grant

3.12 In addition to business rates, all authorities receive Revenue Support Grant from Central Government as support towards the cost of running council services.

3.13 In 2014-15 RSG was £5.131m, but in 2015-16 it will fall to £3.630m.

3.14 The Revenue Support Grant includes within the total prior year, grants paid to compensate those authorities that froze their Council Tax.

3.15 The Revenue Support Grant also includes a separate element to support homelessness which is included in the General Fund Housing Budget.

- 3.16 Provisional settlement figures have already been announced for 2015-16 and these are not expected to change significantly as a result of any consultation. Further cuts of 10% across all funding sources from Central Government have been assumed for 2016-19.

The Local Government Finance Settlement

- 3.17 The Council has faced significant cuts in funding over a number of years, this has seen the net revenue budget reduced by around 26.9% from 2010-11 to 2015-16. Further cuts in funding are anticipated over the next few years as shown in Table 1 below.
- 3.18 The figures for 2015-16 are still provisional and therefore subject to consultation. Further cuts of 10% have been assumed for 2016-17, 2017-18 and 2018-19.
- 3.19 The figures shown in Table 1 exclude transfers to the parishes to compensate for the reduction in their tax base following the introduction of council tax reduction schemes and also exclude any new allowances for Council Tax Freeze Grants. From 2015-16 onwards a phased 10% per annum reduction in this support is assumed.

TABLE 1 – FORMULA GRANT				
	2015/16 £'000s	2016/17 £'000s	2017/18 £'000s	2018/19 £'000s
Formula Grant	8,217	7,395	6,656	5,990
% Reduction		10.00%	10.00%	10.00%

- 3.20 **Housing and Council Tax Scheme Administration Grant** – The Council receives grant funding to cover the administration costs associated with the CTRS and Housing Benefit schemes. This grant funding is being reduced by £163k for 2015-16, as can be seen in Table 2 below:

TABLE 2 – HB/CTS ADMINISTRATION GRANT			
HB/CTS Grant 2014/15 £'000s	DWP HB Grant 2015-16 £'000s	CLG CTS Grant 2015-16 £'000s	Total Grant 2015-16 £'000s
1,360	-108	-55	-163

Council Tax Freeze Grant

- 3.21 A council tax freeze grant was payable to those councils who froze their Council Tax for 2014-15. The Council took advantage of this arrangement and the grant paid was £103k.
- 3.22 Subject to final details a similar grant is payable in 2015-16. This is assumed at £103k, based on the calculation used for 2014/15. No assumption has been made that this funding will continue into future financial years.

Council Tax Reduction Scheme funding

- 3.23 The Revenue Support Grant also includes funding to compensate for the impact of the Council Tax Reduction Scheme (CTRS) on the Council Tax base. The scheme for 2015-16 was agreed by Council on 4 December 2014.
- 3.24 Following consultation and subject to Cabinet and Council approval it is proposed further to amend the local scheme to introduce a 50% premium for long term empty properties which have been left substantially unfurnished for 2 years or more (see separate report on this agenda). This will provide an incentive for properties to be brought quickly back

into use. There is no specific assumption on the impact of this change made within this budget build.

- 3.25 The CTRS is under three year agreement with KCC, and 2015-16 is the last of the three years. Proposals for future financial years will be issued by KCC for consultation early in financial 2015-16. It is not expected there will need to be substantial changes to the scheme.

Council Tax Base adjustments for minor preceptors

- 3.26 The Council shares its RSG with parish councils to reflect that parishes do not have direct funding for council tax support and a reduced tax base which in 2014-15 was £161k. It is proposed that the level of this support should be reduced by the commensurate reduction in net funding and should therefore be reduced by 10% annually.
- 3.27 A governance review of Margate has now been undertaken. Consultation identified the desire to create Westgate on Sea parish council but to not proceed with Margate. TDC will need to provide support in terms of setting the precept as the new organisation would not have the powers to do so.

Council Tax and Collection Fund

- 3.28 It is assumed that the same council tax will be levied in 2015-16 as in 2014-15. This will invoke the freeze grant set out above in section 3.22
- 3.29 Council Tax base for 2015-16 is 2% higher than the 2014-15 level and a 2% increase is expected for future years. This reflects the continuing efficiency of shared service arrangements for council tax collection, the operation of the Council Tax Reduction scheme and the increase in households.
- 3.30 The Council Tax requirement for the Council's own purposes for 2015-16 (excluding Parish precepts) is £8,409k. This is determined after taking into account the Council's allocation of business rates, revenue support grant and the Council's share of the Collection Fund surplus. The Council Tax Base is the number of properties within the District adjusted to account for different valuation bands, various discounts and an assumed collection rate. The assumed collection rate for 2015-16 is 97.25%, which is an improvement on the percentage used of 97% in 2014-15.
- 3.31 Each year the Council Tax is calculated based on assumed levels of collection rates. At the end of the year any surplus achieved in the collection fund is available to be shared proportionately between the Council and major preceptors. It is expected that a small surplus will be achieved in 2014-15 of which £50k would be available in 2015-16.
- 3.32 The funding position has now been revised this is illustrated in Table 3 below:

TABLE 3	2015-16 Revised	2016-17	2017-18	2018-19
Precept	8,409	8,748	9,100	9,467
RSG	3,630	2,645	1,781	990
NDR Baseline	4,587	4,750	4,875	5,000
(Underperformance)/Retention	300	300	300	300
(Collection Fund deficit)/Surplus	50	50	50	50
Council Tax Freeze Grant 2015/16	103	0	0	0
Transfer to Parishes	-145	-130	-117	-106
Homelessness	-127	-127	-127	-127
	16,807	16,236	15,862	15,574

4.0 THE 2015-16 BUDGET AND MEDIUM TERM FINANCIAL PLAN 2015-19

- 4.1 A Medium Term Financial Plan (MTFP) was approved by Council in February 2014, covering the period 2014-15 to 2017-18. However, in the light of the continuing unprecedented economic climate in which the Council finds itself, this document has been reviewed and updated, not only to reflect the external environment, but also new developments and changes to internal policies and practices. The revised MTFP covering the period 2015-16 to 2018-19 is shown at Annex 1. It captures what is expected in terms of funding opportunities and the general economic environment for the next four years against what the Council foresees as its budgetary demands, as a result of inflationary and other pressures, and presents outline financial plans that show what the Council intends to do in order to deliver its statutory services and priority discretionary services whilst continuing to deliver its key financial strategies. The assumptions used in the budget calculations, the risks that could have an impact on future financial standing and the degree to which the budget models are sensitive to changes in the assumptions on which they are based are all commented on.
- 4.2 Where future years' figures have been referenced in the text below, these have all been prepared based on the strategies and assumptions that are laid out in the MTFP at Annex 1.

5.0 THE GENERAL FUND RESERVE ACCOUNT.

5.1 The Basis of the 2015-16 General Fund Revenue Budget

- 5.2 The following budget strategy has underpinned the development of the General Fund Revenue Account:

- To adequately resource the Council's statutory services and the corporate priorities as set out within the Corporate Plan.
- To maintain a balanced General Fund such that income from fees and charges, Council Tax and Government and other grants is sufficient to meet all expenditure.
- To keep Council Tax increases as low as possible to avoid a local referendum, subject to a satisfactory level of Government grant.
- To maximise the Council's income by promptly raising all monies due and minimising the level of arrears and debt write offs, so as to optimise its treasury management potential.
- To acutely engage local residents in the financial choices facing the Council.
- To minimise the impact on the general public and business communities from charges levied by the Council as set out within its approved fees and charges.

By following these principles it has been possible to draft a budget that is sufficient to meet the Council's day to day needs, as well as enable its priorities as set out within the Corporate Plan to be progressed.

5.3 Budget Consultation

- 5.4 A total of 425 responses have been received in respect of the budget consultation. The responses have highlighted the top 5 priorities as being street cleansing; recycling and waste; community safety; environmental health and parks and open spaces. These areas have been protected from budget cuts wherever possible in recognition of their importance to Thanet's residents.

5.5 **Development of the Budget**

5.6 The Council's opening net base budget of £19,184k as approved in February 2014 is the starting point for future budget proposals.

5.7 Given the economic context in which the Council finds itself, the overarching approach to developing the budget is to keep budgetary growth to a minimum to reduce the need to find compensating savings in order to deliver a balanced budget.

5.8 **Employee Costs**

➤ **Pay Award** – the budget assumes a pay award of 1% for 2015-16. This will result in budgetary growth of £180k.

➤ **Other Growth** – A Pay for Contribution scheme has been started and £104k has been set aside for these payments.

5.9 **Contractual and Other Unavoidable Price Increases** – Managers are expected to contain inflationary increases wherever possible within their existing budgets. However, some growth will be required to reflect where managers are unable to contain this. A sum of £193k will be required for 2015-16.

5.10 **Increases in Fees and Charges** – The fees and charges schedule for 2015-16 was approved by Council on 4 December 2014. This will generate additional income of £224k in 2015-16. Where fees have increased, these are in the main between 1% and 2%.

5.11 **Savings**

5.12 Based on the budget assumptions outlined above on pay increases, contractual/inflationary growth and fees and charges, savings of £1.218m are required in 2015-16 to set a balanced budget. If Members decide to build in any additional growth for service improvements or specific projects, then further savings will be required. Savings have been identified as detailed below:

General Reserves

5.13 The Local Government Finance Act 1992 requires precepting authorities, such as Thanet District Council, to have regard to the level of reserves needed for future expenditure when calculating the budget requirement. Each year the Council reviews its level of reserves

6.0 **BUDGET GROWTH**

6.1 Given the economic context in which the Council finds itself, the overarching approach to developing the budget is to keep budgetary growth to a minimum to reduce the need to find compensating savings to deliver a balanced budget. Some budgetary growth is inevitable and therefore the budget proposals will include the areas of growth set out in the Table 4 below:

TABLE 4	
Growth	Detail
Cost Centre Budget Realignments and movement due to restructure	Budgets have been closely scrutinised and moved due to the restructure this has led to some growth being required of £98k.
KCC Coast Protection Debt Charges	KCC's contribution reduced in line with the reduction in the level of debt, this equates to £20k in 2015-16.
Foreshore pressures	Increase in security patrols due to deter beach chalet/facilities vandalism - £19k
Roundabout Sponsorship	This income will now be transferred to KCC £14k.
Frontline Services Vehicle Replacement	An annual contribution of £350k from Revenue to Reserves is required to fund the future vehicle and asset replacement for Frontline Services. This will enable the service to be improved in accordance with Corporate priorities. The contribution will be made from New Homes Bonus.
Cliff Retaining and Facing Panel Maintenance – Thanet Coastline	Work is required to make the cliff retaining and facing panel safe, and therefore £100k has been allocated annually to this work from New Homes Bonus. This is for annually recurring maintenance and will be used to maintain cliff structures all around Thanet on a priority basis
Shared Service (Debt Recovery)	£30k agreed additional payment to East Kent Shared Service in relation to Corporate Debt Management
Credit Card Charges	Due to the changes in the banking system, we are anticipating £10k of additional credit card charges
One-off funding for Street Cleansing service	Following the budget consultation, the area of most dissatisfaction was street cleansing, this one-off funding will enable the service to undertake a review of the service and develop efficient ways of working, a sum of £110k has been allocated.

7.0 Budget Savings

7.1 During the year 2014-15 Budget Monitoring has identified some additional savings for 2015-6, these are contained within Table 5 below, in addition to this an indicative savings level of £200k in 2015-16 has been allocated to managers:

TABLE 5	
Saving	Detail
Realignment of budgets	Budgets have been closely scrutinised this has led to some savings of £28k.
Review of Underspends	A review of current underspends has led to savings of £48k.
Scanner Maintenance	The current scanner maintenance provision has been reviewed and a saving found of £10k

8.0 Fees and Charges:

Fees and charges proposals were previously agreed by Council 4 December. As a result of reviewing all the Council's fees and charges and the income targets, additional income of £224k is anticipated in 2015-16. In the MTFs it is assumed increases will yield £224k in 2015-16.

9.0 HOUSING REVENUE ACCOUNT BUDGET AND HOUSING CAPITAL PROGRAMME

9.1 The Council's responsibilities in respect of the need to keep a Housing Revenue Account (HRA) are contained within Section 74 of the Local Government and Housing Act 1989 ('The Act') and its use is heavily prescribed through statute. The HRA records all of the revenue expenditure and income relating to land, dwellings and other buildings provided under Part II of the Housing Act 1985 and corresponding earlier legislation. It must be kept separate from the General Fund Revenue Account and therefore is to all intents and purposes ring-fenced. Although the HRA for an individual year may result in a deficit, it is a requirement of 'The Act' that overall it must maintain a surplus, which means that expenditure must be carefully planned so as to remain within the limits of the anticipated income streams over the medium term.

9.2 The Operation of the Housing Revenue Account

Before the estimates are able to be calculated, the context in which the budget is to be built must be considered.

- 9.3 **HRA Service Expenditure** - As explained above, the HRA is a separate record of all of the Council's expenditure on its social/affordable housing provision (i.e. Council Houses). This includes the following expenditure:-

Repairs & Maintenance – Spend in relation to the day to day repair and maintenance and those works that cannot be deemed as capital repairs such as painting and decorating and contractor repair costs.

Supervision and Management General – Supervision and management costs that are applied across the whole stock e.g. ALMO Management Fee and support costs from other services.

Supervision and Management Special – Supervision and management costs that are applied to only specific homes e.g. communal lighting and grounds maintenance.

Depreciation and Impairment – A charge to reflect the use of HRA assets in the delivery of services.

Rents, Rates Taxes and Other Charges – All other costs that the HRA incurs as landlord e.g. insurance costs and Council Tax costs for empty HRA properties.

Increased Provision for Bad Debts – To reflect that not all rents and charges will be recoverable

- 9.4 **HRA Service Income** – Income received from the running of the Council housing stock is allocated under the following headings:

Gross Rental Income – Income from rents on council houses, shared ownership properties and leaseholder ground rents

Non-Dwelling Rents – Income from shops at Newington Centre, aeriels and garages

Charges for Services and Facilities – Tenant service charges and heating service charges

Contributions towards Expenditure – Leaseholder re-charges and rechargeable repairs

- 9.5 **HRA Non-Service Expenditure and Income** - These include an apportionment of the investment income that is achieved on balances and any grants and contributions receivable.

As part of the changes to self-financing, the Council opted to split the one loan pool and move to a two loan pool approach, where loans are charged directly to the Housing Revenue Account or General Fund and where each fund is charged their costs of borrowing directly determined by their loan portfolio. Therefore, debt interest costs for the charges associated with the repayment of loan interest are also charged here.

9.6 **The Housing Revenue Strategy**

The main strategic objectives of the Housing Revenue Account, which provide the underlying principles for financial planning, and allow the Council to remain within the legislation, are as follows:

- To maintain a Housing Revenue Account that is self-financing and reflects both the requirements of residents and the strategic visions and priorities of the Council.
- To maintain current Housing Stock at Decent Homes Plus standard
- To increase or improve the Council's housing stock through new build and bringing empty properties back into use.

- To consider the disposal of stock that is not viable to generate capital receipts for re-investment in new or existing stock.
- To maximise the recovery of rental incomes by moving void properties to “target rent”, reducing the number of void properties and minimising the level of rent arrears and debt write offs.
- To maintain a minimum level of HRA reserves of £800k but with a target level of reserves of £1m.

9.7 **Details of the HRA estimates**

9.8 The main assumptions that have been applied to the HRA for the 2015-16 estimates are summarised below:

9.9 **Contract and Price Inflation** - For direct expenditure budgets, price increases have been included at 2%, which is the best estimate of the level of inflation at this point in time, unless there is a known inflate within a specific contract, in which case this has been used.

9.10 **Repairs and Maintenance** – During 2014-15 work commenced on the procurement process for the re-tendering of the Day to Day Repairs contract. It is intended that the contract will be re-let for a period of 5 years to 2020, after which the repairs and maintenance contracts throughout the East Kent Housing Areas should then be in line for a joint procurement programme. A new Painting and Decorating contract is due to be let to commence from April 2015 as a joint procurement programme with Dover and Shepway Council and growth has been factored in during 2016-17 and 2017-18 for a catch up on the back log of works that have developed during the new procurement period undertaken.

9.11 **Supervision and Management General** – The Council agreed at its meeting in February 2010 that an Arm’s Length Management Organisation (ALMO) was the preferred option for sharing Landlord Services in East Kent. The East Kent Housing ALMO (EKH) was formed and from 1 April 2011 it commenced the management of the Council’s social housing.

9.12 The ALMO management fee is calculated on an activity based costing basis, in that the Council’s charge is based on the amount of staff provided to deliver the service and their supporting budgets. It is understood that EKH have provided Client Officers with a budget and plan to agree the Management Fee for the next 5 years. The current proposal for Thanet is to freeze the current management fee at £1.29m. A number of business cases have been put forward for budgetary growth and are currently being considered across the four councils. The council also pays over a further £21.7k for the Tenant Participation Grants and its advertising for Council tenants to make requests for suggestions to improve their surrounding environment.

9.13 Every 5 years the Council is required to instruct the Valuations Office to re-value the housing stock and therefore a one off budget of £12k has been included. Last year the Pensions fund for past employees was revalued, whilst the General Fund has borne the majority of the cost a small proportion has been charged to the HRA for past employees’ pension funding costs totalling £40K, small budgetary growth of £9k is required for legal and land registry costs offset by identified savings of £10k.

9.14 **Supervision and Management Special** –A review of the Parks and Open spaces service and costs has recently been undertaken resulting in the first increase in costs since 2010 of £26.5k

9.15 **Rents, Rates, Taxes and Other Charges** – With the addition of the new affordable units as part of the Empty Homes Programmes, Margate Intervention and the new build

programme, the budgets that the Council holds as a landlord have been reviewed and increased for running costs. These include insurance costs, Council tax due on void properties, utility standing charges on void properties and utility budgets for New build properties. This has resulted in budgetary growth of £70k off set against the new rental costs generated from the schemes.

- 9.16 **Provision for Bad or Doubtful Debts** – The budget was increased to £220k in anticipation of the effect of the changes to Welfare Reform. Last year a contribution of £109k was made for the provision of the bad and doubtful debts which would suggest that there is capacity to remove the growth initially added of £50k and reduce the budget back to the initial £170k.
- 9.17 **Depreciation for Fixed Assets** – In accordance with the statutory requirements, the Council has to make a depreciation charge to reflect the use of the HRA assets over their useful lives. Within the Housing Subsidy system the Council received a Major Repairs Allowance to fund capital works which was set so as to reflect the need to replace building components as they wore out. It was therefore considered to be an appropriate measure of depreciation for the HRA assets. With the cessation of the Housing Subsidy System there is no longer a Major Repair Allowance and so work has been undertaken as to how best to calculate the depreciation charge moving forward. In the interim, for the next 2 years the Council will be able to use the Major Repairs Allowance as detailed within the 30-year financial model for the HRA self-financing settlement. The estimated depreciation charge is calculated at £2.398m in 2015-16, however, in the uplifted settlement model the figure is £3.367m. The difference of £0.97m will still transfer to the Major Repairs Reserve in order to fund future capital works on the existing stock or debt repayment. The depreciation charge for other HRA assets is estimated to be at £145k.
- 9.18 **Debt charges** – Since the self-financing settlement, the Council has operated a two loan pool approach whereby the HRA and GF are each responsible for the repayment of their own apportionment of loans. As part of the self-financing settlement, the HRA had its debt capped at £27.792m and is not able to exceed this level of borrowing. As at the 1 April 2014 the HRA had £20.868m of loans outstanding. A loan is due to mature during 2015-16 of £827k and the budget reflects the repayment taking the borrowing down to £20.041m.
- 9.19 **Rent Increases** – Since April 2002, most rents for social housing have been set based on a formula set by Government. The intention was to align council rents with those of housing associations by adopting a formulaic approach to calculating rents, known as rent restructuring. Landlords were expected to move the actual rent of a property to the formula rent over staged increases through applying the guidance set by Government of Retail Price Index plus 0.5% plus up to an additional £2 where the rent is below the formula rent for the property.
- 9.20 In October 2013 the government published a consultation paper on rents for social housing from 2015-16. The consultation ended on 24th December 2013 and in May 2014 the government issued its final guidance on rents for social housing. Changes to the guidance are as follows:-
- Moving from annual increases in weekly rents of Retail Price Index (RPI) +0.5% plus up to £2, to increases of Consumer Price Index (CPI) +1%.
 - Terminating the rent convergence date a year earlier from 2015-16 to 2014-2015.
 - Removing the flexibility available to landlords to increase weekly social rents each year by an additional £2 where the rent is below the target rent and rent cap.

- Properties that have not reached target rent can only be set to target rent when the property is let following a vacancy, until then only the limit of Consumer Price Index +1% can be applied.
- Councils are encouraged to have a policy in place to reflect that those tenants whose annual income is at £60k or above are charged full market rent.

It is anticipated the new guidance issued will provide stability to the rent setting process and Housing Business plans for the next 10 years.

9.21 Rental estimates are based on the new government guidance for rental increase which uses the September CPI figure of 1.2% + 1%. Future years' estimates for the MTFP will be based on calculations that include a CPI inflationary increase for the next 10 years of 1%+ 1%.

9.22 An estimate of property average rents have been provided below with a comparison as to how they compare against the target rent. Across the whole stock the average rent is £82.81 whereas the average target rent is £83.44. The average rent increase for 2015-16 is £1.76.

TABLE 6 – AVERAGE SOCIAL HOUSING PROPERTY RENTS			
Property	Est. Ave Target Rent	Est. Ave Rent	Variance to Est. Average Target Rent
Bedsits	£58.02	£58.02	-
1 Bed Flat	£68.48	£68.47	£0.01
1 Bed House	£79.28	£79.28	-
2 Bed Flat	£77.55	£77.52	£0.03
2 Bed House	£86.71	£86.25	£0.46
3+ Bed Flat	£88.20	£88.14	£0.06
3 Bed House	£95.54	£93.95	£1.59
4+ Bed House	£105.94	£103.91	£2.03

9.23 As can be seen from Table 6 above, there is a shortfall in the average rent compared to the average target rent most noticeably for 3 and 4 bedrooms houses which suggests that there are a number of properties within these categories that fall quite short of the target rents. The financial impact of reducing the year for rent restructuring for Thanet is estimated at approx. £99k.

9.24 New units created as part of the Cluster bid within the Margate Intervention Programme and HCA Empty Homes project come under the affordable rent programme. Affordable rents are calculated at up to 80% of the market rental income and are inclusive of service charges, they will be increased by September CPI + 1% in line with government rent guidance.

TABLE 7 – AVERAGE AFFORDABLE RENTS INC OF SERVICE CHARGES

Property Type	Average Actual Rent
1 Bed House	£ 79.29
2 Bed House	£ 94.33
2 Bed Flat	£ 103.68
3 Bed House	£ 116.86
4 + Bed House	£ 149.98

- 9.25 Affordable rent guidance requires that on each occasion that an affordable tenancy is issued, whether let to a new tenant or if an existing tenancy is re-issued, the rent must be re-set based on a new valuation. The only exception is where the property is re-let to the same tenant following a probationary period coming to an end
- 9.26 **Non Dwelling Rents** - Income generated from aeriels on tower blocks is expected to increase as a number of leases are due for renewal; £18k is anticipated in extra income. Garage rents will be increased by CPI 1.2% + 1% in line with property rents.
- 9.27 **Service Charge Increases** – A review of the service charges within the HRA has been undertaken last financial year to take into consideration Welfare Reform changes, Department of Work and Pensions requirements and feedback from the Tenant Board that they are not easy to understand. A proposal was taken to the Tenant Board on 9 October 2013 to make the service charges easier to understand and available for tenants to scrutinise. Service charges are now calculated based on actual cost and follow the new government guidance that increases should not exceed September CPI + 1%.
- 9.28 **Heating Charges** – Heating charges will be recovered on actual cost based on usage and contract price and then apportioned across the block dependant on bedroom size. Energy is purchased using a large public sector energy buying group which operate a Flexible Framework that requires purchasing requests to be submitted to the entire market ensuring the lowest available price is achieved. Over the last 4 years this Framework has secured delivered wholesale prices around 4% below the market average.
- 9.29 **Investment Income** – This consists of interest accruing on mortgages granted in respect of Right to Buy sales and interest on HRA balances. The base rate remains low which in turn means that investment interest will be low although current projections for future years have been increased. The budget for 2015-16 of £75k is based on achieving an average interest rate of 0.75%.

The Housing Revenue Account Reserves

- 9.30 The Council operates three HRA reserves: a HRA Major Repairs Reserve, the HRA Balance Reserve and the HRA New Properties reserve, each of which is discussed in turn:
- 9.31 **Housing Revenue Account Major Repairs Reserve** – The annual Major Repairs Allowance (MRA) that was paid to the Council as part of the HRA Subsidy had to be placed in a Major Repairs Reserve, to be used to meet HRA capital expenditure on housing stock or debt repayment only. It is proposed to continue with the 5 year transitional arrangement and to continue to place the forecast MRA as per the determination schedules in the reserve. The estimated transfer to the Major Repairs Reserve for 2015-16 is £3.367m.
- 9.32 This funding, together with previous allocations of supported borrowing and revenue contributions, with good management, has enabled the Council to maintain the housing stock in a good condition. The Council currently maintains its social housing to Decent Homes Plus standard. As at 1 April 2014 this reserve balance was £5.9m which is higher than usual due to the difficulties over the last few years with the kitchen contract - work that was due to be undertaken during 2012-13 and 2013-14 on the kitchens was delayed and therefore funds budgeted for the back log of works have been set aside to enable a catch up programme over the next four years.
- 9.33 **Housing Revenue Account Balance Reserve** – This reserve holds the balance of the HRA Account and is used to draw down to balance the revenue budget and smooth out any peaks and troughs within the 30 year business plan. It is maintained by annual contributions from the HRA. As at 1 April 2014 this reserve balance was £5.66m.
- 9.34 **HRA New Properties Reserve** – This reserve holds funds set aside to fund either new build properties or the acquisition of suitable properties for use within the HRA. Earmarked match funding for the Margate Intervention and Empty Property programme has been set aside in this reserve as agreed by Cabinet. As at 1 April 2014 this reserve balance was £5.18m and is due to be drawn down during 2014-15. Income generated from affordable rents will continue to be set aside in this reserve for re-investment in a new build programme.

TABLE 8 – HOUSING REVENUE ACCOUNT BUDGET				
	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Expenditure				
Repairs & Maintenance	3,368	3,587	3,644	3,616
Supervision & Management – General	2,859	2,862	2,863	2,864
Supervision & Management – Special	555	565	576	587
Rents, rates, taxes and other charges	366	380	395	409
Bad or doubtful debts provision	170	170	170	170
Depreciation/impairment of fixed assets	2,543	2,543	2,543	2,543
Capital Expenditure funded from HRA	1,126	2,684	367	472
Debt Management Costs	9	9	9	9
Non-service specific expenditure	800	800	800	800
Gross Expenditure Sub Total	11,796	13,600	11,367	11,470
Income				
Dwelling Rents (gross)	-13,094	-13,611	-14,134	-14,428
Non-dwelling Rents (gross)	-200	-203	-205	-207
Charges for services and facilities	-331	-331	-331	-331
Contributions towards expenditure	-290	-290	-290	-290
Other Charges for Services and Facilities	-11	-11	-11	-11
Income Sub Total	-13,926	-14,446	-14,971	-15,267
Net Costs of Services Sub Total	-2,130	-846	-3,604	-3,797
HRA Investment Income	-76	-151	-201	-251
Debt Interest Charges	988	1,170	1,170	1,170
Government Grants and Contributions	-1,362	-610	0	0
Adjustments made between accounting basis and funding basis	2,359	779	169	997
(Surplus)/Deficit on HRA	(221)	342	(2,466)	(1,881)
Housing Revenue Account Balance:				
Estimated Surplus at Beginning of Year	-5,664	-5,885	-5,543	-8,009
(Surplus)/Deficit for Year	-221	342	-2,466	-1,881
Estimated Surplus at End of Year	-5,885	-5,543	-8,009	-9,890

10.0 THE HRA CAPITAL BUDGET

- 10.1 A de minimus level of £10k has been set for capital expenditure on a fixed asset which is expected to be in use for more than one year. Capital expenditure below this value is not treated as capital and is therefore not recorded on the asset register or funded from capital resources. Capital expenditure can be met from loans, capital receipts, capital grants or revenue contributions.
- 10.2 Due to the complex and large scale nature of capital projects, the original budgets have to be based on estimations that often need revising as the project advances.
- 10.3 **The HRA Asset Management Strategy**
- 10.4 The Strategic Housing Team is currently developing a new HRA Asset Strategy. Ongoing work has been undertaken to identify underutilised garage areas and a programme of New Build sites have been identified for development. The Council continues to review the land holdings within the HRA to develop a long-term new build programme. As part of the review those small areas of land that no longer meet housing requirements and are not considered suitable for development will be reviewed for disposal to generate further capital receipts for re-investment into the new build programme.
- 10.5 The existing housing stock is continually reviewed for its suitability to provide good quality housing. Where stock is identified that requires considerable capital investment which far exceeds its worth to the authority and or it has a greater market value consideration, will be given to disposal in order to generate capital receipts to fund new developments to increase the number of units or re-investment into the existing stock.

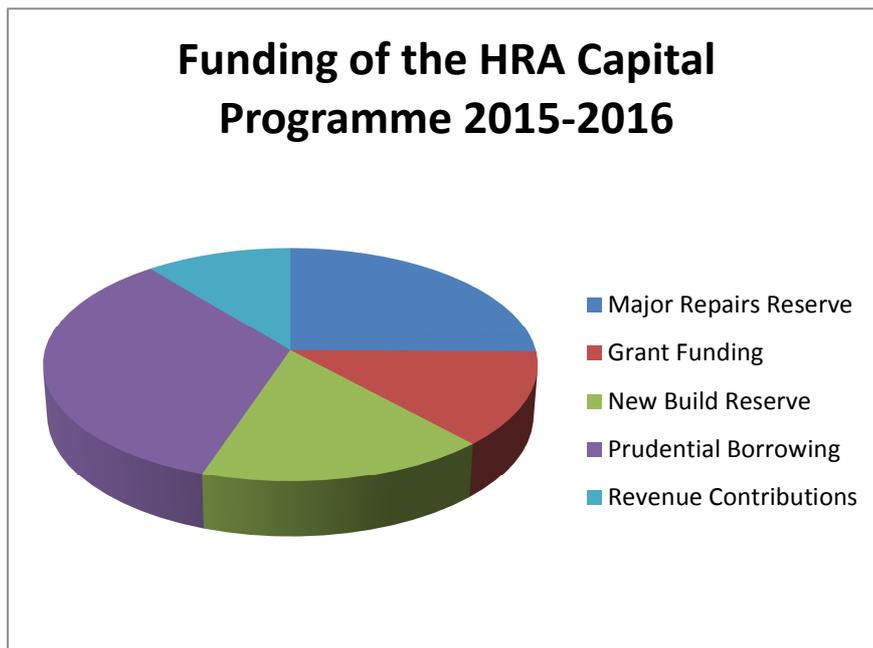
Available Capital Funding

- 10.6 Capital expenditure can be financed from revenue resources, capital grants, usable capital receipts and borrowing. The General Fund can only be used to fund General Fund related capital expenditure, and the HRA can only finance expenditure on HRA assets; there can be no cross subsidisation between accounts. In both cases, the revenue resources are limited.
- 10.7 **Capital Grants** – These are offered by Government Departments to assist with certain types of expenditure. The HRA has recently been awarded £1.37m funding towards the delivery of a new build programme for 58 new affordable units within the district from the Homes and Communities Agency (HCA) Affordable Homes Programme 2015-18.
- 10.8 **Housing Capital Receipts** -. On the 26 July 2012 Cabinet gave approval to enter into an agreement with the Secretary of State for Communities and Local Government which allows the Council to retain additional Right to Buy receipts over and above that budgeted by Treasury. Under this regime, Treasury receive 75% of income on sales for approximately the first 4 right to buy properties and the Council is able to keep all of the sales income over and above.
- 10.9 **Unsupported Borrowing** – The Local Government Act 2003 gave local authorities the ability to borrow for capital expenditure above the level supported by Government Grant, provided that such action complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Prudential Borrowing (“The Prudential Code”); the objectives of which are to ensure that capital investment plans are affordable, prudent and sustainable. Essentially, it provides a number of controls to ensure that the Council does not incur additional debt without fully understanding the financial implications both now, and in the future. A housing debt cap of £27.792m has been set for the Council, being the maximum amount the HRA can borrow which must not be exceeded. This differs from the way the maximum debt levels are set within the General Fund, which are governed by the Prudential Code and the setting of a number of indicators. It is

anticipated that borrowing of £3.561m will be required to support the Capital Programme in 2015-16. The Council has recently made an application to the Local Growth Fund to have the HRA borrowing cap increased by a further £1.11m in order to deliver an additional 20 affordable units. The outcome of the application has been successful and has been factored into the Capital programme for 2016-17.

10.10 **HRA Capital Reserves** – A summary of the HRA reserves have been detailed in para (10.30). The major repairs reserve is used to fund expenditure on the council housing stock and the new properties reserve is utilised to fund the creation of new affordable homes.

10.11 **Revenue Contribution to Capital** – Revenue contributions from surpluses generated from rental income can be utilised to fund any budgetary shortfall within the capital programme.



10.12 **The Capital Programmes for 2015-16 to 2018-19**

10.13 **Housing Revenue Account Capital Programme** – The Housing Revenue Account Capital Programme has been set to ensure that the Council's social housing stock meets Decent Homes Standard Plus and to provide a continuing maintenance scheme to the Council's housing stock.

10.14 The Roofing programme is due to be re-tendered for 2015-16, slippage from 2014-15 is to be carried forward and undertaken during 2015-16 with a catch up programme scheduled for 2016 onwards.

10.15 Kitchen and Bathroom replacement budgets have been increased to reduce the back log of work incurred whilst the previous contract was terminated and re-tendered. It is intended that this will continue over a 4 year period to bring the replacement programme back on schedule.

10.16 Disabled adaptations budgets have been increased by £100k p.a. as an interim to cope with demand whilst a review of the need within our housing stock is undertaken.

10.17 An amount of £1.9m has been included within the HRA capital programme for the third year of the Margate Intervention Programme, to be funded from the remaining balances set aside in the HRA New Properties Reserve and a revenue contribution from affordable rents being re-invested in the area. The Margate Housing Intervention

Programme sets out to transform the housing market in two of Britain's most deprived wards: Cliftonville West and Margate Central.

- 10.18 It is anticipated that on-going works for the Empty Homes Programme will be completed during 2015-16 for the creation of 14 units and £1.6m has been allocated to facilitate this.
- 10.19 With the flexibilities now available as part of the self-financing changes, the Council is currently developing an HRA Asset Management Strategy to review land and buildings within the HRA including garage sites to ensure they are being put to best use and obtaining value for money for the tenants. This has been the driving factor towards the first tranche of a new development programme for the HRA consisting of 58 new units. Further works are continuing to identify surplus land and properties for on-going new build developments.
- 10.20 As mentioned in para (11.9) the Council has recently been successful in an application to Government to extend the borrowing headroom by a further £1.11m to facilitate the building of a further 20 new units of affordable accommodation. A detailed breakdown of the capital programme is provided in Annex 4.

11.0 The Draft Capital Budgets 2015-16 to 2018-19

- 11.1 The draft Housing Revenue Capital Programme for 2015-16 that is proposed for Members' approval is £10.4m, which will be funded from the HRA reserves, revenue contributions to capital and capital receipts. A summary of this programme and the proposed funding sources are shown in Table 9 below:

TABLE 9 – HRA CAPITAL PROGRAMME					
	2014-15 slippage £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Total HRA Capital Programme Expenditure	495	10,449	10,072	3,392	3,697
HRA Capital Resources Used:					
HRA Major Repairs Reserve	370	2,630	3,035	3,025	3,225
HRA Revenue Contributions	125	1,126	2,684	367	472
New Build Reserve		1,770	68		
Grant Funding		1,362	610		
Prudential Borrowing		3,561	3,675	0	0
Total Funding	495	10,449	10,072	3,392	3,697

12.0 OPTIONS

- 12.1 The scenario presented in this report, and the recommendations following, have been drafted to meet the requirements of agreed budget strategies and to take account of prevailing economic conditions. Any of the assumptions in the proposals could be varied; however, there would be too many possible permutations to present in this report.

13.0 CAPITAL PROGRAMME

- 13.1 A de minimus level of £10k has been set for capital expenditure on a fixed asset which is expected to be in use for more than one year. Capital expenditure below this value is not treated as capital and is therefore not recorded on the asset register or funded from capital resources. Capital expenditure also includes grants that are provided for the enhancement of buildings, for example to increase the extent to which they can be used by a disabled or elderly person. Capital expenditure can be met from loans, capital receipts, capital grants or revenue contributions.

- 13.2 Due to the complex and large scale nature of capital projects, the original budgets have to be based on estimations that often need revising as the project advances. This in turn leads to re-phasing of the capital programme, in order to keep the overall costs within the agreed bottom line

13.3 The Asset Management Strategy

- 13.4 By far the largest element of the Council's capital worth (as represented by the fixed asset values on the Balance Sheet) is in its property holdings, with a total of £160 million showing as the net book value of all property assets as at 31 March 2014 (after depreciation has been applied). In line with Government and best practice guidelines the Council is required to have prepared and published an Asset Management Strategy (AMS) which outlines its approach to its material asset holdings, to ensure that it acts responsibly in terms of undertaking a stewardship role over valuable public assets whilst deriving the maximum use from them in terms of service delivery so that value for money is able to be evidenced.

- 13.5 The Council's Asset Management Strategy outlines the principles, criteria and processes that form the cornerstone of the following draft Capital Programme. This requires a continual assessment of the relative value of an asset (both financial and non-financial) in order to ensure that the Council's investment in its assets is working to optimum effect. This is especially important in the current financial climate, where assets that are no longer viable or surplus to requirements need to be disposed of in order to reduce the Council's liabilities and to generate capital receipts to fund new developments or be transferred for Community benefit.

13.6 Capital Receipts

- 13.7 Over the past four years there have been limited capital receipts being generated from the sale of surplus assets, some of this has been due to the economic downturn and assets removed from the disposal list following consultation. The proposed programme of capital expenditure is based on current projections of available capital funds; however members should note that this will be monitored closely during the 2015-16 financial year, as it may be necessary to adjust the programme in year depending on the outcome of proposals put forward for asset disposals/transfer by the Corporate Property Asset Management Group.

- 13.8 No assumption has been made with regard to the utilisation of any anticipated receipt with regard to the Royal Sands Development. In the event that a capital receipt is forthcoming it will be allocated as is usual for all capital receipts within the capital bid process and scoring regime.

14.0 THE CAPITAL BUDGET STRATEGY

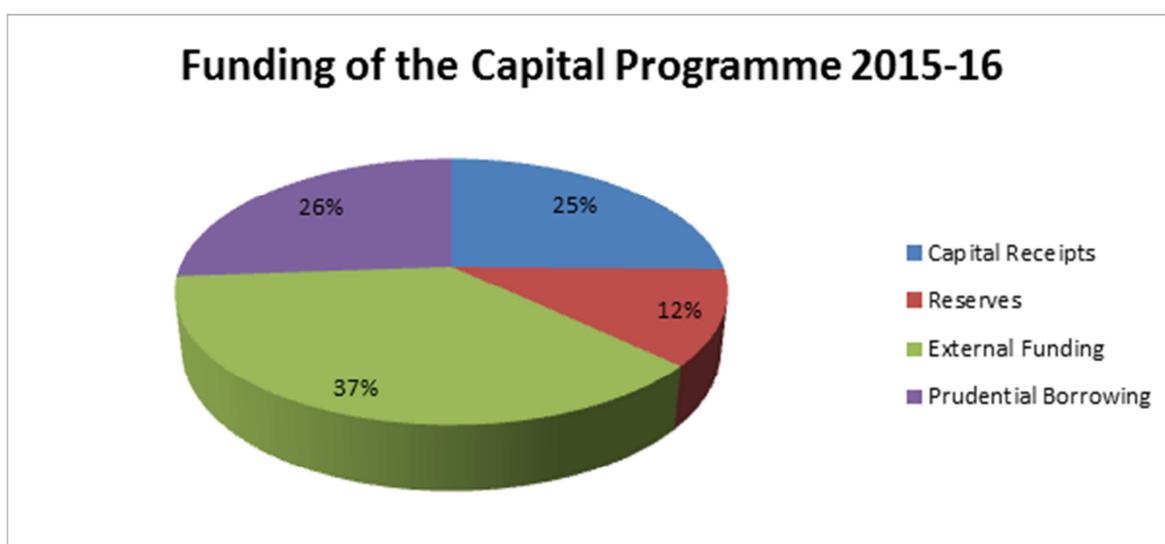
- 14.1 Although the Asset Management Strategy is used to inform the contents of the Capital Budget, it is only one element. In order to ensure that the Capital Budget is able to meet the Council's needs in the wider sense and to manage the impact on the revenue budget, the development and use of the Capital Programme is underpinned by a Capital Strategy as follows:
- To maintain an affordable four-year rolling capital programme.
 - To ensure capital resources are aligned with the Council's strategic vision and corporate priorities.
 - To undertake Prudential Borrowing only where there are sufficient monies to meet in full the implications of capital expenditure, both borrowing and running costs.
 - To maximise available resources by actively seeking external funding and disposal of surplus assets
 - To engage local residents in the allocation of capital resources where appropriate
- 14.2 Due to the limited availability of capital receipts and the need to contain the level of borrowing undertaken to minimise the revenue impact, it has been necessary to review the Capital Programme. This is to ensure sufficient funding is available for existing schemes that have commenced and that any new projects are of the highest corporate priority and/or reduce the pressure on the revenue account. Bids have been assessed, scored and reviewed by the Budget Review Group to ensure they focus on the core priorities of the Council. The results of the scoring process will be shared with the Portfolio Holder for Finance and Asset Management prior to the final budget report.
- 14.3 The level of resources available raises a number of issues and risks for future years, which need to be addressed:-
- 14.4 Over the past five years the Council has seen a significant reduction in the capital receipts from the sale of assets. It is difficult to estimate the funding level achievable as a number of changes often arise to the disposal programme once the consultation process has been completed. In the event that they cannot be realised in 2015-16 onwards this will result in a further need to borrow thus increasing the revenue pressure on the General Fund. Regular monitoring will need to be reported back to members and the capital programme adjusted accordingly
- 14.5 There is limited scope for future investment in new assets or making improvements to existing buildings. The Asset Management Strategy is being revised for 2014 and is key in delivering resources to the Capital Strategy and reducing the size of the Council's asset and property portfolio. It is imperative that limited resources do not damage the Council's ability to maintain its significant income streams as assets deteriorate from lack of investment. The current portfolio is not maintainable with the current funding available for repairs and maintenance and resources available and given the Council's funding position this is unlikely to improve. It is likely that over the next four years some difficult decisions will need to be made on some of the asset holdings
- 14.6 There are limited capital resources to fund any overspends/new requirements which could occur during the financial year. Any additional schemes during the financial year will require an existing scheme to be deferred or funds re-allocated unless there is headroom in the General Fund to borrow
- 14.7 A review of the asset register has identified a substantial amount of vehicles, plant and equipment that is nearing the end of its useful life. In order to protect the ability to deliver front line services to the public, a new vehicle, plant and equipment reserve was set up last year for a replacement programme. It is also proposed to set aside in this reserve any in-year service underspends from those services requiring the replacement vehicles,

plant or equipment. The Replacement Reserve currently holds a balance of £227k as at 31 March 2014

- 14.8 Current estimates of the remaining life of useful assets within the asset register suggests that the Waste and Cleansing department requires investment of approx. £1.7m between 2014-2019 to continue to provide frontline services. The Grounds Maintenance team have capital bids of £250k to replace some vehicles; however it is estimated a further £350k of investment is required to continue to provide frontline services. A full review of the requirements of both areas is currently being undertaken.

Available Capital Funding

- 14.9 Capital expenditure can be financed from revenue resources, capital grants, usable capital receipts and borrowing. The General Fund can only be used to fund General Fund related capital expenditure, and the Housing Revenue Account (HRA) can only finance expenditure on HRA assets; there can be no cross subsidisation between accounts. In both cases, the revenue resources are limited.
- 14.10 A summary of the 2015-2019 capital resources utilised to fund the Capital programme is detailed in Annex 2, but shown graphically below.



- 14.11 **Capital Grants** – these are offered by Government Departments to assist with certain types of expenditure. Capital grants include: Communities and Local Government funding for Disabled Facility Grants (DFG's), Environment Agency, Lottery funding and European grants. The Disabled Facilities Grants allocation for 2014-15 is £1.108m and it has been assumed that this will continue for 2015-16. Following the Comprehensive Spending Review and development of the Care Act 2014, the way DFGs will be delivered is likely to change, with Kent County Council and Clinical Commissioning Groups deciding final allocations to local authorities. There is also a question as to whether local authorities will continue to have the mandatory duty to pay DFGs going forward
- 14.12 **Capital Receipts** – When a fixed asset is sold, provided that the sale receipt is over £10k, the income has to be treated as a “capital receipt”, which means that it can only be used to fund capital expenditure. All of the monies received from the disposal of General Fund assets are available to the Council for use.
- 14.13 **Unsupported Borrowing** – The Local Government Act 2003 gave local authorities the ability to borrow for capital expenditure above the level supported by Government Grant, provided that such action complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Prudential Borrowing (“The Prudential Code”); the objectives of which are to ensure that capital investment plans are affordable, prudent

and sustainable. Essentially, it provides a number of controls to ensure that the Council does not incur additional debt without fully understanding the financial implications both now, and in the future. It is anticipated that borrowing of £1.105m will be required to support the General Fund Capital Programme in 2015-16.

- 14.14 **Capital Projects Reserve** – A mid-year review of the capital programme will be undertaken in light of the limited capital receipts achieved to date. It is anticipated any balances remaining within the reserve will be fully utilised to balance the existing 2014-15 programme.

15.0 THE CAPITAL PROGRAMMES FOR 2015-16 TO 2018-19

- 15.1 A number of capital programmes agreed for 2014-15 have been re-phased into 2015-16 whilst schemes are being reviewed, they are the Margate Pedestrian Connections £24k and the Crematorium Office upgrade £30k.

- 15.2 **Existing Programmes already agreed** – Programmes already agreed from previous years within the four year programme are the Disabled Facilities Grant £1.407m, Dalby Square Townscape Heritage Scheme £559k, Margate Cemetery Extension £230k, Public Conveniences annual enhancement programme £50k, Swimming Pool/Sports Hall Essential capital repairs £50k, Grounds maintenance replacement mowers and vehicles £250k.

- 15.3 **Continuing Service – Led Capital Schemes** - The running of a District Council requires an on-going investment in assets that are used to deliver the business. These include vehicles within the Grounds Maintenance Team that are nearing the end of their useful life and £250k has been factored in for 2015-16 for their replacement. A full review of the replacement programme for Waste and Cleansing vehicles, plant and equipment is being progressed and a continuing replacement programme has been factored into the programme at £500k each year. As part of the review the requirements for the Waste Transfer Station that is already budgeted for in 2013-14 at £216k is being evaluated resulting in a requirement for a greater level of investment. A further £500k has been identified as being required. Upgrading of the boat washing facilities at the Harbour £25k is required to include a new waste collection system for better disposal of solid waste.

- 15.4 A number of the Council's properties require investment and a base annual enhancement programme has been built in of £200k per year. This is to be funded from capital receipts in the first year, but it is expected that a greater rationalisation of assets in future years will generate revenue savings that can be re-invested in the remaining assets in future years. The programme of works against this budget will be determined by the newly formed Corporate Property Asset Management Group.

- 15.5 The Council's CCTV cameras are nearing the end of their useful life and due for replacement. Cabinet agreed on 13 November 2014 that the control room be retained in the medium term at its current location but with financial provision made to co-locate in the Cecil Street offices and a tender exercise undertaken for the replacement of the control system, cameras, and mobile CCTV equipment.

15.6 **New Capital Projects –**

Introduction of Columbaria at the Crematorium - This will enable multiple above-ground 'interments' of ashes along with associated memorialization and provide an income stream which will renew periodically. Such schemes are more widespread nowadays due to pressures on land-space and maintenance costs with more traditional methods. The introduction of such a scheme at Thanet is necessary as the Garden of Rest areas now have a capacity for possibly only five years, but would still require costly maintenance once full.

Upgrade of the Public Chapel of Remembrance – Refurbishment of the public chapel of remembrance with the provision of an ‘Electronic Book of Remembrance’. This should include the replacement of the bespoke cabinet to accommodate three physical Books of Remembrance and provision of an electronic facility to enable greater public access to individual memorials. This may also necessitate rearrangement to lighting and other fittings, as well as the extension of internet access to the Chapel. This will enhance the facility to provide the modern aspect of the electronic system which many crematoria now use, as well as providing continued accessibility to the traditional Books of Remembrance which have been at Thanet since 1966 and which are still regularly visited by many people.

Sea Wall Re-facing Works West of Westgate Bay - Grant funded study work has been completed and a scheme has been designed in detail consisting of the renewal of the coping with new precast units. The seaward berm slab will also be renewed as part of the scheme. Some sea wall toe improvement work will also be included. The scheme features on the Environment Agency’s Medium Term plan for funding in 2017-18 subject to Project Appraisal Report Approval and should it be agreed it is anticipated it would be fully funded by the Environment Agency.

Ramsgate Port and Harbour – Low Carbon Plan - The Low Carbon Plan project is currently at feasibility stage and is being progressed as part of the LOPINOD (Interreg funded) project. The project seeks to reduce the carbon footprint and running costs of the Port and Harbour through the use of a number of renewable energy technologies and the introduction of modern apparatus to reduce energy consumption. Work streams currently being investigated include:

Hydroelectric power generation (using water held in Inner Harbour Marina)

- . Solar Panels (Photo Voltaic and Solar Thermal)
- . Marine Source Heat Recovery – Premises heating
- . Introduction of LED lighting technology
- . Wind turbine technology

The feasibility element of the project will be completed in January 2015, with detailed design to follow subject to conclusions and funding availability. It is anticipated that any borrowing required for the scheme would be self-funding from the savings generated. Further information will be reported to Cabinet once available

Ramsgate Main Beach Timber Groyne - The Ramsgate Main Beach area attracts the deposition of sand due to the artificial influence of the East Pier of Ramsgate Royal Harbour which retards the natural long shore drift process. The provision of groynes would stabilise the beach which could reduce beach recycling costs and dredging costs. A more stable beach particularly towards the north of the area could also enhance amenity value. A project of this nature cannot progress without detailed study work to assess environmental impact including that on coastal process, current beach usage and visual amenity. An application to fund a study of this nature has been made to the Environment Agency through the flood and coastal erosion risk management grant process.

15.7 **The Draft Capital Budgets 2015-16 to 2018-19**

15.8 The draft General Fund Capital Expenditure Budget for 2015-16 that is proposed for Members’ approval is £4.174m, which will be funded in the main from capital grant, usable capital receipts and prudential borrowing. This is shown in summary Table 10 below.

TABLE – 10 DRAFT GENERAL FUND CAPITAL PROGRAMME					
	2014-15 £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Statutory and Mandatory Schemes		1,408	1,408	1,408	1,408
Schemes continuing from prior years	54	1,039		300	
Annual Enhancement Schemes		800	800	800	800
Wholly/Part Externally Funded Schemes		40	607	244	
Replacements and Enhancements		812	813	570	
Area Improvement					
Capitalised Salaries		75	75	75	75
Total Capital Programme Expenditure	54	4,174	3,703	3,397	2,283
<i>Capital Resources Used:</i>					
<i>Capital Receipts and Reserves</i>	54	1,501	918	535	475
<i>Capital Grants and Contributions</i>		1,568	1,555	1,652	1,108
<i>Contributions from Revenue</i>			200	200	200
<i>Prudential Borrowing</i>		1,105	1,030	1,010	500
Total Funding	54	4,174	3,703	3,397	2,283

16.0 RESERVES

16.1 General Reserve

16.2 The Local Government Finance Act 1992 requires precepting authorities, such as Thanet District Council, to have regard to the level of reserves needed for future expenditure when calculating the budget requirement. Each year the Council reviews its level of reserves and a draft proposal of the recommended levels of reserves is shown at **Annex 5** to this report. No change in reserves currently proposed.

16.3 Earmarked Reserves

16.4 It is good practice to use reserves to 'save' funds over a period of time to spread the Impact on the Council Tax of large fluctuating expenditures. Table 11 overleaf shows the planned transfer out of a number of earmarked reserves, which will be used to fund anticipated expenditure during the year.

TABLE 11 – PROPOSALS FOR RESERVE HOLDINGS FOR 2015-16				
Name of Reserve	Opening Balance 2015-16 £'000	Transfers In £'000	Transfers Out £0	Closing Balance 2015-16 £'000
GENERAL RESERVE	2,177			2,177
EARMARKED RESERVES				
Coastal Infrastructure Reserve	500		-	500
Council Election Fund	116		-	116
Cremator and Cemeteries	247		-	247
Customer Services Reserve	586		-	586
Decriminalisation Fund	177		40	137
Dreamland Reserve	117		-	117
East Kent Services Reserve	790		0	790
Economic Development & Regen	198		-	198
Environmental Action Plan	162		-	162
General Fund Repairs	379		-	379
Homelessness Fund	260		-	260
Housing Intervention Reserve	246		-0	246
HRA Properties	5,188		5,188	-
Information Technology Investment	350		175	175
Local Plan	315		-	315
Maritime Reserve	433		-	433
New Homes Bonus Reserve	401	2,559	2,550	410
Office Accommodation	30		-	30
Pay & Reward Reserve	341		-	341
Pensions Fund	661		0	661
Priority Improvement Reserve	520		182	338
Renewal Fund	10		-	10
Risk Management	222		-	222
Unringfenced Grants	617		-	617
VAT Reserve	437		20	417
Vehicle, Plant and Equipment Reserve	227		-	227
Waste Reserve	77		-	77
Total Earmarked	13,605	2,559	8,153	8,012

16.5 Using Reserves for Planned Expenditure

16.6 **Earmarked Reserves** – As detailed within Annex 5, it is good practice to use reserves to 'save' funds over a period of time to spread the impact on the Council Tax of large fluctuating expenditures. The table above shows the planned transfer out of a number of earmarked reserves, which will be used to fund anticipated expenditure during the year in the General Fund Revenue Account.

16.7 **Use of Earmarked Reserves** – Cabinet 3 April 2014 agreed the policy for the drawdown of earmarked reserves, this policy identified that some discretion would be required due to the varied nature of each of the reserves. It is therefore proposed to vary this policy in relation to the following, by designating that movements on these reserves be approved by the Director of Corporate Resources and Section 151 Officer in consultation with the

Cabinet Member for Financial Services and Estates and the relevant Portfolio Holder up to a limit of £100k per movement:

- Capital Projects
- Coastal Infrastructure
- Cremator and Cemeteries
- Customer Services
- Dreamland
- Homelessness
- New Homes Bonus
- Priority Improvement Reserve

16.8 **General Reserves** – The reserve stands at £166k above the recommended level per the risk assessment shown at Annex 5. This is available to be transferred to the Priority Improvement Reserve. There are no planned withdrawals from the General Fund balance to support the base budget.

16.9 **Using Reserves to Support the Net Budget Requirement** – Aside from using earmarked reserves to meet planned but irregular expenditure, reserve balances can also be used to provide additional funds to simply contribute towards the bottom line funding requirement. Given that reserves are one-off funds their use in this way should be by exception, as to use them to meet on-going base expenditure will ultimately give rise to 'structural gap' which will need to either be met from future base savings, or additional base growth as in previous years. For 2015-16 a sum of £40k is proposed to be utilised from the Decriminalisation Reserve.

16.10 **New Homes Bonus** – The allocation of New Homes Bonus funding for 2015-16 for this Council is £2.56M. Members have previously agreed that sum of £185k from this funding is used to cover the events budget (£165k) and floral grants (£20k). Members have also agreed that budget shortfalls due to the cuts in Formula Grant will also be met from the New Homes Bonus. The proposed draw down in 2015-16 to negate the impact of the Formula Grant cut is £1.843m. In addition to this, Members' approval has already been given for a sum of £40k has been set aside to support domestic violence advisors in 2015-16 and £32k to support the Dalby Square project ongoing and it is proposed that £350k will be required to cover the replacement of Frontline Services vehicles and £100k will be required for Cliff Retaining and Facing Panel Maintenance – Thanet Coastline.

16.11 **2015-16 General Fund Revenue Budget Proposals**

16.12 The impact of the above changes when applied to the 2014-15 base give a net budget requirement of £19,375k for 2015-16, which is felt, will just be sufficient to enable the delivery of the Council's statutory services as well as its priority discretionary services.

16.13 A summary of the key changes that have been made to arrive at the draft General Fund Revenue Budget for 2015-16 is shown in Table 12:

TABLE 12 - GENERAL FUND REVENUE BUDGET	
	2015-16 £'000
Opening Base Budget	19,184
Inflationary Increases	373
Service Growth	1,260
Savings Required	-1,442
Net Service Revenue Budget	19,375
Decriminalisation Reserve contribution to traffic related services	-40
Priority Improvement	-50
New Homes Bonus	-2,478
Net Budget Requirement	16,807
Funded by:	
Formula Grant re RSG & Business Rates (inc. CT Freeze)	8,348
Collection Fund Surplus	50
Council Tax	8,409
Tax Base	16,807
Indicative Band D Council Tax	209.97
% increase on Band D	0.00%

17.0 COUNCIL TAX FOR 2015-16

17.1 The council's net budget requirement is met from Formula Grant given by the Government's settlement, made up of Revenue Support Grant and the Baseline Funding Level (the local share of business rates). The rest (known as the Precept) has to be raised by local taxes in the form of Council Tax.

17.2 Council Tax Surplus/Deficit

17.3 Each year the Council Tax is calculated based on assumed levels of collection rates. This means that at the end of the year an adjustment has to be made to reflect the actual collection rates. This can lead to a surplus or deficit on the fund, which has to be accounted for within the calculation of the net budget requirement. The estimated surplus assumed for this budget is £50k.

17.4 Tax Base

17.5 The Council Tax is calculated by the division of the Precept by the Council Tax Base.

17.6 The Council Tax Base is the number of properties within the District adjusted to account for different valuation bands, various discounts (including those relating to the introduction of the Council Tax Reduction Scheme (CTRS)) and an assumed collection rate. The assumed collection rate recognises that there will be an element of bad debts that will not be collected. In previous years this had been set at 97%. However, monitoring of the impact of the new scheme has been undertaken during the year and this has reflected that this assumed collection rate is too low; therefore it has been increased to 97.25% for this budget.

- 17.7 At the Council meeting on 5 December 2014, Members approved the delegation of the formal resolution determining the Council Tax Base to the S151 Officer in consultation with the Leader and Finance Portfolio Holder. It has subsequently been determined that the Council Tax Base for 2015-16 shall be as follows:

TABLE 13 – COUNCIL TAX BASE 2015-16	
Parts of District	Band D Equivalent Properties
Acol	105.64
Birchington	3,816.03
Broadstairs	9,082.74
Cliffsend	688.77
Manston	367.12
Margate	11,482.50
Westgate On Sea	2,246.52
Minster	1,103.44
Monkton	257.06
Ramsgate	10,496.88
St Nicholas-at-Wade and Sarre	377.48
Ministry of Defence Properties *	24.30
Whole of Thanet District Council	40,048.49

* These properties fall wholly within Minster

17.8 Council Tax

- 17.9 As detailed earlier in the report, the Government has announced a further Council Tax freeze grant for 2015-16 and as a result any authority which proposes a Council Tax increase above the Council Tax threshold (assumed to be 2% but yet to be confirmed) will have to go to a local referendum.
- 17.10 If the Council was to increase Council Tax by 1.99% for 2015-16 (to keep below the 2% referendum limit) it would generate additional income of £167k. If it does not increase Council Tax, it will receive a Council Tax freeze grant of approximately £103k. The Council is proposing to take the freeze grant to protect its residents and will use the New Homes Bonus to fund the shortfall of £1,843k.
- 17.11 The impact of the budget proposals contained within this report on the Council Tax can be seen in Table 14.

TABLE 14 – CALCULATION OF COUNCIL TAX FOR 2015-16	
	£'000
Net Budget Requirement for 2015-16	16,807
Financed from:	
Formula Grant re RSG & Business Rates (inc. CT Freeze)	8,348
Collection Fund Surplus	50
Balance Remaining = Precept	8,409
<i>Divided by Tax Base</i>	40,048
Council Tax for Band D property 2015-16	£209.97
Compared to Council Tax for Band D in 2014-15	£209.97
Increase in Council Tax charges	£0.00 0.00%

18.0 A STATEMENT OF ASSURANCE FROM THE SECTION 151 Officer

- 18.1 Under the Local Government Act 2003 the Statutory Finance Officer, who for Thanet District Council is the Director of Corporate Resources and Section 151 Officer, is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves. This has to be done after consideration of the context within which the Council is required to operate, both in the short and medium term.
- 18.2 The main areas of uncertainty which could put the budget under pressure for 2014-15 are future cuts in government funding, the delivery of savings, the achievement of income targets and uncertainties around the full impact of the business rates retention scheme. Whilst there are other areas of uncertainty around budget estimates for planned expenditure, the risk of overspending can largely be controlled by officers. It is a fact that the draft budget relies upon the delivery of substantial savings, however, the estimates for these have been developed by the Service Managers who are responsible for their delivery, with the assistance of the Financial Services staff, and as a consequence the figures contained within this report are believed to be achievable. The risk around the achievement of planned income receipts is heightened due to the current economic climate and this has been reflected in the revised risk assessment of reserves. Increases in fees and charges have been proposed with due regard to like charges elsewhere in the county and differential rates are used to take account of socio-geographical factors. The consideration that has gone into the production of the budget estimates, combined with the fact that the Council has an up to date financial system in place and operates sound budget monitoring and other financial control system, means that the chief Financial Officer believes the Council is well placed to deliver against the budget proposals presented within this report.
- 18.3 As regards the level of reserves, the proposals are supported by a robust financial risk assessment and their purpose is clearly laid out and well understood.
- 18.4 In conclusion, it is the Director of Corporate Resources and Section 151 Officer's opinion that the budget is robust and achievable and that the proposals for reserves are adequate.

19.0 OPTIONS

The scenario presented in this report, and the recommendations following, have been drafted to meet the requirements of agreed budget strategies and to take account of

prevailing economic conditions. Any of the assumptions could be varied; however, there would be too many possible permutations to present in this report.

20.0 CORPORATE IMPLICATIONS

20.1 Financial and VAT

20.2 The financial implications for the General Fund budget are laid out within the body of the report.

20.3 Based upon the financial risk assessment contained within Annex 5, it would at this stage be appropriate to maintain General Fund balances at 12% of the net service revenue base.

20.4 Legal

20.5 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, this is the Director of Corporate Resources and Section 151 Officer, Paul Cook, and this report is helping to carry out that function.

20.6 The requirements of other relevant statute have been referenced within the body of this report, where relevant.

20.7 Corporate

20.8 Corporate priorities can only be delivered with robust finances. Both the draft budget and the level of reserves recommended in this report are believed to be sufficient to meet these priorities and develop Services.

20.9 Equity and Equalities

20.10 There are no equality issues identified in respect of the savings highlighted in these budget proposals as these budget cuts will not impact on service delivery.

20.11 A four week public consultation was held giving local residents and businesses an opportunity to comment on the budget proposals. The consultation was available to complete online and hard copy surveys were made available on request, for collection from the council offices and local libraries and printed in the local newspaper. The consultation document was also mailed directly to a random sample of 5,000 residents. Promotion was undertaken throughout the four week period, including social media, website, press and posters. A total of xx responses were received by the closing date. The HRA budget, including the proposed rent increases, will be presented to the Tenant Area Board to which all tenants are invited.

20.12 Any further impacts of the budget proposals identified at service level will be assessed by the service managers where there is a relevance to the duty.

21.0 Recommendation(s)

- 21.1 That Members approve the draft Medium Term Financial Plan at Annex 1;
- 21.2 That Members approve the draft General Fund Revenue budget estimates for 2015-16 to 2018-19 and the resulting budget requirement for 2015-16;
- 21.3 That Members approve that the level of general reserves be held at £2,177k, and specific earmarked reserves be used as identified in Annex 5;
- 21.4 That Members approve the HRA budget estimates for 2015-16 to 2018-19 and the HRA services charges as shown at Annex 3;
- 21.5 That Members delegate the approval of the EK Housing Management Fee to the Director of Community Services in consultation with the Portfolio Holder for Housing and Planning;
- 21.6 That Members agree to a 10% reduction in the grant to minor preceptors as per section 3.26;
- 21.7 That Members approve the General Fund and Housing Revenue Account Capital Budgets for 2014-16 as detailed at Annexes 2 and 4;
- 21.8 That Members delegate decisions on the use of reserves up to and including £100k per movement to the Director of Corporate Resources and Section 151 Officer in liaison with the Portfolio Holder for Finance and the relevant service Portfolio Holder where appropriate.

Contact Officer:	Paul Cook, Director of Corporate Resources and S151 Officer
Reporting to:	Madeline Homer, Acting Chief Executive

Annex List

Annex 1	Medium Term Financial Plan
Annex 2	GF Draft Capital Programme
Annex 3	HRA Tenant Service Charges
Annex 4	HRA Draft Capital Programme
Annex 5	Financial Risk Assessment and Level of General Fund Reserves

Background Papers

Title	Where to Access Document
EKH Tenant Forum Agenda	19 th November 2014

Corporate Consultation Undertaken

Finance	N/A
Legal	Steven Boyle, Legal Services Manager

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The Medium Term Financial Strategy 2015 - 2019

Thanet District Council

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Introduction

The Medium Term Financial Strategy (MTFS) sets out the Council's strategic approach to the management of its finances and presents indicative budgets and Council Tax levels for the medium term. It covers the General Fund Revenue Account, the Housing Revenue Account and the Capital Programme, and includes grant funded projects. It also comments on the significant risks facing the Council in the forthcoming years and explains what the Council is doing to reduce those risks.

The main objectives of the MTFS are to:

- explain the financial context within which the Council is set to work over the medium term
- identify the financial resources needed to deliver the Council's priority outcomes
- provide a medium term forecast of resources and expenditure
- achieve a stable and sustainable budget capable of withstanding financial pressures.

Separate four-year plans have been developed that accord with the respective budget strategies for each of the Council's separate financial accounts, namely; the General Fund Revenue and Capital Accounts and the Housing Revenue Account. The objective of these plans is a safe and sustainable budget over the medium term.

Executive Summary

The National and Local Economic Outlook

The current economic climate and that of recent years has had a considerable impact on the Council, particularly due to its strong reliance on revenue from interest on reserves and fees and charges. The Bank of England base rate has remained at an historic low of 0.5% which has resulted in reduced investment receipts for the Council.

The council finds itself in an extremely challenging financial period as central Government continues with its drive to reduce the National deficit. Local government as a whole has continued to face larger reductions than other parts of the public sector. This Authority has, as a result, seen significant cuts in government funding over the last four years and further cuts are anticipated over the coming years. The council has already made savings of £6.2m between 2011-12 and 2014-15, primarily due to the reduction in formula grant. These savings have come from a number of different approaches including sharing services with our neighbouring councils, reviewing our staff structures and through service efficiencies, this while making no increase in its council tax, however there remains pressure to deliver further savings of £1.218m to balance the 2015-16 budget and it is increasingly difficult to find these without impacting on frontline services.

The Business Rates Retention Scheme (which is detailed further within this MTFs) provides further uncertainty. The financial risk associated with businesses leaving the district now passes to the Council (subject to a safety net) whilst any incentive from encouraging new business growth is likely to be minimal. The Council has recently received notification that it has been accepted along with most other Kent authorities, to operate a business rates retention pool which would go some way to mitigating this risk.

The new localised Council Tax Reduction Scheme replaced the Council Tax Benefit system from 1 April 2013. The Government transferred the responsibility for the design of the scheme to local authorities (subject to certain nationally set criteria), together with the transfer of the financial risks. The funding associated with this scheme was reduced by 14% which for Thanet District Council equated to a reduction of approximately £2.2m. The Council introduced a scheme which reduced the support given to working age claimants by 5.5% and removed second homes and empty property discounts. The principles of the scheme have been rolled into 2015-16. The risk of increases in the number of claimants is being underwritten by the major preceptors to 2015-16. Although to date the Council is not experiencing a significant increase in arrears following the introduction of the scheme, there is a risk that the number of bad debts could increase once the impact of the other Welfare Reforms are felt by residents.

The other Welfare Reforms regarding housing benefit may also lead to increased arrears in housing rents which in turn may lead to an increase in homelessness.

There is therefore significant uncertainty moving forward with regard to the financial implications of some of the Government's proposals which adds further pressure at a time when funding is already tight and income levels are being hit due to the economic downturn.

The Medium Term Financial Strategy

The Council's finances are captured within three different plans. A separate one exists for the General Fund Revenue Account; the Housing Revenue Account; and the Capital Programme, which contains financial projections for both General Fund and Housing Revenue Account capital expenditure.

The General Fund Revenue Account

The General Fund Revenue Account is where all of the expenditure and income that relates to the day-to-day running costs of the core services of the Council is recorded.

The net budget requirement (after taking into account income from fees and charges and other specific grants) is met by a combination of Central Government Grant (47%) and Council Tax (53%). With just under half of the Council's net budget being funded from Government Grant, a reduction in this funding makes the task of continuing to improve and evolve whilst honouring the commitment to keep Council Tax increases as low as possible very difficult to achieve.

The budget estimates for the General Fund Revenue Account over the next four years are summarised in Table 1.

Table 1

Summary General Fund Revenue Proposals 2015–19

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Net Budget Requirement	16,807	16,236	15,862	15,574
Reduction in Requirement	5.75%	3.40%	2.30%	1.81%
Increase in Council Tax	0.00%	1.99%	1.99%	1.99%

This assumes that there will be a further 10% cut in funding each year and that there will be no Council Tax freeze grant from 2016-17

Reserves

Councils must have regard to the level of reserves needed for estimated future expenditure when calculating the budget requirement. The Council has reviewed its level of reserves, taking account of the financial risks that could pose a threat to the Authority over the medium term. As a result of this exercise, the Council has set its optimal level of general reserves at 12% of the net revenue budget, which is felt to be a sufficient level of contingency. The Council's general reserves currently stand at just over this level at 12.99% and therefore a sum of £166k is available to transfer to the Priority Improvement Reserve to take the balance down to 12%. There are no plans over the medium term to use any of the general reserves to support the base budget.

In addition to the general reserve, a number of earmarked reserves exist. These are sums set aside for specific purposes and essentially allow funds to be saved over a number of years for large and often one-off items of expenditure, thereby smoothing the impact on Council Tax. The need for these reserves has also been considered over the medium term.

The Housing Revenue Account

The Housing Revenue Account is used by the Council to record expenditure and income that relates to the operation of its council houses. These include costs of maintaining the houses, expenses for running communal areas and the overheads associated with council house services.

The Housing Revenue Account sits outside of the Council's own accounts and has to be budgeted for separately. Strict rules govern what can be charged to this account. Any money remaining in the budget at the end of the financial year is carried forward in a special reserve for future housing needs and can not be used by the Council for other purposes.

The budget projections for the Housing Revenue Account for the medium term are shown in the table below.

Table 2

Summary Housing Revenue Account Revenue Proposals 2015–18

	2015-16	2016-17	2017-18	2018-19
	£'000	£'000	£'000	£'000
Expenditure	11,796	13,600	11,367	11,470
Income	(13,926)	(14,446)	(14,971)	(15,267)
Net Cost of Services	(2,130)	(846)	(3,603)	(3,797)
Other	1,909	1,188	1,138	1,916
Net Operating Expenditure	(221)	342	(2,465)	(1,881)
HRA Balance:				
Surplus at the start of the year	(5,664)	(5,885)	(5,543)	(8,009)
Surplus at the end of the year	(5,885)	(5,543)	(8,009)	(9,890)

The Capital Programme

The Council's plans for capital investment are used to develop the Capital Programme, which includes capital expenditure associated with both the General Fund and Housing Revenue Account. The programme is driven by the need to get maximum value for money from the Council's assets by making sure that they are well maintained and remain fit for purpose, within the limits of available funding.

Although the Council can borrow to fund its capital expenditure, the cost of the repayments often makes this option unaffordable and so its future capital requirements in the medium term will depend upon a well managed programme of asset disposals; using assets that are no longer suitable or cost effective to fund the acquisition and development of assets for improved service delivery. The Council's Asset Management Strategy outlines the principles, criteria and processes that form the cornerstone of the Capital Programme. This requires a continual assessment of the relative value of an asset (both financial and non-financial) in order to ensure that the Council's investment in its assets is working to optimum effect. This is especially important in the current financial climate, where assets that are no longer viable or surplus to requirements need to be disposed of in order to reduce the Council's liabilities and to generate capital receipts to fund new assets. Due to the limited availability of capital receipts and the need to contain the level of borrowing undertaken to minimise the revenue impact, it has been necessary to review the

Capital Programme. This is to ensure sufficient funding is available for existing schemes that have commenced and that any new projects meet the corporate priority and/or reduce the pressure on the revenue account. Bids have been assessed, scored and reviewed by the Budget Review Group to ensure they focus on the core priorities of the Council. It is important therefore, that only the most important schemes are selected against the limited resources.

The asset investment plans over the next four years are summarised in the following table.

Table 3

The Capital Programme 2015–19

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Statutory and Mandatory Schemes	1,408	1,408	1,408	1,408
Schemes continuing from prior years	1,039		300	
Annual Enhancement Schemes	800	800	800	800
Wholly/Part Externally Funded Schemes	40	607	244	
Replacements and Enhancements Area Improvement	812	813	570	
Capitalised Salaries	75	75	75	75
Housing Revenue Account Schemes	10,449	10,072	3,392	3,697
Total Capital Programme Expenditure	14,623	13,775	6,789	5,980
Capital Resources Used:				
Capital Receipts and Reserves	5,901	4,021	3,560	3,700
Capital Grants and Contributions	2,930	2,165	1,652	1,108
Contributions from Revenue	1,126	2,884	567	672
Prudential Borrowing	4,666	4,705	1,010	500
Total Funding	14,623	13,775	6,789	5,980

Detailed Medium Term Financial Plan

The following pages provide more detail of the Council's financial plans over the medium term. The budget is balanced, and reserves are forecast to remain above £2.01m. The net budget requirement, for the Council's own purposes, is £16.807m which is to be met mainly by:

- Revenue Support Grant of £3.630m;
- Distribution of Non-Domestic Rates of £4.587m;
- Council Tax of £8.409m

The Local Government Finance Environment

The cost of local authority services, such as those provided by Thanet District Council, are funded primarily from fees and charges for services, General Government Grant, the Council Tax and other grants.

The Council is able to generate a substantial amount of income from charging for a range of discretionary services, however the ability to raise revenues through this route is limited, due to the constraints that are placed on the Council through a variety of different pieces of legislation.

The General Government Grant is allocated by a complex model which amongst other things takes account of the relative need of an area and the ability to raise taxes locally (based on an area's council tax base). It is made up of two elements: the baseline funding level (in respect of business rates) and the Revenue Support Grant (to support council services).. The Council has faced significant cuts in funding over a number of years, this has seen the net revenue budget reduced by around 26.9% from 2010-11 to 2015-16. The Autumn Statement, issued 3 December 2014, announced that there would be no additional savings over and above those already indicated in 2014-15 and 2015-16 for local government, but there was an expectation in return that councils would apply the Council Tax freeze in both years. For the purposes of modelling, this MTFS assumes cuts of 10% in 2016-17, 2017-18 and 2018-19.

The impact of other Welfare Reforms associated with reducing housing benefit entitlement may potentially lead to an increase in homelessness. This is yet another uncertainty that could impact on MTFS assumptions and the effect of this will continue to be monitored.

Council Tax Referendum and Council Tax Freeze

The Council Tax system requires local householders to contribute directly to the cost of local service provision. The collection of the Council Tax is administered by Thanet District Council on behalf of itself, Thanet Parish and Town Councils, Kent County Council, the Kent and Medway Fire and Rescue Authority and Kent Police Authority. The element of Council Tax that relates specifically to Thanet District Council is calculated after having taken into account the expenditure needs of the Council and its ability to fund this from charges for services, General Government Grants, the use of reserves and other grant streams.

The Government has determined that any Council Tax increases above 2% will be considered excessive and therefore any authority proposing an increase above this level will therefore be subject to consultation with the public via a referendum. The cost of such a referendum for this Council would be in the region of £100k.

Councils that have frozen their Council Tax have received grant funding since 2011-12. A further grant was also announced for those who freeze their Council Tax for 2015-16. This is equivalent to a 1% increase. There is no commitment from Government at this stage beyond 2015-16.

Council Tax is currently at the same level as 2010-11.

It is proposed to also freeze Council Tax for 2015-16 but to review thereafter. This is on the assumption of a further 10% reduction in Formula Grant each year and no Council Tax freeze grant being available for these later years

The tax base upon which the Council Tax is set has been agreed as 40,048 Band D equivalents for 2015-16. This reflects a proposed collection rate of 97.25% which is considered reasonable in light of recent payment trends.

The Local Context

Quality Services Directed Towards Community Priorities

District Councils have a duty to provide a range of services for the local community and visitors, and as a result much of a District Council's services are governed by statute. Although this sets out what the Council must do, there is often some choice as to how it is done. For example, the Council has a legal responsibility to collect refuse, however it can choose how often it makes collections and the method used.

But each local area or district will have its own particular needs and so, in addition to its statutory services, most councils also provide a range of services that are discretionary, where it believes the outcomes of providing a particular discretionary service are worth the inputs in terms of resources needed.

As part of the development of the Budget and MTFs, we must ensure that all statutory services are adequately resourced and that the discretionary services for which funding is to be provided continue to deliver beneficial outcomes that are proportional to the cost of providing them.

Members and Officers alike have high aspirations for the Council but the constraints on the budget mean that services and future developments need to be prioritised. In some cases, planned service enhancements have had to be scaled back and future investments re-phased. In the previous year, the Council reorganised its structure to ensure that the Council could deliver its priorities, whilst maintaining effective services. The Council also adopted new ways of working, including shared services, to enable it to concentrate on the core council aims whilst still delivering basic council services well. The Council will develop its future budget plans to protect its key priority services, such as Street Cleansing, Refuse Collection and Recycling; and Community Safety and Crime Reduction from budget reductions that will threaten service delivery, as far as possible. The Council remains committed to promoting a culture of continual improvement to ensure that it delivers good value for money for its residents.

The Corporate Plan Framework

The Council's Corporate Plan has been approved for the period 2012-16. The plan sets out the Council's programme of priorities for the four year period and identifies three core aims that will help focus the Council's efforts towards achieving its vision:

People - Working together to make Thanet safe and improve the quality of life and health prospects for all;

Place - Keeping Thanet beautiful by making the place cleaner and greener;

Prosperity - Attracting employment especially by supporting tourism and the green economy.

To ensure the Council delivers services that meet the needs of the community now and in the future, the Council has identified eleven priorities. These are:

- support the growth of the **economy** and the number of people in work
- tackle **disadvantage** across the district
- support the **community and voluntary organisations**
- make the district a **safer** place to live
- work to improve **parking and transportation** in the district
- make the district **cleaner and greener** and lead by example on environmental issues
- plan for the right number and type of **homes** in the right place (with appropriate tenure) to create sustainable communities in the future
- support excellent and diverse **cultural facilities and activities** for the residents and visitors
- support a broad range of **sports, leisure and coastal activities**
- influence the work of other agencies to ensure the best **outcomes** for Thanet
- protect and preserve **public open spaces**

Since the Peer Review the Cabinet and Corporate Management Team have agreed four areas of focus which overarch the around the Corporate Plan priorities above, this is to focus activity until the refresh of the Corporate Plan in 2016. These are:

- Environment/Place
- Economic Development
- Housing
- Communication

Co-existing alongside the Corporate Plan are a number of other service related plans, such as the HRA Business Plan, the Waste Management Strategy and individual Service Plans; as well as capital and asset related strategies, which include the Capital and Asset Management Strategy, the Information and the Computer Technology (ICT) Strategy, the Procurement Strategy and the Accommodation Strategy.

This Medium Term Financial Strategy and the Annual Budget Report provide a key link between all of these plans. They underpin all of these other strategic documents, by translating the plans, actions and non-financial resources into financial terms so as to evidence their affordability and sustainability. In addition to presenting the budget projections of the Council's plans, these financial strategy documents cover

the planned approach to the financial management arrangements needed to obtain the maximum value out of the Council's assets.

The General Fund Revenue Account

Overview

The General Fund Revenue Account is charged with any expenditure incurred on delivering the Council's services or meeting its day to day expenses that are not covered by legislation relating to the Housing Revenue Account, or can not be treated as capital expenditure. The majority of Thanet's expenditure (84%) is charged here.

This expenditure is funded from income that the Council raises through charging for goods and services (except if it relates to council houses or is of a capital nature) plus grants and Council Tax.

Fees and Charges

The Council has a fees and charges policy that establishes the corporate principles for charging for services provided by the Council. The three key principles are:

- The Council must comply with all legal requirements for setting charges and income generation. Where appropriate, this will override other factors to ensure the Council is not exposed to the risk of legal challenge.
- The charging arrangements for any service should meet the full cost of providing the service where possible and include sound arrangements for income collection. The full cost of provision includes a share of central costs and a forecast for the effects of inflation.
- The appropriateness of charges set may be dependent on the wider aims and context of the service and as a result other aspects, such as the impact on service users, must be considered rather than just financial gain when setting fees and charges.

To adhere to these principles the Council considers the following guidelines when setting fees and charges each financial year:

- Charging decisions will be taken in the context of the Council's corporate objectives;
- Access, affordability and elasticity of demand will be considered;
- Charges will be consistent with the Council's policies for Value for Money, Equalities and Customer Access, e.g. consideration will be given to any disproportionate impact on vulnerable groups and those least able to pay;
- Where services are provided on a trading basis, charges will be set at the maximum level the market can bare without eroding demand such that the overall financial position of the service offering is weakened;
- Charges will be benchmarked with comparable local authorities and where they are identified as being significantly lower than in other comparable authorities, increases will be fast tracked in order to bring them in line;

- Charges will not be set at a level above other comparable authorities simply to meet efficiency targets or in response to comparatively higher costs for providing services in Thanet;
- The impact of uptake will be considered so that charges are set at a level that would confer a more favourable financial position;
- Any exemptions and concessions on standard charges will be clearly justified. They will only be provided for services where benefits to the recipient groups are clearly evidenced. The Council will consider the adoption of a concessions policy as part of the review of fees and charges to help address inequalities within the district. Any approved policy will be included on the Council's website; and
- Enforcement charges will be set at a level proportionate to the nature of the offence and comparable charges in comparable authorities.

Application of these principles and associated guidelines aims to ensure that the Council's fees and charges are set within a framework of value for money management; whereby financial, performance, access and equity are considered fully and appropriately and decisions taken represent a transparent and balanced approach.

External Funding

Historically the Council has been very successful at attracting external funding. External funding is potentially a very important source of income to the Council, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. The Council therefore has an external funding and grants protocol to standardise the process relating to external funding to ensure consistency and clarity and to protect the Council from unidentified risks. The protocol has improved processes over external funding streams by:

- Identifying and publicising the terms and conditions relating to external funding;
- Ensuring risks associated with external funding are identified, considered and managed;
- Ensuring exit strategies are considered where appropriate;
- Ensuring that all financial implications are identified e.g. match funding requirements and ongoing unsupported revenue costs;
- Ensuring that legal and VAT issues are identified and considered;
- Ensuring capacity issues are considered i.e. do we have the resources to deliver the project?
- Ensuring that the external funding being sought is considered within the context of the Corporate Plan and Council priorities;
- Ensuring that projects are monitored and that evidence and output data required by funders is collected, and any issues around these areas are highlighted in a timely manner;
- Increasing robustness particularly when there are staffing changes;

- Clarifying roles and responsibilities.

Developing the General Fund Revenue Budget

The General Fund Budget Strategy

Fundamental to the development of the budget and Medium Term Financial Strategy is an overarching Budget Strategy, the objective of which is a safe and sustainable budget that will deliver the policies and aspirations of the Council over the medium term. The strategy, which underpins the General Fund financial plan, is as follows:

The Council's Revenue Budget Strategy is:

- To adequately resource the Council's statutory services and the corporate priorities as set out within the Corporate Plan.
- To maintain a balanced General Fund such that income from fees and charges, Council Tax and Government and other grants is sufficient to meet all expenditure.
- To maintain Council Tax increases as low as possible to avoid a local referendum, subject to a satisfactory level of Government Grant.
- To maintain the General Fund Reserve at a level that is sufficient to cover its financial risks and provide an adequate working capital.
- To maximise the Council's income by promptly raising all monies due and minimise the level of arrears and debt write offs, so as to optimise its treasury management potential.
- To actively engage local residents in the financial choices facing the Council.
- To minimise the impact on the general public and business communities from charges levied by the Council as set out within its approved fees and charges.

These principles will enable the development of a budget that is sufficient to meet the Council's ongoing day to day business activities as well as progress its priorities as contained within the Corporate Plan. Such clear linkages between financial and business planning are the cornerstone of robust budget management practices.

The budget for 2015-16 and the three years that follow is developed by building onto the existing budget provision the anticipated increases for inflationary increases and budgetary growth that is needed for service developments; after which planned savings, growth in income and the use of reserves are reflected. This all has to be done so as to keep the resulting increase in Council Tax to a minimum.

The Budget Build Process

The paragraphs that follow show how the base budget for 2015-16 is built upon.

Budgetary Growth

Each of the different types of base budget pressure is discussed in turn below:

Employee Costs – A large proportion of the Council's expenditure is on staff related costs, the majority of which relates directly to service delivery. For the purposes of presenting an illustrative model of the impact of the budget strategy contained within this MTFs, the pay award has been included at an average of 1% for each year, for 2015/16 this equates to £180k. A vacancy level of 4% of the employee budget has also been assumed and Pay for Contribution is set at £104k.

Other Inflationary Increases – As a general rule the Council does not provide for price increases on goods and services, having instead to find ways to contain the increasing costs within existing budgets or negotiate a better price with its suppliers. The only budgetary growth for price increases that ends up being built into the budget is where it is unavoidable, such as where it is part of the terms of an existing contract or for supplies such as energy and fuel. Where provided for, contractual increases are derived from that specified in the contract. The inflationary growth has been increased in 2015-16 to reflect the increase in insurance costs and business rates growth associated with void properties.

Service Delivery Pressures – Given the economic context in which the Council finds itself, the overarching approach to developing the budget is to keep budgetary growth to a minimum to reduce the need to find compensating savings to deliver a balanced budget. Some budgetary growth is inevitable and therefore an allowance has been made to cover investment in Frontline Services Vehicle replacement, review of salary budgeting to align to current process, Cliff Retaining and Facing Panel Maintenance on the Thanet Coastline and a review of prior year savings.

Increase in Fees and Charges – The majority of fees and charges are increased in line with inflation. However, the level of some fees and charges are set by statute (e.g. planning fees) and some services are required to set their fees to break-even over a three year period (e.g. land charges), therefore the fees for these services will be increased accordingly.

Adjustments to Income – The budget for Housing has been reduced by £40k to reflect the anticipated loss of income from the in-house managing agent proposal in the MTFs 2012-18, further work is underway to review this option moving forward. Car parking income has also reduced by £60k to reflect loss in income from Staffordshire Street car park.

One-off funding for Street Cleansing Service – Following the budget consultation the area of most dissatisfaction was Street Cleansing, this one-off funding will enable the service to undertake a review of the service and develop efficient ways of working, a sum of £110k has been allocated.

All of the different sources of budgetary growth that are anticipated over the course of the medium term are summarised in Table 4.

Table 4

Budgetary Growth 2015- 2019

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Employee costs	284.00	294.00	304.00	304.00
Unavoidable Prices	192.63	190.61	195.55	200.69
Service Delivery Pressures	1,066.19	240.00	100.00	100.00
Net Increase in Fees and Charges	-	-	-	-
Contribution to Reserve	224.15	304.20	304.20	304.20
	90.00	-	-	-
Total Budgetary Growth	1,408.67	420.41	295.35	300.49
Increase in Budget Requirement	7.34%	2.17%	1.57%	1.60%

Key Proposals for Budget Reductions

The above principles have been taken forward as part of the budget developments for 2015-16. Budget reductions of £1,024, £0.571m, £0.374m and £0.287 for 2015-16 through to 2018-19 respectively have been identified in order to fund budgetary growth and to keep Council Tax increases to a minimum.

Managers' Savings – Star Chamber sessions were held for the 2013-14 budget and savings considered to remain achievable have been retained (£574.6k for 2015-16 and £698.5k for 2016-17).

- An efficiently run organisation should always keep costs to a minimum through setting organisational structures that minimise management costs. The Council reviewed its management structure ensuring services were grouped together appropriately and ensured that there was sufficient capacity at a senior level to enable delivery of the Council's priorities. Savings of £200k for 2015-16 were included, however there has been £50k growth built in 2015-16 to bring the 2015-16 down to £150k overall saving.
- A full review has been undertaken of previous years' outturns and savings have been identified as a result with no further savings being found.
- Non-Front Line Services Heads of Service have been tasked with identifying savings of £200k against their controllable budgets and given scope to spread this across their Department rather than individual managers. These are those budgets that are not contractual and over which the directors can exercise some discretion. They include printing, stationery, conferences, publications, equipment purchase etc.
- Contracts continue to be re-negotiated wherever possible to ensure that they are delivering value for money. A target of £50k for contract savings has been set for 2015-16.

- New opportunities for charging outside bodies for professional services are being considered moving forward.
- The staffing structures and working hours of the Thanet Frontline team will be reviewed moving forward. However, there will be continued focus on ensuring that the levels of service to the public continue to improve.
- Opportunities to increase income in recycling and waste will be fully explored.
- The Council will continue to work closely with Your Leisure to ensure that the subsidy provided to both the Theatre Royal and the Winter Gardens continue to provide value for money.
- A full review of the Council's office accommodation will take place. This will include consideration of where home-working may be appropriate. The Council has rationalised its office accommodation over the last few years, but by moving more staff to home-working, more office space will be freed up which could generate additional rental income.
- Opportunities for more joint working with neighbouring authorities are being explored.
- The centralisation of processes is being considered to improve efficiency and effectiveness. This will include a review of purchase ordering.
- Members of the public will also be encouraged to move towards on-line processing in order to reduce the cost of administration staff.

Other Savings – A number of other savings have also been identified to help bridge the budget gap:

- It is assumed that annual savings from East Kent Services will be in the region of 2.5% of their revenue budget and will be achieved in future years.

Presented below in Table 5 are the budget reductions that have been estimated for the medium term.

Table 5

Budgetary Reductions 2015-2019

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Managers' Savings	575	699	-	-
Other Savings	643	230	400	100
Total Budgetary Reductions	1,218	929	400	100
As a percentage of opening net budget	6.35%	4.79%	2.12%	0.53%

Phasing of Savings – It is proposed that where feasible all of the savings actions will be implemented at the earliest opportunity to give the Council the best chance of stabilising its budget requirement as soon as possible. However, as many of the savings are expected to take a few years before a full year reduction is able to be budgeted for, for modelling purposes it is assumed some of the savings identified in 2015-16 will be slipped to 2016-17.

General Fund Reserve

The Local Government Finance Act 1992 specifies that precepting authorities, such as Thanet District Council, must have regard to the level of reserves needed for estimated future expenditure when calculating the budget requirement. In order to comply with this requirement each year the Council reviews its level of reserves, taking account of the financial risks that could pose a threat to the Authority over the medium term. The optimal level is considered to be at 12% of the net revenue budget as this is felt to be a sufficient level of contingency.

The opening balance as at 1 April 2014 was £2.177m, which equates to 12.99% of the 2015-16 Net Revenue Budget. There are no planned withdrawals from the General Fund balance to support the base budget over this MTFs, however as identified on page 4 of this report that will make £166k available for transfer to the Priority Improvement Reserve for pump priming future projects.

Earmarked Reserves

In addition to the General Reserve, a number of earmarked reserves exist, which are sums set aside for specific purposes. Essentially these allow funds to be saved over a number of years for large and often one-off items of expenditure, thereby smoothing the impact on Council Tax.

The earmarked reserves over the medium term are shown below. Where the exact demand on the reserve is not known sufficiently far enough in advance over the medium term no estimates are allowed for within the MTFs. This does not affect the 'bottom line' of the budget requirement, as neither the expenditure nor the equivalent amount of funding from the earmarked reserves are reflected.

The Earmarked Reserves over the medium term are:

- **Risk Management** – This is to meet potential increases in insurance premiums and also to cover the cost of large excesses relating to insurance claims.
- **Local Plan Reserve** – This reserve is held to cover the future cost in relation to consultation and inspection on the Local Plan.
- **General Fund Repairs** – This reserve is held as a contingency for necessary essential repairs and maintenance works to Council assets.
- **Information Technology Reserve** – This reserve was created to control and enhance the development of new information technology initiatives with the objective of improving efficiency throughout the Council's activities. Monies are also held in this reserve to support the replacement of ICT equipment.
- **Environmental Action Plan Reserve** – The Environmental Action Plan is a fundamental part of the Council's Corporate Plan and a key corporate priority. This reserve therefore holds funds that have been set aside to meet various improvements to public assets throughout the district.

- **Office Accommodation Reserve** – A small balance is held on this reserve to support any office accommodation changes required following the implementation of the staffing restructure.
- **Cremator and Cemeteries Reserve** – This reserve was created to hold the surcharge element of the cremator fee. This was set aside to meet the cost of the cremator project undertaken in 2012-13 to meet the Council's environmental obligations. The surcharge on both cremations and burials will continue to be set aside in this reserve to support future burner replacement and works required at the cemeteries.
- **Decriminalisation Reserve** – The Council administers the on-road parking service but has to account for the income and expenditure separately. This reserve holds any unutilised revenues from parking charges. These are used to fund future parking, transport or environmental improvement related schemes. A sum of £40k per annum is drawn down from this reserve to meet base budget transport related costs. The funds within this reserve are not available for general Council use.
- **Priority Improvement Reserve** – This holds money set aside to fund initiatives that require one-off funding that will deliver service improvements or act as an invest to save reserve, providing initial start-up funds for projects that will ultimately save money.
- **Council Elections Reserve** – This is a saving account for the elections which occur every four years.
- **Renewal Fund** - This is a saving account for specific purposes based on the average annual amount required e.g. for the cost of CRB checks.
- **Customer Services Reserve** – This reserve is for housing benefit subsidy. Due to the volatility of this activity and the tight financial constraints which preclude the budget being set at a level that would be sufficient for upper activity levels, it is prudent to set aside underspends that arise in this area as a contingency for future years. This reserve will also help to negate the impact of an increase in the level of bad debts due to the move towards paying claimants direct.
- **Unringfenced Grants** – Past underspends against the Area Based Grant funding have been set aside in an earmarked reserve to be utilised in future years to help support the Economic Development and Community Development functions.
- **Waste Reserve** - This reserve holds service under-spends to support future service enhancements and the costs of replacing the waste fleet.
- **Homelessness Reserve** – Service under-spends have been set aside in this reserve to meet future homelessness needs.
- **Maritime Reserve** – This is to be used to support improvement works at the Port and Harbour and for income protection/maximisation works.
- **Pensions Reserve** – Due to the uncertainty around pensions, a reserve has been set up from pension savings in order to mitigate future risks around pensions.
- **VAT Reserve** – The receipt of monies in relation to the Council's Fleming claim have been set aside in an earmarked reserve to offset the risk of the Council breaching its partial exemption VAT limit.
- **East Kent Services** – The Council holds this budget as accountable body. It holds year end surpluses in respect to the operation of East Kent Services and the delegated responsibility for spend against the reserve is with the Director of East Kent Services.
- **New Homes Bonus** – The New Homes Bonus monies are held in this reserve and will be utilised to support one-off projects as agreed by Members. An element of the Formula Grant is being top-sliced to fund the New Homes Bonus scheme so the

Council will need to draw down some of this funding in future years to offset this top-slice. A sum of £185k per annum is also being drawn down to support events and floral grants.

- **Housing Intervention** – This reserve is held to support the one-off costs associated with the Housing Intervention project.
- **Economic Development and Regeneration Reserve** – This reserve is to support one-off service improvements and initiatives encouraging economic growth.
- **Pay and Reward Reserve** – This is to support the new pay and reward scheme.
- **Vehicle, Plant and Equipment Replacement** – The Council has identified that there are a number of vehicles, plant and equipment that will be coming to the end of their useful lives over the next few years. Any service in-year underspends in relation to waste, street cleansing, maritime, parks and grounds will be set aside in this reserve to support a replacement programme.
- **Dreamland Reserve** – Monies have been set aside to bolster the contingency for the Dreamland project.
- **Coastal Infrastructure** – A sum of £500k has been set aside from the New Homes Bonus monies to support the objectives of the Destination Management Plan by enhancing council assets that help to support and encourage tourism.
- **HRA Properties Reserve** – This is held to support the purchase and refurbishment of HRA properties. Its usage is ring-fenced for the HRA.

The General Fund Revenue Budget Requirements

All of the stages in developing the General Fund Revenue Budget that have been described above have been used to calculate the estimated budget requirement for 2015 – 2019 which are presented in summary in Table 6.

Table 6

The Medium Term General Fund Revenue Budget 2015 – 2019

	2015-16	2016-17	2017-18	2018-19
	£'000	£'000	£'000	£'000
Brought forward Revenue Budget	19,184	19,374	18,862	18,754
Inflationary Increases	193	191	196	201
Increases in Fees and Charges	-224	-304	-304	-304
Increase/Decrease in Income	-100	-100	-400	-100
Service Growth	1,350	530	400	400
Savings	-1,101	-739	0	0
Contribution to reserves	90	0	0	0
Phasing of Savings	-17	-90	0	0
Net Service Revenue Budget	19,375	18,862	18,754	18,950
Use of Earmarked Reserves	-90	-90	-40	-40
New Homes Bonus	-2,478	-2,537	-2,852	-3,336
Net Revenue Budget Requirement	16,807	16,235	15,862	15,574

Funding the Medium Term General Fund Revenue Budget

Local Government Finance Settlement

Formula Grant – The Local Government Finance Settlement has announced the provisional figures for 2015-16 which reflect a cut of 15.9%. It is anticipated that further cuts are to come and for the purposes of this MTFs, cuts of 10% in 2016-17, 2017-18 and 2018-19 have been assumed. Also rolled into this funding from 2013-14 are the homelessness grant, the Council Tax freeze grant and the Council Tax Support grant:

- The Council receives annual funding of £124k to support homelessness initiatives.
- The Council has assumed a grant of £103k for the 2015-16 freeze on Council Tax.
- The CTRS is under three year agreement with KCC, and 2015-16 is the last of the three years. Proposals for future financial years will be issued by KCC for consultation early in financial 2015-16. It is not expected there will need to be a substantial changes to the scheme.
- Following consultation it is proposed further to amend the local scheme to introduce a 50% premium for long term empty properties which have been left substantially unfurnished for 2 years or more which is being taken as a separate report.

Specific Grants – Specific Grants are received for administering the housing benefit and council tax payment and collection systems on behalf of Government. A reduction in this funding of £165k has been announced for 2015-16.

New Homes Bonus

The New Homes Bonus rewards local authorities that deliver sustainable housing development. Local authorities receive a New Homes Bonus equal to the national average for the Council Tax band on each additional property built in the area in the preceding year. This is paid for the following six years as a non ring-fenced grant meaning the Council is not fettered in how it chooses to spend this funding.

The provisional New Homes Bonus allocation for 2015-16 is £2.559m. The Council will receive this for each of the following five years and will also receive additional sums for any further new homes built. The MTFs assumes that these funds are held for projects that will have benefit for its local communities. However, the formula grant has been top-sliced to fund the New Homes Bonus programme and therefore the Council will require some of this funding to offset this top-slice in future years. It is anticipated that £1.843m will be required to support the 2015-16 budget, with further drawdowns of £ £1.902m, £2.217m and £2.886m required in, 2016-17, 2017-18 and 2018-19 respectively.

It is proposed to use the New Homes Bonus to cover the shortfall of taking the Council Tax freeze grant rather than increasing Council Tax by 1.99%.

It has been agreed to use £185k per annum to fund the events and floral grants budgets and £40k to support domestic violence advisors and £31k to support the Dalby Square project. In 2015-16 onwards £100k it is proposed to fund the Cliff Retaining and Facing Panel Maintenance – Thanet Coastline and £350k to fund the Frontline Services vehicle replacement.

The following table shows the New Homes bonus allocations and agreed drawdowns:

Table 7

New Homes Bonus Funding

	2015-16	2016-17	2017-18	2018-19
	£'000	£'000	£'000	£'000
Balance brought forward	401.37	410.85	951.19	1,177.64
New Homes Bonus allocation	2,559.47	3,109.35	3,150.44	3,164.12
To cover shortfall in Formula Grant	-1,843.00	-1,902.00	-2,217.00	-2,886.00
Events/floral grants support	-185.00	-185.00	-185.00	0.00
Domestic violence advisors	-40.00	0.00	0.00	0.00
Dalby Square	-32.00	-32.00	-72.00	0.00
Frontline Services - vehicle replacement	-350.00	-350.00	-350.00	-350.00
Cliff Retaining and Facing Panel Maintenance - Thanet Coastline	-100.00	-100.00	-100.00	-100.00
Balance to carry forward	410.85	951.19	1,177.64	1,005.76

Council Tax

The Council sets its net budget requirement (after having taken account of increased income from charges and the use of reserves) which is then part funded from Government Grant and part from Council Taxes. The total amount that is needed to be raised by Council Taxes is known as the Precept. This is divided by the total number of equivalent Band D properties (the tax base) in order to calculate the individual Council Tax band amounts. For medium term planning purposes, the level of growth in the tax base has been assumed to be zero.

The Council's budget plans, grant predictions and the assumed Council Tax base give the projected levels of Council Tax increases which are shown in Table 8.

This shows that the Council will be utilising the Freeze grant in 2015-16 and is based on an assumption of a further 10% reduction in Formula Grant each year and no Council Tax freeze grant being available for these years.

Table 8

The Medium Term Revenue Funding Summary 2015 - 2019

*This includes the Council Tax Freeze Grant

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Net Service Budget	19,375	18,862	18,754	18,950
Transfer from Earmarked Reserves	-40	-40	-40	-40
Priority Improvement	-50	-50	0	0
New Homes Bonus	-2478	-2537	-2852	-3336
Net Budget Requirement	16,807	16,235	15,862	15,574
Funded From:				
Formula Grant (RSG & NNDR)*	8,048	7,138	6,412	5,757
Collection Fund Surplus	50	50	50	50
Business Rate Retention	300	300	300	300
Precept	8,409	8,748	9,100	9,467
Council Tax Base	40,048	40,849	41,666	42,500
Band D Council Tax	£209.97	£214.15	£218.41	£222.76
Increase in Band D Council Tax	£0.00	£4.18	£4.26	£4.35
% Increase in Band D Council Tax	0.00%	1.99%	1.99%	1.99%

The Housing Revenue Account

Overview

The Council is required by the Local Government and Housing Act 1989 (section 74) to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account.

The HRA 30 Year Business Plan

The HRA Business Plan indicates that the Council can maintain its properties to the Decent Homes Standard for the full 30 years of the plan (which runs to 2036).

To extend the financial viability of the HRA Business Plan an Arms Length Management Organisation (ALMO), East Kent Housing, was established in April 2011 to manage the council housing of all of the East Kent Local authorities. Each council continues to determine its own HRA Business Plan and its stock investment priorities. The annual planned maintenance budgets also continue to be determined by each council as part of its existing constitutional and budget processes. The feasibility study for the ALMO identified that savings could be achieved as a result of merging the services. By pooling resources, the councils can also develop greater expertise in specialist areas like asset management, community development and housing and tenancy law. The aims of the ALMO are:

- Delivering excellent customer service – aiming for 3 stars;
- Realising greater efficiencies and savings for reinvestment;
- Encouraging stronger and more prosperous communities;
- Improving procurement capacity;
- Providing additional investment for council housing estates;
- Ensuring longer term resilience for the council's individual Housing Revenue Accounts;
- Establishing a stronger housing role for the councils;
- Developing a stronger role for tenants in shaping housing services;
- Improving career opportunities for staff.

Developing the Housing Revenue Account

The Housing Revenue Account Budget Strategy

The main strategic objectives of the Housing Revenue Account, which provide the underlying principles for financial planning, are summarised in the box below. This strategy accords with the current HRA 30 Year Business Plan and has been used as the basis on which this Medium Term Financial Plan has been developed.

The Council's Housing Revenue Account Strategy is:

- To maintain a Housing Revenue Account that is self-financing and reflects both the requirements of residents and the strategic visions and priorities of the Council.
- To maintain current Housing Stock at Decent Homes Plus standard
- To increase or improve the Council's housing stock through new build and bringing empty properties back into use.
- To consider the disposal of stock that is not viable to generate capital receipts for re-investment in new or existing stock.
- To maximise the recovery of rental incomes by moving void properties to "target rent", reducing the number of void properties and minimising the level of rent arrears and debt write offs.
- To maintain a minimum level of HRA reserves of £800k but with a target level of reserves of £1m.

As with the General Fund Revenue Account, the HRA budget is arrived at after the consideration of inflationary increases; growth in expenditure arising from service led demands and other pressures; reductions in expenditure through the realisation of efficiencies; and changes in income through rent increases and the impact of the sale of council houses.

Budgetary Growth

Inflationary Increases - For direct expenditure budgets, price increases have been included at 2%, in line with the budget assumptions for the General Fund Revenue Account. Where there is a known inflate within a specific contract, this has been used.

Increased Income

The Council receives income from a variety of sources in respect of its council houses, including that raised from rents and from service charges to residents of flats for communal services in order to recover its costs.

Service Charges – A review of the service charges within the HRA has been undertaken to take into consideration Welfare Reform changes, Department of work and Pensions requirements and feedback from the Tenant board. Service charges will now be recovered at actual cost and follow the new government guidance that increases should not exceed September CPI +1%.

Rents – In May 2014 the government issued revised guidance on rents for social housing. It is anticipated the new guidance will provide stability to the rent setting process and Housing Business Plans for the next 10 years. Rental estimates are

based on the new government guidance for rental increase which uses the September CPI figure of 1.2% + 1%. Future years' estimates in the MTFP will be based on calculations that include a CPI inflationary increase for the next 10 years of 1% + 1%. Garage rents have also been set using this methodology.

HRA Investment Income – This consists of interest accruing on mortgages granted in respect of Right to Buy sales and interest on HRA balances. The base rate has remained low which in turn means that investment interest will be low. Current projections for future years have been increased. The budget for 2015-16 of £75k is based on achieving an average interest rate of 0.75%.

HRA Reserves

The Council keeps three HRA specific reserves: the HRA Major Repairs Reserve, the HRA Balance Reserve and the HRA New Properties Reserve. These are explained in more detail below.

Housing Revenue Account Major Repairs Reserve – The annual Major Repairs Allowance (MRA) that was paid to the Council as part of the HRA Subsidy had to be placed in a Major Repairs Reserve, to be used to meet HRA capital expenditure on housing stock or debt repayment only. It is proposed to continue with the 5 year transitional arrangement and to continue to place the forecast MRA as per the determination schedules in the reserve. This funding, together with previous allocations of supported borrowing and revenue contributions, with good management, has enabled the Council to maintain the housing stock in a good condition. The Council currently maintains its social housing to Decent Homes Plus standard

Housing Revenue Account Balance Reserve – This reserve holds the balance on the HRA and is used to draw down to balance the revenue budget and smooth any peaks and troughs within the 30 year business plan. It is maintained by annual contributions from the HRA.

Housing Revenue Account New Properties Reserve – This reserve holds funds set aside to fund either new build properties or the acquisition of suitable properties for use within the HRA. Earmarked match funding for the Margate Intervention and Empty Property programme has been set aside in this reserve as agreed by Cabinet. Income generated from affordable rents will continue to be set aside in this reserve for re-investment in a new build programme.

The Medium Term HRA Budget Requirements

The changes that are outlined in the paragraphs above have been applied to the 2015-16 budget for the Housing Revenue Account and the resulting financial projections for the HRA over the next four years are summarised in Table 9:

Table 9

The Medium Term Housing Revenue Account Budget 2015 – 2019

	2015-6	2016-17	2017-18	2018-19
	£'000	£'000	£'000	£'000
EXPENDITURE				
Repairs and maintenance	3,368	3,587	3,644	3,616
Supervision and management – General	2,859	2,862	2,863	2,864
Supervision and management – Special	555	565	576	587
Rents, rates, taxes and other charges	366	380	395	409
Bad or doubtful debts provision	170	170	170	170
Depreciation/impairment of fixed assets	2,543	2,543	2,543	2,543
Debt Management Charges	99	9	9	9
Non-service specific expenditure	800	800	800	800
Capital expenditure funded from HRA	1,126	2,684	367	472
Gross Expenditure	11,796	13,600	11,367	11,470
INCOME				
Dwelling Rents (gross)	-13,094	-13,611	-14,134	-14,428
Non-dwelling Rents (gross)	-200	-203	-205	-207
Charges for services and facilities	-331	-331	-331	-331
Contributions towards expenditure	-290	-290	-290	-290
Other Charges for Services and Facilities	-11	-11	-11	-11
Income	-13,926	-14,446	-14,971	-15,267
Net Costs of Services	-2,130	-846	-3604	-3,797
HRA Investment Income	-76	-151	-201	-251
Debt Interest charges	988	1,170	1,170	1,170
Government Grants and Contributions	-1,362	-610		
Adjustments made between accounting basis and funding basis	2,359	779	169	997
(Surplus)/Deficit on HRA	(221)	342	(2,466)	(1,881)
Housing Revenue Account Balance:				
Surplus(-)/Deficit at Beginning of Year	-5,664	-5,885	-5,543	-8,009
Surplus(-)/Deficit For Year	-221	342	-2,466	-1,881
Surplus(-)/Deficit at End of Year	-5,885	-5,543	-8,009	-9,890

The Capital Programme

Overview

Maintaining and improving the Council's infrastructure requires considerable resources and typically it covers three types of investment:

- Premises;
- Information and communication systems; and
- Vehicles and equipment.

Investment in such infrastructure qualifies as capital expenditure when it results in an asset that costs over £10k and has a useful life of more than one year. It can be funded from loans, capital receipts, capital grants and contributions from revenue.

Assets bought in this way form part of the 'worth' of the organisation, appearing on its balance sheet for years to come until disposed of. Due to the longer term nature of capital projects and the different funding sources that are available, the capital budget is shown separately to the revenue budget.

The Council's Asset Management Strategy outlines the principles, criteria and processes that form the cornerstone of the following draft Capital Programme. This requires a continual assessment of the relative value of an asset (both financial and non-financial) in order to ensure that the Council's investment in its assets is working to optimum effect. This is especially important in the current financial climate, where assets that are no longer viable or surplus to requirements need to be disposed of in order to reduce the Council's liabilities and to generate capital receipts to fund new developments or be transferred for Community benefit.

A total of 425 responses have been received in respect of the budget consultation. The responses have highlighted the top 5 priorities as being street cleansing; recycling and waste; community safety; environmental health and parks and open spaces. These areas have been protected from budget cuts wherever possible in recognition of their importance to Thanet's residents.

Consideration for the Environment

The Council is committed to reducing its carbon footprint, and acting responsibly in respect of its use of natural resources. Accordingly all future capital investments will be done to either assist in the delivery of the Climate Change Strategy, or with due regard for its aims.

Developing the Medium Term Capital Programme

The Capital Budget Strategy

The Capital Programme has been developed following the principles that are laid out in the Council's capital budget strategy, which is shown below.

The Capital Budget Strategy is:

- To maintain an affordable four-year rolling capital programme.
- To ensure capital resources are aligned with the Council's strategic vision and corporate priorities.
- To undertake Prudential Borrowing only where there are sufficient monies to meet in full the implications of capital expenditure, both borrowing and running costs.
- To maximise available resources by actively seeking external funding and disposal of surplus assets.
- To engage local residents in the allocation of capital resources where appropriate.

Due to the limited availability of capital receipts and the need to contain the level of borrowing the Council undertakes to lessen the revenue impact, it has been necessary to review the Capital Programme to ensure sufficient funding is available for existing schemes that have commenced and that any new projects are of the highest corporate priority..

Planned Investments

The Capital Programme has been very much driven by those capital schemes that are core priorities, have health and safety implication or deliver a revenue saving to the authority and sustain income streams. The public budget consultation exercise has also been used to identify where funding should be prioritised.

The main capital projects that are planned for in the medium term are outlined below:

Existing Programmes already agreed – Programmes already agreed from previous years within the four year programme are the Disabled Facilities Grant £1.407m, Dalby Square Townscape Heritage Scheme £559k, Margate Cemetery Extension £230k, Public Conveniences annual enhancement programme £50k, Swimming Pool/Sports Hall Essential capital repairs £50k, Grounds maintenance replacement mowers and vehicles £250k.

Service Led Capital Schemes

The running of a District Council requires an on-going investment in assets that are used to deliver the business. These include vehicles within the Grounds Maintenance Team that are nearing the end of their useful life and £250k has been factored in for 2015-16 for their replacement. A full review of the replacement programme for Waste and Cleansing vehicles, plant and equipment is being progressed and a continuing replacement programme has been factored into the programme at £500k each year. As part of the review the requirements for the Waste Transfer Station that is already budgeted for in 2013-14 at £216k is being evaluated resulting in a requirement for a greater level of investment. A further £500k has been identified as being required. Upgrading of the boat washing facilities at the Harbour £25k is required to include a new waste collection system for better disposal of solid waste.

A number of the Council's properties require investment and a base annual enhancement programme has been built in of £200k per year. This is to be funded from capital receipts in the first year, but it is expected that a greater rationalisation of assets in future years will generate revenue savings that can be re-invested in the remaining assets in future years. The programme of works against this budget will be determined by the newly formed Corporate Property Asset Management Group.

The Council's CCTV cameras are nearing the end of their useful life and due for replacement. Cabinet agreed on 13 November 2014 that the control room be retained in the medium term at its current location but with financial provision made to co-locate in the Cecil Street offices and a tender exercise undertaken for the replacement of the control system, cameras, and mobile CCTV equipment.

Grant Funded Projects - The Council has plans for a number of schemes that will be fully or part funded by grant. The most significant of these is the provision of Disabled Facility Grants (DFGs) which are provided to residents as a financial contribution for adaptations to their homes, such as to assist with mobility difficulties. Councils can claim 100% of Communities and Local Government funding for each DFG without a need to match fund up to the total value of Government grant awarded. Unfortunately the authority is anticipating a substantial reduction in the capital receipts budget which has reduced the available funds the authority has to allocate. However, the authority is still committed to providing a contribution towards the government funding. It is intended to provide an initial match funding of £300k per annum towards the programme, being the maximum that it can afford in light of the overall capital programme and the anticipated level of capital receipts. The way DFGs are delivered is likely to change moving forward with Kent County Council and the Clinical Commissioning Groups deciding final allocations to local authorities.

New Capital Projects –

Introduction of Columbaria at the Crematorium - This will enable multiple above-ground 'interments' of ashes along with associated memorialization and provide an income stream which will renew periodically. Such schemes are more widespread nowadays due to pressures on land-space and maintenance costs with more traditional methods. The introduction of such a scheme at Thanet is necessary as the Garden of Rest areas now have a capacity for possibly only five years, but would still require costly maintenance once full.

Upgrade of the Public Chapel of Remembrance – Refurbishment of the public chapel of remembrance with the provision of an 'Electronic Book of Remembrance'. This should include the replacement of the bespoke cabinet to accommodate three

physical Books of Remembrance and provision of an electronic facility to enable greater public access to individual memorials. This may also necessitate rearrangement to lighting and other fittings, as well as the extension of internet access to the Chapel. This will enhance the facility to provide the modern aspect of the electronic system which many crematoria now use, as well as providing continued accessibility to the traditional Books of Remembrance which have been at Thanet since 1966 and which are still regularly visited by many people.

Sea Wall Re-facing Works West of Westgate Bay - Grant funded study work has been completed and a scheme has been designed in detail consisting of the renewal of the coping with new precast units. The seaward berm slab will also be renewed as part of the scheme. Some sea wall toe improvement work will also be included. The scheme features on the Environment Agency's Medium Term plan for funding in 2017-18 subject to Project Appraisal Report Approval and should it be agreed it is anticipated it would be fully funded by the Environment Agency.

Ramsgate Port and Harbour – Low Carbon Plan - The Low Carbon Plan project is currently at feasibility stage and is being progressed as part of the LOPINOD (Interreg funded) project. The project seeks to reduce the carbon footprint and running costs of the Port and Harbour through the use of a number of renewable energy technologies and the introduction of modern apparatus to reduce energy consumption. Work streams currently being investigated include:

Hydroelectric power generation (using water held in Inner Harbour Marina)

- Solar Panels (Photo Voltaic and Solar Thermal)
- Marine Source Heat Recovery – Premises heating
- Introduction of LED lighting technology
- Wind turbine technology

The feasibility element of the project will be completed in January 2015, with detailed design to follow subject to conclusions and funding availability. It is anticipated that any borrowing required for the scheme would be self-funding from the savings generated. Further information will be reported to Cabinet once available

Ramsgate Main Beach Timber Groyne - The Ramsgate Main Beach area attracts the deposition of sand due to the artificial influence of the East Pier of Ramsgate Royal Harbour which retards the natural long shore drift process. The provision of groynes would stabilise the beach which could reduce beach recycling costs and dredging costs. A more stable beach particularly towards the north of the area could also enhance amenity value. A project of this nature cannot progress without detailed study work to assess environmental impact including that on coastal process, current beach usage and visual amenity. An application to fund a study of this nature has been made to the Environment Agency through the flood and coastal erosion risk management grant process.

Council Housing – The Housing Revenue Account Capital Programme has been set to ensure that the authority's social housing stock meets Decent Homes Standard Plus and provides a continuing maintenance scheme to the Council's housing stock.

The Margate Intervention programme sets out to transform the housing market in two of Britain's most deprived wards: Cliftonville West and Margate Central. The Empty Homes programme is proposed to continue to refurbish long term empty properties into affordable housing.

With the flexibilities now available as part of the self-financing changes, the Council is currently developing the HRA Asset Management Strategy to review land and buildings within the HRA, including garage sites, to ensure they are being put to best use and obtaining value for money for the tenants. This has been the driving factor towards the first tranche of a new development programme for the HRA consisting of 58 new units. Further works are continuing to identify surplus land and properties for on-going new build developments. The Council has recently made an application to Government to extend the borrowing headroom by a further £1.11m to facilitate the building of a further 20 new units of affordable accommodation and has recently received notification that the application has been successful.

Details of the planned capital projects for the next four years are summarised later in Table 10.

Capital Funding Sources

The capital investment proposals contained within this MTFS rely upon an overall funding envelope made up of a number of sources, including borrowing, capital receipts, capital grant and revenue contributions.

Borrowing

The local Government Act 2003 gave local authorities the ability to borrow for capital expenditure provided that such borrowing was affordable, prudent and sustainable over the medium term. The Council has to complete a range of calculations (Prudential Indicators) as part of its annual budget setting process to evidence this. These make sure that the cost of paying for interest charges and repayment of principal by a minimum revenue contribution (MRP) each year is taken into account when drafting the Budget and Medium Term Financial Strategy. Over the course of this MTFS, prudential borrowing of £9.5m has been assumed for the General Fund Capital Programme in 2014-15. A housing debt cap of £27.792m has been set for the Council's HRA, being the maximum amount the HRA can borrow.

Capital Receipts

Capital receipts are generated when a fixed asset is sold and the receipt is more than £10k. Capital receipts can only be used to fund capital expenditure. All of the receipts from the disposal of an asset on the Council's General Fund (i.e. for its main services) can be kept by the Council. On 2 April 2012 Ministers raised the cap on Right to Buy discounts to £75k and confirmed that receipts from the additional sales this would generate would be used to fund replacement stock on a one for one basis. At the same time Ministers confirmed that their favoured option of delivering these new homes would be through local authorities retaining receipts to spend in their areas. In order to keep these additional receipts it was necessary to enter into an agreement with the Secretary of State for Communities and Local Government. On 26 July 2012 Cabinet gave approval to enter into this agreement. This allows the Council to retain additional Right to Buy receipts over and above that budgeted by Treasury. Under this regime Treasury receive 75% of income on sales for approximately the first four Right to Buy properties and the Council is able to keep all of the sales income over and above.

The Asset Management Strategy (AMS) – The Council's planned level of capital expenditure means that significant levels of asset sales are required. The AMS provides a framework for determining which of the Council's assets are suitable for

disposal in order to fund new investments that will ensure that its property portfolio is fit for purpose. Over the course of this Medium Term Financial Strategy the AMS has enabled the identification of a number of assets that can be disposed of without any detriment to service delivery, and yet improve the overall value for money represented by the Council's assets. The affordability of the Capital Programme has been based on the assumption of a certain level of capital receipts being generated, as these can be subject to change following public consultation and the Capital Programme will therefore continue to be reviewed and monitored.

Capital Grant

The Council receives additional grant funding for a variety of purposes and from a range of sources. These include Communities and Local Government funding for Disabled Facility Grants, Lottery funding and European grants.

Revenue Contributions

General Fund Contributions - Although the Council can use its General Fund revenue funds to pay for capital expenditure, as it has in the past, the current financial constraints that are on the Revenue Budget means that this option is limited in the medium term.

HRA Contributions – Funding for capital expenditure on houses can be met from within the HRA. The future funding requirements will be informed by the revised 30 year HRA business plan.

Capital Reserves

HRA Capital Reserves – Although the HRA subsidy system has ceased to exist, transitional arrangements allow the Council to continue to place the Major Repairs Allowance, as detailed in the settlement determination, in the Major Repairs Reserve. This is exclusively available for use on HRA capital expenditure.

Capital Projects Reserve – It is anticipated that this reserve will be fully utilised to help fund the 2014-15 Capital Programme.

The investment plans and the use of the different funding streams produce the budget for the General Fund Capital Budget that is shown in Table 10.

Table 10

The Medium Term General Fund Capital Budget

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Statutory and Mandatory Schemes	1,408	1,408	1,408	1,408
Schemes continuing from prior years	1,309		300	
Annual Enhancement Schemes	800	800	800	800
Wholly Externally Funded Schemes	40	607	244	
Replacements and Enhancements Area Improvement	812	813	570	
Capitalised Salaries	75	75	75	75
Total Capital Programme Expenditure	4,174	3,703	3,397	2,283
Capital Resources Used:				
Capital Receipts and Reserves	1,501	918	535	475
Capital Grants and Contributions	1,568	1,555	1,652	1,108
Contributions from Revenue		200	200	200
Prudential Borrowing	1,105	1,030	1,010	500
Total Funding	4,174	3,703	3,397	2,283

The plans that exist for capital investment into the Council's housing stock are reflected in Table 11. Together the information in Table 10 and Table 11 comprises the Medium Term Capital Programme for the Council.

Table 11

The Medium Term Housing Revenue Account Capital Budget

	2015-16	2016-17	2017-18	2018-19
	£'000	£'000	£'000	£'000
Total HRA Capital Programme Expenditure	10,449	10,072	3,392	3,697
<i>HRA Capital Resources Used:</i>				
HRA Major Repairs Reserve	2,630	3,035	3,025	3,225
HRA Revenue Contributions	1,126	2,684	367	472
New Build Reserve	1,770	68		
Grant Funding	1,362	610		
Housing Capital Receipts				
Prudential Borrowing	3,561	3,675		
Total Resources	10,449	10,072	3,392	3,697

Treasury Management

The treasury management service is an important part of the overall financial management of the Council's affairs. Treasury management can be defined as the management of the Local Authority's cash flow, its banking, money market and capital market transactions the effective management of the risks associated with those activities; and the optimum performance consistent with those risks. Its activities are strictly regulated by statutory requirements and the CLG's Guidance on Local Government Investments and the revised CIPFA Treasury Management in Public Services Code of Practice and cross Sectoral Guidance Notes.

Prudential Code – The Local Government Act 2003 requires the Council to have regard to the CIPFA Prudential Code and the production of Prudential Indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, reflecting the outcome of the Council's underlying capital appraisal systems. As part of the budget process, Full Council approves a series of Prudential Indicators that demonstrate that its activities are affordable, prudent and sustainable.

Investment Strategy - The Council's investment strategy primary objectives are safeguarding the re-payment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. This strategy will ensure that:

- The Council has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

- The Council maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

The Bank of England base rate has remained at an historic low of 0.5% and therefore investment returns have been very low. Investments are regularly reviewed and new accounts opened with a view to try and take advantage of the best rates available whilst minimising the Council's exposure to counterparty risk. Returns are expected to slightly increase during 2015-16.

The Audit Commission's report "Risk and Return" reminded councils that they should invest prudently and should primarily seek to safeguard public funds rather than maximise returns. Security and liquidity should therefore still take priority over yield. This Council is diligent in ensuring that monies are only placed in secure and liquid investments and also uses a wide range of information, including, but not limited to, credit ratings, to ensure it is making informed investment decisions.

Borrowing – Active management of the Council's debt portfolio is an important part of the treasury management function. The Council will take a cautious approach to its borrowing strategy. The Section 151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecasts.. The Council will need to undertake additional borrowing over the next few years as old debts are due to mature and will need to be repaid. The Council will opt to take out borrowing or will consider rescheduling or repaying in due course in line with market conditions.

There are a number of factors that could impact on the interest payable/investment income of the Council, including but not limited to

- Bank of England interest rate
- PWLB borrowing rate
- Cash flow – any variation on anticipated cash flows for major items of income and expenditure can have a significant affect on forecast investment income
- Sums lost due to imprudent investment

These risks have been mitigated by seeking professional advice on interest rate forecasts, carefully modelling the cash flow against anticipated financial forecasts and restricting investments only with those that have high credit ratings as set out in the Council's Treasury Investment Strategy.

Managing the Financial Risks

With budgeted expenditure of over £70m and income targets of over £50m, just for the General Fund alone, it is fundamental to the financial standing of the Council that its budgets are realistic, affordable and meet its service requirements.

A number of different techniques have been employed to ensure that this Medium Term Financial Strategy represents an affordable needs-based budget that is robust and able to be sustained over the medium term. Each of these are discussed in turn below:

Longer Planning Timeframes – The latest formula grant announcements have only provided figures for a two year time period. There therefore remains considerable uncertainty about the period from 2016-17 onwards. For the purposes of this MTFs, there has been an assumption that there will be further cuts in this funding of 10% in both 2016-17 and 2017-18.

The Planning Cycle: Develop, Review and Revise – The Budget and this Medium Term Financial Strategy set out the expected levels of expenditure and income for the future. The estimates are arrived at through careful consideration of historic trends and actual expenditure levels and any factors which may have an impact in the future, such as known changes in legislation. It also requires a degree of estimation and assumption, such as to calculate the impact of a perceived increase or decrease in future demand as a result of demographic changes or patterns of behaviour that have a socio-economic impact. As time progresses the accuracy of the assumptions behind these figures will become clearer and in many cases will require the budgets within this MTFs to change if they are to continue to reflect the financial implications of delivering the Council's aims and aspirations. Through the financial year the Council regularly monitors its financial performance against its budgets and will revise them where necessary, subject to remaining within the overall available funding envelope. By monitoring the actual expenditure against budget in this way, the budgets can be amended to best meet the actual needs of the Council, and provide a more suitable starting point for the next Medium Term Financial Strategy.

Financial Risk Assessment

Even with the most sophisticated approaches to budget modelling there is always the chance that events happen which could not be foreseen and plans need to be revisited. The Council holds reserves as a contingency to meet unanticipated expenditure that arises from such an unexpected change in circumstances. In order to be able to gauge the appropriate level of reserves a detailed financial risk assessment is carried out and presented as part of the annual Budget Report and this document is available if required. All of the main risks that face the Council are considered, to assess the likelihood of the risk happening and the possible financial implications.

Sensitivity Analysis

As explained above, many of the figures contained within this Plan are based on estimates, which could prove to be inaccurate. In order to assess the impact of the use of poor estimates a top level sensitivity analysis has been carried out, using a 10% variance to indicate the impact of that level of error in the estimate. The outcome of this is shown in the table below.

Table 12

Sensitivity Analysis

Area under consideration	Sensitivity of Estimates 2015-16
The opening base budget	<p>The opening position of the 2015-16 budget is firm, as it is based on the budget approved in February 2014.</p> <p>The base for future years may change, however this would be picked up as part of budget preparation work.</p>
The pay estimates	<p>A 10% change to the figure for pay increases that result from the pay award and increments would equate to £1.5m. However, such a large discrepancy would be unlikely as the pay budget is developed at a very detailed level (on a per post basis).</p> <p>The main impact on the accuracy of the budgets for pay headings results from vacancy estimates which are impossible to predict.</p>
The vacancy savings and post reduction estimates	<p>For 2015-16 the vacancy abatement saving has been budgeted at approximately £580k which is equivalent to approximately 19 posts. A variance of 2 posts equates to £60k. This will require a robust proactive approach to ensure that the savings that naturally arise due to staff turnover are retained. Based on experience in recent years, and considering the current staff turnover rate, this target is felt to be challenging but achievable.</p>
Price Increases	<p>In the main these are based on the terms of the contract. Inflation has been assumed at 2%. A 2% variance on this would equate to an increase in budget requirement of approximately £192k.</p>
Pension Increases	<p>As part of last year's MTFS assumptions it was noted that the latest actuarial figures showed an increase required for pensions of approximately £220k. This will be drawn down from the pension reserve which was set up specifically for this purpose.</p>
Service Delivery Pressures	<p>A realignment of budgets has taken place to facilitate the current pressures in Housing and Parking</p>
	<p>The MTFS projection of £40k for the in-house management agency is looking for a new mechanism to deliver the saving</p>
The increased income targets	<p>There is always a risk that increases in fees and charges reduce demand, which can have a detrimental impact on the budget. With £224.1k having been added into the budget for 2015-16 for increased income targets</p>
Other savings estimates	<p>The budget and Medium Term Financial Strategy reflects A £100k savings expectation from EKS.</p>
The level of reserves	<p>The level of general reserves which has been budgeted has been determined based on a financial risk assessment which considers the likelihood of the main risks facing the Council, and the possible financial implication should the risk happen. The estimated position on general reserves at year end is that they will stand at 12% of the net revenue budget which is the target level.</p> <p>Earmarked reserves are being used to enable funds provided for a specific purpose to be held until needed, and allows budgets that are needed on an irregular or periodic basis to be funded by setting aside an annual base budget at a fraction of the total cost. The funds held within earmarked reserves represent a one-off source of funding to meet planned expenditure. Their use is managed on a cash limited basis, and a</p>

Area under consideration	Sensitivity of Estimates 2015-16
	shortage of reserved funds in year may be dealt with by re-phasing the expenditure, or by making use of emerging underspends.
Council Tax Reduction Scheme	<p>The collection rate on the Council Tax base has been amended to 97.25% to reflect the collection trend within 2014-15. This will need to be carefully monitored during the year.</p> <p>Our major preceptors have agreed to underwrite our scheme which means they will take on the risk of an increase in caseload but this will also need to be carefully monitored moving forward. This underwriting ceases in 2015-16 although this decision is being reviewed.</p>
Welfare Reforms	To date there has been minimal impact from the proposed welfare reforms. Any change will impact on both the Housing Revenue Account and General Fund and will include likely increases in bad debts as a result of claimants being paid direct, being capped on the amount of benefits that they will be paid and also seeing reductions in benefit due to under-occupying accommodation ('the bedroom tax'); an increase in demand for smaller or cheaper accommodation; an increase in demand for debt management advice; possible increases in homelessness, as a result this will need to remain under review in terms of overall impact
The Government Grant	<p>A 1% cut in formula grant would equate to a loss of income in future years of approximately £80k.</p> <p>If a large business were to move out of the area or to go into liquidation, the Council would face a loss in business rates income of up to £338k before the safety net mechanism would kick in.</p>

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Summary Sheet for Cabinet Report

Draft Capital Programme £000	Estimated Slippage 2014-15	2015-16	2016-17	2017-18	2018-19
STATUTORY/MANDATORY					
Disabled Facilities Grants	-	1,408	1,408	1,408	1,408
ONGOING SCHEMES FROM PREVIOUS YEARS					
Margate Pedestrian Connections	24	-	-	-	-
Crematorium Office Upgrade	30	-	-	-	-
Dalby Square townscape	-	559	-	-	-
Margate Cemetery – Extension	-	230	-	-	-
North Thanet Coastline - Sea Wall Refacing Works West of Westgate Bay	-	-	-	300	-
Grounds Maintenance Replace Mowers & Vehicle	-	250	-	-	-
ANNUAL ENHANCEMENT PROGRAMMES					
Public Conveniences	-	50	50	50	50
Swimming Pool/Sports Halls Essential Capital Repairs	-	50	50	50	50
Operational Services Vehicle Replacement Programme	-	500	500	500	500
Property Enhancement Programme	-	200	200	200	200
WHOLLY/PARTLY EXTERNALLY FUNDED					
East of Epple to Westgate Bay - Sea Wall Refacing Works	-	-	-	244	-
Ramsgate Main Beach Timber Groyne Installation	-	40	607	-	-
REPLACEMENT & ENHANCEMENT					
CCTV Upgrade	-	182	243	-	-
Waste Transfer Station	-	500	-	-	-
Thanet Crematorium - Columbaria provision	-	-	-	60	-
Thanet Crematorium - Memorial Chapel Area	-	-	40	-	-
Ramsgate Port & Harbour - Low Carbon Plan	-	105	530	510	-
Ramsgate Harbour - Boat Wash Separator	-	25	-	-	-
Capitalised Salaries		75	75	75	75
	54	4,174	3,703	3,397	2,283

Annex 2

Total for the Year	54	4,174	3,703	3,397	2,283
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General Fund Capital Programme	2014/15	2015/16	2016/17	2017/18	2018/19
Breakdown of the Capital Programme	54	4,174	3,703	3,397	2,283
Funded By					
Capital Receipts & Reserves	54	1,501	918	535	475
Capital Grants & Contributions	0	1,568	1,555	1,652	1,108
Contributions from Revenue	0	0	200	200	200
Prudential Borrowing		1,105	1,030	1,010	500
Sub Total	54	4,174	3,703	3,397	2,283

Property	Heating Charges	Communal Lighting	Grounds Maintenance	Cleaning Charges	Mechanical and Electrical	Fire Safety	Water Pumps
ALBION MEWS		£ 0.86	£ 0.17	£ 1.69			
APPLEDORE CLOSE							
1-8 Appledore close		£ 0.50	£ 0.39	£ 1.36			
9-13 Appledore Close		£ 0.61	£ 0.58	£ 2.17			
14-21 Appledore close		£ 0.46	£ 0.46	£ 1.36			
22-25 Appledore close		£ 1.38	£ 0.57	£ 2.71			
26,27 Appledore Close			£ 0.57				
28-34 Appledore Close		£ 0.38	£ 0.34	£ 1.55			
35,36 Appledore Close			£ 0.34				
37-40, Appledore close		£ 0.62	£ 0.34	£ 2.71			
41-47 Appledore close		£ 0.48	£ 0.55	£ 1.55			
48-54 Appledore close		£ 0.45	£ 0.52	£ 1.55			
55-58 Appledore close		£ 0.78	£ 0.51	£ 2.71			
59-65 Appledore close		£ 0.54	£ 0.78	£ 1.55			
66-72 Appledore close		£ 0.51	£ 0.53	£ 1.55			
73-76 Appledore close		£ 0.53	£ 0.48	£ 2.71			
77-83 Appledore close		£ 0.93	£ 0.40	£ 1.55			
BALMORAL ROAD							
Block 2 - 12 (evens) Balmoral Road		£ 0.52	£ 0.76	£ 1.81			
Block 14 - 24 (evens) Balmoral Road		£ 0.52	£ 0.76	£ 1.81			
Block 26 - 36 (evens) Balmoral Road		£ 0.52	£ 0.76	£ 1.81			
BELLE VUE AVENUE		£ 0.56		£ 2.17			
BELMONT COURT		£ 0.72	£ 1.19	£ 2.17			
BIDDENDEN CLOSE							
15-23 Biddenden close		£ 0.44	£ 1.00	£ 1.21			
24-32 Biddenden close		£ 0.44	£ 1.00	£ 1.21			
BRUNSWICK COURT							
1 Bed	£ 4.74	£ 1.89	£ 0.61	£ 0.28	£ 0.19	£ 0.47	£ 0.27
2 Bed	£ 5.68	£ 1.89	£ 0.61	£ 0.28	£ 0.19	£ 0.47	£ 0.27
3 Bed	£ 6.46	£ 1.89	£ 0.61	£ 0.28	£ 0.19	£ 0.47	£ 0.27
CAMBOURNE AVENUE		£ 0.76					
CAMDEN SQUARE		£ 1.09		£ 2.71			
CANTERBURY ROAD		£ 0.72					
CHATHAM COURT		£ 0.39	£ 0.57	£ 1.45			
CHICHESTER ROAD 82-90		£ 0.72	£ 0.74	£ 1.21			
CHURCHFIELDS							
1 Churchfields		£ 0.95	£ 0.41	£ 3.62			
3 Churchfields		£ 0.57	£ 0.41	£ 1.81			
5 Churchfields		£ 0.57	£ 0.41	£ 1.81			
7 Churchfields		£ 1.00	£ 0.41	£ 3.62			
9 Churchfields		£ 1.28	£ 0.41	£ 3.62			

Summary of Tenant Service Charges

Annex 3

11 Churchfields		£ 0.57	£ 0.41	£ 1.81			
13 Churchfields		£ 0.70	£ 0.41	£ 3.62			
CLARENDON ROAD							
3 Clarendon road		£ 0.78		£ 2.71		£ 3.04	
6 Clarendon road		£ 0.81		£ 2.71		£ 3.04	
CLEMENTS ROAD							
29-45 Clements road		£ 0.48	£ 0.70	£ 1.61			
47-69 Clements road		£ 0.35	£ 0.70	£ 1.21			
71-93 Clements road		£ 0.40	£ 0.70	£ 1.21			
95-111 Clements road		£ 0.40	£ 0.70	£ 1.61			
113-135 Clements road		£ 0.37	£ 0.70	£ 1.21			
137-159 Clements road		£ 0.33	£ 0.70	£ 1.21			
161-189 Clements road		£ 0.79	£ 0.70	£ 0.97			
191-213 Clements road		£ 0.79	£ 0.70	£ 1.21			
215-237 Clements road		£ 0.79	£ 0.70	£ 1.21			
239-261 Clements road		£ 0.79	£ 0.70	£ 1.21			
263-279 Clements road		£ 0.85	£ 0.70	£ 1.61			
281-303 Clements road		£ 0.85	£ 0.70	£ 1.21			
COASTGUARD COTTAGES		£ 0.87	£ 1.63				
COLLEGE ROAD							
92 College Road		£ 0.57	£ 1.42	£ 1.81			
94 College Road		£ 0.70	£ 1.42	£ 1.81			
CONFLANS COURT							
31-36 Conflans court		£ 0.73	£ 0.58	£ 1.81			
37-42 Conflans court		£ 0.73	£ 0.58	£ 1.81			
CONYNGHAM CLOSE		£ 0.39		£ 1.03			
DANE GARDENS		£ 0.55	£ 1.75	£ 2.71			
DANE MOUNT							
15-18 Dane Mount		£ 0.71	£ 0.55	£ 2.71			
19-22 Dane Mount		£ 0.79	£ 0.55	£ 2.71			
DANE VALLEY ROAD							
200 Dane Valley road		£ 0.40	£ 0.70	£ 1.21	£ 0.09		
202 Dane Valley road		£ 0.40	£ 0.70	£ 1.21	£ 0.09		
204 Dane Valley road		£ 0.30	£ 0.70	£ 1.21	£ 0.09		
206 Dane Valley road		£ 0.38	£ 0.70	£ 1.21	£ 0.09		
208 Dane Valley road		£ 0.46	£ 0.70	£ 1.21	£ 0.09		
DUKE STREET		£ 0.79					
DUNSTAN AVENUE							
Dunston Ave (Block 26-32)		£ 0.38	£ 0.74	£ 2.71			
Dunston Ave (Block 34-40)		£ 0.38	£ 0.74	£ 2.71			
Dunston Ave (Block 42-48)		£ 0.38	£ 0.74	£ 2.71			
EGBERT ROAD		£ 0.86		£ 2.71		£ 3.00	
ELHAM CLOSE							
17-25 Elham Close		£ 0.38	£ 0.97	£ 1.21			
26-34 Elham Close		£ 0.38	£ 0.97	£ 1.21			
ELLINGTON ROAD		£ 0.43	£ 1.31			£ 0.09	
GROSVENOR PLACE		£ 0.62		£ 1.81		£ 2.07	

HARBOUR TOWERS		£ 2.53	£ 0.25	£ 0.24	£ 0.17	£ 0.40	£ 1.02
HIGHFIELD COURT		£ 0.27	£ 0.75	£ 0.68			
HIGH STREET MARGATE							
145 High Street		£ 0.53	£ 0.27	£ 1.81			
147 High Street		£ 0.51	£ 0.27	£ 3.62			
149 High Street		£ 0.51	£ 0.27	£ 1.81			
151 High Street		£ 0.51	£ 0.27	£ 3.62			
153 High Street		£ 0.50	£ 0.27	£ 1.81			
154 High Street		£ 0.85	£ 0.27	£ 1.81			
155 High Street		£ 0.51	£ 0.27	£ 3.62			
156 High Street		£ 0.65	£ 0.27	£ 1.81			
157 High Street		£ 0.51	£ 0.27	£ 1.81			
159 High Street		£ 0.51	£ 0.27	£ 3.62			
161 High Street		£ 0.52	£ 0.27	£ 1.81			
163 High Street		£ 0.58	£ 0.27	£ 1.81			
HOLTON CLOSE							
7 Holton Close		£ 0.35	£ 0.20	£ 2.71			
23 Holton Close		£ 0.35	£ 0.20	£ 2.71			
INVICTA HOUSE	£ 10.18	£ 1.46	£ 0.46	£ 0.13	£ 0.13	£ 0.28	£ 0.30
JANICE COURT		£ 1.23	£ 0.74	£ 0.68		£ 1.17	
KENNEDY HOUSE							
Bedsit	£ 3.78	£ 1.79	£ 0.18	£ 1.67	£ 0.13	£ 0.27	£ 0.27
1 Bed	£ 5.32	£ 1.79	£ 0.18	£ 1.67	£ 0.13	£ 0.27	£ 0.27
2 Bed	£ 6.38	£ 1.79	£ 0.18	£ 1.67	£ 0.13	£ 0.27	£ 0.27
LA BELLE ALLIANCE SQUARE		£ 0.52	£ 0.49	£ 1.21			
LANCASTER CLOSE		£ 0.31		£ 0.99			
LEONA COURT		£ 0.46	£ 0.14	£ 0.60		£ 0.03	
LINLEY ROAD			£ 1.28				
LOUGHBOROUGH COURT		£ 0.40	£ 0.35	£ 2.41			
MEETING COURT		£ 0.47					
MILLMEAD ROAD (ODD NOS)		£ 0.85	£ 1.06	£ 2.17			
PARKSIDE, PICTON ROAD			£ 0.40				
PENSHURST ROAD		£ 1.18	£ 0.04	£ 3.62		£ 4.05	
PLAINS OF WATERLOO							
32A-40A Plains of Waterloo		£ 0.66	£ 0.49	£ 1.01			
45A-47C Plains of Waterloo		£ 0.52	£ 0.49	£ 1.21			
PRESTEDGE AVE,NEWLANDS HOUSE		£ 0.41	£ 0.08	£ 1.21			
QUETTA ROAD			£ 1.21				
REBECCA COURT		£ 0.74	£ 0.70	£ 0.90		£ 0.04	
RICHARD COURT		£ 0.49	£ 1.03	£ 0.60		£ 0.03	
ROSEDALE ROAD							
19 Rosedale road		£ 0.58	£ 1.42	£ 1.81			
21 Rosedale road		£ 0.67	£ 1.42	£ 1.81			
23 Rosedale road		£ 0.54	£ 1.42	£ 1.81			
25 Rosedale road		£ 0.60	£ 1.42	£ 1.81			
ROYAL CRESCENT							
4-15 Royal crescent		£ 0.55		£ 0.68			

19-23 Royal crescent		£ 0.83		£ 1.81		£ 2.08	
SOMERSET COURT			£ 0.71	£ 1.55			
STANER COURT							
Tower Block No's 2-89							
Bedsit	£ 6.36	£ 2.37	£ 0.46	£ 0.49	£ 0.10	£ 0.22	£ 0.54
1 Bed	£ 8.52	£ 2.37	£ 0.46	£ 0.49	£ 0.10	£ 0.22	£ 0.54
2 Bed	£ 9.81	£ 2.37	£ 0.46	£ 0.49	£ 0.10	£ 0.22	£ 0.54
Block 90-95 Staner Court		£ 0.47	£ 0.46	£ 0.49	£ 0.10	£ 0.22	£ 0.54
Block 96-101 Staner Court		£ 0.49	£ 0.46	£ 0.49	£ 0.10	£ 0.22	£ 0.54
Block 102-107 Staner Court		£ 0.48	£ 0.46	£ 0.49	£ 0.10	£ 0.22	£ 0.54
Block 108 -113 Staner Court		£ 0.45	£ 0.46	£ 0.49	£ 0.10	£ 0.22	£ 0.54
STIRLING WAY 59-60			£ 1.21				
ST MILDREDS ROAD							
40 ST Mildreds road		£ 0.42	£ 0.57	£ 1.21		£ 0.01	
42 ST Mildreds road		£ 0.51	£ 0.57	£ 1.21		£ 0.01	
STRINGER DRIVE							
4 Stringer Drive		£ 0.43	£ 0.10	£ 2.71			
7 Stringer Drive		£ 0.43	£ 0.10	£ 2.71			
SUNDEW GROVE			£ 1.01				
TOMLIN DRIVE							
2 Tomlin Drive		£ 0.37	£ 0.73	£ 1.21	£ 0.22		
4 Tomlin Drive		£ 0.19	£ 0.73	£ 1.21	£ 0.22		
6 Tomlin Drive		£ 0.17	£ 0.73	£ 1.81	£ 0.17		
8 Tomlin Drive		£ 0.67	£ 0.73	£ 1.81	£ 0.17		
10 Tomlin Drive		£ 0.50	£ 0.73	£ 1.81	£ 0.17		
12 Tomlin Drive		£ 0.43	£ 0.73	£ 1.81	£ 0.17		
TROVE COURT							
Bedsit	£ 5.86	£ 1.41	£ 0.13	£ 1.67	£ 0.13	£ 0.27	£ 0.27
1 Bed	£ 8.12	£ 1.41	£ 0.13	£ 1.67	£ 0.13	£ 0.27	£ 0.27
2 Bed	£ 9.72	£ 1.41	£ 0.13	£ 1.67	£ 0.13	£ 0.27	£ 0.27
TURNER COURT		£ 0.89	£ 0.28	£ 0.36		£ 0.05	
TURNER STREET		£ 0.30	£ 0.21	£ 0.90			
WILLIAM AVENUE							
2 William Avenue		£ 0.47	£ 0.20	£ 1.81	£ 0.22		
4 William Avenue		£ 0.60	£ 0.20	£ 1.81	£ 0.22		
6 William Avenue		£ 0.43	£ 0.20	£ 1.81	£ 0.22		
24 William Avenue		£ 0.67	£ 0.88	£ 1.81	£ 0.34		
26 William Avenue		£ 0.35	£ 0.88	£ 1.81	£ 0.34		
28 William Avenue		£ 0.54	£ 0.88	£ 1.81	£ 0.34		
30 William Avenue		£ 0.35	£ 0.88	£ 1.81	£ 0.34		
32 William Avenue		£ 0.36	£ 0.88	£ 1.81	£ 0.22		
34 William Avenue		£ 0.53	£ 0.88	£ 1.81	£ 0.22		
36 William Avenue		£ 0.47	£ 0.88	£ 1.81	£ 0.22		

HRA Capital Programme 2015 onwards

SCHEME	Unit Number	2014-15 Slippage	2015-16	2016-17	2017-18	2018-19	Scheme of Works 2015-16
	2015-16	£'000	£'000	£'000	£'000	£'000	
Re – roofing	34	110	0	200	200	200	Royal Crescent from 2014/15 and Individual Properties from the Reserve List
Replacement windows & doors	5	0	30	110	110	110	Ad hoc replacement only
Kitchen replacements	120	0	1000	1000	1000	1000	Properties Identified
Bathroom replacements	90	0	335	335	335	335	Properties Identified
Electrical re - wiring	50	0	100	100	100	100	Based on stock condition data (age & condition) and Radio Switch by pass to 5 Tower Blocks
Heating		0	415	415	415	415	Based on stock condition data (age & condition)
Fire Precaution Works	48	0	150	50	40	40	Review of Fire Precaution works, as a result anticipate may require enhancements.
Planned refurbishments	10	0	50	50	50	50	To change existing electronic latches to magna locks to communal entrance doors
Structural repairs	24	0	80	80	80	80	Ad hoc Works only
Thermal Insulation (Lofts)	70	0	60	10	10	10	To be utilised for void properties
Rainwater goods (inc.pumps) for Tower Blocks	90	0	10	25	25	25	Ad hoc works
Lift Replacement	90	260	0	260	260	260	Invicta House and on-going refurbishments for remaining Tower Blocks.
Soil Stack		0		0	0	200	Tower Blocks
Total Major Works		370	2230	2635	2625	2825	
Disabled Adaptations			300	300	300	300	
Estate Improvements		125	125	125	125	125	
Estate Improvements (Re-Pointing)	38	0	100	100	100	100	

SCHEME	Unit Number 2015-16	2014-15 Slippage £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	Scheme of Works 2015-16
HCA New Build Programme			4,194	3,342			
Empty Homes programme			1,600				
Local Growth Fund				3,016			
Margate Housing Intervention			1900	554	242	347	
Total HRA Capital Expenditure		495	10,449	10,072	3,392	3,697	

Funding of the HRA Capital Programme		2014-15 Slippage £'000	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000
Major Repairs Reserve		370	2,630	3,035	3,025	3,225
Grant Funding			1362	610		
New Build Reserve			1770	68		
Prudential Borrowing			3,561	3,675		
Revenue Contributions		125	1,126	2,684	367	472
		495	10,449	10,072	3,392	3,697

Annex 5

FINANCIAL RISK ASSESSMENT AND LEVELS OF GENERAL FUND RESERVES

1.0 Background

- 1.1 It is important that the Council has sufficient reserves and balances to enable it not only to maintain its financial standing but also to ensure that the Council can realise its service provision expectations.
- 1.2 The process used to determine and approve the level of reserves gives a good indication of an authority's approach to financial management, and is reviewed by the External Auditor when determining whether or not an authority's financial standing is soundly based. To assist local authorities the Chartered Institute of Public Finance and Accountancy (CIPFA) has published a Local Authority Accounting Practice (LAAP) bulletin that provides best practice guidance on the management of reserves and balances.
- 1.3 In accordance with the CIPFA guidance, the relevancy and adequacy of the levels of reserves for the Council should be reviewed on an annual basis. This review considers the outcomes of a financial risk assessment, to ensure that as a minimum there are sufficient balances to support the budget requirements and adequately mitigate the risk of significant financial loss in the medium term.
- 1.4 The review undertaken as part of the 2014-15 budget build recommended that a level of 12% of the net revenue budget was appropriate. This report considers the current position and anticipated future requirements for inclusion in the 2015-16 budget and medium term.

2.0 Types of Reserve

- 2.1 There are two different types of reserve, general and earmarked, which are held for different purposes and are managed depending upon their type. The recommendations for both types are covered in the paragraphs below.

General Reserves

- 2.2 General reserves should only be called upon to meet unanticipated expenditure arising from unexpected or emergency events. Prior to using the general reserves Members' approval will be sought, unless the nature of the emergency makes prior approval impossible, in which case the Section 151 Officer, in consultation with the Senior Management Team, the Leader and other Group Leaders, is authorised to approve the use of general reserves.
- 2.3 General reserves are held for two main purposes: as a contingency and as a working balance. These terms are explained more fully below:-
 - i) **As a Contingency** - To provide funds for any events that are unable to be contained within the limits of the revenue budget due to unexpected incidents or emergencies. These types of events can include natural disasters, national emergencies, or in fact any unplanned event that draws upon an authority's resources, which cannot be covered by normal insurance arrangements. These also include in year budget fluctuations arising from demand led pressures and delays in delivering planned efficiency savings.

- ii) **As a Working Balance** – A certain level of balances are needed to act as a cushion to deal with changing demands on an authority’s bank balances from fluctuations in cash flows as a result of normal business. A correctly sized reserve should avoid the need for temporary borrowing whilst not tying up unnecessarily large amounts of cash. Such reserves are only consumed on a temporary basis as they are subsequently replaced from the regular income that funds the authority.

Earmarked Reserves

- 2.4 Earmarked reserves are sums specifically held to enable funds to be built up to meet known or predicted expenditure. They can be set up using one-off funds (such as year-end under-spends or grants) or by budgeting for a fixed amount to be taken from the revenue account each year and “saved” separately. Any expenditure then incurred within the year is taken from this “savings account”, thereby smoothing the impact on Council Tax.

3.0 Annual Review of Reserves

- 3.1 A well managed authority with a prudent approach to borrowing should strive to maintain as low a level of general fund reserves as possible, whilst still covering its financial risks.
- 3.2 The most robust means of assessing the adequacy of an authority’s reserves is through a comprehensive financial risk assessment, which determines the degree to which the authority is exposed to uninsured and unbudgeted losses. This must be done with knowledge of the context in which an authority operates.
- 3.3 A summary of the financial risk analysis is shown in the following table. The risk of financial loss can come from a wide variety of places, and although the list below is comprehensive, it is by no means exhaustive. The risks have been assessed in the context of the Council’s overall approach to risk management and internal financial controls. This information has then been used to determine the optimal level of reserve holdings needed to meet the requirements of the contingency and working balance, details of which are covered later in this document.

3.4 Risk Assessment for the General Fund Balance

Risk	Likelihood & Value £'000
Natural disasters and national emergencies	Low
The Bellwin Scheme provides financial assistance to local authorities in the event of a national emergency or disaster, subject to an authority contributing to the total costs by an amount equivalent of 0.2% of its approved budget. For this Authority this would require approximately £40k.	40
Business Continuity - It is difficult to anticipate the cost of such an event that would affect the Authority’s business continuity, although it is likely to be substantial. For example, in the event that the offices became unusable, the cost of introducing new working practices (e.g. home working facilities, finding alternative accommodation) would have to be met, as would possible	200 – 500

Risk	Likelihood & Value £'000
<p>increased legal claims were service delivery detrimentally affected. In the case of the failure of a key system, costs could arise from needing urgent consultancy or replacement equipment, which could be costly at short notice.</p> <p>Ash die-back outbreak – if there were to be a full blown outbreak in the Council's mature stock of ash trees, the potential cost to the Council could be £50k.</p> <p>Coastal defences – the Council's coastline could be exposed to erosion or flood risk in the event of a storm</p>	<p>0 – 50</p> <p>100 - 200</p>
<p>National Economic Issues</p> <p>Under the new Business Rates Retention Scheme, the Council could face reductions in business rates income of up to £340k before the safety net mechanism would kick in</p> <p>The Welfare Reforms, if fully implemented could lead to an increase in homelessness costs</p> <p>The Council has some contractual arrangements whereby if the contractor were to go into liquidation, the Council would lose a significant income stream.</p> <p>The Council has a wide range of contractual arrangements that could see a financial loss in the event of the bankruptcy of a supplier or a customer, including non-payment of debts. Although the Council maintains a bad debt provision it is unlikely to be able to fully fund a loss from a major contract.</p> <p>Although the Council tries to minimise investment risk by only investing with low risk organisations and by spreading the investment portfolio, there is still a potential risk of a bank in which the Authority has invested collapsing.</p>	<p>Low</p> <p>0 - 340</p> <p>0 - 100</p> <p>100 - 200</p> <p>100 – 250</p> <p>0 – 7,000</p>
<p>Grant Funding</p> <p>The Council sometimes seeks external funding/grants for one-off projects. In the event that the expected projected outturns are not achieved, repayment of funding or grant may be required.</p>	<p>Medium</p> <p>100 – 2,000</p>
<p>Financial Support</p> <p>The Council has provided a soft loan to Your Leisure. Were Your Leisure to go out of business, the Council may not be repaid this loan.</p>	<p>Low</p> <p>0 – 250</p>
<p>Property Assets</p> <p>The identification of unplanned major works to the Council's property portfolio could give rise to a budget pressure. As a responsible owner and with a duty to care, the Council could be expected to fund major works at short notice. Although the initial response would be to look to re-phase the capital programme, this may not be feasible, and additional revenue funding may be required, or prudential borrowing.</p>	<p>High</p> <p>0 - 1,000</p>
<p>Legal Issues</p> <p>It would be prudent for the Authority to make provision for an unfavourable</p>	<p>Medium</p>

Risk	Likelihood & Value £'000
<p>outcome of any legal action taken against it, which could be made on a range of different grounds, including compensation payments, equal pay, discrimination and corporate manslaughter.</p> <p>Where the Council provides a paid service to a third party that does not directly relate to any statutory duty, the Council may require Professional Indemnity Insurance. This insurance cover is not automatically arranged and in the event that it isn't and a claim arises the Council could be deemed liable for resulting costs.</p>	<p>100 – 2,000</p> <p>100 - 250</p>
Financial Risk Exposure	840- 7,240

- 3.5 **Proposal for the Level of the General Fund Reserve** - The financial risk assessment indicates that in the worst case the Authority could require £14,250m of its net service revenue budget requirement to fall back on, should all of the potential risks happen concurrently and at their most extreme. Ideally the General Fund Reserve balance should be somewhere between the range identified in the table. The current General Fund Balance level is 12% of the net revenue budget requirement (£2.177m). Based on the budget proposals, the General Fund Reserve balance for 2015-16 will be £166k above the recommended limit and this sum would therefore be available to transfer to the Priority Improvement Reserve.
- 3.6 **Plans for the General Fund Reserve 2015-2019** – It is recommended that no withdrawal from general reserves is made to support the base budget in the medium term.

Assessment of Need for General Fund Earmarked Reserves

- 3.7 In addition to the level of General Reserves, the Authority maintains a number of reserves specifically set up to meet particular service requirements. These are detailed below:-
- i) **Insurance Risk Management Fund** - This reserve is held to meet potential increases in insurance premiums and to cover the cost of large excesses relating to insurance claims or one-off premiums
 - ii) **Local Plan** – Due to the variable profile of spend on the Local Plan and the variable cost in relation to consultation and inspection, it is proposed that any under-spend on this activity be set aside in this reserve to be drawn against as required.
 - iii) **General Fund Repairs** – This reserve makes provision for necessary essential repairs and maintenance and minor improvements to the Council's assets.
 - iv) **Office Accommodation** – A balance of £9k is held in this reserve which may be used to support any office accommodation changes required as a result of the forthcoming restructure.
 - v) **Information Technology Fund** – This reserve was created to support the development of new information technology initiatives to improve

efficiency throughout the Council's activities. The annual budget includes provision for IT related projects. Where the projects are not delivered within the financial year, the unutilised budget is transferred to this reserve to be spent in future years.

- vi) **Environmental Action Plan Fund** – The Environmental Action Plan (EAP) is a fundamental part of the Council's Corporate Plan and a key corporate priority. The EAP Fund has been established to finance various improvements to public assets throughout the district. The balance on the fund will be drawn down for EAP related expenditure over the period of the Medium Term Financial Strategy 2015-2019.
- vii) **Decriminalisation Reserve** - This reserve is used to meet parking or transport related expenditure. Charges raised from on-street car parking are transferred into this reserve, as required by the Road Traffic Act (1984) as modified by the Traffic Management Act (2004), to be utilised on future parking, transport or environmental improvement related schemes. It is planned to use £40k per annum from this reserve to meet the costs associated with such schemes. The funds within this reserve are not available for general council use.
- viii) **Priority Improvement Reserve** – This reserve is for one-off projects and pump-priming investment into service improvements with a particular emphasis on invest to save projects and activities that will lead to greater efficiency.
- ix) **Customer Services Reserve** – This reserve is for housing benefit subsidy. Due to the volatility of this activity and the tight financial constraints which preclude the budget being set at a level that would be sufficient for upper activity levels, it is prudent to set aside under-spends that arise in this area as a contingency for future years. The reserve will also support any potential shortfall in business rates, under the new business rates retention scheme, that won't be covered by the safety net mechanism.
- x) **Waste Reserve** – Service under-spends have been set aside in this reserve to support future service enhancements and the costs of replacing the waste fleet.
- xi) **Cremator and Cemeteries** – This reserve was created to hold the surcharge element of the cremator fee. This was set aside to meet the cost of the cremator project being undertaken in 2012-13, the purpose of which is to ensure the Council is environmentally compliant. The surcharge on both cremations and burials will continue to be set aside to support future burner replacement and works required at the cemeteries.
- xii) **Council Elections Fund** – A sum of £30k is being set aside each year towards the costs of the District Elections.
- xiii) **Homelessness** – Service under-spends are held in this reserve to meet future homelessness needs.
- xiv) **Renewal Reserve** – This is a saving account for specific purposes, based on the average annual amount required e.g. for the cost of CRB checks.

- xv) **Maritime Reserve** – A sum of £433k is held in this reserve as at 1 April 2014 to support improvement works at the Port and Harbour and for income protection/maximisation works.
- xvi) **Pensions Reserve** – Savings on pensions costs have been set aside in this reserve to meet any additional costs that may arise as a result of future actuarial valuations.
- xvii) **VAT Reserve** – Monies received in respect of the Council's VAT Fleming claim were put into this reserve. If the Council were to breach its partial exemption VAT limit, the potential cost to the Council would be between £400k and £500k. The Council is currently very close to this limit and therefore there is a real risk that this money may be required.
- xviii) **East Kent Services** – The year-end surpluses of East Kent Services are set aside in this reserve which the Council holds as accountable body.
- xix) **New Homes Bonus** – Allocations of New Homes Bonus have been set aside in this reserve to support one-off projects. An annual draw downs have been agreed as follows: £185k to support the events and floral grants budgets, £350k to replace vehicles within Frontline Services and £100k for cliff front safety works. The reserve will also be used to support shortfalls in the budget due to cuts in the formula grant.
- xx) **Housing Intervention** – This reserve is held to support the associated one-off costs (e.g. Compulsory Purchase Orders) of the housing intervention project.
- xxi) **Economic Development and Regeneration Reserve** – This reserve is held to support one-off service improvements and initiatives encouraging economic growth. This may include consultancy costs associated with such projects.
- xxii) **Pay and Reward** – This is to support the pay and reward related issues.
- xxiii) **Vehicle, Plant and Equipment Replacement** – The Council has identified that there are a number of vehicles, plant and equipment that will be coming to the end of their useful lives over the next few years. Any service in-year underspends in relation to waste, street cleansing, maritime, parks and grounds will be set aside in this reserve to support a replacement programme.
- xxiv) **Dreamland Reserve** – Monies have been set aside to bolster the contingency for the Dreamland project.
- xxv) **Coastal Infrastructure** – A sum of £500k that had been set aside within the New Homes Bonus Reserve for the Local Authority Mortgage Scheme is no longer required as the scheme has been put on hold. This money has therefore been moved to a new reserve to support the objectives of the Destination Management Plan by enhancing council assets that help to support and encourage tourism.

xxvi) **HRA Properties Reserve** – This reserve was set up to support the purchase and refurbishment of HRA properties.

The anticipated movement on each on the approved earmarked reserves is shown in the following table:

PROPOSALS FOR THE GENERAL FUND EARMARKED RESERVES	Balance 31/03/2014 £'000	2014-15 Net Transfers £'000	Balance 31/03/2015 £'000	2015-16 Net Transfers £'000	Balance 31/03/2016 £'000
Coastal Infrastructure	500	-	500	-	500
Council Elections Fund	116	-	116	-86	30
Cremator and Cemeteries	247	-	247	-	247
Customer Services Reserve	586	-	586	-	586
Decriminalisation fund	177	-40	137	-40	97
Dreamland Reserve	117	-	117	-117	-
East Kent Services Reserve	790	0	790	-	790
Economic Development & Regeneration	202	-54	148	-50	98
Environmental Action Plan	162	-	162	-	162
General Fund Repairs	379	-	379	-	379
Homelessness Fund	260	-	260	-	260
Housing Intervention Reserve	246	0	246	-	246
HRA Properties Reserve	5,188	-	5,188	-	5,188
Information Technology	350	-175	175	-	175
Insurance Risk Management	222	-	222	-	222
Local Plan	425	-	425	-	425
Maritime Reserve	433	-	433	-	433
New Homes Bonus Reserve	401	204	605	593	1,199
Office Accommodation	30	-	30	-	30
Pay & Reward Reserve	341	-	341	-341	-
Pensions Reserve	661	0	661	-	661
Priority Improvements	520	-182	338	-	338
Renewal Reserve	10	-	10	-	10
Unringfenced Grants	617	-	617	-	617
VAT Reserve	437	-20	417	-20	397
Vehicle, Plant & Equipment	227	-	227	-	227
Waste Reserve	77	-	77	-	77
Total	18,705	-211	18,494	-60	18,434

4.0 Proposed Reserve Levels

The levels of General Fund Reserves (General and Earmarked) recommended in this report for the financial year 2015-16 and the medium term are believed to be sufficient to meet all of the Authority's obligations and have been based on a detailed risk assessment. In line with the proposed policies on the control and management of these funds the limits will be reviewed on an annual basis against prevailing risk assessments and other information.

ESTABLISHMENT OF EAST KENT SERVICES COMMITTEE AND ASSOCIATED ARRANGEMENTS

To: **Cabinet – 20 January 2015**

Main Portfolio Area: **Business and Corporate Resources**

By: **Councillor Elizabeth Green, Cabinet Member for Business and Corporate Resources**

Classification: **Unrestricted**

Ward: **All Wards**

Summary: This report proposes revise collaboration arrangement for East Kent for those authorities in East Kent which are still sharing services through East Kent Services and East Kent Human Resource Partnership including, a revised committee structure and operating arrangements and a proposed administrative collaboration agreement. Once implemented the East Kent Joint Arrangements Committee will cease to exist

For Decision

1.0 Introduction and Background

- 1.1 In the summer of 2012 the East Kent Joint Arrangements Committee, the East Kent Joint Scrutiny Committee and the executives of each council represented on the Joint Committees considered a report submitted by the Head of Legal and Democratic Services (Canterbury) and Solicitor to the Council (Dover) reviewing the East Kent arrangements for the delivery of shared services.
- 1.2 The Councils resolved to dissolve the East Kent Joint Arrangements Committee and the East Kent Joint Scrutiny Committee on the establishment of a new committee relating to functions shared by Canterbury City Council, Dover District Council and Thanet District Council. Once established, Kent County Council and Shepway District Council would cease to have any further involvement in the arrangements.
- 1.3 Following this, consideration was given by Canterbury, Dover and Thanet to the future management of the shared services.

2.0 Features of Current Structure

- 2.1 The shared services arrangements for East Kent Services (EKS) and EK Human Resources (EKHR) were established at different times and under different collaboration arrangements. EKHR came first. EKS came later.
- 2.2 Whilst the two collaboration documents have features in common e.g. delegations through a joint services arrangements committee, the EKS document reflects the

learning which was achieved over the working of joint services arrangements in practice.

- 2.3 Both arrangements are administrative collaborations taking effect under local government legislation. The arrangements are evidenced in formally drawn collaboration agreements which are necessary so that the parties have a clear understanding of how the shared service is to operate. The Councils have agreed to pool their sovereignty in respect of certain functions and delegate them to a joint committee which in turn has delegated the functions covered by EKS to The Director of Shared Services and the functions covered by HR to the Head of EKHR.
- 2.4 By the decisions of 2012 the parties have agreed to dissolve the existing East Kent Joint Arrangements Committee primarily because the membership includes members from Shepway District Council and Kent County Council who either do not, participate in the shared services or only do so to a very minor extent. If the current payroll project proceeds to its intended conclusion, neither will be involved in the shared services at all.
- 2.5 The chief executives of the parties have examined and rejected the possibility of attempting to deliver the shared services through a corporate entity for reasons which included legal complexity, procurement and tax. In view of this and the foregoing and the desire of the participating councils to retain some sovereignty over shared services a shared services committee of some description must be maintained. Part of the function of this report is to describe how that joint committee may be constituted and run as a result of the proposed changes we describe.
- 2.6 In addition, the Director of Shared Services and the Head of EKHR have worked increasingly closely together and whilst not formally merged by decision have sought to align their management and operations as closely as possible. To take matters further and formally align their management formal decisions on structures and delegations are required.

3.0 The Proposed Joint Committee

- 3.1 Schedule 1 sets out the operating arrangements for a new joint committee to be known as the East Kent Services Committee ('EKSC'). This title reflects the 'brand' of the delivery organisation of most of the shared services.
- 3.2 The proposed procedure rules for EKSC appear in Schedule 2. They will be broadly familiar to members deriving from the Executive procedure rules under which, in similar ways, all Executives currently work. However this Committee works under the principles of the Local Government Act 1972 as amended, making reference where needed to the changes brought about by the Local Government Act 2000.
- 3.3 The operating arrangements will, having been approved by the constituent councils, in the event of conflict, have priority. Within the bounds of those operating arrangements and the law, the EKSC can agree its own procedure.
- 3.4 These procedure rules can be kept under review and amended if necessary.
- 3.5 Members will note the revised arrangements are proposed to be effective from 10.30am on 11 February 2015 subject to all parties making similar decisions. The reason for the precise date and time is that we must ensure the continuity of the delegations between the previous arrangements and the new ones. The date and time mentioned are those of the first meeting of the new joint committee and thus continuity can be preserved.

4.0 Scrutiny Arrangements

- 4.1 In 2012 it was agreed that the East Kent Joint Scrutiny Committee be dissolved and that future scrutiny should be carried out by the scrutiny committees of the individual participating councils. At the time it was resolved that the scrutiny committees of the individual councils arrange to meet on a regular basis to discuss issues of mutual interest. This has not happened but the proposed scrutiny protocol at Schedule 3 recognises the need for some co-ordination of activity.
- 4.2 Further the protocol will establish the required common understanding of how the call-in process will work for all parties, even though only one of them may have actually called a particular decision in. Notwithstanding the possibility of call-in the protocol encourages the inclusion of business from EKSC in the work programme of the scrutiny committees of the individual parties to allow for pre-decision.

5.0 The Proposed Collaboration Agreement

- 5.1 The proposed Collaboration Agreement will incorporate the following features.
- 5.2 The structure of the proposed Collaboration retains many of the attributes (and actual clauses) of the earlier collaboration agreements. The proposed Collaboration Agreement will take as its theme and carry forward the collaboration objectives and partnership values set out in the existing arrangements as appearing at Schedule 4.
- 5.3 The main variations and features from the existing governance arrangements are as follows:
- The arrangements for EKHR and EKS are drawn together into one agreement.
 - The East Kent Forum is given a formal role in decision making when sitting as the East Kent Services Board. It should however be noted that the Board does not become a collective decision making body. Decisions at this level will only be possible where there is unanimity amongst the membership of the Board. In default, decisions will need to be abandoned or referred to the East Kent Services Committee.
 - Dover District Council remains the host authority for EKHR. Thanet District Council remains the host authority for EKS. In order to align the management of the two services it is proposed that Dover District Council should create a post of Director of Collaborative Services on its establishment who would hold the delegations relating to the human resources functions and manage the service.
 - It is envisaged that the individual appointed to the Dover post of Director of Collaborative Services will be the same individual who occupies the Thanet post of Director of Shared Services. The Director of Collaborative Services will not be a paid employee of Dover District Council. Rather, Thanet District Council will make available the services of the Director of Shared Services to Dover in order to fulfil the functions of the Dover post. This arrangement is expressly contemplated by Section 113 of the Local Government Act 1972,
 - Under the revised arrangements the Director of Collaborative Services/Director of Shared Services (assumed in practice to be the same person) as the holder of the delegations for all shared services functions would report to the East Kent Services Committee.

- The financial impact of the proposed collaboration agreement has been assessed as cost neutral.

6.0 Next Steps

- 6.1 As previously agreed by the councils the approval of this report will wind up the previous governance arrangements for East Kent Services and the East Kent Human Resources Partnership, will align the governance and management arrangements under new governance arrangements which will include only those councils now sharing services.
- 6.2 That the East Kent Services Committee approve, the onward delegations to each of the Director of Collaborative Services and the Director of Shared Services the arrangements for the discharge of functions and delegations to the Committee contained in Schedule 5 to this report.
- 6.3 That each Council will take this matter to both its Cabinet and Council meetings as shown below:-

Canterbury City Council

Cabinet 11 December 2014

Council 8 January 2015

Dover District Council

Cabinet 5 January 2014

Council 28 January 2015

Thanet District Council

Cabinet 20 January 2015

Council 5 February 2015

7.0 Options

- 7.1 To approve the proposed arrangements and collaboration agreement
- 7.2 To retain the status quo and continue with existing committee arrangements and the separate collaboration agreements for EKHR and EKS.
- 7.3 To approve the revised committee structure only and continue with the separate collaboration agreements for EKHR and EKS.
- 7.4 Examine a corporate delivery vehicle.
- 7.5 To bring all services under one host authority.

8.0 Corporate Implications

8.1 Financial and VAT

8.1.1 None

8.2 Legal

8.2.1 The arrangements and collaboration agreement are in accordance with legislation and are considered to be lawful, robust and workable.

9.0 Conclusions

These arrangements give effect to the decisions taken in 2012. The proposed collaboration agreement aligns the management arrangements for the two services and provides service continuity

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Harvey Rudd, 01304 872321

Steven Boyle, 01843 5779062

10.0 Corporate

10.1 Relevant Council Documents

Attached as Schedules 1 to 5.

10.2 Consultation planned or undertaken

Informal consultation with senior managers affected.

11.0 Equity and Equalities

11.1 Aside from any matters already mentioned in relation to this matter in this report there are no additional relevant matters.

12.0 Recommendation

12.1 To agree option 7.1 above and that each Cabinet agree and approve and recommend to each Council:

- (1) To approve the operating arrangements, terms of reference and rules of procedure at Schedules 1 and 2 for a new joint committee to be known as the East Kent Services Committee.
- (2) To adopt the Protocol on Scrutiny of the East Kent Services Committee set out at Schedule 3.
- (3) To reaffirm the collaboration objectives and partnership values set out at Schedule 4.
- (4) That each Council (with the approval of each executive) appoints two executive members and two substitute executive members to the East Kent

Services Committee. Thereafter each Council to appoint members in accordance with its own constitution.

- (5) To Approve the arrangements for the discharge of functions and delegations contained in Schedule 5 to this report.
- (6) To authorise their respective Chief Executives to discharge the powers and functions as described in the section of this report headed “The Proposed Collaboration Agreement” together with any other functions as may be appropriate to ascribe to them in the proposed collaboration agreement.
- (7) That the revised arrangements at 1 to 6 above, are effective from 10:30 am on 11 February 2015 subject to the Cabinets and Councils of each of the authorities having made the decisions set out at 1 to 8 in identical terms.
- (8) To authorise the respective chief executives to approve on behalf of their respective councils a collaboration agreements incorporating the above resolutions and any other necessary terms to the ensure efficient and equitable delivery of the collaboration objectives and partnership values as set out in this report.

13.0 Decision Making Process

13.1 These matters are within the authority of the executive and the Council of each of the authorities of Canterbury City, Dover District and Thanet District.

13.2 That Dover District Council will:-

- (1) Create the Chief Officer post (without employment) of Director of Collaborative Services and accept the services of the Director of EK Services for the purposes of exercising the functions of that post pursuant to section 113 Local Government Act 1972.
- (2) Acting pursuant to section 111 Local Government Act 1972 (and all other powers so enabling), place the services of the Director of EK Services at the disposal of the EKSC for the purpose of discharging the functions of the Director of EK Services as defined in the proposed collaboration agreement.

13.3 That Thanet District Council will:-

- (1) Make the services of its employee, the Director of East Kent Services available to Dover District Council pursuant to section 113 Local Government Act 1972 for the purposes of exercising the functions of Director of Collaborative Services.
- (2) Acting pursuant to section 111 Local Government Act 1972 (and all other powers so enabling), place the services of the Director of EK Services at the disposal of the EKSC for the purpose of discharging the functions of the Director of EK Services as defined in the proposed collaboration agreement.

Contact Officer:	Steven Boyle – Interim Legal Services Manager & Monitoring Officer
Reporting to:	Madeline Homer, Acting Chief Executive

Annex List

Schedule 1	East Kent Services Operating Arrangements
Schedule 2	East Kent Services Committee Procedure Rules
Schedule 3	Protocol on the Scrutiny of the East Kent Services Committee
Schedule 4	The Collaboration Objectives and the Partnership Values
Schedule 5	Arrangements for the Discharge of Functions and Delegations

Background Papers

Title	Details of where to access copy
None	N/A

Corporate Consultation Undertaken

Human Resources	EK Human Resources
Finance	Paul Cook – Interim Director of Corporate & Regulatory Services
Legal	Steven Boyle – Interim Legal Services Manager & Monitoring Officer

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Schedule 1

East Kent Services Committee Operating Arrangements

Canterbury City Council

Dover District Council

Thanet District Council

together referred to as 'the Parties'

1. Key Principles

- 1.1 The Executive and full Council of each of the Parties has determined by resolution to establish this joint committee to become effective from 11 February 2015 for the purposes of exercising agreed functions over their 'combined administrative area'.
- 1.2 The joint committee will be established as the East Kent Services Committee (EKSC).
- 1.3 The Parties are committed to a joint committee which provides streamlined decision making; and co-ordination of services across the combined administrative area through mutual co-operation.
- 1.4 The Parties are committed to open and transparent working and proper scrutiny and challenge of the work of the EKSC through their own scrutiny arrangements.
- 1.5 Any new Parties to these arrangements after they become effective will have all the same rights and responsibilities under these arrangements.

2. Definitions

- 2.1 'Decisions' means those decisions of the Parties delegated from time to time to the EKSC to discharge.
- 2.2 'A shared service' means a service delivering functions as agreed by all of the Parties.
- 2.3 'The combined administrative area' means the local government areas of the city and district authority Parties combined.
- 2.4 'The Parties' means the authorities listed above.
- 2.5 'Voting Member' means the appointed elected members of each of the Parties.

2.6 'Host Authority' means the local authority appointed by the Parties under these arrangements to administer these operating arrangements and to facilitate the holding of meetings of EKSC.

3. Objectives

3.1 The objectives of the EKSC are to:

- (a) improve services, and secure economy, efficiency and effectiveness in their delivery in the combined administrative area
- (b) Streamline decision making where joint arrangements exist
- (c) Enhance mutual co-operation and strategic partnering

4. Powers and Functions

4.1 The EKSC is established under section 9EB of the Local Government Act 2000 and Regulations 4, 11 and 12 of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 and sections 101(5) and section 102(1) of the Local Government Act 1972 enabling the Parties to perform the functions referred to in the Schedule in the manner set out in these arrangements.

4.2 The functions of the EKSC shall be those functions or services that are delegated to it by the parties from time to time as approved by resolution of the executive and/or full Council (as appropriate). of such of the parties as are minded to participate in those joint functions and services.

4.3 Any delegations to the EKSC shall be made in a common form and shall not take effect until agreed by the executive and/or full Council (as appropriate) of all those Parties.

5. Terms of Reference

5.1 The terms of reference for the EKSC are as set out in the Schedule to these operating arrangements

6. Membership and Voting Rights

6.1 The EKSC shall comprise two executive members of each of the Parties who operate an executive system of political management. Where a party does not operate an executive system of political management then such a party shall appoint two members of the authority. .

6.2 Where a party operates an executive system of political management the Leader of each Party may nominate (for approval by the Council) two further members of their Executive to act as substitutes for either or both of the two appointed executive members as necessary .Where a party does no operate an executive system of political management then such a party may appoint two further members of the authority to act as substitutes.

- 6.3 Non-voting members may be co-opted onto the EKSC from any or all of the Parties or from other public sector partner organisations as the EKSC may unanimously decide. Co-optees may participate in the debate but may not vote.

7. Frequency of Meetings

- 7.1 The EKSC will meet at least once annually and may hold additional meetings as business requires.

8. Agenda Setting and Access to Meetings and Information

- 8.1 The agenda for the EKSC shall be agreed by the chairman of the EKSC following a briefing by relevant officers. Any member of the EKSC may require that an item be placed on the agenda of the next available meeting for consideration.
- 8.2 Notice of meetings and access to agendas and reports will be in accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, or sections 100A-K and Schedule 12A of the Local Government Act 1972 and the Openness of Local Government Bodies Regulations 2014, as appropriate.

9. Sub-Committees

- 9.1 The EKSC may establish sub-committees as it may determine.
- 9.2 When establishing a sub-committee the EKSC will agree the:
- (a) terms of reference for the sub-committee
 - (b) size and membership of the sub-committee including co-optees
 - (c) period for which the sub-committee will remain constituted
 - (d) chairman of the sub-committee or will delegate this decision to the sub-committee
 - (e) mechanism for hosting the sub-committee and sharing the cost amongst the relevant Parties, as appropriate

10. Delegation to Sub-Committees and Officers

- 10.1 The EKSC may arrange for the discharge of any of its functions by a sub-committee of the EKSC or an officer of one of the Parties. Any such sub-committee may, subject to the terms of these arrangements and unless the executive leader of any of the parties directs otherwise, arrange for the discharge of any of its functions by such an officer.

11. Meetings and Procedure

- 11.1 The Chairman and Vice Chairman of the EKSC will be appointed annually by the EKSC.

11. Meetings and Procedure

- 11.1 The Chairman and Vice Chairman of the EKSC will be appointed by the EKSC on the basis of the position being rotated annually, as follows, and repeated each three years:

	Chairman and Host Authority	Vice Chairman
Year 1 (2014/2015)	Thanet District Council	Dover District Council
Year 2 (2015/2016)	Dover District Council	Canterbury City Council
Year 3 (2017/2018)	Canterbury City Council	Thanet District Council

All appointments to be for the municipal year commencing April/May in any year

- 11.2 In the absence of the chairman and the vice chairman at a meeting, the meeting will elect a chairman for that meeting.
- 11.3 The quorum of the EKSC will be three with at least one member present from each of the three Parties. If the meeting is inquorate then it shall stand deferred for seven days to meet at the same time and in the same place when the quorum shall be three drawn from any of the Parties.
- 11.4 The EKSC may approve rules for its procedure and meetings from time to time.
- 11.5 The parties may approve a protocol for the scrutiny process of EKSC from time to time.

12. Decision Making

- 12.1 All decision shall be decided by a majority of members present and voting thereon at a meeting of the EKSC. The vote will be by way of a show of hands.
- 12.2 The EKSC may recommend to the parties services and/functions which may be considered for joint working.
- 12.3 Where all of the parties have agreed to delegate a shared service, then the service will become a shared service when all Parties have passed the necessary resolutions.

13. Publicity In Connection With Key Decisions

- 13.1 Decisions of the EKSC which will amount to a Key Decision of any Party shall be included within each Parties publicity in connection with key decisions.

14. Host Authorities and Allocation of Roles

- 14.1 The Host Authority shall be Canterbury City Council until the parties otherwise decide.
- 14.2 Responsibility for the following support services to the EKSC will be allocated to the Host Authority:
- (a) the provision of legal advice and services
 - (b) the provision of financial advice and services
 - (c) secretariat support and services
 - (d) communications support and services
- 14.4 The cost of the services and advice set out in this section will be met by each of the Parties in such proportion as they shall from time to time agree.

15. Amendments to these Arrangements

- 15.1 These arrangements may be amended by the unanimous agreement of the EKSC following a recommendation approved by the Executive and full Council of each of the Parties.

16. New Membership and Cessation of Membership

- 16.1 New Parties may join the joint committee provided that the Executive and full Council of the joining Party (ies) and of all the Parties to these arrangements for the time being so resolve.
- 16.2 Any of the Parties may cease to be a party to these arrangements following notice of cessation subsequent to a decision by the relevant Executive and full Council. A minimum of six months notice is required for any Party to leave the EKSC and in any event, any notice of cessation can only be effective when expiring on 31 March in any year. For the avoidance of doubt, where a Party wishes to withdraw from these arrangements but makes that decision and gives notice within six months expiring on 31 March, they may not withdraw from these arrangements until the 31 March in the subsequent year.
- 16.3 On any of the Parties ceasing to be a party to these arrangements, these arrangements shall continue unless the remaining parties determine that those arrangements shall terminate. The benefits and burdens of such termination shall be agreed between the Parties and in default of such agreement shall be determined in accordance with 17.1.
- 16.4 Termination of these arrangements may occur by agreement of all the Parties.

17. Dispute Resolution

- 17.1 Any dispute between the Parties arising out of these arrangements shall be referred to a single arbitrator to be agreed between the Parties, or, where no agreement can be reached, and having regard to the nature of the dispute, by an arbitrator nominated by the chairman of the Local Government Association and will be carried

out in accordance with the provisions of the Arbitration Act 1996 as amended or modified and in force for the time being.

18. Claims and Liabilities

18.1 The purpose of these arrangements and any actions taken under them is to assist all of the Parties to undertake shared services). The Parties therefore have agreed that:

- (a) all of the costs attributable to the provision of any shared service shall be shared between the Parties in such proportions as they shall agree (and if not otherwise agreed then in equal shares)
- (b) where one of the Parties nominated by the EKSC to act in respect of a shared service undertakes actions or incurs liabilities in respect of that shared service on behalf of the EKSC then it shall be entitled to be indemnified by the other Parties for the appropriate proportion of all its costs and liabilities incurred in good faith in relation to that shared service
- (c) where one of the Parties nominated by the EKSC to act as Host Authority undertakes actions or incurs liabilities in that respect then it shall be entitled to be indemnified by the other Parties for the appropriate proportion of all its costs and liabilities incurred in good faith
- (d) a Party carrying out actions in good faith on behalf of the EKSC shall not (other than in the case of fraud and/or clear bad faith) be liable to claims from the other Parties (and there shall be no right of set-off against any claim for indemnity under (b) and/or (c) above) on the grounds that the actions that were taken were not the proper actions carried out properly or that the costs and liabilities incurred were not reasonably and properly incurred (as long as they were in fact incurred)

18.2 Each of the Parties shall at all times take all reasonable steps within its power to minimise and mitigate any loss for which it is seeking reimbursement from any of the other Parties.

19. Data Protection, Freedom of Information, Information Sharing & Confidentiality

19.1 Subject to the specific requirements of this clause, each of the Parties shall comply with its legal requirements under data protection legislation, freedom of information and associated legislation, and the law relating to confidentiality.

19.2 An authority will be appointed as a Host Authority for the purposes of ensuring compliance with any legislative or legal requirements relating to these issues should they arise directly in relation to the joint committee (as compared to information held by the Parties to these arrangements).

19.3 Each of the Parties shall:

- (a) treat as confidential all information relating to:
 - (i) the business and operations of the other Parties and/or

- (ii) the business or affairs of any legal or natural person in relation to which or to whom confidential information is held by that Party

("Confidential Information") and

- (b) not disclose the Confidential Information of any other of the Parties without the owner's prior written consent

19.4 Clause 19.3 shall not apply to the extent that:

- (a) such information was in the possession of the Party making the disclosure, without obligation of confidentiality, prior to its disclosure or
- (b) such information was obtained from a third party without obligation of confidentiality or
- (c) such information was already in the public domain at the time of disclosure otherwise than through a breach of these arrangements or
- (d) disclosure is required by law (including under Data Protection Legislation, the Freedom of Information Act 2000 and the Environmental Information Regulations 2004) or disclosure is permitted by the Human Rights Act 1998

19.5 The Parties may only disclose Confidential Information of another of the Parties to staff who need to know by reason of their work. Each of the Parties shall ensure that such staff are aware of, and comply with, these confidentiality obligations and that such information is not used other than for the purposes of the EKSC.

19.6 If any of the Parties receives a request for information under the Freedom of Information Act 2000 and/or the Environmental Information Regulations 2004 then the other Parties shall (at their own expense) assist and co-operate to enable the request to be dealt with.

19.7 If a request for information is received then the Party receiving it shall copy it to the other Parties and consider when making its decisions any views of the other Parties.

19.8 Notwithstanding the provisions of 19.6 and 19.7 it shall be the Party receiving the request that is responsible for determining at its absolute discretion how to reply to the request.

20. Exercise of Statutory Authority

20.1 Without prejudice to these arrangements, nothing in these arrangements shall be construed as a fetter or restriction on the exercise by any of the parties of their statutory functions. The parties may continue to provide the whole or any part of a service at their own cost notwithstanding that the service is also a shared service being provided jointly.

TERMS OF REFERENCE of the EAST KENT SERVICES COMMITTEE

1. To exercise the executive and non-executive functions of the parties in order to commission, co-ordinate, provide, procure and/or manage any shared services as are agreed from time to time by the Parties
2. To provide strategic direction to the officers advising the EKSC
3. To exercise any of the functions or services that are determined to be a shared service in accordance with these arrangements
4. To develop work programmes and projects in relation to the functions which the parties are minded to be delegated to the EKSC by the Parties
5. To report as necessary to each of the Parties on its activities
6. To respond to reports and recommendations made by all or any of the Parties
7. To make recommendations to the Parties for improvement and change of these operating arrangements and to propose (as appropriate) the creation of special purpose vehicles for the achievement of the Objectives, including companies, formal partnerships or consortia, the expansion of these arrangements to include other local authorities, the conclusion of contracts with other persons and the provision of services, supplies and works to other persons

SCHEDULE 2

East Kent Services Committee Procedure Rules

These Rules are made supplemental to clause 11.4 of the East Kent Services Committee operating arrangements (“operating arrangements”) and are to be read in conjunction with them. In the event of conflict the operating arrangements shall prevail. “Joint Committee” means the East Kent Services Committee. Words and phrases not otherwise defined in these Rules shall have the meanings given them in the operating arrangements.

1. The operation of the Joint Committee

1.01 Who may make decisions?

The arrangements for the discharge of functions are:

- i) the Joint Committee as a whole;
- ii) a sub-committee;
- iii) an officer of one of the Parties.

1.02 Sub-delegation of functions

- (a) Where the Joint Committee are acting as a whole, they may delegate further to a sub-committee or an officer.
- (b) Even where functions have been delegated, that fact does not prevent the discharge of delegated functions by the person or body who delegated them.

1.03 The Joint Committee’s scheme of delegation

The Joint Committee’s scheme of delegation will be subject to adoption by it and may only be amended by it. It will contain any limitations or conditions.

1.04 Joint Committee meetings – frequency and venue

The EKSC will meet at least once annually. At other times it will meet at times agreed by the Chairman with the Chief Executive of the host authority. It will meet at the premises of the host authority.

A meeting of the Joint Committee shall be summoned by the Chief Executive of the Host Authority who will give a minimum of five working days notice (or less in the case of urgency) or any other date convenient to the Chairman subject to the requirements of legislation.

1.05 Meetings of the Joint Committee

Meetings of the Joint Committee will be held in public except in so far as the matters for decision relate to issues which can be dealt with in private in accordance with the Access to Information requirements of the Local Government Act 1972.

1.06 Quorum

The quorum of the Joint Committee is as provided for in paragraph 11.3 of the operating arrangements.

2. Conduct of meetings

2.01 Chair

The Chairman will preside at any meeting of the Joint Committee at which he/she is present, and in his/her absence the Vice Chairman will preside. In the absence of both the Chairman and Vice Chairman the members present shall appoint another person to preside.

2.02 Attendance

Members of the public (including other members of the Parties) may attend all meetings of the Joint Committee except when exempt or confidential information is being considered where the press and public, may be excluded by resolution of the Joint Committee in accordance with the Local Government Act 1972.

2.03 Order of business

Meetings of the Joint Committee will include the following business:

- i) consideration of the minutes of the last meeting;
- ii) apologies for absence;
- iii) declarations of interest, if any;
- iv) matters referred to the Joint Committee by any of the Parties;
- v) consideration of reports from any Sub-Committees of the Joint Committee;
- vi) consideration of reports from the Officers;
- vii) matters set out in the agenda for the meeting, which shall indicate which are key decisions;
- viii) advice to the Parties for their publicity in connection with key decisions;

2.04 Consultation

Reports will set out the details and outcome of consultation as appropriate. The level of consultation required will be appropriate to the nature of the matter under consideration.

2.05 Timescales

In considering matters in relation to budgetary issues the Joint Committee will have due regard to any appropriate timescale within which budgets have to be approved by the Parties.

2.06 Key decisions

Decisions of the Joint Committee which are key decisions shall only be taken provided that the matter in question is contained within the publicity in connection with key decisions of all Parties. If not publicised as required that decision can only be taken if any delay likely to be caused by the call-in process would seriously prejudice the interests of any of the parties or the public interest. The record of the decision and the notice by which it is made public shall state whether, in the opinion of the decision maker, the decision is an urgent one, and therefore not subject to call-in.

The Chairman of the appropriate scrutiny committee of each of the parties must agree both that the decision proposed is reasonable in all the circumstances and to it being treated as a matter of urgency. In the absence of the Chairman of the appropriate scrutiny committee, the consent of the Chairman of that party shall be required. In the absence of both the Chairman of the appropriate scrutiny committee and the Chairman of the appropriate party, the consent of the Vice-Chairman of that party shall be required. Decisions taken as a matter of urgency must be reported to the next available Full Council meetings of each of the parties, together with the reasons for urgency.

2.07 Recording of decisions

Following a meeting of the Joint Committee at which a report has been received and at which a decision has been made, the Host Authority shall ensure that a written statement is kept which must include the following:

- (i) record of the decision;
- (ii) record of reasons for the decision;
- (iii) details of alternative options considered;
- (iv) record of any interest declared; and
- (v) any dispensation granted under the Code of Conduct for Members.

No decision will be made either by the Joint Committee or a Sub-Committee thereof unless there is present at the meeting the Head of Paid Service of the Host Authority (or his representative) or the officer responsible for the particular joint service project is present or their representative and the Proper Officer for recording decisions is present which for this purpose shall be an officer of the host authority who is not the Head of Paid Service.

A written statement of the decision taken will be produced by the Proper Officer within two clear working days following the Joint Committee.

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SCHEDULE 3

**Protocol on Scrutiny of the
East Kent Services Committee**

Canterbury City Council

Dover District Council

Thanet District Council

together referred to as 'the Parties'

1.0 Key Principles for the Scrutiny of the East Kent Services Committee

- 1.1 The members of the all the parties will work together to maximise the exchange of information and views, to minimize bureaucracy and make best use of the time of members and officers.
- 1.2 The guiding principle for the operation of scrutiny is that it should be consensual, positive and transparent. The emphasis of the work should be on making proactive contribution to the development of policy and the discharge of the functions of the East Kent Services Committee ('EKSC'). This is best achieved by an inclusive process covering members, the parties' partners, service users and officers.

2.0 Purpose

- 2.1 The purpose of this protocol is to facilitate the performance of the scrutiny function of each of the parties under the Local Government Act 2000.
- 2.2 If any party changes its political management arrangements this Protocol shall cease to apply to that party insofar as its statutory powers are concerned but it would seek to carry out non-statutory scrutiny in a manner consistent with its constitution and this protocol

3.0 Pre-Decision Scrutiny

- 3.1 The parties agree to use their publicity in connection with key decisions, residents surveys and other material to identify topics for future scrutiny and for inclusion in their scrutiny work programme. To this end the parties shall endeavour to co-ordinate their activities.

4.0 Call-In

- 4.1 A procedure for the operation of call-in by the parties has been agreed and is set out in the Schedule.
- 4.2 Where there is a call-in by any of the parties each of the other Parties will be notified forthwith. The call-in shall be heard by the call-in Party's appropriate scrutiny committee in accordance with the call-in Party's own arrangements. Where there is

more than one call-in on the same subject the parties shall endeavour to co-ordinate their activities.

- 4.3 The call-in procedure set out in clauses 4.1 and 4.2 above shall not apply where the decision being taken by or on behalf EKSC is urgent. A decision will be urgent if any delay likely to be caused by the call-in process would seriously prejudice the interests of any of the Parties or the public interest. The record of the decision and notice by which it is made public shall state whether, in the opinion of the decision maker, the decision is an urgent one and therefore not subject to call-in. The suspension of call-in (including the obtaining of any necessary consents) shall be dealt with in accordance with each parties' constitutional arrangements. Decisions taken as a matter of urgency must be reported to the next available full Council meetings of each of the Parties, together with the reasons for urgency.

5.0 Amendments to this Protocol

- 5.1 This protocol may be amended by the unanimous agreement of the parties.

6.0 Administration

- 6.1 The decisions and recommendations of the parties scrutiny committees will be communicated to EKSC and the participating councils as soon as possible after the resolution of the committee.

7.0 Exercise of Statutory Authority

- 7.1 Without prejudice to these arrangements, nothing in this protocol shall be construed as a fetter or restriction on the exercise by any of the parties of their statutory functions.

The Schedule to Protocol on Scrutiny of the East Kent Services Committee

PROCEDURE FOR THE OPERATION OF CALL-IN

1. When a decision is made by EKSC, a sub-committee of EKSC, or a key decision is made by an officer with delegated authority from EKSC, the decision shall be published, including where possible by electronic means, and shall be available at the main offices of each of the Parties normally within two days of being made. Each of the Parties will be sent copies of the records of all such decisions within the same timescale, by the person responsible for publishing the decision. Each of the Parties shall thereafter publish and distribute the records as appropriate to their own constitutional arrangements (including distribution to chairs of all overview and scrutiny committees).
2. That notice will bear the date on which it is published and will specify that the decision will come into force, and may then be implemented at 12.00 noon, on the fourth working day after the publication of the decision, unless it is called-in.
3. If a decision is called-in by a scrutiny committee of one of the parties that party shall hold a meeting of the appropriate scrutiny committee within 10 working days of the decision to call-in. Reasons for calling-in a decision should be given and recorded in the agenda.
4. If, having considered the decision, the appropriate scrutiny committee of one of the parties is still concerned about it, then it may refer it back to the decision making person or body for reconsideration, setting out in writing the nature of its concerns or refer the matter to its full Council and may circulate them to the other Parties. If referred to the decision maker they shall then reconsider within a further 10 working days, amending the decision or not, before adopting a final decision.
5. If the scrutiny committee or council of any of the Parties to whom the matter has been referred does not meet, or if it does but does not refer the decision back to the decision maker, the decision will become effective on the date of the relevant meeting of the scrutiny committee or the full Council or expiry of the period in which the scrutiny committee meeting or meeting of the Council should have been held, whichever is the earlier.

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SCHEDULE 4

The Collaboration Objectives and the Partnership Values

The collaboration objectives are:-

the commitment of the Authorities to the most economically advantageous and closest co-ordination possible of the Shared Services across the Authorities' administrative areas within the law and practical achievement enabling cross border co-operation to improve efficiency and the obligation to discharge the Best Value duty imposed on the Authorities by section 3 of the Local Government Act 1999 in relation to, inter alia, the Shared Services or any part of them

The partnership values are:-

- Openness, communication, trust and information sharing on a formal and informal basis in a timely fashion.
- Creating open dialogue between the Authorities to discuss and resolve any issues arising irrespective of any fault and where it may lie.
- Recognising that issues and conflicts will arise and openly acknowledging, discussing and addressing such issues.
- Being inclusive and open minded when developing ideas and plans.
- Developing agreed and clearly understood mutual objectives whilst recognising and respecting each Authority's individual objectives.
- Applying efforts to recognise common objectives which are clearly communicated, recorded and understood and recognising any necessary change to those objectives.
- Creating a proactive and positive culture seeking improvement and being open to adopting new approaches and techniques.
- A commitment to a constructive and collaborative resolution of problems and developing joint problem solving approaches, looking for mutually beneficial outcomes.
- Creating a proactive and positive culture amongst all of its personnel so problems are resolved quickly.
- Recognising that the priority should be resolution of issues and working together to allow better anticipation of potential problems and preventative action.
- Ensuring that where there is a change of key personnel any new personnel are provided with high quality induction training and made aware of the working practices related to delivery of the Collaboration.
- To use reasonable endeavours to provide consistency in the personnel assigned to deliver the services and that key personnel remain capable and competent throughout the term of this Agreement.
- To ensure there is a commitment to overall sound contract performance management, benefit realisation and reporting, including the management of change and risk and that the agreement develops and changes to meet the Authorities' business needs.
- To use reasonable efforts to ensure this Agreement develops in ways which are consistent with the Collaboration Objectives, the Authorities' constitutions and political and corporate objectives.

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SCHEDULE 5**Arrangements for the Discharge of Functions and Delegations****Functions To Be Discharged By EKSC On Behalf Of The Authorities****Framework and Definitions**

1. The functions delegated in this Schedule are associated with the following services which are to be delivered by Canterbury City Council, Dover District Council and Thanet District Council through the East Kent Services Committee:
2. Detailed as below:
 - (a) ICT
 - (b) face to face and contact centre customer services
 - (c) revenues and benefits
 - (d) human resources
3. It is contemplated that the East Services Committee will in turn delegate the discharge of these functions to the Director of Collaborative Services and/or the Director of Shared Services or other of their officers.
4. The “Arrangements” means the operating arrangements, Terms of Reference, Committee Procedure Rules and any other minutes or documents for the time being in force by which the East Kent Joint Arrangements Committee is constituted and its powers defined.
5. “Authority” means Canterbury City Council, Dover District Council, or Thanet District Council as the context requires, being the authority on whose behalf the particular powers or functions are being exercised and “Authorities” shall be construed accordingly.
6. “The Committee” means the East Kent Services Committee.
7. “The Department” means as the context requires the East Kent Shared Services department under the Directorship of the Director of Shared Services and or the East Kent Human Resources department under the Directorship of the Director of Collaborate Services.
8. “Scheme of Delegation” means the arrangements for the discharge of functions and delegations set out in this Schedule.

Exercise of Functions

9. The Council’s and the Executives of the Authorities delegate the discharge of the functions set out in this Scheme of Delegations to the East Kent Services Committee pursuant to all powers contained in or having effect under the Local Government Acts of 1972 and 2000.
10. The exercise of the powers and functions set out in this Schedule shall without prejudice to any specific delegation or authorisation set out, and subject to any express Conditions/Exclusions/Limitations/Notes specified, be taken to include power to do anything

incidental or conducive to the discharge of such functions including (by way of example and not by way of limitation) power to do any of the following:

- (a) To appoint or designate any officer as an "authorised officer", "inspector", "person duly authorised" or similar under any of the legislation or functions specified for the purposes of enabling any such person to carry such legislation or functions into effect.
- (b) To authorise any officer for the purposes of any of the above mentioned legislation or functions.
- (c) To exercise any power or function conferred by or in connection with the specified legislation or functions to:
 - (i) Require any person to provide any information.
 - (ii) Enter or inspect any land, premises, vehicle or vessel.
 - (iii) Take samples of, seize, test, dispose of, destroy, or otherwise deal with and thing or substance in accordance with the applicable legislation.
 - (iv) Make application for any warrant or order to a court of summary jurisdiction and to execute any such warrant or order taking with him or her any other person as may be authorised.
 - (v) To make or swear any information.
 - (vi) Institute or defend any legal proceedings, and to take all proper steps in the furtherance or compromise of such proceedings (in each case) in consultation with the Solicitor to the Council which may be undertaken in relation to specific cases or in relation to categories of work,.
 - (vii) Execute work.
 - (viii) Sell or dispose of any goods, articles, samples materials or other property (other than land and buildings).
 - (ix) Recover any sums of money due to the Authorities.
 - (x) Authorise any other person to do any of the things mentioned in (i) to (ixi) above to the extent permitted by law.

11. The East Kent Services Committee are hereby authorised to discharge on behalf of the Authorities the function of preparing and approving, amending or repealing, any policy, statement, practice note, code of guidance, procedure or similar in connection with the functions hereby delegated and:-

- (a) Until such time as they have done so any reference in this Part to any policy, procedure, process or similar administrative statement of practice 'of the Authority' shall be interpreted as a reference to the relevant policy, procedure process of similar administrative statement of the relevant Authority in force on 11 February 2015.
- (b) Any reference in this Part to any policy, procedure, process or similar administrative statement of practice 'of the Authority' shall be interpreted as a reference to the relevant policy, procedure process of similar administrative statement as approved by the former East Kent Joint Arrangements Committee or the East Kent Services Committee (or the relevant Authority) after 11 February 2015.

12. Any reference to any Act, Rule, Order or Regulation shall be taken as including a reference to that Act, Rule, Order or Regulation as re enacted replaced or modified from time to time.
13. References to any statutory provision shall include a reference to any subordinate or secondary legislation made under or taking effect under it from time to time.

Administrative

14. The Committee may only exercise the delegated powers in this schedule in accordance with:-
 - (a) Statutory or other legal requirements, including the principles of public law, the Human Rights Act 1998 (as amended), statutory guidance and statutory codes of practice.
 - (b) The Constitution of the Authority where relevant including standing orders, contract standing orders and financial regulations.
 - (c) The revenue and capital budgets of the Authority, subject to any variation thereof which is permitted by the Authority's Financial Regulations.
 - (d) Consideration of any relevant policy adopted by the Committee.
15. The Committee may not exercise delegated powers where –
 - (a) The matter is reserved to the Authority by the arrangements.
 - (b) The matter is a function which cannot by law be discharged by the Committee.
16. The Committee may not exercise delegated powers in a way which is contrary to the policies and plans approved by or on behalf of the Authority.
17. Where an officer has delegated powers the Committee or sub-committee (as appropriate) the Committee can still exercise that power if it considers that it is appropriate to do so.
18. If for any reason it is not practical to consult a person required to be consulted in the exercise of a delegation then the Committee must consult someone else they reasonably consider to be an appropriate substitute consultee if reasonably practicable to do so.
19. The delegations in this Scheme of Delegation include the discharge of both executive and non-executive functions
20. Any reference in this Scheme of Delegation to any enactment shall include a reference to any amendment to or re-enactment of the same.
21. Where The Committee has delegated authority to discharge functions by virtue of any other decision by the parties or the absence of the delegation from this Scheme of Delegation shall not prevent the exercise of the delegation.
22. Where the Committee delegates the exercise of any function to an officer of any of the Authorities that officer may nominate another officer or officers to exercise that duty, function or power, provided that the nominated officer(s) report to or is responsible to officer to whom the delegation has been made.
23. Where an officer has delegated authority to discharge functions;

- (a) By virtue of any other decision of the parties or;
- (b) Through a specific decision of the Committee, or a sub-committee, either before or after the adoption of this Scheme of Delegation,

The absence of the delegation from this Scheme of Delegation shall not prevent the exercise of the delegation.

Functions Related to the Administration and Management of the Shared Service

Business cases and delivery of services

- 24. To develop shared service business cases work programmes and projects in relation to the functions which any of the Authorities are minded to delegate to the Committee. [E/C]
- 25. With the assistance if necessary of the appropriate Chief Executive of any of the Authorities to obtain from his or her Authority any information required in preparing a shared service business case. [E/C]
- 26. Once a business case is approved to implement the same and deliver the service as defined therein. [E/C]
- 27. To make arrangements for the management of the Department. [E/C]

Financial

- 28. Acceptance of the lowest tender or bid for the carrying out of works for the committee, the purchase, leasing or hiring of goods, materials and equipment by the committee, or the supply of services to the committee, provided that budget provision is available. [E]
- 29. Authorise Entry into contract documentation following tender/bid acceptance (subject to the provisions of Financial Regulations and Contract Standing Orders of the Authority relating to the execution of contracts under seal). [E/C]
- 30. Authority to negotiate and agree price increases where a contract provides for price increases to be negotiated and agreed by the parties, subject to Contract Standing Orders of the Authority and ensuring sufficient budgetary provision exists. [E/C]
- 31. The assignment or novation of a contract. [E/C]
- 32. The approval of the appointment of or the acceptance of the tender of a sub-contractor or supplier for specialist work or material provided that this does not result in the budget provision for the works as a whole being exceeded. [E/C]
- 33. Virement between heads of expenditure of up to the limit specified in the Authority's Financial Regulations provided that such virement is in accordance with the conditions for virements in such Financial Regulations. [E/C]
- 34. Provision of reasonable hospitality to representatives of other authorities, visiting a department or premises under the Committees control subject to agreement by the Chief Executives of each of the parties for expenditure in excess of £500. [E]
- 35. To negotiate and agree variations in contracts arising out of statutory requirements subject to adequate budgetary provision being available. [E/C]

Shared Services Employees

36. The Authority's empower the Committee to the intent that the Director has the necessary delegated powers to;-
- (a) to determine the establishment and make changes to the establishment of the Department [C]
 - (b) to exercise all powers functions and responsibilities in relation to the employment, management and dismissal of staff engaged [C] in the shared services under the terms, conditions, policies and procedures of the Authority. [C]

General

37. To publicise the services they provide. [E/C]
38. To deal with issues relating to the Commission for Local Administration relevant to the Committee. [E/C]

Delegation of the functions associated with the provision of ICT services, face to face contact centre customer services and benefits and benefits administration.

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
1. Council Tax	<p>In connection with the administration of the council tax:</p> <p>(a) to determine occupation, to send invoices, grant reliefs, issue penalties, collect income and take all recovery and other administrative steps necessary to collect the council tax in accordance with any statute or statutory regulations and make determinations and exercise discretions as appropriate, except for matters specifically reserved to the Authorities;</p> <p>(b) to administer the Authorities' Council Tax Reductions Schemes in accordance with any statute or statutory regulations and make determinations and exercise discretion as appropriate, except for matters specifically</p>	

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
	<p>reserved the Authorities;</p> <p>(c) to represent the Billing Authority in any proceedings tribunal or appeals panel dealing with matters of housing benefit or council tax, and in any proceedings relating to the recovery and enforcement of council tax and penalties before the Magistrates and County Court, and to authorise officers of any Authorities who are represented on the East Kent Services Committee to similarly represent the Billing Authority;</p> <p>(d) to undertake interviews under caution, to issue cautions, administrative penalties and authorise prosecutions in accordance with legislation, and the Authorities' prosecution policy and statement on fraud;</p> <p>(e) to administer discretionary housing payments in accordance with legislation and the Authorities' policy;</p> <p>(f) to complete statutory returns in connection with council tax;</p> <p>(g) to serve or withdraw completion notices under Schedule 4a of the Local Government Finance Act 1988 as amended;</p>	

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
	<p>(h) to determine liable persons, exemptions, discounts, transitional relief schemes, calculate instalments, appoint bailiffs, debt collection agents and process servers, request a statement of case for the opinion of the High Court, attach earnings and income support, impose a charge upon property, commence bankruptcy proceedings, attach allowances, levy distress, impose charges for levying distress, seek insolvency of the debtor or commitment to prison, to request and execute warrants of arrest and exercise any other administrative step for the collection of council tax;</p> <p>(i) to represent the Authorities in the determination of proposals, alterations and appeals for council tax where appropriate;</p> <p>(j) to represent the Billing Authority in requests for administration orders under the County Courts Acts in respect of unpaid council tax;</p> <p>(k) to be responsible for the prevention, detection and prosecution of council tax fraud.</p>	<p>Statutory returns must be authorised by the Section 151 Officer of the Authorities</p>

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
2. Administration of the Housing Benefit Scheme	<p>In connection with the administration of the Housing Benefit Scheme:</p> <p>(a) to be responsible for promoting take up of Housing and Council Tax Support p schemes;</p> <p>(b) to grant Housing Benefit (rent allowances and rent rebates) in accordance with any statute or statutory regulations and make determinations and exercise discretion as appropriate, except for matters specifically reserved for the Council and Committees/Executive;</p> <p>(c) to determine and recover overpayments of Housing Benefit including making decisions on the method of recovery;</p> <p>(d) to make determinations and payments in accordance with the Authorities' Discretionary Housing Payments policy;</p> <p>(e) to undertake interviews under caution, to issue cautions, administrative penalties and authorise prosecutions in accordance with legislation, and the Authorities' prosecution policy in respect of Housing Benefits</p>	

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
	<p>(f) to complete statutory subsidy calculations and returns , and all other statistical returns;</p> <p>(g) to undertake all other administrative processes in connection with the Housing Benefit scheme.</p>	<p>Statutory subsidy calculations and returns must be authorised by the Section 151 Officer of the Authorities</p>
3. National Non-Domestic Rate	<p>In connection with the administration of the national non domestic rate:</p> <p>(a) to determine occupation, to send invoices, grant reliefs, collect income and take all recovery and other administrative steps necessary to collect the national non domestic rate in accordance with any statute or statutory regulations and make determinations and exercise discretions as appropriate, except for matters specifically reserved to the Authorities;</p>	<p>This includes and recovering money from Business Improvement Districts.</p>

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
	<p>(b) to represent the Billing Authority in any proceedings before the Valuation Tribunal, and in any proceedings relating to the recovery and enforcement of national non domestic rate before the Magistrates and County Court, and to authorise officers within the Head of Business and Community Transformation's Division to similarly represent the Billing Authority;</p> <p>(c) to complete statutory returns in respect of national non domestic rate;</p> <p>(d) to serve or withdraw completion notices under Schedule 4a of the Local Government Finance Act 1988 as amended;</p> <p>(e) to determine liable persons, exemptions, transitional relief schemes, calculate instalments, appoint bailiffs, request a statement of case for the opinion of the High Court, impose a charge upon property, levy distress, impose charges for levying distress, seek insolvency of the debtor or commitment to prison or liquidation of companies, to request and execute warrants of arrest and exercise any other administrative step for the collection of national non domestic rate;</p>	<p>Statutory returns must be approved by the Section 151 Officer of the Authorities</p>

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
	<p>(f) to represent the Authority in the determination of proposals, alterations and appeals for national non domestic rate where appropriate;</p> <p>(g) to represent the Billing Authority in requests for administration orders under the County Courts Acts in respect of unpaid national non domestic rate;</p> <p>(h) to calculate and pay interest on overpayments of national non domestic rate in accordance with the NDR (Payment of Interest) Regulations 1990;</p> <p>(i) to determine applications under Section 44A of the Local Government Finance Act 1988;</p> <p>(j) to be responsible for the prevention, detection and prosecution of national non domestic rate fraud.</p>	

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
4. ICT	<p>To provide ICT technical support services to the Authorities including:-</p> <p>network infrastructure both LAN and WAN solutions, hardware infrastructure, internet access and web infrastructure solutions.</p> <p>To provide technical and business advice on ICT solutions and use of technology.</p> <p>To Provide ICT business support services to the Authorities including:-</p> <p>service application system support services including third party supplier liaison, management of corporate data bases, including GIS, quality assurance of data and integration with other business systems.</p> <p>To provide associated procurement administration including all quotations, ordering, invoicing and contract management.</p>	<p>Note: The nature and extent of the activities to be undertaken in connection with the discharge of these functions will be as detailed from time to time in a Service Level Agreement</p>

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
5. Customer Services	<p>To provide 'front of house' contact with the public wishing to make enquiries of the Authorities or to access services in relation to any of its functions whether that contact is made in person, by telephone, by mail or email or the websites of any of the Authorities, including but not limited to</p> <p>(i) Issuing application forms for access to services.</p> <p>(ii) receiving payments due to the Authorities and issuing receipts</p> <p>(iii) providing facilities for the public inspection of documents and the taking of copies thereof</p> <p>(iv) responding to 'low level' customer complaints</p> <p>(v) selling or distributing or issuing any item or thing arising out of the conduct of any undertaking or function of the Authorities</p> <p>Such other activities in connection with the offering of services to the public as may be detailed from time to time in the Service Level Agreements</p>	<p>Note:</p> <p>The activities identified in this paragraph 5 are intended to be either incidental or conducive to the discharge of the functions set out in paragraphs 1 to 4 above or intended to be either incidental or conducive to the discharge of all of the other functions of the Authorities.</p> <p>Limitation:</p> <p>Except as is expressly provided in paragraphs 1 to 4, paragraph 5 does not operate as to confer any power to exercise any substantive function of the Authorities</p>
6. Human Resources	<p>The function of providing a human resource and payroll service in respect of the staff employed by and elected members of the Authorities in accordance with a service level agreement agreed from time to time by the East Kent Services Board on behalf of the Authorities to include</p>	<p>The following matters are reserved to the Authorities at the present time:-</p> <p>1. The Regulatory and Investigative</p>

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
	<p>HR SERVICES</p> <p>Strategic HR Advice</p> <p>Provide advice on policy development, Workforce Strategies and other key issues.</p> <p>Attend management team meetings and committee meetings in each of the partner authorities as agreed.</p> <p>Professional HR Advice and Information</p> <p>Case management and day to day ad hoc queries.</p> <p>Learning and Development</p> <p>Provide Corporate and Bespoke Training Service.</p> <p>Recruitment</p> <p>Provide a complete recruitment administration support service from advertising to appointment. Advise Managers and respond to queries. Manage the Advertising</p>	<p>Powers Act 2000</p> <p>2. The Employment Practice Code (produced by the Information Commissioner</p> <p>3. The Telecommunications (Lawful Business Practice) Interception of Communications) Regulations 2000</p> <p>4. Save for the provision of advice as directed by the authority, the procedural aspects and decisions to be made leading to the appointment and/or removal of the Head of Paid Service, Monitoring Officer and the Local Government Act 1972 s151 Officer.</p> <p>5. Decisions to be made under s112 of the Local Government Act 1972 (but not the procedural aspects of this power)</p>

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
	<p>Agency contract.</p> <p>Pre-employment checks</p> <p>Requesting of employment references, pre-employment health screening, Criminal Record Bureau checks and other checks as relevant to the type of position.</p> <p>Appointment of new employees</p> <p>Production of offer letters and employment contracts and set up of personnel records – both manual file and computerised (HR/Payroll system).</p> <p>Contractual amendments changes</p> <p>Production of contract variations and amendments to personnel record as required – both manual file and computerised (HR/Payroll system)</p> <p>Maintenance of employee records</p> <p>Update employee records in accordance with authorised instructions.</p>	

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
	<p>Input to Development and Implementation of corporate/directorate policies</p> <p>Contribute to corporate/directorate policies to ensure that requirements and input from HR Shared Services is taken into account. Provide feedback regarding the implication and issues regarding implementation.</p> <p>Sickness and Absence management</p> <p>Provide access to management reports and support for managers on sickness absence.</p> <p>Input sickness absence where self-service is not available.</p> <p>Input all other absence (not sickness) in accordance with authorised instruction for areas where self-service is not available.</p> <p>Support to Restructuring/change management</p> <p>Provide administrative support and HR advice to restructuring and change management to ensure that all HR issues are properly addressed.</p>	

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
	<p>Personnel Administration</p> <p>Issue notices and keep records of general correspondence on terms and conditions and pension notifications to groups of the workforce.</p> <p>Termination/Leavers</p> <p>Administration of necessary processes associated with termination of employment as per the agreed process.</p> <p>Advice and Information</p> <p>Respond to day to day ad hoc queries for advice regarding terms and conditions.</p> <p>Consultation Forums</p> <p>Attend the various staff consultation forums in each authority as agreed to provide advice and guidance.</p> <p>Compensation and Benefits</p> <p>Pensions advice and administration including costs for early retirement, exercise of discretions, request for early</p>	

Column 1 Legislation/Function	Column 2 Brief Description	Column 3 Conditions/ Exclusions Limitations/Notes
	<p>release of benefits, Je administration, salary sacrifice and other staff benefit schemes.</p> <p>Health and Safety</p> <p>To provide professional day to day advice as necessary to the authorities and when required act as liaison with the HSE.</p> <p>Payroll</p> <p>Manage the delivery of the payroll services.</p> <p>Service to Members</p> <p>Provide a Payroll service and other services as agreed with East Kent Services Board.</p>	

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