

# Public Document Pack



Date: 23 July 2014  
Our ref: Cabinet/Supplementary Agenda  
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## CABINET

**31 JULY 2014**

A meeting of the Cabinet will be held at **7.00 pm on Thursday, 31 July 2014** 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 No.1

Item  
No

Subject

5. **NOTICE OF MOTION NO. 2 - DESIGNATION OF CONSERVATION AREA, CLIFTONVILLE** (Pages 1 - 6)
6. **GREAT BRITISH SEASIDE FESTIVAL** (Pages 7 - 10)
11. **BUDGET OUTTURN** (Pages 11 - 24)
13. **CREDIT METHODOLOGY CHANGES** (Pages 25 - 32)

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**NOTICE OF MOTION No.2 – DESIGNATION OF CONSERVATION AREA, CLIFTONVILLE**

To: **Cabinet – 31<sup>st</sup> July 2014**

Main Portfolio Area: **Housing and Planning Services**

By: **Director of Community Services**

Classification: **Unrestricted**

Ward: **Cliftonville West**

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**Summary:**

**The report considers the draft consultation documents, prepared in 2011, relating to the potential designation of a further six conservation areas in Cliftonville West and makes a recommendation as to which should be taken forward for consideration to designate. It also discusses the implications of the service of Article 4(2) Directions.**

**For Decision**

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**1.0 Introduction and Background**

1.1 At their meeting on 19<sup>th</sup> June 2014 when considering the potential designation of conservation areas in Cliftonville West, Cabinet members resolved: -

*That a report is taken to Cabinet on 31<sup>st</sup> July 2014 guidance on which defined area should be proposed for designation and seeking leave to go out to consultation;*

*b) After public consultation, the matter is brought back to Cabinet on 13 November 2014 setting out the results of the public consultation and seeking a recommendation to Council;*

*c) The matter is taken to Council on 18 November 2014 for decision as to whether to designate an area of conservation.*

**2.0 The Current Situation**

2.1 In 2010, following the designation of the Dalby Square area, Thanet District Council commissioned *The Conservation Studio* to report on whether there was further potential to designate conservation areas in Cliftonville West Ward. The end result of this work – funded by English Heritage – was the production, by the Conservation Studio, of Draft Designation documents and Management Plans for six defined areas in the Ward. These documents have been available on the Council's website since February 2014. All of the documents need updating.

## 2.2 The six areas:-

### 2.2.1 **Cliftonville Cliff Top**

The proposed area is bounded by the Lower Promenade (including the Lido and Walpole Bay Pools) to the north, the Ward boundary to the West, the buildings to the east side of Fifth Avenue to the East (which are in Cliftonville East Ward) and Cliff Terrace, Ethelbert Terrace, Ethelbert Crescent and Eastern Esplanade to the South. It includes First, Second, Third and Fifth Avenues, Lewis Crescent, The Oval, Queens Court, Newgate Gap, St Anne's Church and 'Hoser's Corner' The area includes large areas of public open space which are one of the defining features of Cliftonville but are in need of comprehensive public realm improvements.

### 2.2.2 **Ethelbert and Athelstan Roads**

The proposed area adjoins the existing Margate and Dalby Square Conservation areas to the west and east respectively and includes Ethelbert Gardens, part of the north side of Clarendon Road and Randolph Square. This is probably the area with the highest concentration of houses in multiple occupancy in Cliftonville West and together with Northdown Road, is the area which has suffered the greatest loss of historic detail.

### 2.2.3 **Northdown Road**

The proposed area stretches from Dane Hill in the west to Wyndham Avenue in the east and includes Lyndhurst Avenue and Crawford Gardens. This is almost exclusively a commercial area containing the best surviving shop fronts in the District.

### 2.2.4 **Grotto Hill**

The proposed area includes Clifton Place, Clifton Road, Brockley Road, Grotto Road, Grotto Gardens and the north side of part of Dane Road. This is almost entirely residential district of small houses sited in the main on the back edge of the pavement – much in contrast to the streets north of Northdown Road. The area has retained much of its historic character.

### 2.2.5 **Edgar and Sweyn Road**

The proposed area includes Percy Road, Gordon Road, and St Paul's Road and adjoins the existing Dalby Square conservation area to the west. The area is similar in character to Dalby Square, Dalby Road, and Arthur Road containing massive terraces with multi-level bays and the occasional detached or semi-detached dwelling.

### 2.2.6 **Norfolk, Warwick and Surrey Roads**

The area includes Cumberland Road.

2.3 The areas documented in 2.2.1 through to 2.2.6 are of fine architectural interest whose streets, spaces and buildings remain relatively unaltered. In pursuit of improving the social and economic benefit of the Cliftonville West the Council is therefore proposing to continue the process towards designating these areas as Conservation Areas. Conservation Area designation is not intended to prevent change or adaptation but simply to ensure that any proposals for change are properly considered.

2.4 It is proposed that the following process is adopted to take this matter forward:

2.5 That the Ethelbert and Athelstan Road area (highlighted in light green on the annex 1) plan be progressed for adoption as a designated Conservation Area subject to public consultation. That officers prepare, consult and undertake the formal designation of an article 4 Direction in respect of this area.

2.6 The remaining areas coloured on Annex 1 should form the basis of a management plan to progress forward for consultation with members of the public for consideration as designated Conservation Areas in the suggested order below:-

- 1 Edgar Road/Sweyn Road
- 2 Norfolk Road/Warwick Road/Surrey Road
- 3 Clifton Place/Grotto Gardens
- 4 Northdown Road
- 5 Clifftop

### **3.0 Next Steps**

3.1 The Council is required to undertake a public consultation which will provide an opportunity for members of the public to comment on the intention as a whole, the timing of the phasing and also the order of priority.

3.1.2 Following public consultation, the matter will be brought back to Cabinet on 13 November 2014 setting out the results of the public consultation and seeking a recommendation to Council.

3.1.3 The matter is taken to Council on 18 November 2014 for decision as to whether to designate an area of conservation.

### **4.0 Corporate Implications**

#### **4.1 Financial and VAT**

The proposals are expected to be taken forward within current budgets.

#### **5.0 Legal**

5.2.1 There are no adverse legal implications in taking this forward.

#### **5.3 Corporate**

5.3.1 The proposals support the corporate plan:-

- \* Priority 1 – Support the growth of economy
- \* Priority 2 - To tackle disadvantage across our district
- \* Priority 3 - To support our community

## **6.0 Recommendation(s)**

- 6.1 That the Ethelbert and Athelstan Road area be progressed for adoption as a designated Conservation Area subject to public consultation. That officers prepare, consult and undertake the formal designation of an article 4 Direction in respect of this area;
- 6.2 That the remainder of the areas highlighted on Annex 1 are progressed (in the priority documented in 2.6) as part of a management plan towards consultation with members of the public for consideration as designated Conservation Areas. Part of this process will include consultation of an article 4 Direction.

## **7.0 Decision Making Process**

- 7.1 This is key decision to go to Cabinet subject to call in.
- 7.2 This matter is to be taken back to Cabinet on 13<sup>th</sup> November 2014 and taken to Council on 18 November 2014

Future Meeting: Cabinet	Date: 13 November 2014
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Contact Officer:	Nick Dermott, Heritage Development Adviser
Reporting to:	Madeline Homer, Director of Community Services

## **Annex List**

Annex 1	Proposed Conservation Area Plan
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## **Corporate Consultation Undertaken**

Finance	
Legal	



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## GREAT BRITISH SEASIDE FESTIVAL

To: **Cabinet – 31 July 2014**

Main Portfolio Area: **Community Services**

By: **Penny Button, Head of Safer Neighbourhoods**

Classification: **Unrestricted**

Ward: **Thanet Wide**

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**Summary: Request for monies to support a Thanet Wide Great British Seaside Festival.**

### **For Decision**

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#### **1.0 Introduction and Background**

1.1 A request has been made by Ramsgate Maritime Museum for funding for a Thanet Wide Great British Seaside Festival to be held over 2014/15.

Whilst pots of event funding are allocated to Ramsgate, Broadstairs, Margate and the Villages for distribution to event organisers who complete the application process there is no established route for event organisers to access funding for large events which take place across the island.

#### **2.0 The Current Situation**

2.1 Ramsgate Maritime Museum are proposing to put an event on in Ramsgate over the August Bank Holiday weekend, The Great British Seaside Festival, which will be the umbrella for a series of events taking place across Thanet in 2014/15.

The Ramsgate event will be a three day celebration of maritime, arts, music and food in Ramsgate Harbour in conjunction with Summer Squall. The Festival aims to promote Ramsgate as a tourist destination, offer opportunities to local businesses, raise awareness of the Ramsgate Maritime Museum and offer the residents and community of Ramsgate a 3 day celebratory event.

The event will include:

- Free entry to the Maritime Museum
- Displays of future development plans for the music including public feedback
- Children's craft workshops
- Drop in Sessions
- Guided history tours of the museum
- Costumed walks by Ramsgate Society.
- Traditional fairground rides
- Food and produce stalls
- Museum tearoom
- Historic ships open for visits/tours.
- Cervia and Sundowner open for educational tours

- Live Music from Coco and the Butterfields plus special guests.
- Street Theatre.

The other two weekends of the Great British Seaside Festival would take place in Margate and Broadstairs over Easter 2015 holiday. The aims of these events would be to hold fun and engaging events which celebrate the seaside and Thanet as a destination over the weekends and school holidays and to offer opportunities for local businesses.

The final programme is still to be agreed but would include:

- Live music performances and interactive workshops;
- Storytelling/creative writing sessions about the great things across Thanet;
- Oral history project with older generations about their memories of Thanet;
- Commission and performance of a dance stage with interpretative performances around the theme of 'sea';
- Traditional fairground.

There is also consideration to create projects that will have a legacy for Thanet including creating a podcast trail of Thanet – narrated walks of where to explore and what to see, create three 'hidden Thanet' trails in each town.

The organisers have requested £5000 for the Ramsgate event and £5000 for the Broadstairs and Margate Event with other income from stall hire, other funding and concessions estimated to be £13000.

### **3.0 Options**

- 3.1 Reject the proposal to hold such an event. This would mean the event would not go ahead at all.
- 3.2 Provide the full funding request of £10000 now. Due to the large time scale between now and Easter 2015 there is a risk the event may not go ahead.
- 3.3 Provide part funding for Ramsgate event now and the rest of the funding in early 2015.
- 3.4 Agree an alternative amount of funding money.

### **4.0 Corporate Implications**

#### **4.1 Financial and VAT**

- 4.1.1 The proposed event would look to receive £10000 from Thanet District Council in total during this financial year. It is proposed that this funding comes from the New Homes Bonus as there is no longer a budget held for a Thanet wide event and the event funding for the towns has already been allocated to projects.

#### **4.2 Legal**

- 4.2.1 The Authority has the appropriate range of statutory power to make the grant requested in this report.
- 4.2.2 There are no specific issues from a legal perspective provided that any required permissions are sought in relation to the entertainments to be provided.

#### 4.3 Corporate

4.3.1 There is a risk that funding events in this way could be seen as unfair by other event organisers who have applied to the relevant Town Council or TDC for event funding.

#### 5.0 Recommendation(s)

5.1 That the option laid out in 3.3 of the report is agreed, that is that funding for the event is agreed to be paid in two stages, £5000 now and £5000 when the events for Maragte and Broadstairs are formulated and agreed later in the year.

#### 6.0 Decision Making Process

6.1 This is a budget non-key decision subject to call in / not subject to call in

Contact Officer:	Penny Button, Head of Safer Neighbourhoods, Ext 7425
Reporting to:	Madeline Homer, Community Services Director

#### Corporate Consultation Undertaken

Finance	Paul Cook, Interim Corporate Resources Director & s151 officer
Legal	Colin Evans and Steven Boyle

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## **BUDGET OUTTURN REPORT 2013/14**

**To:** Cabinet – 31 July 2014

**Main Portfolio Area:** Finance

**By:** Interim Director of Corporate Resources

**Classification:** Unrestricted

**Ward:** All Wards

**Summary:** To inform Cabinet of the outturn position against the General Fund and Housing Revenue Account budgets and against the 2013/14 Capital Programme.

### For Information

#### **1.0 Introduction and Background**

1.1 In February 2013 Council agreed the General Fund, Housing Revenue Account and Capital budgets for 2013/14. The purpose of this report is to advise on the outturn position against these budgets. Members should note that the figures within this report are subject to audit and are therefore draft at this stage.

#### **2.0 General Fund**

2.1 The Council has faced significant cuts in funding over the last four years which has resulted in a cut in the net revenue budget of 18% from 2010/11 to 2013/14 with further cuts in funding anticipated over the next few years. The figures for 2014/15 have been confirmed but the figures for 2015/16 are still provisional. Further cuts of 10% have been assumed for both 2016/17 and 2017/18. For 2013/14 management continued to try to deliver maximum savings to help ease some of the budget pressures moving forward, thus helping to ensure that the Council's balances and reserves are sufficient to meet the needs of the Council over the medium term.

2.2 Budget monitoring to Cabinet in year reflected a balanced budget position and this was despite the fact that when the budget was set in February 2013, it was still expected that Transeuropa would continue in business. The budgetary impact for 2013/14 as a result of them ceasing business was a shortfall of circa £836k. This was after terminating contracts at the Port wherever possible and cutting back on the running costs at both the Port and Harbour. Strict controls were continued with regard to recruitment. Managers were not allowed to recruit immediately as a post became vacant but instead took the opportunity to review the needs of the service, with ultimately all decisions with regard to whether a vacancy should be filled being taken by the Workforce Forum. Managers also worked diligently to make efficiency savings wherever possible and reduce discretionary spend.

2.3 As a result of the measures highlighted in paragraph 2.2 above and after various Reserve movements as detailed in 2.7 below, a General Fund breakeven position has been achieved in 2013/14. The following table shows the final position by Service:

<b>Service</b>	<b>Outturn £'000s</b>	<b>Reason for Variance</b>
Chief Executive & S151	8	Miscellaneous minor overspends
Operational Services	4,636	The majority of this overspend reflects the write off of the Ferry operator debt as well as the provision for the pending Animal Exports Legal case, these are both offset within Corporate Services by the appropriate provisions as well as by additional Vacant Post savings and other minor underspends.
Community Services	(165)	Increased Planning income associated with Major Applications, savings on sports & leisure, contributions to voluntary organisations and events, as well as various other minor underspends.
Corporate Services & Transformation	(4,479)	Predominantly due the write off of Ferry Operator income and the use of New Homes Bonus to fund Animal Export provision, as well as additional Vacant Post savings and other minor variances.
<b>Total</b>	<b>0</b>	

2.4 The movements to and from earmarked reserves as indicated at 2.3 above that have facilitated a breakeven position are proposed as per the table overleaf and include any movement on the HRA to ensure that this agrees to the Explanatory Forward and the Movement in Reserves statements within the Financial Statements.

	<b>Movement in Reserves</b>
	<b>£000's</b>
Insurance Risk Management	-35
Capital Projects	-644
Local Development Framework	-33
General Fund Repairs	-11
Slippage Fund - GF	-400
Slippage Fund - HRA	62
Information Technology	136
Environmental Action Plan	50
Office Accomodation	54
Housing and Planning Delivery Grant	1
Cremator & Cemeteries Works	-65
Decriminalisation	-37
Priority Improvement	128
Customer Services	424
Unringfenced Grant	-139
Waste Reserve	270
Council Election	-30
Homelessness	-59
Renewal Reserve	33
Performance Reward Grant	55
Maritime Reserve	205
VAT Reserve	4
East Kent Services	-36
New Homes Bonus	547
Housing Intervention	436
Economic Development & Regeneration	137
New HRA Properties Reserve	-4,687
Pay and Reward	2
Vehicle-Plant-Equip Replacement Reserve	-227
Dreamland Reserve	-117
	<b>-3,976</b>

2.5 Attached at **Annex 1** is a more detailed table which includes the remaining balance on each reserve after the above have been taken into consideration.

2.6 The General Fund balance has been maintained at £2.177m, which is at the level recommended by the S151 Officer of 12% of the net revenue budget requirement as highlighted as part of the Budget Report approved by Council in February 2014.

### **3.0 Housing Revenue Account**

3.1 The Housing Revenue Account (HRA) generated a decrease in balances of £4.581m in 2013/14. A substantial amount of this was in relation to £4.687m transferred to the HRA New Homes Earmarked Reserve being the remaining committed revenue contribution to the capital projects for the Margate Housing Intervention Programme and the Homes and Community Agency part funded Empty Homes Programme. Cabinet agreed on the 3 April 2014 budget monitoring report that these committed funds if not utilised in year could be taken to the New Homes Property Reserve to

ensure sufficient funds were set aside to complete the affordable housing units planned. The other main reasons for the variance are:

- Transfer to New Homes Reserve for committed affordable homes projects £4.687m
- Reduction in new affordable rental income due to slippage £73k
- Increase in non-dwelling depreciation £66k
- Increase in day to day repairs expenditure £30k
- Reduction in repair contract payments (contract uplift) (£20k)
- Reduction in painting and contract decorating works (£145k)
- Increase in pension costs £47k
- Reduction in external audit fees (£24k)
- Reduction in Member recharges (£30k)
- Reduction in bad debt contribution (£111k)
- Reduction in Homeloss payments (£35k)
- Increase in Insurance premium payments £26k
- Other various £16k

3.2 The accumulated HRA balance at 31 March 2013 is £5.66m. The balance provides flexibility for the delivery of the Housing Business Plan which has recently been reviewed.

3.3 As part of the HRA Self-financing settlement, for the next 5 years the Council will be able to make a transfer to the Major Repairs Reserve equal to the HRA self-financing settlement figure. This figure for 2013/14 is £3.377m. As the Council has moved from using the Major Repairs Allowance (MRA) as a proxy for depreciation to an actual calculated charge, the difference between the actual depreciation charge and the MRA figure within the settlement model of £979k has been transferred to the Major Repairs Reserve to continue to fund the maintenance and capital works to the existing housing stock.

#### **4.0 The Capital Programme**

4.1 Capital expenditure includes spend on the acquisition or enhancement of a fixed asset with a value of £10k or greater which is expected to be in use for more than one year. It also covers grants that are provided for the enhancement of buildings 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, reserves or revenue contributions.

4.2 As a result of the complex and large scale nature of capital projects, until the project is worked up and quotes obtained, 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.

4.3 The Capital Programme, agreed at Council for 2013/14, totalled £15.101m, to be funded from £6.678m of external grants and contributions, £2.577m of capital receipts and unallocated reserves and £5.846m of prudential borrowing. Also the balance of projects agreed in previous years budgets that were still on-going were rolled forward until project completion.

4.4 During the course of the year, through budget monitoring reports, Cabinet and Council have been advised of the progress of the programme and any slippage that had been reported by Budget Managers. As Capital projects are usually large scale projects, they tend to span over a number of years. A summary of the General Fund expenditure is tabled overleaf with a breakdown of expenditure in Annex 3



	<b>B/Fwd from 2012/13 £'000</b>	<b>Original Budget 2013/14 £'000</b>	<b>Revised Budget 2013/14 £'000</b>	<b>Actual Spend 2013/14 £'000</b>
Business Services	87	86	482	0
Community Services	3,305	9,258	12,674	3,133
Operational Services	724	5,682	5,597	3,481
Capitalised Salaries		75	75	2
	<b>4,116</b>	<b>15,101</b>	<b>18,828</b>	<b>6,616</b>
<b><i>Funded by:</i></b>				
Capital Grants and Contributions	1,926	6,678	8,312	2,802
Capital Receipts and Unallocated Reserves	2,099	2,577	4,246	1,747
Revenue contributions			332	
Prudential borrowing	91	5,846	5,938	2,067
	<b>4,116</b>	<b>15,101</b>	<b>18,828</b>	<b>6,616</b>

#### 4.5 Business Services

The capital schemes in this area relate to the upgrading of council systems, through implementation of new software or through the way information is stored by the Council. Slippage in this area was largely due the joint projects undertaken by East Kent Services with Dover and Canterbury and the complexities of procuring for a joint project.

#### 4.6 Community Services

Included within this service area are three of the Council's main capital schemes, the renovation of Dreamland, Disabled Facilities Grants and the Dalby Square Townscape Heritage Scheme.

4.7 The CPO appeals process meant that budgeted spend on the Dreamland site had to be slipped until the site ownership reached a final conclusion. This has been the first year of the Dalby Square Townscape Heritage Scheme and it is usual for the first year to result in a lower level of grant payments. This is due to the fact that once the grants are awarded they can only be drawn down on the completion of the works carried out. The budget for Disabled Facilities Grants was revised during the year as central government increased the amount of grant allocated to the scheme resulting in a further £53k allocated to Thanet. The council has spent over £1.9m this financial year, being the Central Government allocation and money generated from the disposal of assets and as such has reduced the waiting time for applicants requiring assistance with adaptations.

4.8 Spend on other capital schemes within this area also included the Margate Intervention loan scheme, development work for the Skate park project and the redevelopment of Newington Centre buy out of leases.

#### 4.9 Operational Services

The main capital schemes within this area are the final payments for the Margate Coast Protection works which are wholly externally funded, the continuing Yacht Valley Project at the Harbour, the replacement of the Waste Collection Fleet and Grounds Maintenance mower replacement.

- 4.10 The 2013/14 programme was based on capital receipts of £1.312m, however at year end the amounts actually achieved for the sale of General Fund assets was £773k. This reduction was due to a number of large scale assets requiring officers to undertake further work prior to disposal.
- 4.11 Whilst during this financial year we have been able to contain expenditure without the need for unbudgeted borrowing due to some slippage in the capital programme, it does mean that if the delays in the sale of the assets are not recovered in this financial year, it will require the authority to review the capital programme and either scale back the programme or increase the forecast levels of prudential borrowing.
- 4.12 The HRA capital programme is summarised below with a detailed breakdown reported in **Annex 2**. The programme has been set to maintain the authority's council housing at decent homes plus.

	<b>B/Fwrd Budget 2012/13 £'000</b>	<b>Original Budget 2013/14 £'000</b>	<b>Revised Budget 2013/14 £'000</b>	<b>Actual 2013/14 £'000</b>
<b>Total HRA Capital Programme Expenditure</b>	<b>4,166</b>	<b>5,973</b>	<b>10,949</b>	<b>3,958</b>
<b>HRA Capital Resources Used:</b>				
HRA Major Repairs Reserve	1,215	1,900	1,983	1,130
HRA Revenue Contributions/Reserves	2,313	3,023	4,736	587
Capital Grant	638	1,050	4,028	1,834
Capital RTB Receipts			202	202
Prudential Borrowing				205
<b>Total Resources</b>	<b>4,166</b>	<b>5,973</b>	<b>10,949</b>	<b>3,958</b>

- 4.13 Slippage in relation to the purchase of HRA properties and procurement of works for the Margate Intervention and Ramsgate empty property schemes resulted in the revenue contribution to fund these works not being fully utilised and as agreed in the Cabinet report dated 3 April all unutilised contributions to these projects have been set aside in the Earmarked HRA New Properties Reserve at year end.

4.14 During the course of the year the Kitchen and Bathroom contract has had to be re-tendered which has resulted in planned works for the Kitchen and Bathroom replacement programme being slipped into next financial year. Due to the higher level of voids in December where Council tenants moved to the new build properties at the Centre Newington a drawdown of a further £110k from the major repairs reserve has been required to cover replacement works on void properties.

4.15 The Council recently purchased land at 131-141 King Street for development within the New Build Programme. This was subject to a Portfolio Holder decision notice due to the impending date of the auction and urgency of the decision.

## **5.0 Options**

5.1 Cabinet Members note the outturn against the General Fund and HRA budgets and the Capital Programme for 2013/14 and approve the movements to reserves as outlined in paragraphs 2.4 and 3.3 of this report.

## **6.0 Corporate Implications**

### **6.1 Financial and VAT**

6.1.2 The financial implications have been reflected within the body of the report.

### **6.2 Legal**

6.2.2 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, it is the Chief Executive (S151 Officer), Sue McGonigal, and this report is helping to carry out that function.

### **6.3 Corporate**

6.3.2 Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.

### **6.4 Equity and Equalities**

6.4.2 There are no equity or equalities issues arising from this report.

## **7.0 Recommendations**

7.1 That Cabinet note the General Fund, HRA and capital outturn position for 2013/14;

7.2 That Cabinet approve the proposed movements to earmarked reserves as outlined in paragraphs 2.4 and 3.3 of the report.

Contact Officer:	Nicola Walker, Technical Finance Manager
	Matthew Sanham, Corporate Finance Manager
Reporting to:	Paul Cook, Interim Director of Corporate Resources & S151 Officer

## Annex List

Annex 1	Earmarked Reserves
Annex 2	HRA Capital Programme 2013-14
Annex 3	GF Capital Programme 2013-14

## Background Papers

<b>Title</b>	<b>Details of where to access copy</b>
2013/14 Budget and Medium Term Financial Plan.	Full Council Agenda 7 <sup>th</sup> February 2013

## Corporate Consultation Undertaken

Finance	Paul Cook, Interim Director of Corporate Resources and S151 officer
Legal	N/A
Communications	N/A

## Annex 1

### Earmarked Reserves

	1 April	Transfers	Revenue	1 April	Transfers	Revenue	31 March
	2012	Between Reserves	Appropriations	2013	Between Reserves	Appropriations	2014
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Insurance Risk Management	187	-	35	222	-	35	257
Capital Projects	495	398	385	1,278	411	233	1,922
Local Development Framework	403	-	(11)	392	-	33	425
General Fund Repairs	302	25	41	368	-	11	379
Slippage Fund - GF	1,466	(52)	(427)	987	(53)	453	1,387
Slippage Fund – HRA	9	-	59	68	-	(62)	6
Information Technology	385	-	101	486	-	(136)	350
Environmental Action Plan	229	-	(17)	212	(50)	-	162
Office Accommodation	85	-	-	85	-	(54)	31
Housing and Planning Delivery Grant	47	-	(46)	1	(1)	0	0
Cremator and Cemeteries Works	678	(462)	(34)	182	(147)	212	247
Decriminalisation	88	(87)	144	145	6	31	182
Priority Improvement	1,223	(5)	(344)	874	-	(128)	746
Customer Services	426	87	497	1,010	(100)	(324)	586
Unringfenced Grants	773	-	(296)	477	85	54	616
Waste	550	(517)	314	347	-	(270)	77
Council Election	55	-	32	87	-	30	117
Homelessness	148	-	53	201	-	59	260
Renewal	38	-	4	42	(35)	2	9
Performance Reward Grant	255	(150)	(50)	55	(53)	(2)	0
Maritime	710	(7)	20	723	(188)	(17)	518
VAT	422	-	19	441	-	(4)	437
Pensions (Earmarked)	661	-	-	661	-	-	661
East Kent Services	292	-	462	754	(60)	96	790
New Homes Bonus	434	-	348	782	(236)	(311)	235
Housing Intervention	250	-	432	682	-	(436)	246
Economic Development & Regeneration	339	-	-	339	(117)	(20)	202
Pay and Reward	-	-	380	380	-	(2)	378
HRA Properties	500	-	-	500	-	4,687	5,187
Vehicle-Plant-Equip Replacement Reserve	-	-	-	-	227	-	227
Dreamland Reserve	-	-	-	-	117	-	117
	<b>11,450</b>	<b>(770)</b>	<b>2,101</b>	<b>12,781</b>	<b>(194)</b>	<b>4,170</b>	<b>16,757</b>
Revenue Appropriations							4,170
Funding for Capital Programme							(194)
<b>Contributions from Reserves as per Movement in Reserves Statement</b>							<b>3,976</b>

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Annex 2

HRA CAPITAL REPAIRS FUND BUDGET MONITORING 13-14							
Details	12-13 Budget Brought Forward	Original Budget 13-14	Revised Budget Approved January Cabinet	Virement	Revised Budget	Spend to Date 31/03/14	Budget Remaining
<b>EAST KENT HOUSING MANAGED BUDGETS</b>							
SOIL STACK HARBOUR TOWERS	645		645		645	0	645
RE ROOFING 11/12	0		1,281		1,281	1,505	-224
RE ROOFING 12/13	100,533		0		0	-681	681
REPLACE WINDOWS DOORS 12/13	0		825		825	824	1
KITCHEN & BATH REPLACEMENTS 12/13	179,930		17,443		17,443	15,518	1,925
ELECTRICAL REWIRING 12/13	0		4,821		4,821	1,351	3,470
HEATING 12/13	17,086		0		0	-1,539	1,539
PLANNED REFURBISHMENTS 12/13	36,210		0		0	0	0
THERMAL INSULATION 12/13	2,876		2,876		2,876	492	2,384
DISABLED ADAPTATIONS 12/13	68,317		38,731		38,731	55,559	-16,828
ESTATE IMPROVEMENTS 12/13	0		17,438		17,438	-3,003	20,441
ESTATE REPOINTING 12/13	13,636		881		881	0	881
RE ROOFING 13/14		30,000	0		0	4,770	-4,770
REPLACE WINDOWS & DOORS 13/14		0	559		559	1,577	-1,018
KITCHEN & BATH REPLACEMENTS 13/14	505,000	840,000	325,000	110,000	435,000	393,336	41,664
ELECTRICAL REWIRING 13/14		200,000	195,179		195,179	157,911	37,268
HEATING 13/14		300,000	318,625		318,625	311,597	7,028
FIRE PRECAUTION WORKS 13/14		5,000	6,948	20,000	26,948	21,743	5,205
PLANNED REFURBISHMENTS 13/14		50,000	50,000		50,000	14,029	35,971
STRUCTURAL REPAIRS 13/14		0	40,000		40,000	36,331	3,669
THERMAL INSTALLATION 13/14		50,000	50,000		50,000	20,504	29,496
RAINWATER GOODS 13/14		0	2,659		2,659	15,598	-12,939
DISABLED ADAPTATIONS 13/14		200,000	229,586		229,586	200,480	29,106
ESTATE IMPROVEMENTS 13/14		125,000	107,562		107,562	0	107,562
ESTATE REPOINTING 13/14		100,000	100,000	-20,000	80,000	82,205	-2,205
<b>SUB Total</b>	<b>953,041</b>	<b>1,900,000</b>	<b>1,511,059</b>	<b>110,000</b>	<b>1,621,059</b>	<b>1,335,352</b>	<b>285,707</b>

Agenda Item 11

THANET DISTRICT COUNCIL MANAGED BUDGETS							
Details	12-13 Budget Brought Forward	Original Budget 13-14	Revised Budget Approved January Cabinet	Virement	Revised Budget	Spend to Date 31/03/14	Budget Remaining
NEWINGTON CENTRE DEVELOPMENT	261,894		261,894		261,894	216,000	45,894
PURCHASE OF SUITABLE PROPERTIES	365,257		365,257	202,090	567,347	202,090	163,167
RAMSGATE INTERVENTION	1,610,944		3,250,944		3,250,944	691,304	2,559,640
MARGATE INTERVENTION	975,551	4,073,000	5,048,551		5,048,551	1,513,985	3,534,566
BUY BACK SCHEME			100,000		100,000	0	100,000
WORKS TO TRINITY SQ PROPS			100,000		100,000	0	100,000
	<b>3,213,646</b>	<b>4,073,000</b>	<b>9,126,646</b>	<b>202,090</b>	<b>9,328,736</b>	<b>2,623,378</b>	<b>6,503,268</b>
	<b>4,166,687</b>	<b>5,973,000</b>	<b>10,637,705</b>	<b>312,090</b>	<b>10,949,795</b>	<b>3,958,730</b>	<b>6,788,975</b>

Funded By	Brought Forward	Original Budget 13-14	Revised Budget Approved January Cabinet	Adjustment	Revised Budget	HRA Capital Outturn
Major Repairs Allowance & Reserve	1,214,935	1,900,000	3,212,953	- 1,230,000	1,982,953	1,130,352
Revenue Contribution	1,813,750	3023000	4,936,750	- 700,000	4,236,750	586,448
HCA Ramsgate Empty Property Round 1	428,002		428,002	340,000	768,002	320,994
HCA Ramsgate Empty Property Round 2			300,000		300,000	
DCLG Cluster bid Funding	210,000	1050000	1,260,000	1,700,000	2,960,000	1,513,847
Capital RTB Receipts			-	202,090	202,090	202,090
New Properties Reserve	500,000		500,000		500,000	
Prudential Borrowing						205,000
<b>Total</b>	<b>4,166,687</b>	<b>5,973,000</b>	<b>10,637,705</b>	<b>312,090</b>	<b>10,949,795</b>	<b>3,958,730</b>



Annex 3

Agreed Full Council 07/02/13

Capital Programme 2013/14	Total Brought Forward Budget	External Funding 2013/14	TDC Budget 2013/14	Budget Approved by Cabinet on 21 Jan 2014	Virement or Slippage Ext Funding	Virement or Slippage TDC	Revised Budget	Actual Spend to Date 31/03/14	Budget Remaining
<b>Business Services</b>									
Authentication-Project	17,500.00		17,500.00	35,000.00			35,000.00	0.00	35,000.00
Dip/Workflow (Bid04)	23,880.38		48,430.00	72,310.38			72,310.38	0.00	72,310.38
Electronic Information Storage	15,236.64			0.00			0.00	0.00	0.00
Email Archive Hardware and Software	10,615.27			0.00			0.00	0.00	0.00
Customer Relationship Management System				60,000.00			60,000.00	0.00	60,000.00
Payroll-HR System				275,000.00			275,000.00	0.00	275,000.00
Serv-Dev Electronic Interfaces	20,000.00		20,000.00	40,000.00			40,000.00	0.00	40,000.00
<b>Community Services</b>									
Coastal Communities Fund - Sunshine Café	0.00	1,050,000.00		0.00			0.00	0.00	0.00
Disabled Facilities Grants	599,507.64	1,079,000.00	300,000.00	1,942,224.64	53,069.00		1,995,293.64	1,929,917.11	65,376.53
Dreamland	1,793,940.88	2,157,240.00	3,794,991.00	7,746,171.88			7,746,171.88	1,090,454.26	6,655,717.62
Empty Properties Initiative	63,750.00			0.00			0.00	0.00	0.00
Historic Town Centre Grants	18,786.99			5,113.05			5,113.05	2,947.33	2,165.72
Dalby Square - Heritage Lottery Scheme	264,700.00	686,370.00	140,300.00	1,091,370.00			1,091,370.00	0.00	1,091,370.00
Margate Pedestrian Connections	24,345.12			24,345.12			24,345.12	0.00	24,345.12
Margate Housing Intervention - Loan scheme				1,000,000.00			1,000,000.00		1,000,000.00
Margate Housing Intervention - KCC Units				78,750.00			78,750.00		78,750.00
Planning Projects	30,608.75			30,608.75			30,608.75	0.00	30,608.75
Playground Equip/Works - Private Sector	8,263.89			0.00			0.00	0.00	0.00
Private Sector Housing - RHB	111,199.68			111,199.68	63,527.49		174,727.17	0.00	174,727.17
Redevelopment of Newington Centre - S106	141,162.88			141,162.88			141,162.88	0.00	141,162.88
Skatepark	150,000.00			186,390.00			186,390.00	7,517.13	178,872.87
19 Hawley Square Refurbishment						100,000.00	100,000.00	10,292.10	89,707.90
Swimming Pool /Sports Hall Essential Capital Repairs	75,000.00		50,000.00	75,000.00			75,000.00	75,000.00	0.00
Swimming Pool Adjacent to Ramsgate Sports Centre	24,327.19			24,327.19			24,327.19	16,439.37	7,887.82

<b>Operational Services</b>									
Allotments	32,888.13			12,888.13			12,888.13	0.00	<b>12,888.13</b>
Broadstairs Town Centre Properties	42,500.00			0.00			0.00	0.00	<b>0.00</b>
Cecil Street Solar Panels - TDC	1,001.86			1,001.86		-1,001.86	0.00	0.00	<b>0.00</b>
Crematorium Solar Panels	18,844.15			0.00			0.00	0.00	<b>0.00</b>
Coast Protection - Pegwell Bay	51,030.51			51,030.51			51,030.51	-5,355.01	<b>56,385.52</b>
Coast Protection-Margate Old Town	215,943.26			317,871.26			317,871.26	249,986.65	<b>67,884.61</b>
Cremator Works	27,000.00			7,000.00			7,000.00	1,283.38	<b>5,716.62</b>
Crematorium Office Upgrade	0.00		40,000.00	40,000.00			40,000.00	0.00	<b>40,000.00</b>
Crematorium Car Park Extension	0.00		100,000.00	0.00			0.00	0.00	<b>0.00</b>
Dane Valley Estate - Fencing	25,032.36			0.00			0.00	0.00	<b>0.00</b>
Grounds Maintenance Replace Mowers and Vehicles	0.00		144,000.00	144,000.00			144,000.00	109,012.00	<b>34,988.00</b>
Margate Cemetery - Extension	0.00		140,000.00	30,000.00			30,000.00	8,516.54	<b>21,483.46</b>
North Thanet Coast Line Capital Sea Wall Construction Scheme	0.00	560,000.00		0.00			0.00	0.00	<b>0.00</b>
Pegwell Walkway	92,825.28			92,825.28			92,825.28	0.00	<b>92,825.28</b>
Port of Ramsgate - Terminal Tractor	0.00		100,000.00	0.00			0.00	0.00	<b>0.00</b>
Public Conveniences	33,711.97		142,000.00	75,711.97			75,711.97	0.00	<b>75,711.97</b>
Ramsgate Marina Eastern Pontoons	0.00		125,000.00	125,000.00			125,000.00	0.00	<b>125,000.00</b>
Ramsgate Marina Water Supply Upgrade	0.00		50,000.00	50,000.00			50,000.00	0.00	<b>50,000.00</b>
Fuel Facilities, Ramsgate Harbour				0.00	17,000.00	63,000.00	80,000.00	0.00	<b>80,000.00</b>
Replacement of Waste Collection Fleet	0.00	1,145,833.00	2,919,167.00	4,065,000.00			4,065,000.00	3,052,445.09	<b>1,012,554.91</b>
Waste DLO	0.00			32,454.00			32,454.00	32,454.00	<b>0.00</b>
Waste Transfer Station	0.00		216,522.00	0.00			0.00	0.00	<b>0.00</b>
Playground enhancement programme				250,000.00			250,000.00		<b>250,000.00</b>
Yacht Valley Project	183,220.01			183,220.01	39,966.58		223,186.59	34,990.44	<b>188,196.15</b>

<b>4,116,822.84</b>	<b>6,678,443.00</b>	<b>8,347,910.00</b>	<b>18,416,976.59</b>	<b>173,563.07</b>	<b>161,998.14</b>	<b>18,752,537.80</b>	<b>6,615,900.39</b>	<b>12,136,637.41</b>
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Capital Salaries

75,000.00    **75,000.00**    -1,750.00    **73,250.00**

**Total for the Year**

**15,101,353.00    18,491,976.59    171,813.07    161,998.14    18,825,787.80**

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**CREDIT METHODOLOGY CHANGES**

To: **Cabinet – 31 July 2014**

Main Portfolio Area: **Finance**

By: **Capital & Treasury Finance Officer**

Classification: **Unrestricted**

Report Produced on: **25 June 2014**

Ward: **Thanet Wide**

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**Summary:** **This report concerns credit methodology changes and consequent changes to the Council’s investment criteria**

**For Decision**

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**1.0 Introduction and Background**

1.1 In the Council’s Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2014/15 (TMSS), minimum credit ratings criteria are set for investment counterparties.

1.2 Capita Asset Services (Capita), the Council’s external treasury management advisor, has informed the Council of the following:

- The main ratings agencies (Fitch, Moody’s and Standard & Poors) have provided some institutions with a rating uplift due to implied levels of sovereign support.
- Due to the evolving regulatory regime, it is expected that implied sovereign support levels are going to be removed and this process will commence this year.
- Capita is looking to pre-empt this process by making changes to its rating assessment methodology from 27 June 2014.

1.3 The current Capita methodology includes an assessment of the ‘standalone’ credit ratings provided by Fitch (Viability rating) and Moody’s (Financial Strength rating). Due to the removal of sovereign support from agency ratings, Capita has reported that Fitch and Moodys’ have suggested that their Viability and Financial Strength ratings respectively will become the same as their Long Term ratings.

1.4 The current Capita methodology also includes an assessment of the Fitch Support rating. Capita has reported that Fitch has begun assessing its Support ratings, with the expectation that these will be lowered to 5 which is defined as ‘*a bank for which there is a possibility of external support, but it cannot be relied upon.*’ Capita has reported that all institutions are likely to drop to this level and hence there is little or no differentiation to be had by Capita continuing to assess Support ratings in its methodology.

1.5 Accordingly, the credit element of Capita's new rating assessment methodology will focus solely on the Short Term and Long Term ratings of an institution.

## **2.0 The Current Situation**

2.1 The Council's minimum credit ratings criteria for banks as set out in section 4.2 of its TMSS include Viability bb- (Fitch), Financial Strength C- (Moody's), and Support 3 (Fitch).

2.2 Cabinet may wish to note that the report will be considered at an Extraordinary Governance & Audit Committee meeting on 30 July 2014 and any comments and recommendations from that meeting would be tabled at Cabinet.

## **3.0 Options**

3.1 That the Cabinet recommends to Council that minimum credit ratings criteria for Viability, Financial Strength and Support no longer be included in the Council's TMSS. The relevant extract (section 4.2) of the TMSS is shown in Annex 1. There will be one Medium Quality category, instead of two, with a money limit of £5m.

3.2 That the Cabinet recommends to Council that the Council's TMSS remains unchanged.

## **4.0 Corporate Implications**

### **4.1 Financial and VAT**

5.1.1 If option 3.2 is chosen there is an expectation of a reduction in the Council's counterparty list in due course.

## **5.2 Legal**

5.2.1 This report evidences that the requirements of the CIPFA Code of Practice on Treasury Management continue to be met.

## **5.3 Corporate**

5.3.1 This report evidences that the Council continues to carefully manage its treasury function.

## **5.4 Equity and Equalities**

5.4.1 There are no equality or equity issues arising directly from this report.

## **6.0 Recommendation**

6.1 That Cabinet approves option 3.1 (in line with Capita's new rating assessment methodology) and recommends it to Council.

## **7.0 Decision Making Process**

7.1 This report is to go Council for final approval. The next Council meeting is on 2 October 2014.

## 8.0 Disclaimer

- 8.1 This report is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. Neither Thanet District Council nor any of its officers or employees makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein (such information being subject to change without notice) and shall not be in any way responsible or liable for the contents hereof and no reliance should be placed on the accuracy, fairness or completeness of the information contained in this document. Any opinions, forecasts or estimates herein constitute a judgement and there can be no assurance that they will be consistent with future results or events. No person accepts any liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise in connection therewith.

Contact Officer:	Paul Cook, Interim Director of Corporate Resources & S151 Officer ext 7617
Reporting to:	Sue McGonigal, Chief Executive

## Annex List

Annex 1	Section 4.2 of the Council's TMSS
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## Corporate Consultation Undertaken

Finance	N/A
Legal	N/A

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## Annex 1

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**SECTION 4.2 OF TREASURY MANAGEMENT STRATEGY STATEMENT,  
MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL  
INVESTMENT STRATEGY FOR 2014/15**

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**4.2 Creditworthiness policy**

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It 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. This is set out in the specified and non-specified investment sections below; and
- It 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 Section 151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. Credit rating information is supplied by Capita Asset Services our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria may be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Council will only use banks which:
  - i. are UK banks; and/or
  - ii. are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA

and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

- i. Short term – F1
- ii. Long term – A

- Banks 2 – Guaranteed Banks with suitable Sovereign Support – In addition, the Council will use banks whose ratings fall below the criteria specified above if all the following conditions are met:
  - i. wholesale deposits in the bank are covered by a government guarantee;
  - ii. the government providing the guarantee is the UK government or is rated AAA by all three major rating agencies (Fitch, Moody's and Standard and Poors); and
  - iii. the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.
- Banks 3 – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland Group. These banks can be included if they continue to be part nationalised or they meet the above criteria.
- Banks 4 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operations - The Council will use these where the parent bank has the necessary ratings outlined above.
- Building societies: The Council will use all societies which meet the ratings for banks outlined above.
- Money market funds (including enhanced money market funds) – AAA
- UK Government (including gilts and the DMADF)
- Local authorities, parish councils etc
- Supranational institutions

A limit of £5m will be applied to the use of non-specified investments (investments with a maturity of over 364 days but not more than 370 days).

**Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:

- no more than £4m will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

**Use of additional information other than credit ratings.** Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to

**Deleted:** Viability (Fitch) / Financial Strength (Moody's) – ¶¶  
<#>bb- (Fitch) / C- (Moody's)¶¶  
Support – 3 (Fitch only)



use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

**Time and monetary limits applying to investments.** The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long term Rating (or equivalent)		Money Limit	Time Limit	Deleted: Fitch Viability Rating / Moody's Financial Strength Rating
Higher quality	AA-		£6m	370	Deleted: bb+ / C
Medium quality (1)	A		£5m	370	Deleted: bb+ / C
					Deleted: Medium quality (2)
Part nationalised	N/A		£7m	370	Deleted: A
Debt Management Account Deposit Facility	AAA		unlimited	6 months	Deleted: bb- / C- Deleted: £4m
Guaranteed Organisations	N/A		£4m	370	Deleted: 370 days Deleted: N/A
Money market Funds (including enhanced money market funds)	AAA		£5m	370	Deleted: N/A Deleted: N/A
Local authorities	N/A		£4m	370	Deleted: N/A Deleted: N/A

The proposed criteria for specified and non-specified investments are shown in section 5 for approval.

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