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CABINET

13 NOVEMBER 2014

A meeting of the Cabinet will be held at **7.00 pm on Thursday, 13 November 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

Item
No

Subject

8. **BUDGET STRATEGY 2015-2016** (Pages 1 - 44)

This report replaces the one in the main paper copy agenda.

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BUDGET STRATEGY 2015-16

To: **Cabinet - 13 November 2014**

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

By: **Cllr Rick Everitt, Cabinet Member for Financial Services and 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, to present the assumptions for the medium term and to present the proposed fees and charges.

For Decision

1.0 INTRODUCTION

1.1 The purpose of this report is:

1.2 To outline the process and assumptions for developing the budget for 2015-16 and the provisional assumptions for the following years to 2018-19. The paper also proposes the level of fees and charges for 2015-16.

1.3 To present the draft General Fund Capital budget for 2015-16 and the provisional estimates for the following years to 2018-19.

1.4 To present the draft HRA budget for 2015-16 and the provisional 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. 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 revises the funding position for 2015-16 based on current forecasts. It also sets out the current understanding of budget pressures and savings themes that will be taken forward in setting the 2015-16 budget. It also sets out the budget timetable.

2.3 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.

3.0 THE BUDGET PROCESS

Service priorities in 2014-15

3.1 The Cabinet has emphasised its priorities in 2014-15 as being:

- Economic Development
- Housing

- Environment and place
- Communication

3.2 These priorities have been taken forward in developing the 2015-16 budget as set out in the sections below.

3.3 **Economic Development** The Council has supported a bid to the Government to extend the Discovery Park Enterprise Zone to cover Manston Airport, Manston Business Park and the Richborough Corridor. Resources are provided to take this bid forward. The Council is also doing all that it can to implement the development of a high speed Thanet Parkway Station. This project has received a £10m funding allocation from the Local Enterprise Partnership. No basic car parking charge increases will be needed at all in 2015-16 and this will encourage the use of local facilities. The Council has also taken the opportunity to generate economic development resources by applying to DCLG to operate a Kent business rates pool in 2015-16.

3.4 Discussions concerning the Port have led to a decision that the continuation of the Port is critical to the Council's priorities and will remain open for business with new income generation opportunities being explored vigorously in accordance with the approved Maritime Plan.

3.5 The Council has adjusted its budget and expenditure to the current scale of operation; any additional income achieved will improve the Council's financial position.

3.6 **Housing** Later sections of the report spell out in detail all the good work the Council is doing to deliver additional affordable housing units, this includes 14 from the Empty Homes Programme and 58 new builds. Better regulation and enforcement in the Private Sector is also receiving priority. The Council is introducing a long-term empty council tax premium to encourage empty properties being returned in to occupation 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.

3.7 **Environment and Place** Spending power in these service areas is being maintained in full despite cuts in central government support. Growth (£350k) has been allocated to meet the borrowing costs of a programme of waste and recycling and cleansing fleet replacement. This will ensure that the service has the best plant and equipment to deliver an improved service. £100k a year has also been allocated for repairs to cliff walks. The Council continues to provide free bins and replacement bins where other Councils have been obliged to introduce charges, the popular green waste collection service will be provided at a modest cost increase of £5 a year – less than 10p a week.

3.8 **Communication** The Council is supporting greater devolution of decision making by recommending the establishment of parish arrangements for Westgate following a community governance review. The Council will continue to communicate and consult with residents on its programmes of service improvement. The Council has introduced the Thanet app for street scene reporting.

Exploratory themes for delivering the Medium Term Financial Plan

3.9 The balanced position for 2015-16 precedes a period of financial uncertainty and expected resource reductions from 2016-17 onwards. It is suggested that the four themes are adopted to deliver improved services in the longer term whilst increasing Council efficiency. Those themes are set out below.

Digitalisation

- 3.10 Digitalisation means the replacement of traditional processes by mobile phone and web systems. More digitalisation would enable reductions in middle office processes, and more emphasis on front line services.

Shared Services

- 3.11 Internal discussions have already started to develop savings proposals with EKS partners. This will include programmes to maximise business rates and council tax collection.

Partnership

- 3.12 Joint working arrangements with other authorities could yield considerable efficiency savings. These might use a similar approach to the East Kent Engineering Partnership

Joint Venture and Special Purpose Vehicles

- 3.13 This approach is already under review for housing. It has been successfully operated by other authorities. By drawing in wider investment and market opportunities it is possible to reduce the cost of mainstream council services. The concept could be successfully applied to corporate property and asset management. These new structures will enable the Council to look more proactively at income generation.

4.0 THE BUDGET TIMETABLE

- 4.1 In the February preceding each financial year the Council is required by statute to set out its budget and Council Tax levels for the forthcoming financial year. It also has to set out a range of other strategies and plans to inform the Council's treasury management activities. At the same time, a Medium Term Financial Plan (MTFP) is published, which provides indicative figures for a further three years. This provides a framework within which service decisions can be taken in the knowledge of their future affordability.
- 4.2 A number of steps have already been taken to build up the budget for 2015-16 and for the medium term in advance of approval in February, with further steps required over the forthcoming months:
- An indicative savings level of £200k in 2015-16 has been allocated to managers. No allocation has been made to managers in frontline services.
 - A schedule of fees and charges has been proposed in consultation with managers, SMT and Cabinet. These are presented in summary format within this report and will go to Council on 4th December 2014 for approval;
 - The Council Tax base will go to Council for approval in principle on 4th December 2014 with delegated authority sought for the Cabinet Member for Financial Services and Estates and the Director of Corporate Resources to set the base;
 - The detailed draft budget proposals and MTFP will go to Cabinet on 21 January 2015 and then to Council on 5th February 2015;
 - The Council Tax will then be set by Council on 26th February 2015.

5.0 GOVERNMENT FUNDING AND COUNCIL TAX

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

Business Rates Retention

- 5.2 The Government introduced a new 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 also now share the risk of a fall in rate yield, subject to a safety net mechanism.
- 5.3 A baseline 2013-14 funding level was established by the Government for each authority. The baseline is increased annually by a standard formula.
- 5.4 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).
- 5.5 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.
- 5.6 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.
- 5.7 The 2014-15 forecast is that the Council will exceed its 2014-15 baseline by around £500k. That would lead to retention of £250k, which is expected to be used to achieve a balanced outturn.
- 5.8 In 2015-16 an excess against the 2015-16 baseline of £600k is forecast. This would lead to retention of £300k. A similar level of retention is forecast for 2016-17 and 2017-18.
- 5.9 Forecasts on business rate income need to be treated with caution as they are the mercy of business closures and unforeseen changes.
- 5.10 The Council has joined with other Kent authorities in applying to operate a business rates retention pool. This could lead to additional retention of £50,000+ with a similar additional amount being available for joint economic development projects with KCC.

Revenue Support Grant

- 5.11 In addition to business rates, all authorities receive Revenue Support Grant from Central Government as support towards the cost of running council services.
- 5.12 In 2014-15 RSG was £5.131m, but in 2015-16 it will fall to £3.521m. (Subject to any further changes notified by Government).
- 5.13 The Revenue Support Grant includes within the total prior year grants paid to compensate those authorities that froze their Council Tax.
- 5.14 The Revenue Support Grant also includes a separate element to support homelessness. This is included in the Housing Budget as grant income.
- 5.15 Provisional figures have already been announced for 2015-16 and these are not expected to change significantly. Further cuts of 10% across all funding sources from Central Government have been assumed for both 2016-17 and 2017-18.

Council Tax Freeze Grant

- 5.16 A council tax freeze grant was payable for those who froze their Council Tax for 2014-15. The Council took advantage of this arrangement and the grant paid is £103k.
- 5.17 Subject to final details a similar grant is payable in 2015-16. This is assumed to be £103k, this being equivalent to a 1% increase. No assumption made that this funding will continue into future Financial years.

Council Tax Reduction Scheme funding

- 5.18 The Revenue Support Grant also includes funding to compensate for the impact of the Council Tax Reduction Scheme (CTRS) on the Council Tax base. This funding is no longer distinguished as a separate component.
- 5.19 The CTRS was introduced from 1st April 2013 to replace the council tax benefit system. The scheme is localised, although there are a number of criteria that are nationally determined.
- 5.20 The scheme adopted by the Council reflects a county-wide agreement, with local discretion. £125k p.a. funding for the operation of the scheme. Local discretion removed the empty property and second homes discounts. It also reduced the previous maximum 100% Council Tax Benefit discount for those of working age by 5.5%. This is the most generous scheme in Kent.
- 5.21 It is proposed further to amend the local scheme to introduce a 100% surcharge for long term empty properties (2 years +), (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 made within this budget build.
- 5.22 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

- 5.23 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. This was paid at the level of £160k in 2014-15. It is proposed that the level of this support should be reduced by the commensurate reduction in Council RSG funding and should therefore be reduced to £109,000.
- 5.24 A governance review of Margate is currently in progress. Consultation has not been finalised at this stage however should agreement be made to set up one or two parish councils for Margate/Westgate, then TDC would need to provide support in terms of setting the precept as the new organisations would not have the powers to do so.

Council Tax and Collection Fund

- 5.25 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 an earlier section.
- 5.26 For the purpose of the budget build, it is assumed the Council Tax base for 2015-16 is 1% higher than the 2014-15 level and a 1.99% increase is expected for future years. This reflects the continuing efficiency of shared service arrangements for council tax collection and the operation of the Council Tax Reduction scheme.
- 5.27 The Council Tax is calculated by dividing the Precept by the Council Tax Base. 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%. This is the same rate used in 2014-15.

- 5.28 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 £50,000 would be available in 2015-16.
- 5.29 The funding position has now been revised this is illustrated in the table overleaf:

	2015-16 Revised	2016-17	2017-18	2018-19
Precept	8,309	8,474	8,643	8,815
RSG	3,501	2,563	1,707	924
NNDR Baseline	4,625	4,750	4,875	5,000
(Underperformance)/Retention	300	300	300	300
(Collection Fund deficit)/Surplus	50	50	50	50
Council Tax Freeze Grant 2014-15	103	-	-	-
Council Tax Freeze Grant 2015-16	103	-	-	-
Transfer to Parishes	-109	-80	-53	-29
Homelessness	-127	-127	-127	-127
	16,755	15,930	15,395	14,933

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 front safety work	Work is required to make the cliff fronts safe. and therefore £100k has been allocated annually to this work from New Homes Bonus.
Shared Service (Debt Recovery)	£30k agreed additional payment to East Kent Shared Service in relation to Corporate Debt Management

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 below:

Growth	Detail
Pay award	The budget will assume a 1% pay award in 2015-16. This equates to growth of £180k.
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. This includes an allowance for an increase in insurance premiums which is currently being negotiated with the Council's insurance broker. There is also a business rates liability for some properties that are returned to the Council.
Unachievable savings	Savings targets from previous budgets which are no longer achievable equate to £305k. These are in the Port and Harbour and Housing due to delay in establishing a local authority lettings agency.

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 the table below, in addition to this an indicative savings level of £200k in 2015-16 has been allocated to managers:

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:

The draft fees and charges proposals are presented at Annex 4 to this report. 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 Budget Consultation

9.1 The budget consultation will be launched in November and will identify the priorities of the district's residents.

10.0 HOUSING REVENUE ACCOUNT BUDGET AND HOUSING CAPITAL PROGRAMME

10.1 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.

10.2 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.

10.3 **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

10.4 **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

- 10.5 **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.

10.6 **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.

10.7 **Details of the HRA estimates**

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

- 10.9 **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.

- 10.10 **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.

- 10.11 **Supervision and Management General** – The Council agreed at its meeting in February 2010 that an Arms 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.

- 10.12 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 will be providing Client Officers with a budget and plan to agree the Management Fee for the next 5 years. Currently no growth or savings have been factored into the budget to reflect this whilst negotiations are on-going.
- 10.13 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.
- 10.14 **Supervision and Management Special** – Negotiations are currently on-going with regard to the Parks and Open spaces services and costs.
- 10.15 **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.
- 10.16 **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.
- 10.17 **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.
- 10.18 **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.
- 10.19 **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.

10.20 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.

10.21 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%.

10.22 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 which gives an average rent increase of £1.76.

TABLE 1 – 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

- 10.23 As can be seen from the table 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.
- 10.24 New units created as part of the Margate Intervention Programme and Empty Homes project come under the affordable rent programme. Affordable rents are calculated at 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 2 – 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

- 10.25 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
- 10.26 **Non Dwelling Rents** - Income generated from aereals 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.
- 10.27 **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%.
- 10.28 **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.
- 10.29 **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. The budget for 2015-16 of £65k is based on achieving an average interest rate of 0.50%.

The Housing Revenue Account Reserves

- 10.30 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:
- 10.31 **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.

- 10.32 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.
- 10.33 **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.
- 10.34 **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 3 – 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	3,615
Supervision & Management – General	2,888	2,888	2,890	2,891
Supervision & Management – Special	535	537	538	540
Rents, rates, taxes and other charges	366	380	394	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	11,805	13,598	11,355	11,449
Income				
Dwelling Rents (gross)	-12,979	-13,238	-13,503	-13,773
Non-dwelling Rents (gross)	-209	-212	-214	-216
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	-13,820	-14,082	-14,349	-14,621
Net Costs of Services Sub Total	-2,015	-484	-2,994	-3,172
HRA Investment Income	-66	-66	-66	-66
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	2,416	1,664	1,054	1,054
(Surplus)/Deficit on HRA	-39	1,674	-836	-1,014
Housing Revenue Account Balance:				
Estimated Surplus at Beginning of Year	-5,664	-5,703	-4,029	-4,865
(Surplus)/Deficit for Year	-39	1,674	-836	-1,014
Estimated Surplus at End of Year	-5,703	-4,029	-4,865	-5,879

11.0 THE HRA CAPITAL BUDGET

- 11.1 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.
- 11.2 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.
- 11.3 **The HRA Asset Management Strategy**
- 11.4 The Strategic Housing Team are 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.
- 11.5 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.

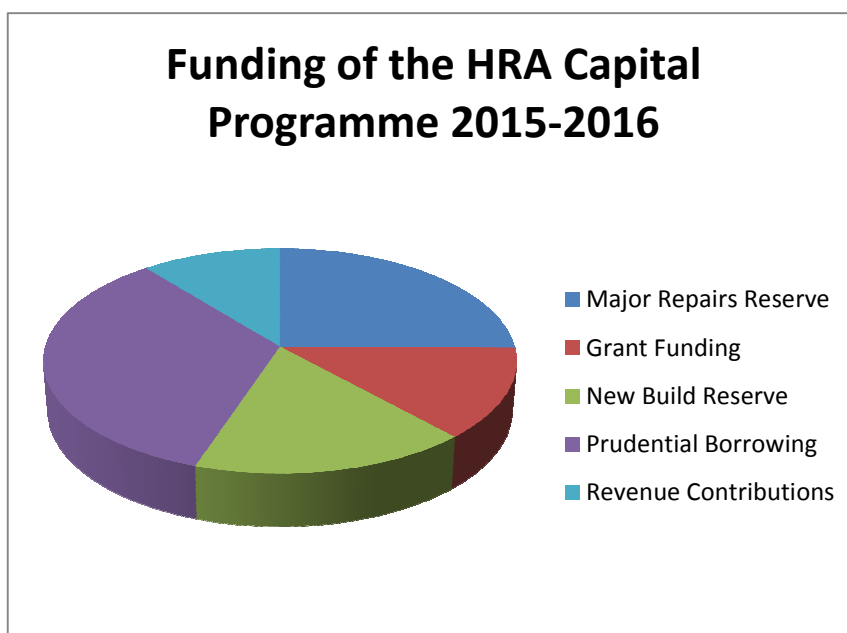
Available Capital Funding

- 11.6 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.
- 11.7 **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.
- 11.8 **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.
- 11.9 **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 as yet is unknown but has been factored in for 2016-17 to ensure affordability within budget.

11.10 **HRA Capital Reserves** – A summary of the HRA reserves have been detailed in para (10.27). 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.

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



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

11.13 **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.

11.14 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.

11.15 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.

11.16 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.

11.17 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.

- 11.18 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.
- 11.19 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.
- 11.20 As mentioned in para (11.3.6) 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. A detailed breakdown of the capital programme is provided in Annex 1.

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

- 12.1 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 the following table:

TABLE 3 – HRA CAPITAL PROGRAMME				
	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'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		
Prudential Borrowing	3,561	3,675	0	0
Total Funding	10,449	10,072	3,392	3,697

13.0 OPTIONS

- 13.1 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.

14.0 CAPITAL PROGRAMME

- 14.1 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 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.

- 14.2 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.

14.3 The Asset Management Strategy

- 14.4 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.

- 14.5 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.

14.6 Capital Receipts

- 14.7 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.

- 14.8 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.

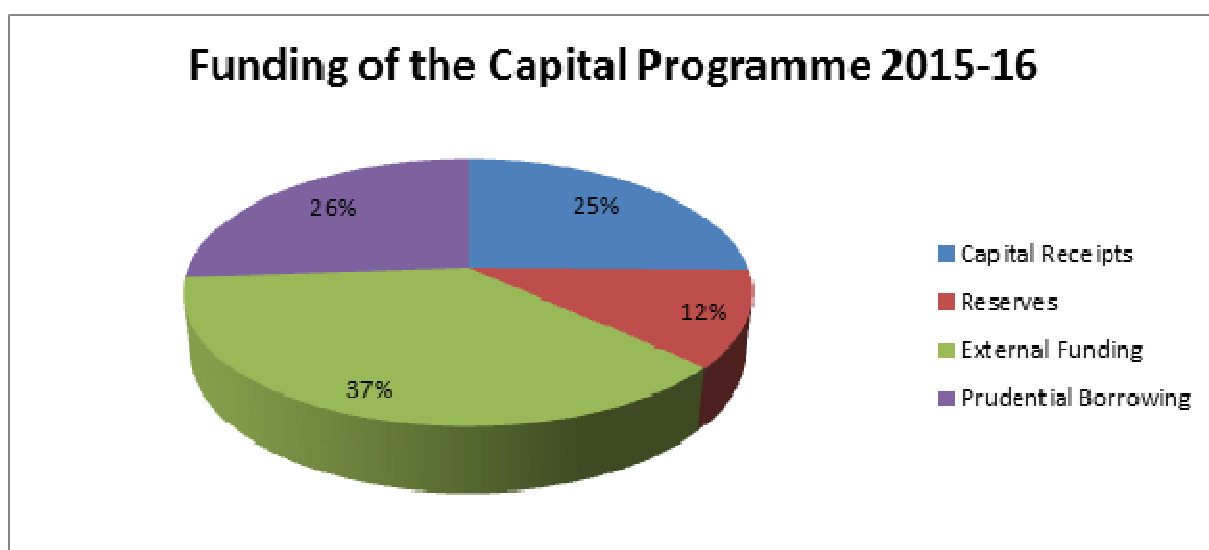
15.0 THE CAPITAL BUDGET STRATEGY

- 15.1 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:
- 15.2 To maintain an affordable four-year rolling capital programme.
- 15.3 To ensure capital resources are aligned with the Council's strategic vision and corporate priorities.
- 15.4 To undertake Prudential Borrowing only where there are sufficient monies to meet in full the implications of capital expenditure, both borrowing and running costs.
- 15.5 To maximise available resources by actively seeking external funding and disposal of surplus assets.
- 15.6 To engage local residents in the allocation of capital resources where appropriate.
- 15.7 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.
- 15.8 The level of resources available raises a number of issues and risks for future years, which need to be addressed:-
- 15.9 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.
- 15.10 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.
- 15.11 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.

- 15.12 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.
- 15.13 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

- 15.14 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.
- 15.15 A summary of the 2015-2019 capital resources utilised to fund the Capital programme is detailed in Annex 1, but shown graphically below.



- 15.16 **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 Bill, 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.
- 15.17 **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.

15.18 **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.

15.19 **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.

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

16.1 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.

16.2 **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, Swimming Pool/Sports Hall Essential capital repairs, Grounds maintenance replacement mowers and vehicles £250k.

16.3 **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.

16.4 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.

16.5 The Council’s CCTV cameras are nearing the end of their useful life and due for replacement. A review of the service is currently being undertaken and a number of options are being explored. These will be subject to a separate report to Cabinet and a worst case scenario has been factored into the programme at present to ensure affordability.

16.6 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:

Hydro electric 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.

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

16.8 The draft General Fund Capital Expenditure Budget for 2015-16 that is proposed for Members' approval is £3.992m, which will be funded in the main from capital grant, usable capital receipts and prudential borrowing. This is shown in summary format below.

	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
Capital Resources Used:					
<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

17.0 RESERVES

17.1 General Reserve

17.2 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 3** to this report. No change in reserves currently proposed.

17.3 Earmarked Reserves

17.4 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. The table overleaf shows the planned transfer out of a number of earmarked reserves, which will be used to fund anticipated expenditure during the year.

EARMARKED RESERVES			
Reserve	Estimated Balance 31.3.15 £'000s	Proposed Drawdown in 2015-16 £'000s	Proposed Balance 2016-17 £'000
Coastal Infrastructure Reserve	500	-	500
Council Election Fund	116	- 86	30
Cremator and Cemeteries	247	-	247
Customer Services Reserve	586	-	586
Decriminalisation Fund	137	-40	97
Dreamland Reserve	117	-117	-
East Kent Services Reserve	790	-	790
Economic Development & Regen	198	-50	148
Environmental Action Plan	162	-	162
General Fund Repairs	379	-	379
Homelessness Fund	260	-	260
Housing Intervention Reserve	246	-	246
Information Technology Investment	175	-	175
Local Plan	315	-	315
Maritime Reserve	433	-	433
New Homes Bonus Reserve	605	593	1,199
Office Accommodation	30	-	30
Pay & Reward Reserve	341	-341	-
Pensions Fund	661	-	661
Priority Improvement Reserve	338	-	338
Renewal Fund	10	-	10
Risk Management	222	-	222
Unringfenced Grants	617	-	617
VAT Reserve	417	-20	397
Vehicle, Plant and Equipment Reserve	227	-	227
Waste Reserve	77	-	77
Total	8,206	-60	8,146

17.5 **New Homes Bonus** – The provisional allocation of New Homes Bonus funding for 2015-16 for this Council is £2.5M. 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 £1.649m. 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 anticipated that £350k will be required to cover the replacement of Frontline Services vehicles and £100k will be required for Cliff front safety work.

18.0 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.

19.0 CORPORATE IMPLICATIONS

19.1 Financial and VAT

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

19.3 Based upon the financial risk assessment contained within Annex 3, it would at this stage be appropriate to maintain General Fund balances at 12% of the net service revenue base.

19.4 Legal

19.5 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 Interim Director of Corporate Resources, Paul Cook, and this report is helping to carry out that function.

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

19.7 Corporate

19.8 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.

19.9 Equity and Equalities

19.10 A full equality impact assessment will be undertaken for any specific service changes.

20.0 Recommendations

20.1 That Cabinet approve the approach being used to develop the budget estimates for the General Fund;

20.2 That delegated authority be approved for the Cabinet Member for Financial Services and Estates and the Director of Corporate Resources to set the Council Tax base;

20.3 That Cabinet recommend to Council the draft fees and charges for 2015-16;

20.4 That Cabinet note the financial risk assessment for the General Fund Revenue Account that will be used to inform the setting of reserves for 2015-16, and the associated impact on the levels and types of reserves held;

20.5 That Members approve the General Fund capital budget proposals for 2015-16 to 2018-19;

20.6 That Members approve the HRA budget estimates for 2015-16 to 2018-19;

20.7 That Members approve the Housing Revenue Account Capital Budgets for 2015-16 to 2018-19 as detailed in Annex 2.

21.0 Decision Making Process

21.1 Cabinet is responsible for proposing the budget to Full Council. The final budget proposals agreed by Cabinet on 21st January 2015 will therefore go to Council for approval on 5th February 2015.

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

Annex List

Annex 1	GF Draft Capital Programme
Annex 2	HRA Draft Capital Programme
Annex 3	Financial Risk Assessment and Level of General Fund Reserves
Annex 4	Fees and Charges

Background Papers

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

Corporate Consultation Undertaken

Finance	N/A
Legal	Steven Boyle, Interim Legal Services Manager
PR and Publicity	Hannah Thorpe, PR and Publicity Manager

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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
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STATUTORY/MANDATORY

Disabled Facilities Grants	-	1,408	1,408	1,408	1,408
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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
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54	4,174	3,703	3,397	2,283
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Annex 1

Total for the Year **54 4,174 3,703 3,397 2,283**

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

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				
New Build Programme (1-4-1)							
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
RTB 1-4-1 Receipts					
Housing Capital Receipts					
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 3

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 new pay and reward scheme.
- 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.

Fees and Charges

During the budget build process, managers were asked to consider their fees and charges, giving consideration for statutory pricing, inflation, market forces and benchmarking with other district/local authorities. To this end fees and charges have contributed £224.1k towards the budget build for 2015/16.

Service	Proposed Increase
Environmental Services	Most of these fees are statutory
Land Charges	No increases are proposed. There is a statutory requirement for this service area to break even
Licensing	These fees have primarily increased by between 0.0% and 3.33%, increase above 3.33% are due to a £1 increase in the fees.
Council Publications	No increases are proposed
Electoral Services	No increases are proposed
Corporate Marketing	No increases to minimum charges are proposed
Car Parking	<p>Majority of fees remain the same, however it is proposed:</p> <ul style="list-style-type: none"> • To increase the cost of a replacement season ticket and parking permit discs from £20 to £25 – Actual 2013/14 £60 income • To increase weekly waivers for builders from £35 to £40 – Actual 2013/14 £1,405 income
Cremations/Burials	<p>The following increases are proposed (above 2.5%):</p> <ul style="list-style-type: none"> • 6.19% increase to the adult cremation fee further work has been carried out by Simon Woodgate and benchmarking with other crematoria, the fee is proposed to increase by £50 for an adult cremation, this still leaves us 4th in the table on cost in other locations in Kent; • 6.67% increase for disposal of ashes from other crematoria (for scatter or auger plot); • 11.32% increase in Garden of rest exclusive right of plot for the interment of ashes in caskets or urns an additional increase of £15 from the previous proposed figure;

	<ul style="list-style-type: none"> • Delete cost of assignment of right of burial; • Delete charge for right to erect headstone (lawn burial system); • Delete charge for right to erect vase 8" high and 7" square • Delete charge for additional inscription on existing memorial • 7.69% for Auger Pot – interment of ashes; <p>Margate & Ramsgate Cemeteries</p> <ul style="list-style-type: none"> • 12.15% increase in purchase of exclusive right of burial – Adult an additional £50 which still leaves us 4th in the local league table; • 2.94% increase in purchase of exclusive right of burial – Adult; • 2.8% increase in purchase of exclusive right of burial – Adult only – non-Parishioner; • 3.33% increase in Interment – child under 12 years – 5ft grave; • 4% cremated remains - per interment; • Delete search fee; • Delete Memorial Fees as per 2014/15 fees and schedules and change headings for memorial fees; • Delete Memorial Bench Plaque (when available) – lease of space for 5 years • Changes to all single, double, triple and quadruple Internment adult – pre-purchased grave only – hand or mechanically dug. Increase single by £20, increase double by £20, decrease triple by £80 and reduce quadruple by £80. There are not many triple or quadruple purchases, in the main they are single and double purchases. The single % increase is 5.26%, double is 3.9% and triples reduced by 5.98% and quadruples reduce by 5.11%
Refuse – Bulky Waste	Service area is being reviewed, any fees and charges increases will be included within the review
Garden Waste	<p>Service area has been reviewed and an increase of £5 has been proposed.</p> <p>Increases between 14.29% and 25% due to £5 increase to all categories is proposed</p>

Allotments	Increase between 2.34 and 2.49% which equates to 50p per perch per annum and 66p per minimum plot per annum is proposed
Littering & Graffiti	No increases are proposed
Margate & Broadstairs Harbour	No increases are proposed
Ramsgate Harbour/Port	An increase of up to 2.55% is proposed for the majority of charges. Others over 2.55% increase up to £5.00 Charge for Tradesmen working in Harbour Area – Annual Permit to work – propose to delete Service area is being reviewed, any other fees and charges increases will be included within the review
Property Services	No increases are proposed
HMO and Selective Licences	Delete charge for Variation of Licence and Variation of Licence (accredited) for HMO Licences and Selective Licences An increase of up to 2% is proposed
Housing Regeneration charges for advice services	Full property inspection service -Deletion of fees is proposed Fire Risk Assessment Property Inspection – deletion of fees is proposed
Financial Services	Surcharge for Credit Card payments as a percentage of transactions is proposed
Building Control	A further review has taken place, and now increases are as follows: An increase of between 3.51% and 4.17% is proposed. These increases represent between £1 and £3.
Planning	Fees for applications are set by the Town & Country Planning Act 1990. No increases are proposed to the pre-application planning advice fees Service area is being reviewed, any other fees and charges increases will be included within the review
Museums	No increases are proposed

Sports & Leisure	No increases are proposed
Cultural & Outside Events	No increases are proposed. Land hire charges are being reviewed