Public Document Pack

Date: **16 January 2017**
Our ref: **OSP/Supplementary Agenda**
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OVERVIEW & SCRUTINY PANEL

26 JANUARY 2017

A meeting of the Overview & Scrutiny Panel will be held at **7.00 pm on Thursday, 26 January 2017** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor D Saunders (Chairman); Councillors: G Coleman-Cooke (Deputy Chair), Ashbee, Campbell, Connor, Curran, Dennis, Dexter, Dixon, Falcon, I Gregory, Grove, Hayton, Jaye-Jones, Martin, Parsons and Rusiecki

SUPPLEMENTARY AGENDA

Covering Report – Council Tax Support: Exceptional Hardship Scheme

Overview & Scrutiny Panel	**26 January 2017**
Report Author	**Director of Corporate Resources and s151 officer**
Portfolio Holder	**Cllr-John Townend, Finance and Estates**
Status	**For Recommendation**
Classification:	**Unrestricted**
Key Decision	**No**
Ward:	**All Wards**

Executive Summary:

This is a covering report to present the Council Tax Support: Exceptional Hardship Scheme which will be considered by Cabinet on 31 January 2017.

Recommendation(s):

Overview and Scrutiny Panel is invited to comment on the attached report.

CORPORATE IMPLICATIONS	
Financial and Value for Money	There are no financial implications arising directly from this report other that those highlighted in the Cabinet report attached.
Legal	There are no legal implications arising directly from this report other that those highlighted in the Cabinet report attached.
Corporate	There are no corporate implications arising directly from this report other that those highlighted in the Cabinet report attached.
Equalities Act 2010 & Public Sector Equality Duty	There are no equalities implications arising directly from this report other that those highlighted in the Cabinet report attached.

Decision Making Process

This is a covering report to present the Council Tax Support: Exceptional Hardship Scheme. Overview and Scrutiny Panel is invited to comment on the attached report. Any feedback from the Panel will be reported to Cabinet on 31 January.

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Council Tax Support Scheme Exceptional Hardship Scheme

Overview and Scrutiny Panel	**26 January 2017**
Cabinet	**31 January 2017**
Council	**23 February 2017**
Report Author	**Mandie Kerry, Income Manager EK Services**
Portfolio Holder	**Councillor Townend, Cabinet Member Financial Services & Estates**
Status	**For Decision**
Classification:	**Unrestricted**
Key Decision	**No**
Ward:	All

Executive Summary:

The 2017 Council Tax Support Scheme was approved by Council on 1 December 2016. An Exceptional Hardship Scheme has been proposed by EK Services (Annex 1), under delegated authority and in partnership with Thanet District Council, to assist persons who have applied for Council Tax Support and who are facing ‘exceptional hardship’. This is to provide a further financial contribution where an applicant is in receipt of Council Tax Support but the level of support being paid by the Council does not meet their full Council Tax liability. The Exceptional Hardship Scheme is intended to help in cases of extreme, intolerable levels of financial hardship.

Recommendation(s):

1. It is recommended that the Cabinet/Council approve the Scheme.

CORPORATE IMPLICATIONS	
Financial and Value for Money	Stringent rules and criteria apply to any application for assistance. Any cost will be charged to the Collection Fund. It is extremely difficult to estimate the likely cost, as it depends on the number and value of successful applications.
Legal	Exceptional Hardship awards are granted under S13A (1) (c) and 13A (6) of the Local Government Finance Act 1992 and is part of the Council Tax Support scheme, as such the normal Council Tax appeal process applies and an appeal can be made at any time. Following an appeal to the Council, who will review the decision, it can be given further consideration by the independent Valuation Tribunal for England (VTE) under section 16 (1) (b) of the Local Government Finance Act 1992.

	The Council has a duty to provide assistance in accordance with Section 13A of the Local Government Finance Act 1992, which was inserted by the Local Government Act 1992. The Collection Fund (Council Tax Reductions) (England) Directions 2013 replaced the 2003 Directions to ensure only discretionary discounts under section 13A(1)(c) of the new section 13A of the Local Government Finance Act 1992 will continue to be borne by the billing authority.
Corporate	Failure to approve the Scheme will affect persons who would otherwise qualify for assistance.
Equalities Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it. Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

Please indicate which aim is relevant to the report.	
Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
Foster good relations between people who share a protected characteristic and people who do not share it.	

The Equalities Impact assessment is attached as Annex 2 of this report.

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	✓

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1.0 Introduction and Background

1.1 The council is required to provide financial assistance to the most vulnerable residents, who have been disproportionately affected by the changes made in 2017 to the Council Tax Support Scheme. Council on 1 December 2016 agreed to introduce an Exceptional Hardship Scheme in April 2017 in order to provide a safety net for customers experiencing extreme difficulty paying their council tax.

1.2 It is recognised that the changes to the revised Council Tax Support Scheme will have an impact on our most vulnerable residents. This policy therefore has an essential role in protecting from exceptional hardship those applicants most in need. It should be noted that an Exceptional Hardship Scheme is intended to help in cases of extreme financial hardship following a qualifying application to ensure that there are no other options to pay the council tax and that an income and expenditure form has been completed to ensure that there is no non-essential spending that can be diverted to the account.

1.3 East Kent Services (EKS) will manage the process and the applications. A dedicated officer will review applications to ensure that all other avenues to reduce the liability have been taken in respect of discounts, and that all entitlements to other benefits have been completed. This is to protect unnecessary expenditure. Any applications paid will be as a last resort and all applications will be scrutinised to confirm that they meet the qualifying criteria.

2.0 The Current Situation

2.1 There is no current scheme available for the residents to apply for assistance as a result of changes to Council Tax Support: this will be a new scheme. Details of the scheme are set out in Annex 1; an Equalities Impact Assessment is included at Annex 2.

3.0 Options

3.1 Council has previously agreed to introduce an Exceptional Hardship Scheme. Council could choose to reverse that decision, however there was a strong case made for such a scheme to help the most adversely affected residents and went some way to addressing the equality duty.

4.0 Next Steps

4.1 Approve the Exceptional Hardship Scheme as set out in Annex 1 and implement it from April 2017.

Contact Officer:	Mandie Kerry, Income Manager
Reporting to:	Tim Willis, Director of Corporate Resources

Annex List

Annex 1	Exceptional Hardship Scheme
Annex 2	Equalities Impact Assessment

Background Papers

Title	**Details of where to access copy**
Council Tax Support Scheme, Council 1 December 2016	

Corporate Consultation

Finance	Ken Trotter, Interim Head of Finance
Legal	Tim Howes, Director of Corporate Governance

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Annex 1

EKS
Council Tax Support
Exceptional Hardship Scheme
2017 / 2018

Working in partnership with Canterbury City Council, Dover District Council and Thanet District Council.

Background

An Exceptional Hardship Policy has been created by EK Services, under delegated authority and in partnership with Canterbury City Council, Dover District Council and Thanet District Council, to assist persons who have applied for Council Tax Support and who are facing ‘exceptional hardship’. This is to provide a further financial contribution where an applicant is in receipt of Council Tax Support but the level of support being paid by the Council does not meet their full Council Tax liability. We recognise the importance of protecting our most vulnerable customers and the impact these changes may have. This policy is to ensure that we protect and support those most in need. The Exceptional Hardship Fund is intended to help in cases of extreme, intolerable levels of financial hardship.

The main features of the policy are as follows:

- The operation of the policy will be at the total discretion of the Council;
- The policy will be applied by EK Services on behalf of the Council;
- Exceptional Hardship falls within s13(A)(1a) of the Local Government Finance Act 1992 and forms part of the Council Tax Support scheme;
- Exceptional Hardship awards will only be available for a Council Tax liability from the current financial year and will not be available for any other debt other than the current financial year’s outstanding Council Tax; Exceptional Hardship must have been proven to have existed throughout the whole of the period requested and will only be backdated to the start of the financial year in which the claim is made;
- A pre-requisite to receive an award is that an application for Council Tax Support has been made;
- Exceptional Hardship awards are designed as short-term help to the applicant only;
- All applicants will be expected to engage with the Council and undertake the full application process. Failure to do so may mean that no payment will be made.

Exceptional Hardship and Equalities

The creation of an Exceptional Hardship Policy facility meets the Council’s obligations under the Equality Act 2010.

The Council recognises the impact the changes to our Council Tax Support Scheme will have on our most vulnerable residents as well as those that have been disproportionately affected by the changes made in 2017. This policy therefore has an essential role in protecting from exceptional hardship those applicants most in need, from exceptional hardship.

Purpose of this policy

The purpose of this policy document is to specify how EK Services will operate the scheme, to detail the application process and indicate a number of factors which will be considered when deciding if an Exceptional Hardship payment can be made.

Each case will be treated on its own merits and all applicants will be treated fairly and equally in both accessibility and also decisions made.

The Exceptional Hardship Process

As part of the process of applying for additional support, applicants must be willing to undertake all of the following:

- Make a separate application for assistance. Where a joint Council Tax bill has been issued, the application must be made in joint names;
- Provide full details of their income and expenditure;
- Where a person is self-employed or a director of a private limited company, provide details of their business including supplying business accounts;
- Accept assistance from either the Council or third party debt advice to enable them to manage their finances more effectively - including the termination of non-essential expenditure and assessment of the potential for additional paid employment where applicable;
- Identify potential changes in payment methods and arrangements to assist them;
- Assist the Council to minimise liability by ensuring that all discounts, exemptions and reductions are properly granted; and
- Maximise their income through the application for other welfare benefits, cancellation of non-essential contracts and outgoings and by identifying the most economical tariffs for the supply of utilities and services generally.

Through the operation of this policy the Council will look to assist those in exceptional financial hardship by:

- Allowing a short period of time for someone to adjust to unforeseen short-term circumstances and to enable them to “bridge the gap” during this time, whilst the applicant seeks alternative solutions;
- Helping applicants through personal crises and difficult events that affect their finances;
- Helping those applicants who are trying to help themselves financially;
- Helping applicants disproportionately impacted by the Council Tax Support scheme introduced in April 2017, and
- Encouraging applicants to contact the Job Centre Plus to obtain and sustain employment.

An Exceptional Hardship award will not be considered in the following circumstances:

- Where the full Council Tax liability is being met by Council Tax Support;
- Where the request for assistance is made for any other reason, other than to reduce Council Tax liability;
- Where the Council considers that there are unnecessary expenses/debts etc. and that the applicant has not taken reasonable steps to reduce them;
- Where the request covers arrears of Council Tax caused through the failure of the applicant to notify changes in circumstances in a timely manner or where the applicant has failed to act correctly or honestly;
- Where the request is to cover previous years’ Council Tax arrears;
- Where the customer is considered to have access to other assets that could be used to pay the Council Tax; or
- The Customer has not tried all other means to address the shortfall before making this application.

The award of an Exceptional Hardship payment

The Council will decide whether or not to make an Exceptional Hardship award, and how much any award might be. When making this decision the Council will consider:

- The shortfall between Council Tax Support and Council Tax liability;
- Whether the applicant has engaged with the Exceptional Hardship process;
- The personal circumstances, age and medical circumstances (including ill health and disabilities) of the applicant, their partner any dependants and any other occupants of the applicant's home;
- The difficulty experienced by the applicant, which prohibits them from being able to meet their Council Tax liability, and the length of time this difficulty will exist;
- The income and expenditure of the applicant, their partner and any dependants or other occupants of the applicant's home;
- All income received by the applicant, their partner and any member of their household irrespective of whether the income may fall to be disregarded under the Council Tax Support Scheme;
- Any savings or capital that might be held by the applicant, their partner and any member of their household irrespective of whether the capital may fall to be disregarded under the Council Tax Support Scheme;
- Other debts outstanding for the applicant and their partner;
- The exceptional nature of the applicant and/or their family's circumstances that impact on finances, and
- The financial circumstances of the customer at the time the Council Tax charge or arrears accrued.

The above list is not exhaustive and other relevant factors and special circumstances may be considered.

An award of Exceptional Hardship does not guarantee that a further award will be made at a later date, even if the applicant's circumstances have not changed.

An Exceptional Hardship award may be less than the difference between the Council Tax liability and the amount of Council Tax Support paid. The application may be refused if the authority feels that, in its opinion, the applicant is not suffering 'exceptional hardship' or where the applicant has failed to comply with the Exceptional Hardship process.

Publicity

The Council will make a copy of this policy available for inspection and will be published on the Council's website.

Claiming an Exceptional Hardship award

An applicant must make a claim for an Exceptional Hardship award by submitting an application to the Council. The application form is available on the Council's website.

The application form must be fully completed and supporting information or evidence provided, as reasonably requested by the Council.

In most cases the person who claims the Exceptional Hardship award will be the person entitled to Council Tax Support. However, a claim can be accepted from someone acting on another's behalf, such as an appointee, if it is considered reasonable.

Changes in circumstances

The Council may revise an award of Exceptional Hardship where the applicant's circumstances have changed which either increases or reduces their Council Tax Support entitlement.

Duties of the applicant and the applicant's household

A person claiming an Exceptional Hardship payment is required to:

- Provide the Council with such information as it may require to make a decision; and

- Tell the Council of any changes in circumstances that may be relevant to their ongoing claim within 21 days of the change.

The award and duration of an Exceptional Hardship award

Both the amount and the duration of the award are determined at the discretion of the Council, and will be done so on the basis of the evidence supplied and the circumstances of the claim.

The start date and duration of any award will be determined by the Council. The maximum length of the award will be limited to the financial year in which the claim is received.

In all cases an exceptional hardship award will end in the following circumstances:

- At the end of the financial year or a time specified by the Council;
- The liability to pay ends.
- The property becomes empty or unoccupied
- The customer enters any form of bankruptcy proceedings
- The customer's financial circumstances change. The customer must inform the Council of any changes to their circumstances within 21 days

Payment

Any Exceptional Hardship award will be made direct onto the taxpayer's Council Tax account, thereby reducing the amount of Council Tax payable.

Overpaid Exceptional Hardship Payments

Overpaid Exceptional Hardship payments will generally be recovered directly from the applicant's council tax account, thus increasing the amount of council tax due and payable.

Notification of an award

The Council will notify the resident of the outcome of their application for an Exceptional Hardship award.

Appeals

Exceptional Hardship awards are granted under S13A(1a) of the Local Government Finance Act 1992 as part of the Council Tax Support scheme, as such the normal Council Tax appeal process applies and an appeal can be made at any time. The initial appeal should be made to the Council who will review any decision. Ultimately any decision can be considered by an independent Valuation Tribunal.

Fraud

The Council is committed to protect public funds and ensure funds are awarded to the people who are rightfully eligible to them.

An applicant who tries to fraudulently claim an Exceptional Hardship payment by falsely declaring their circumstances, providing a false statement or evidence in support of their application, may have committed an offence under The Fraud Act 2006.

Where the Council suspects that such a fraud may have been committed, this matter will be investigated as appropriate and may lead to criminal proceedings being instigated.

Complaints

The Council's 'Complaints Procedure' (available on the Councils website) will be applied in the event of any complaint received about the application of this policy.

Policy Review

This policy will be reviewed on an annual basis and updated as appropriate to ensure it remains fit for purpose. However, a review may take place sooner should there be any significant changes in legislation.

Annex 2

CTS Exceptional Hardship Scheme / Equality Impact Assessment

Date of initial assessment	19/12/2016
Proposal to be assessed	Introduction of an Exceptional Hardship Scheme for CTS
New or existing policy or function?	New
External (i.e. public-facing) or internal?	External
Statutory or non-statutory?	Non-statutory
Your name	Mark Emery
Your job title	Acting Head of Customer Delivery
Your contact telephone number	01227 862 378
Decision maker (e.g. Full Council, Community Committee, Management Team etc.)	
Estimated proposal deadline	31/03/2017

<table>
<tr>
<td>Please outline your proposal, including:
Aims and objectives
Key actions
Expected outcomes
Who will be affected and how
How many people will be affected</td>
<td>The Aims, Objectives and Expected Outcomes:
The aim is to introduce a scheme, in addition to CTS to help any applicant suffering exceptional hardship. Applicants will potentially be able to receive additional support up to the full level of their Council Tax.

The objective is to make changes and savings to the CTS scheme whilst also providing additional support to mitigate the impact of these changes and protect those that are most vulnerable.

It is intended to provide additional help for recipients of CTS in cases of extreme, intolerable levels of financial hardship. This will have a positive impact on those who make successful applications.

The table below shows the potential scope of the fund by detailing the total number of working age (WA) CTS claimants – any of which could apply for this support if they were suffering exceptional hardship as defined by the Exceptional Hardship Policy.

<table>
<tr><td>Council</td><td>Canterbury</td><td>Dover</td><td>Thanet</td></tr>
<tr><td>Total WA CTS claimants</td><td>5,486</td><td>5,464</td><td>10,922</td></tr>
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<tr>
<td>What relevant data or information is currently available about the customers who may use this service or could be affected? Please give details; for</td>
<td>Scope of the Equality Impact Assessment

<table>
<tr><td>Council</td><td>Canterbury</td><td>Dover</td><td>Thanet</td></tr>
<tr><td>Total WA CTS claimants</td><td>5,486</td><td>5,464</td><td>10,922</td></tr>
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example “x% of customers are female” or “x% of customers are aged over 60”	Data has been analysed for those protected characteristics where we hold data: disability, carers, sex and age. The review has found that: Canterbury • 38% of claimants have a disability. • 9% of claimants have a carer in the household. • 68% of claimants are female and 30% are male. • 6% of claimants are aged 18-24, 22% are aged 25-34, 26% are aged 35-44, 28% are aged 45-54 and 18% are aged 55-64. Dover • 37% of claimants have a disability. • 3% of claimants have a carer in the household. • 64% of claimants are female and 36% are male. • 8% of claimants are aged 18-24, 24% are aged 25-34, 24% are aged 35-44, 26% are aged 45-54 and 19% are aged 55-64. Thanet • 39% of claimants have a disability. • 5% of claimants have a carer in the household. • 62% of claimants are female and 38% are male. • 8% of claimants are aged 18-24, 23% are aged 25-34, 24% are aged 35-44, 26% are aged 45-54 and 18% are aged 55-64.

Is the decision relevant to the aims of the Public Sector Equality Duty, which are listed below? Guidance on the aims can be found in the EHRC’s PSED Technical Guidance		
Aim	Yes/No	Explanation
Eliminate discrimination, harassment and victimisation	Yes	Any CTS claimant suffering exceptional hardship can apply
Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it	No	Those with disabilities and their carers now receive slightly more benefits than those without which may reduce the potential for those with a disability to experience exceptional hardship as a result of the CTS scheme.
Foster good relations between persons who share a relevant protected characteristic and persons who do not share it	No	Groups including those on a low income or the long-term unemployed are the very groups for which this policy is designed to help if changes to the CTS scheme are contributing to them experiencing financial hardship.

Assess the relevance of the proposal to people with different protected characteristics, and assess the impact of the proposal on people with different protected characteristics. Your explanation should make it clear who the assessment applies to within each protected characteristic. For example, a proposal may have high relevance for young people but low relevance for older people; it may have a positive impact on women but a neutral impact on men.			
Protected characteristic	Relevance to proposal High/Medium/Low/None	Impact of proposal Positive/Neutral/Negative	Explanation
Age	High	Positive	High relevance for working age CTS claimants
Disability	Medium	Positive	Disregarding some incomes for people with disabilities and carers results in a higher council tax reduction which may reduce the potential for those with a disability to experience exceptional hardship as a result of the CTS scheme.
Gender reassignment	Low	Positive	
Sex	Low	Positive	
Marriage and civil partnership	Low	Positive	
Pregnancy and maternity	Low	Positive	
Race	Low	Positive	
Religion or belief	Low	Positive	
Sexual orientation	Low	Positive	
Other groups: for example – low income/ people living in rural areas/ single parents/ carers and the cared for/ past offenders/ long-term unemployed/ housebound/ history of domestic abuse/	High	Positive	This policy is intended to specifically target and assist those experiencing exceptional financial hardship. Therefore groups including those on a low income or the long-term unemployed are the very groups for which this policy is designed to help if changes to the CTS scheme are

people who don't speak English as a first language/ People without computer access etc.			contributing to them experiencing financial hardship. Disregarding some incomes for people with disabilities and carers results in a higher council tax reduction which may reduce the potential for those with a disability to experience exceptional hardship as a result of the CTS scheme.

Are you going to make any changes to your proposal as a result of these findings, in order to mitigate any potential negative impacts identified?	Actions to mitigate any identified impacts The identifiable impacts of this policy are all positive therefore mitigation is not required.
Is there any potential negative impact which cannot be minimised or removed? If so, can it be justified? (for example, on the grounds of promoting equality of opportunity for another protected characteristic)	There is an indirect negative impact due to the fact that the funds available will be finite and it may not be possible to assist all those experiencing exceptional hardship. It has the potential to assist any CTS claimant that is deemed to be experiencing exceptional hardship. It does not specifically target or solely affect any one of the protected characteristics although groups including those on a low income or the long-term unemployed are the very groups for which this fund is intended to support.

What additional information would increase your understanding about the potential impact?	An annual review of the fund including total number of applications, number successful/ unsuccessful and an analysis of the reasons for these decisions to establish patterns.

Date of revised assessment	**02/04/2018**
Have you made any changes to your initial assessment? If so, please give brief details	
Did you undertake consultation? – if yes, give date and the consultation results:	
Do you have new information which reveals any difference in views across the characteristics?	
Can any new conclusions be drawn	

as to how the proposal will affect people with different protected characteristics?	
Are you going to make any changes to your proposal as a result of these findings, in order to mitigate any potential negative impacts identified?	
Is there any potential negative impact which cannot be minimised or removed? If so, can it be justified? (for example, on the grounds of promoting equality of opportunity for another protected characteristic)	

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Covering Report - Budget and Medium Term Financial Strategy 2017-2021

Overview & Scrutiny Panel	**26 January 2017**
Report Author	**Director of Corporate Resources and s151 officer**
Portfolio Holder	**Cllr-John Townend, Finance and Estates**
Status	**For Recommendation**
Classification:	**Unrestricted**
Key Decision	**No**
Ward:	**All Wards**

Executive Summary:

This is a covering report to present the Budget and Medium term financial Strategy 2017-2021 which was considered by Cabinet on 17 January 2017.

Recommendation(s):

Overview and Scrutiny Panel is invited to comment on the attached report.

CORPORATE IMPLICATIONS	
Financial and Value for Money	There are no financial implications arising directly from this report other that those highlighted in the Cabinet report attached.
Legal	There are no legal implications arising directly from this report other that those highlighted in the Cabinet report attached.
Corporate	There are no corporate implications arising directly from this report other that those highlighted in the Cabinet report attached.
Equalities Act 2010 & Public Sector Equality Duty	There are no equalities implications arising directly from this report other that those highlighted in the Cabinet report attached.

Decision Making Process

This is a covering report to present the Budget and Medium financial Strategy 2017-2021 which was considered by Cabinet on 17 January. Overview and Scrutiny Panel is invited to comment on the attached report. Any feedback from the Panel will be reported to Cabinet on 31 January.

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BUDGET 2017-18 AND MEDIUM TERM FINANCIAL STRATEGY 2017-21

Cabinet	**17 January 2017**
Report Author	**Director of Corporate Resources and S151 officer**
Portfolio Holder	**Cllr John Townend, Cabinet Member Finance and Estates**
Status	**For Decision**
Classification:	**Unrestricted**
Key Decision	**Yes**
Reasons for Key	**Budget and Policy Framework**
Ward:	**All Wards**

Executive Summary:

This report presents the budget for the General Fund, Housing Revenue Account and Capital Programme for 2017-18 and the Medium Term Financial Strategy for 2017-21.

Recommendations:

1. That Members approve the draft Medium Term Financial Strategy at **Annex 1**.
2. That Members approve the draft General Fund Revenue budget estimates for 2017-18 to 2020-21 and the resulting budget requirement for 2017-18.
3. That Members agree to a reduction in the grant to minor preceptors as per section 2.7.
4. That Members approve the General Fund and Housing Revenue Account Capital

	Budgets for 2017-18 as detailed at **Annexes 2** and **5**.
5.	That Members approve the Flexible Use of Capital Receipts Strategy as detailed at **Annex 3**.
6.	That Members approve the HRA budget estimates for 2017-18 to 2020-21 and the Housing Revenue Account services charges as shown at **Annex 4**.
7.	That Members approve the level of general reserves be held at £2.011m and the approval of earmarked reserves as identified in **Table 5** of the MTFS**.**

CORPORATE IMPLICATIONS	
Financial and Value for Money	The financial implications of the budget are laid out within the body of the report. Based upon the financial risk assessment, it would at this stage be appropriate to maintain the general level of reserves of at least 12% of the net service revenue base.
Legal	Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, this is the Director of Corporate Resources, and this report is helping to carry out that function. The requirements of other relevant statute have been referenced within the body of this report, where relevant.
Corporate	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.
Equalities Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010), to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it. Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

	Please indicate which aim is relevant to the report.
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
	Foster good relations between people who share a protected characteristic and people who do not share it.	
	There are no equality issues identified in respect of the savings highlighted in these budget proposals as these budget cuts will not impact on service delivery. Any further impacts of the budget proposals identified at service level will be assessed by the service managers where there is a relevance to the duty. A full assessment of the equality impact will be undertaken for any specific service changes. A six week public consultation was held giving local residents and businesses an opportunity to comment on the budget proposals. The consultation was available to complete online and hard copy surveys were made available on request, for collection from the council offices and local libraries and printed in the local newspaper. Promotion was undertaken throughout the six week period, including social media, website, press and posters. A total of 442 responses were received by the closing date. The HRA budget, including the proposed rent and service charge increases, was presented to the Tenant Area Board on 23 November 2016. The new contract for repairs and maintenance awarded to Mears has identified that the pricing module for blocks of flats has changed resulting in some large increases for block costs that are required to be recharged to tenants and leaseholders at actual cost as per tenancy and leasehold agreements. Further analysis of the financial impact of all service charges to tenants has been undertaken and is detailed in section 13 of the report. It is important to be aware of the Council's responsibility under the Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council, as a result a full equality impact assessment will be undertaken for any specific service changes where appropriate.

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	✓
Promoting inward investment and job creation	✓
Supporting neighbourhoods	✓

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	✓

1.0 Introduction and purpose of report

1.1. The purpose of this report is to present the Budget for 2017-18 and financial projections for the following years up to 2020-21.

1.2. The report finalises the funding position for 2017-18 based on the Provisional Local Government Financial Settlement. It also sets out budget pressures and service priorities that are reflected in setting the 2017-18 budget.

1.3. The existing Medium Term Financial Strategy (MTFS) has been rolled forward to cover 2017-21 with updated assumptions where appropriate. It also reflects savings themes to manage the future financial position.

1.4. The annual review of the council's reserve holdings has been undertaken. The proposed reserve balances are considered to be adequate for supporting the council's ongoing needs and plans.

1.5. The budget assumptions for the Housing Revenue Account (HRA) are outlined within the report and the proposed HRA balance is considered to be sufficient to support the initial requirements of the HRA Business Plan, although further work is required to balance later years after 2024. The proposed Housing Revenue and Capital budgets were presented to the East Kent Housing Tenant Board for consultation and comment on 23 November 2016.

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

2.0 Background

National Context

2.1 The detail of Government grant funding for each local authority was announced on 15 December 2016 in the Provisional Settlement. This will be confirmed in the Final Settlement in late January/early February. The four-year funding settlement that this council signed up to provides some certainty regarding 2017-20 in respect of Non-Domestic Rate baseline funding and Revenue Support Grant (RSG). The certainty, however, is for reduced funding each year: 13.1% in 2017-18, 8.1% in 2018-19 and 9.8% in 2019-20.

2.2 The provisional New Homes Bonus (NHB) allocation for 2017-18 was also revealed with the Provisional Settlement. The Government had consulted on changing the calculation of NHB and the outcome of the consultation resulted in reductions. NHB will be paid for four years instead of six years, with a transitional year in 2017-18 when five years NHB will be paid. Also, there is the introduction of a new 0.4% growth threshold before any NHB is payable.

2.3 During the summer, the Government consulted on changes to the income that local authorities receive from Business Rates. All these changes bring uncertainty, firstly to how much businesses will pay, and secondly to local authorities. They include:

- Retention – where local authorities retain all Business Rate income, but take on additional responsibilities and cease to receive Revenue Support Grant by 2020;
- Revaluation – altering the distribution of how much businesses pay to better reflect their ability to pay;
- Appeals – making the appeals process quicker. Initially, a backlog of cases will be cleared at the same time as the new cases are processed quicker, producing a bulge of decisions.

2.4 Cabinet noted the budget and service planning timetable at its meeting on 17 November 2016 as part of the budget strategy. Full Council approved fees and charges at its meeting on 1 December 2016.

Council Tax Support Scheme funding

2.5 RSG includes funding to compensate for the impact of the Council Tax Support Scheme (CTSS) on the Council Tax base. This funding is no longer distinguished as a separate component. The Council meeting on 1 December 2016 approved the CTSS for 2017-18. The revised scheme will go some way towards bridging the gap between the notional element of RSG set aside for the CTSS and the real cost of the scheme. However, the cost of the exceptional hardship scheme will reduce any savings.

2.6 The current scheme adopted by the Council reflects a county-wide agreement, with local discretion. Kent County Council pays TDC a contribution of £125k per annum towards the cost of the administration of the scheme. The approval of the revised CTSS in December ensured that KCC will be presented with budget proposals that assume the continuation of the payment, although this will not be known for sure until KCC has approved its budget.

Council Tax Base Adjustments for Minor Preceptors

2.7 The Council shares the 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 £130k in 2016-17. It is proposed that the level of this support should continue to be reduced by 10% in accordance with existing policy, as indicated in the 17 November Cabinet report and shared with parishes at the Parish Forum on 27 October. This results in Council RSG funding for parishes of £117k for 2017-18.

Council Tax and Collection Fund

2.8 For the purpose of the budget build, it is assumed the Council Tax base for 2017-18 is 2% higher than the 2016-17 level and a 2% increase is expected for future years.

2.9 Each year 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 2016-17 of which £100,000 would be available in 2017-18.

2.10 Taking into account all the above, the overall estimated funding position is illustrated in Table 2 below:

Table 1: Funding Position 2017 - 2021

FUNDING	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000
Council tax	9,250	9,647	10,057	10,479
Revenue Support Grant	1,446	809	98	0
Non-Domestic Rates Baseline	4,716	4,855	5,010	5,010
New Homes Bonus	1,877	1,163	989	755
Business Rate Retention	200	200	200	0
Council Tax Collection Fund	100	100	100	100
Total	**17,589**	**16,774**	**16,454**	**16,344**

3 Budget Pressures

3.1 Given the economic context in which the council finds itself, the overarching approach to developing the budget is to minimise budget pressures wherever possible, to reduce the need to find savings to deliver a balanced budget. Main pressures are set out in Table 2 below:

Table 2: 2017-18 Budget Pressures

Growth	Detail	£000's
Economic factors including inflation	Budget assumes on-going impact of Pay for Contribution, Pay inflation and contractual increases for such items as insurance, utilities, business rates and service contracts.	700
Pension Fund	Increased contribution in pension costs resulting from 2016 revaluation.	340
Policy	Ongoing reduction in financial settlement and NHB funding offset against changes in council tax and business rates	1,560
Total		**2,600**

4 The Budget Gap

4.1 Given the above budget pressures, the latest forecasts of Government funding, estimates of expected increased costs such as inflation, volume changes from increased demand and demographics, the costs of legislative changes and slippage on the delivery of savings have resulted in a savings requirement for 2017-18 of £2.6m. A breakdown of income generation and cost savings proposals are set out in Table 3 below:

Table 3: Bridging the 2017-18 Budget Gap

Action	Detail	£000's
Income generation initiatives	Income generation opportunities across a range of services including in respect of car parking, planning, housing, the port and a lottery	-890
Comprehensive review of fees and charges income	A complete review of fees and charges including new fees and benchmarking of old fees in order to gauge the impact on customers and comparison against the wider market.	-490
Savings agreed as part of the previous MTFS	Cost savings including a review of assets, contract arrangements and service efficiencies including from Shared Services.	-770
Reserves	One off contribution from reserves to be repaid over the period of the MTFS	-450
Total		**-2,600**

4.2 Description of the income generation and cost savings are as follows:

- **Income Generation:** A range of reviews are under way to generate new and additional income. These reviews are: creation of a housing company; fundamental review of car parking; power generation on council owned sites; commercial charging for minor works and workshop; and a review of Planning. The MTFS already includes an assumption of additional income from the port; and a new lottery is expected to generate a new income stream.

- **Fees and charges:** Council approved new fees and charges on 1 December 2016.

- **Existing MTFS cost savings:** the MTFS 2016-20 included cost savings in 2017-18 which are included here, the main ones being greater efficiencies from shared services and leisure management, savings in asset management and provisions for inflation.

- **Reserves:** In order to comply with the requirements of the Local Government Act 2003, the Council undertakes a review of the level of reserves as part of the annual budget preparation. Given that the current level of reserves is relatively low, following a series of one-off costs and liabilities and the challenging economic environment following further changes to the annual settlement from central government a robust sensitivity analysis has been carried out. Whilst it is necessary to use some of these reserves in the short term, the MTFS sets out a plan to replenish them over the following three years and additional work is in progress to improve the position further.

5 Council Reserves

5.1 The Local Government Finance Act 1992 requires all authorities issuing a precept, such as Thanet District Council, to have regard to the level of reserves needed for future expenditure when calculating the budget requirement.

Earmarked Reserves

5.2 It is good practice to use reserves to 'save' funds over a period of time to manage risk and spread the impact on the Council Tax of large fluctuating expenditures. The MTFS shows the planned level of reserves which will be used to fund anticipated expenditure during the year.

5.3 In recent years, the council has drawn on reserves to fund one-off costs and liabilities that arose as a result of past decisions. To some extent, this is the purpose of holding such reserves – to fund unexpected costs without causing a financial crisis for the council in the year that such costs have to be accounted for. However, the council needs to try to re-establish reserves so that, if liabilities of the magnitude of those of the recent past were to occur again, then it could cope financially without a serious impact on services.

5.4 The External Auditor has recommended in the Annual Audit Letter that "*going forward, cost savings and income generation need to be developed in excess of the estimated funding gap to help cover the possibility of unforeseen additional financial pressures …"* The council's response, which was accepted by the External Auditor and approved at Governance & Audit Committee on 7 December, stated "*Steps will be taken to replenish reserves where possible to help manage the known and unknown financial risks".*

5.5 Whilst reserves have fallen over the last two years, they have been used to fund specific one-off costs. They have not been used to fund ongoing expenditure or income losses. The sensible and necessary use of reserves, along with tighter financial stewardship and a willingness to make the decisions to deliver balanced budgets has helped place the council on a firm financial footing. Assuming the 2017-18 budget and 2017-21 MTFS are agreed, it will be possible for the council to move forward from a solid financial platform and replenish reserves in the medium term.

5.6 A review of the council's reserve holdings has been undertaken by the S151 Officer. The proposed reserve balances are considered to be adequate for supporting the council's ongoing needs and plans. However, the risks associated with the low level of reserves can be mitigated by making net contributions over the life of the MTFS and by maintaining tight financial controls over budgets and decision making.

5.7 Useable reserves as at 31 March 2016 reported in the 2015-16 annual statement of accounts were £30.2m (£32.3m 2014-15) and are analysed below together with projected movements as a result of the budget proposals in this report.

Table 4: Council Reserves

Reserves	31 Mar 16	Movement	31 Mar 17	Movement	31 Mar 18
	£'000	£'000	£'000	£'000	£'000
General Fund	2,011	-	2,011	-	2,011
HRA	5,296	(545)	4,751	984	5,735
Earmarked - GF	6,152	(677)	5,475	(564)	4,911
Earmarked - HRA	5,495	(5,495)	0	0	0
Capital Receipts	4,031	(1,982)	2,049	(312)	1,737
Major Repairs Reserve	7,171	395	7,566	(510)	7,056
Total	**30,156**	**(8,304)**	**21,852**	**(402)**	**21,450**

5.8 The General fund reserve is fixed at approximately 12% of the net revenue budget in line with the policy agreed in 2015-16.

5.9 Movements in General Fund earmarked reserves in 2016-17 included contributions to NNDR appeals costs, capital projects, Local Plan and pension costs. The main movement in 2017-18 reserves is projected to be the £450k short term contribution to services which will be repaid over the life of the MTFS.

5.10 The HRA balance is analysed in Table 10 below and the earmarked reserve of £5,495k is planned to match fund the Homes & Communities Agency grant for the affordable housing programme. The overall timetable for affordable housing is being examined and it is likely that some of the activity will be delayed into 2017-18 and the value of slippage will be confirmed at the end of the financial year. This is being monitored closely to ensure the HCA funding deadline of 31 March 2018 is met.

5.11 Capital receipts are identified in the capital financing section of tables 6 (General Fund) and 11 (Housing Revenue Account) below and capital receipts from asset sales in 2017-18 are projected to be £2m.

6 Fees and Charges

6.1 The fees and charges proposals were agreed by Council on 1 December 2016. As a result of benchmarking all the council's fees and charges and the income targets, an additional income contribution of £490k has been factored into the budget for 2017-18 as identified above.

7. Budget Consultation

7.1 The budget consultation was launched on 11 November 2016 which examined the priority of council services and satisfaction levels within the district. 442 responses were received in total with 399 from residents and 43 from businesses. 2 business respondents were not resident in Thanet.

7.2 Services ranked as a high priority by residents included; Household Waste & Recycling, Street Cleansing & Community Safety.

7.3 Services ranked as a low priority included: Land Charges, Allotments and Sports Development.

7.4 Some 52% of respondents agreed with, or had no view on, the approved changes to fees & charges for 2017-18.

7.5 The budget proposals in this report take into account the priorities highlighted by respondents in the consultation.

7.6 The council's housing budget was discussed at the East Kent Housing Tenant and Leasehold Board on 23 November 2016 with representatives of our residents and leaseholders in attendance. The budget was agreed with a recommendation from the Board to cap service charge increases at £5 (excluding heating service charges) although the recommendation in this report is for a cap of £3.

8 Medium Term Financial Strategy 2017-21

8.1 A Medium Term Financial Strategy (MTFS) was approved by Council in February 2016, covering the period 2016-17 to 2019-20. In the light of the continuing unprecedented economic climate, this document has been reviewed and updated, not only to reflect the external environment, but also new developments and changes to internal policies and practices. The revised MTFS covering the period 2017-18 to 2020-21 is shown at Annex 1. It captures what is expected in terms of funding opportunities and the general economic environment for the next four years against budgetary demands, as a result of inflationary and other pressures. It presents outline financial plans that show what the council intends to do in order to deliver its statutory services and priority discretionary services whilst continuing to deliver its key financial strategies. The plan addresses the assumptions used in the budget calculations, the risks that could have an impact on future financial standing and the degree to which the budget models are sensitive to change.

8.2 Where future years' figures have been referenced in the text below, these have all been prepared based on the strategies and assumptions that are laid out in the MTFS at Annex 1.

8.3 At the time of writing, merger discussions are taking place with other East Kent districts. No decisions have been made but it is possible that a consensus will be agreed during the process of 2017-18 budget approval. The degree of uncertainty is such that it is not possible to factor into the MTFS any assumptions about merger – the MTFS assumes TDC will continue in its current form throughout the four year period. Despite this necessary assumption, TDC is playing an active part in the examination of merger options.

8.4 Future challenges and opportunities include consultations that this Government will undertake in relation to the future of local government funding. Government has a stated desire to change the current methodology for Business Rate retention, moving to 100% being retained by local authorities and with it, the potential for self-financing. This will present opportunities, as in principle local authorities will not be reliant on central Government, but will also bring with it additional responsibilities and therefore challenges. Currently no more information has been made available as a result of this consultation and we maintain a watching brief.

9 Overall 2017-18 General Fund Revenue Budget Projection

9.1 The impact of the above changes when applied to the 2016-17 base give a net budget requirement of £18,457k for 2017-18 which is considered sufficient to enable the delivery of the council's statutory services as well as its priority discretionary services.

9.2 A summary of the key changes that have been made to arrive at the draft General Fund Revenue Budget for 2017-18 is shown in Table 5 below:

Table 5: General Fund Revenue Budget 2017-18

	£'000	£'000
Opening Funding Position		19,159
Budget Pressures (including Inflation and excluding Settlement Funding)		1,070
Income Generation	-890	
Efficiencies	-770	
Fees & Charges	-490	
Total Savings		-2,150
Net Service Revenue Budget		18,079
Contribution from reserves		-490
Net Budget Requirement		**17,589**
Funded by:		
Government Funding (including RSG Business Rates and New Homes Bonus)		8,239
Collection Fund Surplus		100
Council Tax		9,250
Net Financing		**17,589**
Tax Base		**42,069**
Indicative Band D Council Tax		**219.87**
% increase on Band D		2.31%
£ Increase on Band D		£4.95

10 Council Tax for 2017-18

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

10.2 The 2.31% increase identified in the above table represents increased income of £208k when applied to the revised tax base of 42,069.

11 General Fund Capital Programme

11.1 A minimum 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. Expenditure below this value is not treated as capital. Capital expenditure also includes qualifying grants, such as those 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.

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. This in turn leads to re-phasing of the capital programme, in order to keep the overall costs within the agreed bottom line.

The Asset Management Plan

11.3 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 £210 million showing as the net book value of all property assets as at 31 March 2016 (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 Plan (AMP) which outlines its approach to its material asset holdings. This is 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.

11.4 The Asset Management Plan outlines the principles, criteria and processes that form the cornerstone of the draft Capital Programme. This requires a continuous assessment of the relative value of an asset (both financial and non-financial) in order to ensure that investment in 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 liabilities and to generate capital receipts to fund new developments or be transferred for community benefit.

12 The Capital Budget Strategy

12.1 Although the Asset Management Plan is used to inform the contents of the capital budget, it is only one element. The Capital Programme is underpinned by a Capital Strategy as set out in the MTFS.

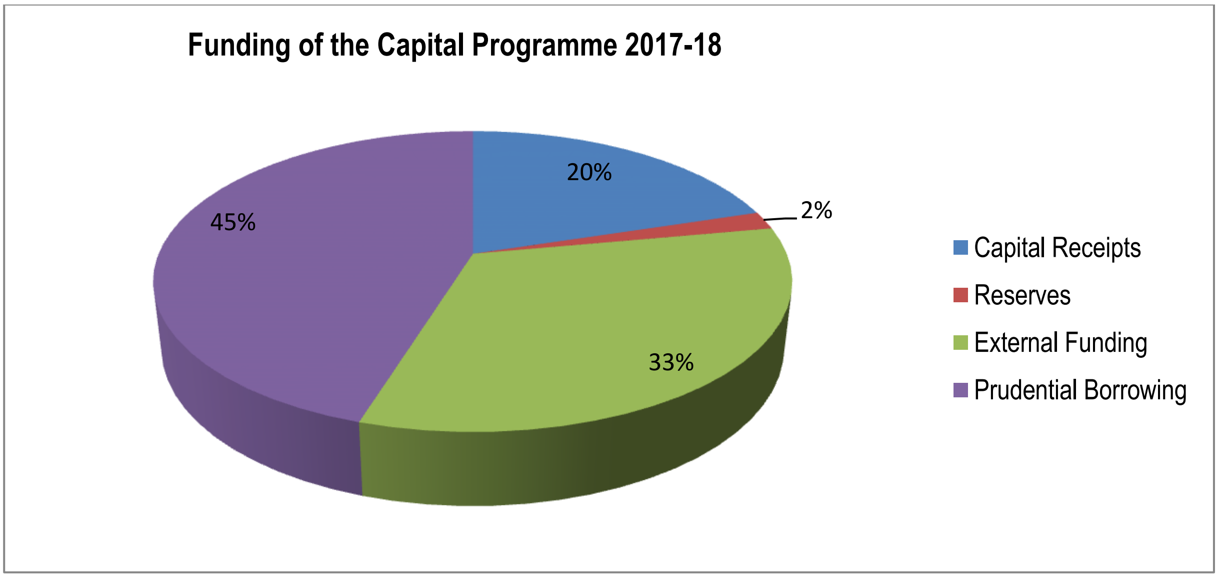
12.2 Applications for capital bids are reviewed by the Capital Programme Group and scored against a weighted matrix to ensure they focus on core priorities, health and safety requirements, the generation or protection of income streams and affordability. The level of resources available raises a number of issues and risks for future years, which need to be addressed. Over the past few years the council has seen significant constraints in its available capital receipts. It is difficult to estimate the funding level achievable as a number of changes often arise to the asset disposal programme once the consultation process has been completed. In the event that sufficient disposals cannot be realised in 2017-18 onwards this will result in a need reduce or defer the capital programme or 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.

12.3 There is limited scope for future investment in new assets or making improvements to existing buildings. The Asset Management Plan is key to deliver the Capital Strategy and to reduce the financial and risk burden of the property portfolio. The current portfolio is not maintainable with the current funding available for repairs and maintenance 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. Any additional schemes will require an existing scheme to be deferred or funds re-allocated unless there is headroom in the General Fund to borrow.

Available Capital Funding

12.4 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, revenue resources are limited.

12.5 A summary of the 2017-2021 capital resources utilised to fund the capital programme is detailed in Annex 2, but shown graphically below.



12.6 **Capital Grants** – these are offered by external funders to assist with certain types of expenditure. Capital grants include: Environment Agency, Lottery funding and European grants. The Better Care Fund allocation for 2017-18 is estimated at £2.342m of which £1.6m has been set aside to fund the Disabled Facilities Grants within the capital programme. Plans are still being agreed for the remainder of the determination. The 2017/18 Capital Programme also includes a number of projects to bolster sea defences and these are fully funded by the Environment Agency.

12.7 **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 (with one or two specific exceptions) to fund capital expenditure. All of the monies received from the disposal of General Fund assets are available for use.

12.8 Before the start of each financial year, a Flexible Use of Capital Receipts Strategy is prepared as part of the budget documents. This strategy sets out the rare occasions the council can apply to Government to capitalise expenditure that would normally be deemed as revenue. Government have advised that it is now possible to apply to capitalise the costs of transformational revenue reform projects. The Capital Receipts Strategy is set out in Annex 3 and details the criteria where this may be considered as per guidance issued by Government.

12.9 The level of capital receipts available from the sale of surplus assets has been very constrained over the last few years. Reasons for this have included the economic situation, assets being removed from the disposal list following consultation, and capital funding being switched from reserves to capital receipts wherever possible due to significant pressures on the council's revenue budget. Members should note that an estimated £2.025m in capital receipts has been forecast to fund the 2017-18 programme derived in part from the asset disposal report approved by Cabinet on 17 November. This will be monitored closely during the financial year, as it may be necessary to adjust the programme in-year depending on asset disposal and funding outcomes.

12.10 The capital receipt from the Royal Sands Development has not yet been allocated to capital project(s) within the capital bid process and scoring regime.

12.11 **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 £4.725m will be required to support the General Fund Capital Programme in 2017-18.

12.12 Capital Projects Reserve – Balances in this reserve were materially reduced in 2015-16 due to significant pressures on the budget, and it is anticipated this will continue in 2017-18 onwards.

13 The Capital Programmes for 2017-18 to 2020-21

13.1 The following budget amounts have been re-profiled from 2016-17 to 2017-18: Port Low Carbon Plan (£239k), Vehicle Replacement Programme (£900k), Dalby Square (£80k), CCTV (£400k), and Ramsgate Port Berths (£600k). The existing, new and reserve capital projects are set out in the MTFS in Annex 1.

The Draft Capital Budgets 2017-18 to 2020-21

13.2 The draft General Fund Capital Expenditure Budget for 2017-18 that is proposed for Members' approval is £10.458m (including 2016-17 re-profiling identified below), which will be funded in the main from capital grants, usable capital receipts and prudential borrowing. This is shown in summary format overleaf

Table 6: Capital Programme 2017-2021

	2016-17 Slippage £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Statutory and Mandatory Schemes		1,600	1,600	1,600	1,600
Schemes continuing from prior years	1,319	250			
Annual Enhancement Schemes	900	580	330	580	2,285
Wholly/Part Externally Funded Schemes		1,981	1,437	942	2,742
Construction, Replacements and Enhancements		3,753	50	50	3,000
Capitalised Salaries		75	75	75	75
Total Capital Programme Expenditure	**2,219**	**8,239**	**3,492**	**3,247**	**9,702**
Capital Resources Used:					
Capital Receipts and Reserves	1,530	782	205	205	310
Capital Grants and Contributions		3,421	3,037	2,542	4,342
Contributions from Revenue		0	0	0	0
Prudential Borrowing	689	4,036	250	500	5,050
Total Funding	**2,219**	**8,239**	**3,492**	**3,247**	**9,702**

14 Housing Revenue Account Budget and Housing Capital Programme

14.1 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. Activities are reported separately from the General Fund Revenue Account reflecting the ring-fenced nature of tenants rent payments. 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 to remain within the limits of the anticipated income streams over the medium term.

14.2 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.

Main items of Income within the HRA are as follows:-

- Rents
- Charges for Services
- Leaseholders

- Other Rents
- Interest on balances

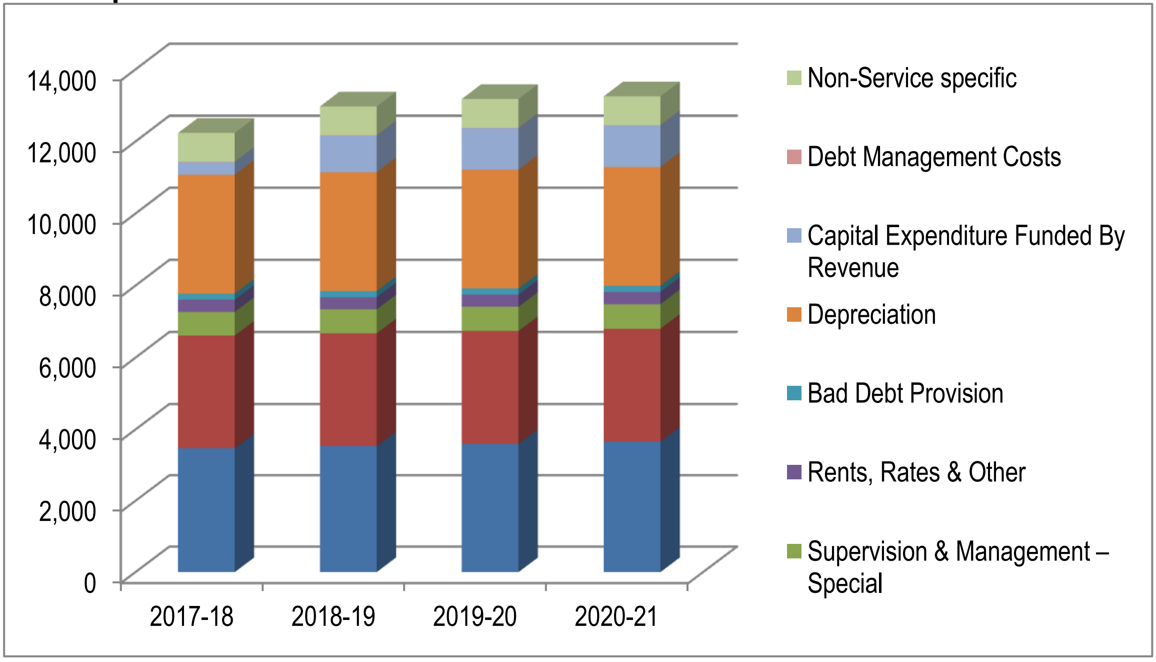
Main items of Expenditure are:-

- Repairs & Maintenance
- Management Costs
- Borrowing Costs
- Depreciation on Council Stock (used to fund Capital Expenditure)
- Other land lord costs i.e. council tax charges for void properties, insurance costs
- Provision for Bad Debts

14.3 The current HRA Business Plan is forecast to fall into deficit post 2024 and further work is required to identify sufficient efficiencies to allow for a sustainable 30 year HRA Business Plan. A new detailed financial model has recently been purchased and both Finance and the Head of Housing will work together to remodel a sustainable plan. This will include a review of charges and costs from the General Fund, maximising income generation opportunities such as aerial rental charges, contract efficiencies through EKH by procuring with neighbouring councils and asset management.

The main assumptions that have been applied to the HRA for the 2017-18 expenditure budgets are summarised below:

HRA Expenditure Breakdown



14.4 **Repairs and Maintenance**

Table 7: Proposed HRA Repairs and Maintenance Growth and Savings

Expenditure	Details of Growth and Savings
Day to Day Repairs Contract	A new 4 year contract started in January 2016. The contract includes new services that were previously contracted on an ad-hoc basis. This has assisted in generating an overall saving to the repairs and maintenance budgets.
Refuse Chute & Paladin Bin cleaning	The day to day repairs contract now includes these services and has generated a saving of £2k.
Door Entry Systems	The day to day repairs contract now includes these repairs and maintenance works. Growth of £45k will be required from 2017-18.
Cleaning Contract	A new 3 year contract started in July 2016 with an option to extend for a further 2 years. This has resulted in a saving of £23k.
Cyclical External Refurbishment and Repairs Contract	A new 7 year contract started in April 2016. This has generated a saving of £92k in 2017-18 and a saving of £17k from 2018-19.
Gas Servicing	The contract is due to be re-tendered in 2016-17. The new contract is due to include properties with storage heaters as well as gas boilers.
Rodent Control and Damp Proofing Works	Works have increased and growth of £14k has been factored in from 2016-17 onwards.
Housing Officer Funds	Housing Officer funds will be reduced by £20k as this is a demand led budget. The £20k will be used to fund the growth required for asbestos removal.
Asbestos Removal	Asbestos removal is now being undertaken while the property is void. Growth of £45k will be required from 2017-18 onwards, however other revenue budgets have been reduced where possible.

14.5 A stock condition survey was commissioned in 2016-17 to re-evaluate the Council's stock to ensure that we continue to meet Decent Homes Plus standard. The survey results are due in March 2017. An Asset Management Strategy and Stock Options Appraisal will follow in 2017-18.

14.6 **Supervision and Management General –** The East Kent Housing 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. The core management fee will remain the same for 2017-18. The software support budget for the housing management system will be included in the management fee once the new single system is live. The management fee base budget for 2017-18 will be £1.4m.

14.7 **Supervision and Management Special** – Gas and electricity contracts are due for review in September 2017. For 2017-18 an assumed percentage increase of 1% for electricity and 3% for gas has been applied.

14.8 **Rents, Rates, Taxes and Other Charges** –The budgets that the Council holds as a landlord have been reviewed in light of the completion of the Empty Homes Programme and reduced for running costs. These include Council Tax and utility standing charges on void properties and have generated a saving of £11k.

14.9 **Provision for Bad or Doubtful Debts** – The provision for bad or doubtful debts for 2017-18 will remain the same at £170k.

14.10 **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. Depreciation is the decline in the value of asset over time due to wear and tear. The estimated depreciation charge for dwellings is calculated at £3.08m in 2017-18, the depreciation charge for other HRA assets is estimated to be at £210k.

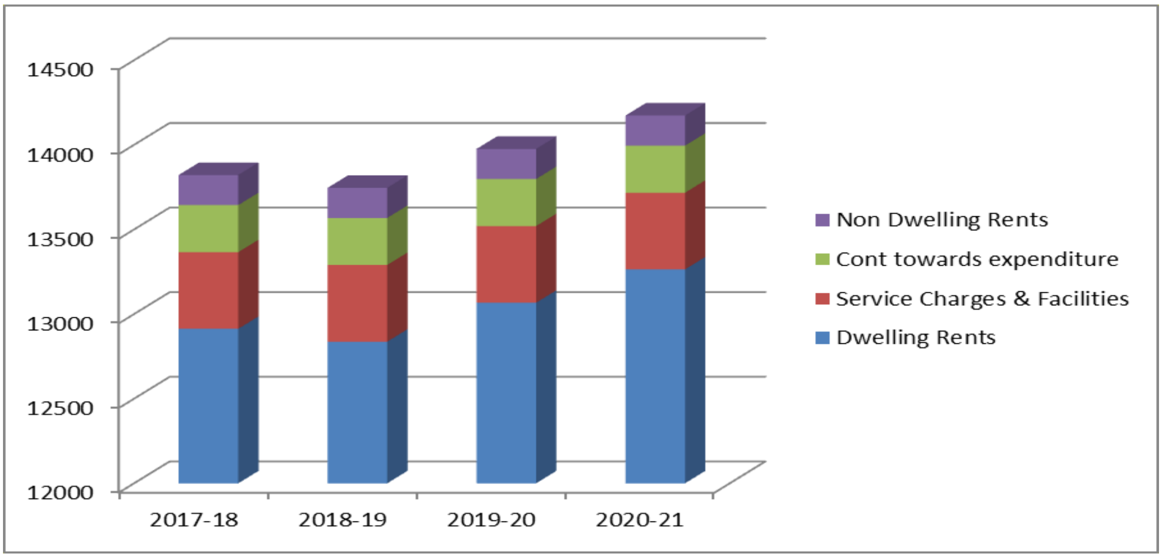
14.11 As part of the self-financing settlement, substantial changes were made to the accounting treatment of capital assets. A five year transitional period was put in place to help local authorities manage the impact of these changes. The transitional period ends on 31 March 2017 and in preparation the Government began consulting on the effect of its proposed treatments during May 2016. The findings from the consultation are yet to be published and may impact on the calculation of the depreciation or impairment charges to the HRA from April 2017.

14.12 **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. As at the 1 October 2016 the HRA had £20.041m of loans outstanding.

Income Estimates

14.13 The main assumptions that have been applied to the HRA for the 2017-18 Income budgets are summarised below:

HRA Income Breakdown



14.14 **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.

14.15 As part of the Summer Budget 2015 the Government announced that both Social and Affordable Rents would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21. The rent baseline for the reductions is the rent payable on 8th July 2015.

14.16 The financial impact of the 1% baseline reduction in rents continues to reduce the available income within the Housing Revenue Account. As a result the Council's New Build Programme has been reviewed and scaled back to ensure affordability and a report was taken to Cabinet on 3rd March 2016 to agree this.

14.17 A local authority may be granted an exemption (in full or in part) if the Secretary of State considers the authority would be unable to avoid financial difficulties if it were to comply with the requirements. Local authorities must explore thoroughly what it can do to mitigate any financial risk, including looking at contractual commitments, before applying for an exemption. Although the council has had to scale back development programmes and is estimating a deficit in 2018-19, it has generated a surplus in previous financial years, so currently does not qualify for an exemption. However once the higher value assets determination payment has been circulated, this will need to be reviewed.

14.18 In the 2013 guidance the Government confirmed that social landlords could charge tenants with an income of over £60,000 a market rent. The Housing and Planning Act 2016 confirmed that the 'Pay to Stay' scheme was to be compulsory and tenants with a household income of £30,000 or more must pay rent equal to the market rent. The Government has decided not to proceed with the policy in its current compulsory form. Local Authorities will continue to have the discretion to implement the policy for tenants with incomes over £60,000.

14.19 Rental estimates are based on the new government guidance for rental decrease of 1% for 2017-18 to 2019-20 and a 1% inflationary increase from 2020-21 onwards until further guidance is received.

14.20 Social rents will be decreased by 1% in line with the Summer Budget 2015 announcement and government rent guidance. Across the whole stock the average rent is £81.13, this is an average decrease of £0.83p per property.

14.21 New units created as part of the Margate Intervention Programme and Empty Homes Programme come under the Affordable Rent Programme. Affordable rents are calculated at up to 80% of the market rental income and are inclusive of service charges. They will be decreased by 1% in line with the Summer Budget 2015 announcement and government rent guidance.

14.22 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.

Table 8: HRA Average Property Rents

Property	Average Social Rent	Average Affordable Rent
Bedsits	£56.87	N/A
1 Bed Flat	£67.11	£73.62
1 Bed House	£77.72	£77.72
2 Bed Flat	£75.28	£100.69
2 Bed House	£83.70	£92.46
3 Bed Flat	£87.11	£129.09
3 Bed House	£93.72	£111.22
4 Bed Flat	£89.95	£146.34
4 Bed House	£102.57	£140.67
5 Bed Flat	N/A	N/A
5 Bed House	£110.76	N/A

14.23 **Non Dwelling Rents** - Income generated from aerials on tower blocks is expected to increase as a number of leases are due for renewal; £8k is anticipated in extra income. Garage rents have been reviewed and continue to be in line with market rents and so will see no increase this year.

14.24 **Service Charge Increases –** It has been identified that the lowest increase in chargeable service charges is £1.62 per week and the highest increase is £15.06 per week (before caps). The breakdown of the impact is detailed below:

Table 9: **Service charge increases**

Weekly Service Charge Increase	Number of Tenants Affected
£0-£1	493
£1-£2	488
£2-£3	107
£3-£4	13
£4-£5	0
£5-£10	14
£10-£16	16

14.26 The impact was highlighted at the Tenant Area Board and consultation was undertaken to discuss potentially limiting the financial impact to tenants. The tenant board voted unanimously to cap service charge increases at £5 (excluding heating charges) to enable the recovery of actual costs to take place over a longer period of 3 years and reduce the financial hardship on tenants.

14.27 The impact of this decision is that 30 tenants will receive capped service charges, this will leave an annual recovery shortfall of £9,340 in the first year, reducing to £2,436 in year 2 and £10.05 in year 3 a total impact of £11,786 which the HRA would be required to fund. The service charge increases are eligible for Housing Benefit and housing tenants have received a 1% decrease on rents.

14.28 Since the Tenant Board meeting the Portfolio Holder for Community Services has requested that the impact of a £3 cap is modelled. The impact of which would mean that 43 tenants receive a capped service charge. This will leave an annual recovery shortfall of £12,885 in the first year, reducing to £7,780 in year 2 and £3,424 in year 3 a total financial of impact of £24,089 which the HRA would be required to fund. It should be noted that by year 3, it is estimated that 19 properties will still not be at full recovery cost for service charges. The Cleaning Contract is due for re-tendering in July 2019 and the Mears contract is due for re-tendering in 2020. If the cost of these contracts sees an increase in costs this will in turn impact on service charge increases and could affect those already not at full recovery.

14.29 **Heating Charges** – These will be recovered on actual cost based on usage and contract price and then apportioned across the block dependant on bedroom size.

14.30 **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 2017-18 of £55k is based on achieving an average interest rate of 0.25%.

Draft Housing Revenue Account 2017-2021

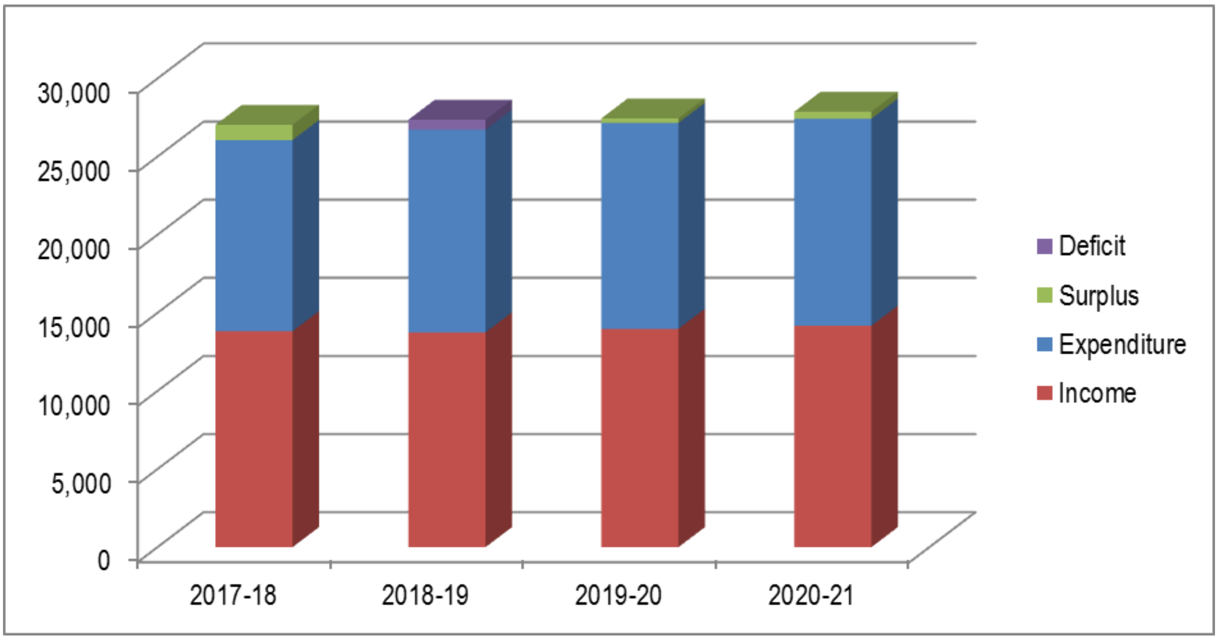


Table 10: Draft Housing Revenue Account Budget 2017 - 2021

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Expenditure				
Repairs & Maintenance	3,486	3,548	3,611	3,675
Supervision & Management – General	3,213	3,213	3,100	3,100
Supervision & Management – Special	666	674	683	692
Rents, rates, taxes and other charges	241	249	258	267
Bad or doubtful debts provision	170	170	170	170
Depreciation/impairment of fixed assets	3,300	3,300	3,300	3,300
Capital Expenditure funded from HRA	350	1,015	1,150	1,150
Debt Management Costs	9	9	9	9
Non-service specific expenditure	800	800	800	800
Gross Expenditure Sub Total	**12,235**	**12,978**	**13,081**	**13,163**
Income				
Dwelling Rents (gross)	(12,913)	(12,837)	(13,067)	(13,264)
Non-dwelling Rents (gross)	(178)	(178)	(178)	(178)
Charges for services and facilities	(453)	(453)	(453)	(453)
Contributions towards expenditure	(290)	(290)	(290)	(290)
Income Sub Total	**(13,834)**	**(13,758)**	**(13,988)**	**(14,185)**
Net Costs of Services Sub Total	**(1,599)**	**(780)**	**(907)**	**(1022)**
HRA Investment Income	(20)	(47)	(90)	(128)
Debt Interest Charges	1,024	1,019	990	994
Government Grants and Contributions	0	0	0	0
Adjustments made between accounting basis and funding basis	(389)	439	(389)	(389)
(**Surplus)/Deficit on HRA**	**(984)**	**631**	**(396)**	**(545)**
Housing Revenue Account Balance:				
Estimated Surplus at Beginning of Year	(4,751)	(5,735)	(5,104)	(5,500)
(Surplus)/Deficit for Year	(984)	631	(396)	(545)
Estimated Surplus at End of Year	**(5,735)**	**(5,104)**	**(5,500)**	**(6,045)**

15 The HRA Capital Budget

15.1 A minimum 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.

15.2 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.

The HRA Asset Management Strategy

15.3 The Strategic Housing Team is currently developing a new HRA Asset Strategy. On-going 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.

15.4 The existing housing stock is continually reviewed for its suitability to provide good quality housing. Stock that requires considerable capital investment or has a high market value will be considered for disposal to fund new developments. The disposal of Coast Guard Cottages has recently been identified and the sale of some of these units is underway.

Available Capital Funding

15.5 Capital expenditure can be financed from revenue resources, capital grants, usable capital receipts and borrowing.

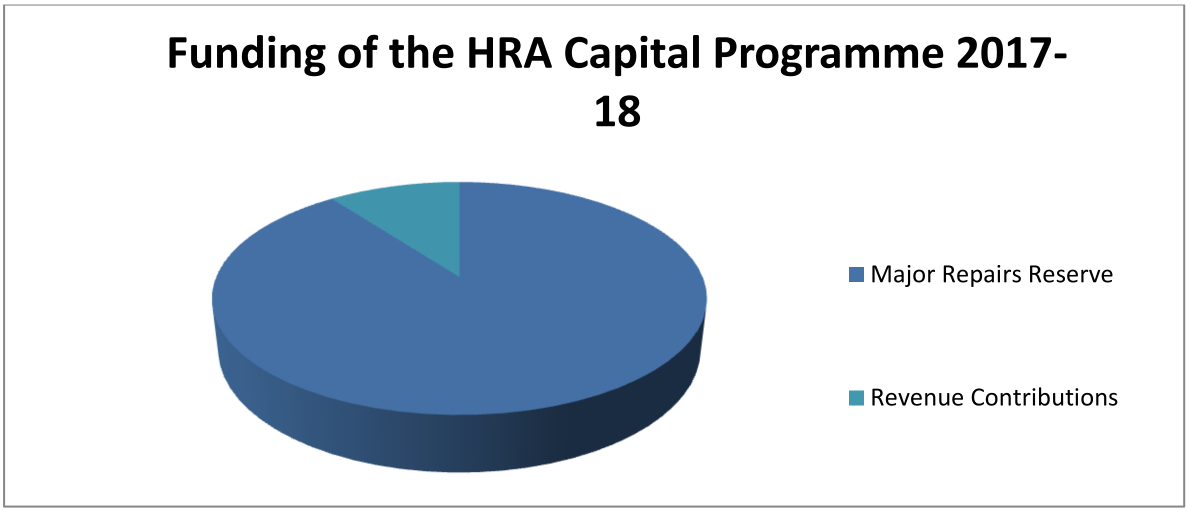
15.6 **Capital Grants** – These are offered by Government Departments to assist with certain types of expenditure. The Council was awarded £1.37m funding towards the delivery of a new build programme for 58 new affordable units within the district from the Homes and Communities Agency (HCA) Affordable Homes Programme 2015-18 and work is continuing on this programme

15.7 **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 four right to buy properties and the council is able to keep all of the sales income over and above.

15.8 **Unsupported Borrowing** –. As part of the self-financing settlement a housing debt cap of £27.792m was set for the council, being the maximum amount the HRA can borrow which must not be exceeded.

15.9 **HRA Capital Reserves –**The major repairs reserve is used to fund expenditure on the council housing stock and debt repayment, whilst the new properties reserve is utilised to fund the creation of new affordable homes.

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



The Capital Programmes for 2017-18 to 2019-20

15.11 **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. The programme has been set based on existing stock data, however, a stock condition survey is due to be carried out in 2017and the programme may require revision following completion. .

15.12 The Roofing programme is due to be re-tendered in 2016-17. A number of blocks have been surveyed and are in need of roof replacements in 2017-18 and 2018-19. These properties also require structural works and so both works will be carried out at the same time to make best use of scaffolding costs.

15.13 A number of properties have been identified as needing window and door replacements. Some of these properties require specialist works and the budget has been increased by £40k to carry out these replacements. A new contract is due to be tendered in 2017-18.

15.14 Kitchen and Bathroom replacement budgets have been reduced as the previous backlog is now complete.

15.15 A report was carried out to review fire safety in 2015-16. The three year programme will complete in 2017-18 and the budget reflects the remaining contract works to be carried out.

15.16 A number of properties have been identified as needing structural and repointing works which will generally be carried out at the same time as roofing works to make best use of scaffolding costs.

15.17 Thermal Insulation works are currently being carried out when the property becomes void. The properties in rural locations are due for a review and are most likely to require works to be carried out following the survey. As a result the budget has been increased by £30k in 2017-18.

15.18 The lift programme is currently under review. Two lifts have been completed and the budget has been reduced for the remaining lifts based on the costs of the completed works.

15.19 Disabled adaptions will remain the same for 2017-18. This is a demand-led budget and will be reviewed annually.

15.20 Estate Improvements has been reduced to £50k for 2017-18 and 2018-19 in order to fund the identified large scale structural works programme. The budget will resume to £125k once the programme has been completed.

15.21 The Margate Housing Intervention Programme sets out to transform the housing market in two of England's most deprived wards, Clintonville West and Margate Central. The properties that are currently in the programme will continue to be developed. The programme will continue to be closely monitored and the rental income generated re-invested to continue the programme.

15.22 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. The new build development programme is funded by HCA grant funding, HRA reserve balances and prudential borrowing and the programme is scheduled to complete in 2018-19.

15.23 A detailed breakdown of the HRA capital programme is provided in Annex 5.

16 The Draft HRA Capital Budgets 2017-18 to 2020-21

16.1 The draft Housing Revenue Capital Programme for 2017-18 that is proposed for Members' approval is £3.255m, which will be funded from the HRA reserves and revenue contributions to capital. A summary of this programme and the proposed funding sources are shown in the following table:

Table 11: HRA Capital Programme

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
HRA Major Repairs Reserve	2,905	3,145	2,175	2,075
HRA Revenue Contributions	350	350	425	425
New Properties Reserve		665	725	725
Total Funding	**3,255**	**4,160**	**3,325**	**3,225**

17 A Statement of assurance from the Corporate Director of Resources, Section 151 officer

17.1 Under the Local Government Act 2003 the Chief Finance Officer, who for Thanet District Council is the Director of Corporate Resources and Section 151 Officer, is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves.

17.2 The main areas of uncertainty which could put the budget under pressure for 2017-18 are the delivery of savings, the achievement of income targets and uncertainties around the full impact of potential one-off liabilities. Whilst there are other areas of uncertainty around budget estimates for planned expenditure, the risk of overspending can largely be controlled by officers. It is a fact that the draft budget relies upon the delivery of substantial savings, however, the estimates for these have been developed by the Service Managers who are responsible for their delivery, with the guidance of the Financial Services staff, and as a consequence the figures contained within this report are believed to be achievable. Increases in fees and charges have been proposed with due regard to like charges elsewhere in the county and differential rates are used to take account of socio-geographical factors. The consideration that has gone into the production of the budget estimates, combined with the fact that the Council has an up to date financial system in place and operates sound budget monitoring and other financial control systems, means that the Chief Finance Officer believes the Council is well placed to deliver against the budget proposals presented within this report.

17.3 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.

17.4 In conclusion, it is the Director of Corporate Resources and Section 151 Officer’s opinion that the budget is robust and achievable and that the proposals for reserves are adequate.

Contact Officer:	Ken Trotter– Interim Head of Finance
Reporting to:	Tim Willis–Director of Corporate Resources and S151 Officer

Annex List

Annex 1	Medium Term Financial Strategy
Annex 2	General Fund Draft Capital Programme
Annex 3	Flexible Use of Capital Receipts Strategy
Annex 4	HRA Service Charges
Annex 5	HRA Draft Capital Programme

Background Papers	**Details of where to access copy**
Medium Term Financial Plan 2016-2020	Full Council 4th February 2016 http://democracy.thanet.gov.uk/documents/s49468/Annex%201%20MTFP%202016%20final%20v2.pdf
Budget Strategy 2017-18	Cabinet 17th November 2016 http://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=151&MId=4346
Fees and Charges	Full Council 1st December http://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=141&MId=4361
Council Tax Support Scheme	Full Council 1st December http://democracy.thanet.gov.uk/ieListDocuments.aspx?CId=141&MId=4361

Corporate Consultation

Finance	*N/A*
Legal	*Tim Howes, Director of Corporate Governance*

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Annex 1

The Medium Term Financial Strategy 2017 - 2021

Thanet District Council

Introduction

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

The main objectives of the MTFS are to:

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

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

The National and Local Economic Outlook

There are a range of future Government policy changes which will have a fundamental impact on local government. First of these is its stated desire to establish a financial regime where local government is self-funded, by allowing the sector as a whole to retain all business rate income. This will result in the loss of other Government funding; the transfer of additional functions; and a redistribution of the current proportions of business rates that go to (in two-tier areas) districts, counties and the Government. It is not yet known how this will be done, but it creates a great deal of uncertainty when considering the medium term, 2017-21.

Current Government grant includes RSG which is calculated with some reference to relative deprivation, which benefits authorities such as Thanet. The new financial regime may not result in such a redistributive effect across the country or region, to the detriment of Thanet. Additionally, it is very likely that authorities will be incentivised to attract new businesses to their area, and keen not to lose existing or potential businesses, as there will be a direct impact on their major source of income. There is already some incentivisation with the existing scheme, but the new regime is likely to be more dynamic. This exposes the council to increased financial risk and will have to be addressed when considering a variety of decisions, especially related to planning and regeneration.

The other major source of income in the longer term will continue to be council tax. For Thanet, increases are effectively capped at £5 per Band D property which equates to just over 2% per annum. To go beyond this would require a referendum, which itself would have a cost as well as a low likelihood of approval of an above £5 increase. Hence, the income per property cannot be changed radically from one year to the next. What there is a little more scope to influence is the council tax base: the number and type of properties that are eligible to pay council tax. Simply, an increase in the number of dwellings in Thanet will generate more council tax; and the figure will be higher if the additional dwellings are larger or of greater value (e.g. a council tax band of D or higher, such as E or F). The council can influence this by its planning policy including the Local Plan; an increase in housebuilding, setting aside any other considerations, will increase council tax income. This same issue is compounded by the New Homes Bonus, which (until the Government decides otherwise) is set to continue. Even though eligibility for NHB has recently been restricted, it is directly related to the number of new dwellings created (as well as the number of empty properties brought back into use). The link to planning policy is reinforced by the rule that NHB can be withheld in respect of new dwellings created if the local authority refuses planning permission for a development that is subsequently overturned on appeal.

In terms of the macro economic environment, the council finds itself in an extremely challenging financial period as Government continues with its drive to reduce the national deficit. Local government as a whole has continued to face larger reductions than other parts of the public sector. This authority has, as a result, seen significant cuts in funding over the last four years and as a result of the 4-year settlement funding, further cuts are known for years 2017-18, 2018-19 and 2019-20 with uncertainty remaining for 2020-21. The council has already made substantial savings, primarily due to the reduction in government grant. These savings have been achieved through a variety of approaches including sharing services with our neighbouring councils, reviewing staff structures and service efficiencies. However there remains pressure to deliver further savings to balance the 2017-18 budget and it is increasingly difficult to find these without impacting on services.

The General Fund Revenue Account

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

The net budget requirement (after taking into account income from fees and charges and other specific grants) is met by a combination of Central Government Funding (53.16%) and Council Tax (46.84%). With just over half of the council's net budget being funded from Government, a reduction in this funding makes the task of continuing to improve and evolve whilst honouring the commitment to keep council tax increases as low as possible very difficult to achieve.

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

Table 1

Summary General Fund Revenue Proposals 2017–21

	2017-18 £'000	**2018-19 £'000**	**2019-20 £'000**	**2020-21 £'000**
Net Budget Requirement	18,079	16,814	16,494	16,384
Increase in Council Tax %	2.31%	2.25%	2.20%	2.15%
Increase in Council Tax £	£4.95	£4.95	£4.95	£4.95

Reserves

Local authorities must have regard to the level of reserves needed for estimated future expenditure when calculating the budget requirement. The council has reviewed its level of reserves, taking account of the financial risks that could pose a threat over the medium term. As a result of this exercise, the council has set its optimal level of general reserves of at least 12% of the net revenue budget, which is felt to be a sufficient level of contingency. There are no plans over the medium term to use any of the general reserves to support the base budget.

In addition to the general reserve, a number of earmarked reserves exist. These reserves have been drawn down substantially and are further proposed to be used in 2017-18. The remaining reserves are set aside for specific purposes and essentially allow funds to be saved over a number of years for large and often one-off items of expenditure, thereby smoothing the impact on council tax. The need for these reserves has also been considered over the medium term.

The Housing Revenue Account

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

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

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

Table 2

Summary Housing Revenue Account Revenue Proposals 2017–21

	2017-18 £'000	**2018-19 £'000**	**2019-20 £'000**	**2020-21 £'000**
Expenditure	12,235	12,978	13,081	13,163
Income	-13,834	-13,758	-13,988	-14,185
Net Cost of Services	**-1,599**	**-780**	**-907**	**-1,022**
Other	615	1,411	511	477
Net Operating Expenditure	**-984**	**631**	**-396**	**-545**
HRA Balance:				
Surplus at the start of the year	-4,751	-5,735	-5,104	-5,500
Surplus at the end of the year	-5,735	-5,104	-5,500	-6,045

The Capital Programme

The council's Capital Programme includes capital expenditure associated with both the General Fund and Housing Revenue Account. The programme is driven by the need to achieve maximum value for money from the council's assets by ensuring they are well maintained and remain fit for purpose, within the limits of available funding.

Although the council can borrow to fund its capital expenditure, the cost of the repayments often makes this option unaffordable and so its future capital requirements in the medium term will depend upon a well-managed programme of asset disposals: using assets that are no longer suitable or cost effective to fund the acquisition and development of assets for improved service delivery. The council's Asset Management Strategy outlines the principles, criteria and processes that form the cornerstone of the Capital Programme. This requires a continual assessment of the relative value of an asset (both financial and non-financial) in order to ensure optimal investment in assets. 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 liabilities and to generate capital receipts for investment.

Due to the limited availability of capital receipts and the need to contain the level of borrowing undertaken to minimise the revenue impact, it has been necessary to review the Capital Programme. This is to ensure sufficient funding is available for existing schemes that have commenced and that any new projects meet the corporate priority and/or reduce the pressure on the revenue account. Bids have been assessed, scored and reviewed to ensure they focus on corporate priorities. It is important therefore, that only the most important schemes are selected against the limited resources.

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

Table 3

The Capital Programme 2017–21

	2017-18 £'000	**2018-19 £'000**	**2019-20 £'000**	**2020-21 £'000**
Statutory and Mandatory Schemes	1,600	1,600	1,600	1,600
Schemes continuing from prior years	250			
Annual Enhancement Schemes	580	330	580	2,285
Wholly/Part Externally Funded Schemes	1,981	1,437	942	2,742
Construction, Replacements and Enhancements	3,753	50	50	3,000
Capitalised Salaries	75	75	75	75
Housing Revenue Account Schemes	3,255	4,160	3,325	3,225
Total Capital Programme Expenditure	**11,494**	**7,652**	**6,572**	**12,927**
Capital Resources Used:				
Capital Receipts and Reserves	3,687	4,015	3,105	3,110
Capital Grants and Contributions	3,421	3,037	2,542	4,342
Contributions from Revenue	350	350	425	425
Prudential Borrowing	4,036	250	500	5,050
Total Funding	**11,494**	**7,652**	**6,572**	**12,927**

Detailed Medium Term Financial Strategy

The following pages provide more detail of the council's financial plans over the medium term. The 2017-18 budget is balanced, and general reserves are forecast to remain above £2m. The net budget requirement, for the council's own purposes, is £18.079m.

The Local Government Finance Environment

The cost of local authority services are funded primarily from fees and charges, Government grants, council tax and other grants.

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

Government grant is allocated by a complex model which amongst other things takes account of the relative need of an area and the ability to raise taxes locally (based on an area's council tax base). It is made up of two elements: the baseline funding level (in respect of business rates) and the Revenue Support Grant (to support council services). The council has faced significant cuts in funding over a number of years, which have seen the net revenue budget reduced substantially, although the four year settlement did give some assurance regarding future funding. For the purpose of the MTFS these reductions have been factored in as follows: 13.1% 2017-18, 8.1% 2018-19 and 9.8% 2019-20.

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

Council Tax Base and Council Tax Referendum

The council tax system requires local householders to contribute directly to the cost of local service provision. The collection of council tax is administered by the council on behalf of itself, parish and town councils, Kent County Council, the Kent and Medway Fire and Rescue Authority and Kent Police Authority. The element of council tax that relates specifically to TDC is calculated after having taken into account expenditure needs and ability to fund these from all other income sources. The Government has determined that any council tax increases above the greater of 2% or £5 will be considered excessive and therefore any authority proposing an increase above this level will therefore be subject to consultation with the public via a referendum. The cost of such a referendum for this council would be in the region of £80k-£100k (which equates to around a 1% increase in council tax).

This MTFS assumes increase of circa £4.95 year on year and the 2017-18 increase is proposed to be £4.95 equivalent to 2.31%. The tax base upon which the council tax is set has been agreed as 42,069 Band D equivalents for 2017-18. This reflects a proposed collection rate of 97.25% which is considered reasonable in light of recent payment trends.

The Local Context

Quality Services Directed Towards Community Priorities

District councils have a duty to provide a range of services for the local community and visitors and much of these services are governed by statute. Although this sets out what the council must do, there is often some choice as to how it is done. For example, there is a legal responsibility to collect refuse, however there is a choice as to frequency and method of collection.

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

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

The constraints on the budget mean that services and future developments need to be prioritised. In some cases, planned service enhancements have had to be scaled back and future investments re-phased. The council previously adopted new ways of working, including shared services, to enable it to concentrate on the core council aims whilst still delivering basic council services well. There remains a commitment to promoting a culture of continuous improvement to ensure there delivery of good value for money.

The Corporate Plan Framework

The Council's Corporate Plan has been approved for the period 2015-19. The plan sets out the council's programme of priorities for the four year period and identifies three core aims that will help focus efforts towards achieving the vision:

Priority 1: A clean and welcoming environment – We want to encourage pride in our district by keeping Thanet clean. We are determined frontline services get it right.

This will involve us:

- Continuing to improve waste and recycling services, reducing waste and increasing recycling.
- Keeping streets, parks and open spaces clean for residents and visitors
- Maintain zero tolerance to encourage positive behaviour to help improve our environment

Priority 2: Supporting neighbourhoods – We will work with partner agencies through the Thanet Health and Wellbeing Board to support people to make better lifestyle choices and operationally though our range of services provided directly to residents;

This will involve us:

- Continuing our commitment to work with the public, private, voluntary and community sector to ensure the best outcomes for Thanet.
- Ensuring local residents have access to good quality housing, which meets people's changing needs and aspirations that is safe and affordable.
- Continuing to work with partners to improve community safety.
- Proactively enabling a collaborative partnership to reduce health inequalities.

Priority 3: Promoting inward investment and job creation – Our vision is to accelerate growth and achieve greater economic prosperity for our district. We will seek opportunities for inward investment, high quality job creation and work with partners to ensure we have the right skills, infrastructure and plans in place.

This will involve us:

- Actively seeking inward investment, exploring the potential for using Enterprise Zones; encouraging new and existing businesses which support growth in the local and visitor economy.
- Working with partners to make the most of buildings and land we own. Maximising commercial opportunities for key assets.
- Writing a Local Plan which sets planning strategies and policies that support growth of the economy.
- Working with education training providers to develop the skills agenda for the benefit of residents and local businesses.

The Council has agreed a list of corporate values to identify the way the council will work in order to deliver its priorities and these are as detailed below:

Value 1: Delivering value for money – Transforming and targeting resources to deliver services in a cost effective and efficient way that is open, honest, accountable and sustainable financially.

Value 2: Supporting the workforce – Maintaining a skilled and motivated workforce that are encouraged to achieve high performance standards encouraging new ways of working and new ideas, whilst delivering a good quality of customer service.

Value 3: Promoting open communications – Listening to the needs of the community and using this information to continue to improve our services Providing clear, meaningful and timely communication in the most efficient manner in a way that is easy to access and understand.

Co-existing alongside the Corporate Plan are a number of other service related plans, such as the HRA Business Plan individual service plans, and capital and asset management strategies.

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

The General Fund Revenue Account

Overview

The General Fund Revenue Account is charged with any expenditure incurred on delivering services or meeting day to day expenses that are not covered by legislation relating to the Housing Revenue Account, or can not be treated as capital expenditure. The majority of Thanet's expenditure (circa 90%) is charged here.

Expenditure is funded from income raised through charging for goods and services (except if it relates to council houses or is of a capital nature) plus grants and council tax.

Fees and Charges

The fees and charges policy establishes the corporate principles for charging for services. The three key principles are:

- Compliance with all legal requirements for setting charges and income generation. Where appropriate, this will override other factors to ensure the risk of legal challenge is minimised.

- The charging arrangements for any service should meet the full cost of providing the service where possible and include sound arrangements for income collection. The full cost of provision includes a share of central costs and a forecast for the effects of inflation.

- The appropriateness of charges set may be dependent on the wider aims and context of the service and as a result other aspects, such as the impact on service users, must be considered rather than just financial gain when setting fees and charges.

To adhere to these principles, the following guidelines are used when setting fees and charges each financial year:

- Charging decisions will be taken in the context of the council's priorities as set out in its Corporate Plan;
- Access, affordability and elasticity of demand will be considered;
- Charges will be consistent with the council's policies e.g. consideration will be given to any disproportionate impact on vulnerable groups and those least able to pay;
- Where services are provided on a trading basis, charges will be set at the maximum level the market can bare without eroding demand such that the overall financial position of the service offering is weakened;
- Charges will be benchmarked with comparable local authorities and where they are identified as being significantly lower than in other comparable authorities, increases will be fast tracked in order to bring them in line;
- Any exemptions and concessions on standard charges will be clearly justified. They will only be provided for services where benefits to the recipient groups are clearly evidenced. The council will consider the adoption of a concessions policy as part of the review of fees and charges to help address inequalities within the district. Any approved policy will be included on the council's website; and
- Enforcement charges will be set at a level proportionate to the nature of the offence and comparable charges in comparable authorities.

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

External Funding

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

- Identifying and publicising the terms and conditions relating to external funding;
- Ensuring risks associated with external funding are identified, considered and managed;
- Ensuring exit strategies are considered where appropriate;
- Ensuring that all financial implications are identified e.g. match funding requirements and ongoing unsupported revenue costs;
- Ensuring that legal and VAT issues are identified and considered;
- Ensuring capacity issues are considered i.e. do we have the resources to deliver the project?
- Ensuring that the external funding being sought is considered within the context of the Corporate Plan and council priorities;

- Ensuring that projects are monitored and that evidence and output data required by funders is collected, and any issues around these areas are highlighted in a timely manner;
- Increasing robustness particularly when there are staffing changes;
- Clarifying roles and responsibilities.

Developing the General Fund Revenue Budget

The General Fund Budget Strategy

Fundamental to the development of the budget and Medium Term Financial Strategy is an overarching Budget Strategy, the objective of which is a safe and sustainable budget that will deliver the policies and aspirations of the Council over the medium term. The strategy was noted by Council on 1 December 2016 and is as below:

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

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

The budget for 2017-18 and the three years that follow is developed by building in anticipated inflationary increases and budgetary growth needed for service developments, after which planned savings, growth in income and the use of reserves are reflected. This all has to be done so as to keep to a minimum the resulting increase in council tax.

The Budget Build Process

The paragraphs that follow show how the base budget for 2017-18 is created.

Budgetary Pressures

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

Employee Costs – A large proportion of expenditure is on staff related costs, the majority of which relates directly to service delivery. For the purposes of presenting an illustrative model of the impact of the budget strategy contained within this MTFS, a vacancy level of 1.96% of the employee budget has been assumed along with a provision for Pay for Contribution and cost of living.

Other Inflationary Increases – As a general rule, there is no provision for price increases on goods and services, so increased costs need to be contained within existing budgets or a better price needs to be negotiated with suppliers. The only budgetary growth for price increases built into the budget is where it is unavoidable, such as where it is part of the terms of an existing contract or for supplies such as energy and fuel. Where provided for, contractual increases are derived from that specified in the contract. The inflationary growth has been increased in 2017-18 to reflect the increase in insurance costs due to changes in the Insurance Premium Tax.

Service Delivery Pressures –Given the economic context, the overarching approach to developing the budget is to keep budgetary growth to a minimum to reduce the need to find compensating savings to deliver a balanced budget. Some budgetary growth is inevitable and therefore an allowance has been made for enabling the delivery of income generation and cost savings and to deliver corporate priorities.

Increase in Fees and Charges – Fees and charges have been increased in line with benchmarked data for other service providers, there are also a number of new schemes. However, the level of some fees and charges are set by statute (e.g. planning fees) and some services are required to set their fees to break-even over a three year period (e.g. land charges), therefore the fees for these services will be increased accordingly.

Themes for delivering the Medium Term Financial Strategy

Projecting funding for 2017-18 onwards is challenging in light of the localisation of business rates and New Homes Bonus changes, but there is now more certainty regarding the four year settlement. What is clear is an overall reduction in Government funding over the medium term. In light of this, some broad themes are being pursued which will enable a balanced budget and a robust MTFS:

- **Income Generation:** A range of reviews are under way to generate new and additional income. These reviews are: creation of a housing company; fundamental review of car parking; power generation on council owned sites; commercial charging for minor works and workshop; and a review of Planning.
- **Making the most of the assets we own:** A revised Asset Management Strategy will be key to working with partners to maximise the benefits of the buildings and land we own. We will seek commercial opportunities for key assets including changing use, sharing facilities and disposal as well as investing in assets to earn a return.
- **Alternative Delivery Vehicles:** There may be better ways of delivering services to achieve improved outcomes; just because services have been delivered in a certain way in the past, it doesn't mean the same service delivery model should continue. Thanet already has shared services regarding revenues and benefits, ICT, customer services, audit and social housing; it already outsources some services such as leisure. It is actively looking at new models as part of the income generation initiatives above.
- **Digitalisation:** The Implementation of a digital strategy will help achieve efficiencies by streamlining back-office processes and improve front line services by providing them in a modern form more relevant to today's digital age. Work is under way with various partners to review in real terms the benefits of this moving forward.

Table 4

The Medium Term General Fund Revenue Budget 2017 – 2021

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Opening Base Budget	19,159	18,079	16,815	16,494
Budget Pressures including Inflation	1,070	514	374	384
Savings Income Generation	-890	-600		
Savings Efficiencies	-770	-100	-100	-100
Fees and Charges	-490	-240	-240	-240
Future year reviews	0	-988	-505	-304
Contribution to reserves	0	150	150	150
Net Service Revenue Budget	**18,079**	**16,815**	**16,494**	**16,384**
Use of Earmarked Reserves	-490	-40	-40	-40
Net Revenue Budget Requirement	**17,589**	**16,775**	**16,454**	**16,344**

General Fund Reserve

The Local Government Finance Act 1992 specifies that precepting authorities, such as Thanet District Council, must have regard to the level of reserves needed for estimated future expenditure when calculating the budget requirement. In order to comply with this requirement each year the council reviews its level of reserves, taking account of the financial risks that could pose a threat over the medium term. Reserves of £2m are considered to be the minimum required for the planning period.

Earmarked Reserves

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

The earmarked reserves over the medium term are shown below. Where the exact demand on the reserve is not known sufficiently far enough in advance over the medium term, no estimates are allowed for within the MTFS.

The council has faced a number of one off costs over the past year and in order to meet its liabilities has had to undertake a review of all reserves and the projects they have been set aside to deliver. It is intended, as parts of the MTFS, to generate sufficient savings/surplus over the next few years to be able reinstate the reserves utilised in 2017-18.

Table 5

The Earmarked Reserves over the medium term are listed overleaf:

- Director of Corporate Resources and S151 Officer (DCR/S151)
- Director of Corporate Governance (DCG)
- Director of Community Services (DCS)
- Director of Operational Services (DOS)
- Chief Executive (CEO)

Reserve	Description	Approval
Capital Projects	Revenue monies and other contributions set aside for capital projects.	DCR/S151
Council Elections	This is a saving account for the elections which occur every four years.	DCG
Cremator and Cemeteries	The Council has an obligation to be environmentally compliant. A surcharge on both cremations and burials is set aside in this reserve to support cremator burner replacement and works required at the cemeteries.	DOS
Decriminalisation Fund	The Council administers on street parking but has to account for the income and expenditure separately. This reserve holds any unused revenues from parking charges. These are used to fund future parking, transport or environmental improvement related schemes.	DCR/S151
Destination Management	This reserve is for enhancing council assets that help to support and encourage tourism.	DCR/S151
Dreamland Reserve	This reserve has been set up to bolster the contingency for the Dreamland project.	DCR/S151
East Kent Services Reserve	This reserve is ring fenced for future investment within the services delivered by East Kent Services to enable further savings to be identified in future years.	DCR/S151
Economic Development & Regen	This reserve is to cover one off service improvements and initiatives within Economic Development and Regeneration, including feasibility works and match funding.	DCS
Asset Management reserve	To make provision for necessary essential repairs and maintenance and minor improvements to the Council's assets.	DCR/S151
Homelessness Fund	This represents the roll forward of any underspends on the service to be used for future expenditures due to the volatility of this area.	DCR/S151
Housing Intervention Reserve	To fund anticipated costs associated with the Authority's Intervention Schemes.	DCS

Information Technology Investment	To control and enhance the development of new Information Technology initiatives with the objective of improving efficiency throughout the Council's activities.	DCR/S151
Insurance Risk Management	To meet potential increases in insurance premiums and to cover the cost of large excesses relating to insurance claims as well as unforeseen one-off risk related expenditure.	DCR/S151
Local Development Framework/Local Plan	Due to the variable profile of spend on this activity and the variable cost in relation to consultation and inspection, any underspend is set aside to be drawn against as and when required.	DCS
Maritime Reserve	To fund potential future works at the Port and Harbour and for income protection/maximisation works.	DOS
New Homes Bonus Reserve	This reserve holds the balance of monies from the New Homes Bonus.	DCR/S151
NDR Equalisation	To offset significant variations from one year to the next. To set aside underspends that arise in this area as a contingency for future years. This reserve will support any potential shortfall in business rates, under the business rates retention scheme, as well as benefits subsidy movements.	DCR/S151
Pay & Reward Reserve	To be used to fund costs associated with the implementation of the Pay and Reward Scheme using past set aside vacant post savings.	CEO
Pensions Fund	Due to the uncertainty around Pensions any pension underspends identified are transferred to this reserve in order to mitigate future risk.	DCR/S151
Priority Improvement Reserve	This reserve is for one-off projects and pump priming investment into service improvements.	DCR/S151
Slippage Fund	To set aside sums at year end to meet ad hoc and specified liabilities on the General Fund which, due to timing difficulties, cannot be spent until after the 31 March.	DCR/S151
Strategic Reserve	This reserve is used to help facilitate the delivery of strategic objectives	DCR/S151
Unringfenced Grants	Any underspend against unringfenced grant funding is set aside in this earmarked reserve to be utilised in future years.	DCR/S151
VAT Reserve	To hold funds reimbursed in relation to our Fleming claim and will be used to cover any costs associated with a breach in the exemption calculation or to cover the cost of VAT advice	DCR/S151

HRA Properties Reserve	This is held to support the purchase and refurbishment of HRA properties. Its usage is ring-fenced for the HRA.	DCS

The General Fund Revenue Budget Requirements

All of the stages in developing the General Fund Revenue Budget that have been described above have been used to calculate the estimated budget requirement for 2017 – 2021 which are presented in summary in Table 5.

Funding the Medium Term General Fund Revenue Budget

Local Government Finance Settlement

The provisional Local Government Finance Settlement indicates figures for 2017-18 regarding NDR baseline funding, RSG and NHB. Together, the proposed 2017-18 sum for these funding streams is 13% less than the equivalent 2016-17 figure. The Settlement also included the agreed NDR baseline and RSG figures for 2018-19 and 2019-20.

New Homes Bonus

The New Homes Bonus (NHB) rewards local authorities that deliver sustainable housing development. Local authorities receive a New Homes Bonus equal to the national average for the council tax band on each additional property built in the area in the preceding year. This scheme which was previously paid for the following six years will now be paid for five years (in 2017-18) and four years thereafter. Additionally, there is a new threshold introduced, below which no NHB is paid. This threshold has been set at 0.4% of total dwellings, i.e. the first 0.4% of growth will not attract NHB. For Thanet, this results in a NHB loss in the order of £200k-£250k. The council has for some time treated NHB as part of its core government funding.

Council Tax

The council sets its net budget requirement (after having taken account of increased income from charges and the use of reserves) which is then part funded from Government grants and part from council tax. The total amount that is needed to be raised by council tax is known as the Precept. This is divided by the total number of equivalent Band D properties (the tax base) in order to calculate the individual council tax band amounts. For medium term planning purposes, the level of growth in the tax base has been assumed to be 2% for future years.

The council’s budget plans, grant predictions and the assumed council tax base give the projected levels of council tax increases which are shown in Table 6 below.

Table 6

The Medium Term Revenue Funding Summary 2017 - 2021

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Net Budget Requirement	**17,589**	**16,774**	**16,454**	**16,344**
Funded From:				
RSG	1,446	809	98	0
NDR Baseline	4,716	4,855	5,010	5,010
New Homes Bonus	1,877	1,163	989	755
Collection Fund Surplus	100	100	100	100
Business Rate Retention	200	200	200	0
Council tax	9,250	9,647	10,057	10,479
Council Tax Base	42,069	42,910	43,768	44,644
Band D Council Tax				
£ Increase in Band D Council Tax	£4.95	£4.95	£4.95	4.94
% Increase in Band D Council Tax	2.31%	2.25%	2.20%	2.15%

The Housing Revenue Account

Overview

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

The HRA 30 Year Business Plan

The current HRA Business Plan is forecast to fall into deficit post 2024 and further work is required to identify sufficient efficiencies to allow for a sustainable 30 year HRA Business Plan. A new detailed financial model has recently been purchased and both Finance and the Head of Housing will work together to remodel a sustainable plan. This will include a review of charges and costs from the General Fund, maximising income generation opportunities such as aerial rental charges, contract efficiencies through East Kent Housing by procuring with neighbouring councils and asset management.

In April 2015 the government announced a proposal to require that local authorities sell high value stock to fund the extension of Right to Buy to housing association tenants. As detailed in the Housing and Planning Act 2016, the Secretary of State has the power to make a council sell a proportion of their vacant stock to pay a 'high value asset levy' which will reflect the high value homes they are expected to sell. To finance the payment, an authority must consider selling its interest in any higher value housing that has become vacant. In November 2015 councils had to provide detailed stock data. However, the determination defining higher value and the method for calculating the amount of payment due to the Secretary of State has yet to be determined. Until further information is available it is has not been possible to understand the financial impact on the HRA Business Plan.

A stock condition survey was commissioned in 2016-17 to re-evaluate the council's housing stock to ensure that we continue to meet Decent Homes Plus standard. The survey results are due in March 2017 from which an Asset Management Strategy and Stock Options

Appraisal will follow in 2017-18. The financial impact of this will be modelled as part of the HRA 30 Year Business Plan review.

Developing the Housing Revenue Account

The Housing Revenue Account Budget Strategy

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

The Council's Housing Revenue Account Strategy is:

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

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

Budgetary Growth

Contract and Price Inflation - For direct expenditure budgets, price increases have been included at 2%. Where there is a known inflate within a specific contract, this has been used.

Increased Income

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

Rents – As part of the Summer Budget 2015 the Government announced that both Social and Affordable Rents would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-2021. Over the rental decrease period of 2016-17 to 2019-20 it is estimated that the impact on the HRA Business Plan will be a loss in rental income of £4.56m. Future years' estimates in the MTFS after 2020 assume a 1% inflationary increase. Garage rents have been maintained in line with market rents.

Service Charges – A review of the service charges within the HRA has been undertaken to take into consideration Welfare Reform changes, Department of Work and Pensions requirements and feedback from the Tenant Board. Service charges are recovered at actual cost.

HRA Investment Income – This consists of interest accruing on mortgages granted in respect of Right to Buy sales and interest on HRA balances. The base rate has remained low, which in turn means that investment interest will be low. The budget for 2017-18 of £55k is based on achieving an average interest rate of 0.25%.

HRA Reserves

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

Housing Revenue Account Major Repairs Reserve – An amount equivalent of the actual depreciation charge for dwellings is transferred to the Major Repairs Reserve to fund capital works to the existing stock. The estimated transfer to the Major Repairs Reserve for 2017-18 is £3.08m.

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 2016 this reserve balance was £7.1m.

Housing Revenue Account Balance Reserve – This reserve holds the balance on the HRA and is used to draw down to balance the revenue budget and smooth any peaks and troughs within the 30 year business plan. It is maintained by annual contributions from the HRA. As at 1 April 2016 this reserve balance was £5.29m.

Housing Revenue Account New Properties Reserve – This reserve holds funds set aside to fund either new build properties or the acquisition of suitable properties for use within the HRA. Earmarked match funding for the Margate Intervention and New Build Programme has been set aside in this reserve as agreed by Cabinet. As at 1 April 2016 this reserve balance was £5.46m and is due to be drawn down during the 2017-18 and 2018-19 programmes. Income generated from affordable rents will continue to be set aside in this reserve for re-investment in a new build programme.

The Medium Term HRA Budget Requirements

The changes that are outlined in the aforementioned paragraphs have been applied to the 2017-18 budget for the Housing Revenue Account and the resulting financial projections for the HRA over the next four years are summarised in Table 7:

Table 7

The Medium Term Housing Revenue Account Budget 2017 – 2021

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
EXPENDITURE				
Repairs and maintenance	3,486	3,548	3,611	3,675
Supervision and management – General	3,213	3,213	3,100	3,100
Supervision and management – Special	666	674	683	692
Rents, rates, taxes and other charges	241	249	258	267
Bad or doubtful debts provision	170	170	170	170
Depreciation/impairment of fixed assets	3,300	3,300	3,300	3,300
Debt Management Charges	9	9	9	9
Non-service specific expenditure	800	800	800	800
Capital expenditure funded from HRA	350	1,015	1,150	1,150
Gross Expenditure	**12,235**	**12,978**	**13,081**	**13,163**
INCOME				
Dwelling Rents (gross)	-12,913	-12,837	-13,067	-13,264
Non-dwelling Rents (gross)	-178	-178	-178	-178
Charges for services and facilities	-453	-453	-453	-453
Contributions towards expenditure	-290	-290	-290	-290
Income	**-13,834**	**-13,758**	**-13,988**	**-14,185**
Net Costs of Services	**-1,599**	**-780**	**-907**	**-1,022**
HRA Investment Income	-20	-47	-90	-128
Debt Interest charges	1,024	1,019	990	994
Adjustments made between accounting basis and funding basis	-389	439	-389	-389
(Surplus)/Deficit on HRA	**-984**	**631**	**-396**	**-545**
Housing Revenue Account Balance:				
Surplus(-)/Deficit at Beginning of Year	-4,751	-5,735	-5,104	-5,500
Surplus(-)/Deficit For Year	-984	631	-396	-545
Surplus(-)/Deficit at End of Year	**-5,735**	**-5,104**	**-5,500**	**-6,045**

The Capital Programme

Overview

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

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

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

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

The council's Asset Management Strategy outlines the principles, criteria and processes that form the cornerstone of the following draft Capital Programme. This requires a continual assessment of the relative value of an asset (both financial and non-financial) in order to ensure that investment in 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 liabilities and to generate capital receipts to fund new developments or be transferred for community benefit.

Developing the Medium Term Capital Programme

The Capital Budget Strategy

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

The Capital Budget Strategy is:

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

Due to the limited availability of capital receipts and the need to contain the level of borrowing, the Capital Programme was reviewed to ensure sufficient funding is available for existing schemes that have commenced and that any new projects are of the highest corporate priority.

Planned investments

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

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

Existing Programmes already agreed – Programmes already agreed from previous years within the four year programme are the Disabled Facilities Grant, Jackey Bakers Enhancements, Marina Management System, Boat Wash Separator, Property Enhancement Programme, Sea Wall Work East of Epple to Westgate Bay (now Minnis Bay to Grenham Bay), Operational Services Vehicle Replacement Programme, Thanet Crematorium Memorial Chapel Area, Ramsgate Port & Harbour Low Carbon Plan, Dalby Square, CCTV, Ramsgate Port Berths and Ramsgate Main Beach Timber Groyne Installation.

New Capital Projects

In-Cab and Back Office System for Refuse Collection - To allow better management of service delivery and a reduction of missed bins and service requests

Ramsgate Harbour Installation of Aquastores - To provide an innovative combination of bespoke storage containers and access solutions for vessels in the boat park.

Ramsgate Harbour Replacement of Self Storage Containers - To replace the existing containers which have reached the end of their service lives and respond to customer demand by increasing by a further nine units.

Dreamland Car Park Enhancement - To provide better management of the estate by improving the drainage and layout to maximise income and provide a permanent solution to the lighting scheme within the car park

Louisa Bay to Dumpton Gap Sea Wall Work, Westbrook to St Mildred's Sea Wall Work, Viking Bay Flood Defence Scheme, Stone Bay Sea Wall Work – Replacement/new sea defence measures against flooding and erosion risks in conjunction with the Environment Agency.

Thanet Groyne Reconstruction - To enable a greater level of sand retention on the beaches of Thanet in association with the Environment Agency

Mill Lane and Leopold Street Multi-Storey Car Parks - To take up the option within the existing agreements to purchase these two car parks, of which the council is currently the lessee

Better Care Fund - For the provision of services and investment that co-ordinate health, housing and social care services and help to ensure that vulnerable and disabled people are better able to remain living within their own home.

Ramsgate Harbour Water Supply Upgrade - To complete the water supply upgrade at Ramsgate Harbour to comply with water supply regulations

Margate Harbour Railings and Lighting - To improve safety for residents and visitors at Margate Harbour

Ramsgate Harbour Railings - To improve safety for residents and visitors on Military Road and alongside the Western Inner Marina at Ramsgate Harbour

The absence of a new Asset Management Plan and comprehensive disposals programme has made it difficult to forecast the estimated capital receipt income anticipated over the next four years. A further project has been identified as scoring suitably for consideration within the capital programme. However, until the asset disposal process commences it is not possible to identify sufficient funding within the current asset disposal programme and therefore the project has been placed on a reserve list in the event that the asset disposal programme over-achieves on the current projected receipts in 2017-18. The project is detailed below:

Re-Decking of Pontoon Walkways and Finger Pontoons within the Inner Basin at Ramsgate Royal Harbour- To replace the wooden decking of the structures with open mesh composite, Estimated capital cost is £300,000 spread over 3 years

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

The Margate Intervention programme sets out to transform the housing market in two of Britain's most deprived wards: Clintonville West and Margate Central.

With the flexibilities now available as part of the self-financing changes, the council is currently developing the HRA Asset Management Strategy to review land and buildings within the HRA, including garage sites, to ensure they are being put to best use and obtaining value for money for the tenants This has been the driving factor towards the first tranche of a new development programme for the HRA consisting of 57 new units. It has also led to the sale of a number of units at Coastguard Cottages being disposed of due to the cost of the large scale of investment required, which has generated a substantial receipt for re-investment into new affordable home programmes.

However, given the recent changes with regard to rent setting reductions and the proposed sale of higher value council homes to generate a levy payable to Government, the council will need to undertake regular project delivery reviews with regard to the new and affordable homes programmes to ensure affordability and sustainability within the set budget. The financial impact of the changes has put the housing account under considerable pressure to deliver schemes that have already been agreed and reduces the anticipated level of HRA balances available to contain any overspends or slippage.

Details of the planned capital projects for the next four years are summarised later in Table 8.

Capital Funding Sources

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

Borrowing

The Local Government Act 2003 gave local authorities the ability to borrow for capital expenditure provided that such borrowing was affordable, prudent and sustainable over the medium term. The council has to complete a range of calculations (Prudential Indicators) as part of its annual budget setting process to evidence this. These make sure that the cost of paying for interest charges and repayment of principal by a minimum revenue contribution (MRP) each year is taken into account when drafting the Budget and Medium Term Financial Strategy. Over the course of this MTFS, prudential borrowing of £4.036m has been assumed for the General Fund Capital Programme in 2017-18. A housing debt cap of £27.792m has been set for the council's HRA, being the maximum amount the HRA can borrow.

Capital Receipts

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

The Asset Management Strategy (AMS) – The Council's planned level of capital expenditure means that significant levels of asset sales are required. The AMS provides a framework for determining which of the council's assets are suitable for disposal in order to fund new investments that will ensure that its property portfolio is fit for purpose. The absence of a new Asset Management Plan and comprehensive disposals programme has made it difficult to project the estimated capital receipt income anticipated over the next four years. Over the course of this MTFS the new AMS will enable the identification of a number of assets that can be disposed of with minimal detriment to service delivery, and yet improve the overall value for money derived from the asset portfolio. The affordability of the Capital Programme has been based on the assumption of a certain level of capital receipts being generated. As the value of receipts can be subject to change, the Capital Programme will be continuously reviewed and monitored.

Capital Grant

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

Revenue Contributions

General Fund Contributions - Although the council can use its General Fund revenue funds to pay for capital expenditure, as it has in the past, the current financial constraints on the revenue budget mean that this is no longer a common funding source.

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

Capital Reserves

HRA Capital Reserves –An amount equivalent of the actual depreciation charge for dwellings is transferred to the Major Repairs Reserve to fund capital works to the existing stock This is exclusively available for use on HRA capital expenditure.

Capital Projects Reserve – It is anticipated that this reserve will be fully utilised to help fund the 2016-17 Capital Programme.

The investment plans and the use of the different funding streams produce the budget for the General Fund Capital Budget that is shown in Table 8.

Table 8

The Medium Term General Fund Capital Budget

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Statutory and Mandatory Schemes	1,600	1,600	1,600	1,600
Schemes continuing from prior years	250			
Annual Enhancement Schemes	580	330	580	2,285
Wholly Externally Funded Schemes	1,981	1,437	942	2,742
Replacements and Enhancements	3,753	50	50	3,000
Area Improvement				
Capitalised Salaries	75	75	75	75
Total Capital Programme Expenditure	**8,239**	**3,492**	**3,247**	**9,702**
Capital Resources Used:				
Capital Receipts and Reserves	782	205	205	310
Capital Grants and Contributions	3,421	3,037	2,542	4,342
Contributions from Revenue	0	0	0	0
Prudential Borrowing	4,036	250	500	5,050
Total Funding	**8,239**	**3,492**	**3,247**	**9,702**

The plans that exist for capital investment into the council's housing stock are reflected in Table 9. The information in Table 8 and Table 9 comprise the Medium Term Capital Programme.

Table 9

The Medium Term Housing Revenue Account Capital Budget

	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Total HRA Capital Programme Expenditure	**3,255**	**4,160**	**3,325**	**3,225**
HRA Capital Resources Used:				
HRA Major Repairs Reserve	2,905	3,145	2,175	2,075
HRA Revenue Contributions	350	350	425	425
New Properties Reserve		665	725	725
Total Resources	**3,255**	**4,160**	**3,325**	**3,225**

Treasury Management

The treasury management service is an important part of the overall financial management of the council's affairs. Treasury management can be defined as the management of investments and cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Its activities are strictly regulated by statutory requirements, the CLG's Investment Guidance and the CIPFA Treasury Management Code.

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

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

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the prudential indicators covering the maximum principal sums invested.

The Bank Rate was cut from 0.5% to 0.25% in August 2016 and therefore investment returns have been very low. Investments are regularly reviewed with a view to try and take advantage of the best rates available whilst minimising exposure to counterparty risk.

Councils should invest prudently and primarily seek to safeguard public funds rather than maximise returns. Security and liquidity should therefore take priority over yield. TDC is diligent in ensuring that monies are only placed in secure and liquid investments and also uses a wide range of information to ensure it is making informed investment decisions.

Borrowing – Active management of the debt portfolio is an important part of the treasury management function. The council takes a cautious approach to its borrowing strategy. The Section 151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecasts. There will need to be additional borrowing over the next few years to refinance maturing debt and for capital programme purposes. Decisions regarding options to take out borrowing or rescheduling or repaying debt will be taken in light of market conditions.

There are a number of factors that could impact on the interest payable/investment income:

- Bank Rate set by the Bank of England
- PWLB borrowing rate
- Cash flow variations
- Sums lost due to imprudent investment

These risks have been mitigated by seeking professional advice on interest rate forecasts, carefully modelling cash flow against anticipated financial forecasts and only investing with counterparties that meet the credit criteria set out in the Treasury Investment Strategy.

Managing the Financial Risks

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

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

Longer Planning Timeframes – The latest government grant announcements provide a longer time period than in the past, which improves the ability to project resources over the life of the MTFS. However, there are still significant unknowns, e.g. the transition towards local government self-financing by 2020.

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

Financial Risk Assessment

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

Sensitivity Analysis

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

Table 10: Sensitivity Analysis

Area under consideration	Sensitivity of Estimates 2017-18
The opening base budget	The opening position of the 2017-18 budget is firm, as it is based on the budget approved in February 2016. The base for future years may change, however this would be identified as part of budget preparation work.
The pay estimates	A 10% change to the figure for pay increases that result from the pay award and pay for contribution would equate to c.£1.5m. However, such a large discrepancy would be unlikely as the pay budget is developed at a very detailed level (on a per post basis). The main impact on the accuracy of the budgets for pay headings results from vacancy estimates which are impossible to predict.
The vacancy savings and post reduction estimates	For 2017-18 the vacancy abatement saving has been budgeted at approximately £300k which is equivalent to approximately 10 posts. A variance of 2 posts equates to £60k. This will require a robust proactive approach to ensure that the savings that naturally arise due to staff turnover are retained. Based on experience in recent years, and considering the current staff turnover rate, this target is considered challenging but achievable.
Price Increases	In the main these are based on the terms of the contract. Inflation has been assumed at 2%. A 10% variance on this would equate to an increase in budget requirement of approximately £190k.
Pension Increases	As part of this year's MTFS assumptions it has been noted that the latest actuarial figures showed an increase required for pensions of approximately £340k.
The increased income targets	There is always a risk that increases in fees and charges reduce demand, which can have a detrimental impact on the budget. Some £490k has been added into the budget for 2017-18 for increased income targets; however, service managers have included within that figure an assessment of the achievability of collecting the additional income.
Other savings estimates	The budget and Medium Term Financial Strategy reflects a £100k savings expectation from EKS. A 10% change to this figure would equate to £10k. Regular monthly meetings are held with the Director of EKS to monitor budgets and performance.
The level of reserves	The level of general reserves have been determined based on a financial risk assessment which considers the likelihood of the main risks facing the council, and the possible financial implication should the risk occur. The estimated position on general reserves at year end is that they will stand at 12% of the net revenue budget which is the minimum level. Earmarked reserves are being used to enable funds provided for a specific purpose to be held until needed, and allows budgets that are needed on an irregular or periodic basis to be funded by setting aside an annual base budget at a fraction of the total cost. The funds held within earmarked reserves represent a one-off source of funding to meet planned expenditure. Their use is managed on a cash limited basis, and a shortage of reserved funds in year may be dealt with by re-phasing the expenditure, or by making use of emerging underspends.
Council Tax Reduction	The collection rate on the Council Tax base has been retained at 97.25% to reflect the collection trend within 2016-17. This will need to be carefully monitored during the

Area under consideration	**Sensitivity of Estimates 2017-18**
Scheme	year.
Welfare Reforms	To date there has been minimal impact from the proposed welfare reforms. Any change will impact on both the Housing Revenue Account and General Fund and will include potential increases in bad debts as a result of claimants being paid direct, being capped on the amount of benefits that they will be paid and also seeing reductions in benefit due to under-occupying accommodation; an increase in demand for smaller or cheaper accommodation; an increase in demand for debt management advice; possible increases in homelessness, as a result this will need to remain under review in terms of overall impact. Thanet District Council went live with the first tranche of Universal Credit on 12 October 2015 to date projections in relation to the number of applications provided by the Department of Work and Pensions (DWP) have been correct. As part of the implementation of Universal Credit the council was required to enter into a Delivery Partnership Agreement, as part of this partners have been identified to assist with providing budgetary support to applicants to enable them to manage their income to reduce the possibility of them falling into arrears. Budget of £50k has been set aside within the Housing Revenue Account to fund any schemes that take a pro-active approach to support Welfare Reform changes.
Settlement Funding	A 1% cut in government grant would equate to a loss of income in future years of approximately £80k. If a large business were to move out of the area or to go into liquidation, the council would face a loss in business rates income of circa £340k before the safety net mechanism would apply.

Annex 3 General Fund Draft Capital Programme

Draft Capital Programme £000	Capital Bid Score	Directorate	Estimated Slippage 2016/17	2017/18	2018/19	2019/20	2020/21
STATUTORY/MANDATORY							
Disabled Facilities Grants	104	Community Services		1,600	1,600	1,600	1,600
ONGOING SCHEMES FROM PREVIOUS YEARS							
Margate Pedestrian Connections	n/a	Community Services		24			
Dalby Square	110	Community Services	80				
CCTV	110	Operational Services	400				
Ramsgate Porth Berths	104	Operational Services	600				
Ramsgate Port & Harbour - Low Carbon Plan	101	Operational Services	239	226			
ANNUAL ENHANCEMENT PROGRAMMES							
Vehicle Replacement Programme	128	Operational Services	900	500	250	500	2,205
Property Enhancement Programme	n/a	Corporate Resources		80	80	80	80
WHOLLY/PARTLY EXTERNALLY FUNDED							
East of Epple to Westgate Bay - Sea Wall Work (now Minnis Bay to Grenham Bay)	114	Operational Services		244			
Better Care Fund	104	Community Services		742	742	742	742
Ramsgate Main Beach Timber Groyne Installation	104	Operational Services		607			
Louisa Bay to Dumpton Gap Sea Wall Work	121	Operational Services			95		1,000
Westbrook to St Mildred's Sea Wall Work	121	Operational Services			600		
Viking Bay Flood Defence Scheme	121	Operational Services				200	
Stone Bay Sea Wall Work	121	Operational Services					1,000
Thanet Groyne Reconstruction	110	Operational Services		388			
CONSTRUCTION, REPLACEMENT & ENHANCEMENT							
Thanet Crematorium - Memorial Chapel Area	110	Operational Services		40			
Ramsgate Harbour Water Supply Upgrade	102	Operational Services		50	50	50	
Margate Harbour Railings and Lighting	100	Operational Services		100			
Ramsgate Harbour Railings	106	Operational Services		100			
Jackey Bakers Enhancements	n/a	Community Services		50			
Marina Management System	106	Operational Services		78			
Boat Wash Separator	106	Operational Services		25			
In-Cab System	110	Operational Services		60			
Ramsgate Harbour - Aquastores	101	Operational Services		50			
Ramsgate Harbour - Self Storage Containers	115	Operational Services		50			
Mill Lane Multi-Storey Car Park	111	Operational Services		3,000			
Leopold Street Multi-Storey Car Park	111	Operational Services					3,000
Dreamland Car Park Enhancement	103	Operational Services		150			
Capitalised Salaries				75	75	75	75
Total for the Year			**2,219**	**8,239**	**3,492**	**3,247**	**9,702**

General Fund Draft Capital Programme Funded By

	Estimated Slippage 2016/17	2017/18	2018/19	2019/20	2020/21
Capital Receipts	1,530	582	205	205	155
Reserves	0	200	0	0	155
Capital Grants & Contributions	0	3,421	3,037	2,542	4,342
Contributions from Revenue	0	0	0	0	0
Prudential Borrowing	689	4,036	250	500	5,050
Total for the Year	**2,219**	**8,239**	**3,492**	**3,247**	**9,702**

Analysis of Prudential Borrowing	**Budget Area**	**Estimated Slippage 2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**Total**	**MRP Life**	**MRP Cost £pa**	**Interest cost at 3% £pa**
Ramsgate Port & Harbour - Low Carbon Plan	Port operations (savings)	239	226	-	-	-	465	10	47	14
In-Cab System	Recycling & refuse (savings)		60	-	-	-	60	5	12	2
Ramsgate Harbour - Aquastores	Port operations (income)		50	-	-	-	50	10	5	2
Ramsgate Harbour - Self Storage Containers	Port operations (income)		50	-	-	-	50	10	5	2
Mill Lane Multi-Storey Car Park	Car parking (savings)		3,000	-	-	-	3,000	50	60	90
Leopold Street Multi-Storey Car Park	Car parking (savings)		-	-	-	3,000	3,000	50	60	90
Dreamland Car Park Enhancement	Car parking (savings)		150	-	-	-	150	10	15	5
Ramsgate Port Berths	Port operations (income)	200					200	50	4	6
Vehicle Replacement Programme	Recycling & refuse (Existing budget and efficiency savings)	250	500	250	500	2,050	3,550	7	507	107
Total		**689**	**4,036**	**250**	**500**	**5,050**	**10,525**		**715**	**316**

Annex 3

Thanet District Council – Flexible Use of Capital Receipts Strategy

To support local authorities deliver more efficient and sustainable services, under the Local Government Act 2003 section 15(1)the government allows local authorities to spend up to 100% of their capital receipts on the revenue costs of reform projects (revenue reform costs) and subsequently issued revised guidance in March 2016.

Accordingly the Council can treat as capital expenditure, any expenditure that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services for any of the public sector delivery partners.

Revenue Reform Costs must be properly incurred by 31 March 2019 and can only be met from capital receipts which have been received from 1 April 2016 to 31 March 2019. Revenue Reform Costs cannot be financed from (i) Right to Buy receipts, (ii) pre 1 April 2016 capital receipts, and/or (iii) borrowing.

Revenue Reform Costs that generate ongoing savings may be funded from the Council's capital receipts for the following:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue; and
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery.

On a project by project basis details of the expected savings/service transformation will be provided.

The impact on the Council's Prudential Indicators from Revenue Reform Costs being treated as capital expenditure is:

- Estimated and actual capital expenditure will increase by the amount of the Revenue Reform Costs;

- Balance Sheet resources (capital receipts) will decrease by the amount of the Revenue Reform Costs;
- The 'incremental impact on capital investment decisions on the band D council tax' and the ratio of 'financing costs to net revenue stream' may increase or decrease depending on whether the reduction in treasury interest income from the utilisation of capital receipts is greater or less than any relevant revenue savings/enhancements achieved from successful implementation of the reform project(s).

Effect

Utilisation of capital receipts to fund expenditure that would usually be funded from revenue resources diverts the receipts available for re-investment in existing assets or the creation of new ones.

To date the Council has not utilised capital receipts to fund revenue reform costs.

Summary of Tenant Service Charges

Property	**Heating Charges**	**Cleaning Charges**	**Communal Lighting**	**Grounds Maintenance**	**Fire Safety**	**Mechanical and Electrical**	**Water Pumps**
ADDINGTON STREET (52)							
ALBION MEWS (1-6)		£1.98	£0.91	£0.17		£0.92	
APPLEDORE CLOSE							
1-8 Appledore Close		£1.77	£0.49	£0.40		£0.67	
9-13 Appledore Close		£2.84	£0.65	£0.59		£1.08	
14-21 Appledore Close		£1.77	£0.41	£0.46		£0.67	
22-25 Appledore Close		£3.54	£1.19	£0.57		£1.35	
26, 27 Appledore Close		£ -	£ -	£0.57		£2.70	
28-34 Appledore Close		£2.03	£0.38	£0.34		£0.77	
35, 36 Appledore Close		£ -	£ -	£0.34		£2.70	
37-40,Appledore Close		£3.54	£0.79	£0.34		£1.35	
41-47 Appledore Close		£2.03	£0.47	£0.56		£0.77	
48-54 Appledore Close		£2.03	£0.44	£0.52		£0.77	
55-58 Appledore Close		£3.54	£0.82	£0.51		£1.35	
59-65 Appledore Close		£2.03	£0.51	£0.79		£0.77	
66-72 Appledore Close		£2.03	£0.42	£0.54		£0.77	
73-76 Appledore Close		£3.54	£0.81	£0.48		£1.35	
77-83 Appledore Close		£2.03	£0.56	£0.40		£0.77	
BALMORAL ROAD							
2-12 Balmoral Road		£1.80	£0.51	£0.76		£1.10	
14-24 Balmoral Road		£1.80	£0.51	£0.76		£1.10	
26-36 Balmoral Road		£1.80	£0.51	£0.76		£1.10	
BELLE VUE AVENUE (1-20)		£1.31	£0.55	£0.13			
BELMONT COURT		£1.52	£0.70	£1.19		£1.08	
BIDDENDEN CLOSE							
15-23 Biddenden Close		£1.20	£0.45	£1.00		£0.58	
24-32 Biddenden Close		£1.20	£0.45	£1.00		£0.58	
BRUNSWICK COURT							
1 Bed	£3.32	£0.93	£1.99	£0.61	£1.58	£0.72	£0.29
2 Bed	£3.98	£0.93	£1.99	£0.61	£1.58	£0.72	£0.29
3 Bed	£4.54	£0.93	£1.99	£0.61	£1.58	£0.72	£0.29
CAMBOURNE AVENUE							
23a-27a Cambourne Avenue			£0.71				
28a-30a Cambourne Avenue			£1.46				
CAMDEN SQUARE (5-8)		£2.44	£1.02			£0.99	
CANTERBURY ROAD (70-76)			£0.79			£0.91	
CHATHAM COURT		£1.45	£0.40	£0.57		£0.58	
CHICHESTER ROAD (82-90)		£0.97	£1.00	£0.75		£0.58	

Summary of Tenant Service Charges

CHURCHFIELDS							
1 Churchfields		£3.61	£0.97	£0.41		£1.28	
3 Churchfields		£1.80	£0.63	£0.41		£0.72	
5 Churchfields		£1.80	£0.73	£0.41		£0.72	
7 Churchfields		£3.61	£1.23	£0.41		£1.28	
9 Churchfields		£3.61	£0.99	£0.41		£1.28	
11 Churchfields		£1.80	£0.46	£0.41		£0.72	
13 Churchfields		£3.61	£0.74	£0.41		£1.28	
CLARENDON ROAD							
3 Clarendon Road		£2.18	£0.77		£5.64	£0.91	
6 Clarendon Road		£2.18	£0.94		£5.64	£0.91	
CLEMENTS ROAD							
29-45 Clements Road		£1.01	£0.45	£0.70			
47-69 Clements Road		£0.76	£0.34	£0.70			
71-93 Clements Road		£0.76	£0.41	£0.70			
95-111 Clements Road		£1.01	£0.36	£0.70			
113-135 Clements Road		£0.76	£0.39	£0.70			
137-159 Clements Road		£0.76	£0.33	£0.70			
161-189 Clements Road		£0.61	£0.41	£0.70			
191-213 Clements Road		£0.76	£0.41	£0.70			
215-237 Clements Road		£0.76	£0.25	£0.70			
239-261 Clements Road		£0.76	£0.25	£0.70			
263-279 Clements Road		£1.01	£0.27	£0.70			
281-303 Clements Road		£0.76	£0.27	£0.70			
COASTGUARD COTTAGES			£0.93	£1.63			
COLLEGE ROAD							
92 College Road		£1.80	£0.55	£1.43		£0.72	
94 College Road		£1.80	£0.70	£1.43		£0.72	
CONFLANS COURT							
31-36 Conflans Court		£1.63	£0.77	£0.59		£0.72	
37-42 Conflans Court		£1.63	£0.77	£0.59		£0.72	
CONYNGHAM CLOSE		£1.41	£0.34				
DANE GARDENS (19-22)		£2.71	£0.71	£1.76		£0.91	
DANE MOUNT							
15-18 Dane Mount		£2.71	£0.80	£0.56		£0.91	
19-22 Dane Mount		£2.71	£0.63	£0.56		£0.91	
DANE VALLEY ROAD							
200 Dane Valley Road		£1.53	£0.50	£0.71		£0.71	
202 Dane Valley Road		£1.53	£0.46	£0.71		£0.71	
204 Dane Valley Road		£1.53	£0.32	£0.71		£0.84	
206 Dane Valley Road		£1.53	£0.33	£0.71		£0.84	
208 Dane Valley Road		£1.53	£0.31	£0.71		£0.84	
DUKE STREET (4)			£0.78		£2.82		

Summary of Tenant Service Charges

DUNSTAN AVENUE							
26-32 Dunston Avenue		£1.98	£0.38	£0.75		£1.14	
34-40 Dunston Avenue		£1.98	£0.38	£0.75		£1.14	
42-48 Dunston Ave nue		£1.98	£0.38	£0.75		£1.14	
EGBERT ROAD (3)		£2.18	£0.97		£5.42	£0.91	
ELHAM CLOSE							
17-25 Elham Close		£1.20	£0.42	£0.97		£0.58	
26-34 Elham Close		£1.20	£0.42	£0.97		£0.58	
ELLINGTON ROAD (59)			£0.80		£0.31	£1.22	
ELLINGTON ROAD (70)				£1.32		£1.83	
ETHELBERT CRESCENT (26)							
GRANGE ROAD (59)							
GROSVENOR PLACE (66-68)		£1.46	£0.62		£4.66	£0.61	
HARBOUR TOWERS		£1.19	£2.43	£0.25	£1.36	£0.94	£1.08
HIGHFIELD COURT		£1.36	£0.34	£0.75			
HIGH STREET, MARGATE							
145 High Street		£2.02	£0.59	£0.27		£0.72	
147 High Street		£4.05	£0.54	£0.27		£1.28	
149 High Street		£2.02	£0.54	£0.27		£0.72	
151 High Street		£4.05	£0.54	£0.27		£1.28	
153 High Street		£2.02	£0.49	£0.27		£0.72	
154 High Street		£2.02	£0.70	£0.27		£0.72	
155 High Street		£4.05	£0.63	£0.27		£1.28	
156 High Street		£2.02	£0.68	£0.27		£0.72	
157 High Street		£2.02	£0.63	£0.27		£0.72	
159 High Street		£4.05	£0.63	£0.27		£1.28	
161 High Street		£2.02	£0.47	£0.27		£0.72	
163 High Street		£2.02	£0.56	£0.27		£0.72	
HOLTON CLOSE							
7 Holton Close		£1.35	£0.30	£0.20		£0.91	
23 Holton Close		£1.35	£0.30	£0.20		£0.91	
INVICTA HOUSE	£10.44	£1.73	£0.63	£0.46	£0.88	£0.49	£0.32
JANICE COURT		£1.70	£0.96	£0.75	£3.00	£0.23	
KENNEDY HOUSE							
Bedsit	£3.19	£1.71	£1.74	£0.19	£0.92	£0.55	£0.29
1 Bed	£4.49	£1.71	£1.74	£0.19	£0.92	£0.55	£0.29
2 Bed	£5.39	£1.71	£1.74	£0.19	£0.92	£0.55	£0.29
LA BELLE ALLIANCE SQUARE (16 &17)		£2.15	£0.40	£0.84		£0.72	
LANCASTER CLOSE (11-32)		£1.41	£0.33				
LEONA COURT		£1.61	£0.47	£0.93	£0.06	£0.55	
LINLEY ROAD (1-33)				£1.29			
LOUGHBOROUGH COURT		£1.01	£0.39	£0.35			
MEETING COURT			£0.52		£2.80		
MILLMEAD ROAD (69-77)		£1.90	£0.82	£1.07		£0.83	

Summary of Tenant Service Charges

NEWLANDS HOUSE, PRESTEDGE AVE		£1.45	£0.33	£0.08			
PARKSIDE, PICTON ROAD				£0.40			
PENSHURST ROAD (5)		£1.63	£2.36	£0.05	£8.48		
PLAINS OF WATERLOO							
32A-40A Plains of Waterloo		£1.75	£0.33				
45A-47C Plains of Waterloo		£1.82	£0.40	£0.84		£0.72	
QUETTA ROAD (21-24)				£1.21			
REBECCA COURT		£1.84	£0.77	£0.70	£0.09	£0.54	
RICHARD COURT		£1.62	£0.45	£1.04	£0.06	£0.55	
ROSEDALE ROAD							
19 Rosedale Road		£1.80	£0.56	£1.43		£0.72	
21 Rosedale Road		£1.80	£0.65	£1.43		£0.72	
23 Rosedale Road		£1.80	£0.52	£1.43		£0.72	
25 Rosedale Road		£1.80	£0.60	£1.43		£0.72	
ROYAL CRESCENT							
4-15 Royal Crescent		£1.36	£0.41			£0.54	
19-23 Royal Crescent		£1.82	£0.89		£3.92	£0.61	
SOMERSET COURT		£1.59		£0.71			
ST MILDREDS ROAD							
40 ST Mildreds Road		£1.42	£0.48	£0.58	£0.10	£0.41	
42 ST Mildreds Road		£1.42	£0.53	£0.58	£0.10	£0.41	
STANER COURT							
Tower Block (2-89)							
Bedsit	£5.58	£1.73	£2.33	£0.46	£0.55	£0.30	£0.57
1 Bed	£7.47	£1.73	£2.33	£0.46	£0.55	£0.30	£0.57
2 Bed	£8.60	£1.73	£2.33	£0.46	£0.55	£0.30	£0.57
90-95 Staner Court		£1.67	£0.52	£0.46		£0.72	
96-101 Staner Court		£1.67	£0.57	£0.46		£0.72	
102-107 Staner Court		£1.67	£0.55	£0.46		£0.72	
108 -113 Staner Court		£1.67	£0.45	£0.46		£0.72	
STIRLING WAY (59-60)				£1.21			
STRINGER DRIVE							
4 Stringer Drive		£1.35	£0.62	£0.10		£0.91	
7 Stringer Drive		£1.35	£0.62	£0.10		£0.91	
SUNDEW GROVE				£0.76			
TOMLIN DRIVE							
2 Tomlin Drive		£1.53	£0.29	£0.73		£0.84	
4 Tomlin Drive		£1.53	£0.30	£0.73		£0.84	
6 Tomlin Drive		£2.30	£0.37	£0.73		£0.82	
8 Tomlin Drive		£2.30	£0.52	£0.73		£0.82	
10 Tomlin Drive		£2.30	£0.40	£0.73		£0.82	
12 Tomlin Drive		£2.30	£0.36	£0.73		£0.82	

Summary of Tenant Service Charges

TROVE COURT							
Bedsit	£5.32	£1.68	£1.38	£0.14	£0.67	£0.48	£0.29
1 Bed	£7.37	£1.68	£1.38	£0.14	£0.67	£0.48	£0.29
2 Bed	£8.82	£1.68	£1.38	£0.14	£0.67	£0.48	£0.29
TURNER COURT		£1.18	£0.89	£0.28	£1.92	£0.12	
TURNER STREET (32-54)		£1.63	£0.37	£0.21		£0.54	
WILLIAM AVENUE							
2 William Avenue		£2.30	£0.54	£0.20		£0.86	
4 William Avenue		£2.30	£0.58	£0.20		£0.86	
6 William Avenue		£2.30	£0.44	£0.20		£0.86	
24 William Avenue		£2.30	£0.57	£0.88		£0.92	
26 William Avenue		£2.30	£0.41	£0.88		£0.92	
28 William Avenue		£2.30	£0.47	£0.88		£0.92	
30 William Avenue		£2.30	£0.41	£0.88		£0.92	
32 William Avenue		£2.30	£0.40	£0.88		£0.86	
34 William Avenue		£2.30	£0.55	£0.88		£0.86	
36 William Avenue		£2.30	£0.39	£0.88		£0.86	

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Annex 5

HRA Capital Programme 2017-18 to 2021-22

SCHEME	Unit Number 2017-18	2016-17 Slippage/ Deferred £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	Scheme of Works 2017-18
Major Works								
Re – Roofing	**6 blocks**	**400**	**300**	**300**	**100**	**100**	**100**	4-15 Royal Crescent roofing works deferred from 16/17 to combine with Structural Works in 17/18. Richard Court, Loughborough Court, Leona Court, Rebecca Court and Turner Court roofing due in 17/18 and 18/19.
Replacement Windows & Doors	**50**		**150**	**110**	**110**	**110**	**110**	An extra £40k needed for timber windows in 17/18.
Kitchen Replacements	**100**		**400**	**400**	**700**	**700**	**700**	Backlog complete. To be reviewed once stock condition data received.
Bathroom Replacements	**100**		**200**	**200**	**300**	**300**	**300**	Backlog complete. To be reviewed once stock condition data received.
Electrical Re – wiring	**N/A**		**150**	**150**	**150**	**150**	**150**	To be reviewed once stock condition data received.
Heating	**320**		**415**	**415**	**415**	**415**	**415**	New contract to be tendered in 16/17.
Fire Precaution Works	**N/A**		**120**	**40**	**40**	**40**	**40**	The 3 year programme will complete in 17/18.
Planned Refurbishments	**33**		**50**	**50**	**50**	**50**	**50**	Door entry systems identified.
Structural Repairs/ Repointing	**7 Projects**		**1,050**	**1,050**	**180**	**180**	**180**	Structural repairs including balconies at Balmoral Court, Janice Court, Turner Court, Rebecca Court, Chatham Court and Loughborough Court. Churchfields will need further review but structural repairs due in 17/18. Royal Crescent structural and roofing repairs due in 17/18.
Thermal Insulation	**53**		**40**	**10**	**10**	**10**	**10**	Increased to £40k as works carried out when property becomes void.
Rainwater goods	**N/A**		**20**	**20**	**20**	**20**	**20**	Ad hoc works
Lift Replacement	**2 Blocks**	**200**	**0**	**200**	**100**	**0**	**0**	Programme currently under review. Two lifts have been completed. The budget has been reduced for the remaining lifts based on the costs of the completed works. Trove and Kennedy have been identified for 17/18.
Soil Stack	**N/A**		**10**	**200**	**0**	**0**	**0**	Trove Court and Kennedy House
Total Major Works		**600**	**2,905**	**3,145**	**2,175**	**2,075**	**2,075**	

Revenue Contribution to Capital								
Disabled Adaptations	**N/A**		**300**	**300**	**300**	**300**	**300**	This is a demand led budget and will be reviewed annually.
Estates Improvements	**N/A**		**50**	**50**	**125**	**125**	**125**	Reduced to £50k for 17/18 and 18/19. The budget will resume to £125k once the large scale structural programme has been completed.
Margate Housing Intervention	**N/A**	**3,684**	**0**	**665**	**725**	**725**	**725**	Development Programme 2011/12-2021/22 Affordable rent income to be re-invested
New Build Programme	**N/A**	**9,207**	**0**	**0**	**0**	**0**	**0**	Development Programme 2015-2018
Buy Back Scheme	**N/A**	**100**	**0**	**0**	**0**	**0**	**0**	
Fort Road Hotel	**N/A**	**950**	**0**	**0**	**0**	**0**	**0**	
Total HRA Capital Expenditure		**14,541**	**3,255**	**4,160**	**3,325**	**3,225**	**3,225**	**Stock condition surveys may identify additional works. The budget proposal is based on current stock condition data.**

Funding of the HRA Capital Programme		**2016-17 Slippage £'000**	**2017-18 £'000**	**2018-19 £'000**	**2019-20 £'000**	**2020-21 £'000**	**2021-22 £'000**	
Major Repairs Reserve		600	2,905	3,145	2,175	2,075	2,075	
Prudential Borrowing		6,675						
External Funding		1,682						
New Properties Reserve		4,775		665	725	725	725	
1-4-1		131						
Revenue Contributions		678	350	350	425	425	425	
Total HRA Capital Programme Funding		**14,541**	**3,255**	**4,160**	**3,325**	**3,225**	**3,225**	

Reserve	Balance 31.03.2016 £'000	Proposed Drawdown 2016-17 £'000	Proposed Contribution 2016-17 £'000	Estimated Balance 31.03.2017 £'000	Proposed Drawdown 2017-18 £'000	Proposed Contribution 2017-18 £'000	Estimated Balance 31.03.2018 £'000	
Major Repairs Reserve	7,171	3,678	3,089	6,582	3,047	3,300	6,835	Stock condition surveys may identify additional works.
New Properties Reserve	5,464	2,827	194	2,831	2,957	310	184	Affordable rent income to be re-invested in New properties Reserve to fund the New Build Programme and Housing Intervention Programmes.
HRA Balances	5,296	1,435	0	3,861	350	0	3,511	

New Development Programmes	Budget 2016-17 inc B/F	Estimated Spend 2016-17	Estimated Budget 2017-18	
Empty Property Programme	N/A	N/A	N/A	29 units of affordable housing complete and let in 2015-16 and 2016-17
Ramsgate Housing Intervention	612	612	N/A	17 units of affordable housing now complete and let in 2016-17
Margate Housing Intervention	5,884	2,200	3,684	5 units of affordable housing complete and let in 2016-17. 13 units to complete in 2017-18. 12 units to start on site in 2017-18
New Build Programme	10,077	870	9,207	Start on site due 2017-18
Coastguard Cottages Major Works	349	349	N/A	Works to complete in 2016-17
Buy Back Scheme	100	0	100	A property has been identified. Awaiting costs.
Fort Road Hotel	950	0	950	

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