# Public Document Pack


Date: **5 January 2024**
Our ref: Cabinet/Supplementary Agenda
Ask For: Charles Hungwe
Direct Dial: **(01843) 577207**
Email: **charles.hungwe@officer.thanet.gov.uk**


## CABINET

## 11 JANUARY 2024

A meeting of the Cabinet will be held at **7.00 pm on Thursday, 11 January 2024** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor Everitt (Chair); Councillors: Whitehead, Albon, Duckworth, Keen and Yates

## SUPPLEMENTARY AGENDA




Thanet District Council, PO Box 9, Cecil Street, Margate, Kent, CT9 1XZ
Tel: +44 (0)1843 577000 Fax: +44 (0)1843 290906 DX 30555 (Margate) www.thanet.gov.uk
Interim Chief Executive: Colin Carmichael

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# 2024-28 Medium Term Financial Strategy

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| **Cabinet** | 11 January 2024 |
| **Report Author** | Chris Blundell, Acting Deputy Chief Executive and Section 151 Officer |
| **Portfolio Holder** | Cllr Rob Yates, Cabinet Member for Corporate Services |
| **Status** | For Decision and Recommendation |
| **Classification:** | Unrestricted |
| **Key Decision** | Budget and Policy Framework |

## Executive Summary:

This report presents the 2024-28 MTFS for consideration and recommendation.

## Recommendation(s):

1. The 2024/28 MTFS be agreed and referred to Council for Approval

## Corporate Implications

**Financial and Value for Money**

As detailed in the body of the report.

**Legal**

The Council is required to set a balanced budget each year by various pieces of legislation, notably section 31(A) of the Local Government Finance Act 1992. Section 151 of the Local Government Act 1972 requires a suitably qualified named officer to keep control of the council's finances. The Director of Finance is currently undertaking this role in an acting up capacity. Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report on the robustness of the estimates made for the purposes of the calculations for the budget, and on the adequacy of the proposed financial reserves. The Council must have regard to the report when making decisions about the budget.

**Corporate**

The budget has been prepared with reference to the corporate priorities.

**Equality 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. Actions arising from this report - in particular the savings requirements - will each be assessed for equalities implications by relevant managers.

## CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- *Growth*
- *Environment*
- *Communities*

## 1. Introduction

1.1. 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.

1.2. This strategy also comments on the significant risks facing the council in the forthcoming years and explains what the council is doing to reduce those risks. The main objectives of the MTFS are to:

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

1.3. 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.

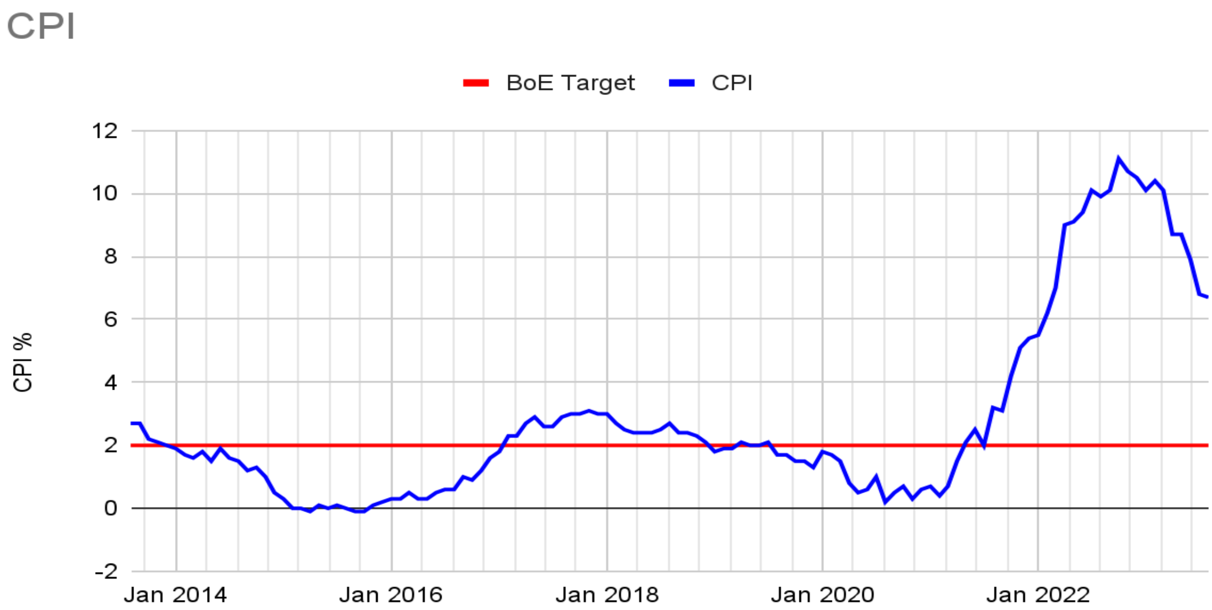
1.4. The budget has been produced within the context of our corporate priorities, government financial policy and resident feedback. Whilst only provisional information is available regarding government funding at the time of writing the report.

1.5. The draft 2024/25 budget was presented to Cabinet at its meeting on 19 October 2023 with the updated report appearing on this agenda for recommendation to Council for approval. The budget will also have been considered by the Overview and Scrutiny Panel.

1.6. A separate report is included elsewhere on this agenda in regards to the Housing Revenue Account.

## 2. Background and Context

2.1. The macroeconomic environment remains relatively unstable; whilst inflation (the rate of price increases) is falling from last year's 40 year high, prices are still rising with the Consumer Price Index (CPI) at 3.9% for November 2023, which is well above recent historical averages and also the Bank of England's (BoE) 2% target.




2.2. Consequently there are continuing increased cost pressures for both the council and our core stakeholders such as the district's residents, local businesses and the council's service users.

2.3. In budgetary terms these pressures are being realised directly through increased unit costs for items such as energy, fuel and utilities, alongside inflation linked contractual cost increases and also the need to agree a fair and affordable pay offer for staff. In addition to the increased costs for service provision, the macroeconomic environment is also resulting in increased demand for some of our services, most notably temporary accommodation for homelessness.

2.4. Coinciding with increased expenditure expectations for next year is the continuation of restrained increases in council's core income streams, with government grant funding now confirmed to be largely unchanged and council tax increases limited to below 3%. This divergence between the expenditure and core income budgets over the last couple of years has led to the development of budget strategy with a focus on optimising local income streams wherever possible, in order to protect and invest in service provision.

2.5. The development and progression of the council's Levelling Up Fund projects, both for Margate and Ramsgate, and also the Margate Town Deal make up a large proportion of the council's capital programme, meaning that the council has a sizable £92m capital programme to deliver over a four year timeframe. These funds in particular offer the opportunity for significant investment in two of the district's towns and the budgetary impacts are set out in the draft 2024/25 to 2027/28 capital programmes.

2.6. Finally, the settlement has provided funding allocations for one year only, as opposed to the multi-year settlements that have been provided in previous years. The provisional settlement and an accompanying policy statement did give some further information on plans for Local Government finance reform, stating "Now is not the time for fundamental reform, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth"

## 3. Medium Term Financial Strategy

3.1. As stated at above, the expected changes in the local government funding system make forecasting for 2025/26 and beyond very difficult. However, despite this uncertainty it is still prudent to plan for a number of different eventualities including those that are more pessimistic.

3.2. The council's MTFS has been built factoring the current business rate modelling assumptions and the other key assumptions that have been applied to arrive at the central forecast as set out in Table 5 and assumes that in 2025/26 Local Government Finance reform will not happen and is deferred to 2026/27.

**Table 5: MTFS**

| | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|---|---|---|---|---|
| Neutral | 0 | 266 | 4,026 | 3,958 |

3.3. The key assumption in place under this central forecast is that the reform of the local government finance system is implemented in 2026/27, resulting in:

- Funding allocations being broadly the same in 2025/26, including one final year of NHB at £228k
- That business rates baselines and related compensation funding remain at current levels and are increased by inflation
- No core grant funding (RSG, NHB or otherwise) allocated from 2026/27 onwards with a consequent £1.365m loss of funding

- A reset of the business rates systems in 2026/27, leading to a loss of £1.6m in accumulated growth,

Other key assumption applied include:

- Continued high inflation and stagnant economic growth at least into 2025/26
- Consequent 3% pay award assumed in the later years of MTFS
- Financial pressures on the Homelessness service remain high
- That the Council Tax referendum limit is 3% in 2025/26 and then 2% afterwards and that the council sets council tax at these limits (as per government funding assumptions)
- The Council tax base grows about 2% in each of the following three years of the MTFS
- Significant borrowing repayments associated with the financing of the capital programme, including budget provision for electrification of refuse collection vehicles.

3.4. Clearly there is great uncertainty as to what form local government finance will take over the medium term, let alone the shape of the macroeconomic environment. Nonetheless, the council continues to prudently identify longer-term budget savings, which can be implemented if and when necessary to close the forecast budget gaps presented above.

3.5. The work of Cabinet and CMT in terms of priorities has allowed for significant investment in key service areas. This does not, however, remove the need to look for areas for efficiencies and improvement over the medium term, so In addition to this, other areas for consideration include but are not limited to:

- Utilise the evidence gained from a strategic review of parking across the district.
- Continue to increase our property portfolio for the direct management of temporary accommodation in order to reduce the cost of the homelessness service.
- Property reviews, including stock condition surveys, updating EPC's, improving and re-letting vacant properties.
- In-line with the identified areas requiring growth to support continued service delivery in housing and waste the Cabinet is committed to continuing to ensure the services are delivered as efficiently as possible.
- Continued digitalisation and transformation of front facing and back office services
- Implementation of a new public toilet strategy, working closely with town and parish council's.
- In-line with the Margate Town Deal prospectus, a review of the provision and delivery of leisure and cultural services in the district, including the Theatre Royal and Winter Gardens.
- The Ramsgate Levelling Up programme of works could bring in new income for the council from the Port.
- Consideration of using the Minor Works team to generate income from selling handyperson services.
- A review of printing services income and expenditure including scope to in-source more printing.

## 4. Resident Views and Corporate Priorities

4.1. Every year the council conducts a residents' survey to capture the feedback of a random selection of local people. The survey is carried out to understand the priorities of residents and to ask for feedback on a range of key council services. Results are used to help inform the annual budget setting process and to ensure that resources can be directed towards the areas that matter most to local people. Feedback regarding satisfaction with key council services is also used as part of the way that the council monitors its overall performance to understand trends in satisfaction.

4.2. The 2023 survey went live in November in line with its usual timeframe of the Autumn, in order to feed into the budget process.

4.3. This year, the council is also asking for residents to give their views on its draft Corporate Plan 2024-2028 and draft budget for the next financial year. The information received will help to shape the work the council does in the district.

4.4. The consultation closed on 2 January 2024. 259 people responded to the targeted sample survey which was issued to 6,000 Thanet households. An additional open survey was also available on the council's online engagement platform, Your Voice Thanet. There were 299 responses to the open survey. The full responses to both surveys are currently being analysed and will be published on the council's website. Initial results indicate that overall, residents agree with the priorities set out in the Corporate Plan and are broadly supportive of the draft budget proposals set out in the Cabinet report in October 2023. Clean streets, thriving towns and feeling safe remain the priority areas.

## 5. General Fund Capital Programme

5.1. This section considers the capital programme and supporting strategy for the period 2024/25 to 2027/28. A detailed breakdown of the programme, at individual scheme level, is included in Annex 1.

5.2. The draft General Fund capital programme for 2024/25 is £53m, with £92m programmed to be spent across the four years up to 2027/28. This represents a significant increase in scale of the programme for the council compared to past years and is largely the result of an increase in the number and size of the schemes that are backed by external funding.

5.3. A minimum level of £15k has been set for capital expenditure (expenditure on the acquisition, construction or enhancement of a fixed asset which is expected to be in use for more than one year). Expenditure below this value is not treated as capital and is therefore not recorded on the asset register or funded from capital resources. Capital expenditure also includes qualifying grants and loans, 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 borrowing, capital receipts, grants or revenue contributions.

5.4. 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 budget.

**The Capital Budget Strategy**

5.5. In order to ensure that the capital budget is able to meet the council's needs in the wider sense and to manage the impact on the revenue budget, the development and use of the capital programme is underpinned by a Capital Budget Strategy as follows:

- To maintain an affordable four-year rolling capital programme.
- To ensure capital resources are aligned with the council's strategic vision and corporate priorities.
- To undertake prudential borrowing only where there is a statutory service delivery requirement or alternatively if 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.

5.6. Due to the limited availability of capital receipts and the need to contain the level of borrowing undertaken to minimise the revenue impact, the capital programme is subjected to a thorough review. This is to ensure sufficient funding is available for existing schemes that have commenced and that any new projects are of the highest corporate priority and/or reduce the pressure on the revenue account.

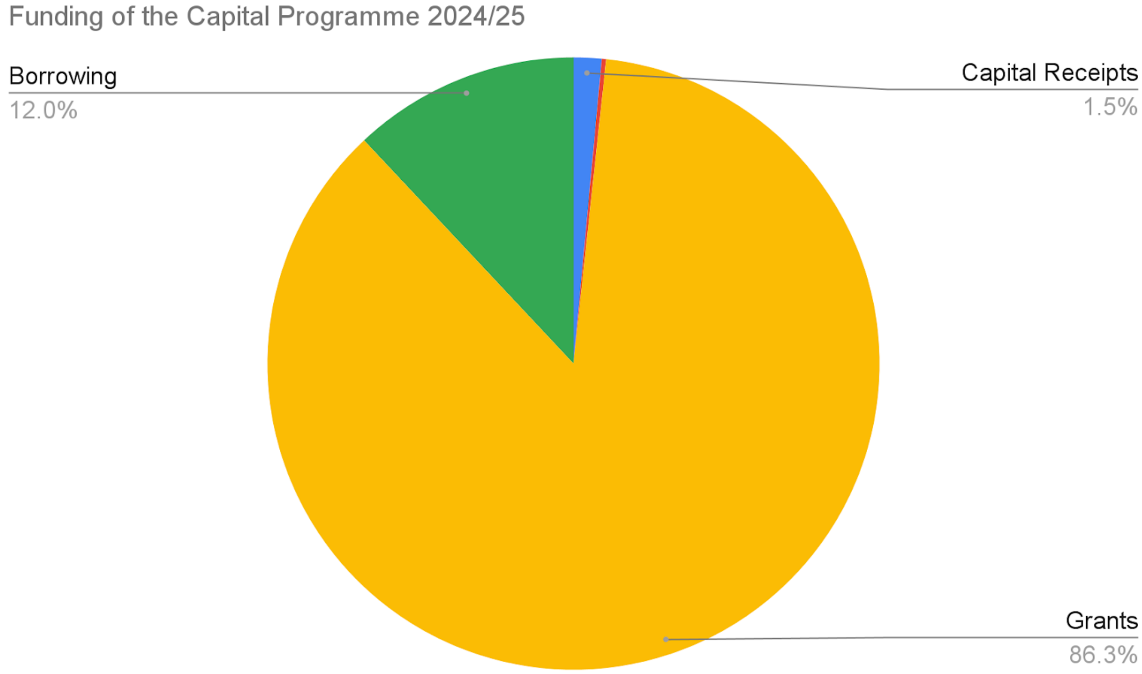
5.7. The level of resources available raises a number of issues and risks for future years, which need to be addressed. Over the past few years the council has seen a reduction in its available capital receipts, however the recent expansion of the Property Service function should result in a reversal of this trend. Should insufficient disposals be realised in 2024/25 onwards it would be necessary to reduce or defer the capital programme or to borrow, thus increasing the revenue pressure on the General Fund. Regular monitoring will be reported back to members and the capital programme adjusted accordingly.

5.8. Applications for capital bids have been reviewed by members of the Corporate Management Team and other specialist officers and scored against a weighted matrix to ensure they focus on the council's core priorities, benefit to the community, environmental impact, health and safety requirements, the generation or protection of income streams and affordability.

**Available Capital Funding**

5.9. Capital expenditure can be financed from revenue resources, grants, usable capital receipts and borrowing. The General Fund can only be used to fund General Fund related capital expenditure, and the Housing Revenue Account (HRA) can only finance expenditure on HRA assets; there can be no cross subsidisation between accounts. In both cases, the revenue resources are limited.

5.10. As referred to above the capital programme is of considerable scale for 2024/25 through to 2027/28, largely due to the extent of external funding the council has been successful in bidding for. This is illustrated in the graph below.




5.11. ***Capital Grants*** – these are offered by external funders to assist with certain types of expenditure. Capital grants include those from the Environment Agency and Lottery Fund. The Better Care Fund allocation for 2024/25 is estimated to be at least in line with the 2022/23 allocation, £3m. £3m has been set aside to fund the Housing Assistance Policy within the capital programme. This is made up of funding from the Better Care Fund and recycled Regional Housing Board monies. The 2023/24 capital programme also includes the Margate Town Deal, Margate & Ramsgate Levelling Up Funds, Ramsgate Future High Street Fund and projects to bolster Thanet's sea defences.

5.12. ***Capital Receipts*** – When a fixed asset is sold, provided that the sale receipt is over £10k, the income has to be treated as a "capital receipt", which means that it can only be used to fund capital expenditure. All of the monies received from the disposal of General Fund assets are available to the council for use.

5.13. Before the start of each financial year, a Flexible Use of Capital Receipts Strategy has been prepared as part of the annual budget documents. This sets out the circumstances when the council can capitalise expenditure that would normally be deemed as revenue. The Flexible Use of Capital Receipts Strategy is set out in Annex 2 and details the criteria where this may be considered as per guidance issued by Government. The Flexible Use of Capital Receipts scheme ends on 31 March 2025.

5.14. 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 £897k in capital receipts/reserve contributions have been forecast to fund the 2024-25 programme. 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.

5.15. Every new capital project requires a funding source. This may be external grant funding, or else funded from within the council's own resources. A major source of funding the capital programme for some years has been capital receipts. The policy has been to dispose of some of the council's assets to enable investment in other of the council's assets. The council needs to be sure that the assets that benefit from investment offer a return of some sort; such as additional social value or an enhanced operational capability to deliver better/more efficient services. Only in exceptional cases does the council consider funding a capital project from borrowing, as this creates a long term liability that requires debt repayments, the cost of which has to be funded from the same source as for service delivery.

**Capital Projects and Schemes**

5.16. Projects already agreed from previous years within the four year programme are:

- **Margate Levelling Up Fund** - The total size of this capital project is £6.3m across all financial years with £4.891m currently programmed to be spent in 2024/25. This scheme is wholly externally funded and will fund the development of the Margate Digital campus.
- **Ramsgate Levelling Up Fund -** The total size of this capital project is £19.84m, with £18.242m currently programmed to be spent in 2024/25. This scheme is wholly externally funded and will provide funding for investment in the port, a new green campus building to provide a centre for excellence for operations and maintenance including a training and low carbon business centre, development of the clock house, new public realm at pier yard square and improvements to community space.
- **Margate Town Deal** - The total size of this capital project is £20.412m, with £17.117m currently programmed to be spent between 2024/25 and 2025/26. This scheme is wholly externally funded and delivers a range of initiatives including creation of the Creative Land Trust, investment in the Theatre Royal, a programme to

reinvigorate and provide new wellbeing infrastructure at key sites, improving links between key areas of the town and enhancing the Dreamland site.

- **Ramsgate Future High Street Fund -** The total size of this capital project is £2.7m, with £1.867m currently programmed to be spent in 2024/25. This scheme is wholly externally funded and will deliver creative workspace and highway improvements.
- **Housing Assistance Policy (including Disabled Facilities Grants)** £3m per annum rolling programme that is grant funded.
- **Vehicle & Equipment Replacement Programme** - £10.960m over four years, the size of the scheme has been increased significantly to include budget provision for electrification of refuse collection vehicles. The delivery of this expanded scheme will depend on the successful completion of the associated new infrastructure. This scheme is funded from borrowing.
- **Property Enhancement Programme** - £1.250m over 4 year programme to allow for capital enhancement to corporate property estate. Funded from the disposal proceeds of surplus properties.
- **End User Computing Refresh of Devices & IT Infrastructure -** £0.740m over four years, funded from borrowing.
- **Stone Bay Sea Wall Work** - £450k, reprofiled for delivery in 2025/26, externally funded.
- **Ramsgate Port - Berth 1 Refurbishment** - £300k reprofiled for delivery now in 2024/25, funded from borrowing
- **Walpole Coping and Sea Wall - £**450k, preprofiled for delivery in 2024/25, externally funded.
- **Royal Harbour Multi-Storey Car Park** - £3m in 2025/26 for the purchase of this site (which the Council currently leases), funded from borrowing.
- **Homelessness Accommodation (phase 2)** - The total size of this capital project is £2.2m, of which £1.2m is profiled for 2024/25 (funded from borrowing).

5.17. Capital bids for the forthcoming years have been reviewed and scored. Where projects require prudential borrowing further details can be found within the attached Annex 1.

**Table 6: New Capital Projects**

| New Capital Project | Total Cost (over 4 years) £’000 | Project Outline |
|---|---|---|
| Vehicle & Equipment Replacement Programme (Maritime) | 771 | To give Maritime its own programme rather than having separate capital projects. This will increase flexibility as well as streamlining and simplifying the capital process for Maritime vehicles and equipment. |

| | | |
|---|---|---|
| Margate Harbour Wall Stabilisation | 450 | To reduce the risk of structural failure, maintain flood protection for Margate old town, and maintain access to the harbour arm and businesses. |
| CCTV Control Room and Systems Upgrade | 350 | Expand the CCTV control room, upgrade systems, and further develop the district’s CCTV coverage and monitoring. |
| Ramsgate Leisure Centre - solar panels | 570 | To generate clean and renewable electricity on site, and to reduce carbon emissions. |
| Hartsdown Leisure Centre - solar panels | 213 | To generate clean and renewable electricity on site, and to reduce carbon emissions. |
| Thanet Gateway Windows / Rooflights | 176 | Refurbishment of windows and rooflights, increasing thermal efficiency and reducing carbon emissions. |
| Ramsgate Port & Harbour: Ladder Refurbishment | 70 | To facilitate berthing for vessels that are currently too large to be accommodated. |
| Mill Lane Car Park Refurbishment | 1,563 | Work to ensure the car park remains safe and compliant for use by drivers. |

**Table 6b: New Capital Projects (placeholders only at this stage - subject to finalisation of capital bids and scoring)**

| **New Capital Project** | **Total Cost (over 4 years) £’000** | **Project Outline** |
|---|---|---|
| Homelessness Accommodation (further phases) | 7,200 | The further provision of temporary accommodation to meet the needs of homeless people. |
| Household Waste and Recycling Container Improvement | 1,096 | To replace red bags with standard wheeled bins (for kerbside paper and card collections). Bags have a relatively short lifespan and, once emptied, can blow away in windy weather. This project will also consider the implications of Section 57 of the Environment Act in terms of the separation of waste requirements and what this will mean for our current suite of waste receptacles. |
| Litter and Recycling Bin Replacement | 303 | Improvement programme to ensure that bins are in good condition and to facilitate recycling |
| Decarbonisation of the Kent Innovation Centre | 2,065 | Replace the current gas boilers with a low carbon alternative heating solution (such as additional roof insulation, window improvements, LED lighting, heat pumps, new radiators  etc etc). |
| Decarbonisation of Cecil St Main Office & Gateway | 4,400 | Replace the current gas boilers with a low carbon alternative heating solution (such as additional roof insulation, window improvements, LED lighting, heat pumps, new radiators etc etc). |
| Coastal Bin Housings | 90 | The installation of coastal bin housings to control fly-tipped waste |
| Ramsgate Port & Harbour: Refurbishment of Dockmaster Office | 50 | To improve the specification and create a drying room |

5.18. The draft General Fund Capital Programme for 2024/25 is £52.626m, which will be funded in the main from grants, usable capital receipts and prudential borrowing. This is shown in summary format below.

**Table 7: Draft Capital Programme 2024-2028**

| | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|---|---|---|---|---|
| Statutory and Mandatory Schemes | 3,000 | 3,000 | 3,000 | 3,000 |
| Ongoing Schemes from Previous Years | 1,200 | 0 | 0 | 0 |
| Annual/Regular Enhancement Programmes | 4,019 | 5,215 | 3,323 | 9,763 |
| Wholly/Part Externally Funded | 42,417 | 7,515 | 0 | 0 |
| Construction, Replacement and Enhancement | 1,890 | 4,421 | 71 | 0 |
| Capitalised Salaries (not yet allocated to capital projects) | 100 | 100 | 100 | 100 |
| **Total Capital Programme Expenditure** | **52,626** | **20,251** | **6,494** | **12,863** |
| | | | | |
| **Capital Resources Used:** | | | | |
| Capital Receipts and Reserves | 897 | 1,721 | 421 | 350 |
| Grants and Contributions | 45,417 | 7,929 | 3,000 | 3,000 |
| Contributions from Service Revenue Budgets | 0 | 0 | 0 | 0 |
| Prudential Borrowing | 6,312 | 10,601 | 3,073 | 9,513 |

5.19. Any slippage from the 2023/24 capital programme will be in addition to the numbers in the above table. For example, the Budget Monitoring Report for the 21 September 2023 Cabinet meeting gives an estimated 2023/24 General Fund capital programme underspend of £5.960m

## 6. Robustness of budget estimates

6.1. The estimates have been subject to significant review and scrutiny by the Section 151 Officer, the Corporate Management Team, and Financial Services Officers.

6.2. One of the key tools for implementing the budget strategy was the use of budget prioritisation meetings. This allowed for in depth scrutiny of existing service budgets alongside the request for any budget growth or saving proposals; aiding the accuracy and robustness of the budget estimates.

6.3. Realistic assumptions have also been incorporated with regards to inflationary increases for 2024/25. This includes a 5.75% increase in staff pay that has been agreed with the unions, and inflationary budget adjustments for energy and other key expenditure lines. Sufficient budgetary requirements have also been included for the continuation of the waking watch service.

6.4. Regardless of the level of planning or security, budget estimates are inherently uncertain due to their forward looking nature. Key risks to the delivery of the 2024/25 budget have been detailed in the main budget report at section 9, but the section 151 officer is of the opinion that the council holds sufficient and adequate reserves to face these risks, as explained further below.

**Adequacy of Reserves**

6.5. It has been well reported in recent years that the council holds relatively low reserves, compared to other district councils, to historic levels and our risk profile. However as explained at section 7 of the main budget report, reserve levels are now at the highest level in over a decade. At their lowest point in 2015/16 earmarked reserves and balances stood at £8.2m, which equated to only 42% of the council's net revenue budget of £19.2m.

6.6. Over recent years reserve holdings have steadily increased, and now stand at £16m (subject to final Audit of the Accounts), which is double the level held at 31st March 2016 and now represents approximately 70% of planned net revenue expenditure for 2024/25. This improved position allows the council to look more confidently into the future and adopt a more balanced risk appetite when considering the financial risks and implications of potential opportunities for investment, to generate income, or transform our services.

6.7. Planned contributions to reserves of £180k were agreed to be included in the 2022/23 and 2023/24 budgets, in order to restate the reserve balances that were used to fund the anticipated costs associated with the conclusion of governance and disciplinary matters. However, given the overall improvement in the council's reserves and balance position this planned contribution is no longer required for 2024/25 and beyond.

6.8. Earmarked reserves are proposed to be used on a number of occasions for the 2024/25 budget, however the section 151 officer is satisfied that these allocations are appropriate; the contributions are of a one-off nature and are in keeping with the intended purpose of the reserve, in that they will either help smooth or mitigate emergency expenditure pressures or will help to generate additional income or reduce costs in the future.

6.9. The provisional year-end position for 2022/23 shows that the council has £1.9m set aside within the reserve for risk management, which is earmarked to meet the financial pressures from any necessary actions to address any unforeseen or developing risks the council faces. In addition to this, the council also has £4,09m in the equalisation reserve to smooth financial pressures that may arise from in-year budget volatility (e.g. housing benefit, business rates, planning income).

6.10. Finally, the council's General Fund balance remains above the £2.0m risk assessed threshold.

6.11. As such, the section 151 officer is satisfied with the adequacy of the council's current reserve holdings and the robustness of the estimates that have been applied to the 2024/25 budget.

## 7. The Housing Revenue Account

7.1. 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 nonhousing related services from this account.

**The HRA 30 Year Business Plan**

7.2. 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. Finance and the Head of Housing will continue to work together to remodel a sustainable plan. This will include a review of charges and costs from the General Fund, maximising income generation opportunities, and contract efficiencies.

**The Housing Revenue Account Budget Strategy**

7.3. The Housing Revenue Account Business Plan sets out the main strategic priorities for investment in homes and services over the long term. The strategic priorities, set out below, were adopted as part of last year's budget report:

- 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 provide opportunities for tenants and leaseholders to become involved in the management of their homes.
- To provide safe, well maintained and energy efficient homes.
- To invest in long-term improvements to the council's housing stock and provide homes that people choose to live in.
- To increase the council's housing stock through programmes of new build and refurbishment.
- To review the alternative options for homes that cannot be maintained to meet current and future standards.
- To maintain a rent and charging policy that is both affordable for residents and ensures the resources needed for investment in homes and services.
- To maintain a minimum level of HRA 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**

7.4. Contract and Price Inflation - For direct expenditure budgets, price increases have been included at 72% for gas/electric and 5% for insurances, which is the best estimate of the level of inflation at this point in time, unless there is a known inflation factor within a specific contract, in which case this has been used. Salaries have been uplifted in line with the agreed pay award of 5.75%

**Increased Income**

7.5. 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.

7.6. **Rent Increases** – Social rents have been set based on government rent guidance. Affordable Rents are linked to local market rents and to the Local Housing Allowance for the area. Rents are applied to individual properties at the lower of either 80% of the local market rent or the Local Housing Allowance. Normally the Council has the flexibility to increase rents by Consumer Price Index (CPI)+1% for social and affordable rent tenants.

CPI was 6.7% in September 2023 and it is this month that is used to calculate maximum rental increases from April 2024, this means a maximum rental increase of 7.7%, which due to the inflationary pressures on the HRA, is required to ensure the business plan remains as sustainable as possible.

Based on the proposed increase across the whole stock the average rent is £102.11, this is an average increase of £7.28p per property per week. Table 2 sets out the proposed average rents across the different property types within the HRA portfolio.

7.7. **Service Charges** – Service charges are calculated based on actual cost. Tenant service charge increases continue to be capped at £3 a week

7.8. **HRA Investment Income** – This consists of interest accruing on HRA balances. The budget for 2024/25 of £822k is based on achieving an average interest rate of 4.7%.

**HRA Reserves**

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

- **Housing Revenue Account Major Repairs Reserve** – The funding held in this reserve is used to fund the Major Repair schemes included on the capital programme, enabling the council to maintain the housing stock in a good condition. The council currently maintains its social housing to Decent Homes Plus standard.

  An amount equivalent to the actual depreciation charge for dwellings is transferred to the Major Repairs Reserve to fund capital works to the existing stock. In-line with the depreciation calculation, the estimated transfer to the Major Repairs Reserve for 2024/25 is £4.353m. As at 1 April 2024 the forecast reserve balance is £15m.

- **Housing Revenue Account Balance Reserve** – This reserve holds the accumulated balance of prior year surpluses and deficits relating to the HRA. Accordingly, it is used to draw down to budgeted deficit for 2024/25 and smooth out any peaks and troughs within the 30 year business plan. As at 1 April 2024 the forecast reserve balance is £4.63m.

- **HRA New Properties Reserve** – This reserve holds funds set aside to fund either new build properties or the acquisition of suitable properties for use within the HRA. As at 1 April 2024 the forecast reserve balance is nil, due to it being budgeted to be fully utilised in 2023/24 Capital Programme. Annually the budget was set at £300k for a contribution to this reserve, but this will be reduced to finance in part the revenue impact of new acquisitions. As at 1 April 2024 the forecast reserve balance is £0m.

**The Medium Term HRA Budget Requirements**

7.10.

| | **2024/25** | **2025/26** | **2026/27** | **2027/28** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Gross Expenditure** | **17,044** | | | |
| **Income** | **-18,999** | | | |
| **Net Cost of Services** | **-1,985** | **0** | **0** | **0** |
| Share of Members and Democratic Core | 132 | | | |
| HRA Investment Income | -823 | | | |
| Debt Interest Charges | 2031 | | | |
| Government grants and contributions | -10,038 | | | |
| Adjustments made between accounting basis and funding basis | 10,766 | | | |
| | | | | |
| **(Surplus)/Deficit on HRA** | **113** | **0** | **0** | **0** |
| | | | | |
| **Housing Revenue Account Balance:** | | | | |
| Surplus(-)/Deficit at Beginning of Year | -4,631 | | | |
| Surplus(-)/Deficit For Year | 83 | | | |
| | | | | |
| **Surplus(-)/Deficit at End of Year** | **-4,518** | **0** | **0** | **0** |

## 8. Options

8.1. Cabinet could choose not to approve some or all of the proposals presented in the report.

8.2. Cabinet could endorse the MTFS and recommend it to Council for Approval.

Contact Officer: *Chris Blundell (Acting Deputy Chief Executive)*
Reporting to: *Colin Carmichael (Interim Chief Executive)*
**Annex List**

Annex 1 2024/28 Capital Programme
Annex 2 Flexible use of Capital Receipts Policy

**Background Papers**

*Title: 2024/25 Budget Report,Cabinet 19 October 2023*

**Corporate Consultation**

**Finance:** *Not applicable*
**Legal: Ingrid Brown (Head of Legal and Democracy & Monitoring Officer)**

## General Fund Capital Programme

| Capital Programme | Capital Bid Score | Directorate | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | Total £000 | Funding Source |
|---|---|---|---|---|---|---|---|---|
| **STATUTORY/MANDATORY** | | | | | | | | |
| Housing Assistance Policy (incl Disabled Facilities Grants) | 104 | Corporate Resources | 3,000 | 3,000 | 3,000 | 3,000 | **12,000** | Grant Funded |
| **ONGOING SCHEMES FROM PREVIOUS YEARS** | | | | | | | | |
| Homelessness Accommodation (phase 2) | 100 | Corporate Resources | 1,200 | | | | **1,200** | Borrowing |
| **ANNUAL/REGULAR ENHANCEMENT PROGRAMMES** | | | | | | | | |
| Vehicle & Equipment Replacement Programme | N/A | Operational Services | 2,200 | 1,970 | 175 | 6,615 | **10,960** | Borrowing |
| Vehicle & Equipment Replacement Programme (Maritime) | N/A | Operational Services | 674 | 97 | | | **771** | Borrowing |
| Homelessness Accommodation (further phases) | N/A | Corporate Resources | | 2,400 | 2,400 | 2,400 | **7,200** | Borrowing |
| Property Enhancement Programme | N/A | Corporate Governance | 500 | 250 | 250 | 250 | **1,250** | Capital Receipts |
| Household Waste and Recycling Container Improvement | N/A | Operational Services | 274 | 274 | 274 | 274 | **1,096** | Borrowing |
| Litter and Recycling Bin Replacement | N/A | Operational Services | 186 | 39 | 39 | 39 | **303** | Borrowing |
| End User Computing - Refresh of Devices | 104 | Corporate Resources | 25 | 25 | 25 | 25 | **100** | Borrowing |
| IT Infrastructure | 108 | Corporate Resources | 160 | 160 | 160 | 160 | **640** | Borrowing |
| **WHOLLY/PARTLY EXTERNALLY FUNDED** | | | | | | | | |
| Stone Bay Sea Wall Work (reprofiled from 2023/24) | 121 | Operational Services | | 450 | | | **450** | Grant Funded |
| Margate Town Deal (ongoing from 2021/22) | N/A | Corporate Governance | 16,517 | 600 | | | **17,117** | Grant Funded |
| Margate Levelling Up Fund (ongoing from 2021/22) | N/A | Corporate Governance | 4,891 | | | | **4,891** | Grant Funded |
| Ramsgate Levelling Up Fund (ongoing from 2021/22) | N/A | Corporate Governance | 18,242 | | | | **18,242** | Grant Funded |
| Ramsgate Future High Street Fund (ongoing from 2021/22) | N/A | Corporate Governance | 1,867 | | | | **1,867** | Grant Funded |
| Walpole Coping and Sea Wall (reprofiled from 2022/23) | 121 | Operational Services | 450 | | | | **450** | Grant Funded |
| Decarbonisation of the Kent Innovation Centre | N/A | Corporate Governance | | 2,065 | | | **2,065** | Grant Funded & Borrowing |
| Decarbonisation of Cecil St Main Office & Gateway | N/A | Corporate Governance | | 4,400 | | | **4,400** | Grant Funded & Borrowing |
| Margate Harbour Wall Stablisation | 121 | Operational Services | 450 | | | | **450** | Grant Funded |
| **CONSTRUCTION, REPLACEMENT & ENHANCEMENT** | | | | | | | | |
| Ramsgate Port - Berth 1 Refurbishment (reprofiled from 2023/24) | 105 | Operational Services | 300 | | | | **300** | Borrowing |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| CCTV Control Room and Systems Upgrade | 101 | Operational Services | 350 | | | | **350** | Borrowing |
| Ramsgate Leisure Centre - solar panels | 100 | Corporate Governance | 570 | | | | **570** | Borrowing |
| Hartsdown Leisure Centre - solar panels | 100 | Corporate Governance | 213 | | | | **213** | Borrowing |
| Thanet Gateway Windows / Rooflights | 100 | Corporate Governance | 176 | | | | **176** | Capital Receipts |
| Coastal Bin Housings | N/A | Operational Services | 90 | | | | **90** | Borrowing |
| Ramsgate Port & Harbour: Refurbishment of Dockmaster Office | N/A | Operational Services | | 50 | | | **50** | Borrowing |
| Ramsgate Port & Harbour: Ladder Refurbishment | 100 | Operational Services | 70 | | | | **70** | Borrowing |
| Mill Lane Car Park Refurbishment | 110 | Corporate Governance | 121 | 1,371 | 71 | | **1,563** | Reserves |
| Royal Harbour Multi-Storey Car Park | 111 | Corporate Governance | | 3,000 | | | **3,000** | Borrowing |
| **Capitalised Salaries (not yet allocated to capital projects)** | | | 100 | 100 | 100 | 100 | **400** | Capital Receipts |
| **Total for the Year** | | | **52,626** | **20,251** | **6,494** | **12,863** | **92,234** | |

| **General Fund Capital Programme Funded By** | **2024-25 £000** | **2025-26 £000** | **2026-27 £000** | **2027-28 £000** | **Total £000** |
|---|---|---|---|---|---|
| Capital Receipts | 776 | 350 | 350 | 350 | **1,826** |
| Reserves | 121 | 1,371 | 71 | | **1,563** |
| Grants & Contributions | 45,417 | 7,929 | 3,000 | 3,000 | **59,346** |
| Contributions from Service Revenue Budgets | 0 | 0 | 0 | 0 | **-** |
| Prudential Borrowing | 6,312 | 10,601 | 3,073 | 9,513 | **29,499** |
| **Total for the Year** | **52,626** | **20,251** | **6,494** | **12,863** | **92,234** |

| **Analysis of Prudential Borrowing (excl placeholders)** | **MRP Cost £000 pa - on Total** | **Interest cost at 5.0% £000 pa - on Total** | **2024-25 £000** | **2025-26 £000** | **2026-27 £000** | **2027-28 £000** | **Total £000** |
|---|---|---|---|---|---|---|---|
| Homelessness Accommodation (phase 2) (50 yr MRP life) | 24 | 60 | 1,200 | | | | **1,200** |
| Vehicle & Equipment Replacement Programme (6 yr MRP life) | 1,827 | 548 | 2,200 | 1,970 | 175 | 6,615 | **10,960** |
| Vehicle & Equipment Replacement Programme - Maritime (9 yr MRP life) | 86 | 39 | 674 | 97 | | | **771** |
| IT Infrastructure (5 yr MRP life) | 128 | 32 | 160 | 160 | 160 | 160 | **640** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| End User Computing - Refresh of Devices (5 yr MRP life) | 20 | 5 | 25 | 25 | 25 | 25 | **100** |
| Ramsgate Port - Berth 1 Refurbishment (20 yr MRP life) | 15 | 15 | 300 | | | | **300** |
| CCTV Control Room and Systems Upgrade (10 yr MRP life) | 35 | 18 | 350 | | | | **350** |
| Ramsgate Leisure Centre - solar panels (25 yr MRP life) | 23 | 29 | 570 | | | | **570** |
| Hartsdown Leisure Centre - solar panels (25 yr MRP life) | 9 | 11 | 213 | | | | **213** |
| Ramsgate Port & Harbour: Ladder Refurbishment (10 yr MRP life) | 7 | 4 | 70 | | | | **70** |
| Royal Harbour Multi-Storey Car Park (47 yr MRP life) | 64 | 150 | | 3,000 | | | **3,000** |
| **Total** | **2,236** | **909** | **5,762** | **5,252** | **360** | **6,800** | **18,174** |

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# Annex 2 - Flexible Use of Capital Receipts Strategy

## 1.0 Flexible Use of Capital Receipts

1.1 In March 2016 the government produced Statutory Guidance on the Flexible Use of Capital Receipts. Proper accounting practices mean that capital receipts can only be used to support capital expenditure. However, the purpose of the guidance is to give flexibility as to the use of capital. In summary, the guidance allowed councils to use capital receipts from the disposal of property, plant and equipment assets received in the period 1 April 2016 to 31 March 2019 to fund revenue spending which is forecast to generate ongoing savings to an authority's net service expenditure.

1.2 The above initiative has subsequently been extended by the government for a further three years. Accordingly, capital receipts which have been received from 1 April 2016 to 31 March 2022 may now be used to fund revenue expenditure incurred during this period which is forecast to generate ongoing savings to the council's net service expenditure.

1.3 In April 2022 the Department for Levelling Up, Housing & Communities (DLUHC) announced that this initiative had been extended again. This time for the three years from 1 April 2022 to 31 March 2025 although redundancy costs are not now covered, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments.

1.4 The guidance itself gives examples of the type of expenditure that can be funded from this source although it is not exhaustive. This includes:

- Funding the cost of statutory redundancy payments, where this leads to ongoing efficiency savings or service transformation.

- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.

A more comprehensive list is provided in section 2 - Guidance below.

1.5 This provides an opportunity for the council to invest in some significant projects during this period to embed efficiencies for future years. As previously reported, capital receipts have been or are being used to:

(a) fund in 2017-18 a Corporate Restructure that was conducted by the Chief Executive, to reduce the establishment costs of the council, delivering long-term savings. Subsequently there have been further service reconfigurations and restructures to deliver long-term savings.

(b) deliver Digitally Enabled Services (to reduce costs and also improve customer service).

Hence, the use of capital receipts will result in significant ongoing savings for the council. Notification was duly given by the council to the Department for Communities and Local Government (DCLG).

1.6 It was previously estimated that these projects would produce significant ongoing savings, as set out below.

| Project Name | Project Description | Estimated Qualifying Expenditure £'000 | Estimated Annual Savings £'000 |
|---|---|---|---|
| Corporate Restructuring and Service Reconfiguration | To review and update the organisational structure and service configuration to deliver efficiencies | 800 | 814 |
| Digitally Enabled Services | To adopt digital technology to enable new ways of working | 200 | 50 |

1.7 Expenditure on these two projects has been as follows:

| Budget and Expenditure | Corporate Restructuring and Service Reconfiguration £'000 | Digitally Enabled Services £'000 | Total £'000 |
|---|---|---|---|
| Original Budget | 800 | 200 | 1,000 |
| 2017-18 spend | (287) | (32) | (319) |
| 2018-19 spend | (23) | (95) | (118) |
| 2019-20 spend | (437) | (60) | (497) |
| 2020-21 spend | (1) | (59) | (60) |
| 2021-22 spend | 0 | (3) | (3) |
| 2022-23 spend | 0 | 0 | 0 |
| 2023-24 spend (estimated) | (52) | 0 | (52) |
| 2019-20 budget transfer | 0 | 60 | 60 |
| 2021-22 budget transfer | 0 | 100 | 100 |
| 2022-23 budget transfer | 0 | (111) | (111) |
| **Total - estimated budget remaining to the end of March 2024** | **0** | **0** | **0** |

1.8 The corporate restructuring and service reconfiguration as implemented continues to deliver ongoing efficiencies throughout the organisation and this drive to deliver more efficient ways of working will continue through the MTFS 2024-28.

1.9 The push for Digitally Enabled Services continues to deliver improvements in the way that we manage our services. This is reflected through the delivery of ongoing savings within the MTFS 2024-28.

1.10 Actual spend for the 2023-24 financial year will be reflected in a future update.

1.11 The following 2024-25 Treasury Management Strategy Statement Prudential Indicator will be potentially impacted by the use of £52k of General Fund capital receipts:

> **Ratio of Financing Costs to Revenue Stream**: The 2024-25, 2025-26 and 2026-27 General Fund ratios (to one decimal place) increase by 0.0%, 0.0% and 0.0% respectively - i.e. the increase is less than 0.1% for all three years.

This is calculated on the assumption that the flexible use of capital receipts does not increase the council's revenue stream but does increase the council's funding requirement by £52k.

1.12 Council is recommended to consider and approve this revised Capital Receipts Strategy.

**2.0 Flexible Use of Capital Receipts – Guidance**

2.1 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 issued revised guidance in March 2016 and subsequently.

2.2 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.

2.3 Revenue Reform Costs must be properly incurred by 31 March 2025 and can only be met from capital receipts which have been received from 1 April 2016 to 31 March 2025. Revenue Reform Costs cannot be financed from (i) Right to Buy receipts, (ii) pre 1 April 2016 capital receipts, and/or (iii) borrowing.

2.4 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 where this leads to ongoing efficiency savings or service transformation;
- 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 - this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery.

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

2.6 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 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).

**2.7 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.

The council has used capital receipts to fund the redundancy costs of the corporate restructure and service reconfiguration, and the costs of digitally enabled services.

# HRA Budget 2024/25

| | |
|---|---|
| **Cabinet** | 11 January 2024 |
| **Report Author** | Chris Blundell (Director of Corporate Services - Section 151) |
| **Portfolio Holder** | Cllr Yates, Cabinet Member for Corporate Services |
| **Status** | For Decision |
| **Classification:** | Unrestricted |
| **Key Decision** | Budget and Policy Framework |
| **Ward:** | Thanet Wide |

## Executive Summary:

This report presents the 2024/25 budget and 2024-28 capital programme for the Housing Revenue Account.

## Recommendation(s):

1. That the HRA budget for 2024/25 be recommended to Council for approval;

2. That the revised Housing Revenue Account capital programme (Annex 1) for 2024-28 be recommended to Council for approval;

## Corporate Implications

### Financial and Value for Money

The financial implications of the budget are laid out within the body of the report.

### Legal

Section 151 of the Local Government Act 1972 requires a suitably qualified named officer to keep control of the council's finances. For this council, this is the Director of Corporate Services - Section 151 and this report is helping to carry out this function.

The council's responsibilities in respect of the need to keep a Housing Revenue Account (HRA) are contained within Section 74 of the Local Government and Housing Act 1989 ('The Act') and its use is heavily prescribed through statute. The HRA records all of the revenue expenditure and income relating to land, dwellings and other buildings provided under Part II of the Housing Act 1985 and corresponding earlier legislation. It must be separate from the General Fund Revenue Account and therefore is to all intents and purposes ring-fenced.

Although the HRA for an individual year may result in a deficit, it is a requirement of 'The Act' that overall it must maintain a surplus, which means that expenditure must be carefully planned to remain within the limits of the anticipated income streams over the medium term.

The requirements of other relevant statutes 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 contribute towards meeting those priorities and to deliver services.

**Equality 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, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

The council's housing revenue account budget has implications for the services provided to the council's tenants and leaseholders and for households that have applied to the council's housing register and are waiting for a suitable home. This includes tenants, leaseholders and applicants who have protected characteristics as defined by the Public Sector Equality Duty. This report recommends the allocation of resources to services, including the repair and improvement of existing homes and the acquisition and construction of new homes, and it is essential that the council considers the needs of all tenants, leaseholders and applicants, including those with protected characteristics prior to making these decisions. An Equalities Impact Assessment will be complete in respect of the proposals included in this report before the final draft budget is presented to council in February.

## CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

**1. Introduction and Background**

1.1. This report seeks approval of the 2024/25 Housing Revenue Account (HRA) budget and associated capital programme. A review of the council's HRA reserves for both revenue and capital is included. The report further sets out the assumed housing rent increases to assist in funding the budget.

**2. Housing Revenue Account Strategic Priorities**

2.1. The Housing Revenue Account Business Plan sets out the main strategic priorities for investment in homes and services over the long term. The strategic priorities, set out below, were adopted as part of last year's budget report:

- 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 provide opportunities for tenants and leaseholders to become involved in the management of their homes.
- To provide safe, well maintained and energy efficient homes.
- To invest in long-term improvements to the council's housing stock and provide homes that people choose to live in.
- To increase the council's housing stock through programmes of new build and refurbishment.
- To review the alternative options for homes that cannot be maintained to meet current and future standards.
- To maintain a rent and charging policy that is both affordable for residents and ensures the resources needed for investment in homes and services.
- To maintain a minimum level of HRA reserves of £1m.

## 3. 2024/25 Housing Revenue Account Revenue Budget

3.1. The proposed HRA revenue budget for 2024/25 is set out below.

**Table 1: 2024/25 HRA Budget**

| DRAFT - HOUSING REVENUE ACCOUNT BUDGET | |
|---|---|
| | **2024/25 Proposed** |
| | **£'000** |
| **Income** | |
| Dwelling Rents (gross) | -17,384 |
| Non-dwelling Rents (gross) | -327 |
| Charges for services and facilities | -706 |
| Contributions towards expenditure | -582 |
| | |
| **Income Subtotal** | **-18,999** |
| | |
| **Expenditure** | |
| Repairs & Maintenance | 5,459 |
| Supervision & Management – General | 5,222 |
| Supervision & Management – Special | 1,129 |
| Rents, rates, taxes and other charges | 268 |
| Bad or doubtful debts provision | 304 |
| Depreciation/impairment of fixed assets | 4,353 |
| Capital Expenditure funded from HRA | 300 |
| Debt Management Costs | 9 |

| | |
|---|---|
| | |
| **Expenditure Subtotal** | **17,044** |
| | |
| **Net Costs of Services Sub Total** | **-1,955** |
| | |
| Share of Members and Democratic Core | 132 |
| HRA Investment Income | -823 |
| Debt Interest Charges | 2,031 |
| Government Grants and Contributions | -10,038 |
| Adjustments made between accounting basis and funding basis | 10,766 |
| | |
| (**Surplus)/Deficit on HRA** | **113** |
| | |
| **Housing Revenue Account Balance:** | |
| Forecast Surplus at Beginning of Year | -4,631 |
| (Surplus)/Deficit for Year | 113 |
| Estimated Surplus at End of Year | **-4,518** |

3.2. The estimates show that the 2024/25 HRA revenue budget has a deficit of £113k. This means that the council is expecting to spend £113k more on the HRA for the forthcoming financial year than it will receive in income for rents and other sources.

3.3. As set out in the legal implications, although the HRA budget for an individual year may be in a deficit, it is a requirement of the Local Government and Housing Act 1989 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. How the council seeks to move into surplus and the assumptions underpinning achieving this are set out in the HRA Business plan at section 8.

3.4. The key aspects of the draft budget are set out in detail in the following sections.

**4. Details of the HRA Expenditure Budgets**

4.1. **Contract and Price Inflation** - For direct expenditure budgets, price increases have been included at 72% for gas/electric and 5% for insurances, which is the best estimate of the level of inflation at this point in time, unless there is a known inflation factor within a specific contract, in which case this has been used. Salaries have been uplifted in line with the agreed pay award of 5.75%.

4.2. **Repairs and Maintenance -** The repairs and maintenance programme has in the main been uplifted by inflationary factors associated with each contract this has led to growth of £204k in the repairs and maintenance budget.

4.3. **Supervision and Management General** – Additional revenue budget has been retained to continue the requirements laid out by Kent Fire and Rescue for a 'waking watch' provision at the tower blocks, whilst the associated on-going capital works are completed.

4.4. **Hardship Fund** - Through consultation with the portfolio holder for housing a hardship fund of £30k has been allocated within the 24/25 budget to assist those tenants on a low income who may be struggling to meet the rent or associated service charges charged. The criteria of the fund will be developed and published by the Tenant and Leasehold team to ensure these specific tenants are supported.

4.5. **Bad or Doubtful Debts Provision** – The bad debt provision is budgeted at 1.75% of rental income and a corresponding increase in the bad debt provision of £44k is proposed.

4.6. **Depreciation for Fixed Assets** – The estimated depreciation charge for dwellings and other assets is calculated at £4.353m in 2024/25.

4.7. **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 at 30 November 2023, the HRA had £12.6m of loans outstanding. The Council has profiled its forecast debt charges in line with the anticipated level of external borrowing required for the HRA and has budgeted accordingly.

## 5. Details of the HRA Income Budgets

5.1. **Rent Increases** – Social rents have been set based on government rent guidance. Affordable Rents are linked to local market rents and to the Local Housing Allowance for the area. Rents are applied to individual properties at the lower of either 80% of the local market rent or the Local Housing Allowance. Normally the Council has the flexibility to increase rents by Consumer Price Index (CPI)+1% for social and affordable rent tenants.

CPI was 6.7% in September 2023 and it is this month that is used to calculate maximum rental increases from April 2024, this means a maximum rental increase of 7.7%, which due to the inflationary pressures on the HRA, is required to ensure the business plan remains as sustainable as possible.

Through consultation with the portfolio holder for Housing, social rents will be increased by the full 7.7% for both social and affordable rents..

CPI for the last 2 years has been 10.1% and 6.7% meaning an inflation increase of 16.8%, whereas rental increases have been increased by 7% 23/24 and 7.7% 24/25, meaning that rent increases have actually been lower than inflation over this period.

Based on the proposed increase across the whole stock the average rent is £102.11, this is an average increase of £7.28p per property per week. Table 2 sets out the proposed average rents across the different property types within the HRA portfolio.

**Table 2: Average rents 2024/25**

| AVERAGE RENTS 2024/25 | | |
|---|---|---|
| PROPERTY TYPE | SOCIAL RENT | AFFORDABLE RENT (inclusive of service charges) |
| BEDSITS | 69.82 | 105.20 |
| 1 BED HOUSE | 95.23 | 97.06 |
| 1 BED FLAT | 82.44 | 102.15 |
| 2 BED HOUSE/BUNGALOW | 103.71 | 135.22 |
| 2 BED FLAT | 93.20 | 146.29 |
| 3 BED HOUSE | 113.13 | 178.82 |
| 3 BED FLAT | 105.70 | 176.01 |
| 4 BED HOUSE | 124.82 | 194.17 |
| 4 BED FLAT | 110.25 | 200.38 |
| 5 BED HOUSE | 135.75 | n/a |

The proposed average rent of £102.11 is substantially below the Local Housing Allowance levels - LHA rents are in the order of 40% higher - and actual private sector rents are higher still. It should also be noted that approximately 81% of those charged social rents and 91.5% of those charged affordable rents, are in receipt of either Housing Benefit or Universal Credit. Whilst individual cases may vary due to specific circumstances, it is reasonable to assume that in general, increased rent will be matched by increased benefit.

Due to the increase in LHA rates from 1st April it is anticipated that no one in an affordable rented property would see their rents increase over and above the LHA rate as a result of the 7.7% increase. Although if this was the case to ensure on-going affordability for these tenants the Council caps rents at the relevant LHA rate for the property type.

To support residents on lower incomes or in financial hardship who are not in receipt of benefits, we are introducing a new hardship fund, allocating £30,000 to support in specific cases of hardship.

The HRA has been running at a deficit now for a number of years, mainly due to the requirement by the government to reduce social and affordable rents by 1% per annum for the four years starting in 2016/17.

This coupled with other one-off costs, such as the waking watch and bringing the service back in-house has meant that increasing rents by the maximum 7.7% is essential to ensure the HRA comes back to a surplus position over time.

In addition the HRA needs to work towards a surplus so that should unforeseen capital expenditure be required the HRA has sufficient revenue resources to finance the undertaking of additional borrowing (for example to finance future requirements in relation to net zero carbon).

5.2. **Non Dwelling Rents** - Garage rents are to remain the same in 2024/25.

5.3. **Service Charge Increases** – Service charges are calculated based on actual cost. Tenant service charge increases continue to be capped at £3 a week.

5.4. **Heating Charges** – Heating charges will be recovered on actual cost based on usage and contract price and then apportioned across the block dependent on bedroom size.

5.5. **Investment Income** – This consists of interest accruing on HRA balances. The budget for 2024/25 of £822k is based on achieving an average interest rate of 4.7%.

## 6. The Housing Revenue Account Reserves

6.1. Section 32 of the Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure. The Section 151 Officer is responsible for providing advice, so that decisions taken on reserves represent proper stewardship of public funds. Reserves should be set and maintained at a level at least sufficient to meet any unexpected increase in expenditure or shortfall in income in the ensuing year that cannot be met from within the approved budget. Any decision that fails to take into account their advice may require a report to be made to the council under Section 114 of the Local Government Finance Act 1988.

6.2. The council operates three main HRA reserves: a HRA Major Repairs Reserve, the HRA Balance Reserve and the HRA New Properties Reserve:

6.3. **Housing Revenue Account Balance Reserve** – This reserve holds the accumulated balance of prior year surpluses and deficits relating to the HRA. Accordingly, it is used to draw down to budgeted deficit for 2024/25 and smooth out any peaks and troughs within the 30 year business plan. As at 1 April 2024 the forecast reserve balance is £4.63m.

6.4. **Housing Revenue Account Major Repairs Reserve** – The funding held in this reserve is used to fund the Major Repair schemes included on the capital programme, enabling the council to maintain the housing stock in a good condition. The council currently maintains its social housing to Decent Homes Plus standard.

An amount equivalent to the actual depreciation charge for dwellings is transferred to the Major Repairs Reserve to fund capital works to the existing stock. In-line with the depreciation calculation, the estimated transfer to the Major Repairs Reserve for 2024/25 is £4.353m. As at 1 April 2024 the forecast reserve balance is £15m.

6.5. **HRA New Properties Reserve** – This reserve holds funds set aside to fund either new build properties or the acquisition of suitable properties for use within the HRA. As at 1 April 2024 the forecast reserve balance is nil, due to it being budgeted to be fully utilised in 2023/24 Capital Programme. Annually the budget was set at £300k for a contribution to this reserve, but this will be reduced to finance in part the revenue impact of new acquisitions. As at 1 April 2024 the forecast reserve balance is £0m.

6.6. These reserves are required in order to comply with proper accounting practice, whilst others have been created to earmark resources for known or predicted liabilities. A summary of the projected reserves, allowing for the budget proposals, is shown in Table 3 below for information.

**Table 3 HRA Reserves**

| Reserves | 31 Mar 24 | Movement | 31 Mar 25 |
|---|---|---|---|
| | £000 | £000 | £000 |
| HRA - Balances Reserve | 4,631 | -113 | 4,518 |
| HRA - New Prop/ Repairs Reserve | 0 | 0 | 0 |
| HRA - Major Repairs Reserve | 15,062 | -3,447 | 11,615 |
| **Total** | **19,693** | **(3,560)** | **16,133** |

## 7. The HRA Capital Programmes for 2024/25 to 2027/28

7.1. The proposed capital programme for 2024/25 totals £25.746m, with a further £47.8m programmed for the following three financial years, resulting in a capital spend over the four year programme totalling £73.54m.

7.2. **Annex 1** contains the full breakdown of the HRA Capital Programme.

7.3. Key schemes included within the four year programme are:

- **Tower Block Works** - £20.259m over three years. The budget for the tower block works including cladding replacement has been reviewed and provisionally reprofiled across the financial years 2024-2027 whilst we are in the design phase of the project These works are largely funded by external grants from the Building Safety Fund and Social Housing Decarbonisation Fund which are forecast to total £13.91m.
- **Structural Repairs -** £2.3m over four years, this budget covers the major structural repairs to our housing stock such as balcony renewal.

- **Acquisitions/Development Programme -** £32.4m over four years, financed through borrowing and other sources of capital finance has been factored into the programme and revenue assumptions.
- **Churchfields and Royal Crescent -** The major refurbishment schemes at Churchfields and Royal Crescent have been reprofiled from 2023/24 to 2024/25.

**8. 30 year HRA Business Plan**

8.1. This is currently being completed and will be available when the report goes to Cabinet for approval 25 January.

8.2. **New Build and Acquisition Programme**

To date the Council has delivered 150 additional homes over the last nine years, with funding already in place to deliver additional homes, including £8.1m per annum over the 4 year capital programme and an additional £19.485m built into the 23/24 programme.

As part of the commitment to deliver additional units an increase in budget is required to further facilitate the HRAs intended acquisition programme. The initial £8.1m and the budget factored into 23/24 reinforce this commitment, but more is needed to realise the commitment to deliver 400 units. The council has made a great start against this 400 home target with 123 homes already agreed or in negotiation and will be starting construction on a further 47 this year on land already owned by the council.

A further report will be brought back to members in the early part of 24/25 to update on progress and to report the budget required to complete the delivery of these units.

This investment should also have a direct impact on homelessness in the district by creating additional units of affordable housing, which will provide a financial benefit for the General Fund by reducing costs in that service area. In the last few years the district has seen a reduction in the amount of affordable private rented accommodation in the district, through a combination of people using previously rented accommodation as a place to now work by the coast or maximising income through Airbnb.

8.3. **Financing the Business Plan**

The main source of income for the HRA is the rents paid by council tenants. From 1st April 2020 the Government announced that council landlords could increase their rents again by CPI + 1% for a period of 5 years. For 2023/24 the government implemented a cap of 7% for rental increases due to high inflation, this has now returned to a CPI 1% permitted increase.

In addition the HRA receives income from other services such as service charges for services provided over those covered by their rental charges.

As expenditure is split between revenue and capital, resources to finance that expenditure are also split between revenue and capital. The key financing streams are:

Revenue:

- Dwelling Rents (from both social and affordable rents)
- Non-dwelling Rents (from garage rentals, aerials on roof tops etc.)
- Charge for services and facilities (charges for services not included in rental)
- Contributions towards expenditure (leaseholder charges, rechargeable repairs, other income)

Capital

- Major Repairs Reserve (revenue monies are set aside annually to fund major capital expenditure on dwellings)
- New Properties Reserve (revenue monies set aside to build new dwellings)
- Capital Receipts (from sales of dwellings or other assets)
- Borrowing

## 9. Budget Estimates

9.1. The estimates are considered to be robust and have been subject to significant review and scrutiny by the Section 151 Officer, the Corporate Management Team, and Financial Services Officers.

9.2. Realistic assumptions have also been incorporated with regards to inflationary increases for 2023/24. This includes a 5.75% increase in staff pay that has been agreed with the unions, and inflationary budget adjustments for energy and other key expenditure lines. Sufficient budgetary requirements have also been included for the continuation of the waking watch service.

9.3. Regardless of the level of planning or security, budget estimates are inherently uncertain due to their forward looking nature. Key risks that could result in a departure from this budget during the forthcoming financial year include:

- **Interest Income** - reduced income may be achieved either due to a reduction in interest rates, or accelerated expenditure which would reduce the levels of balances against which the interest is accrued.

- **Debt interest** - although the HRA is under borrowed, the budget is based on current interest rate forecasts and even a small increase in interest rates would have a detrimental effect on the HRAs current budget deficit.

- **Repairs and Maintenance** - There is still a significant degree of catch up works being undertaken, following the return of the service from EKH. Until the major works in the capital programme have been completed and the overall R&M schedules have cleared the backlog, there remains a risk that this budget line may be stretched.

- **Waking Watch -** Current arrangements are fully financed, but these could vary in future depending on the requirements of Kent Fire and Rescue Service.

## 10. Adequacy of HRA Reserves

10.1. The level of HRA reserves remains relatively healthy overall.

10.2. HRA balances are in excess of the minimum £1m limit, even after the pressure of forecast annual deficits in the HRA in the short term. The Business Plan projects that balances will not significantly drop in the short term but should be maintained as there are still substantial risks, as outlined above, to current and future budget forecasting.

10.3. The New Properties Reserve is likely to be fully utilised by the end of 2023/24 due to further progression of the Council's new build housing and refurbishment schemes. This is as expected, in future years the reserve will have contributions and use of the same value.

10.4. The Major Repairs Reserve reduces over the next few years due to the size of the capital programme although it will still maintain a healthy balance. The forecast budget will reduce the reserve to £6.853m at the end of 2026/27.

## 11. Options

11.1. Cabinet could choose not to accept some or all of the proposals. This could include the proposed housing rent increases. However, Cabinet would also need to consider the impact on the business plan and potential ways of bridging the budget gap if the level of balances fall below the recommended amount.

Contact Officer: Chris Blundell (Director of Corporate Services - Section 151)
Reporting to: Colin Carmichael (Interim Chief Executive)

**Annex List**

Annex 1: Housing Revenue Account Capital Programme 2023-27 Budget

**Background Papers**

*Title: Held in Financial Services*

**Corporate Consultation**

**Finance:** N/A
**Legal: Ingrid Brown (Head of Legal and Democracy & Monitoring Officer)**

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## Annex 1 - HRA Capital Programme 2024-25 to 2027-28

| SCHEME | 2024-25 £'000 | 2025-26 £'000 | 2026-27 £'000 | 2027-28 £'000 |
|---|---|---|---|---|
| **Re – Roofing** | **447** | **250** | **250** | **250** |
| **Window & Door Replacements** | **795** | **243** | **243** | **150** |
| **Kitchen Replacements** | **500** | **500** | **500** | **500** |
| **Bathroom Replacements** | **165** | **165** | **165** | **165** |
| **Rewiring** | **176** | **100** | **100** | **100** |
| **Heating** | **250** | **260** | **270** | **280** |
| **Fire Precaution Works** | **540** | **792** | **792** | **792** |
| **Tower Block Works** | **10,656** | **6,603** | **3,000** | **0** |
| **Planned Refurbishments (Door Entry and Entrance Doors)** | **20** | **20** | **20** | **20** |
| **Structural Repairs** | **1,696** | **200** | **200** | **200** |
| **Thermal Insulation** | **500** | **1,000** | **30** | **30** |
| **Lift Refurbishment & Replacements** | **30** | **30** | **30** | **30** |
| **Garages** | **50** | **50** | **50** | **50** |
| **Estate Improvements** | **350** | **200** | **200** | **200** |
| **Playground works** | **35** | **20** | **20** | **20** |
| **Major Void works** | **600** | **620** | **640** | **660** |
| **Vehicle Replacement** | **60** | **0** | **0** | **0** |
| **CCTV** | **30** | **70** | **20** | **20** |
| **Capital Salaries** | **313** | **328** | **344** | **361** |
| **Total Major Works** | **17,213** | **11,451** | **6,874** | **3,828** |
| | | | | |
| **Disabled Adaptations** | | | | |
| **Disabled Adaptations** | **300** | **300** | **300** | **300** |
| **Total Major Works + Disabled Adaptations** | **17,513** | **11,751** | **7,174** | **4,128** |
| | | | | |
| **Acquisitions/Development Programme** | **8,100** | **8,100** | **8,100** | **8,100** |
| **Capital Salaries** | **133** | **140** | **147** | **154** |
| | | | | |
| **TDC Managed Budgets** | **8,233** | **8,240** | **8,247** | **8,254** |
| **Total HRA Capital Expenditure** | **25,746** | **19,991** | **15,421** | **12,382** |

| FUNDING | 2024-25 £'000 | 2025-26 £'000 | 2026-27 £'000 | 2027-28 £'000 |
|---|---|---|---|---|
| Major Repairs Reserve | 7,800 | 6,894 | 6,874 | 3,828 |
| Revenue Contributions | 300 | 300 | 300 | 300 |
| Capital Grants | 10,038 | 4,557 | | |
| Capital Receipts | 193 | 140 | 147 | 154 |

| | | | | |
|---|---|---|---|---|
| Prudential Borrowing | 4,860 | 4,860 | 4,860 | 4,860 |
| 141 Capital Receipts | 2,555 | | | |
| Other | | 3,240 | 3,240 | 3,240 |
| **Total Funding** | **25,746** | **19,991** | **15,421** | **12,382** |

# COUNCIL TAX BASE CALCULATION 2024/25

| | |
|---|---|
| **Cabinet** | 11th January 2024 |
| **Report Author** | Chris Blundell, Director of Corporate Services and S151 Officer |
| **Portfolio Holder** | Cllr Rob Yates, Cabinet Member for Corporate Services |
| **Status** | For Decision |
| **Classification:** | Unrestricted |
| **Key Decision:** | Non Key |
| **Ward:** | Thanet Wide |

Section 106 Local Government Finance Act 1992

Section 106 of the Local Government Finance Act 1992 applies to this item of business. If any member of the Council who is present at the meeting at which this report is considered owes any sum in respect of council tax which has remained unpaid for at least two months, they shall at the meeting and as soon as practicable after its commencement disclose the fact that section 106 applies to them and shall not vote on any question with respect to the matter.

## Executive Summary:

The Council Tax base for the coming year is set by Thanet District Council and is used by Kent County Council, the Police and Crime Commissioner for Kent, Kent and Medway Fire and Rescue Authority and the various town and parish councils when setting their Council Tax and their precepts.

## Recommendation(s):

It is recommended that Cabinet:

1. Determine that for the financial year 2024/25, the empty homes discount for properties unoccupied and unfurnished (‘Class C’ properties) remains at 0%, so that Council Tax will be payable in full on these properties.

2. Approve the District's Council Tax Base for 2024/25 as 46,454.06 and the tax base for the towns and parishes in the Council’s administrative area, as set out in the table at Appendix 2.

3. Determines the "Long Term Empty Premium" for properties that have been left empty and substantially unfurnished:

   (a) for periods of 1 year but less than 5 years, a Long Term Empty premium to be charged at 100%; and
   (b) for periods of 5 years but less than 10 years, a Long Term Empty premium to be charged at 200%; and
   (c) for periods of 10 years or more a Long Term Empty premium to be charged at 300%.

4. Formally approves the discontinuation of the council Tax 'Class D' discount, for properties undergoing structural alteration and/or major repair, effective from 1 April 2024.

5. Formally approves the Council Tax Reduction Scheme (CTRS) as set out in this report, effective from 1 April 2024.

6. Formally approves the application of a 100% Council Tax premium on properties that are unoccupied and furnished, often referred to as 'second homes' ('Class B' properties), applicable from 1 April 2025, in line with the Levelling-Up and Regeneration Act 2023.

**Corporate Implications**

**Financial and Value for Money**

The Council Tax Base is used to calculate Council Tax levels for 2024-25.
Failure to comply with timescales could delay Council Tax bills with the potential to affect collection and cash-flow.

On the assumption that the levels of support under the Council Tax Reduction Scheme and the discounts and premiums are confirmed, the Council Tax Base for Thanet District Council will increase by 694.59 Band D properties between 2023-24 and 2024-25.

**Legal**

in relation to the setting of Council tax, the Council is bound to adhere to statutory requirements. These are set out in the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base (England)) Regulations 2012. This report ensures that the council is meeting its statutory requirements.

Under section 13A (2) of the Local Government Finance Act 1992, the Council as billing authority must make a localised Council Tax Reduction Scheme in accordance with Schedule 1A of the Act. Each financial year the Council must consider whether to revise its scheme, or to replace it with another scheme. This report notes that the Council proposes no changes to the current scheme.

The relevant legal provisions of the Levelling up and Regeneration Act 2023 are set out in the body of this report.

**Corporate**

Failure to confirm the decision will affect the collection of Council Tax and budget settings.

**Equality 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, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -

- To eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act.
- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

**CORPORATE PRIORITIES**

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

**1. Introduction and Background**

1.1 The Council is required to set its tax base by 31 January every year, for the following financial year. The tax base is defined in terms of the number of Band D equivalent properties, adjusted to reflect various discounts.

1.2 The Council is also required on an annual basis to determine whether and, if so, the extent to which it will reduce or remove any Council Tax discounts.

1.3 The tax base for 2024-25 has been prepared in accordance with the current regulations which came into force on 30 November 2012. The calculations are shown in Annex 1.

1.4 As the Council Tax base is defined in terms of "Band D equivalent" dwellings, and Band D dwellings are treated as "average" houses, all other properties are defined as a ratio against Band D houses, and pay Council Tax in accordance with that ratio.

1.5 The table below illustrates how this works.

| **Council Tax Band** | **Ratio to Band D** | **Number of Dwellings (based on the Valuation Office list)** |
|---|---|---|
| Band A | 6/9 | 16,337 |
| Band B | 7/9 | 19,990 |
| Band C | 8/9 | 18,156 |
| Band D | 9/9 | 8,091 |
| Band E | 11/9 | 4,159 |
| Band F | 13/9 | 1,642 |
| Band G | 15/9 | 822 |
| Band H | 18/9 | 35 |

1.6 The basis of the calculation is to multiply the number of dwellings in each band by their respective ratio, then add the totals together to produce a "Band D equivalent" total. This total includes a number of adjustments for factors such as single person discounts, people in receipt of Council Tax Reduction Scheme discounts, etc. The total is then adjusted for the anticipated collection rate, in order to determine the tax base. The assumed collection rate recognises that there will be an element of bad debt that will not be collected and as such the collection rate is set at 98.00% to reflect this.

Based on these factors it is recommended that the tax base for 2024-25 is set at 46,454.06. This represents a 694.59 or 1.52% increase in the tax base compared to 2023-24.

## 2. Identification of Options For the Setting of the Council Tax Base

2.1 The setting of the Council Tax base is mainly a mechanical process based on the projected number of properties, level of discounts and collection rates, and does not produce options for Members to consider.

2.2 The Council is also required, on an annual basis:

(a) To determine whether and, if so, the extent to which it will reduce or remove any Council Tax discounts;

(b) To determine the Long Term Empty premium;

(c) To approve, by 11th March, a CTRS for the coming financial year.

**3. Approve the continuation of a Council Tax premium (a 'Long Term Empty Premium') for properties empty and substantially unfurnished, as follows:**

3.1 Legislation was previously passed to allow councils to increase the Long Term Empty Premium currently being charged for domestic properties that have been left empty and substantially unfurnished for two years or more. This took effect from April 2019 and saw the premium increase from 50% to 100%. This meant that when a property had been empty and unfurnished for two years or more, an additional 100% Council Tax was charged from April 2019, making Council Tax payable at 200% from April 2019.

The legislation included further increases in the premium for future years for properties that have been empty and substantially unfurnished for longer periods. Public consultation undertaken in December 2018 resulted in respondents being in favour of further increasing the Long Term Empty Premium for properties empty for 5 years or more to 200%, (which was introduced in Thanet from April 2020), and the Long Term Empty Premium at 300% (which was introduced in Thanet from April 2021), for properties empty and substantially unfurnished for 10 years or more.

**There are two exceptions.**

3.2 Where the property is left empty by a serving member of the armed forces, who is living elsewhere in accommodation provided by the Secretary of State for defence; or where the property is the sole or main residence of a serving member of the armed forces, who is subject to a job related discount at an alternative address provided by the Secretary of State for defence.

3.3 Empty Annexes are not subject to the Long Term Empty Premium.

**4. Council Tax Reduction Scheme (Council Tax Reduction Scheme)**

4.1 The Welfare Reform Act 2012 abolished Council Tax Benefit from April 2013 and, in accordance with Section 13A of the Local Government Finance Act 1992 the Council approved a local CTRS, with effect from 1 April 2013.

4.2 The current scheme, which has been in place since April 2020, was agreed and approved at full council on 29 January 2020. The Local Government Finance Act 1992 requires that for each financial year, the Council must consider whether to revise its scheme or to replace it with another scheme. Where a new scheme is proposed or revisions to an existing scheme are proposed, there must be prior consultation with major precepting authorities, and such other persons as are likely to have an interest in the operation of the scheme.

4.3 It is proposed that no changes are made to the CTRS for 2024/25, other than the annual national uprating of applicable amounts, allowances, and premiums.

**5. Background to the Long Term Empty premium for properties empty (unoccupied and unfurnished) for more than 2 years**

5.1 Legislation was passed in 2017 to allow Councils to increase the Long Term Empty premium currently being charged for domestic properties that have been left empty and substantially unfurnished for two years or more. This took effect from April 2019 and saw the premium increase from 50% to 100% extra Council Tax payable. This means that if a property is empty and unfurnished for two years or more, but less than 5 years, Council Tax was charged at 200% from April 2019. Thanet introduced this premium from April 2019.

5.2 Further legislation was passed allowing billing authorities to charge an increased amount for properties left empty and substantially unfurnished for longer periods. Public consultation undertaken in December 2018 resulted in respondents being in favour of further increasing the Long Term Empty premium for properties empty for 5 years or more to 200%, with effect from April 2020. This meant that for properties empty and substantially unfurnished for 5 years or more, Council Tax was charged at 300% from April 2020. Thanet introduced this premium from April 2020.

5.3 From April 2021, billing authorities have been able to further increase the premium for properties left empty and substantially unfurnished for 10 years or more. A council tax premium of 300% can be levied on such properties. This means that for properties left empty and substantially unfurnished for 10 years or more Council Tax can be charged at 400% from 1 April 2021. Thanet introduced this premium from April 2021.

**6. Summary of the Levelling-Up & Regeneration Act 2023**

6.1 The Levelling-Up & Regeneration Act ('the Act') received Royal Assent on 26 October 2023. The Act allows for, amongst other things, two important changes to Council Tax, as follows;

1. A change in the application of a Council Tax premium on 'Long Term Empty' properties. *Currently*, if a property has been unoccupied and unfurnished for 2 years but less than 5 years, then a 100% Council Tax premium can be applied to the property (Thanet District Council currently applies this premium in line with the relevant regulations). The Act allows for that 2 year period to be shortened to 1 year. The change to long term empty (LTE) premium can be implemented from 1 April 2024, in accordance with S11B(5) LGFA 1992 which allows for a decision to be varied or revoked providing the decision is taken before the start of the financial year. 'Long Term Empty' premiums are applied to encourage owners to bring properties back into use so they are not left empty for extended periods.

2. The implementation of a Council Tax premium on 'second homes'. 'Second homes' are properties which are unoccupied but furnished. For some years now local councils have been able to apply a full Council Tax charge to second homes. Thanet District Council applies such a charge. The Act allows councils to apply a Council Tax premium of '*not more than 100%*' on second homes (so, if Thanet implemented the maximum premium permissible, that would mean an owner of property that is unoccupied and furnished in the district would pay double the normal council tax charge).

   The council tax premium on 'second homes' requires a full year 'lead-in' period before it can be implemented. Therefore, the 'second home' premium could only be implemented from 1 April 2025 at the earliest, provided Full Council approves the charging of the 'second home' premium before 1 April 2024. Annex 3 shows the relevant part of the Act.

**7.0 Changes to Council Tax 'Long Term Empty' premium**

7.1 The Levelling-Up & Regeneration Act allows for a change in the application of a Council Tax premium on 'Long Term Empty' properties. The Act allows for the original 2 year period when the premium is applied to be shortened to 1 year.

7.2 Using figures as at 20 November 2023 there are 183 cases subject to the 'Long Term Empty' 100% Council Tax premium (empty for 2 years but less than 5 years). Using a Band D Council Tax figure of £2,173.17 this generates £397,690. Clearly, if the two year period is reduced to 1 year then that revenue will be received by the council one year earlier than at present. Based on a conservative assumption of collecting 75%, or £298k, the district's share (11.76%) of that revenue would be circa £35k, collected a year earlier than under existing legislation.

There will be properties currently empty that have not yet reached the 12 month milestone, and estimates of additional revenue can only ever be 'best estimate', as properties may be brought back into use before the milestone is reached.

7.3 The purpose is now to formally determine, for 2024/25, the charging of:

(a) the 100% Long Term Empty premium for properties empty and unfurnished for periods of 1 year but less than 5 years;
(b) the 200% Long Term Empty premium for properties empty and unfurnished for periods of 5 years but less than 10 years; and
(c) the 300% Long Term Empty premium for properties empty and unfurnished for periods of 10 years or more

7.4 There are two exceptions

- First, where the property is left empty by a serving member of the armed forces, who is living elsewhere in accommodation provided by the Secretary of State for defence; or where the property is the sole or main residence of a serving member of the armed forces, who is subject to a job related discount at an alternative address provided by the Secretary of State for defence.

- Second, empty annexes are not subject to the Long Term Empty premium.

**8.0 Implementation of a 'second home' Council Tax premium for unoccupied but furnished properties**

8.1 The Levelling-Up & Regeneration Act allows councils to apply a Council Tax premium of '*not more than 100%*' on properties that are unoccupied and furnished (often referred to as 'second homes'. That would mean an owner of property that is unoccupied and furnished in the district would pay double the normal Council Tax.

8.2 The estimated revenue generated for Thanet from implementing a 100% Council Tax premium on circa 1,932 <u>second homes</u> could be in the region of £370k per annum (again based on collecting 75% of the district's share of the yield).

8.3 In order to ensure that council records are accurate and that the Council Tax charged per property is correct, it is recommended that a formal review of properties that are shown on our database as unoccupied and furnished (a second home) is undertaken during 2024/25. This would primarily be by way of written communication with the liable party, but could also include home visits in disputed cases. This process would ensure, as far as reasonably practicable, that the council tax charges applied from 1 April 2025 would be accurate.

8.4 The Act states that to apply the 'second home premium' approval to do so must be given *at least 12 months before the implementation date*. Therefore I am seeking approval now, on the basis we have the required 12 months lead-in period, in order to apply the premiums from 1 April 2025.

## 9 Discontinuation of the Council Tax 'Class D' discount – Properties undergoing structural alteration and/or major repair

9.1 Currently, the council offers a council tax discount of 100% on properties that are empty and unfurnished and undergoing structural alteration and/or major repairs in order to make them habitable. This discount can apply for a maximum of 12 months. Currently there are 155 properties in the district attracting this discount.

9.2 It is recognised that Kent County Council is currently experiencing severe budget pressures. As the major Council Tax preceptor, KCC has sought the assistance of all Kent districts in terms of maximising the council Taxbase, through a review of any discounts being given to taxpayers. Currently for Thanet the only discount that could be modified, to increase the Taxbase, is the 'Class D' discount.

9.3 KCC is willing to offer an incentive payment to any district that agrees to remove the Class D discount. 3 districts in Kent have already removed the discount in previous years. The inventive payment equates to 25% of any council tax gain that KCC makes. Based on current numbers of Class D discounts in place that equates to: £235k, of which KCC share (70.6%) is £166k and TDC share (11.76%) is £28k. So, in total, TDC would receive 25% of £166k i.e. £41.5k + £28k = £69.5k.

9.4 In exceptional cases where, for example, families have been victims of fire or flood, and to charge them Council Tax in that situation would add unnecessary financial and emotional stress, the council's existing hardship scheme would apply. The expectation is that there would be no more than 2 or 3 such cases each year. The full amount of incentive funding (currently estimated at £69.5k) would be allocated to the council's Council Tax Discretionary Relief fund, and the council would aim to exhaust that funding each year. A review of this arrangement will be undertaken after year 2 of the scheme.

9.5 There is no formal requirement to consult on implementing the removal of this discount. Additionally, the current operation of the discount is administratively burdensome in terms of ascertaining what 'major works and/or structural repairs' look like and verifying that the property is unfurnished and not capable of being occupied. Removing the discount would alleviate that administrative burden, although that is not the main driver for recommending its removal.

9.6 Pre-existing Class D discounts in place as at 1 April 2024 would remain in place until the end of the 12 month discount period, or until the property becomes occupied, whichever is the earliest.

9.7 Applications for retrospective Class D discounts will cease on 1 April 2024.

**10. The Current Situation:**

10.1 The calculation of the Tax Base has been undertaken in accordance with the current Regulations, "Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (SI 2012:2914)", which came into force in November 2012.

10.2 A decision is required to implement the new tax base for 2023-24 which will replace the current one for 2022-23. There are no options for the calculation.

**11. Options**

11.1 There are no options available to Members other than to approve the District's Council Tax base, and approve no revision of the Council Tax discounts. This is because calculation of the Council Tax base is on the basis of set regulation as stated in the sections above. Regulations state that the tax base must be agreed by January 31 each year.

Therefore it is recommended that Cabinet;

1. Determine that for the financial year 2024/25, the empty homes discount for properties unoccupied and unfurnished ('Class C' properties) remains at 0%, so that Council Tax will be payable in full on these properties.

2. Approve the District's Council Tax Base for 2024/25 as 46,454.06 and the tax base for the towns and parishes in the Council's administrative area, as set out in the table at Appendix 2.

3. Determines the "Long Term Empty Premium" for properties that have been left empty and substantially unfurnished:

    (a) for periods of 1 year but less than 5 years, a Long Term Empty premium to be charged at 100%; and
    (b) for periods of 5 years but less than 10 years, a Long Term Empty premium to be charged at 200%; and
    (c) for periods of 10 years or more a Long Term Empty premium to be charged at 300%.

4. Formally approves the discontinuation of the council Tax 'Class D' discount, for properties undergoing structural alteration and/or major repair, effective from 1 April 2024.

5. Formally approves the Council Tax Reduction Scheme (CTRS) as set out in this report, effective from 1 April 2024.

6. Formally approves the application of a 100% Council Tax premium on properties that are unoccupied and furnished, often referred to as 'second homes' ('Class B' properties), applicable from 1 April 2025, in line with the Levelling-Up and Regeneration Act 2023.

Contact Officer: Chris Blundell (Director of Corporate Services & Section 151 Officer)
Reporting to: Colin Carmichael (Chief Executive)

**Annex List**

Annex 1: Council Tax Base Calculation for 2024-25
Annex 2: Detailed calculations for District and Parish/Town Council Tax Bases
Annex 3: Levelling-Up & Regeneration Act 2023 sections 79 and 80

**Background Papers**

None

**Corporate Consultation**

**Finance:** *N/A*
**Legal:** Ingrid Brown (Head of Legal and Democracy & Monitoring Officer)

**Annex 1**

## The Council Tax Base Calculation for 2024-25

Council Tax Base = A x B:

i) A is the total of the "relevant amounts" (or Band D equivalents) for that year for each of the valuation bands which is shown or is likely to be shown for any day in that year in the authority's valuation list as applicable to one or more dwellings situated in this area

ii) B is the authority's estimate of its collection rate for that year which is 98.00%

The "relevant amount" for a valuation band is the amount found by applying the formula: (H – Q + E +J) x (F/G)

iii) H is the number of chargeable dwellings in the area of the council (as billing authority) calculated in accordance with the regulations at 30th November 2012

iv) Q is the factor to take account of the discounts to which the amount of Council Tax payable was subject to that band, estimated in accordance with the regulations at 30th November 2012

v) E is a factor to take into account any premiums, if any, to which the Council Tax payable was subject to that band, estimated in accordance with the regulations at 30th November 2012

vi) J is the estimated adjustments due to change in the number of dwellings, exemptions and discounts

vii) Z is the total amount that the authority estimates will be applied in relation to the authorities Council Tax Reduction scheme in relation to the band, expressed as an equivalent number of chargeable dwellings in the band

viii) F is the number which is the proportion of dwellings in that band

ix) G is the number that, in that proportion, is applicable to dwellings in band D

The amount calculated for Thanet District Council's Council Tax Base in 2024-25 is 46,454.06 save for the following parts of the council's administrative area where its Council Tax Base shall be the amounts shown against each part respectively.

The collection rate has been reviewed with regard to the changes, Council Tax Reduction Scheme (‘Council Tax Support’) and discounts and exemptions. This report seeks the approval of the collection rate of 98.00%.

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**Annex 2**

## Council Tax Base for the Towns and Parishes 2024/25

| ` | 2023/2024 Tax Base using collection rate | 2024/2025 Tax Base using collection rate | Difference |
|---|---|---|---|
| Margate | 13,354.28 | 13,514.87 | 160.59 |
| Westgate | 2,527.89 | 2,554.50 | 26.61 |
| Birchington | 4,014.58 | 4,020.82 | 6.24 |
| St Nicholas | 533.89 | 528.81 | -5.08 |
| Acol | 117.79 | 117.42 | -0.37 |
| Ramsgate | 12,161.89 | 12,391.66 | 229.77 |
| Manston | 737.46 | 904.18 | 166.72 |
| Minster | 1,332.42 | 1,352.52 | 20.10 |
| Monkton | 314.03 | 314.58 | 0.56 |
| Cliffsend | 863.00 | 864.11 | 1.11 |
| Broadstairs | 9,802.23 | 9,890.58 | 88.35 |
| *Total Band D Equivalents* | **45,759.46** | **46,454.06** | **694.59** |

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## Annex 3

# Levelling-Up and Regeneration Act 2023 Sections 79 and 80

*Council tax*

**79 Long-term empty dwellings: England**

(1)In section 11B of the Local Government Finance Act 1992 (higher amount for long-term empty dwellings: England)—

(a)after subsection (1C) insert—

"(1D)In exercising its functions under this section a billing authority must have regard to any guidance issued by the Secretary of State.";

(b)in subsection (8), for "2 years" substitute "1 year".

(2)The amendments made by subsection (1) have effect for financial years beginning on or after 1 April 2024 (and, in relation to the amendment made by subsection (1)(b), it does not matter whether the period mentioned in section 11B(8) of the Local Government Finance Act 1992 begins before this section comes into force).

**80 Dwellings occupied periodically: England**

(1)The Local Government Finance Act 1992 is amended in accordance with subsections (2) and (3).

(2)After section 11B (higher amount for long-term empty dwellings: England) insert—

"**11C Higher amount for dwellings occupied periodically: England**

(1)For any financial year, a billing authority in England may by determination provide in relation to its area, or such part of its area as it may specify in the determination, that if on any day the conditions mentioned in subsection (2) are satisfied in respect of a dwelling—

(a)the discount under section 11(2)(a) does not apply, and

(b)the amount of council tax payable in respect of that dwelling and that day is increased by such percentage of not more than 100 as it may specify in the determination.

(2)The conditions are—

(a)there is no resident of the dwelling, and

(b)the dwelling is substantially furnished.

(3)A billing authority's first determination under this section must be made at least one year before the beginning of the financial year to which it relates.

(4)In exercising its functions under this section a billing authority must have regard to any guidance issued by the Secretary of State.

(5)Where a determination under this section has effect in relation to a class of dwellings—

(a)the billing authority may not make a determination under section 11A(3), (4) or (4A) in relation to that class, and

(b)any determination that has been made under section 11A(3), (4) or (4A) ceases to have effect in relation to that class.

(6)A billing authority may make a determination varying or revoking a determination under this section for a financial year, but only before the beginning of the year.

(7)Where a billing authority makes a determination under this section it must publish a notice of the determination in at least one newspaper circulating in the area.

(8)The notice must be published before the end of the period of 21 days beginning with the date of the determination.

(9)The validity of the determination is not affected by a failure to comply with subsection (7) or (8).

**11D Section 11C: regulations**

(1)The Secretary of State may by regulations prescribe one or more classes of dwelling in relation to which a billing authority may not make a determination under section 11C.

(2)A class of dwellings may be prescribed under subsection (1) by reference to such factors as the Secretary of State thinks fit and may, amongst other factors, be prescribed by reference to—

(a)the physical characteristics of, or other matters relating to, dwellings;

(b)the circumstances of, or other matters relating to, any person who is liable to the amount of council tax concerned.

(3)The Secretary of State may by regulations specify a different percentage limit for the limit which is for the time being specified in section 11C(1)(b).

(4)A statutory instrument containing regulations made under subsection (3) may not be made unless a draft of the instrument has been approved by resolution of the House of Commons."

(3)In consequence of the amendment made by subsection (2)—

(a)in section 11 (discounts), in subsection (2), after "11B" insert ", 11C";

(b)in section 11A (discounts: special provision for England), in subsection (4C), at the end insert "and 11C(5)";

(c)in section 13 (reduced amounts), in subsection (3), after "11B" insert ", 11C";

(d)in section 66 (judicial review), in subsection (2)(b), after "11B" insert ", 11C";

(e)in section 67 (functions to be discharged only by authority), in subsection (2)(a), after "11B insert ", 11C";

(f)in section 113 (orders and regulations), in subsection (3), after "under section" insert "11D(3),";

(g)in Schedule 2 (administration), in paragraph 4(7), after ": England)," insert "11C(1)(b) (higher amount for dwellings occupied periodically: England),".

(4)A determination for the purposes of section 11C of the Local Government Finance Act 1992 as inserted by subsection (2) may not relate to a financial year beginning before 1 April 2024 (but this does not affect the requirement for the determination to be made at least one year before the beginning of the financial year to which it relates).

# 2024/25 Fees and Charges

| | |
|---|---|
| **Cabinet** | 11 January 2024 |
| **Report Author** | Chris Blundell, Director of Corporate Services and S151 Officer |
| **Portfolio Holder** | Cllr Rob Yates, Cabinet Member for Corporate Services |
| **Status** | For Recommendation |
| **Classification:** | Unrestricted |
| **Key Decision** | Budget and Policy Framework |
| **Ward:** | All |

## Executive Summary:

A review of fees and charges has been completed as part of the 2024/25 budget setting process. The review of fees and charges commenced in the early summer and proposed fees and charges are based on a broad 8% increase, which is expected to generate additional income of around £0.350m. This excludes items such as On Street Parking, Selective Licensing, and Housing HRA. However, the recent fall in CPI has meant this approach needed to be reviewed and this work is ongoing. As a result, the detailed Annexe that lists all fees and charges as increased, will be available,e for Cabinet on 25 January.

## Recommendation(s):

1. That Cabinet considers the fees and charges as set out and agrees to receive an updated schedule at its meeting on 25 January 2024 to form the basis of its recommendation to Council for approval.

**CORPORATE IMPLICATIONS**

**Financial and Value for Money**

The financial implications have been reflected within the body of the report. However, were members to decide to reject any of the proposals, then additional savings of the same value would be required to deliver a balanced budget.

**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, it is the Director of Corporate Service and Section 151 Officer, and this report is helping to carry out that function.

Local authorities have a variety of powers to charge for specific statutory services as set out in section 42 of the Local Government Act 2003.

The Localism Act 2011 provides local authorities with a general power of competence that confers on them the power to charge for services but again subject to conditions/limitations similar to those noted above.

Any decision made by the council must give due regard to the Public Sector Equality Duty section 149 of the Equality Act 2010.

**Corporate**

Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the council's proposed fees and charges for 2024/25 as part of the budget process.

**Equalities Act 2010 & Public Sector Equality Duty**

Members are reminded of the requirement, under the Public Sector Equality Duty (PSED) (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.

The Equality Act 2010 (the "Act") came into force on 1 October 2010 and brings together over 116 separate pieces of legislation in order to create a framework to protect the rights of individuals and advance equality of opportunity for all.

The Equality and Human Rights Commission recognises that with major reductions in public spending, local government has to make difficult and often unpopular decisions regarding funding and service provision. Thanet District Council has statutory public sector equality duties concerned with eliminating unlawful discrimination, advancing equality of opportunity and fostering good relations on the basis of protected characteristics such as gender, race, disability or age. These duties do not prevent the council reducing services or charging where necessary - provided that decisions are taken in accordance with the Act.

An Equality Impact Assessment ("EIA") is not a legal requirement in England, but it is an established and credible tool for demonstrating due regard to the public sector equality duty, which is required by law. Thanet District Council, taking its obligations as seriously as it does, had the Policy Owner for each proposed fee and charge, complete an EIA.

An analysis of the impacts fees and charges might have to the statutory equality duties encouraged Thanet District Council to take a proportionate approach to fees and charges. EIAs tailored the necessary mitigations and exceptions, for example.

The council is satisfied that, in all the circumstances, the Schedule of 2023-24 fees and charges, those subject to an EIA, are lawful for the purposes of the public sector equality duties in the Equality Act 2010.

The council recognises that EIAs are not an end in themselves. They are, of course, a way of showing that due regard has been paid to the general duties; but the council will continue, all-the-time, engaging with the equality considerations, accepting comments and opinions from stakeholders and maintain a positive relationship with the Equality and Human Rights Commission.

## Corporate Priorities

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

### 1. Introduction and Background

1.1. This report sets out the proposed fees and charges for 2024/25. This report summarises the main points.

1.2. Due to the high inflation environment that we are operating in, the council has seen a substantial increase in its own running costs and the cost of the services that it provides, including but not limited to an increase in fuel, energy and expected staffing costs.

1.3. The council's services are funded from a broad range of income streams, with fees and charges being just one means of financing. However, other sources of income have reduced or restricted in recent years, such as income from council tax and government grants. For instance, the council has limited discretion to vary council tax, with increases limited to the higher of £5 or 3.00%. Government funding has also reduced significantly over the past decade.

1.4. Given these income restrictions and the need to balance the budget, locally generated sources of income such as fees and charges are even more important than ever and should be considered and treated as commercially as possible in order to optimise these income streams. It is important the council organises itself and invests in ways that maximise that income, whilst balancing this with managing the impact on our residents and service users.

## 2. Approach to Setting Fees and Charges

2.1. The fees and charges setting process for 2024/25 started early in the summer. A rigorous examination of all the council's fees and charges was undertaken by the service managers, using techniques such as benchmarking and other in-depth reviews.

2.2. Service managers also completed Equality Impact Assessments as per the requirement of the Public Sector Equality Duty and hence informed their design of the service and price.

2.3. Where relevant, some services fees and charges were also discussed and considered at the budget prioritisation meetings held in August, as detailed in the draft budget report.

2.4. When the draft revenue budget was approved last October, our approach to setting fees and charges for 2024/25 was to target a <u>minimum</u> 8% inflationary increase in our fees and charges for next year. That 8% target reflected the rate of CPI as it stood in June 2023. To ensure that charges remain competitive and that income budget expectations are realistic (e.g. to take account of charging areas where there are existing shortfalls of actual income against budget), for 2024/25 only, a £350k increase in our total budget income for fees and charges was assumed; this compared with an assumed £600k increase in 2023/24. This increase of £350k is approximately equal to a 3.26% increase in our expected income from fees and charges for the forthcoming year.

2.5. Since the draft budget was approved in October, officers have worked through every charge that we make and applied notional increases at or around the 8% level. Those notional charges are set out in the tables below.

2.6. However, following the Christmas break, and further discussions between cabinet and officers, we have taken the opportunity to review these proposed increases in the light of the more recent national CPI figure, which is currently 3.9%.

2.7. One of the principles of setting charges ought to be that the income gained should seek to cover the costs of delivering the service which is being charged for. The great majority of costs that we incur in delivering services is related to staffing, and staff pay will increase by 5.75% in 2024/25. There are other, materials-based cost increases which are still exceeding 4% inflation.

2.8. However, we are acutely aware of the impact of inflation on local residents over what is now a lengthy period of time. We are, therefore, proposing to cap increases for certain types of fee and charge increases at 5%. The details are set out below.

2.9. If Cabinet is prepared to agree to these charging principles, there will still be some remaining work to complete in order to finalise the proposed schedule of fees and charges for 2024/25. At this stage in the budget setting process, therefore, the key headlines in terms of proposed changes to fees and charges are as follows:

***Maritime -*** Inflation based increases in charges for this service area are as anticipated last October, and should generate a further £164k.

***Parking*** **-** The primary consideration when setting parking charges is to manage traffic flow. In order to maintain the real-terms effect on customer behaviour a reduced increase of approximately 5% is proposed to be applied. The financial implications of this change is that revenues are expected to increase by approximately £150k. Cabinet is asked to note that income raised through on-street parking charges must only be spent on highways and parking related services and is shared with Kent County Council, so has a neutral effect on our budget. Income raised through off-street parking charges, in our own car parks, does have an impact on our budget.

***Garden Waste -*** we are proposing to apply a 5% increase in this area. However, this may only increase the income budget by a further £15k, due to existing in-year deficits on income projections for 2023/24

***Crematorium -*** Fees and charges have been examined closely in this area to ensure the offer remains competitive given the opening of crematoria facilities in Herne Bay and Faversham and the potential risk of a share of our existing customer base to be lost to these new facilities. We propose to look carefully at charges in this area, as a direct result of this commercial competition, and to set increases of between 0 and 5% in the income budget for this service.

**Waste Bin replacement -** we will be conducting a review of our collection arrangements, which will include how we deal with replacement bins  Pending that review, we propose that the increase in charge for replacement bins is 5%.

***Planning*** - As detailed above, the £260k of additional income expected to be retained following the increase in the nationally set planning fees will be reinvested into the planning service.

5.23. As part of the overall budget setting process, we will seek to update the schedule of the proposed fees and charges for 2024/25 in the annexe to the Fees and Charges report in time for the meeting of the Cabinet on 25 January 2024 for recommendation to Council for approval in February. Given the timescales of the announcement of the provisional settlement only just before Christmas, and the latest reduction in CPI, announced on December 20th, it will not be possible to update the schedule in time for the meeting of the Overview and Scrutiny Panel.

## 3. Key areas to bring to Members Attention regarding Fees and Charges

As set out above, the original figures considered by the Fees and Charges CAG were set at an average 8% increase. Those original figures are set out in the table below

### 3.1 Budget Contributors

Areas that have increased charges and budgetary targets for 2024/25 are:

| Area | Ave % Increase to Fees | Budget Increased by (Contribution) £ |
|---|---|---|
| Maritime | 7.18% | 164,000 |
| Parking | 6.38% | 150,000 |
| Bin Replacements | 10.83% | 6,500 |
| Licensing | 7.66% | 7,330 |
| Green Waste | 10.13% | 14,570 |
| Filming | 9.57% | 2,600 |
| Sports Pitches | 0% | 5,000 |
| **TOTAL** | | **350,000** |

However, as a result of the review mentioned in paragraph 2 above, the revised Average % increases would now be as follows

| Area | Ave % Increase to Fees | Budget Increased by (Contribution) £ |
|---|---|---|
| Maritime | 7.18% | 164,000 |
| Parking | 5.0% | 118,000 |
| Bin Replacements | 5.0% | 3,000 |
| Licensing | 7.66% | 7,330 |
| Green Waste | 5.0% | 7,000 |
| Filming | 9.57% | 2,600 |
| Sports Pitches | 0% | 5,000 |
| **TOTAL** | | **306,930** |

It is proposed that the remaining balance available to reduce fees and charges of £72,930 is retained as a contingency while the charges are being reviewed in detail, and/or used to regularise the budgets where the current income target is not being met.

**3.2 Fees Increased but unable to increase budgetary target for 2024/25 to avoid setting targets that are not achievable**

| Area | Ave % Increase to Fees |
|---|---|
| Crematorium | 0-5% |
| Cemeteries | 0-5% |
| Refuse - Bulky | 12.34% |
| Water Users / Metal Detectors | 10.91% |
| Environmental Health | 10.48% |
| Planning | 11.33% |
| Land Charges | 8.17% |
| Building Control | 5.05% |
| Property Services | 6.03% |
| Museums | 12.80% |
| KIC | 18.49% |

**3.3 Summary of New fees that have been proposed**

| Area | £ Fee | Description |
|---|---|---|
| Crematorium | 650 | Individual standard rose with granite style marker 10 year lease |
| Coastal Wellbeing Membership | 52 | We are testing a pilot Coastal Wellbeing Registration in Walpole Bay to check instructor insurance and qualifications so that we can share the activities on the Visit Thanet page to help promote Thanet as a wellbeing destination that offers a range of activities to residents and visitors. If successful to then introduce a new activity group fee of £52 annually from April 2024. |
| Promenade Concession Parking | 1,200 | Concessions breach coastal codes by parking on promenades. The solution is to mark out paid parking spaces on specific locations to offer to concessions at £1200 per year. Areas include Louisa Bay, Margate, Walpole Bay, Granville Ramsgate. Marked pop up stall spaces coils also be marked as part of the scheme. |
| Export Certificates (Food) | 130 / 100 | Certification incl. 1 Hour Officer Time £130<br>Additional Hours of Officer Time £100<br>There is currently no target for these, but will look to add in for the following financial year if there is any uptake. |

**3.4 Summary of fees that have been proposed to be Deleted**

| Area | £ Fee | Description |
|---|---|---|
| Street Cleansing | 1,250 - 2,250 | Provision of Litter Bins for Events |
| Refuse Collection Bins | 65.83 | 660 Ltr Waste Bin and Red or Blue Bin |
| VIC | 0.08 - 0.17 | Photocopying official document. Rarely asked for and the VIC no longer has a large copier, just a desktop. |
| Licensing | 130.00 | original and renewal of Hackney Carriage and Private Hire Drivers licences |
| Licensing | 41.00 | Taxi Driver Knowledge Course - we no longer run this in house it has been outsourced so there is no longer any payment that needs to be made to licensing. |

**3.5 Parking Changes / Reviews Undertaken**

- Removal of linear step charging in Car Parks. This will make charges all between 1 and 5 hours. This would be for the machines and RingGo and would be better for the user as it shows a simple pricing structure.
- Marine Esplanade residents vouchers. Reviewed as the daily charge for the car park is nearly in line with the voucher so not saving residents any additional money.
- Installation of highway benches. We have increased the cost of installation of a bench on the highway as the staffing costs to these have been reviewed.
- Amend unlimited free parking in car parks for blue badge holders. The limit to be changed to 3 hours. This is in line with other councils within Kent. This would allow the turn over of spaces in the car parks and ensure parking is available to all users of the car park. EIA has been completed for this.

The primary purpose for setting fees and charges for car parks and on-street car parking is to aid traffic management and traffic flow. Customer behaviour and demand for car parking has now largely returned to pre-pandemic levels. As such, in order to maintain the real-term impact of car parking charges on driver behaviour an inflationary increase has been applied to charges. As such, charges have been reviewed and increased by 5% where possible, or alternatively a comparable increase at each location so that is rounded to the nearest 10p.

The cross-party Cabinet Advisory Group (CAG) of 2023/24 recommended that a full parking review should be carried out for implementation during 2024/25. A contract has been awarded to a consultancy firm to facilitate this.

## 4. Budgetary Implications

4.1. Annex 1 to this report sets out the proposed level of fees and charges for 2024/25 in respect of services provided by the council. A target of a 8% increase was set for all charges at the outset of the fees and charges process. As a result of reviewing all the council's fees and charges, additional income of £0.350m was anticipated in 2024/25

4.2. Table 1 compares 2023/24 to the proposed 2024/25 fees and charges. This is likely to be revised following the latest discussions and an updated figure will be included in the cabinet report for 25 January.

**Table 1 – Comparison with previous year**

| | 2023/24 | 2024/25 |
|---|---|---|
| Income Increase | £610,060 | £348,980 |
| Percentage Increase | 6.12% | 3.26% |

4.3. Whilst the general strategy was to apply a 8% inflation linked increase to fees and charges, some charges have remained at 2023/24 prices, others have increased to reflect parity with other authorities and some to cover the cost of providing the service. Consequently, the proposals represent an overall increase in income of 3.26% when compared to the relevant base budget of £10.689m.

## 5. Options

5.1. That Cabinet receives the fees and charges proposals as put, notes the proposed course of action to amend them and agrees to consider a revised table at its meeting on 25 January 2024 for recommendation to Council for approval.

## 6. Next Steps

6.1. Subject to any feedback required for Cabinet, this report will be considered by the Overview & Scrutiny Panel on 16 January 2024 and if the Panel makes recommendations to Cabinet, the Cabinet meeting on 25 January 2024 will consider them.

6.2. Council on 8 February 2023 will consider the proposed fees and charges for approval alongside the draft budget for 2024/25.

Contact Officer: Joanne Kemp, Finance Manager
Reporting to: Chris Blundell, Director of Corporate Services and Section 151 Officer

**Background Papers**
None

**Corporate Consultation**
**Finance:** N/A
**Legal:** Ingrid Brown, Head of Legal and Democracy & Monitoring Officer

# Draft 2024/25 Budget

| | |
|---|---|
| **Cabinet** | 11 January 2024 |
| **Report Authors** | Colin Carmichael (Chief Executive) |
| | Chris Blundell (Director of Corporate Services - Section… |
| **Portfolio Holder** | Cllr Rob Yates, Cabinet Member for Corporate Services |
| **Status** | For Decision |
| **Classification:** | Unrestricted |
| **Key Decision** | Budget and Policy Framework |

## Executive Summary:

This report presents the draft 2024/25 revenue budget and 2024-28 capital programme for the General Fund.

## Recommendation(s):

1. That the outcomes of the budget consultation be noted;
2. That the draft 2024/25 General Fund revenue budget, as amended from the original draft for consultation, be considered and noted;
3. That the 2024-28 General Fund capital programme, as amended, be considered and noted;
4. That Cabinet agree the Flexible use of Capital Receipts policy as attached.

## Corporate Implications

### Financial and Value for Money

As detailed in the body of the report

### Legal

The Council is required to set a balanced budget each year by various pieces of legislation, notably section 31(A) of the Local Government Finance Act 1992. Section 151 of the Local Government Act 1972 requires a suitably qualified named officer to keep control of the council's finances, the Director of Corporate Services undertakes this statutory role.

Under the Localism Act 2011 there is a general power of competence which explicitly gives councils the power to do anything that an individual can do which is not prohibited by other legislation. Statutory guidance published in 2003 outlines how costs and charges should be established and that guidance remains in force (see: 'General Power for Best Value Authorities to Charge for Discretionary Services', ODPM, 2003). The Council must have regard to the guidance when charging for discretionary services under the 2003 Act.

**Corporate**

The budget has been prepared with reference to the corporate priorities.

**Equality 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. Actions arising from this report - in particular the savings requirements - will each be assessed for equalities implications by relevant managers.

## CORPORATE PRIORITIES

This report relates to the following corporate priorities: -

- *Growth*
- *Environment*
- *Communities*

## 1. Introduction

**This report provides the draft 2024/25 budget for Cabinet's consideration. Cabinet were previously asked to consider and approve the proposed budget consultation in order to obtain feedback from residents and other key stakeholders on next year's draft budget and the outcome of this consultation being detailed at 4.1 of this report.**

The budget has been produced within the context of our new corporate priorities, as presented elsewhere on the Cabinet agenda, government financial policy and the wider macro-economic environment.

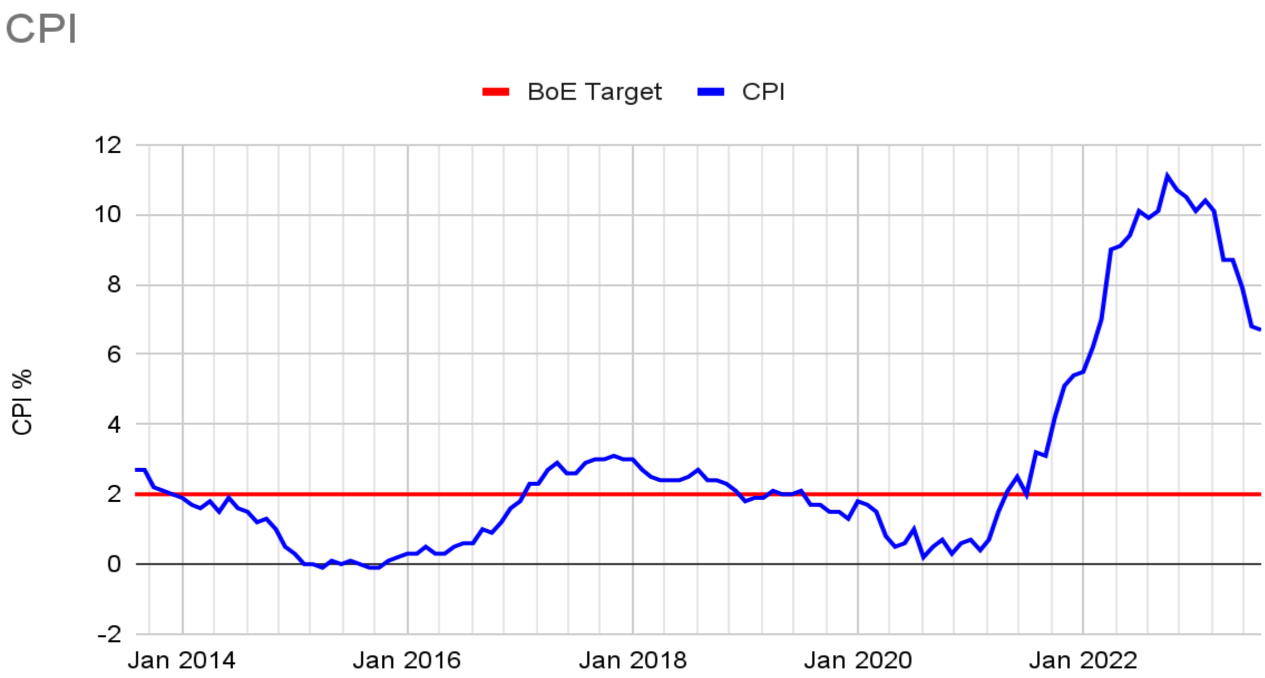
Whilst information regarding local government funding for next year is still to be announced by the Department of Levelling Up, Housing and Communities (DLUHC), based on current assumptions for projected funding, along with budget pressures and proposals, a balanced draft budget for 2024/25 is presented to Cabinet.

The report covers the General Fund, both revenue and capital. A separate report will be presented to Cabinet on this agenda for the Housing Revenue Account.

## 2. Background and Context

The macroeconomic environment remains relatively unstable; whilst inflation (the rate of price increases) is falling from last year's 40 year high, prices are still rising with the

Consumer Price Index (CPI) at 3.9% for November 2023, which is well above recent historical averages and also the Bank of England's (BoE) 2% target.




Consequently there are continuing increased cost pressures for both the council and our core stakeholders such as the district's residents, local businesses and the council's service users.

In budgetary terms these pressures are being realised directly through increased unit costs for items such as energy, fuel and utilities, alongside inflation linked contractual cost increases and also the need to agree a fair and affordable pay offer for staff. In addition to the increased costs for service provision, the macroeconomic environment is also resulting in increased demand for some of our services, most notably temporary accommodation for homelessness.

Coinciding with increased expenditure expectations for next year is the continuation of restrained increases in council's core income streams, with government grant funding expected to be largely unchanged and council tax increases limited to below 3%. This divergence between the expenditure and core income budgets over the last couple of years has led to the development of budget strategy with a focus on optimising local income streams wherever possible, in order to protect and invest in service provision.

The development and progression of the council's Levelling Up Fund projects, both for Margate and Ramsgate, and also the Margate Town Deal make up a large proportion of the council's capital programme, meaning that the council has a sizable £92m capital programme to deliver over a four year timeframe. These funds in particular offer the opportunity for significant investment in two of the district's towns and the budgetary impacts are set out in the draft 2024/25 to 2027/28 capital programmes.

## 3. Budget Strategy

As referred to above, the budget strategy was developed in the context of a high inflation environment resulting in increased costs for the council alongside below inflation increases in core funding.

### 3.1 Budget Strategy - Principles

To address this budgetary problem the following principles within the strategy have been developed:

### 3.2. Allocate Growth to Resources in Accordance with Our Objectives

The Council's objectives and priorities are set out in our Corporate Plan, which in turn sets our overarching approach and direction for the allocation of our financial resources, via the budget process, in order to achieve these goals. This plan is being updated and is included elsewhere on the Cabinet agenda.

Accordingly, the draft budget has been produced in accordance and alignment with the Corporate Plan, as demonstrated by the character of the budget proposals for the allocation of additional resources.

### 3.3. Build up our Key Income Streams

Given that government funding is limited, and council tax is capped, other locally generated sources of income are even more important than ever and should be considered and treated as commercially as possible, in order to optimise these income streams. This mainly includes, but is not limited to, fees and charges for service provision and property rental income. It is important the council organises itself and invests in ways that maximise that income, whilst balancing this with managing the impact on our residents and service users.

The report setting out the proposed 2024/25 fees and charges is included elsewhere in this Cabinet agenda; overall budget holders were challenged to apply a 7-8% inflation linked increase to fees and charges wherever possible. This approach has been reviewed following the fall in CPI inflation since the summer and lower increases will now be brought forward in some key areas, although inflation is not the only consideration in setting fees and charges.

### 3.4 Invest in Assets and Infrastructure

A recurring theme to many of the council's budgetary and operational problems is the lack of investment, over a number of years, in our key property assets. In accordance with the first principle, the council needs many of those assets to generate income streams, but it also needs to safeguard those assets and where possible utilise them for wider economic and community regeneration. We will also be investing in our assets to decarbonise our property estate and also investing in the necessary electric vehicle charging infrastructure.

**3.5. Digitalise Service Delivery**

The council's residents and customers expect a seamless corporate approach to maximising online access to our services. That should increase customer satisfaction and reduce costs. Currently the council's digital service delivery is not yet as joined-up as we aspire to and we need to develop corporately led standards and choices about what we invest in to achieve this.

**3.6. Continue with the Inclusion of Business Rates Growth in the Base Budget**

Since the introduction of the retained business rates (RBR) system in 2013/14 the council has only included a proportion of the growth it retains in the base budget. The rationale for doing so was reasonable and well founded, in that this income stream is less certain and secure over the medium term and therefore excluding it from the base budget de-risks the council's financial position. However, the size of this income stream has grown cumulatively over the decade since the RBR was introduced and is estimated to be a sizable £2.2m of income for 2024/25. Given the financial challenges and pressures the council faces, alongside the continued delay to any reform of the local government finance system, it is considered to be appropriate to include this key income stream in the base budget.

**3.7 Budget Strategy - Budget Prioritisation Meetings**

One of the key tools for implementing the budget strategy was the use of budget prioritisation meetings, to consider services' current resource allocations and also assessing any budget proposals. Heads of Service and Directors were asked to formulate proposals against the draft priorities contained in the emerging Corporate Plan, so that the Council would be able to deliver immediate improvements against those priorities once the Plan was approved next February.

A series of prioritisation meetings were chaired by the Leader of the Council, who was assisted by a panel comprising the Portfolio Holder for Finance, the Interim Chief Executive, the Director of Corporate Services & s151 Officer and also Finance Officers.

There were numerous budget prioritisation meetings, held between Wednesday 2th August and Thursday 17th August. At each meeting a specific service area was considered and the relevant Portfolio Holder, Director and Head of Service were invited to present any budget proposals for inclusion in the draft budget and answer any questions the panel had regarding the finances of that service area.

The relatively short duration of time over which all the meetings were conducted allowed for an intensive and corporate approach for the formation of the budget proposals for 2024/25; cross cutting service issues were presented in a compact timeframe, allowing the panel to consider them from differing perspectives whilst also addressing them corporately.

The actions and outputs from these meetings were then consolidated by the panel and consequently produced the majority of the content of the draft budget proposals for 2024/25.

**3.8.** These proposals were approved for consultation by the Cabinet on 19th October 2023. At the same time, the draft Corporate Plan was also approved for consultation, so that residents could assess how effective the budget proposals were in delivering the aims in the Corporate Plan.

**3.9.** The consultation also included our annual Residents' Survey, which will also inform the budget decisions for this and future years.

## 4. Outcome of the Budget consultation

4.1 The budget consultation was launched within the council's annual residents' survey on 14 November 2023. The survey was open for a period of seven weeks and examined the priority of council services and satisfaction levels within the district.

4.2 259 responses were received to the targeted sample survey which was issued to 6,000 Thanet households. To ensure that residents more widely across the district had an opportunity to participate, an additional survey was also available to complete on the council's online engagement platform, Your Voice Thanet. This was an open survey which anyone could complete and included a number of the questions from the targeted survey. 299 people responded to this survey.

4.3 When asked what things are both most important in making Thanet a good place to live and most in need of improving, the top responses remained much as they have in previous years; having clean streets, thriving towns and feeling safe.

4.4 When asked about the budget proposals, there was broad support for investing in the new areas of growth, with 72.2% of the targeted survey respondents agreeing. 47.9% broadly agreed with the areas the council is proposing additional one-off spend (25.9% neither agreed nor disagreed and 26.3% disagreed). 49.8% of respondents broadly agreed with the council's response to meeting residents' priorities in the proposed new budget (37.5% neither agreed nor disagreed and 12.7% disagreed).

4.5 The budget proposals in this report take into account the priorities highlighted by respondents in the consultation. The full results are now being analysed and will be published on the council's website shortly.

## 5. Draft 2024/25 General Fund Revenue Budget

5.1. Table 1 below sets out a balanced draft 2024/25 General Fund revenue budget for Cabinet's consideration.

5.2. As set out in detail, in paragraph 6 below, the provisional grant settlement issued by national government just before Christmas made funding allocations that were very much in line with the forecasts made in the draft budget that was approved by Cabinet last October.

5.3. However, there are changes to the way in which we have accounted for reserve movements that would allow us to allocate a further £296k pa to the draft budget expenditure.

5.4. We are, therefore, suggesting additional expenditure over and above those items proposed in the draft budget last October on specific items in paragraph 5.10 below. We are also suggesting that inflationary increases on certain fees and charges should be capped at 5%, as set out in paragraph 5.17 - 5.23 below.

**Table 1 - General Fund Revenue Draft 2024/25 Budget**

| Factor | £000 | £000 |
|---|---|---|
| **Base Budget 2023/24** | | **21,412** |
| | | |
| **Spending Pressures** | | |
| Pay award, Increments, Living Wage, Pensions | 1,610 | |
| Non-pay Inflation | 380 | |
| Debt Repayment & net cost of borrowing | 300 | |
| Budget Proposals - Base budget | 200 | |
| Budget Proposals - one-off reserve backed | 399 | |
| Budget Proposals - 2 additional graffiti cleaning operatives + equipment | 80 | |
| Budget Proposals - replace the use of Glyphosate for weed control by hot foam - staffing and equipment | 100 | |
| **Sub-total** | | **3,069** |
| | | |
| **Savings, Efficiencies and Income Generation** | | |
| Fees and Charges - as calculated last autumn based on the then national inflation rate | -350 | |
| Reduce the increase in some Fees and Charges in line with the recent lower national Inflation figures | 116 | |
| Savings, Efficiencies and Income Generation | -350 | |
| Reversal of prior year Star Chamber | -440 | |
| **Sub-total** | | **-1,024** |
| | | |
| **2024/25 Net Service Revenue Base Budgets** | | **23,457** |
| | | |
| **Reserve Movements** | | **-705** |

| | | |
|---|---|---|
| **2024/25 NET GENERAL FUND REVENUE BUDGET** | | **22,752** |
| | | |
| **Funded by** | | |
| Government Grants | -1,365 | |
| Retained Business Rates & Section 31 Grants | -9,270 | |
| Council Tax | -12,117 | |
| **Total Funding** | | **-22,752** |

Taking all the expenditure adjustments into account provides a proposed net service revenue expenditure budget of £23.457m for 2024/25, representing a £2.045m increase on net revenue spending compared to 2023/24.

This equates to a significant increase in spending for the authority and is planned in order to finance both inflationary pressures and also service investment. The increase in spending for the next financial year has been financed from a variety of sources, including but not limited to:

- The additional retained business rates income (£1.411m);
- Increases in fees and charges (£0.234m);
- One-off net reserve contributions (£0.526m) to fund one-off activity associated with the delivery of corporate priorities or to forward fund invest to save schemes or activity that will generate additional income in the future;
- Council tax income (£0.705m).

5.5. Beyond the £2.045m increase in net service spending set out above, there has also been approximately a further £0.260m increase in revenue service budget expenditure for the planning service that will be wholly financed from equivalent additional planning income.

5.6. The key aspects of the draft budget reports are set out in detail in the following sections.

**Pay and Remuneration**

5.7. Pay and remuneration is one of the council's biggest items of expenditure. The 2024/25 budget has assumed that £1.610m of additional resources are needed to fund increases in pay due to:

- **Pay awards** - A 5.75% pay award has been assumed in the budget estimates and this pay-offer has been communicated with unions, the cost of this award is approximately £1.075m. It should be noted every 1% increase in the pay-award creates a permanent and cumulative budget pressure of approximately £187k.
- **Increments -** the salary for each role at the council is graded according to an objective job evaluation process, which ensures that jobs are paid according to their relative demands, compared to other roles at the council. The salary for each grade has a range that is set out across nine salary scale points; annually staff move up the scale

points and receive an increase in pay until they are positioned at scale point nine, the top of the grade.

The total cost of incremental increases in pay is approximately £200k, which is broadly comparable to a further 1% increase in pay (as noted above). As such, consolidating incremental increases with the proposed 5.75% pay-award sees an overall increase in staff pay of approximately 6.75% (please note actual pay increases for individual staff would vary depending on the relative value of their incremental increases). This is broadly in-line with pay proposals being developed by other local authorities in the county and also with average increase in pay across the wider economy (The Office for National Statistics's [July to Sept 2023 data] reported average annual pay increases of 7.7%, excluding bonuses).

**National Living Wage** (NLW) - The exception to the 7.7% average increase in pay are the lowest graded roles that are paid at the NLW. The NLW rate will increase by 9.8% from 1 April 2024 an increase of £1.02 per hour, taking the NLW to £11.44 per hour. The cumulative effect of the recent annual increases NLW were impacting on the integrity of the Council's pay structure. Pay differentials were being eroded for roles that had been assessed under the equal pay framework to require different levels of pay because of the requirements of the role. As such, the Corporate Management Team has adopted the proposals to address this and develop a pay offer that is both fair and affordable. The expected financial implications of this review are expected to be in the region of £150k and have been included in the draft budget.

- The balance consists of other minor changes to some roles in the establishment (e.g. changes in grading following job re-evaluation or change in hours) plus additional pension and National Insurance costs.

**Contractual and Essential Price Increases**

5.8. The draft budget assumes a £0.300m pressure for non-pay inflation. Like many businesses and households across the country, the council's finances are also being significantly affected by increased energy, fuel and utility costs. In addition to this many of our contractual arrangements have inflation linked commitments. The overall cost of this budget pressure has been managed corporately, by examining all over and underspending budget lines in the current and previous financial years and reallocating resources accordingly. Without undertaking this exercise the gross cost of the inflation budget pressure would have been significantly higher.

**Net Cost of Borrowing & Minimum Revenue Provision**

5.9. The annual cost of servicing and repaying the council's borrowing is expected to increase by £300k. This will be detailed in the council's 2024/25 Treasury Management Strategy, which will be presented to the Cabinet for consideration at its January meeting.

**Budget Proposals and Priorities**

The budget prioritisation process explained at section 3 resulted in the following budget proposals being progressed for inclusion in the draft 2023/24 budget. The additional items now being proposed as a result of the additional £296k becoming available are the items on graffiti cleaning and stopping the use of Glyphosate, outlined in 5.10 below

**Service Investment - Base Budget**

5.10. ***Coast and Public Realm - £302k -*** £65k to be allocated in 2024/25, with a further £57k proposed for 2025/26, to facilitate the recruitment of three full time equivalent (FTE) new staff positions within the Open Spaces service over a two year period. The funding allocation will also allow for additional transportation costs and supplies and services.

This allocation will also create capacity for some additional graffiti cleaning within the Minor Works team. Associated with this revenue allocation is a £35k capital investment in the Capital Programme for an additional vehicle for the service.

We are now proposing that some of the capacity released as part of the provisional financial settlement be used to employ two further graffiti cleaning operatives in 2024/25. Together with equipment and transport, the cost is **£80k.**

Over and above the investment above, we have considered the use of Glyphosate as the principal chemical means by which to control the presence of weeds on land within our ownership. This council currently applies Glyphosate using a relatively safe spotting method. It is important to note that Kent Council Council also use Glyphosate, in spray form, to control weeds on the highways, and we understand that they will continue to do so. As a result of concerns expressed about the safety of our practices, we will be utilising Hot Foam control of weeds in the coming year. The hot foam equipment can also be used to clean graffiti and chewing gum from walls and pavements. The additional cost is **£100k**

5.11. ***Playground Maintenance £22.5k -*** It is proposed to increase the budget for playground maintenance by £30k overall, with £22.5k allocated through this proposal and a further £7.5k from the HRA for investment in parks on HRA land.

5.12. ***Cleansing £168k -*** It is proposed to create six new street cleansing operative posts though the utilisation of both this £68k allocation and the reallocation of £120k of budget savings, which have already been identified in the service area primarily through the implementation of a ‘four-on four-off’ rota. This will represent an increase in permanent staffing in this area of 26% compared to the 2023/24 budget allocation.

5.13. ***Resident Engagement £11k -*** It is proposed to make a base budget allocation to allow us to continue using of the new online engagement platform 'Your Voice Thanet'

5.14. ***Councillor Casework Delivery Officer £33k*** - One additional full time equivalent post to enable and facilitate improved coordination of councillor casework and responding to ward queries in order to provide a better service to residents.

**Reserve Allocations or Cost Neutral Service Investment**

5.15. ***Planning £260k -*** Increased planning resources funded from the increase in nationally determined planning fees. This additional income must be spent on planning activities and it is expected that £260k will be generated from the additional fees, with this being used to:

- Create 2 FTE planning posts at a cost of £124k,
- Establishing Design Code support at £80k and
- BioDiversity Net Gain activities £56k

***Private Sector Housing 50k -*** It is proposed to create a (1.0 FTE) new Private Sector Housing Projects Officer post. To aid delivery of private sector housing projects, including new selective licensing designations and significant responsibilities that will be imposed on the council by the Renters (Reform) Bill when it receives Royal Assent. The postholder will also be required to enhance the team's ability to impose financial penalties on rogue landlords.

The proposal requires £100k of reserve funding for the first two years (£50k per annum), but is expected to be fully funded by year three via selective licensing fee and financial penalty income.

***Public Health Agenda Officer £39k -*** This proposal will create a new (1.0 FTE) Public Health Agenda Officer within Regulatory Services, initially for a 3 year fixed term contract. Given the health inequalities in Thanet and synergies with the work of public protection and environmental protection teams, locating this post within Regulatory Services will allow the opportunity to progress related projects and capitalise on the available funding. The post will be fixed term for 3 years and therefore funded from reserves (£117k in total), after which point it will be reviewed to assess the benefits of a permanent post.

***Procurement £80k -*** Additional resources to aid efficient procurement functioning across the council, with focus on ensuring delivery of our enhanced capital programme including the council's extensive regeneration programme. To facilitate this it is proposed two posts (2x1.0 FTE) are created to work with service/contract managers at the front-end of the procurement process to aid them with the preparation of procurement approach and related documentation. Given the temporary nature of the works and pressures on the capital programme it is proposed to fund this from the risk reserve (£160k in total).

***Port and Harbour Dredging £180k -*** The dredging budget has been reduced over several years to the point where the port and harbour cannot complete adequate dredging operations to maintain safe access to the port and harbour. This also means the port and harbour cannot accommodate larger vessels leading to the potential for revenue loss. Therefore it is proposed to make a one-off reserve allocation of £180k to fund these works, with the expectation they will be fully funded from additional income associated with the port concession contract in future years.

***Port and Harbour Maintenance £50k -*** Maintenance contract with approved lock gate operator for 6 monthly/ annual inspections and maintenance on lock gates and bascule bridge. The lock gates are very specialist equipment that require regular maintenance and inspections to ensure optimal operation. In the event of a failure we face high repair costs and insurance claims from harbour users. Again it is proposed this cost pressure is funded from reserves in 2024/25, with the expectation that it will be fully funded from additional income associated with the port concession contract in future years.

5.16. **Sports Development £50k -** recent conversations with the Kent Football Association have been positive about funding that could become available via them to increase the work we do with local communities and their access to sport and facilities. This includes potential support for pitch improvements at Jackey Bakers for the 2024/25 football season. A one-off sum of £50k is included to be drawn from reserves as required pending an application for grant funding.

**Fees and Charges**

5.17. When the draft revenue budget was approved last October, our approach to setting fees and charges for 2024/25 was to target a minimum 8% inflationary increase in our fees and charges for next year. That 8% target reflected the rate of CPI as it stood in June 2023. To ensure that charges remain competitive and that income budget expectations are realistic (e.g. to take account of charging areas where there are existing shortfalls of actual income against budget), for 2024/25 only, a £350k increase in our total budget income for fees and charges was assumed; this compared with an assumed £600k increase in 2023/24. This increase of £350k is approximately equal to a 3.26% increase in our expected income from fees and charges for the forthcoming year.

5.18. Since the draft budget was approved in October, officers have worked through every charge that we make and applied notional increases at or around the 8% level. Those notional charges are set out in the annexe to the Fees and Charges report.

5.19. However, following the Christmas break, and further discussions involving cabinet and officers, we have taken the opportunity to review these proposed increases in the light of the more recent national CPI figure, which is currently just under 4%.

5.20. One of the principles of setting charges ought to be that the income gained should seek to cover the costs of delivering the service which is being charged for. The great majority of costs that we incur in delivering services is related to staffing, and staff pay will increase by 5.75% in 2024/25. There are other, materials-based cost increases which are still exceeding 4% inflation.

5.21. However, we are acutely aware of the impact of inflation on local residents over what is now a lengthy period of time. We are, therefore, proposing to cap increases for certain types of fee and charge increases at 5%. The details are set out below.

5.22. If Cabinet is prepared to agree to these charging principles, there will still be some remaining work to complete in order to finalise the proposed schedule of fees and charges for 2024/25. At this stage in the budget setting process, therefore, the key headlines in terms of proposed changes to fees and charges are as follows:

***Maritime -*** Inflation based increases in charges for this service area are as anticipated last October, and are as set out in the annexe and should generate a further £164k.

***Parking -*** The primary consideration when setting parking charges is to manage traffic flow. In order to maintain the real-terms effect on customer behaviour a reduced increase of approximately 5% is proposed to be applied. The financial implications of this change is that revenues are expected to increase by approximately £150k.

***Garden Waste -*** we are proposing to apply a 5% increase in this area. However, this may only increase the income budget by a further £15k, due to existing in-year deficits on income projections for 2023/24

***Crematorium -*** Fees and charges have been examined closely in this area to ensure the offer remains competitive given the opening of crematoria facilities in Herne Bay and Faversham and the potential risk of a share of our existing customer base to be lost to these new facilities. We propose to look carefully at charges in this area, as a direct result of this commercial competition, and to set increases of between 0 and 5% in the income budget for this service.

**Waste Bin replacement -** we will be conducting a review of our collection arrangements, which will include how we deal with replacement bins  Pending that review, we propose that the increase in charge for replacement bins is 5%.

***Planning*** - As detailed above, the £260k of additional income expected to be retained following the increase in the nationally set planning fees will be reinvested into the planning service.

5.23. As part of the overall budget setting process, we will seek to update the schedule of the proposed fees and charges for 2024/25 in the annexe to the Fees and Charges report in time for the meeting of the Cabinet on 25 January 2024 for recommendation to Council for approval in February. Given the timescales of the announcement of the provisional settlement only just before Christmas, and the latest  reduction in CPI, announced on December 20th, it will not be possible to update the schedule in time for the meeting of the Overview and Scrutiny Panel.

**Savings, Efficiencies and Income Generation**

As part of the star chamber process, service directors were challenged with identifying realistic and deliverable savings. The priority when identifying proposed savings has been to minimise the impact on council services and also to avoid compulsory redundancies.

There are no savings proposed that adversely impact services delivery or directly impact the size of the staffing establishment.   The following efficiency savings are proposed:

- **A £50k digitalisation and transformation saving** - This is a modest level of savings that is expected to be realised from activities and budgets across the council by continuing the delivery of our digital transformation programme.
- **£100k from the establishment of a new Service Delivery Vehicle (SDV) to Replace the Civica Contract** - A prudent £100k is expected to be saved for TDC from a review of recharges and overheads that are currently apportioned across the East Kent partnership, as part of the existing shared contract with Civica for the provision of Revenues & Benefits and Customer services.  Greater savings should be realised beyond 2024/25, with the potential for accompanied income gains too if a Local Authority Trading Company is adopted as the preferred SDV.
- **Interest on Balances £200k** - A further increase from our interest received on our cash balances.

## 6. Funding Allocations

The Provisional Local Finance Settlement for 2024/25 was announced on 18 December 2023, this is predominantly in line with our base assumptions. It is fair to say that the provisional settlement remains reasonably positive for Thanet and the allocations were towards the top-end of the council's previous assumptions.

Authorities with higher levels of deprivation, such as TDC, will receive larger increases in Core Spending Power. This is the result of the government distributing two-thirds of Core Spending Power using needs-based formulas, and continues the trend of recent settlements, where more-deprived authorities have received larger Core Spending Power increases.

It is difficult to make accurate like for like comparisons to last year, because of the one-off nature of some of the allocations that were provided, but our provisional core grant funding for 2024/25 is broadly £409k higher or 5.49% than was allocated for 2023/24. The government's preferred metric for local authority funding is 'Core Spending Power', which combines the core grant funding with assumed council tax increases (it should be noted the government always assumes councils will approve the maximum increase permissible without triggering a referendum), under which funding for TDC is presented as increasing by £1.008m or 5.28% compared to 2023/24.

Table 3 - 2023/24 Forecast and 2024/25 Assumed Government Funding

| | 2023/24 £000 | 2024/25 £000 | Change £000 | Change % |
|---|---|---|---|---|
| Revenue Support Grant (i) | 358 | 382 | 24 | 6.70% |
| Business Rates Baseline Funding Level | 5,243 | 5,418 | 175 | 3.34% |
| **Settlement Funding Assessment** | **5,601** | **5,800** | **199** | **3.55%** |
| New Homes Bonus | 415 | 228 | -187 | -45.06% |
| 3% Funding Guarantee | 348 | 723 | 375 | 107.76% |
| Services Grant | 196 | 32 | -164 | -83.67% |
| Compensation for under indexing the BR multiplier (ii) | 893 | 1,079 | 186 | 20.83% |
| **Core Grant Funding** | **7,453** | **7,862** | **409** | **5.49%** |
| Assumed Council Tax (iii) | 11,631 | 12,230 | 599 | 5.15% |
| **Core Spending Power** | **19,084** | **20,092** | **1,008** | **5.28%** |

Notes:

(i) RSG - allocations for 2024/25 have increased partially due to the rolling-in of the council tax admin support grant.

(ii) Compensation of under indexing the BR multiplier - Actual amount will be higher after compensation is applied to the growth the council retains above Business Rates Baseline Funding.

(iii) Assumed Council Tax - Government assumes that all councils will increase council tax by the maximum permitted without triggering a local referendum on excessive increases.

However, some caution must be taken when comparing Core Spending Power figures, both in terms of year-on-year increases and also in comparison to other authorities. For instance Core Spending Power excludes some sizable specific grants, such as those for homelessness, and also excludes the amount of growth retained from the business rates system, so it does not give a complete picture of the amount of funding each authority has.

Table 4 - Corporate Funding outside of Core Spending Power

| | **2024/25 £000** |
|---|---|
| **Spending Power** | **20,092** |
| Business Rates Growth | 1,875 |
| Compensation for under indexing the BR multiplier on BR Growth | 517 |
| Other BR Adjustments | 580 |
| Collection Fund Deficits | -312 |
| **Corporate Funding** | **22,752** |

Table 4 shows that approximately £2.6m of additional corporate funding, most notably from retained business rates growth can be added to Core Spending Power in order to arrive at the council's total budgeted corporate funding for 2024/25.

Disappointingly, the settlement has provided funding allocations for one year only, as opposed to the multi-year settlements that have been provided in previous years. The provisional settlement and an accompanying policy statement did give some further information on plans for Local Government finance reform, stating "Now is not the time for fundamental reform, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth".

More detail on assumed income allocations is provided in the following sections.

**Council Tax**

The maximum district councils will be permitted to increase council tax for 2024/25 will again be limited to the higher of 3% or £5. For Thanet, a 3% increase results in a £7.64 increase in the band D equivalent and this is proposed in the draft budget. Alongside an expected 1.5% increase in the council taxbase (number of chargeable homes), we expect to see a £530k increase in our income from council tax.

**Business Rates**

The existing retained business rates retention system is expected to continue in its current form for at least the next two years. Based on current assumptions (within a very complex system) we are expecting to retain an additional £1.7m from business rates next year, which is now Government's main mechanisms for funding inflation pressures in local government.

**Grants**

The grant regime and our allocations for 2024/25 are largely unchanged from 2023/24. The main change in our approach is to include £100k of our expected £400k allocation from New Homes Bonus (NHB) in the base budget, on the assumption that the government will still have some form of grant scheme (albeit smaller) in place to incentivize house building after NHB is eventually phased out.

## 7. Reserves

**Reserves**

***General Fund Reserves****:* The Local Government Finance Act 1992 specifies that precepting authorities, such as Thanet District Council, must have regard to the level of reserves needed for estimated future expenditure when calculating the budget requirement. In order to comply with this requirement each year the council reviews its level of reserves, taking account of the financial risks that could pose a threat to the Authority over the medium term. The general reserve, or contingency, of £2m is 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. Local Authorities generally hold reserves for three purposes:

- working balance to help cash flow
- contingency for unexpected events or emergencies
- building up funds to meet known or predicted requirements

Ultimately they are held to help the Council manage risk. This is important as we cannot borrow money over the medium-term, other than for investment in assets, and we are required to balance our budget on an annual basis.

**Reserve Levels**

At the end of 2022/23 the council held £2m in its General Fund balance and an estimated £14m in earmarked reserves (non-covid) and £800k in covid related reserves. However, the draft 2022/23 accounts are still to be published, audited and finalised, which means that this remains to be finalised.

Our reserve position has much improved in recent years, which allows some flexibility to fund one off or time-limited proposals from reserves. The planned movements in reserves are set out below.

**Planned reserve movements**

To balance next year's budget, the following reserve contributions are proposed.

***Sports Development - £50k -*** to enable work with Kent FA as set out in paragraph 5.16

***Service Investment -£399k*** - As detailed at sections 4.14 to 4.19 timelimed reserve allocations are proposed to support cabinet priorities or to forward-fund invest to save or income generation initiatives.

***Homelessness -£75k -*** At the end of 2021/22 the Council held £330k in a specific earmarked reserve for homelessness, with the purpose of the reserve being to hold unspent homelessness grants and recovered rent deposit monies to draw down, depending on the economic climate and homelessness projects. Given the increasing demand being placed on the service it is agreed to make a £100k contribution from this earmarked reserve in 2023/24 to support the base budget and a contribution of £75k is proposed for 2024/25.

***New Homes Bonus (NHB) -*** NHB is an uncertain funding stream and it is recommended that it is not included in the base budget in full. As such, it is recommended only £100k of the allocation is included in the base budget and that the remaining £128k of the funding is allocated to the reserves and earmarked to part-finance Homelessness Accommodation capital schemes.

***Climate Change -£40k -*** When setting the 2023/24 budget it was agreed that -£40k would be taken from the risk management reserve for the next two years to fund a Climate Change Coordinator post. This is the second year of the planned allocation.

***Collection Fund Movements -£312k -*** A £239k contribution will be taken from the Equalisation reserve and £73k from the Covid Reserve to fully fund the budgeted collection fund deficits on Business Rates and Council tax.

**Governance -** On 2 November 2021 Council approved the statutory recommendations made by external auditors, Grant Thornton, which included the recommendation that the Council:

*"Revisit the financial plans and identify additional savings plans to address the further cost pressures created in resolving the grievances and whistleblowing complaints."*

Planned contributions to reserves of £180k were agreed to be included in the 2022/23 and 2023/24 budgets, in order to restate the reserve balances that were used to fund the anticipated costs associated with the conclusion of governance and disciplinary matters. However, given the overall improvement in the council's reserves and balance position this planned contribution is no longer required for 2024/25 and beyond.

## 8. General Fund Capital Programme

This section considers the draft capital programme for the period 2024/25 to 2027/28. A detailed breakdown of the programme, at individual scheme level, is included in Annex 1.

The draft General Fund capital programme for 2024/25 is £53m, with £92m programmed to be spent across the four years up to 2027/28. This represents a significant increase in scale of the programme for the council compared to past years and is largely the result of an increase in the number and size of the schemes that are backed by external funding.

A minimum level of £15k has been set for capital expenditure (expenditure on the acquisition, construction or enhancement of a fixed asset which is expected to be in use for more than one year). Expenditure below this value is not treated as capital and is therefore not recorded on the asset register or funded from capital resources. Capital expenditure also includes qualifying grants and loans, 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 borrowing, capital receipts, grants or revenue contributions.

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 budget.

**Capital Projects and Schemes**

Projects already agreed from previous years within the four year programme are:

- **Margate Levelling Up Fund** - The total size of this capital project is £6.3m across all financial years with £4.891m currently programmed to be spent in 2024/25. This scheme is wholly externally funded and will fund the development of the Margate Digital campus.

- **Ramsgate Levelling Up Fund -** The total size of this capital project is £19.84m, with £18.242m currently programmed to be spent in 2024/25. This scheme is wholly externally funded and will provide funding for investment in the port, a new green campus building to provide a centre for excellence for operations and maintenance including a training and low carbon business centre, development of the clock house, new public realm at pier yard square and improvements to community space.

- **Margate Town Deal** - The total size of this capital project is £20.412m, with £17.117m currently programmed to be spent between 2024/25 and 2025/26. This scheme is wholly externally funded and delivers a range of initiatives including creation of the Creative Land Trust, investment in the Theatre Royal, a programme to reinvigorate and provide new wellbeing infrastructure at key sites, improving links between key areas of the town and enhancing the Dreamland site.

● **Ramsgate Future High Street Fund -** The total size of this capital project is £2.7m, with £1.867m currently programmed to be spent in 2024/25. This scheme is wholly externally funded and will deliver creative workspace and highway improvements.

● **Housing Assistance Policy (including Disabled Facilities Grants)** £3m per annum rolling programme that is grant funded.

● **Vehicle & Equipment Replacement Programme** - £10.960m over four years, the size of the scheme has been increased significantly to include budget provision for electrification of refuse collection vehicles. The delivery of this expanded scheme will depend on the successful completion of the associated new infrastructure. This scheme is funded from borrowing.

● **Property Enhancement Programme** - £1.250m over 4 year programme to allow for capital enhancement to corporate property estate. Funded from the disposal proceeds of surplus properties.

● **End User Computing Refresh of Devices & IT Infrastructure -** £0.740m over four years, funded from borrowing.

● **Stone Bay Sea Wall Work** - £450k, reprofiled for delivery in 2025/26, externally funded.

● **Ramsgate Port - Berth 1 Refurbishment** - £300k reprofiled for delivery now in 2024/25, funded from borrowing

● **Walpole Coping and Sea Wall - £**450k, preprofiled for delivery in 2024/25, externally funded.

● **Royal Harbour Multi-Storey Car Park** - £3m in 2025/26 for the purchase of this site (which the Council currently leases), funded from borrowing.

● **Homelessness Accommodation (phase 2)** - The total size of this capital project is £2.2m, of which £1.2m is profiled for 2024/25 (funded from borrowing).

Capital bids for the forthcoming years have been reviewed and scored. Where projects require prudential borrowing further details can be found within the attached Annex 1.

**Table 4a: New Capital Projects**

| New Capital Project | Total Cost (over 4 years) £'000 | Project Outline |
|---|---|---|
| Vehicle & Equipment Replacement Programme (Maritime) | 771 | To give Maritime its own programme rather than having separate capital projects. This will increase flexibility as well as streamlining and simplifying the capital process for Maritime vehicles and equipment. |
| Margate Harbour Wall Stabilisation | 450 | To reduce the risk of structural failure, maintain flood protection for Margate old town, and maintain access to the harbour arm and businesses. |

| | | |
|---|---|---|
| CCTV Control Room and Systems Upgrade | 350 | Expand the CCTV control room, upgrade systems, and further develop the district's CCTV coverage and monitoring. |
| Ramsgate Leisure Centre - solar panels | 570 | To generate clean and renewable electricity on site, and to reduce carbon emissions. |
| Hartsdown Leisure Centre - solar panels | 213 | To generate clean and renewable electricity on site, and to reduce carbon emissions. |
| Thanet Gateway Windows / Rooflights | 176 | Refurbishment of windows and rooflights, increasing thermal efficiency and reducing carbon emissions. |
| Ramsgate Port & Harbour: Ladder Refurbishment | 70 | To facilitate berthing for vessels that are currently too large to be accommodated. |
| Mill Lane Car Park Refurbishment | 1,563 | Work to ensure the car park remains safe and compliant for use by drivers. |

**Table 4b: New Capital Projects (placeholders only at this stage - subject to finalisation of capital bids and scoring)**

| New Capital Project | Total Cost (over 4 years) £'000 | Project Outline |
|---|---|---|
| Homelessness Accommodation (further phases) | 7,200 | The further provision of temporary accommodation to meet the needs of homeless people. |
| Household Waste and Recycling Container Improvement | 1,096 | To replace red bags with standard wheeled bins (for kerbside paper and card collections). Bags have a relatively short lifespan and, once emptied, can blow away in windy weather. This project will also consider the implications of Section 57 of the Environment Act in terms of the separation of waste requirements and what this will mean for our current suite of waste receptacles. |
| Litter and Recycling Bin Replacement | 303 | Improvement programme to ensure that bins are in good condition and to facilitate recycling |
| Decarbonisation of the Kent Innovation Centre | 2,065 | Replace the current gas boilers with a low carbon alternative heating solution (such as additional roof insulation, window improvements, LED lighting, heat pumps, new radiators etc etc). |
| Decarbonisation of Cecil St Main Office & Gateway | 4,400 | Replace the current gas boilers with a low carbon alternative heating solution (such as additional roof insulation, window improvements, LED lighting, heat pumps, new radiators etc etc). |
| Coastal Bin Housings | 90 | The installation of coastal bin housings to control fly-tipped waste |
| Ramsgate Port & Harbour: Refurbishment of Dockmaster Office | 50 | To improve the specification and create a drying room |

The draft General Fund Capital Programme for 2024/25 is £52.626m, which will be funded in the main from grants, usable capital receipts and prudential borrowing. This is shown in summary format below.

**Table 5: Draft Capital Programme 2024-2028**

| | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|---|---|---|---|---|
| Statutory and Mandatory Schemes | 3,000 | 3,000 | 3,000 | 3,000 |
| Ongoing Schemes from Previous Years | 1,200 | 0 | 0 | 0 |
| Annual/Regular Enhancement Programmes | 4,019 | 5,215 | 3,323 | 9,763 |
| Wholly/Part Externally Funded | 42,417 | 7,515 | 0 | 0 |
| Construction, Replacement and Enhancement | 1,890 | 4,421 | 71 | 0 |
| Capitalised Salaries (not yet allocated to capital projects) | 100 | 100 | 100 | 100 |
| **Total Capital Programme Expenditure** | **52,626** | **20,251** | **6,494** | **12,863** |
| | | | | |
| **Capital Resources Used:** | | | | |
| Capital Receipts and Reserves | 897 | 1,721 | 421 | 350 |
| Grants and Contributions | 45,417 | 7,929 | 3,000 | 3,000 |
| Contributions from Service Revenue Budgets | 0 | 0 | 0 | 0 |
| Prudential Borrowing | 6,312 | 10,601 | 3,073 | 9,513 |

Any slippage from the 2023/24 capital programme will be in addition to the numbers in the above table. For example, the Budget Monitoring Report for the 21 September 2023 Cabinet meeting gives an estimated 2023/24 General Fund capital programme underspend of £5.960m.

## 9. Risks and Uncertainty

There are a number of other risks and variables that officers and members must consider when approving the 2023/24 budget. The key risks that will be considered within the budget setting environment are:

***Approval of proposed Council Tax or Fees and Charges increases -*** Should Council not approve the proposed increases in council tax of fees and charges it would be necessary to revisit the budget proposals presented in this budget and either scale back the proposed budget growth or find equivalent savings.

***Non-delivery of efficiency savings -*** There are relatively limited savings included in the 2024/25 budget compared to previous years. Nonetheless, the non-delivery of these proposals (e.g. digital transformation) would still place a financial strain on the 2024/25 budget.

***Income shortfalls -*** There is a risk of in-year income (council tax, business rate, fees and charges) shortfalls due to the economic environment.

***Temporary Accommodation Costs -*** A £1.200m of additional budget provision was allocated within the 2022/23 and 2023/24 budgets in reflection of pressure on service delivery from the rising demand for homelessness service. However, this is a demand led service and the council has limited capacity to reduce the demand placed on the service and should external factors place further demand on the service then this additional financial provision would likely be insufficient.

***Inflation -*** Estimates have been made for inflation within the 2024/25 budget. Should these assumptions result in underestimates of inflation, especially that of construction costs, energy and fuel, this would result in an in-year budget pressure.

***Capital Programme Delivery*** - As set out above the council has an expansive capital programme compared to historic norms for the council, as such delivery of the expanded capital programme could be put at risk due to staffing resource constraints (e.g. management and support services).

***Pay &/or Industrial Action -*** A 5.75% pay offer has been formally presented to the unions and it is anticipated that it will be accepted. However, given the industrial action that has been seen across many industries in recent months and persistently high inflation there remains a risk that future pay negotiations may be challenging and that subsequent industrial action could follow.

***Recruitment and Retention*** - The council is aware that pay needs to be competitive in order to recruit and retain sufficient numbers of appropriately skilled staff in order to deliver the budget and the council's priorities.

***Ability to fund climate change demands and pressures*** - Across the medium term significant investment is required in order to achieve the objectives set out in the Net Zero Strategy. For example, the level of infrastructure investment and the acquisition of electric refuse freighters is reflected in the capital programme, however the associated borrowing costs places pressure on the revenue budget over the medium term.

It will be necessary to continue to manage and monitor key budgetary, service and corporate risks through our risk management processes and strategy.

## 10. Flexible use of Capital Receipts Policy

Attached at Annex 2 of this report is the above policy for ratification.

## 11. Medium Term Financial Plan

The expected changes in the local government funding system make forecasting for 2025/26 and beyond very difficult. However, despite this uncertainty it is still prudent to plan for a number of different eventualities including those that are more pessimistic.

A detailed Medium Term Financial Strategy covering the 2024-28 financial years will be presented under separate cover to this meeting, setting out the expected financial position over this timeframe and any necessary action to address budgetary pressures or shortfalls.

## 12. Section 25 Report

Section 25 of the Local Government Act 2003 includes a duty on the Section 151 Officer to report, at the time the Council Tax is set, on the robustness of the budget calculations as well as the adequacy of the council's reserves and other matters. The level of reserves is also a factor the external auditor will consider in appraising the council's financial standing.

**Robustness of budget estimates**

The estimates have been subject to significant review and scrutiny by the Section 151 Officer, the Corporate Management Team, and Financial Services Officers.

One of the key tools for implementing the budget strategy was the use of budget prioritisation meetings. This allowed for in depth scrutiny of existing service budgets alongside the request for any budget growth or saving proposals; aiding the accuracy and robustness of the budget estimates.

Realistic assumptions have also been incorporated with regards to inflationary increases for 2023/24. This includes a 4% increase in staff pay that has been agreed with the unions, and inflationary budget adjustments for energy and other key expenditure lines. Sufficient budgetary requirements have also been included for the continuation of the waking watch service.

Regardless of the level of planning or security, budget estimates are inherently uncertain due to their forward looking nature. Key risks to the delivery of the 2023/24 budget have been detailed at section 9, but the section 151 officer is of the opinion that the council holds sufficient and adequate reserves to face these risks, as explained further below.

**Adequacy of Reserves**

It has been well reported in recent years that the council holds relatively low reserves, compared to other district councils, to historic levels and our risk profile. However as explained at section 7, reserve levels are now at the highest level in over a decade. At their lowest point in 2015/16 earmarked reserves and balances stood at £8.2m, which equated to only 42% of the council's net revenue budget of £19.2m.

Over recent years reserve holdings have steadily increased, and now stand at £17.9m (excluding Covid reserves), which is more than double the level held at 31st March 2016 and now represents approximately 85% of planned net revenue expenditure for 2023/24. This improved position allows the council to look more confidently into the future and adopt a more balanced risk appetite when considering the financial risks and implications of potential opportunities for investment, to generate income, or transform our services.

However, despite this improved position the council remains committed to replenishing reserves and continuing to stabilise our financial position. This view is shared by the external auditor as set out in their statutory recommendations, as approved by council on 2 November 2021, and also referred to and concluded within their Audit Findings Report for 2019/20. This approach is demonstrated by the continuing £180k contribution to replenish reserves; this is over and above the £3.5m contribution enabled as part of the 2021/22 final accounts process, which led to the increase in reserves outside those allocated for covid related activities.

Earmarked reserves are proposed to be used on a number of occasions for the 2023/24 budget, however the section 151 officer is satisfied that these allocations are appropriate; the contributions are of a one-off nature and are in keeping with the intended purpose of the reserve, in that they will either help smooth or mitigate emergency expenditure pressures (e.g. homelessness) or will help to generate additional income or reduce costs in the future (e.g. repairs and maintenance).

The provisional year-end position for 2021/22 shows that the council has £2.1m set aside within the reserve for risk management, which is earmarked to meet the financial pressures from any necessary actions to address any unforeseen or developing risks the council faces. In addition to this, the council also has £3.9m in the equalisation reserve to smooth financial pressures that may arise from in-year budget volatility (e.g. housing benefit, business rates, planning income).

Finally, the council’s General Fund balance remains above the £2.0m risk assessed threshold.

As such, the section 151 officer is satisfied with the adequacy of the council's current reserve holdings and the robustness of the estimates that have been applied to the 2023/24 budget.

## 13. Next Steps

The draft budget will be presented to be considered by the Overview & Scrutiny Panel on 16 January 2024 and if the Panel makes recommendations to Cabinet, the Cabinet meeting on 25 January 2024 will consider them.

Council on 8 February 2024 will approve the budget and Council on 22 February 2024 will approve the Council Tax.

Contact Officer: *Chris Blundell (Director of Corporate Services - Section 151)*
Reporting to: *Colin Carmichael (Interim Chief Executive)*

**Annex List**
Annex 1: Draft General Fund Capital Programme 2024-28
Annex 2: Flexible use of Capital Receipts Policy

**Corporate Consultation**

**Finance:** *Not applicable*
**Legal:** Ingrid Brown (Head of Legal and Democracy & Monitoring Officer)

## General Fund Capital Programme

| Capital Programme | Capital Bid Score | Directorate | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | Total £000 | Funding Source |
|---|---|---|---|---|---|---|---|---|
| **STATUTORY/MANDATORY** | | | | | | | | |
| Housing Assistance Policy (incl Disabled Facilities Grants) | 104 | Corporate Resources | 3,000 | 3,000 | 3,000 | 3,000 | **12,000** | Grant Funded |
| **ONGOING SCHEMES FROM PREVIOUS YEARS** | | | | | | | | |
| Homelessness Accommodation (phase 2) | 100 | Corporate Resources | 1,200 | | | | **1,200** | Borrowing |
| **ANNUAL/REGULAR ENHANCEMENT PROGRAMMES** | | | | | | | | |
| Vehicle & Equipment Replacement Programme | N/A | Operational Services | 2,200 | 1,970 | 175 | 6,615 | **10,960** | Borrowing |
| Vehicle & Equipment Replacement Programme (Maritime) | N/A | Operational Services | 674 | 97 | | | **771** | Borrowing |
| Homelessness Accommodation (further phases) | N/A | Corporate Resources | | 2,400 | 2,400 | 2,400 | **7,200** | Borrowing |
| Property Enhancement Programme | N/A | Corporate Governance | 500 | 250 | 250 | 250 | **1,250** | Capital Receipts |
| Household Waste and Recycling Container Improvement | N/A | Operational Services | 274 | 274 | 274 | 274 | **1,096** | Borrowing |
| Litter and Recycling Bin Replacement | N/A | Operational Services | 186 | 39 | 39 | 39 | **303** | Borrowing |
| End User Computing - Refresh of Devices | 104 | Corporate Resources | 25 | 25 | 25 | 25 | **100** | Borrowing |
| IT Infrastructure | 108 | Corporate Resources | 160 | 160 | 160 | 160 | **640** | Borrowing |
| **WHOLLY/PARTLY EXTERNALLY FUNDED** | | | | | | | | |
| Stone Bay Sea Wall Work (reprofiled from 2023/24) | 121 | Operational Services | | 450 | | | **450** | Grant Funded |
| Margate Town Deal (ongoing from 2021/22) | N/A | Corporate Governance | 16,517 | 600 | | | **17,117** | Grant Funded |
| Margate Levelling Up Fund (ongoing from 2021/22) | N/A | Corporate Governance | 4,891 | | | | **4,891** | Grant Funded |
| Ramsgate Levelling Up Fund (ongoing from 2021/22) | N/A | Corporate Governance | 18,242 | | | | **18,242** | Grant Funded |
| Ramsgate Future High Street Fund (ongoing from 2021/22) | N/A | Corporate Governance | 1,867 | | | | **1,867** | Grant Funded |
| Walpole Coping and Sea Wall (reprofiled from 2022/23) | 121 | Operational Services | 450 | | | | **450** | Grant Funded |
| Decarbonisation of the Kent Innovation Centre | N/A | Corporate Governance | | 2,065 | | | **2,065** | Grant Funded & Borrowing |
| Decarbonisation of Cecil St Main Office & Gateway | N/A | Corporate Governance | | 4,400 | | | **4,400** | Grant Funded & Borrowing |
| Margate Harbour Wall Stablisation | 121 | Operational Services | 450 | | | | **450** | Grant Funded |
| **CONSTRUCTION, REPLACEMENT & ENHANCEMENT** | | | | | | | | |
| Ramsgate Port - Berth 1 Refurbishment (reprofiled from 2023/24) | 105 | Operational Services | 300 | | | | **300** | Borrowing |

Agenda Item 9
Annex 1

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| CCTV Control Room and Systems Upgrade | 101 | Operational Services | 350 | | | | **350** | Borrowing |
| Ramsgate Leisure Centre - solar panels | 100 | Corporate Governance | 570 | | | | **570** | Borrowing |
| Hartsdown Leisure Centre - solar panels | 100 | Corporate Governance | 213 | | | | **213** | Borrowing |
| Thanet Gateway Windows / Rooflights | 100 | Corporate Governance | 176 | | | | **176** | Capital Receipts |
| Coastal Bin Housings | N/A | Operational Services | 90 | | | | **90** | Borrowing |
| Ramsgate Port & Harbour: Refurbishment of Dockmaster Office | N/A | Operational Services | | 50 | | | **50** | Borrowing |
| Ramsgate Port & Harbour: Ladder Refurbishment | 100 | Operational Services | 70 | | | | **70** | Borrowing |
| Mill Lane Car Park Refurbishment | 110 | Corporate Governance | 121 | 1,371 | 71 | | **1,563** | Reserves |
| Royal Harbour Multi-Storey Car Park | 111 | Corporate Governance | | 3,000 | | | **3,000** | Borrowing |
| **Capitalised Salaries (not yet allocated to capital projects)** | | | 100 | 100 | 100 | 100 | **400** | Capital Receipts |
| **Total for the Year** | | | **52,626** | **20,251** | **6,494** | **12,863** | **92,234** | |

| **General Fund Capital Programme Funded By** | **2024-25 £000** | **2025-26 £000** | **2026-27 £000** | **2027-28 £000** | **Total £000** |
|---|---|---|---|---|---|
| Capital Receipts | 776 | 350 | 350 | 350 | **1,826** |
| Reserves | 121 | 1,371 | 71 | | **1,563** |
| Grants & Contributions | 45,417 | 7,929 | 3,000 | 3,000 | **59,346** |
| Contributions from Service Revenue Budgets | 0 | 0 | 0 | 0 | **-** |
| Prudential Borrowing | 6,312 | 10,601 | 3,073 | 9,513 | **29,499** |
| **Total for the Year** | **52,626** | **20,251** | **6,494** | **12,863** | **92,234** |

| **Analysis of Prudential Borrowing (excl placeholders)** | **MRP Cost £000 pa - on Total** | **Interest cost at 5.0% £000 pa - on Total** | **2024-25 £000** | **2025-26 £000** | **2026-27 £000** | **2027-28 £000** | **Total £000** |
|---|---|---|---|---|---|---|---|
| Homelessness Accommodation (phase 2) (50 yr MRP life) | 24 | 60 | 1,200 | | | | **1,200** |
| Vehicle & Equipment Replacement Programme (6 yr MRP life) | 1,827 | 548 | 2,200 | 1,970 | 175 | 6,615 | **10,960** |
| Vehicle & Equipment Replacement Programme - Maritime (9 yr MRP life) | 86 | 39 | 674 | 97 | | | **771** |
| IT Infrastructure (5 yr MRP life) | 128 | 32 | 160 | 160 | 160 | 160 | **640** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| End User Computing - Refresh of Devices (5 yr MRP life) | 20 | 5 | 25 | 25 | 25 | 25 | **100** |
| Ramsgate Port - Berth 1 Refurbishment (20 yr MRP life) | 15 | 15 | 300 | | | | **300** |
| CCTV Control Room and Systems Upgrade (10 yr MRP life) | 35 | 18 | 350 | | | | **350** |
| Ramsgate Leisure Centre - solar panels (25 yr MRP life) | 23 | 29 | 570 | | | | **570** |
| Hartsdown Leisure Centre - solar panels (25 yr MRP life) | 9 | 11 | 213 | | | | **213** |
| Ramsgate Port & Harbour: Ladder Refurbishment (10 yr MRP life) | 7 | 4 | 70 | | | | **70** |
| Royal Harbour Multi-Storey Car Park (47 yr MRP life) | 64 | 150 | | 3,000 | | | **3,000** |
| **Total** | **2,236** | **909** | **5,762** | **5,252** | **360** | **6,800** | **18,174** |

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# Annex 2 - Flexible Use of Capital Receipts Strategy

**1.0 Flexible Use of Capital Receipts**

1.1 In March 2016 the government produced Statutory Guidance on the Flexible Use of Capital Receipts. Proper accounting practices mean that capital receipts can only be used to support capital expenditure. However, the purpose of the guidance is to give flexibility as to the use of capital. In summary, the guidance allowed councils to use capital receipts from the disposal of property, plant and equipment assets received in the period 1 April 2016 to 31 March 2019 to fund revenue spending which is forecast to generate ongoing savings to an authority's net service expenditure.

1.2 The above initiative has subsequently been extended by the government for a further three years. Accordingly, capital receipts which have been received from 1 April 2016 to 31 March 2022 may now be used to fund revenue expenditure incurred during this period which is forecast to generate ongoing savings to the council's net service expenditure.

1.3 In April 2022 the Department for Levelling Up, Housing & Communities (DLUHC) announced that this initiative had been extended again. This time for the three years from 1 April 2022 to 31 March 2025 although redundancy costs are not now covered, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments.

1.4 The guidance itself gives examples of the type of expenditure that can be funded from this source although it is not exhaustive. This includes:

- Funding the cost of statutory redundancy payments, where this leads to ongoing efficiency savings or service transformation.

- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.

A more comprehensive list is provided in section 2 - Guidance below.

1.5 This provides an opportunity for the council to invest in some significant projects during this period to embed efficiencies for future years. As previously reported, capital receipts have been or are being used to:

(a) fund in 2017-18 a Corporate Restructure that was conducted by the Chief Executive, to reduce the establishment costs of the council, delivering long-term savings. Subsequently there have been further service reconfigurations and restructures to deliver long-term savings.

(b) deliver Digitally Enabled Services (to reduce costs and also improve customer service).

Hence, the use of capital receipts will result in significant ongoing savings for the council. Notification was duly given by the council to the Department for Communities and Local Government (DCLG).

1.6 It was previously estimated that these projects would produce significant ongoing savings, as set out below.

| Project Name | Project Description | Estimated Qualifying Expenditure £'000 | Estimated Annual Savings £'000 |
|---|---|---|---|
| Corporate Restructuring and Service Reconfiguration | To review and update the organisational structure and service configuration to deliver efficiencies | 800 | 814 |
| Digitally Enabled Services | To adopt digital technology to enable new ways of working | 200 | 50 |

1.7 Expenditure on these two projects has been as follows:

| Budget and Expenditure | Corporate Restructuring and Service Reconfiguration £'000 | Digitally Enabled Services £'000 | Total £'000 |
|---|---|---|---|
| Original Budget | 800 | 200 | 1,000 |
| 2017-18 spend | (287) | (32) | (319) |
| 2018-19 spend | (23) | (95) | (118) |
| 2019-20 spend | (437) | (60) | (497) |
| 2020-21 spend | (1) | (59) | (60) |
| 2021-22 spend | 0 | (3) | (3) |
| 2022-23 spend | 0 | 0 | 0 |
| 2023-24 spend (estimated) | (52) | 0 | (52) |
| 2019-20 budget transfer | 0 | 60 | 60 |
| 2021-22 budget transfer | 0 | 100 | 100 |
| 2022-23 budget transfer | 0 | (111) | (111) |
| **Total - estimated budget remaining to the end of March 2024** | **0** | **0** | **0** |

1.8 The corporate restructuring and service reconfiguration as implemented continues to deliver ongoing efficiencies throughout the organisation and this drive to deliver more efficient ways of working will continue through the MTFS 2024-28.

1.9 The push for Digitally Enabled Services continues to deliver improvements in the way that we manage our services. This is reflected through the delivery of ongoing savings within the MTFS 2024-28.

1.10 Actual spend for the 2023-24 financial year will be reflected in a future update.

1.11 The following 2024-25 Treasury Management Strategy Statement Prudential Indicator will be potentially impacted by the use of £52k of General Fund capital receipts:

> **Ratio of Financing Costs to Revenue Stream**: The 2024-25, 2025-26 and 2026-27 General Fund ratios (to one decimal place) increase by 0.0%, 0.0% and 0.0% respectively - i.e. the increase is less than 0.1% for all three years.

This is calculated on the assumption that the flexible use of capital receipts does not increase the council's revenue stream but does increase the council's funding requirement by £52k.

1.12 Council is recommended to consider and approve this revised Capital Receipts Strategy.

**2.0 Flexible Use of Capital Receipts – Guidance**

2.1 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 issued revised guidance in March 2016 and subsequently.

2.2 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.

2.3 Revenue Reform Costs must be properly incurred by 31 March 2025 and can only be met from capital receipts which have been received from 1 April 2016 to 31 March 2025. Revenue Reform Costs cannot be financed from (i) Right to Buy receipts, (ii) pre 1 April 2016 capital receipts, and/or (iii) borrowing.

2.4 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 where this leads to ongoing efficiency savings or service transformation;
- 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 - this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery.

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

2.6 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 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).

**2.7 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.

The council has used capital receipts to fund the redundancy costs of the corporate restructure and service reconfiguration, and the costs of digitally enabled services.