MEETING
OF THE COUNCIL

Thursday, 7th February, 2013

7.00 pm

Council Chamber
Thanet District Council
Margate

www.thanet.gov.uk
01843 577000

Please note that the recording and/or photographing of any Council meeting is not currently permitted under the Council's procedure rules.

We may be able to provide this document in a different format such as Braille, audio or large print, or in another language. Please call 01843 577165 for details.

Date: 28 January 2013
Ask For: Anona Somasundaram
Direct Dial: (01843) 577046
Email: anona.somasundaram@thanet.gov.uk

You are hereby summoned to attend the meeting of the Thanet District Council to be held in the Council Chamber, Cecil Street, Margate, Kent on Thursday, 7 February 2013 at 7.00 pm for the purpose of transacting the business mentioned below.

Democratic Services & Scrutiny Manager

To: The Members of Thanet District Council

FIRE ALARM PROCEDURES: If the fire alarm is activated, please vacate the offices via the stairs either through the security door to the left of the Chairman or opposite the lifts in the foyer. Please do not use the lifts. Please assemble in Hawley Square on the green. Officers will assist you and advise when it is deemed safe to return to the Chamber.

A G E N D A

Item No	Subject

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST**

3. **MINUTES OF PREVIOUS MEETING** (Pages 1 - 12)

   To approve the Minutes of the meeting of Council held on 6 December 2012, copy attached.

4. **ANNOUNCEMENTS**

   To receive any announcements from the Chairman, Leader, Members of the Cabinet or Chief Executive in accordance with Council Procedure Rule 2.1 (iv)

5. **PETITIONS FROM THE PUBLIC**

   To receive petitions from the public in accordance with the Council's petitions scheme, as set out at Council Procedure Rule 12

6. **QUESTIONS FROM THE PRESS AND PUBLIC**

   To receive questions received from the press or public in accordance with Council Procedure Rule 13

Item No	Subject
7.	**QUESTIONS FROM MEMBERS OF THE COUNCIL**
	To receive questions from Members of the Council in accordance with Council Procedure Rule 14
8.	**MOTIONS ON NOTICE**
	To receive any Notices of Motion from Members of Council in accordance with the Council Procedure Rule 16
9.	**LEADER'S REPORT** (Pages 13 - 14)
10.	**REPORT BACK ON NOTICE OF MOTION, RAMSGATE ROYAL SANDS**
	Report to follow
11.	**REPORT BACK ON PETITION - DOG BAN ON DUMPTON GAP BEACH** (Pages 15 - 18)
12.	**2013/14 BUDGETS AND MEDIUM TERM FINANCIAL PLAN 2013-17** (Pages 19 - 124)
13.	**CONSTITUTION OF COMMITTEES, POLITICAL BALANCE, APPOINTMENTS TO COMMITTEES, PANELS AND BOARDS**
	Report to follow
14.	**CALENDAR OF MEETINGS - TO CHANGE THE DATE OF THE MAY 2013 CABINET MEETING** (Pages 125 - 126)

This page is intentionally left blank

COUNCIL

Minutes of the meeting held on 6 December 2012 at 7.00 pm in Council Chamber, Cecil Street, Margate, Kent.

Present: Councillor Douglas W Clark (Chairman); Councillors Dark, Aldred, Bayford, Binks, Bruce, Campbell, Cohen, Coleman-Cooke, Day, Driver, Dwyer, Edwards, Everitt, Ezekiel, Fenner, Gibson, Gideon, D Green, E Green, I Gregory, Grove, Harrison, C Hart, S Hart, Hayton, Hibbert, Hornus, Huxley, Johnston, King, Kirby, Lodge-Pritchard, Marson, Matterface, Moore, Moores, Nicholson, Poole, Roberts, D Saunders, M Saunders, Savage, H Scobie, W Scobie, Sullivan, M Tomlinson, S Tomlinson, Watkins, Wells, Wiltshire, Wise, Worrow and Wright

In Attendance: Mr Hills, Independent Member and Chairman of the Standards Committee

51. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Alexandrou and K Gregory.

52. DECLARATIONS OF INTEREST

There were no declarations of interest.

53. MINUTES OF PREVIOUS MEETING

On the proposal of the Chairman, seconded by the Vice-Chairman, the minutes of the meeting of Council held on 20 September 2012 were approved by Council and signed by the Chairman.

54. ANNOUNCEMENTS

The Chairman reminded Members of the key provisions in the Council's constitution regarding the conduct of council meetings and the Chairman's powers to ensure the orderly conduct of debate.

55. PETITIONS FROM THE PUBLIC

(a) Dog ban on Dumpton Gap Beach

It was noted that the petition contained 135 signatures, and not 58 signatures, as stated in the report.

Mrs Natalie Stapley presented the following petition:

"We, the undersigned, request that Thanet District Council imposes a dog ban on Dumpton Gap Beach, from 1 May to 30 September, banning dogs during the hours of 10.00 hrs to 18.00 hrs, in accordance with the Clean Neighbourhoods and Environment Act 2005.

"Dogs that are not kept under the owners' control are creating Health and Safety and hygiene issues, which is causing distress and problems to many beach / promenade users."

Mrs Stapley outlined how dog fouling and aggressive behaviour by dogs were posing a risk to the health and safety of the increasing number of families who visited the beach.

She also pointed out that many incidents went unreported, as the public were generally unaware of whom to contact and that a dog ban, as requested in the petition, should represent a saving to the Council in terms of dog warden patrol.

It was proposed by the Chairman, seconded by the Vice-Chairman and resolved:

"That the petition be referred to Cabinet without debate and report back to Council within three ordinary meetings".

56. QUESTIONS FROM THE PRESS AND PUBLIC

It was NOTED that no questions were received from the press and public in accordance with Council Procedure Rule 13.

57. QUESTIONS FROM MEMBERS OF THE COUNCIL

The following questions were received from Council Members:

(a) **Seaweed recovery from the coastline**

Councillor Bruce asked Councillor Poole the following **question**:

"Given the smaller than usual amount of seaweed recovered from the coastline this year, can Councillor Poole assure us that any underspend is directed at looking for more sustainable and efficient ways of collection and disposal in future years?"

Councillor Poole's **answer** was as follows:

We were very fortunate this year. The winds and tides only managed to deposit 2,000 tons of seaweed on our beaches. Last year, it was much, much more.

Seaweed removal by the Council during the summer months this year was very successful. There were specific arrangements in place to remove the seaweed from the beaches, plus new arrangements to use farmers' fields for spreading the seaweed. Additionally, there was a dedicated webpage with its seaweed barometer; I must mention significant efforts by the communications team to keep the public informed. The arrangements used this year are already in place for next year with an extra farm site added.

The majority of the cost for our seaweed removal is down to directly employed staff, who undertake this work and drive the vehicles involved. Two thousand tons of seaweed represents a significant volume of work. Internal staff are used to remove the seaweed as and when required. At other times, they are employed on other coastline work. There may be some small savings when the final accounts are done, especially as staff involved managed to get reduced vehicle hire charges, and these savings will contribute to preserving the levels of council reserves next year.

Alternative processes for dealing with seaweed such as anaerobic digestion or in-vessel composting have been explored, but these are generally impractical or unrealistic due to the nature of the seaweed and would involve the council paying significant amounts to use them. Any process would still involve the cost of removal and transport and so would represent no saving over our current arrangements. The benefit of field spreading is that this requires no extra processing; the spreading is undertaken by the farmers and is licensed by the Environment Agency. The Environment Agency is required to license the spreading of seaweed on farmers' fields to ensure that the quality of extracted drinking water is not compromised. Whilst this remains the lowest cost option, using more costly and inappropriate alternatives would not be correct. Options to sell seaweed have also been explored at times but nobody is seeking this and it would not, in any case, deal with more than a tiny fraction of the amount the Council removes each year.

As always, we are open to new ideas and proposals on this front, but they have to confer either a significant cost advantage over the current arrangements or present a significant environmental opportunity at the same cost. So far, we have not found anything that does this.

I would like to thank all the staff involved for the efficient way the seaweed problem was dealt with this year."

Councillor Bruce then asked Councillor Poole a **supplementary question**, as follows:

Having mentioned in February that you were dealing with a number of farms, I would like clarification that, as I understand, one at least has failed. How are you monitoring that process?

Councillor Poole **responded**:

One of the fields that we had lined up wasn't available so wasn't used, but we have an extra farm for next year. We have sufficient capacity to deposit the seaweed.

(b) **<u>Accommodation placements to persons from outside of Thanet</u>**

Councillor King addressed the following **question** to Councillor D Green:

"Would Councillor Green inform Council tonight what number of people from outside of Thanet needing accommodation have been placed here from other authorities in the last twelve months?"

Councillor D Green **responded**:

The Councillor will know that other authorities in Kent cannot place their people in Thanet due to legislation. I can also advise you that we, as a Council, have not been informed by any other local authority that they have housed anybody needing accommodation in Thanet. If they do, they should inform us because they have a duty to do so under the Housing Act.

EK Services tell us that 31 new applications for housing benefit were received from people that have previously claimed housing benefit in London, and we have had 116 new claims for housing benefit from people who previously claimed from outside of Thanet. Of course, this may well be individuals who have moved here of their own accord and not through being placed here by anybody.

We have 71 people on our housing waiting list that are currently living in London, but, once again, these may be people that want to move here of their own accord and not being influenced by their current local authority.

Briefly, we have no information that anyone is being placed here from outside the area."

Councillor King then asked the following **supplementary question**:

What contingency plans are there here, in Thanet, for the anticipated influx next year regarding housing benefit caps in London?

Councillor D Green **replied**:

Of course, this is a big concern to the Council. This government is bringing in a number of measures including cuts in housing benefit from April 2011, the under occupation penalties from April 2013 and the total benefit cap, which will also hit the people in society that are least able to cope; once again, in April 2013.

On top of that, of course, the government has just changed the law so that local councils in London no longer have to provide their own accommodation for people who are homeless but can place them in private accommodation which could, of course, be anywhere in the country.

So, it is a worry and we are concerned about it.

What we are doing at the moment, as the Councillor may know - because he has been consulted - is looking at our allocations policy to see whether it is fit for purpose under the new circumstances, and, I am told, our proposed changes will be going out for consultation very shortly, so that we have that in place before April 2013.

I can also tell you that we have written freedom of information requests to all London Boroughs, asking them for specific information about their current activities and their intentions of how they are going to respond to these rather difficult circumstances that the Government has placed them under.

(c) **Portfolio Responsibilities**

Councillor Wells put the following **question** to Councillor Fenner:

“Could Councillor Mrs Fenner please advise how she intends to reconcile her new responsibilities for press relations with her appearance in the local newspaper in December 2011, quoted as saying she believes the press ‘is so stupid’?”

Councillor Fenner’s **reply** was as follows:

As Cabinet Member, I am confident that we have high standards of reporting from our communications team, to give our residents the best possible information.

We are entitled to expect the same standards from the press, and we do. There are times when we are disappointed by the fact that the complex news sometimes gets mixed up, as was the case last Christmas when it was intimated that the responsibility for the problems relating to fireworks in Broadstairs lay with Thanet District Council, whilst, in fact, it did not. I made a comment in a private email which the local press chose to publish. I have no problem with that. They do their job in the way that they think fit, and we do ours. But, I hasten to say that it is not the same as if I had made a public statement about the local press. Besides, the inverted commas around the word, “stupid”, indicated that, in fact, it was not meant to be strictly speaking.

For the record, I did apologise to the reporter. The apology was accepted. We move on. The Thanet District Council communications team do an excellent job with the press and there is a good working relationship between me and the communications team. There is, all round, professional, positive work between all concerned - professional and courteous. Of course, it is not a cosy, over familiar relationship.

Councillor Wells then asked a **supplementary question**, as follows:

Does Councillor Fenner think that her experience with emails will help her with her stewardship of the IT department?

Councillor Fenner **responded**:

As I explained earlier, the emails were what they were. I do not exchange cosy, over familiar emails with my colleagues or anyone in the council.

(d) **Pollution incidents**

Councillor Bayford asked Councillor Johnston the following **question**:

"Given the pollution incidents that have plagued Thanet this year and the various comments from her in the media, can Councillor Johnston please confirm if she has achieved the level of compensation she was demanding from Southern Water and whether the beneficiaries will be as she expected?"

Councillor Johnston **responded**:

I have gone through all my comments in the press and it is very clear that I have not personally demanded compensation from Southern Water. However, numerous people in the community affected by the pollution have attended the scrutiny meetings on this matter.

As of today, I spoke to the Environment Agency who are working towards a possible legal action. They have been interviewing people in my ward and taking statements and will shortly take a statement from myself, We will know further the outcome of any action they take which will influence the compensation that all the people who have been so dreadfully affected in Margate and, in fact, your own ward.

The people who have been mostly affected are: the concessionaires who work on our beaches; the traders, particularly, in the Old Town in Margate; and, more seriously, the tenant homes along the Canterbury Road. So the answer to your question is: they are not beneficiaries. We are all the losers in this.

A **supplementary question** was then put to Councillor Johnston by Councillor Bayford:

I am kept informed about the situation through my colleagues who are actually on the Task and Finish Group that you have referred to.

It has been quite widely reported anecdotally that your attitude to Southern Water in general and some of their managers in particular has been quite hostile. Could you explain to Council why you think this is an appropriate approach, given that a good relationship with Southern Water is vital with us having so many miles of beautiful coastline?"

Councillor Johnston **replied**:

Again, Councillor Bayford won't be aware that on 8 June, Southern Water were invited into this Council by our officers, who have been doing an excellent job, and we had a very courteous and promising meeting. We shook hands and they went away to work with us. That position was pretty positive for some months. I cannot cover a particular situation very recently where we did not have such a courteous response. That matter is in the hands of people outside of this Council, but I have to say I have an excellent relationship with the senior PR Officer for Southern Water, the most senior officer, who has apologised to me.

58. MOTIONS ON NOTICE

VARIATION OF AGENDA

The Chairman directed that the Notice Number 2 (Agenda item no. 8b) be taken before Notice Number 1 (Agenda item no. 8a).

(a) **Ramsgate Royal Sands (No. 2)**

It was proposed by Councillor Bayford, and seconded by Councillor Moores:

"Council resolves that the proposed amended development agreement between Thanet District Council and the developers of Pleasurama / Royal Sands site be brought to full Council for debate and comment prior to signing."

In accordance with Council Procedure Rule 16.3, it was proposed by Councillor Bayford, seconded by Councillor Moores that this motion on notice be debated.

On being put to the vote, the motion to debate was declared LOST.

As only Council could adopt or reject the motion on notice, the motion consequently fell.

(b) **Ramsgate Royal Sands (No. 1)**

It was proposed by Councillor Driver, seconded by Councillor Wells:

"This Council expresses its concern about the worrying lack of progress of SFP Ventures (UK) Ltd in developing the Royal Sands construction project.

"Council notes that SFP Ventures (UK) Ltd have been in negotiations with the Council to change the current development agreement.

"Council understands that this new agreement is ready for approval once SFP Ventures (UK) Ltd has demonstrated that:

A) it has finance in place to complete the project; and

B) that is has an agreement in place with a hotel management company to run the hotel which forms part of the development agreement with the Council.

"Council notes that more than 4 months have elapsed since it requested SFP Ventures (UK) Ltd to provide the information in A) and B) above.

"Council recommends to Cabinet that if SFP Ventures (UK) Ltd are unable to provide the information requested by the Council in A) and B) above by 31 January 2013 that Cabinet refuses to agree any new terms with this company and will robustly enforce the existing agreement including taking back the leasehold of the Royal Sands development if necessary."

The Chairman asked if Members wished to debate the motion on notice; whereupon a motion to debate was put to the vote and declared LOST.

Consequently, and in accordance with Council Procedure Rules 16.3 and 16.4 (a) (iii), the Chairman stated that the motion on notice would be referred to Cabinet for determination or report.

59. LEADER'S REPORT

The Leader outlined key landmarks for the Council over the past year, including:

- the Memorandum of Understanding with the Chamber of Commerce;
- the formation of a new Thanet Regeneration Board;
- singing of the Thanet Armed Forces Community Covenant;

- winning the right to introduce a selective licensing scheme;
- the announcement that KLM would operate flights from Manston from 2 April 2013;
- a gold award for the Thanet's Visitor Information Centre; and
- the Troubled Families Initiative in partnership with Kent County Council.

The Leader also referred to good progress having been made on major projects.

Councillor Bayford, as Leader of the Conservative Group, suggested that most of the initiatives referred to by the Leader had been set in train by the previous administration.

Whilst welcoming the news of the KLM flights from Manston, which could provide 30 new jobs, he commented that the early morning flight would appear to contravene the no night-time flight policy.

In response, the Leader stated that the new flights represented a near-perfect example of a thriving airport within the constraints of a no-night time flying policy.

Councillor Worrow, Leader of the Thanet Independent Group, referred to the Council also having been in the first council in Kent and the second council in England to support equal civil marriage.

Councillor King, Leader of the Independent Group, declined to comment on the Leader's report.

60. RESPONSIBILITY FOR FUNCTIONS - EXECUTIVE, CHANGES TO CABINET PORTFOLIOS AND OPERATIONAL ACCOUNTABILITIES

The Cabinet Portfolio Holders, the Cabinet Portfolio Holders and Operational Accountabilities, as set out in the replacement Annex 1 to the supplementary report, were NOTED from the Leader.

It was FURTHER NOTED from Councillor Bayford that:

a) he would become joint shadow portfolio holder in respect of the Strategic Economic Development Services and the Housing & Planning Services portfolios;

b) the remaining shadow portfolio holders would remain as before: Councillor Wells – Community Services; Councillor Moores – Operational Services; Councillor Wise – Financial Services; and Councillor Bruce – Business, Corporate and Regulatory Services.

61. REVIEW OF EAST KENT ARRANGEMENTS

It was NOTED that the words, "paragraph 8.2 below", at paragraph 9.1 of the report should read, "paragraph 9.2 below".

It was proposed by Councillor Fenner, seconded by Councillor Johnston and **RESOLVED** that the recommendations as set out at paragraph 9.0 of the report be adopted, namely:

1. That the East Kent Joint Arrangements Committee and the East Kent Joint Scrutiny Committee be dissolved with effect from the date of the establishment of the Committee referred to in paragraph 2 below.

2. That operating arrangements for a Committee relating to functions shared by Canterbury City Council, Dover District Council and Thanet District Council ('the Continuing Councils') be drafted by the respective Heads of Legal and be submitted to the Continuing Councils for approval with scrutiny being undertaken

by the scrutiny committees of the Continuing Councils. Kent County Council and Shepway District Council are to be notified of the date of establishment of the new Committee.

3. That all agreements or arrangements which may need to remain in effect after the dissolution of the East Kent Joint Arrangements Committee be reviewed by the Heads of Legal of all the Participating Councils and they be delegated the power by their respective Councils that if relevant to them they agree the continuation of those matters in such forms as they think appropriate.

62. APPOINTMENTS TO COMMITTEES, PANELS AND BOARDS

It was NOTED there was no longer a need for a report for this item.

(a) Appointment of Thanet Association of Local Councils' representative on the Joint Transportation Board

The Chairman took the opportunity to announce that Councillor Sheila Bransfield had been re-appointed as the Thanet Association of Local Councils' representative on the Joint Transportation Board.

63. COUNCIL TAX BENEFIT LOCALISATION

It was proposed by Councillor Everitt, seconded by Councillor Hart and **RESOLVED**:

"That Council adopts the "East Kent Council Tax Reduction Scheme", as proposed in the consultation exercise and set out as Option 2 in the report".

64. FEES AND CHARGES FOR 2013/14

It was NOTED that the schedule of current car park charges (circulated to Members immediately prior to the meeting, and published on the Council website) replaced the section on car park charges included in Annex 1 to the report.

It was proposed by Councillor Everitt, seconded by Councillor Poole and **RESOLVED:**

"That, subject to the section on car parking charges being replaced with the schedule referred to above, Council approves the Fees and Charges for 2013/14 as set out in Annex 1 to the report."

65. DELEGATION OF APPROVAL OF COUNCIL TAX BASE 2013/14

It was proposed by Councillor Everitt, seconded by Councillor Hart and **RESOLVED**:

1. That Council agrees to delegate the approval of the Council Tax Base to the S.151 Officer in consultation with the Leader and the Cabinet Member for Financial Services;

2. That Council agrees to delegate approval of the NNDR1 form to the S.151 Officer in consultation with the Leader and the Cabinet Member for Financial Services.

(a) The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012

Councillor Everitt referred to the impact on precepting authorities of the above regulations, which came into force on 26 November 2012, and it was NOTED that the matter would be considered at the next Parish Forum meeting, to be held on 19 December 2012.

In response to a query from Councillor Ezekiel, the Chief Executive stated that the Margate Charter Trustees would be included in invitations to all future Parish Forum meetings.

66. THE DETERMINATION OF THE GAMBLING POLICY STATEMENT FOR THE NEXT THREE YEARS

It was proposed by Councillor Fenner, seconded by Councillor Poole and **RESOLVED:**

“That Council adopts the Statement of Gambling Policy”.

67. THE LOCAL AUTHORITIES (EXECUTIVE ARRANGEMENTS) (MEETINGS AND ACCESS TO INFORMATION) (ENGLAND) REGULATIONS 2012

It was proposed by the Chairman, seconded by the Vice-Chairman and **RESOLVED** that the recommendations as set out at Paragraph 22 of the report be adopted, namely:

1. That the Council publishes a document as outlined at paragraph 3.1 of the report and as amended in paragraph 3.13 of the report;

2. That the document will show future key decisions for a one-year period;

3. That the document will be published exactly 28 clear days in advance of scheduled Cabinet meetings;

4. That the document should contain non-key as well as key decisions;

5. That the document will be titled, “The Forward Plan and Exempt Cabinet Report List”’

6. That the statement that needs to be produced giving 28 days’ notice of confidential items being discussed at Cabinet is added to the “Forward Plan and Exempt Cabinet Report List”;

7. That the Leader delegates power to the Monitoring Officer, in consultation with the Leader, to decide on a response to any representations received regarding why a report should not be considered in private, based on the information as captured in the report;

8. That the timescales for allowing representations as outlined in paragraph 5.6 of the report are agreed;

9. That the Council amends its new exemption and special urgency procedures, as outlined in Section 6 of the report, and that Council remains updated on the number of decisions made under the special urgency provisions on a quarterly basis;

10. That when a refusal to a request for a document from a member of the Overview and Scrutiny Panel takes place, the Cabinet Leader in conjunction with the Monitoring Officer will write to all of the Members of the Overview and Scrutiny Panel;

11. That the Head of Paid Service grants dispensations to Executive Members in consultation with the Council’s Monitoring Officer;

12. That the Council’s constitution is amended to give the Overview and Scrutiny Panel the power to require the Cabinet to submit a report to Council when a non-

key decision has been taken that the Panel feels should have been a key decision;

13. That the Council's constitution be amended as at Annex 3 to the report to reflect the above changes.

68. USE OF MOBILE TELEPHONES DURING PUBLIC MEETINGS

The Chairman proposed, and the Vice-Chairman seconded, that the recommendations from the Standards Committee, as set out at paragraphs 5.1 to 5.4 of the report be adopted.

Councillor W Scobie proposed, and Councillor Harrison seconded, an **amendment** as follows:

1) That paragraph 5.1 of the report be replaced with - "That Council Members, Officers and journalists must ensure that their mobile communications devices are switched to silent during all public meetings";

2) That paragraph 5.2 of the report be replaced with - "That no_audio or visual recording shall be made at meetings except for official recordings by the clerk or recordings agreed by the Chairman to be made by accredited media organisations";

3) That paragraph 5.3 of the report be replaced with - "That members of the public must switch their mobile communications devices to silent during all public meetings";

4) That a paragraph 5.5 be added to state that - "That Officers be delegated to bring back to Council a social media policy to encourage people to engage with Council proceedings and promote openness";

The **amendment**, upon being put to the vote, was declared CARRIED.

Adoption of Substantive Motion:

The substantive motion was put to the vote, whereupon it was **RESOLVED:**

1. That Council Members, Officers and accredited journalists must ensure that their mobile communications devices are switched to silent during all public meetings;

2. That no audio or visual recording shall be made at meetings except for official recordings by the clerk or recordings agreed by the Chairman to be made by accredited media organisations;

3. That members of the public must switch their mobile communication devices to silent during all public meetings;

4. That the Council's Constitution be amended to reflect any decision taken by Council at this meeting.

5. That Officers be delegated to bring back to Council a social media policy to encourage people to engage with Council proceedings and promote openness.

69. APPOINTMENT OF INDEPENDENT PERSONS OF THE STANDARDS COMMITTEE

It was proposed by the Chairman, seconded by the Vice-Chairman and **RESOLVED** that the recommendation as set out at paragraph 7.1 of the report be adopted, namely:

“That Council notes the recommendation of the Standards Appointments Working Party and appoints both Mr Dennis James and Mr Peter Tucker as Independent Persons of the Standards Committee for a term starting from the date of this meeting and ending on 21 May 2015”.

70. MEMBERS' ALLOWANCES SCHEME 2012/13 - INDEPENDENT MEMBERS OF THE STANDARDS COMMITTEE / INDEPENDENT PERSON

It was NOTED that “2012/12” in paragraphs 7.1 and 7.2 of the report should read, “2012/13”.

It was proposed by the Chairman, seconded by the Vice-Chairman and **RESOLVED** that the recommendations as set out at paragraphs 7.1 to 7.3 of the report be adopted, namely:

1. That the 2012/13 Scheme of Allowances be amended to introduce Special Responsibility Allowances for the office holders named in paragraph 2.1 of the officer’s report at the annual amounts set out therein;

2. That the proposed amendments to the 2012/13 Scheme of Allowances be considered by the East Kent Joint Independent Remuneration Panel prior to implementation;

3. That Council considers the recommendations of the East Kent Joint Independent Remuneration Panel at the next meeting of Council and back dates any allowances to the date of appointment of the respective officer holders.

Meeting concluded : 9.12 pm

This page is intentionally left blank

LEADER'S REPORT TO COUNCIL

To:	**Council – 7 February 2013**
By:	**Democratic Services & Scrutiny Manager**
Classification:	**Unrestricted**

Summary: **To receive a report from the Leader in accordance with Council Procedure Rule 2.2**

For Information

1.0 Introduction and Background

1.1 Council Procedure Rule 2.2provides that:

> The Leader of the Council may make an oral report, not exceeding ten minutes, on key issues arising since the last meeting of Council.
>
> The Leaders of any other Political Group may comment on the Leader's Report. The comments of the Leaders of the other Political Groups shall be limited each to five minutes. The other Group Leaders will comment in an order determined by the number of Councillors within those Political Groups, with the largest Group commenting first, and so on.
>
> The Leader has a right of reply to each Group Leader limited to two minutes, in hierarchical order, to any comments made on his/her report.
>
> The total time (including time slots as mentioned above) will be limited to 31 minutes.
>
> The Leader of the Council and the Leader of any other Political Group may appoint substitutes to speak on their behalf.
>
> No motions may be moved nor resolutions passed under this item.

2.0 Corporate Implications

2.1 **Financial and VAT**

2.1.1 Any implications will be covered in the Leader's Report.

2.2 **Legal**

2.2.1 Any implications will be covered in the Leader's Report.

2.3 **Corporate**

2.3.1 Any implications will be covered in the Leader's Report.

2.4 **Equity and Equalities**

2.4.1 Any implications will be covered in the Leader's Report.

3.0 Recommendation

3.1 This Report is for information only.

4.0 Decision Making Process

4.1 This Report is for information only.

Contact Officer:	Glenn Back, Democratic Services and Scrutiny Manager, Ext 7187
Reporting to:	Harvey Patterson, Corporate & Regulatory Services Manager, Ext 7005

Annex List

None	

Background Papers

Title	Details of where to access copy
None	

Corporate Consultation Undertaken

Finance	N/A
Legal	N/A

INTRODUCTION OF DOG CONTROL ORDER – DUMPTON GAP

To:	**Council – 7 February 2013**
Main Portfolio Area:	**Business, Corporate & Regulatory Services**
By:	**Penny Button, Environmental Health Manager**
Classification:	**Unrestricted**
Ward:	**Viking**

Summary: **To report back to Council on a petition from the citizens of Thanet requesting a dog ban on Dumpton Gap Beach between the hours of 10.00 to 18.00 from 1 May to 30 September in each year.**

For Information

1.0 Introduction and Background

At the December 2012 Council Meeting a petition containing 135 signatures requesting that a dog ban be imposed at Dumpton Gap Beach, was referred to the Cabinet for consideration in accordance with the Council's Petition Scheme. The beach is shown edged in black on the plan attached as **Annex 1**.

The petition requested that the Council imposes a dog ban at Dumpton Gap Beach, from 1 May to 30 September, banning dogs during the hours of 10:00 hrs to 18:00 hrs under the provisions of the Clean Neighbourhoods and Environment Act 2005.

The Clean Neighbourhoods and Environment Act 2005 replaced the previous system of byelaws for the control of dogs and repealed the Dog (Fouling Of Land) Act 1996 with Dog Control Orders

2.0 The Current Situation

2.1 At the Cabinet Meeting on 22 January 2013 Cabinet agreed to maintain the current situation and allow dogs at any time at Dumpton Gap Beach.

2.2 This decision was taken so as not to interrupt the continuity of a key walking route for dog owners between Ramsgate and Broadstairs and to maintain a balance across the Council's beaches between the rights and expectations of dog owners and the rights and expectations of other users including visitors and tourists.

2.3 A copy of the report that was considered by Cabinet on 22 January 2013 can be found at this link:

Cabinet Report 22 January 2013

3.0 Corporate Implications

3.1 **Financial and VAT**

3.1.1 As per the Cabinet report.

3.2 **Legal**

3.2.1 As per the Cabinet report.

3.3 **Corporate**

3.3.1 As per the Cabinet report.

3.4 **Equity and Equalities**

3.4.1 As per the Cabinet report.

4.0 Recommendations

4.1 This report is for information only

5.0 Decision Making Process

5.1 This is a non-key decision.

5.2 This is an executive function. Cabinet made their decision on 22 January 2013. This report is for Council to note only.

Contact Officer:	Penny Button, Environmental Health Manager, 7425
Reporting to:	Harvey Patterson, Corporate & Regulatory Services Manager

Annex List

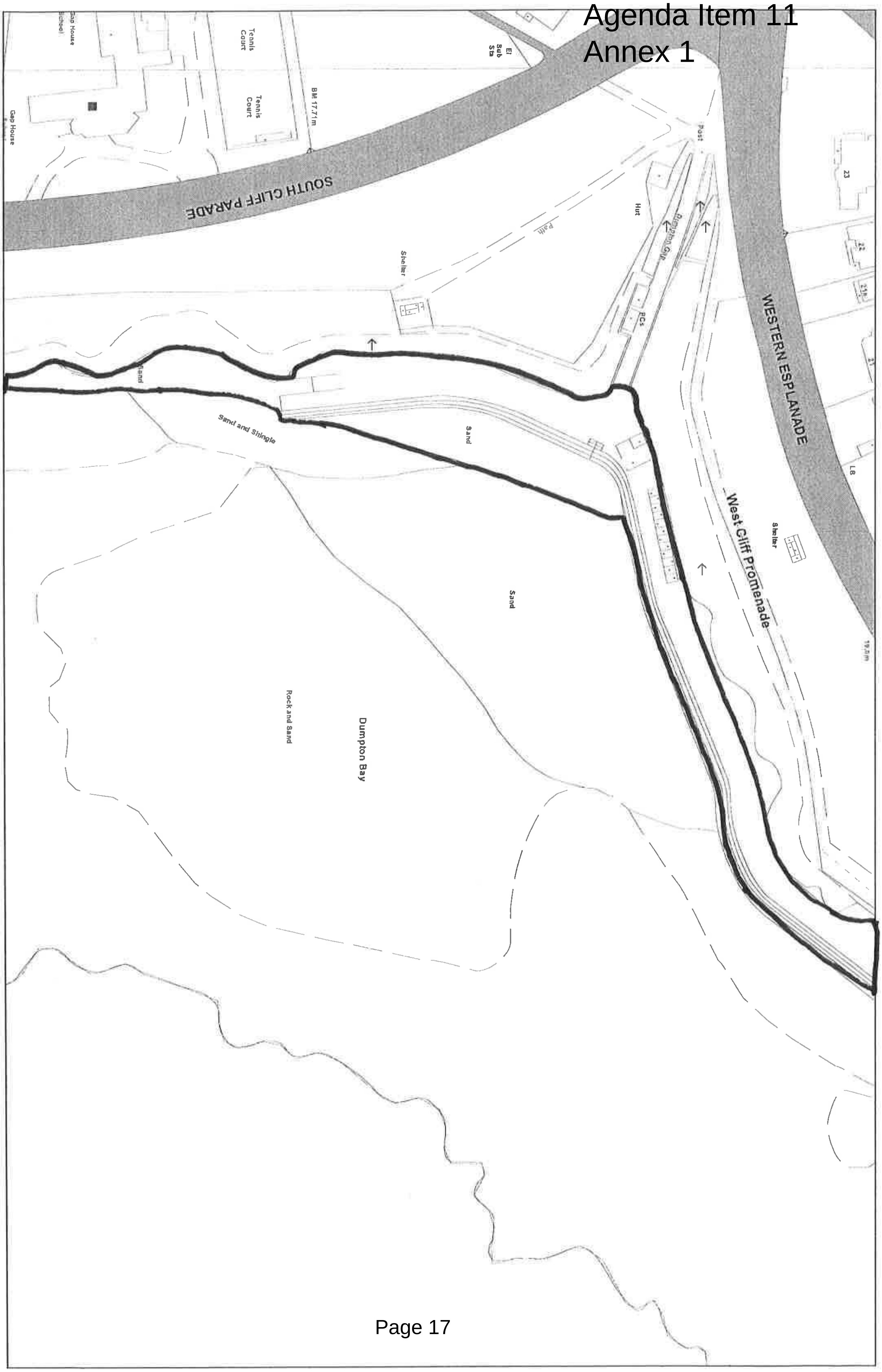
None	N/A

Background Papers

Title	**Details of where to access copy**
Petition	Democratic Services

Corporate Consultation Undertaken

Finance	Sarah Martin, Financial Services Manager
Legal	Harvey Patterson, Corporate & Regulatory Services Manager
Communications	Justine Wingate, Corporate Information Manager



*Produced using ESRI (UK)'s MapExplorer 2.0 - **http://www.esriuk.com***

Date: 11 January 2013
SLA: Not Set
Scale 1:1250

This page is intentionally left blank

2013/14 BUDGETS AND MEDIUM TERM FINANCIAL PLAN 2013-17

To:	**Council – 7 February 2013**
Main Portfolio Area:	**Corporate**
By:	**Financial Services Manager**
Classification:	**Unrestricted**
Ward:	**All**

Summary: **To present the draft budget for the General Fund, Housing Revenue Account and Capital programme for 2013/14 and the draft Medium Term Financial Plan for 2013 – 2017.**

For Decision

1.0 INTRODUCTION

1.1 The purpose of this paper is to present the draft budget for 2013/14 and the provisional estimates for the following years to 2016/17.

2.0 THE NATIONAL FUNDING POSITION

2.1.1 The Local Government Finance Settlement

2.1.2 The details of the formula grant settlement for 2011/12 to 2012/13 for Thanet, as announced as part of the 2011-13 two-year settlement, are shown in **Table 1**. These figures reflect the significant cuts in funding as announced in the local government finance settlement in January 2011. The Local Government Finance Report, containing the provisional settlement figures for 2013/14 and 2014/15, was announced on 19 December 2012. This shows a further cut of 7.4% for 2013/14 and a cut of 16.64% for 2014/15. The large reduction in 2014/15 is as a result of the following:

- The 6.5% reduction announced in the 2010 Spending Review;
- The 1% reduction in funding for 2014/15 announced in the Autumn Statement 2011
- The 2% reduction in funding for 2014/15 announced in the Autumn Statement 2012
- A further planned £300m top sliced across local authorities for the New Homes Bonus.

TABLE 1 – FORMULA GRANT			
	2011/12 confirmed £'000	**2012/13 confirmed £'000**	**2013/14 provisional £'000**
Relative Needs Amount	5,330.3	4,774.1	4,845.0
Relative Resources Amount	-1,767.8	-1,774.9	-2,403.0
Central Allocation	6,588.5	5,947.4	6,010.0
Pre-damping Grant	10,151.0	8,946.6	8,452.0
Damping	397.4	265.2	78.0
Formula Grant	**10,548.4**	**9,211.8**	**8,530.0**
Transitional Grant	1,095.8	461.3	0.00
Formula Grant incl Transitional Grant	**11,644.2**	**9,673.1**	**8,530.0**
% Reduction exc Transitional Grant	-14.2%	-12.7%	-7.4%
% Reduction inc Transitional Grant	-5.3%	-16.9%	-11.8%

2.1.3 The formula grant is made up of two elements: business rates and revenue support grant.

Business Rates

2.1.4 Currently, councils collect business rates based on local rateable values multiplied by a national uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local population. There is currently no incentive and no direct financial benefit to councils who succeed in growing their local economy. A new business rates retention scheme is being launched in 2013/14 which seeks to incentivise local authorities to encourage business growth by allowing them to retain a proportion of the business rates collected. In return for the incentives, authorities will share some of the risk of a fall in rate yield, subject to a safety net mechanism. A baseline funding level (known as the Baseline Need) has been established by the Government for each authority. The Baseline Need figure for this Council for 2013/14 is £4.415m. The Government has then made an assumption regarding the amount of business rates that the Council will be able to collect (this is known as the NDR Baseline) and for Thanet this is £12.649m. As the Council will receive more in business rates than its funding level, the difference of £8.234m will be paid over to the Government as a tariff to 'top up' those authorities who will receive less than their funding level. Authorities will be allowed to keep 50% of new business rate yield, with the balance being split 80% to the district and 20% to the county. However, to ensure the scheme is not weighted towards richer local authorities, some of any business rates growth will be taken as a levy. The levy will be calculated so as to ensure that a 1% increase in business rates income will provide no more than a 1% increase in funding. The levy will be used to provide a safety net mechanism to protect those authorities that see their business rates income drop by more than 7.5%. For this Council, the safety net threshold has been set at £4.084m which means that the Council could potentially face a loss of up to £330k in business rates income before the safety net mechanism would kick in. This is reflected in the financial risk assessment at Annex 3 to this report.

Revenue Support Grant

2.1.5 All authorities will receive Revenue Support Grant from Central Government in addition to its baseline funding level (the amount of the total business rates for England that will be allocated to the Council) as support towards the cost of running council services. An authority's Revenue Support Grant amount plus its baseline funding level will together comprise its start-up funding allocation. The amount of Revenue Support Grant for 2013/14 and 2014/15 has been set out in the 2013/14 Provisional Finance Settlement. For this Council, the Revenue Support Grant for 2013/14 will be £6.636m of which £2.521m relates to a number of grants that have now been rolled into the formula grant from 2013/14. These include the homelessness grant, the council tax freeze grant and the council tax support grant, each of which is covered below:

Homelessness Grant

2.1.6 The Government has confirmed that the homelessness grant is to continue at the current level in 2013/14 and 2014/15. This means that this Council is to receive £127k in each year.

Council Tax Freeze Grant

2.1.7 The Secretary of State provided support for a Council Tax freeze in 2011/12 by awarding a grant equivalent to a 2.5% increase on the 2010/11 Council Tax. This grant is being paid over each of the four years of the Comprehensive Spending Review (up to 2014/15) and amounts to £247k per annum for this Council. The Government also announced support for those authorities who froze their Council Tax for 2012/13, again equivalent to a 2.5% increase. This was given as a one year grant only. The Government has now announced a further Council Tax freeze grant for 2013/14. The funding will provide authorities with the equivalent of a 1% Council Tax increase for 2013/14 and 2014/15, if Council Tax is not increased in 2013/14. For 2013/14, local authorities seeking to increase Council Tax levels by more than 2% will be required to gain approval through a local referendum. This threshold is lower than in previous years (3.5% in 2012/13). The cost of running such a referendum for Thanet would be in the region of £100k.

2.1.8 The Council has frozen Council Tax for the last two years and now proposes to take advantage of the Council Tax Freeze Grant and freeze Council Tax for a third year. As a result, it will be eligible to receive a grant of £99.6k in both 2013/14 and 2014/15.

Council Tax Support Grant

2.1.9 Council Tax Benefit is currently a demand led benefit, where the Government fully refunds the Council for the benefit it has paid out. The current system is being replaced by a localised Council Tax Reduction Scheme (CTRS) from 1 April 2013. The Government is transferring the responsibility for the design of the scheme to local authorities (subject to certain nationally set criteria), together with the transfer of the financial risks. Originally the Government had announced a reduction in funding for this of 10% as part of the Comprehensive Spending Review, although subsequent estimates show that having allowed for the inflationary impact over time, the reduction is now approximately 14% which for Thanet District Council equates to a reduction of approximately £2.2m. In order to keep the costs for this Council and the major preceptors within the reduced grant level, the Council has designed a scheme which will:

- Remove empty property discounts (except for those properties that are subject to major renovation)
- Remove second homes discounts
- Reduce the Council Tax discount by 5 to 6% for those of working age.

The CTRS will result in a reduced Council Tax base. The Council Tax Support Grant will offset the financial impact of this reduction. Based on the Provisional Finance Settlement, the Council will receive £2.148m in Council Tax Support Grant in 2013/14. Of this sum, £160k relates to negating the impact of the scheme on the parishes and will be distributed to the parishes in proportion to the financial loss of the new scheme of each precepting authority. This will leave a sum of £1.99m to support the General Fund impact.

The Council has also received New Burdens monies of £84k in 2012/13 to cover the consultation on the scheme and the costs of adjusting the software to reflect the changes. Further sums of £121.8k and £119.5k will be received in 2013/14 and 2014/15 respectively.

2.2 **Transitional Grant Scheme**

The DCLG have announced an additional £100m for one year to support those local authorities who have developed Council Tax Reduction Schemes that meet set criteria which ensures that low-income households do not face an extensive increase in their Council Tax liability in 2013/14.

To apply for the grant, billing authorities will have to demonstrate that their adopted scheme ensures that those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability; and that there is no sharp reduction in support for those entering work.

Funding is to be made available to those billing authorities and their major precepting bodies whose schemes satisfy the criteria as a non-ringfenced specific grant. Applications for funding are to be made after the deadline for adopting schemes of 31 January 2013.

Under the scheme, the Council can apply for funding of £56k. A bid will be submitted in early February in accordance with the application process. The Council is also hoping to attract a share of the funding applied for by its major precepting bodies. Discussions are ongoing with these bodies to ascertain the fairest way of apportioning this funding across the Kent districts.

Proposals are being worked up as to how to spend this grant, although it is intended that it will be spent on schemes designed to assist new Council Tax customers with welfare advice, and other initiatives to improve the Council Tax base.

2.3 **Weekly Collection Support Scheme**

The Council has been successful in its bid for funding through the weekly collection support scheme. This funding is to support weekly residual waste collections and providing weekly recycling collections. The Council will receive the following:

TABLE 2 – WEEKLY COLLECTION SUPPORT SCHEME		
	2013/14 £'000	**2014/15 £'000**
Revenue Allocation	214.9	283.6
Capital Allocation	500.8	-
	715.7	**283.6**

The revenue funding is required to support the introduction of changes to the waste and recycling service.

2.4 **Other Revenue Grants**

2.4.1 The Council is also in receipt of a wide range of grants from Central Government and other agencies:

2.4.2 **Specific Grants** – Specific grants are provided to support core Local Authority activities that require funding outside of the formula grant distribution mechanism. The specific grant received for this Council is as follows:

TABLE 3 – SPECIFIC GRANTS		
	2012/13 £'000	**2013/14 £'000**
Housing & CT Benefit Administration	1,442.9	1,445.2

2.4.3 **Miscellaneous Grants** - The Council is also in receipt of a number of other grants that have been accessed by bidding against Central Government Department 'pots' that are set aside for specific incentives as well as some that have been sourced from European funding streams and other partners (e.g. KCC). These grants are typically paid with reference to pre-determined criteria for the delivery of agreed outcomes and in most cases they act essentially as ring-fenced funds. However, they still represent excellent value for the Council as they enable additional resources to be made available to fund activities, projects and investments, all of which are designed to improve quality of life within the District. Each of these different grant receipts are shown in the following tables:

TABLE 4 – MISCELLANEOUS REVENUE GRANTS		
	2013/14 £'000	**2014/15 £'000**
Big Lottery Fund – Footprints in the Sand	24.6	-
Heritage Lottery Fund – Dalby Square THI	35.0	37.0
	59.6	**37.0**

TABLE 5 – CAPITAL GRANTS		
	2013/14 £'000	**2014/15 £'000**
Disabled Facilities Grant –Communities and Local Government grant for improvements for disabled people in their homes.	1,079.0	1,079.0
HCA – Empty Properties Cluster Bid	2,000.0	-
HCA – Empty Homes Funding	160.5	214.0
Heritage Lottery Fund – Dalby Square THI	539.3	539.3
Regional Housing Board – Dalby Square THI	97.4	102.6
Environment Agency – North Thanet Coastline	560.0	250.0
Big Lottery Fund – Coastal Communities Fund	1,050.0	-
KCC – Waste Vehicles	645.0	-
	6,131.2	**2,184.9**

3.0 THE 2013/14 BUDGET AND MEDIUM TERM FINANCIAL PLAN 2013 – 2016

3.1 A Medium Term Financial Plan (MTFP) was presented to Cabinet in January 2012, covering the period 2012/13 to 2015/16. However, in the light of the continuing unprecedented economic climate in which the Council finds itself, this document has been reviewed and updated, not only to reflect the external environment, but also new developments and changes to internal policies and practices. The revised MTFP covering the period 2013/14 to 2016/17 is shown at **Annex 1**. It captures what is expected in terms of funding opportunities and the general economic environment for the next four years against what the Council foresees as its budgetary demands, as a result of inflationary and other pressures, and presents outline financial plans that show what the Council intends to do in order to deliver its statutory services and priority discretionary services whilst continuing to deliver its key financial strategies. The assumptions used in the budget calculations, the risks that could have an impact on future financial standing and the degree to which the budget models are sensitive to changes in the assumptions on which they are based are all commented on.

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

4.0 THE GENERAL FUND REVENUE ACCOUNT

4.1 The Basis of the 2013/14 General Fund Revenue Budget

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

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

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

4.2 Budget Consultation

4.2.1 A total of 688 responses have been received in respect of the budget consultation. The responses have highlighted the top priorities as being street cleansing; waste and recycling; community safety services and beaches (including beach inspections and water safety). These areas have been protected from budget cuts in recognition of their importance to Thanet's residents. The Council is taking forward significant changes to the provision of waste and recycling services during 2013 which will affect most of the households in Thanet. This includes providing the ability to recycle food waste, glass, tetrapaks and other plastics through normal kerbside collection services. The investment in the Respect Ramsgate initiative is already showing improved street cleansing results in the early stages of the project and this will be taken forward across the district during 2013 using the lessons learned from this work.

4.3 **Development of the Budget**

4.3.1 The Council's opening net base budget of £20,379.7k as approved in January 2012 is the starting point for future budget proposals.

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

4.4 **Employee Costs**

4.4.1 **Pay Award** – The budget assumes a pay award of 1% for 2013/14. This will result in budgetary growth of £165k.

4.5 **Other Growth**

4.5.1 **Contractual and Other Unavoidable Price Increases** – Growth from price increases has been based on a projected 3% inflate, which, when applied to budgets for contractual and other unavoidable inflationary increases for 2013/14, requires base budget growth of £101.2k.

4.5.2 **Increases to Fees and Charges** – The fees and charges schedule for 2013/14 was approved by Council on 6 December. This will generate additional income of £197.7k in 2013/14. Where fees have increased, these are in the main at 3% in line with inflation. The fees for visiting leisure crafts at the Marina have been increased by 10%. This recognises the significant improvements that have been made to the facilities at the Harbour, whilst still being competitive. The fees and charges for car parking have not been changed at this stage as they are subject to a separate review following the recent car parking consultation.

4.5.3 **Budget Adjustments for Increases and Decreases in Income** – Additional income of £50.3k is anticipated in respect of rentals at the Kent Innovation Centre and an additional £40k is also anticipated from increased licensing income. Planning fee income has continued to fall and therefore the income target has been reduced by £120k.

4.5.4 **Service Pressures –** Borrowing costs of £262k have been factored into the budget to support the capital programme. In addition new service pressures have been identified in respect of individual electoral registration (£60k); canvas costs (£25k); the requirement for new Environmental Health posts following a recent Food Safety Authority audit (£120k); additional Cabinet and Shadow Member (£22k) and a new part-time support post for Overview and Scrutiny (£17k). Budgetary growth has been kept to a minimum, and therefore budgets will need to be redirected through the approved virement process during the year if priorities change.

4.6 Savings

4.6.1 Based on the budget assumptions outlined above on pay increases, contractual/inflationary growth and fees and charges, savings of £1.6m are required in 2013/14 to set a balanced budget. If Members decide to build in any additional growth for service improvements or specific projects, then further savings will be required. Savings have been identified as detailed below:

4.6.2 **Medium Term Financial Plan savings** – A number of saving proposals were put forward as part of the 2012-2016 MTFP. Following Council's approval, in principle, to the savings proposals in the MTFP for 2013/14, officers have worked up detailed proposals, which have enabled a more realistic savings target to be estimated. The table below reflects the savings that are now anticipated from these actions against the original saving projections:

TABLE 6 – SAVINGS PROPOSED IN MTFP 2012-2016 FOR 2013/14		
Saving Action	**Indicative Saving £'000**	**Proposed Saving £'000**
Review of business hub	14.0	14.0
Pension cost reductions	28.0	28.0
Reduce audit costs	23.0	23.0
Building Control – working closer with neighbours	4.5	4.5
Restructure of planning	20.0	30.0
Reduce Theatre Royal grant	4.0	4.0
Transfer tourism service to Visit Kent	26.0	0.0
Review of Community Development contracts & service delivery	15.0	15.0
*Income from using in house managing agent	80.0	0.0
Integration of GIS into planning database	26.0	26.0
Reduce Minster Parish grant	10.0	0.0
Remove £5 discount for green waste collections	15.0	15.0
Introduce loyalty scheme at harbour	90.0	90.0
Under-achievement of 2012/13 MTFP base savings	0.0	-20.0
Total	**355.5**	**229.5**

* delivery now expected in 2014/15

4.6.3 **Review of previous years' outturn against budget** – Previous years' outturn has been compared to the budget over the last few years and where there have been consistent under-spends or over-achievement against income targets, this has been factored into the budget build. A sum of £205.2k has been included as a saving as a result of this exercise.

4.6.4 **Other Savings** – The following savings have also been identified during the budget build process:

- Following the introduction of self-financing for the Housing Revenue Account (HRA) from 1 April 2012, Members of this Council approved a two pool approach for its debt portfolio. This means that the portfolio is now apportioned between the debt relating to the General Fund and the debt relating to the HRA and both are now managed separately. As a result of this, there are savings in the cost of borrowing to the General Fund of £300k.
- Although a recent actuarial valuation suggested that the pension contribution rate could be reduced assuming existing staffing levels and age profiles remained the same, the budget was held at the same level due to uncertainties about the impact on the pension contributions of the corporate restructure being proposed at the time. Under-spends against the pension contributions in recent years have been set aside in an earmarked reserve specifically to offset any detrimental impact of future actuarial valuations. There is now a sum of £661k in this reserve which is considered sufficient to mitigate this risk. As a result, it is proposed to reduce the pension budgets by £450k, which will bring the budgets in line with the actual contributions currently required.
- Savings of £22.7k have been identified in respect of Central Finance and Treasury costs. These relate to interest payable, interest receivable and the minimum revenue provision (repayment of debt).
- Additional efficiency savings of £150k are expected to be delivered by East Kent Services.

4.6.5 **Phasing of Savings** – The budget is based on the assumption that where feasible all of the savings actions identified will be implemented at the earliest opportunity to give the Council the best chance of stabilising its budget requirement as soon as possible. However, some savings take a few years before a full year reduction is able to be budgeted for and therefore some slippage on savings is built into the budget. In 2012/13, savings of £273.9k were identified that were slipped to 2013/14.

General Reserves

4.6.6 The Local Government Finance Act 1992 requires precepting authorities, such as Thanet District Council, to have regard to the level of reserves needed for future expenditure when calculating the budget requirement. Each year the Council reviews its level of reserves and a draft proposal of the recommended levels of reserves is shown at **Annex 2** to this report. A summary of the proposed reserve holdings for 2013/14 is captured in the following table.

TABLE 7 – PROPOSALS FOR RESERVE HOLDINGS FOR 2013/14				
Name of Reserve	**Opening Balance 2013/14 £'000**	**Transfers In £'000**	**Transfers Out £000**	**Closing Balance 2013/14 £'000**
GENERAL RESERVE	**2,177**	**0**	**0**	**2,177**
EARMARKED RESERVES				
Insurance Risk Management	90	0	0	90
Local Development Framework	399	25	0	424
General Fund Repairs	145	0	0	145
Information Technology	342	0	0	342
Environmental Action Plan	189	0	-40	149
Cremator Works	0	128	0	128
Decriminalisation	48	60	-40	68
Priority Improvement	799	0	-100	699
Customer Services Fund	426	0	0	426
Area Based Grants	90	0	-90	0
Council Elections	85	30	0	115
Homelessness	77	0	0	77
Renewal Fund	43	0	0	43
Performance Reward Grant	105	0	-105	0
Maritime Reserve	360	0	-50	310
Pensions Reserve	661	0	0	661
VAT Reserve	402	0	0	402
East Kent Services	292	0	0	292
New Homes Bonus	593	1,447	-185	1,855
Housing Intervention	250	0	-250	0
Economic Development & Regeneration	339	0	-100	239
HRA Properties Reserve	500	0	0	500
Total Earmarked	**6,235**	**1,690**	**-960**	**6,965**

4.6.7 Using Reserves for Planned Expenditure

i. **Earmarked Reserves** - As detailed within Annex 2, it is good practice to use reserves to 'save' funds over a period of time to spread the impact on the Council Tax of large fluctuating expenditures. The table above shows the planned transfer out of a number of earmarked reserves, which will be used to fund anticipated expenditure during the year in the General Fund Revenue Account.

ii. **General Reserves** – The reserve stands at the recommended level per the risk assessment shown at Annex 2. There are no planned withdrawals from this reserve to support the base budget.

iii. **Using Reserves to Support the Net Budget Requirement** - Aside from using earmarked reserves to meet planned but irregular expenditure, reserve balances can also be used to provide additional funds to simply contribute towards the bottom line funding requirement. Given that reserves are one-off funds their use in this way should be by exception, as to use them to meet ongoing base expenditure will ultimately give rise to a 'structural gap' which will need to either be met from future base savings, or additional base growth. For 2013/14 a sum of £40k is proposed to be utilised from the Decriminalisation Reserve. The draft budget proposals also reflect a sum of £89.7k from the Area Based Working Neighbourhood Fund Grant towards specific staffing posts. The details behind the use of these, is given in the details provided in Annex 3.

iv. **New Homes Bonus** - The provisional allocation of New Homes Bonus funding for 2013/14 for this Council is £1.447m. As outlined in the paragraph above, it is not recommended that such funding should be used to support the base budget. However, the Formula Grant has been top-sliced to fund the New Homes Bonus and therefore it may be necessary to draw down from this funding stream over the course of the MTFS to negate the impact of this, although there will be no requirement to do so in 2013/14. The ongoing use of this will be renewed regularly, as alternative funding sources and the Council's capacity for additional savings are considered.

    Members have also previously agreed that an annual sum of £185k from this funding is used to cover the events budget (£165k) and floral grants (£20k).

    A number of options are being considered for the use of the unallocated New Homes Bonus monies. Further details of these options will be brought back to Members as part of a future Cabinet report.

4.7 2013/14 General Fund Revenue Budget Proposals

4.7.1 The impact of the above changes when applied to the 2012/13 base give a net budget requirement of £18,842.6k for 2013/14, which is felt will just be sufficient to enable the delivery of the Council's statutory services as well as its priority discretionary services.

4.7.2 A summary of the key changes that have been made to arrive at the draft General Fund Revenue Budget for 2013/14 is shown in **Table 8**:

TABLE 8 - GENERAL FUND REVENUE BUDGET	
	2013/14
	£'000
Opening Base Budget	**20379.7**
Inflationary Increases	68.5
Budget Adjustments re Decreases in Income	120.0
Budget Adjustments re Increases in Income	(90.3)
Service Growth	506.0
Savings Required	(1611.7)
Net Service Revenue Budget	**19372.2**
Working Neighbourhood Fund contribution to work & skills priorities	(89.7)
Decriminalisation Reserve contribution to traffic related services	(40.0)
Weekly Collection Support Scheme Grant	(214.9)
New Homes Bonus	(185.0)
Net Budget Requirement	**18842.6**
Funded by:	
Formula Grant re RSG & Business Rates	8530.0
Formula Grant re CT Freeze 2011/12	246.0
Formula Grant re CT Freeze 2013/14	99.6
Formula Grant re CT Discount Scheme	1990.0
Council Tax	7977.0
Tax Base	**37990**
Indicative Band D Council Tax	**209.97**
% increase on Band D	0.00%

5.0 COUNCIL TAX FOR 2013/14

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

5.2 Council Tax Surplus/Deficit

5.2.1 Each year the Council Tax is calculated based on assumed levels of collection rates. This means that at the end of the year an adjustment has to be made to reflect the actual collection rates. This can lead to a surplus or deficit on the fund, which has to be accounted for within the calculation of the net budget requirement. No surplus or deficit has been assumed for this budget.

5.3 Tax Base

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

5.3.2 The Council Tax Base is the number of properties within the District adjusted to account for different valuation bands, various discounts (including those relating to the introduction of the Council Tax Reduction Scheme (CTRS) approved by Council on 6 December 2012) and an assumed collection rate. The assumed collection rate recognises that there will be an element of bad debts that will not be collected. In previous years this has been set at 97% but this has been reduced to 95.5% for 2013/14 to reflect the likely increase in bad debts due to the new CTRS.

5.3.3 At the Council meeting on 6 December, Members approved the delegation of the formal resolution determining the Council Tax Base for 2013/14 to the S151 Officer in consultation with the Leader and Finance Portfolio Holder. It has subsequently been determined that the Council Tax Base for 2013/14 shall be as follows:

TABLE 9 – COUNCIL TAX BASE 2013/14	
Parts of District	**Band D Equivalent Properties**
Acol	104.28
Birchington	3655.81
Broadstairs	8655.46
Cliffsend	695.41
Manston	297.36
Margate	12877.87
Minster	1080.84
Monkton	248.15
Ramsgate	9988.46
St Nicholas-at-Wade and Sarre	362.67
Ministry of Defence Properties *	24.30
Whole of Thanet District Council	**37990.61**

** these properties fall wholly within Minster*

5.4 **Council Tax**

5.4.1 As detailed earlier in the report, the Government has announced a further Council Tax Freeze grant for 2013/14 and as a result, will reduce the Council Tax increase above which authorities will have to go to a local referendum to 2%. The Council is proposing to take this grant and therefore freeze Council Tax for a third year in a row.

5.4.2 The impact of the budget proposals contained within this report on the Council Tax can be seen in **Table 10**.

TABLE 10 – CALCULATION OF COUNCIL TAX FOR 2013/14	
Net Budget Requirement for 2013/14	**£'000** **18,842**
Financed from: Formula Grant **Balance Remaining = Precept**	 10,865 **7,977**
Divided by Tax Base	37,990
Council Tax for Band D property 2013/14	**£ 209.97**
Compared to Council Tax for Band D in 2012/13	£ 209.97
Increase in Council Tax charges	£ 0.00 (0.00%)

6.0 THE HOUSING REVENUE ACCOUNT

6.1 Background

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

6.1.2 As part of the Localism Act, from 1 April 2012 the Council's Housing Revenue Account became self–financing. This means that the Council will no longer pay over any notional surplus of income over expenditure to the Treasury but instead, in return for a one off debt settlement, will be able to retain the rental income within the Housing Revenue Account. As part of the changes to self-financing, the Council opted to split the one loan pool and move to a two loan pool approach, where loans are charged directly to the Housing Revenue Account or General Fund and where each fund is charged their costs of borrowing directly determined by their loan portfolio.

6.2 The Operation of the Housing Revenue Account

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

6.2.2 **HRA Service Expenditure** - As explained above, the HRA is a separate record of all of the Council's expenditure on its social housing provision (i.e. Council Houses). In the main this consists of direct expenditure on the provision, repair and maintenance of Council Houses, which includes the majority of the costs of the Housing Service as well as the charges from bought-in services, such as the contract for housing repairs and maintenance. In the past the HRA was also charged with a share of overheads for the Council's corporate services, such as Human Resources and Communications, which contribute indirectly to the provision of the Housing and Community Service. With the transfer of staff to the East Kent Housing ALMO (arm's length management organisation) these previously recharged budgets are now incorporated as an actual charge to the HRA and form part of the ALMO management agreement. Other expenditure associated with the Cost of Services includes a charge for depreciation, to reflect the use of HRA assets in the delivery of services; a provision for bad or doubtful debts, to reflect the fact that not all rents and charges will be recoverable; and debt management costs for external debt charges.

6.2.3 **HRA Service Income** – The Council is required to charge its tenants a rent in respect of dwellings, garages, shops and land; plus service charges for communal services such as heating and cleaning of communal areas. The Council also receives a number of additional income streams, such as from aerials on tower blocks, charging for the hire of halls and insurance premiums recharged to leaseholders and rechargeable works for damage to property.

6.2.4 **HRA Non-Service Expenditure and Income** - As with the General Fund, there are charges that have to be made which arise as a product of the financial transactions of the Account which are shown separately to the Net Cost of Services. These include an apportionment of the investment income that is achieved on balances and any grants and contributions receivable.

6.2.5 **Adjustments made between Accounting Basis and Funding Basis –** The Council is required to put through its accounts charges to the Income and Expenditure account being accounting entries that do not result in a true increase or decrease in balances. Any such items are adjusted for within this area. An example of this is pension fund entries or asset entries.

6.3 The Housing Revenue Strategy

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

- To maintain a Housing Revenue Account that is self financing and reflects both the requirements of residents and the strategic visions and priorities of the Council.
- To achieve the Government's "target" rent level by the rent convergence date of 2016.
- To maintain current Housing Stock at Decent Homes Plus standard.
- To maximise the recovery of rental incomes by reducing the number of void properties and minimising the level of rent arrears and debt write offs.
- To maintain a minimum level of HRA reserves of £800k but with a target level of reserves of £1m.

6.4 Details of the HRA estimates

6.4.1 The majority of the expenditure headings within the HRA have been increased on the same basis as have been used for the General Fund Revenue Account. The details of the main changes that have been applied in order to arrive at the 2013/14 estimates are summarised below.

6.4.2 **Pay and Prices** - For direct expenditure budgets, price increases have been included at 3%, which is the best estimate of the level of inflation at this point in time, unless there is a known inflate within a specific contract, in which case this has been used.

6.4.3 **Repairs and Maintenance** –Thanet and Canterbury jointly procured a contract for repairs and maintenance from April 2010. A full review of the budgets has been undertaken and an RPI inflation increase of 3% has been applied as estimate of the November RPI as per the contract agreement. For repairs and maintenance contracts outside of this agreement, such as the lift contract, the inflationary increase has been applied as per the contractual agreement. Future years' estimates shown in the MTFS have been based on calculations that include an indicative RPI increase of 2%.

6.4.4 **Supervision and Management General** – The Council agreed at its meeting in February 2010 that an Arms Length Management Organisation (ALMO) was the preferred option for sharing Landlord Services in East Kent. The East Kent

Housing ALMO was formed and from 1 April 2011 it commenced the management of the Council's social housing.

6.4.5 The project aims are:-

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

6.4.6 Previous costs in relation to the majority of landlord services staff forms the basis for the ALMO management fee. Negotiations have commenced with regard to the East Kent Housing Management Fee. The Council has been notified that they have undertaken an activity based costing module for the Management Fee as per the business case and this is still being reviewed with s151 Officers. A saving of 10% has been factored in, to be achieved over the next 3 years' for the East Kent Management Fee. An initial saving of £64.4k has been identified against the accommodation service level agreement for 2013/14, with the remainder to be found over the proceeding 2 years. Negotiations are still continuing and are unlikely to be finalised before the 2013/14 budget is approved. As a result at Cabinet it was agreed to delegate responsibility for approving the Management Fee to the Director of Community Services in consultation with the Portfolio Holder for Housing and Planning.

6.4.7 **Provision for Bad or Doubtful Debts** – Due to the economic downturn and changes to Welfare Reform the estimate for the provision of bad and doubtful debts has been increased from £170k to £220k.

6.4.8 **Depreciation for Fixed Assets** – In accordance with the statutory requirements, the Council has to make a depreciation charge to reflect the use of the HRA assets over their useful lives. Within the Housing Subsidy System the Council received a Major Repairs Allowance to fund capital works which was set so as to reflect the need to replace building components as they wear out. It was therefore considered to be an appropriate measure of depreciation for the HRA assets. With the cessation of the Housing Subsidy System there is no longer a Major Repair Allowance paid and currently work is being undertaken as to how best to calculate the depreciation charge. In the interim, for the next 5 years the Council will be able to use the Major Repairs Allowance as detailed within the 30-year financial model for the HRA self-financing settlement. The previous charge detailed within the base determination was £2.406m in 2012/13, however, in the uplifted settlement model the figure is £3.337m. The difference will still transfer to the Major Repairs Reserve. The depreciation charge for other HRA assets is estimated to be at £60k.

6.4.9 **Debt Charges** – Since the self-financing settlement the authority 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 the 1 April 2012 the HRA had £23.041m of loans outstanding. One loan matured on 31 December 2012 for £515k, further loans mature during 2013/14 £1.656m and 2015/16 £827k. The budget reflects the repayment of these loans and as such a reduction for interest payments has also been reflected.

6.4.10 **Rent Increases** – Rental estimates are based on the Government guideline rental increase which uses the September's RPI figure of 2.6% + 0.5%, combined with a factor for rent convergence for the 2013/14 estimate. Future years' estimates shown in the MTFS have been based on calculations that include an indicative RPI increase of 2%.

Since April 2002 social rents have been set on the basis of target rents for individual properties that take account of relative property values at January 1999, vacant possession values assuming continued residential use, local earnings levels and the number of bedrooms of individual properties. The formula is standard for local authorities and similar for social landlords. Individual dwelling rents must move to within +/-5% of the target rent by the set convergence date.

The process by which the actual rent for each property moves from its current level to its target level within the convergence date is called rent restructuring. The rent restructuring review meant that authorities had to go back to 2002 and apply a higher average stock valuation, a higher average rent and an increased number of bedroom weightings. In practice, the Council uses the Government's rent guidelines to determine its rent increases.

In 2002/03, the first year of rent restructuring, a uniform rent increase of 2.5% was applied to all properties, which was acceptable under Government guidance. Subsequently rents have been increased each year in line with inflationary rates determined by the Government. The rent increase has therefore been established according to RPI inflation at September 2012 which was 2.6% + 0.5%, combined with a factor for convergence to not exceed £2, assuming a convergence timeframe of 2015/16. However, due to the effects of rent restructuring it should be noted that the percentage rent increase will not be identical for all tenants due to where the property rents sit within the rent convergence tables. The budget proposals also include an increase of 2.6 % for garage rents.

New units created as part of the Margate Intervention Programme and Ramsgate Empty Homes project will come under the affordable rent programme and rents will be set based on 80% of the market rental income.

TABLE 11 – AVERAGE RENTS		
Property Type	**2012/13**	**Estimate 2013/14**
Bedsit	£ 52.18	£ 54.12
1 Bed House	£ 73.42	£ 75.40
1 Bed Flat	£ 62.14	£ 64.25
2 Bed House	£ 77.30	£ 80.35
2 Bed Flat	£ 70.08	£ 72.56
3 Bed House	£ 83.46	£ 87.17
3+ Bed Flat	£ 78.17	£ 81.30
4+ Bed House	£ 91.88	£ 95.86

6.4.11 **Service Charge Increases** – Currently a review of the Service Charges within the HRA is being undertaken to take into consideration Welfare Reform changes. It is proposed to apply no inflationary increase to “un-pooled” service charges to try to alleviate the impact that may be sustained by tenants. Heating service charges have been based on recovering actual costs.

6.4.12 **Investment Income** – This consists of interest accruing on mortgages granted in respect of Right to Buy sales and interest on HRA balances. The base rate remains low which in turn means that investment interest will be low. The budget for interest on HRA balances for 2013/14 is £79k based on an interest rate of 0.75%.

6.5 The Housing Revenue Account Reserves

6.5.1 The Council operates three HRA reserves: a HRA Major Repairs Reserve, the HRA Balance Reserve and the HRA New Properties reserve, each of which is discussed in turn:

6.5.2 **Housing Revenue Account Major Repairs Reserve** – As mentioned above in paragraph 6.4.8, the annual Major Repairs Allowance (MRA) that was paid to the Council as part of the HRA Subsidy had to be placed in a Major Repairs Reserve, to be used to meet HRA capital expenditure only. It is proposed to continue with the 5 year transitional arrangement to continue to place the forecast MRA as per the determination schedules in the reserve. This funding, together with previous allocations of supported borrowing and revenue contributions, with good management, has enabled the Council to maintain the housing stock in a good condition. The Council currently maintains its social housing to Decent Homes Plus standard. As at 1 April 2012 this reserve balance was £1.5m.

6.5.3 **Housing Revenue Account Balance Reserve** – This reserve holds the balance of the HRA Account and is used to draw down to balance the revenue budget and smooth out any peeks and troughs within the 30 year business plan. It is maintained by annual contributions from the HRA. As at 1 April 2012 this reserve balance was £9.7m, although £4m of these balances have now been earmarked for the Margate Intervention programme and £1.3m for the Ramsgate Empty Property programme.

6.5.4 **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 2012 this reserve balance was £500k.

TABLE 12 – HOUSING REVENUE ACCOUNT BUDGET				
	2013/14 £'000	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
Expenditure				
Repairs & Maintenance	3,191	3,344	3,298	3,453
Supervision & Management – General	2,808	2,775	2,741	2,742
Supervision & Management – Special	509	517	525	534
Rents, rates, taxes and other charges	253	262	271	281
Bad or doubtful debts provision	220	220	220	220
Depreciation/impairment of fixed assets	3,438	3,433	3,428	3,423
Capital Expenditure funded from HRA	3,023	198	227	253
Debt Management Costs	8	8	8	8
Non-service specific expenditure	1,200	150	150	150
Gross Expenditure Sub Total	**14,650**	**10,907**	**10,868**	**11,064**
Income				
Dwelling Rents (gross)	-12,426	-12,600	-12,927	-13,257
Non-dwelling Rents (gross)	-220	-222	-225	-228
Charges for services and facilities	-315	-320	-324	-329
Contributions towards expenditure	-294	-295	-296	-297
Other Charges for Services and Facilities	-11	-11	-11	-11
Income Sub Total	**-13,266**	**-13,448**	**-13,783**	**-14,122**
Net Costs of Services Sub Total	**1,384**	**-2,541**	**-2,915**	**-3058**
HRA Investment Income	-81	-81	-159	-239
Debt Interest Charges	960	831	810	808
Government Grants and Contributions	-1,050	0	0	0
Adjustments made between accounting basis and funding basis	**1,438**	**-218**	**610**	**-217**
(**Surplus)/Deficit on HRA**	**2,651**	**-2,009**	**-1,654**	**-2,706**
Housing Revenue Account Balance:				
Estimated Surplus at Beginning of Year	-10,845	-8,194	-10,203	-11,857
(Surplus)/Deficit for Year	2,651	-2,009	-1,654	-2,706
Estimated Surplus at End of Year	**-8,194**	**-10,203**	**-11,857**	**-14,563**

7.0 THE CAPITAL BUDGET

7.1 Capital expenditure includes spend on the acquisition of a fixed asset with a value of £10k or greater which is expected to be in use for more than one year. It also covers grants that are provided for the enhancement of buildings to increase the extent to which they can be used by a disabled or elderly person. The expenditure can be met from loans, capital receipts, capital grants or revenue contributions. With the exception of land, all fixed assets have to be depreciated (i.e. written down) over the expected lifetime.

7.2 As a result of the complex and large scale nature of capital projects, until the project is worked up and quotes obtained, the original budgets have to be based on estimations that often need revising as the project advances. This in turn leads to re-phasing of the capital programme, in order to keep the overall costs within the agreed bottom line.

7.3 The Asset Management Strategy

7.3.1 By far the largest element of the Council's capital worth (as represented by the fixed asset values on the Balance Sheet) is in its property holdings, with a total £150 million showing as the net book value of all property assets as at 31 March 2012 (after depreciation has been applied). It is unsurprising therefore that the largest investment in capital expenditure in the medium term will be on property. In line with Government and best practice guidelines the Council is required to have prepared and published an Asset Management Strategy (AMS) which outlines its approach to its material asset holdings, to ensure that it acts responsibly in terms of undertaking a stewardship role over valuable public assets whilst deriving the maximum use from them in terms of service delivery so that value for money is able to be evidenced.

7.3.2 The Council's Asset Management Strategy outlines the principles, criteria and processes that form the cornerstone of the following draft Capital Programme. This requires a continual assessment of relative value of an asset (both financial and non-financial) in order to ensure that the Council's investment in its assets is working to optimum effect. This is especially important in the current financial climate, where assets need to be disposed of in order to generate the capital receipts to fund new developments.

7.4 Impact of the Current Economic Climate

7.4.1 Since the development of the Asset Management Strategy, the deterioration in the national economic position has had a serious impact on the Council's capital budget. The budget depends upon significant levels of capital receipts being generated from the sale of surplus assets. The marked downturn in market conditions has meant that many of the proposed asset disposals have taken longer than anticipated. The Capital Programme has therefore been scaled back accordingly. The proposed programme of capital expenditure is therefore based on current projections of available capital funds; however members should note that this will be monitored closely during the 2013/14 financial year, as it may be necessary to adjust the programme in year depending on the prevailing economic conditions. During the course of 2012/13 such action had to be taken as budget monitoring had highlighted that as at September 2012 only £782k of capital receipts were likely to be achieved against the budgeted £1.6m. A large number of capital projects have been re-phased into 2013/14 accordingly with Cabinet agreement. Any such change in the capital programme during 2013/14 will of course be brought to Cabinet's approval in line with the Council's financial policy.

7.5 **The Capital Budget Strategy**

7.5.1 Although the Asset Management Strategy is used to inform the contents of the Capital Budget, it is only one element. In order to ensure that the Capital Budget is able to meet the Council's needs in the wider sense, and managing the impact on the revenue budget, the development and use of the Capital Programme is underpinned by a Capital Strategy as follows:

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

Due to the limited availability of capital receipts and the need to contain the level of borrowing undertaken to minimise the revenue impact, it has been necessary to review the capital programme to ensure sufficient funding is available for existing schemes that have commenced and that any new projects are of highest corporate priority and/or reduce the pressure on the revenue account. A review has recently been undertaken with regard to anticipated receipts from the disposal of assets. Until this review was complete, it was not possible to proceed with scoring of any new capital projects as the Council needed to understand the capital receipts available to fund any new projects. A number of new capital bids have been received and have been scored by the Capital and Asset Management Group to ensure they focus on the core priorities of the Council. The results of the scoring process have been shared with the Portfolio Holder for Asset Management and the Portfolio Holder for Finance prior to inclusion within this report.

A budget consultation exercise was undertaken with the public and waste and recycling was identified as one of the highest priorities to our residents. The Council plans to invest £4.085m into the Waste Collection service to improve recycling collection and upgrade our existing fleet vehicles.

Available Capital Funding

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

7.5.3 **Capital Grants** – these are offered by Government Departments to assist with certain types of expenditure. Capital grants include: Communities and Local Government funding for Disabled Facility Grants, Environment Agency, Lottery funding and European grants. The HRA is currently in receipt of two capital grants: £1.338m from the HCA Empty homes Cluster Bid for the Margate Intervention Programme, being £348k for 2011/12 and £1.05m in 2012/13; and £535k of Homes and Communities Funding towards the Ramsgate Empty Homes Programme.

7.5.4 **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 a General Fund asset are available to the Council for use.

7.5.5 It is difficult to estimate the funding level achievable during the current economic climate. Also a number of changes often arise to the disposal programme once the asset disposal consultation process has been completed. For the purpose of this budget an estimate of achievable receipts has been undertaken. This figure will need to be monitored closely during the coming years for achievability under the current economic climate and where necessary the Capital Programme adjusted accordingly.

7.5.6 **Housing Capital Receipts** - On 2 April 2012 Ministers raised the cap on Right to Buy discounts to £75,000 and confirmed that receipts from the additional sales this would generate would be used to fund replacement stock on a one for one basis. At the same time Ministers confirmed that their favoured option of delivering these new homes would be through local authorities retaining receipts to spend in their areas. In order to keep these additional receipts it was necessary to enter into an agreement with the Secretary of State for Communities and Local Government. The agreements were made under the powers proficed by section 11 (6) of the Local Government Act 2003 (as inserted by section 174 of the Localism Act 2011). On the 26 July 2012 Cabinet gave approval to enter into the agreement. This allows the Council to retain additional Right to Buy receipts over and above that budgeted by Treasury. In the past only 25% of capital receipts from the sale of HRA assets (council houses) were available for capital investment. The remaining 75% had to be paid to Central Government. These "pooled capital receipts" were then allocated back to councils by the Government according to need. Under the new regime Treasury will still receive 75% of income on sales for approximately the first 4 right to buy properties and those sales over and above that budgeted will form part of the new agreement.

7.5.7 **Unsupported Borrowing** – The Local Government Act 2003 gave Local Authorities the ability to borrow for capital expenditure over and above the level supported by Government Grant, provided that such action complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Prudential Borrowing ("The Prudential Code"); the objectives of which are to ensure that capital investment plans are affordable, prudent and sustainable. Essentially, it provides a number of controls to ensure that the Council does not incur additional debt without fully understanding the financial implications both now, and in the future. A housing debt cap of £27.792m has been set for the Council, being the maximum amount the HRA can borrow which must not be exceeded. This differs from the way the maximum debt levels are set within the General Fund, which are governed by the Prudential Code and the setting of a number of indicators. It is anticipated that borrowing of £5.8m will be required to support the General Fund capital programme.

7.5.8 **Capital Projects Reserve** – A balance of £495k remains in this reserve as at 1 April 2012 of which £108k is already earmarked for existing schemes. It is anticipated that the remaining balance will be fully utilised to help fund the 2012/13 capital programme due to the shortfall in capital receipts. Should a surplus arise on the capital programme at the end of 2012/13, this will continue to be set aside in this reserve to provide additional flexibility.

7.5.9 **HRA Capital Reserves** – The HRA subsidy included a payment of an annual Major Repairs Allowance, which could only be used for HRA Capital expenditure. Whilst the Housing subsidy system has ceased to exist from 1 April 2012, a transitional period of 5 years has been set whereby the Council can continue to place the Major Repairs Allowance, as detailed in the settlement determination, in the Major Repairs Reserve.; although any unused amount may be carried forward for use in later years. The estimated Major Repairs Allowance for 2013/14 is £3.337m.

7.6 The Capital Programmes for 2013/14 to 2016/17

7.6.1 The current property market decline has led to reduced capital receipts. If this continues, the Council's resources for capital spend will be significantly reduced. The new schemes within the capital programme have been very much driven by those capital schemes that meet the authority's core priorities, have a health and safety implication and/or a revenue impact to the Council.

7.6.2 **Re-phased Projects** – Due to the shortfall of capital receipts achieved during 2012/13 a number of capital programmes have been re-phased from 2012/13 into 2013/14. These include a number of East Kent Services led Information Technology projects totalling £86k, works to the Waste Transfer Station totalling £217k and Margate Cemetery extension £140k. Some projects were identified during the year as having slipped and have also been re-phased into the 2013/14 programme. These include some of the regeneration expenditure to be funded by the Council and a sum of £92k in respect of the annual enhancement capital works to public conveniences.

7.6.3 **Grant Funded Projects** – The Council undertakes a number of schemes that are fully, or part funded from grant, the most significant of which are the Disabled Facility Grants (DFGs). Councils can claim 100% of Communities and Local Government funding for each DFG without a need to match fund up to the total value of Government grant awarded each year. Unfortunately the Council is anticipating a substantial reduction in the capital receipts budget which has reduced the available funds the Council has to allocate. However, the Council is still committed to providing a contribution towards the government funding. It is intending to provide initial match funding of £300k per annum towards the programme, being the maximum that it can afford in light of the overall capital programme and the anticipated level of capital receipts. It is anticipated that the announcement for this year's allocation from Government will not be available until the end of February; it has therefore been assumed that it will be at the same level as last year's allocation of £1.079m for the purpose of this estimate.

Once the final figures are published this will be reported to Cabinet in the first Budget monitoring report.

7.6.4 The Council has secured £4.1m of Homes and Communities Agency funding towards the 'Bringing Clusters of Empty Homes into Use' programme. This will bring 160 empty homes back into use across Margate Central and Cliftonville West wards. The programme must be delivered by March 2014 and £1.05m is the anticipated spend in 2013/14.

7.6.5 The Heritage Lottery Fund have approved £1.9m towards a townscape heritage initiative scheme in Dalby Square, Dalby Road and Arthur Road.

7.6.6 The Council has had an initial allocation made from the Environment Agency to undertake works to the sea walls along the North Thanet coastline.

7.6.7 **New Capital Projects –** A review has recently been undertaken with regard to anticipated receipts from the disposal of assets. Until this review was completed, it was not possible to proceed with scoring of any new projects as the Council needed to understand the capital receipts available to fund new projects. A number of new capital bids have been received and scored by the Capital Asset Management Group. These include:

Dalby Square Town Heritage Initiative Grant Scheme – A £2m project to provide grants for the Historic restoration of properties in the designated area. The project utilises match funding from the New Homes Bonus, re-directed Regional Housing Board money and capital receipts of £212k.

North Thanet Coastline – Sea Wall Reconstruction Scheme – An externally funded project for major works to sea walls in 3 separate locations on the North Thanet Coastline, to offer erosion protection to chalk cliffs and protect amenity value such as the Viking Coastal Trail. The works will cost £560k in 2013/14 and £250k in 2014/15.

Replacement Waste Collection Fleet of Vehicles – The existing fleet is reaching the end of its useful life and the authority has committed to deliver the Kent wide model of a broader range of recyclables. The cost of this scheme will be approximately £4m, which will mainly be incurred in 2013/14.

Ramsgate Harbour Marina – Water Supply Upgrade – The water supply system on the floating pontoons for marina users requires upgrading. A budget of £50k is required in 2013/14 and £50k in 2014/15. Whilst funding in 2013/14 will be undertaken from the disposal of assets, disposal of assets for 2014/15 do not generate sufficient receipts to fund the spend in that year. It is proposed that the £50k required in 2014/15 is funded from the Maritime Reserve.

Grounds Maintenance Replacement Mowers and Vehicles – A number of ride on mowers and vehicles are reaching the end of their useful life. As a result of this, funding of £144k is requested for 2013/14 and £250k for 2015/16. It is estimated the funding from capital receipts should be achievable for 2013/14; however the current asset disposal programme does not deliver enough receipts to fund the 2015/16 expenditure. It is therefore recommended that any service savings within the Parks DLO are re-directed into a parks vehicle replacement reserve to set funds aside for 2015/16.

Ramsgate Harbour Eastern Outer Marina – Replacement Floating Pontoons –The current floating pontoons are coming to the end of their useful life and are costing both staff time and money to make temporary repairs. Sums of £125k in

2013/14 and £125k in 2014/15 are required. Whilst funding in 2013/14 will be undertaken from the disposal of assets, disposal of assets for 2014/15 do not generate sufficient receipts to fund the spend in that year. It is proposed that the £125k required in 2014/15 is funded from the Maritime Reserve.

Further works have been identified to complete the Major works undertaken at the Crematorium:-

Crematorium Car Park – Extension of the existing public car park from 14 spaces to 47. Creating sufficient parking will improve the traffic flows around the crematorium, reduce complaint levels and reduce the damage caused to the grounds from vehicles parking or mounting the grass verges. This work will cost £100k. Work will be funded from the Cremator Reserve.

Crematorium- Residual Works - Completion of any residual works highlighted from the end of Cremator Replacement project i.e. Office accommodation may require reviewing in order to comply with Health & Safety Regulations. This will cost £40k. Work will be funded from the Cremator Reserve.

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

7.6.9 An amount of £4.073m has been included within the HRA capital programme for the second year of the Margate Intervention Programme, to be funded from £2.94m of HRA reserves, £1.05m of Homes and Community Agency Empty Cluster Bid funds and a revenue contribution of £83k. The Margate Housing Intervention Programme sets out to transform the housing market in two of Britain's most deprived wards: Cliftonville West and Margate Central.

7.6.10 Funds continue to be drawn down for the second year of the Ramsgate Empty Homes project, the objective of which is to bring back empty properties within the area and convert them to 30 units of affordable housing. The whole programme has been funded using £1.386m of HRA reserves and £535k of Homes and Community Agency funding.

7.7 **The Draft Capital Budgets 2013/14 to 2016/17**

7.7.1 The draft General Fund Capital Expenditure Budget for 2013/14 that is proposed for Members' approval is £14.467m, which will be funded in the main from capital grant, usable capital receipts and prudential borrowing. This is shown in summary format below.

TABLE 13 – GENERAL FUND CAPITAL PROGRAMME					
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Statutory and Mandatory Schemes	1,379	1,379	1,379	1,379	1,379
Schemes continuing from prior years	5,952		230		
Annual Enhancement Schemes	100	100	100	100	100
Wholly/Part Externally Funded Schemes	1,610	250	0	0	0
Replacements and Enhancements	4,524	195	250	0	0
Area Improvement	827	827	559	0	0
Capitalised Salaries	75	75	75	75	75
Total Capital Programme Expenditure	**14,467**	**2,826**	**2,593**	**1,554**	**1,554**
Capital Resources Used:					
Capital Receipts and Reserves	1,943	743	688	475	475
Capital Grants and Contributions	6,678	2,083	1,499	1,079	1,079
Prudential Borrowing	5,846	0	406	0	0
Total Funding	**14,467**	**2,826**	**2,593**	**1,554**	**1,554**

7.7.2 The draft Housing Revenue Capital Programme for 2013/14 that is proposed for Members' approval is £5.9m, which will be funded from the Major Repairs Reserve and revenue contributions to capital. A summary of this programme and the proposed funding sources are shown in the following table:

TABLE 14 – HRA CAPITAL PROGRAMME				
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Total HRA Capital Programme Expenditure	**5,973**	**2,468**	**2,422**	**1,578**
HRA Capital Resources Used:				
HRA Major Repairs Reserve	1,900	2,150	2,075	1,205
HRA Revenue Contributions	3,023	198	227	253
Capital Grant	1,050			
Capital RTB Receipts		120	120	120
Total Funding	**5,973**	**2,468**	**2,422**	**1,578**

8.0 <u>COMPLIANCE WITH THE PRUDENTIAL CODE AND TREASURY MANAGEMENT</u>

8.1 The Prudential Code

8.1.1 The Prudential Code for Capital Finance in Local Authorities is a statutory requirement specified in the Local Government Act 2003. It is a framework for capital investment decision making and links the medium term capital and revenue plans to the Authority's Treasury Management Strategy. Its use provides assurances of the robustness of capital plans and confirms that they are affordable, sustainable and prudent, through a number of key indicators.

8.1.2 The Code requires that Members approve the prudential indicators and that performance against them is regularly monitored throughout the year and reported back. The indicators are mandatory and cover affordability, prudence, capital expenditure, external debt and treasury management. The proposed prudential indicators are shown at **Annex** 3 to this report.

8.2 Treasury Management and Investments

8.2.1 Treasury management is the name given to a range of borrowing and investment activities and the management of associated risk. Its activities are strictly regulated by statutory requirements and a professional code of practice (The CIPFA Code of Practice on Treasury Management).

8.3 **The Annual Treasury and Investment Strategy** - the CIPFA Code of Practice on Treasury Management and the Guidance on Local Government Investments, issued by the Secretary of State under the power in Section 15(1) (a) of the Local Government Act 2003 require the Authority to approve an annual Treasury Management Strategy and an annual Investment Strategy. To comply with these requirements, a combined Treasury Management and Investment Strategy are presented at **Annex 3**. This outlines the Council's approach to its treasury activities and will be used alongside the Prudential Indicators to define the limits for borrowing and investment activities for the financial year 2013/14.

9.0 A STATEMENT OF ASSURANCE FROM THE SECTION 151 OFFICER

9.1 Under the Local Government Act 2003 the Statutory Finance Officer, who for Thanet District Council is the Chief Executive, is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves. This has to be done after consideration of the context within which the Council is required to operate, both in the short and medium term.

9.2 The main areas of uncertainty which could put the budget under pressure for 2013/14 are the delivery of savings, the achievement of income targets and uncertainties around the full impact of the council tax reduction scheme and the business rates retention scheme. Whilst there are other areas of uncertainty, around budget estimates for planned expenditure, the risk of overspending can largely be controlled by officers. It is a fact that the draft budget relies upon the delivery of substantial savings, however, the estimates for these have been developed by the Service Managers who are responsible for their delivery, with the assistance of the Financial Services staff, and as a consequence the figures contained within this report are believed to be achievable. The risk around the achievement of planned income receipts is heightened due to the current economic climate and this has been reflected in the revised risk assessment of reserves. Increases in fees and charges have been proposed with due regard to like charges elsewhere in the county and differential rates are used to take account of socio-geographical factors. The consideration that has gone into the production of the budget estimates, combined with the fact that the Council has an up to date financial system in place and operates sound budget monitoring and other financial control systems, means that the Chief Financial Officer believes the Council is well placed to deliver against the budget proposals presented within this report.

9.3 As regards the level of reserves, the proposals are supported by a robust financial risk assessment and their purpose is clearly laid out and well understood.

9.4 In conclusion, it is the Chief Executive's opinion that the budget is robust and achievable and that the proposals for reserves are adequate.

10.0 OPTIONS

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

11.0 CORPORATE IMPLICATIONS

11.1 Financial

11.1.1 The financial implications for the general fund, HRA and capital budget are laid out within the body of the report.

11.1.2 Based upon the financial risk assessment contained within Annex 3, it would be prudent to maintain general fund balances at 12% of the net service revenue base budget.

11.2 Legal

11.2.1 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, this is the Chief Executive (S151 Officer), Sue McGonigal, and this report is helping to carry out that function.

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

12.3 Corporate

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

11.4 Equity and equalities

11.4.1 The equity and equality impact of the savings carried forward from the 2012-2016 MTFP were considered as part of the budget process for 2012/13 and no issues were identified. There are also no equality issues identified in respect of the further savings highlighted in these budget proposals relating to budgets unspent in prior years and debt costs as these budget cuts will not impact on service delivery. The cuts in the pension budgets, as detailed at paragraph 4.6.4 of this report, merely are to bring the budgets in line with the contributions due under the scheme and therefore do not impact on any individuals.

11.4.2 A six week public consultation was held giving local residents and businesses an opportunity to comment on the budget proposals. The consultation was available to complete online and hard copy surveys were available to collect from local libraries and council offices. Local community groups and businesses were notified and a random sample of 3,000 residents was targeted by direct mail. The consultation was promoted throughout the six week period and a copy of the survey was also printed in the local free newspaper. 688 responses were received by the close of the consultation. No equality or access issues were raised by the public as part of this consultation. The HRA budget, including the proposed rent increases, will be presented to the Tenant Area Board to which all tenants are invited. Full results to the consultation are now available to view online.

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

12.0 RECOMMENDATIONS

12.1 That Members approve the draft Medium Term Financial Plan at Annex 1.

12.2 That Members approve the draft General Fund Revenue budget estimates for 2013/14 to 2016/17 and the resulting budget requirement for 2013/14.

12.3 That Members approve the level of general reserves be held at £2,177k, and specific earmarked reserves be used as identified in Annex 2.

12.4 That Members approve the HRA budget estimates for 2013/14 to 2016/17 and the HRA service charges as shown at Annex 4.

12.5 That Members approve the General Fund and Housing Revenue Account Capital Budgets for 2013/14 as detailed at Annexes 5 and 6.

12.6 That Members approve the draft Treasury Management Strategy (see Annex 3), as approved by Governance and Audit at its meeting on 11 December 2012.

Contact Officer:	Sarah Martin
Reporting to:	Sue McGonigal

Annex List

Annex 1	Medium Term Financial Plan
Annex 2	Risk Assessment of Reserves
Annex 3	Treasury Management Strategy
Annex 4	HRA Service Charges
Annex 5	General Fund Draft Capital Programme
Annex 6	HRA Draft Capital Programme

Background Papers

Title	Where to Access Document
Budget Spreadsheet	N/A

Corporate Consultation Undertaken

Finance	N/A
Legal	Gary Cordes, Legal Services Manager
Communications	Hannah Thorpe, Acting Corporate Information Manager

The Medium Term Financial Strategy 2013 - 2017

Thanet District Council

If you would like a copy of this document in a different format such as Braille, audio or large print, or in another language please call 01843 577165

Introduction

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

The main objectives of the MTFS are to:

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

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

Executive Summary

The National and Local Economic Outlook

The current economic climate and that of recent years has had a considerable impact on the Council, particularly due to its strong reliance on revenue from interest on reserves and fees and charges. The Bank of England base rate has remained at an historic low of 0.5% which has resulted in reduced investment receipts for the Council. The economic downturn has also resulted in lower income, particularly from planning fees, building control, land charges and car parking. Also severely affected by the current economic climate are asset disposals; selling assets does not necessarily represent value for money to the taxpayer at this point in time and so the Council's ability to generate funds from releasing capital resources has been severely limited to the detriment of the Council's capital programme.

Local Government in general, and district councils specifically, are facing the toughest financial outlook for many decades. The Local Government Settlement announced in January 2011 resulted in unprecedented cuts in formula grant for 2011/12 and 2012/13. Thanet faced a cut of 5.3% in 2011/12 (after receipt of transitional grant) which increased to 16.9% in 2012/13. The provisional settlement for 2013/14 and 2014/15 was announced as part of the Local Government Finance Report in December 2012. This shows a further cut of 7.4% for 2013/14 and a cut of 16.6% for 2014/15. Cuts of 6% in 2015/16 and 5% in 2016/17 have been assumed for this Medium Term Financial Plan based on modelling undertaken by Government analysts.

The Business Rates Retention Scheme (which is detailed further within this MTFS) provides further uncertainty. The financial risk associated with businesses leaving the district now passes to the Council (subject to a safety net) whilst any incentive from encouraging new business growth is likely to be minimal.

The new localised Council Tax Reduction Scheme will replace the existing Council Tax Benefit system from 1 April 2013. The Government is transferring the responsibility for the design of the scheme to local authorities (subject to certain nationally set criteria), together with the transfer of the financial risks. Originally the Government had announced a reduction in funding for this of 10% as part of the Comprehensive Spending Review, although subsequent estimates show that having allowed for the inflationary impact over time, the reduction is now approximately 14% which for Thanet District Council equates to a reduction of approximately £2.2m. The Council will be covering this reduction by reducing the support given to working age claimants by 5% and removing second homes and empty property discounts. Although the risk of increases in the number of claimants will be underwritten by Kent County Council, the Council may see a significant increase in the number of bad debts for Council Tax as some of those who will now be expected to pay a proportion of their Council Tax bill may not have the resources to do so.

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

The Medium Term Financial Strategy

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

The General Fund Revenue Account

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

The net budget requirement (after taking into account income from fees and charges and other specific grants) is met by a combination of Central Government Grant (58%) and Council Tax (42%). With just over half of the Council's net budget being funded from Government Grant, a reduction in this funding makes the task of continuing to improve and evolve whilst honouring the commitment to keep Council Tax increases as low as possible very difficult to achieve.

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

Table 1

Summary General Fund Revenue Proposals 2013 – 17

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Net Budget Requirement	**18,842**	**17,581**	**17,042**	**16,870**
Reduction in Requirement	6.09%	6.69%	3.06%	1.01%
Increase in Council Tax	0.0%	1.99%	1.99%	1.99%

Reserves

Councils must have regard to the level of reserves needed for estimated future expenditure when calculating the budget requirement. The Council has reviewed its level of reserves, taking account of the financial risks that could pose a threat to the Authority over the medium term. As a result of this exercise, the Council has set its optimal level of general reserves at 12% of the net revenue budget, which is felt to be a sufficient level of contingency. The Council's general reserves currently stand at just under the 12% optimal level and there are no plans over the medium term to reduce these balances.

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

The Housing Revenue Account

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

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

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

Table 2

Summary Housing Revenue Account Revenue Proposals 2013 – 17

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Expenditure	14,636	10,836	10,829	11,025
Income	(13,183)	(13,250)	(13,555)	(13,868)
Net Cost of Services	**1,453**	**(2,414)**	**(2,726)**	**(2,843)**
Other	1,274	540	1,268	358
Net Operating Expenditure	**2,727**	**(1,874)**	**(1,458)**	**(2,485)**
HRA Balance:				
Surplus at the start of the year	(10,845)	(8,118)	(9,992)	(11,450)
Surplus at the end of the year	(8,118)	(9,992)	(11,450)	(13,935)

The Capital Programme

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

Although the Council can borrow to fund its capital expenditure, the cost of the repayments often makes this option unaffordable and so its future capital requirements in the medium term will depend upon a well managed programme of asset disposals; using assets that are no longer suitable or cost effective to fund the acquisition and development of assets for improved service delivery. The Council's Asset Management Strategy provides the framework against which this process is managed to ensure that the best decisions are taken at the right time. In the current economic climate, selling assets does not necessarily represent value for money for the taxpayer and therefore the planned disposal of some assets has been put on hold until market conditions pick back up. This has inevitably resulted in reduced capital receipts which in turn means that the Council's resources for capital spend has been significantly reduced. It is important, therefore that only the most important schemes are selected against the limited resources. The proposed programme has been driven predominately in response to health and safety issues or to support those projects that will generate future revenue or can be funded from external grants.

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

Table 3

The Capital Programme 2013 – 17

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Statutory and Mandatory Schemes	1379	1379	1379	1379
Schemes continuing from prior years	6586	0	230	0
Annual Enhancement Schemes	100	100	100	100
Wholly/Part Externally Funded Schemes	1610	250	0	0
Replacements and Enhancements	4524	195	250	0
Area Improvement	827	827	559	0
Capitalised Salaries	75	75	75	75
Housing Revenue Account Schemes	5973	2468	2422	1578
Total Capital Programme Expenditure	**21074**	**5294**	**5015**	**3132**
Capital Resources Used:				
Capital Receipts and Reserves	4477	3013	2883	1800
Capital Grants and Contributions	7728	2083	1499	1079
Contributions from Revenue	3023	198	227	253
Prudential Borrowing	5846	0	406	0
Total Funding	**21074**	**5294**	**5015**	**3132**

Detailed Medium Term Financial Plan

The following pages provide more detail of the Council's financial plans over the medium term.

The Local Government Finance Environment

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

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

The General Government Grant is allocated by a complex model which amongst other things takes account of the relative need of an area and the ability to raise taxes locally (based on an area's council tax base). The Spending Review 2010 responded to the impact of the world wide economic recession and the growth in public sector borrowing in the UK. It set out the Government's proposals to reduce public spending and the associated deficit. For Local Government in particular, that foretold of cuts totalling 28% over the 4-year period. The Spending Review was announced in October 2011 and the Financial Settlement that followed confirmed funding reductions for Thanet of 14.2% for 2011/12 and 12.7% for 2012/13. A transitional grant was then given to this Council to ensure our spending power didn't fall by more than 8.8%. Spending power is made up of formula grant, council tax receipts and other government grants. After the transitional grant, the reduction in funding was 5.3% in 2011/12 and 16.7% in 2012/13. The provisional settlement for 2013/14 and 2014/15 was announced in December 2012 as part of the Local Government Finance Report and showed further cuts for 2013/14 of 7.4% followed by 16.6% for 2014/15. This MTFS assumes further cuts of 5% in both 2015/16 and 2016/17 based on modelling undertaken by Government analysts.

Although the Council is also responsible for collecting business rates across the District, these are currently paid over to Government and the Council is not able to use any of this to fund its services directly (although an element of business rates does return back to the Council within the Formula Grant). The system currently does not provide any financial incentive to promote business growth. The Government is introducing a Business Rates Retention Scheme from 1 April 2013. The intention of this scheme is to provide an incentive to encourage business growth. Those authorities who see an increase in business rates above a baseline set by the Government will retain a proportion of these additional business rates (this will be subject to a levy and the first 50% of any such growth will go back to the Government), whilst those authorities who see a decline in business rates due to businesses failing or moving out of the area will see a reduction in business rates income (subject to the operation of a safety net mechanism). It is not expected that this will result in any growth in business rates income for this Council as only a small proportion of any such growth would be retained by the Council, however, the Council could potentially lose up to £330k of business rates income before the safety net would kick in. There is therefore an element of uncertainty as to what the impact of this scheme will be on this MTFS.

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

The current Council Tax Benefit system is being replaced by a localised Council Tax Support system from 1 April 2013. As already outlined in this MTFS, the Council is implementing a scheme which will cover the reduction in Government funding towards Council Tax support of £2.2m by reducing the support given to working age claimants of 5% and removing second homes and empty property discounts. The risk of increases in claimants will be met by Kent County Council but the risk of increases in bad debts will need to be borne by this Council. This is yet another uncertainty that could impact on this MTFS.

Council Tax Referendum and Council Tax Freeze

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

The Government made a commitment to support councils who froze their Council Tax in 2011/12. A specific grant is being paid to those who accepted this freeze. This grant is equivalent to a 2.5% increase on the 2010/11 Council Tax level and is being paid each year from 2011/12 to 2014/15. The Government also committed to a freeze for 2012/13 but the grant funding for this was for one year only. The Government has now announced a further Council Tax freeze grant for 2013/14. The funding will provide authorities with the equivalent of a 1% Council Tax increase for 2013/14 and 2014/15, if Council Tax is not increased in 2013/14.

As a result of these announcements, and to provide support to its residents in this difficult economic climate, Thanet District Council set a zero increase for both 2011/12 and 2012/13. This MTFS has been developed on the basis of a 0.00% increase for 2013/14 and 1.99% increase thereafter. This will ensure that it can take the Council Tax Freeze Grant for 2013/14 but should keep within the referendum limit moving forward whilst still be honouring the commitment to keep Council Tax increases to a minimum.

The taxbase upon which the current council tax is set was agreed as 47,005.65 Band D equivalents. This was an increase of 0.83% on the previous year. The proposed reductions given to claimants via the Local Council Tax Support Scheme will have the effect of lowering the Council Tax Base. The taxbase for 2013/14 has been determined at 37,990.00 Band D equivalents and no change to this is anticipated over this MTFS. The financial impact of the reduction in the taxbase will be offset by the Council Tax Support funding.

The Local Context

Quality Services Directed Towards Community Priorities

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

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

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

Members and Officers alike have high aspirations for the Council but the constraints on the budget mean that services and future developments need to be prioritised. In some cases, planned service enhancements have had to be scaled back and future investments re-phased. In the previous year, the Council reorganised its structure to ensure that the Council could deliver its priorities, whilst maintaining effective services. The Council also adopted new ways of working, including shared services, to enable it to concentrate on the core council aims whilst still delivering basic council services well. A service review programme will commence shortly to look at alternative service delivery methods, ensuring more automated processes and maximising efficiency savings whilst also trying to improve customer satisfaction. This programme is expected to deliver savings to ensure a balanced budget for the years 2014/15 through to 2016/17. The Council will develop its future budget plans to protect its key priority services, such as Street Cleansing, Refuse Collection and Recycling; and Community Safety and Crime Reduction from budget reductions that will threaten service delivery, as far as possible. The Council remains committed to promoting a culture of continual improvement to ensure that it delivers good value for money for its residents.

The Corporate Plan Framework

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

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

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

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

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

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

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

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

The General Fund Revenue Account

Overview

The General Fund Revenue Account is charged with any expenditure incurred on delivering the Council's services or meeting its day to day expenses that are not covered by legislation relating to the Housing Revenue Account, or can not be treated as capital expenditure. The majority of Thanet's expenditure (86%) is charged here.

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

Fees and Charges

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

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

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

- Charging decisions will be taken in the context of the Council's corporate objectives;
- Access, affordability and elasticity of demand will be considered;
- Charges will be consistent with the Council's policies for Value for Money, Equalities and Customer Access, e.g. consideration will be given to any disproportionate impact on vulnerable groups and those least able to pay;
- Where services are provided on a trading basis, charges will be set at the maximum level the market can bare without eroding demand such that the overall financial position of the service offering is weakened;
- Charges will be benchmarked with comparable local authorities and where they are identified as being significantly lower than in other comparable authorities, increases will be fast tracked in order to bring them in line;
- Charges will not be set at a level above other comparable authorities simply to meet efficiency targets or in response to comparatively higher costs for providing services in Thanet;
- The impact of uptake will be considered so that charges are set at a level that would confer a more favourable financial position;

- Any exemptions and concessions on standard charges will be clearly justified. They will only be provided for services where benefits to the recipient groups are clearly evidenced. The Council will consider the adoption of a concessions policy as part of the review of fees and charges to help address inequalities within the district. Any approved policy will be included on the Council's website; and
- Enforcement charges will be set at a level proportionate to the nature of the offence and comparable charges in comparable authorities.

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

External Funding

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

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

Developing the General Fund Revenue Budget

The General Fund Budget Strategy

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

The Council's Revenue Budget Strategy is:

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

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

The budget for 2013/14 and the three years that follow is developed by building onto the existing budget provision the anticipated increases for inflationary increases and budgetary growth that is needed for service developments; after which planned savings, growth in income and the use of reserves are reflected. This all has to be done so as to keep the resulting increase in Council Tax to a minimum.

The Budget Build Process

The paragraphs that follow show how the base budget for 2012/13 is built upon.

Budgetary Growth

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

Employee Costs – A large proportion of the Council's expenditure is on staff related costs, the majority of which relates directly to service delivery. For the purposes of presenting an illustrative model of the impact of the budget strategy contained within this MTFS, the pay award has been included at an average of 1% for each year. A vacancy level of 2% of the employee budget has also been assumed.

Other Inflationary Increases – As a general rule the Council does not provide for price increases on goods and services, having instead to find ways to contain the increasing costs within existing budgets or negotiate a better price with its suppliers. The only budgetary growth for price increases that ends up being built into the budget is where it is unavoidable, such as where it is part of the terms of an existing contract or for supplies such as energy and fuel. Where provided for, contractual increases are derived from that specified in the contract. The inflationary growth has been reduced in 2013/14 to reflect a reduction in business rates and savings identified against current insurance budgets. The MTFS reflects an increase in insurance premiums of £200k per annum from 2014/15 following our insurers breaking the long-term agreement they hold with the Council due to poor claims history. Every effort is being made to improve the Council's claims history moving forward so as to try and mitigate the risk of future insurance increases.

Service Delivery Pressures – Borrowing costs of £262k have been factored into the budget for 2013/14 to support the capital programme. In addition, new service pressures have been identified for 2013/14 in respect of individual electoral registration (£60k); canvas costs (£25k); the requirement for new Environmental Health posts following a recent Food Safety Audit (£120k); an additional Cabinet and Shadow member (£22k) and a new part-time post to support the Overview and Scrutiny process (£17k). The MTFS also assumes growth will be required in future years for as yet unidentified service pressures and therefore a sum of £250k has been built in for 2014/15 and for each of the remaining years of the MTFS. Any other growth identified during the course of this MTFS will be met by redirecting budgets from other areas through the approved virement process.

Increase in Fees and Charges – The majority of fees and charges are increased in line with inflation. However, the level of some fees and charges are set by statute (e.g. planning fees) and some services are required to set their fees to break-even over a three year period (e.g. land charges), therefore the fees for these services will be increased accordingly. The fees for visiting leisure craft at Ramsgate Harbour have been increased by 10% in 2013/14 to reflect the improvements that have been made to the Harbour facilities. The fees for car parking will be the subject of a separate review and do not reflect an increase for this MTFS.

Adjustments to Income – Additional rental income is anticipated in respect of the Kent Innovation Centre of £50.3k per annum. This has been built into the budget from 2013/14. The target for licensing income has also been increased by £40k. However, income from planning fees has continued to fall and therefore this target has been reduced by £120k.

Annex 1

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

Table 4

Budgetary Growth 2013- 2017

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Employee costs	165.0	170.0	180.0	190.0
Unavoidable Prices	101.2	430.8	237.9	245.3
Service Delivery Pressures	506.0	250.0	250.0	250.0
Net Increase in Fees and Charges	(197.7)	(104.2)	(104.2)	(104.2)
Decreases in Income	120.0	0.0	0.0	0.0
Increases in Income	(90.3)	0.0	0.0	0.0
Total Budgetary Growth	**604.2**	**746.6**	**563.7**	**581.1**
Increase in Budget Requirement	2.96%	3.85%	2.99%	3.18%

Key Proposals for Budget Reductions

The above principles have been taken forward as part of the budget developments for 2013/14. Budget reductions of £1.36m, £1.27m, £1.12m and £0.77m for 2013/14 through to 2016/17 respectively have been identified in order to fund budgetary growth and to keep Council Tax increases to a minimum.

2012-2016 Medium Term Financial Plan Savings carried forward – A range of savings were put forward as part of the 2012-2016 MTFS. Officers have worked up detailed proposals, which have enabled a more realistic savings target to be estimated. The following table reflects the anticipated savings from these proposals:

Table 5

Base Savings Carried Forward from 2012-2016 MTFS

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Review of business hub	14.0	0.0	0.0	0.0
Reduce pension costs	28.0	0.0	0.0	0.0
Develop in-house design skills	0.0	10.0	0.0	0.0
Reduce audit costs	23.0	0.0	0.0	0.0
Building Control – working closer with neighbouring authorities	4.5	0.0	0.0	0.0
Restructure of Planning team	30.0	0.0	0.0	0.0
Reduce Theatre Royal grant	4.0	0.0	0.0	0.0

Review of Community Development contracts and service delivery	15.0	25.0	0.0	0.0
Income from using in-house managing agent	0.0	80.0	40.0	40.0
Integration of GIS into planning database	26.0	0.0	0.0	0.0
Remove £5 discount for green waste collections	15.0	0.0	0.0	0.0
Introduce loyalty scheme at the Harbour	90.0	0.0	0.0	0.0
Underachievement of 2012/13 base savings	-20.0	0.0	0.0	0.0
Total	**229.5**	**115.0**	**40.0**	**40.0**

Review of Base Budgets – Previous years' outturn have been compared to the budget over the last few years and where there have been consistent under-spends or over-achievement against income targets, this has been factored into the MTFS. A sum of £205.2k has been included as a saving as a result of this exercise.

Service Review Programme – The MTFS identifies a savings requirement of £3m over the years 2014/15 to 2016/17 to be met from a service review programme. This programme will look to see which services can be reduced whilst still meeting customer needs; which can be delivered in a different way to reduce costs; and will look to identify where there are further efficiencies to be made within service areas. This programme will begin in 2012/13 but it has been assumed there may be a time delay before any savings are realised and therefore no savings have been assumed for the purposes of this MTFS until 2014/15.

Other Savings – The following savings have also been identified during the development of this MTFS:

- Following the introduction of self-financing for the Housing Revenue Account from 1 April 2012, Members of this Council approved a two pool approach for the debt portfolio. This means that the portfolio is now apportioned between the debt relating to the General Fund and the debt relating to the Housing Revenue Account and both are now managed separately. As a result of this, there are savings in the cost of borrowing to the General Fund of £300k.

- Although a recent actuarial valuation suggested that the pension contribution rate could be reduced assuming existing staffing levels and age profiles remained the same, the budget was held at the same level due to uncertainties about the impact on the pension contributions of the corporate restructure being proposed at the time. Under-spends against the pension contributions in recent years have been set-aside in an earmarked reserve specifically to offset any detrimental impact of future actuarial valuations. There is now a sum of £661k in this reserve which is considered sufficient to mitigate this risk. As a result, the pension budgets have been reduced by £450k, which will bring the budgets in line with the actual contributions currently required.

- Savings of £22.7k have been identified in respect of Central Finance and Treasury costs. These relate to interest payable, interest receivable and the minimum revenue provision (repayment of debt).
- Additional efficiency savings of £150k are expected to be delivered by East Kent Services.

Presented below in Table 6 are the budget reductions that have been estimated for the medium term.

Table 6

Budgetary Reductions 2013 - 2017

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
MTFS 2012-2016 c/fwd	229.5	115.0	40.0	40.0
Review of Base Budgets	205.2	0.0	0.0	0.0
Service Review Programme	0.0	1157.3	1081.4	731.2
Other Savings	922.7	0.0	0.0	0.0
Total Budgetary Reductions	**1357.4**	**1272.3**	**1121.4**	**771.2**
As a percentage of opening net budget	6.66%	6.56%	5.96%	4.22%

Phasing of Savings – It is proposed that where feasible all of the savings actions will be implemented at the earliest opportunity to give the Council the best chance of stabilising its budget requirement as soon as possible. However, as many of the savings are expected to take a few years before a full year reduction is able to be budgeted for, for modelling purposes it is assumed some of the savings identified in 2013/14 will be slipped to 2014/15.

General Fund Reserve

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

The opening balance as at 1 April 2012 was £2.177m, which equates to 11.7% of the 2013/14 Net Revenue Budget and 12% of the 2014/15 budget. Every effort will be made to keep the General Reserve at the 12% level.

Earmarked Reserves

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

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

The Earmarked Reserves over the medium term are:

- **Insurance Risk Management** – This is to meet potential increases in insurance premiums and also to cover the cost of large excesses relating to insurance claims.
- **Local Development Framework** – Due to the variable profile of spend on this activity and the variable cost in relation to consultation and inspection, any underspend in relation to LDF is set aside in this reserve to be drawn against as required.
- **General Repairs** – This reserve is held as a contingency for necessary essential repairs and maintenance works to Council assets.
- **Revenue Projects (Slippage) Reserve** – To enable all planned costs to be contained within budget, this reserve has been established to carry forward budget that remains unutilised as a result of slippage of a significant value.
- **Information Technology Reserve** – This reserve was created to control and enhance the development of new information technology initiatives with the objective of improving efficiency throughout the Council's activities. Monies are also held in this reserve to support the replacement of ICT equipment.
- **Environmental Action Plan Reserve** – The Environmental Action Plan is a fundamental part of the Council's Corporate Plan and a key corporate priority. This reserve therefore holds funds that have been set aside to meet various improvements to public assets throughout the district.
- **Office Accommodation Reserve** – This reserve holds monies to support the replacement of the sound and recording equipment within the Council Chamber.
- **Housing and Planning Delivery Grant** – This was set up to receive the Housing and Planning Delivery grant monies (this grant source has now stopped). The funding has been used to support the planning service.
- **Cremator Works Reserve** – The Council had an obligation to be environmentally compliant by the year 2012. Major works to the crematorium facilities were needed in order to meet this requirement and a reserve was established to ensure that sufficient monies were put aside so that the required works could be carried out. A surcharge was raised on all cremation fees and this surcharge was transferred to the reserve. The current balance on this reserve will be fully utilised to fund this project. The surcharge will continue to support future burner replacement.
- **Decriminalisation Reserve** – The Council administers the on-road parking service but has to account for the income and expenditure separately. This reserve holds any unutilised revenues from parking charges. These are used to fund future parking, transport or environmental improvement related schemes. A sum of £40k per annum is drawn down from this reserve to meet base budget transport related costs. The funds within this reserve are not available for general Council use.

- **Priority Improvement Reserve** – This holds money set aside to fund initiatives that require one-off funding that will deliver service improvements or act as an invest to save reserve, providing initial start-up funds for projects that will ultimately save money.
- **Council Elections Reserve** – This is a saving account for the elections which occur every four years.
- **Renewal Fund** - This is a saving account for specific purposes based on the average annual amount required e.g. for the cost of CRB checks.
- **Customer Services Fund** – This reserve is for housing benefit subsidy. Due to the volatility of this activity and the tight financial constraints which preclude the budget being set at a level that would be sufficient for upper activity levels, it is prudent to set aside underspends that arise in this area as a contingency for future years. This reserve will also help to negate the impact of an increase in the level of bad debts due to the move towards paying claimants direct.
- **Area Based Grants** – Past underspends against the Area Based Grant funding have been set aside in an earmarked reserve to be utilised in future years to help support the Economic Development and Community Development functions.
- **Waste Reserve** - This reserve holds service under-spends to support future service enhancements. The full balance on this reserve will be required to support the borrowing costs associated with the replacement of the waste fleet.
- **Homelessness Reserve** – Service under-spends have been set aside in this reserve to meet future homelessness needs.
- **Performance Reward Grant Reserve** – Unspent Performance Reward Grant monies were put into this reserve with the intention of being utilised on future East Kent working. The monies held will now be used to minimise the demands on the General Fund, while remaining in line with the original aims of the grant.
- **Maritime Reserve** – This is to be used to support improvement works at the Port and Harbour and for income protection/maximisation works.
- **Pensions Reserve** – Due to the uncertainty around pensions, a reserve has been set up from pension savings in order to mitigate future risks around pensions.
- **VAT Reserve** – The receipt of monies in relation to the Council's Fleming claim have been set aside in an earmarked reserve to offset the risk of the Council breaching its partial exemption VAT limit.
- **East Kent Services** – The Council holds this budget as accountable body. It holds year end surpluses in respect to the operation of East Kent Services and the delegated responsibility for spend against the reserve is with the Director of East Kent Services.
- **New Homes Bonus** – The New Homes Bonus monies are held in this reserve and will be utilised to support one-off projects as agreed by Members. An element of the Formula Grant is being top-sliced to fund the New Homes Bonus scheme so the Council may be required to draw down some of this funding in future years to offset this top-slice. A sum of £185k per annum is also being drawn down to support events and floral grants.
- **Housing Intervention** – This reserve is held to support the one-off costs associated with the Housing Intervention project.
- **Economic Development and Regeneration Reserve** – This reserve is to support one-off service improvements and initiatives encouraging economic growth.
- **HRA Properties Reserve** – This is held to support the purchase and refurbishment of HRA properties. Its usage is ring-fenced for the HRA.

The General Fund Revenue Budget Requirements

All of the stages in developing the General Fund Revenue Budget that have been described above have been used to calculate the estimated budget requirement for 2013 – 2017 which are presented in summary in Table 7.

Table 7

The Medium Term General Fund Revenue Budget 2013 - 2017

	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000
Opening Revenue Budget	20379.7	19372.2	18826.9	18269.1
Inflationary Increases	266.2	600.8	417.9	435.3
Increases in Fees and Charges	(197.7)	(104.2)	(104.2)	(104.2)
Increase/Decrease in Income	29.6	0.0	0.0	0.0
Service Growth	506.0	250.0	250.0	250.0
Savings	(1357.4)	(1272.3)	(1121.5)	(771.2)
Phasing of Savings	(254.3)	(19.6)	0.0	0.0
Net Service Revenue Budget	**19372.1**	**18826.9**	**18269.1**	**18079.0**
Use of Earmarked Reserves	(129.6)	(40.0)	(40.0)	(40.0)
Weekly Collection Support Scheme	(214.9)	(283.6)	0.0	0.0
New Homes Bonus	(185.0)	(921.6)	(1187.1)	(1169.0)
Net Revenue Budget Requirement	**18842.6**	**17581.7**	**17042.0**	**16870.0**
Reduction in Budget Requirement	6.09%	6.69%	3.07%	1.01%

Funding the Medium Term General Fund Revenue Budget

Local Government Finance Settlement

Formula Grant – The Provisional Settlement for 2013/14 and 2014/15 was announced on 19 December 2012. The Council saw cuts of 5.3% in 2011/12 and 16.9% in 2012/13 in Formula Grant after receipt of transitional grant funding. The Provisional Settlement for 2013/14 and 2014/15 shows a further cut of 7.4% for 2013/14, followed by 16.6% in 2014/15. It is anticipated that further cuts are to come and for the purposes of this MTFS, cuts of 5% in both 2015/16 and 2016/17 have been assumed. Also rolled into this funding from 2013/14 will be the homelessness grant, the Council Tax freeze grant and the Council Tax Support grant:

- The Council receives annual funding of £127k to support homelessness initiatives.
- The Council is in receipt of a grant of £246k in respect of freezing its Council Tax for 2011/12 which it will receive in each of the years to 2014/15. Although it froze its Council Tax in 2012/13, the grant funding for this year was for one year only. The Council is intending to freeze its Council Tax for a third year. This will entitle the Council to further grant funding of £99.6k in both 2013/14 and 2014/15.
- Following the introduction of the new Localised Council Tax Reduction Scheme, the Council will receive a reduction in the associated Government funding of approximately 14% (£2.2m). The impact of this will be negated by reducing the Council Tax discount for claimants by 5% and removing second homes and empty property discounts. Council Tax Support funding of £2m will be received to negate the impact on the Taxbase of this scheme.

Area Based Grants – In addition to the Formula Grant, the Council has been in receipt of Area Based Grants. These include the Working Neighbourhood Fund and other minor grants. The balance of the unallocated funding is being used as a contribution towards the cost of posts within Economic Development and Community Development. No further allocations of Area Based Grants are anticipated for this MTFP.

Specific Grants – Specific Grants are received for administering the housing benefit and council tax payment and collection systems on behalf of Government.

Transitional Grant Scheme – Additional funding will be available for those authorities that have adopted Council Tax Reduction Schemes that minimise the impact on low-income households. To apply for this funding, billing authorities will have to demonstrate that their adopted scheme ensures that those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability. This Council will be applying for funding of £56k for 2013/14 and also will be negotiating with its major preceptors for a proportion of the funding they will receive.

Weekly Collection Support Scheme – The Council has been successful in its bid for funding through the weekly collection support scheme. It will receive revenue funding of £214.9k in 2013/14 and £283.6k in 2014/15 and capital funding of £500.8k in 2013/14.

Grant Funded Revenue Projects

Aside from the grants from Central Government the Council receives grant funding from other sources for a range of projects and initiatives. Some of the grants are ring-fenced, others are provided without limitation, although the Council always aims to ensure that the grant is used in the spirit in which it is provided. Each of the main grant funding streams which are expected to be received in the medium term are discussed below:

Big Lottery Fund – Funding of £24.6k is anticipated in 2013/14 towards the 'Footprints in the Sand' scheme for beach awareness.

Dalby Square – In April 2011 the Council was awarded by the Heritage Lottery Fund a 'Stage 1' pass for a Townscape Heritage Initiative Scheme in Dalby Square, Dalby Road and Arthur Road. As a result, the Lottery ring-fenced £1.8m, subject to agreement of the details of the scheme. A sum of £35k will be used for revenue expenditure in 2013/14, with a further £37k in 2014/15. The balance will be spent on capital.

New Homes Bonus

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

Thanet District Council expects to receive £1.447m of New Homes Bonus in 2013/14 and each of the following five years and will also receive additional sums for any further new homes built. The MTFS assumes that these funds are held for projects that will have benefit for its local communities. However, the formula grant has been top-sliced to fund the New Homes Bonus programme and therefore the Council may need to use some of this funding to offset this top-slice in future years. Table 8 assumes that the budget gap from 2014/15 will be met from the New Homes Bonus but every effort will be made to find alternative ways of bridging this gap.

It is also proposed to use £185k per annum to fund the events and floral grants budgets. However, for 2013/14 only, a sum of £50k of this funding will be transferred from events to support one-off tourism and regeneration projects.

Council Tax

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

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

This shows that with the Council's planned efforts to keep expenditure levels down, and optimise revenue receipts, despite the low level of financial support from Central Government, Council Tax increases are to be frozen for a third year in a row with minimal increases of 1.99% per annum planned thereafter.

Table 8

The Medium Term Revenue Funding Summary 2013 - 2017

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Net Service Budget	**19372.2**	**18826.8**	**18269.1**	**18079.0**
Transfer from Earmarked Reserves	129.7	40.0	40.0	40.0
Weekly Collection Support Scheme	214.9	283.6	0.0	0.0
New Homes Bonus	185.0	921.6	1187.1	1169.0
Net Budget Requirement	**18842.6**	**17581.6**	**17042.0**	**16870**
Funded From:				
Formula Grant (RSG & NNDR)	8530.0	7111.0	6755.0	6418.0
Section 31 Grant	345.6	345.6	0.0	0.0
Council Tax Support Funding	1990.0	1990.0	1990.0	1990.0
Precept	7977.0	8135.0	8297.0	8462.0
Council Tax Base	37990	37990	37990	37990
Band D Council Tax	**£209.97**	**£214.14**	**£218.40**	**£222.74**
Increase in Band D Council Tax	£0.00	£4.17	£4.26	£4.34
% Increase in Band D Council Tax	0.00%	1.99%	1.99%	1.99%

The Housing Revenue Account

Overview

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

The HRA 30 Year Business Plan

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

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

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

Changes to Relevant Legislation

From 1 April 2012 the Council's Housing Revenue Account became self-financing as part of the Localism Act. This means that the Council will no longer pay over any notional surplus of income over expenditure to the Treasury but instead, in return for a one-off debt settlement, will be able to retain the rental income within the Housing

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

Developing the Housing Revenue Account

The Housing Revenue Account Budget Strategy

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

The Council's Housing Revenue Account Strategy is:

- To maintain a Housing Revenue Account that is self-financing and reflects both the requirements of residents and the strategic visions and priorities of the Council.
- To achieve the Government's "target" rent level by the rent convergence date of 2016.
- To maintain current housing stock at Decent Homes Plus standard.
- To maximise the recovery of rental incomes by reducing the number of void properties and minimising the level of rent arrears and debt write offs.
- To maintain a minimum level of HRA reserves of £800k but with a target level of reserves of £1m.

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

Budgetary Growth

Inflationary Increases - For direct expenditure budgets, price increases have been included at 3%, in line with the budget assumptions for the General Fund Revenue Account. Where there is a known inflate within a specific contract, this has been used. An RPI inflation increase of 3% has been applied to repairs and maintenance.

Budget Reductions

Efficiency Savings – Negotiations are ongoing with regard to the Management Fee with East Kent Housing. Based on the assumption that after year two of the agreement greater savings are expected to be achieved as East Kent Housing secure greater value for money, a saving of £136k is anticipated on the Management Fee over the next three years.

Increased Income

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

Service Charges – A review of the service charges within the HRA is currently being undertaken to take into consideration Welfare Reform changes. It is proposed to apply no inflationary increase to “unpooled” service charges to try to alleviate the increase sustained by tenants. Heating service charges have been based on recovering actual costs.

Rents – In 2002/03, the first year of rent restructuring, a uniform rent increase of 2.5% was applied to all properties, which was acceptable under Government guidance. Subsequently rents have been increased each year in line with inflationary rates determined by the Government. The rent increase has therefore been established according to RPI inflations at September 2012 which was 2.6% + 0.5%, combined with a factor for convergence to not exceed £2, assuming a convergence timeframe of 2015/16. The MTFP also includes an increase of 2.6% for garage rents.

HRA Investment Income – This consists of interest accruing on mortgages granted in respect of Right to Buy sales and interest on HRA balances. The base rate has remained low which in turn means that investment interest will be low. The budget for 2013/14 is based on an interest rate of 0.75%.

HRA Reserves

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

Housing Revenue Account Major Repairs Reserve – Within the old HRA Subsidy system, the Major Repairs Allowance (MRA) had to be placed in a Major Repairs Reserve until required to fund HRA capital expenditure. Under the new arrangements, it is proposed to continue with the five year transitional arrangement and place the forecast MRA, as per the determination schedules, in the reserve. This funding, together with previous allocations of supported borrowing and revenue contributions, with good management, has enabled the Council to maintain the housing stock in a good condition. The Council currently maintains its social housing to Decent Homes Plus standard.

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

Housing Revenue Account New Properties Reserve – This reserve holds funds set aside to fund either new build properties or the acquisition of suitable properties for use within the HRA.

The Medium Term HRA Budget Requirements

The changes that are outlined in the paragraphs above have been applied to the 2013/14 budget for the Housing Revenue Account and the resulting financial projections for the HRA over the next four years are summarised in Table 9:

Table 9

The Medium Term Housing Revenue Account Budget 2013 – 2017

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
EXPENDITURE				
Repairs and maintenance	3,191	3,344	3,298	3,453
Supervision and management – General	2,808	2,775	2,741	2,742
Supervision and management – Special	509	517	525	534
Rents, rates, taxes and other charges	253	262	271	281
Bad or doubtful debts provision	220	220	220	220
Depreciation/impairment of fixed assets	3,438	3,433	3,428	3,423
Debt Management Charges	8	8	8	8
Non-service specific expenditure	1,200	150	150	150
Capital expenditure funded from HRA	3,023	198	227	253
Gross Expenditure	**14,650**	**10,907**	**10,868**	**11,064**
INCOME				
Dwelling Rents (gross)	-12,426	-12,600	-12,927	-13,257
Non-dwelling Rents (gross)	-220	-222	-225	-228
Charges for services and facilities	-315	-320	-324	-329
Contributions towards expenditure	-294	-295	-296	-297
Other Charges for Services and Facilities	-11	-11	-11	-11
Income	**-13,266**	**-13,448**	**-13,783**	**-14,122**
Net Costs of Services	**1,384**	**-2,541**	**-2,915**	**-3,058**
HRA Investment Income	-81	-81	-159	-239
Debt Interest charges	960	831	810	808
Government Grants and Contributions	-1,050	0	0	0
Adjustments made between accounting basis and funding basis	1,438	-218	610	-217
(Surplus)/Deficit on HRA	**2,651**	**-2,009**	**-1,654**	**-2,706**
Housing Revenue Account Balance:				
Surplus(-)/Deficit at Beginning of Year	-10,845	-8,194	-10,203	-11,857
Surplus(-)/Deficit For Year	2,651	-2,009	-1,654	-2,706
Surplus(-)/Deficit at End of Year	**-8,194**	**-10,203**	**-11,857**	**-14,563**

The Capital Programme

Overview

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

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

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

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

Impact of the Current Economic Climate

Since the development of the Asset Management Strategy, the deterioration in the national economic position has had a serious impact on the Council's capital plan. The plan relies upon significant levels of capital receipts being generated from the sale of surplus Council assets. However, with the downturn in the property market, many of the proposed disposals have been delayed. As a result the planned capital investments have had to be scaled back accordingly. The capital programme thus presented in this MTFS is therefore a realistic one which recognises the current market conditions.

Consideration for the Environment

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

Developing the Medium Term Capital Programme

The Capital Budget Strategy

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

The Capital Budget Strategy is:

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

Due to the limited availability of capital receipts and the need to contain the level of borrowing the Council undertakes to lessen the revenue impact, it has been necessary to review the Capital Programme to ensure sufficient funding is available for existing schemes that have commenced and that any new projects are of the highest corporate priority. All projects have been scored and ranked in order of priority so that should the capital receipts exceed that budgeted, the projects on the priority list will be progressed in ranking order.

Planned Investments

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

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

Service Led Capital Schemes – The running of a district council requires an ongoing investment in assets that are used to deliver the business, such as fixed assets, plant and equipment and infrastructure. The need for expenditure on these has to be weighed up against other competing demands and priorities in order that the costs are able to be contained within the available resources. A review of the waste vehicles has been undertaken and expenditure of £4m factored in.

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

The Council has been successful in securing £4.1m from the Homes and Communities agency for the ‘Bringing clusters of empty Homes into Use’ programme. This will bring 160 empty homes back into use across Margate Central and Cliftonville West wards.

The Council has had £1.9m of Heritage Lottery funding approved towards a townscape initiative scheme in Dalby Square, Dalby Road and Arthur Road. The expenditure has been profiled over the first three years of the scheme 2013/14 to 2015/16. During the scheme, New Homes Bonus and Regional Housing Board monies, already held by the Council, will be used as match funding.

In three separate locations on the North Thanet coastline the existing 1950s sea walls share a common design and have developed similar defects requiring extensive and costly repair work. The combination of the structures’ age and the common defect means that work is required in the near future to maintain the structures’ integrity and protect from sea erosion. The Council has had an initial allocation made from the Environment Agency to undertake the works with the main capital works being proposed for 2013/14 and 2014/15.

Most of the Council’s in-house waste collection vehicles have reached the end of their useful lives and require replacement. As part of the funding package to replace the vehicles, KCC have made £645k available towards the replacement of containers and the Council were successful in a bid for £500k of DCLG funding under the Weekly Collection Support Scheme.

Re-phased Projects – Due to a shortfall of capital receipts achieved in 2012/13, a number of capital projects have been re-phased to 2013/14. These include East Kent Services led information technology projects totalling £86k, works to the waste transfer station of £216k, Margate cemetery extension £140k, regeneration projects and the annual enhancement capital works to public conveniences.

New Capital Projects – A review has recently been undertaken with regard to anticipated capital receipts from the disposal of assets. Until this review was completed, it was not possible to proceed with the scoring of any new projects as the Council needed to understand the capital receipts available to fund new projects. A number of new capital bids have been received and have now been reviewed and scored by the Capital Asset Management Group. The successful projects include the Dalby Square Town Heritage Project, North Thanet coastline and replacement waste fleet mentioned in the grants funded projects paragraph above; an upgrade to the water supply at Ramsgate Harbour; replacement of the grounds maintenance mowers and vehicles; replacement of the floating pontoons at the Ramsgate Harbour Eastern Outer Marina; and works to the car park and other residual works associated with the crematorium project.

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

The Margate Intervention programme plans to increase the Council’s Housing stock by 40 units of affordable housing by the end of 2014 and the Ramsgate Empty Homes programme plans to increase the Council owned housing stock by a further 30 units by the end of 2014.

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

Capital Funding Sources

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

Borrowing

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

Capital Receipts

Capital receipts are generated when a fixed asset is sold and the receipt is more than £10k. Capital receipts can only be used to fund capital expenditure. All of the receipts from the disposal of an asset on the Council's General Fund (i.e. for its main services) can be kept by the Council. On 2 April 2012 Ministers raised the cap on Right to Buy discounts to £75k and confirmed that receipts from the additional sales this would generate would be used to fund replacement stock on a one for one basis. At the same time Ministers confirmed that their favoured option of delivering these new homes would be through local authorities retaining receipts to spend in their areas. In order to keep these additional receipts it was necessary to enter into an agreement with the Secretary of State for Communities and Local Government. On 26 July 2012 Cabinet gave approval to enter into this agreement. This allows the Council to retain additional Right to Buy receipts over and above that budgeted by Treasury. In the past only 25% of capital receipts from the sale of HRA assets (council houses) were available for capital investment. The remaining 75% had to be paid to Central Government. These 'pooled capital receipts' were then allocated back to councils by the Government according to need. Under the new regime Treasury will still receive 75% of income on sales for approximately the first four Right to Buy properties and those sales over and above that budgeted will form part of the new agreement. The Council has set a capital allowance of £750k which can be used to reduce the value of capital receipts arising from the sale of HRA land and shops which are required to be pooled, providing the resources are invested in affordable housing and regeneration.

The Asset Management Strategy (AMS) – The Council's planned level of capital expenditure means that significant levels of asset sales are required. The AMS provides a framework for determining which of the Council's assets are suitable for disposal in order to fund new investments that will ensure that its property portfolio is fit for purpose. Over the course of this Medium Term Financial Strategy the AMS has enabled the identification of a number of assets that can be disposed of without any detriment to service delivery, and yet improve the overall value for money represented by the Council's assets. The affordability of the Capital Programme has been based on the assumption of a certain level of capital receipts being generated, however, the current economic climate has resulted in falling sales values and consequently some of the planned asset disposals have had to be put on hold until the property market picks up. The Capital Programme will therefore be reviewed once future capital receipt projections are more certain.

Capital Grant

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

Revenue Contributions

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

HRA Contributions – Funding for capital expenditure on houses can be met from within the HRA and small amounts of such funding are anticipated in this Medium Term plan. The future funding requirements will be informed by the revised 30 year HRA business plan.

Capital Reserves

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

Capital Projects Reserve – It is anticipated that this reserve will be fully utilised to help fund the 2012/13 Capital Programme.

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

Annex 1

Table 10

The Medium Term General Fund Capital Budget

	Est. Slippage 2012/13	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Statutory and Mandatory Schemes	0	1379	1379	1379	1379
Schemes continuing from prior years	542	5952	0	230	0
Annual Enhancement Schemes	92	100	100	100	100
Wholly Externally Funded Schemes	0	1610	250	0	0
Replacements and Enhancements	0	4524	195	250	0
Area Improvement	0	827	827	559	0
Capitalised Salaries	0	75	75	75	75
Total Capital Programme Expenditure	**634**	**14467**	**2826**	**2593**	**1554**
Capital Resources Used:					
Capital Receipts and Reserves	634	1943	743	688	475
Capital Grants and Contributions	0	6678	2083	1499	1079
Contributions from Revenue	0	0	0	0	0
Prudential Borrowing	0	5846	0	406	0
Total Funding	**634**	**14467**	**2826**	**2593**	**1554**

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

Table 11

The Medium Term Housing Revenue Account Capital Budget

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Total HRA Capital Programme Expenditure	5973	2468	2422	1578
HRA Capital Resources Used:				
HRA Major Repairs Reserve	1900	2150	2075	1205
HRA Revenue Contributions	3023	198	227	253
Capital Grant	1050	0	0	0
RTB Receipts	0	120	120	120
Total Resources	**5973**	**2468**	**2422**	**1578**

Treasury Management

The treasury management service is an important part of the overall financial management of the Council's affairs. Treasury management can be defined as the management of the organisation's cash flow, its banking, money market and capital market transactions and the effective management of the risks associated with those activities. Its activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management).

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

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

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

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

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

Borrowing – Active management of the Council's debt portfolio is an important part of the treasury management function. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy. The Section 151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term. The Council will need to undertake additional borrowing over the next few years as old debts are due to mature and will need to be repaid. The Council will opt to take out borrowing or will consider rescheduling or repaying in due course in line with market conditions.

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

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

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

Managing the Financial Risks

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

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

Longer Planning Timeframes – With the advent of three-year financial settlements it was expected for it to be possible at last to draw together the impact of known future settlements and anticipated future budget pressures to enable the Medium Term Financial Strategy to be modelled so as to identify the level of savings needed for a safe and sustainable budget requirement, thereby reducing the risk that future years' aspirations will not be deliverable. However, the latest formula grant announcements have only provided figures for 2013/14 and 2014/15. There therefore remains considerable uncertainty about the period from 2015/16 onwards. For the purposes of this MTFS, there has been an assumption that there will be further cuts in this funding of 5% in both 2015/16 and 2016/17.

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

Financial Risk Assessment

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

Sensitivity Analysis

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

Table 12

Sensitivity Analysis

Area under consideration	Sensitivity of Estimates
The opening base budget	The opening base budget for both 2012/13 and 2013/14 is firm, as it is based on the budgets approved in February 2011 and 2012. The base for future years may change, however this would be picked up as part of budget preparation work.
The pay estimates	A 10% change to the figure for pay increases that result from the pay award and increments would equate to £1.5million. However, such a large discrepancy would be unlikely as the pay budget is developed at a very detailed level (on a per post basis). The main impact on the accuracy of the budgets for pay headings results from vacancy estimates which are impossible to predict.
The vacancy savings and post reduction estimates	For 2013/14 the vacancy abatement saving has been budgeted at approximately £420k which is equivalent to approximately 14 posts. A variance of 2 posts equates to £60k. This will require a robust proactive approach to ensure that the savings that naturally arise due to staff turnover are retained. Based on experience in recent years, and considering the current staff turnover rate, this target is felt to be challenging but achievable.
Price Increases	In the main these are based on the terms of the contract. Inflation has been assumed at 3%. A 2% variance on this would equate to an increase in budget requirement of approximately £160k.
Pension Increases	No provision has been made for an increase in pension contributions. The position will be reviewed again in a year's time to ensure that adequate provision has been made.
Service Delivery Pressures	Very little growth has been allowed for service delivery pressures. Any pressures that arise in year will require realigning of budgets.
Reduced Fees Income	The Council has suffered from reductions in income streams due to the recession. The budget assumes that these reductions will continue over the medium term. The position could worsen though this has been considered when arriving at the growth figures included within the draft budget.
The increased income targets	There is always a risk that increases in fees and charges reduce demand, which can have a detrimental impact on the budget. With £197.7k having been added into the budget for 2013/14 for increased income targets, a 10% reduction in achieving this

Area under consideration	Sensitivity of Estimates
	would result in £20k. However, the impact of a reduction in demand isn't necessarily limited to the achievement of the increase in income factored in; rather it can affect the achievement of the total income budget for any particular service. The increases proposed within the budget have been carefully calculated to match demand and to remain competitive where appropriate, but customer preference can't always be anticipated, as a result the achievement of income targets will be monitored closely during the year.
Other savings estimates	The budget and Medium Term Financial Strategy reflects the savings as a result of a number of efficiency measures and service reductions, which in some cases have been calculated based on indicative plans and in others on the conclusions of more firm contract negotiations. In order to maintain a balanced budget any under achievement of savings will be offset against emerging underspends in the first instance, but will require compensating savings otherwise. Service managers and the Council's Management Team are aware of this and will review the achievement of them carefully over the year.
The level of reserves	The level of general reserves which has been budgeted has been determined based on a financial risk assessment which considers the likelihood of the main risks facing the Council, and the possible financial implication should the risk happen. The estimated position on general reserves at year end is that they will stand at 12% of the net revenue budget which is the target level. Earmarked reserves are being used to enable funds provided for a specific purpose to be held until needed, and allows budgets that are needed on an irregular or periodic basis to be funded by setting aside an annual base budget at a fraction of the total cost. The funds held within earmarked reserves represent a one-off source of funding to meet planned expenditure. Their use is managed on a cash limited basis, and a shortage of reserved funds in year may be dealt with by re-phasing the expenditure, or by making use of emerging underspends.
Council Tax Reduction Scheme	The collection rate on the Council Tax base has been reduced from 97% to 95.5% to reflect the likely reduction in collection following the introduction of the Council Tax Reduction Scheme. This will need to be carefully monitored during the year. Our major preceptors have agreed to underwrite our scheme which means they will take on the risk of an increase in caseload but this will also need to be carefully monitored moving forward.
Welfare Reforms	The full impact of the proposed welfare reforms are not known at this stage and have not been fully reflected in these budget proposals. This will impact on both the Housing Revenue Account and General Fund and will include likely increases in bad debts as a result of claimants being paid direct, being capped on the amount of benefits that they will be paid and also seeing reductions in benefit due to under-occupying accommodation ('the bedroom tax'); an increase in demand for smaller or cheaper accommodation; an increase in demand for debt management advice; possible increases in homelessness
The Government Grant	The Formula Grant settlement figures for 2013/14 and 2014/15 are provisional at this stage and could therefore change. A 1% cut in formula grant would equate to a loss of income in future years of approximately £70k. The baseline for business rates quoted within the settlement is also indicative. If a large business were to move out of the area or to go into liquidation, the Council would face a loss in business rates income of up to £330k before the safety net

Area under consideration	Sensitivity of Estimates
	mechanism would kick in.

This page is intentionally left blank

Annex 2

FINANCIAL RISK ASSESSMENT AND LEVELS OF GENERAL FUND RESERVES

1.0 Background

1.1 It is important that the Council has sufficient reserves and balances to enable it not only to maintain its financial standing but also to ensure that the Council can realise its service provision expectations.

1.2 The process used to determine and approve the level of reserves gives a good indication of an authority's approach to financial management, and is reviewed by the External Auditor when determining whether or not an authority's financial standing is soundly based. To assist local authorities the Chartered Institute of Public Finance and Accountancy (CIPFA) has published a Local Authority Accounting Practice (LAAP) bulletin that provides best practice guidance on the management of reserves and balances.

1.3 In accordance with the CIPFA guidance, the relevancy and adequacy of the levels of reserves for the Council should be reviewed on an annual basis. This review considers the outcomes of a financial risk assessment, to ensure that as a minimum there are sufficient balances to support the budget requirements and adequately mitigate the risk of significant financial loss in the medium term.

1.4 The review undertaken as part of the 2012/13 budget build recommended that a level of 11% of the net revenue budget was appropriate. This report considers the current position and anticipated future requirements for inclusion in the 2013/14 budget and medium term.

2.0 Types of Reserve

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

General Reserves

2.2 General reserves should only be called upon to meet unanticipated expenditure arising from unexpected or emergency events. Prior to using the general reserves Members' approval will be sought, unless the nature of the emergency makes prior approval impossible, in which case the Section 151 Officer, in consultation with the Senior Management Team, the Leader and other Group Leaders, is authorised to approve the use of general reserves.

2.3 General reserves are held for two main purposes: as a contingency and as a working balance. These terms are explained more fully below:-

i) **As a Contingency** - To provide funds for any events that are unable to be contained within the limits of the revenue budget due to unexpected incidents or emergencies. These types of events can include natural disasters, national emergencies, or in fact any unplanned event that draws upon an authority's resources, which cannot be covered by normal insurance arrangements. These also include in year budget fluctuations arising from demand led pressures and delays in delivering planned efficiency savings.

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

Earmarked Reserves

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

3.0 Annual Review of Reserves

3.1 A well managed authority with a prudent approach to borrowing should strive to maintain as low a level of general fund reserves as possible, whilst still covering its financial risks.

3.2 The most robust means of assessing the adequacy of an authority's reserves is through a comprehensive financial risk assessment, which determines the degree to which the authority is exposed to uninsured and unbudgeted losses. This must be done with knowledge of the context in which an authority operates.

3.3 A summary of the financial risk analysis is shown in the following table. The risk of financial loss can come from a wide variety of places, and although the list below is comprehensive, it is by no means exhaustive. The risks have been assessed in the context of the Council's overall approach to risk management and internal financial controls. This information has then been used to determine the optimal level of reserve holdings needed to meet the requirements of the contingency and working balance, details of which are covered later in this document.

3.4 **Risk Assessment for the General Fund Balance**

Risk	**Likelihood & Value** **£'000**
Natural disasters and national emergencies	**Low**
The Bellwin Scheme provides financial assistance to local authorities in the event of a national emergency or disaster, subject to an authority contributing to the total costs by an amount equivalent of 0.2% of its approved budget. For this Authority this would require approximately £40k.	40
Business Continuity - It is difficult to anticipate the cost of such an event that would affect the Authority's business continuity, although it is likely to be substantial. For example, in the event that the offices became unusable, the cost of introducing new working practices (e.g. home working facilities, finding alternative accommodation) would have to be met, as would possible increased legal claims were service delivery detrimentally affected. In the case of the failure of a key system, costs could arise from needing urgent consultancy or replacement equipment, which could be costly at short notice.	200 – 500
National Economic Issues	**Medium**
Under the new Business Rates Retention Scheme, the Council could face reductions in business rates income of up to £330k before the safety net mechanism would kick in	0 - 330
The Welfare Reforms could lead to an increase in homelessness costs and also, the new Council Tax Reduction Scheme may lead to a worse collection rate than that budgeted	0 - 100
The Council has some contractual arrangements whereby if the contractor were to go into liquidation, the Council would lose a significant income stream.	100 - 1,200
The Council has a wide range of contractual arrangements that could see a financial loss in the event of the bankruptcy of a supplier or a customer, including non-payment of debts. Although the Council maintains a bad debt provision it is unlikely to be able to fully fund a loss from a major contract.	100 – 2,200
Although the Council tries to minimise investment risk by only investing with low risk organisations and by spreading the investment portfolio, there is still	0 – 4,000

Risk	Likelihood & Value £'000
a potential risk of a bank in which the Authority has invested collapsing.	
Unanticipated Business Pressures The Council sometimes seeks external funding/grants for one-off projects. In the event that the expected projected outturns are not achieved, repayment of funding or grant may be required. The identification of unplanned major works to the Council's property portfolio could give rise to a budget pressure. As a responsible owner and with a duty to care, the Council could be expected to fund major works at short notice. Although the initial response would be to look to re-phase the capital programme this may not be feasible, and additional revenue funding may be required, or prudential borrowing. Due to recent urgent repair works required at the Port and Harbour and the Wintergardens, there is evidence that there is a high risk of this occurring. Due to the devolved budget management arrangements it is possible that a budget manager incorrectly accounts for VAT. This could impact on the Authority's partial exemption status, lead to voluntary disclosures to HMRC (on which default interest may be charged), or incur unnecessary expenditure up front if it is decided retrospectively that a project will not go ahead due to the VAT implications. Recent experience would suggest that there is a high risk of this occurring.	**High** 100 – 3,000 100 - 200 100 – 450
Employment Related Risks Recent Government proposals around pension changes for public sector workers have resulted in strike action. However, the risk of financial loss to the authority as a result of strike action is considered to be low.	**Low** 0 - 50
Financial Guarantee The Council has given a guarantee on the Ramsgate Swimming Pool development so that if TLF were to go out of business, the Council would take over the lease agreement for the equipment at the site. However, the Council would also take on the associated income and therefore any financial loss to the Council is considered to be low risk.	**Low** 0 – 8,060
Legal Issues	**Low**

Risk	Likelihood & Value £'000
It would be prudent for the Authority to make provision for an unfavourable outcome of any legal action taken against it, which could be made on a range of different grounds, including equal pay, discrimination and corporate manslaughter. Where the Council provides a paid service to a third party that does not directly relate to any statutory duty, the Council may require Professional Indemnity Insurance. This insurance cover is not automatically arranged and in the event that it isn't and a claim arises the Council could be deemed liable for resulting costs.	100 - 250 100 - 250
Financial Risk Exposure	**940- 20,630**

3.5 **Proposal for the Level of the General Fund Reserve** - The financial risk assessment indicates that in the worst case the Authority could require £20,630k of its net service revenue budget requirement to fall back on, should all of the potential risks happen concurrently and at their most extreme. However, this is not actually the case, as in some cases there would be sufficient time to take alternative action to balance the budget. Due to increased risks as a result of the current economic climate and the heightened risk of income targets not being achieved, the recommended level was increased last year from 10% of the net revenue budget requirement to 11% which was also considered to be sufficient to meet the needs of the anticipated cash flows of the Council. It is considered that this should be increased to 12% due to the increased level of risks identified above. The General Fund Reserve currently stands at £2.177m which equates to 11.7% of the net revenue budget requirement for 2013/14 and 12% of the proposed 2014/15 budget.

3.6 **Plans for the General Fund Reserve 2013 - 2017** – It is recommended that no withdrawal from general reserves is made to support the base budget in the medium term.

Assessment of Need for General Fund Earmarked Reserves

3.7 In addition to the level of General Reserves, the Authority maintains a number of reserves specifically set up to meet particular service requirements. These are detailed below:-

i) **Insurance Risk Management Fund** - This reserve is held to meet potential increases in insurance premiums and to cover the cost of large excesses relating to insurance claims or one-off premiums. As at 1 April 2012, the balance on the reserve was £186k.

ii) **Local Development Framework** – Due to the variable profile of spend on the Local Development Framework and the variable cost in relation to consultation and inspection, it is proposed that any under-spend on this activity be set aside in this reserve to be drawn against as required.

iii) **General Fund Repairs** – This reserve makes provision for necessary essential repairs and maintenance and minor improvements to the Council's assets.

iv) **Office Accommodation** – A sum of £85k is held in this reserve to support the replacement of the sound and recording equipment within the Council Chamber.

v) **Revenue Projects (Slippage) Fund** - The annual budget is developed to meet the costs of the purchases and services planned for that financial year, however due to accounting rules, any goods or services that are delivered late (beyond 31 March) are unable to be counted within the financial year. To enable all planned costs to be contained within budget, Members have approved the establishment of a reserve to carry forward budget that remains unutilised as a result of slippage of a significant value. The reserve is simply used to roll the amount forward into the accounts of the following year to settle the account once the purchase is complete. Failure to do this would result in an under-spend in one financial year and an overspend in the following year.

vi) **Information Technology Fund** – This reserve was created to support the development of new information technology initiatives to improve efficiency throughout the Council's activities. The annual budget includes provision for IT related projects. Where the projects are not delivered within the financial year, the unutilised budget is transferred to this reserve to be spent in future years. As at 1 April 2012, the balance on this reserve was £386k.

vii) **Environmental Action Plan Fund** – The Environmental Action Plan (EAP) is a fundamental part of the Council's Corporate Plan and a key corporate priority. The EAP Fund has been established to finance various improvements to public assets throughout the district. The balance on the fund of £229k as at 1 April 2012 will be drawn down for

EAP related expenditure over the period of the Medium Term Financial Strategy 2013-2017.

viii) **Housing and Planning Delivery Grant** – A sum of £47k remains in this reserve as at 1 April 2012, being the unspent Housing and Planning Delivery grant monies. The funding is being used to support the planning service.

ix) **Decriminalisation Reserve -** This reserve is used to meet parking or transport related expenditure. Charges raised from on-street car parking are transferred into this reserve, as required by the Road Traffic Act (1984) as modified by the Traffic Management Act (2004), to be utilised on future parking, transport or environmental improvement related schemes. It is planned to use £40k per annum from this reserve to meet the costs associated with such schemes. The funds within this reserve are not available for general council use.

x) **Priority Improvement Reserve** – This reserve is for one-off projects and pump-priming investment into service improvements with a particular emphasis on invest to save projects and activities that will lead to greater efficiency.

xi) **Customer Services Reserve** – This reserve is for housing benefit subsidy. Due to the volatility of this activity and the tight financial constraints which preclude the budget being set at a level that would be sufficient for upper activity levels, it is prudent to set aside under-spends that arise in this area as a contingency for future years.

xii) **Area Based Grants** – The under-spend against the Area Based Grant funding received in 2009/10 of £1,791k has been carried forward in this reserve and will be utilised over the next couple of years. A sum of £89.7k is being utilised over each of the years 2011/12 to 2013/14 to support the funding of economic development staff.

xiii) **Waste Reserve** – Service under-spends have been set aside in this reserve to support future service enhancements. The full balance on this reserve of £550k will be required to support the borrowing costs associated with the replacement of the waste vehicle fleet.

xiv) **Cremator Works** – This reserve was created to hold the surcharge element of the cremator fee. This was set aside to meet the cost of the cremator project being undertaken in 2012/13, the purpose of which is to ensure the Council is environmentally compliant. The surcharge will continue to be set aside to support future burner replacement.

xv) **Council Elections Fund** – A sum of £30k is being set aside each year towards the costs of the District Elections.

xvi) **Homelessness** – Service under-spends are held in this reserve to meet future homelessness needs.

xvii) **Renewal Reserve** – This is a saving account for specific purposes, based on the average annual amount required e.g. for the cost of CRB checks. The balance on the reserve as at 1 April 2012 was £38k.

xviii) **Performance Reward Grant** – The Council had unspent Performance Reward Grant monies of £255k at 31 March 2012. These were transferred to this reserve to be utilised on future East Kent working and empty properties. The monies held in this reserve will therefore be used to minimise the demands on the General Fund, while remaining in line with the original aims of the grant.

xix) **Maritime Reserve** – A sum of £710k is held in this reserve as at 1 April 2012 to support improvement works at the Port and Harbour and for income protection/maximisation works.

xx) **Pensions Reserve** – Savings on pensions costs have been set aside in this reserve to meet any additional costs that may arise as a result of future actuarial valuations.

xxi) **VAT Reserve** – Monies received in respect of the Council's VAT Fleming claim were put into this reserve. If the Council were to breach its partial exemption VAT limit, the potential cost to the Council would be between £400k and £500k. The Council is currently very close to this limit and therefore there is a real risk that this money may be required. A sum of £422k is currently in this reserve.

xxii) **East Kent Services** – The year-end surplus fro 2012/13 of East Kent Services was set aside in this reserve which the Council holds as accountable body.

xxiii) **New Homes Bonus** – Allocations of New Homes Bonus have been set aside in this reserve to support one-off projects. An annual draw down of £185k has been agreed to support the events and floral grants budgets.

xxiv) **Housing Intervention** – This reserve is held to support the associated one-off costs (e.g. Compulsory Purchase Orders) of the housing intervention project.

xxv) **Economic Development and Regeneration Reserve** – This reserve is held to support one-off service improvements and initiatives encouraging economic growth. This may include consultancy costs associated with such projects.

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

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

PROPOSALS FOR THE GENERAL FUND EARMARKED RESERVES	**Balance 31/3/12 £'000**	2012/13 Net Transfers £'000	**Balance 31/3/13 £'000**	2013/14 Net Transfers £'000	**Balance 31/3/14 £'000**
Insurance Risk Management	**187**	-97	**90**	0	**90**
Local Development Framework	**403**	-4	**399**	25	**424**
General Fund Repairs	**302**	-157	**145**	0	**145**
Revenue Projects	**1,475**	-1,475	**0**	0	**0**
Information Technology	**385**	-43	**342**	0	**342**
Environmental Action Plan	**229**	-40	**189**	-40	**149**
Office Accommodation	**85**	-85	**0**	0	**0**
Housing and Planning Delivery Grant	**47**	-47	**0**	0	**0**
Cremator Works	**678**	-678	**0**	128	**128**
Decriminalisation	**88**	-40	**48**	20	**68**
Priority Improvements	**1,223**	-424	**799**	-100	**699**
Customer Services Reserve	**426**	0	**426**	0	**426**
Area Based Grants	**773**	-683	**90**	-90	**0**
Waste Reserve	**550**	-550	**0**	0	**0**
Council Elections	**55**	30	**85**	30	**115**
Homelessness	**148**	-71	**77**	0	**77**
Renewal Reserve	**38**	5	**43**	0	**43**
Performance Reward Grant	**255**	-150	**105**	-105	**0**
Maritime Reserve	**710**	-350	**360**	-50	**310**
VAT Reserve	**422**	-20	**402**	0	**402**
Pensions Reserve	**661**	0	**661**	0	**661**
East Kent Services Reserve	**292**	0	**292**	0	**292**
New Homes Bonus	**434**	159	**593**	1,262	**1,855**
Housing Intervention	**250**	0	**250**	-250	**0**
Economic Development &	**339**	0	**339**	-100	**239**

Regeneration					
HRA Properties Reserve	**500**	0	**500**	0	**500**
Total	**10,955**	**-4,720**	**6,235**	**730**	**6,965**

4.0 Proposed Reserve Levels

The levels of General Fund Reserves (General and Earmarked) recommended in this report for the financial year 2013/14 and the medium term are believed to be sufficient to meet all of the Authority's obligations and have been based on a detailed risk assessment. In line with the proposed policies on the control and management of these funds the limits will be reviewed on an annual basis against prevailing risk assessments and other information.

TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2013/14

1 INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance and Audit Committee.

1.3 Treasury Management Strategy for 2013/14

The strategy for 2013/14 covers two main areas:

Capital issues
- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) strategy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsibe for scrutiny. Training is arranged as required.
The training needs of treasury management officers are also periodically reviewed.

1.5 External service providers

The Council uses Sector as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Council uses the ICD Portal to invest or redeem trades in its Money Market Funds (MMFs). The portal provides advanced reporting tools so that the authority can assess its exposure to certain banks or countries, which is vital in the current Eurozone crisis.

Some investments via the ICD portal are made via JP Morgan who act as a clearing house for four of the six MMFs the Council currently uses. The clearing house allows the authority to make several investments in different MMFs but only requires one payment to the clearing house, therefore saving the authority costs in CHAPS fees.

2 THE CAPITAL PRUDENTIAL INDICATORS 2013/14 – 2015/16

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Non-HRA	**8.045**	**13.394**	**15.071**	**2.826**	**2.593**
HRA	**2.740**	**5.258**	**5.973**	**2.468**	**2.422**
Total	**10.785**	**18.652**	**21.044**	**5.294**	**5.015**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need

Capital expenditure £m	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Non-HRA	8.045	13.394	15.071	2.826	2.593
HRA	2.740	5.258	5.973	2.468	2.422
Total	10.785	18.652	21.044	5.294	5.015
Financed by:					
Capital receipts	1.675	2.379	1.283	0.688	0.558
Capital grants	2.809	8.773	7.728	2.083	1.499
Capital reserves	2.140	3.575	3.164	2.325	2.325
Revenue	0.600	2.748	3.023	0.198	0.227
Net borrowing need for the year	**3.561**	**1.177**	**5.846**	**0.000**	**0.406**

Other long term liabilities. The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

If any additional funding for the capital programme is identified, the capital programme will be amended accordingly and reported to members for approval.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council has £3.267m of such schemes within the CFR (as per 31 March 2012).

The Council is asked to approve the CFR projections below:

£m	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Capital Financing Requirement					
CFR – non housing	22.111	19.729	24.837	23.629	22.617
CFR – housing	23.388	23.041	23.041	23.041	23.041
Total CFR	**45.499**	**42.770**	**47.878**	**46.670**	**45.658**
Movement in CFR	**3.248**	**0.519**	**5.108**	**(1.208)**	**(1.012)**
Movement in CFR represented by					
Net financing need for the year (above)	3.561	1.177	5.846	0.000	0.406
Less MRP/VRP and other financing movements	(0.659)	(0.658)	(0.738)	(1.208)	(1.418)
Movement in CFR	**2.902**	**0.519**	**5.108**	**(1.208)**	**(1.012)**

2.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement*:*

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1).

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be*:*

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3).

This option provides for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

For authorities who participate in the Local Authority Mortgage Scheme (LAMS) using the cash backed option, the mortgage lenders require a five year deposit from the local authority to match the five year life of the indemnity. The deposit placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The deposit is due to be returned in full at maturity, with interest paid either annually or on maturity. Once the deposit matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (five years) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The Council is currently investigating the possibilities of LAMS. In the event that the scheme looks to be beneficial for Thanet then member approval will be sought.

Repayments included in annual PFI or finance leases are applied as MRP.

2.4 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £m	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Fund balances / reserves	2.177	2.177	2.177	2.177	2.177
Capital receipts	1.675	2.379	1.283	0.688	0.558
Earmarked reserves	3.990	3.990	9.480	6.992	8.466
Total core funds	**7.842**	**8.546**	**12.940**	**9.857**	**11.201**
Working capital*	19.689	32.206	34.178	33.760	33.960
Under/over borrowing**	11.689	12.206	14.178	13.760	13.960
Expected investments	**8.000**	**20.000**	**20.000**	**20.000**	**20.000**

*Working capital balances shown are estimated year end; these may be higher mid year.

2.5 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.6 Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Non-HRA	4.0	3.8	5.7	7.7	8.3
HRA	11.5	8.3	7.8	6.6	5.8

The estimates of financing costs include current commitments and the proposals in this budget report.

2.7 Incremental impact of capital investment decisions on council tax.

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

Incremental impact of capital investment decisions on the band D council tax

£	2012/13 Estimate	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Council tax - band D	0	(0.79)	5.74	5.79	7.06

2.8 Estimates of the incremental impact of capital investment decisions on housing rent levels.

Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

Incremental impact of capital investment decisions on housing rent levels

£	2012/13 Estimate	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Weekly housing rent levels	0	0	0.12	0.11	0.45

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The Council's treasury portfolio position at 1 April 2012, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
External Debt					
Debt at 1 April	27.068	26.720	27.297	30.433	29.643
Expected change in Debt	3.557	0.577	3.136	(0.790)	(1.212)
Other long-term liabilities (OLTL)	3.185	3.267	3.267	3.267	3.267
Expected change in OLTL	0.000	0.000	0.000	0.000	0.000
Total Debt at 31 March	**33.810**	**30.564**	**33.700**	**32.910**	**31.698**
The Capital Financing Requirement	**45.499**	**42.770**	**47.878**	**46.670**	**45.658**
Under / (over) borrowing	**11.689**	**12.206**	**14.178**	**13.760**	**13.960**

Total investments at 31 March					
Investments	**8.000**	**20.000**	**20.000**	**20.000**	**20.000**
Investment change		12.000	0.000	0.000	0.000

Net Debt	25.810	10.564	13.700	12.910	11.698

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary £m	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	32.000	35.000	35.000	34.000
Other long term liabilities	11.000	11.000	11.000	11.000
Total	43.000	46.000	46.000	45.000

The authorised limit for external debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

Authorised limit £m	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Debt	36.000	39.000	39.000	38.000
Other long term liabilities	14.000	14.000	14.000	14.000
Total	50.000	53.000	53.000	52.000

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit £m	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Total	27.792	27.792	27.792	27.792

3.3 Sector's economic and interest rate forecast (issued by Sector on 20 November 2012)

The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Sector central view.

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2012	0.50	1.50	3.70	3.90
March 2013	0.50	1.50	3.80	4.00
June 2013	0.50	1.50	3.80	4.00
Sept 2013	0.50	1.60	3.80	4.00
Dec 2013	0.50	1.60	3.80	4.00
March 2014	0.50	1.70	3.90	4.10
June 2014	0.50	1.70	3.90	4.10
Sept 2014	0.50	1.80	4.00	4.20
Dec 2014	0.50	2.00	4.10	4.30
March 2015	0.75	2.20	4.30	4.50
June 2015	1.00	2.30	4.40	4.60
Sept 2015	1.25	2.50	4.60	4.80
Dec 2015	1.50	2.70	4.80	5.00
March 2016	1.75	2.90	5.00	5.20

The economic recovery in the UK since 2008 has been the worst and slowest recovery in recent history, although the economy returned to positive growth in the third quarter of 2012. Growth prospects are weak and consumer spending, the usual driving force of recovery, is likely to remain under pressure due to consumers focusing on repayment of personal debt, inflation eroding disposable income, general malaise about the economy and employment fears.

The primary drivers of the UK economy are likely to remain external. 40% of UK exports go to the Euozone so the difficulties in this area are likely to continue to hinder UK growth. The US, the main world economy, faces similar debt problems to the UK, but urgently needs to resolve the fiscal cliff now that the the Presidential elections are out of the way. The resulting US fiscal tightening and continuing Eurozone problems will depress UK growth and is likely to see the UK deficit reduction plans slip.

This challenging and uncertain economic outlook has several key treasury mangement implications:

- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2013/14 and beyond;
- Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2013/14 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

£m	2013/14	2014/15	2015/16
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates: • Debt only • Investments only	 53.000 45.000	 53.000 45.000	 52.000 45.000
Limits on variable interest rates • Debt only • Investments only	 53.000 45.000	 53.000 45.000	 52.000 45.000
Maturity structure of fixed interest rate borrowing 2013/14			
		Lower	**Upper**
Under 12 months		0%	50%
12 months to 2 years		0%	50%
2 years to 5 years		0%	50%
5 years to 10 years		0%	55%
10 years to 20 years		0%	50%
20 years to 30 years		0%	50%
30 years to 40 years		0%	50%
40 years to 50 years		0%	50%
50 years and above		0%	50%

3.5 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

The Council has some flexibility to borrow funds this year for use in future years. The Section 151 Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed rates will be economically beneficial or meet budgetary constraints. Whilst the Section 151 Officer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.

Borrowing in advance will be made within the constraint that:

- The authority would not look to borrow more than 18 months in advance of need.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to Cabinet at the earliest meeting following its action.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. Using the Sector ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable divesification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in section 5 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices.

4.2 Creditworthiness policy

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

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

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

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

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

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

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

i. Short term – F1
ii. Long term – A
iii. Viability (Fitch) / Financial Strength (Moody's) –
bb- (Fitch) / C- (Moody's)
iv. Support – 3 (Fitch only)

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

A limit of 0% will be applied to the use of non-specified investments as it is the Council's policy not to invest for longer than a one year period at this time.

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

- no more than 10% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

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

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

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

4.3 Country limits

The Council has determined that it will only use approved counterparties from the UK (irrespective of the UK sovereign credit rating) or other countries with a minimum sovereign credit rating of AAA from Fitch (or equivalent). This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Sector's investment returns expectations (issued by Sector on 30 November 2012). Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 4 of 2014. Bank Rate forecasts for financial year ends (March) are:

- 2012/13 0.50%
- 2013/14 0.50%
- 2014/15 0.75%

- 2015/16 1.75%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next five years are as follows:

2012/13	0.50%
2013/14	0.50%
2014/15	0.60%
2015/16	1.50%

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 364 days			
£m	**2013/14**	**2014/15**	**2015/16**
Principal sums invested > 364 days	£0	£0	£0

4.5 Investment risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.
Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- **0.05% historic risk of default when compared to the whole portfolio.**

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £10m available with a week's notice.
- Weighted average life benchmark is expected to be 0.5 years, with a maximum of 1.0 year.

Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day LIBID rate

And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	**0.05%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Section 151 Officer has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

5.1 Annual investment strategy

The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

5.2 Specified investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum short term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies, as set out in this report.

5.3 Non-Specified investments

Non-specified investments are any other type of investment (i.e. not defined as specified above). The Council does not use non-specified investments.

5.4 The monitoring of investment counterparties

The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Sector as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 151 Officer, and if required new counterparties which meet the criteria will be added to the list.

5.5 Use of external fund managers

It is the Council's policy not to use external fund managers for any part of its investment portfolio.

6 DISCLAIMER

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

Review of Heating Service Charges

DWELLINGS	No of units	Current Weekly Charge per Unit	2013/14 Heating	Proposed Increase/Decrease
		£	£	£
Invicta House				
Electric Heating	83	**8.91**	**9.02**	0.11
Kennedy House				
Electric Heating	30	**4.92**	**4.46**	-0.46
	31	**6.93**	**6.28**	-0.65
	29	**8.31**	**7.53**	-0.78
Trove Court				
Electric Heating	30	**6.14**	**5.55**	-0.59
	31	**8.51**	**7.69**	-0.82
	29	**10.18**	**9.20**	-0.98
Brunswick Court				
Gas Heating	4	**5.87**	**5.82**	-0.05
	26	**7.04**	**6.97**	-0.07
	1	**5.58**	**7.80**	2.22
Staner Court				
Electric Heating	14	**6.46**	**6.32**	-0.14
	27	**8.64**	**8.46**	-0.18
	42	**9.95**	**9.74**	-0.21

This page is intentionally left blank

Draft Capital Programme	Estimated Slippage 2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
STATUTORY/MANDATORY						
Disabled Facilities Grants	-	1,379	1,379	1,379	1,379	1,379
ONGOING SCHEMES FROM PREVIOUS YEARS						
I.T. - Authentication Project	17	-	-	-	-	-
I.T. - Dip/Workflow	48	-	-	-	-	-
I.T. Serv-Dev Electronic Interfaces	20	-	-	-	-	-
Margate Cemetery - Extension	140	-	-	230	-	-
Waste Transfer Station	217	-	-	-	-	-
Port of Ramsgate - Terminal Tractor	100	-	-	-	-	-
Dreamland	-	5,952	-	-	-	-
ANNUAL ENHANCEMENT PROGRAMMES						
Public Conveniences	92	50	50	50	50	50
Swimming Pool/Sports Halls Essential Capital Repairs	-	50	50	50	50	50
WHOLLY/PARTLY EXTERNALLY FUNDED						
North Thanet Coastline - Capital Sea Wall Reconstruction Scheme	-	560	250	-	-	-
Sunshine Café	-	1,050	-	-	-	-
REPLACEMENT & ENHANCEMENT						
Crematorium Car Park Extension	-	100	-	-	-	-
Crematorium - Residual Works	-	40	-	-	-	-
Ramsgate Harbour Marina - Water Supply Upgrade	-	50	50	-	-	-
Harbour Eastern Outer Marina - Replace Floating Pontoons	-	125	125	-	-	-
Replacement of Waste Collection Fleet of Vehicles	-	4,065	20	-	-	-
Grounds Maintenance Replace Mowers & Vehicles	-	144	-	250	-	-
AREA IMPROVEMENT						
Dalby Square townscape	-	827	827	559	-	-
Capitalised Salaries		75	75	75	75	75
	634	**14,467**	**2,826**	**2,593**	**1,554**	**1,554**
Total for the Year	**634**	**14,467**	**2,826**	**2,593**	**1,554**	**1,554**

General Fund Capital Programme	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Breakdown of the Capital Programme	634	14,467	2,826	2,593	1,554	1,554
Funded By						
Capital Receipts & Reserves	634	1,943	743	688	475	475
Capital Grants & Contributions	0	6,678	2,083	1,499	1,079	1,079
Contributions from Revenue	0	0	0	0	0	0
Prudential Borrowing	0	5,846	0	406	0	0
Sub Total	**634**	**14,467**	**2,826**	**2,593**	**1,554**	**1,554**

HRA DRAFT CAPITAL PROGRAMME 2013 -2017

SCHEME	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
Re – roofing	30	30	0	20
Replacement windows & doors	0	0	0	110
Kitchen replacements	685	685	850	340
Bathroom replacements	155	155	250	60
Electrical re - wiring	200	200	200	0
Heating	300	300	300	310
Fire Precaution Works	5	5	50	40
Planned refurbishments	50	50	0	0
Thermal Insulation (Lofts)	50	50	0	0
External Repairs (Coastguard Cottages)	0	250	0	0
Total Major Works	**1475**	**1725**	**1650**	**880**
Aids and Adaptations	200	200	200	200
Disabled Adaptations	**200**	**200**	**200**	**200**
Estate Improvements	125	125	125	125
Estate Improvements (Re-Pointing) Services	100	100	100	0
Estate Improvements	**225**	**225**	**225**	**125**
Margate Intervention	4073	318	347	373
Purchase of Suitable Properties	**4073**	**318**	**347**	**373**
HRA Capital Expenditure	**5,973**	**2,468**	**2,422**	**1,578**

Funded by	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
Major Repairs Allowance & Reserve	1,900	2,150	2,075	1,205
Supported Capital Expenditure	0			
Revenue Contribution	3023	198	227	253
Capital Grant	1050			
Capital RTB Receipts		120	120	120
Total of Funding	**5,973**	**2,468**	**2,422**	**1,578**

This page is intentionally left blank

CALENDAR OF MEETINGS – CHANGE OF DATE OF THE MAY 2013 CABINET MEETING

To:	**Council – 7 February 2013**
By:	**Democratic Services and Scrutiny Manager**
Classification:	**Unrestricted**
Ward:	**Not applicable**

Summary: To agree a new date for the Cabinet meeting currently scheduled to take place on 2 May 2013

<u>For Decision</u>

1.0 Introduction and Background

1.1 At its annual meeting on 17 May 2012, Council approved a calendar of meetings for 2012-13 to 2014-15.

1.2 It has subsequently come to light that the meeting of Cabinet scheduled for Thursday, 2 May 2013 coincides with the date of the county elections. It is therefore necessary to change the date of that meeting.

2.0 Current Situation

2.1 Council is asked to approve that the Cabinet meeting be moved from Thursday, 2 May 2013 to Thursday, 25 April 2013.

3.0 Corporate Implications

3.1 Financial

3.1.1 None

3.2 Legal

3.2.1 None

3.3 Corporate

3.3.1 The scheduling of meetings has significant implications for the Council's business planning and programming of work.

3.4 Equity and Equalities

3.4.1 There are no specific equity and equality considerations that need to be addressed in this report.

4.0 Recommendation

4.1 That Council agrees that the Cabinet meeting scheduled to take place on Thursday, 2 May 2013 be moved to Thursday, 25 April 2013.

Contact Officer:	Glenn Back, Democratic Services and Scrutiny Manager, Ext 7186
Reporting to:	Harvey Patterson, Corporate & Regulatory Services Manager and Monitoring Officer, Ext 7005

Annexes

None	

Background Papers

Title	**Details of where to access copy**
None	

Corporate Consultation Undertaken

Finance	N/A
Legal	N/A