

Public Document Pack

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CABINET

1 AUGUST 2013

A meeting of the Cabinet will be held at **7.00 pm on Thursday, 1 August 2013** in the Council Chamber, Cecil Street, Margate, Kent.

Membership:

Councillor C Hart (Chairman); Councillors: Everitt, Fenner, D Green, Johnston and Poole

A G E N D A

Item
No

Subject

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST**

To receive any declarations of interest. Members are advised to consider the advice contained within the Declaration of Interest Form attached at the back of this Agenda. If a Member declares an interest, they should complete that form and hand it to the Officer clerking the meeting and then take the prescribed course of action.

3. **MINUTES OF PREVIOUS MEETING** (Pages 1 - 4)

To approve the summary of recommendations and decisions of the Cabinet meeting held on 20 June 2013, copy attached.

4. **SUNDRY DEBT WRITE OFF - OVER £20K** (Pages 5 - 8)

5. **BUDGET OUTTURN REPORT 2012/13** (Pages 9 - 20)

6. **ANNUAL TREASURY MANAGEMENT REVIEW 2012/13** (Pages 21 - 36)

7. **BUDGET MONITORING REPORT 2013/14** (Pages 37 - 48)

8. **COUNCIL REFERRAL OF PETITION TO CABINET - PLEASURAMA SITE** (Pages 49 - 58)

9. **REPRESENTATION ON ADDITIONAL LIST OF EXECUTIVE APPOINTED OUTSIDE BODIES** (Pages 59 - 62)

10. **DREAMLAND - GENERAL VESTING DECLARATION**

Report to Follow

Item
No

Subject

Declaration of Interest Form

CABINET

Minutes of the meeting held on 20 June 2013 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor C. Hart (Chairman); Councillors Everitt, Fenner, D. Green, Johnston and Poole

In Attendance: Councillors Bayford, Bruce, Driver, E Green, King, Marson, Watkins and Worrow

77. APOLOGIES FOR ABSENCE

There were no apologies received at the meeting.

78. DECLARATIONS OF INTEREST

There were no declarations of interest.

79. MINUTES OF PREVIOUS MEETING

Councillor King spoke under Council Procedure Rule 24.1.

The minutes of the previous meeting were approved subject to an amendment to reflect in the minutes of the extraordinary meeting held 29 May 2013; that Councillor King spoke under Council Procedure Rule 24.1 on minute item 76, the 'Transeuropa Outstanding Debt'.

80. EQUALITY POLICY

In order to comply with the requirements of the Equality Act 2010; Council produced a draft Equality Policy which went to public consultation in April this year. Over 400 community groups were targeted through this consultation process. The proposed Equality Policy sought to support the delivery of the Council's Corporate Plan 2012-16 and Thanet 2030 Vision.

The following Members spoke under Council Procedure Rule 24.1:

Councillor Driver;
Councillor Bruce;
Councillor King.

Councillor Fenner proposed, Councillor Poole seconded and Members approve the adoption of the proposed Equality Policy and Action Plan (Annexes 2 and 3 to the officer report) to replace the former Comprehensive Equality Policy.

81. ASSET MANAGEMENT - DISPOSAL OF ASSETS

The Council adopted the Interim Property Disposal Process in May 2012 which requires property assets, identified as surplus, to be submitted and considered by Cabinet. The sites submitted for consideration were as per Table 1 below:

Table 1

	Ref	Address	Town
1.	317/3-1	Land to the rear of Courtstairs Manor, Pegwell Road	Ramsgate
2.	102/1-1	Part of former railway line, College Road/Tivoli Road	Margate
3.	194/1-1	Land adjoining the Viaduct, Margate Road,	Ramsgate
4.	69/1-1	Land at Westgate Bay Avenue	Westgate

These sites served no purpose in the delivery of the Council's services, were non-revenue producing and were considered to be a liability to the Authority in terms of cost and risk. The disposal of assets enabled liabilities to be reduced whilst realising capital receipts which could then be used in delivery of projects which supported Corporate Priorities.

Councillor Driver and Councillor Bayford spoke under Council Procedure Rule 24.1.

Councillor Poole proposed, Councillor Fenner seconded and Members agreed:

1. The sites contained in Annex 1 to the report were surplus and agreed to progress through the disposal framework for freehold sale;
2. To Officers supporting the commercial marketing on the open market of the lease for Royal Victoria Pavilion by the current lessees by being able to offer a lease extension of over 100 years if necessary. The lease extension will only be to facilitate investment by a new lessee and not support an increased value for the lease sale.

82. DISCRETIONARY HOUSING PAYMENTS POLICY

Local authorities had the power to make discretionary payments to those in receipt of housing benefit that need further financial assistance. The Council had received a grant of £401,000 for 2013/14 to make these discretionary housing payments. The number of requests for support had increased substantially following the implementation of welfare reforms and therefore it was important that a Discretionary Housing Payments Policy was in place to ensure that support was targeted to those most in need.

The objective of the policy was to provide short term help to prevent homelessness; keep families together; support the vulnerable and elderly in sustaining tenancies; enable people to secure new affordable tenancies; provide financial support for people in short-term difficulty; and incentivise people into and maintaining work.

It was noted that this policy would be managed by East Kent Services (EK Services) and Thanet District Council would monitor its implementation and where appropriate, advise EK Services of proposed adjustments that would need to be made to the policy.

Councillor Marson and Councillor King spoke under Council Procedure Rule 24.1.

Councillor Everitt proposed, Councillor C. Hart seconded and Members agreed to approve the Discretionary Housing Policy as set out in Annex 1 to the report.

83. REPRESENTATION ON EXECUTIVE APPOINTED OUTSIDE BODIES

Council agreed the list of Executive Appointed Outside Bodies at its Annual Meeting on 16 May 2013. The Leader proposed nominations for Council representatives to sit on these Bodies for 2013/14.

As part of the need to seek greater value for money for Council, Cabinet was of the view that there was a need to review the Council's membership of South East Employers (SEE). SEE are the umbrella group for Councils in the South East of England excluding London.

SEE provided some elected member support and HR advice. However the East Kent HR was now providing that service. The proposed withdrawal of membership would save Council of £5,453.17 in annual subscription costs.

Cabinet also received for consideration recommendations from the Overview & Scrutiny Panel to recommend to Council the inclusion of the Domestic Violence Forum onto the Executive Appointed Outside Bodies list.

Councillor C. Hart proposed, Councillor Poole seconded and Members agreed:

1. The list of nominations to the Executive-related outside bodies as shown at Annex 1 of the report;
2. To recommend to Council the following:
 - a) That the Domestic Violence Forum be added to the Thanet District Council list of Executive appointed outside bodies and that one TDC Member be made a nominee to that outside body with an additional TDC Member being nominated to be an ex-officio to that Forum should that prove possible;
 - b) That South East Employers be removed from the Thanet District Council list of Executive Appointed Outside Bodies.

84. REGULATION OF INVESTIGATORY POWERS ACT 2000 - ANNUAL REVIEW

The Regulation of Investigatory Powers Act 2000 ('RIPA') as amended by the Protection of Freedoms Act 2012 provided a statutory mechanism for authorising limited non intrusive covert surveillance operations by Council Officers; known as directed surveillance; or the use of a 'Covert Human Intelligence Source' for the purposes of preventing or detecting criminal offences that carry a sentence on conviction of six months or more; or relate to the illegal sale of alcohol or tobacco to under age children.

The Council preferred carrying out its various enforcement activities using overt means and considered the use of directed surveillance as a tool of last resort. As a consequence, the Council had never employed a Covert Human Intelligence Source nor have senior officers authorised any directed surveillance operations by Council Officers in the last three years. However EKS Benefit Fraud Officers conducting joint investigations with Officials from the Department for Work and Pensions would very occasionally be involved in a directed surveillance operation authorised by the DWP as the lead body.

The proposed RIPA Policy and Procedures Note for 2013/14 had some amendments to the current RIPA Policy all of which reflect the changes made by Central Government in the Protection of Freedoms Act 2012. In particular reference was made to the requirement that any authorisation for the use of RIPA powers or the renewal of an existing authorisation must first be approved by the Magistrates Court before an operation can begin or continue.

Councillor Fenner proposed, Councillor C. Hart seconded and Members agreed the following:

1. To note the report;
2. To approve the draft RIPA Policy & Procedures Guidance Note for 2013/14 attached as Annex 1 to the report;
3. To approve RIPA Policy & Procedures Guidance Note for 2013/14 be published on the Council's intranet.

85. TRANSFER OF LAND AT THE CENTRE

Orbit was progressing well on the development site with the redevelopment of the 60 homes and to date 16 houses and 6 flats had been completed and are now occupied by households from the housing register. The sites in the report were not contained within the original Sale Agreement because at that stage, one of the sites was intended for the provision of a Gateway building and funding from the HCA had not been secured to redevelop the Flowing Bowl site. The transfer of the proposed piece of land would enable an additional 19 new affordable homes to be built.

Councillor D. Green proposed, Councillor Johnston seconded and Members agreed:

The transfer of two pieces of land at The Centre, Newington as identified in Annex 1 (to the report); as land 'a' and 'b' and described as the Gateway land and Flowing Bowl land to Orbit Housing Association for the sum of £204,250.

Meeting concluded: 8.00 pm

Sundry Debt Write Off – Over £20k

To: **Cabinet – 1 August 2013**

Main Portfolio Area: **Financial Services**

By: **Corporate Income Team Leader, EK Services**

Classification: **Unrestricted**

Ward: **Not Applicable**

Summary: **A case history of the recovery of a grant awarded in relation to the Fort Lodge Hotel.**

For Information

1.0 Introduction and Background

- 1.1 This report is brought forward following the Cabinet meeting in March 2013 at which a number of debt write offs over £20k were approved. At this meeting, Members requested that further detail was brought back to them in respect of the Fort Lodge Hotel debt so that this could be made public.
- 1.2 The Fort Lodge Hotel received a total grant of £41,679.99 in 2001 and 2002 to undertake improvements to the Hotel. The giving of this grant fully adhered to the required processes in place at that time. The grant was issued by the Tourism Department and was paid to Rumpy Steak Bars Ltd and Fort Lodge Hotel (no Limited). Rumpy Steak Bars Ltd changed their name to Fort Lodge Hotel Limited on 5 June 2002.
- 1.3 The terms of the grant were breached and part of the grant subsequently became repayable to Thanet District Council. Some of the grant was repaid by one of the directors of the company, and the amount outstanding, £25,009.99, was invoiced as follows:
- Debtor: Company director
Invoice Amount: £25,009.99
Invoice Number: A7924463
Invoice Date: 29 March 2006
Invoice Detail – Repayment of tourism grant due to breach of grant conditions.
- 1.3 The grant was paid to Rumpy Steak Bars Ltd and Fort Lodge Hotel but rather than invoicing the companies, the invoice was raised to the company director. As the invoice did not match the paperwork for the grant, the debt was not enforceable through the County Court if this director chose not to repay the debt.
- 1.4 The invoice was not paid and Cabinet therefore authorised the write off in March 2013. This report, outlining the detail of the case, was requested by Cabinet as part of the authorisation process.

2.0 The Case History

- 2.1 The invoice was issued in March 2006 and due to non payment, reminders were issued in April, May, October and November 2006. The initial reminder was issued with a covering letter advising that the Council was aware the debtor was liaising with the Leader of the Council in relation to this matter.
- 2.2 In December 2006 the debt was referred for further recovery action. The then Interim Head of Finance and the S151 Officer (both of whom have now left the council) requested that the Legal Department contact the debtor to request payment. There was a delay in the Legal Department actioning this request and it was issued in September 2007. No contact was established with the debtor from this letter.
- 2.3 The Legal Department at the time decided that recovery action could not be taken through the County Court because the grant was paid to Rumpy Steak Bars Ltd and Fort Lodge Hotel but the invoice was raised in the name of the director. The grant agreement was not with the debtor so he had no legal obligation to repay this debt and recovery action could not be taken through the Courts against him. Any payment was reliant on the good will of the debtor.
- 2.4 In August 2008, the Interim Revenues and Benefits Manager recommended that the debt should be written off because no action could be taken against the debtor and the prospect of him paying without this action was minimal.
- 2.5 Cabinet did not approve the write off as they wanted further efforts to be made to recover the debt. In June 2009 the debtor met with the Leader of the Council and the Revenues Team Leader. He confirmed his intention to pay but confirmed that his financial circumstances meant that at that time he could not repay the grant.
- 2.6 No further action was taken as Thanet District Council was not made aware of any change in circumstances which would enable the debtor to repay the invoice.
- 2.7 Fort Lodge Hotels Limited was dissolved on 30/03/2010 with six County Court Charging Orders left unfulfilled against it. This means that third parties took County Court action against the company and placed charges against the assets of the company. When the company was dissolved, it did not have the assets to clear the charges.
- 2.8 EK Services inherited the debt in June 2011. No further recovery action was taken because there was no prospect of recovery. Due to how the invoice was raised, the debt was not enforceable and as Fort Lodge Hotels Ltd was dissolved in 2010 no corrective action could be taken. The debtor has made no payments in 5 years and there was no prospect of any payments being received in the near future.
- 2.9 In February 2013 the Corporate Income Team Leader (EK Services) supplied a write off schedule to the Financial Services Manager, along with a report for authorisation. Cabinet authorised the write off in March 2013

3.0 Observations

- 3.1 The invoice being issued to the director rather than Rumpy Steak Bars Ltd or Fort Lodge Hotel directly impacted on the recoverability of the debt. Those involved in the loan agreement now no longer work for the Council and as such we can not establish why decisions were taken to invoice the individual rather than the companies. The age of the debt and the fact that the relevant companies are dissolved means that no corrective action can be taken to increase the recoverability of the debt.

- 3.2 Further correspondence could have been issued to the debtor following the meeting in 2009. However, the debt was unenforceable and the debtor had no legal obligation to pay and the Council was not made aware of any changes in circumstances which would increase the prospect of recovery.
- 3.2 The EK Services Corporate Income Team inherited the debt in June 2011. Working practices prioritise action on debts with a greater prospect of recovery and given the prospect of successful recovery was minimal; the recovery of this debt was not prioritised and was treated as irrecoverable
- 3.3 There was a delay in administering the write off and work is now ongoing to make sure debts are written off promptly, on a regular basis, within a reasonable timeframe of the decision being taken to write the debt off.

4.0 Further information

- 4.1 The recovery process has changed since 2006. The EK Services Corporate Income Team, responsible for recovering Sundry Debts have received ‘substantial assurance’ in the recovery of Corporate Debt and Housing Benefit Overpayments, following action being taken on Audit advice. The working practices of the team are continuously being reviewed and they are currently being considered as an EK Services pilot for co-location. The team is currently based across the three partnership sites. Co-location to one site would help increase resilience, efficiency and the spread of best practice for the team.
- 4.2 The Corporate Income Team prioritises debts based on the likelihood of successful recovery and this has had a positive impact on performance. The General Ledger Debt at 12/13 year end totalled £830,972 which is a reduction from £947,868 in 11/12 and £1,087,681 in 10/11. In addition, debts over 60 days old now total 42% of the debt compared to 50% in 2012/13
- 4.3 The Corporate Income Team is also responsible for the recovery of Housing Benefit Overpayments. £572,822 was recovered through Housing Benefit Sundry Debtors in 12/13 compared to £528,057 in 11/12 and £462,380 in 10/11. This represents an 8% and 24% increase respectively.

5.0 Conclusion

- 5.1 Any write off is a last resort and not a decision taken lightly. However, in this case, there was no alternative because the action taken at the time of the raising of the invoice prohibited any prospect of successful recovery.
- 5.2 There have been many significant changes to the recovery of Corporate Income since 2006 and performance continues to improve.

6.0 Recommendation

- 6.1 Members note the report.

Contact Officer	James Kehoe, corporate Income Team Leader, EK Services
Reporting to	Mandie Kerry, Income Manager, EK Services

Annex List

None	N/A
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Background Papers

None	N/A
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Corporate Consultation Undertaken

Finance	Sarah Martin, Financial Services Manager
Legal	Harvey Patterson, Corporate & Regulatory Services Manager

BUDGET OUTTURN REPORT 2012/13

To: **Cabinet – 1 August 2013**

Main Portfolio Area: **Finance**

By: **Financial Services Manager**

Classification: **Unrestricted**

Ward: **All Wards**

Summary: To inform Cabinet of the outturn position against the General Fund and Housing Revenue Account budgets and against the 2012/13 Capital Programme.

For Information

1.0 Introduction and Background

1.1 In January 2012 Council agreed the General Fund, Housing Revenue Account and Capital budgets for 2012/13. The purpose of this report is to advise on the outturn position against these budgets. Members should note that the figures within this report are subject to audit and are therefore draft at this stage.

2.0 General Fund

2.1 The Local Government Finance Report announced a cut in funding of 7.4% for Thanet District Council for 2013/14, followed by a further 16.6% for 2014/15. A conscious decision was therefore taken by management to try to deliver maximum savings in 2012/13 to help ease some of the budget pressures moving forward, thus helping to ensure that the Council's balances and reserves are sufficient to meet the needs of the Council over the medium term. Strict controls were continued with regard to recruitment. Managers were not allowed to recruit immediately as a post became vacant but instead took the opportunity to review the needs of the service, with ultimately all decisions with regard to whether a vacancy should be filled being taken by the Senior Management Team (SMT). Managers were also challenged to make efficiency savings wherever possible and reduce discretionary spend. SMT also took a decision to increase the under-spend further by taking a critical approach to agreeing carry forward requests by Managers, turning down £165k worth of requests.

2.2 Budget monitoring to Cabinet in year reflected a balanced budget position after setting aside savings in Operational Services within the Waste Reserve to cover one-off costs associated with restructuring the waste service and to contribute towards the revenue costs associated with the new waste scheme; and also setting aside vacancy savings to contribute towards the new pay and reward scheme.

2.3 As a result of the measures taken as highlighted in paragraph 2.1 above, a General Fund under-spend of £1.331m has been achieved in 2012/13 which includes the savings in respect of waste and vacancies. The following table shows the make up of this under-spend:

Service	Outturn £'000s	Reason for Variance
East Kent Shared Services	(129)	Additional savings generated as a result of the shared service arrangement
Chief Executive & S151	6	Miscellaneous minor overspends
Operational Services	(421)	Monies set aside to support future service enhancements in relation to waste and recycling, generated as a result of additional income from KCC for tipping away (£109k); additional income and reduced costs in relation to the council's properties (£207k); vacant post savings (£105k) which will contribute towards the overall pay and reward project.
Community Services	(283)	Increased planning income associated with major applications and reduced planning related costs (£123k); savings on Community Development, mainly attributable to events and contributions to voluntary organisations (£158k); vacant post savings (£114k); minor underspends (£27k); offset in part by reduced building control income (£139k).
Corporate Services & Transformation	(504)	Increased summonses income (£141k); increased licensing income (£43k); underspend on staff training (£52k); reduced printing and mail related costs (£112k); reduced corporate communication costs (£35k); reduced costs associated with Environmental Health and Community Safety (£30k); a number of minor underspends across the directorate (£91k).
Total	(1,331)	

- 2.4 A sum of £433k of New Homes Bonus funding was carried forward from 2011/12. The Council received an additional £1.044m of New Homes Bonus funding in 2012/13. A sum of £185k was drawn down to cover events and floral grants as agreed as part of the 2012/13 budget report and a further £9k was used to support the Dalby Square project as approved by Cabinet on 26 July 2012. The Transeuropa report to Council in July agreed a draw down of £502k from the New Homes Bonus to balance the Transeuropa debt position. The receipt of the New Homes Bonus and the movements on this reserve in year (net £348k) have not been reflected within the above outturn position as it had been assumed as part of the budget setting and budget monitoring process that any unallocated balance of the New Homes Bonus funding would be carried forward in the reserve at year end.
- 2.5 Within the 2011/12 Statement of Accounts a provision was set up for repayment of funds associated with Selective Licensing, however, during the course of 2012/13 the case was determined in the Council's favour and consequently the monies held in the provision in the sum of £432k were transferred from the provision to the

earmarked Housing Intervention Reserve to fund future housing intervention initiatives. This has also not been reflected in the above outturn position.

- 2.6 Total net underspend when including the above items is £2.1m. This agrees to the outturn position as shown in the draft Statement of Accounts which will be presented to Governance and Audit for approval on 25 September 2013.
- 2.7 The under-spend of £2.1m has enabled a number of movements to and from earmarked reserves to be proposed as per the table overleaf.

	Revenue
	Appropriations
	£000's
Insurance Risk Management	35
Capital Projects	385
Local Development Framework	(11)
General Fund Repairs	41
Slippage Fund – General Fund	(432)
- Harbour	5
Slippage Fund – HRA	59
Information Technology	101
Environmental Action Plan	(17)
Housing and Planning Delivery Grant	(46)
Cremator & Cemeteries Works	(34)
Decriminalisation	144
Priority Improvement	(344)
Customer Services	497
Unringfenced Grant	(296)
Waste Reserve	314
Council Election	32
Homelessness	53
Renewal Reserve	4
Performance Reward Grant	(50)
Maritime Reserve	20
VAT Reserve	19
East Kent Services	462
New Homes Bonus	348
Housing Intervention	432
Pay and Reward	380
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	2,101
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- 2.8 The above table also reflects the draw downs from earmarked reserves agreed by Council in July to cover the Transeuropa debt position.
- 2.9 The General Fund balance has been maintained at £2.177m, which is at the level recommended by the S151 Officer of 12% of the net revenue budget requirement as highlighted as part of the Budget Report approved by Council in January 2012.

3.0 Housing Revenue Account

3.1 The Housing Revenue Account (HRA) generated a surplus of £535k in 2012/13. The main reasons for the variance are:

- Reduction in day to day repairs expenditure (£156k)
- Increase in repair contract payments £128k
- Reduction in painting and contract decorating works (£94k)
- Downward revaluation in non-housing assets £200k
- Reduction in pension costs (£122k)
- Slippage in the Margate Housing Intervention programme (£28k)
- Reduction in Insurance premiums (£25k)
- Reduction in external audit fees (£25k)
- Reduction in Member recharges (£36k)
- Reduction in bad debt contribution (£46k)
- Changes in HRA depreciation accounting (£185k)
- Increase in rental/hire income (£25k)
- Miscellaneous under-spends (£121k)

3.2 The accumulated HRA balance at 31 March 2012 is £10.245m. The balance provides flexibility for the delivery of the Housing Business Plan which has recently been reviewed.

3.3 In accordance with statutory requirements, the Council has to make a depreciation charge within the HRA to reflect the use of the HRA assets over their useful lives. Within the old Housing Subsidy System the Council received a Major Repairs Allowance which was considered to be an appropriate measure of depreciation for the HRA assets. Now that the Housing Subsidy System has come to an end there is no longer an actual Major Repairs Allowance paid to the Council, however, for the next five years the Council is allowed to continue to use the Major Repairs Allowance figure, as detailed in the HRA self-financing settlement, as a proxy for depreciation. As part of the final accounts an actual depreciation charge has been calculated on the HRA assets. The difference of £1.17m between the actual charge and the Major Repairs Allowance settlement figure has been transferred to the Major Repairs Reserve in accordance with accounting guidance and will be used to support the maintenance and capital works to the existing housing stock.

4.0 The Capital Programme

4.1 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. Capital expenditure can be met from loans, capital receipts, capital grants or revenue contributions.

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

4.3 The Capital Programme, agreed at Council for 2012/13, totalled £8.045m, to be funded from £2.809m of external grants and contributions, £2.259m of capital receipts and unallocated reserves and £2.977m of prudential borrowing. Also the balance of

projects agreed in previous years budgets that were still on going were rolled forward until project completion.

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

	B/Fwd from 2011/12 £'000	Original Budget 2012/13 £'000	Revised Budget 2012/13 £'000	Actual Spend 2012/13 £'000
Business Services	106	98	111	24
Community Services	4,904	4,623	10,109	2,950
Operational Services	3,361	3,249	5,205	4,318
Capitalised Salaries		75	75	
	8,371	8,045	15,500	7,292
<i>Funded by:</i>				
Capital Grants and Contributions	6,813	2,809	3,496	5,029
Capital Receipts and Unallocated Reserves	1,558	2,259	9,027	1,365
Revenue contributions				
Prudential borrowing		2,977	2,977	898
	8,371	8,045	15,500	7,292

4.5 **Business Services**

The capital schemes in this area relate to the upgrading of council systems, through implementation of new software or through the way information is stored by the Council. Slippage in this area was largely due the development of Thanet's I.T Strategy.

Community Services

Included within this service area are two of the Council's main capital schemes, the renovation of Dreamland and the Disabled Facilities Grants scheme.

The budget for Disabled Facilities Grants was revised during the year as central government increased the amount of grant allocated to the scheme. The majority of the budget for Dreamland has been carried forward to 2013/14 whilst the Council continue with vesting of the site.

Spend on other capital schemes within this area also included the Skatepark project, Dalby Square THI and the redevelopment of Newington Centre buy out of leases.

Commercial Services

The main capital schemes within this area are the Margate Coast Protection works which are wholly externally funded and the works to Crematorium and replacement of Cremators, both of which were completed during 2012/13.

In addition to these projects the service area incurred expenditure on a range of other key capital projects such as solar panels to Cecil Street offices, works at Ramsgate Harbour, public convenience works and the purchase of waste vehicles.

- 4.6 The 2012/13 programme was based on capital receipts of £1.675m, however at year end the amounts actually achieved for the sale of General Fund assets was £478k. This reduction was due a number of large scale assets either being removed or requiring officers to undertake further work prior to disposal following on from the asset disposal consultation process.
- 4.7 Whilst during this financial year we have been able to contain expenditure without the need to borrow due to some slippage in the capital programme, it does mean that if the delays in the sale of the assets are not recovered in this financial year, it will require the authority to review the capital programme and either scale back the programme or increase the forecast levels of prudential borrowing.
- 4.8 The HRA capital programme is summarised below with a detailed breakdown reported in **Annex 2**. The programme has been set to maintain the authority's council housing at decent homes plus.

	Original Budget 2012/13 £'000	Revised Budget 2012/13 £'000	Actual 2012/13 £'000
Total HRA Capital Programme Expenditure	2,740	5,044	2,171
<i>HRA Capital Resources Used:</i>			
HRA Major Repairs Reserve	2,140	1,845	1,373
HRA Revenue Contributions/Reserves	600	3,199	472
Capital Grant	0	0	326
Total Resources	2,740	5,044	2,171

- 4.9 An underspend occurred against the Kitchen and Bathroom programme of £180k due to a delay in contracts being signed and quality issues. This was reported to Members in the March Cabinet report. The other major underspend was in relation to the purchase of HRA properties for the Margate Intervention and Ramsgate empty property schemes. Delays were encountered in the procurement of contract works for the programmes, but both programmes are now under way and expected to continue to spend during 2013/14.
- 4.10 Additional Section 106 monies were vired into the HRA programme from the General Fund at year end as these were used to fund acquisitions at the Newington Centre which fall to the HRA rather than the General Fund.

5.0 Options

5.1 Cabinet Members note the outturn against the General Fund and HRA budgets and the Capital Programme for 2012/13 and approve the movements to reserves as outlined in paragraphs 2.7 and 3.3 of this report.

5.2 Cabinet Members note the outturn against the General Fund and HRA budgets and the Capital Programme outturn for 2012/13 and don't approve the movements to reserves as outlined in paragraphs 2.7 and 3.3 of this report.

6.0 Corporate Implications

6.1 Financial and VAT

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

6.2 Legal

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

6.3 Corporate

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

6.4 Equity and Equalities

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

7.0 Recommendation(s)

7.1 That Cabinet note the General Fund, HRA and capital outturn position for 2012/13.

7.2 That Cabinet approve the proposed movements to earmarked reserves as outlined in paragraphs 2.7 and 3.3 of the report.

Future Meeting if applicable:	Date:
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Contact Officer:	Nicola Walker – Finance Manager (HRA, Capital & external funding) Matthew Sanham – Finance Manager (Budgets and Closedown)
Reporting to:	Sarah Martin – Financial Services Manager (Deputy S151 Officer)

Annex List

<i>Annex 1</i>	<i>Earmarked Reserves</i>
<i>Annex 2</i>	<i>HRA Capital Programme 2012-13</i>

Background Papers

Title	Details of where to access copy
2012/13 Budget and Medium Term Financial Plan.	<i>Full Council Agenda 19th January 2012</i>

Corporate Consultation Undertaken

Finance	<i>Sarah Martin – Financial Services Manger</i>
Legal	

Earmarked Reserves

	1 April	Transfers	Revenue	1 April	Transfers	Revenue	31 March
	2011	Between Reserves	Appropriations	2012	Between Reserves	Appropriations	2013
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Insurance Risk Management	89	-	98	187	-	35	222
Capital Projects	694	(325)	126	495	398	385	1,278
Local Development Framework	377	-	26	403	-	(11)	392
General Fund Repairs	139	-	163	302	25	41	368
Slippage Fund - GF	728	(47)	785	1,466	(52)	(427)	987
Slippage Fund – HRA Information	49	-	(40)	9	-	59	68
Technology	254	(9)	140	385	-	101	486
Environmental Action Plan	229	-	-	229	-	(17)	212
Office	63	-	22	85	-	-	85
Accommodation Planning Delivery Grant	61	-	(14)	47	-	(46)	1
Cremator and Cemeteries Works	499	23	156	678	(462)	(34)	182
Decriminalisation	111	-	(23)	88	(87)	144	145
Priority Improvement	764	(52)	511	1,223	(5)	(344)	874
Corporate Plan	179	(106)	(73)	-	-	-	-
LABGI	371	(354)	(17)	-	-	-	-
Customer Services	946	9	(529)	426	87	497	1,010
Unringfenced Grants	1,718	-	(945)	773	-	(296)	477
Waste	550	-	-	550	(517)	314	347
Council Election	91	-	(36)	55	-	32	87
Homelessness	99	-	49	148	-	53	201
Renewal	33	-	5	38	-	4	42
Performance Reward Grant	262	-	(7)	255	(150)	(50)	55
Maritime	556	115	39	710	(7)	20	723
VAT	299	-	123	422	-	19	441
Pensions (Earmarked)	220	-	441	661	-	-	661
East Kent Services	-	-	292	292	-	462	754
New Homes Bonus	-	(75)	509	434	-	348	782
Housing Intervention	-	-	250	250	-	432	682
Economic Development & Regeneration	-	339	-	339	-	-	339
Pay and Reward	-	-	-	-	-	380	380
HRA Properties	-	-	500	500	-	-	500
	9,381	(482)	2,551	11,450	(770)	2,101	12,781
Revenue Appropriations							2,101
Funding for Capital Programme							(770)
Contributions from Reserves as per Movement in Reserves Statement							(1,331)

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Annex 2

HRA CAPITAL REPAIRS FUND BUDGET MONITORING 12-13							
Details	11-12 Budget Brought Forward	Original Budget 12-13	Revised Budget Approved by Cabinet 28th March 2013	Virement	Amended Capital Programme	Spend to Date 31/03/13	Budget Remaining
EAST KENT HOUSING MANAGED BUDGETS							
SOIL STACK HARBOUR TOWERS WINDOWS AND DOORS 10/11	53,708		15,000		15,000	14,355	645
HEATING 11/12	0		2,387		2,387	2,387	0
RE ROOFING 11/12	0		8,981		8,981	36,369	-27,388
REPLACE WINDOWS DOORS 11/12	0		0		0	51,235	-51,235
KITCHEN REPLACEMENTS 11/12	0		1,972		1,972	1,972	0
RE ROOFING 12/13		80,000	132,000		132,000	-132	132
REPLACE WINDOWS DOORS 12/13		0	1,660		1,660	31,467	100,533
KITCHEN & BATH REPLACEMENTS 12/13		840,000	435,000		435,000	2,212	-552
ELECTRICAL REWIRING 12/13		200,000	200,000		200,000	255,070	179,930
HEATING 12/13		300,000	300,000		300,000	209,775	-9,775
FIRE PRECAUTION WORKS 12/13		5,000	5,000		5,000	282,914	17,086
PLANNED REFURBISHMENTS 12/13		120,000	140,000		140,000	3,052	1,948
STRUCTURAL REPAIRS 12/13		100,000	60,000		60,000	103,790	36,210
THERMAL INSULATION 12/13		50,000	30,000		30,000	35,799	24,201
RAINWATER GOODS 12/13		20,000	26,121		26,121	27,124	2,876
DISABLED ADAPTATIONS 12/13		200,000	200,000		200,000	23,462	2,659
ESTATE IMPROVEMENTS 12/13		125,000	104,483		104,483	131,683	68,317
ESTATE REPOINTING 12/13		100,000	100,000		100,000	114,283	-9,800
SUB Total	53,708	2,140,000	1,762,604		1,762,604	1,413,181	349,423

THANET DISTRICT COUNCIL MANAGED BUDGETS							
NEWINGTON CENTRE DEVELOPMENT	46,493		262,493		262,493	0	262,493
NEWINGTON CENTRE DEVELOPMENT S106 FUNDED	7,053		0	90,283	90,283	90,283	0
NEW BUILD PROJECT			17,566		17,566	17,566	0
PURCHASE OF SUITABLE PROPERTIES	500,000	600,000	3,001,630		3,001,630	600,252	2,351,378
PURCHASE OF SUITABLE PROPERTIES S106 FUNDED	553,546	600,000	3,281,689	140,283	3,421,972	758,101	2,613,871
	607,254	2,740,000	5,044,293		5,184,576	2,171,282	2,963,295

Funded By

HRA Capital Programme	Brought Forward works	Original Capital Programme	Revised Capital Programme	Adjust for S106 Funding	Amended Capital Programme	Actual Outturn
HRA Capital Programme	607,254	2,740,000	5,044,293.00		5,184,576	2,171,282
Funded By						
Major Repairs Reserve	107,254	2,140,000	1,845,025		1,845,025	1,373,215
Revenue Contribution/HRA Reserves		600,000	2,699,268		2,513,520	472,036
HCA & S106 Grants				140,283	326,031	326,031
New Homes Reserve	500,000		500,000		500,000	
Shortfall Total	0	0	0		0	0

ANNUAL TREASURY MANAGEMENT REVIEW 2012/13

To: **Cabinet – 1 August 2013**

Main Portfolio Area: **Finance**

By: **Financial Services Manager**

Classification: **Unrestricted**

Summary: **This report summarises treasury management activity and prudential/treasury indicators for 2012/13.**

For Decision

1.0 Introduction and Background

1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2012/13. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.2 During 2012/13 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Governance & Audit Committee 13 December 2011, Council 19 January 2012).
- a mid-year (minimum) treasury update report (Governance & Audit Committee 11 December 2012, circulated to Members 10 June 2013).
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, this Council's Governance and Audit Committee has received quarterly treasury management update reports on 25 September 2012 and 21 March 2013.

1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

1.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee before they were reported to the full Council.

1.5 This report summarises:

- Capital activity during the year;
-

- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

Please note that the Council's 2012/13 accounts have not yet been audited and hence that the figures in this report are subject to change.

2.0 Executive Summary

- 2.1 During 2012/13, the Council complied with its legislative and regulatory requirements apart from the investment strategy limit as described in section 11.2. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	2011/12 Actual £000	2012/13 Original £000	2012/13 Actual £000
Capital expenditure	12,049	10,785	9,486
Capital Financing Requirement:			
• Non-HRA	19,209	22,111	19,450
• HRA	23,041	23,388	22,525
• Total	42,250	45,499	41,975
Net borrowing	7,445	22,625	2,519
External debt	26,721	30,625	26,122
Investments			
• Longer than 1 year	0	0	0
• Under 1 year	19,276	8,000	23,603
• Total	19,276	8,000	23,603

- 2.2 Other prudential and treasury indicators are to be found in the main body of this report. The Section 151 Officer also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit (the authorised limit) was not breached.
- 2.3 The financial year 2012/13 continued the challenging investment environment of previous years, namely low investment returns.

3.0 The Council's Capital Expenditure and Financing 2012/13

- 3.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

3.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£000 General Fund	2011/12 Actual	2012/13 Estimate	2012/13 Actual
Capital expenditure	8,760	8,045	7,315
Financed in year	8,760	4,484	6,417
Unfinanced capital expenditure	0	3,561	898

£000 HRA	2011/12 Actual	2012/13 Estimate	2012/13 Actual
Capital expenditure	3,289	2,740	2,171
Financed in year	3,289	2,740	2,171
Unfinanced capital expenditure	0	0	0

4.0 The Council's Overall Borrowing Need

- 4.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2012/13 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 4.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWL] or the money markets), or utilising temporary cash resources within the Council.
- 4.3 **Reducing the CFR** – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

- 4.4 The total CFR can also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2012/13 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2012/13 on 19 January 2012.

- 4.5 The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable).

CFR (£000): General Fund	31 March 2012 Actual	31 March 2013 Budget	31 March 2013 Actual
Opening balance	19,898	19,209	19,209
Add unfinanced capital expenditure (as above)	0	3,561	898
Less MRP/VRP*	(689)	(659)	(657)
Less PFI & finance lease repayments	0	0	0
Closing balance	19,209	22,111	19,450

CFR (£000): HRA	31 March 2012 Actual	31 March 2013 Budget	31 March 2013 Actual
Opening balance	23,966	23,388	23,041
Add unfinanced capital expenditure (as above)	0	0	0
HRA loan repayments	(925)	0	(516)
Less VRP*	0	0	0
Less PFI & finance lease repayments	0	0	0
Closing balance	23,041	23,388	22,525

* Includes voluntary application of capital receipts

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

- 4.6 **Net borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term, the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2012/13 plus the expected changes to the CFR over 2013/14 and 2014/15 from financing the capital programme. This indicator allows the Council some

flexibility to borrow in advance of its immediate capital needs in 2012/13. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

- 4.7 It should be noted that this indicator is changing to compare gross borrowing to the CFR with effect from 2013/14; this is expected to provide a more appropriate indicator.

£000	31 March 2012 Actual	31 March 2013 Budget	31 March 2013 Actual
Net borrowing position	7,445	22,625	2,519
CFR	42,250	45,499	41,975

- 4.8 **The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2012/13 the Council has maintained gross borrowing within its authorised limit.

- 4.9 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

- 4.10 **Actual financing costs as a proportion of 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.

£000	2012/13
Authorised limit	£50,000
Maximum gross borrowing position	£36,000
Operational boundary	£43,000
Average gross borrowing position	£26,573
Financing costs as a proportion of net revenue stream	6.35%

5.0 Treasury Position as at 31 March 2013

- 5.1 The Council's debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the beginning and the end of 2012/13 the Council's treasury (excluding borrowing by PFI and finance leases) position was as follows:

£000	31 March 2012 Principal	Rate/ Return	Average Life yrs	31 March 2013 Total Principal	31 March 2013 HRA Principal	31 March 2013 GF Principal	Rate/ Return	Average Life yrs
Fixed rate funding:								
-PWLB	22,221	5.34%	13.4	21,622	18,645	2,977	4.62%	12.7
-Market	4,500	4.19%	0.5	4,500	3,880	620	4.19%	0.5
Variable rate funding:								
-PWLB	0			0	0	0		
-Market	0			0	0	0		
Total debt	26,721	5.16%	11.2	26,122	22,525	3,597	4.55%	10.5
CFR	42,250			41,975	22,525	19,450		
Over / (under) borrowing	(15,529)			(15,853)	0	(15,853)		
Investments:								
- in house	19,276	0.78%		23,603			0.75%	
- with managers	0			0				
Total investments	19,276	0.78%		23,603			0.75%	

5.2 The maturity structure of the debt portfolio was as follows:

£000	31 March 2012 actual	2012/13 original limits	31 March 2013 actual
Under 12 months	5,099	6,530	6,420
12 months and under 24 months	1,920	7,837	0
24 months and under 5 years	960	10,449	960
5 years and under 10 years	8,640	13,061	8,640
10 years and under 20 years	4,320	11,755	4,320
20 years and under 30 years	3,862	11,755	3,862
30 years and under 40 years	1,920	13,061	1,920
40 years and under 50 years	0	13,061	0
50 years and above	0	13,061	0
Total debt	26,721		26,122

All investments were for under one year.

5.3 The exposure to fixed and variable rates was as follows:

£000	31 March 2012 Actual	2012/13 Original Limits	31 March 2013 Actual
Fixed rate	26,721 debt 0 investments	50,000 debt 35,000 investments	26,122 debt 3,700 investments
Variable rate	0 debt 19,276 investments	50,000 debt 35,000 investments	0 debt 19,903 investments

6.0 The Strategy for 2012/13

6.1 The expectation for interest rates within the strategy for 2012/13 anticipated low but rising Bank Rate (starting in quarter 3 of 2013), with similar gradual rises in medium and longer term fixed borrowing rates over 2012/13. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

6.2 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.

6.3 The actual movement in gilt yields meant that PWLB rates fell during the first quarter of the year to historically low levels. This was caused by a flight to quality into UK gilts from EU sovereign debt, and from shares, as investors became concerned about the potential for a Lehman's type crisis of financial markets, if the Greek debt crisis were to develop into a precipitous default and exit from the Euro. During the second and third quarters, rates rose gradually and agreement of a second bail out for Greece in December saw the flight to quality into gilts reverse somewhat, as confidence rose that the Eurozone crisis was finally subsiding. However, gilt yields then fell back again during February and March as Eurozone concerns returned, with the focus now shifting to Cyprus, and flight to quality flows into gilts resumed. This was a volatile year for PWLB rates, driven by events in the Eurozone which oscillated between crises and remedies.

7.0 Sector's Review of the Economy and Interest Rates (issued by Sector on 29 April 2013)

7.1 **Sovereign debt crisis.** The EU sovereign debt crisis was an ongoing saga during the year. However, the ECB statement in July that it would do "whatever it takes" to support struggling Eurozone countries provided a major boost in confidence that the Eurozone was (at last) beginning to get on top of its problems. This was followed by the establishment of the Outright Monetary Transactions Scheme in September. During the summer, a €100bn package of support was given to Spanish banks. The crisis over Greece blew up again as it became apparent that

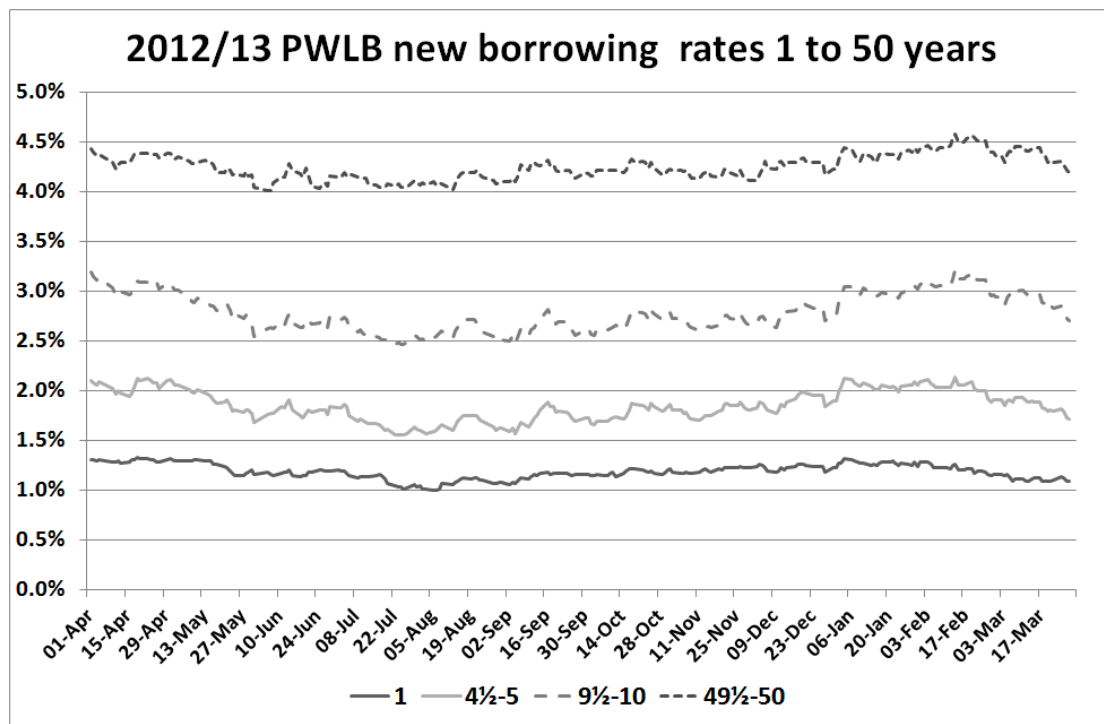
the first bailout package was insufficient. An eventual very protracted agreement of a second bailout for Greece in December was then followed by a second major crisis, this time over Cyprus, towards the end of the year. In addition, the Italian general election in February resulted in the new Five Star anti-austerity party gaining a 25% blocking vote; this has the potential to make Italy almost ungovernable if the grand coalition formed in April proves unable to agree on individual policies. This could then cause a second general election – but one which could yield an equally ‘unsatisfactory’ result! This result emphasises the dangers of a Eurozone approach heavily focused on imposing austerity, rather than promoting economic growth, reducing unemployment, and addressing the need to win voter support in democracies subject to periodic general elections. This weakness leaves continuing concerns that this approach has merely postponed the ultimate debt crisis, rather than provide a conclusive solution. These problems will, in turn, also affect the financial strength of many already weakened EU banks during the expected economic downturn in the EU. There are also major questions as to whether the Greek Government will be able to deliver on its promises of cuts in expenditure and increasing tax collection rates, given the hostility of much of the population.

- 7.2 **The UK coalition Government** maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Moody’s followed up this warning by actually downgrading the rating to AA+ in February 2013 and Fitch then placed their rating on negative watch, after the Budget statement in March. Key to retaining the AAA rating from Fitch and S&P will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within a reasonable timeframe.
- 7.3 **UK growth.** 2012/13 started the first quarter with negative growth of -0.4%. This was followed by an Olympics boosted +0.9% in the next quarter, then by a return to negative growth of -0.3% in the third quarter and finally a positive figure of +0.3% in the last quarter. This weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing (QE) by £50bn in July to a total of £375bn on concerns of a downturn in growth and a forecast for inflation to fall below the 2% target. QE was targeted at further gilt purchases. In the March 2013 Budget, the Office of Budget Responsibility yet again slashed its previously over optimistic growth forecasts, for both calendar years 2013 and 2014, to 0.6% and 1.8% respectively.
- 7.4 **UK CPI inflation** has remained stubbornly high and above the 2% target, starting the year at 3.0% and still being at 2.8% in March; however, it is forecast to fall to 2% in three years time. The MPC has continued its stance of looking through temporary spikes in inflation by placing more importance on the need to promote economic growth.
- 7.5 **Gilt yields** oscillated during the year as events in the ongoing Eurozone debt crisis ebbed and flowed, causing corresponding fluctuations in safe haven flows into / out of UK gilts. This, together with a further £50bn of QE in July and widely expected further QE still to come, combined to keep PWLB rates depressed for much of the year at historically low levels.
- 7.6 **Bank Rate** was unchanged at 0.5% throughout the year, while expectations of when the first increase would occur were pushed back to quarter 1 2015 at the earliest.
- 7.7 **Deposit rates.** The Funding for Lending Scheme, announced in July, resulted in a flood of cheap credit being made available to banks and this has resulted in

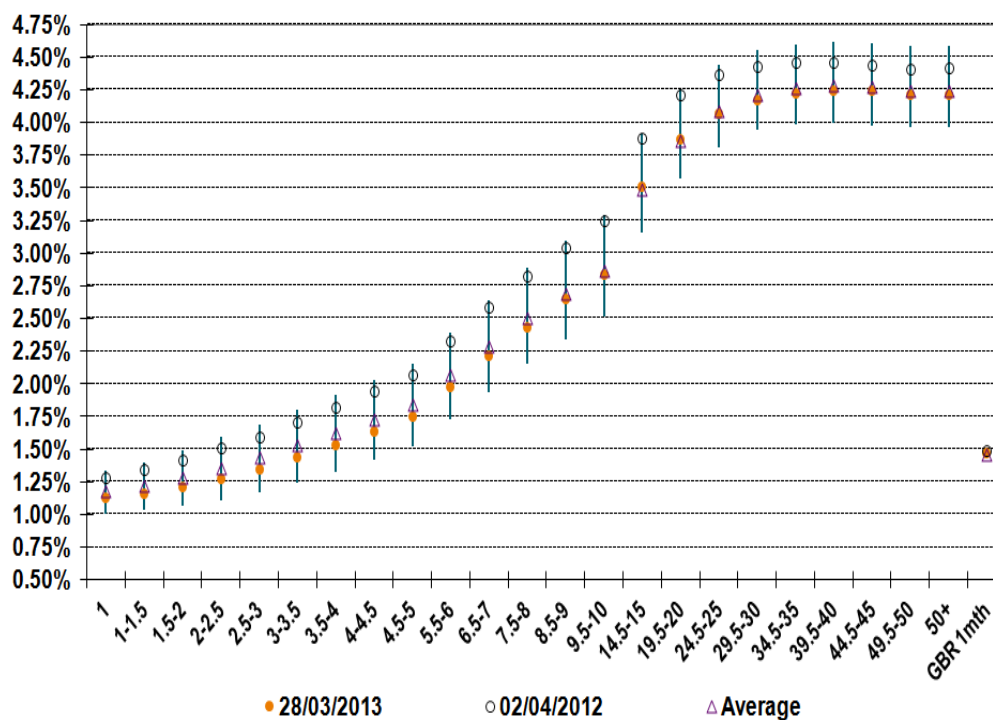
money market investment rates falling sharply in the second half of the year. However, perceptions of counterparty risk have improved after the ECB statement in July that it would do “whatever it takes” to support struggling Eurozone countries. This has resulted in some return of confidence to move away from only very short term investing.

8.0 Borrowing Rates in 2012/13

8.1 **PWLB borrowing rates** - the graphs and table for PWLB maturity rates below show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.



PWLB rate variations in 2012-13



PWLB borrowing rates 2012/13 for 1 to 50 years									
	1	1-1.5	2.5-3	3.5-4	4.5-5	9.5-10	24.5-25	49.5-50	1 month variable
2/4/12	1.290%	1.350%	1.600%	1.820%	2.070%	3.250%	4.370%	4.410%	1.490%
28/3/13	1.130%	1.160%	1.350%	1.540%	1.750%	2.840%	4.070%	4.220%	1.470%
High	1.330%	1.400%	1.690%	1.910%	2.150%	3.290%	4.440%	4.590%	1.500%
Low	1.000%	1.030%	1.170%	1.320%	1.520%	2.520%	3.810%	3.960%	1.440%
Average	1.185%	1.229%	1.440%	1.631%	1.847%	2.871%	4.094%	4.250%	1.467%
Spread	0.330%	0.370%	0.520%	0.590%	0.630%	0.770%	0.630%	0.630%	0.060%
High date	20/4/12	20/4/12	20/4/12	20/4/12	20/4/12	20/2/13	20/2/13	20/2/13	18/4/12
Low date	2/8/12	2/8/12	23/7/12	23/7/12	23/7/12	23/7/12	18/7/12	1/6/12	24/10/12

9.0 Borrowing Outturn for 2012/13

9.1 **Treasury Borrowing** – Council debt with PWLB at 31 March 2013 was:

Lender	Principal £000	Principal HRA £000	Principal GF £000	Interest Rate %	Maturity Date	Start Date
PWLB	1,920	1,656	264	10.375	31/12/13	25/02/86
PWLB	960	828	132	2.75	03/05/15	07/05/10
PWLB	960	828	132	3.84	31/03/19	07/05/10
PWLB	3,840	3,311	529	3.57	01/10/19	15/10/09
PWLB	3,840	3,311	529	3.31	15/09/21	15/09/11
PWLB	584	503	81	4.875	30/06/24	12/03/99
PWLB	1,816	1,566	250	4.875	30/06/24	12/03/99
PWLB	1,920	1,656	264	4.04	01/10/29	15/10/09
PWLB	22	19	3	11.625	05/08/33	25/09/73
PWLB	3,840	3,311	529	4.42	31/12/35	24/01/08
PWLB	1,920	1,656	264	4.22	01/10/49	15/10/09
Market	4,500	3,880	620	4.19	09/06/65	09/06/05
Total	26,122	22,525	3,597			

The Market Loan is subject to six monthly LOBO (Lender Option Borrower Option) arrangements.

9.2 Borrowing

Due to investment concerns, both counterparty risk and low investment returns, no borrowing was undertaken during the year.

9.3 Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

9.4 Repayments

On 31/12/12 the Council repaid £598k of maturing debt (having a rate of 10.125%) using investment balances.

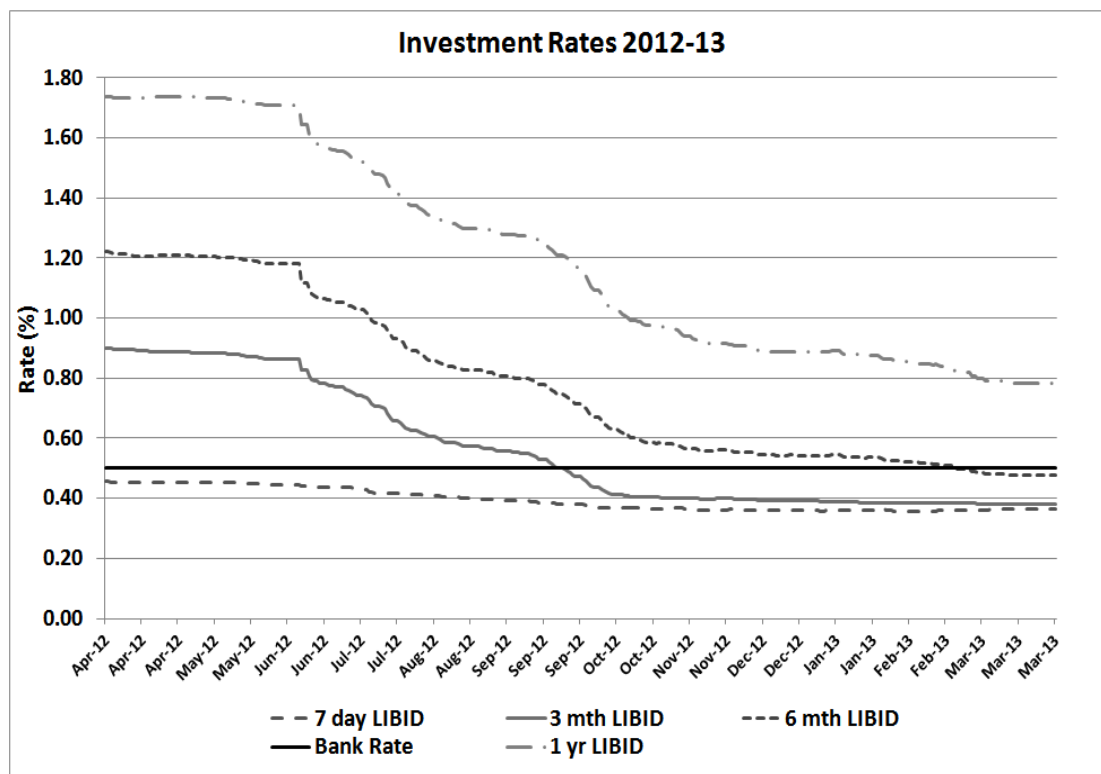
9.5 Summary of debt transactions

Management of the debt portfolio resulted in a fall in the average interest rate of 0.61%, representing a net saving of £160k p.a.

10.0 Investment Rates in 2012/13

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for four years. Market expectations of the start of monetary tightening were pushed back during the year to early 2015 at the earliest. The Funding for Lending Scheme resulted in a sharp fall in deposit rates in the second half of the year.

Money market investment rates 2012/13						
	overnight	7 day	1 month	3 month	6 month	1 year
1/4/12	0.432	0.457	0.571	0.902	1.221	1.738
31/3/13	0.361	0.365	0.371	0.382	0.478	0.784
High	0.432	0.457	0.571	0.902	1.221	1.739
Low	0.348	0.355	0.366	0.382	0.476	0.783
Average	0.382	0.394	0.428	0.564	0.782	1.207
Spread	0.084	0.102	0.205	0.520	0.744	0.956
Date	1/4/12	1/4/12	1/4/12	1/4/12	1/4/12	24/4/12
Date	31/12/12	31/1/13	29/1/13	1/3/13	13/3/13	19/3/13



11.0 Investment Outturn for 2012/13

11.1 **Investment Policy** – the Council’s investment policy is governed by CLG guidance, which was been implemented in the annual investment strategy approved by the Council on 19 January 2012. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

11.2 One of the proposed changes to the annual investment strategy set out in the Mid Year Review Report presented to the Governance & Audit Committee meeting on 11 December 2012 was:

“A negative rating watch applying to a counterparty at the minimum Council criteria may be, rather than will be, removed from the list. The decision on whether to remove the counterparty will be in line with advice from the Council’s external treasury consultancy (Sector).”

The Council had no liquidity difficulties during the year and, apart from this proposed change, the approved limits within the annual investment strategy were not breached during the year.

- 11.3 **Resources** – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

Balance Sheet Resources (£000)	31 March 2012	31 March 2013
Balances (General Fund & HRA)	11,887	12,422
Earmarked reserves (incl MRR & Capital Grants Unapplied)	13,063	16,632
Usable capital receipts	1,598	1,619
Total	26,548	30,673

- 11.4 **Investments held by fund managers** – the Council does not use external fund managers and hence no investments were held by fund managers in 2012/13.
- 11.5 **Investments held by the Council** - the Council maintained an average balance of £30,985k of internally managed funds. The internally managed funds earned an average rate of return of 0.75%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.39%. This compares with a budget assumption of £20,000k investment balances earning an average rate of 0.90%.

12.0 Performance Measurement

- 12.1 One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide (as incorporated in the table in section 5). The Council’s performance indicators were set out in the Annual Treasury Management Strategy.

- 12.2 This service has set the following performance indicators:

- Investments – internal returns above the 7 day LIBID rate.

The Council exceeded this return as reported above, achieving an average investment rate of 0.75% compared to the average 7 day LIBID rate of 0.39%.

The Council’s maximum security risk benchmark for the investment portfolio, when compared to historic default tables, was set as follows:

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

The Section 151 Officer can report that liquidity of investments were within this criteria throughout 2012/13.

- 12.3 Liquidity – The Council set facilities/benchmarks to maintain:

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £5m available with a week’s notice
- Weighted Average Life benchmark is expected to be 0.5 years, with a maximum of 1 year.

The Section 151 Officer can report that liquidity of investments were within this criteria throughout 2012/13.

13.0 Options

13.1 That Cabinet:

- Approve the actual 2012/13 prudential and treasury indicators in this report.
- Approve the annual treasury management report for 2012/13.
- Recommend this report to Council.

14.0 Corporate implications

14.1 Financial and VAT

There are no financial or VAT implications arising directly from this report.

14.2 Legal

This report is required to be brought before the Governance and Audit Committee, Cabinet and Council for approval, under the CIPFA Treasury Management Code of Practice.

14.3 Corporate

This report evidences that the officers are continuing to carefully manage the risk associated with the Council's treasury management activities.

14.4 Equity and Equalities

There are no equality or equity issues resulting from this report.

15.0 Recommendations

15.1 The Governance and Audit Committee, at its 26 June 2013 meeting, recommended that Cabinet:

- Approve the actual 2012/13 prudential and treasury indicators in this report;
- Approve the annual treasury management report for 2012/13;
- Recommend this report to Council.

16.0 Decision Making Process

16.1 This report is to go to Cabinet and then Council for approval.

The Cabinet meeting is on 1 August 2013 and Council meeting is on 3 October 2013.

17.0 Disclaimer

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

Contact Officer:	Matthew Sumner – Capital and Treasury Accountant
Reporting to:	Sarah Martin – Financial Services Manager

Annex List

None	N/A
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Background Papers

Title	Where to Access Document
None	N/A

Corporate Consultation Undertaken

Finance:	N/A
Legal:	N/A

BUDGET MONITORING REPORT 2013/14

To: **Cabinet – 01 August 2013**

Main Portfolio Area: **Financial Services**

By: **Financial Services Manager**

Classification: **Unrestricted**

Ward: **All**

Summary: **To inform Cabinet of the latest budget monitoring position against the General Fund, Housing Revenue Account and capital programme for 2013/14; and of proposed improvements to the monitoring of debt.**

For Decision

1.0 Introduction

- 1.1 This report enables Cabinet to take an informed view of the likely financial impact of the current restriction on non-essential spending on the projected out-turn for the General Fund, as well as the likely outturn on the Housing Revenue Account and capital programme for 2013/14. The report summarises the main issues, with the detail being provided in the annexes.
- 1.2 In addition the report recommends a tightening up of the procedures for monitoring and reporting of debt.

2.0 Summary Outturn Position for the General Fund 2013/14

- 2.1 At the time of writing this report budget monitoring had not been undertaken for the first quarter to 30 June of the financial year 2013/14, however, a review has been undertaken of the impact of the current restriction on non-essential spending. A more detailed budget monitoring report will be brought to Cabinet in September covering the period to the end of July 2013.
- 2.2 Following Transeuropa ceasing operations, an exercise has been undertaken to assess the impact of the loss of the Transeuropa income and to review the running costs of the Port and Harbour. After terminating contracts wherever possible and cutting back on running costs, the Council is left with circa £836k worth of savings being required to balance the 2013/14 monitoring position. This assumes that there will be no other major variations in income or expenditure for the remainder of the year.
- 2.3 In order to close the above gap, a restriction has been imposed on non-essential spending. Wherever possible, managers have been tasked with reducing day-to-day spending or delaying spend. This restriction has now been in place for a month and so Financial Services have reviewed the impact on the potential outturn position to date. Obviously it is too early in the financial year to predict with any certainty whether this will have the desired impact, but based on last month's data, if Managers were to continue to spend in a prudent way and there were to be no major deviations from fee income or unforeseen expenditure,

the Council will be able to cover the projected deficit. The current projection will be carefully monitored over the coming months and corrective action will be taken if necessary to bring the budget back to a balanced budget position.

- 2.4 More detailed monitoring will be undertaken with Managers moving forward and any variations from this position reported at the earliest opportunity to allow for remedy.

3.0 Housing Revenue Account

- 3.1 The HRA has no major variances to report at this stage from the budget agreed at Full Council, with the exception of the request to utilise £100k of HRA balances as per paragraph 4.5 below in respect of a revenue contribution for the buy back scheme. In addition, there has been slippage against the 2012/13 Margate Intervention and Ramsgate Empty Homes programme for which a revenue contribution of £1.8m was approved. This revenue contribution will now slip to 2013/14. As a result of the above, the revenue contribution to the capital programme now shows a £1.9m variance. A detailed breakdown is shown at **Annex 2**.

4.0 Capital Programme

- 4.1 Currently there is concern that the capital receipts from asset disposals will not be achievable: the receipt from Albion House sale was not received during 2012/13 as budgeted and it is unlikely that the receipt from Staffordshire Street Car Park will now be achieved during this financial year. As a result of this it is projected that there could be a substantial shortfall in capital receipts of approximately £900k. Following on from the closedown process, the slippage in relation to 2012/13 is now being reviewed alongside the 2013/14 programme. A revised capital programme will be brought back for Member approval to agree a balanced capital programme in September.
- 4.2 Changes from the approved programme include the removal of the Coastal Communities funding for the Sunshine Café as the council was unsuccessful in its recent bid. The disabled facilities grants funded from the Department of Communities and Local Government has been adjusted to match the final award figure. Further funding has been identified for the shortfall required to complete the skate park project. This is made up of £24k section 106 monies (this has come from Youth and Community S106 monies which is available for all three skate parks) and £11k from KCC Member grant funding for the skate park at Broadstairs. A small revenue contribution has been made against the Waste DLO for the purchase of new wheelie bins. The detailed Capital Programme is shown at **Annex 1**
- 4.3 The latest capital programme for 2013/14 for the Housing Revenue Account is shown at **Annex 3**. Due to difficulties with the delivery of the Kitchen and Bathroom programme the contract will be re-tendered. However, in the interim Mears will provide support for works of an emergency nature that is required during the re-tender period. There are some small over spends showing against electrical wiring 2012/13 and estate improvements 2012/13 within the East Kent Housing budgets which are currently being investigated and will be reported to Members in the next budget monitoring report.
- 4.4 There have been 3 listed buildings identified in Trinity Square that require a large amount of capital works to them outside of the agreed capital programme. It is therefore requested that a further £100k is included within the capital programme to be funded from the HRA major repairs reserve.
- 4.5 A review has been undertaken of the Council's right to exercise its right to 'buy back' right to buy properties and whilst in the past it is an area the Council has not pursued, it is now

an option that the Council would like to take up. It is therefore requested that a further sum of £100k is drawn from HRA balances. Further details of the Buy Back scheme have been provided in **Annex 4**.

5.0 Reporting of Balance Sheet Debt

5.1 The Council's budget monitoring arrangements currently cover the forecast outturn for the General Fund revenue and capital budgets as well as the Housing Revenue Account. In line with generally accepted accounting practice the income figures within the revenue account reflect the value of services invoiced rather than paid; with the unpaid invoices being reflected within the balance sheet debtor accounts. As a result debts, including those of substantial value, are not reported to Cabinet or Council, until they are deemed to be irrecoverable, at which time they may be reported to Cabinet for write off, if they exceed £20,000.

5.2 As the level of aged debt is an important indicator of the financial risk being carried by the Council it is proposed that the Financial Procedure Rules be amended to include the requirement to report to Council any debt owed by an organisation, or its subsidiaries, where it exceeds £150,000. The report will also include details of the debt recovery measures in place. Debt will only be reported after it has become 'aged', i.e. falls outside of the Council's standard payment terms of 90 days, to the next available ordinary council meeting.

6.0 Corporate Implications

6.1 Financial

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

6.2 Legal

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

6.3 Corporate

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

6.4 Equity and Equalities

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

7.0 Recommendations

7.1 That Cabinet notes the projected outturn position for 2013/14 for the General Fund.

7.2 That Cabinet notes the current Housing Revenue Account position.

7.3 That Cabinet notes the General Fund and Housing Revenue Account Capital Programmes.

7.4 That Cabinet agree for £100k to be drawn down from the Major Repairs Reserve to fund capital works to 3 listed buildings within the HRA.

- 7.5 That Cabinet agree for £100k to be utilised from reserves to fund the purchase of a Buy Back Scheme, to be administered as per annex 4.
- 7.6 That Cabinet recommend to Constitutional Review Working Party a revision of Financial Procedure Rules which requires the reporting of aged debts over £150,000 to Council.

Contact Officer:	Matthew Sanham (GF), Tel. (01843) 577227
Contact Officer:	Nicola Walker (HRA and Capital), Tel. (01843) 577236
Reporting to	Sarah Martin – Financial Services Manager

Annex List

Annex 1	General Fund Capital Programme
Annex 2	Housing Revenue Account
Annex 3	HRA Capital Programme
Annex 4	Right to Buy- Buy Back Scheme

Background Papers

Title	Where to Access Document
None	N/A

Corporate Consultation Undertaken

Finance	Sarah Martin – Financial Services Manager
Legal	N/A

Capital Programme 2013/14	Total Brought Forward Budget From 2012/13	External Funding 2013/14	TDC Budget 2013/14	Virement or Slippage Ext Funding	Virement or Slippage TDC	Revised Capital Budget 2013/14 to Cabinet	Committed Spend to Date 30/06/13	Budget Remaining
Business Services								
Authentication-Project	17,500.00		17,500.00			35,000.00	0.00	35,000.00
Dip/Workflow (Bid04)	23,880.38		48,430.00			72,310.38	5,347.56	66,962.82
Electronic Information Storage	15,236.64					15,236.64	0.00	15,236.64
Email Archive Hardware and Software	10,615.27					10,615.27	0.00	10,615.27
Serv-Dev Electronic Interfaces	20,000.00		20,000.00			40,000.00	0.00	40,000.00
Community Services								
Coastal Communities Fund - Sunshine Café	0.00	1,050,000.00		-1,050,000.00		0.00	0.00	0.00
Disabled Facilities Grants	0.00	1,079,000.00		4,717.00		1,083,717.00	518,872.45	564,844.55
Disabled Facilities Grants - TDC Contribution	599,507.64		300,000.00			899,507.64	0.00	899,507.64
Dreamland- TDC	990,566.77		3,794,991.00			4,785,557.77	490,776.00	4,294,781.77
Dreamland - HLF	803,374.11	2,157,240.00				2,960,614.11	9,762.90	2,950,851.21
Empty Properties Initiative	63,750.00					63,750.00	0.00	63,750.00
Historic Town Centre Grants - HLF	9,063.64					9,063.64	-7,824.19	16,887.83
Historic Town Centre Grants - TDC Contribution	9,723.35					9,723.35	-7,824.18	17,547.53
Dalby Square - HLF	198,000.00	686,370.00				884,370.00	0.00	884,370.00
Dalby Square - NHB	66,700.00		140,300.00			207,000.00	0.00	207,000.00
Margate Pedestrian Connections	24,345.12					24,345.12	0.00	24,345.12
Planning Projects	30,608.75					30,608.75	0.00	30,608.75
Playground Equip/Works - Private Sector	8,263.89					8,263.89	0.00	8,263.89
Private Sector Housing - RHB	111,199.68					111,199.68	-4,471.75	115,671.43
Redevelopment of Newington Centre - S106	100,514.56					100,514.56	0.00	100,514.56
Redevelopment of Newington Centre - S106	40,648.32					40,648.32	1,404.79	39,243.53
Staplepark	150,000.00			36,390.00		186,390.00	0.00	186,390.00
Swimming Pool /Sports Hall Essential Capital Repairs	75,000.00		50,000.00			125,000.00	0.00	125,000.00
Swimming Pool Adjacent to Ramsgate Sports Centre	24,327.19					24,327.19	5,185.00	19,142.19

Operational Services										
Allotments	32,888.13							32,888.13	1,755.00	31,133.13
Broadstairs Town Centre Properties	42,500.00						42,500.00	0.00	0.00	42,500.00
Cecil Street Solar Panels - TDC	1,001.86						1,001.86	0.00	0.00	1,001.86
Crematorium Solar Panels	18,844.15						18,844.15	7,550.00	11,294.15	
Coast Protection - Pegwell Bay	51,030.51						51,030.51	10,918.09	40,112.42	
Coast Protection-Margate Old Town	215,943.26						215,943.26	203,548.05	12,395.21	
Cremator Works	27,000.00						27,000.00	2,600.00	24,400.00	
Crematorium Office Upgrade	0.00			40,000.00			40,000.00	0.00	40,000.00	
Crematorium Car Park Extension	0.00			100,000.00			100,000.00	0.00	100,000.00	
Dane Valley Estate - Fencing	25,032.36						25,032.36	0.00	25,032.36	
Grounds Maintenance Replace Mowers and Vehicles	0.00			144,000.00			144,000.00	75,000.00	69,000.00	
Margate Cemetary - Extension	0.00			140,000.00			140,000.00	0.00	140,000.00	
North Thanet Coast Line Capital Sea Wall Construction Scheme	0.00	560,000.00					560,000.00	0.00	560,000.00	
Pegwell Walkway	92,825.28						92,825.28	0.00	92,825.28	
Port of Ramsgate - Terminal Tractor	0.00			100,000.00			100,000.00	0.00	100,000.00	
Public Conveniences	33,711.97			142,000.00			175,711.97	1,469.75	174,242.22	
Ramsgate Marina Eastern Pontoons	0.00			125,000.00			125,000.00	0.00	125,000.00	
Ramsgate Marina Water Supply Upgrade	0.00			50,000.00			50,000.00	0.00	50,000.00	
Replacement of Waste Collection Fleet	0.00	1,145,833.00		2,919,167.00			4,065,000.00	0.00	4,065,000.00	
Waste DLO	0.00						9,954.00	9,954.00	0.00	
Waste Transfer Station	0.00			216,522.00			216,522.00	0.00	216,522.00	
Yacht Valley Project – Interreg Funding	91,610.00						91,610.00	37,687.78	53,922.22	
Yacht Valley Project	91,610.01						91,610.01	42,000.30	49,609.71	
	4,116,822.84	6,678,443.00	8,347,910.00	-1,008,893.00	9,954.00	18,144,236.84	1,403,711.55	16,740,525.29		

Capital Salaries

75,000.00

75,000.00

15,101,353.00 -1,008,893.00 9,954.00 18,219,236.84

Annex 2
Housing Revenue Account - 30th June 2013

	2013/14 Original Budget Estimate	2013/14 Working Budget Estimate	2013/14 Outturn	Variance
	£'000	£'000	£'000	£'000
<u>INCOME</u>				
Dwelling Rents (gross)	-12,426	- 12,426	- 12,426	-
Non-dwelling Rents (gross)	-220	- 220	- 220	-
Charges for services and facilities	-315	- 315	- 315	-
Contributions towards expenditure	-294	- 294	- 294	-
Other Charges for services & facilities	-11	- 11	- 11	-
				-
Sub Total	- 13,266	- 13,266	- 13,266	-
				-
<u>EXPENDITURE</u>				
Repairs & Maintenance	3,191	3,191	3,191	-
Supervision and management-General	2,808	2,808	2,808	-
Supervision and management-Special	509	509	509	-
Rents, rates, taxes and other charges	253	253	253	-
Increased provision for bad or doubtful debts	220	220	220	-
Depreciation and impairments of fixed assets	3,438	3,438	3,438	-
Capital expenditure funded from HRA	3,023	3,023	4,936	1,913
Debt Management Costs	8	8	8	-
Non-service specific expenditure	1,200	1,200	1,200	-
				-
Sub Total	14,650	14,650	16,563	1,913
				-
Sub Total: Net Costs of Services	1,384	1,384	3,297	1,913
				-
HRA Investment Income	- 81	- 81	- 81	-
Debt Interest Charges	960	960		

Government Grants and Contributions	-1050	-	1,050	960	-	1,050
Adjustments made between accounting basis and funding basis	1438		1,438	1,438		
Sub Total: Surplus(-)/Deficit for the Year	2,651		2,651	4,564		1,913
HRA Surplus at 1 April 2013	-	10,244	-	10,244	-	10,244
Estimated HRA Surplus at 31 March 2014	-	7,593	-	7,593	-	5,680

Annex 3

HRA CAPITAL REPAIRS FUND BUDGET MONITORING 13-14						
Details	12-13 Budget Brought Forward	Budget 13-14	Virement	Budget for Cabinet to Approve	Committed Spend to Date 01/07/13	Budget Remaining
EAST KENT HOUSING MANAGED BUDGETS						
SOIL STACK HARBOUR TOWERS	645			645	0	645
RE ROOFING 12/13	100,533			100,533	0	100,533
REPLACE WINDOWS DOORS 12/13 KITCHEN & BATH REPLACEMENTS 12/13	0			0	120	-120
ELECTRICAL REWIRING 12/13	179,930			179,930	7,101	172,829
HEATING 12/13	0			0	4,821	-4,821
FIRE PRECAUTION WORKS 12/13	17,086			17,086	0	17,086
PLANNED REFURBISHMENTS 12/13	1,948			1,948	0	1,948
STRUCTURAL REPAIRS 12/13	36,210			36,210	0	36,210
THERMAL INSULATION 12/13	24,201			24,201	0	24,201
RAINWATER GOODS 12/13	2,876			2,876	2,562	314
DISABLED ADAPTATIONS 12/13	2,659			2,659	0	2,659
ESTATE IMPROVEMENTS 12/13	68,317			68,317	28,730	39,587
ESTATE REPOINTING 12/13	0			0	15,350	-15,350
RE ROOFING 13/14	13,636			13,636	881	12,755
KITCHEN & BATH REPLACEMENTS 13/14		30,000		30,000	0	30,000
ELECTRICAL REWIRING 13/14	505,000	840,000		1,345,000	12,031	1,332,969
HEATING 13/14		200,000		200,000	0	200,000
FIRE PRECAUTION WORKS 13/14		300,000		300,000	29,914	270,086
PLANNED REFURBISHMENTS 13/14		5,000		5,000	97	4,903
THERMAL INSTALLATION 13/14		50,000		50,000	16,651	33,349
DISABLED ADAPTATIONS 13/14		50,000		50,000	1,486	48,514
ESTATE IMPROVEMENTS 13/14		200,000		200,000	5,485	194,515
ESTATE REPOINTING 13/14		125,000		125,000	0	125,000
WORKS TO TRINITY SQ PROPS		100,000	100,000	100,000	983	99,017
SUB Total	953,041	1,900,000	100,000	2,953,041	126,213	2,826,828

THANET DISTRICT COUNCIL MANAGED BUDGETS							
NEWINGTON CENTRE DEVELOPMENT	261,894					261,894	1,405
PURCHASE OF SUITABLE PROPERTIES	2,951,752		4,073,000			7,024,752	305,631
BUY BACK SCHEME				100,000		100,000	
	3,213,646		0.00	100,000		7,386,646	307,036
CAPITAL PROGRAMME TOTAL	4,166,687		5,973,000	200,000		10,339,687	433,248

Funded By	Brought Forward	Budget 2013-14	Adjustment	Revised Budget
Major Repairs Allowance & Reserve	1,214,935	1,900,000	100,000.00	3,214,935
Revenue Contribution	1,813,750	3,023,000	100,000.00	4,936,750
Capital Grant	638,002	1,050,000		1,688,002
Capital RTB Receipts				-
New Properties Reserve	500,000			500,000
Total	4,166,687	5,973,000	200,000	10,339,687

Right to Buy – Buy Back Scheme

Annex 4

- 1.0 Under Section 156 A of the Housing Act 1985 there is the provision for the Right of First refusal to the Council when a property is sold through Right to Buy. This provision takes effect from the date of the original sale for a period of ten years.
- 1.1 When a property is sold, or proposed to be sold, the seller, usually through their solicitor makes a request to the Council as to whether they wish to exercise the Right of First Refusal. The Council should respond within eight weeks as to whether they wish to exercise the right and repurchase the property, which should be at market value.
- 1.2 If a response is given not to repurchase a rejection notice is served on the Owner. The Council completes the necessary paperwork in order to advise that S156 A has been complied with to enable the Land Registry to register the subsequent transfer to a new purchaser.
- 1.3 If the Council accepts the owner's request to purchase it must be completed within a fixed time scale or the owner is free to dispose of the property on the open market.
- 1.4 Within the re-invigorated Right to Buy scheme the Council still retains the ability to utilise capital receipts from Right to Buy sales. However, the amount of receipt permitted to be used to buy back former Council properties is low. Only 6.5% of the net value (after administration and debt costs) of all Right to Buy receipts can be used to fund up to 50% of the purchase price of the property.
- 1.5 Therefore, there is a need to top up the shortfall in funding by a further £100k from HRA reserves in order to effect suitable purchases.
- 1.6 With the demand for housing within the Thanet area high the application of the Buy Back scheme is intended to assist with the programme of increasing the Council owned housing stock. At a recent East Kent Housing Tenant Forum representation was made for the authority to Buy Back Right to Buy properties.
- 1.7 The Director of Community Services already has delegated authority with regard to the Right to Buy scheme under section DCS449E of the Constitution, which states delegated authority to 'administer the Right to Buy Scheme, agreeing discounts and eligibility subject to the provisions of the 1985 Housing Act and subsequent legislation amending the scheme and it is through this delegation it is intended to pursue the purchase of suitable properties.
- 1.8 It is intended that properties will not only be identified through the Right of First Refusal, but also where owner occupiers call and ask if we have a buy back facility, or where the opportunity presents itself in the current market. e.g through housing associations or private sale.
- 1.9 In order to react quickly to the purchase of other suitable properties for the HRA it is requested that the Director of Community Services delegations are extended to not only the acquisition of Right to Buy properties but any other suitable properties that present themselves for housing provided it is within the current budgetary framework as agreed at Cabinet and Full Council.

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COUNCIL REFERRAL OF PETITION TO CABINET – PLEASURAMA SITE

To: **Cabinet – 1st August 2013**

Main Portfolio Area: **Operational Services**

By: **Mark Seed, Director of Operational Services**

Classification: **Unrestricted**

Ward: **Central Harbour**

Summary: **The report requests Cabinet to consider the referral from Council of a petition that requires the council not to grant an extension for the practical completion of the Royal Sands development to SFP (Ventures) UK Ltd from February 2014.**

For Decision

1.0 Introduction and Background

1.1 On 11 July 2013 Council considered a petition containing 1056 signatures that had been received from the Friends of Ramsgate Seafront. The primary request contained in the petition is as follows:

“We wish TDC to explicitly reassure Friends of Ramsgate Seafront that under no circumstances will a discretionary extension of the practical completion date be given to SFP Ventures (UK) Ltd or any developer of Royal Sands before or after 22nd May 2013. Should SFP Ventures (UK) Ltd fail to meet this deadline, TDC must act immediately and restore the site to the People of Ramsgate to implement their own Vision for the Future.

1.2 Further details of the petition are contained in the Council report and its related annex that are attached as Annex 1 and Annex 2.

1.3 At Council members agreed to refer the petition to Cabinet for determination.

2.0 The Current Situation

2.1 The Pleasurama Site Development Review Task & Finish Group, a sub-committee of the Overview and Scrutiny Panel has already been set up to consider the options available to the council with regard to agreement with the developer, and the associated legal and commercial implications.

2.2 Cabinet at its last meeting has already endorsed the work to be undertaken by Scrutiny and pledged support for that review process.

3.0 Options

3.1 There are two primary options to be assessed in considering the requirement in the petition:

- To contact the developers immediately and indicate that an extension for the practical completion of the development will not be granted.
- To request that the Pleasurama Site Development Review Task and Finish Group consider this matter as part of their review.

3.2 Determining to rule out any potential extension at this stage, before such a request is made, is premature, and may prejudice the council's position in relation to potential legal action. On this basis it is proposed that Cabinet does not agree to the specific requirement in the petition, but seeks the task and finish group to consider this matter.

4.0 Corporate Implications

4.1 Financial and VAT

4.1.1 As set out in the Council report at Annex 1.

4.2 Legal

4.2.1 As set out in the Council report at Annex 1.

4.3 Corporate

4.3.1 In considering legal agreements and leases the council has to act in a reasonable way in responding to requests to enact the provisions of these. However, Cabinet also understands and shares the concern that lies behind the submission of this petition to Council about the obvious lack of progress on site from which this arises.

4.4 Equity and Equalities

4.4.1 There are no equity and equalities issues arising directly from this report.

5.0 Recommendation

5.1 That due to legal considerations Cabinet cannot agree to a request to rule out any extension to the practical completion date for the Royal Sands development, but seeks for the matter to be considered by the Pleasurama Site Development Review Task and Finish Group and form part of the final recommendations from Overview and Scrutiny Panel.

6.0 Decision Making Process

6.1 This is a Cabinet decision. Cabinet can refer matters for further review and receive the resultant advice from the Overview and Scrutiny Panel before making a final decision.

Contact Officer:	Mark Seed, Director of Operational Services
Reporting to:	Sue McGonigal, Chief Executive

Annex List

Annex 1	Pleasurama Site, Ramsgate - Council Report – 11 July 2013
Annex 2	Front Sheet of Friends of Ramsgate Sea Front Petition

Corporate Consultation Undertaken

Finance	Sarah Martin, Financial Services Manager
Legal	Harvey Patterson, Corporate & Regulatory Services Manager

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PETITION TO COUNCIL – PLEASURAMA SITE

To: **Council - 11 July 2013**

By: **Harvey Patterson, Corporate and Regulatory Services Manager**

Classification: **Unrestricted**

Ward: **Eastcliff**

Summary: **A Petition to the Council has been received in relation to the Pleasurama site, Ramsgate**

For Information

1.0 Introduction and background information

1.1 A petition containing 1056 valid signatures was received from Mr Nicholas Cooper on behalf of the Friends of Ramsgate Seafront, on 20 May 2013, as follows:

“We wish TDC to explicitly reassure Friends of Ramsgate Seafront that under no circumstances will a discretionary extension of the practical completion date be given to SFP Ventures (UK) Ltd or any developer of Royal Sands before or after 22nd May 2013. Should SFP Ventures (UK) Ltd fail to meet this deadline, TDC must act immediately and restore the site to the People of Ramsgate to implement their own Vision for the Future.

“We, the undersigned, believe extensions to deadlines for the uncompleted work on the Pleasurama site will only compound the problems and leave the people of Ramsgate with a useless eyesore for many years to come.”

1.4 The petition front sheet is attached as Annex 1.

1.5 Mr Cooper, as petition originator, has confirmed that he will present the petition to Council at this meeting. Under Council Procedure Rule (CPR) 12.6, he will have five minutes in which to speak.

1.6 As the petition has more than 1000 signatures, Council is required to debate it.

3.0 Options

3.1 The Council may take any of the following actions:

- i) Make recommendations to Cabinet
- ii) Hold an inquiry into the matter
- iii) Undertake research into the matter
- iv) Hold a public meeting
- v) Hold a consultation
- vi) Hold a meeting with Petitioners
- vii) Refer the Petition for consideration by the Overview and Scrutiny Panel
- viii) Require a Senior Officer to attend a meeting of the Overview and Scrutiny Panel to give evidence

- ix) *Write to the Petition Organiser setting out its view about the request in the Petition*

4.0 Corporate Implications

3.1 Financial

- 3.1.1 *A decision by the Cabinet not to under any circumstances grant an extension of time for the completion of the Development is likely to result in the termination of the Development Agreement. This would impact on the finances of the Council in terms of the loss of a significant capital receipt as well as the unbudgeted costs of any connected or resulting litigation.*

4.0 Legal

- 4.2.1 *Decisions in relation to the Ramsgate Royal Sands site are the responsibility of the Cabinet and the current Development Agreement gives the Cabinet the absolute discretion to extend the time for completion of the Royal Sands development by up to two years. However, as a public body the Council is required to determine any request from the Developer for an extension of time in a reasonable and rational manner having regard to all the relevant surrounding circumstances. Consequently, as a matter of law, the Cabinet cannot fetter its discretion by, as the Petitioners demand, determining in advance the outcome of any such request from the Developer.*

4.3 Corporate

- 4.3.1 *In January the Cabinet instructed officers to bring back an options report if by 22 May 2013 the Developer did not have the necessary finances in place to complete the development or have an agreement in place for the construction and operation of the hotel. Cabinet duly considered an options report at the extraordinary meeting of Cabinet held on 29 May 2013 and resolved to support the setting up of an Overview & Scrutiny Task and Finish Group to make recommendations to the Cabinet on how to proceed. As at the date of writing this report, the Overview & Scrutiny Panel has yet to agree the Terms of Reference of a Task & Finish Group.*

4.4 Equity and Equalities

- 4.4.1 *None apparent*

5.0 Recommendation

- 5.1 *Members are requested to debate the Petition in accordance with the above.*

6.0 Decision Making Process

- 6.1 *Under Council Procedure Rule 12.6, Council is required to debate the Petition. However, only Cabinet can make substantive decisions in respect of the Ramsgate Royal Sands site.*

Contact Officer:	<i>Harvey Patterson, Corporate & Regulatory Services Manager ext 7005</i>
Reporting to:	<i>Dr Sue McGonigal, Chief Executive and S. 151 Officer</i>

Annex List

Annex 1	<i>Petition Front sheet</i>
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Corporate Consultation Undertaken

<i>Finance</i>	<i>N/A</i>
<i>Legal</i>	<i>N/A</i>

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Save Our Heritage Annex 2

Petition to Thanet District Council

We wish TDC to explicitly reassure Friends of Ramsgate Seafront that under no circumstances will a discretionary extension of the practical completion date be given

to SFP Ventures (UK) Ltd or any developer of Royal Sands before or after 22nd May 2013. Should SFP Ventures (UK) Ltd fail to meet this deadline, TDC must act immediately and restore the site to the People of Ramsgate to implement their own Vision for the Future.

We, the undersigned, believe extensions to deadlines for the uncompleted work on the Pleasurama site will only compound the problems and leave the people of Ramsgate with a useless eyesore for many years to come.

- This developer has lost public trust and confidence and this development will not achieve the stated aim, of regenerating the Ramsgate Seafront.
- This April, thanks to the support of over 1000 Ramsgate residents, Friends of Ramsgate Seafront persuaded TDC not to sell the old Pleasurama site Freehold to SFP Ventures (UK) Ltd. — A Major Victory!
- In January 2013, TDC set a deadline of 22nd May 2013 for SFP, to find the money needed to complete the Royal Sands development.
- SFP Ventures have already wasted 10 years and been proven, long before the economic downturn of late 2008, to have insufficient funds.
- It is already clear that they will not be able to complete the development at the regular practical completion date, which is the 28th February 2014.
- TDC cannot morally continue to give more opportunities to a failed developer to further damage the legacy of Ramsgate's seafront.
- The site is a flood risk where no updated risk assessment has been carried out.
- The cliff face is fragile and the development would limit the ability to provide effective maintenance.
- Much of Ramsgate's historic heritage would be lost forever.

Visit our Website for more information:

www.friendsoframsgateseafront.org.uk

 Join us on Facebook

www.facebook.com/groups/516220578418850

DEMOCRATIC
20 MAY 2013
SERVICES

1286
SIGNATURES

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REPRESENTATION ON ADDITIONAL LIST OF EXECUTIVE APPOINTED OUTSIDE BODIES

To: **Cabinet – 1 August 2013**

By: **Glenn Back, Democratic Services & Scrutiny Manager**

Classification: **Unrestricted**

Wards affected: **All**

Summary: This report informs Cabinet of the Leader's choice of appointments to the additional list of Executive appointed outside bodies.

For Decision

1.0 Introduction

- 1.1 At a Cabinet meeting on 20 June 2013; Members recommended to Council, that the Domestic Violence Forum be added onto the list of Executive appointed outside bodies as reflected in Annex 1 to the report.
- 1.2 Cabinet is also asked to consider nominations for the Local Government Association (LGA) Coastal Special Interest Group and the Thanet Quality Bus Partnership.
- 1.3 On 11 July 2013, Council approved the three outside bodies for inclusion onto the list of Executive appointed outside bodies for 2013/14.

2.0 Current Situation

- 2.1 Council agreed an additional list of Executive outside bodies and the number of Councillors to be appointed to them, as described above
- 2.2 The Leader has provided Democratic Services with his list of nominations to the Executive outside bodies and those names are shown at Annex 1 of the report.

3.0 Corporate Implications

3.1 Financial

- 3.1.1 There are no significant financial implications arising directly from this report other than the fact that there will be additional costs for Members attendance at the meetings or activities of these additional outside bodies.

3.2 Legal

- 3.2.1 None

3.3 Corporate

- 3.3.1 The Council appoints representatives to outside bodies in order to express the views of the Council to those bodies on the work they undertake, and to feed back to the Council issues emerging from those bodies that relate to Council activities.

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 Cabinet agrees the list of nominations to the Executive-related outside bodies as shown at Annex 1 of the report.

5.0 Decision Making Process

- 5.1 Cabinet is the decision making body only for making nominations to existing Bodies agreed by Council. Any newly proposed Outside Bodies would need to be agreed at Full Council.

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

Annex List

Annex 1	List of Executive Outside Bodies
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Background Papers

Title	Details of where to access copy
None	N/A

Corporate Consultation Undertaken

Finance	Sarah Martin, Financial Services Manager
Legal	Harvey Patterson, Corporate & Regulatory Services Manager

REPRESENTATION ON OUTSIDE BODIES

Executive Appointed Outside Bodies – for the term, 2013/14

Name of Outside Body	No. of Reps	Nomination
Domestic Violence Forum	1 + 1 ex officio	Councillor Johnston Councillor Marson (ex-officio)
Local Government Association (LGA) Coastal Special Interest Group	1	Councillor Poole
Thanet Quality Bus Partnership	1	Councillor D. Green

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THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

Do I have a Disclosable Pecuniary Interest and if so what action should I take?

Your Disclosable Pecuniary Interests (DPI) are those interests that are, or should be, listed on your Register of Interest Form.

If you are at a meeting and the subject relating to one of your DPIs is to be discussed, in so far as you are aware of the DPI, you **must** declare the existence **and** explain the nature of the DPI during the declarations of interest agenda item, at the commencement of the item under discussion, or when the interest has become apparent

Once you have declared that you have a DPI (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must:-**

1. Not speak or vote on the matter;
2. Withdraw from the meeting room during the consideration of the matter;
3. Not seek to improperly influence the decision on the matter.

Do I have a significant interest and if so what action should I take?

A significant interest is an interest (other than a DPI or an interest in an Authority Function) which:

1. Affects the financial position of yourself and/or an associated person; or Relates to the determination of your application for any approval, consent, licence, permission or registration made by, or on your behalf of, you and/or an associated person;
2. And which, in either case, a member of the public with knowledge of the relevant facts would reasonably regard as being so significant that it is likely to prejudice your judgment of the public interest.

An associated person is defined as:

- A family member or any other person with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- Any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- Any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000;
- Any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- any body in respect of which you are in a position of general control or management and which:
 - exercises functions of a public nature; or
 - is directed to charitable purposes; or
 - has as its principal purpose or one of its principal purposes the influence of public opinion or policy (including any political party or trade union)

An Authority Function is defined as: -

- Housing - where you are a tenant of the Council provided that those functions do not relate particularly to your tenancy or lease; or
- Any allowance, payment or indemnity given to members of the Council;
- Any ceremonial honour given to members of the Council
- Setting the Council Tax or a precept under the Local Government Finance Act 1992

If you are at a meeting and you think that you have a significant interest then you **must** declare the existence **and** nature of the significant interest at the commencement of the

matter, or when the interest has become apparent, or the declarations of interest agenda item.

Once you have declared that you have a significant interest (unless you have been granted a dispensation by the Standards Committee or the Monitoring Officer, for which you will have applied to the Monitoring Officer prior to the meeting) you **must**:-

1. Not speak or vote (unless the public have speaking rights, or you are present to make representations, answer questions or to give evidence relating to the business being discussed in which case you can speak only)
2. Withdraw from the meeting during consideration of the matter or immediately after speaking.
3. Not seek to improperly influence the decision.

Gifts, Benefits and Hospitality

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £100 or more. You **must**, at the commencement of the meeting or when the interest becomes apparent, disclose the existence and nature of the gift, benefit or hospitality, the identity of the donor and how the business under consideration relates to that person or body. However you can stay in the meeting unless it constitutes a significant interest, in which case it should be declared as outlined above.

What if I am unsure?

If you are in any doubt, Members are strongly advised to seek advice from the Monitoring Officer or the Democratic Services and Scrutiny Manager well in advance of the meeting.

DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS, SIGNIFICANT INTERESTS AND GIFTS, BENEFITS AND HOSPITALITY

MEETING.....

DATE..... AGENDA ITEM

DISCRETIONARY PECUNIARY INTEREST

SIGNIFICANT INTEREST

GIFTS, BENEFITS AND HOSPITALITY

THE NATURE OF THE INTEREST, GIFT, BENEFITS OR HOSPITALITY:

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.....
.....

NAME (PRINT):

SIGNATURE:

Please detach and hand this form to the Democratic Services Officer when you are asked to declare any interests.