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thanet
district council

CABINET

19 JANUARY 2016

A meeting of the Cabinet will be held at **7.00 pm on Tuesday, 19 January 2016** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor Wells (Chairman); Councillors: L Fairbrass, Brimm, Crow-Brown, Stummer-Schmertzing and Townend

AGENDA

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 - 2)

   To approve the summary of recommendations and decisions of the Cabinet meeting held on 10 December 2015, copy attached.
4. **SELECTIVE LICENSING IN CLIFTONVILLE WEST AND MARGATE CENTRAL** (Pages 3 - 128)
5. **MID YEAR TREASURY REPORT 2015-16** (Pages 129 - 144)
6. **TREASURY MANAGEMENT STRATEGY 2016-17** (Pages 145 - 168)
7. **COUNCIL TAX BASE CALCULATION FOR 2016/17** (Pages 169 - 176)
8. **BUDGET 2016-17 AND MEDIUM FINANCIAL PLAN 2016-2020** (Pages 177 - 254)
9. **PIERREMONT HALL** (Pages 255 - 258)
10. **RETORT HOUSE** (Pages 259 - 262)
11. **EXCLUSION OF PRESS AND PUBLIC** (Pages 263 - 266)

Item No	Subject
12.	**EMPTY PROPERTY PROJECT - PURCHASE OF ADJOINING LAND 69-73 KING STREET, RAMSGATE** (Pages 267 - 272)

Declaration of Interest form - back of agenda

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CABINET

Minutes of the meeting held on 10 December 2015 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor Lin Fairbrass (Chairman); Councillors Brimm, Crow-Brown, Stummer-Schmertzing and Townend

In Attendance: Councillors: Ashbee, Bayford, Campbell, Connor, Curran, Game, I Gregory, K Gregory, Jaye-Jones, Partington, Savage, D Saunders, M Saunders and Taylor-Smith

311. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Wells.

312. DECLARATIONS OF INTEREST

There were no declarations of interest.

313. MINUTES OF PREVIOUS MEETING

Members noted that Councillor Taylor-Smith had been reflected as having been in attendance at the 24 November 2015 Cabinet meeting in error.

Councillor Brimm proposed, Councillor Townend seconded and Members agreed the minutes as a correct record of the meeting that was held on 24 November 2015.

314. ADOPTION OF A HEALTH AND SAFETY ENFORCEMENT POLICY

Cabinet was advised that Council had a duty to enforce the Health and Safety at Work Act in local businesses and that traditionally this was done through enforcement. Following on from the Cutting Red Tape Challenge and in order to reduce the burden on smaller businesses, this enforcement approach was changed. Officers were no longer required to carry out routine inspections for Health and Safety but they now have to look at other targeted interventions in conjunction with the Health and Safety Executive's Enforcement Policy, Code and Guidance.

In order to reflect this new approach, the Public Protection Team worked with Medway and other Kent Authorities to draft the proposed Policy. This Policy lays out to the businesses the approach that was now going to be taken by Council to health and safety enforcement and other options available to Council. Adopting this policy would ensure a consistent approach across Kent.

It is also important for Members to note that this policy would also offer the more informal contact between officers and businesses where information and advice is given to businesses.

Councillor K. Gregory and Councillor Game spoke under Council Procedure Rule 24.1. Councillor L. Fairbrass agreed to take on board comments and suggestions from Members.

Councillor Fairbrass proposed, Councillor Brimm seconded and Cabinet approved the Health and Safety Enforcement Policy.

315. MANSTON AIRPORT CPO POTENTIAL INDEMNITY PARTNER

Cabinet sought to set out a formal process for identifying interest from third parties to be a Council indemnity partner for a potential CPO for Manston Airport. The process would involve publishing a prior information notice in the Official Journal of the European Union in early 2016 with a questionnaire to be completed by potential partners.

Organisations responding to the soft market test would be required to provide information on finance, company structure, business plans, financial guarantors and how they view the CPO public interest test would be met. These organisations would be given four weeks to submit responses to the questionnaire, after which a report back on the assessment of responses would be considered at a future Cabinet meeting.

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

Councillor L. Fairbrass proposed, Councillor Crow-Brown seconded and Cabinet agreed to a soft market testing exercise being undertaken and instructed the Director of Corporate Governance to carry out the exercise.

Meeting concluded: 7.15 pm

SELECTIVE LICENSING IN CLIFTONVILLE WEST AND MARGATE CENTRAL

To: **Cabinet – 19 January 2016**

Main Portfolio Area: **Community Services**

By: **Richard Hopkins, Housing Regeneration Team Leader**

Classification: **Unrestricted**

Ward: **Cliftonville West and Margate Central**

Summary: **The council's existing selective licensing designation, which applies to certain parts of Cliftonville West and Margate Central, is due to expire on 20 April 2016. This report seeks the agreement of Cabinet to make a further five-year selective licensing designation in respect of a substantially similar area.**

For Decision

1.0 Introduction and background

1.1 In 2011, the council designated certain parts of Cliftonville West and Margate Central as a selective licensing area for the maximum permitted period of five years. Unless subject to exemption, all privately rented properties in the area must be licensed with the council. As around 70% of dwellings are in the private rented sector (national average 19%), the majority of homes are affected by the designation.

1.2 Selective licensing was introduced to help tackle low housing demand, poor housing conditions and anti-social behaviour (ASB) and is part of the council's wider regeneration activities in Margate. The scheme requires all landlords to effectively manage their properties. Licences include conditions regarding occupancy restrictions and management standards, including responsibilities relating to tenant referencing; the use of written agreements for occupation; anti-social behaviour; waste management; property maintenance; and furniture, electrical, gas and fire safety.

1.3 The current designation came into force on 21 April 2011 and is due to expire on 20 April 2016. However, the decision to designate in 2011 was subject to judicial review in the High Court. While the claim failed, there was a significant delay in the case being heard. As such, for much of the first two years of the designation, enforcement was extremely difficult. This shortened the effective life of the scheme.

1.4 Having considered a proposal to make a further five-year selective licensing designation in respect of a substantially similar area, Cabinet (30 July 2015), authorised officers to undertake a 10 week public consultation to ascertain public opinion in respect of the proposal. Cabinet further agreed to receive a report in January 2016 to consider the results of the public consultation and determine whether to make a further designation.

2.0 The current selective licensing scheme

2.1 As of 01 November 2015, 2,029 dwellings were subject to a selective licence or a valid licence application, and a further 132 suspected licensable dwellings were under investigation. Many landlords have required considerable encouragement to make valid licence applications and so enforcement activity has been high, with more than 20 cases resulting in successful prosecution (the highest fine being £20,000).

2.2 Licence conditions do not place unnecessary burdens on good landlords: they should already be demonstrating compliance if they are operating sound businesses. However, they are a means by which all other landlords can be encouraged (and where necessary enforced) to improve their accommodation offer. For example, there have been significant improvements in gas and electrical safety. Over 600 licence holders have been subject to reminders or enforcement action, owing to their failure to supply gas and/or electrical safety documentation on time.

2.3 As of 01 November 2015, the council had inspected 943 licensed properties. Almost two-thirds (66%) of inspections have revealed concerns that require council intervention as a consequence of licensing breaches and/or health and safety hazards. Some 584 breach of condition notices have been sent to licence holders since September 2013. Since the start of the scheme, 681 homes have been made safe from health and safety hazards. Housing conditions are therefore improving.

2.4 Licence conditions also require landlords to effectively manage ASB, should it ever originate from one of their properties. Since the selective licensing scheme began in 2011, there has been a 28.7% reduction in ASB within the designated area. While encouraging, ASB levels remain disproportionate when compared to Thanet as a whole. In the 2014-2015 financial year, 11.3% of all Thanet's ASB complaints emanated from the designated area, yet residents only constitute 4.9% of the Thanet population.

2.5 In 2010, empty homes were believed to account for 20% of the housing stock in the designated area. More recent evidence from data extracted from Council Tax records on 01 October 2015 revealed that this percentage has fallen to 6.7%. While this figure remains high when compared to the Thanet average (2.8%), the trend is very much downward.

2.6 The designated area suffers from a range of issues that arose out of many years of socio-economic change. Selective licensing has proved to be a powerful legislative tool that can have a tangible impact on environmental conditions and the safety and quality of accommodation available.

2.7 Delivering the current scheme has been challenging, having regard to the judicial review and the level of non-compliance experienced. Nevertheless, the evidence suggests that, in combination with other measures (in particular the Margate Task Force), the scheme is having a positive effect on the designated area.

2.8 The council has published two selective licensing progress reviews, which set out the position as at 01 October 2014 and 01 April 2015. These can be viewed or downloaded from the council's website.

3.0 Changes to selective licensing legislation

3.1 Before any council can consider making a selective licensing designation, it must first ensure that the area in question meets certain legal tests. Until 27 March 2015, an area could only be designated for the purposes of selective licensing if it met at least one of the two legal tests (known as conditions) set out in the Housing Act 2004. However, on this date the Government introduced four new sets of conditions. The council may now designate an area if:

- It is, or is likely to become, an area of low housing demand; or
- It has a significant and persistent problem with anti-social behaviour where the inaction of private landlords is a contributory factor; or

- Following a review of housing conditions, it is believed that the area is suffering from significant housing condition problems and the council intends to inspect the dwellings concerned (NEW TEST); or
- It has experienced a recent influx in migration, and where the migrants are primarily occupying privately rented accommodation (NEW TEST); or
- It suffers from a high level of deprivation which particularly affects the occupiers of privately rented accommodation (NEW TEST); or
- It suffers from a high level of crime that affects residents and businesses in the area (NEW TEST).

3.2 There is clear evidence to support five of the six tests. The area remains an area of low housing demand, ASB while reduced remains disproportionately high, and poor housing conditions are widespread. The area is also one of the most deprived in England and crime levels are disproportionately high. However, the argument for migration is less convincing as Government guidance suggests that the migration test should relate to relatively sudden increases in migration (say 15% over a 12 month period). Movement into the area is not a new phenomenon as higher than average levels of migration have been a theme for some years.

3.3 While Government has increased the scope for selective licensing, it has also restricted how large schemes can be before Secretary of State approval is needed. Government approval must now be sought for any scheme over certain size thresholds. Owing to the relatively small size of the proposed designation, it is not affected by this newly introduced restriction.

4.0 Results of the public consultation

4.1 The council undertook a wide-ranging 10 week (and one day) public consultation between 17 August 2015 and 26 October 2015.

4.2 Throughout the consultation period, the council's website featured an obvious pictorial link on its homepage which guided interested persons to the public consultation press release. This page included links to the consultation document, available in web format or downloadable as a PDF, and the online survey. The consultation survey included six key questions and gave the option to make other comments. Responses could also be made in writing separately to a freepost address or by email.

4.3 The consultation was publicised by various means to ensure maximum publicity. In addition, to help ensure that all persons likely to be affected by the proposed designation were fully consulted, the council wrote directly to the following:

- Property owners in the proposed area, both freehold and leasehold;
- Current selective licence holders and named managers;
- Addresses in the proposed area, both residential and commercial;
- Residents and businesses in roads surrounding the proposed area;
- All known letting/managing agents operating in Thanet.

4.4 Each letter included a colour leaflet explaining the proposal and a hard copy of the consultation survey.

4.5 Around 5,800 letters addressed to residents and businesses in and around the proposed area were hand-delivered by council staff on Friday 14 August 2015. Over 4,000 further letters addressed to property owners, licence holders/named managers, and letting/managing agents were posted by Royal Mail on the same day.

<u>Summary of consultation results</u>

4.6 The consultation prompted 384 survey responses, and 20 other separate written responses received either by post or by email. As such, there were 404 responses in total.

4.7 To consider varying opinions, the survey asked respondents to identify their interest in one of seven ways. The table below sets out the extent to which these groups were represented in the survey.

Table 1: Number of survey responses received by respondent group

No.	Respondent Group	Number	Percentage
1	A private landlord with properties in the proposed area	71	18.5%
2	A private landlord with no properties in the proposed area	7	1.8%
3	A tenant renting from a private landlord in the proposed area	57	14.8%
4	A housing association or council tenant living in the proposed area	16	4.2%
5	An owner-occupier living in the proposed area (not a landlord or tenant)	156	40.6%
6	A resident living in Margate, but outside the proposed area	48	12.5%
7	Other	29	7.6%
	Total:	**384**	**100%**

4.8 The survey asked six key questions. These are identified in the table below, together with the overall results of the survey.

Table 2: Survey questions and overall results

No.	Question	Yes	No	Don't Know	Totals
1	Do you think anti-social behaviour is a problem in the proposed area?	292 (76.0%)	44 (11.5%)	48 (12.5%)	**384 (100%)**
2	Do you think crime is a problem in the proposed area?	268 (69.8%)	41 (10.7%)	75 (19.5%)	**384 (100%)**
3	Do you think the proposed area suffers from poor housing conditions?	300 (78.1%)	40 (10.4%)	44 (11.5%)	**384 (100%)**
4	Do you think the proposed area is a desirable place in which to live?	115 (29.9%)	224 (58.3%)	45 (11.7%)	**384 (100%)**
5	Do you think the council should be taking action to improve the management of privately rented homes in the proposed area?	319 (83.1%)	37 (9.6%)	28 (7.3%)	**384 (100%)**
6	Do you think a further five year Selective Licensing Scheme would benefit the area?	283 (73.7%)	66 (17.2%)	35 (9.1%)	**384 (100%)**

4.9 The majority of survey respondents were in support of a further selective licensing designation, with 73.7% in favour and 17.2% against. Public support for selective licensing appears to be getting stronger. The public consultation carried out for the current designation in 2010 revealed that while there was public support, it was less obvious, with 49% in favour and 44% against. The following table highlights increased support from landlords and residents living in the area.

Table 3: Support for selective licensing – Comparison of survey results 2010/2015

	All landlords			**Residents living in proposed area**		
	For	**Against**	**Don't Know**	**For**	**Against**	**Don't Know**
Public Consultation 2010 Survey responses: 579	15.1%	82.1%	2.8%	67.4%	22.3%	10.3%
Public Consultation 2015 Survey responses: 384	26.9%	61.5%	11.5%	85.2%	6.1%	8.7%

4.10 Of the 384 respondents, 279 (72.7%) made further written comments in addition to answering the survey questions. Therefore, including the 20 separate written responses submitted, the council received 299 written representations during the public consultation.

4.11 The 20 separate written responses were received from a variety of respondents as shown in the table below.

Table 4: Number of separate written responses received by respondent group

No.	Respondent Group	Number	Percentage
1	Thanet Landlords' Focus Group	1	5%
2	Landlord Association (NLA, RLA and SLA)	3	15%
3	Public agency (Margate Task Force and Kent Fire & Rescue Service)	2	10%
4	Private landlord with properties in the proposed area	7	35%
5	Managing agent	1	5%
6	Owner-occupier in proposed area	2	10%
7	Resident in nearby road	1	5%
8	Unclear	3	15%
	Total:	**20**	**100%**

4.12 The responses received varied in length and nature. With some, it was not clear as to whether the respondent was in support of selective licensing or not. As such, each of the 20 responses were placed into one of six categories, namely:

- Clearly in favour;
- Inclined to favour;
- Clearly against;
- Inclined to be against;
- Mixed (qualified support with some uncertainty);
- Unclear (no indication either way).

4.13 The following table illustrates the nature of support for selective licensing among those who submitted a separate written response.

Table 5: Nature of support for selective licensing among respondents who made a separate written response

Respondent Type	Clearly in Favour	Inclined to Favour	Clearly Against	Inclined to be Against	Mixed	Unclear
Thanet Landlords' Focus Group	0	0	0	0	1	0
Landlord Association (NLA, RLA and SLA)	0	0	2	0	1	0
Public agency (Margate Task Force and Kent Fire & Rescue Service)	2	0	0	0	0	0
Private landlord with properties in the proposed area	0	2	4	1	0	0
Managing agent	0	0	0	0	0	1
Owner-occupier in proposed area	2	0	0	0	0	0
Resident in nearby road	0	0	0	0	0	1
Unclear	2	0	0	0	0	1
Total Count:	**6 (30%)**	**2 (10%)**	**6 (30%)**	**1 (5%)**	**2 (10%)**	**3 (15%)**

4.14 When viewed together, the separate written responses reveal a relatively balanced viewpoint, with broadly equal numbers being for and against the proposed designation.

4.15 The results of both the survey and the separate written responses may be combined to provide an overall indication of the level of support for a further selective licensing designation. For this purpose, the separate written responses which were clearly in favour, or inclined to favour, have been deemed to be in support of selective licensing. Those which were clearly against, or inclined to be against, have been deemed to be not in support of selective licensing. Unclear responses have been deemed to be "Don't know", as have mixed responses.

4.16 Therefore, 291 respondents (72%) were in support of selective licensing, 73 (18%) were against, and 40 (10%) were unsure.

Conclusion

4.17 The results of the public consultation have given the council a clear mandate to consider making a further selective licensing designation. A final proposal document has been prepared and is annexed to this report. It sets out the case for selective licensing in Cliftonville West and Margate Central and discusses the consultation responses in more detail.

Key issues identified during the consultation

4.18 All 299 written representations received during the public consultation have been carefully considered by the council. The key themes identified were:

- Waste problems – rubbish, bins, litter, fly-tipping, dog fouling, vermin, and discarded furniture such as mattresses and sofas;
- Crime and ASB – drugs, alcohol abuse, theft, noise, and loitering groups;
- Housing conditions in the private rented sector – disrepair, unsafe homes, poor management and maintenance, appearance, and overcrowding;
- Rogue, neglectful, and absentee landlords;
- Desire to see more enforcement action and property inspections;
- Problem tenants who lead chaotic lifestyles;
- Licence fees and administrative burdens – costs to landlords, whether good or bad, and further costs associated with preparing applications and bringing properties up to standard.

Response to key issues

4.19 In preparing the final proposal, the council has endeavoured to take into account the representations received during the consultation.

Waste, ASB and crime

4.20 Significant numbers of respondents cited waste, ASB and crime issues. Waste issues were cited more than any other concern. As a consequence, the discretionary licence conditions used by the council under the current scheme will be carefully reviewed and where possible strengthened to help tackle these concerns.

4.21 Moreover, in view of these specific concerns, the council's enforcement capabilities have been reviewed. It is now proposed that the number of officers authorised to enforce selective licensing is significantly increased. Currently, officers within the Housing Regeneration Team are responsible for enforcement, with specialist support provided, as necessary, by other teams. However, it is now proposed that officers working in other relevant areas will now themselves be able to take direct enforcement action under selective licensing, including staff from Street Scene Enforcement (Waste), Community Safety (ASB), and Environmental Health (Noise).

4.22 The council's free Tenant Referencing Scheme, which aims to help landlords make informed letting choices, will be continued in the event of a new scheme. The scheme provides applicants with a red, amber or green rating for various matters, including ASB and criminal activity.

Housing enforcement

4.23 The council accepts that there are many landlords who fail to take their management responsibilities seriously. In the last two years, the council has robustly enforced the scheme, serving nearly 600 breach of condition notices and taking over 20 successful prosecutions against rogue landlords. In the event of new designation, the council would continue to prioritise enforcement. It also recognises that inspections are essential to providing effective and meaningful results and so proposes to continue with a rolling routine inspection programme.

Licence fees and administrative burdens

4.24 In preparing the consultation proposal, the council fully acknowledged that landlords would want fees set at the lowest possible level. It therefore proposed significantly reduced licence fees. Currently, the fee for a typical licence, for a non-accredited landlord, is £587 for a five year licence. To renew such a licence in the proposed scheme would cost only £395 (if an early application was made). However, if the landlord was accredited, this would be further reduced to £345, which equates to £1.33 per week. For landlords making a single application for a whole building containing flats, the additional flats would only cost £136 each. This is around half the current fee of £267. The proposed fees were reduced as much as was reasonably possible. Any further reduction would jeopardise the council's ability to undertake its statutory functions under selective licensing. As such, no further fee reductions are proposed.

4.25 Good landlords should already have their properties up to standard, so the council does not believe there to be additional costs for such landlords in providing safe homes. However, the council accepts that the application process, primarily owing to legislative requirements, can be time-consuming. The council would therefore explore ways of making the renewal process less burdensome in the event of a new designation.

5.0 Reasons for making a further designation

5.1 Selective licensing provides additional powers to help the council tackle poorly managed privately rented property. Better management standards in this sector should contribute to an overall improvement in conditions in the proposed designated area. In particular, the council would expect a further designation to contribute to:

- An improvement in the social and economic conditions in the area;
- A reduction in anti-social behaviour;
- An improvement in general housing conditions;
- A reduction in the level of deprivation; and
- A reduction in crime.

5.2 Such improvements should lead to the area becoming more desirable. In the longer term, this should reveal itself in higher property and rental values, and a more stable community with less resident turnover.

5.3 Selective licensing alone cannot regenerate the proposed area overnight. It can only be part of a longer term solution. It can, however, contribute to a joined-up and holistic response to the problems faced and help increase the chances of community regeneration in the Cliftonville area.

6.0 Options

6.1 Selective licensing is a discretionary power. With the current designation expiring on 20 April 2016, there are now two courses of action available.

6.2 <u>Option 1</u> – To do nothing further.

- The current designation would expire on 20 April 2016 and no further licence applications would be required after this date.
- The scheme would be gradually run down.
- The additional powers provided by selective licensing would be lost as licences expire.

6.3 Option 2 – To make a further five-year selective licensing designation in accordance with the “Proposal to make a further selective licensing designation” annexed to this report.

7.0 Corporate Implications

7.1 Financial and VAT

7.1.1 Should a selective licensing designation be made, the licence fee income generated would be used to fund the staffing arrangements required to administer the scheme. Staff currently working on selective licensing are on temporary contracts that are reviewed each year, having regard to available funding. Their contracts would be extended into any new scheme, with the number of contracts being made available dependent on licence fee income.

7.1.2 The council’s permanent staff engaged in housing enforcement activities would continue to support the scheme and its enforcement as a normal function of their role.

7.1.3 There would be no additional burden on existing budgets should a further designation be made.

7.2 Legal

7.2.1 Section 80(1) of the Housing Act 2004 empowers the council to designate either the area of its district, or an area in its district, as subject to selective licensing. The area subject to any such designation must meet at least one of the six legal tests, known as general or additional conditions, set out in sections 80(3) and 80(6) of the Housing Act 2004 and The Selective Licensing of Houses (Additional Conditions) (England) Order 2015 (SI 2015/977). The evidence presented by the council in the consultation document supports a designation based on five of the six criteria.

7.2.2 The Housing Act 2004: Licensing of Houses in Multiple Occupation and Selective Licensing of Other Residential Accommodation (England) General Approval 2015 empowers the council to make selective licensing designations under general approval, except when proposed schemes are over a certain size.

7.2.3 Any designation that (either by itself, or in combination with other selective licensing designations made by the council) would cover more than 20% of the geographical area of the district is excluded from the 2015 general approval. Furthermore, any designation that (either by itself, or in combination with other selective licensing designations made by the council) would affect more than 20% of privately rented homes in the district (based on census data) would also be excluded.

7.2.4 Thanet comprises an area of 10,329 hectares (39.9 square miles). The area proposed for designation is approximately 47.7 hectares (0.18 square miles) in size, which represents 0.46% of the district in terms of geographical area. The proposed designation would not therefore require approval from the Secretary of State owing to its geographical size.

7.2.5 According to the 2011 Census, there were 14,151 households privately renting in Thanet. Therefore, Secretary of State approval would be required for any scheme (or schemes) in Thanet that would affect more than 2,830 privately rented homes. The area proposed for designation includes approximately 2,500 privately rented homes, of which around 2,300 would require a selective licence. These estimates are accurate as the council has compiled a tenure record of every dwelling within the proposed area. As such, Secretary of State approval would not be required owing to the number of private sector homes affected.

7.2.6 The general approval is subject to the requirement to undertake a minimum 10 week public consultation on any proposed scheme. A comprehensive 10 week (and one day) public consultation took place between 17 August 2015 and 26 October 2015.

7.2.7 As the proposed designation has been subject to a public consultation of not less than 10 week duration and neither of the size thresholds would be exceeded, the council has general approval to make a designation without requiring Secretary of State approval.

7.2.8 Any designation made by the council must specify a date on which it comes into force. That date must not be earlier than three months after the date on which the designation is made. For a continuous selective licensing scheme to be achieved, the council must make the designation on or before 20 January 2016.

7.2.9 If a designation were to be made, the decision could be subject to judicial review, as was the case with the current designation. That judicial review was based on the opinion that the area subject to designation did not meet the two legal tests relating to low housing demand and ASB. The application failed on both counts. If a designation were to be made again, it would be based on five of the six now available legal tests. As the new tests appear to be more straight-forward to prove than the original tests, the risk of judicial review appears to be diminished.

7.3 Corporate

7.3.1 Selective licensing links to the following corporate priorities:

- Priority 1: A clean and welcoming environment.

  A selective licence may include discretionary licence conditions relating to property management. Current selective licences include a condition which requires licence holders to put in place suitable arrangements for the storage and disposal of waste. Selective licensing can therefore help the council tackle waste problems associated with privately rented property. In the event of a new designation, it is proposed that such a condition is incorporated into all new licences.

- Priority 2: Supporting neighbourhoods.

  Selective licensing helps the council ensure that dwellings in the private rented sector are effectively managed and maintained in a safe condition. This increases the quality of housing stock available to the residents of Thanet. Licence conditions may also require licence holders to appropriately manage anti-social behaviour, should it ever originate from their property. This condition is in current use, and its continued use is proposed. As housing and health are inextricably linked, improvements in the home environment can contribute to a reduction in health inequalities.

7.4 Equity and Equalities

7.4.1 Persons from vulnerable groups can sometimes have limited housing choices. In particular, families with young children, older persons and those with a disability can find themselves in poor quality rented accommodation. Residents who do not have English as their first language may also find it more difficult to access services. Selective licensing often involves safeguarding the health, safety and welfare of such residents. Therefore, selective licensing, particularly through its proactive inspection programme, can help to minimise disadvantage and contribute to the needs of some Protected Characteristics.

7.4.2 A full Equality Impact and Customer Needs Analysis has been undertaken and is annexed to the proposal document.

8.0 Recommendations

8.1 That Cabinet:

(i) Agree to make a further selective licensing designation in respect of certain parts of Cliftonville West and Margate Central as set out in the annexed proposal document;

(ii) Agree to delegate the implementation and enforcement arrangements for the designation to the Director of Community Services.

9.0 Decision Making Process

9.1 This is a key decision.

9.2 This is an urgent decision and so will not be subject to call-in by the Overview and Scrutiny Panel. The decision is urgent because, if Cabinet decide to make a designation, it must, owing to statutory requirements, be confirmed on or before 20 January 2016 if a continuous selective licensing scheme is to be achieved. Calling in the decision would delay the making of a designation and prejudice the council's interest in particular and that of the public in general.

9.2 The Overview and Scrutiny Panel considered the proposal to make a further selective licensing designation on 15 December 2015. The panel recommended that Cabinet make the designation as set out in the annexed proposal document.

9.3 The decision is a key decision as it is significant in terms of its effects on communities living or working in an area of the district comprising two or more wards.

Contact Officer:	Richard Hopkins, Housing Regeneration Team Leader, 01843 577402
Reporting to:	Bob Porter, Interim Head of Housing Services

Annex List

Annex 1	Proposal to make a further selective licensing designation

Background Papers

Title	Details of where to access copy
None.	N/A

Corporate Consultation Undertaken

Finance	Nicola Walker, Finance Manager – HRA, Capital and External Funding
Legal	Ciara Feeney, Head of Legal Services & Deputy Monitoring Officer
Communications	Hannah Thorpe, Interim Head of Communications

Housing Services

Selective Licensing in Margate Central and Cliftonville West

Proposal to make a further selective licensing designation

FOR DECISION

Cabinet: 19 January 2016

Contents

1. Introduction

1. On 12 January 2011, Thanet District Council (the council) designated parts of the electoral wards of Margate Central and Cliftonville West as a selective licensing area under section 80 of the Housing Act 2004. The five year designation came into force on 21 April 2011 and will expire on 20 April 2016.

2. The designation requires private landlords to obtain a licence from the council and comply with a range of licence conditions. The scheme does not apply to owner-occupied or housing association homes.

3. Selective licensing was introduced to help tackle low housing demand and anti-social behaviour and to improve housing conditions and management standards in the private rented sector. The initiative is an important aspect of the council's wider regeneration activities in Margate.

4. A legal challenge to the scheme, which had a significant impact on its effectiveness in the first two years, and a high level of general non-compliance, has affected progress. Nevertheless, there are now fewer empty properties, less anti-social behaviour and a greater number of better managed and safe homes. Consequently, the council believes that the scheme has so far been successful.

5. While much has been achieved through selective licensing, it is clear that the initial five-year designation will not provide enough time in which to effect long-lasting change in the area. As such, a proposal to make a further selective licensing designation was subject to public consultation between 17 August 2015 and 26 October 2015. The proposal concerns an area substantially similar to that already designated.

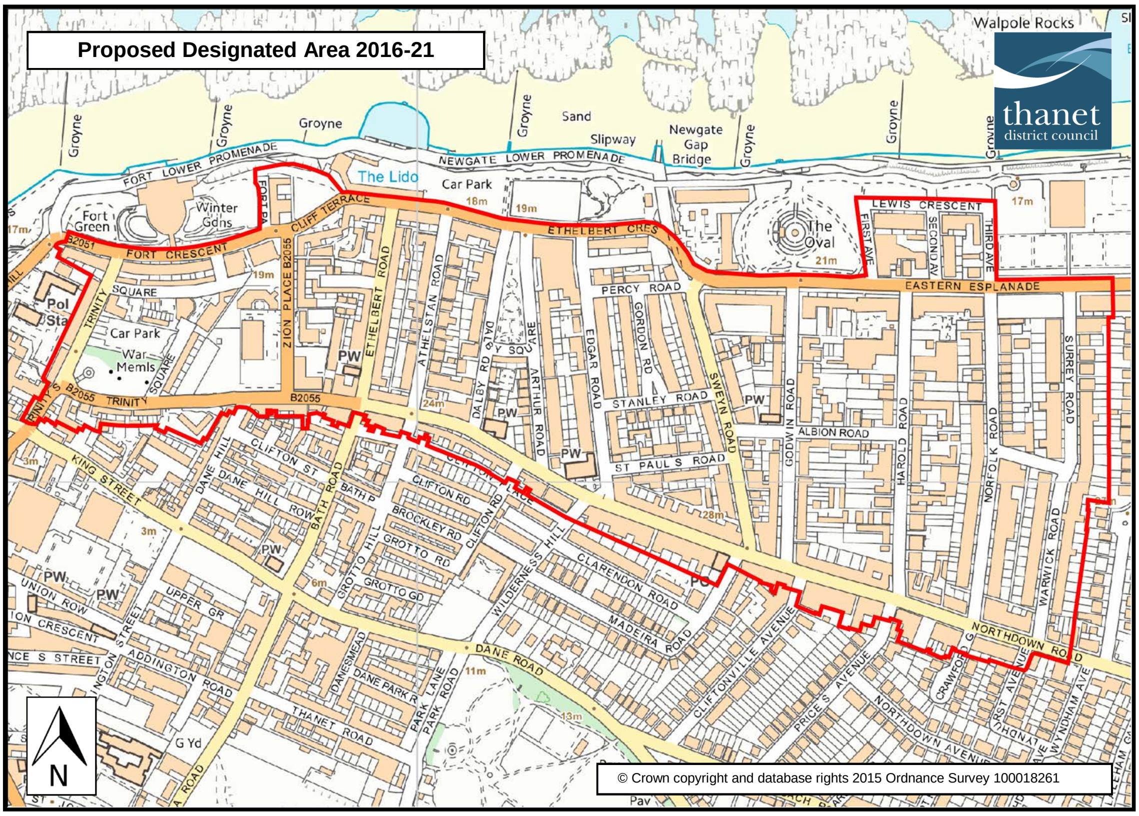
6. The comprehensive 50-page consultation document provided an overview of the current scheme and set out the details of the proposed five-year designation (proposed to begin on the day after the existing designation expires). It also provided the evidence required to support such a designation and described the range of complementary initiatives the council is currently pursuing. For the avoidance of excessive and unnecessary duplication, the information presented in the consultation document is not repeated in full here. The reader is therefore directed to the consultation document at this point, which is attached in Annex A.

7. This document reviews the results of the public consultation and sets out the council's position in respect of the key issues highlighted by the responses received. It also finalises the proposal such that the council's Cabinet may make an informed decision when they convene on 19 January 2016 to decide whether or not to make a further selective licensing designation.

2. Overview of consultation proposal

8. A map showing the proposed selective licensing designation, as subject to a 10 week public consultation, is shown below. The proposed designation concerns an area substantially similar to that already subject to a selective licensing designation and which is due to end on 20 April 2016.

Figure 1: Map of proposed designated area (2016-21)



9. The proposed designation would, if agreed on 19 January 2016, become operative on 21 April 2016 and expire on 20 April 2021.

10. The proposed area includes some parts of Northdown Road and Trinity Square that are not currently subject to selective licensing. This boundary amendment increases the number of potentially licensable dwellings by around 150. Therefore, the landlords of around 2,300 privately rented dwellings would be in need of a selective licence from the council in the event of a further designation. However, existing selective licences would remain valid until they expired.

11. All landlords would be required to pay a licence fee upon application. The licence fees proposed in the consultation document were based on the concept that any new scheme should minimise the financial burden on landlords. It was therefore proposed that licence fees are reduced as much as is reasonably possible, without jeopardising the council's ability to undertake its statutory functions under selective licensing.

12. The licence conditions that would apply to the new scheme would be similar to those currently in use. Licences would therefore include conditions regarding occupancy restrictions and management standards (including responsibilities relating to tenant referencing; the use of written agreements for occupation; anti-social behaviour; crime; waste management; property maintenance; and furniture, electrical, gas and fire safety).

13. The designation was proposed on the basis that the area is an area of low housing demand which also suffers from poor housing conditions and high levels of deprivation, crime and anti-social behaviour.

14. A further designation would be expected to contribute to:

    - An improvement in the social and economic conditions in the area;
    - A reduction in anti-social behaviour;
    - An improvement in general housing conditions;
    - A reduction in the level of deprivation; and
    - A reduction in crime.

3. English Indices of Deprivation 2015

15. Chapter 4 of the consultation document sets out the supporting evidence for the proposed designation. Paragraphs 159 to 169 dealt with the English Indices of Deprivation. However, the consultation document was written before the latest edition of the indices was published on 30 September 2015. This section updates the evidence in relation to deprivation within the proposed area.

16. The term deprivation covers a wide range of issues and refers to unmet needs caused by a lack of resources of all kinds, not just financial. The English Indices of Deprivation attempt to measure multiple deprivation by taking into account a range of factors, known as domains. The indices have identified seven distinct domains, namely: Income; Employment; Health and Disability; Education Skills and Training; Barriers to Housing and Services; Living Environment; and Crime.

17. The seven distinct domains are combined, using appropriate weights, to calculate the Index of Multiple Deprivation (IMD). This is an overall measure of multiple deprivation experienced by people living in a certain area.

18. For the purposes of the IMD, England has been broken down into 32,844 relatively similar areas known as Lower-layer Super Output Areas (LSOAs). Each LSOA relates to a geographical area in which around 1,500 people reside. The IMD ranks every LSOA in England according to its relative level of deprivation, with ranking 1 being the most deprived and 32,844 being the least deprived.

19. The most recent edition is now IMD 2015, which was published on 30 September 2015. This edition was based on the approach, structure and methodology used for the three previous editions, namely IMD 2004, IMD 2007 and IMD 2010, and as such is comparable. Most of the data used for compiling IMD 2015 relates to the 2012/13 financial year.

20. There are 84 LSOAs in Thanet. Five are partially contained within the proposed designated area. Their rankings (out of 32,844) are shown in the table below:

Figure 2: IMD rankings by edition

LSOA Area Code	**Approximate Location**	**IMD 2004 Ranking** Total Count: 32,482	**IMD 2007 Ranking** Total Count: 32,482	**IMD 2010 Ranking** Total Count: 32,482	**IMD 2015 Ranking** Total Count: 32,844
E01024678	**Area around Trinity Square** (Around a quarter of the LSOA is contained within the proposed designated area)	829	167	81	21
E01024657	**Area around Ethelbert Road** (This LSOA is substantially contained within the proposed designated area)	404	399	33	4
E01024658	**Area around Sweyn Road** (Around 60% of this LSOA is contained within the proposed designated area)	1416	631	595	233
E01024660	**Area around Norfolk Road** (This LSOA is substantially contained within the proposed designated area)	1777	670	339	117
E01024659	**Area around Northdown Avenue** (Only a small area of this LSOA is contained within the proposed designated area)	6482	5979	5608	2739

Source: Office of the Deputy Prime Minister; Department for Communities and Local Government

21. The above table shows that the deprivation rankings have deteriorated significantly in all five LSOAs between the comparable indices. The four LSOAs currently ranked 4, 21, 117 and 233 are all within the 1% most deprived areas in England.

22. The LSOA ranked 4, which concerns an area around Ethelbert Road, Athelstan Road and Dalby Square, is substantially located in the heart of the proposed designation. Only an area of Jaywick, near Clacton-on-Sea, and two areas adjacent to the seafront in Blackpool are more deprived.

23. The following table illustrates the deprivation rankings at Thanet district level, where 1 is the most deprived and 84 is the least deprived.

Figure 3: Thanet District level IMD rankings by edition

LSOA Area Code	**Approximate Location**	**IMD 2004** Total Count: 84	**IMD 2007** Total Count: 84	**IMD 2010** Total Count: 84	**IMD 2015** Total Count: 84
E01024678	**Area around Trinity Square** (Around a quarter of the LSOA is contained within the proposed designated area)	3	1	3	2
E01024657	**Area around Ethelbert Road** (This LSOA is substantially contained within the proposed designated area)	2	3	2	1
E01024658	**Area around Sweyn Road** (Around 60% of this LSOA is contained within the proposed designated area)	4	4	5	5
E01024660	**Area around Norfolk Road** (This LSOA is substantially contained within the proposed designated area)	5	5	4	4
E01024659	**Area around Northdown Avenue** (Only a small area of this LSOA is contained within the proposed designated area)	20	22	23	16

Source: Office of the Deputy Prime Minister; Department for Communities and Local Government

24. The following table illustrates the deprivation rankings at Kent county level, where 1 is the most deprived and 1,065 is the least deprived.

Figure 4: Kent county level IMD rankings by edition

LSOA Area Code	**Approximate Location**	**IMD 2004** Total Count: 1,047	**IMD 2007** Total Count: 1,047	**IMD 2010** Total Count: 1,047	**IMD 2015** Total Count: 1,065
E01024678	**Area around Trinity Square** (Around a quarter of the LSOA is contained within the proposed designated area)	3	1	3	2
E01024657	**Area around Ethelbert Road** (This LSOA is substantially contained within the proposed designated area)	2	3	2	1
E01024658	**Area around Sweyn Road** (Around 60% of this LSOA is contained within the proposed designated area)	5	4	7	7
E01024660	**Area around Norfolk Road** (This LSOA is substantially contained within the proposed designated area)	6	5	4	5
E01024659	**Area around Northdown Avenue** (Only a small area of this LSOA is contained within the proposed designated area)	74	77	94	51

Source: Office of the Deputy Prime Minister; Department for Communities and Local Government

25. The above tables show that the area proposed for designation is one of the most deprived in England.

26. The data used in the compilation of IMD 2015 was primarily from the 2012/13 financial year. Enforcement of the current selective licensing designation did not start until the 2013/14 financial year, owing to it being subject to a legal challenge.

27. The proposed area is unique, owing to its history and built environment. Many of the surrounding areas do not suffer from such entrenched deprivation. The four LSOAs contained within the immediately adjacent ward of Cliftonville East have considerably different deprivation profiles. For comparison, these are shown in the table below:

Figure 5: IMD rankings of LSOAs in Cliftonville East by edition

LSOA Area Code	**Approximate Location**	**IMD 2004 Ranking** Total Count: 32,482	**IMD 2007 Ranking** Total Count: 32,482	**IMD 2010 Ranking** Total Count: 32,482	**IMD 2015 Ranking** Total Count: 32,844
E01024653	Area around Knockholt Road and Eastchurch Road	24,962	22,145	21,947	23,881
E01024654	Area around Northdown Road and Elmstone Gardens	19,176	17,803	16,799	15,668
E01024655	Area around Northdown Road and Gloucester Road	24,095	24,156	22,185	18,617
E01024656	Area around Lonsdale Gardens and Princes Gardens	13,793	13,533	11,276	8,500

28. It is worth noting that the deprivation rankings should be considered in relative terms. It cannot be simply assumed that an area has become more deprived because a ranking has deteriorated between editions. It may be that deprivation in the area has lessened, but that other areas have improved faster and overtaken the area in the rankings.

4. Results of the public consultation

Overview

29. The council undertook a wide-ranging 10 week (and one day) public consultation between 17 August 2015 and 26 October 2015.

30. Throughout the consultation period, the council's website featured an obvious pictorial link on its homepage which guided interested persons to the public consultation press release. This page included links to the 50-page consultation document, available in web format or downloadable as a PDF, and the online survey.

31. The consultation survey included six key questions and gave the option to make other comments. Responses could also be made in writing separately to a freepost address or by email.

32. The consultation prompted 384 survey responses, and 20 other separate written responses received by post or by email. As such, there were 404 responses in total.

Consultation methods

33. Chapter 6 of the consultation document set out how the public consultation was to be comprehensively publicised. The various stakeholders specified in the consultation document (other than those mentioned in "Direct mailings" below) were emailed or written to in the first few days of the public consultation.

34. The extent to which the other means of consultation took place is set out below.

Direct mailings

35. To help ensure that all persons likely to be affected by the proposed designation were fully consulted, the council wrote directly to the following:
    - Property owners in the proposed area, both freehold and leasehold;
    - Current selective licence holders and named managers;
    - Addresses in the proposed area, both residential and commercial;
    - Residents and businesses in roads surrounding the proposed area;
    - All known letting/managing agents operating in Thanet.

36. Each letter included a colour leaflet explaining the proposal and a hard copy of the consultation survey.

37. Around 5,800 letters addressed to residents and businesses in and around the proposed area were hand-delivered by council staff on Friday 14 August 2015. Over 4,000 further letters addressed to property owners, licence holders/named managers, and letting/managing agents were posted by Royal Mail on the same day.

Landlord drop-in sessions

38. Two bookable drop-in sessions were held for landlords and managing agents at the council offices in Margate. An afternoon session was held on 01 September 2015 between 2pm and 5pm, and an evening session was held on 24 September 2015 between 5pm and 8pm.

39. All owners of property in the proposed designated area, all current licence holders/named managers, and all known letting/managing agents in Thanet received a direct mailing, which included details of both events.

40. Council staff arranged for four consultation stations to be available at both events, each to be staffed by two officers. Both sessions were divided into 20 minute slots, making 36 bookable slots available at each session.

41. At the afternoon session, six slots were booked and there were five attendances. At the evening session, five slots were booked and there were five attendances. Overall, of the 72 available slots, 10 were taken. Officers answered questions and invited consultation responses to those who attended.

Public open day

42. A public open day was held on 06 October 2015 at St. Anne's Church Hall, Devonshire Gardens, Cliftonville, where officers were on hand between 10am to 4pm to answer questions about the proposal. Around 27 interested persons attended during the day.

Public and social media

43. Five half-page colour adverts were placed in local newspapers to promote the public consultation. Three were placed in the KM Thanet Extra (26 August 2015, 16 September 2015 and 14 October 2015), and two were placed in the Isle of Thanet Gazette (04 September 2015 and 02 October 2015).

44. Social media, namely Twitter and Facebook, was also used to promote the public consultation. The council tweeted six times and made five Facebook posts while the consultation was open.

Street signage

45. Some 62 A4 sized laminated colour signs promoting the public consultation were fixed to lamp posts in and around the proposed area during the consultation period.

Survey responses

46. The consultation prompted 384 survey responses.

Respondent groups

47. To consider varying opinions, the survey asked respondents to identify their interest in one of seven ways. The table below sets out the extent to which these groups were represented in the survey.

Figure 6: Number of survey responses received by respondent group

No.	Respondent Group	Number	Percentage
1	A private landlord with properties in the proposed area	71	18.5%
2	A private landlord with no properties in the proposed area	7	1.8%
3	A tenant renting from a private landlord in the proposed area	57	14.8%
4	A housing association or council tenant living in the proposed area	16	4.2%
5	An owner-occupier living in the proposed area (not a landlord or tenant)	156	40.6%
6	A resident living in Margate, but outside the proposed area	48	12.5%
7	Other	29	7.6%
	Total:	**384**	**100%**

48. The interest of respondent groups 1 to 6 is self-evident. The table below clarifies the interests of the "Other" 29 respondents.

Figure 7: "Other" respondents – Nature of interest

Respondent type	Number	Percentage
Managing/letting agent	6	20.7%
Thanet resident (but outside Margate)	6	20.7%
Owner of holiday home	3	10.3%

Business operating in area	3	10.3%
Charity/voluntary sector	3	10.3%
Non-TDC public service	2	6.9%
Former resident	1	3.4%
Club	1	3.4%
Landlord group	1	3.4%
Registered social landlord	1	3.4%
Trustee of property	1	3.4%
Non-resident part property owner	1	3.4%
Total:	**29**	**100%**

Overall results

49. The survey asked six key questions. These are identified in the table below, together with the overall results of the survey.

Figure 8: Survey questions and overall results

No.	Question	Yes	No	Don't Know	Totals
1	Do you think anti-social behaviour is a problem in the proposed area?	292 (76.0%)	44 (11.5%)	48 (12.5%)	**384 (100%)**
2	Do you think crime is a problem in the proposed area?	268 (69.8%)	41 (10.7%)	75 (19.5%)	**384 (100%)**
3	Do you think the proposed area suffers from poor housing conditions?	300 (78.1%)	40 (10.4%)	44 (11.5%)	**384 (100%)**
4	Do you think the proposed area is a desirable place in which to live?	115 (29.9%)	224 (58.3%)	45 (11.7%)	**384 (100%)**
5	Do you think the council should be taking action to improve the management of privately rented homes in the proposed area?	319 (83.1%)	37 (9.6%)	28 (7.3%)	**384 (100%)**
6	Do you think a further five year Selective Licensing Scheme would benefit the area?	283 (73.7%)	66 (17.2%)	35 (9.1%)	**384 (100%)**

50. Of the 384 respondents, 279 (72.7%) made further written comments in addition to answering the survey questions. These representations are discussed below.

51. The majority of survey respondents were in support of a further selective licensing designation, with 73.7% in favour and 17.2% against. Public support for selective licensing appears to be getting stronger. The public consultation survey carried out for the current designation in 2010 revealed that while there was public support, it was less obvious, with 49% in favour and 44% against. The following table highlights increased support from landlords and residents living in the area.

Figure 9: Support for selective licensing – Comparison between 2010 and 2015

	All landlords			Residents living in proposed area		
	For	**Against**	**Don't Know**	**For**	**Against**	**Don't Know**
Public Consultation 2010 Survey responses: 579	15.1%	82.1%	2.8%	67.4%	22.3%	10.3%
Public Consultation 2015 Survey responses: 384	26.9%	61.5%	11.5%	85.2%	6.1%	8.7%

Results by respondent group

52. The survey results in respect of each question, broken down by respondent group, are shown in the tables below. For each question a second table has been included which collates the results to show how three distinct groups have answered, they being:

- All private landlords (respondent groups 1 and 2);

- Residents living in the proposed area (respondent groups 3, 4 and 5);
- All respondents, excluding landlords (respondent groups 3, 4, 5, 6 and 7).

53. Question 1 asked respondents whether they thought anti-social behaviour (ASB) was a problem in the proposed area. The results are shown in the tables below.

Figure 10: Question 1 – Do you think anti-social behaviour is a problem in the proposed area?

No.	Respondent Group	Yes	No	Don't Know	Total Count
1	A private landlord with properties in the proposed area	31 (43.7%)	26 (36.6%)	14 (19.7%)	**71 (100%)**
2	A private landlord with no properties in the proposed area	6 (85.7%)	0 (0.0%)	1 (14.3%)	**7 (100%)**
3	A tenant renting from a private landlord in the proposed area	37 (64.9%)	10 (17.5%)	10 (17.5%)	**57 (100%)**
4	A housing association or council tenant living in the proposed area	16 (100%)	0 (0.0%)	0 (0.0%)	**16 (100%)**
5	An owner-occupier living in the proposed area (not a landlord or tenant)	136 (87.2%)	8 (5.1%)	12 (7.7%)	**156 (100%)**
6	A resident living in Margate, but outside the proposed area	39 (81.3%)	0 (0.0%)	9 (18.8%)	**48 (100%)**
7	Other	27 (93.1%)	0 (0.0%)	2 (6.9%)	**29 (100%)**
	Overall results	**292 (76.0%)**	**44 (11.5%)**	**48 (12.5%)**	384 (100%)

Figure 11: Question 1 – Do you think anti-social behaviour is a problem in the proposed area? (COLLATED GROUPS)

No.	COLLATED Respondent Group	Yes	No	Don't Know	Total Count
8	All private landlords (Respondent Groups 1 and 2)	37 (47.4%)	26 (33.3%)	15 (19.2%)	**78 (100%)**
9	Residents living in the proposed area (Respondent Groups 3, 4 and 5)	189 (82.5%)	18 (7.9%)	22 (9.6%)	**229 (100%)**
10	All respondents, excluding landlords (Respondent Groups 3, 4, 5, 6 and 7)	255 (83.3%)	18 (5.9%)	33 (10.8%)	**306 (100%)**

54. Overall, a high percentage of respondents (76%) were of the opinion that anti-social behaviour is a problem in the proposed area. Whilst high, this is slightly down from the 2010 consultation, when 80% of respondents were of this opinion.

55. A high proportion of residents living in the area, some 82.5%, thought ASB was a problem. Private landlords were less certain with a smaller proportion, 47.4%, being of that opinion.

56. Question 2 asked respondents whether they thought crime was a problem in the proposed area. The results are shown in the tables below.

Figure 12: Question 2 – Do you think crime is a problem in the proposed area?

No.	Respondent Group	Yes	No	Don't Know	Total Count
1	A private landlord with properties in the proposed area	35 (49.3%)	21 (29.6%)	15 (21.1%)	**71 (100%)**
2	A private landlord with no properties in the proposed area	4 (57.1%)	0 (0.0%)	3 (42.9%)	**7 (100%)**
3	A tenant renting from a private landlord in the proposed area	35 (61.4%)	7 (12.3%)	15 (26.3%)	**57 (100%)**
4	A housing association or council tenant living in the proposed area	15 (93.8%)	0 (0.0%)	1 (6.3%)	**16 (100%)**

5	An owner-occupier living in the proposed area (not a landlord or tenant)	119 (76.3%)	12 (7.7%)	25 (16.0%)	**156 (100%)**
6	A resident living in Margate, but outside the proposed area	36 (75.0%)	1 (2.1%)	11 (22.9%)	**48 (100%)**
7	Other	24 (82.8%)	0 (0.0%)	5 (17.2%)	**29 (100%)**
	Overall results	**268 (69.8%)**	**41 (10.7%)**	**75 (19.5%)**	**384 (100%)**

Figure 13: Question 2 – Do you think crime is a problem in the proposed area? (COLLATED GROUPS)

No.	COLLATED Respondent Group	Yes	No	Don't Know	Total Count
8	All private landlords (Respondent Groups 1 and 2)	39 (50.0%)	21 (26.9%)	18 (23.1%)	**78 (100%)**
9	Residents living in the proposed area (Respondent Groups 3, 4 and 5)	169 (73.8%)	19 (8.3%)	41 (17.9%)	**229 (100%)**
10	All respondents, excluding landlords (Respondent Groups 3, 4, 5, 6 and 7)	229 (74.8%)	20 (6.5%)	57 (18.6%)	**306 (100%)**

57. When compared to ASB, slightly fewer respondents thought crime was a problem in the area, but the proportion was still high at 69.8%. Again, there was differing opinion among residents living in the area and landlords, with 73.8% of such residents and 50% of landlords believing crime was a problem.

58. Question 3 asked respondents whether they thought the proposed area suffered from poor housing conditions. The results are shown in the tables below.

Figure 14: Question 3 – Do you think the proposed area suffers from poor housing conditions?

No.	Respondent Group	Yes	No	Don't Know	Total Count
1	A private landlord with properties in the proposed area	31 (43.7%)	29 (40.8%)	11 (15.5%)	**71 (100%)**
2	A private landlord with no properties in the proposed area	5 (71.4%)	1 (14.3%)	1 (14.3%)	**7 (100%)**
3	A tenant renting from a private landlord in the proposed area	41 (71.9%)	7 (12.3%)	9 (15.8%)	**57 (100%)**
4	A housing association or council tenant living in the proposed area	15 (93.8%)	0 (0.0%)	1 (6.3%)	**16 (100%)**
5	An owner-occupier living in the proposed area (not a landlord or tenant)	143 (91.7%)	0 (0.0%)	13 (8.3%)	**156 (100%)**
6	A resident living in Margate, but outside the proposed area	42 (87.5%)	1 (2.1%)	5 (10.4%)	**48 (100%)**
7	Other	23 (79.3%)	2 (6.9%)	4 (13.8%)	**29 (100%)**
	Overall results	**300 (78.1%)**	**40 (10.4%)**	**44 (11.5%)**	**384 (100%)**

Figure 15: Question 3 – Do you think the proposed area suffers from poor housing conditions? (COLLATED GROUPS)

No.	COLLATED Respondent Group	Yes	No	Don't Know	Total Count
8	All private landlords (Respondent Groups 1 and 2)	36 (46.2%)	30 (38.5%)	12 (15.4%)	**78 (100%)**
9	Residents living in the proposed area (Respondent Groups 3, 4 and 5)	199 (86.9%)	7 (3.1%)	23 (10.0%)	**229 (100%)**
10	All respondents, excluding landlords (Respondent Groups 3, 4, 5, 6 and 7)	264 (86.3%)	10 (3.3%)	32 (10.5%)	**306 (100%)**

59. Overall, more than three-quarters of respondents (78.1%) thought the area suffered from poor housing conditions. Among residents living in the area, the percentage was higher at 86.9%. There were more mixed opinions among landlords, but more landlords than not (46.2% compared to 38.5%) were also of the opinion that the area suffered from poor housing conditions.

60. Question 4 asked respondents whether they thought the proposed area was a desirable place in which to live. The results are shown in the tables below.

Figure 16: Question 4 – Do you think the proposed area is a desirable place in which to live?

No.	Respondent Group	Yes	No	Don't Know	Total Count
1	A private landlord with properties in the proposed area	31 (43.7%)	25 (35.2%)	15 (21.1%)	**71 (100%)**
2	A private landlord with no properties in the proposed area	1 (14.3%)	6 (85.7%)	0 (0.0%)	**7 (100%)**
3	A tenant renting from a private landlord in the proposed area	23 (40.4%)	27 (47.4%)	7 (12.3%)	**57 (100%)**
4	A housing association or council tenant living in the proposed area	2 (12.5%)	13 (81.3%)	1 (6.3%)	**16 (100%)**
5	An owner-occupier living in the proposed area (not a landlord or tenant)	55 (35.3%)	88 (56.4%)	13 (8.3%)	**156 (100%)**
6	A resident living in Margate, but outside the proposed area	1 (2.1%)	40 (83.3%)	7 (14.6%)	**48 (100%)**
7	Other	2 (6.9%)	25 (86.2%)	2 (6.9%)	**29 (100%)**
	Overall results	**115 (29.9%)**	**224 (58.3%)**	**45 (11.7%)**	**384 (100%)**

Figure 17: Question 4 – Do you think the proposed area is a desirable place in which to live? (COLLATED GROUPS)

No.	COLLATED Respondent Group	Yes	No	Don't Know	Total Count
8	All private landlords (Respondent Groups 1 and 2)	32 (41.0%)	31 (39.7%)	15 (19.2%)	**78 (100%)**
9	Residents living in the proposed area (Respondent Groups 3, 4 and 5)	80 (34.9%)	128 (55.9%)	21 (9.2%)	**229 (100%)**
10	All respondents, excluding landlords (Respondent Groups 3, 4, 5, 6 and 7)	83 (27.1%)	193 (63.1%)	30 (9.8%)	**306 (100%)**

61. Fewer than a third of respondents (29.9%) thought the proposed area was a desirable place in which to live. Around twice as many (58.3%) thought it was not. The views expressed by landlords were reasonably balanced, with 41.0% thinking it was desirable and 39.7% thinking it was not. Landlords with property in the area were the only respondent group to think the area was desirable.

62. Just over a third of residents living in the proposed area (34.9%) thought the area was a desirable place to live; whereas, over half (55.9%) thought otherwise. Only 2.1% of Margate residents living outside the area thought the proposed area was a desirable place to live.

63. Question 5 asked respondents whether they thought the council should be taking action to improve the management of privately rented homes in the proposed area. The results are shown in the tables below.

Figure 18: Question 5 – Do you think the council should be taking action to improve the management of privately rented homes in the proposed area?

No.	Respondent Group	Yes	No	Don't Know	Total Count
1	A private landlord with properties in the proposed area	34 (47.9%)	27 (38.0%)	10 (14.1%)	**71 (100%)**
2	A private landlord with no properties in the proposed area	6 (85.7%)	0 (0.0%)	1 (14.3%)	**7 (100%)**
3	A tenant renting from a private landlord in the proposed area	41 (71.9%)	8 (14.0%)	8 (14.0%)	**57 (100%)**
4	A housing association or council tenant living in the proposed area	16 (100%)	0 (0.0%)	0 (0.0%)	**16 (100%)**
5	An owner-occupier living in the proposed area (not a landlord or tenant)	150 (96.2%)	0 (0.0%)	6 (3.8%)	**156 (100%)**
6	A resident living in Margate, but outside the proposed area	44 (91.7%)	1 (2.1%)	3 (6.3%)	**48 (100%)**
7	Other	28 (96.6%)	1 (3.4%)	0 (0.0%)	**29 (100%)**
	Overall results	**319 (83.1%)**	**37 (9.6%)**	**28 (7.3%)**	**384 (100%)**

Figure 19: Question 5 – Do you think the council should be taking action to improve the management of privately rented homes in the proposed area? (COLLATED GROUPS)

No.	COLLATED Respondent Group	Yes	No	Don't Know	Total Count
8	All private landlords (Respondent Groups 1 and 2)	40 (51.3%)	27 (34.6%)	11 (14.1%)	**78 (100%)**
9	Residents living in the proposed area (Respondent Groups 3, 4 and 5)	207 (90.4%)	8 (3.5%)	14 (6.1%)	**229 (100%)**
10	All respondents, excluding landlords (Respondent Groups 3, 4, 5, 6 and 7)	279 (91.2%)	10 (3.3%)	17 (5.6%)	**306 (100%)**

64. All respondent groups, including landlords, thought the council should be taking action to improve the management of privately rented homes in the proposed area, with 83.1% in favour. The proportion in favour increases to 91.2% when landlord groups are excluded.

65. Question 6 asked respondents whether they thought a further five year Selective Licensing Scheme would benefit the area. The results are shown in the tables below.

Figure 20: Question 6 – Do you think a further five year Selective Licensing Scheme would benefit the area?

No.	Respondent Group	Yes	No	Don't Know	Total Count
1	A private landlord with properties in the proposed area	16 (22.5%)	46 (64.8%)	9 (12.7%)	**71 (100%)**
2	A private landlord with no properties in the proposed area	5 (71.4%)	2 (28.6%)	0 (0.0%)	**7 (100%)**
3	A tenant renting from a private landlord in the proposed area	41 (71.9%)	9 (15.8%)	7 (12.3%)	**57 (100%)**
4	A housing association or council tenant living in the proposed area	12 (75.0%)	0 (0.0%)	4 (25.0%)	**16 (100%)**
5	An owner-occupier living in the proposed area (not a landlord or tenant)	142 (91.0%)	5 (3.2%)	9 (5.8%)	**156 (100%)**
6	A resident living in Margate, but outside the proposed area	43 (89.6%)	1 (2.1%)	4 (8.3%)	**48 (100%)**
7	Other	24 (82.8%)	3 (10.3%)	2 (6.9%)	**29 (100%)**
	Overall results	**283 (73.7%)**	**66 (17.2%)**	**35 (9.1%)**	**384 (100%)**

Figure 21: Question 6 – Do you think a further five year Selective Licensing Scheme would benefit the area? (COLLATED GROUPS)

No.	COLLATED Respondent Group	Yes	No	Don't Know	Total Count
8	All private landlords (Respondent Groups 1 and 2)	21 (26.9%)	48 (61.5%)	9 (11.5%)	**78 (100%)**
9	Residents living in the proposed area (Respondent Groups 3, 4 and 5)	195 (85.2%)	14 (6.1%)	20 (8.7%)	**229 (100%)**
10	All respondents, excluding landlords (Respondent Groups 3, 4, 5, 6 and 7)	262 (85.6%)	18 (5.9%)	26 (8.5%)	**306 (100%)**

66. The majority of survey respondents were in support of a further selective licensing designation, with 73.7% in favour and 17.2% against. Amongst residents living in the area, there was a higher level of support at 85.2%. Only landlords with properties in the proposed area were against a designation.

Separate written responses

67. There were 20 separate written responses submitted in addition to the 384 survey responses received. The following table shows the interest of these 20 respondents.

Table 22: Number of separate written responses received by respondent group

No.	Respondent Group	Number	Percentage
1	Thanet Landlords' Focus Group	1	5%
2	Landlord Association (NLA, RLA and SLA)	3	15%
3	Public agency (Margate Task Force and Kent Fire & Rescue Service)	2	10%
4	Private landlord with properties in the proposed area	7	35%
5	Managing agent	1	5%
6	Owner-occupier in proposed area	2	10%
7	Resident in nearby road	1	5%
8	Unclear	3	15%
	Total:	**20**	**100%**

68. The responses received varied in length and nature. With some, it was not clear as to whether the respondent was in support of selective licensing or not. As such, each of the 20 responses were placed into one of six categories, namely:

- o Clearly in favour;
- o Inclined to favour;
- o Clearly against;
- o Inclined to be against;
- o Mixed (qualified support with some uncertainty);
- o Unclear (no indication either way).

69. The following table illustrates the nature of support for selective licensing among those who submitted a separate written response.

Table 23: Nature of support for selective licensing among respondents who made a separate written response

Respondent Type	Clearly in Favour	Inclined to Favour	Clearly Against	Inclined to be Against	Mixed	Unclear
Thanet Landlords' Focus Group	0	0	0	0	1	0
Landlord Association (NLA, RLA and SLA)	0	0	2	0	1	0
Public agency (Margate Task Force and Kent Fire & Rescue Service)	2	0	0	0	0	0

Private landlord with properties in the proposed area	0	2	4	1	0	0
Managing agent	0	0	0	0	0	1
Owner-occupier in proposed area	2	0	0	0	0	0
Resident in nearby road	0	0	0	0	0	1
Unclear	2	0	0	0	0	1
Total Count:	**6 (30%)**	**2 (10%)**	**6 (30%)**	**1 (5%)**	**2 (10%)**	**3 (15%)**

70. When viewed together, the separate written responses reveal a relatively balanced viewpoint, with broadly equal numbers being for and against the proposed designation.

71. To clarify the general positions of some of the key respondents, summaries of their separate written responses have been provided below.

Landlord associations

72. The National Landlords Association (NLA) believes that as the current scheme has not had five years to run, its success or failure cannot be properly analysed. Therefore, any lessons learnt from the current scheme cannot be incorporated into that proposed. It also states that landlords have limited ability to deal with ASB and that licensing does not provide additional influence. It further believes that discretionary licensing is not an appropriate response to some of the cited issues, for example, crime. Nevertheless, the NLA has suggested a further designation could be made, but only for a period of two years, with an option for a third. However, it also believes that other, non-licensing, options should also be considered. The NLA would like to see further fee reductions for compliant landlords and other rewards considered.

73. The Residential Landlords Association (RLA) opposes a further selective licensing designation. It argues that selective licensing is burdensome and expensive, with compliant landlords being mostly affected. It further states that it is ineffective at reducing ASB, has a detrimental effect on mortgages, and has the potential for displacement. There were also concerns about certain selective licensing conditions, with objections to the requirement to provide electrical installation condition reports and the imposition of occupancy limits that are lower than statutory standards.

74. The Southern Landlords Association (SLA) is fundamentally against a further selective licensing designation on the primary basis that, in its opinion, it would be unlawful as Parliament did not intend licensing to be used over long periods of time, over large areas. The SLA does not believe the proposed designation is justified.

Thanet Landlords' Focus Group

75. The council formed the Thanet Landlords' Focus Group (TLFG) in collaboration with landlord representatives in 2008. Currently, the TLFG meets three times a year and is made up of 15 landlords and managing agents who own or manage residential properties in the Thanet area. The primary aim of the TLFG is to increase the level of understanding and communication between the council and local private sector landlords and managing agents

76. The TLFG's main concern was that, owing to the judicial review, the current scheme was ineffective in its first two years, as enforcement could not begin until 2013. Accordingly, it believes a second scheme should not be considered before 2018 (five years after enforcement began). This would allow the council more time to review the current scheme and understand its full impact. Before any new scheme is implemented, the TLFG would like to see continued and further use of other enforcement powers.

77. However, the TLFG does believe that the current scheme has benefitted the area, and it could support a new designation in two years' time if fees were reduced for compliant landlords and if short term Council Tax exemptions could be made for void periods.

Public agencies

78. The Margate Task Force (MTF) is a multi-agency initiative set up to help tackle the wide-ranging issues faced in Margate Central and Cliftonville West. Based in the centre of Margate, the MTF comprises 14 co-located agencies and groups, including Kent Police, Kent Fire & Rescue Service, Kent County Council and the NHS. The MTF strongly supports the renewal of selective licensing as it believes it is a valuable tool in tackling the many problems faced in the Cliftonville area, and says: *"It is a key initiative in our longer term social justice strategy and operational multi-agency approach."*

79. The Kent Fire & Rescue Service (KFRS) fully supports selective licensing in Margate as it successfully contributes to making homes safer places in which to live.

Combined results

80. The results of both the survey and the separate written responses may be combined to provide an overall indication of the level of support for a further selective licensing designation. For this purpose, the separate written responses which were clearly in favour, or inclined to favour, have been deemed to be in support of selective licensing. Those which were clearly against, or inclined to be against, have been deemed to be not in support of selective licensing. Unclear responses have been deemed to be "Don't know", as have mixed responses.

81. Therefore, 291 respondents (72%) were in support of selective licensing, 73 (18%) were against, and 40 (10%) were unsure.

Key issues identified during the consultation

82. The 279 written comments submitted via the survey and the 20 separate written responses have been carefully reviewed by the council. The key issues highlighted by the 299 written submissions were:

- Waste problems – rubbish, bins, litter, fly-tipping, dog fouling, vermin, and discarded furniture such as mattresses and sofas;
- Crime and ASB – drugs, alcohol abuse, theft, noise, and loitering groups;
- Housing conditions in the private rented sector – disrepair, unsafe homes, poor management and maintenance, appearance, and overcrowding;
- Rogue, neglectful, and absentee landlords;
- Desire to see more enforcement action and property inspections;
- Problem tenants who lead chaotic lifestyles;
- Licence fees and administrative burdens – costs to landlords, whether good or bad, and further costs associated with preparing applications and bringing properties up to standard.

5. Council response to key issues raised during the public consultation

83. In preparing this final proposal, the council has carefully considered all of the representations received during the public consultation.

84. In this section, the main issues highlighted by the written submissions and some more specific issues are discussed and a council response provided.

Waste problems

85. A significant number of responses highlighted concerns about waste. Waste issues were cited more than any other concern. Dumped rubbish, bin problems, litter, fly-tipping, dog fouling, vermin, discarded belongings (most notably mattresses and sofas) both on the highway and on private land, and inadequate provision for waste storage in flatted accommodation were issues of particular concern for many respondents.

Council response

86. The council acknowledges that the problem is very real and impacts upon people living in the area all too often. Irresponsible landlords and tenants are often to blame.

87. Landlords cannot be held responsible for the actions of their tenants, but they can contribute to alleviating the waste problems being experienced in the area. The council has chosen to use its discretionary power to incorporate a waste condition within its current selective licensing designation. Current licence holders are required to make suitable arrangements for the storage and disposal of waste and to ensure that all new occupiers are made aware of waste collection arrangements. Common areas and the external areas of unoccupied dwellings must also be kept clear of waste at all times.

88. It is proposed that any new designation would continue to incorporate a specific waste condition. Furthermore, to help tackle these concerns, any opportunity to reinforce or expand this condition would be explored in the event of a further designation.

89. Under the current scheme, selective licensing officers have worked with Street Scene Enforcement (the team responsible for waste enforcement) to enforce the waste condition. As the financial penalties associated with selective licensing tend to be more significant than traditional waste enforcement notices, this enforcement route can be more persuasive and lead to quicker resolutions.

90. However, in view of the consultation responses, the council's enforcement capabilities have been reviewed. It is now proposed that the number of officers authorised to enforce selective licensing is significantly increased. Officers working in Street Scene Enforcement will now themselves be able to take direct enforcement action under selective licensing.

91. As selective licensing is concerned with property management, it is worth noting that there are limitations to what can be achieved. Enforcement action can only be taken against licence holders or named managers where there is clear evidence of failure to comply with the waste condition. Enforcement action cannot be taken directly against a tenant under selective licensing.

Crime and anti-social behaviour

92. Many respondents were concerned about crime and ASB in the proposed area, which includes waste related ASB (as discussed separately above). Among the issues highlighted were problems associated with drugs, alcohol abuse/street drinking, theft, noise nuisance, criminal damage, and loitering groups.

93. There were also concerns raised by landlords about how selective licensing can have an impact on crime and ASB levels.

Council response

94. The statistical evidence set out in the consultation document clearly shows that the area is blighted with higher than average levels of crime and ASB. Residents living in and around the area are acutely aware of this situation.

95. As with waste problems, landlords cannot be held responsible for the actions of their tenants, but they can, more often than not, have some influence on the behaviour of their tenants. The council believes that a good landlord would, once they became aware a tenant of theirs was engaged in unacceptable activities that had a detrimental effect on neighbours, try to take some steps to resolve the situation. It is accepted that a landlord has limited options other than to give verbal and written warnings and in extreme cases to evict the tenant(s). However, the threat of eviction may, in some circumstances, bring about a resolution. Clearly, the council does not want to see tenants lose their homes and would hope it would not come to that in most cases.

96. Landlords do not need to be alone in facing difficult tenants. The council and the Margate Task Force (which includes Kent Police) have teams that can help, in particular the Community Safety Team (ASB) and Environmental Health (Noise). Any landlord who asks for help and advice will receive it. The council recognises that as well as rogue landlords, there are rogue tenants.

97. The council has chosen to use its discretionary power to incorporate an ASB condition within its current selective licensing designation. It simply requires the licence holder to take reasonable steps to try and deal with any ASB caused by their tenants and to co-operate with the council and Police as necessary. In the event of a new designation, such a condition would be continued; however, the condition would be reviewed and expanded to encompass criminal activity.

98. The council's review of its enforcement capabilities mentioned above has included areas other than waste enforcement. Officers working in the Community Safety Team (ASB) and Environmental Health (Noise) will now themselves be able to take direct enforcement action under selective licensing.

99. It is also worth noting that a mandatory condition of selective licensing relates to tenant referencing. All licence holders, in any selective licensing scheme, must require a reference from any person wishing to take up occupation in one of their licensed dwellings. In support of this requirement, the council introduced a free Tenant Referencing Scheme, which aims to help landlords make informed letting choices. The scheme provides prospective tenants with a tenant referencing card that shows a red, amber or green rating for each of the following: credit/debt history, criminal activity, ASB/nuisance, and tenancy breaches/refusals. The council proposes to continue the scheme, free of charge, in the event of a further designation.

Housing enforcement

100. A large number of respondents cited issues with housing conditions in the private rented sector, including rogue, neglectful and absentee landlords, disrepair, unsafe housing, poor management and maintenance, neglected external appearance, and overcrowding. Many respondents also wanted to see more enforcement action and property inspections.

Council response

101. The council accepts that there are many private landlords (and some agents) operating in the proposed area who fail to take their management responsibilities seriously. In the last two years, the council has robustly enforced the current scheme, serving nearly 600 breach of licence condition notices and taking over 20 successful prosecutions

against non-compliant landlords; the highest fine being £20,000. Of the 943 properties inspected so far, over half have been found to contain one or more health and safety hazard requiring council intervention. Despite these efforts, there remains much to do.

102. Poor housing conditions can have serious consequences for the health, safety and well-being of residents. As such, in the event of a new designation, the council would continue to prioritise enforcement, using selective licensing and all other reasonably available legislative powers to ensure homes are well-managed and safe.

103. The council also recognises that proactive inspections of licensed properties are essential to providing effective and meaningful results. While the council is not under a duty to routinely inspect licensed premises, it would continue with a routine inspection programme if a new designation is made. The council would attempt to inspect every dwelling at least once, after which it would focus on those which were deemed to suffer from ineffective management.

Licence fees

104. Many landlords felt that the licence fees should be further reduced, or even removed. The requirement to pay a licence fee was the primary reason why many landlords objected to a further designation.

Council response

105. In preparing the consultation proposal, the council fully acknowledged that landlords would want fees set at the lowest possible level. It therefore proposed significantly reduced licence fees, with discounts available for accredited landlords and early renewal.

106. Currently, the fee for a typical licence, for a non-accredited landlord, is £587 for a five year licence. To renew such a licence in the proposed scheme would cost only £395 (if an early application was made). However, if the landlord was accredited, this would be further reduced to £345, which equates to £1.33 per week. For landlords making a single application for a whole building containing flats, the additional flats would only cost £136 each. This is around half the current fee of £267. The proposed fees were reduced as much as was reasonably possible. Any further reduction would jeopardise the council's ability to undertake its statutory functions under selective licensing. As such, no further fee reductions are proposed.

Accredited landlord discount

107. The proposal document stated: *"For the purposes of selective licensing, an accredited landlord is a landlord who is accredited with the Kent Landlord Accreditation Scheme (KLAS). KLAS is delivered through the UK Landlord Accreditation Partnership. A landlord who is accredited with the National Landlords Association (NLA) may also benefit from the discount."*

108. The Residential Landlords Association (RLA) asked why the accredited landlord discount was not available to landlords signed up to their accreditation scheme, namely the Residential Landlords Association Accreditation Scheme (RLAAS).

Council response

109. The council has considered this consultation response and reviewed the RLAAS scheme. As a consequence, the council has decided to allow fully accredited members of RLAAS to benefit from the accredited landlord discount.

Early application discounts for newly licensable dwellings

110. The proposed area includes dwellings in Northdown Road (even numbers 2 to 206) and Trinity Square (numbers 67 to 94) that are not included in the current scheme. Clarification was asked about these newly licensable dwellings and how they could be subject to an early application discount.

Council response

111. The current scheme became operative on 21 April 2011 and an early bird discount was available for all applicants until 31 July 2011. It therefore seems reasonable to offer a similar opportunity for landlords affected by the boundary enlargement.

112. Applicable only to newly affected dwellings in Northdown Road (even numbers 2 to 206) and Trinity Square (numbers 67 to 94), an early bird discount will be available until 31 July 2015. The licence application fee would be £345 for an accredited landlord and £395 for non-accredited landlords.

Licence renewal applications

113. There was concern that existing licence holders would have to complete wholly new licence applications. It was felt that this would be burdensome.

Council response

114. In law, no licence may be issued for a period longer than five years; as such, all landlords would be required to make a second application at some stage during the proposed designation.

115. Licence applications must be made in accordance with relevant legislation and the council has no discretion in this matter. However, regulations issued by Government allow for a renewal application to be made that requires less information than is required for a new application. The information that must be provided is prescribed by the regulations and a renewal application is only made if the application is made whilst the original licence remains in force. If an application is made after the original licence expires, it must be a new full application.

116. In the event of a second designation, the council would explore ways of making the renewal process as easy as possible, without compromising legislative requirements.

Use of existing powers

117. Some responses suggested that the council should use existing legislation to tackle rogue landlords and not selective licensing.

Council response

118. While it is accepted that there are some overlapping legislative provisions, selective licensing remains a powerful and unique legislative tool that can have a tangible impact on problematic areas where there is a higher than average level of privately rented accommodation.

119. Selective licensing provides the council with additional powers to ensure management standards are sufficiently maintained. The use of licence conditions has allowed the council to impose responsibilities on landlords that would otherwise be unenforceable. In addition, where there are overlapping legislative provisions, the use of selective licensing can make for quicker and more efficient resolutions to housing related problems.

120. As selective licensing enhances and widens the range of enforcement options, the council is of the opinion that it is an effective means of promoting good management standards, better housing conditions, and wider regeneration in the area.

121. The Government introduced selective licensing to help councils increase their chance of successfully tackling areas such as Cliftonville.

Why is selective licensing applied to all landlords? Can you exempt good landlords?

122. A number of responses questioned why all landlords in the proposed designated area would be required to obtain a further licence. Some comments suggested that landlords who had been compliant with the current scheme should be exempt from any further licensing requirements.

Council response

123. Selective licensing is a strategic area-based intervention. A local authority may designate their whole district or an area (or a number of areas) within its district for the purposes of selective licensing. Once made, a local authority has no power to determine its own exemptions within a designated area. Only dwellings subject to statutory exemption, as set out in the Housing Act 2004 and The Selective Licensing of Houses (Specified Exemptions) (England) Order 2006 (SI 2006/370) are exempt.

124. The exemptions specified in the Housing Act 2004 (sections 79 and 85) are:

- o Dwellings let by a registered social landlord;
- o Houses in multiple occupation (HMOs) already subject to mandatory licensing;
- o Dwellings subject to a temporary exemption notice (issued by the local authority when a landlord is taking immediate steps to stop the dwelling requiring a licence); and
- o Dwellings subject to a management order (under which the local authority has taken control of the dwelling).

125. The above-mentioned regulations exempt dwellings that are subject to certain types of tenancies and licences. These relate to dwellings (units of accommodation) that:

- o Cannot lawfully be occupied because they are subject to a Prohibition Order;
- o Are let under specified types of tenancies (which are not assured tenancies), namely:
  - ▪ Business tenancies (Landlord and Tenant Act 1954);
  - ▪ Tenancies where the premises are licensed for the sale of alcohol;
    - ▪ Tenancies relating to agricultural land where more than two acres is let with the dwelling;
  - ▪ Specified tenancies relating to agricultural holdings, etc.
- o Are let by a local housing authority, a police authority, a fire and rescue authority, or a health service body;
- o Are regulated by other forms of legislation, such as the Children Act 1989 and the Prison Act 1952 (see Schedule 1 of *The Licensing and Management of Houses in Multiple Occupation and Other Houses (Miscellaneous Provisions) (England) Regulations 2006* (SI 2006/373) for the full list of enactments);
- o Are let to students where the dwelling is managed or controlled by an approved educational establishment;

- o Are occupied by long leaseholders, where the lease has been granted for a period longer than 21 years and where the landlord has no right to end the lease early (other than by forfeiture);
- o Are let to members of the landlord's family, who use the dwelling as their only or main residence;
- o Are let as a holiday home;
- o Are occupied by persons (lodgers) who share their amenities (WCs, bathrooms, kitchens and living rooms) with their permanently resident landlord.

Proposed boundary of designated area

126. Eighteen respondents made representations about the size of the proposed designated area. Thirteen respondents suggested that the boundary should be enlarged to include other areas (most notably mentioned was the areas immediately south and west of the proposed boundary), three thought the area was appropriate, and two thought the area could be smaller.

Council response

127. As few respondents (4.5%) mentioned the proposed boundary and only two (0.5%) thought it should be smaller, the council has concluded that there are no serious public concerns about the size of the proposed designation.

128. In terms of other areas in the district, the council has already decided to carry out further research with a view to determining whether there are any other discrete areas in Thanet that could be considered for selective licensing. The initial scoping exercise will begin in 2016.

Duration of designation

129. The National Landlord Association (NLA) suggested that any proposed designation should be of a shorter duration, suggesting a period of two years, with an option for a third. It was inferred that this would make up for the period lost during the judicial review when the current scheme was not enforceable.

Council response

130. The NLA is a professional organisation which does much to educate landlords and promote good conduct.

131. The suggestion, on first look, appears to be a reasonable one. However, having carefully considered the proposal, the council does not believe a shorter scheme would benefit good landlords, and further believes that it would make it harder to tackle those that are less compliant.

132. As stated above, the proposed fee only covers the cost of processing a licence application. Therefore, whether a licence is granted for two, three or five years, there would be no difference in licence fee charged: the work required to be completed by the council is the same. Bearing in mind that the licence fee appears to be the fundamental objection from landlords, a shorter designation would not financially benefit any of the compliant landlords who made their licence applications in year one of the current scheme. Their five year licences will expire in 2016-17 and they would be obliged to make a renewal application early in any new designation.

133. The licence conditions imposed by selective licensing should not be onerous for good landlords, as they are likely to be complying with them already by operating sound businesses. Accordingly, whether they are in receipt of a two, three or five year licence is unlikely to be of significant consequence. A good landlord should not be putting themselves at risk of prosecution.

134. However, there are landlords that were slower to make applications, many of which required a certain degree of persuasion. Some chose to await the outcome of the judicial review. As such, there are numerous landlords with licences expiring in what would be years three and four of the proposed designation. Accordingly, those that required greater encouragement could avoid the need to obtain a second licence if the designation was only of two or three year duration. Clearly, this would be inequitable and reward those that failed to comply with the current scheme in a timely fashion.

135. A five year designation would allow the council the time needed to ensure that all landlords complied with the scheme.

136. However, a review of any new designation would be carried out on a yearly basis. If appropriate to do so, the council would consider revoking the designation earlier than planned.

Incentives and rewards for compliant landlords

137. Some respondents thought good landlords should be given more incentives and rewards under selective licensing.

Council response:

138. There are good landlords operating in the proposed designated area. The fee structure proposed offers two forms of discount, one for accredited landlords and one for early application or renewal. The council would expect good landlords to be accredited and to make their application(s) in a timely fashion. As such, good landlords would be able to benefit from reduced licence fees.

139. The council would explore other potential incentives and rewards, but in the current financial climate, the scope for any further financial reward would be extremely limited.

140. However, the council believes that compliant landlords could somehow be recognised for providing good quality accommodation in the proposed area. In the event of a further designation, the council would consult with the Thanet Landlords' Focus Group and landlord associations to consider how best this could be done.

6. Proposed fee structure

141. Following the public consultation, some minor amendments have been made to the proposed fee structure. The finalised fee proposals are set out below.

Licence fees for dwellings

Figure 24: Licence fees for dwellings

Dwellings Licences For dwellings, whether a house or flat, occupied by a single family household or by two persons sharing	**Accredited Landlords**	**Non-accredited Landlords**
Standard licence application fee	£389 (£1.50 per week*)	£439 (£1.69 per week*)
Early bird new licence application fee (Only available to applicants of newly licensable dwellings in Northdown Road (even numbers 2 to 206 only) and Trinity Square (numbers 67 to 94 only) who make a valid licence application on or before 31 July 2016)	£345 (£1.33 per week*)	£395 (£1.52 per week*)
Early renewal licence application fee (Only available to applicants who make a valid renewal licence application at least six weeks before their current licence is due to expire)	£345 (£1.33 per week*)	£395 (£1.52 per week*)

*Equivalent weekly cost if a five year licence is granted (for illustrative purposes only).

Licence fees for landlords owning buildings containing flats

Figure 25: Licence fees for landlords owning buildings containing flats

Buildings Licences Only available to a landlord who lets two or more flats within the same building AND is the freeholder (only a single licence required)	**Accredited Landlords**	**Non-accredited Landlords**
<u>Standard licence application fees</u> Fee for first flat Fee for each additional flat (within the same building)	 £389 £136*	 £439 £136*
<u>Early bird new licence application fees</u> (Only available to applicants of newly licensable dwellings in Northdown Road (even numbers 2 to 206 only) and Trinity Square (numbers 67 to 94 only) who make a valid licence application on or before 31 July 2016) Fee for first flat Fee for each additional flat (within the same building)	 £345 £136*	 £395 £136*
<u>Early renewal licence application fees</u> (Only available to applicants who make a valid renewal licence application at least six weeks before their current licence is due to expire) Fee for first flat Fee for each additional flat (within the same building)	 £345 £136*	 £395 £136*

*Equivalent weekly cost is £0.52 for each additional flat, if a five year licence is granted (weekly cost is shown for illustrative purposes only).

Licence fees for landlords owning more than one flat in a building without owning the freehold

142. Under the existing designation, all landlords who own more than one flat within a single building are eligible for the multiple flat discount. However, owing to legislative restrictions, the council can only issue a single buildings licence when the landlord is in control of the whole building. Where a landlord owns more than one flat, but is not in control of the freehold, the council cannot issue a single licence for the whole building and must require individual licence applications for every flat. As such, there is no administrative savings for the council. Nevertheless, the council has honoured this discount throughout the current scheme.

The proposed fee reduction for additional flats associated with a single buildings licence would not be viable when multiple licence applications need to be processed. However, the council does not propose to charge the actual cost of processing each of these additional licences; instead, it proposes a fee capped at the current rate (£267), as shown in the table below.

Figure 26: Licence fees for landlords owning more than one flat in a building without owning the freehold

Capped Licence Fees Only available to a landlord who lets two or more flats within the same building, but is NOT the freeholder (multiple licences required)	**Accredited Landlords**	**Non-accredited Landlords**
Standard licence application fees Fee for first flat CAPPED fee for each additional flat (within the same building)	 £389 £267*	 £439 £267*
Early bird new licence application fees (Only available to applicants of newly licensable dwellings in Northdown Road (even numbers 2 to 206 only) and Trinity Square (numbers 67 to 94 only) who make a valid licence application on or before 31 July 2016) Fee for first flat CAPPED fee for each additional flat (within the same building)	 £345 £267*	 £395 £267*
Early renewal licence application fees (Only available to applicants who make a valid renewal licence application at least six weeks before their current licence is due to expire) Fee for first flat CAPPED fee for each additional flat (within the same building)	 £345 £267*	 £395 £267*

*Equivalent weekly cost is £1.03 for each additional flat, if a five year licence is granted (weekly cost is shown for illustrative purposes only).

Licence fees for houses in multiple occupation (HMOs)

143. Selective licensing fees for houses in multiple occupation (HMOs) with shared facilities are proposed to be similar to those charged for mandatory HMO licences under Part 2 of the Housing Act 2004. The following HMO licence fees have already been set for the 2016/17 financial year.

Figure 27: Selective licensing fees for houses in multiple occupation (HMOs)

Selective Licensing HMO Fees For HMOs with shared amenities, including bedsit type properties, shared houses, and flats in multiple occupation	**Accredited Landlords**	**Non-accredited Landlords**
HMOs (with 2 to 5 units of accommodation)	£753	£853
HMOs (with 6 to 9 units of accommodation)	£791	£891
HMOs (with 10 to 14 units of accommodation)	£859	£959
HMOs (with 15 to 19 units of accommodation)	£1,192	£1,292
HMOs (with 20 to 29 units of accommodation)	£1,486	£1,586
HMOs (with 30 to 39 units of accommodation)	£1,782	£1,882
HMOs (with 40 or more units of accommodation)	£2,078	£2,178

Accredited landlord discount

144. For the purposes of selective licensing, an accredited landlord is a landlord who is fully accredited with any of the following:

- o Kent Landlord Accreditation Scheme (KLAS), which is delivered through the UK Landlord Accreditation Partnership;
- o National Landlords Association Accreditation Scheme (NLA Accreditation);
- o Residential Landlords Association Accreditation Scheme (RLAAS).

145. A landlord with ordinary membership of the NLA or RLA (without accreditation status) would not be eligible for the discount.

146. A landlord who uses a managing agent accredited by one of the above schemes would be eligible for the discount if the managing agent agreed to be named on the licence and be bound by its conditions. Named managers would be at risk of prosecution if they failed to comply with the licence conditions without reasonable excuse.

Landlords with large portfolios

147. Portfolio landlords who owned 15 or more dwellings in need of a selective licence would be able to take advantage of a payment plan. Such landlords would be required to pay 25% of all fees due upon application, and would then be given up to a year after the granting of their licence to make full and final settlement of all fees owed to the council.

Duration of licences granted

148. A licence would normally be granted for a period of five years and no further fees would be payable during the life of the licence. However, the council would reserve the right to grant a licence for a shorter period, if appropriate to do so, having regard to the particular circumstances of an individual case. No pro-rata licence fee rebate would be payable if a licence was issued for a period of less than five years.

Non-transferability of licences

149. In accordance with section 91(6) of the Housing Act 2004, all licences are non-transferrable. Each new licence application would require payment of the appropriate fee.

Early revocation

150. If the council agreed to the early revocation of a selective licence, no pro-rata rebate of the licence application fee would be payable.

Review of licence fees

151. All selective licensing fees would be reviewed each financial year.

7. Authority to make a designation

Legal tests

152. Before any council can consider making a selective licensing designation it must ensure that the area in question meets certain legal tests.

153. Until 27 March 2015, an area could only be designated for the purposes of selective licensing if it met at least one of the two legal tests (known as conditions) set out in section 80 of the Housing Act 2004 relating to low housing demand and anti-social behaviour. However, on this date the Government introduced four new sets of conditions by making The Selective Licensing of Houses (Additional Conditions) (England) Order 2015 (SI 2015/977). The council may now designate an area if:

    - It is, or is likely to become, an area of low housing demand; or
    - It has a significant and persistent problem with anti-social behaviour where the inaction of private landlords is a contributory factor; or
    - Following a review of housing conditions, it is believed that the area is suffering from significant housing condition problems and the council intends to inspect the dwellings concerned (NEW); or
    - It has experienced a recent influx in migration, and where the migrants are primarily occupying privately rented accommodation (NEW); or
    - It suffers from a high level of deprivation which particularly affects the occupiers of privately rented accommodation (NEW); or
    - It suffers from a high level of crime that affects residents and businesses in the area (NEW).

154. The four new legal tests are subject to pre-qualification criteria. They may only be applied if a high number of properties in the proposed area are privately rented and that those properties are occupied under assured tenancies or licences.

Conclusion

155. Having carefully considered the situation, the council is of the opinion that five of the six tests are met in respect of the area proposed for designation. A designation based on migration is not proposed. The evidence to support this opinion is set out in Chapter 4 of the consultation document.

General approval by Secretary of State

156. Prior to 01 April 2010, all selective licensing designations had to be approved by the Secretary of State (SoS). Between this date and 31 March 2015 a general approval, issued by the SoS, allowed councils to designate selective licensing areas without the need for obtaining Government approval, as long as a ten week public consultation had taken place.

157. However, the 2010 general approval was revoked on 01 April 2015 and replaced with one that also includes size restrictions on new schemes. Any new designation that is over a certain size must be approved by the SoS.

158. Any designation that (either by itself, or in combination with other selective licensing designations made by the council) would cover more than 20% of the geographical area of the district is excluded from the 2015 general approval. Furthermore, any designation that (either by itself, or in combination with other selective licensing designations made by the council) would affect more than 20% of privately rented homes in the district (based on Census data) would also be excluded.

Geographical size

159. Thanet comprises an area of 10,329 hectares (39.9 square miles). The area proposed for designation is approximately 47.7 hectares (0.18 square miles) in size, which represents 0.46% of the district in terms of geographical area. The proposed designation would not require approval from the SoS owing to its geographical size.

Proportion of private rented sector

160. According to the 2011 Census, there were 14,151 households privately renting in Thanet. Therefore, SoS approval would be required for any scheme(s) that included more than 2,830 privately rented homes. The area proposed for designation includes approximately 2,500 privately rented homes, of which around 2,300 would require a selective licence.

161. The council has a high level of confidence in the numbers estimated for the private rented sector. The data is not based on modelled estimates, but on tenure investigations of every dwelling in the proposed area. As such, SoS approval would not be required for the proposed designation, owing to the number of private rented homes affected.

Public consultation

162. The requirement to consult persons who are likely to be affected by the proposed designation for not less than 10 weeks has been met. The wide-ranging public consultation, which took place between 17 August 2015 and 26 October 2015, was open for a period of 10 weeks and one day.

Conclusion

163. Not affected by the size restrictions and having carried out a 10 week (and one day) public consultation, the council has authority to designate the area proposed for selective licensing under "The Housing Act 2004: Licensing of houses in multiple occupation and selective licensing of other residential accommodation (England) General Approval 2015".

Designation and operative dates

164. In accordance with section 82 of the Housing Act 2004, any designation made by the council cannot come into force within three months of the designation date.

165. If the council decides to make the proposed designation on 19 January 2016, the designation may come into force on 21 April 2016, as there would be more than three months between the two dates. As the current designation is due to expire on 20 April 2016, this would allow for a continuous selective licensing scheme in the Cliftonville area.

Housing strategy

166. In accordance with section 81(2) of the Housing Act 2004, the proposal to introduce a selective licensing designation must be consistent with the council's overall housing strategy. The council's Housing Strategy 2012-2016 makes it clear that tackling poor quality private sector housing is a high priority and also highlights the need for targeted interventions in Margate Central and Cliftonville West. The proposal to designate a further selective licensing scheme is therefore wholly consistent with the council's current housing strategy.

Homelessness, empty properties and anti-social behaviour

167. In accordance with section 81(3) of the Housing Act 2004, the council has adopted a co-ordinated approach in connection with dealing with homelessness, empty properties and ASB.

Homelessness

168. In 2013, the council introduced a Landlord Liaison Service to provide a proactive approach to preventing homelessness. Landlord Liaison Officers, selective licensing staff and the Margate Task Force routinely work together to prevent homelessness whenever possible.

Empty properties

169. The council's Housing Intervention Project (part of the Live Margate initiative, together with selective licensing and the Margate Task Force), concerns the purchase, repair and conversion of empty properties to bring them back into use as family homes. The council is also actively using informal and enforcement methods to bring long-term empty properties back into use.

Anti-social behaviour

170. A number of council teams together with the Margate Task Force have been using selective licensing and their existing powers to deliver a joined up response to the ASB problems faced in the proposed area. Further enforcement capabilities are proposed in the event of a further designation.

Alternative courses of action

171. In accordance with section 81(4) of the Housing Act 2004, the council has considered whether there are any courses of action, other than selective licensing, that might achieve the same objectives in the proposed area. After careful consideration, the council has come to the conclusion that a further selective licensing designation is the most appropriate course of action in the circumstances, and that it will significantly assist it in achieving its objectives.

8. Licence conditions

172. Selective licences must contain the mandatory licence conditions set out in Schedule 4 of the Housing Act 2004. Under section 90 of the same act, the council may also include discretionary licence conditions which relate to the management, use and occupation of licensed premises.

Mandatory licence conditions

173. The prescribed conditions require licence holders to:
    - Provide the council with gas safety certificates every year (if gas is supplied);
    - Keep any electrical appliances and furniture provided by the landlord in a safe condition, and to supply the council, upon demand, with a declaration as to the safety of such appliances and furniture;
    - Provide smoke alarms on every level and keep them in good working order, and to supply the council, upon demand, with a declaration as to the condition and positioning of such alarms;
    - Provide carbon monoxide alarms in rooms containing a solid fuel burning appliance and keep them in good working order, and to supply the council, upon demand, with a declaration as to the condition and positioning of such alarms;
    - Issue residents with a written statement of the terms of occupation (for example, a tenancy agreement or licence); and
    - Require references from prospective tenants.
174. These conditions would be included in all new licences in the event of a further designation.

Discretionary licence conditions

175. The council has successfully used a range of discretionary licence conditions throughout the current designation and proposes to continue doing so if a further designation is made. It is not proposed to specify the exact wording of the proposed conditions here, but to set out general principles. Allowing officers the flexibility to amend licence conditions in specific cases, to deal with particular issues or problems, is invaluable.
176. The principles of the proposed discretionary licence conditions are set out below.

Occupation limits

177. Overcrowding was a concern for a number of respondents during the public consultation. Overcrowding has been linked to a number of health outcomes, such as psychological distress, mental disorders, increased hygiene risks, increased accident risk, and the spread of contagious disease. Particularly relevant is the increased waste produced by overcrowded premises.
178. Under the existing designation, the maximum number of permitted persons and households has been specified on all licences. This would also be continued under the proposed designation.
179. To determine the limits under the current scheme, the council has taken into account the size of rooms that could reasonably be made available for sleeping. As a general guide for officers, a room has been deemed suitable for one person if it is over $6.5m^2$ and for two persons if it is over $10\ m^2$. The main living room or living area is not counted for sleeping purposes. This is guidance only, and an officer would take a view

on the dwelling as a whole, also taking into account available amenities. As small children need at least as much space as adults, each child, irrespective of age, has been counted as one person.

180. In the event of a further designation, the council would continue to use these guidelines to set occupation limits. However, taking into account some concerns about every child being counted as one person, the licence conditions would be amended to discount all children aged under one.

181. The primary purpose of setting occupation limits is to prevent landlords knowingly over-occupying premises. A sensible approach to enforcement is always taken, as there are times when a landlord has done nothing wrong, but becomes aware of over-occupation. The council will always work with licence holders in such circumstances to decide on a suitable course of action.

182. These guidelines are not based on the statutory overcrowding standards set out in Part X of the Housing Act 1985. The council is not obliged to replicate the absolute minimum standards set out under this provision and believes that a more sensible approach to crowding and space is appropriate based on the principles of risk assessment set out in the Housing Health and Safety Rating System (HHSRS).

Anti-social behaviour

183. As mentioned previously, the council has incorporated an ASB condition within existing licences that requires licence holders to take reasonable steps to try and deal with any ASB associated with their tenants and to co-operate with the council and Police as necessary.

184. In the event of a new designation, the use of an ASB condition would be continued; however, the condition currently in use would be reviewed in consultation with the council's Community Safety Team and the Margate Task Force to identify whether it could be improved.

Crime and security

185. While no crime condition is included within existing licences, a security condition is in use which requires licence holders to provide tenants with window lock keys (if such locks are fitted) and to maintain door and window security measures in good repair. For buildings licences there is also a requirement to keep any fitted intercom system in good working order to help prevent unauthorised entry.

186. A crime and security condition would be included in any future designation. The security aspect would be similar to the existing; however, the crime element would be limited in scope. Licence holders would be expected to notify the Margate Task Force (or Police) of any known criminal activity on the part of their tenants. More generally licence holders would be expected to co-operate with any criminal investigations.

187. In the event of a new designation, the council's Community Safety Team and the Margate Task Force would be fully consulted on the exact details of this proposed licence condition.

Waste management

188. Currently, licence holders are required to make suitable arrangements for the storage and disposal of refuse produced by their tenants. They are also required to notify tenants of the refuse collection arrangements and to keep the external areas of void properties tidy and clear of rubbish.

189. Any opportunity to reinforce or expand this condition would be explored in the event of a further designation in consultation with the council's Street Scene Enforcement Team.

General maintenance

190. Existing licence holders are required to maintain licensed premises in good repair and to put in place suitable arrangements for carrying out routine and emergency repairs. Improvements, alterations, and adaptations are not generally required under selective licensing as it is not usually the most appropriate mechanism for dealing with housing related hazards. However, carrying out routine repairs and maintenance in a timely fashion is a function of management.

191. In the event of a further designation, licence conditions relating to routine repairs and maintenance would be incorporated into all new licences.

Electrical safety (Installations)

192. Like many other local authorities the council has, under the current scheme, required licence holders to hold electrical installation condition reports (EICRs) that are at not more than five years old, and to ensure that the council is provided with a copy. A small number of respondents felt this was excessive, as it was not generally a legal requirement for privately rented accommodation (apart from houses in multiple occupation).

193. Many electrical installations that have been inspected as a consequence of selective licensing have been found to be unsafe. The council believes the condition to require EICRs is in the public interest, as many defects are not always obvious, and testing by a competent person can reveal serious safety issues. This is an efficient way to ensure tenant safety. The council's view is that undertaking regular EICRs demonstrates good property management, which is consistent with the aims of selective licensing. For rented accommodation, the Electrical Safety Council recommends that periodic inspection and testing is carried out at least every five years or on the change of a tenancy, whichever comes first.

194. Accordingly, the council propose to include such a licence condition in the event of a further designation.

Fire safety

195. In addition to the mandatory requirement to provide smoke alarms, current licence holders are required to ensure that all other fire safety installations and equipment provided in the licensed premises are kept in good repair and proper working order at all times. Regular inspections and servicing are also required where appropriate. In cases where the licence holder is a leaseholder, the licence holder must not frustrate the freeholder in their fire safety duties.

196. In respect of a buildings licence which includes common areas, the licence holder is required to provide the council with a written copy of suitable and sufficient fire risk assessment in respect of the building (such a written assessment is required under the Regulatory Reform (Fire Safety) Order 2005). All means of escape from fire must be kept clear and free from obstruction.

197. In the event of a further designation, the current licence conditions relating to fire safety would be carefully reviewed in consultation with the Kent Fire & Rescue Service, but the expectation would be that they would remain largely similar.

Duty to notify the council

198. Licence holders and named managers are required, within specified timescales, to notify the council of any relevant changes, such as a change of ownership, address or management arrangements. They are also required to declare any matter that could affect their status as a fit and proper person. Such notification requirements would be continued in the event of a further designation.

Other licence conditions

199. There are times when it is reasonable to include additional conditions on certain licences to deal with specific issues. There may also be a need in the future to include other types of licence condition in response to local issues or changes in legislation.

200. Changes or additions to the standard licence conditions would only be possible with the approval of a senior officer. Any revised licence conditions would only relate to the management or use or occupation of licensed premises.

9. Conclusion

201. Parts of Cliftonville suffer from a wide range of entrenched problems that arose out of many years of socio-economic change; a situation that is not uncommon in other coastal communities. Indeed, the 2015 English Indices of Deprivation reveal that all but one of the top ten most deprived areas (LSOAs) are in seaside towns, and unfortunately, for the first time, an area in Cliftonville is in this top ten (out of 32,844). Much of the area proposed for designation is in the 1% most deprived.

202. As one of the most deprived areas in England, it suffers from high levels of crime and anti-social behaviour, low housing demand, and poor housing conditions. Selective licensing can provide additional powers to help the council tackle poorly managed privately rented property. As around 70% of the accommodation is in the private rented sector (national average 19%), improved management standards in this sector should contribute to an overall improvement in living conditions in the area. This should lead to a better quality of life for residents in all tenures.

203. The current scheme, which was introduced in 2011, has been successful in bringing about improvements in housing management and conditions. There is now a greater number of safe and well-managed homes in the private sector. The scheme has also contributed to wider benefits, such as a reduction in anti-social behaviour. However, owing to the judicial review and the high level of non-compliance being experienced, progress has been slower than expected. Many landlords have been reluctant to comply with the scheme and so enforcement activity has remained high. There remains much to be done and the initial five-year designation will not provide enough time in which to effect long-lasting change in the area.

204. There are six legal tests that must be considered before designating an area for the purposes of selective licensing. The evidence presented in the consultation document, and finalised in this proposal, clearly shows that the proposed area is suffering from significant and deep-rooted issues. While the tests are subjective, the weight of evidence would appear to be overwhelming in respect of five of the six tests. As such, a designation based on low housing demand, anti-social behaviour, housing conditions, deprivation and crime is possible.

205. Public opinion is clearly of vital importance when considering an area-based strategic intervention such as selective licensing. The 10-week public consultation revealed that there is unequivocal support for a further designation, with 72% of all respondents in favour and only 18% against. There is less support among private sector landlords, but this was to be expected. However, the proportion of landlords in support of selective licensing has increased since 2010. Selective licensing makes it harder for poor quality landlords to prosper and good landlords should have nothing to fear in terms of how they manage and maintain their properties.

206. The council have general approval to designate the proposed area without the need to obtain confirmation from the Secretary of State.

Equality Impact and Customer Needs Analysis

207. An Equality Impact and Customer Needs Analysis (EICNA) of the proposed designation has been carried out and is attached in Annex B.

208. The EICNA did not identify any adverse impacts associated with the proposed designation having regard to the Protected Characteristics or the aims of the Public Sector Equality Duty. However, the proposed designation would help to minimise disadvantage and contribute to the needs of some Protected Characteristics, namely Age, Disability and Race.

Proposed Designation Document

209. A draft copy of the proposed Designation has been attached in Annex C.

Annexes

Annex A – Public consultation document

Housing Services

Selective Licensing in Margate Central and Cliftonville West

Proposal to make a further selective licensing designation

Public Consultation

17 August 2015 – 26 October 2015

August 2015

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Contents

Public Consultation: A Summary

What is proposed?

Thanet District Council is proposing to designate certain parts of the electoral wards of Margate Central and Cliftonville West as a selective licensing area under section 80 of the Housing Act 2004. The proposed designation concerns an area substantially similar to that already subject to a selective licensing designation and which is due to end on 20 April 2016. It is proposed that the new designation would begin on 21 April 2016 and last for five years.

What is a selective licensing designation?

Local housing authorities, such as Thanet District Council, have the discretionary power to designate an area for the purposes of selective licensing if certain legal tests are met. Once an area has been designated, all privately rented homes within the area must be licensed with the council (unless subject to statutory exemption). A selective licensing scheme requires private landlords to comply with a range of licence conditions to ensure good property management. Selective licensing does not apply to owner-occupied or housing association homes.

Why is the council proposing to do this?

The area in question suffers from a wide range of entrenched problems that arose out of many years of socio-economic change; a situation that is not uncommon in other coastal communities. As one of the most deprived areas in England, it suffers from high levels of crime and anti-social behaviour, low housing demand, and poor housing conditions. Selective licensing can provide additional powers to help the council tackle poorly managed privately rented property. As around 70% of the accommodation is in the private rented sector (national average 19%), improved management standards in this sector should contribute to an overall improvement in living conditions in the area. This should lead to a better quality of life for residents in all tenures.

The current scheme, which was introduced in 2011, has been successful in bringing about improvements in housing management and conditions. There is now a greater number of safe and well-managed homes in the private sector. The scheme has also contributed to wider benefits, such as a reduction in anti-social behaviour. However, owing to the high level of non-compliance being experienced, progress has been slower than expected. Many landlords have been reluctant to comply with the scheme and so enforcement activity has remained high. There remains much to be done and the initial five-year designation will not provide enough time in which to effect long-lasting change in the area.

How can I have my say?

The council wants your views and comments on this proposal. A ten-week public consultation will run from 17 August 2015 to 26 October 2015. Go online at www.thanet.gov.uk to have your say or email: consultation@thanet.gov.uk. Alternatively, you can write to us at:

Freepost RTKH-XSAU-LLJG
Thanet District Council
Selective Licensing
PO Box 9
Margate
CT9 1XZ

A final decision as to whether to make a selective licensing designation, or not, will only be made after the council has carefully considered all the responses received during the consultation.

Chapter 1: Introduction

Background

1. Thanet District Council (the council) is the local housing authority for the district of Thanet, which is located on the East Kent coast and includes the three seaside towns of Margate, Ramsgate and Broadstairs. It has a population of approximately 134,200.

2. Local housing authorities are empowered under Part 3 of the Housing Act 2004 to introduce selective licensing schemes in all or parts of their area. Once a scheme has been introduced, all privately rented accommodation situated within the designated area must be licensed, unless subject to statutory exemption. Prior to April 2015, an area could only be designated if it was, or was likely to become, an area of low housing demand and/or it had a significant and persistent problem with anti-social behaviour where the inaction of private landlords was a contributory factor.

3. A selective licensing designation cannot be made for a period longer than five years.

Introduction of selective licensing in 2011

4. Owing to both low housing demand and anti-social behaviour, the council made a selective licensing designation in respect of certain parts of the electoral wards of Margate Central and Cliftonville West on 12 January 2011. The designation was made under section 80 of the Housing Act 2004.

5. Suffering with high levels of crime, anti-social behaviour and deprivation, significant health inequalities, low housing demand, and a disproportionate number of poorly managed privately rented homes, the area concerned presents a particular challenge to the council and other public services. To help tackle some of the area's difficulties, the 2011 scheme was primarily introduced to:

   - Increase housing demand, in a sustainable way, which encourages a mixed, balanced and vibrant community;
   - Reduce the level of anti-social behaviour;
   - Improve the management of housing in the private rented sector; and
   - Improve housing conditions.

6. A comprehensive analysis of the area and the detailed reasons for the scheme's introduction can be found in the council's *Proposal to Declare a Selective Licensing Designation* (2011)*.* This document can be found on the council's website.

7. The scheme requires private landlords to license their properties with the council and to effectively manage them. Licences include conditions regarding occupancy restrictions and management standards (including responsibilities relating to tenant referencing; the use of written agreements for occupation; anti-social behaviour; waste management; property maintenance; and furniture, electrical, gas and fire safety).

Judicial review

8. On 11 April 2011, a landlord association lodged a judicial review in the High Court alleging that the selective licensing scheme was unlawful. The landlord association was of the opinion that the area concerned did not meet the criteria for low housing demand or anti-social-behaviour.

9. Unfortunately, through no fault of either party, the judicial review was not heard until 30 and 31 October 2012. Following the two-day hearing, the High Court found in favour of Thanet District Council on 13 November 2012. The scheme was deemed to be lawful as both legal tests had been proved.

Timeline

10. The key dates relating to the current scheme are:
    - o 06 September 2010 to 15 November 2010 – Public consultation.
    - o 12 January 2011 – Decision taken by the council's Cabinet to implement a selective licensing scheme following a comprehensive review of the consultation responses.
    - o 11 April 2011 – Judicial review lodged in the High Court.
    - o 21 April 2011 – Scheme became operative. Since this date, all residential properties that are privately let to one or more tenants within the designated area have been required to be licensed (unless subject to exemption).
    - o 13 November 2012 – Judicial review dismissed.
    - o Spring 2013 – Enforcement activities and routine inspection programme commenced.
    - o 20 April 2016 – Existing designation will expire (five years after coming into force).

Where are we now?

11. The council and its partners are making considerable efforts to ensure the current scheme is successful. However, the designated area suffers from a wide range of entrenched problems that arose out of many years of socio-economic change; a situation that is not uncommon in other coastal communities. The challenges faced cannot be resolved overnight.

12. With less than a year to go before the current designation expires, the council is still finding it difficult to encourage many landlords to comply with the scheme. Many have been reluctant to make licence applications and numerous licence breaches have been identified.

13. There have been difficulties; however, the scheme has led to increased landlord and agent engagement. There are good landlords and agents operating in the area, and their assistance and professionalism are of paramount importance to the council's regeneration aspirations. The council is keen to support those who provide well-managed and safe accommodation by using selective licensing to help their businesses and their tenants thrive. A number of landlords and agents have made it very clear that they are supportive of the selective licensing scheme. Selective licensing helps to level the playing field.

14. Delivering the current scheme has clearly been challenging, particularly having regard to the significant delays caused by the judicial review and the high level of non-compliance experienced. Nevertheless, the evidence suggests that, in combination with other measures (in particular the Margate Task Force), the selective licensing scheme is having a positive effect on the designated area, and that should it end in April 2016, it would leave much undone. The hard won gains could be lost and property management standards in the private rented sector could again decline, leading to less favourable outcomes for residents. Government guidance recognises that selective licensing may have to be part of a long term strategy and that it does not provide instant solutions.

15. Selective licensing alone cannot guarantee housing regeneration, but it has proved to be a powerful legislative tool that can have a tangible impact on environmental conditions and the safety and quality of accommodation available.

Proposal to make a further selective licensing designation

16. Having carefully considered the current situation, the council is of the opinion that another five year designation would contribute to further improvements for residents and businesses in the area. The council therefore proposes to designate an area which is substantially similar to that currently designated for a further five year period from 21 April 2016 (the day after the existing scheme expires).

17. However, the views of everyone likely to be affected by such a designation are very important to the council. Before any decision is made, the council is undertaking a ten week public consultation to ascertain public opinion. This consultation document sets out the reasons why a further designation is believed to be appropriate in the circumstances.

Document structure

18. In considering any new proposal, it is clearly important to understand the scope of the current designation and how it is progressing. As such, Chapter 2 provides a brief overview of the current scheme.

19. Chapter 3 sets out the council's proposal for a new designation, which is the subject of this public consultation. The chapter identifies the area concerned and highlights key elements of the proposal.

20. Before making a proposal to designate a selective licensing area, the council must first be satisfied that at least one of the legal tests (or conditions) has been met. Chapter 4 identifies the six criteria for designation and deals with each in turn.

21. Selective licensing must be part of a coordinated response to problem areas. Chapter 5 highlights the complementary initiatives currently in place to support regeneration.

22. Chapter 6 provides information on how to make a response to this public consultation. It also lists the ways in which the consultation is being widely publicised.

Chapter 2: Overview of current scheme

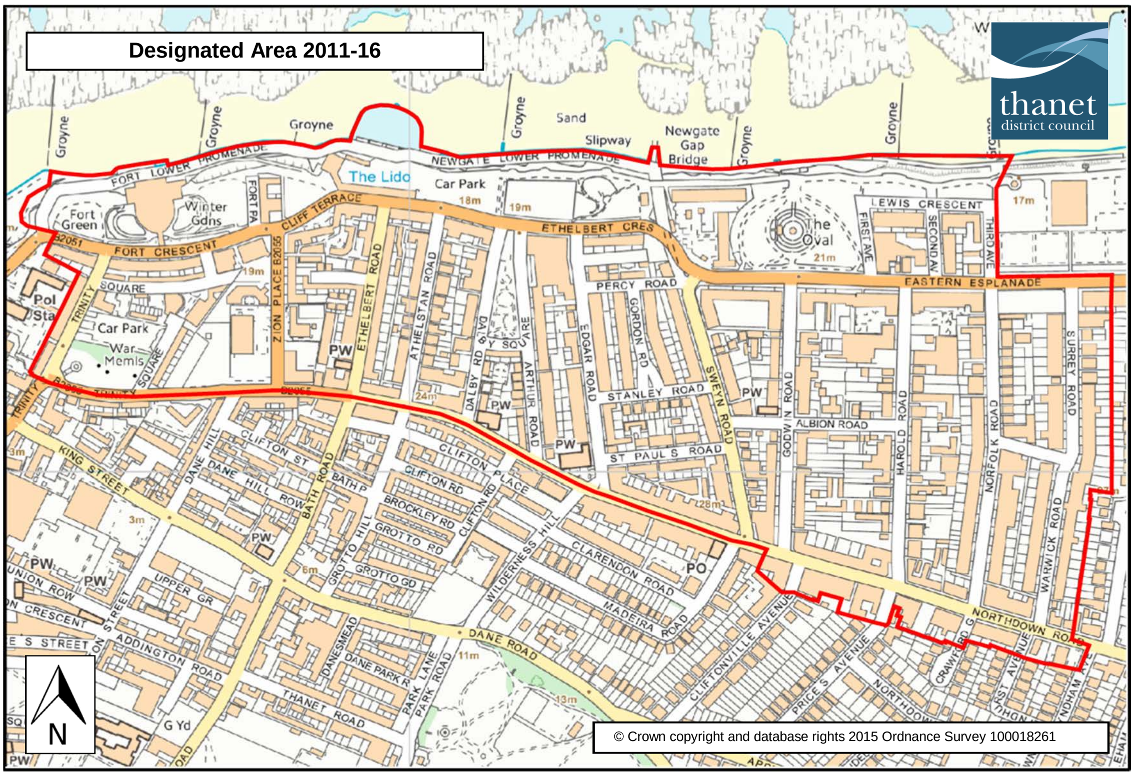
Area designated in 2011

23. The currently designated area encompasses parts of the electoral wards of Margate Central and Cliftonville West. According to Council Tax data, there are 3363 residential dwellings in the area. Taking this into account, ward level data from the 2011 Census and the Office for National Statistics (ONS) was used to estimate the population. Approximately, 6691 people reside in the designated area, which equates to 4.9% of the total population of Thanet.

24. Tenure information has been collated following extensive research by officers working on selective licensing, which has included door-to-door investigations where necessary. Around 70% of homes are in the private rented sector. Allowing for statutory exemptions and houses in multiple occupation (HMOs) already subject to mandatory licensing, around 2,150 (64%) are subject to selective licensing.

25. A map showing the current selective licensing designation is shown below.

Figure 1: Map of currently designated area



Progress reviews

26. The council has published a selective licensing progress review in respect of the current scheme. It provides an overview as to the position at 01 October 2014 and can be viewed on the council's website at www.thanet.gov.uk. A review setting out the position as at 01 April 2015 will be published in August 2015. Further reviews are proposed that will provide updates as to positions at 01 October 2015 and 20 April 2016 (the date the current designation expires).

27. A brief overview of the scheme as at 01 April 2015 is provided below.

Licensed premises

28. The following table shows how many dwellings were subject to a selective licence at the beginning of each financial year.

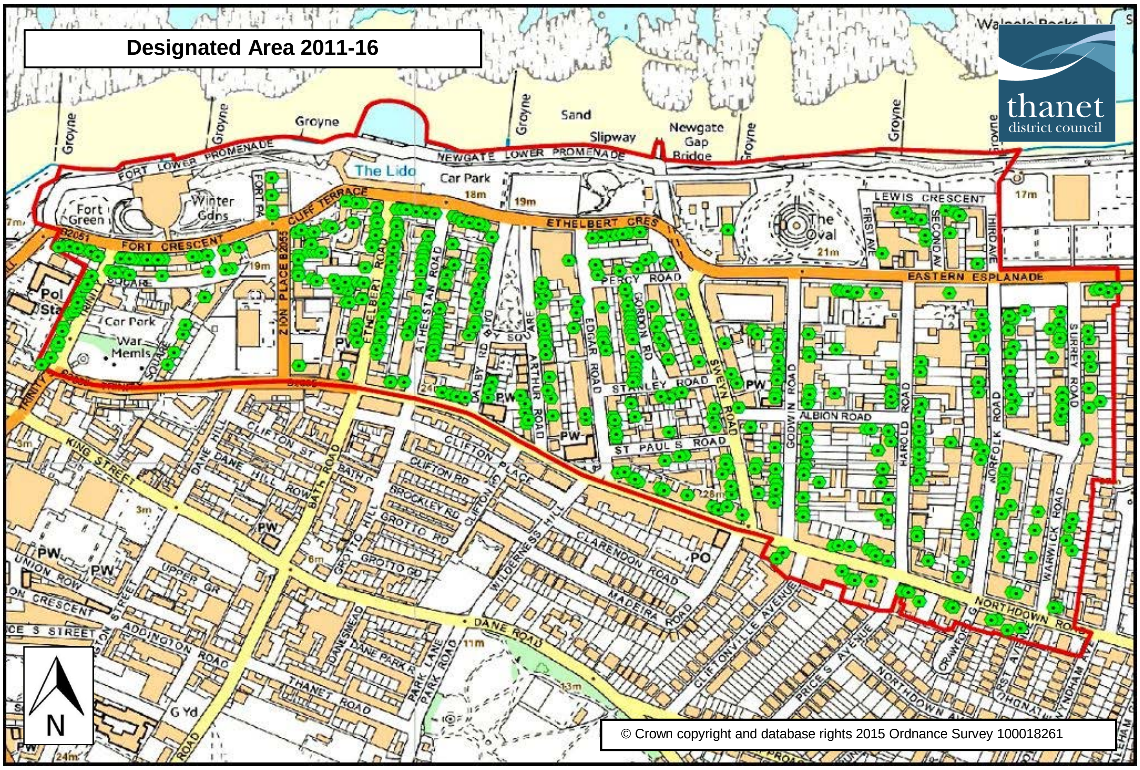
Figure 2: Number of licensed dwellings

	Position as at Specified Date				
	01 April 2011	01 April 2012	01 April 2013	01 April 2014	01 April 2015
Number of dwellings subject to a selective licence	0	791	1109	1347	1815

Source: Thanet District Council

29. The following map shows the locations of licensed premises as at 31 March 2015. It highlights the density and spread of privately rented accommodation. Markers are multi-layered and only one marker is shown per building plan. As such, many of the markers represent more than one licensed dwelling.

Figure 3: Map showing licensed premises as at 01 April 2015



Source: Thanet District Council

30. As of 01 April 2015, the council were processing 94 licence applications relating to 138 dwellings, and investigating a further 201 premises believed to be privately rented, but were not subject to a licence (or licence application). These properties are not shown on the above map.

31. Between 01 April 2013 and 31 March 2015, the council successfully ensured that 522 unlicensed dwellings were the subject of a valid licence application following enforcement action. When compared to the increase in number of licensed dwellings over the same period (706), the evidence suggests that many landlords are reluctant to make applications unless subject to council intervention.

32. Despite making significant efforts to avoid taking legal action, the council had, as of 01 April 2015, successfully completed 21 prosecutions in respect of landlords who were operating unlicensed premises without reasonable excuse. The highest fine was £20,000, the then maximum fine level. The average fine level was £3,742.86. As of 01 April 2015, no prosecutions pursued by the council were unsuccessful.

Routine inspection programme

33. Although not legally obliged to, the council intends to inspect as many licensed premises as possible during the life of the current scheme. An inspection programme began in May 2013 and is ongoing. During a routine inspection an inspector will assess whether the licence conditions are being complied with. The inspector will also make an assessment under the Housing Health and Safety Rating System (HHSRS).

34. Of the 782 routine licence inspections completed as of 01 April 2015, 484 revealed one or more breach of licence conditions. Officers are therefore encountering licensing problems in 62% of all inspections completed. Category 1 and/or 2 hazards were also identified in 49% of properties inspected (383). Around two-thirds of inspections (508) revealed concerns that required council intervention as a consequence of licensing breaches and/or hazards.

35. Where a breach of one or more licence condition has been identified, the licence holder (and manager if applicable) is contacted and advised of the breach(es) requiring attention, together with any category 1 or 2 hazards. In most cases, the licence holder will be sent a breach of condition notice outlining what must be done to remedy the situation. As of 01 April 2015, 431 such notices had been sent to licence holders.

36. In general, the breach of condition notice process has proved to be an effective means of improving management standards and housing conditions. The council always attempts to promote positive engagement with landlords following an inspection, as the primary aim is to improve management and safety standards as quickly as possible. Prosecution remains a last resort. However, the council has had to prosecute one landlord for breaching the conditions of his licence, for which he was fined £14,000.

37. Since the start of the scheme, 588 homes in the area have been made safe from health and safety hazards. Many of these were made safe as a consequence of the routine inspection programme.

Safety documentation

38. Most licences issued by the council require the licence holder to provide specified documents within certain timescales and/or at regular intervals. Examples include gas safety certificates, electrical condition reports, and fire safety risk assessments.

39. Unfortunately, the majority of such licence conditions were not being complied with. Compliance was estimated at being between 5 to 10% in the first three years of the scheme. Accordingly, a reminder process was initiated by the council. Licence holders who fail to provide documentation in accordance with their licence conditions now receive a reminder letter. As of 01 April 2015, 622 licence holders had been reminded to comply with their licence conditions, owing to their failure to supply the relevant documents. Enforcement action is taken if a reminder does not prompt a response.

40. These requirements have led to a large number of safety issues being highlighted to landlords and agents. In particular, many electrical installations have been found to be unsafe and been subject to remedial works as a consequence. Such problems may not have been otherwise identified if it was not for selective licensing.

Impacts on housing demand and anti-social behaviour

41. Since the beginning of the scheme, anti-social behaviour in the designated area has dropped by 28.7%; however, the housing demand situation is more mixed. While the number of empty properties has gone down, property values remain lower than surrounding areas and resident turnover remains high.

42. As the council is proposing a further designation on the basis of both housing demand and anti-social behaviour, these subjects are discussed more fully later in this proposal.

Chapter 3: Proposal for public consultation

Proposed designated area

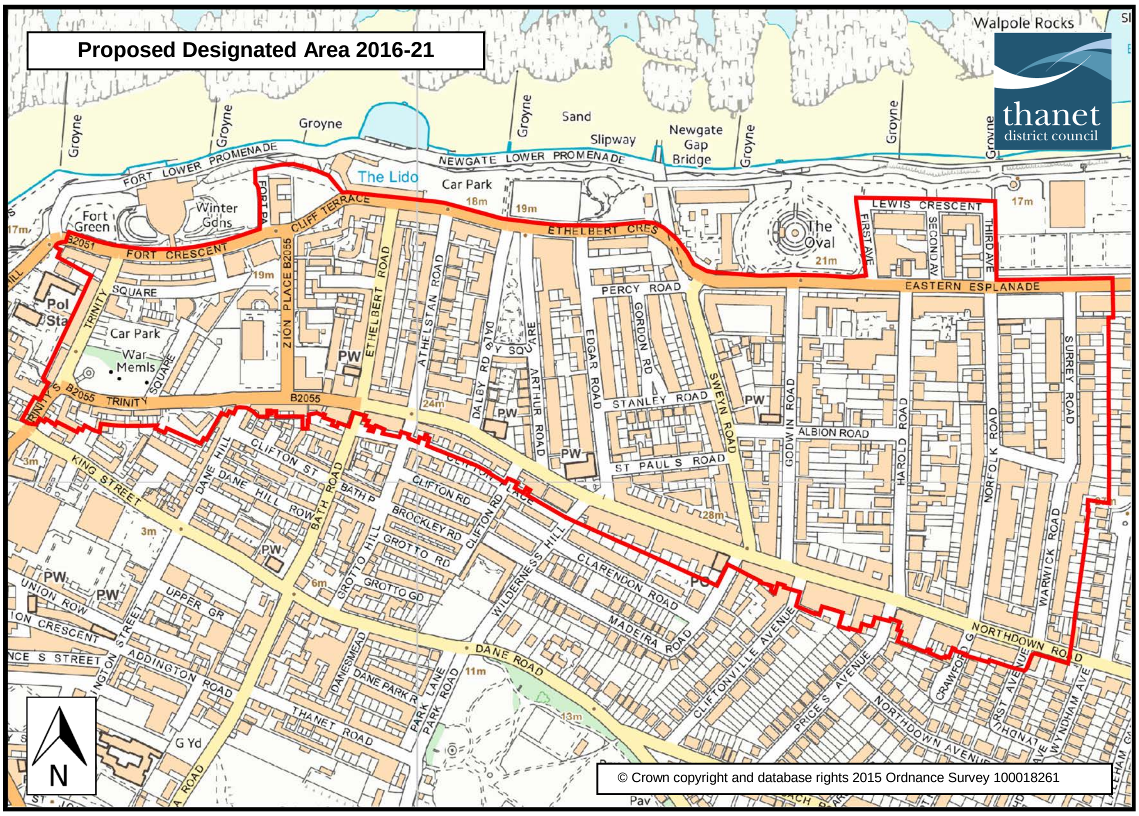
43. The council believes that the currently designated area remains substantially appropriate. However, following consultation with relevant council departments and the Margate Task Force, there is clearly scope to make minor changes.

44. Some parts of Trinity Square and Northdown Road were excluded from the original scheme. Recent evidence suggests that there is no reason why these road sections should be purposely excluded from any new designation. These areas include 237 residential dwellings, of which approximately 158 (67%) are in the private rented sector. Around 27% of the occupiers of these dwellings have complained to the council about their housing conditions in the past five years, and two of the council's most recent housing prosecutions concerned rented homes in these excluded sections of road. Property management standards are in need of improvement.

45. It is also proposed that Queens Court on Queens Parade be set outside the designated area. It comprises 126 purpose-built flats, with very few licensable properties within. The building is almost entirely owner-occupied, and is subject to minimum age residency rules (55 and over). Owing to the building's location on the sea side of the seafront road, it may naturally fall outside any designation boundary.

46. A map showing the proposed selective licensing designation is shown below.

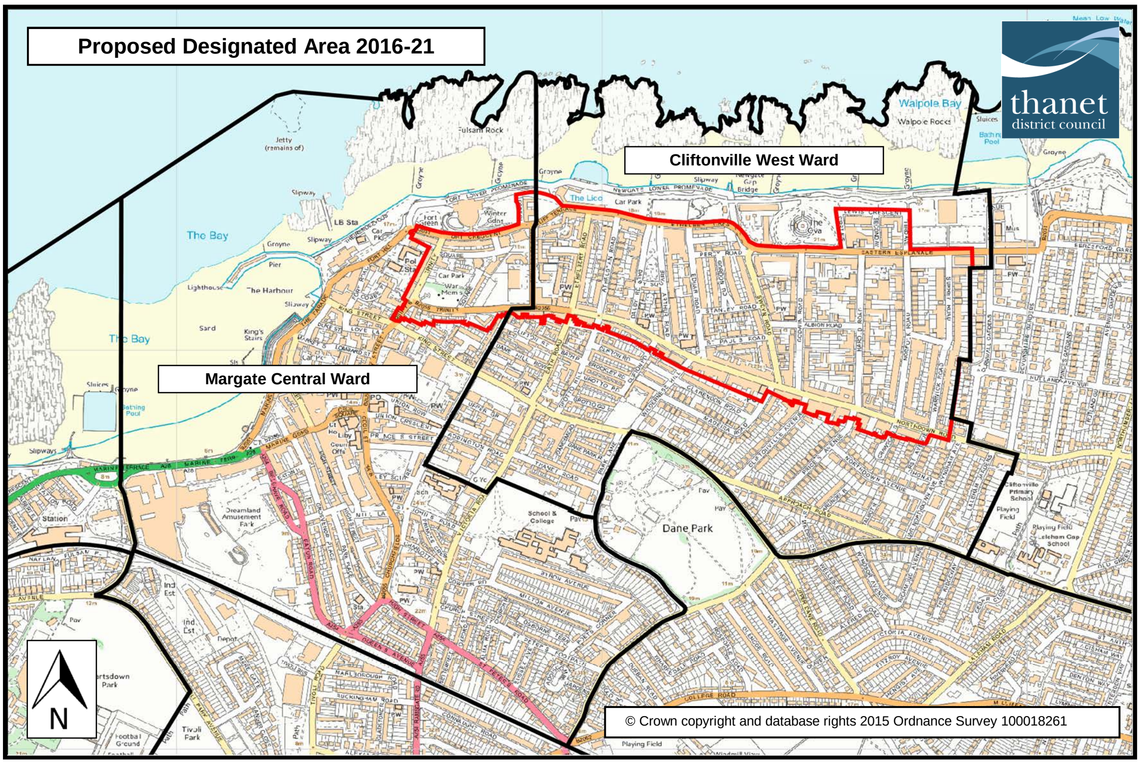
Figure 4: Map of proposed designated area (2016-21)



47. A larger map and a map which shows individual buildings in more detail (but without road names) is provided in Annex 1, together with a list of roads that would be affected by the proposed designation.

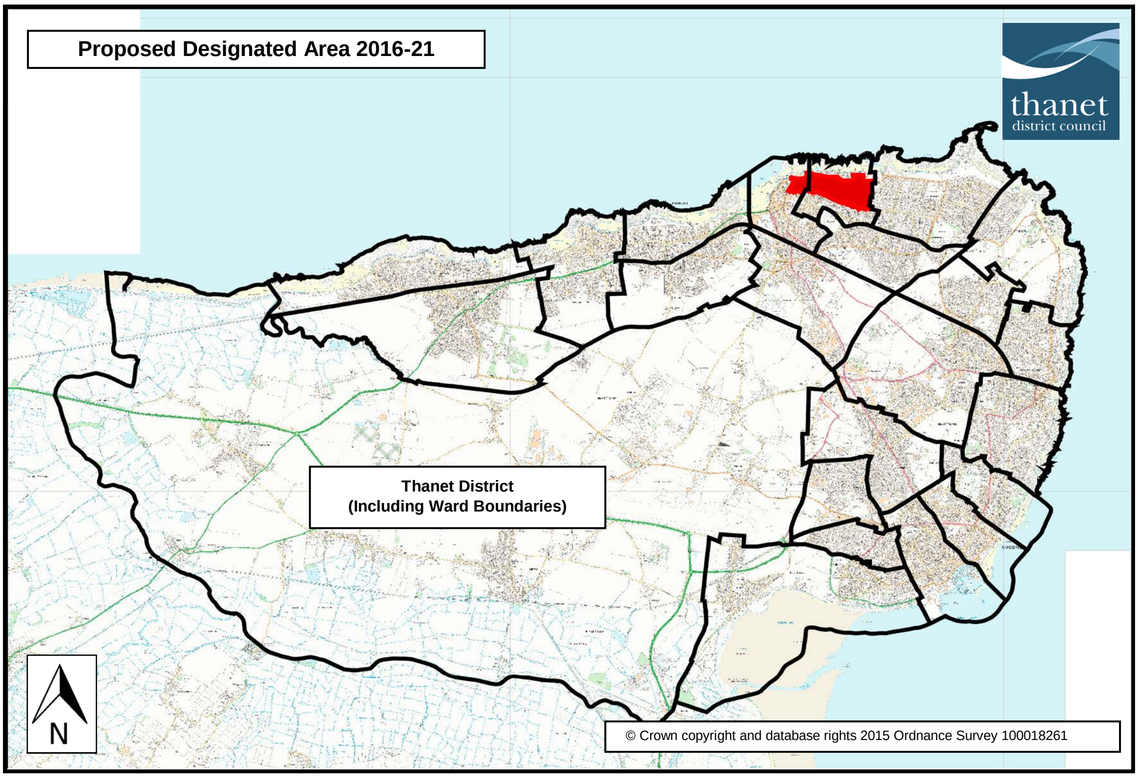
48. A map showing the proposed selective licensing designation in relation to the two electoral wards of Margate Central and Cliftonville West is shown below.

Figure 5: Map of proposed designated area in context of ward boundaries



49. A map showing the proposed selective licensing designation in relation to the district of Thanet is shown below.

Figure 6: Map of proposed designated area in context of Thanet district



Why this area? A brief historical context

50. The expansion of Margate eastwards of the historic fishing village came about following the arrival of the railways in the mid-19th century. The new railway line provided easy access to the coast for Londoners and those further afield who wanted to enjoy the beaches and benefit from the then famously health enhancing qualities of the coastal air. Margate's ensuing popularity led to the development of Cliftonville in the mid to late 1800's, when rows of ornate and terraced buildings sprung up to cater for the new visitors. Hotels, guesthouses and larger residences were densely built, usually over three to six storeys, with small frontages and rear yards. Many were constructed with large basement storeys.

51. In its heyday, Cliftonville was a highly desirable area with a viable economy based on tourism, but times change and the decline of the traditional English seaside holiday in recent decades has had a profound impact on the area. As visitor numbers fell, businesses that once catered for thronging crowds began to falter. Property owners had to sell up or diversify, and this led to many buildings being converted into flats or houses in multiple occupation (HMOs), such as bedsits. Many owners decided to create small flats in pursuit of the maximum number of rental units.

52. As more hotel and guesthouse businesses closed and owner-occupiers moved out, more private landlords moved in. The private rented sector became the dominant tenure at 70%, with many out-of-area landlords owning large portfolios.

53. In recent decades, the accommodation offer has largely been aimed at the lower end of the market. With many vulnerable households migrating inwards, the socio-economic shift has led to the area becoming one of the most deprived neighbourhoods in the country. The area is now characterised by high levels of worklessness, benefit dependency, crime and anti-social behaviour, poor educational achievement, and health inequalities.

54. While individual private landlords cannot be held responsible for these wider changes, a significant number are perpetuating the deprivation and poor health outcomes by offering poorly managed and unsafe homes.

55. Prior to selective licensing, the area was the subject of various council led interventions, such as the introduction of an HMO registration scheme with special control provisions in 1998 and the declaration of a Neighbourhood Renewal Area in 2005. The area also benefitted from substantial funding from the Safer, Stronger Communities Fund (SSCF) between 2006 and 2010.

General approval by Secretary of State

56. Prior to 01 April 2010, all selective licensing designations had to be approved by the Secretary of State (SoS). Between this date and 31 March 2015 a general approval, issued by the SoS, allowed councils to designate selective licensing areas without the need for obtaining Government approval, as long as a ten week public consultation had taken place.

57. However, the 2010 general approval was revoked on 01 April 2015 and replaced with one that includes size restrictions on new schemes. Any new designation that is over a certain size must be approved by the SoS.

58. Any designation that (either by itself, or in combination with other selective licensing designations made by the council) would cover more than 20% of the geographical area of the district is excluded from the 2015 general approval. Furthermore, any designation that (either by itself, or in combination with other selective licensing designations made by the council) would affect more than 20% of privately rented homes in the district (based on Census data) would also be excluded.

59. Thanet comprises an area of 10,329 hectares (39.9 square miles). The area proposed for designation is approximately 47.7 hectares (0.18 square miles) in size, which represents 0.46% of the district in terms of geographical area. The proposed designation would not require approval from the SoS owing to its relatively small geographical size.

60. According to the 2011 Census, there were 14,151 households privately renting in Thanet. Therefore, SoS approval would be required for any scheme(s) that included more than 2,830 privately rented homes. The area proposed for designation includes approximately 2,500 privately rented homes, of which around 2,300 would require a selective licence. SoS approval would not be required for the proposed designation.

Legal tests

61. Before any council can consider making a selective licensing designation it must ensure that the area in question meets certain legal tests.

62. Until 27 March 2015, an area could only be designated for the purposes of selective licensing if it met at least one of the two legal tests (known as conditions) set out in the Housing Act 2004. However, on this date the Government introduced four new sets of conditions. The council may now designate an area if:

    - It is, or is likely to become, an area of low housing demand; or
    - It has a significant and persistent problem with anti-social behaviour where the inaction of private landlords is a contributory factor; or
    - Following a review of housing conditions, it is believed that the area is suffering from significant housing condition problems and the council intends to inspect the dwellings concerned; or
    - It has experienced a recent influx in migration, and where the migrants are primarily occupying privately rented accommodation; or
    - It suffers from a high level of deprivation which particularly affects the occupiers of privately rented accommodation; or
    - It suffers from a high level of crime that affects residents and businesses in the area.

63. The council is of the opinion that five of the six tests are met in respect of the area proposed for designation. A designation based on migration is not proposed. The evidence to support this opinion is set out in Chapter 4.

Proposed timescales

64. Following the ten-week public consultation, the council will carefully review all representations made. A report will then be submitted to Cabinet in January 2016 for Member consideration and decision.

65. If the Cabinet decide to designate the area for the purposes of selective licensing, the designation would become operative on 21 April 2016 and last for a period of five years until 20 April 2021. If the Cabinet decide not to designate the area, the current designation will expire on 20 April 2016.

66. These timescales may be subject to change in the event of unforeseen circumstances.

Proposed licence fee structure

67. The council currently charges a licence application fee to cover the cost of the administration of the selective licensing scheme. This income is ring-fenced and only used for these purposes.

68. The fees have risen each year on the 01 April, in line with the council's standard percentage increase for fees and charges. For the 2015-16 financial year, the standard cost for a selective licence is £587 for non-accredited landlords and £487 for accredited landlords. Any landlord with more than one flat within a single building pays a reduced licence fee of £267 per additional flat.

69. The council believes that any new scheme should minimise the financial burden on landlords. It therefore proposes that licence fees are reduced as much as is reasonably possible, without jeopardising the council's ability to undertake its statutory functions under selective licensing. Proposed changes to the licensing process would allow fee reductions to be made.

70. The proposed fee structure is set out below:

Figure 7: Licence fees for dwellings

Dwellings Licence For dwellings, whether a house or flat, occupied by a single family household or by two persons sharing	**Accredited Landlords**	**Non-accredited Landlords**
Standard licence application fee	£389	£439
Early renewal licence application fee (if a valid application is made at least six weeks before the current licence is due to expire)	£345	£395

Figure 8: Licence fees for landlords owning buildings containing flats

Buildings Licence Only available to a landlord who lets two or more flats within the same building AND is the freeholder (only a single licence required)	**Accredited Landlords**	**Non-accredited Landlords**
<u>Standard licence application fees</u> Fee for first flat Fee for each additional flat (within the same building)	 £389 £136	 £439 £136
<u>Early renewal licence application fees (if a valid application is made at least six weeks before the current licence is due to expire)</u> Fee for first flat Fee for each additional flat (within the same building)	 £345 £136	 £395 £136

71. Under the existing designation, all landlords who own more than one flat within a single building are eligible for the multiple flat discount. However, owing to legislative restrictions, the council can only issue a single buildings licence when the landlord is in control of the whole building. Where a landlord owns more than one flat, but is not in control of the freehold, the council cannot issue a single licence for the whole building and must require individual licence applications for every flat. As such, there is no administrative savings for the council. Nevertheless, the council has honoured this discount throughout the current scheme.

72. The proposed fee reduction for additional flats associated with a single buildings licence would not be viable when multiple licence applications need to be processed. However, the council does not propose to charge the actual cost of processing each of these additional licences; instead, it proposes a fee capped at the current rate (£267). The proposed fee structure is out below:

Figure 9: Licence fees for landlords owning more than one flat in a building without owning the freehold

Capped Licence Fees Only available to a landlord who lets two or more flats within the same building, but is NOT the freeholder (multiple licences required)	**Accredited Landlords**	**Non-accredited Landlords**
<u>Standard licence application fee</u> Fee for first flat CAPPED fee for each additional flat (within the same building)	 £389 £267	 £439 £267
<u>Early renewal licence application fees (if application is made at least six weeks before the current licence is due to expire)</u> Fee for first flat CAPPED fee for each additional flat (within the same building)	 £345 £267	 £395 £267

73. As is the case with the current scheme, selective licensing fees for houses in multiple occupation (HMOs) with shared facilities are proposed to be similar to those charged for mandatory HMO licences under Part 2 of the Housing Act 2004. The fee structure for HMO licences can be viewed on the council's website.

74. For the purposes of selective licensing, an accredited landlord is a landlord who is accredited with the Kent Landlord Accreditation Scheme (KLAS). KLAS is delivered through the UK Landlord Accreditation Partnership. A landlord who is accredited with the National Landlords Association (NLA) may also benefit from the discount.

75. All licence fees would be reviewed each financial year.

76. A licence would normally be granted for a period of five years and no further fees would be payable during the life of the licence. However, licences are non-transferrable in accordance with section 91(6) of the Housing Act 2004.

77. Portfolio landlords who own fifteen or more dwellings in need of a selective licence would be offered a payment plan. Such landlords would be given up to a year after the granting of their licence to make full and final settlement of all fees owed to the council.

Licence conditions

78. Each new licence granted would be subject to a series of licence conditions, similar to those already in use under the current scheme. Licence conditions under selective licensing must include the mandatory conditions set out in Schedule 4 of the Housing Act 2004 and may include additional conditions relating to management, use and occupation.

79. In summary, the main conditions would require licence holders to:

    - Provide gas safety certificates annually (if gas is supplied);
    - Keep any electrical appliances and furniture provided in a safe condition;
    - Provide smoke alarms and keep them in good working order;
    - Issue residents with a written statement of the terms of occupation (e.g. a tenancy agreement or licence);
    - Require references from prospective tenants;
    - Provide electrical installation condition reports for the fixed wiring installations at intervals of not more than five years;
    - Appropriately manage anti-social behaviour, should it ever originate from their property;
    - Limit occupation of the property to the numbers of persons and households specified in the licence;
    - Make suitable arrangements for waste management;
    - Make suitable arrangements for completing routine repairs and maintenance;
    - Advise the council of any change in circumstances.

80. The council believes that such licence conditions are not onerous, and that good landlords are unlikely to find that their practices need be changed.

Existing licences

81. If a further designation is made, existing selective licences granted under the current scheme would remain valid under the new scheme until they expired. The expiry date is shown on the front page of each licence.

Penalties for non-compliance

82. There are a number of penalties associated with non-compliance.

Prosecution

83. There are two offences associated with selective licensing.

84. Failing, without reasonable excuse, to obtain a licence for a property which is required to be licensed is an offence. The offence is committed by the person having control of and/or the person managing the premises.

85. Once a licence is in force, the licence holder and/or manager (if applicable) would commit an offence if they breached any of the licence conditions without reasonable excuse.

86. Since 12 March 2015, a person committing either type of offence is liable on summary conviction to an unlimited fine.

87. The council would provide for the effective enforcement of any new scheme to help ensure its ultimate success. However, the council's approach would be to encourage compliance through engagement and advice, with prosecution remaining a last resort.

Restriction on terminating tenancies

88. No section 21 notice (Housing Act 1988) may be served in respect of an unlicensed property.

Rent Repayment Orders (RROs)

89. In certain situations, the council or a resident may make an application to the First Tier Tribunal for an RRO.

90. If a property is licensable and the council is of the opinion that an offence has been committed owing to the failure of the person having control of or managing the premises to make a valid licence application, the council may make an RRO application. An application can be made irrespective of whether the council decides to prosecute for the offence.

91. Council applications will concern the repayment of housing benefit monies paid in respect of an unlicensed property. Applications may only relate to periods of up to 12 months.

92. A resident may make an RRO application, but only if the council has successfully prosecuted the appropriate person for failing to licence the premises, or the council has been successful in making its own RRO. Resident applications may only be made in respect of rents they have paid over a period of up to 12 months.

Interim and Final Management Orders

93. In certain circumstances relating to unlicensed premises, the council has the power to make Interim and Final Management Orders. Such orders authorise the council to take control of the residential premises to which the order relates. This power is reserved for the most problematic properties and is only considered as a last resort.

Housing strategy

94. Any proposal to introduce a selective licensing designation must be consistent with the council's overall housing strategy.

95. The council's overarching housing vision in its Housing Strategy 2012-2016 is: *"To provide good quality housing, that is affordable, which meets people's changing needs and aspirations and is located within pleasant, safe and sustainable communities."*

96. One of the key objectives of the strategy is to: *"Make better use of the existing housing stock across all tenures and improve housing conditions"*. Recognising that the private rented sector is larger than average in Thanet, this objective highlights the need to fully utilise this resource as this sector plays an important role in providing homes for the people of Thanet. However, the council also recognised that while there are many good quality privately rented homes in the district, managed by responsible landlords, there are also many that are in need of improvement. Tackling these properties is seen as a high priority.

97. In particular, the two wards of Margate Central and Cliftonville West are highlighted as being in need of intervention. The strategy states that: *"We will not tolerate poor quality accommodation and where appropriate we will improve the condition and management of privately rented housing in the district. Targeted housing interventions in areas where there is a concentration of poor quality privately rented housing, in particular the selective licensing scheme in tandem with the 'Live Margate' housing intervention, will tackle concentrations of deprivation and substandard living conditions."*

98. The housing strategy will be updated in 2016 in line with the council's Corporate Plan and it is proposed that selective licensing remains a key initiative in its efforts to promote housing regeneration in Thanet.

99. The proposal to designate a further selective licensing scheme is therefore wholly consistent with the council's current housing strategy.

Expected benefits of a further designation

100. Selective licensing provides additional powers to help the council tackle poorly managed privately rented property. Better management standards in this sector should contribute to an overall improvement in conditions in the proposed designated area. In particular, the council would expect a further designation to contribute to:

- An improvement in the social and economic conditions in the area;
- A reduction in anti-social behaviour;
- An improvement in general housing conditions;
- A reduction in the level of deprivation; and
- A reduction in crime.

101. Such improvements should lead to the area becoming more desirable. In the longer term, this should reveal itself in higher property and rental values, and a more stable community with less resident turnover.

Alternatives to selective licensing

102. The council has considered whether there are any courses of action, other than selective licensing, that might achieve the same objectives in the proposed area. After careful consideration, the council has come to the conclusion that a further selective licensing designation is the most appropriate course of action in the circumstances, and that it will significantly assist it in achieving the above-mentioned objectives.

103. The council did not come to this conclusion lightly. Selective licensing can have a substantial impact on landlord and agent behaviour. Over the past four years, council officers have seen previously indifferent landlords and agents gradually build up relationships with the council. It is a slow process, and it is often only the threat of court action that brings about meaningful communication, but it is working. For the area concerned, selective licensing has been the backbone of the wider strategy to promote regeneration.

104. Landlord accreditation is fully supported by the council and has its place in promoting good property management. The council works in partnership with other local authorities to deliver the Kent Landlord Accreditation Scheme and has offered licence fee discounts for members. However, anecdotal evidence suggests that many landlords and agents only signed up to receive the licence fee discounts, and would not have done so otherwise. Some landlords have also said they would not renew their membership if selective licensing is not continued. Moreover, many of the more difficult to deal with landlords operating in the area have not become accredited. As such, reliance on voluntary landlord accreditation, as an alternative to selective licensing, is not considered to be a viable option in respect of the proposed area.

105. Enhanced housing enforcement practices have been in place in the area for many years. While the current designation only accounts for 4.9% of Thanet's population, over half of the council's housing enforcement activity related to the proposed area in the decade leading up to the current designation. Nevertheless, the area continued to decline despite these additional efforts. It is only since the introduction of selective licensing that there have been signs of improvement.

106. The targeted use of Special Interim Management Orders is not a feasible alternative as the number of problematic properties in the area is significant.

107. Additional HMO licensing has also been discounted on the basis that traditional HMOs have been on the decline in the designated area since the introduction of planning policies to restrict them in 2006. With most properties in the area being three or more storeys high, those that are traditional HMOs are the subject of mandatory HMO licensing. Furthermore, many building were converted into flats in the 1990's and early 2000's and so are not HMOs under section 257 of the Housing Act 2004 ("converted blocks of flats"). The majority of dwellings in the area are one or two bedroom self-contained flats.

108. In terms of ASB, selective licensing has a wide-ranging impact. All licence holders are required to take reasonable steps to deal with ASB perpetrated by their tenants. While the council and the Police can, and do, intervene when such behaviour occurs, it is on a case by case basis. While the new tools and powers contained within the Anti-social Behaviour, Crime and Policing Act 2014 will allow more flexible use of interventions, no other mechanism, apart from selective licensing, can have such an immediate impact on an area dominated by the private rented sector and higher than average levels of ASB. When engaging with landlords in the currently designated area, the council's Community Safety Officers have found selective licensing to be a valuable asset in achieving successful outcomes. Selective licensing creates a culture in which landlords are more likely to tackle problems, rather than ignore them.

109. Other courses of action that will contribute to the above-mentioned objectives have already been implemented and are part of the coordinated response to the problems experienced in the area. These are described in Chapter 5: Complementary Initiatives.

Chapter 4: Supporting evidence

Overview

110. The council is of the opinion that the area proposed for designation meets five of the six legal tests set out in the Housing Act 2004 and regulations made thereunder. The designation is proposed on the basis of low housing demand, anti-social behaviour, housing conditions, deprivation, and crime. A designation based on migration is not proposed. Only one test needs to be proved to make a designation lawful.

111. The council considered data from a wide range of sources before coming to this conclusion. This chapter outlines the key evidence that supports the proposed designation.

Low housing demand

112. This legal test is set out in section 80(3) of the Housing Act 2004. For an area to be designated under this section, the conditions are:

(a) that the area is, or is likely to become, an area of low housing demand; and

(b) that making a designation will, when combined with other measures taken in the area by the local housing authority, or by other persons together with the local housing authority, contribute to the improvement of the social or economic conditions in the area.

113. Section 80(4) goes on to say:

In deciding whether an area is, or is likely to become, an area of low housing demand a local housing authority must take into account (among other matters) –

(a) the value of residential premises in the area, in comparison to the value of similar premises in other areas which the authority consider to be comparable (whether in terms of types of housing, local amenities, availability of transport or otherwise);

(b) the turnover of occupiers of residential premises;

(c) the number of residential premises which are available to buy or rent and the length of time for which they remain unoccupied.

Residential property values

114. The table below shows the average (mean) prices of properties in the selective licensing area over the last five years. Property postcodes and addresses have been used so that the data relates specifically to the area. These prices can be compared to the wider CT9 postcode area which covers Margate (excluding the selective licensing area). The analysis shows that average house prices are substantially lower than in the rest of Margate and that the gap has remained broadly the same over the last five years.

Figure 10: Average house prices in the selective licensing area compared to Margate (CT9 postcode area)

	2010-11	2011-12	2012-13	2013-14	2014-15
Selective licensing area	£113,200	£100,600	£91,100	£114,200	£123,000
Rest of Margate (CT9 excluding postcodes in the selective licensing area)	£159,400	£146,600	£151,500	£160,600	£173,900
Prices in the selective licensing area as a percentage of prices in the rest of Margate	71%	69%	60%	71%	71%

Source: Land Registry

115. House prices in the selective licensing area are also substantially lower than other similar coastal areas. The table below shows how average house prices vary between

the selective licensing area and Broadstairs and Ramsgate, the other main coastal towns in Thanet District; and, for comparison, the South East coastal towns of Hastings and Brighton. Prices in the area are half the level of prices in the neighbouring coastal town of Broadstairs, 74% of the level of prices in Margate as a whole, 71% of the level of prices in the rest of Margate (excluding the proposed area) and 69% of the level of prices in Ramsgate.

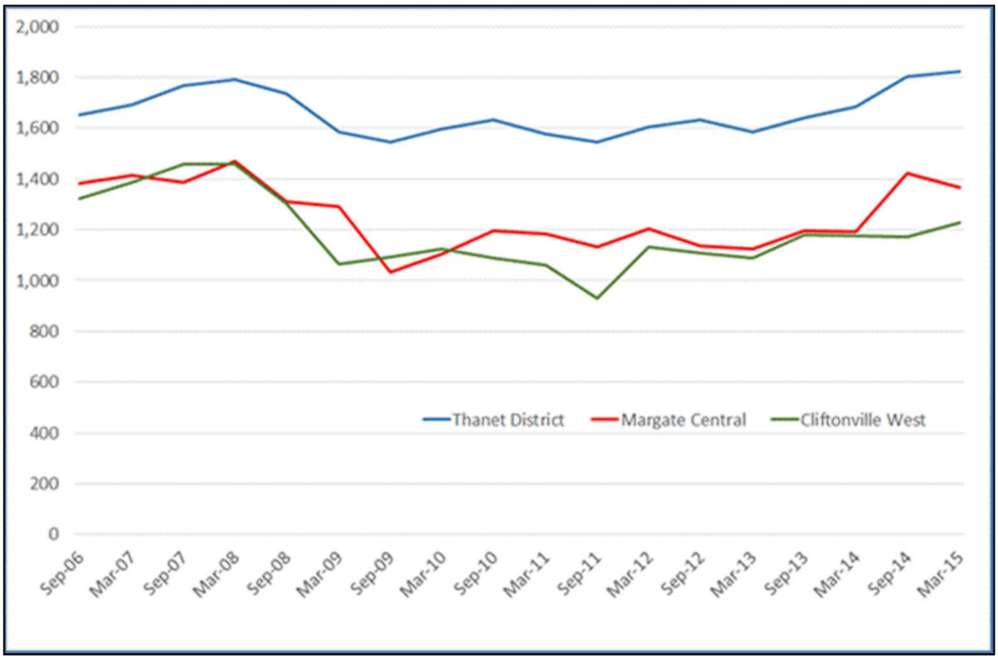
Figure 11: Average house prices in the selective licensing area compared to other coastal towns (2014-15)

Location	Average	Flats
Selective licensing area	£123,000	£83,200
Margate (including selective licensing area)	£166,500	£101,200
Broadstairs	£256,500	£197,200
Ramsgate	£178,500	£110,200
Hastings	£202,800	£111,300
Brighton	£324,700	£240,000

Source: Land Registry

116. This pattern is replicated when prices per square metre are analysed at ward level and in Thanet as a whole, as demonstrated in the chart below. This data controls for any difference in the mix of properties that are sold in particular areas, which would affect the calculation of average prices. On a like-for-like basis, there continues to be a consistent gap between the prices of residential properties in the two wards (Cliftonville West and Margate Central) and Thanet District as a whole.

Figure 12: Sales price, price per square metre (££); end May 2015 (Ward Level Analysis)



Source: Hometrack, Orbit Housing, Census 2011

117. The table below shows current house prices (May 2015) by size of property in the Cliftonville West and Margate Central wards compared to Thanet District. Average prices in Cliftonville West are 25% to 37% lower than those for Thanet as a whole.

Figure 13: Current house prices (Ward Level Analysis)

	Cliftonville West	Margate Central	Thanet District	Difference between Cliftonville West ward and Thanet District
1 bed prices (Flat)	£62,700	Not Available	£83,800	-25%
2 bed prices (Flat)	£92,000	£110,100	£145,900	-37%
2 bed prices (House)	£107,500	£130,900	£168,500	-36%
3 bed prices (House)	£155,000	£154,400	£209,800	-26%
4 bed Prices (House)	£200,700	£200,500	£272,300	-26%

Source: Hometrack, Orbit Housing

118. It is also to be expected that low demand for residential properties within the selective licensing area will be evidenced by rental values. The table below presents rents charged per month for Margate as a whole and for Thanet District. Margate is the lowest spatial area for which rental data is available from Hometrack. Rental values in Margate are lower than in Thanet as a whole. There is also very little difference between 30th percentile rents and median rents, suggesting that this is not a market under significant demand.

Figure 14: Monthly rental prices in Margate (CT9 Postcode Area) and Thanet District (May 2015)

Margate (CT9 Postcode Area)	**1 bed**	**2 bed**	**3 bed**	**4 bed**
Private - 30th Percentile	£375	£500	£670	£825
Private - 80% Median	£320	£440	£600	£715
Private - Median	£400	£545	£750	£895
Private - Upper Quartile	£445	£625	£800	£1,150
Thanet	**1 bed**	**2 bed**	**3 bed**	**4 bed**
Private - 30th Percentile	£400	£545	£700	£895
Private - 80% Median	£355	£475	£600	£780
Private - Median	£445	£595	£750	£975
Private - Upper Quartile	£495	£650	£825	£1,195

Source: Hometrack, Orbit Housing

Turnover

119. Transactions (house sales) in all areas of the UK fell sharply during the housing market downturn and, despite the recovery in house prices, they have not returned to the peak achieved in 2008. Sales in the selective licensing area only appear to have picked up in the last year (2014/15) though the rate of growth in sales is lagging behind Margate as a whole.

120. The table below shows that the volume of sales as a proportion of the housing stock is lower in the selective licensing area than in Margate as a whole and Thanet District. Just 3% of the housing stock is sold each year in the area, compared to 4% in Margate and Thanet. This indicates that ownership of property within the area is relatively stable, but this may reflect that the majority of property is owned by landlords rather than owner-occupiers. Landlords tend not to buy and sell as frequently; though turnover of tenants within these properties can be high.

Figure 15: Sales of residential properties in the selective licensing area over the last five years

	2010-11	2011-12	2012-13	2013-14	2014-15	% change over five years	Sales as a % of stock (2015)
Selective licensing area	72	73	50	78	104	+44%	3%
Margate (CT9 postcode area including selective licensing area)	479	519	514	650	841	+76%	4%
Thanet District	1,880	2,004	1,908	2,284	2,673	+42%	4%

Source: Land Registry

121. High turnover in the rented sector can be seen as an indicator of low housing demand and can also indicate that the population is transient and lacking stability. The presence of a large private rented sector, as evident in the selective licensing area, is itself likely to increase population turnover since most tenants are on assured shorthold tenancies and so it is much easier for tenants and landlords alike to end a tenancy.

122. Around 2,340 dwellings in the currently designated area are in the private rented sector. There are currently (as at end May 2015) 1,840 households claiming housing benefit within the area. With there only being a relatively small social rented sector (around 250), this suggests that a very high percentage of households in the private rented sector (more than 70%) are supported by housing benefit.

123. Housing benefit data shows that, in the last year, there were 996 changes of address amongst these claimants (see table below). Over half of the households (54%) living in the rented sector and supported by housing benefit moved home in one year. This is a higher level of turnover than the combined figure for the Cliftonville West and Margate Central wards (44% moved in the last year). Some households moved more than once so the number of unique households moving at least once in the year was 742. Nevertheless, this suggests a high turnover of tenants within the private rented sector in the area.

Figure 16: Households on Housing Benefit and moving property in the last year (2014-15).

Area	Number of households receiving housing benefit (HB)	Number of households receiving HB who moved within the rented sector in the last year	Percentage of households receiving HB who moved within the rented sector in the last year
Selective licensing area	1,840	996	54%
Margate Central and Cliftonville West wards	4,138	1,819	44%

Source: Thanet District Council (EK Services)

124. Census 2011 data also supports the assessment that the population of the selective licensing area is less stable than other areas. The Middle Layer Super Output Area (MLSOA), Thanet 001, covers the area, and other parts of Cliftonville West and Margate Central (but not the whole wards). In 2011, 72% of households in the MLSOA lived at the same address one year ago. This compares to 85% in Thanet as a whole and 86% in the South East and England.

Residential premises available to buy or rent

125. The table below shows the number of properties on the market in the selective licensing area and in Thanet District at the start of July 2015 (according to Rightmove).

Figure 17: Number of residential properties on the market to buy or rent (July 2015)

	For Sale		For Rent	
	Selective Licensing Area	Thanet District	Selective Licensing Area	Thanet District
All	**123 (100%)**	**1,587 (100%)**	**31 (100%)**	**235 (100%)**
Studio/1 bedroom	40 (33%)	270 (17%)	17 (55%)	118 (50%)
2 bedroom	59 (48%)	561 (35%)	14 (45%)	76 (32%)
3 bedroom	8 (7%)	329 (21%)	0 (0%)	26 (11%)
4 bedroom	5 (4%)	230 (14%)	0 (0%)	12 (5%)
5+ bedroom	11 (9%)	197 (12%)	0 (0%)	3 (1%)

Source: Rightmove (+/- 1% errors are present owing to rounding to the nearest whole %)

126. There is very little family sized accommodation available to buy or rent in the selective licensing area. Current sales and rentals are dominated by one and two-bedroom flats. Of the two-bedroom properties for sale at present, only one is a house.

127. The lack of availability of family sized properties, particularly houses, may be a factor in why households in work choose to rent in areas outside of Cliftonville. The lack of off-street parking in the proposed area may also be a factor. A poor reputation has also blighted the area in recent decades.

128. However, the evidence suggests there is not a particularly large number of rental properties on the market. It would seem, however, that benefit reliant tenants are fuelling demand for rental accommodation at the lower end of the market. With restricted choices, many such households may be accepting poor housing conditions, not by choice, but through necessity.

Empty properties

129. Areas with low housing demand are typically characterised by higher than average numbers of empty properties. While the number of empty homes in the selective licensing area has declined in recent years, the proportion of the housing stock standing empty remains high.

130. As of 14 April 2015, there were 1,883 empty homes in Thanet, according to Council Tax records. Compared to a total housing stock of 66,333, this represents 2.8% of all homes. Of these, 1,039 (1.6% of all homes) had been empty for longer than six months.

131. Of the 3363 homes in the selective licensing area, 228 were registered on 14 April 2015 as being empty. Empty homes therefore represent 6.8% of the total stock in the area, which is more than double the Thanet average. Of the 228 empty homes, 132 had been empty for longer than six months. As such, long-term empty homes account for 3.9% of the total stock in the selective licensing area. This is well over double the Thanet average of 1.6%.

Conclusion

132. Having considered a range of indictors, such as empty properties, property values, resident turnover, and the evidence presented below in respect of ASB, housing conditions, deprivation and crime, the council is of the opinion that the proposed area is suffering from low housing demand. As such, the council is satisfied that this legal test has been met.

133. A further selective licensing designation would, in combination with other measures the council is taking, lead to an improvement in the social and economic conditions in the proposed area.

Anti-social behaviour

134. This legal test is set out in section 80(6) of the Housing Act 2004. For an area to be designated under this section, the conditions are:

(*a) that the area is experiencing a significant and persistent problem caused by anti-social behaviour;*

(b) that some or all of the private sector landlords who have let premises in the area (whether under leases or licences) are failing to take action to combat the problem that it would be appropriate for them to take; and

(c) that making a designation will, when combined with other measures taken in the area by the local housing authority, or by other persons together with the local housing authority, lead to a reduction in, or the elimination of, the problem.

"Private sector landlord" does not include a registered social landlord within the meaning of Part 1 of the Housing Act 1996 (c. 52).

135. The following table shows the number of reported cases of anti-social behaviour in Thanet up to 31 March 2015. Anti-social behaviour is investigated by both the Police and the council's Community Safety Team.

Figure 18: Reported anti-social behaviour in Thanet

	Financial Year					
	2009-10	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Number of ASB complaints made to the Police	10742	8412	7144	6212	5975	6082
Number of ASB complaints investigated by the council's Community Safety Team	740	354	519	710	703	462
Combined number of ASB complaints made to both the Police and the council	11482	8766	7663	6922	6678	6544

Source: Kent Police/Thanet District Council

136. The following table shows the number of reported cases of anti-social behaviour in the currently designated area up to 31 March 2015.

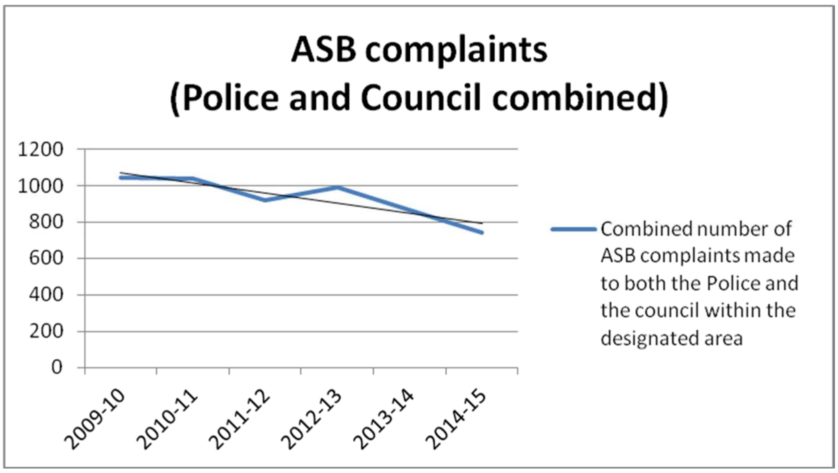
Figure 19: Reported anti-social behaviour in the currently designated area

	Financial Year					
	2009-10	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Number of ASB complaints made to the Police	986	995	837	926	770	693
Police ASB complaints as a % of Thanet total (Police only)	*9.2%*	*11.8%*	*11.7%*	*14.9%*	*12.9%*	*11.4%*
Number of ASB complaints investigated by the council's Community Safety Team	55	45	81	64	99	48
Council ASB complaints as a % of Thanet total (Council only)	*7.4%*	*12.7%*	*15.6%*	*9.0%*	*14.1%*	*10.4%*
Combined number of ASB complaints made to both the Police and the council	1041	1040	918	990	869	741
Combined number of Police and council ASB complaints as a % of Thanet total	*9.1%*	*11.9%*	*12.0%*	*14.3%*	*13.0%*	*11.3%*

Source: Kent Police/Thanet District Council

137. The following chart shows the combined number of anti-social behaviour complaints made to both the Police and council in the currently designated area over the six-year period ending on 31 March 2015.

Figure 20: Anti-social behaviour in the currently designated area (six-year trend)



Source: Kent Police/Thanet District Council

138. Overall, the trend for reported ASB in the currently designated area is clearly downward, with the beginning of the decline coinciding with the start of selective licensing in 2011. Since the scheme began there has been a 28.7% reduction in ASB within the designated area.

139. The evidence suggests that selective licensing is contributing to a reduction in ASB. However, while encouraging, the number of ASB complaints made in the area remains disproportionate when compared to Thanet as a whole. In the 2014-2015 financial year, 11.3% of all Thanet's ASB complaints emanated from the designated area, yet residents only constitute 4.9% of the Thanet population.

Conclusion

140. With the area dominated by the private rented sector and suffering from more than double the average level of ASB, the council is of the opinion that the legal test for ASB has been met.

141. With continued multi-agency working arrangements with the Margate Task Force, a further selective licensing designation should contribute to a reduction in ASB levels.

Pre-qualification criteria

142. The four new tests or "sets of conditions" are set out in The Selective Licensing of Houses (Additional Conditions) (England) Order 2015 (SI 2015/977), hereinafter referred to as the "Order". However, before they can be applied, there are two initial legal tests that must first be met. They are set out in Article 3(1)(a) and (b), and are:

(a) that the area contains a high proportion of properties in the private rented sector, in relation to the total number of properties in the area;

(b) that the properties referred to in sub-paragraph (a) are occupied either under assured tenancies or licences to occupy.

143. According to the *English Housing Survey, Headline Report 2013-14* (published February 2015), 19% of all households in England were privately renting. According to the 2011 Census, the proportion of homes in the private rented sector in Thanet was higher at 23.78%.

144. Around 70% of all households are privately renting in the area proposed for designation. This is clearly a high proportion in comparison to the national and Thanet averages.

145. Through the existing scheme, the council has required a copy of the written statement of the terms of occupation used by each landlord at the licence application stage. Accordingly, the council is aware that almost every privately rented property in the proposed designated area is the subject of an assured shorthold tenancy agreement (AST).

146. In the council's opinion, the pre-qualification criteria have been met, and the four new sets of conditions may be applied if appropriate.

Housing conditions

147. This legal test is set out in Article 4 of the Order. For an area to be designated under this article (subject to Article 3), the conditions are:

(a) that having carried out a review of housing conditions under section 3(1) of the [Housing Act] *2004 Act, the local housing authority considers it would be appropriate for a significant number of the properties referred to in article 3(1)(a) to be inspected, with a view to determining whether any category 1 or category 2 hazards exist on the premises;*

(b) that the local housing authority intends to carry out such inspections as referred to in paragraph (a), with a view to carrying out any necessary enforcement action; and

(c) that making a designation will, when combined with other measures taken in the area by the local housing authority, or by other persons together with the local housing

authority, including any licence conditions imposed under section 90 of the [Housing Act] *2004 Act, contribute to an improvement in general housing conditions in the area.*

148. The council has long identified the proposed designated area as being an area of concern. As such, it has been under constant proactive review for some years. Various council and multi-agency initiatives, such as Operation Clean Sweep, Your Home Your Health, and Street Week (Margate Task Force) have proactively targeted the area and gathered street level data. Many inspections have been carried out and joint enforcement and engagement programmes undertaken. However, while housing conditions are gradually improving, there remains much still to be done.

149. Excluding housing complaints arising from the selective licensing routine inspection programme, the council received 755 complaints about housing conditions in the 2014-15 financial year. The following table breaks these down by ward.

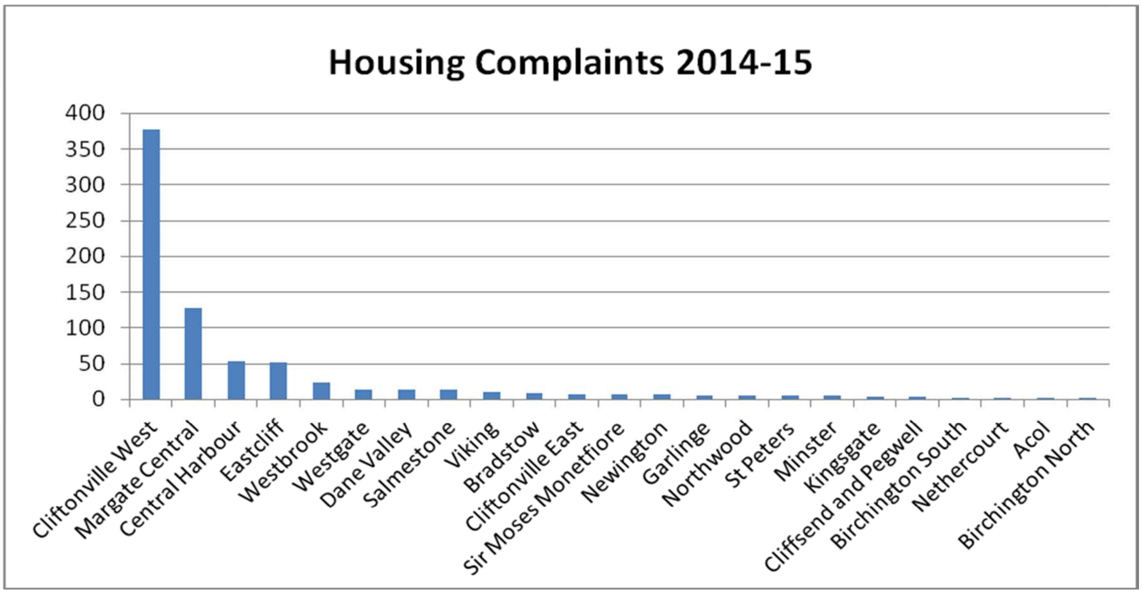
Figure 21: Housing complaints by ward (2014-15)

Electoral Ward	Housing Complaints	% of Total	Electoral Ward	Housing Complaints	% of Total
Cliftonville West	378	50.1	Newington	7	0.9
Margate Central	128	17.0	Garlinge	6	0.8
Central Harbour	53	7.0	Northwood	6	0.8
Eastcliff	52	6.9	St Peters	5	0.7
Westbrook	24	3.2	Minster	5	0.7
Westgate	14	1.9	Kingsgate	4	0.5
Dane Valley	14	1.9	Cliffsend and Pegwell	4	0.5
Salmestone	14	1.9	Birchington South	2	0.3
Viking	10	1.3	Nethercourt	2	0.3
Bradstow	9	1.2	Acol	2	0.3
Cliftonville East	8	1.1	Birchington North	1	0.1
Sir Moses Monetfiore	7	0.9	**THANET**	**755**	**100%**

Source: Thanet District Council

150. With 67% of all housing complaints arising from Cliftonville West and Margate Central, it is clear that residents in these two wards experience the worst housing conditions in Thanet. The following chart acutely highlights the disproportionate nature of the housing problems.

Figure 22: Chart showing housing complaints by ward (2014-15)



Source: Thanet District Council

151. The council strongly believes that proactive inspections are key to improving housing conditions. As already highlighted above, the current selective licensing routine inspection programme has revealed a substantial number of housing issues, with around half (49%) of the 782 dwellings inspected containing category 1 or 2 hazards in need of remedial action.

152. While it has always been the intention to inspect as many licensed properties as possible by the end of the current scheme, only about half will be inspected. In addition to the delayed start owing to the judicial review and the high levels of enforcement action required, gaining access has been a time-consuming process. Experience has shown that the harder to access properties often contain some of the most vulnerable people living in some of the worst housing conditions.

153. With an additional 158 private rented properties in the proposed designated area, together with over 1,000 properties that will still be in need of inspection by the end of the current scheme, there would be scope for a significant number (circa. 1,200-1,300) to be inspected under a new designation. If a new designation were to be made, the council would make every effort to inspect these properties with a view to identifying and remedying any category 1 or 2 hazards and licensing breaches. Having regard to the evidence so far, a significant proportion of these properties will be in need of enforcement action to safeguard the health, safety and well-being of residents.

154. All current inspections are subject to a priority risk assessment. Once the initial phase of the inspection programme is completed, the council would revisit those already inspected on a worst-first basis.

Conclusion

155. Having reviewed the housing conditions in the proposed area, and in view of the proposal to continue its inspection programme, the council is of the opinion that the legal test for housing conditions has been met.

156. A further selective licensing designation would lead to an increased number of better managed and safer homes. This would contribute to an overall improvement in general housing conditions in the area.

Migration

157. This legal test is set out in Article 5 of the Order. For an area to be designated under this article (subject to Article 3), the conditions are:

(a) that the area has recently experienced or is experiencing an influx of migration into it;

(b) that a significant number of the properties referred to in article 3(1)(a) are occupied by those migrants referred to in paragraph (a); and

(c) that making a designation will, when combined with other measures taken in the area by the local housing authority, or by other persons together with the local housing authority, contribute to –

(i) the preservation or improvement of the social or economic conditions in the area; and

(ii) ensuring that the properties referred to in article 3(1)(a) are properly managed, and in particular, that overcrowding is prevented.

Conclusion

158. Government guidance suggests that the migration test should relate to relatively recent increases in migration (say 15% over a 12 month period). Movement into the area is not a new phenomenon as higher than average levels of migration have been a theme

for some years. As such, the council does not propose to support a designation based on the migration test.

Deprivation

159. This legal test is set out in Article 6(1) of the Order. For an area to be designated under this article (subject to Article 3), the conditions are:

(a) that the area is suffering from a high level of deprivation, which affects a significant number of the occupiers of properties referred to in article 3(1)(a); and

(b) that making a designation will, when combined with other measures taken in the area by the local housing authority, or by other persons together with the local housing authority, contribute to a reduction in the level of deprivation in the area.

160. Article 6(2) goes on to say:

(2) In determining whether an area is suffering from a high level of deprivation, the local housing authority may have regard to the following factors in relation to the area –

(a) the employment status of adults;

(b) the average income of households;

(c) the health of households;

(d) the availability and ease of access to education, training and other services for households;

(e) housing conditions;

(f) the physical environment; and

(g) levels of crime.

English Indices of Deprivation

161. The term deprivation covers a wide range of issues and refers to unmet needs caused by a lack of resources of all kinds, not just financial. The English Indices of Deprivation attempt to measure multiple deprivation by taking into account a range of factors, known as domains. The indices have identified seven distinct domains, namely:

- Income;
- Employment;
- Health and Disability;
- Education Skills and Training;
- Barriers to Housing and Services;
- Living Environment;
- Crime.

162. Thirty-eight separate indicators, organised across the seven distinct domains are combined, using appropriate weights, to calculate the Index of Multiple Deprivation (IMD). This is an overall measure of multiple deprivation experienced by people living in a certain area.

163. For the purposes of the IMD, England has been broken down into 32,482 relatively similar areas known as Lower layer Super Output Areas (LSOAs). Each LSOA relates to a geographical area in which around 1500 people reside. The IMD ranks every LSOA in England according to its relative level of deprivation, with ranking 1 being the most deprived and 32,482 being the least deprived.

164. The most recent IMD is known as IMD 2010, which was published on 24 March 2011. This latest edition was based on the approach, structure and methodology used for the

two previous editions, IMD 2004 and IMD 2007, and as such is comparable. The next edition of the English Indices of Deprivation is due for publication in September 2015.

165. There are five LSOAs that are partially or wholly contained within the proposed designated area. Their rankings are shown in the table below:

Figure 23: IMD rankings by edition

LSOA Area Code	**Approximate Location**	**IMD 2004 Ranking** Total Count: 32,482	**IMD 2007 Ranking** Total Count: 32,482	**IMD 2010 Ranking** Total Count: 32,482
E01024678	Area around Trinity Square (Around a quarter of the LSOA is contained within the proposed designated area)	829	167	81
E01024657	Area around Ethelbert Road (This LSOA is substantially contained within the proposed designated area)	404	399	33
E01024658	Area around Sweyn Road (Around 60% of this LSOA is contained within the proposed designated area)	1416	631	595
E01024660	Area around Norfolk Road (This LSOA is wholly contained within the proposed designated area)	1777	670	339
E01024659	Area around Northdown Avenue (Only a small area of this LSOA is contained within the proposed designated area)	6482	5979	5608

Source: Office of the Deputy Prime Minister; Department for Communities and Local Government

166. The above table clearly shows that deprivation levels have deteriorated significantly in all five LSOAs between the comparable indices.

167. The LSOAs currently ranked 33 and 81 are within the 1% most deprived areas in England; those ranked 339 and 595 are within the 2% most deprived.

168. The following table illustrates the deprivation rankings at regional level. There are 84 LSOAs in Thanet, 1047 in Kent and 5319 in South-East England.

Figure 24: Regional IMD rankings by edition

LSOA Area Code	**Approximate Location**	**Thanet** Total Count: 84			**Kent** Total Count: 1047			**SE England** Total Count: 5319		
		2004	**2007**	**2010**	**2004**	**2007**	**2010**	**2004**	**2007**	**2010**
E01024678	Area around Trinity Square (Around a quarter of the LSOA is contained within the proposed designated area)	3	1	3	3	1	3	9	1	3
E01024657	Area around Ethelbert Road (This LSOA is substantially contained within the proposed designated area)	2	3	2	2	3	2	2	4	2
E01024658	Area around Sweyn Road (Around 60% of this LSOA is contained within the proposed designated area)	4	4	5	5	4	7	21	9	18
E01024660	Area around Norfolk Road (This LSOA is wholly contained within the proposed designated area)	5	5	4	6	5	4	27	11	11
E01024659	Area around Northdown Avenue (Only a small area of this LSOA is contained within the proposed designated area)	20	22	23	74	77	94	269	271	299

Source: Office of the Deputy Prime Minister; Department for Communities and Local Government

169. The above table shows that the area proposed for designation is one of the most deprived areas in South-East England.

Employment status

170. A high proportion of the resident population in Cliftonville West and Margate Central claim Job Seekers Allowance (JSA). The following table shows the number of claimants in all wards in Thanet as of April 2015. The percentage rate is the proportion of the resident population aged 16-64.

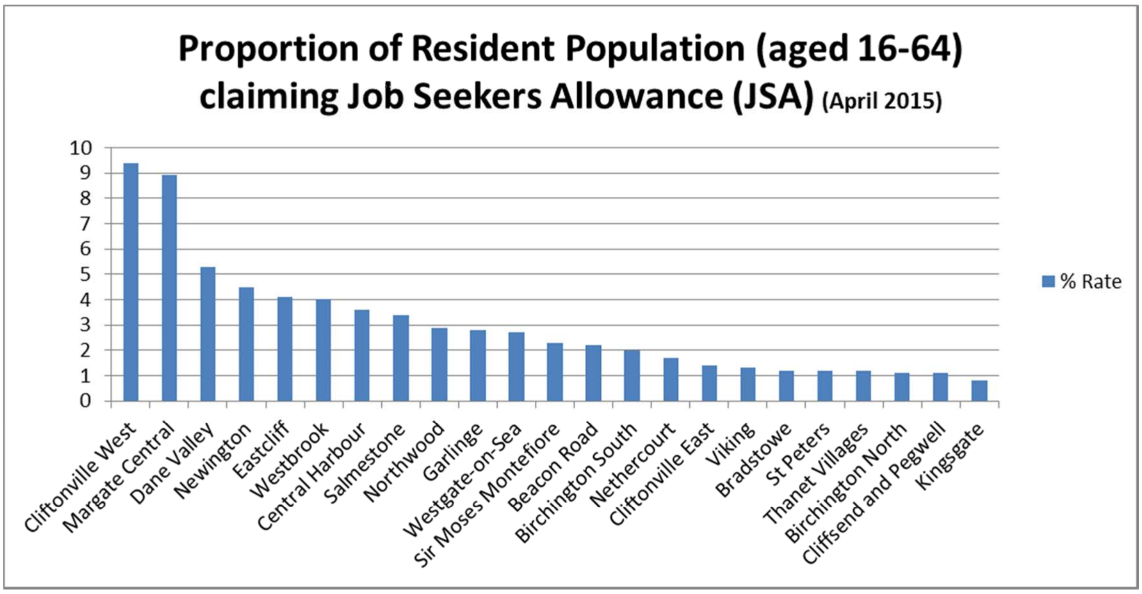
Figure 25: Resident population (aged 16-64) claiming JSA in Thanet by ward

Electoral Ward	Claimant Count	% Rate	Electoral Ward	Claimant Count	% Rate
Cliftonville West	545	9.4	Beacon Road	61	2.2
Margate Central	321	8.9	Birchington South	67	2.0
Dane Valley	242	5.3	Nethercourt	46	1.7
Newington	141	4.5	Cliftonville East	46	1.4
Eastcliff	209	4.1	Viking	54	1.3
Westbrook	106	4.0	Bradstowe	26	1.2
Central Harbour	193	3.6	St Peters	49	1.2
Salmestone	119	3.4	Thanet Villages	48	1.2
Northwood	113	2.9	Birchington North	20	1.1
Garlinge	85	2.8	Cliffsend and Pegwell	31	1.1
Westgate-on-Sea	117	2.7	Kingsgate	9	0.8
Sir Moses Montefiore	70	2.3	**THANET**	**2,718**	**3.4**

Source: Nomis

171. The following chart shows that the JSA claimant rates for Cliftonville West and Margate Central are significantly higher than the 3.4% Thanet average.

Figure 26: Proportion of resident population (aged 16-64) claiming JSA in Thanet by ward



Source: Nomis

Local Health Profiles

172. Public Health England publish online local health profiles for all electoral wards in England (www.localhealth.org.uk). The table below presents data that was accessed in June 2015 in respect of Cliftonville West. Information on a wide range of indicators is compared to the England average to highlight whether they are significantly worse than average, not significantly different from average, or significantly better than average.

Figure 27: Extract from local health profile for Cliftonville West (Public Health England)

Indicators	Cliftonville West	England Average	Compared to England Average
Income Deprivation (%)	39.6	14.7	▲
Low Birth Weight Births (%)	7.4	7.4	○
Child Poverty (%)	48.6	21.8	▲
Child Development at age 5 (%)	61.1	63.5	○
GCSE Achievement (5A*-C inc. Eng & Maths) (%)	38	58.8	▲
Unemployment (%)	16.1	3.8	▲
Long Term Unemployment (Rate/1,000 working age population)	56.6	10.1	▲
General Health - bad or very bad (%)	8.4	5.5	▲
General Health - very bad (%)	2	1.2	▲
Limiting long term illness or disability (%)	23.8	17.6	▲
Households with central heating (%)	95.4	97.3	▲
Overcrowding (%)	21.5	8.7	▲
Provision of 1 hour or more unpaid care per week (%)	8.3	10.2	●
Provision of 50 hours or more unpaid care per week (%)	2.7	2.4	○
Pensioners living alone (%)	37.4	31.5	▲
Older People in Deprivation (%)	41.7	18.1	▲
Obese Children (Reception Year) (%)	8.2	9.4	○
Children with excess weight (Reception Year) (%)	21.3	22.5	○
Obese Children (Year 6) (%)	20	19.1	○
Children with excess weight (Year 6) (%)	37.3	33.5	○
Children's and young people's admissions for injury (Crude rate/100,000 aged 0-17)	1544.4	1180.9	▲
Occasional smoker (modelled prevalence, age 11-15) (%)	1.3	1.5	○
Regular smoker (modelled prevalence, age 11-15) (%)	2.8	3.1	○
Occasional smoker (modelled prevalence, age 15) (%)	3.8	4	○
Regular smoker (modelled prevalence, age 15) (%)	8.4	8.7	○
Occasional smoker (modelled prevalence, age 16-17) (%)	5.6	5.9	○
Regular smoker (modelled prevalence, age 16-17) (%)	14.3	14.8	○
Deliveries to teenage mothers (%)	4.5	1.5	▲
Admissions for injuries in under 5s (Crude rate per 10,000)	209.5	139.6	▲
Emergency admissions in under 5s (Crude rate per 1000)	152.9	150	○
A&E attendances in under 5s (Crude rate per 1000)	718	509.5	▲
Obese adults (%)	26.9	24.1	○
Binge drinking adults (%)	16.8	20	○
Healthy eating adults (%)	23.2	28.7	○
Emergency hospital admissions for all causes (SAR)	147	100	▲
Emergency hospital admissions for CHD (SAR)	127.4	100	▲
Emergency hospital admissions for stroke (SAR)	113.4	100	○
Emergency hospital admissions for Myocardial Infarction (heart attack) (SAR)	110.3	100	○
Emergency hospital admissions for Chronic Obstructive Pulmonary Disease (COPD) (SAR)	156.7	100	▲
Incidence of all cancer (SIR)	111.5	100	○
Incidence of breast cancer (SIR)	91.7	100	○
Incidence of colorectal cancer (SIR)	108.5	100	○
Incidence of lung cancer (SIR)	131.2	100	○
Incidence of prostate cancer (SIR)	121.1	100	○
Hospital stays for self harm (SAR)	310.1	100	▲
Hospital stays for alcohol related harm (SAR)	165	100	▲
Emergency hospital admissions for hip fracture in 65+ (SAR)	165.9	100	▲
Elective hospital admissions for hip replacement (SAR)	84.2	100	○

Elective hospital admissions for knee replacement (SAR)	82	100	○
Life expectancy at birth for males (years)	70.6	78.9	▲
Life expectancy at birth for females (years)	78	82.8	▲
Deaths from all causes, all ages (SMR)	147	100	▲
Deaths from all causes, under 65 years (SMR)	225.9	100	▲
Deaths from all causes, under 75 years (SMR)	195.3	100	▲
Deaths from all cancer, all ages (SMR)	114.1	100	○
Deaths from all cancer, under 75 years (SMR)	115.5	100	○
Deaths from circulatory disease, all ages (SMR)	145.5	100	▲
Deaths from circulatory disease, under 75 years (SMR)	188.5	100	▲
Deaths from coronary heart disease, all ages (SMR)	145.1	100	▲
Deaths from coronary heart disease, under 75 years (SMR)	162.2	100	○
Deaths from stroke, all ages (SMR)	147.8	100	▲
Deaths from respiratory diseases, all ages (SMR)	153.1	100	▲

Key: ▲ Significantly worse than average; ○ Not significantly different from average; ● Significantly better than average

Source: Public Health England

173. Of the 62 indicators provided by the local health profile, 32 are significantly worse than average, 29 are not significantly different from average, and only one was significantly better than average.

Conclusion

174. There are clearly significant deprivation problems existing in the area proposed for designation and as the private rented sector is the dominant tenure at 70%, there can be no doubt that residents in this sector are affected. Therefore, taking this into account, the council is of the opinion that the legal test for deprivation has been met.

175. As housing and health are inextricably linked, better managed and safer housing will contribute to improved health outcomes for residents. This will help tackle inequalities in health. Poor housing conditions and overcrowding are also linked to poor educational achievement. Selective licensing can help by limiting occupancy levels and ensuring that homes are maintained in a safe condition. In general terms, the life chances of residents living in the area will be increased as the social and economic conditions continue to improve. A further selective licensing designation should therefore contribute to a reduction in deprivation levels.

Crime

176. This legal test is set out in Article 7 of the Order. For an area to be designated under this article (subject to Article 3), the conditions are:

(a) that the area suffers from high levels of crime;

(b) that the criminal activity affects those living in the properties referred to in article 3(1)(a), or other households and businesses in the area; and

(c) that making a designation will, when combined with other measures taken in the area by the local housing authority, other persons together with the local housing authority or by the police, contribute to a reduction in the levels of crime in the area, for the benefit of those living in the area.

177. The following table shows the number of reported crimes in Thanet and the currently designated area up to 31 March 2015.

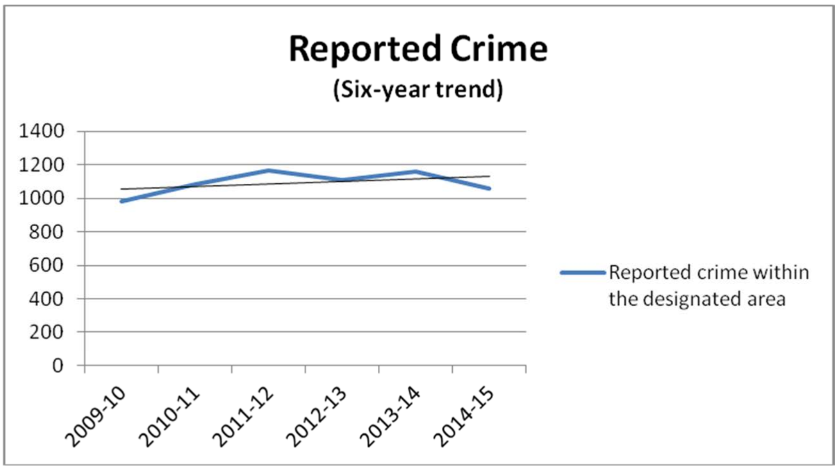
Table 28: Crime in Thanet and the currently designated area

	Financial Year					
	2009-10	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
Reported crime in Thanet	10,783	10,658	10,560	9,945	11,971	11,708
Reported crime in the currently designated selective licensing area	983	1,084	1,164	1,110	1,158	1,059
Reported crime in the currently designated selective licensing area as a % of Thanet total	*9.1%*	*10.2%*	*11.0%*	*11.2%*	*9.7%*	*9.0%*

Source: Kent Police

178. The following chart shows the number of reported crimes in the currently designated area over the six-year period ending on 31 March 2015.

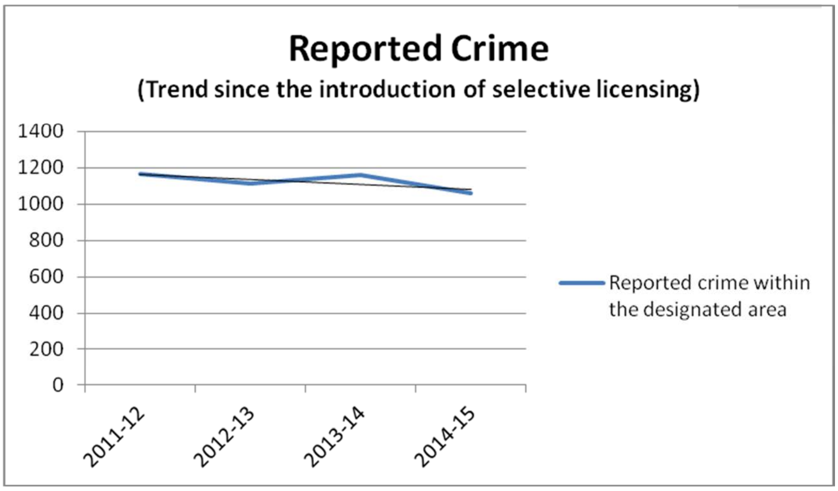
Figure 29: Six-year crime trend in currently designated area



Source: Kent Police

179. Over the six-year period from 2009-10 to 2014-15, the trend for reported crime in the currently designated area was marginally upward. However, since 2011-12, the financial year in which selective licensing began, the trend is marginally downward, as can be seen in the following chart.

Figure 30: Crime trend in currently designated area since 2011-12



Source: Kent Police

180. Reported crime in the currently designated area remains disproportionate when compared to Thanet as a whole. The residents in the currently designated area constitute 4.9% of the population of Thanet; whereas, reported crime in the area accounts for 9.0% of all Thanet crime (2014-2015).

Conclusion

181. With the area dominated by the private rented sector and suffering from higher than average levels of crime, the council is of the opinion that the legal test for crime has been met.

182. With continued multi-agency working arrangements with the Margate Task Force, a further selective licensing designation should contribute to a reduction in crime levels.

Chapter 5: Complementary initiatives

Strategic approach to regeneration

183. Selective licensing alone cannot guarantee wholesale regeneration in the designated area. It can only be part of the solution. Although there are many issues of concern, some of which will never be controllable at a local level, the council and its partners recognise that a holistic and joined-up response can achieve beneficial outcomes for the community in Margate. Therefore, other measures are being taken to contribute to an overall improvement in the Cliftonville area. The key measures are outlined below.

Live Margate

184. To support the wider regeneration of Margate, the council has embarked on a long term initiative to improve living conditions in the two electoral wards of Margate Central and Cliftonville West. The Live Margate initiative is made up of three important areas of work. These are:

- Selective Licensing
- Housing Intervention Project
- Margate Task Force

Housing Intervention Project

185. The council has purchased a number of properties in the two electoral wards. These properties have been identified as problematic or potentially problematic, and purchases have included large houses in multiple occupation (HMOs) that had previously provided poor quality living accommodation. Most were empty and/or eyesore properties, and some had been associated with anti-social behaviour.

186. The project aims to bring these properties back into use as good quality family homes, where families can flourish and enjoy the benefits of well-maintained accommodation. This will help balance the communities in this area of Margate, where for many years the primary offer has been low quality small flats and bedsits.

187. It is hoped that the improvements being made will create a ripple effect, which will help to restore community pride and bring about private investment in the vicinity of converted and renovated properties.

188. The newly created homes are being retained by the council and offered to families in housing need. They will be managed by East Kent Housing on behalf of the council, where significant management support is in place to deal with any anti-social behaviour, should it ever arise.

Margate Task Force

189. The Margate Task Force is a multi-agency initiative that was set up to tackle the multi-faceted problems faced in the two electoral wards of Margate Central and Cliftonville West.

190. Fourteen agencies and groups are co-located in the main council offices in Margate, including the Police, Kent Fire & Rescue, Kent County Council and the NHS. The team commenced co-location in February 2012 and is operational, in that it has officers on the ground on a daily basis that can respond to a whole range of issues to deliver a joined-up response to the needs of the community.

191. The private rented sector is recognised as being at the heart of many of the problems experienced in the two wards. Selective licensing activities are therefore closely related to the work undertaken by the Task Force. Both initiatives support each other and joint working arrangements are contributing to shared successes.

192. In particular, the Task Force is key to providing a coordinated multi-agency response to anti-social behaviour. Based in the same building, the Police, Community Safety Officers and selective licensing staff all work together to respond quickly to problems as they arise. Selective licensing increases the options for resolution.

Empty homes intervention

193. The council has a proactive approach to reducing the number of empty homes in the Cliftonville area by taking a range of informal and formal actions to bring empty homes back into use. Council intervention is helping to increase housing supply and reduce the negative environmental and economic effects associated with empty properties.

194. The following table shows how many empty homes have been brought back into use within the currently designated area, as a consequence of some form of council intervention.

Figure 31: Empty homes brought back into use following council intervention

	Financial Year				
	2011-12	**2012-13**	**2013-14**	**2014-15**	**Total**
Number of empty homes brought back into use within the designated area following council intervention	58	51	13	20	142

Source: Thanet District Council

195. The above table shows that in the four year period since selective licensing was introduced, council intervention has helped bring 142 homes back into use. This represents 4.2% of the total housing stock in the currently designated area.

196. Despite these successes, there is still more than double the average number of empty homes in the area. Further council intervention is therefore needed as part of the coordinated response to the challenges faced in Cliftonville.

Landlord accreditation

197. The council is a partner authority which supports and promotes the Kent Landlord Accreditation Scheme, which is part of the UK Landlord Accreditation Partnership (UKLAP). The scheme aims to recognise good landlords and agents who have the skills needed to run a successful rental business and provide good quality and safe accommodation. An individual, partnership or company can become accredited. Since the scheme was launched over 150 landlords and agents who own or manage properties in the district have become members.

198. To become accredited, applicants must undertake a one-day training course and sign up to a code of conduct. Accreditation requires renewal every five years.

199. To encourage scheme participation, the council offers discounts on selective licensing fees for accredited landlords and for landlords who use accredited agents who agree to be bound by selective licensing conditions. This led to significant increase in membership in the period between 2011 and 2012.

200. The council acknowledges that voluntary accreditation has its limitations when trying to tackle non-compliant landlords. However, it wholly supports landlord accreditation and strongly believes that it can, through education and support, encourage landlords to offer a better service to their tenants.

Landlord Liaison Service (Homeless prevention)

201. In 2013, the council introduced a Landlord Liaison Service to provide a proactive approach to preventing homelessness. Landlord Liaison Officers work with landlords and tenants who are already in privately rented homes or who are looking to find homes in this sector.

202. The main aims of the service are to prevent households from becoming homeless by:
    - Early intervention;
    - Building stronger working relationships with landlords and letting agents;
    - Mediating between tenants, landlords and agents;
    - Securing accommodation in the private rented sector for households that are either homeless or in threat of homelessness;
    - Supporting vulnerable households;
    - Signposting households to other local support services.

203. The service also offers incentives for landlords. The newly launched Help to Move Scheme offers landlords the reassurance of tenant referencing, a favourable non-cash deposit that can be claimed against at the end of the tenancy for arrears, damage or loss, and support for both landlords and tenants throughout the tenancy.

204. Landlord Liaison Officers, selective licensing staff and the Margate Task Force routinely work together to prevent homelessness whenever possible. Joint working also ensures that only properly licensed premises are considered when securing accommodation in the private rented sector.

205. Selective licensing provides tenants with additional protection from eviction. A landlord may not serve a notice to quit under section 21 of the Housing 1988 in respect of an unlicensed dwelling. This ensures that selective licensing does not, for whatever reason, contribute to unnecessary evictions. It also helps to prevent retaliatory evictions in the event that a tenant approaches the council about poor housing conditions and the property is found to be unlicensed.

Tenant Referencing Scheme

206. To support the introduction of selective licensing, the council and Kent Police launched a tenant referencing scheme to help landlords and agents comply with their licence conditions.

207. Prospective tenants can apply to the council for a tenant reference card. Upon application, the council will make a series of checks with various council departments and the Police to identify whether there is any relevant history that would be of interest to a prospective landlord.

208. While exact information is not revealed, tenants receive a card, which is credit card sized, that shows four boxes. Each box represents a category:
    - Credit/debt history
    - Criminal activity
    - ASB/nuisance
    - Tenancy breaches/refusals

209. Each box is coloured using a traffic light approach, green, amber or red, to indicate the applicants rating.

210. While many landlords and agents choose to use other means of referencing, this scheme can provide additional information that would otherwise be unavailable.

211. The scheme aims to help landlords make informed choices and find suitable tenants for their properties. If a further selective licensing designation is made, the council would continue to operate the scheme, free of charge.

Waste enforcement

212. Waste management problems are a significant issue in Cliftonville, often cited by residents as one of their main concerns. Street Scene Enforcement Officers responsible for waste enforcement and selective licensing staff liaise closely to provide a coordinated response to waste issues as they arise. While selective licensing conditions cannot deal with every waste problem, there are situations in which they can provide an effective means of achieving a successful outcome.

213. The financial penalties associated with selective licensing tend to be more significant than traditional waste enforcement notices; as such, joint enforcement activities can be more persuasive and lead to quicker resolutions.

Dalby Square Townscape Heritage Initiative

214. The Dalby Square, Cliftonville, Townscape Heritage Initiative (THI) Grant Scheme officially started in January 2013, having been successful in a Stage II bid to the Heritage Lottery Fund (HLF). It is funded 75% by the HLF with 25% match funding from the council.

215. The THI grant scheme will run for five years, until December 2017. The objectives are:

- To raise awareness of the value and quality of the historic built environment;
- To promote the repair of historic buildings in the Conservation Area using appropriate materials, detailing and workmanship;
- To set an example of good practice in building conservation;
- To reinforce an area's unique identity;
- To help change residents' and visitors' perceptions of the area.

216. The THI apples to Dalby Square, Dalby Road and Arthur Road. Grants are available to assist with building repairs, reinstatement of historical architectural details, bringing vacant floor space within historical buildings back into use, and public realm work.

217. The three roads concerned are at the heart of the selective licensing area and so this initiative further enhances the prospects for housing regeneration.

Cliftonville Development Plan Document

218. This document sets out planning policies to redress factors, including the preponderance of small low quality flats, bed-sits, and non-self-contained accommodation which have served to fuel a cycle of deprivation and transience in the area. It was adopted in 2010 and its policies apply to an area that is very similar to that covered by the proposed selective licensing designation. The objectives of the Cliftonville Development Plan Document (CDPD) are:

- To contribute towards a more balanced pattern of types, sizes and tenures of residential properties in the area, reducing the transient nature of residents, by curtailing the development of small, low quality flats and bedsits;
- To retain or increase the proportion of family houses in the area;
- To help to attract long term commitments from families and individuals who will invest in high quality accommodation;
- To encourage and stimulate quality tourist accommodation back to the area;

- To mitigate the impact of new development on the demand for on-street car parking.

219. The CDPD includes a number of planning policies which promote the retention of family sized homes and restricts the further provision of one bedroom flats, bed-sits and non-self-contained accommodation (HMOs) in the area.

220. This planning-based intervention is an important aspect of the council's wider regeneration activities. It prevents further imbalances of the housing stock from occurring.

Emerging Local Plan Policy

221. A new Local Plan is in preparation, which will set out planning policies for the entire district. Alongside the policies already included in the Cliftonville Development Plan Document, the draft Local Plan signifies the expectation that within the Cliftonville West and Margate Central wards proposals to provide residential accommodation must demonstrate compatibility with following objectives:

    - Improving poor quality homes;
    - Increasing the number of family homes;
    - Creating mixed settled communities where families and individuals will want to live; and
    - Improving the urban fabric or street scene and environment.

Chapter 6: How to make comments on this proposal

How to make representations

222. To respond to the public consultation, go online at www.thanet.gov.uk and complete the online survey.

223. Alternatively, written responses may be made to:

Freepost RTKH-XSAU-LLJG
Thanet District Council
Selective Licensing
PO Box 9
Margate
CT9 1XZ

Or by email: consultation@thanet.gov.uk

224. If you have a query which has not been addressed by this consultation document, please call 01843 577437 and an officer will be able to help.

225. The public consultation will be open from Monday 17 August 2015 to Monday 26 October 2015 inclusive.

Consultation methods

226. We will consult on this selective licensing proposal in the following ways:

Direct mailings by letter

227. A letter explaining the proposal and inviting responses will be sent to:

- Property owners in the proposed area, both freehold and leasehold;
- Current selective licence holders and named managers;
- Addresses in the proposed area, both residential and commercial;
- Residents and businesses in roads surrounding the proposed area;
- All known letting/managing agents operating in Thanet.

228. Persons receiving a direct mailing will be encouraged to respond online, but the option to make a response via a freepost address will be available.

229. Direct mailing will ensure that all landlords, owner-occupiers, residents and local businesses, in and around the proposed area, will be individually contacted.

Public and social media

230. The consultation will be fully publicised on the council's website at www.thanet.gov.uk, where online responses can be made. This document will also be available to download as a pdf document.

231. Advertisements will be placed in local papers during the consultation period, and press releases will be issued.

232. The council's Twitter and Facebook accounts will also publicise details of the consultation:

@ThanetCouncil ThanetDistrictCouncil

Thanet Landlords' Focus Group

233. The council formed the Thanet Landlords' Focus Group in collaboration with landlord representatives in 2008. The group meets three times a year and is made up of 14 landlords and managing agents who own or manage residential properties in the Thanet area. The primary aim of the group is to increase the level of understanding and communication between the council and local private sector landlords and managing agents.

234. All members of the group will be consulted via their usual email addresses.

Landlord associations

235. The following landlord associations will be consulted directly by email:

    - National Landlords Association (NLA);
    - Residential Landlords Association (RLA); and
    - Southern Landlords Association (SLA).

Thanet District Council Members

236. All Members of the council will be consulted via their official email addresses.

237. The Deputy Leader and Cabinet Member for Community Services and the Ward Councillors for Cliftonville West and Margate Central will be invited to a briefing session at the beginning of the consultation.

238. The Overview and Scrutiny Panel will also be consulted via direct email to the Chair.

Thanet District Council/EK Services staff

239. All relevant council/EK Services staff will be consulted directly via email. Teams working closely with selective licensing, or have the potential to be affected by the proposal, will be invited to a briefing session at the beginning of the consultation.

240. All staff will be able to find out more about the proposal at a staff drop-in session, which will be held in the first week of the consultation.

Margate Task Force

241. The Margate Task Force Lead Officer, currently a senior Kent Police Officer, will be consulted directly by email. Consultation through the Margate Task Force will ensure that the 14 partner agencies working in the area will be consulted directly, e.g. Kent Police, Kent Fire & Rescue Service, Kent County Council, the NHS, DWP, UK Border Agency, etc.

Members of Parliament (MPs)

242. The Members of Parliament for both the North and South Thanet constituencies will consulted directly by email.

Local community groups

243. Relevant local community groups will be consulted by the most appropriate means. The initially identified groups include:

    - ABC – A Better Cliftonville;
    - Cliftonville and Margate Futures Group;
    - Cliftonville Partnership;
    - Cliftonville Residents Action Group;
    - Cliftonville Residents Association;

- Dalby Square Resident Group;
- Edgar Road Residents Association;
- Gordon Road Area Street Scheme; and
- Pioneer Properties Margate.

Other stakeholders

244. Other stakeholders will be consulted by the most appropriate means. The initially identified stakeholders include:

- Age UK Thanet;
- Amicus Horizon;
- Citizens Advice Bureau (CAB);
- Cliftonville Community Centre;
- East Kent Mencap;
- Jewish Community Housing Association;
- KCA (Drug, Alcohol and Mental Health Services);
- London Borough of Hillingdon;
- Orbit South;
- Porchlight;
- Riverside Group;
- Sanctuary Housing;
- Shelter;
- St. Paul's Church;
- Southern Housing Group;
- Thanet Community Networks;
- The Bethesda Medical Centre;
- The Limes Medical Centre;
- Town & Country Housing Group;
- Turning Point.

Landlord drop-in sessions

245. The council will hold two bookable drop-in sessions specifically for landlords and letting/managing agents. Appointments must be booked in advance by calling 01843 577437. Both sessions will be held at the council offices in Margate. The dates are:

- Afternoon session: Tuesday 01 September 2015, between 2pm and 5pm;
- Evening session: Thursday 24 September 2015, between 5pm and 8pm.

Public open day

246. A public open day will be held on Tuesday 06 October 2015. Feel free to call in at any time between 10am and 4pm at St. Anne's Church Hall, Devonshire Gardens, Cliftonville, Margate, Kent, CT9 3AF.

247. No appointments are necessary and everyone will be welcome. Council officers will be on hand to answer any questions about the selective licensing proposal.

Street signage

248. Public notices publicising the consultation will be fixed to lamp posts in and around the proposed area for the duration of the 10 week consultation.

Access to paper copies of this consultation document

249. Copies of this proposal and associated leaflets will be available to view at Thanet Gateway Plus and Cliftonville Library for the duration of the consultation. Both locations have internet facilities for public use, which will enable you to complete the online survey.

Thanet Gateway Plus
Cecil Street, Margate, CT9 1RE
Telephone: 01843 577000

Opening times:

Monday:	9am – 6pm
Tuesday:	9am – 6pm
Wednesday:	9am – 6pm
Thursday:	9am – 8pm
Friday:	9am – 6pm
Saturday:	9am – 5pm
Sunday:	Closed

Cliftonville Library
Queen Elizabeth Avenue, Margate, CT9 3JX
Telephone: 03000 413131

Opening times:

Monday:	9am – 6pm
Tuesday:	9am – 6pm
Wednesday:	Closed
Thursday:	9am – 6pm
Friday:	9am – 6pm
Saturday:	10am – 2pm
Sunday:	Closed

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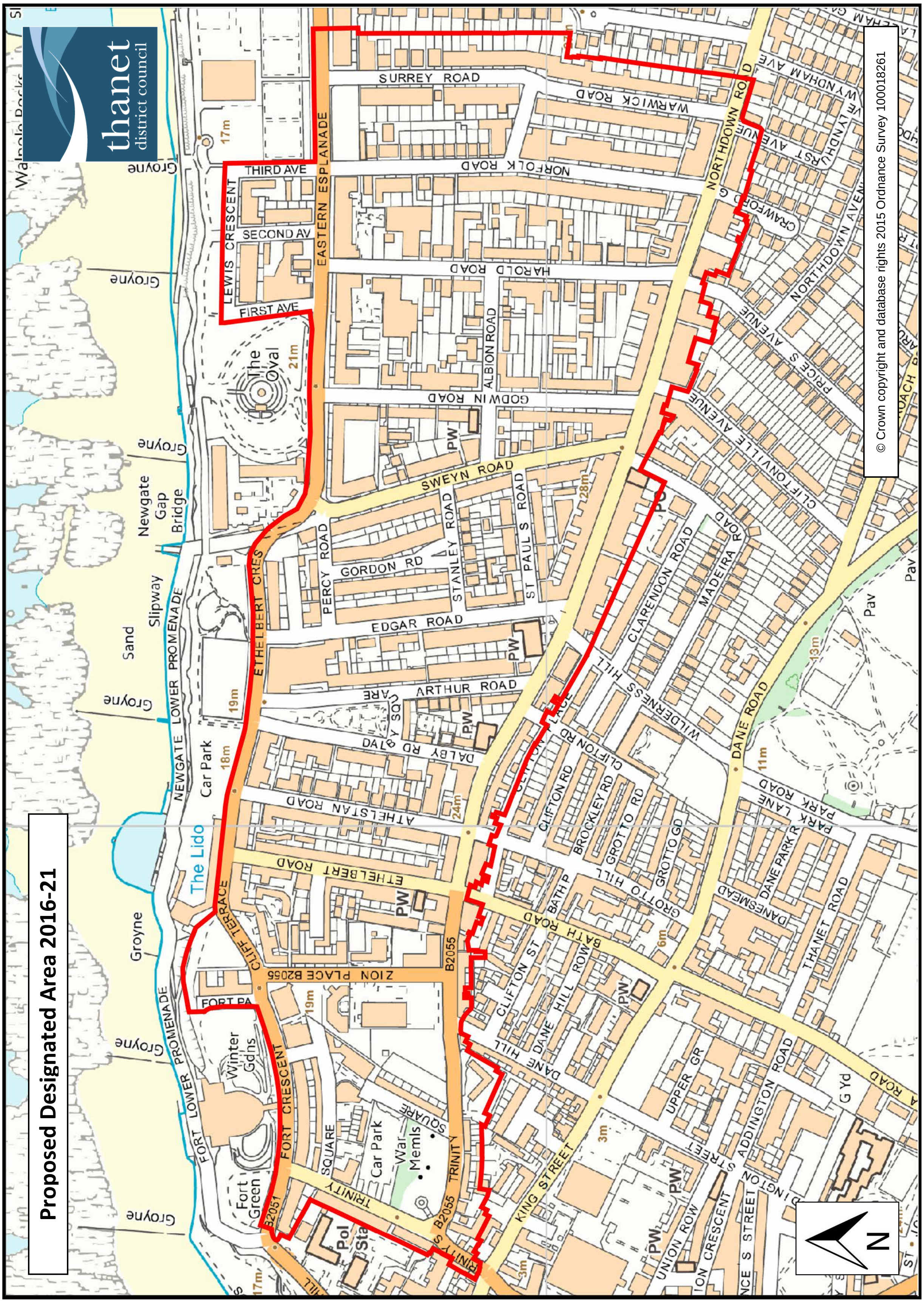
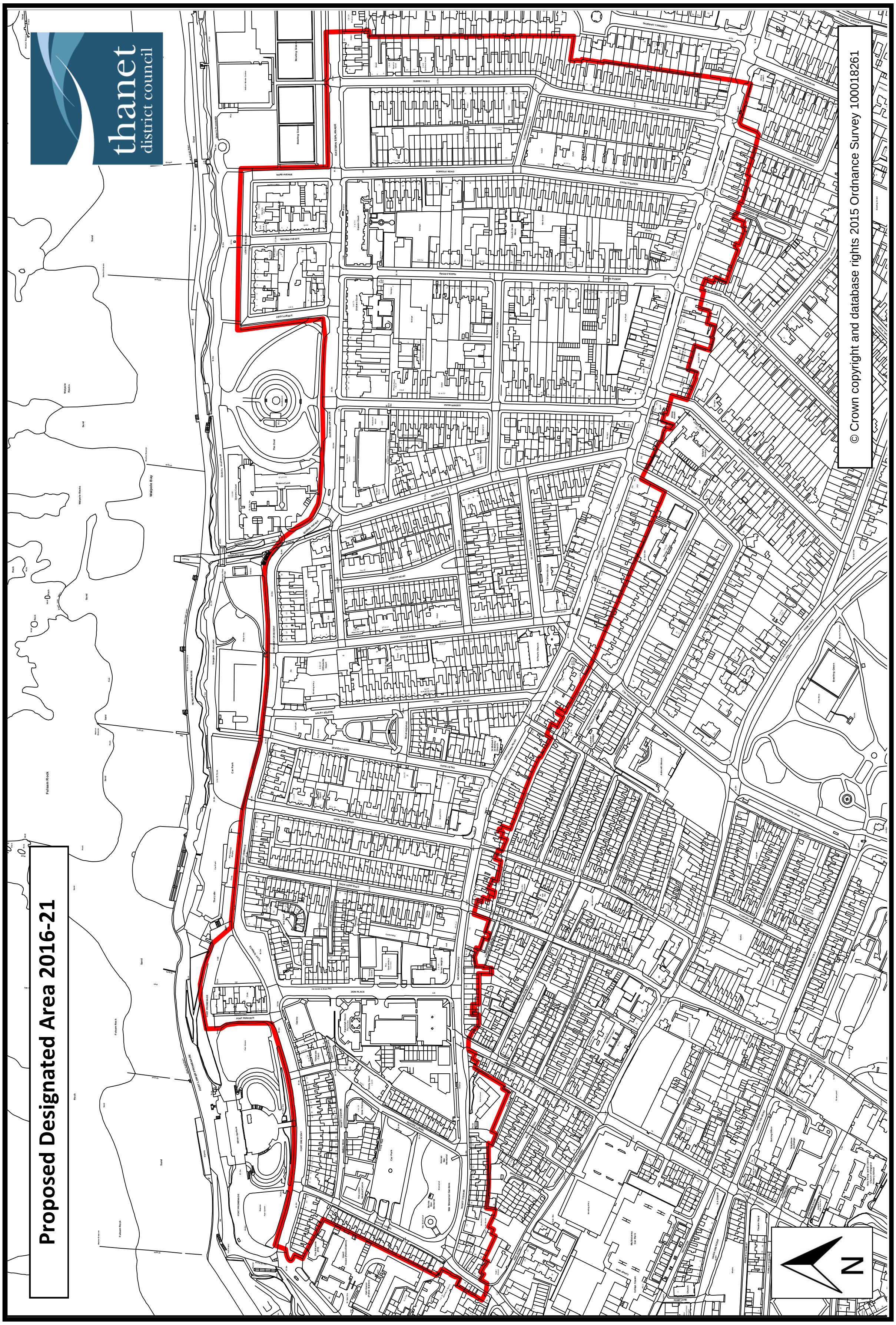
Annex 1 – Maps of proposed designated area

Large map



Detailed map



Roads affected by the proposed designation

Street Names
Albion Road
Arthur Road
Athelstan Road
Cliff Terrace
Cliftonville Mews
Cumberland Road
Dalby Road
Dalby Square
Eastern Esplanade (Odd No's 1-85 and Even No's 2-12, 78 and 80)
Edgar Road
Edgar Walk
Ethelbert Crescent
Ethelbert Gardens
Ethelbert Road
Ethelbert Terrace
First Avenue
Fort Crescent
Fort Paragon
Godwin Bungalows
Godwin Road
Gordon Road
Harold Road
Lewis Crescent
Norfolk Road
Northdown Road (Odd No's 1-253 and Even No's 2-290)
Percy Road
Queens Parade
Randolph Square
Sandhurst Place
Sandown Cottages
Second Avenue
St Paul's Mews
St Paul's Road
Stanley Road
Surrey Road
Sweyn Road
The Passage
Third Avenue
Trinity Square (No's 1-94)
Warwick Road
Zion Place

Every attempt has been made to ensure that this list is as comprehensive as possible; however, the proposed designation is based on the geographical area delineated by the red line on the proposed designation map. The map overrides this list and is final and conclusive as to whether a property would or would not be subject to selective licensing should the designation be made.

03/12

If you would like a copy of this document in a different format such as Braille, audio or large print, or

in another language please call

01843 577165

Annex B – Equality Impact and Customer Needs Analysis

Equality Impact & Customer Needs Analysis (EICNA)

Title	**PROPOSAL TO MAKE A FURTHER SELECTIVE LICENSING DESIGNATION**
Service, Portfolio & Ward	**Housing Services, Community Services** **Parts of Margate Central and Cliftonville West**
Date of review	**18 November 2015**
Review team	**Report by: Louise Ritchings, Housing Licensing Officer** **Reviewed by: Richard Hopkins, Housing Regeneration Team Leader**

Summary

The purpose of this review is to consider the equality implications of a further selective licensing designation in Cliftonville.

Headlines

- Thanet District Council (the council) is proposing to designate certain parts of Margate Central and Cliftonville West as a selective licensing area from 21 April 2016.
- A similar area is already subject to a selective licensing designation, which is due to expire on 20 April 2016.
- Unless subject to exemption, all privately rented properties within a designated area must be licensed with the council.
- Selective licensing requires landlords to comply with a range of conditions to ensure good property management.
- The proposed area suffers from a wide range of entrenched problems and high levels of deprivation.
- Around 70% of accommodation within the proposed designation is in the private rented sector.
- Selective licensing is part of the council's wider regeneration activities in Margate.
- A comprehensive public consultation was open from 17 August 2015 to 26 October 2015 which revealed a high level of public support for a further designation.
- The proposed designation would have a positive impact in respect of the Public Sector Equality Duty.
- Positive impacts have been identified when considering the protected characteristics of Age, Race and Disability.
- A further designation would have a neutral impact when considering the protected characteristics of sexual orientation, sex, religion, gender reassignment, pregnancy and maternity and marriage and civil partnership.

1.0 Introduction & background

A local housing authority (LHA) has the discretionary power to designate an area for the purposes of selective licensing if certain legal tests are met. A selective licensing area concerning parts of Margate Central and Cliftonville West came into force on 21 April 2011. Unless subject to exemption, all privately rented properties within the area must be licensed with the council. Selective licensing was introduced to help tackle low housing demand and anti-social behaviour, and is part of the council's wider regeneration activities in Margate. The scheme requires landlords to comply with a range of conditions to ensure good property management.

The current selective licensing scheme has resulted in improvements in management standards and housing conditions and has contributed to wider benefits such as a reduction in anti-social behaviour. The council is proposing to designate a further selective licensing area which is substantially similar to that already subject to a designation under section 80 of the Housing Act 2004.

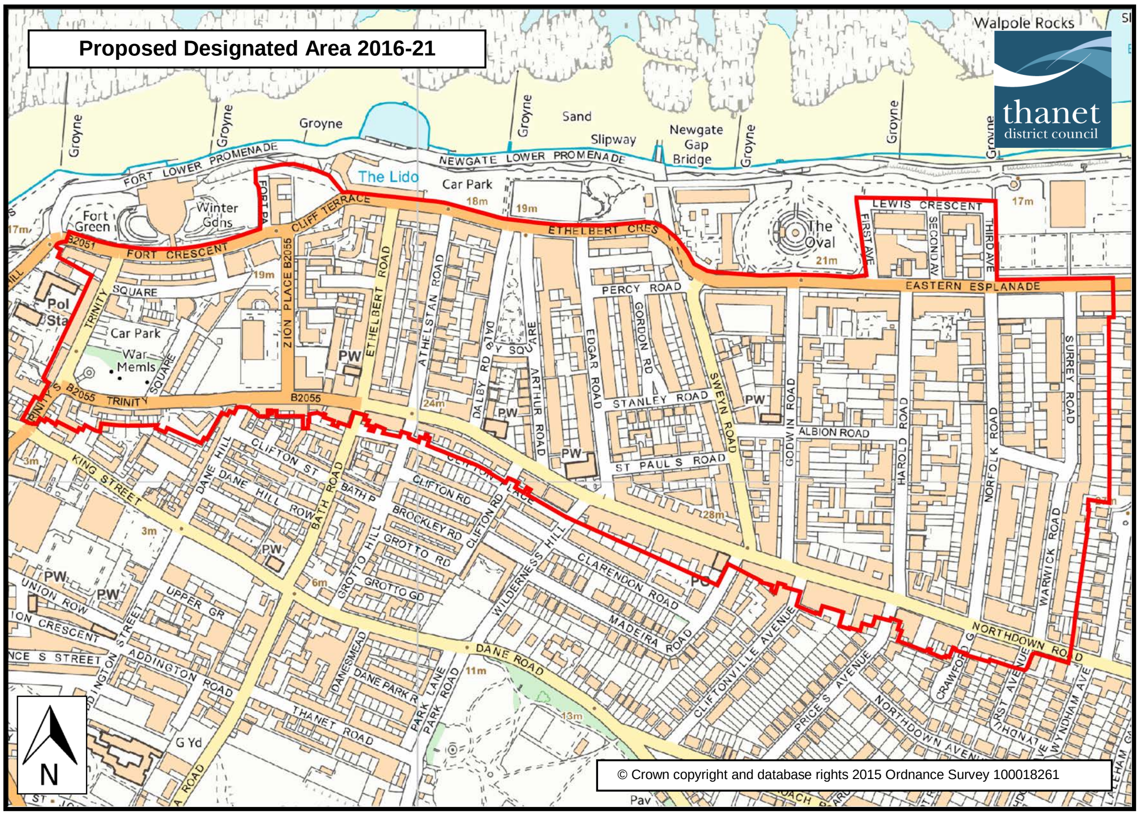
Whilst the current scheme has been successful in improving management standards and housing conditions, the proposed area continues to suffer from a wide range of entrenched problems including high levels of crime, anti-social behaviour and deprivation, low housing demand, and poor housing conditions. Selective licensing provides additional powers to help the council tackle these issues. It is proposed that a new designation would begin on 21 April 2016 and last for five years.

2.0 The Current Situation

At a council meeting on 30 July 2015, the council's Cabinet agreed to proceed with a public consultation on a further selective licensing designation.

The public consultation opened on 17 August 2015 and closed on 26 October 2015. The aim of the consultation was to ascertain public opinion before a final decision is made as to whether to make a further selective licensing designation.

A map showing the proposed selective licensing designation, as subject to the 10 week public consultation, is shown below.



2.1 Data Sources

Demographic Data (top level data)

According to the 2013 mid-year population estimates from the Office of National Statistics (ONS), Thanet has a population of approximately 136,800. The statistics show that the population includes 31,000 residents aged 65+, 81,000 residents aged 16-64 and 26,000 children aged between 0-15. According to the 2011 Census there are a total of 14,151 households living in the private rented sector in Thanet.

The 2011 Census reports that 122,657 of Thanet residents were born in the UK. Some 1,629 people have been resident in the UK for less than two years; 2,036 have been resident in the UK for two years or more but less than five years; 2,252 have been resident in the UK for five years or more but less than ten years, and 5,612 have been resident in the UK for ten years or more.

The 2011 Census provides data on the number of Thanet households that do not have English as a main language. There are 1,694 households in which nobody has English as a main language, and a further 232 households where no person aged 16 and over has English as a main language (but at least one person aged 3 to 15 does). Language barriers can prevent residents accessing appropriate services.

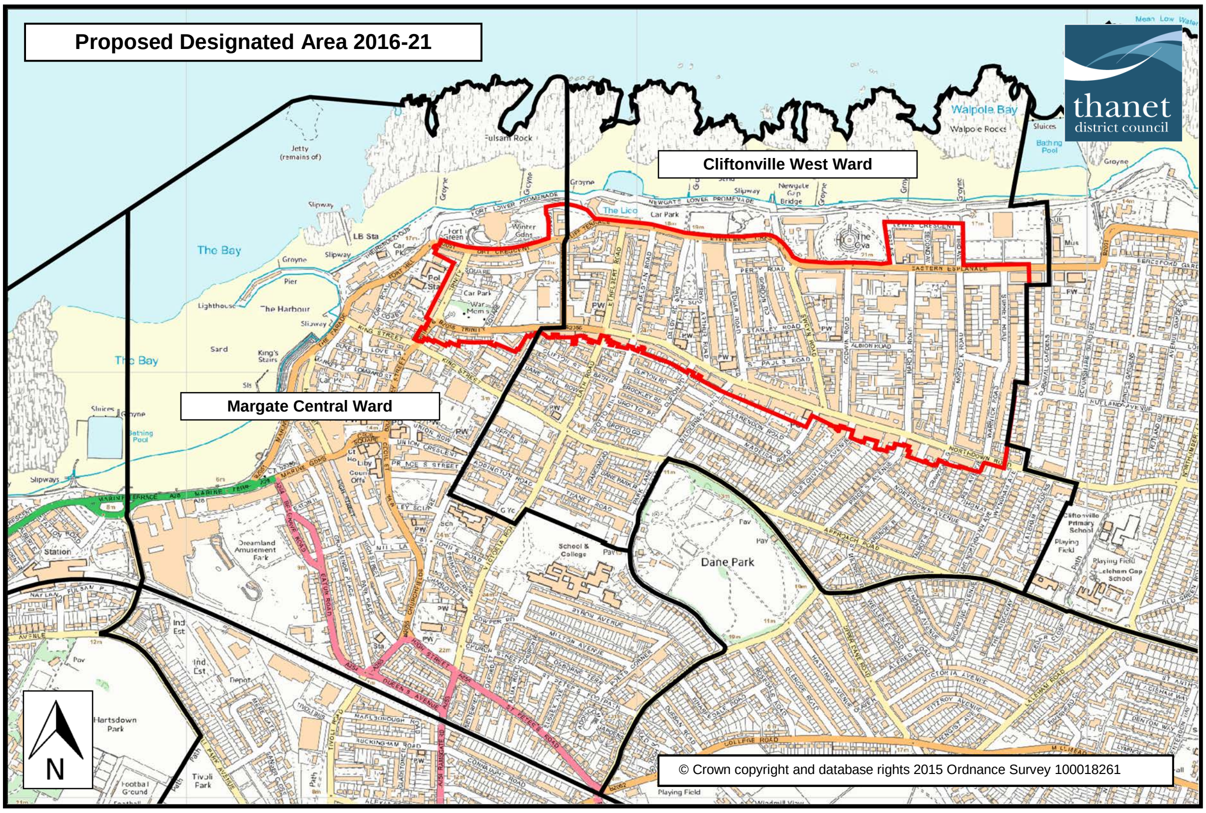
Statistics from the Department for Work & Pensions (DWP) provide information on the health profile of Thanet. As of February 2015, there were a total of 15,448 disability benefit claimants in Thanet. Disability benefits include Disability Living Allowance, Personal Independence Payments and Attendance Allowance. Thanet has 11,089 residents that are in receipt of disability benefits as a result of a physical disability. There are 2,487 disability claimants that are claiming as a result of a mental health condition and 1,730 claims are as a result of learning difficulties.

Ward Data

The proposed designated area covers parts of the electoral wards of Margate Central and Cliftonville West. As around 70% of dwellings are in the private rented sector (national average is 19%), the majority of homes are affected by the designation.

The 2013 mid-year estimates from the ONS suggest that Cliftonville West has a population of 9,530, whilst Margate Central is home to approximately 5,600 residents.

Below is a map showing the proposed selective licensing designation in relation to the two electoral wards of Margate Central and Cliftonville West.



The proposed area suffers from a wide range of entrenched problems that arose out of many years of socio-economic change. The English Indices of Deprivation (IMD) attempt to measure multiple deprivation by taking into account a range of factors including, health and disability, barriers to housing and services, living environment and crime. For the purposes of the IMD, England has been broken down into 32,844 relatively similar areas known as Lower-layer Super Output Areas (LSOAs). The most recent edition of the

IMD, which was published on 30 September 2015, clearly shows that the area suffers from high levels of deprivation.

There are 84 LSOAs in Thanet. Five are partially contained within the proposed designated area. Their rankings (out of 32,844) are shown in the table below:

IMD rankings by edition

LSOA Area Code	**Approximate Location**	**IMD 2004 Ranking** Total Count: 32,482	**IMD 2007 Ranking** Total Count: 32,482	**IMD 2010 Ranking** Total Count: 32,482	**IMD 2015 Ranking** Total Count: 32,844
E01024678	**Area around Trinity Square** (Around a quarter of the LSOA is contained within the proposed designated area)	829	167	81	21
E01024657	**Area around Ethelbert Road** (This LSOA is substantially contained within the proposed designated area)	404	399	33	4
E01024658	**Area around Sweyn Road** (Around 60% of this LSOA is contained within the proposed designated area)	1416	631	595	233
E01024660	**Area around Norfolk Road** (This LSOA is substantially contained within the proposed designated area)	1777	670	339	117
E01024659	**Area around Northdown Avenue** (Only a small area of this LSOA is contained within the proposed designated area)	6482	5979	5608	2739

The four LSOAs currently ranked 4, 21, 117 and 233 are all within the 1% most deprived areas in England.

Life expectancy at birth for males in Cliftonville West is 69 years; in Margate Central it is 71 years. Life expectancy is considerably shorter in these two wards when compared to the life expectancy for males in Thanet which currently sits at 77.6 years. Kent wide it is 79.9 years. This example highlights the health inequalities faced by residents in the proposed area.

A disproportionate number of people in Cliftonville West receive health related benefits including 8.5% in receipt of Disability Living Allowance, which is the highest percentage of all the wards across Thanet. There are also a high number of Attendance Allowance claimants (24.3% of residents are in receipt) living in Cliftonville West.

The 2011 Census revealed that the percentage of residents living in Cliftonville West that were born outside the UK is significantly higher than for Thanet as a whole. In the ward, 24.9% of residents were born outside the UK, whereas the Thanet average is 8.6%. The Margate Task Force have recorded over 40 different nationalities living in the two wards of Cliftonville West and Margate Central.

Some 41.8% of properties within Cliftonville West are single-person households, which is largely due to the number of small flats and HMOs. This type of accommodation has an impact on the diversity of the community with less family accommodation available. The high level of rented property means that the level of home ownership is low at around 17%.

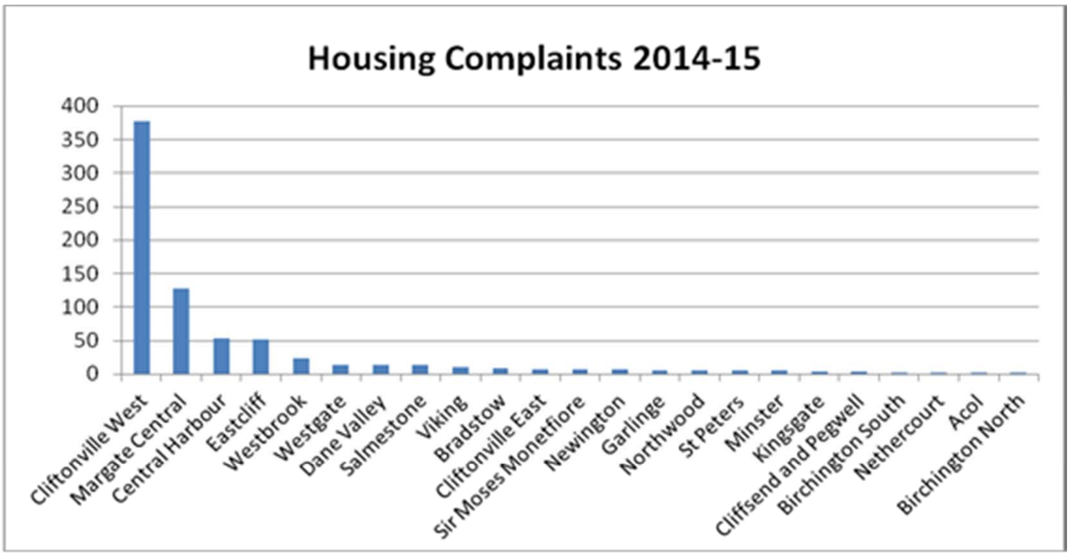
Service Level Data

The Housing Regeneration Team participates in a range of interventions aimed at improving the health, safety and well-being of people living in the private sector. As well as the routine inspection programme of all licensed properties, which follows a pro-active approach, the team also carry out inspections in response to complaints from the public.

One of the main distinguishing features of the proposed area is the oversupply of mainly substandard private rented accommodation. Through a routine inspection programme under the current selective licensing scheme, officers have carried out inspections in 943 licensed dwellings. Of these 66% revealed one or more breach of licence conditions. As a result of such breaches being identified, almost 600 breach of condition notices have been sent up to 31 October 2015.

As part of the licensing inspection programme, officers also attempt to carry out a property assessment under the Housing Health and Safety Rating System (HHSRS). Category 1 and/or 2 hazards were identified in 49% of licensed dwellings, which highlights the high level of poor housing conditions in the area.

Most of the council's service requests relating to poor housing conditions emanate from the Cliftonville West and Margate Central wards:



Other Equality Impact Analysis

Not applicable.

Getting input from stakeholders and interested parties

The council consulted on the selective licensing proposal in the following ways:

A letter explaining the proposal and inviting responses was sent to:

- Property owners in the proposed area, both freehold and leasehold;
- Current selective licence holders and named managers;
- Addresses in the proposed area, both residential and commercial;
- Residents and businesses in roads surrounding the proposed area;
- All known letting/managing agents operating in Thanet.

The consultation was fully publicised on the council's website, where the public were able to make online responses. Downloadable pdf versions of the consultation document were also made available.

Advertisements were placed in local papers during the consultation period, and press releases were issued. The council's Twitter and Facebook accounts also publicised details of the consultation.

Members of the Thanet Landlords Focus Group were consulted, as were the National Landlords Association (NLA), the Residential Landlords Association (RLA) and the Southern Landlords Association (SLA).

All members of the council were consulted via email and the Overview and Scrutiny Panel was consulted via direct email to the Chair. The Members of Parliament for both the North and South Thanet constituencies were also consulted.

Relevant stakeholders were consulted, including local community groups. These include, ABC – A Better Cliftonville, Cliftonville Partnership, Dalby Square Resident Group, East Kent Mencap, KCA (Drug, Alcohol and Mental Health Services), Porchlight, Age UK, Citizens Advice Bureau, Shelter, Thanet Community Networks and Turning Point. A full list of the local community groups and stakeholders consulted can be found in the consultation document.

Two bookable drop-in sessions specifically for landlords and letting/managing agents were held. A public open day was also held, where no appointments were necessary and everyone was welcome to discuss the consultation and have any questions answered. Help was also on hand to complete the survey for those requiring assistance.

The consultation prompted a total of 384 survey responses and 20 separate written responses.

Overall, 76% of survey respondents were of the opinion that anti-social behaviour is a problem in the proposed area, with 69.8% of respondents stating crime is a problem. More than half (58.3%) of the responses claimed that the area was not a desirable place in which to live.

The public consultation revealed a significant level of support for a further designation, with 72% in favour and 18% against. Public support for selective licensing appears to be getting stronger. The following table highlights increased support from landlords and residents living in the area, when compared to the 2010 selective licensing public consultation.

	All landlords			Residents living in proposed area		
	For	Against	Don't Know	For	Against	Don't Know
Public Consultation 2010 Survey responses: 579	15.1%	82.1%	2.8%	67.4%	22.3%	10.3%
Public Consultation 2015 Survey responses: 384	26.9%	61.5%	11.5%	85.2%	6.1%	8.7%

2.2 Impacts and benefits

Persons from vulnerable groups can sometimes have limited housing choices. In particular families with young children, older persons and those with a disability can find themselves in poor quality rented accommodation. Data collected from the selective licensing routine inspection programme revealed that a high number of properties within the area suffer from poor housing conditions. This has an effect on the health, safety and well-being of residents. However, certain housing deficiencies can have a more serious and harmful impact on people who have protected characteristics.

Age

Data from the local health profiles, published by Public Health England shows that hospital admissions for under 5's, A&E attendances in under 5's, and the general health of residents in Cliftonville West are all significantly worse than the England averages. Poor housing conditions such as damp and mould, excess cold and overcrowding will have a greater effect on the health of older persons and young children.

Housing and health are inextricably linked and so better managed and safer housing through selective licensing will ultimately contribute to improved health outcomes for residents of all ages and especially those vulnerable age groups that can be more affected by poor housing conditions.

Disability

Poor housing conditions can have a significant impact on disabled persons. Disabled persons may find it more difficult to access good quality housing, or to access help and support when required. For example, a person with a mental health condition could be living in poor housing conditions, but may not understand that help is available or could be reluctant to accept outside assistance. Officers would attempt to visit as many properties as possible within the designated area and by doing so would be able to identify and assist people that may not have otherwise have accessed the service.

There are no indications that disabled persons would be negatively impacted by a further designation. Through joint working with initiatives such as the Margate Task Force, there would be positive outcomes for this protected characteristic; namely, improvements to housing conditions and referrals to other support agencies.

Race

The proposed designated area is home to significant numbers of people who have moved to the area from outside of the UK. This has resulted in the area becoming multi-cultural with a number of languages being spoken. As such, there may be language barriers for some residents, who may find it difficult to access appropriate services.

Through initiatives such as the Margate Task Force, interpreters can be arranged, where necessary, to ensure the scheme is clearly communicated. The Margate Task Force works closely with Housing Licensing Officers, and where needed can arrange for an interpreter to attend routine inspections to ensure residents can benefit from the scheme and understand what help and support is available.

Other Protected Characteristics

A further designation will have a neutral impact when considering the protected characteristics of sexual orientation, sex, religion, gender reassignment, pregnancy and maternity and marriage and civil partnership.

2.3 Aims of the Public Sector Equality Duty Furthered

Eliminate unlawful discrimination – harassment, victimisation and any other conduct prohibited by the Act.

The selective licensing scheme is unlikely to be able to further this aim of the duty.

Advance equality of opportunity – between people who share a protected characteristic and people who do not share it by:

- removing or minimising disadvantages suffered by people due to their protected characteristics;
- meeting the needs of people with protected characteristics;
- encouraging people with protected characteristics to participate in public life or in other activities where their participation is low.

The proposed wards have a high level of vulnerable people with protected characteristics and many find themselves in poor quality housing.

Selective licensing has the ability to further this aim of the duty by minimising disadvantages suffered by people with protected characteristics by improving housing conditions that can cause or exacerbate existing health conditions/disabilities and reducing risks to personal safety.

The scheme can also help inform vulnerable and protected groups of their rights and signpost them to other agencies, where appropriate.

Foster good relations – between people who share a protected characteristic and people who do not share it, by tackling prejudice and promoting understanding between people with a protected characteristic and others.

Selective licensing helps to inform landlords of the consequences of poor housing and how it may affect those in vulnerable and protected groups. This can help to promote understanding between those with protected characteristics and those without.

3.0 Options

Age

There is no mitigation required for this characteristic as the impact of the proposed designation is positive.

Disability

As above, the impact of the proposed designation would be a positive one. However, in line with corporate mitigation measures, the documentation associated with the scheme would be made available in Braille, audio or large print as necessary.

Furthermore, any resident with a mental health condition who refused assistance under the scheme would potentially be subject to multi-agency intervention (e.g. KCC Social Services/NHS Mental Health Service) initiated by the Housing Regeneration Team, if it was absolutely clear that taking no action could result in that person being left at imminent risk of serious harm. As such, no person with a mental health condition will be excluded from benefiting from selective licensing owing to their condition. Any such intervention would always be undertaken in a sensitive manner under the guidance of the appropriate social and health care services.

Race

Where language barriers may be encountered the council will endeavour to arrange for an interpreter to be present during inspections and information could be provided in alternative languages.

4.0 Next Steps

It is clear that there are positive impacts in respect of some of the Protected Characteristics, namely Age, Race and Disability. Therefore, the implementation of a new selective licensing designation would make a positive contribution to the aims of the Public Sector Equality Duty.

The council’s Cabinet will meet on 19 January 2016 to determine whether, or not, a further selective licensing designation should be made.

5.0 Review and Follow-up actions

Action	Responsible Officer	Completion date
Explore opportunities for collecting equality data from service users to inform service delivery, satisfaction and scheme performance.	Louise Ritchings	31 March 2016

Annex C – Proposed designation document

The Thanet District Council Designation of an Area for Selective Licensing 2016

Thanet District Council ("the Council") in exercise of its powers under section 80 of the Housing Act 2004 (“the Act”) and all other enabling powers hereby designates for selective licensing the area described in paragraph 4.

CITATION, COMMENCEMENT AND DURATION

1. This designation may be cited as The Thanet District Council Designation of an Area for Selective Licensing 2016.
2. This designation is made on 19 January 2016 and shall come into force on 21 April 2016.
3. This designation shall cease to have effect on 20 April 2021 or earlier if the Council revokes the scheme under section 84 of the Act.

AREA TO WHICH THE DESIGNATION APPLIES

4. This designation shall apply to those parts of the Cliftonville West and Margate Central wards as are delineated and edged red on the map at Annex A.

APPLICATION OF THE DESIGNATION

5. This designation applies to any house[1] which is let or occupied under a tenancy or licence within the area described in paragraph 4 unless –

   (a) the house is a house in multiple occupation and is required to be licensed under Part 2 of the Act[2];

   (b) the tenancy or licence of the house has been granted by a registered social landlord[3];

   (c) the house is subject to an Interim or Final Management Order under Part 4 of the Act;

   (d) the house is subject to a temporary exemption under section 86 of the Act; or

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[1] For the definition of “house“ see sections 79 and 99 of the Act

[2] Section 55 of the Act defines which Houses in Multiple Occupation are required to be licensed under the Act. See also The Licensing of Houses in Multiple Occupation (Prescribed Descriptions) (England) Order 2005 (SI 2006/371)

[3] Section 79 (3) of the Act. For the definition of a Registered Social Landlord see Part 1 of the Housing Act 1996.

(e) the house is occupied under a tenancy or licence which is exempt under the Act[4] or the occupation is of a building or part of a building so exempt as defined in Annex B.

EFFECT OF THE DESIGNATION

6. Subject to sub paragraphs 5(a) to (e) every house in the area specified in paragraph 4 that is occupied under a tenancy or licence shall be required to be licensed under section 85 of the Act.[5]
7. The Council will comply with the notification requirements contained in section 83 of the Act and shall maintain a register of all houses registered under this designation, as required under section 232 of the Act.[6]

INFORMATION AND ADVICE

8. Further information and advice about this designation can be obtained from: Housing Services, Thanet District Council, Cecil Street, Margate, Kent, CT9 1XZ. Telephone: (01843) 577437. Email: housing.conditions@thanet.gov.uk. Web: thanet.gov.uk.

Date and authentication by the Council

Pursuant to paragraph 4 of the Housing Act 2004: Licensing of Houses in Multiple Occupation and Selective Licensing of Other Residential Accommodation (England) General Approval 2015, the designation has the Secretary of State's general approval for the purposes of section 82(1)(b) of the Act.

Date: 19 January 2016

The Common Seal of Thanet District Council
was hereunto affixed in the presence of:

Member:

Solicitor:

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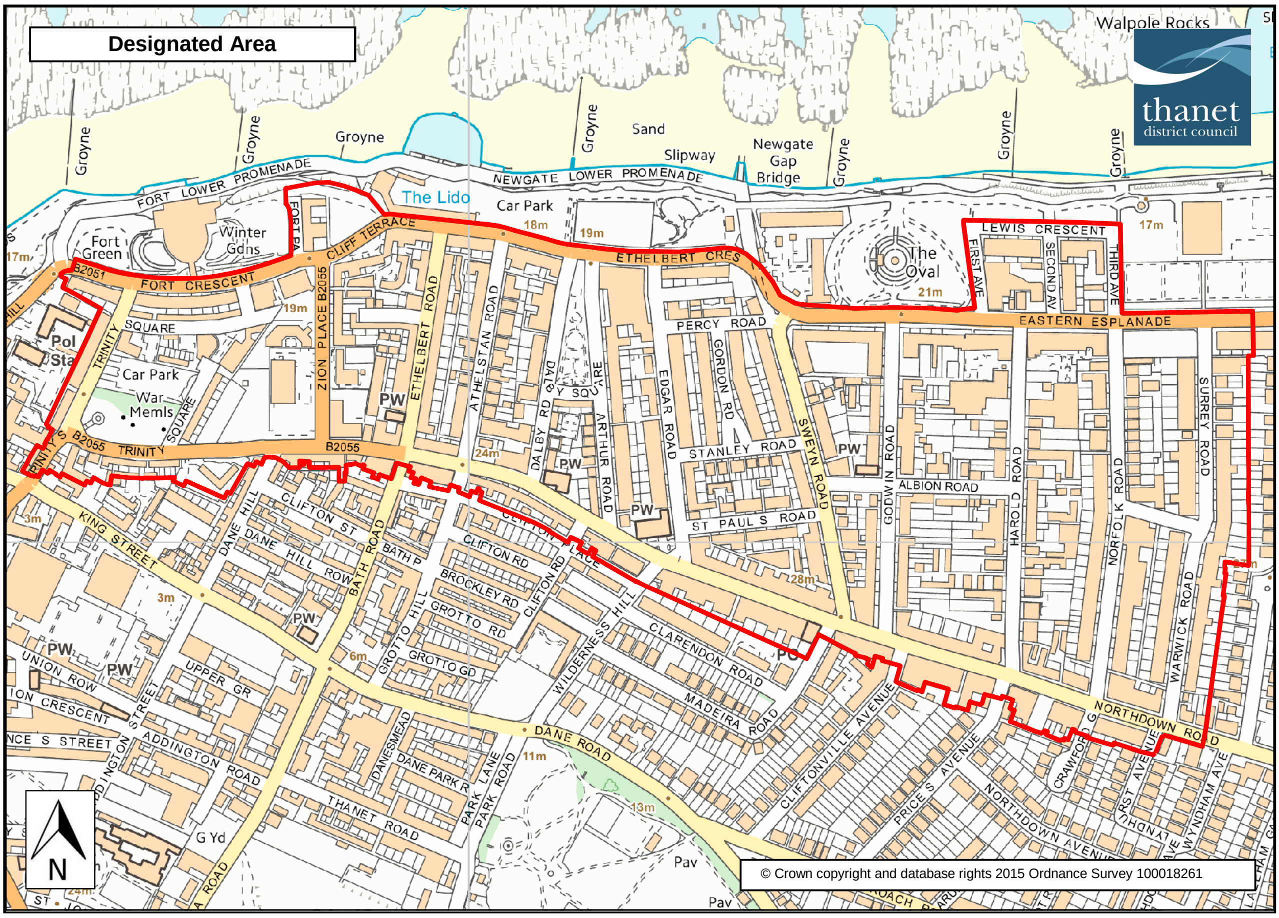
[4] Section 79 (4) of the Act and SI 2006/370

[5] Section 86 of the Act provides for certain temporary exemption. As to suitability see section 89. Note, if the house is not suitable to be licensed the Council must make an Interim Management Order - see section 102.

[6] Section 232 of the Act and paragraph 11 of SI 2006/373

Annex A - Map of Designated Area



Member:

Solicitor:

Annex B - Exempted Tenancies or Licences[7]

Prohibition of occupation by law

1. A tenancy or licence of a house[8] or a dwelling[9] within a house where the house or the dwelling is subject to a prohibition order made under section 20 of the Act the operation of which has not been suspended under section 23.

Certain tenancies which cannot be assured tenancies

2. A tenancy which cannot be an assured tenancy by virtue of section 1 (2) of the Housing Act 1988 comprised in Part of Schedule 1 of the Act and which is:

   (a) a business tenancy under Part II of the Landlord and Tenant Act 1954;

   (b) a tenancy under which the dwelling-house consists of or comprises premises, which, by virtue of a premises licence under the Licensing Act 2003, may be used for the supply of alcohol (within the meaning of Section 14 of that Act) for consumption on the premises[10];

   (c) a tenancy under which agricultural land, exceeding two acres, is let together with the house[11];

   (d) a tenancy under which the house is comprised in an agricultural holding or the holding is comprised under a farm business tenancy if it is occupied (whether as tenant or as a servant or agent of the tenant), in the case of an agricultural holding, by the person responsible for the control of the farming of the holding, and in the case of a farm business tenancy, by the person responsible for the control of the management of the holding[12].

Tenancies and licences granted etc by public bodies

3. A tenancy or licence of a house or dwelling within a house that is managed or controlled[13] by:

   (a) a local housing authority;

   (b) a police authority established under section 3 of the Police Act 1996 or the Metropolitan Police Authority established under section 5B of that Act;

   (c) a fire and rescue authority under the Fire and Rescue Services Act 2004;

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[7] See The Selective Licensing of Houses (Specified Exemptions) (England) Order 2006 SI 2006/370
[8] Sections 79 (2) and 99 of the Act
[9] For the definition of a dwelling – see section 99 of the Act
[10] See paragraph 5 of Schedule 1 of the 1988 Act as amended by section 198 (1) and paragraph 108 of schedule 6 of the Licensing Act 2003
[11] For the meaning of "agricultural land" section 26 (3) (a) of the General Rate Act 1967
[12] See paragraph 7 of Schedule 1 of 1988 Act as amended by section 40 and paragraph 34 of the Schedule to the Agricultural Tenancies Act 1995
[13] For the definition of "person managing" and "person having control" see section 263 of the Act

(d) a health service body within the meaning of section 4 of the National Health Service and Community Care Act 1990.

Tenancies, licences etc regulated by other enactments

4. A tenancy, licence or occupation of a house which is regulated under the following enactments:

   (a) sections 87 to 87D of the Children Act 1989;

   (b) section 43 (4) of the Prison Act 1952;

   (c) section 34 of the Nationality, Immigration and Asylum Act 2002;

   (d) The Secure Training Centre Rules 1998[14];

   (e) The Prison Rules 1998[15];

   (f) The Young Offender Institute Rules 2000[16];

   (g) The Detention Centre Rules 2001[17];

   (h) The Criminal Justice and Court Service Act 2000 (Approved Premises) Regulations 2001[18];

   (i) The Care Homes Regulations 2001[19];

   (j) The Children's Homes Regulations 2001[20];

   (k) The Residential Family Centres Regulations 2002[21].

Certain student lettings etc

5. A tenancy or licence of a house or a dwelling within a house –

   (i) which is managed or controlled by a specified educational establishment or is of a specified description of such establishments and

   (ii) the occupiers of the house or dwelling are undertaking a full time course of further

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[14] SI 1998/472 as amended by SI 2003/3005
[15] SI 1999/728 as amended by SI 2000/1794, SI 2001/1149, SI 2002/2116, SI 2002/3135, SI 2003/3301 and SI 2005/869
[16] SI 2000/3371 as amended by SI 2002/2117, SI 2002/3135 and SI 2005/897
[17] SI 2001/238. Section 66 (4) of the Nationality, Immigration and Asylum Act 2002 provides that the reference to a detention centre is to be construed as a reference to a removal centre as defined in Part VIII of the Immigration and Asylum Act 1999
[18] SI 2001/850
[19] SI 2001/3965 as amended by SI 2001/865, SI 2003/534, SI 2003/1590, SI 2003/1703, SI 2003/1845, SI 2004/664, SI 2004/696, SI 2004/1770, SI 2004/2071 and SI 2004/3168
[20] SI 2001/3967 as amended by SI 2002/865, SI 2002/2469, SI 2004/664 and SI 2004/3168
[21] SI 2002/3213 as amended by SI 2004/664, SI 2004/865 and SI 2004/3168

or higher education at the specified establishment[22] and

(iii) the house or dwelling is being managed in conformity with an Approved Code of Practice for the management of excepted accommodation under section 233 of the Act[23]

Long leaseholders

6. A tenancy of a house or a dwelling within a house provided that –

   (i) the full term of the tenancy is for more than 21 years and

   (ii) the tenancy does not contain a provision enabling the landlord (or his successor in title) to determine it other than by forfeiture, earlier than at the end of the term and

   (iii) the house or dwelling is occupied by a person to whom the tenancy was granted or his successor in title or by any members of either of those person's family.

Certain family arrangements

7. A tenancy or licence of a house or a dwelling within a house where –

   (i) the person who has granted the tenancy or licence to occupy is a member of the family of the person who has been granted the tenancy or licence and

   (ii) the person who has granted the tenancy or licence to occupy is the freeholder or long leaseholder of the house or dwelling and

   (iii) the person occupies the house or dwelling as his only or main residence (and if there are two or more persons at least one of them so occupies).

Holiday lets

8. A tenancy or licence of a house or a dwelling within a house that has been granted to the person for the purpose of a holiday.

Certain lettings etc by Resident Landlord etc

9. A tenancy or licence of a house or a dwelling within a house under the terms of which the person granted the tenancy or licence shares the use of any amenity with the person granting that tenancy or licence or members of that person's family. An "amenity" includes a toilet, personal washing facilities, a kitchen or a living room but excludes any area used for storage, a staircase, corridor or other means of access.

Interpretation

10. In this Annex:

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[22] See the schedule to The Houses in Multiple Occupation (Specified Educational Establishments) (England) Regulations 2013/1601

[23] The relevant codes of practice are approved under SI 2010/2615 - The Universities UK/Guild HE Code of Practice for the Management of Student Housing 2010

(a) a “person” includes” persons”, where the context is appropriate;

(b) a “tenancy” or “licence” includes “a joint tenancy” or “joint licence”, where the context is appropriate;

(c) “long leaseholder” in paragraph 7 (ii) has the meaning conferred in paragraphs 6 (i) and (ii) and in those paragraphs the reference to “tenancy” means a “long lease”;

(d) a person is a member of the family of another person if –

   (i) he lives with that person as a couple;

   (ii) one of them is the relative of the other; or

   (iii) one of them is, or is a relative of, one member of a couple and the other is a relative of the other member of the couple

   and

   (iv) For the purpose of this paragraph –

      (1) “couple” means two persons who are married to each other or live together as husband and wife or in an equivalent arrangement in the case of persons of the same sex;

      (2) “relative” means a parent, grandparent, child, grandchild, brother, sister, uncle, aunt, nephew, niece or cousin;

      (3) a relationship of the half-blood is to be treated as a relationship of the whole blood and

      (4) a stepchild of a person is to be treated as his child.

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in another language please call

01843 577165

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW REPORT 2015/16

To:	**Cabinet – 19 January 2016**
Main Portfolio Area:	**Financial Services and Estates**
By:	**Portfolio Holder for Financial Services and Estates**
Classification:	**Unrestricted**

Summary: **This report summarises treasury management activity and prudential/treasury indicators for the first half of 2015/16.**

<u>For Decision</u>

1 Background

1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

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

1.3 Accordingly treasury management is defined as:

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

2 Introduction

2.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Council on 24 April 2014.

2.2 The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an annual Treasury Management Strategy Statement (including the Annual Investment Strategy and Minimum Revenue Provision Policy) for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Governance and Audit Committee.

2.3 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the 2015/16 financial year to 30 September 2015;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2015/16;
- A review of the Council's borrowing strategy for 2015/16;
- A review of any debt rescheduling undertaken during 2015/16;
- A review of compliance with Treasury and Prudential Limits for 2015/16.

2.4 There have not been any key changes to the Treasury and Capital Strategies during the first half of 2015/16. On 23 April 2015 Council resolved that the Lowest Common Denominator assessment no longer be included in its Treasury Management Strategy Statement, which was amended accordingly. This was in line with advice from the Council's external treasury management advisor, Capita Asset Services (Capita).

2.5 **Changes in credit rating methodology**

2.5.1 The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

2.5.2 In keeping with the agencies' new methodologies, the credit element of Capita's own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used by Standard & Poor's, this has been a change to the use of Fitch and Moody's ratings. It is important to stress that the other key elements to Capita's process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

2.5.3 The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, Capita clients typically assigned the highest sovereign rating to their criteria the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it has continued to specify a minimum sovereign rating of AAA for non-UK deposit counterparties. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

2.5.4 It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution, merely a reassessment of their methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

3.1 Capita's Economic update (issued by Capita on 6 October 2015)

3.1.1 UK

3.1.1.1 UK Gross Domestic Product (GDP) growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any Group of 7 (G7) country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the May

Budget. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that Consumer Price Index (CPI) inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October would indicate a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts in August.

3.1.1.2 The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

3.1.1.3 There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

3.1.2 USA

3.1.2.1 The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015. While there had been confident expectations during the summer that the Federal Reserve (Fed.) could start increasing rates at its meeting on 17 September, or if not by the end of 2015, the recent downbeat news about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. The nonfarm payrolls figures for September and revised August, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to weaken. This has pushed back expectations of a first rate increase from 2015 into 2016.

3.1.3 Eurozone

3.1.3.1 In the Eurozone, in January 2015 the European Central Bank (ECB) unleashed a massive €1.1 trillion programme of quantitative easing (QE) to buy up high credit quality government and other debt of selected Eurozone (EZ) countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat

Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

3.2 Capita's Interest rate forecasts (issued by Capita on 6 October 2015)

3.2.1 The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

3.2.2 Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused Public Works Loan Board (PWLB) rates to fall below the above forecasts for quarter 4 2015. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

3.2.3 Despite market turbulence since late August causing a sharp downturn in PWLB rates, the overall trend in the longer term will be for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

3.2.4 The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

3.2.5 The disappointing US nonfarm payrolls figures and UK PMI services figures at the beginning of October have served to reinforce a trend of increasing concerns that growth is likely to be significantly weaker than had previously been expected. This, therefore, has markedly increased concerns, both in the US and UK, that growth is only being achieved by monetary policy being highly aggressive with central rates at near zero and huge QE in place. In turn, this is also causing an increasing debate as to how realistic it will be for central banks to start on reversing such aggressive monetary policy until such time as strong growth rates are more firmly established and confidence increases that inflation is going to get back to around 2% within a 2-3 year time horizon. Market expectations in October for the first Bank Rate increase have therefore shifted back sharply into the second half of 2016.

3.2.6 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than Capita currently anticipates.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens.

3.2.7 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include:

- Uncertainty around the risk of a UK exit from the EU.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

4 Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, was approved by the Council on 5 February 2015 and amendments were approved by the Council on 23 April 2015.

4.2 The Section 151 Officer can confirm that the approved limits within the Annual Investment Strategy were not breached during the six months ended 30th

September 2015 apart from the money limit with the Lloyds Banking Group (Lloyds) for the 11 day period from 15 May 2015 to 26 May 2015.

4.3 With effect from 15 May 2015 Capita changed its view on Lloyds, no longer regarding it as part nationalised. Given the credit rating of Lloyds, this meant that the Council's money limit with Lloyds reduced from £7m to £5m. The Council was able to reduce its deposits with Lloyds to under £5m on 26 May 2015, upon maturity of a £2m fixed term deposit with Lloyds.

4.4 The Council is also reducing the maximum duration of its deposits with Lloyds from 370 days to 6 months, in line with Capita's revised recommendation of 15 May 2015. The Council's pre-existing fixed term deposits with Lloyds will all have less than 6 months to run by the end of October 2015 and will all have matured by the end of April 2016.

5 The Council's Capital Position (Prudential Indicators)

5.1 This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.2 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure	2015/16 Original Estimate £m	Current Position – Actual at 30/09/15 £m	2015/16 Revised Estimate £m
General Fund	4.229	8.174	21.701
HRA	10.449	1.351	16.672
Total	**14.678**	**9.525**	**38.373**

The revised estimate includes carry-forward from the previous year of £13.184m General Fund and £4.759m HRA.

5.3 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2015/16 Original Estimate £m	Current Position – Actual at 30/9/15 £m	2015/16 Revised Estimate £m
Unsupported	14.678	9.525	38.373
Total spend	**14.678**	**9.525**	**38.373**
Financed by:			
Capital receipts	1.067		4.103
Capital grants	2.930		13.651
Capital reserves	4.889		7.948
Revenue	1.126		2.346
Total financing	**10.012**		**28.048**
Borrowing need	**4.666**		**10.325**

The revised estimate includes carry-forward from the previous year of £13.184m General Fund and £4.759m HRA.

5.4 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the forecast Capital Financing Requirement.

Prudential Indicator – the Operational Boundary for external debt

	2015/16 Original Estimate £m	Current Position – Actual at 30/9/15 £m	2015/16 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR – non housing	26.470		28.306
CFR – housing	23.607		23.607
Total CFR	50.077		51.913
Net movement in CFR	**6.813**		**8.649**
Prudential Indicator – the Operational Boundary for external debt			
Borrowing	42.000	29.459	42.000
Other long term liabilities*	12.000	4.089	12.000
Total debt	**54.000**	**33.548**	**54.000**

** On balance sheet PFI schemes and finance leases etc (including the leisure centre deferred credit). Excludes the amount owed to KCC for the Westwood spine road construction as classified as a current liability.*

5.5 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, borrowing will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2015/16 Original Estimate £m	Current Position – Actual at 30/09/15 £m	2015/16 Revised Estimate £m
Gross borrowing	33.814	29.459	35.709
Plus other long term liabilities*	3.220	4.089	3.919
Total gross borrowing	37.034	33.548	39.628
CFR (year end position)	50.077		51.913

** On balance sheet PFI schemes and finance leases etc (including the leisure centre deferred credit). Excludes the amount owed to KCC for the Westwood spine road construction as classified as a current liability.*

The Section 151 Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2015/16 Original Indicator £m	Current Position – Actual at 30/09/15 £m	2015/16 Revised Indicator £m
Borrowing	48.000	29.459	48.000
Other long term liabilities*	14.000	4.089	14.000
Total	62.000	33.548	62.000

** On balance sheet PFI schemes and finance leases etc (including the leisure centre deferred credit). Excludes the amount owed to KCC for the Westwood spine road construction as classified as a current liability.*

6 Investment Portfolio 2015/16

6.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

6.2 The Council held £41.442m of investments as at 30 September 2015 (£30.566m at 31 March 2015) and the investment portfolio yield for the first six months of the year is 0.55% against a benchmark (average 7-day LIBID rate) of 0.36%. The constituent investments are:

Sector	Country	Up to 1 year £m	1 year – 370 days £m	Total £m
Banks	UK	13.392	1.500	14.892
Banks	Sweden	3.956	0.000	3.956
Money Market Funds	UK	22.594	0.000	22.594
Total		**39.942**	**1.500**	**41.442**

6.3 The Section 151 Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2015/16, apart from as described in section 4 of this report.

6.4 The Council's budgeted investment return for 2015/16 is £0.150m and performance for the first half of the financial year is above budget at £0.106m.

6.5 Investment Risk Benchmarking

Investment risk benchmarks were set in the 2015/16 Treasury Management Strategy Statement (TMSS) for security, liquidity and yield. The mid-year position against these benchmarks is given below.

6.5.1 Security

The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is:

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

The security benchmark for each individual period is:

	370 days	2 years	3 years	4 years	5 years
Maximum	**0.05%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

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

The Section 151 Officer can report that the investment portfolio was maintained within this overall benchmark for the first half of this financial year.

6.5.2 Liquidity

In respect of this area the Council seeks to maintain:

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

The Section 151 Officer can report that liquidity arrangements were adequate for the first half of this financial year.

This authority does not currently place investments for more than 370 days due to the credit, security and counterparty risks of placing such investments.

6.5.3 Yield

Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

The Section 151 Officer can report that the yield on deposits for the first half of the financial year is 0.55% against a benchmark (average 7-day LIBID rate) of 0.36%.

6.6 Investment Counterparty criteria

The current investment counterparty criteria selection approved in the revised TMSS is meeting the requirement of the treasury management function.

7 Borrowing

7.1 The Council's capital financing requirement (CFR) original estimate for 2015/16 is £50.077m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has borrowings of £29.459m (table 5.5) and has utilised an estimated £20.618m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

7.2 No new external borrowing was undertaken from the PWLB during the first half of this financial year.

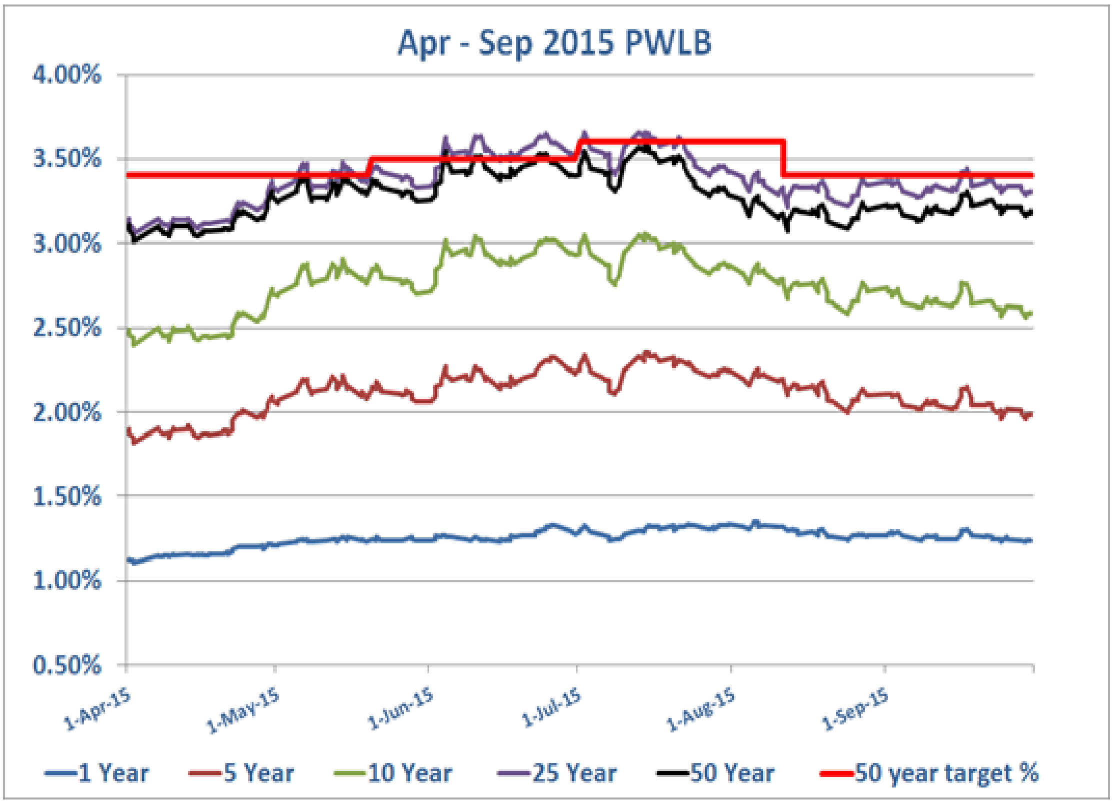
7.3 As outlined below, the general trend has been an increase in interest rates during the first quarter but then a fall during the second quarter.

7.4 Borrowing may be undertaken during the second half of this financial year and options will be reviewed in due course in line with market conditions.

7.5 The graph and table below show the movement in PWLB certainty rates for the first six months of the year to 30 September 2015.

7.6 PWLB certainty rates, half year ended 30th September 2015

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.11%	1.82%	2.40%	3.06%	3.01%
Date	02/04/2015	02/04/2015	02/04/2015	02/04/2015	02/04/2015
High	1.35%	2.35%	3.06%	3.66%	3.58%
Date	05/08/2015	14/07/2015	14/07/2015	02/07/2015	14/07/2015
Average	1.26%	2.12%	2.76%	3.39%	3.29%



7.7 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the first six months of the year, no debt rescheduling was undertaken. The Council is currently under-borrowed to address investment counterparty risk and the differential between borrowing and investment interest rates. This position is carefully monitored.

7.8 The Council's budgeted debt interest payable for 2015/16 is £1.343m and performance for the first half of the financial year is below budget at £0.560m.

8 Treasury Management Indicators

8.1 Ratio of financing costs to net revenue stream

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

%	2015/16 Original Indicator	2015/16 Revised Indicator
Non-HRA	8.0%	6.6%
HRA	6.5%	6.9%

8.2 Upper Limits on Variable Rate Exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments.

Upper Limits on Fixed Rate Exposure – Similar to the previous indicator, this covers a maximum limit on fixed interest rates.

Both of these are shown in the below table:

	2015/16 Original Indicator £m	Current Position – Actual at 30/09/15 £m	2015/16 Revised Indicator £m
Upper limits on fixed interest rates			
Debt only	62.000	29.459	62.000
Investments only	45.000	10.762	45.000
Upper limits on variable interest rates			
Debt only	62.000	0.000	62.000
Investments only	45.000	30.680	45.000

8.3 Maturity Structures of Borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

	2015/16 Original Upper Limit	Current Position – Actual at 30/09/15	2015/16 Revised Upper Limit
Maturity structure of fixed rate borrowing			
Under 12 months	50%	17%	50%
1 year to under 2 years	50%	2%	50%
2 years to under 5 years	50%	21%	50%
5 years to under 10 years	55%	24%	55%
10 years to under 20 years	50%	10%	50%
20 years to under 30 years	50%	16%	50%
30 years to under 40 years	50%	7%	50%
40 years to under 50 years	50%	3%	50%
50 years and above	50%	0%	50%

The current position shows the actual percentage of fixed rate debt the authority has within each maturity span. None of the upper limits have been breached.

9 Options

9.1 That Members approve this report and agree the prudential and treasury indicators that are shown.

10 Corporate Implications

10.1 Financial and VAT

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

10.2 Legal

10.2.1 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.

10.3 Corporate

10.3.1 This report evidences that the Council continues to carefully manage the risk associated with its treasury management activities.

10.4 Equity and Equalities

10.4.1 There are no equity or equality issues arising from this report.

11 Recommendations

11.1 That Cabinet:

- Approves this report and the prudential and treasury indicators that are shown.
- Recommends this report to Council.

12 Decision Making Process

12.1 This report is to go to Council for approval. The next Council meeting is on 4 February 2016.

13 Disclaimer

13.1 This report is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. 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.

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Reporting to:	Madeline Homer, Chief Executive

Corporate Consultation Undertaken

Finance	Nicola Walker, Interim Head of Finance
Legal	Tim Howes, Director of Corporate Governance

Annex List – there are no annexes to this report.

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TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2016/17

To:	**Cabinet – 19 January 2016**
Main Portfolio Area:	**Financial Services and Estates**
By:	**Portfolio Holder for Financial Services and Estates**
Classification:	**Unrestricted**

Summary: **This report is to provide Cabinet with the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2016/17 for approval.**

For Decision

1 INTRODUCTION

1.1 Background

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

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

CIPFA defines treasury management as:

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

1.2 Reporting requirements

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

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

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

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

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

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

1.3 Treasury Management Strategy for 2016/17

The strategy for 2016/17 covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

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

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was last undertaken by members on 21 September 2015 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.5 External service providers

The Council uses Capita Asset Services, Treasury Solutions as its external treasury management advisors.

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

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

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

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2016/17 – 2018/19

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

2.1 Capital expenditure

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

Capital expenditure £m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	8.184	21.701	4.332	3.586	1.682
HRA	7.149	16.672	11.681	3.615	3.495
Total	15.333	38.373	16.013	7.201	5.177

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

Capital expenditure £m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	8.184	21.701	4.332	3.586	1.682
HRA	7.149	16.672	11.681	3.615	3.495
Total	15.333	38.373	16.013	7.201	5.177
Financed by:					
Capital receipts	0.199	4.103	1.995	0.332	0.155
Capital grants	5.324	13.651	2.012	2.268	1.277
Capital reserves	5.525	7.948	4.739	3.350	2.970
Revenue	1.940	2.346	1.753	0.525	0.525
Net financing need for the year	**2.345**	**10.325**	**5.514**	**0.726**	**0.250**

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

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

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

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

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council’s borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £4.259m of long term liabilities (excluding pensions) as at 31 March 2015.

The Council is asked to approve the CFR projections below:

£m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Capital Financing Requirement					
CFR – non housing	22.390	28.306	28.856	28.200	26.999
CFR – housing	20.874	23.607	27.282	27.282	26.454
Total CFR	**43.264**	**51.913**	**56.138**	**55.482**	**53.453**
Movement in CFR	**1.492**	**8.649**	**4.225**	**(0.656)**	**(2.029)**

Movement in CFR represented by					
Net financing need for the year (above)	2.345	10.325	5.514	0.726	0.250
Less HRA – loan repayments and downward revaluations*	0.000	(0.828)	0.000	0.000	(0.828)
Less MRP/VRP and other financing movements	(0.853)	(0.848)	(1.289)	(1.382)	(1.451)
Movement in CFR	**1.492**	**8.649**	**4.225**	**(0.656)**	**(2.029)**

**The CFR treatment of downward revaluations to HRA non-current assets is under review by the Department of Communities and Local Government (requiring both Ministerial and Treasury approval) and accordingly is subject to change.*

2.3 Minimum revenue provision (MRP) policy statement

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

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

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

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

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

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

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

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

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

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

2.4 Core funds and expected investment balances

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

Year End Resources £m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Fund balances / reserves	2.011	2.011	2.011	2.011	2.011
Capital receipts	0.199	4.103	1.995	0.332	0.155
Earmarked reserves	9.511	3.770	3.242	3.242	3.242
Total core funds	**11.721**	**9.884**	**7.248**	**5.585**	**5.408**
Balances incl working capital*	37.781	32.284	31.957	31.608	31.144
Under/over borrowing	8.346	12.284	11.957	11.608	11.144
Expected investments	**29.435**	**20.000**	**20.000**	**20.000**	**20.000**

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

2.5 Affordability prudential indicators

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

2.6 Ratio of financing costs to net revenue stream

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

%	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	4.7%	6.6%	10.2%	10.9%	11.3%
HRA	5.7%	6.9%	8.3%	8.3%	8.4%

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

2.7 Incremental impact of capital investment decisions on council tax

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

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

£	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Council tax - band D *	(4.45)	(4.53)	5.07	9.23	38.79

**The 2018/19 estimate is higher than the other years because, being the final year estimate, there is no comparison shown in the Treasury Management Strategy Statement for last year. In other words, the incremental 2018/19 estimate reflects the full cost of the 2018/19 capital programme. The main element of the 2018/19 estimate is the Minimum Revenue Provision charge.*

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

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

Incremental impact of capital investment decisions on housing rent levels

£	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Weekly housing rent levels *	(0.18)	(0.05)	0.00	0.02	0.47

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

**The 2018/19 estimate is higher than the other years because, being the final year estimate, there is no comparison shown in the Treasury Management Strategy Statement for last year. In other words, the incremental 2018/19 estimate reflects the full cost of the 2018/19 capital programme.*

2.9 HRA ratios

£	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
HRA debt £m	20.869	23.602	27.277	27.276	26.448
HRA rents £m	12.941	13.294	13.259	13.134	13.014
Ratio of debt to rents %	161.3%	177.5%	205.7%	207.7%	203.2%

£	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
HRA debt £m	20.869	23.602	27.277	27.276	26.448
Number of HRA dwellings	3,034	3,051	3,063	3,075	3,087
Debt per dwelling £	6,878	7,736	8,905	8,870	8,568

3 BORROWING

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

3.1 Current portfolio position

The Council's treasury portfolio position at 1 April 2014, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
External Debt					
Debt at 1 April	27.252	30.659	35.710	40.602	40.635
Expected change in Debt	3.407	5.051	4.892	0.033	(1.225)
Other long-term liabilities (OLTL) at 1 April	3.900	4.259	3.919	3.579	3.239
Expected change in OLTL	0.359	(0.340)	(0.340)	(0.340)	(0.340)
Actual gross debt at 31 March	**34.918**	**39.629**	**44.181**	**43.874**	**42.309**
The Capital Financing Requirement	43.264	51.913	56.138	55.482	53.453
Under / (over) borrowing	**8.346**	**12.284**	**11.957**	**11.608**	**11.144**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

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

Operational boundary £m	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Debt	42.000	46.000	46.000	46.000
Other long term liabilities	12.000	12.000	12.000	12.000
Total	54.000	58.000	58.000	58.000

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

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

2. The Council is asked to approve the following authorised limit:

Authorised limit £m	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**
Debt	47.000	51.000	51.000	51.000
Other long term liabilities	15.000	15.000	15.000	15.000
Total	62.000	66.000	66.000	66.000

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

HRA Debt Limit £m	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**
HRA debt cap*	27.792	27.792	27.792	27.792
HRA CFR	23.607	27.282	27.282	26.454
HRA headroom	4.185	0.510	0.510	1.338

It has been determined that the HRA debt cap can increase for capital expenditure incurred between 1 April 2016 and 31 March 2017 on certain HRA projects up to a limit of £1.115m.

3.3 Capita's economic and interest rate forecast (issued by Capita on 11 November 2015)

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

Capita Asset Services Interest Rate View	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Capita Asset Services View	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
5yr PWLB Rate	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB View	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB View	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB Rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%

UK: UK Gross Domestic Product (GDP) growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any Group of 7 (G7) country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, probably being second to the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y) before weakening again to +0.5% (2.3% y/y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that Consumer Price Index (CPI) inflation has fallen to, or near to, zero since February 2015. Investment expenditure is also expected to support growth. However, since the August

Inflation report was issued, worldwide economic statistics have distinctly weakened and the November Inflation Report flagged up particular concerns for the potential impact on the UK.

The Inflation Report was notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. However, once the falls in oil, gas and food prices over recent months fall out of the 12 month calculation of CPI, there will be a sharp tick up from the current zero rate to around 1 percent in the second half of 2016. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. There is considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult to forecast when the Monetary Policy Committee (MPC) will decide to make a start on increasing Bank Rate.

USA: The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then weakened again to 1.5% in quarter 3. The downbeat news in late August and in September about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Federal Reserve's (Fed.) decision at its September meeting to pull back from a first rate increase. However, the nonfarm payrolls figure for growth in employment in October was very strong and, together with a likely perception by the Fed. that concerns on the international scene have subsided, has now firmly opened up the possibility of a first rate rise in December.

Eurozone: In the Eurozone, in January 2015 the European Central Bank (ECB) unleashed a massive €1.1 trillion programme of quantitative easing (QE) to buy up high credit quality government and other debt of selected Eurozone (EZ) countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Greece: During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

- Investment returns are likely to remain relatively low during 2016/17 and beyond;

- Borrowing interest rates have been highly volatile during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenominally low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

3.4 Borrowing strategy

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

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

Treasury management limits on activity

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

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;

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

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

£m	2016/17	2017/18	2018/19
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates: • Debt only • Investments only	 66.000 45.000	 66.000 45.000	 66.000 45.000
Limits on variable interest rates • Debt only • Investments only	 66.000 50.000	 66.000 50.000	 66.000 50.000
Maturity structure of fixed interest rate borrowing 2016/17			
		Lower	**Upper**
Under 12 months		0%	50%
12 months to under 2 years		0%	50%
2 years to under 5 years		0%	50%
5 years to under 10 years		0%	55%
10 years to under 20 years		0%	50%
20 years to under 30 years		0%	50%
30 years to under 40 years		0%	50%
40 years to under 50 years		0%	50%
50 years and above		0%	50%

3.5 Policy on borrowing in advance of need

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

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

Borrowing in advance will be made within the constraints that:

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

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

3.6 Debt rescheduling

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

The reasons for any rescheduling to take place will include:

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

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

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

3.7 Municipal Bond Agency

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority intends to make use of this new source of borrowing as and when appropriate.

4 ANNUAL INVESTMENT STRATEGY

4.1 Changes in credit rating methodology

The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.

In keeping with the agencies' new methodologies, the credit element of Capita's own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used by Standard & Poor's, this has been a change to the use of Fitch and Moody's ratings. It is important to stress that the other key elements to Capita's process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, Capita clients typically assigned the highest sovereign rating to their criteria the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it does specify a minimum sovereign rating of AA- for non-UK deposit counterparties. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution, merely a reassessment of their methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the "support" phase of the financial crisis.

4.2 Investment policy

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

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

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

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

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

4.3 Creditworthiness policy

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

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

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

Credit rating information is supplied by Capita Asset Services our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria may be suspended from use, with all others being reviewed in light of market conditions.

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

- Banks 1 - good credit quality **–** the Council will only use banks which:

  i. are UK banks; and/or

  ii. are non-UK and domiciled in a country which has a minimum sovereign long term rating of AA-

  and have, as a minimum, the following credit rating from at least one of Fitch, Moody's and Standard and Poors (where rated):

  i. Short term – F1 (or equivalent)

ii. Long term – A (or equivalent)

- Banks 2 – Part nationalised UK banks – Royal Bank of Scotland Group. This bank can be included if it continues to be part nationalised or it meets the above criteria.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Bank subsidiary and treasury operations - The Council will use these where the parent bank has the necessary ratings outlined above.
- Building societies: The Council will use all societies which meet the ratings/criteria for banks outlined above.
- Money market funds (including enhanced money market funds) – AAA
- UK Government (including gilts and the DMADF)
- Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other Local Authorities) etc
- Supranational institutions

A limit of £5m will be applied to the use of investments with a maturity of over 364 days but not more than 370 days.

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

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

	Fitch Long Term Rating (or equivalent)*	Money Limit	Time Limit
Higher quality	**AA-**	**£6m per institution**	**370 days**
Medium quality	**A**	**£5m per institution**	**370 days**
Part nationalised	**N/A**	**£7m per institution**	**370 days**
Debt Management Account Deposit Facility	**AAA**	**unlimited**	**6 months**
Money market Funds (including enhanced money market funds)	**AAA**	**£6m per fund**	**370 days**
Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other Local Authorities), Supranational institutions etc	**N/A**	**£4m per institution**	**370 days**

**The institution must have this minimum credit rating from at least one of Fitch, Moody's, and Standard and Poors (where rated).*

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

4.4 Country and sector limits

Due care will be taken to consider the country, group and sector exposure of the Council's investments.

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

In addition:

- no more than £5m will be placed with any non-UK country at any time (this limit applies to each non-UK country individually and not to non-UK countries in total);
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

The above country restrictions do not apply to money market funds (including enhanced money market funds). The Council only invests in sterling denominated money market funds (including enhanced money market funds).

4.5 Investment strategy

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

Capita's Investment returns expectations (issued by Capita on 11 November 2015). Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 2 of 2016. Bank Rate forecasts for financial year ends (March) are:

2016/17 1.00%
2017/18 1.75%
2018/19 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

2016/17 0.90%
2017/18 1.50%
2018/19 2.00%
2019/20 2.25%
2020/21 2.50%
2021/22 3.00%
2022/23 3.00%
Later years 3.00%

The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

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

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

Maximum principal sums invested > 364 days			
£m	**2016/17**	**2017/18**	**2018/19**
Principal sums invested > 364 days (but not more than 370 days)	£5m	£5m	£5m

For its cash flow generated balances, the Council will seek to utilise its instant access and notice accounts, money market funds and deposits (overnight to 370 days) in order to benefit from the compounding of interest.

4.6 Investment risk benchmarking

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

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

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

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

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

Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day LIBID rate

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

	370 days	2 years	3 years	4 years	5 years
Maximum	**0.05%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

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

4.7 End of year investment report

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

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

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

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

5.1 Annual investment strategy

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

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

The investment policy proposed for the Council is:

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

5.2 Specified investments

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

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other Local Authorities).
4. Pooled investment vehicles (such as money market funds including enhanced money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds including enhanced money market funds, rated AAA by Standard and Poor's, Moody's and/or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum short term rating of F1 (or the equivalent) and minimum long term rating of A (or the equivalent) as rated by at least one of Standard and Poor's, Moody's and/or Fitch rating agencies.
6. Any part nationalised UK bank or building society.
7. Any subsidiary and treasury operations where the parent bank or building society has the necessary ratings outlined above.
8. The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

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

5.3 Non-specified investments

Non-specified investments are any other type of investment (i.e. not defined as specified above). The Council may only use non-specified investments with a maturity of no more than 370 days and which otherwise meet the criteria for specified investments in section 5.2 above.

5.4 The monitoring of investment counterparties

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

5.5 Use of external fund managers

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

6 OPTIONS

That Cabinet:

- Approves this report and recommends that it is approved by Council.
- Does not approve this report and does not recommend that it is approved by Council, thereby not complying with the Treasury Management Code of Practice.

7 CORPORATE IMPLICATIONS

7.1 Financial

The financial implications are highlighted within this report.

7.2 Legal

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

7.3 Corporate

Failure to undertake this process will impact on the Council's compliance with the Treasury Management Code of Practice.

7.4 Equity and Equalities

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

8 RECOMMENDATIONS

Cabinet is recommended to approve this report, including each of the key elements of this report listed below, and recommend them to Council:

- The Capital Plans, Prudential Indicators and Limits for 2016/17 to 2018/19, including the Authorised Limit Prudential Indicator.
- The Minimum Revenue Provision (MRP) Policy.
- The Treasury Management Strategy for 2016/17 to 2018/19 and the Treasury Indicators.
- The Investment Strategy for 2016/17 contained in the Treasury Management Strategy, including the detailed criteria.

9 DECISION MAKING PROCESS

Under the Treasury Management Code of Practice it is required that the Governance and Audit Committee and Cabinet approve this report before it is sent to Council for its approval.

Following Cabinet's approval, this report must go to Council as part of the Medium Term Financial Strategy.

10 DISCLAIMER

This report is a technical document focussing on public sector investments and borrowings and, as such, readers should not use the information contained within the report to inform personal investment or borrowing decisions. 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:	Tim Willis, Section 151 Officer, extn 7617
Reporting to:	Madeline Homer, Chief Executive

Corporate Consultation Undertaken

Finance	Nicola Walker, Interim Head of Finance
Legal	Tim Howes, Director of Corporate Governance

Annex List – there are no annexes to this report.

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Council Tax Base Calculation for 2016/17

To:	**Cabinet – 19 January 2016**
Main Portfolio Area:	**Financial Services and Estates**
By:	**Mandie Kerry, Income Manager, EK Services**
Classification:	**Unrestricted**
Ward:	**Not applicable**

Summary: **To pass a formal resolution determining the Council Tax Base for 2016/17.**

To formally determine not to revise the Council Tax Reduction Scheme or replace it with another scheme for 2016/17.

To formally determine not to revise the reduction of Council Tax Discounts.

<u>For Decision</u>

1.0 Introduction and Background

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

1.2 The Council is also required on an annual basis to:

(a) Consider whether to revise its Council Tax Reduction Scheme or to replace it with another scheme.

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

1.3 The tax base for 2016/17 has been prepared in accordance with the current regulations[1] which came into force on 30 November 2012. The calculations are shown in Annex 1.

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

[1] "Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI:2012:2194)

1.5 The table overleaf illustrates how this works:

Council Tax Band	Ratio to Band D	Number of Dwellings (based on the Valuation Office list)[2]
Band A	6/9	16,172
Band B	7/9	19,318
Band C	8/9	17,321
Band D	9/9	7,646
Band E	11/9	3,893
Band F	13/9	1,468
Band G	15/9	719
Band H	18/9	32

1.6 The basis of the calculation is to multiply the number of dwellings in each band by their respective ratio, then add the totals together to produce a "Band D equivalent" total. This is followed by a number of adjustments for factors such as single person discounts, people in receipt of Council Tax Reduction Scheme discounts, etc. The total is then adjusted for the anticipated collection rate, in order to determine the tax base. The assumed collection rate recognises that there will be an element of bad debt that will not be collected and is set at 97.25%.

1.7 Based on these factors it is recommended that the tax base for 2016/17 is set at 40,690.57

2.0 The Current Situation

2.1 Reduction of Council Tax discounts

2.1.2 From the year 2013/2014, the Council removed the following Council Tax Discounts in order to meet the cost of operating the chosen Council Tax Reduction Scheme:

(a) Second Home discount of 10% removed;

(b) Empty property discount (Class C) removed.

2.2 Reductions in Council Tax discounts are required to be determined on an annual basis, and it is recommended that the existing Council Tax reductions/removals are continued for the year 2016/17.

2.3 Council Tax Reduction Scheme

2.3.1 The Welfare Reform Act 2012 abolished Council Tax Benefit from April 2013 and, in accordance with Section 13A of the Local Government Finance Act 1992 the Council approved a local Council Tax Reduction Scheme with effect from 1 April 2014, adopting, as the scheme, the document cited as "the Local Council Tax Support Scheme – Thanet District Council 2014 ("the 2014 scheme"). This was continued for the financial year 2014/15 and 2015/16 – it was not revised or replaced with another scheme.

[2] In the actual calculation this is adjusted for anticipated new build, demolitions etc expected during the year)

2.3.2 It is recommended that the local scheme, as previously adopted for the 2013/14 and continued through to the 2015/16 financial years is not revised or replaced. The scheme will continue in force but will operate with reference to current amounts and dates as necessary. The main features of the scheme are:

(a) The council will continue to make a reduction of 5.5% from the Council Tax Support award for those customers who are not treated as pensioners under the conditions of the scheme. This will be deducted from the final weekly amount awarded rather than the maximum eligible Council Tax figure.

(b) Thanet District Council will follow the prescribed scheme for people of pensionable age, who will continue to receive the full assistance for their council tax liability.

The reduction of Council Tax discounts is a separate decision from the decision not to revise the Council Tax Reduction Scheme, or replace it with another scheme. However, the additional income from the reduction in discounts, offsets the costs of the Council Tax Reduction Scheme and the two are in balance. Therefore it is recommended to continue the discount scheme.

3.0 Options

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

4.0 Next steps

4.1 To approve the Council Tax Base for 2016/17

5.0 Corporate Implications

5.1 Financial and VAT

5.1.1 There are no direct financial implications arising from this report although any change to the previous tax base will have an implication on the funding available through the collection of Council Tax.

5.2 Legal

5.2.1 There is a legal requirement to set the Council Tax Base under the Local Government Finance Act 1992. The calculation of the Tax Base has been undertaken in accordance with the current Regulations, “Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI: 2012:2914)”, which came into force in November 2012.

5.3 Corporate

5.3.1 There are no direct corporate implications from this report.

5.4 Equity and Equalities

5.4.1 This report does not specifically highlight any equalities implications however, in discharging their responsibilities members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 http://www.legislation.gov.uk/ukpga/2010/15.

6.0 Recommendations

6.1 Approve the District's Council Tax Base for 2016/17 as 40,690.57 and the tax base for the towns and parishes in the Council's administrative area, as set out in the table at Annex 2;

6.2 Determine not to revise the Council Tax Reduction Scheme or replace it with another scheme for 2016/17;

6.3 Determine not to revise the Council Tax Discounts for 2016/17.

7.0 Decision Making Process

7.1 The Council is required to pass a formal resolution determining the Council Tax Base for 2016/17.

Contact Officer:	Mandie Kerry, Income Manager, EK Services
Reporting to:	Andrew Stevens, Assistant Director (Customer Delivery)

Annex List

Annex 1	The Council Tax Base Calculation for 2016/17
Annex 2	Council Tax Base comparison

Background Papers

Title	Details of where to access copy
N/A	N/A

Corporate Consultation Undertaken

Finance	Matthew Sanham, Corporate Finance Manager
Legal	Tim Howes, Director of Corporate Governance and Monitoring Officer

ANNEX 1

The Council Tax Base Calculation for 2016/17

Council Tax Base = A x B:

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

(ii) B is the authority's estimate of its collection rate for that year (97.25%)

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

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

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

(vi) E Is a factor to take into account any premiums, if any, to which the council tax payable was subject to that band, estimated in accordance with the regulations at 30th November 2012

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

(viii) Z is the total amount that the authorities estimates will be applied in relation to the Authorities council tax reduction scheme in relation to the band, expressed as an equivalent number of chargeable dwellings in the band.

(ix) F is the number which is the proportion of dwellings in that band.

(x) G is the number that, in that proportion, is applicable to dwellings in band D.

The amount calculated for Thanet District Council's Council Tax Base in 2016/17 is **40,690.57** save for the following parts of the Council's administrative area where its Council Tax Base shall be the amounts shown against each part respectively.

Collection rate has been reviewed with regard to the changes, Council Tax Support discounts and exemptions. This report seeks the approval of the collection rate of 97.25%.

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ANNEX 2

Parish	2015/16 Tax Base - using collection rate	2016/17 Tax Base using collection rate	Difference
Acol	105.64	105.54	-0.10
Birchington	3816.03	3803.12	-12.91
Broadstairs	9082.74	9178.51	95.77
Cliffsend	688.77	694.95	6.18
Manston	367.12	360.96	-6.16
Margate	11482.50	11721.39	238.89
Minster	1127.74	1141.26	13.52
Monkton	257.06	260.42	3.36
Ramsgate	10496.88	10770.33	273.45
St Nicholas at Wade and Sarre	377.49	383.82	6.33
Westgate	2246.52	2270.27	23.75
Total	**40,048.49**	**40,690.57**	**642.08**

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BUDGET 2016-17 AND MEDIUM TERM FINANCIAL PLAN 2016-20

To:	**Cabinet 19 January 2016**
Main Portfolio Area:	**Financial Services and Estates**
By:	**Portfolio Holder for Finance and Estates**
Classification:	**Unrestricted**
Ward:	**All wards**

Summary: **To present the budget strategy for the General Fund, Housing Revenue Account and Capital Programme for 2016-17 and the Medium Term Financial Plan for 2016-20**

For Decision

1.0 INTRODUCTION

1.1 The purpose of this report is to present the Budget for 2016-17 and financial projections for the following years up to 2019-20.

2.0 EXECUTIVE SUMMARY

2.1 This report finalises the funding position for 2016-17 based on the Autumn Statement and subsequent Local Government Financial Settlement. It also sets out budget pressures and service priorities that are reflected in setting the 2016-17 budget.

2.2 The Medium Term Financial Plan (MTFP) is rolled forward to cover 2016-20 with updated assumptions where appropriate. It also reflects savings themes to manage the future financial position.

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

2.4 The budget assumptions for the Housing Revenue Account are outlined within the report and the proposed Housing Revenue Account balance is considered to be sufficient to support the 30 year HRA Business Plan. The proposed Housing Revenue and Capital budgets were presented to the East Kent Housing Tenant Board for consultation and comment on 14 January 2016.

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

3.0 GOVERNMENT FUNDING AND COUNCIL TAX

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

Business Rates Retention

3.2 The Government introduced a new Business Rates Retention Scheme from 1st April 2013. The scheme provides an incentive to councils to grow their local economy by allowing them to retain a proportion of the business rates collected. In return, authorities also now share the risk of a fall in rate yield, subject to a safety net mechanism.

3.3 A baseline 2013-14 funding level was established by the Government for each authority. The baseline is increased annually by a standard formula.

3.4 Authorities whose business rates grow above the baseline are able to retain a proportion of that growth in revenue (after paying a levy to HM Treasury), while those whose rates decline or grow at a lower rate experience reduced or negative growth in revenue (subject to the operation of a safety net).

3.5 The national scheme requires the first 50% of any new business rate yield goes to the Treasury with the balance being split 80% to the district and 20% to the county and major preceptors. The safety net mechanism ensures that no authority's income falls by more than 7.5% of their baseline funding level.

3.6 Following a court ruling in January 2015 on the method of valuation of purpose-built GP surgeries, substantial reductions to rateable values had to be implemented, with subsequent overpayments being backdated to earlier periods. As a result the Council's share of the provision for appeals was increased by £1.472m, with £1.197m of this increase being funded by central government, the balance having been set aside as part of the 2014-15 accounts.

3.7 Forecasts on business rate income should be treated with caution as they are subject to volatility due to the closure of businesses, appeals, changes in valuation methodology applied and unforeseen changes.

3.8 During 2015-16 the Council joined with other Kent authorities in operating a business rates retention pool and this arrangement is continuing for 2016-17. This area is highly volatile but indications are that this arrangement could lead to additional retention of around £200k per annum.

3.9 A recent announcement from the Chancellor advised that Councils are to retain all locally raised business rates by the end of the decade under local government reforms. The changes will also end the distribution of core grant from Whitehall to town halls. This decision will inevitably impact on MTFP assumptions and as more details emerge as to the potential financial impact of this change, they will be reflected in the MTFP.

Local Government Settlement Funding

3.10 Prior to the 2015 government announcement, the MTFP assumed further cuts of 40% across all funding sources from Central Government for 2016-20. The Council has faced significant cuts in funding over a number of years, this has seen Thanet's net revenue budget reduced by around 30% from 2010-11 to 2016-17. The 2015 Financial Settlement for 2016-17 indicates that the comparable level of government funding will be as set out in Table 1 below paragraph 3.20

Housing and Council Tax Scheme Administration Grant

3.11 The Council receives grant funding to cover the administration costs associated with the Local Council Tax Support and Housing Benefit schemes. This grant funding is proposed to be reduced by £241k for 2016-17.

- **DWP Housing Benefit Admin Grant –** Indicative allocations have been made available identifying a reduction in this grant of £197k, this being the removal of Fraud funding along with 6% targeted efficiencies**.**
- **CLG Localised Support for Council Tax Administration Grant –** As yet this allocation has not been made available, however it is assumed that this will see a reduction in allocation of around £44k.

Council Tax Reduction Scheme Funding

3.12 The CTRS was introduced from 1st April 2013 to replace the Council Tax benefit system. The scheme is localised, although there are a number of criteria that are nationally determined.

3.13 The CTRS is under a three year agreement with KCC, and 2015-16 is the last of the three years. However, in view of the significant time constraints in devising and implementing a new scheme for the financial year 2016-17, as well as the yet unknown impact on claimants of national welfare changes, major preceptors and districts. It has recently been agreed to extend the existing scheme for one year.

3.14 During the financial year 2016-17, it was agreed that a full review of the common scheme and other tailored schemes across Kent would be undertaken for a new scheme to be implemented from 2017-18.

Council Tax Base adjustments for minor preceptors

3.15 The Council shares the Revenue Support Grant (RSG) with parish councils to reflect that parishes do not have direct funding for Council Tax support and a reduced tax base. This was paid at the level of £145k in 2015-16. It is proposed that the level of this support should be reduced by the commensurate reduction in Council RSG funding and should therefore be £130k.

Council Tax and Collection Fund

3.16 There is an assumed 1.97% increase in the council tax that will be levied in 2016-17.

3.17 Council Tax base for 2016-17 is 1.6% higher than the 2015-16 level and a 2% increase is expected for future years. This reflects the continuing efficiency of shared service arrangements for council tax collection, the operation of the Council Tax Reduction scheme and the increase in the number of households.

3.18 The Council Tax requirement for the Council's own purposes for 2016-17 (excluding Parish precepts) is £8,712k. This is determined after taking into account the Council's allocation of business rates, revenue support grant and the Council's share of the Collection Fund surplus. The Council Tax Base is the number of properties within the District adjusted to account for different valuation bands, various discounts and an assumed collection rate. The assumed collection rate for 2016-17 is 97.25%, which is the same percentage used in 2015-16.

3.19 Each year the Council Tax is calculated based on assumed levels of collection rates. At the end of the year any surplus achieved in the collection fund is available to be shared proportionately between the Council and major preceptors. It is expected that a surplus will be achieved in 2015-16 of which £163k would be available in 2016-17.

3.20 Taking into account all the above, the overall funding position is illustrated in Table 1 below:

TABLE 1 – EXTERNAL FUNDING	**2016-17 Revised £m**	**2017-18 £m**	**2018-19 £m**	**2019-20 £m**
Council tax	8,712	9,063	9,429	9,809
Revenue Support Grant	2,460	1,446	809	98
Non-Domestic Rates Baseline	4,630	4,716	4,855	5,010
New Homes Bonus	2,921	2,899	2,850	2,934
Business Rate Retention	200	200	200	200
Council Tax Collection Fund	163	100	100	100
	19,086	**18,424**	**18,243**	**18,151**

4.0 MEDIUM TERM FINANCIAL PLAN 2016-20

4.1 A Medium Term Financial Plan (MTFP) was approved by Council in February 2015, covering the period 2015-16 to 2018-19. In the light of the continuing unprecedented economic climate in which the Council finds itself, this document has been reviewed and updated, not only to reflect the external environment, but also new developments and changes to internal policies and practices. The revised MTFP covering the period 2016-17 to 2019-20 is shown at Annex 1. It captures what is expected in terms of funding opportunities and the general economic environment for the next four years against what the Council foresees as its budgetary demands, as a result of inflationary and other pressures. It presents outline financial plans that show what the Council intends to do in order to deliver its statutory services and priority discretionary services whilst continuing to deliver its key financial strategies. The plan addresses the assumptions used in the budget calculations, the risks that could have an impact on future financial standing and the degree to which the budget models are sensitive to change.

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

4.3 Future years challenges and opportunities centre around the following 3 consultations that this Government will undertake in relation to future funding arrangements:

- Consultation on the future of New Homes Bonus (NHB) and the period for which this will be paid – Currently NHB is paid in arrears for a period of 6 years. Although this government has guaranteed the future of NHB. It is intending to consult amongst other things, on the period for which this would be paid. For example, if NHB were to be paid for four years instead of six (the preferred Government option), it is estimated that without replacement funding, this could see a loss in the region of £900k per annum from 2017-18.
- Consultation of the future of Business Rates – Government is looking to vary the current methodology around Business Rate retention, moving to 100% being retained by Local Authorities and with it, the potential for self financing. This will present opportunities, as in principle Local Authorities will not be reliant on Central Government, but will also bring with it additional responsibilities and therefore challenges. More will be known when full consideration is given to the pending consultation.
- Welfare Reform – To date there has been minimal impact from the proposed welfare reforms. However, future changes will potentially impact on both the Housing Revenue Account and General Fund. This will need to be closely monitored in order to manage the impact on increased bad debt; an increase in demand for smaller or cheaper accommodation; an increase in demand for debt

management advice and possible increases in homelessness.

5.0 **THE GENERAL FUND RESERVE ACCOUNT**.

5.1 **The Basis of the 2016-17 General Fund Revenue Budget**

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

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

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

5.3 **Budget Consultation**

5.4 A total of 617 responses have been received in respect of the budget consultation. The responses have highlighted the top 5 priorities as being recycling and waste; street cleansing; community safety; environmental health and parks and open spaces. These areas, which significantly overlap with the Council's corporate priorities, have been protected from budget cuts wherever possible in recognition of their importance to Thanet's residents.

5.5 **Development of the Budget**

5.6 The Council's adjusted opening net base budget of £19.631m is the starting point for future budget proposals.

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

6.0 **Budget Pressures**

6.1 Reduced Government Funding – The Financial Settlement announced for Thanet on 17

December reflected a reduction in allocation of 14.8% in Settlement Funding Assessment as compared to current funding levels.

6.2 Inflation and Pay – Included within this category is an allowance for inflation and an amount to support the Pay for Contribution scheme, totalling £419k.

6.3 Insurance – The new insurance contract is currently under consideration and a review of risk has resulted in an anticipated increase in premiums/excess/self-insurance to the value of £100k.

6.4 Changes in Accounting Treatment – Changes in the way in which we account for the Homelessness and Council Tax Base adjustments for minor preceptors elements of the Settlement Funding have resulted in notional growth of £256k.

7.0 Budget Savings

7.1 Given the above budget pressures, it is necessary to identify a range of savings and these are set out below

7.2 Net Impact of Past Year Adjustments – Offsetting agreed past year pressures against targeted past year savings results in a net saving being carried into 2016-17 of £281k.

7.3 East Kent Services (EKS) Fee – Negotiations with EKS have resulted in a £150k reduction in the management fee, to be delivered through a range of efficiency measures.

7.4 Organisational Efficiencies – Through closely scrutinising service budgets, identifying cost control and reductions and targeting smarter and more innovative service delivery models, it is anticipated that a saving of £440k can be achieved.

7.5 Asset Management – A review of asset management will aim to maximise the potential of the portfolio and will include a review of the number and condition of assets. In addition to informing the asset disposal programme, it is estimated to generate savings in revenue costs of £100k.

7.6 Parish/Events Funding – A review of the level of grants to parishes, including Events funding and Floral Grants, will contribute £56k to the budget pressures.

8.0 Fees and Charges

8.1 Fees and charges proposals were agreed by Council on 3 December. As a result of benchmarking all the Council's fees and charges and the income targets, additional income of £244k has been factored into the budget for 2016-17.

8.2 As part of the decision to increase fees and charges, Council agreed that £9k would be funded from a contribution from Ramsgate Town Council. This will be top-sliced from the net payment that would otherwise be made to the town council.

9.0 HOUSING REVENUE ACCOUNT BUDGET AND HOUSING CAPITAL PROGRAMME

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

9.2 **The Operation of the Housing Revenue Account**

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

9.3 **HRA Service Expenditure** - As explained above, the HRA is a separate record of all of the Council's expenditure on its social/affordable housing provision (i.e. Council Houses). This includes the following expenditure:-

<u>Repairs & Maintenance</u> – Spend in relation to the day to day repair and maintenance and those works that cannot be deemed as capital repairs such as painting and decorating and contractor repair costs.

<u>Supervision and Management General</u> – Supervision and management costs that are applied across the whole stock e.g. ALMO Management Fee and support costs from other services.

<u>Supervision and Management Special</u> – Supervision and management costs that are applied to only specific homes e.g. communal lighting and grounds maintenance.

<u>Depreciation and Impairment</u> – A charge to reflect the use of HRA assets in the delivery of services.

<u>Rents, Rates Taxes and Other Charges</u> – All other costs that the HRA incurs as landlord e.g. insurance costs and Council Tax costs for empty HRA properties.

<u>Increased Provision for Bad Debts</u> – To reflect that not all rents and charges will be recoverable

9.4 **HRA Service Income** – Income received from the running of the Council housing stock is allocated under the following headings:

<u>Gross Rental Income</u> – Income from rents on council houses, shared ownership properties and leaseholder ground rents

<u>Non-Dwelling Rents</u> – Income from shops at Newington Centre, aerials and garages

<u>Charges for Services and Facilities</u> – Tenant service charges and heating service charges

<u>Contributions towards Expenditure</u> – Leaseholder re-charges and rechargeable repairs

9.5 **HRA Non-Service Expenditure and Income** - These include an apportionment of the investment income that is achieved on balances and any grants and contributions receivable.

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

9.6 **The Housing Revenue Strategy**

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

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

9.7 **Details of the HRA estimates**

9.8 The main assumptions that have been applied to the HRA for the 2016-17 estimates are summarised below:

9.9 **Contract and Price Inflation** - For direct expenditure budgets, price increases have been included at 2%, which is the best estimate of the level of inflation at this point in time, unless there is a known within a specific contract, in which case this has been used.

9.10 **Repairs and Maintenance** –

Day to Day Repairs Contract	Work has commenced on the procurement process for the re-tendering of the contract. It is intended that the contract will be let for an initial period of four years to 2020, after which the repairs and maintenance contracts throughout the East Kent Housing Areas should then be in line for a joint procurement programme.
Cyclical External Refurbishment and Repairs Contract	A new contract is due to be let as a joint procurement programme with Dover and Shepway Council and growth has been factored in during 2016-17 and 2017-18 to enable a catch up programme on the back log of works. The new contract is due to begin in February 2016 and £75k of 2015-16 budget will be carried forward into 2016-17.
CCTV	CCTV at the high rise blocks is currently under review and a new contract is likely to be re-tendered in 2016-17.

Cleaning Contract	The cleaning contract was due to be re-tendered in November 2015 but a nine month contract waiver has been put in place. The cleaning contract will now be re-tendered to commence in June 2016.
Gas Servicing	The contract is due to be re-tendered in 2016-17. The new contract is due to include properties with storage heaters as well as gas boilers. An estimated growth of £54k has been factored in to 2016-17 onwards.
Roof Ventilation Fans	The roof ventilation fans at the tower blocks are due to be inspected in 2016-17. It is estimated that works will be required following the inspection and growth of £5k has been factored in during 2016-17 for these works.
Lightning Conductors	The lightning conductor servicing costs will increase from 2016-17 and growth of £3k has been factored in to 2016-17 onwards.
Rodent Control and Damp Proofing Works	Works have increased and growth of £14k has been factored in from 2016-17 onwards.
Asbestos Removal	Asbestos removal is now being undertaken while the property is void. £9k will be moved from other areas but growth of £11k will be required from 2016-17 onwards.
Paladin Bins	A review of the paladin bins is being undertaken by East Kent Housing in 2015-16. It is likely that replacement bins will be required at a number of sites. Growth of £2k has been factored in to 2016-17 for urgent replacements. Following the review, a replacement programme may be necessary and further growth factored in from 2017-18 onwards.
Disabled Adaptions	A business case has been provided to increase the budget to £400k (an additional £70k) from 2016-17 onwards to assist with the increased waiting list. This is a demand-led budget and the additional budget will assist to decrease the back log.
SMART Meters (Tower Blocks)	This will commence in 2016-17. The 2014-15 Estate Improvement Programme budget of £231k has been ring fenced for this work to be carried out.

9.11 **Supervision and Management General** – The Council agreed at its meeting in February 2010 that an Arm's Length Management Organisation (ALMO) was the preferred option for sharing Landlord Services in East Kent. The East Kent Housing ALMO (EKH) was formed and from 1 April 2011 it commenced the management of the Council's social housing.

The ALMO management fee is calculated on an activity based costing basis, in that the Council's charge is based on the amount of staff provided to deliver the service and their supporting budgets. The management fee base budget will remain the same for 2016-17.

In October 2015 Universal Credits commenced in Thanet and £50k has been allocated in anticipation of the effects of Universal Credits and Welfare Reform.

A stock condition survey is to be commissioned in 2016-17 to re-evaluate the Council's stock to ensure that we continue to meet Decent Homes Plus standard, therefore £60k has been budgeted to 2016-17 to enable this survey to be carried out.

In 2014-15 the Court Cost Application Fee increased from £100 to £250 per online issued case and to £280 for other cases. This, along with the number of referrals has impacted on the budget and growth of £10k has been applied from 2016-17.

9.12 **Supervision and Management Special** – A new 2 year fixed price electricity contract commenced in 2015-16 and 2016-17 estimates have been recalculated accordingly and therefore £8k growth has been factored into the 2016-17 budget based on the revised estimates.

9.13 **Rents, Rates, Taxes and Other Charges** – With the addition of the new affordable units as part of the Empty Homes Programmes, Margate Intervention and the new build programme, the budgets that the Council holds as a landlord have been reviewed and increased for running costs. These include insurance costs, Council Tax due on void properties, utility standing charges on void properties and utility budgets for new build properties. This has resulted in budgetary growth of £12k off set against the new rental costs generated from the schemes. The Insurance contract has recently been re-tendered in 2015-16 to commence January 2016.

9.14 **Provision for Bad or Doubtful Debts** – The provision for bad or doubtful debts for 2016-17 will remain the same at £170k.

9.15 **Depreciation for Fixed Assets** – In accordance with the statutory requirements, the Council has to make a depreciation charge to reflect the use of the HRA assets over their useful lives. Within the Housing Subsidy system the Council received a Major Repairs Allowance to fund capital works, which was set to reflect the need to replace building components as they wore out. It was therefore considered to be an appropriate measure of depreciation for the HRA assets. With the cessation of the Housing Subsidy System there is no longer a Major Repair Allowance and so work has been undertaken as to how best to calculate the depreciation charge moving forward. The estimated depreciation charge for housing stock is calculated at £2.571m in 2016-17, the depreciation charge for other HRA assets is estimated to be at £59k.

9.16 **Debt charges** – Since the self-financing settlement, the Council has operated a two loan pool approach whereby the HRA and GF are each responsible for the repayment of their own apportionment of loans. As part of the self-financing settlement, the HRA had its debt capped at £27.792m. The Council has been successful in a bid to the Affordable Homes Programme Local Growth Fund 2015-2018 with an application to extend the HRA borrowing headroom by £1.115m to enable the new development of 20 units on HRA land. This allows the HRA to increase its debt cap for capital expenditure incurred between 1 April 2016 and 31 March 2017 on the new development project. In 2016-17 the HRA debt cap and borrowing headroom could increase to £28.907m. As at the 1 October 2015 the HRA had £20.041m of loans outstanding.

9.17 **Rent Increases** – Since April 2002, most rents for social housing have been set based on a formula set by Government. The intention was to align council rents with those of housing associations by adopting a formulaic approach to calculating rents, known as rent restructuring. Landlords were expected to move the actual rent of a property to the formula rent over staged increases through applying the guidance set by Government of Retail Price Index plus 0.5% plus up to an additional £2 where the rent is below the formula rent for the property.

9.18 In October 2013 the government published a consultation paper on rents for social housing from 2015-16. The consultation ended on 24th December 2013 and in May 2014 the government issued its final guidance on rents for social housing. The purpose of which was to provide stability to the rent setting process and Housing Business Plans for the next 10 years.

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

9.20 The financial impact of the 1% baseline reduction in 2016-17 is approx. £129k on base budget. However, the impact on the HRA Business Plan for 2016-17 is estimated at £448k as a 2% increase on base had been assumed each year. Over the rental decrease period of 2016-17 to 2019-20 it is estimated that the impact on the HRA Business Plan will be a loss in rental income of £4.56m.

9.21 In the 2013 guidance the Government confirmed that Social landlords could charge tenants with an income of over £60,000 a market rent. The 'Pay to Stay' policy was discretionary. As part of the Summer Budget 2015 the Government announced that the discretionary 'Pay to Stay' scheme would be made compulsory and that the household income threshold limit would be reduced to £30,000. Local Authorities will be expected to pay the additional rental income to the Exchequer.

9.22 Rental estimates are based on the new government guidance for rental decrease of 1% for 2016-17 to 2019-20 and a 1% inflationary increase from 2020-21 onwards until further guidance is received.

9.23 Social rents will be decreased by 1% in line with the Summer Budget 2015 announcement and government rent guidance. Across the whole stock the average rent is £81.96, this is an average decrease of £0.83p per property.

TABLE 2 – AVERAGE SOCIAL HOUSING PROPERTY RENTS	
Property	**Est. Ave Rent**
Bedsits	£57.44
1 Bed Flat	£67.79
1 Bed House	£78.50
2 Bed Flat	£76.75
2 Bed House	£85.42
3+ Bed Flat	£86.99
3 Bed House	£93.05
4 Bed Flat	£90.86
4 Bed House	£102.85
5 Bed House	£111.27

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

TABLE 3 – AVERAGE AFFORDABLE RENTS INC OF SERVICE CHARGES	
Property Type	**Average Actual Rent**
1 Bed House	£78.50
1 Bed Flat	£70.22
2 Bed House/ Bungalow	£93.39
2 Bed Flat	£100.38
3 Bed House	£115.69
3 Bed Flat	£122.66
4 Bed House	£145.69
4 + Bed Flat	£147.82

9.25 The financial impact of the 1% reduction for affordable rents in 2016-17 is estimated at approx. £2k.

9.26 Affordable rent guidance requires that on each occasion that an affordable tenancy is issued, whether let to a new tenant or if an existing tenancy is re-issued, the rent must be re-set based on a new valuation. The only exception is where the property is re-let to the same tenant following a probationary period coming to an end

9.27 **Non Dwelling Rents** - Income generated from aerials on tower blocks is expected to increase as a number of leases are due for renewal; £8k is anticipated in extra income. Garage rents will be increased in line with market rents.

9.28 **Service Charge Increases** – A review of the service charges within the HRA was undertaken last financial year to take into consideration Welfare Reform changes, Department of Work and Pensions requirements and feedback from the Tenant Board that they are not easy to understand. A proposal was taken to the Tenant Board on 9 October 2013 to make the service charges easier to understand and available for tenants to scrutinise. Service charges are now calculated based on actual cost. The Summer Budget 2015 announcement implied that variable service charges will not be capped or affected by the 1% reduction and this has been assumed for the budget setting process.

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

9.30 **Investment Income** – This consists of interest accruing on mortgages granted in respect of Right to Buy sales and interest on HRA balances. The base rate remains low which in turn means that investment interest will be low. The budget for 2016-17 of £75k is based on achieving an average interest rate of 0.60%.

The Housing Revenue Account Reserves

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

9.32 **Housing Revenue Account Major Repairs Reserve** – The annual Major Repairs Allowance (MRA) that was paid to the Council as part of the HRA Subsidy had to be placed in a Major Repairs Reserve, to be used to meet HRA capital expenditure on housing stock or debt repayment only. This has been replaced with the equivalent of the actual depreciation charge for dwellings being transferred to the Major Repairs Reserve. The estimated transfer to the Major Repairs Reserve for 2016-17 is £2.57m.

9.33 This funding, together with previous allocations of supported borrowing and revenue contributions, with good management, has enabled the Council to maintain the housing stock in a good condition. The Council currently maintains its social housing to Decent Homes Plus standard. As at 1 April 2015 this reserve balance was £6.5m which is higher than usual due to the difficulties over the last few years with the kitchen contract - work that was due to be undertaken during 2012-13 and 2013-14 on the kitchens was delayed and therefore funds budgeted for the back log of works have been set aside to enable a catch up programme over the next 3 years.

9.34 **Housing Revenue Account Balance Reserve** – This reserve holds the balance of the HRA Account and is used to draw down to balance the revenue budget and smooth out any peaks and troughs within the 30 year business plan. It is maintained by annual contributions from the HRA. As at 1 April 2015 this reserve balance was £5.39m, however funds have been committed for the development of the Fort Road Hotel and 93 Westcliff Road and are estimated to be at £3.44m by financial year end.

9.35 **HRA New Properties Reserve –** This reserve holds funds set aside to fund either new build properties or the acquisition of suitable properties for use within the HRA. Earmarked match funding for the Margate Intervention and Empty Property programme has been set aside in this reserve as agreed by Cabinet. As at 1 April 2015 this reserve balance was £4.70m and is due to be drawn down during the 2015-16 and 2016-17 programmes. Income generated from affordable rents will continue to be set aside in this reserve for re-investment in a new build programme.

TABLE – 4 DRAFT - HOUSING REVENUE ACCOUNT BUDGET				
	2016-17 £'000	**2017-18 £'000**	**2018-19 £'000**	**2019-20 £'000**
Expenditure				
Repairs & Maintenance	3,762	3,720	3,666	3,701
Supervision & Management – General	3,042	2,983	2,984	2,986
Supervision & Management – Special	553	560	566	573
Rents, rates, taxes and other charges	368	369	370	370
Bad or doubtful debts provision	170	170	170	170
Depreciation/impairment of fixed assets	2,816	2,816	2,816	2,816
Capital Expenditure funded from HRA	1,522	525	525	525
Debt Management Costs	9	9	9	9
Non-service specific expenditure	800	800	800	800
Gross Expenditure Sub Total	**13,042**	**11,952**	**11,906**	**11,950**
Income				
Dwelling Rents (gross)	-12,900	-12,773	-12,652	-12,537
Non-dwelling Rents (gross)	-227	-228	-230	-231
Charges for services and facilities	-382	-390	-398	-406
Contributions towards expenditure	-266	-266	-266	-266
Income Sub Total	**-13,775**	**-13,657**	**-13,546**	**-13,440**
Net Costs of Services Sub Total	**-733**	**-1,705**	**-1,640**	**-1,490**
HRA Investment Income	-76	-76	-76	-76
Debt Interest Charges	1,170	1,170	1,170	1,162
Government Grants and Contributions	-610	0	0	0
Adjustments made between accounting basis and funding basis	602	602	1,430	602
(**Surplus)/Deficit on HRA**	**353**	**-9**	**884**	**198**
Housing Revenue Account Balance:				
Estimated Surplus at Beginning of Year	-3,449	-3,096	-3,105	-2,221
(Surplus)/Deficit for Year	353	-9	884	198
Estimated Surplus at End of Year	**-3,096**	**-3,105**	**-2,221**	**-2,023**

10.0 THE HRA CAPITAL BUDGET

10.1 A minimum level of £10k has been set for capital expenditure on a fixed asset which is expected to be in use for more than one year. Capital expenditure below this value is not treated as capital and is therefore not recorded on the asset register or funded from capital resources. Capital expenditure can be met from loans, capital receipts, capital grants or revenue contributions.

10.2 Due to the complex and large scale nature of capital projects, the original budgets have to be based on estimations that often need revising as the project advances.

10.3 The HRA Asset Management Strategy

10.4 The Strategic Housing Team is currently developing a new HRA Asset Strategy. On-going work has been undertaken to identify underutilised garage areas and a programme of New Build sites have been identified for development. The Council continues to review the land holdings within the HRA to develop a long-term new build programme. As part of the review, those small areas of land that no longer meet housing requirements and are not considered suitable for development will be reviewed for disposal to generate further capital receipts for re-investment into the new build programme.

10.5 The existing housing stock is continually reviewed for its suitability to provide good quality housing. Where stock is identified that requires considerable capital investment which far exceeds its worth to the authority, and or it has a greater market value consideration, will be given to disposal in order to generate capital receipts to fund new developments to increase the number of units or re-investment into the existing stock. The disposal of Coast Guard Cottages has recently been identified as falling into this category.

Available Capital Funding

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

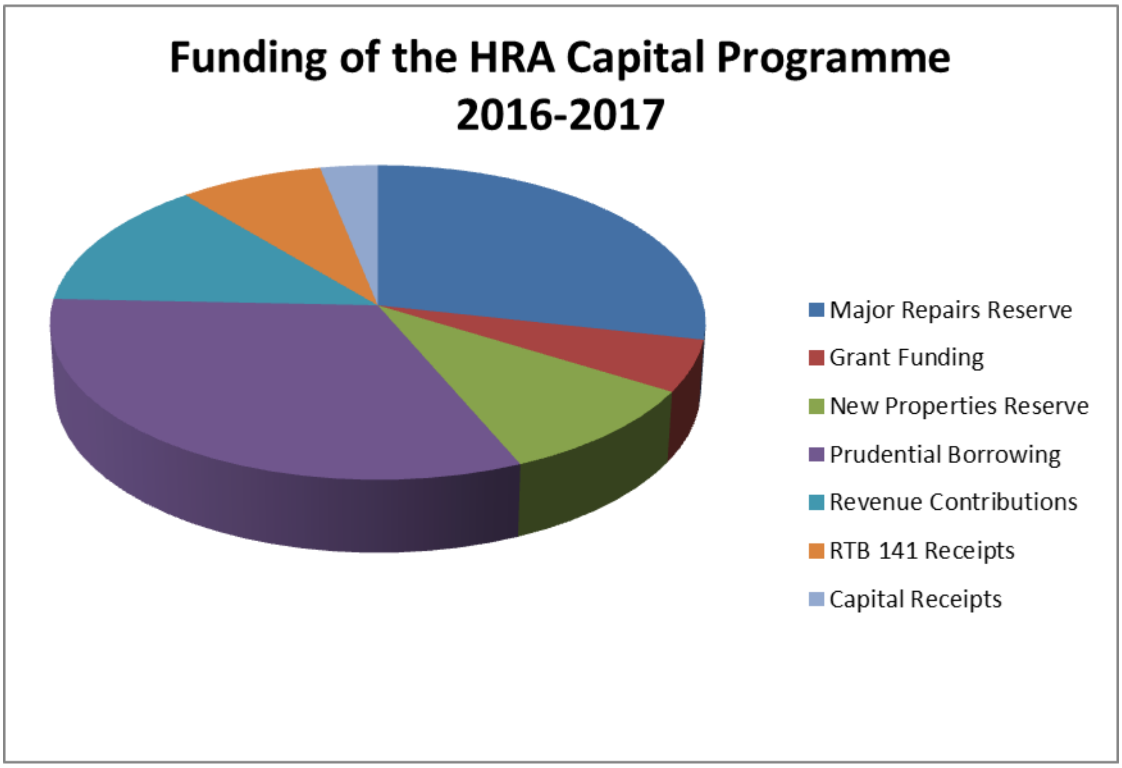
10.7 **Capital Grants –** These are offered by Government Departments to assist with certain types of expenditure. The HRA has recently been awarded £1.37m funding towards the delivery of a new build programme for 58 new affordable units within the district from the Homes and Communities Agency (HCA) Affordable Homes Programme 2015-18.

10.8 **Housing Capital Receipts** - On the 26 July 2012 Cabinet gave approval to enter into an agreement with the Secretary of State for Communities and Local Government which allows the Council to retain additional Right to Buy receipts over and above that budgeted by Treasury. Under this regime, Treasury receive 75% of income on sales for approximately the first four right to buy properties and the Council is able to keep all of the sales income over and above.

10.9 **Unsupported Borrowing –** The Local Government Act 2003 gave local authorities the ability to borrow for capital expenditure above the level supported by Government Grant, provided that such action complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Prudential Borrowing ("The Prudential Code"); the objectives of which are to ensure that capital investment plans are affordable, prudent and sustainable. Essentially, it provides a number of controls to ensure that the Council does not incur additional debt without fully understanding the financial implications both now, and in the future. A housing debt cap of £27.792m has been set for the Council, being the maximum amount the HRA can borrow which must not be exceeded. This differs from the way the maximum debt levels are set within the General Fund, which are governed by the Prudential Code and the setting of a number of indicators. The Council was successful in a bid to the Local Growth Fund to have the HRA borrowing cap increased by a further £1.11m in order to deliver an additional 20 affordable units between 2015 and 2018.

10.10 **HRA Capital Reserves** – A summary of the HRA reserves has been detailed in para (9.31). The major repairs reserve is used to fund expenditure on the council housing stock and the new properties reserve is utilised to fund the creation of new affordable homes.

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



The Capital Programmes for 2016-17 to 2019-20

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

10.13 The Roofing programme was re-tendered in 2015-16. A number of blocks have been surveyed and are in need of roof replacements in 2016-17 and 2017-18. These properties also require structural works and so both works will be carried out at the same time to make best use of scaffolding costs. Some properties have also been identified from the stock condition database as needing roof replacement surveys to be carried out.

10.14 A number of properties have been identified as needing structural and repointing works. Where applicable these works will be carried out at the same time and budgets have been combined to accommodate this.

10.15 The new cyclical external repair and refurbishment contract is currently being re-tendered and this will include both external decoration works and repointing associated with external decorations.

10.16 Kitchen and Bathroom replacement budgets have been increased to reduce the back log of work incurred whilst the previous contract was terminated and re-tendered. It is intended that this will continue for another three years to bring the replacement programme back on schedule. Re-wiring is now completed at the same time as kitchen replacements and so the budget has been increased by £50k p.a. to allow for these works to be carried out.

10.17 A report has been carried out to review fire safety. A number of works have been identified from this report and a three year programme has been proposed.

10.18 The communal heating systems at the high rise tower blocks are currently under review. Any works identified will be deferred until the stock condition survey data has been completed. A full review of the viability of the tower blocks will be carried out in 2016-17.

10.19 A number of blocks have been identified as in need of door entry system upgrades and replacements. The budget has been increased by £5k in 2016-17 to allow these works to be carried out.

10.20 Thermal Insulation works are currently being carried out when the property becomes void. The properties in rural locations are due for a review and are most likely to require works to be carried out following the survey. As a result the budget has been increased by £50k in 2016-17.

10.21 Disabled adaptions budgets have been increased by £70k p.a. to cope with demand.

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

10.23 With the flexibilities now available as part of the self-financing changes, the Council is currently developing an HRA Asset Management Strategy to review land and buildings within the HRA, including garage sites to ensure they are being put to best use and obtaining value for money for the tenants. This has been the driving factor towards the first tranche of a new development programme for the HRA consisting of 58 new units. The second phase of the new build development programme is to be funded by HCA grant funding, HRA reserve balances and prudential borrowing.

10.24 As mentioned in para (10.9) the Council has recently made an application to Government to extend the borrowing headroom by a further £1.11m to facilitate the building of a further 20 new units of affordable accommodation. The 20 units will be funded by Right to Buy 1-4-1 receipts and prudential borrowing.

10.25 A detailed breakdown of the HRA capital programme is provided in Annex 4.

11.0 The Draft Capital Budgets 2016-17 to 2019-20

11.1 The draft Housing Revenue Capital Programme for 2016-17 that is proposed for Members' approval is £11.4m, which will be funded from the HRA reserves, revenue contributions to capital, prudential borrowing, grant funding and RTB 1-4-1 receipts. A summary of this programme and the proposed funding sources are shown in the following table:

TABLE 5 – DRAFT HRA CAPITAL PROGRAMME				
	2016-17 £'000	**2017-18 £'000**	**2018-19 £'000**	**2019-20 £'000**
Total HRA Capital Programme Expenditure	11,450	3,615	3,495	3,195
HRA Capital Resources Used:				
HRA Major Repairs Reserve	**3,260**	**3,090**	**2,970**	**2,670**
HRA Revenue Contributions	**1,522**	**525**	**525**	**525**
New Properties Reserve	**1,479**			
Grant Funding	**610**			
Prudential Borrowing	**3,675**			
RTB 1-4-1 Receipts	**904**			
Total Funding	11,450	3,615	3,495	3,195

12.0 GENERAL FUND CAPITAL PROGRAMME

12.1 A minimum level of £10k has been set for capital expenditure on a fixed asset which is expected to be in use for more than one year. Capital expenditure below this value is not treated as capital and is therefore not recorded on the asset register or funded from capital resources. Capital expenditure also includes grants that are provided for the enhancement of buildings to increase the extent to which they can be used by a disabled or elderly person. Capital expenditure can be met from loans, capital receipts, capital grants or revenue contributions.

12.2 Due to the complex and large scale nature of capital projects, the original budgets have to be based on estimates 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.

12.3 **The Asset Management Strategy**

12.4 By far the largest element of the Council's capital worth (as represented by the fixed asset values on the Balance Sheet) is in its property holdings, with a total of £180 million showing as the net book value of all property assets as at 31 March 2015 (after depreciation has been applied). In line with Government and best practice guidelines, the Council is required to have prepared and published an Asset Management Strategy (AMS) which outlines its approach to its material asset holdings. This is to ensure that it acts responsibly in terms of undertaking a stewardship role over valuable public assets whilst deriving the maximum use from them in terms of service delivery so that value for money is able to be evidenced.

12.5 The Council's Asset Management Strategy outlines the principles, criteria and processes that form the cornerstone of the following draft Capital Programme. This requires a continuous assessment of the relative value of an asset (both financial and non-financial) in order to ensure that the Council's investment in its assets is working to optimum effect. This is especially important in the current financial climate, where assets that are no longer viable or surplus to requirements need to be disposed of in order to reduce the Council's liabilities and to generate capital receipts to fund new developments or be transferred for Community benefit.

12.6 **Capital Receipts**

12.7 The level of capital receipts available from the sale of surplus assets has been limited over the last few years. Reasons for this have included the economic situation, assets being removed from the disposal list following consultation, and capital funding being switched from reserves to capital receipts wherever possible due to significant pressures on the Council's revenue budget. The proposed programme of capital expenditure is sensitive to projections of available capital funds. Members should note that this will be monitored closely during the 2016-17 financial year, as it may be necessary to adjust the programme in year depending on asset disposal and funding outcomes.

12.8 No assumption has been made with regard to the utilisation of any anticipated receipt with regard to the Royal Sands Development. In the event that a capital receipt is forthcoming it will be allocated as is usual for all capital receipts within the capital bid process and scoring regime.

13.0 THE CAPITAL BUDGET STRATEGY

13.1 Although the Asset Management Strategy is used to inform the capital budget, it is only one element. In order to ensure that the capital budget is able to meet the Council's needs in the wider sense and to manage the impact on the revenue budget, the development and use of the capital programme is underpinned by a capital strategy as follows:

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

13.2 Due to the limited availability of capital receipts and the need to contain the level of borrowing undertaken to minimise the revenue impact, it has been necessary to review the Capital Programme. This is to ensure sufficient funding is available for existing schemes that have commenced and that any new projects are of the highest corporate priority and/or reduce the pressure on the revenue account. Bids have been assessed, scored and reviewed by the Council to ensure they focus on its core priorities. The results of the scoring process will be shared with the Portfolio Holder for Finance and Estates.

13.3 The level of resources available raises a number of issues and risks for future years, which need to be addressed. Over the past few years the Council has seen significant constraints in its available capital receipts. It is difficult to estimate the funding level achievable, as a number of changes often arise to the asset disposal programme once the consultation process has been completed. In the event that sufficient disposals cannot be realised in 2016-17 onwards this will result in a further need to take action, which could increase the revenue pressure on the General Fund. Regular monitoring will need to be reported back to members and the Capital Programme adjusted accordingly.

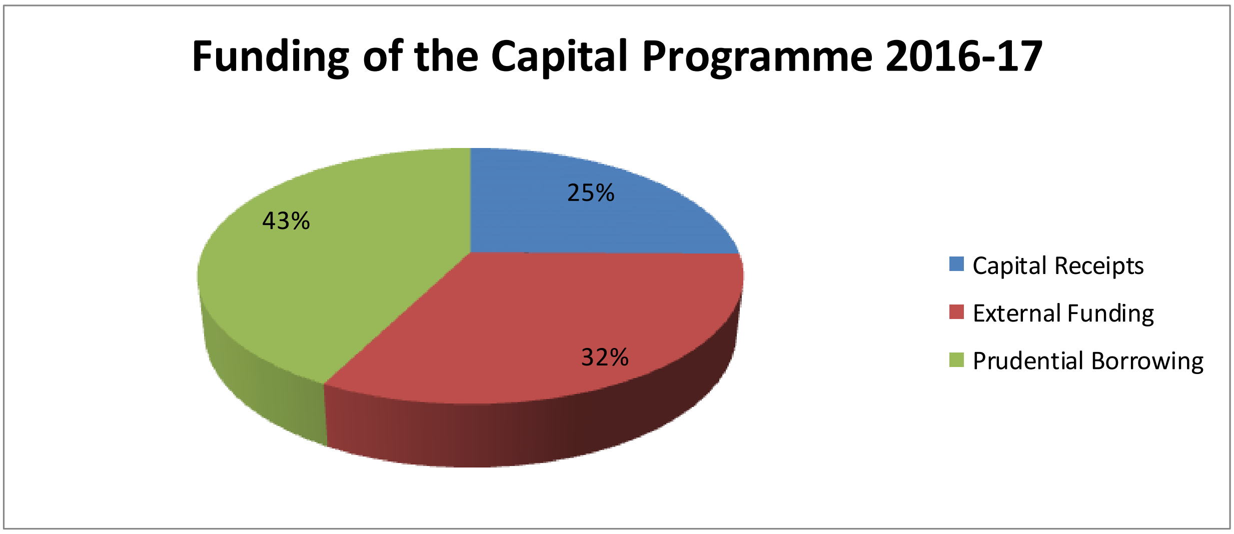
13.4 There is limited scope for future investment in new assets or making improvements to existing buildings. The asset management review will in part be driven by the need to maintain the council's significant asset-based income streams, within the context of a deterioration in the condition of those assets. The current portfolio is not maintainable with the current funding available and given the Council's funding position, this is unlikely to improve. It is likely that over the next four years some difficult decisions will need to be made on some of the asset holdings.

13.5 There are limited capital resources to fund any overspends/new requirements which could occur during the financial year. Any additional schemes during the financial year will require an existing scheme to be deferred or funds re-allocated unless there is headroom in the General Fund to borrow. A review has been undertaken of the vehicles, plant and equipment needed to deliver front-line operational services and a total budget of £2m has been estimated for this purpose for the period from 1 April 2016 to 30 March 2020 inclusive.

Available Capital Funding

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

A summary of the 2016-2020 capital resources utilised to fund the Capital programme is detailed in Annex 1, but shown graphically below.



13.7 **Capital Grants –** these are offered by external funders to assist with certain types of expenditure. Capital grants include: Environment Agency, Lottery funding and European grants. The Disabled Facilities Grants allocation for 2015-16 is £1.277m and it has been assumed that this will continue for 2016-17.

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

13.9 **Unsupported Borrowing –** The Local Government Act 2003 gave local authorities the ability to borrow for capital expenditure above the level supported by Government Grant, provided that such action complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Prudential Borrowing ("The Prudential Code"); the objectives of which are to ensure that capital investment plans are affordable, prudent and sustainable. Essentially, it provides a number of controls to ensure that the Council does not incur additional debt without fully understanding the financial implications both now and in the future. It is anticipated that borrowing of £1.839m will be required to support the General Fund Capital Programme in 2016-17.

13.10 **Capital Projects Reserve** – A mid-year review of the capital programme will be undertaken in light of the limited capital receipts achieved to date. It is anticipated any balances remaining within the capital projects reserve will be fully utilised to balance the existing 2015-16 programme.

14.0 THE CAPITAL PROGRAMMES FOR 2016-17 TO 2019-20

14.1 A number of capital programmes agreed for 2015-16 have been re-phased while schemes are being reviewed. Ramsgate Port & Harbour Low Carbon Plan £105k has moved to 2016-17, Margate Pedestrian Connections £24k, Jackey Bakers Enhancements £50k, Marina Management System £78k, Crematorium Memorial chapel £40k and Boat Wash Separator £25k have been re-phased to 2017-18.

14.2 **Existing Programmes already agreed** – Programmes already agreed from previous years within the four year programme are the Disabled Facilities Grant, Swimming Pool/Sports Hall Essential Capital Repairs, Property Enhancement Programme, CCTV, Dreamland, Sea Wall Refacing Works West of Westgate Bay and East of Epple to Westgate Bay, Operational Services Vehicle Replacement Programme, Thanet Crematorium Columbaria Provision, Thanet Crematorium Memorial Chapel Area, Ramsgate Port & Harbour Low Carbon Plan and Ramsgate Main Beach Timber Groyne Installation.

14.3 **Continuing Service – Led Capital Schemes** - Due to pressure on the Council's funding position, the Property Enhancement Programme has been reduced to £nil for 2016-17 and £80k pa thereafter, the Swimming Pool/ Sports Hall Essential Capital Repairs has been reduced to £30k for 2016-17 and £nil thereafter, and the Ramsgate Port & Harbour Low Carbon Plan has been scaled down to £565k. The Public Conveniences annual capital budget has also been removed and a full review of this area will be undertaken. A review of The Disabled Facility Grant budget has identified that the Council funded element is no longer required as currently there is no waiting list for adaptations and has therefore been removed, although the externally funded element of £1.277m has been assumed as continuing. The provision for the Margate Cemetery extension has been removed, pending a review of how to take this project forward.

14.4 **New Capital Projects**

Ramsgate Port – Berth 4/5 Replacement – This project is necessary to retain an aggregate berth facility at Ramsgate. It will protect/enhance income from Ramsgate Port and reduce maintenance costs.

Ramsgate Harbour – Smart Metering – This project is for further implementation of smart metering within the inner and outer marinas where it is currently not in place. This system will enable the Council to advance-charge customers for electricity usage, which will provide administration benefits and reduce the risk of non-payment. Security will also benefit from improved access controls.

14.5 **The Draft Capital Budgets 2016-17 to 2019-20**

14.6 The draft General Fund Capital Expenditure Budget for 2016-17 that is proposed for Members' approval is £4.332m (including 2015-16 slippage identified below), which will be funded in the main from capital grant, usable capital receipts and prudential borrowing. This is shown in summary format below.

TABLE 6 – DRAFT CAPITAL PROGRAMME					
	2015-16 Slippage £'000	**2016-17 £'000**	**2017-18 £'000**	**2018-19 £'000**	**2019-20 £'000**
Statutory and Mandatory Schemes		1,277	1,277	1,277	1,277
Schemes continuing from prior years	105	927	703		
Annual Enhancement Schemes		780	580	330	580
Wholly/Part Externally Funded Schemes		168	851		
Replacements and Enhancements		1,000	100		
Area Improvement					
Capitalised Salaries		75	75	75	75
Total Capital Programme Expenditure	**105**	**4,227**	**3,586**	**1,682**	**1,932**
Capital Resources Used:					
Capital Receipts and Reserves	0	1,091	592	155	155
Capital Grants and Contributions		1,402	2,268	1,277	1,277
Contributions from Revenue	0	0	0	0	0
Prudential Borrowing	105	1,734	726	250	500
Total Funding	**105**	**4,227**	**3,586**	**1,682**	**1,932**

15.0 RESERVES

15.1 **General Reserve**

15.2 The Local Government Finance Act 1992 requires precepting authorities, such as Thanet District Council, to have regard to the level of reserves needed for future expenditure when calculating the budget requirement. Each year the Council reviews its level of reserves and a draft proposal of the recommended levels of reserves is shown at **Annex 5** to this report. No change in reserves is currently proposed.

15.3 **Earmarked Reserves**

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

15.5 At the end of the financial year 2014-15, the Council had to utilise some funds set aside in earmarked reserves to provide an increased provision for liabilities in relation to animal exports. Further payments have taken place during 2015-16 which have utilised the provision set aside and required further draw down from earmarked reserves. The Council currently has an outstanding investigation with the Health and Safety Executive in relation to some employees.

15.6 It has been necessary during the year to undertake a review of the Capital Programme and revise funding sources to enable the Insurance and Risk Management reserve to be increased to fund one off liabilities the Council may face.

TABLE 7 – PROPOSALS FOR RESERVE HOLDINGS FOR 2015-16						
Reserve	**Balance 31.3.15 £000's**	**Proposed Drawdown 2015-16 £'000s**	**Proposed Contribution 2015-16 £'000s**	**Estimated Balance 31.3.16 £'000s**	**Proposed Drawdown/ Contribution 2016-17 £'000s**	**Proposed Balance 31.3.17 £'000s**
Capital Projects Reserve	954	-954	0	0	0	0
Council Election Fund	118	-118	40	40	40	80
Cremator and Cemeteries	406	-480	126	52	126	178
Destination Management	400	-250	0	150	0	150
Decriminalisation Fund	210	-40	0	170	0	170
Dreamland Reserve	117	0	0	117	-117	0
East Kent Services Reserve	303	-203	0	100	0	100
Economic Development & Regen	198	-98	0	100	0	100
Environmental Action Plan	162	-162	0	0	0	0
General Fund Repairs	316	-316	40	40	0	40
Homelessness Fund	276	0	0	276	0	276
Housing Intervention Reserve	172	-100	0	72	0	72
Information Technology Investment	311	-100	0	211	0	211
Local Plan	418	-113	0	305	0	305
Maritime Reserve	356	-356	0	0	0	0
NDR Equalisation Reserve	1,205	-1,030	0	175	0	175
New Homes Bonus Reserve	137	-137	0	0	0	0
Office Accommodation	31	-31	0	0	0	0
Pay & Reward Reserve	291	-185	0	107	0	107
Pensions Fund	412	-220	0	192	0	192
Priority Improvement Reserve	478	0	0	478	0	478
Renewal Fund	10	-10	6	6	0	6
Risk Management	103	0	2,000	2,103	-2,000	103
Slippage Fund	1,101	-1,101	0	0	0	0
Unringfenced Grants	353	-193	0	160	-160	0
VAT Reserve	433	-300	0	133	0	133
Vehicle, Plant and Equipment Reserve	227	0	350	577	-577	0
Waste Reserve	13	0	0	13	0	13
Total	**9,511**	**-6,497**	**2,562**	**5,577**	**-2,688**	**2,889**

Using Reserves for Planned Expenditure

15.7 **General Reserves –** The reserve stands at the recommended level per the risk assessment shown at Annex 5. There are no planned withdrawals from the General Fund balance to support the base budget.

15.8 **Using Reserves to Support the Net Budget Requirement** – Aside from using earmarked reserves to meet planned but irregular expenditure, reserve balances can also be used to provide additional funds to simply contribute towards the bottom line funding requirement. Given that reserves are one-off funds their use in this way should be by exception, as to use them to meet on-going base expenditure will ultimately give rise to a 'structural gap' which will need to either be met from future base savings, or additional base growth as in previous years. For 2016-17 a sum of £40k is proposed to be utilised from the Decriminalisation Reserve.

15.9 **2016-17 General Fund Revenue Budget Proposals**

15.10 The impact of the above changes when applied to the 2015-16 base give a net budget requirement of £19,086k for 2016-17 which is considered sufficient to enable the delivery of the Council's statutory services as well as its priority discretionary services.

15.11 A summary of the key changes that have been made to arrive at the draft General Fund Revenue Budget for 2016-17 is shown in Table 8:

TABLE 8 - GENERAL FUND REVENUE BUDGET	
	2016-17 £'000
Opening Funding Position	19,631
Budget Pressures (including Inflation)	775
Savings	-1,036
Fees & Charges	-244
Net Service Revenue Budget	19,126
Decriminalisation Reserve contribution to traffic related services	-40
Net Budget Requirement	**19,086**
Funded by:	
Government Funding (including RSG Business Rates and New Homes Bonus)	10,211
Collection Fund Surplus	163
Council Tax	8,712
Net Financing	**19,086**
Tax Base	**40,691**
Indicative Band D Council Tax	**214.11**
% increase on Band D	1.97%

16.0 COUNCIL TAX FOR 2016-17

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

16.2 The 1.97% increase identified in the above table represents a £170k increase when applied to the revised tax base of 40,691.

17.0 A STATEMENT OF ASSURANCE FROM THE SECTION 151 Officer

17.1 Under the Local Government Act 2003 the Chief Finance Officer, who for Thanet District Council is the Director of Corporate Resources and Section 151 Officer, is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves. This has to be done after consideration of the context within which the Council is required to operate, both in the short and medium term.

17.2 The main areas of uncertainty which could put the budget under pressure for 2016-17 are future cuts in government funding, the delivery of savings, the achievement of income targets and uncertainties around the full impact of potential one-off liabilities. Whilst there are other areas of uncertainty around budget estimates for planned expenditure, the risk of overspending can largely be controlled by officers. It is a fact that the draft budget relies upon the delivery of substantial savings, however, the estimates for these have been developed by the Service Managers who are responsible for their delivery, with the guidance of the Financial Services staff, and as a consequence the figures contained within this report are believed to be achievable. Increases in fees and charges have been proposed with due regard to like charges elsewhere in the county and differential rates are used to take account of socio-geographical factors. The consideration that has gone into the production of the budget estimates, combined with the fact that the Council has an up to date financial system in place and operates sound budget monitoring and other financial control systems, means that the Chief Finance Officer believes the Council is well placed to deliver against the budget proposals presented within this report.

17.3 As regards the level of reserves, the proposals are supported by a robust financial risk assessment and their purpose is clearly laid out and well understood. The level of earmarked reserves are reduced substantially over 2015-16 and 2016-17 and this limits the flexibility of the Council to accommodate significant unexpected adverse financial events, as well as placing constraints on the Council's ability to exploit opportunities. The maintenance of a general contingency of 12% of net revenue expenditure provides some comfort, but overall there is less headroom in the 2016-17 budget and 2016-20 MTFP which will be reflected in the level of financial controls and compliance over the short and medium term.

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

18.0 OPTIONS

The scenario presented in this report, and the recommendations following, have been drafted to meet the requirements of agreed budget strategies and to take account of prevailing economic conditions. Any of the assumptions could be varied; however, there would be too many possible permutations to present in this report. The proposals in this report represent a balanced budget and any variations to the proposals would require proper costing before agreement.

19.0 CORPORATE IMPLICATIONS

19.1 **Financial and VAT**

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

19.3 Based upon the financial risk assessment contained within Annex 5, it would at this stage be appropriate to maintain General Fund balances of at least 12% of the net service revenue base.

19.4 **Legal**

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

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

19.7 **Corporate**

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

19.9 **Equity and Equalities**

19.10 There are no equality issues identified in respect of the savings highlighted in these budget proposals as these budget cuts will not impact on service delivery. Any further impacts of the budget proposals identified at service level will be assessed by the service managers where there is a relevance to the duty. A full assessment of the equality impact will be undertaken for any specific service changes.

19.11 A five week public consultation was held giving local residents and businesses an opportunity to comment on the budget proposals. The consultation was available to complete online and hard copy surveys were made available on request, for collection from the council offices and local libraries and printed in the local newspaper. Promotion was undertaken throughout the five week period, including social media, website, press and posters. A total of 617 responses were received by the closing date. The HRA budget, including the proposed rent increases, was presented to the Tenant Area Board. A Business Rates Stakeholder meeting was undertaken on the 18 January to discuss the Council's corporate Priorities and consultation and changes with regards to the Business Rates proposals.

20.0 Recommendations

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

20.2 That Members approve the draft General Fund Revenue budget estimates for 2016-17 to 2019-20 and the resulting budget requirement for 2016-17.

20.3 That Members approve that the level of general reserves be held at £2.011m, and specific earmarked reserves be used as identified in Annex 5.

20.4 That Members approve the HRA budget estimates for 2016-17 to 2019-20 and the HRA services charges as shown at Annex 3.

20.5 That Members delegate the approval of the EK Housing Management Fee to the Director of Community Services in consultation with the Portfolio Holder for Housing and Planning.

20.6 That Members agree to a reduction in the grant to minor preceptors as per section 3.15.

20.7 That Members approve the General Fund and Housing Revenue Account Capital Budgets for 2016-17 as detailed at Annexes 2 and 4.

21.0 Decision Making Process

21.1 Cabinet is responsible for proposing the budget to Full Council. The final budget proposals will go to Council for approval on 4 February 2016 after being considered by Overview and Scrutiny Panel on 26 January 2016.

Contact Officer:	Nicola Walker – Interim Head of Finance Matt Sanham – Corporate Finance Manager
Reporting to:	Tim Willis – Director of Corporate Resources and S151 Officer

Annex List

Annex 1	Medium Term Financial Plan
Annex 2	GF Draft Capital Programme
Annex 3	HRA Tenant Service Charges
Annex 4	HRA Draft Capital Programme
Annex 5	Financial Risk Assessment and Level of General Fund Reserves

Background Papers

Title	Where to Access Document
Medium Term Financial Plan 2015-2019	Full Council 5th February 2015 http://tdc-mgapp-01:9070/Published/C00000141/M00003473/AI00023094/$Annex1MTFP201519v6.docxA.ps.pdf
EKH Tenant Forum Agenda	13th January 2016

Corporate Consultation Undertaken

Finance	Tim Willis, Director of Corporate Resources & Section 151 Officer
Legal	Tim Howes, Director of Corporate Governance & Monitoring Officer
Communications	Hannah Thorpe, Head of Communications

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The Medium Term Financial Plan 2016 - 2020

Thanet District Council

Introduction

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

The main objectives of the MTFP are to:

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

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

Executive Summary

The National and Local Economic Outlook

The current economic climate and that of recent years has had a considerable impact on the Council, particularly due to its strong reliance on revenue from interest on reserves and fees and charges. The Bank of England base rate has remained at an historic low of 0.5% which has resulted in reduced investment receipts for the Council.

The council finds itself in an extremely challenging financial period as central Government continues with its drive to reduce the national deficit. Local government as a whole has continued to face larger reductions than other parts of the public sector. This Authority has, as a result, seen significant cuts in government funding over the last four years and further cuts are anticipated over the coming years. The council has already made savings of £7.1m between 2011-12 and 2015-16, primarily due to the reduction in government grant. These savings have been achieved through a variety of approaches including sharing services with our neighbouring councils, reviewing our staff structures and service efficiencies, however there remains pressure to deliver further savings of £1.7m to balance the 2016-17 budget and it is increasingly difficult to find these without impacting on frontline services.

The Business Rates Retention Scheme (which is detailed further within this MTFP) provides further uncertainty. The financial risk associated with businesses leaving the district now passes to the Council (subject to a safety net) whilst any incentive from encouraging new business growth is likely to be minimal. The Council has received notification that it has been accepted along with most other Kent authorities, to operate a business rates retention pool for a second year which would go some way to mitigating this risk.

The new localised Council Tax Reduction Scheme replaced the Council Tax Benefit system from 1 April 2013. The Government transferred the responsibility for the design of the scheme to local authorities (subject to certain nationally set criteria), together with the transfer of the financial risks. The funding associated with this scheme was reduced by 14% which for Thanet District Council equated to a reduction of approximately £2.2m. The Council introduced a scheme which reduced the support given to working age claimants by 5.5% and removed second homes and empty property discounts. The principles of the scheme have been rolled into 2016-17. The risk of increases in the number of claimants is being underwritten by the major preceptors to 2016-17. Although to date the Council is not experiencing a significant increase in arrears following the introduction of the scheme, there is a risk that the number of bad debts could increase once the impact of the other Welfare Reforms are felt by residents.

The Council has recently gone live with the first tranche of Universal Credit payments from 12th October 2015, it is anticipated that numbers in the first tranche will be low. However, the Council has engaged with delivery partners to provide budgeting and ICT support to applicants where required. It is still too early to ascertain any financial impact for the Council although delivery partners are assisting the Council in providing preventative delivery support to reduce the level of arrears and hardship incurred. Other welfare reforms regarding housing benefit may also lead to increased arrears in housing rents which in turn may lead to an increase in homelessness.

Recent announcements to reduce social and affordable housing rents have reduced the available funds for re-investment in the existing housing stock and the delivery of new affordable accommodation. Over the rental decrease period of 2016-2020 it is estimated the Housing Revenue Account will see a reduction to its rental income stream of at least

£4.56m. This has required the Housing Revenue Account 30 year Business Plan to be re-modelled with the revised assumptions to ensure a sustainable and robust plan.

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

The Medium Term Financial Plan

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

The General Fund Revenue Account

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

The net budget requirement (after taking into account income from fees and charges and other specific grants) is met by a combination of Central Government Funding (53.5%) and Council Tax (46.5%). With just over half of the Council's net budget being funded from Government, a reduction in this funding makes the task of continuing to improve and evolve whilst honouring the commitment to keep Council Tax increases as low as possible very difficult to achieve.

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

Table 1

Summary General Fund Revenue Proposals 2016–20

	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Net Budget Requirement	**19,086**	**18,424**	**18,243**	**18,151**
Increase in Council Tax	1.97%	1.99%	1.99%	1.99%

This assumes that there will be further cuts of 13.1%, 8.1% and 9.8% in funding for future years.

Reserves

Councils must have regard to the level of reserves needed for estimated future expenditure when calculating the budget requirement. The Council has reviewed its level of reserves, taking account of the financial risks that could pose a threat to the Authority over the medium term. As a result of this exercise, the Council has set its optimal level of general reserves of at least 12% of the net 15-16 revenue budget, which is felt to be a sufficient level of contingency. There are no plans over the medium term to use any of the general reserves to support the base budget.

In addition to the general reserve, a number of earmarked reserves exist. These reserves have been drawn down substantially and are further proposed to be used in 2016-17, to accommodate one-off costs including the payment of claims related to live animal exports. The remaining reserves are set aside for specific purposes and essentially allow funds to be saved over a number of years for large and often one-off items of expenditure, thereby smoothing the impact on Council Tax. The need for these reserves has also been considered over the medium term.

The Housing Revenue Account

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

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

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

Table 2

Summary Housing Revenue Account Revenue Proposals 2016–20

	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Expenditure	13,042	11,952	11,906	11,950
Income	-13,775	-13,657	-13,546	-13,440
Net Cost of Services	**-733**	**-1,705**	**-1,640**	**-1,490**
Other	1,086	1,696	2,524	1,688
Net Operating Expenditure	**353**	**-9**	**884**	**198**
HRA Balance:				
Surplus at the start of the year	-3,449	-3,096	-3,105	-2,221
Surplus at the end of the year	-3,096	-3,105	-2,221	-2,023

The Capital Programme

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

Although the Council can borrow to fund its capital expenditure, the cost of the repayments often makes this option unaffordable and so its future capital requirements in the medium term will depend upon a well managed programme of asset disposals; using assets that are no longer suitable or cost effective to fund the acquisition and development of assets for improved service delivery. The Council's Asset Management Strategy outlines the principles, criteria and processes that form the cornerstone of the Capital Programme. This requires a continual assessment of the relative value of an asset (both financial and non-financial) in order to ensure that the Council's investment in its assets is working to optimum effect. This is especially important in the current financial climate, where assets that are no longer viable or surplus to requirements need to be disposed of in order to reduce the Council's liabilities and to generate capital receipts to fund new assets Due to the limited availability of capital receipts and the need to contain the level of borrowing undertaken to minimise the revenue impact, it has been necessary to review the Capital Programme. This is to ensure sufficient funding is available for existing schemes that have commenced and that any new projects meet the corporate priority and/or reduce the pressure on the revenue account. Bids have been assessed, scored and reviewed to ensure they focus on the core priorities of the Council. It is important therefore, that only the most important schemes are selected against the limited resources.

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

Table 3

The Capital Programme 2016–20

	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Statutory and Mandatory Schemes	1,277	1,277	1,277	1,277
Schemes continuing from prior years	927	703		
Annual Enhancement Schemes	780	580	330	580
Wholly/Part Externally Funded Schemes	168	851		
Replacements and Enhancements	1,000	100		
Capitalised Salaries	75	75	75	75
Housing Revenue Account Schemes	11,450	3,615	3,495	3,195
Total Capital Programme Expenditure	**15,677**	**7,201**	**5,177**	**5,127**
Capital Resources Used:				
Capital Receipts and Reserves	6,734	3,682	3,125	2,825
Capital Grants and Contributions	2,012	2,268	1,277	1,277
Contributions from Revenue	1,522	525	525	525
Prudential Borrowing	5,409	726	250	500
Total Funding	**15,677**	**7,201**	**5,177**	**5,127**

Detailed Medium Term Financial Plan

The following pages provide more detail of the Council's financial plans over the medium term. The 2016-17 budget is balanced, and reserves are forecast to remain above £2.01m. The net budget requirement, for the Council's own purposes, is £19.086m.

The Local Government Finance Environment

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

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

The General Government Grant is allocated by a complex model which amongst other things takes account of the relative need of an area and the ability to raise taxes locally (based on an area's council tax base). It is made up of two elements: the baseline funding level (in respect of business rates) and the Revenue Support Grant (to support council services). The Council has faced significant cuts in funding over a number of years, this has seen the net revenue budget reduced by around 27% from 2010-11 to 2015-16. The Financial Settlement issued on 17 December 2015 announced further reductions in funding for 2016-17 of 14.8% as well as those of future years, however it did give some assurance around future settlement figures. For the purpose of MTFP assumptions these reductions have been factored in for future years as follows: 13.1% 2017-18, 8.1% 2018-19 and 9.8% 2019-20.

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

Council Tax Referendum and Council Tax Freeze

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

The Government has determined that any Council Tax increases above 2% will be considered excessive and therefore any authority proposing an increase above this level will therefore be subject to consultation with the public via a referendum. The cost of such a referendum for this Council would be in the region of £80k.

Council Tax was held at the same level as 2010-11 through to 2015-16 however, the 2016-2020 MTFP assumes increase of 1.99% year on year and the 2016-17 increase is proposed to be 1.97%.

The tax base upon which the Council Tax is set has been agreed as 40,691 Band D equivalents for 2016-17. This reflects a proposed collection rate of 97.25% which is considered reasonable in light of recent payment trends.

The Local Context

Quality Services Directed Towards Community Priorities

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

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

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

Members and Officers alike have high aspirations for the Council but the constraints on the budget mean that services and future developments need to be prioritised. In some cases, planned service enhancements have had to be scaled back and future investments re-phased. The Council previously adopted new ways of working, including shared services, to enable it to concentrate on the core council aims whilst still delivering basic council services well. The Council will develop its future budget plans to protect its key priority services, such as Street Cleansing, Refuse Collection and Recycling; and Community Safety and Crime Reduction from budget reductions that will threaten service delivery, as far as possible. The Council remains committed to promoting a culture of continuous improvement to ensure that it delivers good value for money for its residents.

The Corporate Plan Framework

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

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

This will involve us:

- Continuing to improve waste and recycling services, reducing waste and increasing recycling.

- Keeping streets, parks and open spaces clean for residents and visitors
- Maintain zero tolerance to encourage positive behaviour to help improve our environment

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

This will involve us:

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

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

This will involve us:

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

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

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

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

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

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

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

The General Fund Revenue Account

Overview

The General Fund Revenue Account is charged with any expenditure incurred on delivering the Council's services or meeting its day to day expenses that are not covered by legislation relating to the Housing Revenue Account, or can not be treated as capital expenditure. The majority of Thanet's expenditure (circa 84%) is charged here.

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

Fees and Charges

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

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

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

- Charging decisions will be taken in the context of the Council's Priorities as set out in its Corporate Plan;
- Access, affordability and elasticity of demand will be considered;
- Charges will be consistent with the Council's policies e.g. consideration will be given to any disproportionate impact on vulnerable groups and those least able to pay;
- Where services are provided on a trading basis, charges will be set at the maximum level the market can bare without eroding demand such that the overall financial position of the service offering is weakened;
- Charges will be benchmarked with comparable local authorities and where they are identified as being significantly lower than in other comparable authorities, increases will be fast tracked in order to bring them in line;
- Charges will not be set at a level above other comparable authorities simply to meet efficiency targets or in response to comparatively higher costs for providing services in Thanet;
- The impact of uptake will be considered so that charges are set at a level that would confer a more favourable financial position;
- Any exemptions and concessions on standard charges will be clearly justified. They will only be provided for services where benefits to the recipient groups are clearly evidenced. The Council will consider the adoption of a concessions policy as part of the review of fees and charges to help address inequalities within the district. Any approved policy will be included on the Council's website; and
- Enforcement charges will be set at a level proportionate to the nature of the offence and comparable charges in comparable authorities.

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

External Funding

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

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

Developing the General Fund Revenue Budget

The General Fund Budget Strategy

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

The Council's Revenue Budget Strategy is:

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

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

The budget for 2016-17 and the three years that follow is developed by building in anticipated inflationary increases and budgetary growth needed for service developments, after which planned savings, growth in income and the use of reserves are reflected. This all has to be done so as to keep to a minimum the resulting increase in Council Tax.

The Budget Build Process

The paragraphs that follow show how the base budget for 2016-17 is built upon.

Budgetary Pressures

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

Employee Costs – A large proportion of the Council's expenditure is on staff related costs, the majority of which relates directly to service delivery. For the purposes of presenting an illustrative model of the impact of the budget strategy contained within this MTFP, a vacancy level of 3.33% of the employee budget has been assumed along with a provision for Pay for Contribution and cost of living.

Other Inflationary Increases – As a general rule the Council does not provide for price increases on goods and services, having instead to find ways to contain the increasing costs within existing budgets or negotiate a better price with its suppliers. The only budgetary growth for price increases built into the budget is where it is unavoidable, such as where it is part of the terms of an existing contract or for supplies such as energy and fuel. Where provided for, contractual increases are derived from that specified in the contract. The inflationary growth has been increased in 2016-17 to reflect the increase in insurance costs due to changes in the Insurance Premium Tax.

Service Delivery Pressures –Given the economic context in which the Council finds itself, the overarching approach to developing the budget is to keep budgetary growth to a minimum to reduce the need to find compensating savings to deliver a balanced budget. Some budgetary growth is inevitable and therefore an allowance has been made to deliver Corporate Priorities, review of salary budgets and a review of prior year decisions including savings.

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

Adjustments to Income – The budget for Housing has been reduced by £40k to reflect the anticipated loss of income from the in-house managing agent proposal in the MTFP 2012-18, further work is under way to review this option moving forward.

Key Proposals for Budget Reductions

Reductions proposals in respect of 2016-17 can be found in the main report, however there are some general categories of savings that are identified for the purposes of the MTFP planning period in order to fund budgetary pressures and to keep Council Tax increases within referendum limits:

- **Organisational efficiencies:** the redesign/merger of services and changing business processes
- **Digitalisation:** by changing the way in which services interact with customers, new technology can be utilised to reduce transaction costs as well as delivering an improved customer experience
- **Cost control:** by exercising strict control over procurement, budget monitoring, internal regulation and staffing costs
- **Shared services and outsourcing:** TDC already has partnerships with EKS, EKH and EKAP to deliver shared services and there may be greater scope to extend these arrangements if efficiencies can be delivered
- **Fundamental reviews:** alternative approaches to how the council manages its assets, and whether or not it should manage certain assets, can be considered as a result of implementing a revised asset management strategy.

Table 4

The Medium Term General Fund Revenue Budget 2016 – 2020

	2016-17	2017-18	2018-19	2019-20
	£'000	£'000	£'000	£'000
Opening Base Budget	19,631	19,126	18,464	18,283
Budget Pressures including Inflation	775	806	593	594
Savings	-1,036	-900	-400	-150
Fees and Charges	-244	-204	-204	-204
Future year reviews	0	-364	-170	-332
Net Service Revenue Budget	**19,126**	**18,464**	**18,283**	**18,191**
Use of Earmarked Reserves	-40	-40	-40	-40
Net Revenue Budget Requirement	**19,086**	**18,424**	**18,243**	**18,151**

General Fund Reserve

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

Earmarked Reserves

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

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

The Council has faced a number of one off costs over the past year and in order to meet its liabilities has had to undertake a review of the Earmarked Reserves and the projects they have been set aside to deliver. It is intended as part of the MTFP to generate sufficient savings/surplus over the next few years to be able re-instate the reserves utilised.

The Earmarked Reserves over the medium term are:

- **Insurance and Risk Management** – This is to meet potential increases in insurance premiums and to cover the cost of large excesses relating to insurance claims as well as unforeseen one-off risk related expenditure.
- **Local Plan Reserve** – This reserve is held to cover the future cost in relation to consultation and inspection on the Local Plan.
- **General Fund Repairs** – This reserve is held as a contingency for necessary essential repairs and maintenance works to Council assets.
- **Information Technology Reserve** – This reserve was created to control and enhance the development of new information technology initiatives with the objective of improving efficiency throughout the Council's activities. Monies are also held in this reserve to support the replacement of ICT equipment.
- **Cremator and Cemeteries Reserve** – This reserve was created to hold the surcharge element of the cremator fee. This was set aside to meet the cost of the cremator project undertaken in 2012-13 to meet the Council's environmental obligations. The surcharge on both cremations and burials will continue to be set aside in this reserve to support future burner replacement and works required at the cemeteries.
- **Decriminalisation Reserve** – The Council administers the on-road parking service but has to account for the income and expenditure separately. This reserve holds any unutilised revenues from parking charges. These are used to fund future parking, transport or environmental improvement related schemes. A sum of £40k per annum is drawn down from this reserve to meet base budget transport related costs. The funds within this reserve are not available for general Council use.
- **Priority Improvement Reserve** – This holds money set aside to fund initiatives that require one-off funding that will deliver service improvements or act as an invest to save reserve, providing initial start-up funds for projects that will ultimately save money.
- **Council Elections Reserve** – This is a saving account for the elections which occur every four years.
- **Renewal Fund** - This is a saving account for specific purposes based on the average annual amount required e.g. for the cost of CRB checks.
- **NDR Equalisation Reserve** – This reserve is to offset significant variations in benefit subsidy. Due to the volatility of this activity and the tight financial constraints

which preclude the budgets being set at a level that would be sufficient for upper activity levels, it is prudent to set aside under spends that arise in this area as a contingency for future years. This reserve will also support any potential shortfall in business rates, under the new business rates retention scheme.

- **Unringfenced Grants** – Any underspend against un-ringfenced grant funding is set aside in this earmarked reserve to be utilised in future years.
- **Waste Reserve** - This reserve holds service under-spends to support future service enhancements and the costs of replacing the waste fleet.
- **Homelessness Reserve** – Service under-spends have been set aside in this reserve to meet future homelessness needs.
- **Maritime Reserve** – This is to be used to support improvement works at the Port and Harbour and for income protection/maximisation works.
- **Pensions Reserve** – Due to the uncertainty around pensions, a reserve has been set up from pension savings in order to mitigate future risks around pensions.
- **VAT Reserve** – The receipt of monies in relation to the Council's Fleming claim have been set aside in an earmarked reserve to offset the risk of the Council breaching its partial exemption VAT limit.
- **East Kent Services** – The Council holds this budget as accountable body. It holds year end surpluses in respect to the operation of East Kent Services and the delegated responsibility for spend against the reserve is with the Director of East Kent Services.
- **Housing Intervention** – This reserve is held to support the one-off costs associated with the Housing Intervention project.
- **Economic Development and Regeneration Reserve** – This reserve is to support one-off service improvements and initiatives encouraging economic growth.
- **Pay and Reward Reserve** – This is to support the new pay and reward scheme.
- **Vehicle, Plant and Equipment Replacement** – The Council has identified that there are a number of vehicles, plant and equipment that will be coming to the end of their useful lives over the next few years. Any service in-year underspends in relation to waste, street cleansing, maritime, parks and grounds will be set aside in this reserve to support a replacement programme.
- **Dreamland Reserve** – Monies have been set aside to bolster the contingency for the Dreamland project.
- **Destination Management** – Funds have been set aside to support the objectives of the Destination Management Plan by enhancing council assets that help to support and encourage tourism.
- **HRA Properties Reserve** – This is held to support the purchase and refurbishment of HRA properties. Its usage is ring-fenced for the HRA.

The General Fund Revenue Budget Requirements

All of the stages in developing the General Fund Revenue Budget that have been described above have been used to calculate the estimated budget requirement for 2016 – 2020 which are presented in summary in Table 5.

Funding the Medium Term General Fund Revenue Budget

Local Government Finance Settlement

The Local Government Finance Settlement has announced the provisional figures for 2016-17 which reflect a cut of 14.8%. The Settlement also included indicative figures for 2017-18, 2018-19 and 2019-20. The Council Tax Reduction Scheme (CTRS) is under three year agreement with KCC and 2015-16 was the last of the three years. However, in view of the significant time constraints in devising and implementing a new scheme for the financial year 2016-17, as well as the impact on claimants of national welfare changes, major preceptors and districts it has recently been agreed to extend the existing scheme for one year.

Specific Grants are received for administering the housing benefit and council tax payment and collection systems on behalf of Government. A reduction in this funding of £241k has been proposed for 2016-17.

New Homes Bonus

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

The provisional New Homes Bonus allocation for 2016-17 is £2.9m. Under the current scheme the Council will receive this for each of the following five years and will also receive additional sums for any further new homes built. However, the Government has indicated that there is to be a review of NHB and already mooted the prospect of reducing the period of payment of the annual NHB from six years to four years.

Council Tax

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

The Council's budget plans, grant predictions and the assumed Council Tax base give the projected levels of Council Tax increases which are shown in Table5.

Table 5

The Medium Term Revenue Funding Summary 2016 - 2020

	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Net Budget Requirement	**19,086**	**18,424**	**18,243**	**18,151**
Funded From:				
RSG	2,460	1,446	809	98
NDR Baseline	4,630	4,716	4,855	5,010
New Homes Bonus	2,921	2,899	2,850	2,934
Collection Fund Surplus	163	100	100	100
Business Rate Retention	200	200	200	200
Council tax	8,712	9,063	9,429	9,809
Council Tax Base	40,691	41,504	42,334	43,181
Band D Council Tax	**214.11**	**218.37**	**222.72**	**227.15**
Increase in Band D Council Tax	£4.14	£4.26	£4.35	4.43
% Increase in Band D Council Tax	1.97%	1.99%	1.99%	1.99%

The Housing Revenue Account

Overview

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

The HRA 30 Year Business Plan

The HRA Business Plan indicates that the Council can maintain its properties to the Decent Homes Standard for the full 30 years of the plan (which runs to 2046).

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

- Delivering excellent customer service – aiming for 3 stars;
- Realising greater efficiencies and savings for reinvestment;

- Encouraging stronger and more prosperous communities;
- Improving procurement capacity;
- Providing additional investment for council housing estates;
- Ensuring longer term resilience for the council's individual Housing Revenue Accounts;
- Establishing a stronger housing role for the councils;
- Developing a stronger role for tenants in shaping housing services;
- Improving career opportunities for staff.

Developing the Housing Revenue Account

The Housing Revenue Account Budget Strategy

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

The Council's Housing Revenue Account Strategy is:

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

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

Budgetary Growth

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

Increased Income

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

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

Rents – As part of the Summer Budget 2015 the Government announced that both Social and Affordable Rents would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-2021. The financial impact of the 1% baseline reduction in 2016-17 is approx. £129k on the base budget. However, the impact on the HRA Business Plan for 2016-17 is estimated at £448k as a 2% increase on base had been assumed each year. Over the rental decrease period of 2016-17 to 2019-20 it is estimated that the impact on the HRA Business Plan will be a loss in rental income of £4.56m. Future years' estimates in the MTFP after 2020 assume a 1% inflationary increase. Garage rents will be increased in line with market rents.

HRA Investment Income – This consists of interest accruing on mortgages granted in respect of Right to Buy sales and interest on HRA balances. The base rate has remained low which in turn means that investment interest will be low. Current projections for future years have been increased. The budget for 2016-17 of £75k is based on achieving an average interest rate of 0.60%.

HRA Reserves

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

Housing Revenue Account Major Repairs Reserve – The annual Major Repairs Allowance (MRA) that was paid to the Council as part of the HRA Subsidy had to be placed in a Major Repairs Reserve, to be used to meet HRA capital expenditure on housing stock or debt repayment only. This has been replaced with the equivalent of the actual depreciation charge for dwellings being transferred to the Major Repairs Reserve. This funding, together with previous allocations of supported borrowing and revenue contributions, with good management, has enabled the Council to maintain the housing stock in a good condition. The Council currently maintains its social housing to Decent Homes Plus standard

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

Housing Revenue Account New Properties Reserve – This reserve holds funds set aside to fund either new build properties or the acquisition of suitable properties for use within the HRA. Earmarked match funding for the Margate Intervention and Empty Property programme has been set aside in this reserve as agreed by Cabinet.

Income generated from affordable rents will continue to be set aside in this reserve for re-investment in a new build programme.

The Medium Term HRA Budget Requirements

The changes that are outlined in the paragraphs above have been applied to the 2016-17 budget for the Housing Revenue Account and the resulting financial projections for the HRA over the next four years are summarised in Table 9:

Table 6

The Medium Term Housing Revenue Account Budget 2016 – 2020

	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
EXPENDITURE				
Repairs and maintenance	3,762	3,720	3,666	3,701
Supervision and management – General	3,042	2,983	2,984	2,986
Supervision and management – Special	553	560	566	573
Rents, rates, taxes and other charges	368	369	370	370
Bad or doubtful debts provision	170	170	170	170
Depreciation/impairment of fixed assets	2,816	2,816	2,816	2,816
Debt Management Charges	9	9	9	9
Non-service specific expenditure	800	800	800	800
Capital expenditure funded from HRA	1,522	525	525	525
Gross Expenditure	**13042**	**11,952**	**11,906**	**11,950**
INCOME				
Dwelling Rents (gross)	-12,900	-12,773	-12,652	-12,537
Non-dwelling Rents (gross)	-227	-228	-230	-231
Charges for services and facilities	-382	-390	-398	-406
Contributions towards expenditure	-266	-266	-266	-266
Income	**-13,775**	**-13,657**	**-13,546**	**-13,440**
Net Costs of Services	**-733**	**-1,705**	**-1,640**	**-1,490**
HRA Investment Income	-76	-76	-76	-76
Debt Interest charges	1,170	1,170	1,170	1,162
Government Grants and Contributions	-610	0	0	0
Adjustments made between accounting basis and funding basis	602	602	1,430	602
(Surplus)/Deficit on HRA	**353**	**-9**	**884**	**198**
Housing Revenue Account Balance:				
Surplus(-)/Deficit at Beginning of Year	-3,449	-3,096	-3,105	-2,221
Surplus(-)/Deficit For Year	353	-9	884	198
Surplus(-)/Deficit at End of Year	**-3,096**	**-3,105**	**-2,221**	**-2,023**

The Capital Programme

Overview

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

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

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

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

The Council's Asset Management Strategy outlines the principles, criteria and processes that form the cornerstone of the following draft Capital Programme. This requires a continual assessment of the relative value of an asset (both financial and non-financial) in order to ensure that the Council's investment in its assets is working to optimum effect. This is especially important in the current financial climate, where assets that are no longer viable or surplus to requirements need to be disposed of in order to reduce the Council's liabilities and to generate capital receipts to fund new developments or be transferred for Community benefit.

Consideration for the Environment

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

Developing the Medium Term Capital Programme

The Capital Budget Strategy

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

The Capital Budget Strategy is:

- To maintain an affordable four-year rolling capital programme.
- To ensure capital resources are aligned with the Council's strategic vision and corporate priorities.

- To undertake Prudential Borrowing only where there are sufficient monies to meet in full the implications of capital expenditure, both borrowing and running costs.
- To maximise available resources by actively seeking external funding and disposal of surplus assets.
- To engage local residents in the allocation of capital resources where appropriate.

Due to the limited availability of capital receipts and the need to contain the level of borrowing the Council undertakes to lessen the revenue impact, it has been necessary to review the Capital Programme to ensure sufficient funding is available for existing schemes that have commenced and that any new projects are of the highest corporate priority.

Planned Investments

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

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

Existing Programmes already agreed – Programmes already agreed from previous years within the four year programme are the Disabled Facilities Grant, Swimming Pool/Sports Hall Essential Capital Repairs, Property Enhancement Programme, CCTV, Dreamland, Sea Wall Re-facing Works West of Westgate Bay and East of Epple to Westgate Bay, Operational Services Vehicle Replacement Programme, Thanet Crematorium Columbaria Provision, Thanet Crematorium Memorial Chapel Area, Ramsgate Port & Harbour Low Carbon Plan and Ramsgate Main Beach Timber Groyne Installation.

New Capital Projects

Ramsgate Port – Berth 4/5 Replacement – This project is necessary to retain an aggregate berth facility at Ramsgate. It will protect/enhance income from Ramsgate Port and reduce maintenance costs.

Ramsgate Harbour – Smart Metering – This project is for further implementation of smart metering within the inner and outer marinas where it is currently not in place. This system will enable the Council to advance-charge customers for electricity usage, which will provide administration benefits and reduce the risk of non-payment. Security will also benefit from improved access controls

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

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

With the flexibilities now available as part of the self-financing changes, the Council is currently developing the HRA Asset Management Strategy to review land and buildings within the HRA, including garage sites, to ensure they are being put to best use and obtaining value for money for the tenants This has been the driving factor towards the first tranche of a new development programme for the HRA consisting of 58 new units. Further works are continuing to identify surplus land and properties for on-going new build developments. The Council has recently made an application to Government to extend the borrowing headroom by a further £1.11m to facilitate the building of a further 20 new units of affordable accommodation and has recently received notification that the application has been successful.

However, given the recent changes with regard to rent setting reductions the Council will need to undertake regular project delivery reviews with regard to the new and affordable homes programmes to ensure affordability and sustainability within the set budget. It is estimated that over the next 4 years' the financial implications on the Housing Revenue Business plan with regard to a loss in rental income is anticipated to be in the region of £4.56m. This has put the housing account under considerable pressure to deliver schemes that have already been agreed and reduces the anticipated level of HRA balances available to contain any overspends or slippage.

Details of the planned capital projects for the next four years are summarised later in Table 7.

Capital Funding Sources

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

Borrowing

The local Government Act 2003 gave local authorities the ability to borrow for capital expenditure provided that such borrowing was affordable, prudent and sustainable over the medium term. The Council has to complete a range of calculations (Prudential Indicators) as part of its annual budget setting process to evidence this. These make sure that the cost of paying for interest charges and repayment of principal by a minimum revenue contribution (MRP) each year is taken into account when drafting the Budget and Medium Term Financial Plan. Over the course of this MTFP, prudential borrowing of £1.7m has been assumed for the General Fund Capital Programme in 2016-17. A housing debt cap of £27.792m has been set for the Council's HRA, being the maximum amount the HRA can borrow.

Capital Receipts

Capital receipts are generated when a fixed asset is sold and the receipt is more than £10k. Capital receipts can only be used to fund capital expenditure. All of the receipts from the disposal of an asset on the Council's General Fund (i.e. for its main services) can be kept by the Council. On 2 April 2012 Ministers raised the cap on Right to Buy discounts to £75k and confirmed that receipts from the additional sales this would generate would be used to fund replacement stock on a one for one basis. At the same time Ministers confirmed that their favoured option of delivering these new homes would be through local authorities retaining receipts to spend in their areas. In order to keep these additional receipts it was necessary to enter into an agreement with the Secretary of State for Communities and Local Government. On 26 July 2012 Cabinet gave approval to enter into this agreement. This allows the Council to retain additional Right to Buy receipts over and above that budgeted by Treasury. Under this regime Treasury receive 75% of income on sales for approximately the first four Right to Buy properties and the Council is able to keep all of the sales income over and above.

The Asset Management Strategy (AMS) – The Council's planned level of capital expenditure means that significant levels of asset sales are required. The AMS provides a framework for determining which of the Council's assets are suitable for disposal in order to fund new investments that will ensure that its property portfolio is fit for purpose. Over the course of this Medium Term Financial Plan the AMS has enabled the identification of a number of assets that can be disposed of without any detriment to service delivery, and yet improve the overall value for money represented by the Council's assets. The affordability of the Capital Programme has been based on the assumption of a certain level of capital receipts being generated, as these can be subject to change following public consultation and the Capital Programme will therefore continue to be reviewed and monitored.

Capital Grant

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

Revenue Contributions

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

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

Capital Reserves

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

Capital Projects Reserve – It is anticipated that this reserve will be fully utilised to help fund the 2015-16 Capital Programme.

The investment plans and the use of the different funding streams produce the budget for the General Fund Capital Budget that is shown in Table 7.

Table 7

The Medium Term General Fund Capital Budget

	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Statutory and Mandatory Schemes	1,277	1,277	1,277	1,277
Schemes continuing from prior years	927	703		
Annual Enhancement Schemes	708	580	330	580
Wholly Externally Funded Schemes	168	851		
Replacements and Enhancements	1,000	100		
Area Improvement				
Capitalised Salaries	75	75	75	75
Total Capital Programme Expenditure	**4,227**	**3,586**	**1,682**	**1,932**
Capital Resources Used:				
Capital Receipts and Reserves	1,091	592	155	155
Capital Grants and Contributions	1,402	2,268	1,277	1,277
Contributions from Revenue				
Prudential Borrowing	1,734	726	250	500
Total Funding	**4,227**	**3,586**	**1,682**	**1,932**

The plans that exist for capital investment into the Council's housing stock are reflected in Table8. Together the information in Table 7 and Table 8 comprises the Medium Term Capital Programme for the Council.

Table 8

The Medium Term Housing Revenue Account Capital Budget

	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Total HRA Capital Programme Expenditure	**11,450**	**3,615**	**3,495**	**3,195**
HRA Capital Resources Used:				
HRA Major Repairs Reserve	3,260	3,090	2,970	2,670
HRA Revenue Contributions	1,522	525	525	525
New Build Reserve	1,479			
Grant Funding	610			
Housing Capital Receipts	904			
Prudential Borrowing	3,675			
Total Resources	**11,450**	**3,615**	**3,495**	**3,195**

Treasury Management

The treasury management service is an important part of the overall financial management of the Council's affairs. Treasury management can be defined as the management of the Local Authority's cash flow, its banking, money market and capital market transactions the effective management of the risks associated with those activities; and the optimum performance consistent with those risks. Its activities are strictly regulated by statutory requirements and the CLG's Guidance on Local Government Investments and the revised CIPFA Treasury Management in Public Services Code of Practice and cross Sectoral Guidance Notes.

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

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

- The Council has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

- The Council maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

The Bank of England base rate has remained at an historic low of 0.5% and therefore investment returns have been very low. Investments are regularly reviewed and new accounts opened with a view to try and take advantage of the best rates available whilst minimising the Council's exposure to counterparty risk. Returns are expected to slightly increase during 2016-17.

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

Borrowing – Active management of the Council's debt portfolio is an important part of the treasury management function. The Council will take a cautious approach to its borrowing strategy. The Section 151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecasts. The Council will need to undertake additional borrowing over the next few years as old debts are due to mature and will need to be repaid. The Council will opt to take out borrowing or will consider rescheduling or repaying in due course in line with market conditions.

There are a number of factors that could impact on the interest payable/investment income of the Council, including but not limited to

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

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

Managing the Financial Risks

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

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

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

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

Financial Risk Assessment

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

Sensitivity Analysis

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

Table 9

Sensitivity Analysis

Area under consideration	Sensitivity of Estimates 2016-17
The opening base budget	The opening position of the 2016-17 budget is based on the adjusted budget approved in February 2015. The base for future years may change, however this would be identified as part of budget preparation work.
The pay estimates	A 10% change to the figure for pay increases that result from the pay award and increments would equate to c£1.5m. However, such a large discrepancy would be unlikely as the pay budget is developed at a very detailed level (on a per post basis). The main impact on the accuracy of the budgets for pay headings results from vacancy estimates which are impossible to predict.
The vacancy savings and post reduction estimates	For 2016-17 the vacancy abatement saving has been budgeted at approximately £500k which is equivalent to approximately 17 posts. A variance of 2 posts equates to £60k. This will require a robust proactive approach to ensure that the savings that naturally arise due to staff turnover are retained. Based on experience in recent years, and considering the current staff turnover rate, this target is felt to be challenging but achievable.
Price Increases	In the main these are based on the terms of the contract. Inflation has been assumed at 2%. A 2% variance on this would equate to an increase in budget requirement of approximately £190k.
Pension Increases	As part of last year's MTFP assumptions it was noted that the latest actuarial figures showed an increase required for pensions of approximately £220k. This will be drawn down from the pension reserve which was set up specifically for this purpose. Growth has been factored into future assumptions.
The increased income targets	There is always a risk that increases in fees and charges reduce demand, which can have a detrimental impact on the budget. Some £244k has been added into the budget for 2016-17 for increased income targets; however, service managers have included within that figure an assessment of the achievability of collecting the additional income.
Other savings estimates	The budget and Medium Term Financial Plan reflects a £150k savings expectation from EKS. A 10% change to this figure would equate to £15k, regular monthly meetings are held with the Director of EKS to regularly monitor on performance.
The level of reserves	The level of general reserves which has been budgeted has been determined based on a financial risk assessment which considers the likelihood of the main risks facing the Council, and the possible financial implication should the risk happen. The estimated position on general reserves at year end is that they will stand at 12% of the net revenue budget which is the minimum level. Earmarked reserves are being used to enable funds provided for a specific purpose to be held until needed, and allows budgets that are needed on an irregular or periodic basis to be funded by setting aside an annual base budget at a fraction of the total cost. The funds held within earmarked reserves represent a one-off source of funding to meet planned expenditure. Their use is managed on a cash limited basis, and a shortage of reserved funds in year may be dealt with by re-phasing the expenditure, or by making use of emerging underspends.

Area under consideration	Sensitivity of Estimates 2016-17
Council Tax Reduction Scheme	The collection rate on the Council Tax base has been retained at 97.25% to reflect the collection trend within 2015-16. This will need to be carefully monitored during the year.
Welfare Reforms	To date there has been minimal impact from the proposed welfare reforms. Any change will impact on both the Housing Revenue Account and General Fund and will include potential increases in bad debts as a result of claimants being paid direct, being capped on the amount of benefits that they will be paid and also seeing reductions in benefit due to under-occupying accommodation; an increase in demand for smaller or cheaper accommodation; an increase in demand for debt management advice; possible increases in homelessness, as a result this will need to remain under review in terms of overall impact. Thanet District Council went live with the first tranche of Universal Credit on 12th October 2015 to date projections in relation to the number of applications provided by the Department of Work and Pensions (DWP) have been correct. As part of the implementation of Universal Credit the Council was required to enter into a Delivery Partnership Agreement, as part of this partners have been identified to assist with providing budgetary support to applicants to enable them to manage their income to reduce the possibility of them falling into arrears. Budgetary growth of £50k has been set aside within the Housing Revenue Account to fund any schemes that take a pro-active approach to support Welfare Reform changes.
Settlement Funding	A 1% cut in government grant would equate to a loss of income in future years of approximately £100k. If a large business were to move out of the area or to go into liquidation, the Council would face a loss in business rates income of circa £340k before the safety net mechanism would apply.

Annex 2 - Summary Sheet for Cabinet

Draft Capital Programme £000	Estimated Slippage 2015/16	2016/17	2017/18	2018/19	2019/20
STATUTORY/MANDATORY					
Disabled Facilities Grants	-	1,277	1,277	1,277	1,277
ONGOING SCHEMES FROM PREVIOUS YEARS					
Jackey Bakers Enhancements	-	-	50	-	-
Margate Pedestrian Connections	-	-	24	-	-
Marina Management System			78		
CCTV Upgrade	-	243	-	-	-
North Thanet Coastline - Sea Walll Refacing Works West of Westgate Bay	-	-	300	-	-
Boat Wash Separator	-	-	25	-	-
Dreamland	-	450	-	-	-
Ramsgate Port & Harbour - Low Carbon Plan	105	234	226	-	-
ANNUAL ENHANCEMENT PROGRAMMES					
Swimming Pool/Sports Halls Essential Capital Repairs	-	30	-	-	-
Operational Services Vehicle Replacement Programme	-	750	500	250	500
Property Enhancement Programme	-	-	80	80	80
WHOLLY/PARTLY EXTERNALLY FUNDED					
East of Epple to Westgate Bay - Sea Wall Refacing Works	-	-	244	-	-
Ramsgate Main Beach Timber Groyne Installation	-	-	607	-	-
Ramsgate Harbour - Smart Metering	-	168	-	-	-
	-	-	-	-	-
REPLACEMENT & ENHANCEMENT					
Thanet Crematorium - Columbaria provision	-	-	60	-	-
Thanet Crematorium - Memorial Chapel Area	-	-	40	-	-
Ramsgate Port - Berth 4/5 Replacement	-	1,000	-	-	-
Capitalised Salaries		75	75	75	75
	105	**4,227**	**3,586**	**1,682**	**1,932**

Total for the Year	**105**	**4,227**	**3,586**	**1,682**	**1,932**

General Fund Capital Programme	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Breakdown of the Capital Programme	105	4,227	3,586	1,682	1,932
Funded By					
Capital Receipts & Reserves	0	1,091	592	155	155
Capital Grants & Contributions	0	1,402	2,268	1,277	1,277
Contributions from Revenue	0	0	0	0	0
Prudential Borrowing	105	1,734	726	250	500
Sub Total	**105**	**4,227**	**3,586**	**1,682**	**1,932**

Summary of Tenant Service Charges **Annex 3**

Property	Heating Charges	Cleaning Charges	Communal Lighting	Grounds Maintenance	Fire Safety	Mechanical and Electrical	Water Pumps
ADDINGTON STREET (52)		£ 2.02	£ 0.32				
ALBION MEWS (1-6)		£ 1.73	£ 0.89	£ 0.17			
APPLEDORE CLOSE							
1-8 Appledore close		£ 1.39	£ 0.53	£ 0.39			
9-13 Appledore Close		£ 2.22	£ 0.72	£ 0.58			
14-21 Appledore close		£ 1.39	£ 0.56	£ 0.46			
22-25 Appledore close		£ 2.78	£ 1.34	£ 0.57			
26,27 Appledore Close				£ 0.57			
28-34 Appledore Close		£ 1.59	£ 0.40	£ 0.34			
35,36 Appledore Close				£ 0.34			
37-40, Appledore close		£ 2.78	£ 0.78	£ 0.34			
41-47 Appledore close		£ 1.59	£ 0.58	£ 0.55			
48-54 Appledore close		£ 1.59	£ 0.62	£ 0.52			
55-58 Appledore close		£ 2.78	£ 0.79	£ 0.51			
59-65 Appledore close		£ 1.59	£ 0.68	£ 0.78			
66-72 Appledore close		£ 1.59	£ 0.52	£ 0.53			
73-76 Appledore close		£ 2.78	£ 0.93	£ 0.48			
77-83 Appledore close		£ 1.59	£ 0.63	£ 0.40			
BALMORAL ROAD							
Block 2 - 12 (evens) Balmoral Road		£ 1.85	£ 0.53	£ 0.76			
Block 14 - 24 (evens) Balmoral Road		£ 1.85	£ 0.53	£ 0.76			
Block 26 - 36 (evens) Balmoral Road		£ 1.85	£ 0.53	£ 0.76			
BELLE VUE AVENUE (1-20)		£ 2.22	£ 0.57	£ 0.13			
BELMONT COURT		£ 2.22	£ 0.74	£ 1.19			
BIDDENDEN CLOSE							
15-23 Biddenden close		£ 1.23	£ 0.44	£ 1.00			
24-32 Biddenden close		£ 1.23	£ 0.44	£ 1.00			
BRUNSWICK COURT							
1 Bed	£ 4.74	£ 0.28	£ 1.90	£ 0.61	£ 0.49	£ 0.19	£ 0.29
2 Bed	£ 5.68	£ 0.28	£ 1.90	£ 0.61	£ 0.49	£ 0.19	£ 0.29
3 Bed	£ 6.47	£ 0.28	£ 1.90	£ 0.61	£ 0.49	£ 0.19	£ 0.29
CAMBOURNE AVENUE		£ 2.78	£ 0.96				
CAMDEN SQUARE (5-8)			£ 0.97				
CANTERBURY ROAD (70-76)			£ 0.81	£ 1.91			
CHATHAM COURT		£ 1.48	£ 0.39	£ 0.57			
CHICHESTER ROAD (82-90)		£ 1.23	£ 0.92	£ 0.74			
CHURCHFIELDS							
1 Churchfields		£ 3.70	£ 1.00	£ 0.41			
3 Churchfields		£ 1.85	£ 0.60	£ 0.41			
5 Churchfields		£ 1.85	£ 0.63	£ 0.41			
7 Churchfields		£ 3.70	£ 1.08	£ 0.41			
9 Churchfields		£ 3.70	£ 1.02	£ 0.41			

11 Churchfields		£ 1.85	£ 0.58	£ 0.41			
13 Churchfields		£ 3.70	£ 0.73	£ 0.41			
CLARENDON ROAD							
3 Clarendon road		£ 2.78	£ 0.90		£ 3.04		
6 Clarendon road		£ 2.78	£ 0.89		£ 3.04		
CLEMENTS ROAD							
29-45 Clements road		£ 1.65	£ 0.52	£ 0.70			
47-69 Clements road		£ 1.24	£ 0.33	£ 0.70			
71-93 Clements road		£ 1.24	£ 0.40	£ 0.70			
95-111 Clements road		£ 1.65	£ 0.39	£ 0.70			
113-135 Clements road		£ 1.24	£ 0.43	£ 0.70			
137-159 Clements road		£ 1.24	£ 0.33	£ 0.70			
161-189 Clements road		£ 0.99	£ 0.56	£ 0.70			
191-213 Clements road		£ 1.24	£ 0.56	£ 0.70			
215-237 Clements road		£ 1.24	£ 0.26	£ 0.70			
239-261 Clements road		£ 1.24	£ 0.26	£ 0.70			
263-279 Clements road		£ 1.65	£ 0.29	£ 0.70			
281-303 Clements road		£ 1.24	£ 0.29	£ 0.70			
COASTGUARD COTTAGES			£ 0.88	£ 1.63			
COLLEGE ROAD							
92 College Road		£ 1.85	£ 0.65	£ 1.42			
94 College Road		£ 1.85	£ 0.71	£ 1.42			
CONFLANS COURT							
31-36 Conflans court		£ 1.85	£ 0.68	£ 0.58			
37-42 Conflans court		£ 1.85	£ 0.68	£ 0.58			
CONYNGHAM CLOSE		£ 1.05	£ 0.47				
DANE GARDENS (19-22)		£ 2.78	£ 0.69	£ 1.75			
DANE MOUNT							
15-18 Dane Mount		£ 2.78	£ 0.80	£ 0.55			
19-22 Dane Mount		£ 2.78	£ 0.72	£ 0.55			
DANE VALLEY ROAD							
200 Dane Valley road		£ 1.23	£ 0.48	£ 0.70		£ 0.11	
202 Dane Valley road		£ 1.23	£ 0.48	£ 0.70		£ 0.11	
204 Dane Valley road		£ 1.23	£ 0.32	£ 0.70		£ 0.22	
206 Dane Valley road		£ 1.23	£ 0.32	£ 0.70		£ 0.22	
208 Dane Valley road		£ 1.23	£ 0.31	£ 0.70		£ 0.22	
DUKE STREET (4)			£ 0.81				
DUNSTAN AVENUE							
Dunston Ave (Block 26-32)		£ 2.78	£ 0.40	£ 0.74			
Dunston Ave (Block 34-40)		£ 2.78	£ 0.40	£ 0.74			
Dunston Ave (Block 42-48)		£ 2.78	£ 0.40	£ 0.74			
EGBERT ROAD (3)		£ 2.78	£ 0.93		£ 2.98		
ELHAM CLOSE							
17-25 Elham Close		£ 1.23	£ 0.42	£ 0.97			
26-34 Elham Close		£ 1.23	£ 0.42	£ 0.97			
ELLINGTON ROAD (70)				£ 1.31			
ELLINGTON ROAD (59)			£ 0.44		£ 0.09		

ETHELBERT CRESCENT (26)		£ 2.02	£ 0.63				
GRANGE ROAD (59)		£ 1.61	£ 0.32				
GROSVENOR PLACE (66-68)		£ 1.85	£ 0.66		£ 2.05		
HARBOUR TOWERS		£ 0.24	£ 2.49	£ 0.25	£ 0.40	£ 0.14	£ 1.07
HIGHFIELD COURT		£ 0.69	£ 0.30	£ 0.75			
HIGH STREET MARGATE							
145 High Street		£ 1.85	£ 0.53	£ 0.27			
147 High Street		£ 3.70	£ 0.55	£ 0.27			
149 High Street		£ 1.85	£ 0.55	£ 0.27			
151 High Street		£ 3.70	£ 0.55	£ 0.27			
153 High Street		£ 1.85	£ 0.48	£ 0.27			
154 High Street		£ 1.85	£ 0.78	£ 0.27			
155 High Street		£ 3.70	£ 0.66	£ 0.27			
156 High Street		£ 1.85	£ 0.62	£ 0.27			
157 High Street		£ 1.85	£ 0.62	£ 0.27			
159 High Street		£ 3.70	£ 0.62	£ 0.27			
161 High Street		£ 1.85	£ 0.53	£ 0.27			
163 High Street		£ 1.85	£ 0.59	£ 0.27			
HOLTON CLOSE							
7 Holton Close		£2.78	£ 0.35	£ 0.20			
23 Holton Close		£ 2.78	£ 0.35	£ 0.20			
INVICTA HOUSE	£ 10.17	£ 0.13	£ 1.35	£ 0.46	£ 0.28	£ 0.17	£ 0.32
JANICE COURT		£ 0.69	£ 1.11	£ 0.74	£ 1.29		
KENNEDY HOUSE							
Bedsit	£ 3.60	£ 1.71	£ 1.73	£ 0.19	£ 0.27	£ 0.13	£ 0.28
1 Bed	£ 5.07	£ 1.71	£ 1.73	£ 0.19	£ 0.27	£ 0.13	£ 0.28
2 Bed	£ 6.08	£ 1.71	£ 1.73	£ 0.19	£ 0.27	£ 0.13	£ 0.28
LA BELLE ALLIANCE SQUARE (16 &17)		£ 1.23	£ 0.56	£ 0.83			
LANCASTER CLOSE (11-32)		£ 1.01	£ 0.28				
LEONA COURT		£ 0.62	£ 0.51	£ 0.93	£ 0.03		
LINLEY ROAD (1-33)				£ 1.28			
LOUGHBOROUGH COURT		£ 2.47	£ 0.44	£ 0.35			
MEETING COURT			£ 0.52				
MILLMEAD ROAD (69-77)		£ 2.22	£ 0.87	£ 1.06			
NEWLANDS HOUSE, PRESTEDGE AVE		£ 1.23	£ 0.35	£ 0.08			
PARKSIDE, PICTON ROAD				£ 0.40			
PENSHURST ROAD (5)		£ 3.70	£ 1.94	£ 0.04	£ 4.05		
PLAINS OF WATERLOO							
32A-40A Plains of Waterloo		£ 1.04	£ 0.63				
45A-47C Plains of Waterloo		£ 1.23	£ 0.56	£ 0.83			
QUETTA ROAD (21-24)				£ 1.21			
REBECCA COURT		£ 0.93	£ 0.84	£ 0.70	£ 0.04		
RICHARD COURT		£ 0.62	£ 0.49	£ 1.03	£ 0.03		
ROSEDALE ROAD							
19 Rosedale road		£ 0.85	£ 0.62	£ 1.42			
21 Rosedale road		£ 1.85	£ 0.72	£ 1.42			
23 Rosedale road		£ 1.85	£ 0.57	£ 1.42			

25 Rosedale road		£ 1.85	£ 0.64	£ 1.42			
ROYAL CRESCENT							
4-15 Royal crescent		£ 0.69	£ 0.53				
19-23 Royal crescent		£ 1.85	£ 0.53		£ 2.07		
Somerset Court		£ 1.59		£ 0.71			
ST MILDREDS ROAD							
40 ST Mildreds road		£ 1.23	£ 0.49	£ 0.57	£ 0.03		
42 ST Mildreds road		£ 1.23	£ 0.56	£ 0.57	£ 0.03		
STANER COURT							
Tower Block No's 2-89							
Bedsit	£ 6.25	£ 0.50	£ 2.31	£ 0.46	£ 0.22	£ 0.09	£ 0.57
1 Bed	£ 8.36	£ 0.50	£ 2.31	£ 0.46	£ 0.22	£ 0.09	£ 0.57
2 Bed	£ 9.63	£ 0.50	£ 2.31	£ 0.46	£ 0.22	£ 0.09	£ 0.57
Block 90-95 Staner Court		£ 0.50	£ 0.49	£ 0.46			
Block 96-101 Staner Court		£ 0.50	£ 0.50	£ 0.46			
Block 102-107 Staner Court		£ 0.50	£ 0.51	£ 0.46			
Block 108 -113 Staner Court		£ 0.50	£ 0.45	£ 0.46			
STIRLING WAY 59-60				£ 1.21			
STRINGER DRIVE							
4 Stringer Drive		£ 2.78	£ 0.50	£ 0.10			
7 Stringer Drive		£ 2.78	£ 0.50	£ 0.10			
SUNDEW GROVE				£ 0.76			
TOMLIN DRIVE							
2 Tomlin Drive		£ 1.23	£ 0.33	£ 0.73		£ 0.45	
4 Tomlin Drive		£ 1.23	£ 0.34	£ 0.73		£ 0.45	
6 Tomlin Drive		£ 1.85	£ 0.56	£ 0.73		£ 0.17	
8 Tomlin Drive		£ 1.85	£ 0.57	£ 0.73		£ 0.17	
10 Tomlin Drive		£ 1.85	£ 0.41	£ 0.73		£ 0.17	
12 Tomlin Drive		£ 1.85	£ 0.29	£ 0.73		£ 0.17	
TROVE COURT							
Bedsit	£ 5.70	£ 1.71	£ 1.34	£ 0.14	£ 0.27	£ 0.15	£ 0.28
1 Bed	£ 7.90	£ 1.71	£ 1.34	£ 0.14	£ 0.27	£ 0.15	£ 0.28
2 Bed	£ 9.45	£ 1.71	£ 1.34	£ 0.14	£ 0.27	£ 0.15	£ 0.28
TURNER COURT		£ 0.37	£ 0.94	£ 0.28	£ 0.04		
TURNER STREET (32-54)		£ 0.93	£ 0.36	£ 0.21			
WILLIAM AVENUE							
2 William Avenue		£ 1.85	£ 0.55	£ 0.20		£ 0.11	
4 William Avenue		£ 1.85	£ 0.65	£ 0.20		£ 0.11	
6 William Avenue		£ 1.85	£ 0.48	£ 0.20		£ 0.11	
24 William Avenue		£ 1.85	£ 0.63	£ 0.88		£ 0.17	
26 William Avenue		£ 1.85	£ 0.44	£ 0.88		£ 0.17	
28 William Avenue		£ 1.85	£ 0.49	£ 0.88		£ 0.17	
30 William Avenue		£ 1.85	£ 0.43	£ 0.88		£ 0.17	
32 William Avenue		£1.85	£ 0.43	£ 0.88		£ 0.11	
34 William Avenue		£ 1.85	£ .65	£ 0.88		£ 0.11	
36 William Avenue		£ 1.85	£ 0.45	£ 0.88		£ 0.11	

Annex 4 - HRA Capital Programme 2016 onwards

SCHEME	Unit Numbers 2016-17	2015-16 Slippage £'000	2016-17 £'000	2017-8 £'000	2018-19 £'000	2019-20 £'000	Scheme of Works 2016-17
Re – Roofing	78	0	300	300	200	100	Richard Court, Leona Court, Rebecca Court & Turner Court due 2016/17 & 2017/18 and backlog of properties identified from stock condition data.
Replacement Windows & Doors	77	0	110	110	110	110	Properties identified from stock condition data
Kitchen Replacements	225	0	1,000	1,000	1,000	1,000	Properties identified from stock condition data and backlog
Bathroom Replacements	145	0	335	335	335	335	Properties identified from stock condition data and backlog
Electrical Re - wiring	75	0	150	150	150	150	
Heating		0	415	415	415	415	Properties identified from stock condition data.
Fire Precaution Works		0	190	260	40	40	Report carried out by Savills.
Planned Refurbishments	11	0	55	50	50	50	Camden Square, Royal Crescent, Dunstan Avenue, Chichester road, Turner Street, La Belle Alliance square, Plains of Waterloo, Staner Court,Balmoral Road, Dane Gardens, Dane Mount, Egbert Road, Ellington Road, Holton Close, St Mildreds Road, Penshurst Road and Stringer Drive in 2016/17
Structural Repairs/ Repointing	112	0	365	180	180	180	Works required at Richard Court, Leona Court, Rebecca Court, Turner Court, Chatham Court, St Mildreds Road and Churchfields.
Thermal Insulation	70	0	60	10	10	10	Works on voids in rural locations.
Rainwater goods	180	0	20	20	20	20	
Lift Replacement		0	260	260	260	260	Lift replacements under review for Staner Court, Trove Court, Harbour Towers & Brunswick Court.

SCHEME	Unit Numbers	2015-16 Slippage	2016-17	2017-8	2018-19	2019-20	Scheme of Works 2016-17
Soil Stack		**0**	**0**	**0**	**200**	**0**	Harbour Towers
Total Major Works		**0**	**3,260**	**3,090**	**2,970**	**2,670**	
Disabled Adaptations		**0**	**400**	**400**	**400**	**400**	Demand led budget.
Estates Improvements			125	125	125	125	Bin store roofs at Millmead Estate.
SMART Meter Project		231					
Estate Improvements		**231**	**125**	**125**	**125**	**125**	
HCA New Build Programme			4,649				
Local Growth Fund			3,016				
Total HRA Capital Expenditure		**231**	**11,450**	**3,615**	**3,495**	**3,195**	

Funding of the HRA Capital Programme		**2015-16 Slippage £'000**	**2016-17 £'000**	**2017-18 £'000**	**2018-19 £'000**	**2019-20 £'000**
Major Repairs Reserve			3,260	3,090	2,970	2,670
Grant Funding			610			
New Properties Reserve			1,479			
Prudential Borrowing			3,675			
Revenue Contributions		231	1,522	525	525	525
RTB 141 Receipts			904			
Total HRA Capital Programme Funding		**231**	**11,450**	**3,615**	**3,495**	**3,195**

Annex 5

FINANCIAL RISK ASSESSMENT AND LEVELS OF GENERAL FUND RESERVES

1.0 Background

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

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

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

1.4 The review undertaken as part of the 2015-16 budget build recommended that a level of 12% of the net revenue budget was appropriate, this being circa £2m. This report considers the current position and anticipated future requirements for inclusion in the 2016-17 budget and medium term.

2.0 Types of Reserve

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

General Reserves

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

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

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

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

Earmarked Reserves

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

3.0 Annual Review of Reserves

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

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

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

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

Risk	**Likelihood & Value** **£'000**
Natural disasters and national emergencies	**Low**
The Bellwin Scheme provides financial assistance to local authorities in the event of a national emergency or disaster, subject to an authority contributing to the total costs by an amount equivalent of 0.2% of its approved budget. For this Authority this would require approximately £40k.	40
Business Continuity - It is difficult to anticipate the cost of such an event that would affect the Authority's business continuity, although it is likely to be substantial. For example, in the event that the offices became unusable, the cost of introducing new working practices (e.g. home working facilities, finding alternative accommodation) would have to be met, as would possible	200 – 500

Risk	Likelihood & Value £'000
increased legal claims were service delivery detrimentally affected. In the case of the failure of a key system, costs could arise from needing urgent consultancy or replacement equipment, which could be costly at short notice. Ash die-back outbreak – if there were to be a full blown outbreak in the Council's mature stock of ash trees, the potential cost to the Council could be £50k. Coastal defences – the Council's coastline could be exposed to erosion or flood risk in the event of a storm	0 – 50 100 - 200
National Economic Issues Under the new Business Rates Retention Scheme, the Council could face reductions in business rates income of up to £340k before the safety net mechanism would kick in The Welfare Reforms, if fully implemented could lead to an increase in homelessness costs The Council has some contractual arrangements whereby if the contractor were to go into liquidation, the Council would lose a significant income stream. The Council has a wide range of contractual arrangements that could see a financial loss in the event of the bankruptcy of a supplier or a customer, including non-payment of debts. Although the Council maintains a bad debt provision it is unlikely to be able to fully fund a loss from a major contract. Although the Council tries to minimise investment risk by only investing with low risk organisations and by spreading the investment portfolio, there is still a potential risk of a bank in which the Authority has invested collapsing.	**Low** 0 - 340 0 - 100 100 - 200 100 – 250 0 – 7,000
Grant Funding The Council sometimes seeks external funding/grants for one-off projects. In the event that the expected projected outturns are not achieved, repayment of funding or grant may be required.	**Medium** 100 – 4,000
Financial Support The Council has provided a soft loan to Your Leisure. Were Your Leisure to go out of business, the Council may not be repaid this loan.	**Low** 0 – 250
Property Assets The identification of unplanned major works to the Council's property portfolio could give rise to a budget pressure. As a responsible owner and with a duty to care, the Council could be expected to fund major works at short notice. Although the initial response would be to look to re-phase the capital programme, this may not be feasible, and additional revenue funding may be required, or prudential borrowing.	**High** 0 - 4,000
Legal Issues It would be prudent for the Authority to make provision for an unfavourable	**Medium**

Risk	Likelihood & Value £'000
outcome of any legal action taken against it, which could be made on a range of different grounds, including compensation payments, equal pay, discrimination and corporate manslaughter. Where the Council provides a paid service to a third party that does not directly relate to any statutory duty, the Council may require Professional Indemnity Insurance. This insurance cover is not automatically arranged and in the event that it isn't and a claim arises the Council could be deemed liable for resulting costs.	100 – 2,000 100 - 250
Financial Risk Exposure	**840- 19,180**

3.5 **Proposal for the Level of the General Fund Reserve** - The financial risk assessment indicates that in the worst case the Authority could require £19,180m of its net service revenue budget requirement to fall back on, should all of the potential risks happen concurrently and at their most extreme. Ideally the General Fund Reserve balance should be somewhere between the range identified in the table. The current General Fund Balance level is 12% of the net revenue budget requirement as set 2015/16 (£2.011m). In reviewing this figure based on current net budget requirement, we do not consider it prudent to adjust and as a result it will be held at the 2015/16 level..

3.6 **Plans for the General Fund Reserve 2016-2020** – It is recommended that no withdrawal from general reserves is made to support the base budget in the medium term.

Assessment of Need for General Fund Earmarked Reserves

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

i) **Capital Projects Reserve** – This reserve holds future funding for the capital programme funded from revenue contributions

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

iii) **Cremator and Cemeteries** – This reserve was created to hold the surcharge element of the cremator fee. This was set aside to meet the cost of the cremator project being undertaken in 2012-13, the purpose of which is to ensure the Council is environmentally compliant. The surcharge on both cremations and burials will continue to be set aside to support future burner replacement and works required at the cemeteries.

iv) **Destination Management**– This reserve is there to support the objectives of the Destination Management Plan by enhancing council assets that help to support and encourage tourism.

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

vi) **Dreamland Reserve** – Monies have been set aside to bolster the contingency for the Dreamland project.

vii) **East Kent Services** – The year-end surpluses of East Kent Services are set aside in this reserve which the Council holds as accountable body.

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

ix) **Environmental Action Plan** – This reserve holds funds that have been set aside to meet various improvements to public assets throughout the district.

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

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

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

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

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

xv) **Maritime Reserve –** This reserve is to be used to fund potential future improvement works at the Port and Harbour and for income protection/maximisation works.

xvi) **NDR Equalisation Reserve** – This reserve is to be used to offset significant variations in benefit subsidy. Due to the volatility of this activity and the tight financial constraints which preclude the budgets being set at a level that would be sufficient for upper activity levels, it is prudent to set aside under spends that arise in this area as a contingency for future years. This reserve will also support any potential shortfall in business rates, under the new business rates retention scheme.

xvii) **New Homes Bonus** – Allocations of New Homes Bonus over budget were previously set aside in this reserve to support one-off projects, this is now in base and no surpluses are envisaged moving forward.

xviii) **Office Accommodation** –This reserve may be used to support any office accommodation changes required as a result of restructuring.

xix) **Pay and Reward** – This is to support the pay and reward related issues.

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

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

xxii) **Renewal Reserve –** This is a saving account for specific purposes, based on the average annual amount required e.g. for the cost of CRB checks.

xxiii) **Risk Management Fund** - This reserve is held to meet potential increases in insurance premiums and to cover the cost of large excesses relating to insurance claims or one-off premiums.

xxiv) **Slippage Reserve** – This reserve is used to set aside sums at year end to meet ad hoc and specified liabilities on the General Fund which, due to timing difficulties, cannot be spent until after 31 March.

xxv) **Unringfenced Grants** – Grant funding has been set aside in an earmarked reserve to be utilised in future years to help support the Economic Development and Community Development functions

xxvi) **VAT Reserve** – Monies received in respect of the Council's VAT Fleming claim were put into this reserve. If the Council were to breach its partial exemption VAT limit, the potential cost to the Council would be between £400k and £500k.

xxvii) **Vehicle, Plant and Equipment Replacement** – The Council has identified that there are a number of vehicles, plant and equipment that will be coming to the end of their useful lives over the next few years. Any service in-year underspends in relation to waste, street cleansing, maritime, parks and grounds will be set aside in this reserve to support a replacement programme.

xxviii) **Waste Reserve –** Service under-spends will be set aside in this reserve to support future service enhancements and the costs of replacing the waste fleet.

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

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

PROPOSALS FOR THE GENERAL FUND EARMARKED RESERVES	**Balance 31.03.2015 £'000**	**2015-16 Net Transfers £'000**	**Balance 31.03.2016 £'000**	**2016-17 Net Transfers £'000**	**Balance 31.03.2017 £'000**
Capital Projects Reserve	954	-954	0	0	0
Council Elections Fund	118	-78	40	40	80
Cremator and Cemeteries	406	-354	52	126	178
Destination Management	400	-250	150	0	150
Decriminalisation fund	210	-40	170	0	170
Dreamland Reserve	117	0	117	-117	0
East Kent Services Reserve	303	-203	100	0	100
Economic Development & Regeneration	198	-98	100	0	100
Environmental Action Plan	162	-162	0	0	0
General Fund Repairs	316	-276	40	0	40
Homelessness Fund	276	0	276	0	276
Housing Intervention Reserve	172	-100	72	0	72
Information Technology	311	-100	211	0	211
Local Plan	418	-113	305	0	305
Maritime Reserve	356	-356	0	0	0
NDR Equalisation Reserve	1,205	-1,030	175	0	175
New Homes Bonus Reserve	137	-137	0	0	0
Office Accommodation	31	-31	0	0	0
Pay & Reward Reserve	291	-185	107	0	107
Pensions Reserve	412	-220	192	0	192
Priority Improvements	478	0	478	0	478
Renewal Reserve	10	-4	6	0	6
Risk Management	103	2,000	2,103	-2,000	103
Slippage Fund	1,101	-1,101	0	0	0
Unringfenced Grants	353	-193	160	-160	0
VAT Reserve	433	-300	133	0	133
Vehicle, Plant & Equipment	227	350	577	-577	0
Waste Reserve	13	0	13	0	13
Total General Fund	**9,511**	**-3,935**	**5,577**	**-2,688**	**2,889**

HRA Properties Reserve	5,188	0	5,188	0	5,188
Grand Total	**14,699**	**-3,935**	**10,765**	**-2,688**	**8,077**

4.0 Proposed Reserve Levels

The levels of General Fund Reserves (General and Earmarked) recommended in this report for the financial year 2016-17 and the medium term are believed to be sufficient to meet all of the Authority's obligations and have been based on a detailed risk assessment. In line with the proposed policies on the control and management of these funds the limits will be reviewed on an annual basis against prevailing risk assessments and other information.

ASSET MANAGEMENT – DISPOSAL OF ASSETS

To:	**Cabinet – 19th January 2016**
Main Portfolio Area:	**Community Services**
By:	**Lesley Trim, Estates Surveyor**
Classification:	**Restricted**
Ward:	**Viking**

Summary: **To ask Cabinet to consider the options below for Pierremont Hall and decide one of the following:**
(i) agree to dispose via Community Asset Transfer
(ii) proceed with a freehold sale on the open market
(iii) Retain as an asset

For Decision

1.0 Introduction and Background

1.1 Pierremont Hall is listed as a community asset on the Council's website.

1.2 Cabinet gave authority to officers at the Extraordinary meeting held on 19th February 2015 to progress, through the asset disposal process, negotiations with the Town Council as part of their community right to bid following the time frame and process documented in the Localism Act 2011.

1.3 Due to the Purdah period the disposal was delayed until 2 June 2015. A public notice for the Localism Act 2011 (Assets of Community Value) was advertised.

1.4 The interim moratorium end date was 13th July 2015, and the full moratorium end date was 1st December 2015.

1.5 The potential protected period end date is 1st December 2016.

2.0 The Current Situation

2.1 A bid has been received from Broadstairs Town Council.

2.2 The 6 month moratorium period has now expired which had given the community groups time to prepare to raise the necessary funding and their business case, in order to buy the asset on the open market.

2.3 Lambert Smith and Hampton valued the freehold interest of the property for disposal purposes, on behalf of the Council at the valuation date of 15th June 2015 at £290,000 (two hundred and ninety thousand pounds) subject to leases and tenancies. The market value of the property with the special assumption of full vacant possession at the valuation date of 15th June 2015 is £500,000 (five hundred thousand pounds only). It is not considered that either valuation would have changed in the last 6 months.

2.4 There are two other parties that have registered as having an interest in Pierremont Hall, but there has been no further contact from either party.

2.5 The Town Council has made an offer of £190,000 based on independent advice, taking into account the cost of surveys and the condition of the property, (£100,000 less than the Council's valuation) and have presented 2 options for their proposed refurbishment works:

(i) based on 'minimum' works which delivers a building which is fit for purpose , and has wheel-chair access to the Council Chambers, and an accessible WC. Not all areas of the ground floor would be accessible to all users. No platform lift is provided to the upper stories at an estimated cost of £257,660

(ii) based on 'maximum' works which will include the provision of a platform lift and full access from the car park level to the ground and 1st floors. New toilet facilities are provided to the ground and first floor via a two storey toilet block extension and new or refurbished toilet facilities elsewhere. At an estimated cost of £395,518.

This is dependent on the availability of funding at the required time.

2.6 The independent valuer has confirmed that in his opinion a restrictive covenant limiting the uses as set out in 2.8 below does not have any significant effect on the valuation which reflects the current uses, and takes into account the current condition of the property.

2.7 The potential uses the Town Council has identified as securing the promotion and improvement of the economic, social and environmental well-being of the area include:

(i) The creation of a formal local historic archive;
(ii) Youth /social club;
(iii) Town Council offices/service centre/Chamber;
(iv) Broadstairs Folk Week offices;
(v) Town Shed Scheme;
(vi) Children's nursery;
(vii) Market events;
(viii) Commercial lettings of the office space.

2.8 It is recognised that the Town Council would need to secure commercial lettings in order to run the building.

3.0 Options

Cabinet give due consideration to the follow, and decide which option to agree:

3.1 (i) Community Asset Transfer

Community Asset Transfer under the Local Government Act 1972: General Disposal Consent (England) 2003, if the Town Council cannot raise sufficient funds to pay market value. A Community Asset Transfer would follow the procedures as laid out in the Corporate Property Asset Management Strategy 2014-2019 adopted in 2014, and the approved disposal process.

If Cabinet wishes to consider the option of a community asset transfer it needs to be satisfied that the following specified circumstances as contained in the Annexe to the General Disposals Consent (England) 2003, have been met:

- The enabling powers for community asset transfer require a market valuation to be undertaken, (see 2.3 above);

a) For the Council to demonstrate community asset transfer for each estate, there must be evidence of the transfer benefiting:-
   - promotion or improvement of the economic well-being of the area
   - promotion or improvement of the social well-being of the area and
   - promotion or improvement of the environmental well-being of the area.

   The Town Council has listed in 2.8 above their evidence supporting these benefits, for Cabinet's consideration.

b) the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000 (two million pounds). The difference does not exceed £2,000,000, and therefore no further approvals would be required.

- Based upon current authority granted to Officers there is no delegation for them to progress towards a Community Asset Transfer for less than best value, and Cabinet would need to weigh the difference between the benefits transferred versus the reduced financial receipt;

(ii) Open Market Sale

The Council disposes of the asset on the market, under an approved method of disposal, over the next 12 month period as an asset listed of Community Value. The process begins again if it has not been sold. A sale on the open market could result in a lower or higher capital receipt depending on the market at the time of sale;

(iii) Retain Ownership

Retain the property as a Council asset, whereby the Council would need to identify sufficient funds to maintain the building, to ensure it is fit for purpose.

4.0 Corporate Implications

4.1 Financial and VAT

4.1.1 There are no VAT implications.

4.1.2 There will be a loss of rental income to the Council from the remaining tenants as below however, once the site is disposed of this will be offset by reduced running costs such as Repairs, Business Rates, Management and Utilities and it is suggested these are ring-fenced to facilitate ongoing work around asset disposals and or strategy.

(i) Broadstairs Town Council current rent payable £3,800pa plus service charges
(ii) Broadstairs Folk Week current rent payable £3,750pa plus service charges and £1,200pa paid as a Licence fee for the annexe building.

4.1.3 All the other occupiers of the building vacated in January 2015 at a rental loss to the Council of £14,420pa plus service charges.

4.2 Legal

4.2.1 Provided that the disposals of assets are dealt with through the agreed process there are no residual legal issues.

4.3 Corporate

4.3.1 This report has been prepared with reference to the Property Disposal Process 2014-2019, adopted by Cabinet on 15th October 2014.

4.3.2 Release of surplus council assets will provide capital receipts to fund priorities aligned to the current Corporate Plan. Should capital not be realised through disposal the risk to the Authority will be in securing funds to deliver such priorities.

4.3.3 Retaining surplus sites exposes the Authority to unnecessary maintenance liabilities, costs, management, liability and health and safety property risks.

4.4 Equity and Equalities

4.4.1 The council's equality duty has been assessed in relation to the elements of this report, but it is not considered that these will compromise the rights and requirements of any group in relation to the adoption of the recommendation.

5.0 Recommendation

5.1 Cabinet consider whether the purpose for which the land is to be disposed is likely to contribute to the promotion or improvement of the economic, social or environmental well-being of the whole or part of the district or all or any persons resident or present in the district. In particular, whether those benefits outweigh the difference in price between the offer and the valuation of the land.

5.2 If cabinet is satisfied in relation to recommendation 5.1 that approval is given to dispose of Retort House by Community Asset transfer to Broadstairs Town Council.

5.3 Any transfer to include appropriate restrictive covenants and overage clauses to protect the Council's position in the event of any future disposals of the property'

6.0 Decision Making Process

6.1 This is a key decision which can be taken by Cabinet and is subject to call-in.

Contact Officer:	Lesley Trim, Estates Surveyor
Reporting to:	Bob Porter, Interim Head of Housing

Annex List

None	N/A

Background Papers

Title	**Where to Access Document**
None	N/A

Corporate Consultation Undertaken

Finance	Tim Willis , Director of Corporate Resources and S151 Officer
Legal	Tim Howes, Director of Corporate Governance and Monitoring Officer

ASSET MANAGEMENT – DISPOSAL OF ASSETS

To:	**Cabinet - 19th January 2016**
Main Portfolio Area:	**Community Services**
By:	**Lesley Trim, Estates Surveyor**
Classification:	**Restricted**
Ward:	**Bradstowe**

Summary: **To ask Cabinet to consider the options below in respect of Retort House, Albion Street car park, Broadstairs, and decide one of the following:**

(i) agree to dispose via Community Asset Transfer
(ii) proceed with a freehold sale on the open market
(iii) Retain as an asset

For Decision

1.0 Introduction and Background

1.1 Retort House is listed as a community asset on the Council website.

1.2 Cabinet gave authority on 19th June 2014 to progress the disposal through the disposal framework for a freehold sale.

1.3 The asset was nominated by Broadstairs Town Council and the asset disposal notice was received on 2nd June 2105.

1.4 The interim moratorium end date was 13th July 2015, and the full moratorium end date was 1st December 2015.

1.5 The potential protected period end date is 1st December 2016.

2.0 The Current Situation

2.1 Two potential bids have been received:
- Broadstairs Town Council;
- Broadstairs Youth and Leisure Centre.

2.2 The moratorium period has now expired where the community groups prepare to raise the necessary funding and their business case in order to buy the asset on the open market.

2.3 Lambert Smith and Hampton have valued the freehold interest of the property, for disposal purposes, on behalf of the Council, at the valuation date of 15th July 2015 at £60,000 (sixty thousand pounds) subject to the lease and tenancies. The market value of the property with the special assumption of full vacant possession at the valuation date of 15th July 2015 remains at £60,000 (sixty thousand pounds). It is not considered that the valuation would have changed in the last 6 months.

2.4 I have written to the Broadstairs Youth and Leisure Centre, reminding them that the moratorium period expired on 1/12/2015. There has been no response to this letter, and no offer has been received

2.5 The Town Council has made an offer of £10,000, based on independent advice, taking into account the cost of surveys and the condition of the property, (£50,000) less than the Council's valuation), and have presented 2 options:

(i) based on the minimum works required to get the building into a useable and leasable condition, but meeting minimum requirements as landlord at an estimated cost of £697,572 (footprint of existing building)

(i) maximising the use of the existing building by refurbishment and extension, making it more economical to run using an additional parcel of land in front of entrance, at an estimated cost of £1,324,478.

Both options are dependent on the availability of funding at the required time, and option (ii) can only proceed if an additional parcel of land in front of the current entrance is included to enable reconfiguration of the existing access to provide room for a disabled lift to be installed. However, this additional land was not included within the Community Right to Bid and there is no Cabinet approval to dispose of any additional land.

2.6 The independent valuer has confirmed that in his opinion a restrictive covenant limiting the uses as set out in 2.8 below does not have any significant effect on the valuation which reflects the current uses, the condition of the property and the challenges of refurbishment.

2.7 The potential uses the Town Council has identified as securing the promotion and improvement of the economic, social and environmental well-being of the area include:

(i) Sportshall for badminton, basketball, dance classes/practice etc

(ii) Sportshall also to be used for public meetings, meeting rooms for businesses, clubs and societies;

(iii) Smaller meeting rooms for teaching, businesses, clubs and societies.

It is recognised that the Town Council would need to secure some commercial lettings in order to run the building.

2.8 The Council does not have sufficient funds to maintain the building to ensure it is fit for purpose.

3. Options

3.1 Cabinet are asked to give due consideration to the following, and decide which option to agree:

(i) <u>Community Asset Transfer</u>

Community Asset Transfer under the Local Government Act 1972: General Disposal Consent (England) 2003, if the Town Council cannot raise sufficient funds to pay market value. A Community Asset Transfer would follow the procedures as laid out in the Corporate Property Asset Management Strategy 2014-2019 adopted in 2014, and the approved disposal process. If Cabinet wishes to consider the option of a community asset transfer it needs to be satisfied that the following specified circumstances as contained in the Annexe to the General Disposals Consent (England) 2003, have been met:

- The enabling powers for community asset transfer require a market valuation to be undertaken, (see 2.3 above);

a) For the Council to demonstrate community asset transfer for each estate, there must be evidence of the transfer benefiting:-
   - promotion or improvement of the economic well-being of the area
   - promotion or improvement of the social well-being of the area and
   - promotion or improvement of the environmental well-being of the area.

   The Town Council has listed in 2.8 above their evidence supporting these benefits, for Cabinet's consideration.

b) The difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000 (two million pounds).The difference does not exceed £2,000,000, and therefore no further approvals would be required.

- Based upon current authority granted to Officers there is no delegation for them to progress towards a Community Asset Transfer for less than best value, and Cabinet would need to weigh the difference between the benefits transferred versus the reduced financial receipt.

(ii) <u>Open Market Sale</u>

The Council disposes of the asset on the market, under an approved method of disposal, over the next 12 month period as an asset listed of Community Value. The process begins again if it has not been sold. A sale on the open market could result in a lower or higher capital receipt depending on the market at the time of sale;

(iii) <u>Retain Ownership</u>

Retain the property as a Council asset, whereby the Council would need to identify sufficient funds to maintain the building, to ensure it is fit for purpose, and negotiate new arrangements regarding the occupancy of the building.

4.0 Corporate Implications

4.1 **Financial and VAT**

4.1.1 There are no VAT implications.

4.1.2 There will be no loss of rental income, and the Council will make savings with repair, maintenance and statutory compliance which could be ring-fenced to support ongoing work around asset disposals and or strategy.

4.2 **Legal**

4.2.1 Provided that the disposals of assets are dealt with through the agreed process there are no residual legal issues.

4.3 **Corporate**

4.3.1 This report has been prepared with reference to the Property Disposal Process 2014-2019, adopted by Cabinet on 15th October 2014

4.3.2 Release of surplus council assets will provide capital receipts to fund priorities aligned to the current Corporate Plan. Should capital not be realised through disposal the risk to the Authority will be in securing funds to deliver such priorities.

4.3.3 Retaining surplus sites exposes the Authority to unnecessary maintenance liabilities, costs, management, liability and health and safety property risks.

4.4 **Equity and Equalities**

4.4.1 The council's equality duty has been assessed in relation to the elements of this report, but it is not considered that these will compromise the rights and requirements of any group in relation to the adoption of the recommendation.

5.0 Recommendation

5.1 Cabinet consider whether the purpose for which the land is to be disposed is likely to contribute to the promotion or improvement of the economic, social or environmental well-being of the whole or part of the district or all or any persons resident or present in the district. In particular, whether those benefits outweigh the difference in price between the offer and the valuation of the land.

5.2 If cabinet is satisfied in relation to recommendation 5.1 that approval is given to dispose of Retort House by Community Asset to transfer to Broadstairs Town Council.

5.3 Any transfer to include appropriate restrictive covenants and overage clauses to protect the Council's position in the event of any future disposals of the property.

6.0 Decision Making Process

6.1 This is a key decision which can be taken by Cabinet and is subject to call-in.

Contact Officer:	Lesley Trim Estates Surveyor
Reporting to:	Bob Porter, Interim Head of Housing

Annex List

None	N/A

Background Papers

Title	**Where to Access Document**
None	N/A

Corporate Consultation Undertaken

Finance	Tim Willis , Director of Corporate Resources and S151 Officer
Legal	Tim Howes, Director of Corporate Governance and Monitoring Officer

Exclusion of Public and Press

To: **Cabinet – 19 January 2016**

By: **Senior Democratic Services Officer**

Classification: **Unrestricted**

Summary: This report seeks the approval of the Cabinet to exclude the public and press from the meeting for agenda item 12 as it contains exempt information as defined in Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

For Decision

1.0 Introduction

1.1 Whilst the starting point for all public meetings of the Council is to admit the public and press, they may be excluded from meetings whenever it is likely, in view of the nature of the business to be transacted that confidential or exempt information would be disclosed. Under such circumstances, confidential or exempt information may be excluded from the public agenda. The public and press **must** be excluded from meetings if confidential information will be considered and disclosed, and such material must be excluded from the public agenda.

Meaning of confidential information

1.2 Confidential information **means** information given to the Council by a Government Department on terms which forbid its public disclosure, or information which cannot be publicly disclosed by Court Order.

Exempt information – discretion to exclude public

1.3 Subject to Article 6 of the Human Rights Act 1998 (right to a fair trial) the public may be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that “exempt” information would be disclosed.

2.0 Exempt information

2.1 The full rules are set out in Part V and Schedule 12A Local Government Act 1972 (as Amended).

3.0 Reason(s) Why Agenda Item 12 is considered to be “exempt”

3.1 The report author has classified Agenda Item 12 as disclosing exempt information under Paragraph 3 (*Information relating to the financial or business affairs of a particular person (including the authority holding that information)*) of Schedule 12A of the Local Government Act 1972 (as amended) thereby suggesting that the press and public be excluded from the meeting whilst this item is debated.

4.0 Justification/Public Interest Test

4.1 The matter under consideration is in connection with commercially sensitive information regarding commercial negotiations between the Council and a third party. The purpose of the negotiations is to maximise the commercial interests of Council and the handling of such issues requires that such information be kept confidential and therefore exempt from publication in the public domain. Any disclosure of such information may compromise the negotiating position of Council. Keeping the information exempt is therefore in the interest of Council in particular that of the public interest in general.

5.0 Not Excluding the Press and Public

5.1 There will be occasions when the meeting may decline to exclude the press and public from the meeting. If that occurs it does not simply mean that those members of the press and public who are present are allowed to stay for the discussion of the item. Declining to exclude the press and public would also mean that the press and public are allowed access to the actual report contained within the confidential part of the agenda (what Democratic Services refer to as the “pink pages”).

5.2 If a committee member thinks that it is possible that the recommendation in this report may not be approved at the meeting, it would be helpful to let Democratic Services know that in order that spare copies are available to distribute, if necessary, at the meeting.

5.3 If this report is not exempted, Democratic Services would also make arrangements for the report to be retrospectively published on the Council’s website.

6.0 Corporate Implications

6.1 Financial

6.1.1 There are no direct financial implications arising directly from this report other than the commercial interests that have been commented upon in paragraph 4.1 of the report.

6.2 Legal

6.2.1 As per Schedule 12A of the Local Government Act 1972 (as amended).

6.3 **Corporate**

6.3.1 Thanet District Council will endeavour to keep the number of exempt reports it produces to a minimum in order to promote transparency.

6.4 Equity and Equalities

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

7.0 Recommendation

7.1 That the public and press be excluded from the meeting for agenda item 12 as it contains exempt information as defined in Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

8.0 Decision Making Process

8.1 If the press and public are to be excluded for the agenda item this Committee must exercise its power to agree the recommendation.

Contact Officer:	Charles Hungwe, Senior Democratic Services Officer, Ext 7186
Reporting to:	Nick Hughes, Committee Services Manager

Corporate Consultation Undertaken

Finance	N/A
Legal	Tim Howes, Director of Corporate Governance & Monitoring Officer

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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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.