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Date: **18 January 2016**
Our ref: **Extraordinary Overview & Scrutiny Panel/Agenda**
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EXTRAORDINARY OVERVIEW & SCRUTINY PANEL

26 JANUARY 2016

An extraordinary meeting of the Overview & Scrutiny Panel will be held at **7.00 pm on Tuesday, 26 January 2016** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor D Saunders (Chairman); Councillors: G Coleman-Cooke (Deputy Chair), Bambridge, Campbell, Connor, Curran, Dennis, Dexter, Dixon, Elenor, Falcon, Jaye-Jones, Parsons and Potts

AGENDA

Item No	Subject

1. **APOLOGIES FOR ABSENCE**

   Apologies were received from Councillor Parsons

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. **BUDGET 2016-17 AND MEDIUM FINANCIAL PLAN 2016-2020** (Pages 1 - 80)

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Declaration of Interest form - back of agenda

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Proposed 2016-17 Budget and Medium Term Financial Plan 2016-20

To:	**Extraordinary Overview & Scrutiny Panel – 26 January 2016**
Main Portfolio Area:	**Financial Services**
By:	**Senior Democratic Services Officer**
Classification:	**Unrestricted**
Ward:	**Thanet Wide**

Summary: **This is a cover report to introduce the Cabinet report on the proposed 2016-17 Budget and Medium Term Financial Plan 2016-20.**

For Decision

1.0 Introduction and Background

1.1 The Cabinet report on the proposed 2016-17 Budget and Medium Term Financial Plan 2016-20 will be considered by Cabinet on 19 January 2016 before Council receives the report on 4 February 2016.

2.0 The Current

2.1 The Cabinet report is attached, together with annexes. The views of the Panel will be taken into consideration when Cabinet finalises its Council Budget proposals at the Extraordinary Cabinet meeting on 28 January 2016.

3.0 Options

3.1 Members can make recommendations to Cabinet on the proposed 2016-17 Budget and Medium Term Financial Plan 2016-20.

3.2 The Panel could opt not to make any formal recommendations.

4.0 Corporate Implications

4.1 **Financial and VAT**

4.1.1 There are no financial implications arising directly from this report other that those highlighted in the Cabinet report attached.

4.2 Legal

4.2.1 There are no legal implications arising directly from this report other that those highlighted in the Cabinet report attached.

4.3 Equity and Equalities

4.3.1 There are no equity and equalities implications arising directly from this report other that those highlighted in the Cabinet report attached.

5.0 Recommendation(s)

5.1 With reference to the options in section 3.0 of the report, Members' guidance is sought.

6.0 Decision Making Process

6.1 Although the decision on the 2016-17 Budget and Medium Term Financial Plan 2016-20 is part of the budget process decision making, the approval of the Council Budget is a Full Council function.

Contact Officer:	Charles Hungwe, Senior Democratic Services Officer, Tel: 01843 577186
Reporting to:	Nick Hughes, Committee Services Manager, Tel: 01843 577208

Annex List

Annex 1	Cabinet report: 2016-17 Budget and Medium Term Financial Plan 2016
Annex 2	Medium Term Financial Plan
Annex 3	GF Draft Capital Programme
Annex 4	HRA Tenant Service Charges
Annex 5	HRA Draft Capital Programme
Annex 6	Financial Risk Assessment and Level of General Fund Reserves

Background Papers

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

Corporate Consultation Undertaken

Finance	Tim Willis, Director of Corporate Resources & S151 Officer
Legal	

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.

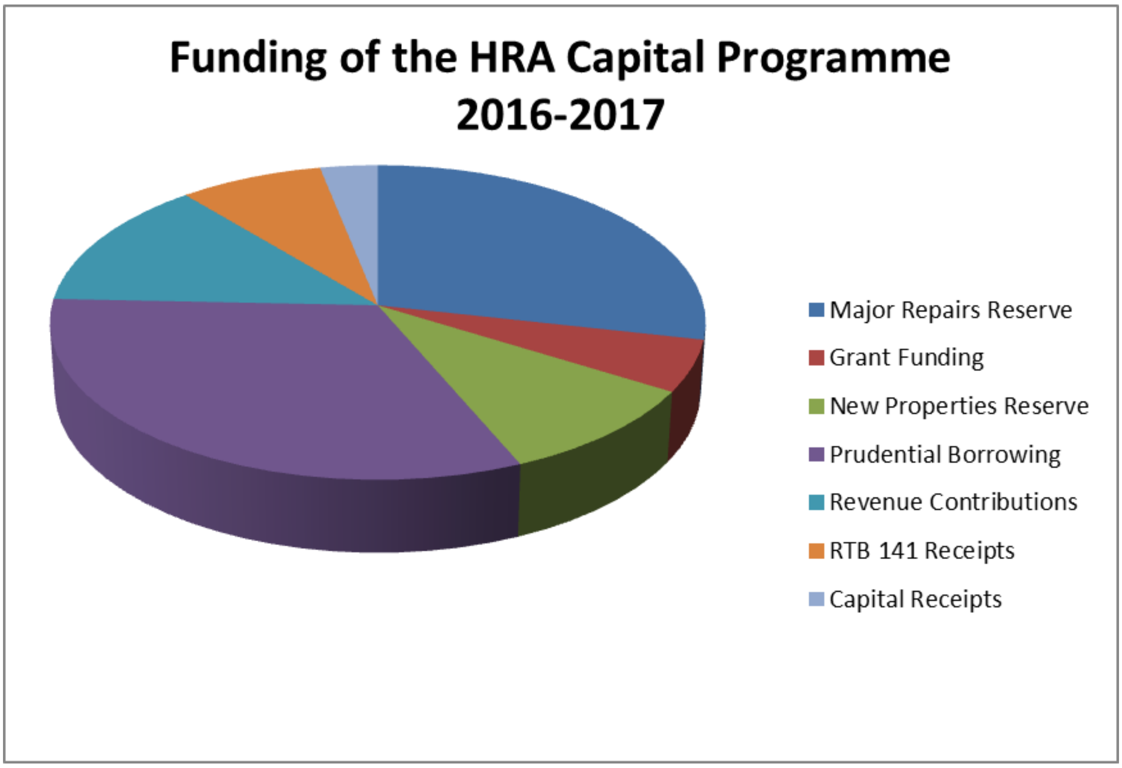
10.7 **Capital Grants –** These are offered by Government Departments to assist with certain types of expenditure. The HRA has recently been awarded £1.37m funding towards the delivery of a new build programme for 58 new affordable units within the district from the Homes and Communities Agency (HCA) 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.

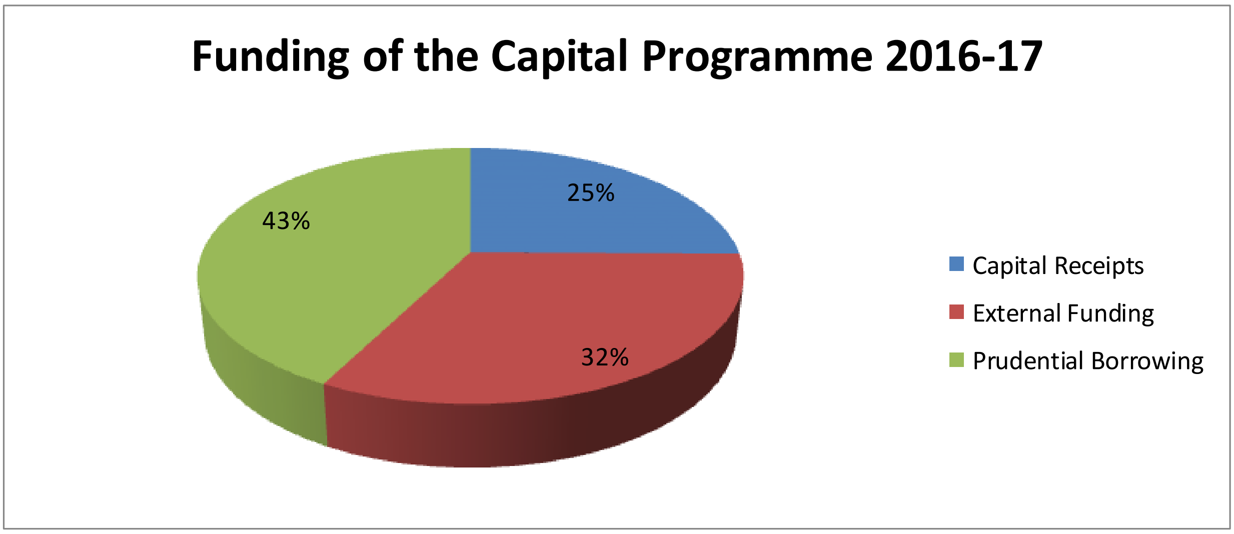
13.4 There is limited scope for future investment in new assets or making improvements to existing buildings. The asset management review will in part be driven by the need to maintain the council's significant asset-based income streams, within the context of a deterioration in the condition of those 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 (to the Cabinet report) 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**

Annex 3 (to the Cabinet report) Summary of Tenant Service Charges

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 (to the Cabinet report) - 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 (to the Cabinet report)

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.

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 **<u>must</u>** 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 **<u>must</u>** 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.

thanet
district council