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Date: **08 January 2018**
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CABINET

16 JANUARY 2018

A meeting of the Cabinet will be held at **7.00 pm on Tuesday, 16 January 2018** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

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

AGENDA

Item No	Subject

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF INTEREST**

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

3. **MINUTES OF PREVIOUS MEETING** (Pages 3 - 6)

   To approve the summary of recommendations and decisions of the Cabinet meeting held on 16 November 2017, copy attached.

4. **MINUTES OF EXTRAORDINARY MEETING** (Pages 7 - 8)

   To approve the summary of recommendations and decisions of the extraordinary Cabinet meeting held on 30 November 2017, copy attached.

5. **CORPORATE PERFORMANCE REPORT Q2** (Pages 9 - 48)

6. **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY - MID YEAR REVIEW REPORT 2017-18** (Pages 49 - 68)

7. **COUNCIL TAX BASE CALCULATION 2018/19** (Pages 69 - 76)

8. **BUDGET 2018-19 AND MEDIUM TERM FINANCIAL STRATEGY 2018-22** (Pages 77 - 182)

9. **REPRESENTATION ON EXECUTIVE APPOINTED OUTSIDE BODIES** (Pages 183 - 186)

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Chief Executive: Madeline Homer

Item No | Subject

Declaration of Interest form - back of agenda

Please scan this barcode for an electronic copy of this agenda.

CABINET

Minutes of the meeting held on 16 November 2017 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present:	Councillor Christopher T Wells (Chairman); Councillors L Fairbrass, Crow-Brown, S Piper and Stummer-Schmertzing.
In Attendance:	Councillors Bayford, Game, Gregory, Savage, Taylor-Smith, J Fairbrass, D Saunders, M Saunders, Campbell, Connor, Johnston and Shonk.

466. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Townend.

467. DECLARATIONS OF INTEREST

There were no declarations of interest.

468. MINUTES OF PREVIOUS MEETING

Members agreed the minutes as a correct record of the meeting that was held on 25 October 2017.

469. Q2 BUDGET MONITORING

Members considered the budget monitoring position in respect of the 2017-18 General Fund budget and the Housing Revenue Account. The meeting was advised that the overall General Fund revenue position was to break even, although there were some pressures, which needed to be managed.

It was noted that two errors were contained within the report; firstly at paragraph 2.1, where £715,000.00 surplus should be replaced with £224,000.00 overspend; and secondly in the net budget column heading, in table two, which should read 2017-18 rather than 2016-17.

Councillor Gregory spoke under council procedure rule 20.1.

Councillor L Fairbrass proposed, Councillor Crow-Brown seconded and Cabinet agreed:

“To note the forecast position for 2017-18 for:

(i) The General Fund.

(ii) The Housing Revenue Account.

(iii) The General Fund and Housing Revenue Account Capital Programmes.

(iv) Cabinet agrees the proposed funding changes of the Capital Programme as detailed in paragraph 3.3.

The changes to the HRA Capital Programme as detailed in paragraph 3.11.”

470. FLEXIBLE USE OF CAPITAL RECEIPTS - UPDATE STRATEGY 2017/18

Members considered the report which set out a proposal to apply to the Department for Communities and Local Government to use some capital receipts to fund transformative projects.

Councillor Campbell and Councillor Bayford spoke under council procedure rule 20.1.

Councillor L Fairbrass proposed, Councillor Stummer-Schmertzing seconded and Members agreed that Cabinet:

“Agreed the updated Capital Receipts Strategy for 2017-18.

Recommends to Council to agree the updated Capital Receipts Strategy for 2017-18.”

471. BUDGET STRATEGY FOR 2018/19

Members considered the draft budget strategy for the General Fund, Housing Revenue Account and Capital budgets for the financial year 2018-19. They also considered the financial assumptions for the medium term and the fees & charges policy.

Councillor Campbell, Councillor Gregory and Councillor Bayford spoke under council procedure rule 20.1.

Councillor L Fairbrass proposed, Councillor Rev. Piper seconded and Cabinet approved the draft budget strategy and noted the draft Housing Revenue Account estimates and the draft Capital Programme estimates.

472. FEES AND CHARGES 2018/19

Members considered the proposed fees and charges to be recommended to Council on 7 December 2017.

Councillor Campbell spoke under council procedure rule 20.1.

Councillor L Fairbrass proposed, Councillor Crow-Brown seconded and Members agreed that Cabinet:

“Approved the fees and charges as listed in Annex 1.

Recommend the agreed fees and charges to Council for decision.”

473. ASSET DISPOSAL PROGRAMME 2017-18

Members considered the asset disposal programme for 2017-18 noting that effective asset management was essential in meeting the Council’s priorities. The Trustees of East Kent Mencap held a secure tenancy at Foresters Hall and had expressed an interest in acquiring the premises at market value.

Councillor Shonk and Councillor Bayford spoke under council procedure rule 20.1

Councillor L Fairbrass proposed, Councillor Stummer-Schmertzing seconded and Cabinet agreed the following:

“To proceed with the disposal of Forrester’s Hall at market value with first refusal given to the Trustees of East Kent Mencap noting that the offer will be will be subject to the sale completing within nine months of the date of the Cabinet decision.

After nine months the Council would be free to sell the premises to another organisation at market value."

474. PUBLIC SPACES PROTECTION ORDER (PSPO) FOR ALCOHOL CONTROL

Members considered the report and noted that a public spaces protection order for alcohol control would be in line with two of the Council's corporate priorities. These priorities were a clean and welcoming environment, and supporting neighbourhoods.

The Anti-Social Behaviour, Crime & Policing Act 2014 provided the Council with new powers to manage anti-social behaviour where alcohol was a contributory factor, through the introduction of a public spaces protection order.

Councillor Campbell and Councillor Savage spoke under council procedure rule 20.1

Councillor L Fairbrass proposed, Councillor Rev. Piper seconded and Cabinet agreed:

"To exercise its powers under the Anti-Social Behaviour, Crime and Policing Act 2014 to introduce a public space protection order controlling alcohol where it is having or likely to have a detrimental effect on the wider community;

To delegate any minor amendment of the public space protection order to the Chief Executive."

Meeting concluded: 7.45 pm

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EXTRAORDINARY CABINET

Minutes of the extraordinary meeting held on 30 November 2017 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present:	Councillor Wells (Chairman); Councillors L Fairbrass, Crow-Brown, S Piper and Townend
In Attendance:	Councillors Campbell, J Fairbrass, D Saunders and M Saunders

475. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Stummer-Schmertzing.

476. DECLARATIONS OF INTEREST

There were no declarations of interest.

477. FEES AND CHARGES 2018/19

Cabinet considered the Overview & Scrutiny Panel recommendations and having examined the two areas of charges set out in the report agreed the cancellation of the increases for bulky waste. They also agreed to remove the cremation charge for unviable babies.

Additionally, Cabinet identified that there was currently a charge for stillborn babies and those under one month old and proposed that this charge be also removed.

Councillor Campbell spoke under Council Procedure 20.1.

Councillor Townend proposed, Councillor Lin Fairbrass seconded and Members agreed the following recommendations:

1. To remove the cremation fee for non-viable babies;
2. To remove the proposed increase on bulky waste collection charges;
3. To remove the charge for the cremation of stillborn babies and those under one month old.

Meeting concluded: 7.03 pm

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Corporate Performance Report Quarter 2 2017-18

Cabinet	**16 January 2018**
Report Author	**Tim Willis, Director of Corporate Resources**
Portfolio Holder	**Cllr Crow-Brown, Cabinet Member for Corporate Governance**
Status	**Information**
Classification:	**Unrestricted**
Key Decision	**No**
Ward:	**All Wards**

Executive Summary:
This report presents the Corporate Performance Report for the period April 2017 to September 2017 setting out the performance of the Council against the Corporate Plan.

Recommendation(s):
To note the Council's performance for the period up to 30 September 2017.

CORPORATE IMPLICATIONS	
Financial and Value for Money	All activities listed have been planned within the Council's agreed budget. Remedial actions will usually be carried out within existing budgets, where this is not possible funding proposals will be taken through the appropriate channels in keeping with the Council's established financial controls.
Legal	There are no legal implications directly arising from this report.
Corporate	This is the monitoring report against the Corporate Priorities as agreed at Council on 15 October 2015 and details the performance against the targets set.
Equalities Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it. Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership. Please indicate which is aim is relevant to the report.

Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
Advance equality of opportunity between people who share a protected characteristic and people who do not share it	X
Foster good relations between people who share a protected characteristic and people who do not share it.	

The report looks to monitor the performance of the Council across all the residents within the District.

An Equalities Impact Assessment has been undertaken and there is no reason to state at this time that the content of the Corporate Priorities will negatively impact on any groups with protected characteristics. The priorities focus on improving the quality of life in Thanet for all. Opportunities to further the aims of the Duty will be investigated during equality impact analysis of individual projects, plans and strategies arising from the priorities.

CORPORATE PRIORITIES	
A Clean and Welcoming Environment	✓
Promoting Inward Investment and Job Creation	✓
Supporting Neighbourhoods	✓

CORPORATE VALUES	
Delivering Value for Money	✓
Supporting the Workforce	✓
Promoting Open Communications	✓

1.0 Introduction and Background

1.1 The Council's Corporate Plan (CP) 2015-2019 was approved by Council on 15 October 2015. It sets out three key priorities the Council will focus on over the next four years with three corporate values that identify the way the council will work in order to deliver its priorities.

1.2 Annex 1 shows trend information on Key Performance Indicators and contextual information to ascertain the progress of the District against the corporate priorities and values.

1.3 Annex 2 outlines the key focus for the council with timescales aligned to the corporate priorities and values.

1.4 Annex 3 outlines highlights to date, aligned to the corporate priorities and values.

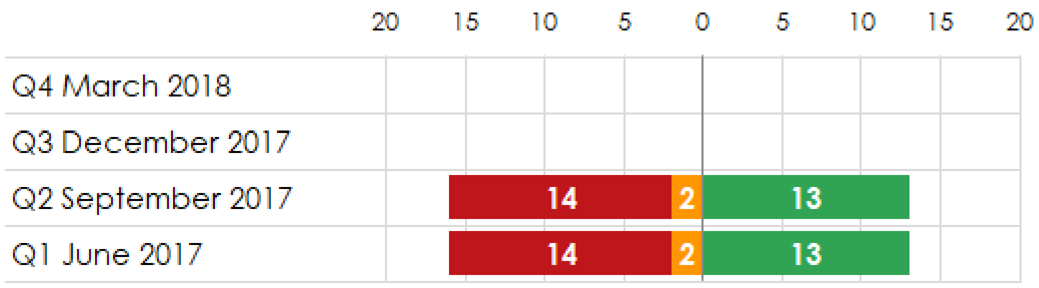
2.0 Current Performance

2.1 The information attached outlines the Council's performance for the quarter ended 30 September 2017. The following table summarises performance against targets:

Summary of RAG rating

Section of Report	R	A	G
Clean and Welcoming Environment	3	1	2
Supporting Neighbourhoods	5	0	1
Promoting Inward Investment and Job Creation	0	0	3
Statistical Information	2	0	1
Partner Performance	4	1	6
Total	**14**	**2**	**13**

2.2 The following chart shows the comparison of the Council's performance against the targets.



3.0 Options

3.1 Cabinet to note the content of this report

Contact Officer:	Ramesh Prashar – Head of Financial Services
Reporting to:	Tim Willis – Director of Corporate Resources

Annex List

Annex 1	Annex 1 – Key Performance Trends
Annex 2	Annex 2 – Key Focuses
Annex 3	Annex 3 – Highlights

Background Papers

Title	**Details of where to access copy**
Corporate Priorities 2015-2019	http://tdc-mgapp-01:9070/ieListDocuments.aspx?CId=141&MId=4084&Ver=4
Corporate Priorities 2015-2019, Equalities Impact Assessment	*Email:* Carol.cook@thanet.gov.uk

Corporate Consultation

Finance	Ramesh Prashar – Head of Financial Services
Legal	Tim Howes – Director of Corporate Governance & Monitoring Officer

Annex 1 Corporate Performance Report - Performance Indicators

Thanet District Council

Update from the Chief Executive

This quarter we've continued to focus on our priority services and are seeing improvement in some key areas as a result.

Although there is still more to do, it's positive to see higher recycling rates and reduced litter and detritus on our streets bringing us closer to our target. These are things that we know matter to our residents. It's therefore encouraging to note within our latest residents' survey, that levels of public satisfaction in these areas are also improving as a result.

Most notably perhaps is the significant increase in public opinion that the council provides value for money. This rise of 28% bucks a four year trend of decreasing public opinion on this target and is the highest reported level for Thanet in recent years. We are not complacent however and will be holding focus groups with residents to drill down into the detail of this year's feedback to help us understand the rationale and to continue to improve.

A renewed focus on targeting empty properties is seeing positive results and the figure for this quarter is back to the highest level it's been since 2013.

Despite significant efforts to tackle homelessness, it continues to present an increasing challenge to the council – reflected at a national level too. Particular focus will be given to how we approach this as a council over the coming months.

Increasing levels of crime are also being discussed with our partners. Although in the main attributed to changes in reporting, we will continue to work closely with Kent Police through programmes like Margate TaskForce to support our local communities..

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.
- Maintaining zero tolerance to encourage positive behaviour to help improve our environment.

How we will measure success:

- Residents and visitors will see cleaner streets and improved parks and open spaces.
- Reduction in waste sent to landfill.
- Increased recycling levels.
- People find it easy to dispose of their waste and know how to dispose of their waste responsibly.
- Public awareness raised of the problems of littering and dog fouling on our streets, through increased work with local communities, volunteer groups and residents.
- Town and Parish councils engaged with pooling resources to improve local delivery of services.

How we will do this:

- Monitor key performance measures on a regular basis.
- Complete projects and communicate the highlights, challenges, areas to focus on and actions required

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 through 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.

How we will measure success:

- Co-ordinated partnership approach to the delivery of projects within the Thanet Community Safety Plan.
- Reduction in the number of empty properties in the district.
- Completion of the council's Housing Intervention Programmes.
- Local communities supported to help resolve local issues.
- High quality, cost effective landlord service, which invests in the council's homes.

How we will do this:

- Monitor key performance measures on a regular basis.
- Complete projects and communicate the highlights, challenges, areas to focus on and actions required

Promoting Inward Investment and Job

Source: Jeff Spicer/Getty Images

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:	How we will measure success:	How we will do this:
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.	The council has managed its property portfolio effectively to support its priorities.	Monitor key performance measures on a regular basis.
Working with partners to make the most of the buildings and land we own. Maximising commercial opportunities for key assets.	Finalised and implemented Local Plan.	Complete projects and communicate the highlights, challenges, areas to focus on and actions required
Writing a Local Plan which sets planning strategies and policies that support growth of the economy.	Local employer's needs matched with further and higher education.	
Working with education and training providers to develop the skills agenda for the benefit of residents and local businesses.	Growth in existing and new business in the district increasing the employment choice.	

Delivering Value for Money

This will involve us:	How we will measure success:	How we will do this:
Transforming and targeting resources to deliver the right services, in the right way, to improve customer experience; whether delivered directly, in partnership or commissioned externally.	Council achieves a balanced, sustainable budget.	Monitor budgets and key performance measures on a regular basis.
Ensuring that we operate in an open, honest and accountable manner - expecting the same standards of partners and stakeholders.	Services commissioned and designed to meet customer needs.	Complete projects and communicate the highlights, challenges, areas to focus on and actions required.
Delivering services in the most cost effective and efficient way.	Opportunities explored for further shared work with partners and agencies to a make better use of public funds to achieve positive outcome for residents.	
Ensuring we achieve a stable and sustainable budget, capable of withstanding economic pressures.	The delivery of efficiency reviews to help deliver the Medium Term Financial Strategy.	

Supporting the Workforce

This will involve us:

Recruiting and retaining skilled, committed and motivated people.

Setting high performance standards and actively supporting staff to reach them.

Being a forward thinking, innovative employer, encouraging new ways of working.

Encouraging staff to propose new ideas.

Treating our customers fairly and professionally in the delivery of good quality customer service**.**

How we will measure success:

A skilled and committed workforce is maintained.

High quality customer services delivered throughout the council.

A programme of staff development and training delivered.

Effective appraisal process which supports and recognises staff performance.

The council is recognised for the services its staff deliver.

How we will do this:

Monitor budgets and key performance measures on a regular basis.

Complete projects and communicate the highlights, challenges, areas to focus on and actions required.

Promoting Open Communications

This will involve us:	How we will measure success:	How we will do this:
Listening to the needs of the community and using this information to continue improving our services.	E-marketing and digital communications developed.	Monitor key performance measures on a regular basis.
Providing clear, meaningful and timely communication.	Re-designed website that is based on customer needs.	Complete projects and communicate the highlights, challenges, areas to focus on and actions required
Using the most effective method of communication for the intended audience.	Council reports reviewed to provide clarity in the way the council runs its business.	
Keeping residents and stakeholders informed about plans and work programmes in a way which is easy to access and understand.		

Performance Measures for the Corporate Priorities 2015-2019

The targets will be RAG rated

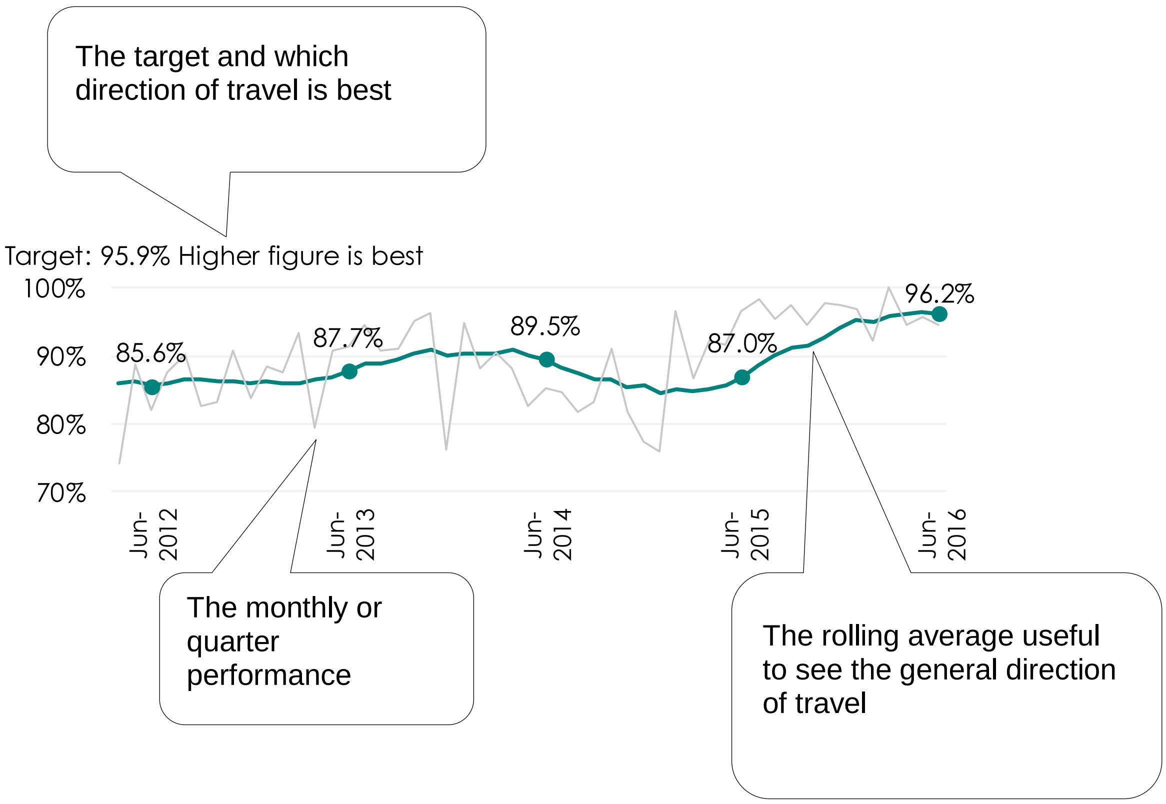
R Red: below target

A Amber: if actuals are within 5% of the target

G Green: at target or above target

Does not have a target for information.

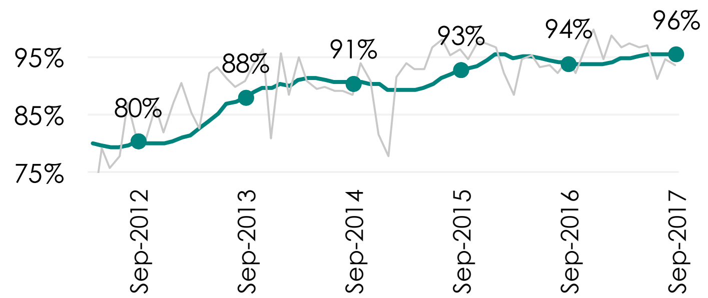
How to read the charts:



A Clean and Welcoming Environment

G **% of Environmental Health service requests responded to in the service standard response time**
(LI369) (rolling 12 months)

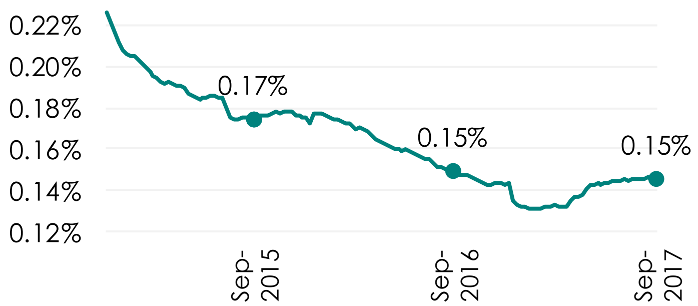
Target: 95% Higher figure is best



Increased resources have had a positive impact on the figures with the target being exceeded and having the best response rate on record.

G **Missed Bins as % of bins collected**
(rolling 12 months)

Target: 0.15% Lower figure is better

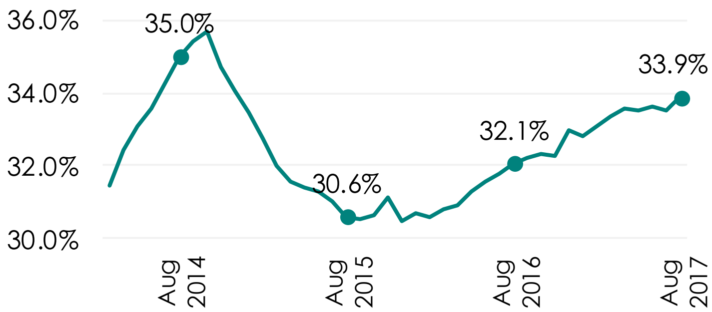


There has been a slight increase in missed bin collections this quarter due to busy roads and access issues which are more prevalent in the summer season. The vehicle replacement programme is helping to tackle this however as the new vehicles are more flexible and agile.

The missed bin collection average is 50 missed bins per day out of 18,000 successful daily bin collections

R **% of household waste sent for reuse, recycling and composting**
(NI192) (rolling 12 months)

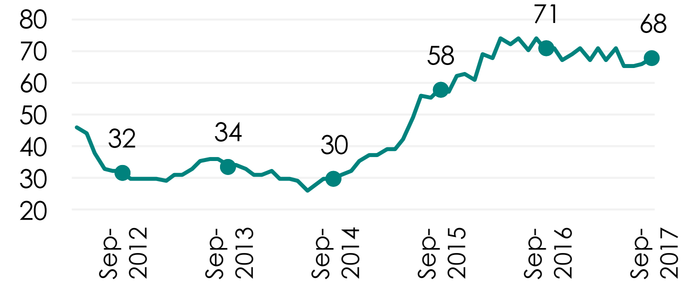
Target: 36.4% Higher figure is better



We continue to improve overall performance slowly through constant training of staff, by not contaminating recycling streams, issuing information to the public regarding contamination and on-going education on recycling.

Number of dumped rubbish incidents reported on council-owned land
(LI364) (rolling 12 months sum)

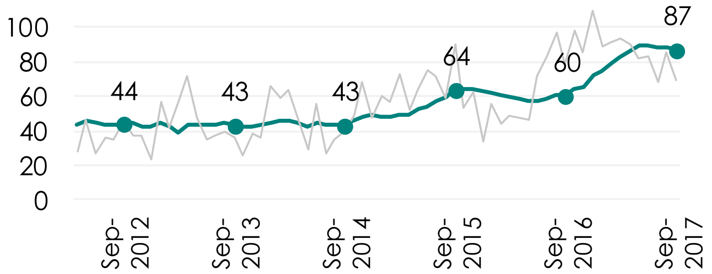
Target: Lower figure is better



We are continuing to use more powers to enforce against dumped rubbish and are starting to see a reduction in the number of incidents as a result.

Number of street scene enforcement actions
(LI362) (rolling 12 months)

Target: Higher figure is best

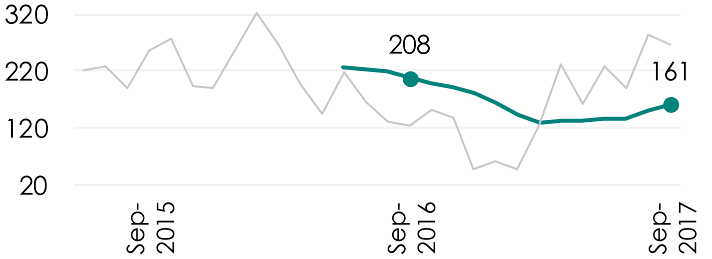


1045 street scene enforcement actions were carried out in the last year.
A complete review has taken place to change the data used to include all enforcement actions undertaken.

We continue to utilise more of the legislative tools and powers available to the enforcement team

Number of enforcement actions (Litter Fixed Penalty Notices – Environmental Enforcement Contract)
(LI362) (rolling 12 months)

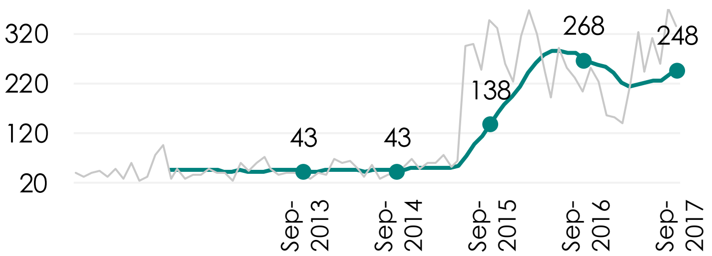
Target: Higher figure is best



1,930 Litter Fixed Penalty Notices were issued over the last 12 months.

Number of combined street scene enforcement actions
(LI362) (rolling 12 months)

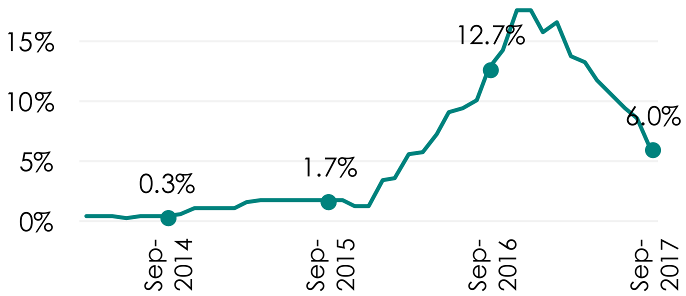
Target: Higher figure is best



2975 street scene enforcement actions were carried out in the last 12 months

R **% streets with litter below acceptable levels**
(NI195a) (rolling 12 months)

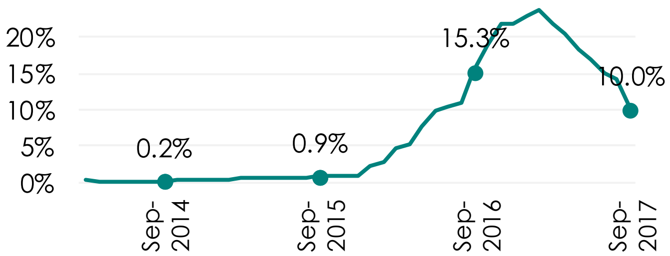
Target: 5.0% Lower figure is better



We now carry out more stringent inspections which is helping us to target our resources more effectively. We're confident this will continue to have a positive impact on the levels of litter.

R **% streets with detritus below acceptable levels**
(NI195b) (rolling 12 months)

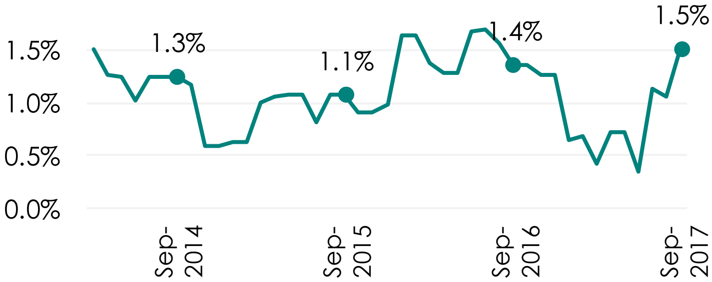
Target: 7.0% Lower figure is better



The new mechanical sweepers became operational in Q1 2017 and are already having a positive effect on these figures. We are confident that these figures will continue to reduce downwards until we achieve the set targets.

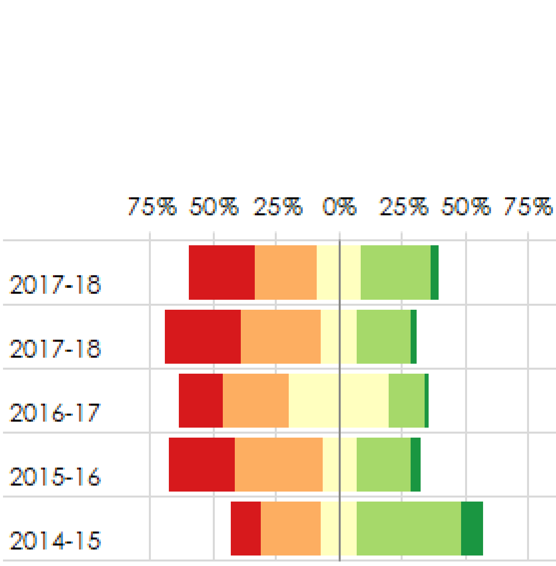
A **% streets with graffiti below acceptable levels**
(NI195c) (rolling 12 months)

Target: 1.4% Lower figure is better



We have seen a slight increase over the summer, however increased partnership working and enforcement should reduce these figures further over the next quarter.

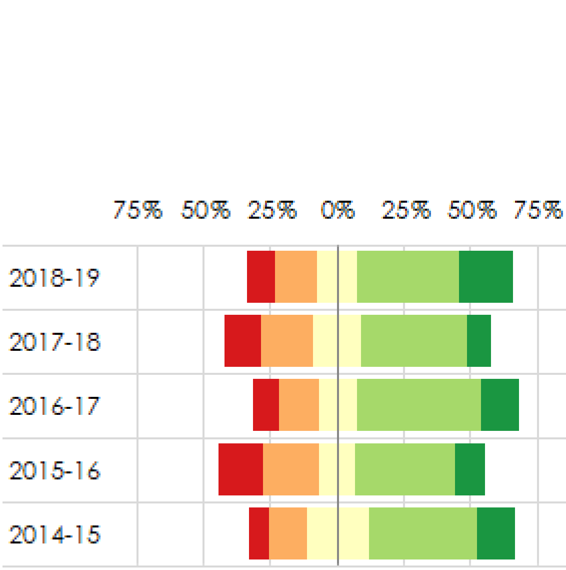
Public opinion of the Street Cleaning Service
(annual survey)



	Very Disssatisfied	Dissatisfied	Neither	Satisfied	Very Satisfied
2017-18	27%	24%	17%	28%	3%
2017-18	31%	32%	14%	22%	2%
2016-17	18%	26%	40%	14%	2%
2015-16	27%	34%	14%	22%	3%
2014-15	12%	24%	14%	41%	8%

It is encouraging to note an improvement in public perception which corresponds with an improvement in the cleanliness of our streets.

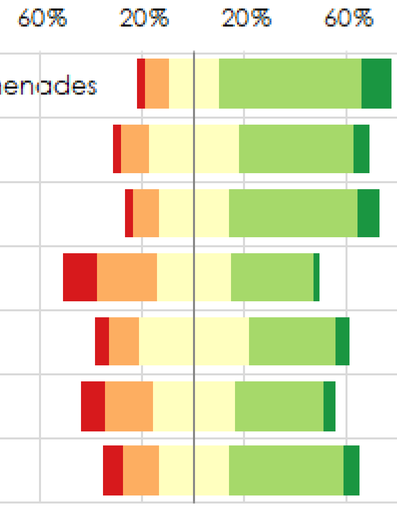
Public opinion of the Recycling Service
(annual survey)



	Very Disssatisfied	Dissatisfied	Neither	Satisfied	Very Satisfied
2018-19	11%	16%	15%	38%	21%
2017-18	14%	19%	18%	40%	9%
2016-17	10%	15%	14%	47%	15%
2015-16	16%	21%	14%	37%	11%
2014-15	8%	14%	23%	41%	15%

We continue to work hard to improve recycling rates and the collection services we offer, which has started to improve customer service.

Public opinion of Parks and Open Spaces
(annual survey)



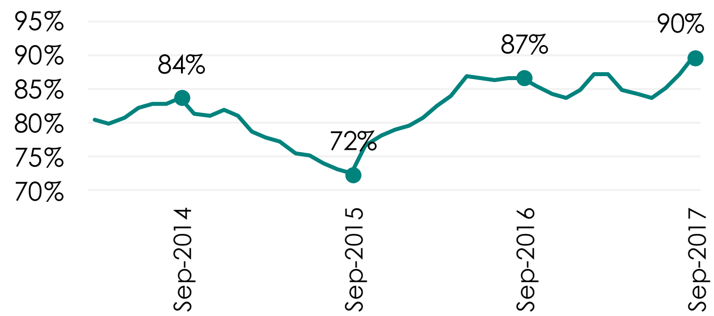
	Very Disssatisfied	Dissatisfied	Neither	Satisfied	Very Satisfied
Sea front and Promenades	3%	9%	19%	56%	12%
Parks	3%	11%	36%	44%	6%
2018-19	3%	10%	28%	50%	9%
2017-18	13%	24%	29%	32%	2%
2016-17	5%	12%	44%	34%	5%
2015-16	10%	19%	31%	35%	4%
2014-15	8%	14%	27%	45%	6%

We continue to work hard to improve our parks and open spaces, which has started to improve the use and satisfaction of these spaces.

Supporting Neighbourhoods

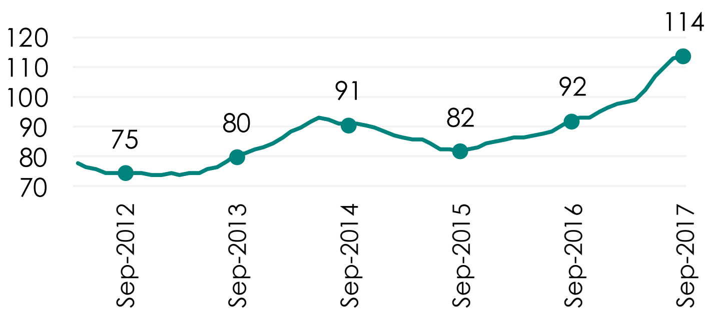
R **% of anti-social behaviour service requests responded to in the service standard response time**
(rolling 12 months)

Target: 95% Higher figure is best



Despite a 49% increase in anti-social behaviour service requests since September 2016, the team has worked hard to increase the number of cases which are receiving response rates within the service standard. We aim to continue to improve this and have introduced this new indicator specifically to address this.

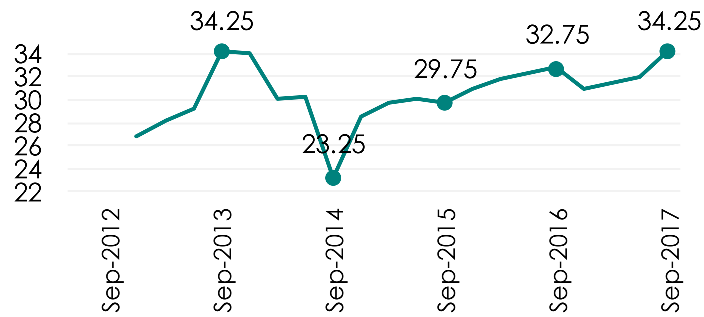
Number of Crimes per 1,000 of the population
(rolling 12 Months) (LI300)



The data for all recorded victim-based crimes for Thanet shows an increase. The Police force has previously stated that an increase in public confidence in reporting crime, improved recording practices, the introduction of new crime types and the inclusion of offences not previously recorded have all influenced these statistics.

G **Empty homes brought back into use**
(per quarter) (LI401) (rolling 12 months)

Target: 31.75 Higher figure is best

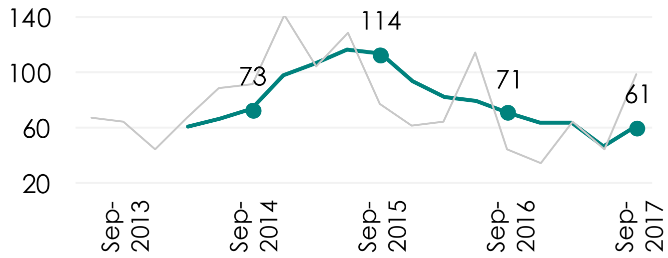


The council's renewed focus on empty homes has prompted a strong second quarter result. There have been robust interventions in respect of known sites and has been promoting the council's work via various forms of media. A new email address of empty.homes@thanet.gov.uk is now available for residents to report empty homes, and a short video has been posted online to further raise the initiative's profile: https://www.thanet.gov.uk/your-services/housing/empty-properties/empty-property/

R

Number of dwellings where action taken to improve living conditions
(category 1 and 2 hazards) (LI543)

Target: 71 Higher figure is best

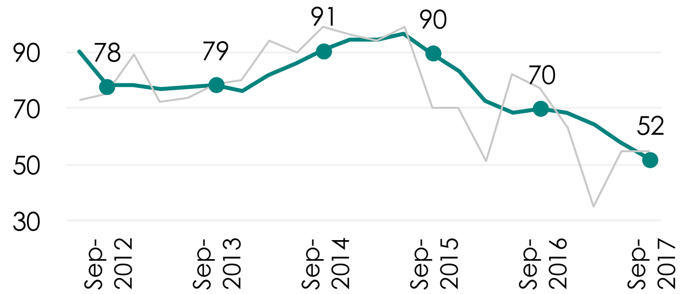


A strong performance in the second quarter has made up for a slow start at the beginning of the year. The team is confident that such strong performance will be maintained as a consequence of new proactive initiatives, including a selective licensing inspection programme and a number of rogue landlord interventions.

R

Number of homeless cases prevented
(LI405D) (per quarter) (rolling 12 months)

Target: 76 Higher figure is best

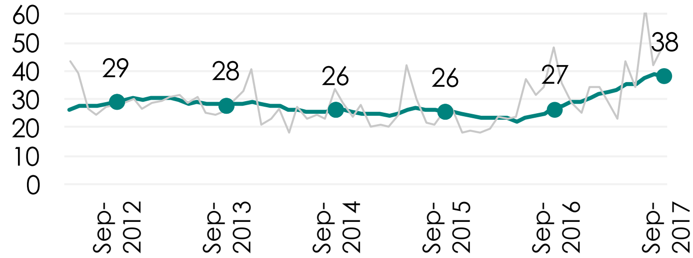


Homelessness continues to increase with the private rented sector becoming increasingly unaffordable due to welfare reforms. There are particular barriers for households living on low incomes as the gap between average local rents and local housing allowances is growing. Landlord Liaison Officers have visited local agents to better understand the demands of their service so that we can pull together incentives that would encourage landlords to let more homes to households faced with homelessness. Resources would need to be identified to fund the introduction of any new incentive schemes.

R

Average time taken to make homelessness decisions
(rolling 12 months)

Target: 28 Lower figure is better

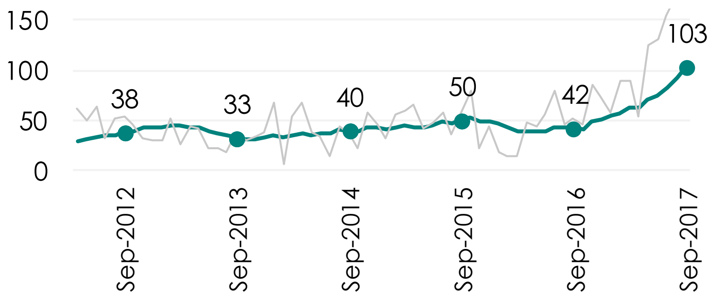


This indicator has increased and this is due to the growing number of homeless cases and the work entailed to reach a decision. Homeless Officers have a case load of over 80 at any one time. The introduction of the morning homelessness triage service has enabled officers to focus on case work and reduced the volume of approaches to the Council. Since the 1 August 2017 officers had 88 households make a homeless approach compared to 121 approaches in August 2016 and in September 2017 we had 52 approaches compared to 110 households in September 2016.

R

Average number of days in temporary accommodation
(rolling 12 months)

Target: 38 Lower figure is better



The number of days in temporary accommodation has increased. This is due to the challenges of finding housing solutions for households to enable them to move out of temporary accommodation more quickly. The number of available affordable homes to let has reduced and access to the private rented sector is more difficult. Around one third of all new allocations go to people living in temporary or emergency accommodation. Work is being done to explore alternative options, particularly in ways to access the private rented sector.

Number of empty homes in the district
(empty for more than 6 months)

Empty Homes in Thanet

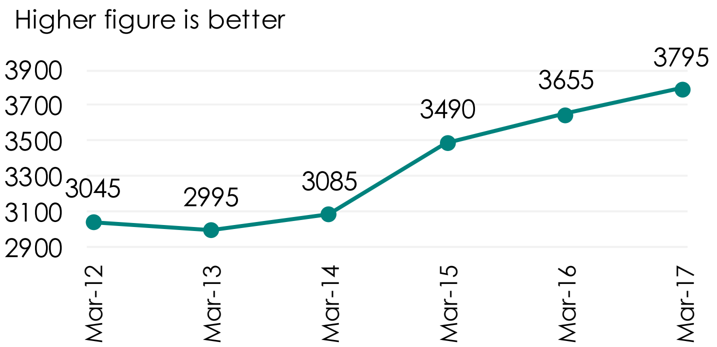
	Mar-16	19 Months	Oct-17	% change since Mar 16	Change since Mar 16
Second Homes (Unoccupied and furnished)	1370		1522	11%	152
Empties					
Unoccupied and unfurnished	614		544	-11%	-70
Unoccupied and unfurnished for more than 2 years	244		260	7%	16
Unoccupied and unfurnished, requires or undergoing major repair and/or structural alteration	106		222	109%	116
Property left empty by a deceased person , waiting for probate or letters of administration to be granted	103		134	30%	31
Other	51		71	39%	20
Total (Excluding Second homes)	**1118**		**1231**	**10%**	**113**
Total (including second homes)	**2488**		**2753**	**11%**	**265**

The council's proactive stance on tackling empty homes has contributed to the steady decline in the number of empty properties in Thanet since 2008. Early 2017 started to see increases in the number of empty homes for the first time is some years. The housing and council tax teams have worked together to review the list of properties which has resulted in a subsequent reductions in the number of empty homes. We have implemented a renewed focus on empty homes intervention with the successful appointment of a new Empty Property Officer and the council continues to be the highest performing authority in Kent, having brought more homes back into use than any other.

Promoting Inward Investment and Job Creation

Count of Enterprises in Thanet

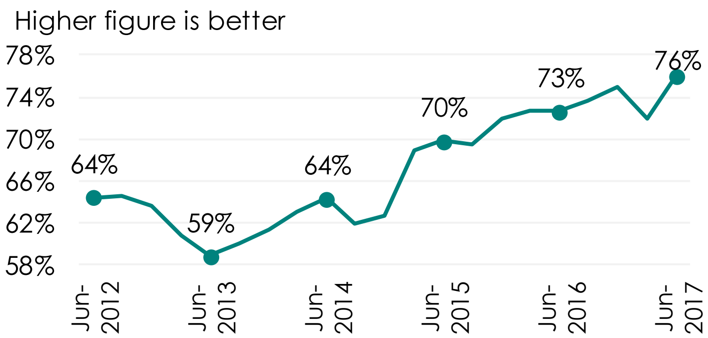
(nomis data)



Thanet has seen 24.6% increase in the number of enterprises from March 2012. This increase is more than the South East increase of 19.5% and just under the Great Britain increase of 24.8%.

All people - Economically active - In employment

(nomis data)

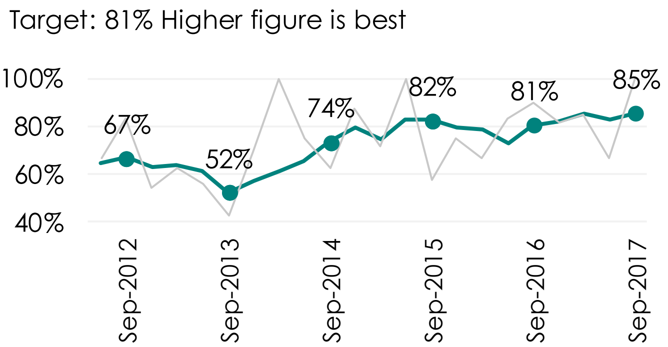


Over the last three years employment levels have continued to increase.

Thanet has successfully reduced the employment gap compared to other areas of the South East, with the last year showing the highest levels since 2004.

G Major Planning Applications determined within 13 weeks or agreed timescale

(NI157a) (rolling 12 months)

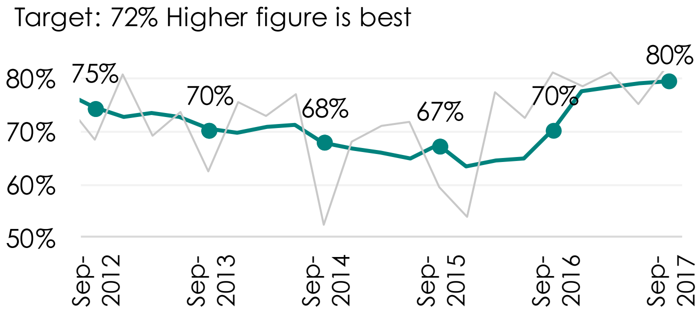


85% of the 41 Major planning applications determined within the agreed timescale in the last 12 months. This is the highest figure over the last five years and is despite an increase of 14% from September 2016 in volume of major planning applications.

To make this growth sustainable we are improving how we use Planning Performance Agreements with applicants to support delivery.

G Minor planning applications determined within 8 weeks or agreed timescale

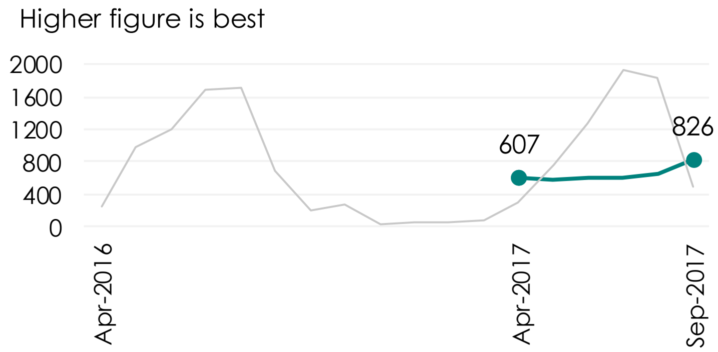
(NI157b) (rolling 12 months)



80% of the 324 Minor planning applications determined within the agreed timescale in the last 12 months. This is the highest figure over the last five years and is despite an increase of 8% from September 2016 in volume of minor planning applications.

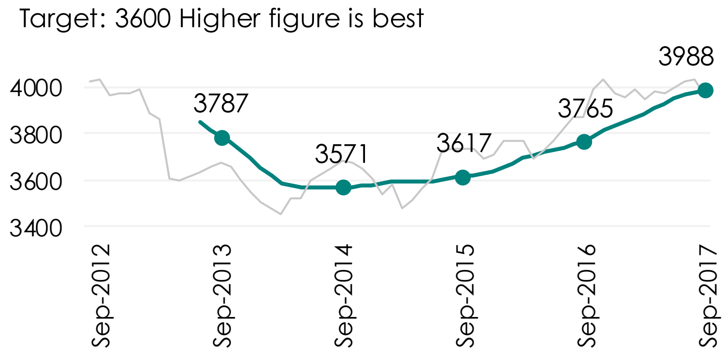
Improvement in performance follows refinement of use of Planning Extension Agreements and established procedures.

Visitor Nights
(LI730) (rolling 12 months)



We actively encourage visitors to the harbour to enjoy Thanet's coastline, towns and attractions. This engagement encourages visitors to stay longer in our district and increases the potential for repeat visits in the future. This customer interaction is considered to positively influence this indicator.

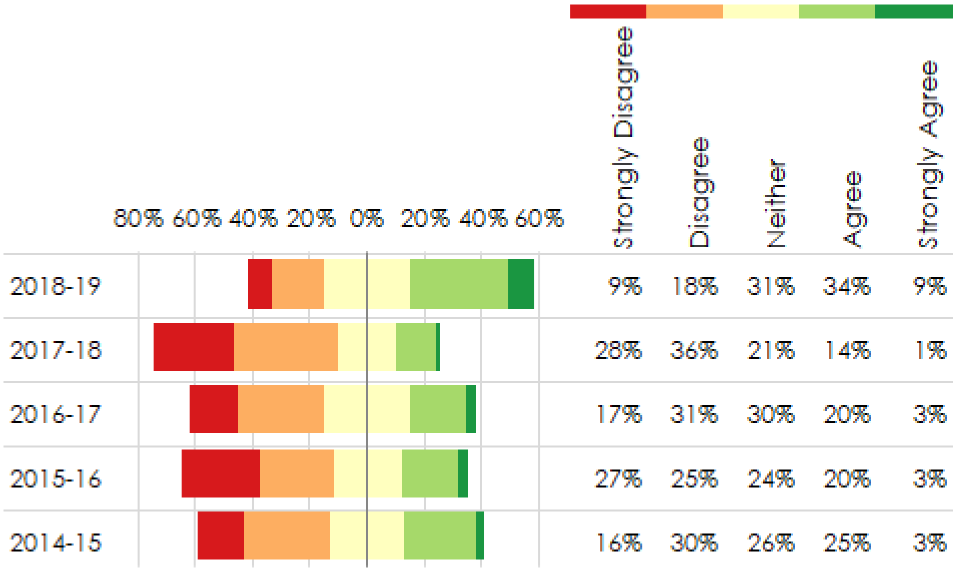
G **Average total meterage of occupied permanent berths in Royal Ramsgate Harbour**
(LI137) (Average rolling 12 months)



Since early 2014 numbers have seen a steady increase. Factors such as the regeneration of the Military Road quayside and overall success of the harbour are believed to have positively influenced permanent berth holder numbers and attracted new business to Ramsgate. Price point and consistent high quality customer service provided by marina staff, (as recorded in customer surveys) is also likely to be a contributory factor.

Statistical Information

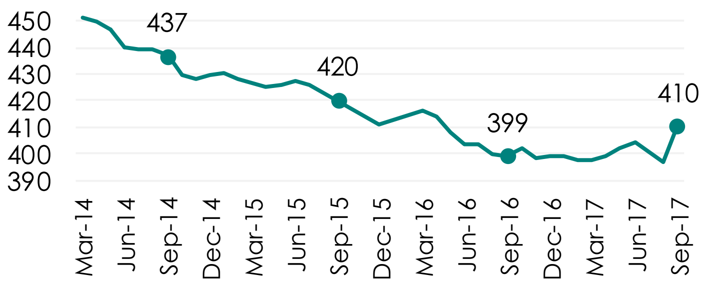
Public opinion of whether the council provides Value for Money
(annual survey)



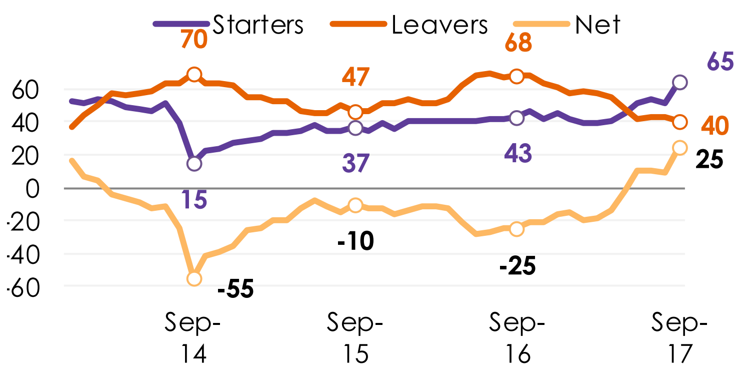
	Strongly Disagree	Disagree	Neither	Agree	Strongly Agree
2018-19	9%	18%	31%	34%	9%
2017-18	28%	36%	21%	14%	1%
2016-17	17%	31%	30%	20%	3%
2015-16	27%	25%	24%	20%	3%
2014-15	16%	30%	26%	25%	3%

The result is very positive in comparison to the trend in recent years, with 43% agreeing or strongly agreeing that the council provides value for money, compared to 15% last year.

Thanet District Council Full time Equivalent count



Staff Starters and Leavers head count
(rolling 12 months totals)



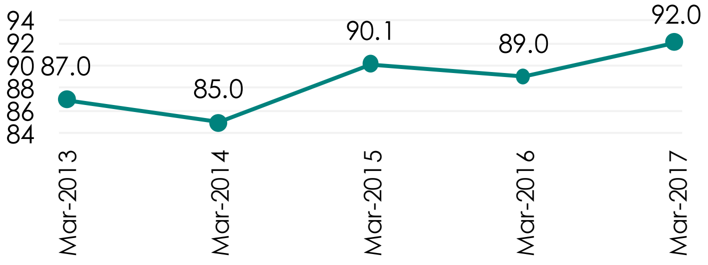
Over the last 12 months there have been:

40 Leavers
65 Starters

Meaning a net increase of 25 staff.

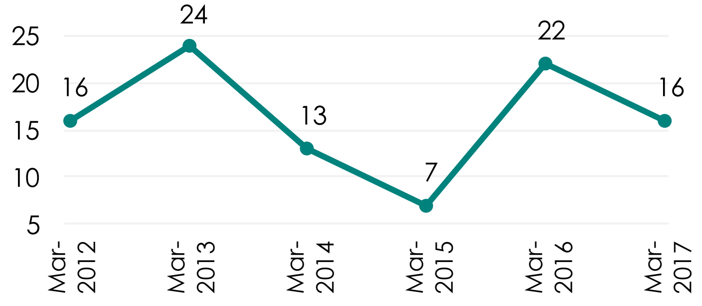
Registration rate for voting following annual canvas (%)
(LI456)

Higher figure is best



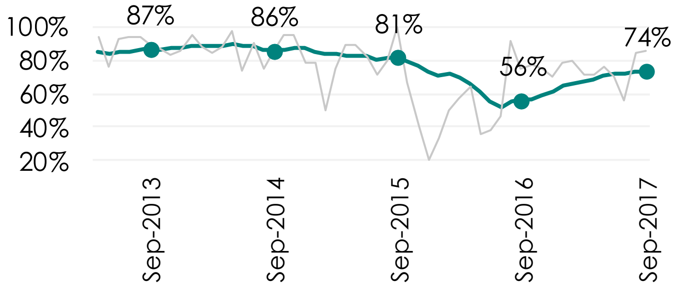
Number of complaints made to the Standards Committee
(LI519)

Target: Lower figure is best



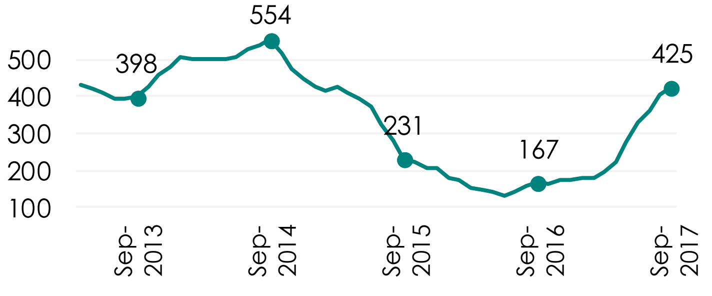
R **Complaints Response Rate within 10 days**
(rolling 12 months)

Target: 90% Higher figure is better



Following a review of systems, processes and resources, performance has shown a slight upturn, but the most lasting changes will only be achieved once a digital approach to processing complaints is in place, later this year. A further outcome of the review is to establish a specific resource in the Executive Support team to co-ordinate complaints.

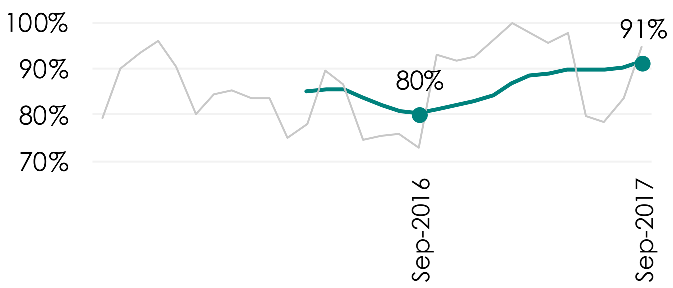
Number of complaints
(rolling 12 months)



Following a review of systems, processes and resources, a large number of complaints have been identified as being excluded from this statistic. These are now being reflected in the numbers, which are based on a rolling 12 months.

G **Freedom of Information Response Rate within 20 days**
(rolling 12 months)

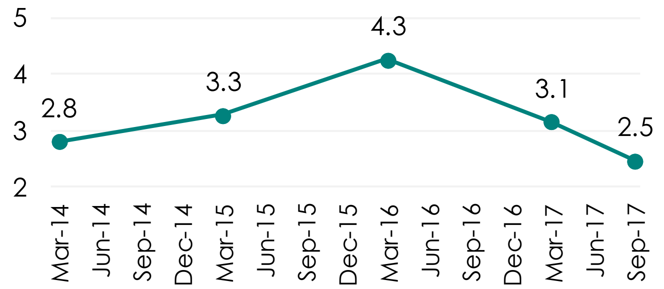
Target: 90% Higher figure is better



The council has achieved an 11% increase in compliance since September 2016 despite receiving 1066 FOIs in the last 12 months (32% increase in volume from Sep 2016.)

R **Sickness days per Full Time Equivalent**
(quarterly)

Target: 2 Lower figure is better



The target is 8 days per year or 2 days per quarter. Performance remains below the target but has improved markedly after management action.

Partner Performance

Thanet District Council housing tenants:

	Performance Indicator	13/14	14/15	15/16	16/17	Q1	Q2	Q3	Q4	YTD	Target
G	Average re-let time in days (all stock including major works)	24.7	22.5	19.95	23.85	12.74	15.7			14.29	20
R	Current tenant arrears as a percentage of the projected annual rental income	1.67	1.58	1.39	1.56	1.65	1.97			1.97	1.50
G	Overall customer satisfaction with day to day repairs	97.6	99.7	100	99.15	99.8	100			99.88	98.%
R	Percentage of HRA capital programme spent	82.7	76.7	96.54	97.35	2.37	14.05			14.05	100%

Revenues & Benefits (cumulative year to date)

	Performance Indicator	13/14	14/15	15/16	16/17	Q1	Q2	Q3	Q4	Target
R	Average time to process all new claims & change events in Housing Benefit (HB) & Council Tax Benefit (CTB) (days)	7.21	7.03	6.81	7.31	9.33	10.28			8.50
A	% correct HB and CTB decisions	97.49	96.81	96.88	96.24	95.71	94.83			96.50
G	% Council Tax collected	96.00	96.15	96.49	96.50	29.02	55.82			96.15
G	% Business rates collected	98.76	98.53	99.53	99.07	32.64	57.65			99.50

Customer Services: Computers and phones (cumulative YTD)

	Performance Indicator	13/14	14/15	15/16	16/17	Q1	Q2	Q3	Q4	Target
R	Average call waiting time (mins MM:SS)	01:20	00:52	00:39	00:48	1:14	1:32			00:50
G	% availability of corporate website	99.96	99.98	99.94	99.98	99.84	99.91			99.50
G	% of calls dealt with by automation	27.06	29.59	25.42	34.33	39.69	41.13			33.00

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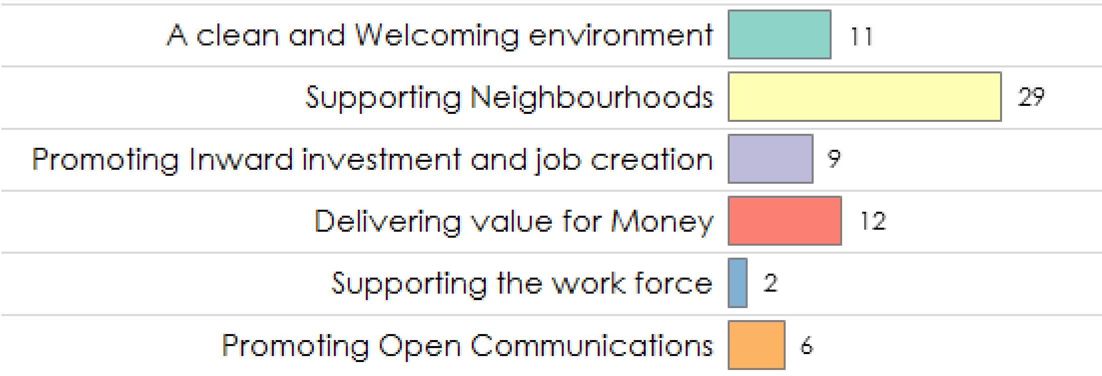
Annex 2

Corporate Performance Report – Key Focus

Thanet District Council

The council has 37 key focuses relate to the performance measures of the council, 69 corporate priorities and values are covered by the Key measures. The chart below shows the balance of Key focuses against the council's corporate priorities and values



Team	Focus	Due	A clean and Welcoming environment	Supporting Neighbourhoods	Promoting Inward investment and job creation	Delivering value for Money	Supporting the work force	Promoting Open Communications
Financial Services	Deliver a balanced budget for 2017-2021	2017 Q1	✓	✓	✓	✓		✓
Financial Services	Ensure the HRA and other strategic Business Plans are on a sound financial basis	31-Mar-17		✓		✓		
Housing Services	Empty Homes: Directing resources towards bringing more empty homes back into use.	On-going	✓	✓		✓		
Housing Services	Improving housing conditions across the district, with a particular focus on areas with high levels of deprivation and poor housing conditions.	On-going	✓	✓				

Housing Services	Working with residents and landlords to improve the standard of housing management.	On-going	✓	✓				
Housing Services	Develop new HRA Business Plan for the coming period.	2017			✓	✓		
Housing Services	Working with East Kent Housing to ensure the provision of a high quality, cost effective service to residents.	On-going	✓			✓		
Housing Services	Preventing Homelessness - providing a comprehensive housing options service that focuses on early intervention to support vulnerable households into suitable accommodation. Mitigating the need for temporary or emergency accommodation is an essential part of this.	On-going		✓				
Housing Services	Reviewing the services provided by the Housing options team to ensure that they are able to respond to the increasing number of households at risk of losing their home.	2017		✓		✓		
Housing Services	Improving the operational efficiency of the housing service, through the use of technology and flexible working	2018			✓	✓	✓	
Waste and Street Cleansing	Strive to continually improve the standard of service, adopting a “right first time” approach in order to reduce missed bins and increase efficiencies by reducing dependency on resources allocated to failure demand.	2017 Q1	✓	✓		✓		
Waste and Street Cleansing	Obtain maximum benefit from procurement programmes to reduce capital outlay in fleet (and other) purchasing	2016 Q4				✓		
Waste and Street Cleansing	Optimise the waste collection rounds to realise efficiencies.	2017 Q1				✓		
Waste and Street Cleansing	Develop innovative recycling and waste solutions within high density urban areas.	2017 Q2	✓	✓				
Waste and Street Cleansing	Develop innovative recycling and waste solutions within high density urban areas.	2017 Q1	✓	✓				
Waste and Street Cleansing	Explore all opportunities to increase participation in recycling	2017 Q2		✓				
Waste and Street Cleansing	Implement robust measures to reduce contamination of dry recyclates by both residents and by crews NB: Current contamination rate is 12% (Average 8 RCV’s full each month)	2017 Q2		✓				
Waste and Street Cleansing	· Increase the proportion of recycling to waste to meet both regional and national targets NB: National / EU target is to achieve 50% recycling rate by 2020 TDC Rate is currently 32% Failure to achieve the target will result in financial penalties· Explore all opportunities to Increase participation	2017 Q2		✓				
Waste and Street Cleansing	Develop educational programmes for schools to encourage children to lead on recycling initiatives at home and at school	2017 Q2		✓				
Waste and Street Cleansing	Meet and maintain the Environment Agency TEEP Test in relation to the quality of recyclate collected.	2016Q3		✓				
Waste and Street Cleansing	· Explore opportunities to innovate and improve street cleansing for better outcomes, improve public perception and reducing costs.	2017 Q2	✓	✓				

Waste and Street Cleansing	· Actively reduce customer complaints by adopting a right first time attitude, and ensuring that frequency and quality are constantly monitored and poor performance challenged.	2017 Q1	✓	✓				
Civil Enforcement Parking	Investigating new handheld technology equipment for the Civil Enforcement Officers .	2017		✓				
Street scene Enforcement	Implementation of CCTV system upgrade, and an options appraisal of CCTV provision going forward	Q1/2017		✓				
Street scene Enforcement	Better integration, analysis, use of deployable resources and an intelligence-led approach to enforcement activities.	Q2/2017		✓				
Street scene Enforcement	Update street scene enforcement protocols to support effective prioritisation of action and in order to keep up with any changes in legislation including a new enforcement and investigation policy and procedure.	Q2/2017		✓				
Street scene Enforcement	Integrate Operation Cleansweep with Margate Taskforce Streetweek operations to avoid duplication and better focus resources.	Q1/2017		✓				
Street scene Enforcement	Increase enforcement activity actions, such as notices, warnings, penalty notices and prosecutions	Q1/2017		✓				
Street scene Enforcement	Coordinated safety, education and enforcement initiatives	Q2/2017		✓				
Street scene Enforcement	Introduction of an internal enforcement education and skills programme	Q3/2017		✓				
Maritime Operations	To increase the port's visibility within the sector.	Mar-20			✓	✓		
Maritime Operations	To work towards achieving 5 stars in the Gold Anchor scheme.	Mar-18	✓	✓	✓	✓		
Growth and Development	Determination of around 1300 Planning Applications p.a. including the following sites of strategic significance: Birchington and Westgate Manston Westwood Manston Green· The Lido and Rendezvous· Airport	Ongoing		✓	✓			✓
Growth and Development	Responding to major consultations on applications determined by other bodies such as: The Richborough connection to be determined by the Planning Inspector under NSIP Thanet Wind Farm extension to be determined by the Planning Inspector under NSIP	RC – 2017; TWF - 2019		✓	✓			✓
Growth and Development	Responding to major consultations on applications determined by other bodies such as: Thanet Parkway likely to be determined by KCC	Ongoing		✓	✓			✓
Growth and Development	Provide clear and consistent pre-application advice to add value to planning proposals and provide certainty to attract inward investment	Ongoing			✓			✓
Information Governance	Improve response rates to all IG requests	2017 Q2					✓	✓

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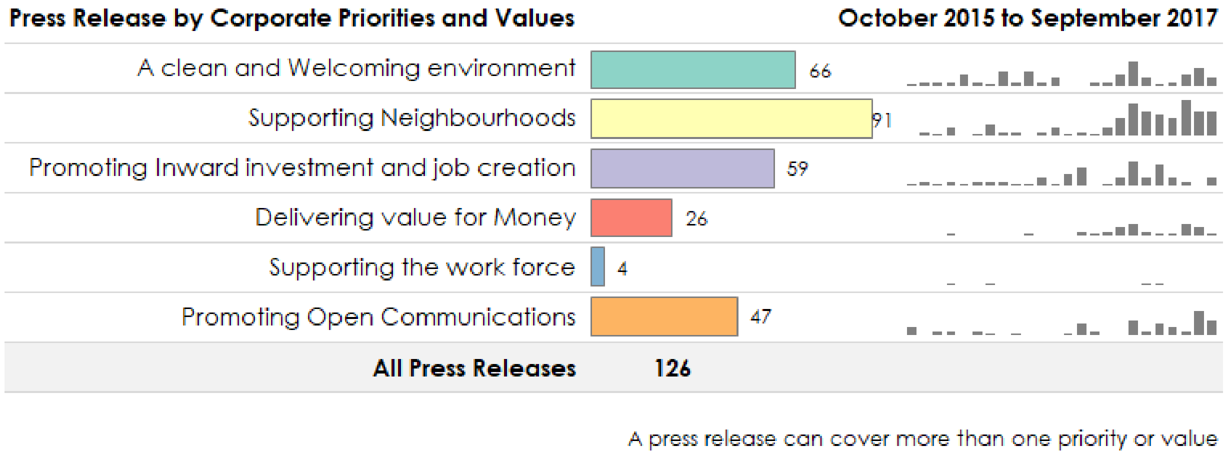
Annex 3

Corporate Performance Report – Highlights

Thanet District Council

The council has had 192 press releases that have covered 293 corporate priorities and values the following chart shows the balance of highlights against the councils corporate priorities and values



The full list of press releases are listed below and further details of all press releases can be found at https://www.thanet.gov.uk/the-thanet-magazine/press-releases/

Year	Month	News Release	A Clean and Welcoming Environment	Supporting Neighbourhoods	Promoting Inward Investment and Job Creation	Delivering Value for Money	Supporting the Workforce	Promoting Open Communications
2017	Sept	Applications for Event Grant Funding now open		X				X
		Thanet cracks down on empty homes	X	X				

	Local firms and pubs to benefit from Thanet's business rate relief			X			X
	Sporting Minds: new mental health project for Thanet		X				
	Thanet Landlord Event – Tuesday 26 September		X	X			X
	Margate Caves given new lease of life		X	X			
	Margate graffiti tagger prosecuted	X	X				
	Great British Beach Clean returns to Thanet!	X					
	Brand new residents' survey launches this week!				X		X
	Public Spaces Protection Order (PSPO) for Alcohol Control		X				X
	Council's housing programme ready for business		X				
Aug	Council introduces new Environmental Action Team	X	X		X		
	Thanet's Heritage Open Days, 7 - 10 September		X				X
	Board appointments for Leader of Thanet District Council						X
	Leader's Mid-Term Review		X		X		X
	Council introduces cigarette voting bins to tackle litter	X					X
	Have your say on new PSPO for dog fouling and control	X					X
	New bins added along Thanet's coastline	X			X		
	Kent's first Local Authority Criminal Behaviour Order		X				
	Margate Central By-election results		X				X
	Thanet Coast Project Summer Events 2017		X				X
	Landlord prosecuted for ignoring selective licensing requirements	X	X				
	Knowledge sharing for safer neighbourhoods	X	X				X
Jul	Specialist appointed to Ramsgate HAZ project		X				
	Council to transfer Ice House to 6th Ramsgate Sea Scouts				X		
	Thanet District Council approves a life size Antony Gormley sculpture			X			
	Introducing the Chairman of the Council		X				X
	Captain climate hits Thanet's streets!	X	X				
	Funding secured to improve housing and community integration		X	X	X		
	Ellington Park drawings exhibition	X	X				
	Margate Taskforce - Sunrise Rotary club shine on Margate Task Force		X				
	New seasonal resident only parking scheme		X		X		
	Council enforces £400 fines to string of fly-tippers	X	X		X		
	New safety railings and lighting to be installed on Margate Harbour Arm	X	X				
	Get active and stay active with Thanet's summer programme		X				

		High rise blocks		X				X
	Jun	Arts Council awards for Thanet institutions		X	X			
		Dog DNA pilot registration scheme to open across Thanet	X	X				
		Demon Dayz - Cllr Brimm reflects on the Demon Dayz Festival			X			
		Parking update from the Leader of the Council		X		X		X
		General fire safety and cladding		X				X
		Council launch environmental booklet for local schools	X	X				
		Thanet District Council response to CPS announcement		X				X
		Thanet on the crest of a creative wave			X			
	May	Dreamland in lights			X			
		Have your say on Planning Validation Checklists		X				X
		Turner Prize 2019 comes to Thanet			X			
		10 of Thanet's beaches named best in Britain	X		X			
		Community Safety Team takes action against street drinking		X			X	
		Sport 4 NRG Project offers new ParkLives activities		X				
		Dreamland cinema building: attitude changes to health and safety			X			
		Restored Sunshine Café windows unveil panoramic views of Margate sands			X			
		General Election		X				X
		Have your say on proposed new parking schemes		X		X		X
		Inaugural Thanet Tourism Volunteer Forum		X	X			
		Kent County Council elections – Thursday		X				X
		Great new way to discover Thanet's coast			X			
	Apr	Potential sale of council assets		X		X		X
		New parking schemes on the horizon		X		X		X
		#DreamlandMemories			X			
		New innovative freight model for the Port of Ramsgate		X	X			
		Thanet business owner fined for displaying illegal sign in listed building	X	X				
		UK leading Margate Task Force extends into Ramsgate		X			X	
		Graffiti - let's wipe it out	X	X				
		Expansion to Port of Ramsgate team		X	X			
		'Live Margate' Housing renovation programme goes from strength to strength	X	X				
2017	Mar	Great Eggcase and Scavenger Hunt!		X				
		Tourism Superstar Award and 13 others announced at Pride in Thanet Awards		X	X			

		Plans for East Kent council on hold following Shepway vote			X	X		X
		Ramsgate Main Sands not eligible for Blue Flag this year	X					X
		It's a #CrimeNotToCare when it comes to getting rid of your rubbish	X	X				
		Creation of new single council in East Kent			X	X		X
		Colourisation used to recreate original Dreamland sign	X		X			
		Sale of Dane Valley enterprise units				X		
		Historic lighting technique recreates original Dreamland sign	X		X			
		Council to run dog DNA pilot scheme in April	X	X				
		Thanet Winter Shelter helps 23 individuals to a life off the streets		X				
		Council takes court action to protect Thanet's heritage		X				
		Community and council clean up Thanet	X	X				
		High turnout to see revisions to council's Draft Local Plan		X				X
		Dreamland menageries restored to former glory	X		X			
		Register to receive your council tax bill by email and you could win £1,000!				X		X
		Successful bid for domestic abuse cash		X				
		Owner occupier loans – first for Kent		X	X			
		Destination restaurant on the cards for Margate	X		X			
	Feb	Council backs nationwide 'spring clean' in Thanet	X	X				
		Crack down on fly-tippers with new £400 fine	X	X				
		Council unanimously agrees new budget			X	X		
		Botany Bay takes centre stage for Harper's Bazaar fashion shoot			X			
		Local children help spread 'Keep Thanet Clean' message	X	X		X		
		Ground breaking housing scheme for older people launched		X	X	X		
		New rapid response project to prevent homelessness		X				
		Derelict property owners taken to court	X	X				
	Jan	Register to receive your council tax bill by email and you could win £1,000!		X		X		
		Legal action taken to protect Isle's heritage	X	X				
		Ellington Park in Ramsgate wins National Lottery Funding	X	X	X	X		
2016	Dec	Council services over Christmas and New Year	X	X		X		X
		Local litterers found guilty in court	X					X
	Nov	Thanet tourism booms to £293 million			X			X
		Unlicensed Margate landlord fined £3000		X				X
		Sky Arts choose Margate as its backdrop			X			

		Ramsgate awarded Heritage Action Zone status			X			
		Thanet Council's Sports Awards recognise the district's sporting heroes		X				
		Residents asked for their views on the services which matter to them				X		X
		Agricultural land off the council's disposal list			X	X		X
		Strategic partnership agreed with council			X			
		Children recreate photography history			X			
	Oct	Winter Shelter Scheme and Aspire Homeless Project		X				
		The UK's largest mobile crane is currently being hosted at the Port of Ramsgate!			X			
		Local company seeking to expand operations at Port of Ramsgate			X			
		Ramsgate through to next stage of £1.7m Coastal Community Funding application			X			
		Manston Airport viability study concludes operations 'very unlikely'			X			X
	Sep	Dane Valley Arms		X				
		Team GB Hockey Gold Medallist hosts the Thanet Sports Awards 2016		X				
		September Littering Prosecutions	X					
		Environmental Enforcement Contract awarded	X					
		Thanet District Council wins £33,000 for Museum Cataloguing Project			X			
2016	Sep	Thanet Community Safety Partnership – Harbour Street, Ramsgate Operation.		X				
		The Great British Beach Clean returns!	X					
	Aug	Heritage Open Days in Thanet			X			
		Dreamland Phase 2: Local contractor Coombs appointed to undertake iconic Dreamland restoration			X			
		Thanet District Council joins the #2minutebeachclean movement	X					
		SEAS Photography 'Beyond the View' temporary exhibition opening at the Droit House in Margate			X			
		Local school children design new anti-litter mascots for Thanet!	X					
		The Thanet Sports Awards 2016 – nominations now open!		X				
		National Charity Partnership to headline sponsor Margate Masters National Beach Volleyball Finals 2016		X				
	Jul	Seaweed and their Secrets	X					
		Littering prosecutions at Canterbury Magistrates' Court	X					
		Thanet District Council, Southern Water and the Environment Agency working together in Viking Bay	X					

	Summer 'Seashore Safaris' along the Thanet Coast	X					
	Manston Airport - Change of use application			X			
	Triple figure fine for Ramsgate fly-tipper	X					
	EAST KENT COUNCILS CONSIDER CLOSER WORKING				X		
Jun	Thanet's beauty unveils in London	X					
	Council Tax Support – your views sought						X
	Thanet District Council cracks down on rogue landlords		X				
	Ramsgate woman to pay £700 for fly-tipping in alley	X					
	Thanet Landlords' Event – 29 June 2016		X				
	A big thank you to our Thanet Visitor Information Volunteers!			X			
May	The Thanet Coast Project hosts 'Seaweed and their Secrets'	X					
	Wildlife walks in Thanet	X					
	Thanet receives ten awards for its stunning sandy beaches!	X					
	Thanet Crematorium to host Public Open Day to mark 50th year		X				
	2nd phase of Dreamland underway – call out for contractors			X			
	Further fines for fly-tippers	X					
	Fine for Margate shop owner selling alcohol without licence		X				
	War against dog waste	X					
	£4.5 m scheme to redevelop Royal Pavilion building in Ramsgate step closer!			X			
Apr	Council crack-down on Fly-tippers	X					
	Margate Masters to host the National Beach Volleyball Finals for fourth successive year			X			
	Thanet District Council commended for significant progress					X	
	Summer is coming! Lifeguards prepare for busy seafront in run-up to warmer months		X				
	Calling all landlords		X	X			
	Make sure you know how to have your say on the 5 May						X
	Action to tackle an-social behaviour in Thanet		X				
	It's playtime as Cliffsend's new community play area opens		X				
Mar	Easter Eggcase Hunts!	X					
	Thanet groups take part in national clean-up event	X					
	Thanet wins Visitor Information Provider of the year!			X			X
	Update on Homeless issue at Marine Drive, Margate		X				
	Get ready for important elections in 2016						X
	Thanet District Council introduces £20,000 fund for Cliftonville community projects			X			

Agenda Item 5
Annex 3

	Feb	Doggie Pit Stop events to be held in Ramsgate	X					
		Thanet District Council assists BBC programme set in Margate			X			
		Thanet District Council introduces new equipment for upcoming season	X					
		Thanet Council calls for volunteers to participate in anti-litter campaign	X					
		WANTED: Budding scientists to capture our coast	X					
	Jan	Selective Licensing Scheme in Margate Extended		X				
		Election Results - By Election Newington, Ramsgate						X
		Council receives £90k to tackle rogue landlords		X				
		Lancashire recycling company prosecuted for unauthorised unit in Broadstairs car park	X					
		Bin it for Good anti-litter campaign celebrates success	X					
		First car transporter ship at Port of Ramsgate			X			
		Consolation on Cliftonville Conservation Area proposals gets underway						X
		Thanet Community Safety Partnership consultation 2016		X				
		Cabinet to discuss 2016-17 Budget				X		
		Thanet receptionist recognised in national Tourism Superstar shortlist			X		X	
2015	Dec	Awards for Outstanding Contribution to Community Safety presented at Thanet Community Safety Partnership Conference 2015		X				
		Dates for your diary - holiday opening times and waste and recycling collections	X					X
		Silver for Thanet Visitor Information Service at the Beautiful South Tourism Awards 2015!	X					X
		LEADER programme funding available for rural Thanet businesses and communities			X			
	Nov	Recycle Now!	X					
		Recognising Thanet’s Sporting Stars			X			
		Broadstairs stars in Lady in the Van (links to pictures below)			X			
		Margate man convicted and Fined for breaching abatement notice		X				
		Guest speakers for the 2015 Thanet Sports Awards are announced!		X				
		Council FIDO machine gets spotted!	X					
	Oct	Cabinet to consider report which recommends no further action on Manston CPO at the present time						X
		Selective licensing consultation closes Monday 26 October						X
		Residents asked for their views as budget consultation begins						X

Activity at the Port of Ramsgate is set to increase			X			
Porchlight to benefit from Margate’s ‘Bin it for Good’ anti-litter campaign	X					

TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW REPORT 2017-18

Cabinet	**16 January 2018**
Report Author	**Tim Willis, Director of Corporate Resources & Section 151 Officer**
Portfolio Holder	**Councillor John Townend, Portfolio Holder for Financial Services and Estates**
Status	**For Decision**
Classification:	**Unrestricted**
Key Decision	**No**
Previously Considered by	**Governance and Audit Committee – 6 Dec 2017**

Executive Summary:

This report summarises treasury management activity and prudential/ treasury indicators for the first half of 2017-18.

Recommendation(s):

That Cabinet:

- Approves this report and the prudential and treasury indicators that are shown.
- Recommends this report to Council.

CORPORATE IMPLICATIONS	
Financial and Value for Money	The financial implications are highlighted in this report.
Legal	Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, this is the Director of Corporate Resources, Tim Willis, and this report is helping to carry out that function.
Corporate	Failure to undertake this process will impact on the Council's compliance with the Treasury Management Code of Practice.
Equalities Act 2010 & Public Sector Equality Duty	There are no equity and equalities implications arising directly from this report, but the Council needs to retain a strong focus and understanding on issues of diversity amongst the local community and ensure service delivery matches these. It is important to be aware of the Council's responsibility under the

	Public Sector Equality Duty (PSED) and show evidence that due consideration had been given to the equalities impact that may be brought upon communities by the decisions made by Council.

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1.0 Introduction and Background

1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

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

1.3 Accordingly treasury management is defined as:

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

1.4 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011) was adopted by this Council on 24 April 2014.

1.5 The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an annual Treasury Management Strategy Statement (including the Annual Investment Strategy and Minimum Revenue Provision Policy) for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.

- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Governance and Audit Committee.

1.6 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2017-18 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2017/18;
- A review of the Council's borrowing strategy for 2017/18;
- A review of any debt rescheduling undertaken during 2017/18;
- A review of compliance with Treasury and Prudential Limits for 2017/18.

1.7 There have not been any key changes to the Treasury and Capital Strategies during the first half of 2017-18.

2.0 Capita's Interest rate forecasts (issued by Capita on 3 October 2017)

2.1 The Council's treasury advisor, Capita Asset Services (Capita), has provided the following forecast:

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB rate	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

2.2 Capita Asset Services undertook its last review of interest rate forecasts on 9 August after the quarterly Bank of England Inflation Report. There was no change in Monetary Policy Committee (MPC) policy at that meeting. However, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate "over the coming months". It is therefore possible that there will be an increase to 0.5% at the November MPC meeting. If that happens, the question will then be as to whether the MPC will stop at just withdrawing the emergency Bank Rate cut of 0.25% in August 2016, after the result of the EU withdrawal referendum, or whether they will embark on a series of further increases in Bank Rate during 2018.

2.3 The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

2.4 Downside risks to current forecasts for UK gilt yields and Public Works Loan Board (PWLB) rates currently include:

- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.
- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Monetary policy action failing to stimulate sustainable growth and to get inflation up consistently to around monetary policy target levels.

2.5 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The pace and timing of increases in the Federal Reserve (Fed) Funds Rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

3.0 Treasury Management Strategy Statement and Annual Investment Strategy Update

3.1 The Treasury Management Strategy Statement (TMSS) for 2017-18, which includes the Annual Investment Strategy, was approved by the Council on 9 February 2017. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

4.0 The Council's Capital Position (Prudential Indicators)

4.1 This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

4.2 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

The revised estimate includes carry-forward from the previous year of £6.456m General Fund and £16.276m HRA.

Capital Expenditure	2017-18 Original Estimate £m	Current Position – Actual at 30/09/17 £m	2017-18 Revised Estimate £m
General Fund	8.478	2.444	14.768
HRA	3.855	1.756	21.882
Total	**12.333**	**4.200**	**36.650**

4.3

Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2017-18 Original Estimate £m Total	Current Position – Actual at 30/9/17 £m	2017-18 Revised Estimate £m GF	2017-18 Revised Estimate £m HRA	2017-18 Revised Estimate £m Total
Total spend	12.333	4.200	14.768	21.882	36.650
Financed by:					
Capital receipts	0.582		3.224	2.444	5.668
Capital grants	3.421		5.554	2.233	7.787
Reserves	3.705		0.212	9.244	9.456
Revenue	0.350		0.296	1.056	1.352
Total financing	8.058		9.286	14.977	24.263
Borrowing need	**4.275**		**5.482**	**6.905**	**12.387**

4.4 Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the forecast Capital Financing Requirement.

Prudential Indicator – the Operational Boundary for external debt

	2017-18 Original Estimate £m	Current Position – Actual at 30/9/17 £m	2017-18 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR – non housing	32.237		30.963
CFR – housing	27.332		27.283
Total CFR	59.569		58.246
Net movement in CFR	**12.486**		**11.163**
Prudential Indicator – the Operational Boundary for external debt			
Borrowing	50.000	31.401	50.000
Other long term liabilities*	12.000	3.094	12.000
Total debt	**62.000**	**34.495**	**62.000**

** On balance sheet PFI schemes and finance leases etc (including the leisure centre deferred credit). Excludes the amount owed to KCC for the Westwood spine road construction as classified as a current liability.*

4.5 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, borrowing will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2017-18 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2017-18 Original Estimate £m	Current Position – Actual at 30/09/17 £m	2017-18 Revised Estimate £m
Gross borrowing	43.799	31.401	31.086
Plus other long term liabilities*	2.975	3.094	2.630
Total gross borrowing	46.774	34.495	34.010
CFR (year end position)	59.569		58.246

** On balance sheet PFI schemes and finance leases etc (including the leisure centre deferred credit). Excludes the amount owed to KCC for the Westwood spine road construction as classified as a current liability.*

The Section 151 Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2017-18 Original Indicator £m	Current Position – Actual at 30/09/17 £m	2017-18 Revised Indicator £m
Borrowing	55.000	31.401	55.000
Other long term liabilities*	15.000	3.094	15.000
Total	70.000	34.495	70.000

** On balance sheet PFI schemes and finance leases etc (including the leisure centre deferred credit). Excludes the amount owed to KCC for the Westwood spine road construction as classified as a current liability.*

5.0 Investment Portfolio 2017/18

5.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As shown by forecasts in Section 2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.25% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

5.2 The Council held £45.108m of investments as at 30 September 2017 (£37.988m at 31 March 2017) and the investment portfolio yield for the first six months of the year is 0.35% against a benchmark (average 7-day LIBID rate) of 0.11%. The constituent investments are:

Sector	Country	Up to 1 year £m	1 year – 370 days £m	Total £m
Banks	UK	13.275	0.000	13.275
Banks	Sweden	4.504	0.000	4.504
Money Market Funds	UK	27.329	0.000	27.329
Total		**45.108**	**0.000**	**45.108**

5.3 The Section 151 Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2017/18.

5.4 The Council's budgeted investment return for 2017/18 is £0.033m and performance for the first half of the financial year is above budget at £0.079m.

5.5 Investment Risk Benchmarking

Investment risk benchmarks were set in the 2017/18 Treasury Management Strategy Statement (TMSS) for security, liquidity and yield. The mid-year position against these benchmarks is given below.

5.5.1 Security

The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables, is:

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

The security benchmark for each individual period is:

	370 days	2 years	3 years	4 years	5 years
Maximum	**0.05%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**

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

The Section 151 Officer can report that the investment portfolio was maintained within this overall benchmark for the first half of this financial year.

5.5.2 Liquidity

In respect of this area the Council seeks to maintain:

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

The Section 151 Officer can report that liquidity arrangements were adequate for the first half of this financial year.

This authority does not currently place investments for more than 370 days due to the credit, security and counterparty risks of placing such investments.

5.5.3 Yield

Local measures of yield benchmarks are:

- Investments – Internal returns above the 7 day LIBID rate

The Section 151 Officer can report that the yield on deposits for the first half of the financial year is 0.35% against a benchmark (average 7-day LIBID rate) of 0.11%.

5.6 Investment Counterparty criteria

The current investment counterparty criteria selection approved in the revised TMSS is meeting the requirement of the treasury management function.

6.0 Borrowing

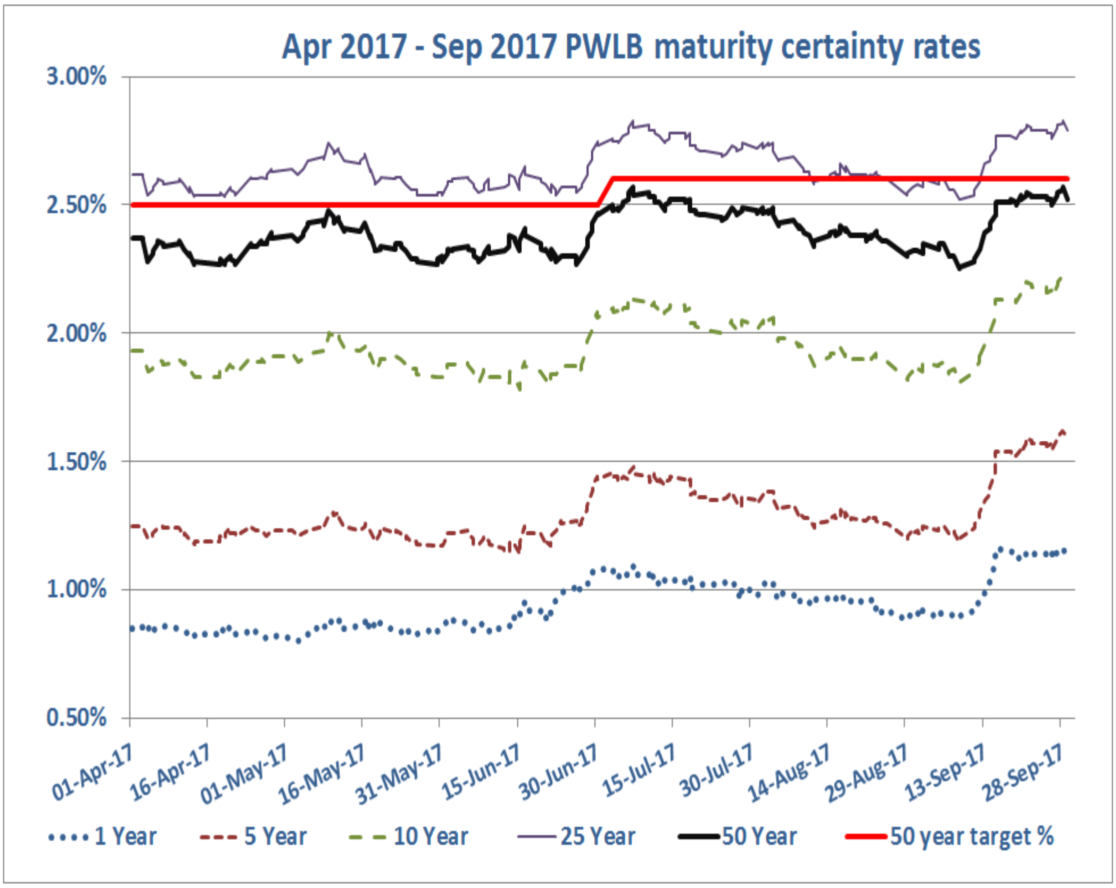
6.1 The Council's capital financing requirement (CFR) original estimate for 2017-18 is £59.569m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The Council has borrowings of £31.401m (table 4.5) and has utilised an estimated £28.168m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that upside risk to gilt yields prevails.

6.2 Due to the overall financial position and the underlying need to borrow for capital purposes (the capital financing requirement – CFR), new external borrowing of £0.043m was undertaken during the first half of the financial year, for five years at zero interest rate repayable by equal instalments of principal over the term of the loan.

6.3 Borrowing may be undertaken during the second half of this financial year and options will be reviewed in due course in line with market conditions.

6.4 The graph and table below show the movement in PWLB certainty rates for the first six months of the year to 30 September 2017.

6.5 PWLB certainty rates, half year ended 30th September 2017



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.8	1.14	1.78	2.52	2.25
Date	03/05/2017	15/06/2017	15/06/2017	08/09/2017	08/09/2017
High	1.16	1.62	2.22	2.83	2.57
Date	15/09/2017	28/09/2017	28/09/2017	07/07/2017	07/07/2017
Average	0.9408	1.2981	1.9470	2.6475	2.3917

6.7 Debt rescheduling opportunities have been very limited in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. The Council is currently under-borrowed to address investment counterparty risk and the differential between borrowing and investment interest rates. This position is carefully monitored.

6.8 The Council's budgeted debt interest payable for 2017-18 is £1.666m and performance for the first half of the financial year is below budget at £0.583m.

7.0 Treasury Management Indicators

7.1 Ratio of financing costs to net revenue stream

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

%	2017-18 Original Indicator	2017-18 Revised Indicator
Non-HRA	9.1%	7.3%
HRA	7.6%	6.0%

7.2

Upper Limits on Variable Rate Exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments.

Upper Limits on Fixed Rate Exposure – Similar to the previous indicator, this covers a maximum limit on fixed interest rates.

Both of these are shown in the below table:

	2017-18 Original Indicator £m	Current Position – Actual at 30/09/17 £m	2017-18 Revised Indicator £m
Upper limits on fixed interest rates			
Debt only	70.000	31.401	70.000
Investments only	45.000	17.775	45.000
Upper limits on variable interest rates			
Debt only	70.000	0.000	70.000
Investments only	50.000	27.333	50.000

7.3 Maturity Structures of Borrowing

These gross limits are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing.

	2017-18 Original Upper Limit	Current Position – Actual at 30/09/17	2017-18 Revised Upper Limit
Maturity structure of fixed rate borrowing			
Under 12 months	50%	16%	50%
1 year to under 2 years	50%	5%	50%
2 years to under 5 years	50%	29%	50%
5 years to under 10 years	55%	10%	55%
10 years to under 20 years	50%	21%	50%
20 years to under 30 years	50%	10%	50%
30 years to under 40 years	50%	6%	50%
40 years to under 50 years	50%	3%	50%
50 years and above	50%	0%	50%

The current position shows the actual percentage of fixed rate debt the authority has within each maturity span. None of the upper limits have been breached.

8.0 Revised CIPFA Codes and MIFID II

8.1 Revised CIPFA Codes

The Chartered Institute of Public Finance and Accountancy (CIPFA) has been conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November.

A particular focus of this exercise is how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a much higher level than can be attained by treasury investments. One recommendation is that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the authority have been apportioned between treasury and non-treasury investments. Officers are monitoring developments and will report to members when the new codes have been agreed and issued and on the likely impact on this authority.

8.2 MIFID II

The EU has now set a deadline of 3 January 2018 for the introduction of regulations under MIFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This will have little effect on this authority apart from having to fill in forms sent by each institution dealing with this authority and for each type of investment instrument we use apart from our cash deposits with banks and building societies.

9.0 Options

9.1 The recommended option (to ensure regulatory compliance as set out in section 1 of this report) is that Cabinet:

- Approves this report and the prudential and treasury indicators that are shown.
- Recommends this report to Council.

9.2 Alternatively, Cabinet may decide not to do this and advise the reason(s) why.

10.0 Next Steps

10.1 This report is to go to Council for approval on 8 February 2018.

11.0 Disclaimer

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

Contact Officer:	Tim Willis, Director of Corporate Resources & Section 151 Officer, extn 57009
Reporting to:	Madeline Homer, Chief Executive

Annex List

Annex 1	Economic Update and Debt Maturity
Annex 2	Guidance on the Treasury Management Strategy Statement and Annual Investment Strategy – Mid Year Review Report 2017/18

Corporate Consultation Undertaken

Finance	Ramesh Prashar, Head of Financial Services
Legal	Tim Howes, Director of Corporate Governance & Monitoring Officer

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ANNEX 1 – ECONOMIC UPDATE AND DEBT MATURITY

1.0 Capita's Economic Update (issued by Capita on 3 October 2017)

1.1 **UK.** After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of Gross Domestic Product (GDP), has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

1.2 The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected Consumer Price Index (CPI) inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September MPC meeting. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.

1.3 It therefore looks very likely that the MPC will increase Bank Rate to 0.5% in November or, if not, in February 2018. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019. However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018. While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.

1.4 **EU.** Economic growth in the EU, (the UK's biggest trading partner), has been lack lustre for several years after the financial crisis despite the European Central Bank (ECB) eventually cutting its main rate to -0.4% and embarking on a massive programme of Quantitative Easing (QE). However, growth picked up in 2016 and now looks to have gathered ongoing substantial strength and momentum thanks to this stimulus. GDP growth was 0.5% in quarter 1 (2.0% y/y) and 0.6% in quarter 2 (2.3% y/y). However, despite providing massive monetary stimulus, the ECB is still struggling to get inflation up to its 2% target and in August inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019.

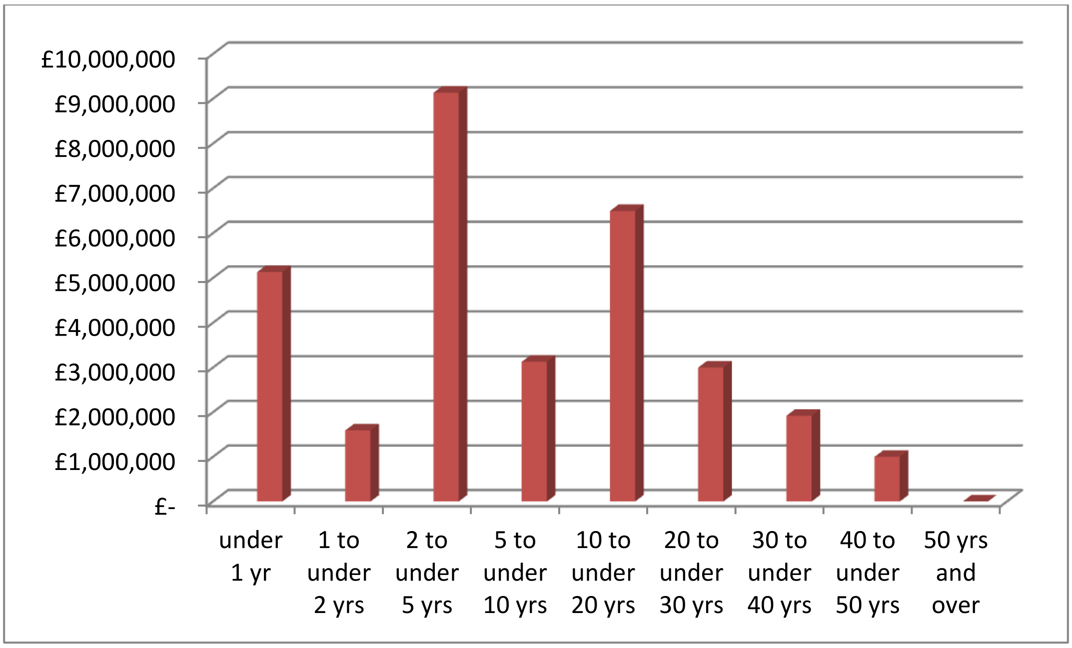
1.5 **USA.** Growth in the American economy has been volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1%, resulting in an overall annualised figure of 2.1% for the first half year. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.4%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with three increases since December 2016; and there could be one more rate rise in 2017 which would then lift the central rate to 1.25 – 1.50%. There could then be another four more increases in 2018. At its June meeting, the Fed strongly hinted that it would soon begin to unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

1.6 **Chinese economic growth** has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

1.7 **Japan** is struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

2.0 Debt Maturity

2.1 The maturity structure of the Council's borrowing as at 30 September 2017 (as per section 7 of the main report) is shown below in graph format.



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ANNEX 2 – GUIDANCE ON THE TREASURY MANAGEMENT STRATGEY STATEMENT AND ANNUAL INVESTMENT STRTAGEY – MID YEAR REVIEW REPORT 2017-18

Prudential Code

The Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice for capital finance, to which local authorities must have regard.

Capital Expenditure

The Capital Expenditure table (section 4.3 of report) is split between the Council's Housing Revenue Account (HRA) and General Fund (GF or non-HRA). The HRA is a 'ring-fenced' account for local authority housing.

The table also shows the resources used to fund the capital expenditure (being capital receipts from the sale of assets, capital grants, reserves and revenue) and any shortfall in resources. This shortfall represents the Council's borrowing need.

Borrowing Limits

The Capital Financing Requirement (CFR) represents the Council's aggregate borrowing need. i.e. the element of the capital programme that cannot be funded. Borrowing may only be undertaken for capital expenditure purposes.

The Limits to Borrowing Activity table (section 4.5 of report) shows that the Council's debt is not more than the CFR because, as above, the CFR represents the Council's aggregate borrowing need.

Borrowing limits (sections 4.5, 7.2 and 7.3 of report) – there are various general controls on the Council's borrowing activity (operational boundary, authorised limit, fixed and variable interest rate exposures, and maturity profiles).

Investments

General controls on the Council's investment activity to safeguard the security and liquidity of its investments (as set out in the Council's Annual Investment Strategy), include:

- Creditworthiness of investment counterparties.
- Counterparty money limits.
- Counterparty time limits.
- Counterparty country limits.
- Limits on the Council's fixed and variable interest rate exposures.
- Minimum size of the Council's bank overdraft facility.

Borrowing Sources/ Types

PWLB (section 6 of report) is the Public Works Loan Board which is a statutory body operating within the UK Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

The Council has the following types of fixed rate loan with the PWLB:

- Annuity: fixed half-yearly payments to include principal and interest.
- Equal Instalments of Principal: equal half-yearly payments of principal together with interest on the outstanding balance.
- Maturity: half-yearly payments of interest only with a single payment of principal at the end of the term.

Financing Costs as a Proportion of Net Revenue Stream

This shows (section 7.1 of report), separately for HRA and GF, the percentage of the Council's revenue stream that is used to finance the CFR (net interest payable and Minimum Revenue Provision (MRP)).

MRP is the annual resource contribution from revenue which must be set against the CFR so that it does not increase indefinitely.

MIFID

The Markets in Financial Instruments Directive or MIFID (section 8.2 of report) is the EU legislation that regulates firms who provide services to clients linked to financial instruments, and the second of these directives (MIFID II) is to be introduced by 3 January 2018.

COUNCIL TAX BASE CALCULATION 2018/19

Cabinet	**16TH January 2018**
Report Author	**Mandie Kerry**, **East Kent Services** **Ramesh Prashar, Head of Financial Services**
Portfolio Holder	**Councillor Townend, Cabinet Member for Financial Services & Estates**
Status	**For Decision**
Classification:	**Unrestricted**
Key Decision	**Yes**
Reasons for Key	**Significant effect on community** (Tax base to be confirmed to enable budget setting and expenditure)
Previously Considered by	**None**
Ward:	**Thanet wide**

Executive Summary:

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

Recommendation(s):

It is recommended that Cabinet:

(i) Approve the District's Council Tax Base for 2018/19 as **42,904.67** and the tax base for the towns and parishes in the Council's administrative area, as set out in the table at Annex 2;

(ii) Determine not to revise the Council Tax Discounts for 2018/19;

(iii) Determine not to revise the Council Tax Reduction Scheme for 2018/19.

CORPORATE IMPLICATIONS	
Financial and Value for Money	No direct financial implications arising from this report
Legal	This tax base has been prepared in accordance with the current regulations which came into force on 30th November 2012. The Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI:2012:2194)The calculations shown in Appendix 1.
Corporate	Failure to confirm the decision will affect the collection of council tax and budget settings.
Equalities Act	Members are reminded of the requirement, under the Public Sector

2010 & Public Sector Equality Duty	Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it. Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership. Please indicate which aim is relevant to the report. Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, [ ] Advance equality of opportunity between people who share a protected characteristic and people who do not share it [ ] Foster good relations between people who share a protected characteristic and people who do not share it. [ ] ***No direct equality implications are recognised in this report.***

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	✓

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

1. Introduction and Background

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

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

1.3 The tax base for 2018/19 has been prepared in accordance with the current regulations[1] which came into force on 30 November 2012. The calculations are shown in Annex 1.

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

1.5 The table below illustrates how this works.

Council Tax Band	Ratio to Band D	Number of Dwellings (based on the Valuation Office list)[2]
Band A	6/9	16,197
Band B	7/9	19,501
Band C	8/9	17,520
Band D	9/9	7,688
Band E	11/9	3,919
Band F	13/9	1,490
Band G	15/9	741
Band H	18/9	33

1.6 The basis of the calculation is to multiply the number of dwellings in each band by their respective ratio, then add the totals together to produce a “Band D equivalent” total. This total includes a number of adjustments for factors such as single person discounts, people in receipt of Council Tax Reduction Scheme discounts, etc. The total is then adjusted for the anticipated collection rate, in order to determine the tax base. The assumed collection rate recognises that there will be an element of bad debt that will not be collected and is set at 97.75%.

Based on these factors it is recommended that the tax base for 2018/19 is set at **42,904.67.**

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

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

3. Reduction of Council Tax Discounts

3.1 From the year 2013/2014, the Council removed the following Council Tax Discounts in order to meet the cost of operating the chosen Council Tax Reduction Scheme:

(i) Second Home discount of 10% removed;

(ii) Empty property discount (Class C) removed.

3.2 Reductions in Council Tax discounts are required to be determined on an annual basis, and it is recommended that the existing Council Tax reductions/removals are continued for the year 2018/19.

4. Continuation of the current Council Tax Reduction Scheme

4.1 The reduction of Council Tax discounts is a separate decision from the decision to continue with the current Council Tax Reduction Scheme (which had been approved by Full Council in January 2017) Approval is sought to continue the current scheme for 2018/2019.

6. The Current Situation:

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

6.2 A decision is required to implement the new tax base for 2018/19 which will replace the current one for 2017/18. There are no options re the calculation.

7. Options

7.1 There are no options available to Members other than to approve

(i) Approve the District's Council Tax Base for 2018/19 as **42,904.67** and the tax base for the towns and parishes in the Council's administrative area, as set out in the table at Appendix 2;

(ii) Determine not to revise the Council Tax Discounts for 2018/19

(iii) Determine not to revise the Council Tax Reduction Scheme for 2018/19.

7.2 There are no other options for Members to consider because calculation of council tax base is on the basis of set regulation as stated in the sections above Regulations state that the Tax base must be agreed by January 31 each year.

Contact Officer:	Mandie Kerry, East Kent Services Ramesh Prashar, Head of Financial Services
Reporting to:	Tim Willis, Director of Corporate Resources and s151 Officer

Annex List

Annex 1	Council Tax Base Calculation for 2018/19
Annex 2	Council Tax Base For the Towns and Parishes

Background Papers

Local Government Finance Act	• Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI: 2012:2914)
Council Tax Base Report 2018/19	• Detailed calculations for District and Parish/Town Council Tax Bases

Corporate Consultation

Finance	Ramesh Prashar, Head of Financial Services
Legal	Tim Howes, Director of Corporate Governance and Monitoring Officer

Annex 1

The Council Tax Base Calculation for 2018/19

Council Tax Base = A x B:

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

(ii) B is the authority's estimate of its collection rate for that year 97.75%
The "relevant amount" for a valuation band is the amount found by applying the formula: (H – Q + E +J) x (F/G)

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

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

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

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

(vii) Z is the total amount that the authorities estimates will be applied in relation to the Authorities council tax reduction scheme in relation to the band, expressed as an equivalent number of chargeable dwellings in the band.

F is the number which is the proportion of dwellings in that band.

(x) G is the number that, in that proportion, is applicable to dwellings in band D.

The amount calculated for Thanet District Council's Council Tax Base in 2018/19 is **42,904.67** save for the following parts of the Council's administrative area where its Council Tax Base shall be the amounts shown against each part respectively.

Collection rate has been reviewed with regard to the changes, Council Tax Support discounts and exemptions. This report seeks the approval of the collection rate of 97.75%.

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Annex 2

Council Tax Base For the Towns and Parishes

Parish	2017/2018 Tax Base using collection rate	2018/2019 Tax Base using collection rate	Difference
Margate	12,150.94	12,525.85	374.90
Westgate	2,351.43	2,415.59	64.16
Birchington	3,873.85	3,918.92	45.07
St Nicholas	392.19	397.38	5.19
Acol	109.99	112.73	2.73
Ramsgate	11,081.58	11,395.29	313.71
Manston	470.72	491.30	20.58
Minster	1,162.89	1,199.55	36.65
Monkton	270.09	275.04	4.95
Cliffsend	701.50	720.99	19.49
Broadstairs	9,310.33	9,452.03	141.70
Total Band D Equivalents - Properties	**41,875.52**	**42,904.67**	**1,029.14**

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BUDGET 2018-19 AND MEDIUM TERM FINANCIAL STRATEGY 2018-22

Cabinet	**16 January 2018**
Report Author	**Director of Corporate Resources and S151 officer**
Portfolio Holder	**Cllr John Townend, Cabinet Member Finance and Estates**
Status	**For Decision**
Classification:	**Unrestricted**
Key Decision	**Yes**
Reasons for Key	**Budget and Policy Framework**
Ward:	**All Wards**

Executive Summary:

This report presents the budget for the General Fund, Housing Revenue Account, Capital Programme and the Treasury Management Strategy documents for 2018-19 and the Medium Term Financial Strategy for 2018-22.

Recommendations:

1. Cabinet recommends to Council on 8 February 2018:

1.1 That the Medium Term Financial Strategy at Annex 1 is approved.

General Fund

1.2 That the General Fund revenue budget estimates for 2018-19 are approved.

1.3 That following on from the decision made by Ramsgate Town Council not to continue with the subsidy for free Saturday parking at the Royal Harbour car park, as outlined in section 4.2 and 4.3, the Council agree to charge for parking on Saturday at the Royal Harbour car park and free Saturday parking will revert to Cannon Road car park from 1 April 2018 as originally recommended in the 2016-17 Fees and Charges report considered at the Council meeting on 3 December 2015.

Housing Revenue Account (HRA)

1.4 That the HRA budget estimates for 2018-19 to 2021-22 and the Housing Revenue Account services charges as shown at **Annex 3** are approved.

Capital Programme

1.5 That the General Fund and Housing Revenue Account capital budgets for 2018-19 are approved.

1.6 That a new capital project addressing homelessness pressures, as set out in section 9.29, is included within the General Fund capital programme for 2018-19 to be funded by prudential borrowing.

Treasury Management

1.7 That the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as shown in Annex 5 are approved.

1.8 That the Flexible Use of Capital Receipts Strategy for 2018-19 as shown in Annex 6 is approved.

1.9 That the Section 151 Officer's Assurance Statement as set out in section 13 of this report is noted.

CORPORATE IMPLICATIONS	
Financial and Value for Money	The financial implications of the budget are laid out within the body of the report. Based upon the financial risk assessment, it would at this stage be appropriate to maintain General Fund balances of at least 12% of the net service revenue base.
Legal	Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, this is the Director of Corporate Resources, and this report is helping to carry out that function. The requirements of other relevant statute have been referenced within the body of this report, where relevant.
Corporate	Corporate priorities can only be delivered with robust finances. Both the draft budget and the level of reserves recommended in this report are believed to be sufficient to meet these priorities and develop services.
Equalities Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it. Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

Please indicate which aim is relevant to the report.	
Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
Advance equality of opportunity between people who share a protected characteristic and people who do not share it	
Foster good relations between people who share a protected characteristic and people who do not share it.	

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.

	A residents survey was undertaken during September and October 2017 covering a range of questions about the local area, the services the council provides and how residents would like the council to keep them informed. It also asked for views on the future budget and what residents would do if a service they cared about was at risk of being cut. The HRA budget, including the proposed rent and service charge increases, was presented to the Thanet Area Board on 22 November 2017.

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	✓
Promoting inward investment and job creation	✓
Supporting neighbourhoods	✓

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	✓

1. Executive Summary

1.1 The Budget Strategy considered by Cabinet on 16 November 2017 gave Members an update on the various changes that would impact on the council's future financial position.

1.2 The Medium Term Financial Strategy (MTFS) sets out the council's strategic approach to the management of its finances and presents indicative budgets and council tax levels for the medium term. It covers the General Fund revenue account, the Housing Revenue Account (HRA) 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 is being done to reduce those risks. The main objectives of the council's MTFS are to:

(i) Explain the financial context within which the council is set to work over the medium term.

(ii) Identify the financial resources needed to deliver the council's priority outcomes.

(iii) Provide a medium term forecast of resources and expenditure.

(iv) Achieve a stable and sustainable budget capable of withstanding financial pressures.

1.3 This report considers:

(i) The General Fund budget proposals for 2018-19.

(ii) The Medium Term Financial Strategy (MTFS) to 2021-22.

(iii) The Housing Revenue Account (HRA) budget proposals for 2018-19 onwards.

(iv) The Capital Programme 2018-19 onwards.

(v) Treasury Management strategy documents for 2018-19.

(vi) Flexible Use of Capital Receipts Strategy 2018-19.

2. Introduction and Background

2.1 The financial pressures that face local government are well known. Despite these pressures however, the council remains committed to both the maintenance of service delivery and providing community outcomes that enhance the quality of life for the residents of Thanet.

2.2 That commitment is reflected in the Budget for 2018-19 contained herein and the financial projections for the following years up to 2021-22.

2.3 This report finalises the funding position for 2018-19 based on the provisional Local Government Finance Settlement announced on 19 December 2017. It also sets out budget pressures and service priorities that are reflected in the setting of the 2018-19 budget. The council's Medium Term Financial Strategy (MTFS) has been rolled forward to cover 2018-2022 with updated assumptions where appropriate. It also reflects savings themes to manage the future financial position.

2.4 The annual review of the council's reserves has been undertaken. The proposed reserve balances are considered to be adequate for supporting the council's ongoing needs and plans.

2.5 The budget assumptions for the Housing Revenue Account (HRA) are outlined within the report and the proposed HRA balance is considered to be sufficient to support the initial requirements of the HRA Business Plan, although further work remains to be done to balance later years after 2024. The proposed Housing revenue and capital budgets were presented to the Thanet Area Board for consultation and comment on 22 November 2017 and reflect the feedback from that consultation.

2.6 The capital programme is dependent on the council's ability to generate capital receipts or to support borrowing to fund spending. The programme within this report focuses on the council's core priorities, of meeting health and safety requirements and schemes that will generate a revenue saving or income.

Contents

3. Corporate Plan 2015 to 2019

3.1 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 efforts towards achieving the 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.

3.2 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.

3.3 Co-existing alongside the Corporate Plan are a number of other service related plans, such as the HRA Business Plan individual service plans, and capital and asset management strategies.

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

4. Budget 2018-19

4.1 At its meeting on 16 November 2017, Cabinet received information on initial funding and proposals in the Budget Strategy, including the fees and charges policy. In addition, the proposed fees and charges for the year ahead were put to Cabinet for consideration. Fees and charges were subject to scrutiny by the Overview and Scrutiny Panel on 21 November. The Panel made two recommendations, to remove the cremation fee for non-viable babies and remove the planned increase to bulky waste collection charges. Cabinet on 30 November agreed to make these changes to the fees and charges, together with the removal of the cremation fee for stillborn babies.

4.2 Council on 7 December 2017 approved the fees and charges as agreed at 30 November Cabinet, with the the exception of the parking charges in respect of the Royal Harbour and Cannon Road car parks, Ramsgate. This was pending the agreement of Ramsgate Town Council for the continuation of the subsidy for free Saturday parking at the Royal Harbour car park. Council also agreed the flexible use of capital receipts, for which an application has been made to the DCLG. This will enable the use of £1million of 2017-18 capital receipts to be used to fund revenue investment that has an ongoing revenue benefit – specifically, the corporate restructuring and digital transformation.

4.3 Since the Council meeting on 7 December 2017, Ramsgate Town Council have met and voted in favour of not continuing the subsidy for free Saturday parking at the Royal Harbour car park and understand that free Saturday parking will revert to Cannon Road car park from 1 April 2018 as originally recommended in the 2016-17 Fees and Charges report considered at the Council meeting on 3 December 2015.

4.4 The information set out in this report represents the financial expression of the council's existing Corporate Plan over the next four years, against a backdrop of significant financial pressures.

4.5 The 2017-18 half yearly budget monitoring has been used for the forecast outturn position and this has been reflected in the reserves position as at 31 March 2018 set out in this report. Any variation from this at the year-end will be reported to Cabinet during Spring 2018 with recommendations from the Section 151 Officer regarding any surplus or deficit balances.

2018-19 Provisional Local Government Finance Announcement

4.6 The provisional Local Government Finance Settlement for 2018-19 was announced on 19 December 2017. This covered the consultation on the local government finance settlement for 2018-19 with indicative figures provided for 2019-20. The settlement is broadly in line with the indicative figures for 2018-19 announced in the four year settlement last year. Key issues from the announcement are outlined below:

- The 2018-19 New Homes Bonus provisional allocations have been announced. The number of years that the scheme will be based upon will reduce to 4 years in 2018-19, as previously announced. Also, the scheme will only reward growth in homes above the assumed 0.4% baseline per annum. Following consultation, the Government confirmed no further changes to the system in 2018-19 but is minded to maintain them in 2019-20. Table 5 below illustrates the impact on the council of the changes that were introduced from 2017-18 onwards. From 2017-18 to 2018-19 the reduction in

New Homes Bonus is over £800k compared to the position this time last year. Members are reminded that the changes were introduced to divert resources to the Adult Social Care Support Grant.

- Government has recognised the sector's call for further flexibility in setting council taxes and is allowing councils the ability to increase their core Council Tax requirement by a further 1%.

- The Kent and Medway bid to be a pilot for 100% business rates retention in 2018-19 has been successful (see below).

4.7 The funding announced as part of the provisional Finance Settlement for 2018-19 is outlined in Table 3.

Table 3 – Government Funding (as adjusted to reflect pilot in 2018-19)

	2018-19 Provisional £'000	**2019-20 Provisional £'000**
Revenue Support Grant	-	98
Business rates baseline	13,130	13,397
Tariff adjustment	(7,460)	(8,428)
Settlement Funding Assessment	5,670	5,067

Business Rates Retention

4.8 The council is currently part of the Kent Wide Pool for Business Rates. The pool consists of twelve Kent local authorities comprising Kent County Council, Kent Fire and Rescue and ten Borough and District Councils. By pooling, any levy payments that would have been made to Central Government in relation to business rate growth can be saved and distributed to the members of the Pool. All Kent authorities jointly signed up to apply to the Government to be a pilot for 100% business rates retention during the next financial year. It is pleasing to see that the Kent and Medway bid is one of 10 new pilots agreed by Government. In view of the uncertainty surrounding the financial impact of this pilot, no additional income has been anticipated from being in a 100% rates retained pool. However, it is believed that the council will see benefits being realised from its membership.

4.9 The Business Rates retention figure represents the council's current share of the total amount collected from local businesses, less a tariff payment to central government. The estimated amount for 2018-19 is outlined in Table 4. It is assumed that we will retain a similar amount in future years. These amounts include a provision for losses resulting from any successful appeals by rate payers against the rateable value of their properties. Appeals are dealt with by the Valuation Office Agency and their success or failure is beyond the council's control.

Table 4 – Estimated Business Rates Retention (to be confirmed)

	2018-19 Indicative £'000	**2019-20 Indicative £'000**	**2020-21 Indicative £'000**	**2021-22 Indicative £'000**
Business Rates	5,870	5,245	5,045	5,045

4.10 With the council being a member of the Kent and Medway business rates pool pilot in 2018-19, its rates retention figure is larger than the later years to recognise that no revenue support grant is receivable under this system.

New Homes Bonus

4.11 The New Homes Bonus was introduced from 2011-12 as a financial incentive and reward for housing growth. The grant is based on a national average Council Tax value of additional homes including any properties brought back into use. There is also an additional premium for affordable homes. The Bonus was originally payable for 6 years.

4.12 However, the changes introduced in the 2017-18 Local Government Finance Settlement mean that the scheme is based upon 4 years from 2018-19 onwards. The scheme will now also only reward growth in homes above a 0.4% growth baseline.

4.13 For 2018-19, the council is due to receive £1.011m in New Homes Bonus. This is some £869k lower than the 2017-18 allocation due to the changes outlined in paragraph 4.6. The profile of the expected grant payments is outlined in Table 5, although the impact on NHB of the move to 100% business rates retention is unknown.

Table 5 – New Homes Bonus (to be confirmed)

	2016-17 £'000	2017-18 £'000	2018-19 £'000 Est	2019-20 £'000 Est	2020-21 £'000 Est	2021-22 £'000 Est
Yr 1	**509**					
Yr 2	**536**					
Yr 3	**403**	**403**				
Yr 4	**562**	**562**				
Yr 5	**425**	**425**	**425**			
Yr 6	**485**	**485**	**485**	**485**		
Yr 7		***5**	**5**	**5**	**5**	
Yr 8			**96**	**96**	**96**	**96**
TOTAL	**2,920**	**1,880**	**1,011**	**712**	**338**	**96**

* This figure has been reduced as a result of the top slicing decision announced in December 2016.

4.14 The New Homes Bonus remains a flexible, non-ringfenced fund for Local Authorities to spend as they deem appropriate. This could include:

- Re-investing in housing or infrastructure.
- Support for local services or facilities.
- General financial support to hold down Council Tax levels.

4.15 For some time the council has used the New Homes Bonus to support the General Fund Budget. For 2018-19, the council will continue to treat the grant funding as general financial support.

4.16 Due to the changes in the New Homes Bonus allocations the impact of the provisional Local Government Finance settlement is a reduction in funding for the council of £1.3m in addition to the grant reduction.

5. Council Tax Base & Collection Rate

5.1 Under section 33 of the Local Government Finance Act 1992 (as amended) and supporting Regulations, the council must make an annual calculation of its tax base. The tax base is the total number of properties on which Council Tax will be charged expressed as a band D equivalent, after allowing for discounts, exemptions and losses on collection. The method of calculation is prescribed in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

5.2 The tax base is used in the calculation of the Council Tax Requirement, to produce the standard amount of Council Tax for a band D property, in relation to both the District and the major precepting authorities.

5.3 As in previous years, the calculation of the tax base has been amended to take account of the Council Tax Support Scheme (CTSS). The replacement of Council Tax Benefit with CTSS effectively reduces the tax base as CTSS is provided as a discount against the Council Tax liability rather than a rebate which was previously repaid to the Council via Government Subsidy.

5.4 The impact of CTSS, has, in part, been offset by the previously approved changes to the council tax discounts. The resultant tax base for 2018-19 is 42,905 and is being considered by Cabinet for approval on this same agenda. This compares to a figure of 42,069 for 2017-18. An assumed growth of 0.5% has been included within the MTFS for future years.

5.5 The calculation of the Council Tax Base for a given year includes an assumption of the percentage of amounts due which are actually collected. The forecast collection rate has been assumed as 97.75% and has been incorporated within the Medium Term Financial Strategy calculations.

Note - Please see Section 8 for Council Tax increase implications.

6. Collection Fund

Council Tax

6.1 Following a calculation of the income and expenditure in the Collection Fund relating to Council Tax for this year, it is estimated that there will be an accumulated surplus of £658k to be distributed in respect of Council Tax by 31 March 2018. Table 6 shows how this will be distributed. This estimate remains to be finally confirmed.

Table 6 – Estimated Collection Fund Surplus Distribution (tbc)

Authority	Amount £'000
Thanet District Council	100
Kent County Council	467
Kent Police and Crime Commissioner	62
Kent Fire and Rescue Service	29

6.2 This distribution is covered by legislation. Since the Council Tax receipts collected have exceeded our forecast there is additional income. This has to be shared amongst all precepting authorities in accordance with their original precept value (for Thanet District Council that equates to about 14%). This amount must then be included within the budget for 2018-19 to reduce our Council Tax Requirement for that year.

Retained Business Rates

6.3 It is estimated that there will be no surplus/deficit on the business rates Collection Fund. This is the figure that has been estimated in the NNDR1 submission to the government at the end of January 2018.

6.4 With the council being part of a 100% retained business rates retention pilot for next year, the impact of any changes will be managed through the Collection Fund.

7 General Fund Revenue Budget

7.1 The summary revenue budget and forecast for 2018-19 is outlined in Table 7 below.

Table 7 – Summary General Fund Revenue Budget & Forecast to 2018-19

	£'000	£'000
Opening Funding Position		18,079
Budget pressures (including inflation and excluding Settlement Funding)		1,868
Income generation and efficiencies	-2,757	
Fees and charges	-390	
Total Savings		-3,147
Net Budget Requirement		**16,800**
Funded by:		
Government funding (including RSG, Business Rates and New Homes Bonus)		-6,985
Collection Fund surplus		-100
Council Tax		-9,715
Net Financing		**16,800**
Tax Base		42,905
Indicative Band D Council Tax		£226.44
% Increase on Band D		2.99%
£ increase on Band D		£6.57
General Reserve b/fwd		2,011
Contribution to/from reserve		-
General Reserve c/fwd		2,011

The MTFS and Addressing the Funding Gap

7.2 The MTFS provides the framework within which the council will achieve its aspirations.

7.3 The council will continue to explore opportunities to identify and secure additional income with which to support services. It is clear that there is also the opportunity to balance its budget through the strict management of expenditure levels and securing efficiencies.

7.4 Services need to continue to drive through efficiencies and continually review their working practices and operations to try and make them as efficient as possible.

7.5 Savings, efficiencies and increases in fees and charges are proposed to bridge the funding gap in 2018-19 of £2.808 million as outlined below in Table 8.

Table 8 – Proposed Savings Targets

Proposals	£'000

Fees and charges	-390
Review of income budgets	-230
Review of expenditure budgets	-207
Corporate restructuring	-564
EKS outsourcing	-250
New food hygiene service net income	-30
New trade waste service net income	-100
Port income as per MTFS	-250
Foreshores commercial opportunities	-150
Your Leisure/Winter Gardens	-350
Events grants	-64
Floral grants	-15
Re-profiling of Minimum Revenue Provision	-130
Organisational efficiencies	-78
Total Savings Proposals	**-2,808**

7.6 A significant amount of work has gone into balancing the council's budget for 2018-19. The council's previous MTFS forecast that a further £1.9m in savings would be required (over 2017-18) but there have been additional in-year growth pressures. It is vital that all fees and charges, savings and efficiencies proposals are monitored and acted on during 2018-19 along with strict control over spending. Cabinet will receive regular budget monitoring reports throughout the course of the year.

Working Balances and Reserves

7.7 Section 32 of the Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their Council Tax Requirement.

7.8 The Section 151 Officer is responsible for providing advice so that decisions taken on reserves represent proper stewardship of public funds. Reserves should be set at a level at least sufficient to meet any unexpected increase in expenditure or shortfall in income in the ensuing year that cannot be met from within the approved budget. Any decision that fails to take into account his advice may require a report to be made to the council under Section 114 of the Local Government Finance Act 1988.

7.9 Section 25 of the Local Government Act 2003 includes a duty on the Section 151 Officer to report, at the time the Council Tax is set, on the robustness of the budget calculations as well as the adequacy of the council's reserves and other matters (see Section 11 'Section 151 Officer's Assurance').

7.10 The Act also provides an enabling power for the Secretary of State to specify a statutory minimum level of reserves (Section 26 of the 2003 Act). The level of reserves is also a factor the external auditor will consider in appraising the council's financial standing. In providing advice to the council on the level of reserves, the Section 151 Officer has also had regard to professional guidance provided by CIPFA.

7.11 These safeguards are further reinforced through detailed scrutiny by our external auditors, which includes a methodology to assess the financial performance and standing of the authority.

7.12 When reviewing medium term financial plans and preparing annual budgets, Members should consider the establishment and maintenance of reserves. These may be held for three main purposes:

(i) As a working balance to help cushion the impact of unexpected budgetary pressures.
(ii) As a contingency to cushion the impact of significant unexpected events or emergencies.
(iii) As a means of building up funds to meet known or predicted requirements and again to prevent significant fluctuations in net budget cost between years (earmarked reserves).

7.13 General Fund reserves consist of a number of earmarked reserves, together with an unallocated general reserve.

7.14 All reserves and balances form part of the General Fund but the Housing Revenue Account balance is specifically 'ring fenced' for use in connection with that account.

7.15 In addition to the cash-backed reserves described above, local authorities maintain a number of other reserves in the balance sheet. Some are required for statutory reasons and other reserves are required to comply with proper accounting practice. In either case these balances are not available for investment.

7.16 As part of the MTFS approved in February 2017, a minimum General Fund reserve of £2.0m was agreed. In accordance with best practice, an annual risk assessment is undertaken to check the level required for 2018-19. Revised calculations show that the assessed level should remain at £2.0m.

7.17 Although this report on adequacy of reserves is specific to 2018-19, the council should bear in mind that adequacy should also be judged against longer-term plans.

7.18 The council is currently predicting a significant funding gap every year with the General Fund reserve depleted during 2020-21, if the funding gap is not addressed. Whilst it is not permissible or feasible for the council to rely on the use of reserves on an ongoing basis to balance its budget, it may apply reserves as part of a short term strategy to manage, for example, a period of transition during which efficiency savings are identified to provide a longer term solution. Until the budgets for each year are balanced it is prudent for the council to plan on maintaining a level of reserves in excess of the minimum recommended level.

7.19 In addition to the General Fund reserve, the council keeps a number of earmarked reserves on the Balance Sheet. These reserves are required in order to comply with proper accounting practice, whilst others have been created to earmark resources for known or predicted liabilities. The balance of these Reserves as at 1 April 2017 was around £6.3 million.

7.20 A summary of the reserves, allowing for the budget proposals, is shown in Table 9 below.

Table 9: Council Reserves

Reserves	31 Mar 17	Movement	31 Mar 18	Movement	31 Mar 19
	£000	£000	£000	£000	£000
General Fund	2,011	-	2,011	-	2,011
HRA	6,714	-333	6,381	-286	6,095
Earmarked-GF	6,339	-490	5,849	110	5,959
Earmarked-HRA	5,367	-3,755	1,612	-286	1,326
Capital receipts	7,120	-5,307	1,813	-	1,813
Major Repairs Reserve	8,359	-2,390	5,969	-1,112	4,857
Total	**35,910**	**-12,275**	**23,635**	**-1,574**	**22,061**

Residents Survey 2017

7.21 A residents survey was undertaken during September and October 2017 covering a range of questions about the local area, the services the council provides and how residents would like the council to keep them informed. It also asked for views on the future budget and what residents would do if a service they cared about was at risk of being cut.

7.22 The council received 630 responses, a response rate of over 10%.

7.23 It was found from the responses that nearly two-thirds were surprised that the council only receives 14p in every £1 from the overall Council Tax bill. Over 40% of respondents showed agreement to the statement that the council provides value for money for the Council Tax that is paid. Residents were more likely to support transferring services to parish/town councils and reducing councillor numbers if a service was at risk of being cut. However, they would be less likely to support an increase in council tax, making one off donations and doing nothing and expecting the service to be cut, in such a case.

7.24 Respondents felt that the three things that most need improving in Thanet are clean streets, job prospects and thriving towns. The council's budget and Medium Term Financial Strategy supports the corporate priorities set out within the Corporate Plan which very much focuses on delivering in these areas of concern.

8. Council Tax Referendum and Council Tax

8.1 As part of the 2011 Localism Act, Council Tax capping in England has been abolished and replaced by new powers for residents to approve or veto excessive tax increases through a referendum. If the residents vote against the increase, the council will have to revert to a Council Tax level that is compliant with the Government's proposed increase.

8.2 A Council Tax referendum principle of 3% & over and £5 will apply for 2018-19 to all shire districts.

8.3 The Government has announced that they will not be introducing referendum principles for parish and town councils, a proposal which they consulted on as part of the summer technical consultation on the 2018-19 settlement. They will keep the level of precepts set by town and parish councils under review and may introduce referendum principles in the future.

8.4 To hold a referendum is a costly exercise to undertake, with estimates in excess of £50,000, and would have to come from the council's budget. This means that other savings would have to be identified to fund it. In addition, the council would have to have justifiable cause to put to the electorate for what is regarded as an excessive increase.

8.5 Members are asked to note that the provisional Local Government Settlement announced in December 2017 assumes that councils will increase Council Tax levels by up to 3%. The financial effect of a 2.99% rise is as follows:

Table 10 – Council Tax Increase yields

Year	2.99% increase £'000
2018-19	282
2019-20	290

9. General Fund Capital Programme

9.1 This section considers the Capital Programme and supporting Strategy for the period 2018-19 to 2021-22.

9.2 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. Expenditure below this value is not treated as capital and is therefore not recorded on the asset register or funded from capital resources. Capital expenditure also includes qualifying grants and loans, such as those provided for the enhancement of buildings to increase the extent to which they can be used by a disabled or elderly person. Capital expenditure can be met from borrowing, capital receipts, capital grants or revenue contributions.

9.3 Due to the complex and large scale nature of capital projects, the original budgets have to be based on estimations that often need revising as the project advances. This in turn leads to re-phasing of the capital programme, in order to keep the overall costs within the agreed bottom line.

9.4 **The Asset Management Plan**

9.5 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 £220 million showing as the net book value of all property assets as at 31 March 2017 (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 Plan (AMP) 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.

9.6 The council's Asset Management Plan outlines the principles, criteria and processes that form the cornerstone of the 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.

9.7 **The Capital Budget Strategy**

9.8 Although the Asset Management Plan is used to inform the contents of the Capital Budget, it is only one element. In order to ensure that the Capital Budget is able to meet the council's needs in the wider sense and 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.

9.9 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.

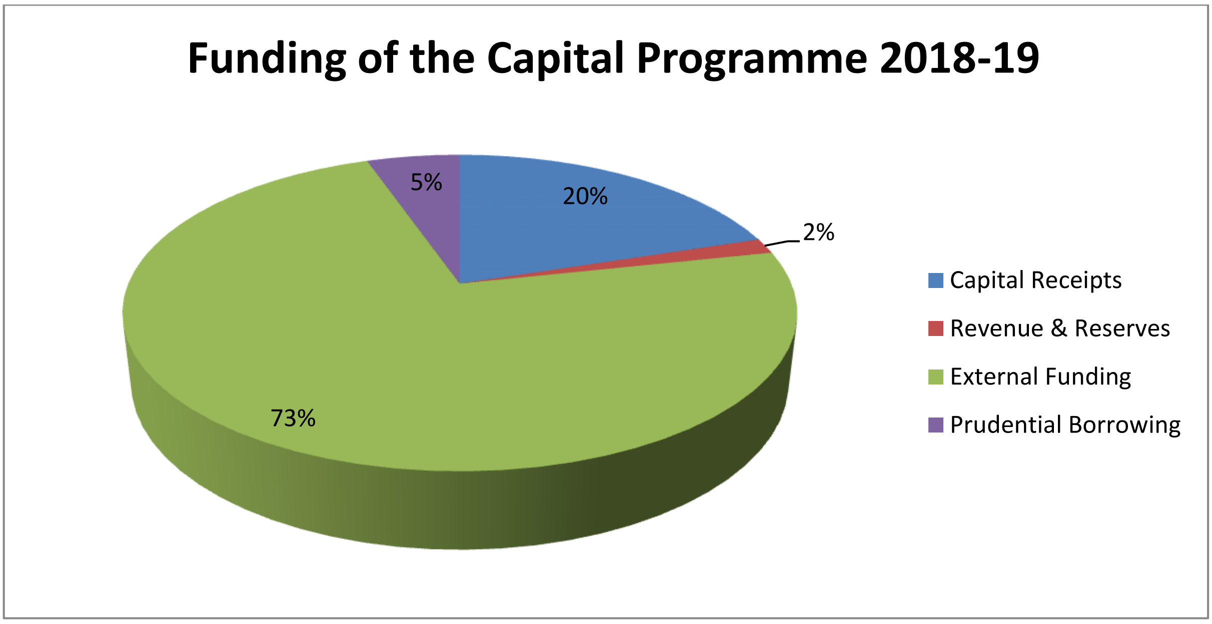
9.10 Applications for Capital Bids have been reviewed by the Capital Programme Group and scored against a weighted matrix to ensure they focus on the council's core priorities, health and safety requirements, the generation or protection of income streams and affordability. The level of resources available 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 2018-19 onwards this will result in a need to reduce or defer the capital programme or to borrow, thus increasing the revenue pressure on the General Fund. Regular monitoring will need to be reported back to members and the Capital Programme adjusted accordingly.

9.11 There is limited scope for future investment in new assets or making improvements to existing buildings. The Asset Management Plan is key in delivering resources to the Capital Strategy and reducing the size of the council's asset and property portfolio. It is imperative that limited resources do not damage the council's ability to maintain its significant income streams as assets deteriorate from lack of investment. The current portfolio is not maintainable with the current funding available for repairs and maintenance and resources available and given the councils 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. 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.

9.12 **Available Capital Funding**

9.13 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 2018-2022 capital resources utilised to fund the Capital Programme is detailed in Annex 2, but shown graphically below.



9.14 **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 Better Care Fund allocation for 2018-19 is estimated at £2.789m of which £2.342m has been set aside to fund the Disabled Facilities Grants within the capital programme with the rest being utilised by County for other disabled adaptations. The 2018-19 Capital Programme also includes projects to bolster Thanet's Sea Defences and these are fully funded by the Environment Agency.

9.15 **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.

9.16 Before the start of each financial year, a Flexible Use of Capital Receipts Strategy should be prepared as part of the Annual Budget documents. This sets out the rare occasions the council can apply to Government to capitalise expenditure that would normally be deemed as revenue. Government has advised that the council can apply to capitalise the costs of transformational revenue reform projects. The Capital Receipts Strategy is set out in Annex 3 and details the criteria where this may be considered as per guidance issued by Government.

9.17 The level of capital receipts available from the sale of surplus assets has been very constrained over the last few years. Reasons for this have included the economic situation, assets being removed from the disposal list following consultation, and capital funding being switched from reserves to capital receipts wherever possible due to significant pressures on the council's revenue budget. Members should note that an estimated £0.941m in capital receipts has been forecast to fund the 2018-19 programme derived in part from the asset disposal report present to Cabinet on 16 November 2017. This will be monitored closely during the financial year, as it may be necessary to adjust the programme in year depending on asset disposal and funding outcomes.

9.18 The capital receipt from the Royal Sands Development has not yet been allocated to capital project(s) within the capital bid process and scoring regime, apart from £0.750m for the Ramsgate Harbour Gate & Bridge project in the 2017-18 capital programme.

9.19 **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 £0.250m will be required to support the General Fund Capital Programme in 2018-19.

9.20 **Capital Projects Reserve** – Balances in this reserve were materially reduced in 2015-16 due to significant pressures on the council's budget, and it is anticipated this will continue in 2018-19 onwards.

9.21 The Capital Programmes for 2018-19 to 2021-22

9.22 The following budget amount has been re-profiled from the 2017-18 capital programme to 2018-19: Thanet Groyne Reconstruction (£388k).

9.23 **Existing Programmes already agreed –** Programmes already agreed from previous years within the four year programme are the Disabled Facilities Grant, Property Enhancement Programme, Operational Services Vehicle Replacement Programme, Leopold Street Multi-Storey Car Park, Louisa Bay to Dumpton Gap Sea Wall Work, Westbrook to St Mildred's Sea Wall Work, Viking Bay Flood Defence Scheme, Stone Bay Sea Wall Work, Ramsgate Harbour Water Supply Upgrade and Thanet Groyne Reconstruction.

9.24 **Funding position** - Due to continuing pressure on the council's funding position, the new capital projects below are predominantly 'spend to save', income generation, health and safety and externally funded projects. The absence of a new Asset Management Plan and comprehensive disposals programme has made it difficult to project the estimated capital receipt income anticipated over the next 4 years. Those capital projects that have no identified funding source and are reliant on capital receipts will need to be reconsidered by Cabinet and council once capital receipts have been received and the project funding identified.

9.25 **New Capital Projects**

9.26 Capital bids for the forthcoming years have been reviewed and scored. Where projects require prudential borrowing further details can be found within the attached Annex 3.

Capital Table 1: New Capital Projects

New Capital Project	Project Outline
Email System Replacement	To ensure continued access to email facilities across the Council.
End User Computing Refresh of Devices	Renewal of desktop computers, laptops, tablets and other peripherals across the Council.
TDC Computing Infrastructure	Renewal of network infrastructure and solutions across the Council.
Ellington Park	Restoration, refurbishment and modernization of Ellington Park, Ramsgate.
Northdown Road Townscape Heritage	Grant scheme for Northdown Road, Cliftonville to improve the historical environment, community pride, public image and visitor numbers, and to support businesses.
Botany Bay Car Park	To enhance the car park and increase income generation.
Broadstairs Flood and Coast Protection Scheme	To ensure Broadstairs continues to be protected from coastal erosion and increase the level of flood protection afforded by the harbour arm.
Ramsgate Harbour Sluice Gate	Enhancements for health and safety purposes, and to protect income.
Replacement of Lead Lights at Port	Enhancements for navigational, health and safety purposes, and to protect income.
Port of Ramsgate East Pier Building Structural Improvements	Enhancements for health and safety purposes, to protect income, and to preserve the character of the East Pier Building on the listed pier.
Port of Ramsgate Fuel Barge Access Ramp	Enhancements for health and safety purposes (replacing a vertical ladder with a ramp).
Port of Ramsgate Berth One Refurbishment	Major refurbishment to protect income.
Replace Pontoon Piles	To extend the life of the existing pontoon system infrastructure at Ramsgate marina.
Pontoon Decking Improvement East and West Inner Marina	To replace the existing decking at Ramsgate marina, which is coming to the end of its working life and regularly being repaired, with slip resistant and low maintenance decking.
Upgrade of Western and Eastern Amenity Blocks	To refurbish existing customer facilities at Ramsgate port/harbour to protect income and reduce frequent and unplanned work.

9.27 The Draft Capital Budgets 2018-19 to 2021-22

9.28 The draft General Fund Capital Expenditure Budget for 2018-19 that is proposed for Members' approval is £4.689m (including 2017-18 re-profiling identified below), which will be funded in the main from capital grants, usable capital receipts and prudential borrowing. This is shown in summary format below.

Capital Table 2: Draft Capital Programme 2018-2022

	2017-18 £'000	**2018-19 £'000**	**2019-20 £'000**	**2020-21 £'000**	**2021-22 £'000**
Statutory and Mandatory Schemes	0	2,342	2,342	2,342	2,342
Schemes continuing from prior years	0	0	0	0	0
Annual Enhancement Schemes	0	378	703	2,620	700
Wholly/Part Externally Funded Schemes	388	695	693	3,335	780
Construction, Replacements and Enhancements	0	811	175	3,310	0
Capitalised Salaries	0	75	75	75	75
Total Capital Programme Expenditure	**388**	**4,301**	**3,988**	**11,682**	**3.897**
Capital Resources Used:					
Capital Receipts and Reserves	0	1,014	453	830	275
Capital Grants and Contributions	388	3,037	3,010	5,597	3,122
Contributions from Revenue	0	0	25	50	0
Prudential Borrowing	0	250	500	5,205	500
Total Funding	**388**	**4,301**	**3,988**	**11,682**	**3,897**

9.29 Further to the process set out in section 9.10 and Cabinet agreeing to the draft capital programme in its Budget Strategy, an item has come forward subsequently for inclusion within next year's programme, that Cabinet is asked to support. New capital investment of £1.63m is proposed, to be funded by prudential borrowing, that aims to effectively address some of the homelessness pressures being faced within the district and will contribute towards reducing the council's expenditure on homelessness. The project has been scored in the usual way and has been approved by the responsible officer team (Capital Programme Group).

10. Housing Revenue Account (HRA) Budget 2018-19

10.1 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.

The Housing Revenue Account Strategy

10.2 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.

10.3 In April 2015 the government announced a proposal to require that councils sell high value stock to fund the extension of Right to Buy to housing association tenants. As detailed in the Housing and Planning Act 2016, the Secretary of State has the power to make a council sell a proportion of their vacant stock to pay a 'high value asset levy' which will reflect the high value homes they are expected to sell. To finance the payment, a local authority must consider selling its interest in any higher value housing that has become vacant. In November 2015 councils had to provide detailed stock data. However, the determination defining higher value and the method for calculating the amount of payment due to the Secretary of State has yet to be determined.

10.4 Until further information is made available as to how the scheme will be administered it has not been possible to reflect this within the current budget estimates. Once the guidance has been issued this will need to be reflected in the budget and the 30 Year HRA Business Plan.

10.5 Thanet first went live with Universal Credit in October 2015, limited only to new claimants and those with a change of circumstances. From July 2017 the roll out of the Universal Credit programme continued and extended to families as well as single claimants. Thanet has a higher than average percentage of the population claiming out of work benefits in the District. From the phased introduction programme, Thanet presented the highest number of claimants on Universal Credit across the Kent authorities at 15 people per 1,000 of the population, nearly double the average across Kent, being 8. There are many potential issues for Thanet residents, including IT skills, budgeting support, educating private sector landlords, anti-social behavior, and crime and health implications. 18-21 year olds in the district will also be heavily at risk due to the changes. Payments of Universal Credit are made in arrears and it takes approximately 6 weeks before the first payment is made. It will be paid direct to claimants into a bank account of their choice and no longer paid direct to the landlord. £50k has been allocated to Welfare Reform, to assist with the impact of Universal Credit and it is initially anticipated that this will be required to contribute to the bad and doubtful debt allowance.

10.6 **Details of the HRA estimates**

Expenditure Budgets

10.7 The main assumptions that have been applied to the HRA for the 2018-19 expenditure budgets are summarised below:

10.8 **Contract and Price Inflation** - For direct expenditure budgets, price increases have been included at 2.5%, which is the best estimate of the level of inflation at this point in time, unless there is a known inflation factor within a specific contract, in which case this has been used.

10.9 **Repairs and Maintenance**

Day to Day Repairs Contract	A new 4 year contract started in January 2017. Contract inflation is based on the average of Jan-Dec CPI inflation rates of the previous financial year. The economic forecast for the average of Jan-Dec 2017 is 2.7%
Cleaning Contract	A new 3 year contract started in July 2016 with an option to extend for a further 2 years. Contract inflation is applied in July and linked to July CPI. Contract inflation is 2.6% for 2018-19.
Cyclical External Refurbishment and Repairs Contract	A new 7 year contract started in April 2016. The contract included a no inflation clause for the first 2 years with fluctuations to commence from 2018 based on BCIS Tender Price Index. The inflation for 2018-19 is 3%.
Gas Servicing	A new 5 year contract started in April 2017. Contract inflation is based on January CPI. Contract inflation is 2.6% for 2018-19.
Water Safety	Water safety is now included in the gas servicing contract. The new contract has generated a saving of £16k.
Refuse Chute & Paladin Bin cleaning	The day to day repairs contract now includes these services and has generated a saving of £7k.
Equipment - Paladin Bin Replacement Programme	EKH are currently reviewing the replacement programme. A number of the paladin bins will need to be replaced in line with the fire safety recommendations.

Handyman Services	£1k saving as this service is now included in the repairs contract
Dry Riser cabinets	Repairs not required in 2018-19, saving of £1.5k
Rodent Control and Damp Proofing Works	Works have decreased, £2.5k to be re-allocated to repairs administration software support, £24k saving achieved.
Keep It Clean	£3k saving while the scheme is under review.
Asbestos Removal	Medway Insulation have been contracted to scan in the asbestos data. Back scanning of historic data will complete in 2017-18 at a cost of £9.5k. Annual maintenance is £2.5k. Ongoing annual budgetary growth will be required. £2.5k to be moved from the disinfestation saving to repairs administration software costs.

10.10 **Supervision and Management General** – The council agreed at its meeting in February 2010 that an 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 2018-19 management fee base budget is currently under review by East Kent Housing and will be finalised later this financial year However in the interim it is assumed that the core management fee will remain the same.

A number of supervision and management budgets are subject to change due to internal recharges based on staff costs following the TDC restructure.

The number of court application referrals has increased. This has impacted on the budget and growth of £5k has been applied from 2018-19.

10.11 **Supervision and Management Special** – Electricity contracts were reviewed in September 2017 and a new fixed term contact is now in place. There will be an increase in cost to the HRA of approximately £40k based on current rates of consumption.

10.12 **Rents, Rates, Taxes and Other Charges** – The Empty Homes Programme and Ramsgate Intervention Programme fully completed in 2016-17. A number of sites in the Margate Intervention programme also completed in 2016-17 and a few other sites are due to complete in 2017-18. Following early delays, a revised timetable for the approved new build programme has been agreed with the Homes and Community Agency. Phase 1 and 2 will hopefully complete in 2018-19 and phase 3 in 2019-20. The budgets that the council holds as a landlord have been reviewed and reduced for running costs. These include Council Tax, utility standing charges on empty Margate Intervention sites and running costs of leased halls and has generated a saving of £13k.

10.13 **Allowance for Bad or Doubtful Debts** – The allowance for bad or doubtful debts for 2018-19 will remain the same at £170k, however the £50k welfare reform contingency budget may be need to be utilised if the roll out of Universal Credits impacts on the arrears balances at the same level as the Universal Credit pilot Local Authorities. Whilst it is anticipated that there could be an impact on debt collection due to the welfare changes based on current debt levels it is anticipated that the current provision is sufficient. An increase in court intervention, evictions and rechargeable works orders are having a significant impact on former tenant arrears and recovery

10.14 **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. Depreciation is the decline in the value of the asset over time due to wear and tear. The estimated depreciation charge for dwellings is calculated at £3.6m in 2018-19, the depreciation charge for other HRA assets is estimated to be £139k.

10.15 **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. As at the 1 October 2017 the HRA had £20.04m of loans outstanding. A loan repayment of £816k becomes due for repayment during 2018-19.

Income Estimates - The main assumptions that have been applied to the HRA for the 2018-19 Income budgets are summarised below:

10.16 **Rent Increases** –The council operates two distinct rent policies across its housing stock. Social rents, which are applied to the council's original housing stock and affordable rents which are applied to all properties within the Margate and Ramsgate Intervention programmes, empty homes programme, new build programme and acquisitions programme.

10.17 Since April 2002, social rents 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.

10.18 Affordable Rents are linked to local market rents and to the Local Housing Allowance for the area. Rents are applied to individual properties at the lower of either 80% of the local market rent or the Local Housing Allowance.

10.19 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 up to 2020-21. The rent baseline for the reductions is the rent payable on 8th July 2015.

10.20 The financial impact of the 1% baseline reduction in rents continues to reduce the available income within the Housing Revenue Account. As a result, the Council's New Build Programme has been reviewed and scaled back to ensure affordability.

10.21 A local authority may be granted an exemption (in full or in part) if the Secretary of State considers the authority would be unable to avoid financial difficulties if it were to comply with the requirements. Local authorities must explore thoroughly what it can do to mitigate any financial risk, including looking at contractual commitments, before applying for an exemption. Although we have had to scale back development programmes and estimate a deficit in 2018-19, we have had a surplus in previous financial years, so currently do not qualify for an exemption. If the higher value assets determination payment is resumed, this will need to be reviewed.

10.22 The Prime Minister recently announced that additional resources would be made available to support new house building by both local authorities and housing associations. The press statements included that from April 2020 rent increases would resume to CPI + 1% for 5 years.

10.23 Rental estimates are based on the government guidance for a rental decrease of 1% for 2018-19 and 2019-20 and a 2% inflationary increase from 2020-21 onwards.

10.24 Social rents will be decreased by 1% in line with the Government rent guidance. Across the whole stock the average rent is £80.36, this is an average decrease of £0.77p per property.

HRA TABLE 1 – AVERAGE SOCIAL HOUSING PROPERTY RENTS	
Property	**Est. Ave Rent**
Bedsits	£55.59
1 Bed Flat	£66.45
1 Bed House	£76.94
2 Bed Flat	£74.53
2 Bed House	£82.84
3+ Bed Flat	£86.24
3 Bed House	£92.82
4 Bed Flat	£89.05
4 Bed House	£101.70
5 Bed House	£109.65

10.25 Affordable rents will also be decreased by 1% in line with Government rent guidance.

HRA TABLE 2 – AVERAGE AFFORDABLE RENTS INC OF SERVICE CHARGES	
Property Type	**Average Actual Rent**
1 Bed House	£76.94
1 Bed Flat	£72.86
2 Bed House/ Bungalow	£91.45
2 Bed Flat	£100.67
3 Bed House	£117.11
3 Bed Flat	£134.33
4 Bed House	£139.26
4 + Bed Flat	£144.88

10.26 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 reviewed, taking into account 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. Detailed arrangements are set out in the council's Tenancy Strategy which is due for review in the coming period.

10.27 **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 remain the same at £12 per week while a programme of repairs is drafted.

10.28 **Service Charge Increases** –Service charges are calculated based on actual cost.

10.29 **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.

10.30 **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 2018-19 of £35k is based on achieving an average interest rate of 0.25%.

10.31 **The Housing Revenue Account Reserves**

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

10.33 **Housing Revenue Account Major Repairs Reserve** –. An amount equivalent of the actual depreciation charge for dwellings is transferred to the Major Repairs Reserve to fund capital works to the existing stock. The estimated transfer to the Major Repairs Reserve for 2017-18 is £3.63m.

10.34 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. A stock condition survey was carried out in 2016-17 which has highlighted works and major repairs that need to be carried out in the coming years; the estimated cost of these works is estimated to be around £8m. The HRA has 6 high rise blocks of flats; following the Grenfell tower block fire detailed fire safety reports have been carried out and a number of enhanced fire safety works have been identified. These need to be carried out as soon as possible and estimated costs are currently £900k for the high rise tower blocks. Other blocks will also need additional fire safety works to comply with recommendations. EKH are currently drafting a programme of works and estimated costs. As at 1 April 2017 this reserve balance was £8.36m.

10.35 **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 2017 this reserve balance was £6.71m.

10.36 **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, New Build Programme and 141 Acquisition Programme has been set aside in this reserve as agreed by Cabinet. As at 1 April 2017 this reserve balance was £5.37m and is due to be drawn down during the 2018-19 and 2019-20 programmes. Income generated from affordable rents will continue to be set aside in this reserve for re-investment.

HRA TABLE 3 - DRAFT - HOUSING REVENUE ACCOUNT BUDGET				
	2018-19 £'000	**2019-20 £'000**	**2020-21 £'000**	**2021-22 £'000**
Expenditure				
Repairs & Maintenance	3,265	3,338	3,413	3,490
Supervision & Management – General	3,328	3,255	3,255	3,255
Supervision & Management – Special	724	735	752	770
Rents, rates, taxes and other charges	257	257	257	257
Bad or doubtful debts provision	170	170	170	170
Depreciation/impairment of fixed assets	3,771	3,771	3,771	3,771
Capital Expenditure funded from HRA	300	300	300	300
Debt Management Costs	9	9	9	9
Non-service specific expenditure	1,381	1,381	1,381	1,381
Gross Expenditure Sub Total	**13,206**	**13,216**	**13,308**	**13,403**
Income				
Dwelling Rents (gross)	-12,786	-12,687	-13,004	-13,413
Non-dwelling Rents (gross)	-139	-148	-158	-166
Charges for services and facilities	-480	-515	-523	-574
Contributions towards expenditure	-349	-349	-349	-349
Income Sub Total	**-13,754**	**-13,699**	**-14034**	**-14,502**
Net Costs of Services Sub Total	**-549**	**-483**	**-725**	**-1,098**
HRA Investment Income	-35	-70	-105	-140
Debt Interest Charges	1,007	962	982	1,008
Government Grants and Contributions	-1,034	-345	0	0
Adjustments made between accounting basis and funding basis	897	-620	-965	-965
(**Surplus)/Deficit on HRA**	**286**	**-556**	**-813**	**-1,195**
Housing Revenue Account Balance:				
Estimated Surplus at Beginning of Year	-6,381	-6,095	-6,651	-7,464
(Surplus)/Deficit for Year	286	-556	-813	-1,195
Estimated Surplus at End of Year	**-6,095**	**-6,651**	**-7,464**	**-8,659**

*** Please note that Supervision and Management General costs are subject to change and provide an estimated projection**

Capital Funding

10.37 **Capital Grants** – These are offered by Government Departments to assist with certain types of expenditure. The HRA has been awarded £1.37m funding towards the delivery of a new build programme for 51 new affordable units within the district from the Homes and Communities Agency (HCA) Affordable Homes Programme 2015-18.

10.38 **Unsupported Borrowing** – 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.

10.39 **HRA Capital Reserves** – A summary of the HRA reserves has been detailed in section 7.2. The major repairs reserve is used to fund expenditure on the council housing stock and debt repayment, whilst the new properties reserve is utilised to fund the creation of new affordable homes.

The Capital Programmes for 2018-19 to 2020-21

10.40 The Roofing programme was due to be re-tendered in 2016-17 but has been delayed until 2018-19. The flat roofs that were due to replaced in 2017-18 will now be carried out in 2018-19 and 2019-20. Slippage of £300k from 2017-18 and an additional £100k is required in 2019-20 to enable a catch up programme to be undertaken. The roofing and structural works at block 4-15 Royal Crescent that were due to be carried out in 2017-18 have been delayed as the stock condition survey has identified roofing and structural works at block 19-23 that are also required. It is likely to be more cost effective to deal with both blocks at the same time and a detailed assessment is underway. Slippage of £200k is required from 2017-18 for the 2 Royal Crescent blocks. An increased budget is required from 2019-20 onwards to replace the roofs identified from the stock condition data and to catch up with a backlog of roofing works from the past 2 years.

10.41 A number of properties have been identified as needing window and door replacements. Some of these properties require specialist works. A new contract is due to start in Q3 2017-18. Slippage of £35k is required from 2017-18 to enable the backlog of works to be carried out.

10.42 Kitchen and bathroom replacements, electrical re-wiring and heating replacements have been identified from the stock condition data. Previous backlogs have now been caught up and proposed budgets are for a future on-going programme.

10.43 The planned refurbishments budget is being utilised to replace the door entry systems. The majority of the replacements that were required are now complete, with the remaining systems being replaced in 2018-19 and 2019-20.

10.44 A report was carried out to review fire safety in 2015-16. The three year programme was due to complete in 2017-18. However, in light of recent events, KFRS have been instructed to carry out new fire risk assessments. The revised risk assessments have identified additional fire safety works that need to be carried out. Some works have commenced in 2017-18 with additional funds being identified. However, a further £810k is required to complete the recommendations during 2018-19. From 2019-20, £100k will be required to continue with the non-urgent fire safety recommendations.

10.45 As mentioned previously in section 9.40 roofing and structural works at blocks 4-15 and 19-23 Royal Crescent have been aligned to reduce costs. Works at both blocks will now be carried out at the same time utilising slippage of £600k from 2017-18. The balconies at the low rise blocks have been delayed to enable the roofing works to be carried out at the same time, to reduce costs for which £900k is required to carry out the structural works, £387k slippage, £213k in 2018-19 and £300k in 2019-20. Works from 2019-20 onwards have been identified from the stock condition data.

10.46 A number of properties have been identified as needing thermal insulation improvements. A new contract is due to start in Q3 2017-18 and therefore £24k slippage is required from 2017-18 to enable the backlog of works to be carried out.

10.47 The lift replacement programme is also currently under review. Lift refurbishments at Invicta House have been completed whilst Brunswick Court, Trove Court and Kennedy House lifts are now in need of urgent refurbishment or replacement. Brunswick Court lifts are due to be replaced during 2017-18, along with 1 or both of the lifts at Trove Court and Kennedy House. Lifts are still due to be replaced at Staner Court, Harbour Towers, Janice Court and Turner Court. It is proposed to allocate £260k into the capital programme from 2019-20 to 2022-23 to be able to carry out the remaining replacements from the major repairs reserve.

10.48 Trove Court and Kennedy House soil stacks are due for replacement. A consultancy report was commissioned in 2017-18 to identify the works required and £200k has been budgeted in 2018-19 to carry out these works.

10.49 Disabled adaptions will remain the same for 2018-19. This is a demand-led budget and will be reviewed annually.

10.50 The Estate Improvements budget has been removed while the additional fire safety works are carried out. Once the fire safety works are complete, the budget will be reviewed.

10.51 A new SMART meter bill has been released and EKH are currently reviewing the bill to determine if there are any landlord obligations.

10.52 The vacant HRA shop and flats above, at St Johns Crescent, Ramsgate are in need of refurbishment. It is proposed to convert the shop to affordable housing to create new affordable homes and refurbish the flats to Decent Homes Standards. This will be funded from the £100k set aside in 2017-18 for Buy Backs and 1-4-1 receipts.

10.53 The Margate Housing Intervention Programme set 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.

10.54 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 51 new units. The original programme consisted of 58 units, however as well as the previously reported delay in project commencement; the original costs have increased, resulting in 2 of the sites being removed from the current programme due to affordability and deliverability. These 2 sites will be reviewed and considered for another programme if further funding is available. The new build development programme is funded by HCA grant funding, HRA reserve balances and prudential borrowing and the programme is scheduled to complete in 2019-20.

10.55 A £2.1m new acquisitions programme was considered at Cabinet on 25 October and is due to start during 2017-18. This will be funded by £630k of right to buy 141 receipts and £1.5m from HRA balances and will provide new affordable homes.

10.56 A detailed breakdown of the HRA capital programme is provided in Annex 4.

The Draft Capital Budgets 2018-19 to 2021-22

10.57 The draft Housing Revenue Capital Programme for 2018-19 that is proposed for Members' approval is £4.484m, which will be funded from the HRA reserves and revenue contributions to capital. A summary of this programme and the proposed funding sources are shown in the following table:

TABLE 4 – HRA CAPITAL PROGRAMME				
	2018-19 £'000	**2019-20 £'000**	**2020-21 £'000**	**2021-22 £'000**
Total HRA Capital Programme Expenditure	**4,484**	**3,695**	**3,188**	**3,347**
HRA Capital Resources Used:				
HRA Major Repairs Reserve	3,793	2,978	2,400	2,400
HRA Revenue Contributions	300	300	300	300
New Properties Reserve	391	417	488	647
Total Funding	**4,484**	**3,695**	**3,188**	**3,347**

11. Treasury Management 2018-19

11.1 The Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2018-19 were considered by Governance and Audit Committee on 6 December 2017. The report to the Committee and annexes are attached as Annex 5.

11.2 The Committee agreed to approve the report and annexes and that it be approved by Cabinet and Full Council.

11.3 Cabinet is asked to consider and approve the Treasury Management strategy documents for 2018-19 for recommendation to Full Council.

12. Flexible Use of Capital Receipts Strategy 2018-19

12.1 Before the start of each financial year, a Flexible Use of Capital Receipts Strategy should be prepared as part of the Annual Budget documents. This sets out the rare occasions the council can apply to Government to capitalise expenditure that would normally be deemed as revenue. Government has advised that the council can apply to capitalise the costs of transformational revenue reform projects. The Capital Receipts Strategy is set out in Annex 6 and details the criteria where this may be considered as per guidance issued by Government.

13. Section 151 Officer's Assurance Statement

General Fund

13.1 Section 25 of the Local Government Act 2003 requires that, when the council is considering next year's budget and Council Tax levels, the council's Section 151 Officer (the Director of Corporate Resources) must report on:

- The robustness of the estimates, and
- The adequacy of the proposed financial reserves.

13.2 The estimates are considered to be robust. Realistic assumptions have been incorporated with regards to inflationary increases, and where appropriate these have been reflected in both expenditure and fees and charges income.

Housing Revenue Account (HRA)

13.3 Section 25 of the Local Government Act 2003 also requires that, when the council is considering the HRA budget and rent levels, the council's Section 151 Officer (the Director of Corporate Resources) must report on:

- The robustness of the estimates, and
- The adequacy of the proposed financial reserves.

13.4 The estimates are considered robust. Realistic assumptions have been incorporated with regards to inflationary increases, and where appropriate these have been reflected in both expenditure and income.

14. Council Tax Requirement 2018-19

14.1 The full Council Tax resolution will be included within a separate report to Full Council on 22 February 2018.

15. Options

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

Contact Officer:	Ramesh Prashar – Head of Financial Services Gary Whittaker – Interim Finance Manager
Reporting to:	Tim Willis–Director of Corporate Resources and S151 Officer

Annex List

Annex 1	Medium Term Financial Strategy 2018-2022
Annex 2	General Fund draft Capital Programme
Annex 3	HRA Service Charges
Annex 4	HRA draft Capital Programme
Annex 5	Treasury Management Strategy documents for 2018-19
Annex 6	Flexible Use of Capital Receipts Strategy 2018-19

Background Papers

Title	Details of where to access copy
Budget Strategy for 2018-19 - Cabinet 16th November 2017	https://democracy.thanet.gov.uk/documents/s58075/Cabinet%2016%20Nov%20-%20Budget%20Strategy.pdf
Fees and Charges 2018-19 – Council 7th December 2017	https://democracy.thanet.gov.uk/documents/s58451/Council%207th%20Dec%2017%20-%20Fees%20and%20Charges.pdf

Corporate Consultation

Finance	N/A
Legal	Tim Howes, Director of Corporate Governance

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The Medium Term Financial Strategy 2018 - 2022

Thanet District Council

Introduction

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

The main objectives of the MTFS are to:

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

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

The National and Local Economic Outlook

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 council has, as a result, seen significant cuts in funding over the last five years and as a result of the 4-year settlement funding, further cuts are known for years 2018-19 and 2019-20, with uncertainty remaining for 2020-21 onwards. The council has already made substantial savings, primarily resulting from the reduction in government grant. These savings have been achieved through a variety of approaches including sharing services with our neighbouring councils, reviewing staff structures and service efficiencies. However there remains pressure to deliver further savings to balance the 2018-19 budget and it is increasingly difficult to find these without impacting on services.

The Business Rates Retention Scheme (which is detailed further within this MTFS) provides further uncertainty. The financial risk associated with businesses leaving the district will sit with the council (subject to a safety net) whilst any incentive from encouraging new business growth is likely to be minimal. To mitigate risk, among other things, the council is a partner to the successful bid for the Kent region to be a pilot for 100% business rates retention for 2018-19.

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, excluding Housing Revenue Account, 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 (42%) and Council Tax (58%). 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 and Impact 2018–22

	2018-19 £'000	**2019-20 £'000**	**2020-21 £'000**	**2021-22 £'000**
Net Budget Requirement	16,800	16,118	15,489	15,750
Increase in Council Tax %	2.99%	2.2%	2.1%	2.1%
Increase in Council Tax £	£6.56	£4.99	£4.91	£4.95

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 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 recently but it is planned to replenish them over the medium term. These remaining reserves are set aside for specific purposes and generally 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 has to be budgeted and accounted 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 2018–22

	2018-19 £’000	**2019-20 £’000**	**2020-21 £’000**	**2021-22 £’000**
Expenditure	13,206	13,216	13,308	13,403
Income	-13,754	-13,699	-14,034	-14,502
Net Cost of Services	**-549**	**-483**	**-725**	**-1,098**
Other	835	-73	-88	-97
Net Operating Expenditure	**286**	**-556**	**-813**	**-1,195**
HRA Balance:				
Surplus at the start of the year	-6,381	-6,095	-6,651	-7,464
Surplus at the end of the year	-6,095	-6,651	-7,464	-8,659

The Capital Programme

The council's Capital Programme 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 optimal investment in assets. 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 liabilities and to generate capital receipts for investment.

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 table overleaf.

Annex 1

Table 3

The Capital Programme 2018–22

	2018-19 £'000	**2019-20 £'000**	**2020-21 £'000**	**2021-22 £'000**
Statutory and Mandatory Schemes	2,342	2,342	2,342	2,342
Schemes continuing from prior years	-	-	-	-
Annual Enhancement Schemes	378	703	2,620	700
Wholly/Part Externally Funded Schemes	695	693	3,335	780
Construction, Replacements and Enhancements	811	175	3,310	-
Capitalised Salaries	75	75	75	75
Housing Revenue Account Schemes	4,484	3,695	3,188	3,347
Total Capital Programme Expenditure	**8,785**	**7,683**	**14,870**	**7,244**
Capital Resources Used:				
Capital Receipts and Reserves	5,198	3,848	3,718	3,322
Capital Grants and Contributions	3,037	3,010	5,597	3,122
Contributions from Revenue	300	325	350	300
Prudential Borrowing	250	500	5,205	500
Total Funding	**8,785**	**7,683**	**14,870**	**7,244**

Council is being asked to agree to an additional capital item that wasn't considered as part of the draft Capital Programme included within the Budget Strategy (and therefore not within the above table). This is towards addressing some of the homelessness pressures and will cost £1.63m in 2018-19, to be funded from prudential borrowing.

Detailed Medium Term Financial Strategy

The following pages provide more detail of the council's financial plans over the medium term. The 2018-19 budget is balanced, and general reserves are forecast to remain above £2m. The net budget requirement, for the council's own purposes, is £16.8m.

The Local Government Finance Environment

The cost of local authority services are funded primarily from council tax, business rates, fees and charges, Government 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 it through a variety of different legislation.

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 substantially, although the original four year settlement did give some assurance regarding future funding. For the purpose of the MTFS these reductions have been factored in as follows: 8.0% 2018-19 and 9.3% 2019-20.

The impact of other welfare reforms associated with reducing housing benefit entitlement has led to an increase in homelessness and rent arrears. This is yet another uncertainty that could significantly impact on MTFS assumptions and the effect of this will continue to be monitored.

Council Tax Referendum and Council Tax Increases

The council tax system requires local householders to contribute directly to the cost of local service provision. The collection of council tax is administered by the council on behalf of itself, parish and town councils, Kent County Council, the Kent and Medway Fire and Rescue Service and the Kent Police and Crime Commissioner. The element of council tax that relates specifically to Thanet is calculated after having taken into account expenditure needs and ability to fund these from all other income sources. For 2018-19 the Government has determined that any council tax increases at 3% and above and £5 and over 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 would fall on the council to be met. Thanet's higher limit of Council Tax increase is 2.99%.

This MTFS assumes an increase of £6.57 to the 2018-19 Council Tax, equivalent to 2.99%, with subsequent increases of around £5 per annum thereafter. The tax base upon which the council tax is set has been agreed as 42,905 Band D equivalents for 2018-19. This reflects a proposed collection rate of 97.75% 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 much of these 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, there is a legal responsibility to collect refuse, however there is a choice as to frequency and method of collection.

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 service are worth the inputs in terms of resources needed.

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

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. There remains a commitment to promoting a culture of continuous improvement to ensure the delivery of good value for money.

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 efforts towards achieving the 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 individual service plans, and capital and asset management strategies.

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

The General Fund Revenue Account

Overview

The General Fund revenue account is charged with any expenditure incurred on delivering services or meeting day to day expenses that are not covered by legislation relating to the

Housing Revenue Account, or cannot be treated as capital expenditure. The majority of Thanet's expenditure is charged here.

Expenditure is funded from income raised through charging for goods and services (except if it relates to council houses or is of a capital nature) plus grants, business rates and council tax.

Fees and Charges

The fees and charges policy establishes the corporate principles for charging for services. The three key principles are:

- Compliance with all legal requirements for setting charges and income generation. Where appropriate, this will override other factors to ensure the risk of legal challenge is minimised.

- 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 following guidelines are used 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;
- 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 guiding principles aims to ensure that 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 aims and objectives. The external funding and grants protocol standardises the process relating to external funding to ensure consistency and clarity and to protect the council from unidentified risks. The protocol has improved processes over external funding streams by:

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

Developing the General Fund Revenue Budget

The General Fund Budget Strategy

Fundamental to the development of the budget and Medium Term Financial Strategy is an overarching Budget Strategy, the objective of which is a safe and sustainable budget that will deliver the policies and aspirations of the council over the medium term. The strategy was approved by Cabinet on 16 November 2017 and 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 2018-19 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 2018-19 is created.

Budgetary Pressures

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

Employee Costs – A large proportion of expenditure is on staff related costs, the majority of which relates directly to service delivery. For the purposes of presenting an illustrative model of the impact of the budget strategy contained within this MTFS, a vacancy level of 1.96% 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, there is no provision for price increases on goods and services, so increased costs need to be contained within existing budgets or a better price needs to be negotiated with 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.

Service Delivery Pressures –Given the economic context, 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 for enabling the delivery of income generation and cost savings and to deliver corporate priorities.

Increase in Fees and Charges – Fees and charges have been increased in line with benchmarked data for other service providers, there are also a number of new schemes. 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.

Themes for delivering the Medium Term Financial Strategy

Projecting funding for 2018-19 onwards is difficult in light of the localisation of business rates and New Homes Bonus changes, but there is more certainty for 2018-19 and 2019-20 from the original four year settlement. What is clear is an overall reduction in Government funding over the medium term. In light of this, some broad themes are being pursued which will enable a balanced budget and a robust MTFS:

- **Income Generation:** A range of reviews are under way to generate new and additional income. These reviews are: creation of a housing company; fundamental review of car parking; power generation on Council owned sites; commercial charging for minor works and workshop; and a review of Planning.
- **Making the most of the assets we own:** A revised Asset Management Strategy will be key to working with partners to maximise the benefits of the buildings and land we own. We will seek commercial opportunities for key assets including changing use, sharing facilities and disposal as well as investing in assets to earn a return.
- **Alternative Delivery Vehicles:** All services will be reviewed and considered for alternative models, including outsourcing, shared services or partnerships. Action will be targeted towards those services that are the most expensive relative to peers. By drawing in wider investment and market opportunities it is possible to reduce the cost of mainstream council services. Working with partners would give access to new skills and experience and help ensure an appropriate share of risk between parties.
- **Digitalisation:** The Implementation of a digital strategy will help achieve efficiencies by streamlining back-office processes and improve front line services by providing them in a modern form more relevant to today's digital age. Work is under way with various partners to review in real terms the benefits of this moving forward.

Table 4

The Medium Term General Fund Revenue Budget 2018 – 2022

	2018-19 £'000	**2019-20 £'000**	**2020-21 £'000**	**2021-22 £'000**
Opening Base Budget	18,079	16,800	16,118	15,489
Budget Pressures including Inflation	1,868	564	713	551
Savings and efficiencies	(2,757)	-	-	-
Fees and Charges	(390)	(200)	(200)	(200)
Future year reviews	-	(1,046)	(1,142)	(90)
Net Revenue Budget Requirement	**16,800**	**16,118**	**15,489**	**15,750**

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 £2m are considered to be the minimum required for the planning period.

Earmarked Reserves

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

The earmarked reserves over the medium term are shown below. Where the exact demand on the reserve is not known sufficiently far enough in advance over the medium term, no estimates are allowed for within the MTFS.

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 all reserves and the projects they have been set aside to deliver. General Fund earmarked reserves were re-aligned at year end 2016-17 to more effectively support the council's corporate priorities. It is intended, as part of the MTFS, to replenish earmarked reserves following their application during 2017-18.

Table 5

The Earmarked Reserves over the medium term are listed below:

Reserve	Description
Local Taxation Funding Reserve	Used for operational risks including loss of housing benefit subsidy, business rates appeals and other service movements.
Investment and Growth Reserve	Used to encourage inward investment and promote growth in the district changing the way the council operates in support of these activities.
Risk and Insurance Reserve	Held to fund excess costs, self-insurance and TUPE obligations.
Repairs and Renewals Reserve	Used to fund planned maintenance in respect of buildings, coastal sites, information technology and other equipment, including a mechanism to avoid peaks and troughs in service budgets.

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 2018 – 2022 which are presented in summary in Table 4.

Funding the Medium Term General Fund Revenue Budget

Local Government Finance Settlement

The provisional Local Government Finance Settlement indicates figures for 2018-19 regarding NDR baseline funding, RSG and NHB. Together, the proposed 2018-19 sum for these funding streams is 17% less than the equivalent 2017-18 figure. The Settlement also included the indicative NDR baseline and RSG figures for 2019-20.

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 scheme which was previously paid for the following six years will now be paid for four years. Additionally, there is a threshold applied, below which no NHB is paid. This threshold has been set at 0.4% of total dwellings, i.e. the first 0.4% of growth will not attract NHB. The council has for some time treated NHB as part of its core government funding. The MTFS does not anticipate any new awards after 2018-19 at this stage.

Council Tax and Business Rates

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 grants and part from council tax. The total amount that is needed to be raised by council tax 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 0.5% for future years.

The council's budget plans, grant predictions and the assumed council tax base give the projected levels of council tax increases which are shown in Table 6 below.

Table 6

The Medium Term Revenue Funding Summary 2018 - 2022

	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Net Budget Requirement	**16,800**	**16,118**	**15,488**	**15,750**
Funded From:				
RSG	-	97	-	-
NDR Baseline	5,670	5,045	5,044	5,045
New Homes Bonus	1,011	587	102	97
Collection Fund Surplus	100	100	100	100
Business Rate Retention	200	200	-	-
New burdens-homeless reduction	104	110	-	-
Council tax	9,715	9,979	10,242	10,508
Council Tax Base	42,905	43,120	43,335	43,552
Band D Council Tax	**£226.44**	**£231.43**	**£236.34**	**£241.29**
£ Increase in Band D Council Tax	£6.57	£4.99	£4.91	£4.95
% Increase in Band D Council Tax	2.99%	2.2%	2.1%	2.1%

The NDR baseline and RSG for 2018-19 reflects the impact of the council being within the Kent and Medway pool for 100% business rates retention. No change has been made to the forecast of growth as a result of being in the pool.

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 current HRA Business Plan is forecast to fall into deficit post 2024 and further work is required to identify sufficient efficiencies to allow for a sustainable 30 year HRA Business Plan. Finance and the Head of Housing will continue to work together to remodel a sustainable plan. This will include a review of charges and costs from the General Fund, maximising income generation opportunities, contract efficiencies through East Kent Housing by procuring with neighbouring councils and asset management.

In April 2015 the government announced a proposal to require that local authorities sell high value stock to fund the extension of Right to Buy to housing association tenants. As detailed in the Housing and Planning Act 2016, the Secretary of State has the power to make a council sell a proportion of their vacant stock to pay a ‘high value asset levy’ which will reflect the high value homes they are expected to sell. To finance the payment, an authority must consider selling its interest in any higher value housing that has become vacant. In November 2015 councils had to provide detailed stock data. However, the determination defining higher value and the method for calculating the amount of payment due to the Secretary of State has yet to be determined. Until further information is available it is has not been possible to understand the financial impact on the HRA Business Plan.

A stock condition survey was commissioned re-evaluate the council’s housing stock to ensure that we continue to meet Decent Homes Plus standard. The survey results are informing the development of the Asset Management Strategy and Stock Options Appraisal. The financial impact of this will be modelled as part of the HRA 30 Year Business Plan review.

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 Strategy 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

Contract and Price Inflation - For direct expenditure budgets, price increases have been included at 2.5%. 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.

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. 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 MTFS after 2020 assume a 1% inflationary increase. Garage rents have been kept the same while a programme of repairs is drafted.

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.

HRA Investment Income – This consists of interest accruing on mortgages granted in respect of Right to Buy sales and interest on HRA balances. The base rate has remained low, which in turn means that investment interest will be low. The budget for 2018-19 of £35k is based on achieving an average interest rate of 0.25%.

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 – An amount equivalent of the actual depreciation charge for dwellings is transferred to the Major Repairs Reserve to fund capital works to the existing stock. The estimated transfer to the Major Repairs Reserve for 2018-19 is £3.63m.

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 2017 this reserve balance was £8.4m.

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 peaks and troughs within the 30 year business plan. It is maintained by annual contributions from the HRA. As at 1 April 2017 this reserve balance was £6.7m.

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 New Build Programme has been set aside in this reserve as agreed by Cabinet. As at 1 April 2017 this reserve balance was £5.4m and is due to be drawn down during the 2018-19 and 2019-20 programmes. 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 aforementioned paragraphs have been applied to the 2018-19 budget for the Housing Revenue Account and the resulting financial projections for the HRA over the next four years are summarised in Table 7:

Table 7

The Medium Term Housing Revenue Account Budget 2018 – 2022

	2018-19	**2019-20**	**2020-21**	**2021-22**
	£'000	**£'000**	**£'000**	**£'000**
Gross Expenditure	**13,205**	**13,216**	**13,308**	**13,403**
Income	**-13,754**	**-13,699**	**-14,034**	**-14,502**
Net Costs of Services	**-549**	**-483**	**-726**	**-1,099**
HRA Investment Income	-35	-70	-105	-140
Debt Interest charges	1,007	962	982	1,008
Government grants and contributions	-1,034	-345	-	-
Adjustments made between accounting basis and funding basis	897	-620	-965	-965
(Surplus)/Deficit on HRA	**286**	**-556**	**-813**	**-1,195**
Housing Revenue Account Balance:				
Surplus(-)/Deficit at Beginning of Year	-6,381	-6,095	-6,651	-7,464
Surplus(-)/Deficit For Year	286	-556	-813	-1,195
Surplus(-)/Deficit at End of Year	**-6,095**	**-6,651**	**-7,464**	**-8,659**

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 investment in 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 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 Capital Programme was reviewed 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 predominantly core priorities, have health and safety implications or deliver a revenue saving to the authority and sustainable income streams. The main capital projects that are planned 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, Property Enhancement Programme, Operational Services Vehicle Replacement Programme, Leopold Street multi storey car park, Louisa Bay to Dumpton Gap sea wall work, Westbrook to St Mildred's sea wall work, Viking Bay flood defence scheme, Stone Bay sea wall work, Ramsgate Harbour water supply upgrade and Thanet groyne re-construction.

New Capital Projects – email system replacement, end user computing refresh of devices, TDC computing infrastructure, Ellington Park, Northdown Road townscape heritage, Botany Bay car park, Broadstairs flood and coast protection scheme, Ramsgate Harbour sluice gate, replacement of lead lights at Port and a number of Port of Ramsgate improvements and refurbishments.

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 51 new units.

However, given the recent changes with regard to rent setting reductions and the proposed sale of higher value council homes to generate a levy payable to Government, 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. The financial impact of the changes 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 8.

Capital Funding Sources

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

Borrowing

The Local Government Act 2003 gave local authorities the ability to borrow for capital expenditure provided that such borrowing was affordable, prudent and sustainable over the medium term. The council has to complete a range of calculations (Prudential Indicators) as part of its annual budget setting process to evidence this. These make sure that the cost of paying for interest charges and repayment of principal by a minimum revenue contribution (MRP) each year is taken into account when drafting the Budget and Medium Term Financial Strategy. Over the course of this MTFS, prudential borrowing of £0.25m has been assumed for the General Fund Capital Programme in 2018-19. 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 General Fund (i.e. for its main services) can be retained. In 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. This allows the council to retain additional Right to Buy receipts over and above that budgeted by Treasury.

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. The absence of a new Asset Management Plan and comprehensive disposals programme has made it difficult to project the estimated capital receipt income anticipated over the next four years. Over the course of this MTFS the new AMS will enable the identification of a number of assets that can be disposed of with minimal detriment to service delivery, and yet improve the overall value for money derived from the asset portfolio. The affordability of the Capital Programme has been based on the assumption of a certain level of capital receipts being generated. As the value of receipts can be subject to change, the Capital Programme will be continuously 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 on the revenue budget mean that this is no longer a common funding source.

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 –An amount equivalent of the actual depreciation charge for dwellings is transferred to the Major Repairs Reserve to fund capital works to the existing stock This is exclusively available for use on HRA capital expenditure.

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 8.

Table 8

The Medium Term General Fund Capital Budget

	2018-19 £'000	**2019-20 £'000**	**2020-21 £'000**	**2021-22 £'000**
Statutory and Mandatory Schemes	2,342	2,342	2,342	2,342
Annual Enhancement Schemes	378	703	2,620	700
Wholly Externally Funded Schemes	695	693	3,335	780
Replacements and Enhancements	811	175	3,310	-
Capitalised Salaries	75	75	75	75
Total Capital Programme Expenditure	**4,301**	**3,988**	**11,682**	**3,897**
Capital Resources Used:				
Capital Receipts and Reserves	1,014	453	830	275
Capital Grants and Contributions	3,037	3,010	5,597	3,122
Contributions from Revenue	-	25	50	-
Prudential Borrowing	250	500	5,205	500
Total Funding	**4,301**	**3,988**	**11,682**	**3,897**

The plans that exist for capital investment into the council's housing stock are reflected in Table 9. The information in Table 8 and Table 9 comprise the Medium Term Capital Programme for the Council.

Further to Cabinet agreeing to the draft capital programme in its Budget Strategy, an item has come forward subsequently for inclusion within next year's programme, that Council is asked to support. New capital investment of £1.63m is proposed, to be funded by prudential borrowing, that aims to effectively address some of the homelessness pressures being faced within the district and will contribute towards reducing the council's expenditure on homelessness. This sum is currently not included within the table above.

Table 9

The Medium Term Housing Revenue Account Capital Budget

	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Total HRA Capital Programme Expenditure	**4,484**	**3,695**	**3,188**	**3,347**
HRA Capital Resources Used:				
HRA Major Repairs Reserve	3,793	2,798	2,400	2,400
HRA Revenue Contributions	300	300	300	300
New Properties Reserve	391	417	488	647
Total Resources	**4,484**	**3,695**	**3,188**	**3,347**

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 investments and cash flows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Its activities are strictly regulated by statutory requirements, the CLG's Investment Guidance and the CIPFA Treasury Management Code.

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 underlying capital appraisal systems. As part of the budget process, the council approves a series of Prudential Indicators that demonstrate that its activities are affordable, prudent and sustainable.

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

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

Even with the Bank Rate increase from 0.25% to 0.50% in November 2017 investment returns of course remain low. Investments are regularly reviewed with a view to try and take advantage of the best rates available whilst minimising exposure to counterparty risk.

Councils should invest prudently and primarily seek to safeguard public funds rather than maximise returns. Security and liquidity should therefore take priority over yield. Thanet is diligent in ensuring that monies are only placed in secure and liquid investments and also uses a wide range of information to ensure it is making informed investment decisions.

Borrowing – Active management of the debt portfolio is an important part of the treasury management function. The council takes 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. There will need to be additional borrowing over the next few years to refinance maturing debt and for capital programme purposes. Decisions regarding options to take out borrowing or rescheduling or repaying debt will be taken in light of market conditions.

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

- Bank Rate set by the Bank of England
- PWLB borrowing rate
- Cash flow variations
- Sums lost due to imprudent investment

These risks have been mitigated by seeking professional advice on interest rate forecasts, carefully modelling cash flow against anticipated financial forecasts and only investing with counterparties that meet the credit criteria set out in the Treasury Investment Strategy.

Managing the Financial Risks

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

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

Longer Planning Timeframes – 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 MTFS. However, there are still significant unknowns, e.g. the transition towards local government self-financing by 2020.

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

Financial Risk Assessment

Even with the most sophisticated approaches to budget modelling there is always the chance that events happen which could not be foreseen and plans need to be revisited. The council holds reserves as a contingency to meet unanticipated expenditure that arises from such an unexpected change in circumstances. In order to be able to gauge the appropriate level of reserves, a detailed financial risk assessment is carried out and presented as part of the annual Budget Report. 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 MTFS 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.

Annex 1

Table 10

Sensitivity Analysis

Area under consideration	**Sensitivity of Estimates 2018-19**
The opening base budget	The opening position of the 2018-19 budget is firm, as it is based on the budget approved in February 2017. The base for future years may change, however this would be identified as part of budget preparation work.
The pay estimates	A large discrepancy would be unlikely as the pay budget is built 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 difficult to predict.
The vacancy savings and post reduction estimates	For 2018-19 the vacancy abatement saving has been budgeted at approximately £300k which is equivalent to approximately 10 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 c2.5%. For every 1% change in inflation it equates to a difference of approximately £107k.
Pension Increases	Approximately £340k has been added since 2017-18 following the latest actuarial valuation results. The next valuation is due in 2020 and at this stage no allowance has been made for its impact, owing to it being subject to a number of complex and different factors.
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 £390k has been added into the budget for 2018-19 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 Strategy reflects a £250k savings expectation from EKS. A 10% change to this figure would equate to £25k, 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.
Council Tax	The collection rate on the Council Tax base has been increased to 97.75% to reflect

Annex 1

Area under consideration	**Sensitivity of Estimates 2018-19**
Reduction Scheme	the collection trend experienced within 2017-18. This will need to be carefully monitored during the year.
Welfare Reforms	The impact of welfare reform changes is being felt in 2017-18 with significant pressure anticipated in subsequent years. Changes 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. With the impact being subject to so many factors it is not possible to attribute a % change equalling a certain cost. However, the MTFS has allowed for an additional £1m cost pressures in 2018-19 onwards as a result of the changes.
Settlement Funding	Government provides strong indicative settlement figures for 2018-19 and 2019-20. Revenue support grant is anticipated to end after 2019-20. The risk remains with the business rates baseline thereafter. A 10% change in baseline equates to £500k approximately.

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Annex 2 General Fund Capital Programme

Capital Programme £000	Capital Bid Score	Directorate	Estimated Slippage 2017/18	2018/19	2019/20	2020/21	2021/22
STATUTORY/MANDATORY							
Disabled Facilities Grants	104	Community Services		2,342	2,342	2,342	2,342
ONGOING SCHEMES FROM PREVIOUS YEARS							
ANNUAL ENHANCEMENT PROGRAMMES							
Vehicle Replacement Programme	128	Operational Services		250	500	2,205	500
Property Enhancement Programme	n/a	Corporate Resources		80	80	80	80
Computing Infrastructure	108	Corporate Resources		48	123	335	120
WHOLLY/PARTLY EXTERNALLY FUNDED							
Louisa Bay to Dumpton Gap Sea Wall Work	121	Operational Services		95		1,000	
Westbrook to St Mildred's Sea Wall Work	121	Operational Services		600			
Viking Bay Flood Defence Scheme	121	Operational Services			200		
Stone Bay Sea Wall Work	121	Operational Services				1,000	
Thanet Groyne Reconstruction	110	Operational Services	388				
Broadstairs Flood and Coast Protection Scheme	112	Operational Services					520
Ramsgate Harbour Sluice Gate	114	Operational Services				75	
Ellington Park	120	Community Services			493	1,000	
Northdown Road Townscape Heritage	104	Community Services				260	260
CONSTRUCTION, REPLACEMENT & ENHANCEMENT							
Ramsgate Harbour Water Supply Upgrade	102	Operational Services		50	50		
Leopold Street Multi-Storey Car Park	111	Operational Services				3,000	
Botany Bay Car Park	102	Operational Services		73			
Replacement of Lead Lights at Port	110	Operational Services				80	
Port of Ramsgate - East Pier Building Structural Improvements	109	Operational Services				120	
Port of Ramsgate - Fuel Barge Access Ramp	107	Operational Services				25	
Port of Ramsgate - Berth One Refurbishment	105	Operational Services		150			
Replace Ponton Piles	104	Operational Services		75			
Pontoon Decking Improvement - East and West Inner Marina	103	Operational Services		85	85	85	
Upgrade of Western and Eastern Amenity Blocks	102	Operational Services		80			
Email System Replacement	103	Corporate Resources			40		
End User Computing - Refresh of Devices	104	Corporate Resources		298			
Capitalised Salaries				75	75	75	75
Total for the Year			**388**	**4,301**	**3,988**	**11,682**	**3,897**

General Fund Capital Programme Funded By

	Estimated Slippage 2017/18	2018/19	2019/20	2020/21	2021/22
Capital Receipts		941	453	830	275
Reserves		73			
Capital Grants & Contributions	388	3,037	3,010	5,597	3,122
Contributions from Revenue			25	50	
Prudential Borrowing		250	500	5,205	500
Total for the Year	**388**	**4,301**	**3,988**	**11,682**	**3,897**

Analysis of Prudential Borrowing	Budget Area	Estimated Slippage 2017/18	2018/19	2019/20	2020/21	2021/22	Total	MRP Life	MRP Cost £pa	Interest cost at 3% £pa
Leopold Street Multi-Storey Car Park	Car parking (savings)				3,000		3,000	50	60	90
Vehicle Replacement Programme	Recycling & refuse (Existing budget and efficiency savings)		250	500	2,205	500	3,455	7	494	104
Total		**-**	**250**	**500**	**5,205**	**500**	**6,455**		**554**	**194**

Annex 3

Summary of Tenant Service Charges

Property	Heating Charges	Cleaning Charges	Communal Lighting	Grounds Maintenance	Fire Safety	Mechanical and Electrical	Water Pumps
ADDINGTON STREET (52)							
ALBION MEWS (1-6)		£2.01	£0.89	£0.17		£0.95	
APPLEDORE CLOSE							
1-8 Appledore Close		£1.80	£0.50	£0.41		£0.69	
9-13 Appledore Close		£2.88	£0.73	£0.60		£1.11	
14-21 Appledore Close		£1.80	£0.49	£0.48		£0.69	
22-25 Appledore Close		£3.61	£1.28	£0.59		£1.38	
26, 27 Appledore Close				£0.59		£2.77	
28-34 Appledore Close		£2.06	£0.44	£0.35		£0.79	
35, 36 Appledore Close				£0.35		£2.77	
37-40,Appledore Close		£3.61	£0.87	£0.35		£1.38	
41-47 Appledore Close		£2.06	£0.55	£0.57		£0.79	
48-54 Appledore Close		£2.06	£0.51	£0.53		£0.79	
55-58 Appledore Close		£3.61	£0.83	£0.53		£1.38	
59-65 Appledore Close		£2.06	£0.58	£0.81		£0.79	
66-72 Appledore Close		£2.06	£0.49	£0.55		£0.79	
73-76 Appledore Close		£3.61	£0.86	£0.49		£1.38	
77-83 Appledore Close		£2.06	£0.59	£0.41		£0.79	
BALMORAL ROAD							
2-12 Balmoral Road		£1.84	£0.55	£0.78		£1.13	
14-24 Balmoral Road		£1.84	£0.55	£0.78		£1.13	
26-36 Balmoral Road		£1.84	£0.55	£0.78		£1.13	
BELLE VUE AVENUE (1-20)		£1.33	£0.59	£0.13			
BELMONT COURT		£1.55	£0.78	£1.22		£1.11	

Annex 3

Summary of Tenant Service Charges

BIDDENDEN CLOSE							
15-23 Biddenden Close		£1.22	£0.44	£1.03		£0.59	
24-32 Biddenden Close		£1.22	£0.44	£1.03		£0.59	
BRUNSWICK COURT							
1 Bed	£3.11	£0.95	£2.02	£0.63	£1.66	£0.77	£1.86
2 Bed	£3.72	£0.95	£2.02	£0.63	£1.66	£0.77	£1.86
3 Bed	£4.24	£0.95	£2.02	£0.63	£1.66	£0.77	£1.86
CAMBOURNE AVENUE							
23a-27a Cambourne Avenue			£0.98				
28a-30a Cambourne Avenue			£1.48				
CAMDEN SQUARE (5-8)		£2.49	£1.05			£1.01	
CANTERBURY ROAD (70-76)			£0.72	£1.97		£0.94	
CHATHAM COURT		£1.48	£0.50	£0.58		£0.58	
CHICHESTER ROAD (82-90)		£0.99	£1.06	£0.77		£0.59	
CHURCHFIELDS							
1 Churchfields		£3.67	£1.03	£0.42		£1.31	
3 Churchfields		£1.84	£0.65	£0.42		£0.74	
5 Churchfields		£1.84	£0.72	£0.42		£0.74	
7 Churchfields		£3.67	£1.23	£0.42		£1.31	
9 Churchfields		£3.67	£1.03	£0.42		£1.31	
11 Churchfields		£1.84	£0.55	£0.42		£0.74	
13 Churchfields		£3.67	£0.93	£0.42		£1.31	
CLARENDON ROAD							
3 Clarendon Road		£2.22	£0.75		£8.38	£0.94	
6 Clarendon Road		£2.22	£0.82		£8.48	£0.94	
CLEMENTS ROAD							
29-45 Clements Road		£1.03	£0.48	£0.72			

Annex 3

Summary of Tenant Service Charges

47-69 Clements Road	£0.77	£0.37	£0.72		
71-93 Clements Road	£0.77	£0.43	£0.72		
95-111 Clements Road	£1.03	£0.42	£0.72		
113-135 Clements Road	£0.77	£0.46	£0.72		
137-159 Clements Road	£0.77	£0.36	£0.72		
161-189 Clements Road	£0.62	£0.46	£0.72		
191-213 Clements Road	£0.77	£0.46	£0.72		
215-237 Clements Road	£0.77	£0.28	£0.72		
239-261 Clements Road	£0.77	£0.28	£0.72		
263-279 Clements Road	£1.03	£0.30	£0.72		
281-303 Clements Road	£0.77	£0.30	£0.72		
COASTGUARD COTTAGES		£1.00	£1.68		
COLLEGE ROAD					
92 College Road	£1.84	£0.63	£1.47		£0.74
94 College Road	£1.84	£0.77	£1.47		£0.74
CONFLANS COURT					
31-36 Conflans Court	£1.66	£0.76	£0.60		£0.74
37-42 Conflans Court	£1.66	£0.76	£0.60		£0.74
CONYNGHAM CLOSE	£1.43	£0.45			
DANE GARDENS (19-22)	£2.75	£0.72	£1.81		£0.94
DANE MOUNT					
15-18 Dane Mount	£2.75	£0.80	£0.57		£0.94
19-22 Dane Mount	£2.75	£0.68	£0.57		£0.94
DANE VALLEY ROAD					
200 Dane Valley Road	£1.56	£0.51	£0.73		£0.72
202 Dane Valley Road	£1.56	£0.51	£0.73		£0.72
204 Dane Valley Road	£1.56	£0.34	£0.73		£0.86
206 Dane Valley Road	£1.56	£0.36	£0.73		£0.86

208 Dane Valley Road	£1.56	£0.38	£0.73		£0.86	
DUKE STREET (4)		£0.82		£5.57		
DUNSTAN AVENUE						
26-32 Dunston Avenue	£2.01	£0.41	£0.77		£1.17	
34-40 Dunston Avenue	£2.01	£0.41	£0.77		£1.17	
42-48 Dunston Avenue	£2.01	£0.41	£0.77		£1.17	
EGBERT ROAD (3)	£2.22	£1.03		£8.08	£0.94	
ELHAM CLOSE						
17-25 Elham Close	£1.22	£0.39	£1.00		£0.59	
26-34 Elham Close	£1.22	£0.39	£1.00		£0.59	
ELLINGTON ROAD (59)		£0.87		£0.32	£1.25	
ELLINGTON ROAD (70)			£1.35		£1.87	
ETHELBERT CRESCENT (26)						
GRANGE ROAD (59)						
GROSVENOR PLACE (66-68)	£1.48	£0.65		£7.39	£0.62	
HARBOUR TOWERS	£1.22	£2.54	£0.26	£1.42	£0.62	£2.04
HIGHFIELD COURT	£1.39	£0.33	£0.77			
HIGH STREET, MARGATE						
145 High Street	£2.06	£0.62	£0.27		£0.74	
147 High Street	£4.12	£0.67	£0.27		£1.31	
149 High Street	£2.06	£0.67	£0.27		£0.74	
151 High Street	£4.12	£0.67	£0.27		£1.31	
153 High Street	£2.06	£0.51	£0.27		£0.74	
154 High Street	£2.06	£0.73	£0.27		£0.74	
155 High Street	£4.12	£0.66	£0.27		£1.31	
156 High Street	£2.06	£0.71	£0.27		£0.74	
157 High Street	£2.06	£0.66	£0.27		£0.74	

Annex 3

Summary of Tenant Service Charges

159 High Street		£4.12	£0.66	£0.27		£1.31	
161 High Street		£2.06	£0.50	£0.27		£0.74	
163 High Street		£2.06	£0.58	£0.27		£0.74	
HOLTON CLOSE							
7 Holton Close		£1.38	£0.32	£0.21		£0.94	
23 Holton Close		£1.38	£0.32	£0.21		£0.94	
INVICTA HOUSE	£10.11	£1.76	£1.27	£0.48	£1.04	£0.46	£0.96
JANICE COURT		£1.73	£1.18	£0.77	£3.66	£0.23	
KENNEDY HOUSE							
Bedsit	£3.16	£1.74	£1.74	£0.20	£1.29	£0.67	£0.55
1 Bed	£4.45	£1.74	£1.74	£0.20	£1.29	£0.67	£0.55
2 Bed	£ 5.33	£1.74	£1.74	£0.20	£1.29	£0.67	£0.55
LA BELLE ALLIANCE SQUARE (16 &17)		£2.19	£0.50	£0.86		£0.74	
LANCASTER CLOSE (11-32)		£1.43	£0.33				
LEONA COURT		£1.64	£0.51	£0.96	£0.06	£0.55	
LINLEY ROAD (1-33)				£1.32			
LOUGHBOROUGH COURT		£1.03	£0.40	£0.36			
MEETING COURT			£0.60		£5.50		
MILLMEAD ROAD (69-77)		£1.94	£0.89	£1.10		£0.85	
NEWLANDS HOUSE, PRESTEDGE AVE		£1.48	£0.41	£0.08			
PARKSIDE, PICTON ROAD				£0.41			
PENSHURST ROAD (5)		£1.66	£2.69	£0.05	£10.91		
PLAINS OF WATERLOO							
32A-40A Plains of Waterloo		£1.78	£0.69				
45A-47C Plains of Waterloo		£1.85	£0.50	£0.86		£0.74	
QUETTA ROAD (21-24)				£1.24			

Annex 3

Summary of Tenant Service Charges

REBECCA COURT		£1.87	£0.90	£0.72	£0.10	£0.54	
RICHARD COURT		£1.65	£0.52	£1.07	£0.06	£0.55	
ROSEDALE ROAD							
19 Rosedale Road		£1.84	£0.62	£.47		£0.74	
21 Rosedale Road		£1.84	£0.72	£1.47		£0.74	
23 Rosedale Road		£1.84	£0.58	£1.47		£0.74	
25 Rosedale Road		£1.84	£0.63	£1.47		£0.74	
ROYAL CRESCENT							
4-15 Royal Crescent		£1.85	£0.42			£0.54	
19-23 Royal Crescent		£1.39	£0.91		£6.65	£0.62	
SOMERSET COURT		£1.61		£0.73			
ST MILDREDS ROAD							
40 ST Mildreds Road		£1.44	£0.48	£0.59	£0.11	£0.42	
42 ST Mildreds Road		£1.44	£0.49	£0.59	£0.11	£0.42	
STANER COURT							
Tower Block (2-89)							
Bedsit	£ 5.21	£1.76	£2.10	£0.47	£0.88	£0.34	£0.94
1 Bed	£6.98	£1.76	£2.10	£0.47	£0.88	£0.34	£0.94
2 Bed	£8.04	£1.76	£2.10	£0.47	£0.88	£0.34	£0.94
90-95 Staner Court		£1.70	£0.58	£0.47		£0.74	
96-101 Staner Court		£1.70	£0.56	£0.47		£0.74	
102-107 Staner Court		£1.70	£0.61	£0.47		£0.74	
108 -113 Staner Court		£1.70	£0.56	£0.47		£0.74	
STIRLING WAY (59-60)				£1.24			
STRINGER DRIVE							
4 Stringer Drive		£1.38	£0.63	£0.10		£0.94	

7 Stringer Drive		£1.38	£0.63	£0.10		£0.94	
SUNDEW GROVE				£0.78			
TOMLIN DRIVE							
2 Tomlin Drive		£1.56	£0.35	£0.84		£0.86	
4 Tomlin Drive		£1.56	£0.34	£0.84		£0.86	
6 Tomlin Drive		£2.34	£0.49	£0.84		£0.84	
8 Tomlin Drive		£2.34	£0.61	£0.84		£0.84	
10 Tomlin Drive		£2.34	£0.47	£0.84		£0.84	
12 Tomlin Drive		£2.34	£0.39	£0.84		£0.84	
TROVE COURT							
Bedsit	£5.54	£1.71	£1.34	£0.14	£1.13	£0.44	£0.55
1 Bed	£7.68	£1.71	£1.34	£0.14	£1.13	£0.44	£0.55
2 Bed	£9.18	£1.71	£1.34	£0.14	£1.13	£0.44	£0.55
TURNER COURT		£1.20	£0.94	£0.29	£1.97	£0.12	
TURNER STREET (32-54)		£1.66	£0.38	£0.22		£0.54	
WESTCLIFF ROAD (93)							
WILLIAM AVENUE							
2 William Avenue		£2.34	£0.55	£0.21		£0.87	
4 William Avenue		£2.34	£0.67	£0.21		£0.87	
6 William Avenue		£2.34	£0.50	£0.21		£0.87	
24 William Avenue		£2.34	£0.66	£0.91		£0.94	
26 William Avenue		£2.34	£0.44	£0.91		£0.94	
28 William Avenue		£2.34	£0.51	£0.91		£0.94	
30 William Avenue		£2.34	£0.47	£0.91		£0.94	
32 William Avenue		£2.34	£0.47	£0.91		£0.87	

34 William Avenue	£2.34	£0.62	£0.91	£0.87
36 William Avenue	£2.34	£.47	£0.91	£0.87

Annex 4

HRA Capital Programme 2018-19 to 2022-23

SCHEME	Approx. Unit Numbers 2018-19	2017-18 Slippage £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Scheme of Works 2018-19
Major Works								
Re – Roofing	**5 Flat Roofs 28 Pitched Roofs**	**500**	**300**	**460**	**460**	**460**	**460**	£300k slippage and £100k additional funding in 2018-19 required for the 5 flat roofs at Richard Court, Loughborough Court, Leona Court, Rebecca Court and Turner Court. £200k slippage due to Royal Crescent contract being on hold while waiting costs for block 19-23 to review if both blocks can be carried out at the same time. Scaffolding costs are included in the costs of those identified from the stock condition data.
Window & Door Replacements	**20**	**35**	**75**	**110**	**110**	**110**	**110**	A new contract is due to start in Q3 2017-18. £35k slippage from 2017-18 programme. Future works identified from the stock condition survey
Kitchen Replacements	**106**		**420**	**480**	**480**	**480**	**480**	Properties identified from stock condition data
Bathroom Replacements	**58**		**180**	**160**	**160**	**160**	**160**	Properties identified from stock condition data
Rewiring	**99**		**170**	**170**	**170**	**170**	**170**	Properties identified from stock condition data
Heating	**227**		**435**	**500**	**500**	**500**	**500**	Properties identified from stock condition data
Fire Precaution Works:	**550**		**810**	**100**	**100**	**100**	**100**	£675k required in 2018-19 to carry out the remaining fire safety works identified from the KFR risk assessments at the high rise blocks. £135k also required to carry out the works at the remaining identified blocks. From 2019-20 £100k will be required to continue with non urgent fire safety works.
Planned Refurbishments	**20**		**50**	**12**	**0**	**0**	**0**	Door entry system replacement programme due to complete in 2019-20
Structural Repairs	**6 Blocks**	**987**	**213**	**876**	**310**	**310**	**310**	£600k slippage due to Royal Crescent contract being on hold while awaiting costs for block 19-23. £900k is required to carry out the balcony repairs at the low rise blocks. These will be carried out at the same time as the roofs to reduce scaffolding costs. £387k slippage, £213k in 2018-19 and £300k in 2019-20. Works from 2019-20 onwards have been identified from the stock condition data.
Thermal Insulation	**120**	**24**	**10**	**50**	**50**	**50**	**50**	A new contract is due to start in Q3 2017-18. £24k slippage from 2017-18 programme. Future works identified from the stock condition survey
Lift Refurbishment & Replacements	**3-4 Lifts**		**120**	**60**	**60**	**60**	**60**	Brunswick Court, Trove Court and Kennedy House lifts are in need of urgent replacement. Brunswick Court will be replaced in 2017-18, along with 1 or both of the lifts at Trove Court and Kennedy House. The lift replacement programme was due to complete in 2017-18 , however 6 lifts are still due to be replaced (Staner Court , Harbour Towers, Janice Court and Turner Court). In 2016-17 £250k was returned to the major repairs reserve as it was determined that at that time no replacements were required. It is proposed to reallocate the £260k back into the capital programme from 2019-20 to 2022-23 to be able to carry out the remaining replacements.

Annex 4

HRA Capital Programme 2018-19 to 2022-23

SCHEME	Approx. Unit Numbers 2018-19	2017-18 Slippage £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000	Scheme of Works 2018-19
Soil Stack Replacements	12		200	0	0	0	0	£200k for Trove Court and Kennedy House soil stack replacements
Total Major Works		1546	3793	2978	2400	2400	2400	
Revenue Contribution to Capital								
Disabled Adaptations			300	300	300	300	300	This is a demand led budget and will be reviewed annually.
Estate Improvements			0	0	0	0	0	The budget will be reviewed once the additional fire safety works have been carried out
SMART Meter Project			0	0	0	0	0	A new SMART Meter Bill has been released. EKH are currently reviewing the bill to determine if we have any landlord obligations.
Margate Housing Intervention		500	391	417	488	647	660	Development programme 2011-12-2021-22. £500k slippage in relation to Warwick Road development. Affordable rent income to be re-invested to continue with programme
New Build Programme		4,500						HCA development programme 2015-18. Programme due to complete in 2019-20. £4.5m slippage in relation to phase 3 of the programme.
141 Acquisitions Programme		1,000						Programme to start in 2017-18 and will roll into 2018-19. £1m slippage in relation to purchase completions. Further match funding to be identified as affordable rent income is re-invested.
Total HRA Capital Expenditure		7546	4484	3695	3188	3347	3360	
Budget agreed in 2017/18			3495	2600	2500	2500	2500	
Difference			598	678	200	200	200	

ANNEX 5

TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2018-19

1 INTRODUCTION

1.1 Background

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

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

CIPFA defines treasury management as:

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

1.2 Reporting requirements

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

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

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

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

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

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

1.3 Treasury Management Strategy for 2018-19

The strategy for 2018-19 covers two main areas:

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

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

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

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was last undertaken by members on 21 September 2015 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.5 External service providers

The Council uses Capita Asset Services, Treasury Solutions as its external treasury management advisors. During the current planning period Capita Asset Services is likely to be sold to The Link Group. The services provided will not change under the new ownership.

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

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

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

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

2 THE CAPITAL PRUDENTIAL INDICATORS 2018-19 – 2020-21

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

2.1 Capital expenditure

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

Capital expenditure £m	**2016-17 Actual**	**2017-18 Estimate**	**2018-19 Estimate**	**2019-20 Estimate**	**2020-21 Estimate**
General Fund	8.087	14.768	4.689	3.988	11.682
HRA	5.156	21.882	4.484	3.695	3.188
Total	**13.243**	**36.650**	**9.173**	**7.683**	**14.870**

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

Capital expenditure £m	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
General Fund	8.087	14.768	4.689	3.988	11.682
HRA	5.156	21.882	4.484	3.695	3.188
Total	**13.243**	**36.650**	**9.173**	**7.683**	**14.870**
Financed by:					
Capital receipts - GF	2.345	3.224	0.941	0.453	0.830
Capital receipts - HRA	0.336	2.444	0.000	0.000	0.000
Capital grants - GF	4.812	5.554	3.425	3.010	5.597
Capital grants - HRA	1.394	2.233	0.000	0.000	0.000
Reserves - GF	0.374	0.212	0.073	0.000	0.000
Reserves - HRA	2.850	9.244	4.184	3.395	2.888
Revenue - GF	0.000	0.296	0.000	0.025	0.050
Revenue - HRA	0.439	1.056	0.300	0.300	0.300
Net financing need for the year	**0.693**	**12.387**	**0.250**	**0.500**	**5.205**

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

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

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

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council had £3.264m of long term liabilities (excluding pensions) as at 31 March 2017.

The Council is asked to approve the CFR projections below:

£m	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Capital Financing Requirement					
CFR – General Fund	26.706	30.963	29.850	28.959	32.356
CFR – HRA	20.377	27.283	26.321	26.187	26.053
Total CFR	**47.083**	**58.246**	**56.171**	**55.146**	**58.409**
Movement in CFR	**(0.224)**	**11.163**	**(2.075)**	**(1.025)**	**3.263**

Movement in CFR represented by					
Net financing need for the year (above)	0.693	12.387	0.250	0.500	5.205
Less HRA – loan repayments	0.000	0.000	(0.962)	(0.134)	(0.134)
Less GF – lease terminations	0.000	(0.294)	0.000	0.000	(0.347)
Less MRP/VRP and other financing movements	(0.917)	(0.930)	(1.363)	(1.391)	(1.461)
Movement in CFR	**(0.224)**	**11.163**	**(2.075)**	**(1.025)**	**3.263**

2.3 Core funds and expected investment balances

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

Year End Resources £m	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Fund balances / reserves	17.164	14.361	12.261	11.241	8.439
Capital receipts	7.120	1.813	1.813	1.813	1.813
Earmarked reserves	11.706	6.523	6.237	5.993	6.064
Total core funds	**35.990**	**22.697**	**20.311**	**19.047**	**16.316**
Balances incl working capital*	14.148	17.832	17.296	18.246	20.907
(Under)/over borrowing	(12.150)	(24.529)	(12.607)	(12.293)	(12.223)
Expected investments	**37.988**	**16.000**	**25.000**	**25.000**	**25.000**

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

3 BORROWING

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

3.1 Current portfolio position

The Council's treasury portfolio position at 1 April 2016, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
External Debt					
Debt at 1 April	29.220	31.669	31.086	41.274	40.903
Expected change in Debt	2.449	(0.583)	10.188	(0.371)	4.019
Other long-term liabilities (OLTL) at 1 April	3.655	3.264	2.630	2.290	1.950
Expected change in OLTL	(0.391)	(0.633)	(0.340)	(0.340)	(0.686)
Actual gross debt at 31 March	**34.933**	**33.717**	**43.564**	**42.853**	**46.186**
The Capital Financing Requirement	47.083	58.246	56.171	55.146	58.409
Under / (over) borrowing	**12.150**	**24.529**	**12.607**	**12.293**	**12.223**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018-19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary £m	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Debt	50.000	55.000	55.000	55.000
Other long term liabilities (incl leases)*	12.000	22.000	22.000	22.000
Total	62.000	77.000	77.000	77.000

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

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

Authorised limit £m	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Debt	55.000	60.000	60.000	60.000
Other long term liabilities (incl leases)*	15.000	27.000	27.000	27.000
Total	70.000	87.000	87.000	87.000

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

HRA Debt Limit £m	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
HRA debt cap	27.792	27.792	27.792	27.792
HRA CFR	27.283	26.321	26.187	26.053
HRA headroom	0.509	1.471	1.605	1.739

**Other long term liabilities (in both the Operational Boundary and Authorised Limit above) from 2018-19 includes an estimate for the recognition of leases under International Financial Reporting Standard 16 (IFRS 16). The impact of IFRS 16 has not been reflected elsewhere in this report, pending further information from CIPFA.*

3.3 Capita's economic and interest rate forecast (issued by Capita on 23 October 2017)

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

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
50yr PWLB rate	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

Capita Asset Services undertook its last review of interest rate forecasts on 9 August after the quarterly Bank of England Inflation Report. There was no change in the Monetary Policy Committee's (MPC) policy at that meeting. However, the MPC meeting of 14 September revealed a sharp change in sentiment whereby a majority of MPC members said they would be voting for an increase in Bank Rate "over the coming months". (However, two new members of the MPC start in November who both appear likely to side with the doves on the committee; so this does complicate the outlook for the vote in November.) It is, therefore, possible that there will be an increase from 0.25% to 0.5% at the November MPC meeting but, if not, then at the February 2018 meeting. If that happens, the question will then be as to whether the MPC will stop at just withdrawing the emergency Bank Rate cut of 0.25% in August 2016, after the result of the EU withdrawal referendum, or whether they will embark on a series of further, but gentle, increases in Bank Rate during 2018 and onwards.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Federal Reserve (Fed.) has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is currently to the downside but huge variables over the coming few years include just what final form Brexit will take, when finally agreed with the EU, and when.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea., but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. This could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its initial pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in the Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018-19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3.4 Borrowing strategy

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2018-19 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

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

3.5 Policy on borrowing in advance of need

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

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

Borrowing in advance will be made within the constraints that:

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

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

3.6 Debt rescheduling

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

The reasons for any rescheduling to take place will include:

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

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

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

3.7 Municipal Bond Agency

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

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

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

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

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

Investment instruments identified for use in the financial year are listed in Annex 2 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices.

4.2 Creditworthiness policy

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

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

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

Credit rating information is supplied by Capita Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria may be suspended from use, with all others being reviewed in light of market conditions.

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

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

  and have, as a minimum, the following credit rating from at least one of Fitch, Moody's and Standard and Poors (where rated):
    i. Short term – F1 (or equivalent)
    ii. Long term – A (or equivalent)
- Banks 2 – Part nationalised UK bank – Royal Bank of Scotland Group. This bank can be included provided it continues to be part nationalised or it meets the above criteria.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

- Bank subsidiary and treasury operations - The Council will use these where the parent bank has the necessary ratings outlined above.
- Building societies: The Council will use all societies which meet the ratings/criteria for banks outlined above.
- Pooled investment vehicles (including money market funds, enhanced money market funds and bond funds) – AAA
- UK Government (including gilts, treasury bills and the DMADF)
- Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other public sector organisations) etc
- Supranational institutions

A limit of £5m will be applied to the use of investments with a maturity of over 364 days.

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

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

	Fitch Long Term Rating (or equivalent)*	Money Limit	Time Limit
Higher quality	**AA-**	**£6m per institution**	**370 days**
Medium quality	**A**	**£5m per institution**	**370 days**
Part nationalised	**N/A**	**£7m per institution**	**370 days**
Debt Management Account Deposit Facility	**UK sovereign rating**	**unlimited**	**6 months**
Pooled investment vehicles (including money market funds, enhanced money market funds and bond funds)	**AAA**	**£6m per fund**	**370 days**
Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other public sector organisations), Supranational institutions etc	**N/A**	**£4m per institution**	**5 years**

**The institution must have this minimum credit rating from at least one of Fitch, Moody's, and Standard and Poors (where rated).*

The proposed criteria for specified and non-specified investments are shown in Annex 2 for approval.

4.3 Country and sector limits

Due care will be taken to consider the country, group and sector exposure of the Council's investments.

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

In addition:

- no more than £5m will be placed with any non-UK country at any time (this limit applies to each non-UK country individually and not to non-UK countries in total);
- limits in place above will apply to a group of companies;

The above restrictions do not apply to pooled investment vehicles (including money market funds, enhanced money market funds and bond funds). The Council only invests in sterling denominated pooled investment vehicles.

4.4 Investment strategy

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

Capita's Investment returns expectations (issued by Capita on 23 October 2017). Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

2017-18	0.25%
2018-19	0.25%
2019-20	0.75%
2020-21	1.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are:

2017-18	0.25%
2018-19	0.25%
2019-20	0.50%
2020-21	0.75%
2021-22	1.00%
2022-23	1.50%
2023-24	1.75%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside after the September MPC meeting shocked financial markets with a sharp change to hawkish warnings that Bank Rate was likely to go up ‘in the coming months’. However, it is currently unclear as to whether these words reflect a desire to only do a one off withdrawal of the emergency rate cut of 0.25% in August 2016, probably then followed by a long pause before any further increases, or whether this implies an imminent start to a progressive gentle series of increases in Bank Rate during 2018 and then onwards.

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

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

Maximum principal sums invested > 364 days			
£m	2018-19	2019-20	2020-21
Principal sums invested > 364 days	£5m	£5m	£5m

For its cash flow generated balances, the Council will seek to utilise its instant access and notice accounts, pooled investment vehicles and term deposits in order to benefit from the compounding of interest.

4.5 Investment risk benchmarking

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

Security - The Council’s maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.05% historic risk of default when compared to the whole portfolio (excluding unrated investments).

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

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £10m available with a week’s notice.
- Weighted average life benchmark is expected to be 0.5 years, with a maximum of 5 years.

Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day LIBID rate

And in addition that the security benchmark for each individual year is (excluding unrated investments):

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

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

4.6 End of year investment report

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

4.7 Use of external fund managers

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

5 OPTIONS

That the Governance and Audit Committee:

a) Approves this report and annexes, including each of the key elements of this report and annexes listed below, and recommends that it is approved by Cabinet and Council.

- The Capital Plans, Prudential Indicators and Limits for 2018-19 to 2020-21, including the Authorised Limit Prudential Indicator.
- The Minimum Revenue Provision (MRP) Policy.
- The Treasury Management Strategy for 2018-19 to 2020-21 and the Treasury Indicators.
- The Investment Strategy for 2018-19 contained in the Treasury Management Strategy, including the detailed criteria.

b) Does not approve this report and annexes and does not recommend that it is approved by Cabinet and Council (advising the reason(s) why); thereby not complying with the Treasury Management Code of Practice.

6 NEXT STEPS

Under the Treasury Management Code of Practice it is required that the Governance and Audit Committee, Cabinet and Council approve this report and annexes.

This report and annexes is to go to Cabinet and then Council for approval. The next Cabinet meeting is on 16 January 2018.

7 DISCLAIMER

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

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Reporting to:	Madeline Homer, Chief Executive

Annex List

Annex 1	The Capital Prudential and Treasury Indicators 2018-19 – 2020-21 and MRP Statement
Annex 2	Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
Annex 3	Guidance on Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy (TMSS)

Corporate Consultation Undertaken

Finance	Ramesh Prashar, Head of Financial Services
Legal	Tim Howes, Director of Corporate Governance & Monitoring Officer

ANNEX 1 - THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2018-19 – 2020-21 AND MRP STATEMENT

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

1. Capital expenditure

Capital expenditure £m	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Non-HRA	8.087	14.768	4.689	3.988	11.682
HRA	5.156	21.882	4.484	3.695	3.188
Total	**13.243**	**36.650**	**9.173**	**7.683**	**14.870**

2. Minimum revenue provision (MRP) policy statement

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

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

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

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

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

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

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

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

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

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

3. Affordability prudential indicators

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

a. Ratio of financing costs to net revenue stream

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

%	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Non-HRA	6.7%	7.3%	10.5%	10.5%	11.6%
HRA	5.6%	6.0%	7.6%	7.0%	6.7%

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

b. Incremental impact of capital investment decisions on council tax

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

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

£	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Council tax - **band D ***	(1.88)	(7.84)	(2.37)	(1.98)	36.94

**The 2020-21 estimate is higher than the other years because, being the final year estimate, there is no comparison shown in the Treasury Management Strategy Statement for last year. In other words, the incremental 2020-21 estimate reflects the full cost of the 2020-21 capital programme. The main element of the 2020-21 estimate is the Minimum Revenue Provision charge.*

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

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

Incremental impact of capital investment decisions on housing rent levels

£	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
Weekly housing rent levels *	(1.48)	(0.02)	(0.02)	0.01	0.18

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

**The 2020-21 estimate is higher than the other years because, being the final year estimate, there is no comparison shown in the Treasury Management Strategy Statement for last year. In other words, the incremental 2020-21 estimate reflects the full cost of the 2020-21 capital programme.*

d. HRA ratios

£	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
HRA debt £m	20.041	20.040	25.821	25.687	25.554
HRA debt cap £	27.792	27.792	27.792	27.792	27.792
HRA rents £m	13.121	13.091	12.871	12.782	13.107
Ratio of debt to rents %	152.7%	153.1%	200.6%	201.0%	195.0%

£	2016-17 Actual	2017-18 Estimate	2018-19 Estimate	2019-20 Estimate	2020-21 Estimate
HRA debt £m	20.041	20.040	25.821	25.687	25.554
Number of HRA dwellings	3,026	3,002	3,006	3,004	2,998
Debt per dwelling £	6,623	6,676	8,590	8,551	8,524

4. Treasury management limits on activity

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

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

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

£m	2018-19	2019-20	2020-21
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates:			
• Debt only	87.000	87.000	87.000
• Investments only	45.000	45.000	45.000
Limits on variable interest rates			
• Debt only	87.000	87.000	87.000
• Investments only	50.000	50.000	50.000
Maturity structure of fixed interest rate borrowing 2018-19			
		Lower	**Upper**
Under 12 months		0%	50%
12 months to under 2 years		0%	50%
2 years to under 5 years		0%	50%
5 years to under 10 years		0%	55%
10 years to under 20 years		0%	50%
20 years to under 30 years		0%	50%
30 years to under 40 years		0%	50%
40 years to under 50 years		0%	50%
50 years and above		0%	50%

ANNEX 2 - TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

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

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

Annual investment strategy

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

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

The investment policy proposed for the Council is:

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

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

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. Local authorities, parish councils, community councils, companies controlled by the Council (either alone or with other public sector organisations).
4. Pooled investment vehicles (such as money market funds, enhanced money market funds and bond funds) that have been awarded a high credit rating by a

credit rating agency. For category 4 this covers pooled investment vehicles rated AAA by Standard and Poor's, Moody's and/or Fitch rating agencies (where rated).

5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum short term rating of F1 (or the equivalent) and minimum long term rating of A (or the equivalent) as rated by at least one of Standard and Poor's, Moody's and/or Fitch rating agencies (where rated).
6. Any part nationalised UK bank or building society.
7. Any subsidiary and treasury operations where the parent bank or building society has the necessary ratings outlined above.
8. The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

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

Non-specified investments

Non-specified investments are any other type of investment (i.e. not defined as specified above). The Council may only use non-specified investments with a maturity of no more than 5 years and which otherwise meet the above criteria for specified investments.

The monitoring of investment counterparties

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

ANNEX 3 - GUIDANCE ON TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY (TMSS)

Prudential Code

The Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice for capital finance, to which local authorities must have regard.

Capital Expenditure

The Capital Expenditure table (section 2.1 of report) is split between the Council's Housing Revenue Account (HRA) and General Fund (GF or non-HRA).

The table also shows the resources used to fund the capital expenditure (being capital receipts from the sale of assets, capital grants, capital reserves and revenue) and any shortfall in resources. This shortfall is described as the 'net financing need' and represents the Council's borrowing need.

Borrowing Need (Capital Financing Requirement)

The Capital Financing Requirement (CFR) represents the Council's aggregate borrowing need. i.e. the element of the capital programme that cannot be funded.

The table (section 2.2 of report) shows how the net financing need (borrowing requirement) increases the CFR.

So that the CFR does not increase indefinitely, an annual resource contribution from revenue must be set against it (called the Minimum Revenue Provision or MRP), which is shown in the table.

MRP Policy Statement

This describes the method for calculating the annual MRP contribution described above (annex 1 of report).

Core Funds and Expected Investment Balances

This table (section 2.3 of report) shows that the Council may satisfy its net financing need by borrowing from its own reserves or cashflow (internal borrowing) rather than from an external provider (external borrowing).

Either form of borrowing may only be undertaken for capital expenditure purposes.

Borrowing

Current portfolio position – this table (section 3.1 of report) shows that the Council's debt is not more than the CFR because, as above, the CFR represents the Council's aggregate borrowing need.

HRA debt cap (section 3.2 of report) – as part of the HRA self-financing regime, the Council's HRA CFR (and hence HRA borrowing) is not allowed to exceed a certain limit (currently £27.792m for the Council).

Borrowing limits (section 3.2 and annex 1 of report) – there are various general controls on the Council's borrowing activity (operational boundary, authorised limit, fixed and variable interest rate exposures, and maturity profiles).

Annual Investment Strategy

This section (section 4 and annex 1 of report) sets out general controls on the Council's investment activity to safeguard the security and liquidity of its investments, including:

- Creditworthiness of investment counterparties.
- Counterparty money limits.
- Counterparty time limits.
- Counterparty country limits.
- Limits on the Council's fixed and variable interest rate exposures.
- Minimum size of the Council's bank overdraft facility.

Ratio of Financing Costs to Net Revenue Stream

This table (annex 1 of report) shows (separately for HRA and GF) the percentage of the Council's revenue stream that is used to finance the CFR (net interest payable and MRP).

Incremental Impact of Capital Investment Decisions on Council Tax

This table (annex 1 of report) shows the revenue impact on the Council from funding the GF capital expenditure set out in the Treasury Management Strategy Statement (TMSS) compared to that set out in the TMSS for the previous year.

Incremental Impact of Capital Investment Decisions on Housing Rent Levels

This table (annex 1 of report) shows the revenue impact on the Council from funding the HRA capital expenditure set out in the TMSS compared to that set out in the TMSS for the previous year.

Thanet District Council – Flexible Use of Capital Receipts Strategy 2018-19

To support local authorities deliver more efficient and sustainable services, under the Local Government Act 2003 section 15(1)the government allows local authorities to spend up to 100% of their capital receipts on the revenue costs of reform projects (revenue reform costs) and subsequently issued revised guidance in March 2016.

Accordingly the Council can treat as capital expenditure, any expenditure that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services for any of the public sector delivery partners.

Revenue Reform Costs must be properly incurred by 31 March 2019 and can only be met from capital receipts which have been received from 1 April 2016 to 31 March 2019. Revenue Reform Costs cannot be financed from (i) Right to Buy receipts, (ii) pre 1 April 2016 capital receipts, and/or (iii) borrowing.

Revenue Reform Costs that generate ongoing savings may be funded from the Council's capital receipts for the following:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue; and
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery.

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

The impact on the Council's Prudential Indicators from Revenue Reform Costs being treated as capital expenditure are:

- Estimated and actual capital expenditure will increase by the amount of the Revenue Reform Costs;

- Balance Sheet resources (capital receipts) will decrease by the amount of the Revenue Reform Costs;
- The 'incremental impact on capital investment decisions on the band D council tax' and the ratio of 'financing costs to net revenue stream' may increase or decrease depending on whether the reduction in treasury interest income from the utilisation of capital receipts is greater or less than any relevant revenue savings/enhancements achieved from successful implementation of the reform project(s).

Effect

Utilisation of capital receipts to fund expenditure that would usually be funded from revenue resources diverts the receipts available for re-investment in existing assets or the creation of new ones.

To date the Council has not utilised capital receipts to fund revenue reform costs.

REPRESENTATION ON EXECUTIVE APPOINTED OUTSIDE BODIES 2017/18

Cabinet	**16 January 2018**
Report Author	**Committee Services Manager**
Portfolio Holder	**Cllr Derek Crow-Brown, Cabinet Member for Corporate Governance Services**
Status	**For Decision**
Classification:	**Unrestricted**

Executive Summary:

This report allows Cabinet to make a new nomination to a Cabinet appointed outside body, due to vacancy arising from the death of Cllr K Gregory as well as another vacancy that arose during the year.

Recommendation(s):

That Cabinet agrees nominations to represent TDC on the following executive appointed outside bodies:

1. (the new substitute to) the Domestic Violence Forum;

2. (the second of two representatives on) the Your Leisure Thanet Sub Group.

CORPORATE IMPLICATIONS	
Financial and Value for Money	There are no financial implications arising directly arising from this report.
Legal	There are no legal implications arising directly arising from this report.
Corporate	The Council appoints representatives to outside bodies in order to express the views of the Council to those bodies on the work they undertake, and to feed back to the Council issues emerging from those bodies that relate to Council activities.
Equalities Act 2010 & Public Sector Equality Duty	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it. Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

	Please indicate which aim is relevant to the report. Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, [ ] Advance equality of opportunity between people who share a protected characteristic and people who do not share it [ ] Foster good relations between people who share a protected characteristic and people who do not share it. [ ] There are no specific equity and equality considerations that need to be addressed in this report.

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	✓

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	
Supporting the Workforce	
Promoting open communications	✓

1.0 Introduction and Background

1.1 It was agreed at the meeting of Council on 24 February 2011 that any list of outside bodies would be split in to two lists: those outside bodies that relate to an Executive function and hence should be appointed by the Cabinet and those that are appointed by Council.

1.2 It is for Council to decide on those outside bodies it feels relate to an Executive function and hence should have a Cabinet Member appointed to them, but for Cabinet to agree the nominations to those outside bodies.

1.3 The Leader's delegated powers were amended to allow him to propose his nominations for the Executive outside bodies to the Cabinet.

2.0 The Current Situation

2.1 A vacancy has arisen as a substitute for an executive appointed outside body – the Domestic Violence forum as a result of the passing away of Cllr K Gregory.

2.2 The Leader has informed Democratic Services that he wishes to make his nomination to the Domestic Violence Forum at the Cabinet meeting.

2.3 During the course of the year another vacancy arose on the Your Leisure Thanet Sub Group. Accordingly, the Leader has informed Democratic Services that he also wishes to make his nomination to the second of two TDC representatives to the Your Leisure Thanet Sub Group at the Cabinet meeting.

2.4 Cabinet is the decision making body for making nominations to the existing Bodies agreed by Council.

Contact Officer:	Nick Hughes, Committee Services Manager
Reporting to:	Tim Howes, Director of Corporate Governance and Monitoring Officer

Annex List

None	N/A

Background Papers

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

Corporate Consultation

Finance	Matt Sanham, Corporate Finance Manager
Legal	Tim Howes, Director of Corporate Governance and Monitoring Officer

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THANET DISTRICT COUNCIL DECLARATION OF INTEREST FORM

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

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

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

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

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

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

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

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

An associated person is defined as:

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

An Authority Function is defined as: -

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

If you are at a meeting and you think that you have a significant interest then you **must** declare the existence **and** nature of the significant interest at the commencement of the matter, or when the interest has become apparent, or the declarations of interest agenda item.

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

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

Gifts, Benefits and Hospitality

Councillors must declare at meetings any gift, benefit or hospitality with an estimated value (or cumulative value if a series of gifts etc.) of £25 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 Committee Services 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:

……

……

……

NAME (PRINT): ……………………………………………………………………………………

SIGNATURE: ………………………………………………………………………………………

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