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Date: **07 January 2019**
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thanet district council

CABINET

15 JANUARY 2019

A meeting of the Cabinet will be held at **7.00 pm on Tuesday, 15 January 2019** in the Council Chamber - Council Offices.

Membership:

Councillor Bayford (Chairman); Councillors: Savage, Ashbee, Game and I Gregory

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 EXTRAORDINARY MEETING** (Pages 3 - 4)

   To approve the summary of recommendations and decisions of the extraordinary Cabinet meeting held on 06 December 2018, copy attached.

4. **MINUTES OF PREVIOUS MEETING** (Pages 5 - 6)

   To approve the summary of recommendations and decisions of the Cabinet meeting held on 13 December 2018, copy attached.

5. **MID YEAR REVIEW REPORT 2018-19: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY** (Pages 7 - 24)

6. **COUNCIL TAX BASE 2019-20 REPORT** (Pages 25 - 34)

7. **BUDGET 2019-20 REPORT**

   Report to follow

8. **EAST KENT HOUSING IMPROVEMENT PLAN** (Pages 35 - 50)

Declaration of Interest form - back of agenda

Item No	Subject

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

EXTRAORDINARY CABINET

Minutes of the extraordinary meeting held on 6 December 2018 at 4.30 pm in Council Chamber - Council Offices.

Present: Councillor Bayford (Chairman); Councillors Savage, Ashbee, Game and I Gregory

In Attendance: Councillors Campbell and Crow-Brown

537. APOLOGIES FOR ABSENCE

There were no apologies received at the meeting.

538. DECLARATIONS OF INTEREST

There were no declarations of interest.

539. 2019-20 FEES AND CHARGES

Cabinet considered the recommendations from the Finance, Budget and Performance Scrutiny Panel. They noted that the cremation charges that were proposed by Cabinet at the meeting on 15 November 2018 were well positioned in comparison to other neighbouring districts.

Members also noted that the fees for licensing could only be reviewed in line with costs for providing such services and since there were no substantial increases to such costs, Cabinet proposed to keep the charge at the same rate as the previous financial year.

Councillor Campbell spoke under Council Procedure 20.1.

In response to recommendations from the Finance, Budget and Performance Scrutiny Panel, Councillor Gregory proposed, Councillor Savage seconded and Members agreed to recommend the following to Council:

1. The removal of the fee for cremation services of children under the age of seventeen years;

And further agreed:

2. The creation of an all party cabinet advisory group to look at fees and charges applicable from April 2020.

Thereafter Cabinet:

3. Approved to revise Item 31 of the fees and charges schedule (Off Street Parking Dreamland) in accordance with section 1.2 of the Cabinet report.

Meeting concluded: 4.40 pm

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CABINET

Minutes of the meeting held on 13 December 2018 at 7.00 pm in Council Chamber - Council Offices.

Present: Councillor Bayford (Chairman); Councillors Savage, Ashbee, Game and I Gregory

In Attendance: Councillors Campbell, Connor, Crow-Brown, Dexter, Jaye-Jones, Rusiecki, D Saunders, M Saunders, Shonk and Stummer-Schmertzing

540. APOLOGIES FOR ABSENCE

There were no apologies received at the meeting.

541. DECLARATIONS OF INTEREST

There were no declarations of interest.

542. MINUTES OF PREVIOUS MEETING

Councillor Game proposed, Councillor Ashbee seconded and Members agreed the minutes as a correct record of the meeting that was held on 15 November 2018.

543. CORPORATE PERFORMANCE REPORT Q2 2018/19

Cabinet noted that during the quarter under review, there was continued improvement with 17 measures at or exceeding their target. Members further noted that the Council had exceeded targets to the levels of detritus and graffiti on Thanet streets. This was due to targeted work by the Cleansing and Enforcement teams.

However there was still more to be done to tackle the levels of litter and public perception around this issue and the Council would be working more with the public on shared responsibility to address this through targeted campaigns. Enforcement continued to be focused in this area and over a 12 month period, the Council had issued 1,874 litter fixed penalty notices and carried out 1,310 street scene enforcement actions to reinforce the message that dropping litter was never acceptable.

Members were advised that electric pavement sweepers would soon be trialled as these were reputed to cover a larger area in shorter time periods. Staff sickness levels had gone down. Although the Legal Department was facing staffing shortages, there was some improvement in the performance target for processing Freedom of Inquiry requests (FOIs).

Work continued at pace to address the levels of homelessness in the district. Since the start of the year, the Housing team had prevented more than 300 cases and at the time of publication, Thanet had no families housed in hotel accommodation. The new duties through the Homelessness Reduction Act have made a positive impact and the Council was targeting more resources to support some of the most vulnerable people in the district. For the next Quarter, Cabinet expected to receive improved performance results as a result of the other measures taken to improve performance in this area.

It was also worth noting that recommendations from the Finance, Budget and Performance Scrutiny Panel had been taken on-board since the last meeting and that

new targets would be added to the contextual measures as part of the Corporate Plan refresh next year.

Councillor Gregory proposed, Councillor Savage seconded and Cabinet noted the performance and agreed the action in relation to the Panel's recommendations as outlined in the Cabinet report.

544. Q2 BUDGET MONITORING REPORT 2018-19

Cabinet was advised that the General Fund projected an overspend of £680k compared to £750k at Quarter 1. The reasons for the variations were outlined in Section 2 of the Cabinet report. The services projecting an overspend were striving to minimise or eliminate the overspend before the end of the year.

Housing Revenue Account was currently forecast to have a deficit of £107k in 2018-19. This represented a £185k decrease against the planned deficit of £292k.

The latest projection for the General Fund Capital Programme was that spend in 2018-19 would reduce by £3.8m and the revised Capital Programme of £13.5m was all planned to be spent without significant variation.

With regards to the HRA Capital Programme, of the £20.9m of budget allocated to HRA capital schemes, it was currently anticipated that £13.5m would be unspent at year end. This was mainly due to re-profiling of Thanet's schemes.

Councillor Gregory proposed, Councillor Savage seconded and Cabinet agreed the following:

1. To note the 2018-19 Quarter 2 forecast position for:

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

2. The updated General Fund and Housing Revenue Account capital programmes as set out in Annex 1 and Annex 2 to the Cabinet report.

Meeting concluded: 7.20 pm

MID YEAR REVIEW 2018-19: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY

Cabinet	**15 January 2019**
Report Author	**Tim Willis, Deputy Chief Executive & Section 151 Officer**
Portfolio Holder	**Councillor Ian Gregory, Cabinet Member for Financial Services and Estates**
Status	**For Decision**
Classification:	**Unrestricted**
Key Decision	**No**

Executive Summary:

This report summarises treasury management activity and prudential/ treasury indicators for the first half of 2018-19.

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 Deputy Chief Executive, 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 Introduction and Background

1.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised 2017).

1.2 Treasury management is defined as:

"The management of the local authority's borrowing, 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."

1.3 The primary requirements of the Code include 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.

1.4 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 2018-19 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The council's capital expenditure (see also the Capital Strategy) and prudential indicators;
- A review of the council's investment portfolio for 2018-19;
- A review of the council's borrowing strategy for 2018-19;
- A review of any debt rescheduling undertaken during 2018-19;
- A review of compliance with Treasury and Prudential Limits for 2018-19.

1.5 The Treasury Management Strategy was agreed by council on 8 February 2018, and the Capital Strategy and Non-Treasury Investment Report were both agreed by Cabinet on 18 September 2018. As at 30 September 2018, there have been no key changes to these documents.

2 Treasury Management Strategy Statement and Annual Investment Strategy Update

2.1 The Treasury Management Strategy Statement (TMSS) for 2018-19, which includes the Annual Investment Strategy, was approved by the council on 8 February 2018. 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.

3 The Council's Capital Position (Prudential Indicators)

3.1 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.

3.2 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 net reprofiling of £7.2m General Fund and £3.5m HRA.

Capital Expenditure	2018-19 Original Estimate £m	Current Position – Actual at 30-09-18 £m	2018-19 Revised Estimate £m
General Fund	4.689	5.974	13.512
HRA	4.484	2.218	7.408
Total	**9.173**	**8.192**	**20.920**

3.3 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	2018-19 Original Estimate £m Total	Current Position – Actual at 30-09-18 £m	2018-19 Revised Estimate £m GF	2018-19 Revised Estimate £m HRA	2018-19 Revised Estimate £m Total
Total spend	**9.173**		**13.512**	**7.408**	**20.920**
Financed by:					
Capital receipts	0.941		4.161	0.655	4.816
Capital grants	3.425		4.511	1.857	6.368
Reserves	4.257		0.202	4.486	4.688
Revenue	0.300		0.006	0.410	0.416
Total financing	**8.923**		**8.880**	**7.408**	**16.288**
Borrowing need	**0.250**		**4.632**	**0.000**	**4.632**

3.4 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

	2018-19 Original Estimate £m	Current Position – Actual at 30-09-18 £m	2018-19 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR – non housing	29.850		27.086
CFR – housing	26.321		20.786
Total CFR	56.171		47.872
Net movement in CFR	**11.572**		**3.273**
	2018-19 Original Indicator £m	**Current Position – Actual at 30-09-18 £m**	**2018-19 Revised Indicator £m**
Prudential Indicator - the Operational Boundary for External Debt			
Borrowing	55.000	30.771	55.000
Other long term liabilities*	22.000	2.447	22.000
Total debt	**77.000**	**33.218**	**77.000**

** Any 'on balance sheet' PFI schemes and finance leases etc (including the leisure centre deferred credit). Both the Operational Boundary and*

Authorised Limit Indicators include an estimate for the recognition of leases under International Financial Reporting 16 (IFRS 16). The impact of IFRS 16 has not been reflected in the Actual or elsewhere in this report, pending further information from CIPFA.

3.5 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 2018-19 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.

	2018-19 Original Estimate £m	Current Position – Actual at 30-09-18 £m	2018-19 Revised Estimate £m
Gross borrowing	41.274	30.771	35.133
Plus other long term liabilities*	2.290	2.447	2.277
Total gross borrowing	**43.564**	**33.218**	**37.410**
CFR (year end position)	56.171		47.872

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	2018-19 Original Indicator £m	Current Position – Actual at 30-09-18 £m	2018-19 Revised Indicator £m
Borrowing	60.000	30.771	60.000
Other long term liabilities*	27.000	2.447	27.000
Total	**87.000**	**33.218**	**87.000**

** Any 'on balance sheet' PFI schemes and finance leases etc (including the leisure centre deferred credit). Both the Operational Boundary and Authorised Limit Indicators include an estimate for the recognition of leases*

under International Financial Reporting 16 (IFRS 16). The impact of IFRS 16 has not been reflected in the Actual or elsewhere in this report, pending further information from CIPFA.

4 Investment Portfolio 2018-19

4.1 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 Annex 1, 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 0.75% 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.

4.2 The council held £47.497m of investments as at 30 September 2018 (£40.882m at 31 March 2018) and the investment portfolio yield for the first six months of the year is 0.60% against a benchmark (average 7-day LIBID rate) of 0.44%. The constituent investments are:

Sector	Country	Up to 1 year £m	1 year – 370 days £m	Total £m
Banks	UK	13.771	0.000	13.771
Banks	Sweden	4.516	0.000	4.516
Money Market Funds	UK	29.210	0.000	29.210
Total		**47.497**	**0.000**	**47.497**

4.3 The Section 151 Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2018-19.

4.4 The council's budgeted investment return for 2018-19 is £0.062m and performance for the first half of the financial year is above budget at £0.136m.

4.5 Investment Risk Benchmarking

Investment risk benchmarks were set in the 2018-19 Treasury Management Strategy Statement (TMSS) for security, liquidity and yield. The mid-year position against these benchmarks is given below.

4.5.1 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.

4.5.2 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.

4.5.3 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 0.60% against a benchmark (average 7-day LIBID rate) of 0.44%.

4.6 Investment Counterparty criteria

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

5 Borrowing

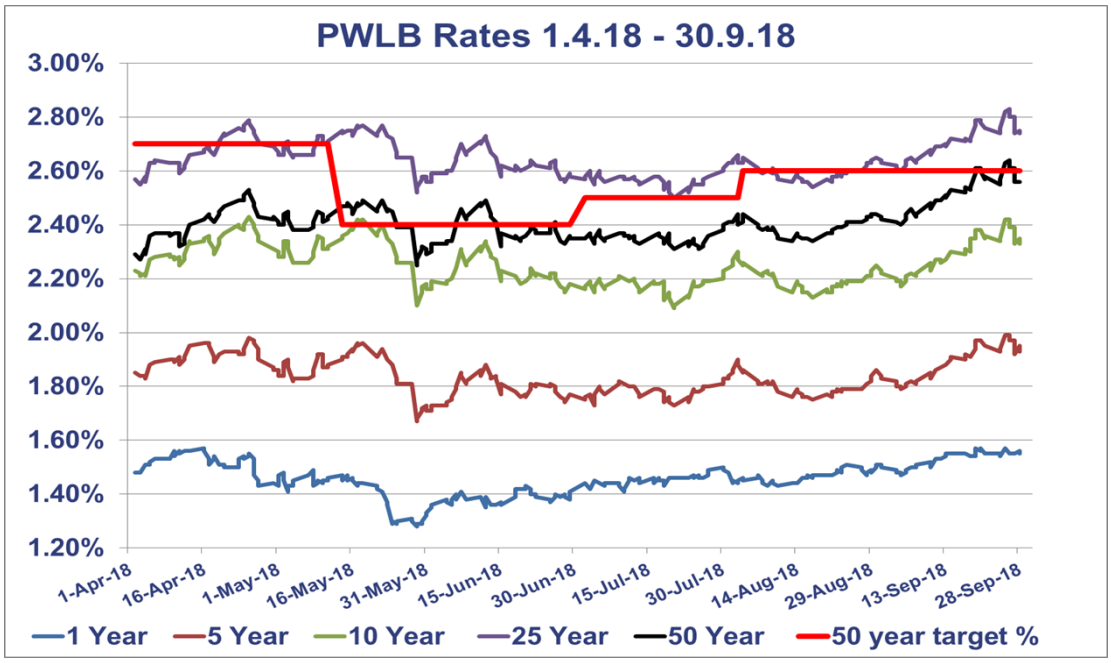
5.1 The council's capital financing requirement (CFR) original estimate for 2018-19 is £56.171m. The CFR denotes the council's underlying need to borrow for capital purposes. If the CFR is positive the council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The council has borrowings of £30.771m (table 3.5) and has utilised an estimated £25.400m 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.

5.2 No new external borrowing was undertaken from the PWLB during the first half of this financial year.

5.3 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.

5.4 The graph and table below show the movement in PWLB certainty rates for the first six months of the year to 30 September 2018.

5.5 PWLB certainty rates, half year ended 30th September 2018



	1 Year	5 Year	10 Year	25 Year	50 Year
3.4.18	1.48%	1.84%	2.22%	2.55%	2.27%
30.9.18	1.55%	1.93%	2.33%	2.74%	2.56%
Low	1.28%	1.67%	2.09%	2.50%	2.25%
Date	01/06/2018	29/05/2018	20/07/2018	20/07/2018	29/05/2018
High	1.57%	1.99%	2.43%	2.83%	2.64%
Date	17/04/2018	25/09/2018	25/04/2018	25/09/2018	25/09/2018
Average	1.46%	1.84%	2.25%	2.64%	2.41%

5.6 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.

5.7 The council's budgeted debt interest payable for 2018-19 is £1.507m and performance for the first half of the financial year is below budget at £0.576m. The revised estimate for 2018-19 is £1.206m.

6 Treasury Management Indicators

6.1 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.

%	2018-19 Original Indicator	2018-19 Revised Indicator
Non-HRA	10.5%	8.6%
HRA	7.6%	6.0%

6.2 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:

	2018-19 Original Indicator £m	Current Position – Actual at 30-09-18 £m	2018-19 Revised Indicator £m
Upper limits on fixed interest rates			
Debt only	87.000	30.771	87.000
Investments only	45.000	13.381	45.000
Upper limits on variable interest rates			
Debt only	87.000	0.000	87.000
Investments only	50.000	34.116	50.000

6.3 Maturity Structures of Borrowing

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

	2018-19 Original Upper Limit	Current Position – Actual at 30-09-18	2018-19 Revised Upper Limit
Maturity structure of fixed rate borrowing			
Under 12 months	50%	20%	50%
1 year to under 2 years	50%	15%	50%
2 years to under 5 years	50%	16%	50%
5 years to under 10 years	55%	9%	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.

7 UK Banks - Ring Fencing

7.1 The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

7.2 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

7.3 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

8 Options

8.1 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.

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

9 Next Steps

9.1 This report is to go to council for approval.

10 Disclaimer

10.1 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

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Contact Officer:	Tim Willis, Deputy Chief Executive & Section 151 Officer
Reporting to:	Madeline Homer, Chief Executive

Annex List

Annex 1	Economic Update, Interest Rate Forecast and Debt Maturity
Annex 2	Guidance on the Treasury Management Strategy Statement and Annual Investment Strategy – Mid Year Review Report 2018-19

Corporate Consultation Undertaken

Finance	Gary Whittaker, Interim Head of Financial Services
Legal	Tim Howes, Director of Corporate Governance & Monitoring Officer

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ANNEX 1 – ECONOMIC UPDATE, INTEREST RATE FORECAST AND DEBT MATURITY

1.0 Link's Economic Update (issued by Link on 3 October 2018)

1.1 **UK:** The first half of 2018-19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

1.2 Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

1.3 As for the labour market, unemployment has continued at a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high in July, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 2.9%, (3 month average regular pay, excluding bonuses) and to a one month figure in July of 3.1%. This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 0.4%, near to the joint high of 0.5% since 2009. (The previous high point was in July 2015.) Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC were right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy. However, the MPC will need to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

1.4 In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, Link's central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

1.5 **USA:** President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2, but also an upturn in inflationary pressures. With inflation moving towards 3%, the Federal Reserve (Fed) increased rates another 0.25% in September to between 2.00% and 2.25%, this being four increases in 2018, and indicated they expected to increase

rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019.

1.6 **EUROZONE:** Growth was unchanged at 0.4% in quarter 2, but has undershot early forecasts for a stronger economic performance in 2018. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of 2% for 2018, the horizon is less clear than it seemed just a short while ago.

1.7 **CHINA:** 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.

1.8 **JAPAN**: Has been struggling to stimulate consistent significant GDP 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 Link's Interest rate forecast (issued by Link on 3 October 2018)

2.1 The council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

2.2 The flow of generally positive economic statistics after the end of the quarter ended 30 June meant that it came as no surprise that the Monetary Policy Committee (MPC) came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, to 0.75%. However, the MPC emphasised again, that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but they declined to give a medium term forecast. Link does not think that the MPC will increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Link also feels that the MPC is more likely to wait until August 2019, than May 2019, before the next increase, to be followed by further increases of 0.25% in May

and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

2.3 The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong Gross Domestic Product (GDP) growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

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

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than Link currently anticipates.
- 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, and due to the election in March of a government which has made a lot of anti-austerity noise. This is likely to lead to friction with the European Union (EU) when setting the target for the fiscal deficit in the national budget. Unsurprisingly, investors have taken a dim view of this and so Italian bond yields have been rising.
- Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, this year, has also elected a strongly anti-immigration government. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position as a result of the rise of the anti-immigration AfD party. To compound this, the result of the Swedish general election in September 2018 has left an anti-immigration party potentially holding the balance of power in forming a coalition government. The challenges from these political developments could put considerable pressure on the cohesion of the EU and could spill over into impacting the euro, EU financial policy and financial markets.
- The imposition of trade tariffs by President Trump could negatively impact world growth. President Trump's specific actions against Turkey pose a particular risk to its economy which could, in turn, negatively impact Spanish and French banks which have significant exposures to loans to Turkey.
- Weak capitalisation of some European banks.
- Rising interest rates in the US could negatively impact emerging countries which have borrowed heavily in dollar denominated debt, so causing an investor flight to safe havens e.g. UK gilts.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

2.5 Upside risks to current forecasts for UK gilt yields and PWLB rates

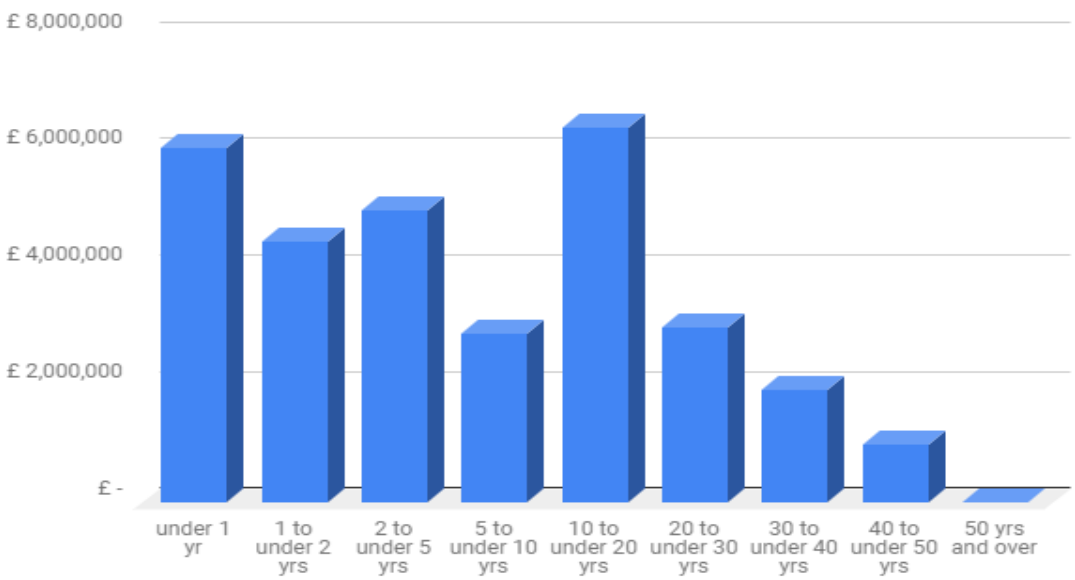
- President Trump's fiscal plans to stimulate economic expansion causing a significant increase in inflation in the US and causing further sell offs of government bonds in major western countries.
- The Federal Reserve (Fed) causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing (QE), 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.

- The Bank of England is too slow in its 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 Link currently expects.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

3.0 Debt Maturity

3.1 The maturity structure of the Council's borrowing as at 30 September 2018 (as per section 6 of the main report) is shown below in graph format.



ANNEX 2 – GUIDANCE ON THE TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY – MID YEAR REVIEW REPORT 2018-19

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 3.3 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 3.5 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 3.5, 6.2 and 6.3 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 5 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 6.1 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.

COUNCIL TAX BASE CALCULATION 2019-20

Cabinet	**15 January 2019**
Report Author	**Tim Willis, Deputy Chief Executive and s151 Officer**
Portfolio Holder	**Councillor Gregory, 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 2019-20 as 43,763.27 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) Approve the increase premium for all properties that have been left empty and substantially unfurnished for two years or more. This will take effect from April 2019 and will see the premium increase from 50% to 100% extra on the Council Tax payable.

(iii) Determine not to revise the Council Tax Reduction Scheme for 2019-20.

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 are shown in Appendix 1.
Corporate	Failure to confirm the decision will affect the collection of council tax and budget settings.
Equalities Act 2010 & Public	Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to

Sector Equality Duty	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 2019-20 has been prepared in accordance with the current regulations 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)
Band A	6/9	16210
Band B	7/9	19548
Band C	8/9	17561
Band D	9/9	7714
Band E	11/9	3941
Band F	13/9	1494
Band G	15/9	743
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 98%

Based on these factors it is recommended that the tax base for 2019-20 is set at **43,763.27.**

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. Approve the Increase for the Long Term Empty Premium

3.1 New Legislation has recently been passed to allow Councils to increase the Long Term Empty Premium currently being charged for domestic properties that have been left empty and substantially unfurnished for two years or more. This will take effect from April 2019 and will see the premium increase from 50% to 100% extra Council Tax payable. This means that if a property is empty and unfurnished for two years or more, Council Tax will be charged double from April 2019. Annex 3 sets out the responses to the consultation on this matter.

There are two exceptions.

3.2 Where the property is left empty by a serving member of the armed forces, who is living elsewhere in accommodation provided by the Secretary of State for defence; or where the property is the sole or main residence of a serving member of the armed forces, who is subject to a job related discount at an alternative address provided by the Secretary of State for defence.

3.3 Empty Annexes are not subject to the Long Term Empty Premium.

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 2019-20.

5. The Current Situation:

5.1 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.

5.2 A decision is required to implement the new tax base for 2019-20 which will replace the current one for 2018-19. There are no options re the calculation.

6. Options

6.1 There are no options available to Members other than to approve the Districts Council Tax base, approve no revision of the Council Tax Discounts, and approve no revision of the Council Tax Reduction Scheme. This is 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.

Therefore;

(i) Approve the District's Council Tax Base for 2019-20 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 Reduction Scheme for 2019-20.

6.2 There is however an option of not approving the increase in the charge for the Premium for properties empty 2 years or more from 50% to 100%. Approval is sought further to the results of the consultation completed in December which concludes the opinions of the public.

Contact Officer:	Gary Whittaker Interim Head of Financial and Procurement Services
Reporting to:	Tim Willis, Deputy Chief Executive and s151 Officer

Annex List

Annex 1	Council Tax Base Calculation for 2019-20
Annex 2	Council Tax Base For the Towns and Parishes
Annex 3	Consultation results for the increase in the Long Term Empty Premium

Background Papers

Local Government Finance Act	Local Authorities (Calculation of Council Tax Base) Regulations 2012 (SI: 2012:2914)
Council Tax Base Report 2019/20	Detailed calculations for District and Parish/Town Council Tax Bases

Corporate Consultation

Finance	Gary Whittaker Interim Head of Financial and Procurement Services
Legal	Sophia Nartey, Interim Head of Legal Services

Annex 1

The Council Tax Base Calculation for 2019-20

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 98%
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 2019-20 is £43,763.27 figure 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 98%.

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Annex 2

Council Tax Base For the Towns and Parishes

Parish	2018-2019 Tax Base using collection rate	2019-2020 Tax Base using collection rate	Difference
Margate	12525.85	12850.10	324.26
Westgate	2415.59	2453.53	37.94
Birchington	3918.92	3981.48	62.57
St Nicholas	397.38	422.07	24.68
Acol	112.73	115.04	2.32
Ramsgate	11395.29	11687.40	292.11
Manston	491.30	473.32	-17.98
Minster	1199.55	1242.66	43.11
Monkton	275.04	277.69	2.65
Cliffsend	720.99	718.67	-2.32
Broadstairs	9452.03	9541.31	89.28
Total Band D Equivalents - Properties	**42,904.67**	**43,763.27**	**858.60**

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Annex 3 COUNCIL TAX - LONG TERM EMPTY HOME PREMIUM CONSULTATION RESPONSE

Do you agree with Thanet District Council increasing the long term empty premium to 100% on top of the Council Tax charged from 1 April 2019, for properties that have been empty and substantially unfurnished for two years or more?

9 responses

6 (66.7%) Yes
3 (33.3%) No

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East Kent Housing Improvement Plan

Cabinet	**15 January 2019**
Report Author	**Tim Willis, Deputy Chief Executive**
Portfolio Holder	**Cllr Lesley Game, Cabinet Member for Housing and Safer Neighbourhoods**
Status	**For Decision**
Classification:	**Unrestricted**
Key Decision	**Non-Key**
Previously Considered by	**Board of East Kent Housing**

Executive Summary:

This report identifies improvements that are required in the services provided by East Kent Housing and presents a proposed Improvement Plan for consideration. The plan includes specific actions, outcomes and performance indicators that will be monitored during the period of the plan.

The report also sets out the additional funding requested by EKH to secure the successful delivery of the improvements required. Costs have been included within budget proposals for 2019/20 for approval by Cabinet and Council in due course.

Recommendation(s):

Cabinet are asked to:

1. Endorse the draft Improvement Plan at annex 1.

2. Note that the costs set out in this report are included within draft budget proposals for 2019/20.

CORPORATE IMPLICATIONS	
Financial and Value for Money	The financial implications set out within this report have been included within the 2019-20 Budget being put to Cabinet on 15 January.
Legal	The contents of the Report are noted.
Corporate	The services provided by EKH contribute to the council's Corporate Plan objective of Supporting Neighbourhoods. The elements of the HRA capital programme delivered by EKH are essential to ensuring that the council's housing stock is maintained in good condition and continues to meet the national decent homes standard.
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 X Foster good relations between people who share a protected characteristic and people who do not share it. ☐ The services provided by EKH impact directly on tenants of the council, including tenants with protected characteristics. This report has identified a number of areas of service deliver that require improvement and is considered to have a positive impact for all tenants, including those with protected characteristics.

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 East Kent Housing (EKH) was established in April 2011 to provide housing management services to the four councils of Canterbury City Council (CCC), Dover District Council (DDC), Folkestone and Hythe District Council (FHDC) and Thanet District Council (TDC). Officers that had been providing these services in each of the four councils were transferred to EKH and a management fee agreed by each of the four councils to cover these costs.

1.2 Since that time the core management fee has not been increased to take account of inflation, salary increments or pension liabilities, although one off specific project funding has been agreed, such as a new procurement officer and new welfare benefits advisors to assist with managing the implications of the rollout of universal credit. Over this time inflationary, incremental and pension fund pressures have been absorbed by EKH.

1.3 In a number of areas EKH have performed well, including overall service cost per dwelling, rent collection and arrears management and empty property (void) management. Benchmarking data from 2016/17 showed that EKH was performing in the upper quartile of similar organisations in these areas. Resident satisfaction with responsive repairs arrangements has also been consistently high.

1.4 There have however been a number of areas where EKH has not performed well and where urgent improvements are needed. The most significant area of consistently poor performance has been in procurement and contract management, which has resulted in delays to the delivery of the agreed capital programme of investment in council homes. The complexity for EKH of working with 4 separate client councils is recognised and EKH have struggled to cope with this. EKH have struggled to recruit suitably qualified and experienced staff and have overly relied on interim and agency staff. The proposed improvement plan sets out agreed actions and targets to improve performance in this area, and is linked to a proposal for this work to be supported with additional revenue and capital resources.

1.5 The four councils have all agreed to investment in new IT systems for EKH, enabling the streamlining of their business, greater flexible and remote working and improved online functionality for residents. Delays in the implementation of the new system have increased costs and impacted on service efficiency. The full implementation of the new system during 2019 is therefore an essential part of the improvement plan.

1.6 During 2018 all four council areas have seen increases in rent arrears levels as a result of the continued rollout of universal credit. EKH report that Universal Credit cases are more complex and time consuming to manage and that additional resources are required to manage this and support households moving onto Universal Credit to manage their rent payments.

1.7 The key areas covered by the proposed Improvement Plan are:

- Procurement of key contracts for the delivery of the council's planned maintenance and capital improvement programmes.
- Contract management of a number of key contracts.
- Rent collection, particularly in relation to tenants in receipt of Universal Credit.
- Single System implementation.
- Organisational health and sustainability

1.8 As a result of these issues, EKH were asked to put forward proposals to improve their performance in these key areas. EKH have responded to this and have agreed to the improvement plan attached at Annex 1. To support this EKH have identified the additional resources required to deliver and sustain the necessary improvements and to address growing demand and funding pressures in their services.

2.0 The Improvement Plan

2.1 The Improvement Plan, attached at Annex 1, sets out the specific improvements required and defines both required outcomes and key performance indicators in each area.

2.2 The Improvement Plan covers the period from 1 April 2019 to 30 September 2020, during which time the delivery of the actions, outcomes and indicators set out in the plan will be closely monitored. Work to deliver the specified actions will need to start immediately if the proposed timescales for the required actions are to be met. The additional resources proposed as part of the plan will be made available to EKH from 1 April 2019.

2.3 The Improvement Plan has been considered and agreed by the Board of EKH. The EKH board will lead on the monitoring of the Improvement Plan delivery and will report progress back to the four councils' nominated client officers. Key performance indicators relating to the delivery of the capital programme, rent collection, void management and resident satisfaction are routinely reported to both Finance, Budget and Performance Scrutiny Panel and Cabinet each quarter.

3.0 Financial Implications

3.1 The EKH management fee for Thanet services totalled £1.346m for 2018/19. This is funded from the council's Housing Revenue Account and supports the delivery of housing management and maintenance services across all council owned homes.

3.2 The proposed revenue cost of the Improvement Plan for 2019/20 is £182,250 per council, representing a 13.5% increase from the 2018/19 management fee for TDC. This includes:

- £111,000 for welfare reform, universal credit and rent collection work
- £8,750 for additional procurement support
- £20k for contract supervision
- £42,500 for inflation, increments and actuarial strain

Whether these amounts are to be included in proposed budgets beyond 2019/20 will be dependent upon the successful delivery of the proposed improvement plan.

3.3 The Improvement Plan includes the successful implementation of EKH's new single IT system. This project has experienced delays and its successful implementation is considered to be critical to the efficient provision of services in the future. It has previously been agreed that an amount of £53,600 per annum, currently used to pay for the council's existing housing software will be transferred to EKH for maintenance of the new system following a successful go-live. Together these amounts will increase the total EKH management fee for 2019/20 for Thanet to up to £1.581m.

3.4 In addition to the management fee increases, EKH have requested that a proportion of the agreed capital programme be used to support the preparation of the required specifications and tender documents needed to deliver the programme in full. The 2019/20 capital programme will be set out in the proposed budget reports to Cabinet and Council, including both new expenditure for 2019/20 and slippage from 2018/19. Together the 2018/19 and 2019/20 HRA capital programmes total £8.346m of which £4.386m is still to be specified and procured. EKH have requested that up to 2% (£88,720) of the unprocured amount be made available to support document preparation together with a further £10k to increase consultancy support in relation to essential servicing contracts.

3.5 The total cost of the Improvement Plan for 2019/20 for Thanet is set out below.

Description	Revenue (£'s)	Capital (£'s)
Rent collection and welfare reform	111,000	0
Procurement support	8,750	(up to) 88,720
Contract management	20,000	10,000
Inflation, increment and pension pressures	42,500	0
Total	**182,250**	**98,720**

3.6 These amounts are included within the proposed HRA budgets for 2019/20.

4.0 Next Steps

4.1 The proposed Improvement Plan has been agreed by the EKH board, at its meeting on 10 December 2018, and is also being presented to the other East Kent client councils. To be effective, the plan needs to be agreed by all partners and similar reports will be presented to members at CCC, DDC and FHDC respectively.

4.2 EKH will be presenting the Improvement Plan to the Resident Panel 19 February 2019.

4.3 Once implemented progress will be monitored by the EKH board and reported to the four councils and resident area boards.

Contact Officer:	Bob Porter, Head of Housing and Planning
Reporting to:	Tim Willis, Deputy Chief Executive

Annex List

Annex 1	Proposed Improvement Plan

Background Papers

Title	Details of where to access copy
None	N/A

Corporate Consultation

Finance	Gary Whittaker, Interim Head of Financial and Procurement Services
Legal	Sophia Nartey, Interim Head of Legal Services

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Proposed East Kent Housing Improvement Plan

1. Introduction

The four client councils have raised concerns about a number of key areas of the services provided by East Kent Housing. These concerns have arisen as a result of a number of factors including the performance of East Kent Housing, constraints on inflationary increases in the management fee paid by the four councils over time and emerging pressures on the service as a result of welfare reform and increases in homelessness. The 2016/17 Housemark benchmarking data showed that East Kent Housing provided their services at a lower cost than all others in their peer group. It also showed strong performance in areas of rent collection and void management.

However the Councils and East Kent Housing recognise that there are areas of weakness that they have been unable to resolve, and the key areas of concern relate to:

- Procurement of key contracts for the delivery of the council's planned maintenance and capital improvement programmes.
- Contract management of a number of key contracts.
- Rent collection, particularly in relation to tenants in receipt of Universal Credit.
- Single System implementation.
- Organisational health and sustainability

The four councils and East Kent Housing have therefore developed a draft improvement plan, setting out the actions needed to improve performance in these key areas, the resources required and the proposed outcome measures. The improvement plan covers a period of 18 months from 1 April 2019 to 30 September 2020 to allow time for investments and changes to be made and improved outcomes to be embedded in the organisation and services provided. Detailed 6 monthly reviews will be completed during this period to monitor progress and ensure focus is maintained on the delivery of the plan by East Kent Housing and the four client councils.

East Kent Housing were initially asked to prepare a position statement, setting out improvements needed, priorities for intervention and the resources required, which is incorporated into this plan.

The improvement proposals submitted by EKH included a new role of Acquisitions and Development Officer to work alongside project officers in each council delivering local programmes. This proposal is not supported. It is considered that the proposed activity forms part of EKH's core role and the current programmes are largely only replacing stock lost through the right to buy. In the event that these programmes significantly increase in scale or include temporary accommodation (with more complex management requirements) this request could be revisited.

2. Improvement Plan

Table 1 below sets out the proposed improvement plan. It details the improvements required, proposed actions, investment required, required outcomes and timescales. The improvement plan is also supported by a series of Key Performance Indicators set out in table 2 below.

Improvement Required		Proposed Actions	Investment Required	Measurable Outcomes	Timescale (end of month)
1.	**Improved Procurement** The overall procurement function within EKH has been problematic over the last few years. EKH continues to struggle to gain the confidence of the partner Councils. The Councils have already provided £38K p.a. to fund a procurement manager post within EKH. There are currently 52 outstanding procurements (74 contracts) to be delivered, with a further 22 contracts due for reprocurement prior to 2022. Key areas of concern are: ● The production of detailed specifications of work and	Recruitment of an additional procurement officer to improve project management and to focus on the completion of key procurement projects. Agree reviewed service level agreement between councils and EKH setting out EKH's role and responsibilities in preparing procurement and contract documentation. Improved, timely and accurate production of technical specifications and tender documentation. Compilation and agreement of detailed programmes of work	£35k Actual costs of external writing of specifications and tender documents, up to a maximum of 2% of the capital cost, for works without a current contract in place (See table 4).	Detailed Asset Management Strategies and Procurement Plans agreed with client councils setting out timescales for all procurement projects. Completion of all outstanding procurements in a time frame that enables the delivery of the 2018/19 and the 2019/20 capital programmes to be delivered in full by March 2020. 95% completion of the agreed capital projects for 2018/2019 and 2019/20 by 30 March 2020.	January 2019 September 2019 March 2020

	contract documentation, with previously poorly constructed documentation impacting on contract management. ● Procurement project management.	for each area.		Planned programmes of work for areas communicated with residents. KPIs achieved	March 2019 March 2020
2.	**Improved Contract Management** There have been a number of evidenced poor practice in contract management arrangements, most recently set out in a draft audit report into the management and supervision of planned maintenance contracts (October 2018). Concerns include contractual procedures not being followed and supervising officers not being aware of the contractual arrangements. This has caused difficulties in approving programmes of work, evaluating costs, signing off works and processing invoices.	Implementation of the audit report action plan in full, which aims to embed best practice in contract management within EKH. Interim use of external consultants to ensure immediate and sustained improvements in contract delivery and compliance and to provide assurance of value for money and probity for existing contracts.	None - existing resources £120k (£40k capital and £80k revenue)	Sustained improvements in assurance ratings achieved, with no 'limited' or 'nil' assurance ratings, on follow up audit of contract management. KPIs achieved.	March 2019 March 2020
3.	**Rent Collection** Although the performance of EKH in collecting rent and	Recruitment of 8 additional Income Officers and 4	£444k	Achievement of upper quartile performance for	March 2020

	reducing arrears has been strong in most areas, the introduction of Universal Credit has had a significant impact on overall performance. As a result rent arrears levels have been increasing.	additional Benefit and Money Advisors. Ensure all relevant rechargeable works and miscellaneous charges are raised as a liability and the agreed collection process is followed.		both UC and non-UC tenants. KPIs achieved. Increased income from rechargeable works orders and miscellaneous charges.	 March 2020 March 2020
4.	**Single System Implementation** The single IT system project is considered to be critical to the long-term delivery of the services provided by EKH. The system will enable more flexible working, enhance online services for residents and unlock efficiency savings. Full implementation across all council areas is critical.	Effective management of the implementation of the new software and associated processes in all areas. Development and completion of system testing plans. Implementation of robust project management arrangements, including project plans, risk registers, issues and decision logs and agreed sign-off arrangements.	Capital resources already committed to this project. Current system legacy funding to be transferred to EKH on implementation, as per the existing agreement from the Councils.	Full implementation of all key modules in all areas. Modules are: ● Rents and voids ● Planned maintenance and repairs ● Leasehold and service charges Substantial assurance achieved by the Councils and EKH in post implementation audits, by March 2020.	September 2019 March 2020

5.	**Organisational Health and sustainability** Since 2011 increases in the core management fee have been constrained, with only specific new posts funded. There have been no cost of living or inflationary increases. New burdens and demands on the service have added significant pressure and there has been a clear impact on the the ability of the organisation to respond to changing demands over time. Pressures risk impacting on staff morale and turnover. The service has seen increasing numbers of complaints and enquiries from members, and investment in a new complaints process has seen response times improve. Communications channels are not always clear or consistent.	Award of cost of living increases and incremental pay scales. Funding for pension payments to KCC. Satisfactory staff levels maintained throughout the period of the improvement plan. Development of workforce plan/people strategy. Develop new communications plan, including internal communications and communications with client councils and residents.	Cost of living increases - £85k (1.5%) Pension contribution increases - £18k Incremental pressures - £67k Support from CCC to develop an organisational communications plan	Sustainable levels of staff turnover and reduced used or interim/temporary staff, Workforce plan/people strategy in place. Retained earnings reserve to be maintained at a sustainable level (5%) and medium term financial plan to be put in place. New arrangements to monitor resident satisfaction in EKH Evidence of learning from complaints Implementation of new organisation communications plan.	

Table 1: Improvement Plan

Key Improvement		Key Performance Indicator (KPI)	Target	Frequency
1.	Improved Procurement	Specifications produced to timeframes agreed with Council procurement officers (average 20 working days)	20 days	Quarterly
		95% expenditure of agreed capital projects delivered	95%	Quarterly
		95% of agreed capital projects delivered	95%	Quarterly
		99% of properties will meet the Decent Homes Standard	99%	Quarterly
		Respond to all procurement enquiries within a maximum of 5 working days	100%	Quarterly
2.	Improved Contract Management	100% pre-inspection of all heating installations	100%	Quarterly
		100% post inspection of all heating installations	100%	Quarterly
		10% post inspection of all repairs	10%	Quarterly
		4x Contract core group meetings (involving resident representation) per annum for agreed key contracts	4 per annum	Quarterly
		99% of invoices checked and validated and paid on time	99%	Quarterly
3.	Rent Collection	Tenants will receive either face to face or telephone contact within 1 week of EKH being notified they are moving onto Universal Credit	100%	Quarterly

		Current tenant arrears (non UC) as a percentage of rental income	1.25%	Quarterly
		Current tenant arrears (UC) as a percentage of rental income	3.3% or Upper quartile performance	Quarterly
		Garage arrears as a percentage of rental income	0.39%	Quarterly
		Rechargeable works and miscellaneous charges: ● Charges raised as required ● Amount collected as a percentage of the charges raised	100% 50%	Quarterly
4.	Single System Implementation	Key milestones, ongoing system servicing and go live dates met by the Councils and EKH	100%	Monthly
		Key project management documentation maintained	100%	Monthly
5.	Organisational Health and sustainability	Proportion of complaints responded to within 10 working days.	95%	Monthly
		Resident satisfaction in EKH services (82% in 2016/17)	82% or better	Annually
		Proportion of staff who see themselves working at EKH in two years time (2018 - Disagree/Strongly Disagree was 14%)	<14% disagree/strongly disagree	Annually
		Proportion of permanent staff in the organisation	93%	Annually

Table 2: Key Performance Indicators

3. Resourcing the Improvement Plan

The current cost of the EKH management fee, across all four districts is £8.425m. This is apportioned between the client councils as follows:

Council	2018/19 Management Fee	Current rented stock numbers	Management fee per dwelling
Canterbury	£2.899m	5,128	£565
Dover	£2.197m	4,287	£512
Folkestone and Hythe	£1.984m	3,365	£590
Thanet	£1.346m	3,021	£446

Table 3: Management Fee

The apportionment of the management fee is historic and based upon the level of resourced transferred into EKH at its inception in 2011. The proposals to provide a percentage of the capital programme for the preparation of specifications and tender documents is an initial step towards a longer term mechanism for apportioning costs on an activity basis. It is acknowledged that there are differences in the way on which services are provided between districts, the profile of the housing stock and the needs of residents that complicate alternative options for the apportionment of costs. Over this period overall rented stock has reduced by around 2% from 16,204 to 15,891 (as at 1 April 2018).

The total cost of the package of improvements proposed is £729k revenue, representing 8.7% of the 2018/19 management fee and up to £324k capital (representing 0.9% of the current approved capital projects for 2018/19 and 2019/20). The table below sets out the proposed apportionment of the these costs across the four client councils.

Council	Current Management Fee	Total Capital Programme (2018/19 approved & 2019/20 draft)	Capital programme value to be procured (2018/19 & 2019/20)	Annual revenue cost of plan	Maximum capital cost of plan (Up to 2% plus £40k)	Revenue cost as a percentage of the management fee	Capital cost as a percentage of total programme
Canterbury	£2.899m	£14.651m	£5.689m	£182,250	£124k	6.3%	0.8%
Dover	£2.197m	£7.067m	£1.571m	£182,250	£41k	8.3%	0.6%
Folkestone and Hythe	£1.984m	£7.655m	£2.561m	£182,250	£61k	9.2%	0.8%
Thanet	£1.346m	£8.346m	£4.386m	£182,250	£98k	13.5%	1.2%
Total	**£8.426m**	**£37.719m**	**£14.207m**	**£729,000**	**£324k**	**8.7%**	**0.9%**

Table 4: Funding request

The client councils propose to provide this additional funding initially for the period from 1 April 2019 to 30 September 2020, on a pro-rata basis. In return EKH will deliver the outcome measures set out in this improvement plan, and report progress against the suite of key indicators.

4. Implementation

This improvement plan is for the the period from 1 April 2019 to 30 September 2020 and outcome measures and key performance indicators will apply during this period.

The £729k p.a. revenue funding set out in this plan will be made available for the financial year 2019/20 (full year effect) and for the financial year 2020/21 (pro-rata). Recruitment for proposed new roles will need to commence during 2018/19.

Capital funding will be provided to cover the actual costs of external writing of specifications and tender documents, up to a maximum of 2% of the capital cost of works due in 2018/19 and 2019/20 which do not have a current contract in place, plus a contribution of £40k towards additional contract supervision. This will ensure that tendering activity can commence during the current financial year for key contracts so that works can start promptly in 2019/20 and be completed by 31 March 2020.

EKH will put in place a comprehensive implementation plan setting out the activities that will be required to implement this plan in full.

5. Monitoring and Review

The outcomes and indicators in this plan will be closely monitored throughout the period. Monitoring arrangements will include:

- A quarterly report to client officers setting out performance against key indicators and progress towards specified outcomes.
- A bi-annual progress report to the Chief Executive Forum.

The East Kent Housing Board (which contains Councillor representatives) will also be monitoring performance against the improvement plan and will lead on ensuring that EKH deliver the actions set out in this plan. The EKH Board will monitor the improvements at each of its meetings, and their Performance & Improvement Committee (chaired by a council representative) will have responsibility for detailed oversight of the plan.

A thorough review of the impact of this improvement plan will be completed by EKH, in collaboration with the council client officers during the last 6 months (1 April 2020 - 30 September 2020). The review will set out the progress made in achieving lasting improvement and make recommendations for funding and for any further council interventions beyond 30 September 2020.

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.

thanet
district council