BUDGET STRATEGY 2016-17

To:	**Cabinet - 24 November 2015**
Main Portfolio Area:	**Financial Services and Estates**
By:	**Portfolio Holder for Finance and Estates**
Classification:	**Unrestricted**
Ward:	**All wards**

Summary: **To present the draft budget strategy for the General Fund, Housing Revenue Account and Capital programme for 2016-17, to present the assumptions for the medium term and to present the proposed fees and charges policy.**

<u>For Decision</u>

1.0 INTRODUCTION

1.1 The purpose of this report is:

1.2 To outline the process and assumptions for developing the budget for 2016-17 and the provisional assumptions for the following years to 2019-20. The paper also proposes the fees and charges policy for 2016-17.

1.3 To present the draft General Fund Capital budget for 2016-17 and the provisional estimates for the following years to 2019-20.

1.4 To present the provisional assumptions for the HRA budget for 2016-17 and the estimates for the HRA capital programme up to 2019-20.

2.0 EXECUTIVE SUMMARY

2.1 The Council Government funding for 2015-16 was reduced in 2015-16 following the 2013 Spending Review. The Medium Term Financial Strategy (MTFS) 2014-18 assumes a continuing reduction in government funding.

2.2 The Chancellor is due to release the Spending Review on 25 November 2015. This will set out how the government will both invest in priority public services and deliver the £20 billion further savings required to elimate Britiain’s deficit by 2019-20. After the announcement and subsequent further details regarding the Financial Settlement, assumptions made within the 2015-16 Medium Term Financial Plan will need to be reviewed to understand the impact for the Council. This report revises the funding position for 2016-17 based on current forecasts. It also sets out the current understanding of budget pressures and savings themes that will be taken forward in setting the 2016-17 budget and the timetable.

2.3 A review of the Council’s reserve holdings has been undertaken. The proposed reserve balances are considered to be adequate for supporting the Council’s ongoing needs and plans.

3.0 THE BUDGET PROCESS

Service priorities in 2016-17

3.1 The new Corporate Plan for 2016-2019 was adopted at Full Council on 15 October 2015 for the next four years. The key priorities are:

- A clean and welcoming environment
- Supporting neighbourhoods
- Promoting inward investment and job creation

3.2 These priorities have been taken forward in developing the 2016-19 budget as set out in the sections below.

3.3 **A clean and welcoming environment –** The Council is keen to encourage pride in our district by keeping Thanet clean. As part of the continuing improvement to frontline services a seven year capital investment programme is planned to review and replace frontline vehicles, plant and equipment. This will ensure that the service has efficient plant and equipment to deliver an improved service. A substantial amount of investment is likely to be required in the Council's public conveniences. It is proposed to undertake a review of the options available for these facilities and to consider repair/improvement, transfer, disposal and charging.

3.4 **Supporting neighbourhoods** - The Council will continue to support the Margate Housing Intevention programme and New Build Housing programme. Better regulation and enforcement in the Private Sector is also receiving priority along with consideration for continuing Selective Licencing areas.

3.5 **Promoting inward investment and job creation -** The Council supports the development of a high speed Thanet Parkway Station. This project has received a £10m funding allocation from the Local Enterprise Partnership. The Council has also taken the opportunity to generate economic development by applying to continue to operate a Kent business rates pool in 2016-17.

3.6 The Port is critical to the Council's priorities and will remain open for business with new income generation opportunities being explored vigorously in accordance with the approved Maritime Plan.

3.7 The Council has adjusted its budget and expenditure to the current scale of operation; any additional income achieved in 2016-17 will improve the Council's financial position.

Exploratory themes for delivering the Medium Term Financial Plan

3.8 The balanced position for 2015-16 precedes a period of financial uncertainty and expected resource reductions from 2016-17 onwards. It is suggested that four themes are adopted to deliver improved services in the longer term whilst increasing Council efficiency. The themes are set out below.

Delivering value for money

3.9 Transforming and targeting resources to deliver the right services in the most cost effective and efficient way. Internal discussions have already started to develop savings proposals with EKS partners.

Digitalisation

3.10 The Implementation of a digital strategy would 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.

Making the most of the assets we own

3.11 Working with partners to make the most of the buildings and land we own. Maximising commercial opportunities for key assets. This could include changing use, sharing facilities and disposal as well as investing in assets to earn a return.

Joint Venture and Special Purpose Vehicles

3.12 By drawing in wider investment and market opportunities it is possible to reduce the cost of mainstream council services. The concept could be successfully applied to corporate property and asset management. These new structures will enable the Council to look more proactively at income generation. Working with partners would also give access to new skills and experience; and help ensure an appropriate share of risk between parties.

4.0 THE BUDGET TIMETABLE

4.1 In the February preceeding each financial year the Council is required by statute to set out its budget and Council Tax levels for the forthcoming financial year. It also has to set out a range of other strategies and plans to inform the Council's treasury management activities. At the same time, a Medium Term Financial Plan (MTFP) is published, which provides indicative figures for a further three years. This provides a framework within which service decisions can be taken in the knowledge of their future affordability.

4.2 A number of steps have already been taken to build the budget for 2016-17 and for the medium term in advance of approval in February, with further steps required over the forthcoming months:

- A schedule of fees and charges has been proposed in consultation with managers, CMT and Cabinet based on the Fees and Charges Policy outlined in Annex 4 .These are presented to Cabinet as a separate item on this agenda and will go to Council on 3 December 2015 for approval;
- The Council Tax base will go to Cabinet for approval on 19th January 2016.
- The detailed draft budget proposals and MTFP will be considered by Cabinet on 19th January 2016 and then to Council on 4th February 2016;
- Council Tax will then be set by Council on 25th February 2016.

5.0 GOVERNMENT FUNDING AND COUNCIL TAX

5.1 When drawing the budget proposals together, the Council needs to consider its various government funding streams. These are detailed below.

Business Rates Retention

5.2 The Government introduced a new Business Rates Retention Scheme from 1st April 2013. The scheme provides an incentive to councils to grow their local economy by allowing them to retain a proportion of the business rates collected. In return, authorities also now share the risk of a fall in rate yield, subject to a safety net mechanism.

5.3 A baseline 2013-14 funding level was established by the Government for each authority. The baseline is increased annually by a standard formula.

5.4 Authorities whose business rates grow above the baseline are able to retain a proportion of that growth in revenue (after paying a levy to HM Treasury), while those whose rates decline or grow at a lower rate experience lower or negative growth in revenue (subject to the operation of a safety net).

5.5 The first 50% of any new business rate yield goes to the Treasury with the balance being split 80% to the district and 20% to the county and major preceptors. The safety net mechanism ensures that no authority's income falls by more than 7.5% of their baseline funding level.

5.6 The Council did not achieve the 2014-15 forecast surplus of £500k on Business Rates. Following a court ruling in January 2015 on the method of valuation of purpose built GP surgeries substantial reductions to rateable values had to be implemented, with subsequent overpayments being backdated to earlier periods. As a result the Council's share of the provision for appeals was increased by £1.472m, £1.197m of this increase being funded by central government, the balance having been set aside as part of the 2014/15 accounts.

5.7 Forecasts on business rate income should be treated with caution as they are impacted by the closure of businesses, appeals, changes in valuation methodology applied and unforeseen changes.

5.8 During 2015-16 the Council joined with other Kent authorities in applying to operate a business rates retention pool, it is proposed this arrangement continues for 2016-17, this area is highly volatile but indications are that this arrangement could yield between £200-£400k and so an indicative amount of £300k has been factored into these proposals.

5.9 A recent announcement from the Chancellor advised that Councils are to retain all locally raised business rates by the end of the decade under local government reforms. The changes will also end the distribution of core grant from Whitehall to town halls.

Revenue Support Grant

5.10 In addition to business rates, all authorities receive Revenue Support Grant from Central Government as support towards the cost of running Council services.

5.11 In 2015-16 RSG was £3.630m, but in 2016-17 is estimated to fall to £2.645m, (subject to any further changes notified by Government as part of the November Spending Review).

5.12 The 2015-16 Medium Term Financial Plan assumes further cuts of 40% across all funding sources from Central Government for 2016-20. Whilst indications suggest as part of the Comprehensive Spending Review cuts to Local Government may be at 30%, the details of the continuation of New Homes Bonus at current levels has still to be confirmed and remains uncertain. There are also uncertainties regarding any differential spread, e.g. the headline percentage reduction in Government funding over 2016-20 may not be evenly spread over the four years; and the reduction may be greater on districts than on counties, or vice versa.

Council Tax Reduction Scheme funding

5.13 The Revenue Support Grant also includes funding to compensate for the impact of the Council Tax Reduction Scheme (CTRS) on the Council Tax base. This funding is no longer distinguished as a separate component.

5.14 The CTRS was introduced from 1st April 2013 to replace the Council Tax benefit system. The scheme is localised, although there are a number of criteria that are nationally determined.

5.15 The scheme adopted by the Council reflects a county-wide agreement, with local discretion. Currently a contribution of £125k p.a. is received towards the funding of the operation of the scheme and this is likely to be reviewed as part of a review by KCC which will take effect from 2017-18. Local discretion removed the empty property and second homes discounts and reduced the previous maximum 50% Council Tax Benefit discount for those of working age by 5.5%. The scheme also introduced a 100% surcharge for long term empty properties (2 years +), to provide an incentive for properties to be brought quickly back into use.

5.16 The CTRS is under a three year agreement with KCC, and 2015-16 is the last of the three years. However, in view of the significant time constraints in devising and implementing a new scheme for the financial year 2016-17, as well as the yet unknown impact on claimants of national welfare changes, major preceptors and districts have recently agreed to extend the existing scheme for one year.

5.17 During the financial year 2016-17, it was agreed that a full review of the common scheme and other tailored schemes across Kent would be undertaken for a new scheme to be implemented from 2017-18.

Council Tax Base adjustments for minor preceptors

5.18 The Council shares the RSG with parish councils to reflect that parishes do not have direct funding for Council Tax support and a reduced tax base. This was paid at the level of £145k in 2015-16. It is proposed that the level of this support should be reduced by the commensurate reduction in Council RSG funding and should therefore be £130k.

Council Tax and Collection Fund

5.19 The current Medium Term Financial Plan assumes a Council Tax increase of 1.99% every year for the next 3 years as agreed by Council in February 2015. The tax base will be taken to Cabinet on 19 January 2016 for agreement, with the Statutory Resolution being taken to Council for agreement 25 February 2016.

5.20 For the purpose of the budget build, it is assumed the Council Tax base for 2016-17 is 2% higher than the 2015-16 level and a 2% increase is expected for future years.

5.21 Council Tax is calculated by dividing the Precept by the Council Tax Base. The Council Tax Base is the number of properties within the district adjusted to account for different valuation bands, various discounts and an assumed collection rate. The assumed collection rate for 2016-17 is 97.25%, this is the same rate used in 2015-16.

5.22 Each year Council Tax is calculated based on assumed levels of collection rates. At the end of the year any surplus achieved in the collection fund is available to be shared proportionately between the Council and major preceptors (The Police and Crime Commissioner for Kent, Kent County Council and Kent & Medway Fire & Rescue). It is expected that a small surplus will be achieved in 2015-16 of which £50,000 would be available in 2016-17.

5.23 In previous years the funding position has been adjusted to reflect Parish payments in relation to Localised Support to Council Tax and adjustments for homelessness. For consistency in reporting this has been amended to reflect the total assumed funding in place.

5.24 The proposed funding position subject to the CSR is illustrated in the table below:

	2016-17 Revised £m	2017-18 £m	2018-19 £m	2019-20 £m
Precept	8.748	9.100	9.467	9.849
RSG	2.645	1.906	1.115	0.391
NNDR Baseline	4.750	4.875	5.000	5.125
(Underperformance)/Retention	0.300	0.300	0.300	0.300
(Collection Fund deficit)/Surplus	0.050	0.050	0.050	0.050
	16.493	**16.231**	**15.932**	**15.715**

6.0 BUDGET GROWTH

6.1 Given the economic context in which the Council finds itself, the overarching approach to developing the budget is to keep budgetary growth to a minimum, to reduce the need to find compensating savings to deliver a balanced budget. Some budgetary growth is inevitable and therefore the budget proposals will include the areas of growth set out in the table below totalling £1,520k:

Growth	Detail
Pay for Contribution	Budget assumes on-going impact of Pay for Contribution.
Contractual and other unavoidable price increases	Managers are expected to contain inflationary increases wherever possible within their existing budgets. However, some growth will be required to reflect where managers are unable to contain this. For 2016-17 this includes contractual increases including but not limited to Insurance, EKS commission on debt recovery service, reduced KCC funding around Second Homes.
Impact of past decisions	Includes in-year organisational changes.
Contribution to Corporate Priorities	Additional funding to assist to deliver Corporate Priorities.

7.0 Budget Savings

7.1 During the year 2016-17 budget process savings of £1,434k have been identified and these are contained within the table below:

Saving	Detail
Savings considered as part of the previous Medium Term Financial Strategy	Review of Frontline Services to include supervisory function, recycling and waste collection, cleansing, open spaces and service efficiency along with efficiencies from review of the Shared Service arrangement.
Targeted organisational efficiencies	Budgets have been closely scrutinised and it is anticipated that this will lead to targeted savings across the organisation.
Director Review	A review of current service requirements has led to savings across the wider organisation including minor service efficiencies around budget rationalisation and a review of spend on Council assets.

8.0 Fees and Charges:

The fees and charges policy is presented at Annex 4, which sets out the process followed when reviewing increases. As a result of reviewing all the Council's fees and charges and income targets, additional income of £256k is anticipated in 2016-17.

9.0 Budget Consultation

9.1 The budget consultation has been launched in October and will identify the priorities of the district's residents, these will be considered as part of the draft budget process for January Cabinet.

9.2 The Council's housing budget is due to be discussed at the East Kent Housing Tenant Board with representatives of our residents in attendance on 13th January 2016.

10.0 HOUSING REVENUE ACCOUNT BUDGET AND HOUSING CAPITAL PROGRAMME

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.

10.2 **The Operation of the Housing Revenue Account**

Before the estimates are able to be calculated, the context in which the budget is to be built must be considered.

10.3 **HRA Service Expenditure** - As explained above, the HRA is a separate record of all of the Council's expenditure on its social/affordable housing provision (i.e. Council Houses). This includes the following expenditure:-

<u>Repairs & Maintenance</u> – Spend in relation to the day to day repair and maintenance and those works that cannot be deemed as capital repairs such as painting and decorating and contractor repair costs.

<u>Supervision and Management General</u> – Supervision and management costs that are applied across the whole stock e.g. ALMO Management Fee and support costs from other services.

<u>Supervision and Management Special</u> – Supervision and management costs that are applied to only specific homes e.g. communal lighting and grounds maintenance.

<u>Depreciation and Impairment</u> – A charge to reflect the use of HRA assets in the delivery of services.

<u>Rents, Rates Taxes and Other Charges</u> – All other costs that the HRA incurs as landlord e.g. insurance costs and Council Tax costs for empty HRA properties.

<u>Increased Provision for Bad Debts</u> – To reflect that not all rents and charges will be recoverable

10.4 **HRA Service Income** – Income received from the running of the Council housing stock is allocated under the following headings:

<u>Gross Rental Income</u> – Income from rents on council houses, shared ownership properties and leaseholder ground rents

<u>Non-Dwelling Rents</u> – Income from shops at Newington Centre, aerials and garages

<u>Charges for Services and Facilities</u> – Tenant service charges and heating service charges

<u>Contributions towards Expenditure</u> – Leaseholder re-charges and rechargeable repairs

10.5 **HRA Non-Service Expenditure and Income** - These include an apportionment of the investment income that is achieved on balances and any grants and contributions receivable.

As part of the changes to self-financing, the Council opted to split the one loan pool and move to a two loan pool approach, where loans are charged directly to the Housing Revenue Account or General Fund and where each fund is charged their costs of borrowing directly determined by their loan portfolio. Therefore, debt interest costs for the charges associated with the repayment of loan interest are also charged here.

10.6 **The Housing Revenue Strategy**

The main strategic objectives of the Housing Revenue Account, which provide the underlying principles for financial planning, and allow the Council to remain within the legislation, are as follows:

- To maintain a Housing Revenue Account that is self-financing and reflects both the requirements of residents and the strategic visions and priorities of the Council.
- To maintain current Housing Stock at Decent Homes Plus standard
- To increase or improve the Council's housing stock through new build and bringing empty properties back into use.
- To consider the disposal of stock that is not viable to generate capital receipts for re-investment in new or existing stock.
- To maximise the recovery of rental incomes by moving void properties to "target rent", reducing the number of void properties and minimising the level of rent arrears and debt write offs.
- To maintain a minimum level of HRA reserves of £800k but with a target level of reserves of £1m.

10.7 **Details of the HRA estimates**

10.8 The main assumptions that have been applied to the HRA for the 2016-17 estimates are summarised below:

10.9 **Contract and Price Inflation** - For direct expenditure budgets, price increases have been included at 2%, which is the best estimate of the level of inflation at this point in time, unless there is a known within a specific contract, in which case this has been used.

10.10 **Repairs and Maintenance** –

Day to Day Repairs Contract	Work has commenced on the procurement process for the re-tendering of the contract. It is intended that the contract will be let for an initial period of four years to 2020, after which the repairs and maintenance contracts throughout the East Kent Housing Areas should then be in line for a joint procurement programme.
Cyclical External Refurbishment and Repairs Contract	A new contract is due to be let as a joint procurement programme with Dover and Shepway Council and growth has been factored in during 2016-17 and 2017-18 to enable a catch up programme on the back log of works.
CCTV	CCTV at the high rise blocks is currently under review and a new contract is likely to be re-tendered in 2016-17.

Cleaning Contract	The cleaning contract was due to be re-tendered in November 2015 but a nine month contract waiver has been put in place. The cleaning contract will now be re-tendered to commence in June 2016.
Gas Servicing	The contract is due to be re-tendered in 2016-17. The new contract is due to include properties with storage heaters as well as gas boilers. An estimated growth of £54k has been factored in to 2016-17 onwards.
Roof Ventilation Fans	The roof ventilation fans at the tower blocks are due to be inspected in 2016-17. It is estimated that works will be required following the inspection and growth of £5k has been factored in during 2016-17 for these works.
Lightening Conductors	The lightening conductor servicing costs will increase from 2016-17 and growth of £3k has been factored in to 2016-17 onwards.
Rodent Control and Damp Proofing Works	Works have increased and growth of £14k has been factored in from 2016-17 onwards.
Asbestos Removal	Asbestos removal is now being undertaken while the property is void. £9k will be vired from other areas but growth of £11k will be required from 2016-17 onwards.
Paladin Bins	A review of the paladin bins is being undertaken by East Kent Housing in 2015-16. It is likely that replacement bins will be required at a number of sites. Growth of £2k has been factored in to 2016-17 for urgent replacements. Following the review, a replacement programme may be necessary and further growth factored in from 2017-18 onwards.
Disabled Adaptions	A business case has been provided to increase the budget to £400k (an additional £70k) from 2016-17 onwards to assist with the increased waiting list. This is a demand-led budget and the additional budget will assist to decrease the back log.
SMART Meters (Tower Blocks)	This will commence in 2016-17. The 2014-15 Estate Improvement Programme budget of £231k has been ring fenced for this work to be carried out.

10.11 **Supervision and Management General** – The Council agreed at its meeting in February 2010 that an Arms Length Management Organisation (ALMO) was the preferred option for sharing Landlord Services in East Kent. The East Kent Housing ALMO (EKH) was formed and from 1 April 2011 it commenced the management of the Council's social housing.

The ALMO management fee is calculated on an activity based costing basis, in that the Council's charge is based on the amount of staff provided to deliver the service and their supporting budgets. The management fee base budget will remain the same for 2016-17.

In October 2015 Universal Credits commenced in Thanet. £50k has been allocated in anticipation of the effects of Universal Credits and Welfare Reform.

A stock condition survey is to be commissioned in 2016-17 to re-evaluate the Council's stock to ensure that we continue to meet Decent Homes Plus standard, therefore £60k has been budgeted to 2016-17 to enable this survey to be carried out.

In 2014-15 the Court Cost Application Fee increased from £100 to £250 per online issued case and to £280 for other cases. This, along with the number of referrals has impacted on the budget and growth of £10k has been applied from 2016-17.

10.12 **Supervision and Management Special** – A new 2 year fixed price electricity contract commenced in 2015-16 and 2016-17 estimates have been recalculated accordingly and therefore £8k growth has been factored into the 2016-17 budget based on the revised estimates.

10.13 **Rents, Rates, Taxes and Other Charges** – With the addition of the new affordable units as part of the Empty Homes Programmes, Margate Intervention and the new build programme, the budgets that the Council holds as a landlord have been reviewed and increased for running costs. These include insurance costs, Council Tax due on void properties, utility standing charges on void properties and utility budgets for new build properties. This has resulted in budgetary growth of £12k off set against the new rental costs generated from the schemes. The Insurance contract is currently in the process of being re-tendered in 2015-16 to commence January 2016.

10.14 **Provision for Bad or Doubtful Debts** – The provision for bad or doubtful debts for 2016-17 will remain the same at £170k.

10.15 **Depreciation for Fixed Assets** – In accordance with the statutory requirements, the Council has to make a depreciation charge to reflect the use of the HRA assets over their useful lives. Within the Housing Subsidy system the Council received a Major Repairs Allowance to fund capital works, which was set to reflect the need to replace building components as they wore out. It was therefore considered to be an appropriate measure of depreciation for the HRA assets. With the cessation of the Housing Subsidy System there is no longer a Major Repair Allowance and so work has been undertaken as to how best to calculate the depreciation charge moving forward. The estimated depreciation charge is calculated at £2.571m in 2016-17, the depreciation charge for other HRA assets is estimated to be at £59k.

10.16 **Debt charges** – Since the self-financing settlement, the Council has operated a two loan pool approach whereby the HRA and GF are each responsible for the repayment of their own apportionment of loans. As part of the self-financing settlement, the HRA had its debt capped at £27.792m. The Council has been successful in a bid to the Affordable Homes Programme Local Growth Fund 2015-2018 with an application to extend the HRA borrowing headroom by £1.115m to enable the new development of 20 units on HRA land. This allows the HRA to increase its debt cap for capital expenditure incurred between 1 April 2016 and 31 March 2017 on the new development project. In 2016-17 the HRA debt cap and borrowing headroom could increase to £28.907m. As at the 1 October 2015 the HRA had £20.041m of loans outstanding.

10.17 **Rent Increases** –Since April 2002, most rents for social housing have been set based on a formula set by Government. The intention was to align council rents with those of housing associations by adopting a formulaic approach to calculating rents, known as rent restructuring. Landlords were expected to move the actual rent of a property to the formula rent over staged increases through applying the guidance set by Government of Retail Price Index plus 0.5% plus up to an additional £2 where the rent is below the formula rent for the property.

10.18 In October 2013 the government published a consultation paper on rents for social housing from 2015-16. The consultation ended on 24th December 2013 and in May 2014 the government issued its final guidance on rents for social housing. The purpose of which was to provide stability to the rent setting process and Housing Business Plans for the next 10 years.

10.19 Since then as part of the Summer Budget 2015 the Government announced that both Social and Affordable Rents would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21. The rent baseline for the reductions will be the rent payable on 8th July 2015.

10.20 The financial impact of the 1% baseline reduction in 2016-17 is approx. £129k on base budget. However, the impact on the HRA Business Plan for 2016-17 is estimated at £448k as a 2% increase on base had been assumed each year. Over the rental decrease period of 2016-17 to 2019-20 it is estimated that the impact on the HRA Business Plan will be a loss in rental income of £4.56m.

10.21 In the 2013 guidance the Government confirmed that Social landlords could charge tenants with an income of over £60,000 a market rent. The ‘Pay to Stay’ policy was discretionary. As part of the Summer Budget 2015 the Government announced that the discretionary ‘Pay to Stay’ scheme would be made compulsory and that the household income threshold limit would be reduced to £30,000. Local Authorities will be expected to pay the additional rental income to the Exchequer.

10.22 Rental estimates are based on the new government guidance for rental decrease of 1% for 2016-17 to 2019-20 and a 1% inflationary increase from 2020-21 onwards until further guidance is received.

10.23 Social rents will be decreased by 1% in line with the Summer Budget 2015 announcement and government rent guidance. Across the whole stock the average rent is £81.96, this is an average decrease of £0.83p per property.

TABLE 1 – AVERAGE Social Housing PROPERTY RENTS	
Property	**Est. Ave Rent**
Bedsits	£57.44
1 Bed Flat	£67.79
1 Bed House	£78.50
2 Bed Flat	£76.75
2 Bed House	£85.42
3+ Bed Flat	£86.99
3 Bed House	£93.05
4 Bed Flat	£90.86
4 Bed House	£102.85
5 Bed House	£111.27

10.24 New units created as part of the Margate Intervention Programme and Empty Homes Programme come under the Affordable Rent Programme. Affordable rents are calculated at up to 80% of the market rental income and are inclusive of service charges. They will be decreased by 1% in line with the Summer Budget 2015 announcement and government rent guidance.

TABLE 2 – AVERAGE AFFORDABLE RENTS INC OF SERVICE CHARGES	
Property Type	**Average Actual Rent**
1 Bed House	£78.50
1 Bed Flat	£70.22
2 Bed House/ Bungalow	£93.39
2 Bed Flat	£100.38
3 Bed House	£115.69
3 Bed Flat	£122.66
4 Bed House	£145.69
4 + Bed Flat	£147.82

10.25 The financial impact of the 1% reduction in 2016-17 is estimated at approx. £2k.

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 re-set based on a new valuation. The only exception is where the property is re-let to the same tenant following a probationary period coming to an end

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 be increased in line with market rents.

10.28 **Service Charge Increases** – A review of the service charges within the HRA was undertaken last financial year to take into consideration Welfare Reform changes, Department of Work and Pensions requirements and feedback from the Tenant Board that they are not easy to understand. A proposal was taken to the Tenant Board on 9 October 2013 to make the service charges easier to understand and available for tenants to scrutinise. Service charges are now calculated based on actual cost. The Summer Budget 2015 announcement implied that variable service charges will not be capped or affected by the 1% reduction and this has been assumed for the budget setting process.

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 2016-17 of £75k is based on achieving an average interest rate of 0.60%.

The Housing Revenue Account Reserves

10.31 The Council operates three HRA reserves: a HRA Major Repairs Reserve, the HRA Balance Reserve and the HRA New Properties reserve, each of which is discussed in turn:

10.32 **Housing Revenue Account Major Repairs Reserve** – The annual Major Repairs Allowance (MRA) that was paid to the Council as part of the HRA Subsidy had to be placed in a Major Repairs Reserve, to be used to meet HRA capital expenditure on housing stock or debt repayment only. This has been replaced with the equivalent of the actual depreciation charge for dwellings being transferred to the Major Repairs Reserve. The estimated transfer to the Major Repairs Reserve for 2016-17 is £2.57m.

10.33 This funding, together with previous allocations of supported borrowing and revenue contributions, with good management, has enabled the Council to maintain the housing stock in a good condition. The Council currently maintains its social housing to Decent Homes Plus standard. As at 1 April 2015 this reserve balance was £6.5m which is higher than usual due to the difficulties over the last few years with the kitchen contract - work that was due to be undertaken during 2012-13 and 2013-14 on the kitchens was delayed and therefore funds budgeted for the back log of works have been set aside to enable a catch up programme over the next 3 years.

10.34 **Housing Revenue Account Balance Reserve** – This reserve holds the balance of the HRA Account and is used to draw down to balance the revenue budget and smooth out any peaks and troughs within the 30 year business plan. It is maintained by annual contributions from the HRA. As at 1 April 2015 this reserve balance was £5.39m, however funds have been committed for the development of the Fort Road Hotel and 93 Westcliff Road and are estimated to be at £3.44m by financial year end.

10.35 **HRA New Properties Reserve –** This reserve holds funds set aside to fund either new build properties or the acquisition of suitable properties for use within the HRA. Earmarked match funding for the Margate Intervention and Empty Property programme has been set aside in this reserve as agreed by Cabinet. As at 1 April 2015 this reserve balance was £4.70m and is due to be drawn down during the 2015-16 and 2016-17 programmes. Income generated from affordable rents will continue to be set aside in this reserve for re-investment in a new build programme.

11.0 THE HRA CAPITAL BUDGET

11.1 A minimum level of £10k has been set for capital expenditure on a fixed asset which is expected to be in use for more than one year. Capital expenditure below this value is not treated as capital and is therefore not recorded on the asset register or funded from capital resources. Capital expenditure can be met from loans, capital receipts, capital grants or revenue contributions.

11.2 Due to the complex and large scale nature of capital projects, the original budgets have to be based on estimations that often need revising as the project advances.

11.3 **The HRA Asset Management Strategy**

11.4 The Strategic Housing Team is currently developing a new HRA Asset Strategy. On-going work has been undertaken to identify underutilised garage areas and a programme of New Build sites have been identified for development. The Council continues to review the land holdings within the HRA to develop a long-term new build programme. As part of the review, those small areas of land that no longer meet housing requirements and are not considered suitable for development will be reviewed for disposal to generate further capital receipts for re-investment into the new build programme.

11.5 The existing housing stock is continually reviewed for its suitability to provide good quality housing. Where stock is identified that requires considerable capital investment which far exceeds its worth to the authority, and or it has a greater market value consideration, will be given to disposal in order to generate capital receipts to fund new developments to increase the number of units or re-investment into the existing stock. The disposal of Coast Guard Cottages has recently been identified as falling into this category.

Available Capital Funding

11.6 Capital expenditure can be financed from revenue resources, capital grants, usable capital receipts and borrowing. The General Fund can only be used to fund General Fund related capital expenditure, and the HRA can only finance expenditure on HRA assets; there can be no cross subsidisation between accounts. In both cases, the revenue resources are limited.

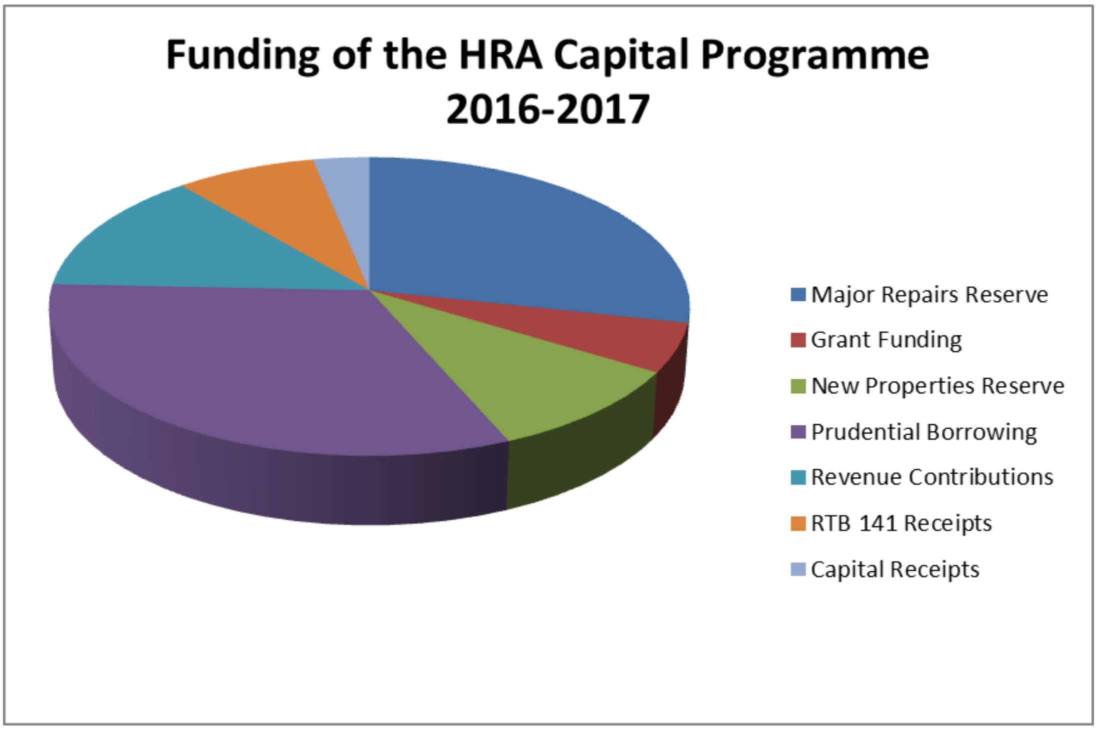
11.7 **Capital Grants –** These are offered by Government Departments to assist with certain types of expenditure. The HRA has recently been awarded £1.37m funding towards the delivery of a new build programme for 58 new affordable units within the district from the Homes and Communities Agency (HCA) Affordable Homes Programme 2015-18.

11.8 **Housing Capital Receipts** - On the 26 July 2012 Cabinet gave approval to enter into an agreement with the Secretary of State for Communities and Local Government which allows the Council to retain additional Right to Buy receipts over and above that budgeted by Treasury. Under this regime, Treasury receive 75% of income on sales for approximately the first four right to buy properties and the Council is able to keep all of the sales income over and above.

11.9 **Unsupported Borrowing –** The Local Government Act 2003 gave local authorities the ability to borrow for capital expenditure above the level supported by Government Grant, provided that such action complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Prudential Borrowing ("The Prudential Code"); the objectives of which are to ensure that capital investment plans are affordable, prudent and sustainable. Essentially, it provides a number of controls to ensure that the Council does not incur additional debt without fully understanding the financial implications both now, and in the future. A housing debt cap of £27.792m has been set for the Council, being the maximum amount the HRA can borrow which must not be exceeded. This differs from the way the maximum debt levels are set within the General Fund, which are governed by the Prudential Code and the setting of a number of indicators. The Council was successful in a bid to the Local Growth Fund to have the HRA borrowing cap increased by a further £1.11m in order to deliver an additional 20 affordable units between 2015 and 2018.

11.10 **HRA Capital Reserves –** A summary of the HRA reserves has been detailed in para (10.31). The major repairs reserve is used to fund expenditure on the council housing stock and the new properties reserve is utilised to fund the creation of new affordable homes.

11.11 **Revenue Contribution to Capital** – Revenue contributions from surpluses generated from rental income can be utilised to fund any budgetary shortfall within the capital programme.



The Capital Programmes for 2016-17 to 2019-20

11.12 **Housing Revenue Account Capital Programme** – The Housing Revenue Account Capital Programme has been set to ensure that the Council's social housing stock meets Decent Homes Standard Plus and to provide a continuing maintenance scheme to the Council's housing stock.

11.13 The Roofing programme was re-tendered in 2015-16. A number of blocks have been surveyed and are in need of roof replacements in 2016-17 and 2017-18. These properties also require structural works and so both works will be carried out at the same time to make best use of scaffolding costs. Some properties have also been identified from the stock condition database as needing roof replacement surveys to be carried out.

11.14 A number of properties have been identified as needing structural and repointing works. Where applicable these works will be carried out at the same time and budgets have been combined to accommodate this.

11.15 The new cyclical external repair and refurbishment contract is currently being re-tendered and this will include both external decoration works and repointing associated with external decorations.

11.16 Kitchen and Bathroom replacement budgets have been increased to reduce the back log of work incurred whilst the previous contract was terminated and re-tendered. It is intended that this will continue for another three years to bring the replacement programme back on schedule. Re-wiring is now completed at the same time as kitchen replacements and so the budget has been increased by £50k p.a. to allow for these works to be carried out.

11.17 A report has been carried out to review fire safety. A number of works have been identified from this report and a three year programme has been proposed.

11.18 The communal heating systems at the high rise tower blocks are currently under review. Any works identified will be deferred until the stock condition survey data has been completed. A full review of the viability of the tower blocks will be carried out in 2016-17.

11.19 A number of blocks have been identified as in need of door entry system upgrades and replacements. The budget has been increased by £5k in 2016-17 to allow these works to be carried out.

11.20 Thermal Insulation works are currently being carried out when the property becomes void. The properties in rural locations are due for a review and are most likely to require works to be carried out following the survey. As a result the budget has been increased by £50k in 2016-17.

11.21 Disabled adaptions budgets have been increased by £70k p.a. to cope with demand.

11.22 The Margate Housing Intervention Programme sets out to transform the housing market in two of England's most deprived wards, Cliftonville West and Margate Central. The properties that are currently in the programme will continue to be developed. The programme will continue to be closely monitored and the rental income generated re-invested to continue the programme.

11.23 With the flexibilities now available as part of the self-financing changes, the Council is currently developing an HRA Asset Management Strategy to review land and buildings within the HRA, including garage sites to ensure they are being put to best use and obtaining value for money for the tenants. This has been the driving factor towards the first tranche of a new development programme for the HRA consisting of 58 new units. The second phase of the new build development programme is to be funded by HCA grant funding, HRA reserve balances and prudential borrowing.

11.24 As mentioned in para (11.9) the Council has recently made an application to Government to extend the borrowing headroom by a further £1.11m to facilitate the building of a further 20 new units of affordable accommodation. The 20 units will be funded by Right to Buy 1-4-1 receipts and prudential borrowing.

11.25 A detailed breakdown of the HRA capital programme is provided in Annex 2.

12.0 The Draft Capital Budgets 2015-16 to 2018-19

12.1 The draft Housing Revenue Capital Programme for 2016-17 that is proposed for Members' approval is £11.4m, which will be funded from the HRA reserves, revenue contributions to capital, prudential borrowing, grant funding and RTB 1-4-1 receipts. A summary of this programme and the proposed funding sources are shown in the following table:

TABLE 3 – HRA CAPITAL PROGRAMME				
	2016-17 £'000	**2017-18 £'000**	**2018-19 £'000**	**2019-20 £'000**
Total HRA Capital Programme Expenditure	11,450	3,615	3,495	3,195
HRA Capital Resources Used:				
HRA Major Repairs Reserve	**3,260**	**3,090**	**2,970**	**2,670**
HRA Revenue Contributions	**1,522**	**525**	**525**	**525**
New Properties Reserve	**1,479**			
Grant Funding	**610**			
Prudential Borrowing	**3,675**			
RTB 1-4-1 Receipts	**904**			
Total Funding	11,450	3,615	3,495	3,195

13.0 GENERAL FUND CAPITAL PROGRAMME

13.1 A minimum level of £10k has been set for capital expenditure on a fixed asset which is expected to be in use for more than one year. Capital expenditure below this value is not treated as capital and is therefore not recorded on the asset register or funded from capital resources. Capital expenditure also includes grants that are provided for the enhancement of buildings to increase the extent to which they can be used by a disabled or elderly person. Capital expenditure can be met from loans, capital receipts, capital grants or revenue contributions.

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

13.3 **The Asset Management Strategy**

13.4 By far the largest element of the Council's capital worth (as represented by the fixed asset values on the Balance Sheet) is in its property holdings, with a total of £180 million showing as the net book value of all property assets as at 31 March 2015 (after depreciation has been applied). In line with Government and best practice guidelines, the Council is required to have prepared and published an Asset Management Strategy (AMS) which outlines its approach to its material asset holdings. This is to ensure that it acts responsibly in terms of undertaking a stewardship role over valuable public assets whilst deriving the maximum use from them in terms of service delivery so that value for money is able to be evidenced.

13.5 The Council's Asset Management Strategy outlines the principles, criteria and processes that form the cornerstone of the following draft Capital Programme. This requires a continuous assessment of the relative value of an asset (both financial and non-financial) in order to ensure that the Council's investment in its assets is working to optimum effect. This is especially important in the current financial climate, where assets that are no longer viable or surplus to requirements need to be disposed of in order to reduce the Council's liabilities and to generate capital receipts to fund new developments or be transferred for Community benefit.

13.6 **Capital Receipts**

13.7 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. The proposed programme of capital expenditure is sensitive to projections of available capital funds. Members should note that this will be monitored closely during the 2016-17 financial year, as it may be necessary to adjust the programme in year depending on asset disposal and funding outcomes.

13.8 No assumption has been made with regard to the utilisation of any anticipated receipt with regard to the Royal Sands Development. In the event that a capital receipt is forthcoming it will be allocated as is usual for all capital receipts within the capital bid process and scoring regime.

14.0 THE CAPITAL BUDGET STRATEGY

14.1 Although the Asset Management Strategy 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

14.2 Due to the limited availability of capital receipts and the need to contain the level of borrowing undertaken to minimise the revenue impact, it has been necessary to review the Capital Programme. This is to ensure sufficient funding is available for existing schemes that have commenced and that any new projects are of the highest corporate priority and/or reduce the pressure on the revenue account. Bids have been assessed, scored and reviewed by the Council to ensure they focus on its core priorities. The results of the scoring process will be shared with the Portfolio Holder for Finance and Asset Management prior to the final budget report.

14.3 The level of resources available raises a number of issues and risks for future years, which need to be addressed:-

14.4 Over the past few years the Council has seen significant constraints in its available capital receipts. It is difficult to estimate the funding level achievable as a number of changes often arise to the asset disposal programme once the consultation process has been completed. In the event that sufficient disposals cannot be realised in 2016-17 onwards this will result in a further need to 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.

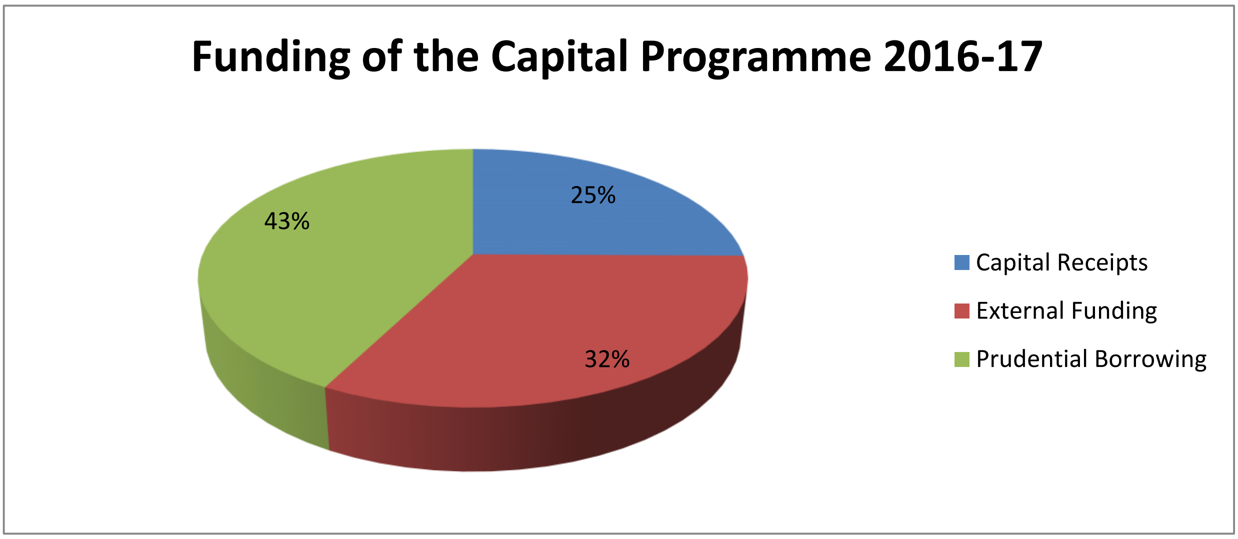
14.5 There is limited scope for future investment in new assets or making improvements to existing buildings. The Asset Management Strategy is key in delivering resources to the Capital Strategy and reducing the size of the Council's asset and property portfolio. It is imperative that limited resources 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.

14.6 There are limited capital resources to fund any overspends/new requirements which could occur during the financial year. Any additional schemes during the financial year will require an existing scheme to be deferred or funds re-allocated unless there is headroom in the General Fund to borrow. A review has been undertaken of the vehicles, plant and equipment needed to deliver front-line operational services and a total budget of £2m has been estimated for this purpose for the period from 1 April 2016 to 30 March 2020 inclusive.

Available Capital Funding

14.7 Capital expenditure can be financed from revenue resources, capital grants, usable capital receipts and borrowing. The General Fund can only be used to fund General Fund related capital expenditure, and the Housing Revenue Account (HRA) can only finance expenditure on HRA assets; there can be no cross subsidisation between accounts. In both cases, the revenue resources are limited.

A summary of the 2016-2020 capital resources utilised to fund the Capital programme is detailed in Annex 1, but shown graphically below.



14.8 **Capital Grants –** these are offered by external funders to assist with certain types of expenditure. Capital grants include: Environment Agency, Lottery funding and European grants. The Disabled Facilities Grants allocation for 2015-16 is £1.277m and it has been assumed that this will continue for 2016-17.

14.9 **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.

14.10 **Unsupported Borrowing –** The Local Government Act 2003 gave local authorities the ability to borrow for capital expenditure above the level supported by Government Grant, provided that such action complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Prudential Borrowing ("The Prudential Code"); the objectives of which are to ensure that capital investment plans are affordable, prudent and sustainable. Essentially, it provides a number of controls to ensure that the Council does not incur additional debt without fully understanding the financial implications both now and in the future. It is anticipated that borrowing of £1.839m will be required to support the General Fund Capital Programme in 2016-17.

14.11 **Capital Projects Reserve** – A mid-year review of the capital programme will be undertaken in light of the limited capital receipts achieved to date. It is anticipated any balances remaining within the capital projects reserve will be fully utilised to balance the existing 2015-16 programme.

15.0 THE CAPITAL PROGRAMMES FOR 2016-17 TO 2019-20

15.1 A number of capital programmes agreed for 2015-16 have been re-phased while schemes are being reviewed. Ramsgate Port & Harbour Low Carbon Plan £105k has been re-phased to 2016-17. Margate Pedestrian Connections £24k, Jackey Bakers Enhancements £50k, Marina Management System £78k and Boat Wash Separator £25k have been re-phased to 2017-18.

15.2 **Existing Programmes already agreed** – Programmes already agreed from previous years within the four year programme are the Disabled Facilities Grant, Swimming Pool/Sports Hall Essential Capital Repairs, Property Enhancement Programme, CCTV, Dreamland, Sea Wall Refacing Works West of Westgate Bay and East of Epple to Westgate Bay, Operational Services Vehicle Replacement Programme, Thanet Crematorium Columbaria Provision, Thanet Crematorium Memorial Chapel Area, Ramsgate Port & Harbour Low Carbon Plan and Ramsgate Main Beach Timber Groyne Installation.

15.3 **Continuing Service – Led Capital Schemes** - Due to pressure on the Council's funding position, the Property Enhancement Programme has been reduced to £nil for 2016-17 and £80k pa thereafter, the Swimming Pool/ Sports Hall Essential Capital Repairs has been reduced to £30k for 2016-17 and £nil thereafter, and the Ramsgate Port & Harbour Low Carbon Plan has been scaled down to £565k. The Public Conveniences annual capital budget has also been removed and a full review of this area will be undertaken. A review of The Disabled Facility Grant budget has identified that the Council funded element is no longer required as currently there is no waiting list for adaptations and has therefore been removed, although the externally funded element of £1.277m has been assumed as continuing.

15.4 **New Capital Projects –**

Ramsgate Port – Berth 4/5 Replacement – This project is necessary to retain an aggregate berth facility at Ramsgate. It will protect/enhance income from Ramsgate Port and reduce maintenance costs.

Ramsgate Harbour – Smart Metering – This project is for further implementation of smart metering within the inner and outer marinas where it is currently not in place. This system will enable the Council to advance-charge customers for electricity usage, which will provide administration benefits and reduce the risk of non-payment. Security will also benefit from improved access controls.

15.5 **The Draft Capital Budgets 2016-17 to 2019-20**

15.6 The draft General Fund Capital Expenditure Budget for 2016-17 that is proposed for Members' approval is £4.332m (including 2015/16 slippage identified below), which will be funded in the main from capital grant, usable capital receipts and prudential borrowing. This is shown in summary format below.

	2015-16 Slippage £'000	**2016-17 £'000**	**2017-18 £'000**	**2018-19 £'000**	**2019-20 £'000**
Statutory and Mandatory Schemes		1,277	1,277	1,277	1,277
Schemes continuing from prior years	105	927	703		
Annual Enhancement Schemes		780	580	330	580
Wholly/Part Externally Funded Schemes		168	851		
Replacements and Enhancements		1,000	100		
Area Improvement					
Capitalised Salaries		75	75	75	75
Total Capital Programme Expenditure	**105**	**4,227**	**3,586**	**1,682**	**1,932**
Capital Resources Used:					
Capital Receipts and Reserves	0	1,091	592	155	155
Capital Grants and Contributions		1,402	2,268	1,277	1,277
Contributions from Revenue	0	0	0	0	0
Prudential Borrowing	105	1,734	726	250	500
Total Funding	**105**	**4,227**	**3,586**	**1,682**	**1,932**

16.0 RESERVES

16.1 **General Reserve**

16.2 The Local Government Finance Act 1992 requires precepting authorities, such as Thanet District Council, to have regard to the level of reserves needed for future expenditure when calculating the budget requirement. Each year the Council reviews its level of reserves and a draft proposal of the recommended levels of reserves is shown at **Annex 3** to this report. No change in reserves is currently proposed.

16.3 **Earmarked Reserves**

16.4 It is good practice to use reserves to ‘save’ funds over a period of time to spread the impact on the Council Tax of large fluctuating expenditures. The table overleaf shows the planned level of reserves, which will be used to fund anticipated expenditure during the year.

16.5 At the end of the financial year 2014-15, the Council had to utilise some funds set aside in earmarked reserves to provide an increased provision for liabilities in relation to animal exports. Further payments have taken place during 2015-16 which have utilised the provision set aside and required further draw down from earmarked reserves. The Council currently has an outstanding investigation with the Health and Safety Executive in relation to some employees.

16.6 It has been necessary during the year to undertake a review of the Capital Programme and revise funding sources to enable the Insurance and Risk Management reserve to be increased to fund one off liabilities the Council may face.

EARMARKED RESERVES						
Reserve	Balance 31.3.15 £000's	Proposed Drawdown 2015-16 £'000s	Proposed Contribution 2015-16 £'000s	Estimated Balance 31.3.16 £'000s	Proposed Drawdown/ Contribution 2016-17 £'000s	Proposed Balance 31.3.17 £'000s
Capital Projects Reserve	954	-954	0	0	0	0
Council Election Fund	118	-118	40	40	40	80
Cremator and Cemeteries	406	-480	126	52	126	178
Destination Management	400	-250	0	150	0	150
Decriminalisation Fund	210	-40	0	170	0	170
Dreamland Reserve	117	0	0	117	-117	0
East Kent Services Reserve	303	-203	0	100	0	100
Economic Development & Regen	198	-98	0	100	0	100
Environmental Action Plan	162	-162	0	0	0	0
General Fund Repairs	316	-316	40	40	0	40
Homelessness Fund	276	0	0	276	0	276
Housing Intervention Reserve	172	-100	0	72	0	72
Information Technology Investment	311	-100	0	211	0	211
Local Plan	418	-113	0	305	0	305
Maritime Reserve	356	-356	0	0	0	0
NDR Equalisation Reserve	1,205	-1,030	0	175	0	175
New Homes Bonus Reserve	137	-137	0	0	0	0
Office Accommodation	31	-31	0	0	0	0
Pay & Reward Reserve	291	-185	0	107	0	107
Pensions Fund	412	-220	0	192	0	192
Priority Improvement Reserve	478	0	0	478	0	478
Renewal Fund	10	-10	6	6	0	6
Risk Management	103	0	0	103	0	103
Slippage Fund	1,101	-1,101	0	0	0	0
Unringfenced Grants	353	-193	0	160	-160	0
VAT Reserve	433	-300	0	133	0	133
Vehicle, Plant and Equipment Reserve	227	0	350	577	-577	0
Waste Reserve	13	0	0	13	0	13
Total	**9,511**	**-6,497**	**562**	**3,577**	**-688**	**2,889**

17.0 OPTIONS

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

18.0 CORPORATE IMPLICATIONS

18.1 **Financial and VAT**

18.2 The financial implications for the General Fund budget are laid out within the body of the report.

18.3 Based upon the financial risk assessment contained within Annex 3, it would at this stage be appropriate to maintain General Fund balances at 12% of the net service revenue base.

18.4 **Legal**

18.5 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, this is the Director of Corporate Resources, and this report is helping to carry out that function.

18.6 The requirements of other relevant statute have been referenced within the body of this report, where relevant.

18.7 **Corporate**

18.8 Corporate priorities can only be delivered with robust finances. Both the draft budget and the level of reserves recommended in this report are believed to be sufficient to meet these priorities and develop Services.

18.9 **Equity and Equalities**

18.10 A full equality impact assessment will be undertaken for any specific service changes.

19.0 Recommendations

19.1 That Cabinet approve the approach being used to develop the budget estimates for the General Fund;

19.2 That Cabinet approve the Fees and Charges Policy;

19.3 That Cabinet note the financial risk assessment for the General Fund Revenue Account that will be used to inform the setting of reserves for 2016-17, and the associated impact on the levels and types of reserves held;

19.4 That Members approve the General Fund capital budget proposals for 2016-17 to 2019-20 as detailed in Annex 1;

19.5 That Members approve the approach being used to develop HRA budget estimates for 2016-17 to 2019-20;

19.6 That Members approve the Housing Revenue Account Capital Budgets for 2016-17 to 2019-20 as detailed in Annex 2.

20.0 Decision Making Process

20.1 Cabinet is responsible for proposing the budget to Full Council. The final budget proposals agreed by Cabinet on 19 January 2016 will therefore go to Council for approval on 4 February 2016.

Contact Officer:	Nicola Walker – Interim Head of Finance Matt Sanham – Corporate Finance Manager
Reporting to:	Tim Willis–Director of Corporate Resources and S151 Officer

Annex List

Annex 1	GF Draft Capital Programme
Annex 2	HRA Draft Capital Programme
Annex 3	Financial Risk Assessment and Level of General Fund Reserves
Annex 4	Fees and Charges Policy

Background Papers

Title	Where to Access Document
Medium Term Financial Plan 2015-2019	Full Council 5th February 2015 http://tdc-mgapp-01:9070/Published/C00000141/M00003473/AI00023094/$Annex1MTFP201519v6.docxA.ps.pdf

Corporate Consultation Undertaken

Legal	Tim Howes, Director of Corporate Governance
Communications	Hannah Thorpe, Head of Communications