DOVER DISTRICT COUNCIL

APPENDIX 1

Budget 2018/19
and
Medium Term
Financial Plan
2018/19 – 2021/22

CONTENTS

ANNEXES

EXECUTIVE SUMMARY

OVERALL POSITION

1. This section provides a summary of the main points of the budget and Medium Term Financial Plan covering the General Fund Revenue Budget, Housing Revenue Account (HRA) and Capital Programme.

BUDGET AND MEDIUM TERM PLANS

2. The MTFP is the Council's key financial planning tool and underpins the strategic approach to financial planning. Although it spans four years, it is reviewed at least annually, and is monitored during the year.

3. It should not be viewed in isolation but as part of the wider planning process and in conjunction with other plans and strategies, in particular with the Corporate Plan and the Asset Management Plan. This MTFP covers the period 2018/19 – 2021/22.

4. Year 1 (2018/19) is the formally approved budget for the coming year. Years 2 - 4 of the MTFP (2018/19 – 2021/22) are included as "indicative budgets" for planning purposes. These will be rolled forward and amended in subsequent MTFPs and so approval of the overall plan does not set the budgets for the future years.

5. Regard has been given to the resources required to deliver the Council's objectives and the budget has been prepared to reflect the anticipated service costs and pressures.

6. It is the view of the Director of Finance, Housing & Community (Section 151 Officer) that the budget has been prepared in an appropriate and prudent manner and that based upon the information available at the time of producing this report the estimates are robust and the resources are adequate for the Council's spending plans in 2018/19.

7. However, current funding, in particular from Business Rates (BR), is volatile, difficult to predict and generally outside of the Council's control.

8. Data from the government's Valuation Office Agency has proved to be materially inaccurate for the DDC area following the 2017 revaluation, and subject to late correction. The Council will also be part of the Kent pilot of 100% Business Rates Retention for 2018/19, but the detail as to how this will work is not yet available. Monitoring of the position will continue throughout the year and changes reported to Members through the quarterly budget monitoring reports. On-going changes in the local government finance settlement for 2018/19 means that this year's budget is even more complex.

9. Future projections are also subject to a greater margin of error. It is anticipated that BR retention will be reduced from 100% in 2018/19 to 75% in 2019/20, although it is not clear how this will work. The scheme is also scheduled to be completely re-set in 2020.

10. The Government has also launched a consultation on future local government finance called the Fair Funding Review (FFR). At this stage it is not clear what impact this will have on the Council, and on the proportion of local government funding that is allocated to district council functions compared to that allocated to social services and other upper-tier functions.

11. In addition, changes to housing finance and proposals contained in the Housing and Planning Bill create more challenges and uncertainty for the Housing Revenue Account (HRA).

BUDGET HEADLINES

GENERAL FUND

- General Fund budget for 2018/19 has a surplus of circa £100k;
- Prudent General Fund balances maintained at circa £2.5m;
- Council Tax increase of £4.95, rather than the full 3% permitted by Government. This also maintains the lowest Council Tax in East Kent;
- Overall net expenditure levels reduced slightly;
- No significant reductions in funding for services and no major changes in staffing levels;
- Pressure comes mainly from reduced funding streams and homelessness;
- Government funding streams:
    - Revenue Support Grant 44.6% reduction in 2018/19, and forecast to be virtually nil by 2019/20;
    - The reduction in RSG accounts for the bulk of the on-going funding pressures;
    - New Homes Bonus was cut from 6 years to 5 for 2017/18, and has been cut to 4 years from 2018/19 onwards, with an estimated loss to the Council of approximately £350k per annum;
    - The Business Rates (BR)[1] regime remains complex, volatile and is beyond simple explanation. For Dover, a large proportion of the Council's BR income is generated from a small number of properties.
- Additional income has been generated and used to protect services. The main sources are from :
    - Increased Business Rates;
    - Increased Council Tax base and charge;
    - Treasury management investments;
    - Commercial property regeneration initiatives;
    - Externalisation of Revenues and Benefits and Customer Services to Civica;
    - Adjustments in recharges to the HRA and capital projects.
- We also have reasonable grounds to expect additional one-off income arising from the Business Rates Pilot, but as we don't have certainty this hasn't yet been built into the draft budget. Any additional income from the pilot will be transferred to earmarked reserves to support future projects.

[1] Business Rates (BR) and Non Domestic Rates (NDR) are terms which are now used interchangeably by Government and Local Government.

THE HOUSING REVENUE ACCOUNT

- 2018/19 budget funded;
- HRA balances maintained for 2018/19;
- Major variances for 2018/19:
    - On-going 1 % rent reduction;
    - Increased capital works, including fire precaution works;
    - Transfer of garage and shop income to General Fund;
    - Cessation of KCC Supporting People grant.
- Rents set by Government, and have been reduced by a further 1% in 2018/19;
- Rent reductions of 1% per annum until 2019/20 required by Government;
- By year 4 of the rent decrease annual rent income is projected to have fallen by £2.4m per annum compared to the 2015/16 MTFP forecast;
- The aggregate loss of rent income over the 4 year period is projected to be £6.9m;
- The introduction of a requirement to sell higher value housing assets has been delayed but not abandoned and the implementation timetable is currently uncertain. If implemented the impact could potentially be significant.
- The Council's ability to service the £80m debt, that the Government required it to incur, needs to be protected, and this should continue to be a priority;
- When more detail on the implementation of the Housing and Planning Bill is available, the implications will be reported to Members as appropriate.

THE CAPITAL AND REVENUE PROJECTS PROGRAMME

- The current capital programme totals £312m and is funded, subject to the borrowing arrangements for the Dover District Leisure Centre and the Property Investment Strategy;
- The major projects in the programme are;
    - Property Investment Strategy;
    - Construction of Dover District Leisure Centre;
    - Development of a Bus Rapid Transit System (BRT); and
    - Refurbishment of Dover Town Hall.
- The resources for funding capital and revenue projects will be largely exhausted by the current programme.
- Future capital receipts are expected to come mainly from housing right to buy sales and amount to £1m per annum at current sales levels, so will not replenish capital funds and will not be sufficient to maintain the current planned level of activity in the future. No other major receipts are currently expected.
- Revenue project resources will also be largely depleted and no significant new resources are expected other than from contributions from the revenue budget.

TREASURY MANAGEMENT STRATEGY STATEMENT

12. The Treasury Management Strategy Statement, including the Prudential Indicators and Minimum Revenue Provision Statement is included at Annex 9.

KEY ASSUMPTIONS AND SIGNIFICANT BUDGET RISKS

13. The budget and projections have been based on the best information available. However, there are always areas where there remains a degree of uncertainty or it has been necessary to make assumptions. The most significant of these assumptions, together with the significant budget risks, have been set out within the MTFP in order to ensure that Members are aware of the basis of the budget.

14. Periodic budget monitoring reports will continue to be produced and circulated to all Members, so that adverse variances can be identified and remedial action initiated as early as possible.

RELATED STRATEGIES AND PLANS AND JOINT PLANS WITH PARTNERS

15. Members' attention is drawn to the chart of related plans and strategies and details of joint plans with partners:

    - Related strategies and plans – Members are asked to consider the MTFP in relation to the other key plans and strategies, in particular the Corporate Plan.
    - Joint plans with partners – delivery of the Corporate Plan cannot take place without partnership working. The more significant partnerships and joint plans are provided later in the report.

THE GENERAL FUND REVENUE ACCOUNTS

INTRODUCTION

16. All the Council's services, other than housing, are provided through the General Fund (GF). The GF is mainly financed by Council Tax (CT), Business Rates (BR) and Enterprise Zone Relief, Revenue Support Grant (RSG, received from government), and New Homes Bonus (NHB, also received from government).

FINANCIAL OBJECTIVES

17. The main financial objectives for the GF Revenue Account[2] are as follows:

- Produce a fully funded GF Budget;
- Maintain general balances over the medium term at an appropriate level (considered to be a minimum of around 10% of the net budget requirement or £1.5m, and a preferred level at or above £2m);
- Use earmarked reserves to finance one-off items;
- Support the Council's corporate priorities and agreed service standards; and
- Undertake appropriate consultation.

BUDGET DISCIPLINE

18. Corporate Management Team, in consultation with Members, have reviewed their service areas in order to support delivery of efficient and effective services within the budgets available.

19. In order to maintain firm downwards pressure on expenditure and recruitment, and to ensure budgets are directed to the Council's priorities the Council maintains a continuous Employment Management process. The Employment Management process provides a peer review and Chief Executive sign-off for all recruitment, so that all options are explored and tested before any recruitment is permitted.

20. The Council also has the facility to undertake efficiency and service reviews, "Delivering Effective Services (DES)". The DES team's role is to review services to deliver efficiencies, savings, alternative delivery methods, digital improvements, smarter working and improved customer experiences.

21. A key element of financial management is the treatment of unspent budgets. The Council has sought to promote a culture whereby budget managers have the flexibility to manage their budgets responsibly. Accordingly, managers are given the opportunity to carry forward unused elements of their budget, subject to approval by the Director of Finance, Housing and Community.

THE GENERAL FUND BUDGET SUMMARY

22. The Council's GF revenue budget for 2018/19 is shown in Annex 1. The budget is funded, and the GF balance is forecast to be £2.51m. The net budget requirement for the Council's own purposes, after transfers to/from earmarked reserves is £13.85m.

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[2] The Revenue Account funds day to day recurrent expenditure. There are separate financing arrangements for capital expenditure where the benefit of the expenditure lasts for more than one year.

	2017/18 Original Budget £m	2018/19 Original Budget £m
Budget Requirement:		
Gross Revenue Expenditure	69.164	68.930
Gross Revenue Income	(54.778)	(54.992)
Underlying Budget Requirement	**14.386**	**13.938**
Earmarked Reserve adjustments[3]	(0.523)	0.451
Net Budget Requirement	**13.863**	**14.389**

23. The underlying Budget Requirement has reduced slightly between the financial years illustrating that the Council has absorbed the impact of inflationary increases.

24. The Council's GF revenue budget for 2018/19 is shown in Annex 1. The budget is funded, and the GF balance is forecast to be £2.5m.

KEY VARIANCES / SIGNIFICANT ISSUES

25. The table below summarises the main variances. Additional information is provided in the notes that follow, and also at Annex 3.

	£000	£000
2017/18 Original Budget Forecast		**61**
<u>Variances in Funding</u>		
Decrease in Revenue Support Grant	458	
Decrease in Enterprise Zone Relief Grant	527	
Increase in Renewable Energy Retained	(247)	
Increase in NNDR Funding	(1,433)	
Decrease in NNDR Deficit	(123)	
Increase in Council Tax – increase in tax base & charge	(322)	
Decrease in Collection Fund Surplus (Council Tax)	95	
Decrease in New Homes Bonus (from 5 years to 4 years)	359	
Total Variances in Funding		**(686)**
<u>Variances in Corporate and Service Budgets</u>		
Use of Business Rates & Council Tax Reserve to cover NNDR Collection Fund distribution	123	
Net increase in Homeless temporary accommodation costs	700	
Homeless service delivery target	(200)	
Increase in Property Investment Strategy income	(150)	
East Kent Services target saving	(150)	
Increase in Treasury Management income from investment in pooled funds	(750)	

[3] Earmarked reserves are used to offset agreed expenditure within services in accordance with the protocols detailed in Annex 6.

Transfer to Special Projects reserve	650	
Transfer KCC/DDC pooling income to reserves	211	
New Enforcement post	30	
New Tourism & Transport posts	83	
Other Corporate and Service Variances – see Annex 3	(21)	
Total Variances in Corporate and Service Budgets		**526**
2018/19 Budget Forecast		**(99)**

GENERAL FUND KEY ELEMENTS

26. The main factors impacting the General Fund budget are detailed below.

Staff Salaries

27. Independent advice on the cost of living increase is received to form the basis of negotiations for the 2018/19 pay settlement and is factored into the budget.

Vacancy Allowance and Organisational Savings

28. The vacancy allowance (savings from staff turnover) has been set at £150k.

29. The budget also includes a target saving of £100k to allow for a review of staff resources to identify appropriate savings within the authority or through shared service changes. An allowance of £30k has also been included to fund the proposed post to support the new Enforcement Hub.

30. It is proposed to continue the updated Employment Management process to maintain the link between approved service standards and the approval of posts to be filled.

Pension Fund

31. The Council's Pension Fund (part of the countywide fund administered by Kent County Council) is subject to actuarial valuation on a three yearly cycle. The last triennial valuation (the “2016 valuation”) of the KCC pension fund started in April 2016, and was implemented from April 2017.

32. DDC pays two contributions to the pension fund; these are “current service rate” (the additional pension earned in year) and a lump sum to finance the existing pension deficit. The actuarial report advised that due to lower discount rates the current contributions required to meet the cost of pensions being earned today should increase from 14.6% to 15.5%.

33. The 2016 valuation also estimated a decrease in the pension fund deficit for Dover. Dover is paying this deficit off over the next 17 years as agreed with the actuary. As a result the fixed sum to finance the deficit was decreased from £1.98m to £1.91m (for all staff, including HRA) in 2017/18.

34. It should be noted that changes to the pension fund deficit are largely a result of factors outside of the Council’s control including increases in pensions payable, increased life expectancy and lower asset values. There has also been an impact due to the creation of EKS and EKH, and the transfer of staff on a fully funded basis.

However, this would only become a “real” effect if EKS and EKH were to move away from the Council into wholly separate and independent organisations.

General Inflation

35. Setting a guideline level of inflation risks “over budgeting”. Instead, all managers are asked to consider the specific quantity and price of services they will actually need in the coming year and to reduce expenditure where possible.

36. The other significant area of potential inflation pressures relates to major term contracts. In 2018/19 the assumed level of contract inflation is based on the details of the specific contracts, the state of the market for the specific services and any other relevant factors. For future years it is not realistic to attempt to model contract renewal costs and so for planning purposes a 3% increase in the cost of major term contracts has been assumed. Each 1% variance in contract inflation leads to approximately £80k variance in costs.

Contingency Provision

37. Contingency provision of £227k has been included to meet any unexpected expenditure commitments, if they cannot be contained within other budgets. As part of the budget setting process managers and directors were asked to identify any budgets held for items such as legal or consultants’ fees that would only be required if certain circumstances occurred. These budgets have been removed from individual budgets and will be funded from this provision if required for the items identified.

Grants to Organisations

38. The Council makes a number of grants to organisations for services across the district, including contributions to the Citizens Advice Bureau and Your Leisure; these are detailed in Annex 11.

Shared Services

39. East Kent Services currently manages revenues & benefits, customer services, ICT and Human Resources functions on behalf of Dover, Canterbury and Thanet Councils. Thanet are the accountable body for these arrangements. From January 2018, responsibility for the revenues and benefits service and customer services has transferred to Civica, which should lead to further efficiency savings. Thanet will continue to handle the accounting arrangements and be billed by Civica, and they in turn will charge management fees to Dover, as at present. It is anticipated that the new arrangements will lead to savings of up to £800k p.a. in total for all partners in 2018/19, and Dover has included a cautious savings target on its share of management fees of £150k compared to the projected level of fees for 2017/18.

40. The Council has awarded a 10-year contract to carry out recycling and waste collections, the processing of recyclate collected and street cleansing operations to Veolia Environmental Services (UK), which commenced in January 2011. The contract has been awarded in partnership with Shepway District Council and Kent County Council (as the disposal authority). Dover is the lead on this partnership and manages the client team who oversee the contract from the Dover District Council offices on behalf of the three authorities.

41. East Kent Audit partnership (EKAP), hosted by Dover, provides internal audit services to Dover, Shepway, Canterbury and Thanet (including East Kent Services) Councils and East Kent Housing.

Interest on Investments

42. The overall interest rates achieved in 2018/19 will depend on the combination of the LIBID rate and the margin it maintains above base rate, the rates for current investments, the prevailing market rates when current investments are renewed, as well as the permissible deposit durations which change according to updated credit rating criteria.

43. The Bank of England increased the base rate in November 2017 for the first time in ten years, but it is still very low. With uncertainty and instability possible in the financial markets following the Brexit decision, the Council has sought the advice of its Treasury Advisors, Arlingclose, and briefed a meeting of the Investment Advisory Group in October 2017 who have agreed with the proposals for using certain pooled investment funds to increase returns and reduce bail-in risk (an increased risk of the Council's bank and building society deposits being 'called on' to fund preferential creditors in the event of a bank collapse, following changes to rulings from 2018).

44. As a result, £6 million has been placed with the Columbia Threadneedle Strategic Bond Fund and £6 million with the Investec Diversified Income Fund during December 2017. While there is a risk that the capital investment values may go down as well as up, the investments will generate between 4% - 5% of income returns and are viewed as long term investments (5 - 10 years).

45. The Council had also invested £6m in the CCLA (Churches, Charities & Local Authorities) property fund in June-July 2017. The fund is anticipated to generate returns of circa 4% - 5% p.a. and is viewed as a longer term investment (5 - 10 years). The 'entrance fees' allow for stamp duty, etc., and therefore capital appreciation typically takes longer to achieve, and can fluctuate, while income tends to be stable in the 4.5% region.

46. The MTFP assumes that the Council's investments overall will earn the General Fund £979k (an additional £750k on the level budgeted for 2017/18), mainly due to the higher returns from these new investment instruments and a change in the split between General Fund and HRA.

47. Changes to accounting requirements under IFRS9 may require fluctuations in the capital value of investments to be charged to the Income & Expenditure Account from 1st April 2018, even though these are not realised unless investments are sold. We are awaiting clarification from the accounting body, CIPFA, on treatment of investments and whether there might be a statutory override for Local Authorities. We are ring-fencing £2m from the Dover Regeneration & Economic Development Earmarked Reserve to allow for any fluctuations in capital value within the MTFP. However, it is considered unlikely that this level of support or "buffer" will be required, as funds will be held for the longer term reducing the risk of losses, that may need to be reported for accounting purposes, being realised by the time of sale.

48. Members should note that the localisation of Business Rates places a significant potential risk on DDC's cash flow. If there is a significant reduction in Business Rates collection through revaluation, demolition or major business failure in the district, this

would reduce the funds available for investment and therefore reduce the interest earned.

Regeneration and Property Investment

49. On 30 November 2016 Council approved the Property Investment Strategy. This approved investing up to £200m in commercial and residential property, either directly or through a property company, primarily in order to increase economic regeneration and also to generate returns. The 2017/18 approved General Fund budget included a target Property Investment Strategy income of £500k.

50. In March 2017 Cabinet approved the appropriation of garages, shops and land from the HRA to the General Fund, the transfer is currently forecast to deliver circa £286k net income.

51. In September 2017 the purchase of the freehold of the B&Q retail warehouse at White Cliffs Business Park, Dover was completed as the first acquisition under this initiative. After annual costs including borrowing (based on PWLB over 40 years) and management the resulting retained income is forecast to be £268k per annum, a net return of 1.6%.

52. In December 2017 a second site, Whitfield Court, was purchased. The site is located in the White Cliffs Business Park and the Council want to ensure the long term stability of the area. The site is a multi-let business park comprising 14 office and light industrial units totalling 45,636 sq. ft. After annual costs including borrowing (based on PWLB over 40 years) and management the resulting retained income is forecast to be £120k per annum, a net return of 2.65%.

53. In addition the Property Investment team have been working on a number of residential developments both utilising DDC owned properties and land as well as with external developers. A key element of the strategy at this stage has involved the purchase of ex-council properties to be utilised to provide interim accommodation for homeless households until they can be offered permanent housing, thereby helping reduce the current use of B&B and nightly paid accommodation.

54. The full year income from 2018/19 from these completed projects is forecast to be in excess of £650k.

Other Income Streams and Fees and Charges Made by DDC

55. Fees and Charges are reviewed and set annually, with reports approved by Licensing and Regulatory Committees and Cabinet. When setting Fees and Charges managers consider:

- Cost of providing the service;
- General market rate for the service;
- Charges levied by neighbouring authorities;
- Government guidelines;
- The last time the fee / charge was increased;
- Sensible price points – it is more sensible to increase by sensible amounts every two or three years rather than a few odd pence every year;
- Impact of the fee upon service use and upon different sections of the community;
- Impact of service use upon corporate objectives; and
- Overall income the service generates.

56. The only Fees and Charges that are not included in this process are for car parking, which are the subject of a separate report.

57. The main sources of income and relevant issues are summarised below.

- Car Parking

  The 2017/18 gross income (before costs) for parking fees and penalty charge notices is currently forecast to be slightly above the original budget of £2.3m at £2.4m. The income for 2018/19 is anticipated to increase to £2.6m due to changes in charging in the district including the introduction of Sunday charging in some car parks.

  The Council expects a small deficit from on-street parking in 2018/19 (the deficit is forecast to be £41k in 2018/19 compared to a surplus of £60k in 2017/18). In accordance with Section 55 of the Road Traffic Act 1984 (and subsequent updates), the deficit will be funded from the On-Street Parking Reserve (which is the surplus from on-street parking from previous years which has been set aside to carry out permitted activities as specified in the Road Traffic Act). Any surplus over £100k would be remitted to KCC. In 2017/18 it is anticipated that £47k of the surplus will be spent.

- Rental Income

  The 2018/19 budget forecasts rental income of over £2.3m. This consists of the rent (excluding any costs) for the Property Investment purchases as detailed above as well as existing rental streams from corporate properties, including the letting of space at the Whitfield offices.

- Development Management

  The original budget for Development Management fee income in 2017/18 was £655k incorporating £600k for planning application fees and £55k for pre-application fees. Planning application fee income is standing at £494k as at 31/12/17. Whilst it is always difficult to predict Development Management fee income, it is anticipated that that the planning application fee income should rise to £658k approx. by the end of the financial year. There has also been a continued improvement in the level of pre-application advice with a circa £6k increase anticipated by the end of year. The anticipated fee income may be higher subject to implementation of the proposed 20% increase in planning fees explained below.

  Although the budget for 2018/19 has increased to £715k to reflect the Fees and Charges report estimates it should be noted that the increase does not include the 20% fee increase proposed by Government in response to the publication ‘Fixing Our Broken Housing Market’. To take advantage of the increase the council has committed to invest the additional fee income in the planning department. Regulations to introduce the 20% increase in planning fees were made on 20th December 2017 which means that local planning authorities will be able to start applying the fee increase from 17th January 2018.

- Licensing

This includes Alcohol, Public Entertainment, Taxis, Gambling and other miscellaneous licences. The original budget for 2017/18 was set at £246k; the 2017/18 forecast has been increased slightly to £254k as a result of increased income from animal establishment licences, street trading consents and adult gaming centres. The 2018/19 budget has been decreased slightly to £210k most significantly due to no annual renewal of family entertainment centre licences as these last ten years and the mandatory introduction of three year hackney carriage / private hire licences and associated reduction in income as reflected in the Fees and Charges report estimates.

- Land Charges

  The original 2017/18 budget of £220k has been reduced to a forecast of £196k to reflect a reduction in the number of search requests expected. The 2018/19 budget has been set at £196k due to the reduced demand in the previous year.

  Government proposals are still ongoing with regards to changing the delivery method of some search information and moving part of the work to HM Land Registry. The primary legislation was made in 2015 and results of the consultation published. However the necessary secondary legislation has not been enacted.

- Green Waste Subscription Service

  The Green Waste subscription service original budget for 2017/18 was set at £223k. The 2017/18 forecast has been increased to £232k to reflect the actual level of take up in the year. The 2018/19 budget has been set at £247.5k based on an estimate of approximately 5,500 subscribers and an increase in the cost of the service.

- Building Control

  The Building Control (BRFE) income is largely dependent upon construction activity. Assumptions about the level of activity combined with the economic forecasts led to a budget of £285k being set for 2017/18. The year-to-date receipts are in line with the forecast budget. Trends suggest increasing construction activity locally (if not nationally) and there will be a modest increase in fees and charges. Hence the budget for 2018/19 has been set at £315k.

58. In total the major fees and charges generate approximately £6.53m gross towards the General Fund budget.

FINANCING THE BUDGET

59. The net requirement is financed mainly by Government grant and Council Tax. The total financing for 2017/18 is:

2018/19 General Fund Revenue Financing	£000	%
Non-Domestic Rates Income – baseline	3,564	
Non-Domestic Rates Income - growth, S31 grant, less levy, etc.	1,434	
NNDR Collection Fund Deficit – relating to prior years' appeals/appeals erosion of income	(605)	
Revenue Support Grant	568	
Enterprise Zone Relief Grant	618	
Renewable Energy Retained	331	
Total Government Grant	**5,910**	**40.8**
Council Tax	6,922	47.8
Collection Fund Surplus (Council Tax)	141	1.0
New Homes Bonus	1,515	10.4
Total Financing		**100.0**

60. The year on year changes in financing are :

Financing of Net Requirement	2017/18 Original Budget	2018/19 Original Budget	Year on year change
	£000	£000	%
Revenue Support Grant	(1,027)	(568)	(45%)
Business Rates Retained	(3,564)	(4,998)	40%
EZ Relief & Renewable Energy - in year	(1,118)	(918)	(18%)
Council tax	(6,600)	(6,922)	5%
New Homes Bonus	(1,874)	(1,515)	(19%)
Underlying Financing[4]	**(14,183)**	**(14,394)**	**5%**
Collection Fund Distribution			
NDR Deficit	728	605	
Council Tax Surplus	(236)	(141)	
EZ Relief & Renewable Energy - prior year	(111)	(31)	
Total Financing	**(13,802)**	**(14,488)**	

61. Annex 4 shows the overview of the forecasts for 2019/20 - 2021/22. The following sections provide further explanation of the Council's main funding streams.

REVENUE SUPPORT GRANT

62. RSG (from Government) has been reduced by significant amounts every year since 2012/13. In order to provide certainty for the future settlements the council (in common with all but 10 other English Councils) accepted the Government's offer of a 4 year settlement and 2018/19 is the third year.

[4] The underlying financing reflects the financing types received on an annual basis. The remaining financing items are one-off and so can vary significantly between years.

63. The settlements are shown in the table below. RSG is expected to fall away to (virtually) nil by 2019/20. The reductions in RSG account for the bulk of the Council's future savings requirement.

Revenue Support Grant Settlement	Grant £000	Reduction £000	Reduction %	Cumulative £000	Cumulative %
2012/13[5]	5,112				
2013/14[6]	4,699	413	8.1	413	8.1
2014/15	3,698	1,001	21.3	1,414	27.7
2015/16	2,529	1,169	31.6	2,583	50.5
2016/17	1,758	771	30.5	3,354	65.6
2017/18	1,027	731	41.6	4,085	79.9
2018/19	568	459	44.7	4,544	88.9
2019/20 Proposed	57	511	90.0	5,055	98.9
2020/21 Onwards	0	57	100.00	5,122	100.0

64. The table above shows RSG in cash terms. If the % reductions were adjusted for inflation, they would be higher.

65. For financial planning purposes it has been assumed that RSG remain at zero for the remainder of the MTFP planning period. There is a possibility that it could become negative, at which point we would be paying government for the right to run services.

BUSINESS RATES (BR)

There are four main aspects to the current business rates regime:

- The cost to businesses
- "Real" growth
- The impact on DDC funding
- BR retention as a system of local government finance

<u>The Cost to Businesses</u>

66. The BR to be paid by businesses are determined by the Valuation Office Agency (VOA), who set the rateable value (RV) of commercial premises, and by central government, who set the multiplier (rate in the pound) that is to be applied to the rateable value. Local authorities do not have a role in setting or appealing valuations, nor do they have access to much of the VOA's information.

67. Local authorities are mainly responsible for the collection of the due amount, and promoting economic regeneration to grow the tax base.

[5] Split for 2012/13 based on proportion of RSG:NNDR for 2013/14 before Council Tax Support Funding, with an adjustment to add to the 2012/13 RSG the level of CTS funding of £1,218k awarded in 13/14 for comparability across the years.

[6] Council Tax Support Funding added by Govt. to RSG from 2013/14 onwards, replacing subsidy for council tax benefit previously shown in service costs. This effectively covers reduced income from Council Tax due to discounts being applied against tax base/council tax bills instead of being awarded as Benefit. CTS Funding not disclosed separately by Government from 14/15 onwards.

Real Growth

68. The Dover District has been successful in generating significant real growth in developments in the district during 2016/17 – 2017/18 including:
- Supermarket (Lidl) at White Cliffs Business Park
- Maritime Skills Academy
- Betteshanger Park
- Discovery Park
- New petrol station at Whitfield
- Two new restaurants on Beach Street, Deal

69. In addition the following developments are underway:
- St James development (due to complete in February 2018)
- Business units at White Cliffs Business Park
- Combined Heat and Power Plant at Discovery Park

70. The district also benefits from an Enterprise Zone (EZ) at Discovery Park which has major benefits to businesses in terms of BR relief (generally at £55k per annum per business for five years) and the employment and economic activity this brings locally and regionally.

71. All of these projects will have a positive impact on the tax base of the district and therefore on the total income collected by DDC and the amount retained by the Council for its own purposes.

72. This level of growth is vital to the Council since it helps to offset the erosion of the tax base and BR income from BR appeals.

Impact on DDC Income

73. The BR profile for DDC is unusual in three main respects. First, a very high proportion of the income is concentrated at a small number of sites (hereditaments). That means that a change at just one site can have a significant effect on DDC's income.

74. Second, the Dover area has unique assets including the Channel Tunnel, Dover Port and the Enterprise Zone (EZ). These sites represent a high proportion of total BR, and their RVs are very hard to predict when revaluations are underway.

75. The table below shows the volatility in DDC's share of BR since the local retention of BR was introduced. The majority of this volatility is due to how the BR retention scheme operates, and is not due to "real" changes.

NNDR/Business Rates (exc. EZ Grant)	DDC Share of Income £000	Reduction/ (Increase) £000	Reduction/ (Increase) %	Cumulative Change £000	Cumulative Change %
2012/13[7]	3,348				
2013/14	2,994	354	10.6	354	10.6
2014/15	4,682	(1,688)	(56.4)	(1,334)	(39.8)
2015/16	4,296	386	8.2	(948)	(28.3)

[7] Split for 2012/13 based on proportion of RSG: NNDR for 2013/14 excl. Council Tax Support Funding.

2016/17	2,805	1,491	32.6	543	16.2
2017/18 Projected	3,995	(1,190)	(42.4)	(647)	(19.3)
2018/19 Estimated	4,723	(728)	(18.2)	(1,375)	(41.1)

76. Despite the extreme volatility the estimated outcome for 2018/19 is favourable for the Council.

BR retention as a system of local government finance

77. The current system of BR retention has a number of significant defects including extreme complexity, opacity and volatility, difficulty in forecasting future income, continual change and adjustments in the system, unreliable data from the VOA and perverse outcomes that appear to punish growth and reward reductions in tax base.

78. For Dover there is the additional complication of an EZ which is classified as a "Case B" EZ and therefore requires a separate system of government grants.

79. The system contains a complex web of tariffs and top-ups, safety nets, levies, baseline "resets", BR pools, pilot schemes, periodic revaluations, transition periods, appeals and frequently changed BR relief schemes.

80. The dynamic nature of the system, the elements of which can all be moving in different directions at the same time, can produce perverse outcomes, and makes it very difficult to develop a stable and robust budget, which therefore raises questions about its longer term fitness for purpose.

81. In the shorter term, DDC will be joining the Kent pilot which will increase the retention rate on BR growth from 50% to 100% for 2018/19. The national retention rate is expected to move to 75% in 2019/20 or 2020/21.

Overview

82. A full explanation of the BR retention system and its impact upon the Council is contained in Annex 1C.

83. DDC is in a relatively unusual position in that its BR income is very heavily concentrated in its largest sites, with 38% of its BR income from just four sites as shown below.

Dover's Rateable Values	**Rateable Value [8] £000**	**%**
Channel Tunnel	28,000	27
Discovery Park	6,115	6
Dover Harbour Board	2,720	3
Tesco, Whitfield	2,390	2
Sub Total	**39,225**	**38**
Remainder[9]	65,263	62
Total	**104,488**	**100**

[8] Note – These figures are based on 2017 valuations. Rateable Value is not the same as the Business Rates paid. RV is multiplied by a government set multiplier (49.7p in 2016/17 decreasing to 47.9p in 2017/18 for the standard multiplier), to determine the amount payable, and this may be subject to BR allowances.
[9] The next largest site is just 1% of the total.

84. A simplified illustration of the mechanism for the "50%" BR retention system is set out in the table below, based on 2017/18 data (before adjustment for S31 grant funding of reliefs).

Attribution of BR Income (Indicative)	**£m**
Dover district net rate yield	**(36.2)**
Less	
50% to Government	18.1
9% to KCC and 1% to Fire	3.6
Retained balance of 40%	(14.5)
Less: **tariff to Government**	11.5
Balance retained by DDC	**3.0**

85. From the 40% retained, if the baseline amount that remains with the council is greater than the council's baseline budget requirement, then the council pays the excess to government in the form of a "tariff". For Dover this means the bulk of the 40% is also paid to government. Once the tariff is set, a district will have to continue to pay this amount to government. If actual collection is lower (for example, due to demolition at Discovery Park, successful appeals by doctors surgeries, etc.) the council has to continue to pay the tariff, and bear the loss itself, as well as bearing the costs of the appeals refunds, which may stretch back over many years and may even pre-date the current system.

86. The system is also asymmetric. If the amount collected grows, then the Council has to pay a levy on the growth, at 50%. So, if BR reduces by £1m, DDC would itself bear a loss of £200k. If BR grows by £1m, DDC would retain an additional £100k.

87. The total BR collected by DDC for 2017/18 is forecast to be c.£36.2m, so with a fixed tariff to pay, a proportionately small movement in this large number will have a very significant effect upon the Council's budget. Growth is rewarded at only half the rate that reductions are penalised, until a safety net kicks in (after the council has borne a reduction of c. £260k).

88. The estimate of BR collectable by DDC for 2018/19 is c. £40.1m[10]. After its expected tariff and S31 grant adjustment, the permitted amount for retention before levy or safety net adjustments is £5.33m approx., which is £1.762m above its BR baseline for 2018/19. Ordinarily, a 50% levy would apply to the £1.762m excess, being £881k approx. However, DDC has joined a Government-approved pilot scheme, with the other Kent authorities, for 2018/19 which should enable all growth to be retained locally (i.e. with £nil levy payable).

89. The arrangements for splitting growth between the Kent partners are complex and have not yet been modelled in detail. However, the pilot scheme arrangements are expected to have a favourable impact on Dover in the region of £500k (being the 'Financial Stability Fund' element) as well as leaving an additional 'Growth Fund' amount available to be split amongst the "East Kent cluster" (Ashford, Canterbury, Dover, Shepway, Thanet) subject to agreement among the partners in conjunction with KCC. This additional funding has not yet been incorporated into the 2018/19

[10] This figure is based on the NNDR1 return submitted on 29th January 2018. It is stated after the offset of appeals adjustments and the reversal of transitional relief granted.

budget as operational and financial details are not yet resolved. Any additional income from the pilot will be transferred to earmarked reserves to support future projects.

90. Instead, we have incorporated savings based on pooling arrangements (rather than pilot scheme arrangements), as if we had joined the existing Kent pool with the other Kent Authorities for 2018/19, which would have been our intent if Kent had not been awarded pilot scheme status. This would have reduced our levy from 50% to, say, 10% and the resulting levy saving would have been shared: 30% KCC; 30% Dover; 30% Growth fund (requiring KCC approval for spend on DDC projects), and 10% set aside for contingency purposes. Therefore, instead of paying an £881k levy, Dover would only have needed to pay £176k levy, a saving of £705k. Dover's share of this saving is £423k (being 30% direct saving of £212k, and 30% Growth fund element of £211k which is transferred to the 'KCC & Dover Growth Fund' reserve pending allocation to projects requiring KCC approval). These savings are built into the 2018/19 budget.

91. Explaining the full complexity of BR retention is beyond the scope of the MTFP and would, in reality, require a lengthy training course. However, more information on the salient complexities, issues and concerns is provided at Annex 1C.

COUNCIL TAX

92. A Council Tax increase of 2.79% for DDC purposes has been assumed for the 2018/19 budget which, if approved, will produce a Band D Council Tax of £182.34. This will result in an increase of £4.95 per year on a Band D property, which is within the Government's revised capping requirements, limiting increases to 3% or £5.

93. The increase in the tax base from 37,204.40 Band D Equivalent properties in 2017/18 to 37,962.69 properties in 2018/19, which is a rise of 2.04%, is mainly due to new properties being registered for Council Tax (incl. estimates of new builds) and reduced claimant counts for CTRS discounts, offset by a lower than expected reduction in single person discounts following the review in 2017/18.

94. The combined impact of the Council Tax increase and the tax base increase is forecast to generate total Council Tax income of £6.9m. For planning purposes a Council Tax increase of £4.95 per annum has also been assumed for future years.

COMPARISON WITH OTHER DISTRICTS' 2017/18 BAND D COUNCIL TAX

95. DDC has one of the lowest Council Tax rates in Kent. A comparison with the East Kent authorities' 2017/18 Council Tax rates is shown below. This shows the percentage that their 2017/18 Council Tax level exceeds DDC's and the extra income DDC would receive at their level of Council Tax:

	Band D Council Tax £	Difference to DDC %	Extra Income DDC would receive
Dover District Council	177.39	-	-
Canterbury City Council	199.26	12%	£814k
Shepway District Council	237.01	34%	£2.22m
Thanet District Council	219.87	24%	£1.58m

NEW HOMES BONUS

96. New Homes Bonus (NHB) was funded by the MHCLG[11] from a top slice of existing local government finance. The NHB received is credited to the General Fund revenue budget and it is therefore an essential element in balancing the Council's budget. Reductions in NHB results in offsetting savings being required.

97. The grant awarded to Dover since the start of the scheme is detailed below:

Year of Scheme	Financial Year	Annual Grant £000	Cumulative Grant £000	Cumulative Years Included
1	2011/12	294	294	1
2	2012/13	155	449	2
3	2013/14	450	899	3
4	2014/15	396	1,296	4
5	2015/16	275	1,570	5
6	2016/17	328	1,899	6
7	2017/18	415	1,865	5
8	2018/19	497	1,515	4
9 (Estimated)	2019/20	425	1,665	4
10 (Estimated)	2020/21	425	1,762	4
11 (Estimated)	2021/22	425	1,771	4

98. The Government implemented changes to the scheme from 2017/18 resulting in a reduction in the number of years grant in payment from 6 years in 2016/17 to 5 years in 2017/18 and further reducing to 4 years in 2018/19. In addition Government has introduced a minimum growth level of 0.4%, below which no NHB will be paid.

99. The growth delivered by DDC for the 2018/19 NHB calculations was sufficient to receive NHB of £497k. The impact of reduction in the scheme from 6 to 5 years has been reduced by the higher level of growth in 2017/18 than that in 2014/15, the year being removed from the scheme, so the net impact of the change is a reduction in grant of £358k, to £1,515k.

100. For the purposes of the MTFP it has been assumed that NHB will be achieved at a rate of £425k per year as detailed in the table above.

COLLECTION FUNDS

101. The Collection Funds (CF) are statutory funds. They sit entirely outside of the General Fund and the Council budget.

102. The Council manages Collection Funds for Council Tax and Business Rates. Every year the CF is credited with the income from CT and BR (c. £62.9m and £43.2m respectively).

103. The CF is also debited with the precepts from DDC, KCC, Fire, Police etc. These precepts are based on the forecast of income based on assumptions about the tax base, collection rates, etc. So if income is below forecast the collection fund will show a deficit at the year end. If it is above forecast it will show a surplus.

[11] Ministry of Housing, Communities and Local Government

104. This surplus (or deficit) is owed to (or by) the preceptors and will be added to (or deducted from) the following year's precept in order to distribute the surplus available in the CF or contribute the projected deficit back to the CF to top it up. This is a continuous rolling process.

105. It is forecast that there will be a surplus for Council Tax of £968k by the end of 2017/18 (Dover's share being £141k for recognition in 2018/19) and a deficit for NNDR of £1.5m by the end of 2017/18 (Dover's share being £600k approx. for contribution to the fund in 2018/19), but thereafter there should be no further deficit on the collection fund for NNDR. Dover's contribution of its share of the NNDR deficit in 2018/19 is funded from prior safety net and other adjustments set aside within the Business Rates & Council Tax Reserve.

GENERAL FUND RESERVES AND BALANCES

106. The uncertainty and volatility that has been introduced into the major income streams for Business Rates and NHB suggest that maintaining or increasing reserves would be prudent.

107. The proposed General Fund balance in 2018/19 of £2.51m is above the Council's £2m "minimum preferred level". £2.51m represents 17% of the Council's budget requirement or just over 2 months net expenditure. It is prudent but not excessive.

108. The forecasts for future years show a balanced General Fund budget for 2019/20 and 2020/21, and then savings or income generation of circa £500k required in 2021/22 need to be identified. This is the normal pattern of MTFP projections since future cost pressures are generally identified in advance of potential savings.

109. The Council's earmarked reserves, and protocols for their use, are set out in Annex 6. Without these earmarked reserves the Council cannot plan effectively for anticipated future events and requirements and expenditure of a cyclical nature. Nor could the Council plan to smooth the impacts of the volatile income streams from Business Rates, New Homes Bonus etc. Therefore, the earmarked reserves are held at an appropriate level for the Council's future plans.

110. Further supporting information on the GF budget is provided in the following Annexes:

- Annex 1 contains the budget summary for the General Fund;
- Annex 1A summarises the net expenditure and financing requirements;
- Annex 1B is a summary version of the NDR forecasting model;
- Annex 1C is a detailed explanation of the NDR scheme;
- Annex 2A shows the net service expenditure analysed by categories of expenditure and income;
- Annex 2B shows the key expenditure and income figures and patterns for the General Fund;
- Annex 3 provides a detailed variance analysis between the original budget for 2017/18 and the proposed budget for 2018/19;
- Annex 4 provides the General Fund Revenue Budget projection for the period to 2021/22;

- Annexes 5A – 5D contain summaries of the services managed by each Director and the associated budgets; and
- Annex 6 contains details of the General Fund balance and earmarked reserves.

Recommendations from this Section

111. It is recommended that Cabinet:

- Continue the practice of delegating authority to the Director of Finance, Housing and Community to approve revenue budget carry forwards within the guidelines set out; and
- Approve the grants to organisations detailed at Annex 11.

112. It is recommended that Council:

- Approve the General Fund Revenue Budget for 2018/19 and the projected outturn for 2017/18;
- Approve the policies and protocols regarding the General Fund balances and earmarked reserves, and transfers between reserves as set out in Annex 6.

HOUSING AND THE HOUSING REVENUE ACCOUNT

OVERVIEW

113. This section addresses two separate, but related, aspects of housing within the district. The first concerns the financial standing of the HRA, its budget and balances, and the rent levels for the coming year.

114. The second concerns housing development and investment, and includes developments by the HRA, Registered Providers (RPs) and by the private sector.

FINANCIAL OBJECTIVES

115. The main strategic financial objectives of the Housing Revenue Account are as follows:

- Maintain a Housing Revenue Account that is self-financing and reflects the requirements of residents;
- Comply with the Decent Homes Standard;
- Maximise the recovery of rental incomes;
- Minimise the number of void properties and minimise the level of rent arrears and debt write offs;
- Provide sufficient investment in the current stock to maintain its condition and implement upgrades as necessary;
- Maintain an adequate level of HRA balances and reserves;
- Transfer the HRA balances in excess of the agreed adequate level to the Housing Initiatives Reserve to be used for investment in additional properties;
- Undertake prudential borrowing, in accordance with the Council's treasury management policies, where appropriate and there is a business case to do so, for investment in additional properties.

116. At the time of writing, the HRA has 4,317 dwellings, made up of 2,710 houses and 1,607 flats.

117. East Kent Housing is responsible for the management & maintenance of the Council's housing stock.

2018/19 DRAFT BUDGET AND MEDIUM TERM FORECAST

118. The HRA's financial position, detailed at Annex 7, can be summarised as follows:

- Forecast HRA balance at 31/03/17 £1.047m;
- Projected deficit for 2017/18 £9k (after transfer of £2.4m to Housing Initiatives Reserve (HIR));
- Projected HRA balance at 31/03/18 £1.038m;
- Projected HIR balance at 31/03/18 £13.4m;
- Forecast HRA surplus for 2018/19 £5k (after transfer of £250k to Housing Initiatives Reserve);
- Forecast HRA balance at 31/03/19 £1,043k;
- Forecast HIR balance at 31/03/18 £5.1m.

119. The major variances between the 2017/18 budget and the 2018/19 proposed budget are:

- On-going 1 % rent reduction;
- Increased capital works, including fire precaution works;
- Transfer of garage and shop income to General Fund;
- Cessation of KCC Supporting People grant.

120. The future year projections show a reducing income stream from rents due to the Government requirement to reduce rents by 1% per annum for the period 2016/17 – 2019/20 and also from the impact of increased Right to Buy levels. Alongside the rent reductions the HRA is also facing general inflationary pressures on its expenditure. These pressures have reduced the funding available to transfer to the HIR. The forecast shows that to maintain a balanced budget for the planning period, until 2021/22, the transfers to the HIR need to be reduced from £2.4m in 2017/18 to £250k in 2018/19, increasing to £1.1m by 2021/22.

121. Annex 7 provides a draft HRA budget summary & Annex 7A provides an explanation of the main variations from the original 2017/18 budget to the 2017/18 projected outturn and from the 2017/18 projected outturn to the 2018/19 proposed budget. Annex 7B details the 4 year forecast position for the HRA.

122. The capital spend on existing council owned stock will be in accordance with the agreed plan supplied by EKH and to be signed off by the s151 officer and EKH.

BACKGROUND

123. With effect from 1st April 2012 the government replaced the existing subsidy based system of HRA financing with "Self Financing". For DDC this resulted in the replacement of the subsidy that we were paying to Government (£6.3m in 2011/12) with a single payment to them of £90.5m. This was facilitated by DDC borrowing the required sum from the PWLB. Government direction was to plan for long term rent increases of 1% above inflation. Servicing the loan, over 30 years, cost less than the negative subsidy, and so the HRA started to accrue a surplus which could be invested in new housing.

124. Government's social housing strategy would now appear to be to favour home ownership where ever possible over social housing, through the delivery of affordable housing for purchase, the promotion of more right to buy for local authorities, and the extension of right to buy to Housing Associations.

125. Government have also determined that:

- Local authority housing rents should reduce by 1% in cash terms for 4 years from 2016/17. With an assumed inflation rate at 2%, this means a 12% reduction against Dover's planned rental income. On a rent roll of £20m, that is a shortfall of £2.4m by year 4 or £6.9m against previous projections. By year 4 the reduction offsets the annual surplus that was being accrued.
- The Housing and Planning Bill, includes provisions for the introduction of a scheme whereby Councils will pay the Secretary of State a sum equivalent to the Secretary of State's forecast of the capital receipts that the authority will make from the sale of vacant higher value HRA houses in the coming year. These funds will be used to compensate the Housing Associations for losses they will make on RTB sales. Councils are still waiting for details of how the scheme will be applied including a definition of "higher value". Therefore it is

not currently possible to assess the financial impact on the HRA although it has the potential to be significant

- The Housing Associations will be expected to replace the sold properties, but it is not clear if that will be in the area where they were sold, nor will it be funded from Councils in that area.

126. The HRA budget is balanced for 2018/19, and the Council still has significant balances in its Housing Investment Reserve, but once the implementation of the measures in the Housing and Planning Bill are understood, then the Council will need to consider the best ways, with falling rents and a reducing housing stock, to:

    - Continue to balance the HRA in future years;
    - Maintain investment in existing stock;
    - Invest in new stock;
    - Service the remaining HRA debt, about £80m.

127. A stock condition survey was undertaken in 2017, to inform the on-going maintenance and investment requirements. The 2018/19 budget is based on initial estimates from the survey, however fire precaution works have been prioritised and therefore some change to the estimates may be required in year. A detailed programme is being worked on by East Kent Housing and will be used to update projections for future budgets.

128. In May 2017 Dover District Council Jobcentre Plus went live with the Universal Credit Full Service. Early indications show that there has been a significant increase in HRA rent arrears during the period since. The situation is being closely monitored and bad debt provisions of £250k are included within the 2017/18 and 2018/19 budgets to allow for this increase.

<u>Rent Setting</u>

129. Council house rents used to be set using a complex model based on a formula provided by the Ministry for Housing, Communities and Local Government (MHCLG). This was intended to achieve “rent convergence” and the model took into account a number of factors such as:

- Relative property values;
- Local earning levels; and
- Number of bedrooms.

130. In previous years rents were uplifted by the Consumer Price Index (CPI) +1%. Starting from 2016/17 the Government directed that housing rents should reduce by 1% in cash terms each year for 4 years. This is resulting in a forecast shortfall in rental income of £2.4m per annum by year 4 and £6.9m cumulatively against previous projections.

<u>Rent Levels</u>

131. The average decrease has been explained above. Rent levels are calculated on an individual property basis using rent formulas previously prescribed by MHCLG.

132. It is not, therefore, possible to report on the rent to be set for, say, a standard 2 bedroom flat or a standard 3-bedroom house. However, for Members’ information the following figures may be helpful:

- The 2017/18 average weekly rent across all properties is £84.91;
- The 2018/19 average weekly rent is forecast to be £84.07;
- The decrease in the average weekly rent is £0.84 or 1%; and
- Three bedroom houses have rents (for 2018/19) ranging from £84.81 per week to £105.56 per week with an average of £91.98.

133. Determination of rent levels is an executive function that has been delegated to the Head of Strategic Housing in consultation with the Portfolio Holder responsible for Housing on the basis of the model described above.

Capital Receipts

134. Dover has entered into an agreement with Government to retain 100% of the receipts from sales above the anticipated trend level. These excess receipts (known as "1:4:1 replacement") are ring fenced to provide part funding of the cost of new affordable/social housing. This means that there is a cap on the receipts that can be used for general capital purposes. This can be supplemented by the element of excess RTB receipts retained for 'debt repayment' that may be used for other capital purposes if repayment of debt is funded from an alternative source.

135. As of the end of December 2017 there have been 28 RTB sales in the financial year and Dover had retained 'excess receipts' in year in excess of £1m (estimated). This has to be used within 3 years of receipt, or else it must be repaid to MHCLG, and, when applied to a capital scheme, it cannot comprise more than 30% of the scheme costs.

136. In order to comply with these rules and avoid claw back by the MHCLG, this funding is normally applied to HRA housing projects, before any other sources are used.

Service Charges

137. The Council currently levies service charges to tenants and leaseholders based on the costs of the specific services received by the two groups. Service charges to tenants are made in addition to their weekly rent. Service charges and charges for insurance are made to leaseholders in addition to the ground rent charged.

HOUSING DEVELOPMENT AND INVESTMENT

138. Housing development and investment within the district is taking place on a number of fronts, of which the most significant are:

- HRA Investment
    - Housing Initiatives Reserve (HIR)
    - 1:4:1 Right to Buy Replacement
    - Acquisition and new build
    - Investment in existing stock
- Registered Providers Investment
- Private Sector Housing
- Commercial housing developments
- Homelessness strategy

139. These are discussed in more detail below.

HRA INVESTMENT

Housing Initiatives Reserve (HIR) & 1:4:1 Right to Buy Replacement

140. The HIR is funded by the transfer of balances from the HRA whilst maintaining a £1m balance in the HRA. The HIR was established to fund a programme of new house building / acquisition. During 2017/18 HIR funding will have assisted in the addition of 10 flats to the HRA stock. In addition progress is underway on the refurbishment of properties in Folkestone Rd to provide 9 flats and other projects are being progressed working with local developments. Further projects are being developed to continue to provide additional affordable housing in the district; these are subject to a number of factors including planning requirements and viability.

141. The Housing and Planning Bill proposes measures that affect the HRA including the forced sale of higher value vacant properties (with the payment of the resulting receipts to government). The impact and timescale of implementation remain unknown at this stage.

142. After allowing for the 2017/18 capital bids the balance in the HIR is projected to be around £13.4m of which circa £4m is required for “matched” funding against circa £1.6m of excess right to by receipts retained under the governments 1:4:1 replacement scheme. If the excess right to buy receipts are not used within 3 years of their retention they are repayable to government with interest. The forecast of the HIR balance is included at Annex 7B.

143. The four year HRA forecast projects an on-going ability to contribute to the HIR, however this has reduced significantly in 2018/19 mainly due to the required reduction in rent income. The plans for use of the HIR will be kept under review to assess the impact of the Housing and Planning Bill due to the need to consider allocating funds to repay the £80m debt based on a decreasing asset base.

Investment in Existing Stock

144. The HRA budget and projects take account of the need to invest in existing stock before establishing a surplus for the HIR. Investments provided for in the HRA plan include:

- “Decent homes plus” achieved and continuing investment in fire precaution requirements, kitchens, bathrooms, windows and doors, etc.
- Remodelling of Norman Tailyour House to provide self-contained flats;
- Refurbishment of 91, 93 and 95 Folkestone Road;
- Development of affordable housing in Whitfield
- Property Purchases within Dover to be used as temporary accommodation
- Development of affordable housing in Capel-Le-Ferne.

Registered Providers Investment

145. Registered Providers of social housing continue to play a key role in delivering new affordable homes within the district and the Council will work in partnership with providers to try and maximise delivery.

146. Securing the provision of affordable homes through the application of the Council's affordable housing planning policy is an important delivery mechanism and key sites currently being progressed with the involvement of Registered Providers include further phases at Aylesham.

Private Sector Housing

147. The Council has a good track record of bringing empty homes back into use for many years. In 2016/17 a total of 23 empty homes were brought back into use. KCC "No Use Empty" loans totaling over £330,000 were made available to property owners during this year which helped deliver property improvements with an overall value of £400,000. 18 properties have been brought back into use so far this year and with schemes currently in progress we will reach 30. Any homes brought back into use generate additional New Homes Bonus and Council Tax receipts. Interest in the No Use Empty homes loans has reduced in recent years and in July 2017 the Council agreed to provide additional funding to increase the maximum loan available for empty homes, this is expected to increase the number of homes being brought back into use.

Commercial housing developments

148. A number of commercial housing developments are also underway in the district. These generate additional Council Tax and New Homes Bonus. They can also make a contribution to the provision of new affordable homes and the Council continues to maintain its objective of trying to secure the delivery of 30% of homes on such developments as affordable housing. However, it is recognized that affordable housing provision, especially rented housing, can undermine the viability of developments where property/land values are low and the development costs are high. Where the normal approach to on-site provision of affordable housing may prevent a scheme from coming forward, the Council may need to take a flexible approach in relation to the quantum of affordable housing and tenure and the possible provision of commuted sums or land that will enable affordable homes to be provided on an alternative site.

149. Current and anticipated significant commercial housing developments in the district include:

- Aylesham
- Whitfield
- Preston
- Connaught Barracks
- Land between Sholden and Deal
- Station Road, Walmer
- New Dover Road, Capel-Le-Ferne.

150. The number of housing completion in the District for the Authority Monitoring Report (AMR) period (1st April 2016 – 31st March 2017) was 406 houses. There were 78 new affordable homes built in the District. The number of housing completions in the District is down on the previous monitoring period (726 homes) so the focus remains

on trying to accelerate sites coming forward in order to assist with additional Council Tax and New Homes Bonus revenue.

Homelessness Strategy

151. The Council continues to see an increase in the number of homeless households requiring assistance and this combined with an increasing difficulty in securing alternative housing in the private rented sector has resulted in an increased use of temporary accommodation including Bed & Breakfast and nightly paid units. The cost of providing temporary accommodation is partially funded from a combination of Housing Benefit, Universal Credit and government grant; the remainder of the costs are met from the General Fund.

152. Homelessness has a significant and detrimental impact on the living conditions, opportunities, health and self-esteem of those affected. The increasing levels of homelessness seen in Dover also have a major impact on the financial position of the Council's General Fund with significantly increased expenditure on temporary accommodation.

153. Many of the pressures resulting in an increase in the number of homelessness acceptances are outside of the Council's control and are having a similar impact on other local authorities. While there is no single solution to the problem a range of different actions has been identified that can be taken locally which will help address the problem and alleviate the financial pressure. Delivering these actions is therefore a key Council priority and a project advisory group has been established to monitor delivery. The implementation of a number of actions has already started and they appear to be having a positive outcome. The 2018/19 budget includes a target saving of £200k to be delivered from these actions.

154. The provisions of the new Homelessness Reduction Act come into force from 3 April 2018. It is anticipated that while the act will create an increased workload for the team, the increased focus on homelessness prevention should help reduce the use of temporary accommodation. The key measures contained in the Act are:

- An extension of the period during which an authority should treat someone as threatened with homelessness from 28 to 56 days;
- A new duty to relieve homelessness for all eligible homeless applicants, regardless of priority need. This help could be, for example, the provision of a rent deposit or debt advice;
- A new duty on public services (including schools, universities and colleges, the NHS, Police etc.) to notify a local authority if they come into contact with someone they think may be homeless or at risk of becoming homeless;
- A new duty to provide Personal Housing Plans for all eligible applicants.

155. Some additional funding is being provided by government over a 3 year period up to 2019 to assist with the expected increase in service demand and some of this is already being used to cover the cost of new posts within the Housing Options Team. The remainder will be ring-fenced to support delivery of proposals and actions to support delivery of the target saving as detailed above.

EAST KENT HOUSING AND THE SINGLE SYSTEM

156. East Kent Housing (EKH) are implementing a single system. This was originally to replace the separate housing systems operated by Dover, Canterbury, Shepway

(Folkestone and Hythe) and Thanet and, on the basis of a business case approved by each of the Councils in 2015, all four have made loans to EKH of £223k each (totaling £892k), to finance the system.

157. The system has been partially implemented in Shepway and Canterbury and was due to be implemented next at Thanet, with Dover last. EKH have recently requested a further £370k in loans (£92.5k each) to complete the implementation. Thanet have declined to make any additional loan thus effectively withdrawing from the implementation.

158. EKH have indicated that they can cover the £92.5k shortfall with circa £70k of their own resources and the rest from savings arising from not proceeding with the Thanet implementation.

159. Canterbury and Shepway have indicated that they wish to proceed with the rest of the implementation and are willing to make the additional loan. An EKH Owners Committee (comprising the leaders, or their representatives, from each of the four Councils) will meet on 15th March to discuss the position and resolve any matters in dispute.

160. Given the position outlined above, it is not currently possible to provide certainty to Members as to what the position will be after 15th March. However, if EKH are to proceed with the implementation they will need the additional loans from Canterbury, Shepway and Dover to be advanced as soon as possible after the Owners Committee meeting on 15th March, and not wait for a cycle of meetings at Dover before they have certainty over the funding.

161. It is therefore proposed that the Director of Finance, Housing and Community is given delegated authority, in consultation with the Portfolio Holders for Built Environment and Corporate Resources and Performance, to provide a further loan to EKH, on similar terms and conditions to the original loan, of up to £100k for completion of the single system implementation, and to determine the financing of the loan.

Recommendations from this Section

162. It is recommended that Cabinet:

- Delegate to the Director of Finance, Housing and Community, in consultation with the portfolio holder for Performance and Resources, power to acquire freehold or leasehold residential properties and to agree terms and conditions in connection therewith.
- Delegate to the Director of Finance, Housing and Community, in consultation with the Portfolio Holders for Built Environment and Corporate Resources and Performance, the provision of a further loan to EKH, on similar terms and conditions to the original loan, of up to £100k for completion of the single system implementation, and to determine the financing of the loan.

163. It is recommended that Council:

- Approve the 2017/18 Projected Outturn and the 2018/19 HRA budget at Annex 7.
- Delegate to the Director of Finance, Housing and Community, in consultation with the portfolio holder for Performance and Resources, the setting of the

level of the on-going HRA minimum balance, the transfer of balances to the HIR, the use of prudential borrowing, and adjustment of the resources of the HIR accordingly.

WELFARE REFORM

INTRODUCTION

164. The key elements of welfare reform are:

- Universal Credit (UC)
- Council Tax Reduction Scheme (CTRS)
- Benefit Cap
- Social Sector Size Criteria (SSSC)

Universal Credit (UC)

165. UC is being rolled out to working-age people who are either unemployed or in work on low incomes and is currently scheduled to be completed by 2022.

166. By 2022 over seven million households will be on UC, nearly three in ten (28%) of all households.

167. It is replacing 6 benefits and is paid as a single monthly payment. It aims to simplify the welfare benefits system, making transitions into work easier and making every hour of work pay.

168. It is designed to be a digitally delivered benefit and all claimants need to apply online and manage their claims through an online account.

169. The Dover District Council Jobcentre Plus went live with the UC Full Service in May 2017. It was the first Kent district to do so.

170. There are a total of 2,439 UC claimants in the Dover District as at November 2017; of which 1,610 are unemployed and 829 are employed.
https://www.gov.uk/government/statistics/universal-credit-29-april-2013-to-9-november-2017

171. There have been several recent changes to strategy including those announced as part of the November 2017 Budget.

- From November 2017, all customer phone lines for UC were made freephone numbers (all DWP customer telephone lines are now free). The UC Full Service number is 0800 328 5644.

- From January 2018, the amount a claimant can receive from an advance payment of UC increased from up to 50% of their estimated entitlement to up to 100%.

- Claimants are able to receive an advance payment of up to a month's worth of their entitlement within five days of applying. The period in which the advance is recovered has increased from six months to 12 months. Advances will continue to be interest free.

- From February 2018, the government will remove the seven-day waiting period so that entitlement to UC starts on the first day of application. This means that if UC is paid on time, claimants will wait five weeks for their first payment instead of six weeks.

- From April 2018 those already on Housing Benefit will continue to receive their award for the first two weeks of their UC claim. This will be an unrecoverable payment.

- Recipients of UC Full Service (claimants in the Dover District are eligible) who are self-employed can now receive business mentoring via a New Enterprise Allowance if their earnings are low. Initial mentoring can last for up to 12 weeks and includes workshops on topics including financial planning and marketing support, as well as help to create a business development and growth plan. If the plan is viable, people can receive a further year of support and mentoring.
https://www.gov.uk/moving-from-benefits-to-work/starting-your-own-business

- Families with more than two children cannot make a new claim for UC until February 2019, even if they are in a Full Service area (this applies to the Dover District). They will have to claim Child Tax Credit in the meantime.

Council Tax Reduction Scheme (CTRS)

172. Dover District Council, working with Canterbury City Council, Thanet District Council, Kent County Council (KCC) and EK Services, has a local CTRS where working age claimants pay a minimum of 10% of the Council Tax bill for their properties. This level is significantly lower than the rest of Kent where, typically, claimants have to pay at least 20% of their Council Tax bill.

173. Following Kent-wide consultative work and a 12-week public consultation in summer 2016, the CTRS for 2017/18 was approved and remains unchanged for 2018/19.

174. The 2017/18 scheme was modified to reduce the level of expenditure within the scheme by an estimated £497k (of which the reduction retained by the council is an estimated £54k). A summary of the CTRS for 2018/19 is as follows:

- The minimum contribution towards their Council Tax made by recipients of Council Tax Support is 10.0%.

- The maximum savings that a council tax payer liable to pay council tax can have and still claim Council Tax Support is £6,000.

- A minimum income is used within the calculation for self-employed Council Tax Support claimants after 12 months of self-employment.

- The maximum level of Council Tax Support is restricted to the equivalent of a Band D property charge.

- Only the first two children in a family will be included in the calculation for children born after April 2017. (Some exceptions apply).

- The Family Premium is not included in the calculation of Council Tax Support for all new working age Council Tax payers.

- The period for which a late claim can be backdated is one month.

- The period for which a Council Tax payer can be absent from Great Britain and still claim Council Tax Support is four weeks (with some exclusions for certain occupations).

- An Exceptional Hardship Fund (EHF) is in place to help in cases of extreme, intolerable levels of financial hardship.

<u>Benefit Cap</u>

175. When introduced, the intention of the Benefit Cap was to prevent anyone in receipt of benefit receiving an income that is greater than the national average wage of circa £26k for families. From November 2016 the Benefit Cap was reduced to £20k (£23k in London). Local authorities remain responsible for administering the cap for claimants in receipt of Housing Benefit until that claim is migrated to Universal Credit.

176. If the total amount of benefits in payment (including Housing Benefit) exceeds the cap then the excess is deducted from Housing Benefit by the local authority. When the claim transfers to Universal Credit the Department for Work and Pensions (DWP) will be responsible for applying the cap.

177. DWP initially identified approximately 164 households within the Dover District affected by the £20k cap. As of January 2018 there are currently 88 households affected by the cap (24 are council tenants, 16 are housing association, 3 are homeless provision (RSL) and 45 are in private rented accommodation). The average annual loss for these households is £2,897.47 but this can vary significantly with a minimum weekly loss of less than £1pw and a maximum of up to £187pw.

<u>Social Sector Size Criteria (SSSC)</u>

178. SSSC applies to Housing Benefit claimants in social housing. Those claimants deemed to have one bedroom more than they require have their Housing Benefit reduced by 14%. For claimants with two or more excess bedrooms the reduction is 25%. As of January 2018 there are 439 households in the Dover District that are known to be under-occupying, 385 by one bedroom, and 54 by two or more bedrooms. This results in an average weekly loss in Housing Benefit of £12.92 for one bedroom and £24.89 for two or more bedrooms.

179. EK Services continue to work with East Kent Housing to identify affected tenants and proactively support property moves and transfers where possible and appropriate.

The council can also use Discretionary Housing Payments (DHP) to mitigate the impact of the SSSC. As the funding for DHP is finite, it is generally used as a short-term measure where the tenant's circumstances will become viable in the near future, for example, when a down-size is imminent, or if someone is about to re-join the household, thus eliminating the SSSC.

Unemployment

180. The Dover District has an unemployment rate of 2.8% (as at November 2017). This is the second highest in the county and above the Kent average of 1.7%.

181. The wards with the highest levels of unemployment are Castle (5.9%), St. Radigunds (5.4%), Tower Hamlets (5.6%) and Town and Pier (5.4%). These wards have unemployment rates within the highest 20% in the county.

182. Unemployment in the 18-24 age group is 4.6%, in the 25-49 age group it is 2.8% and in the 50-64 age group it is 2.3%. The unemployment rate in the 18-24 age group is the joint second highest in the county.

Other notable reforms and changes from 2018

183. Working age benefits and tax credits continue to be frozen until 2020 while pensioner benefits are protected. The rates of other benefits such as Disability Living Allowance, Personal Independence Payment and Employment and Support Allowance are increased in line with the Consumer Price Index (CPI).

184. From April 2018, all temporary accommodation housing costs claims will be paid via Housing Benefit and not by Universal Credit. If someone is claiming Universal Credit and is in temporary accommodation then the housing costs claim will be transferred to Housing Benefit. Any new tenants will claim Housing Benefit.

185. From April 2018, Support for Mortgage Interest will no longer exist as a benefit for new or existing claimants. Claimants will instead be invited to apply for a loan if they want to continue to be supported. Loans will be repaid upon the sale of a claimant's house; or on a claimant's return to work if the borrower can afford it.

ASSET MANAGEMENT PLAN (AMP)

186. The AMP is used as a management tool to assist in ensuring that the Council's property assets meet the objectives set out in the Council's Corporate Property Strategy. It covers:

- Revenue maintenance requirements;
- Capital works programmes;
- Data on performance of significant corporate assets; and
- Properties identified for disposal.

187. Expenditure on repairs and maintenance forms a direct link with the revenue budget, which contains the resources to meet the programme of repairs and maintenance. Standards of maintenance, and therefore of required expenditure, are to some extent subjective. The Director of Environment & Corporate Assets confirms that there are sufficient resources to keep properties generally wind and water-tight but it continues to be a challenge to maintain all buildings without deterioration. Continuing with this approach increases the risk, but it ensures that the limited budget targets only essential maintenance.

188. There is a growing backlog of planned maintenance required to "Operational Assets" Significant expenditure is needed at:

- Tides Leisure Centre, which because of its age, needs work to both the external envelope of the wet side buildings and the complete renewal of worn out and inefficient plant. Survey work undertaken in 2017 has indicated that more extensive repairs and replacements than was previously thought are necessary. Further work is being undertaken to establish the route to achieve a sustainable future for the complex over the next 30 -40 years.
- Dover Town Hall, where HLF funding is being sought to protect the priceless Burgess heritage assets and the Stone Hall.
- Deal pier – where the cyclical concrete repairs and works to the lower deck are again becoming necessary. Significant capital sums are earmarked for, among other things, the surface of the pier stem.

189. In 2013/14 an Urgent Works earmarked reserve was established and this is held to fund urgent works on corporate assets if required.

<u>Summary</u>

The key points for Members to note are:

- There are sufficient resources to maintain the Council’s General Fund properties in a basic state of repair but it is a significant challenge to maintain all the buildings without deterioration and this does carry a risk of service failure or an increase in the overall maintenance backlog;
- The Director of Environment and Corporate Assets is reviewing opportunities for realising capital receipts from surplus assets to support financing of the capital programme.

CAPITAL PROGRAMME & SPECIAL REVENUE PROGRAMME

Purpose of the Capital Programme

190. The primary objectives are to:

- Maintain an achievable, affordable capital programme;
- Ensure capital resources are aligned with corporate priorities;
- Identify any requirement for Prudential Borrowing, and ensure that it is only undertaken if it is affordable; and
- Maximise available resources by actively seeking external funding and disposing of surplus assets.

Definition of Capital

191. Capital expenditure is expenditure which increases the capital value, performance, use or life of an asset. It can be financed by a number of means including:

- Capital receipts;
- Capital grants;
- Revenue resources;
- Prudential Borrowing; and
- Leasing.

192. With the exception of revenue resources and the use of external leasing, none of the sources above can be applied to meet revenue requirements.

Content of the Capital Programme

193. Members are referred to the draft Medium Term Capital Programme (MTCP) at Annex 8A. This is a dynamic programme and a formal bidding process is operated every year to identify and plan future projects.

194. However, the speed of developments in relation to major projects such as DTIZ, Aylesham, etc. has shown that if formal approval is required for every minor change in the programme, this will generate delays. In order to manage this it is proposed that the current practice, as set out below, is continued:

- The programme be continuously updated to reflect the latest position;
- The latest programme will be included in the budget monitoring report (or a summary of changes will be provided) circulated to Members during the year;
- The latest version of the programme will be displayed on the intranet and internet;
- Whenever changes are required which exceed the overall spend of the programme, Member approval will be required – in effect, approval will be required if officers cannot find savings within existing resources to accommodate changes, or cannot finance them from external sources; and
- Any changes which are expected to have significant policy implications will be discussed with the Leader and relevant portfolio holder and will be reported to Members.

195. To simplify the management of regeneration budgets it has been agreed that they are treated as one major project and virements between them can be authorised by the Director of Finance, Housing & Community.

196. To facilitate efficient decision making, final approval for projects up to £50k that are included on the Capital and Special Revenue Programmes are delegated to the Director of Finance, Housing & Community in consultation with the Portfolio Holder responsible for Finance.

197. In addition, a contingency has been included on the MTCP and Special Revenue Programme in order to allow progression of small projects without significant policy implications. It is proposed that the approval of such projects continues to be delegated to the Director of Finance, Housing & Community in consultation with the Portfolio Holder responsible for Finance.

198. All projects will continue to require reports for approval of a Project Appraisal and at evaluation, design and tender stages, where appropriate, in accordance with the Constitution.

199. The structure of the programme is reflected in the format of Annex 8A and is explained below:

- <u>Committed General Fund Projects</u>
  These are live General Fund projects that have been approved by Cabinet through the Project Appraisal process or under the agreed delegated authority, and are committed or in progress.

- <u>Proposed General Fund Projects</u>
  New projects are shown in the programme for approval of funding to the projects. These projects will be subject to the completion of a Project Appraisal for Cabinet or delegated approval before they commence.

- <u>HRA Programme</u>
  Proposed level of expenditure and allocation of funding for HRA Capital projects, as detailed at Annex 8C.

- <u>Financed by</u>
  This table provides a summary of the financing of the proposed Capital Programme. Members will note that there are sufficient resources to finance the projects included in the table. However, Members should also note that:

  - If Members wish to include additional projects in the programme, these can only be resourced by removal of the equivalent value in new bids;
  - Removal of projects financed by specific grants, or within the HRA, will not generate additional resources for other projects in the General Fund programme.

<u>Proposed Deleted Projects</u>

200. In order to reflect changing circumstances for projects and to finance new Capital and Special Revenue projects it will sometimes be necessary to delete existing projects on the programme. These will be reported in the budget monitoring report

circulated to Members during the year. The following projects are proposed to be deleted from the current programmes:-

- Disabled Facilities Grant projects - £150k – Special Project Reserve funded (£212k Capital Receipt funding which is also allocated for DFG projects will remain in place);
- Delivering Effective Services efficiency projects - £30k – Special Project Reserve funded;
- Apertures for wheeled bins - £15k – Special Project Reserve funded;
- Dover Health Impact Assessment - £11k – Special Project Reserve funded;
- Tree Safety Emergency Works - £10k – Special Project Reserve funded;

201. It is proposed to allocate the remaining provisions (circa £40k) for plant and equipment replacement at Dover Leisure Centre to a new Leisure Centre Contingency.

202. It is also proposed to amend the £100k contribution to the Dover Fountain project to now be shown as a contribution to public realm enhancements in the Market Square Dover.

Content of the Special Revenue Projects Programme

203. The Special Revenue Projects Programme (Annex 8D) comprises significant projects which are not, in the main, capital, but which are still one-off revenue expenditure in nature and are therefore to be funded from reserves as annual recurrent revenue budgets can't be used to finance them. As one-off projects they are generally managed with the same disciplines and controls as capital projects. As they are financed from revenue reserves cancellation of any of these projects would free up resources which could be used to finance capital projects, other revenue projects, or for other purposes.

Financing of the Capital and Special Revenue Projects Programmes

204. In order to maximise the capital resources available to the Council, the detailed decision to apply capital receipts, revenue resources, grants, s106 monies etc. to finance the approved Capital and Special Revenue Projects Programmes is delegated to the Director of Finance, Housing and Community, in consultation with the portfolio holder responsible for Finance, and capital receipts from particular sources will not be hypothecated to specific projects. Instead they will be treated as one overall stream to finance Capital and Special Revenue projects within both the General Fund and HRA according to the priority of the projects and the availability of financing.

205. The financing of the capital programme will be reported to Members as part of the Outturn Report. This is produced annually and accompanies the final accounts.

206. In addition to financing of capital expenditure, the Council also has to consider what provision, if any, should be made for the repayment of debt. Although new long term borrowing has not yet been undertaken, it is intended that new borrowing, when required, will be repaid by making revenue provisions based, inter alia, on the life of the asset as set out in the Treasury Management Strategy Statement, Annex 9.

Prudential Code

207. The “Prudential” regime was introduced on 1 April 2004, and since then local authorities have had the freedom to borrow monies that are judged affordable, sustainable and prudent. This enables local authorities to fund new borrowing from savings in revenue expenditure or the generation of additional revenue income. MHCLG have recently consulted on proposed changes to the Prudential Code. Any impact of these changes will be advised in future reports.

Capital Receipts

208. In 2004/05 the Government introduced the pooling of housing capital receipts, from Right-to-Buy sales, for distribution to authorities where there is greatest need. From 1 April 2012 new Right-to-Buy regulations apply. The main change from previous regulation is that receipts in excess of those allowed for under the Housing Finance Reform Debt Settlement may be retained by an authority for 1:4:1 replacement of Affordable Housing.

209. Right-to-Buy (RTB) sales in 2017/18 have been consistent with levels in 2016/17 although the level of receipts available for general capital purposes is capped additional funding is available from the element of excess RTB retained for debt repayment that may be used for other capital purposes.

210. The Council generally retains 100% of non-HRA capital receipts and non-RTB HRA capital receipts, subject to capital allowance regulations.

211. Annex 8B details the level of capital receipts held, expected, committed to projects proposed and to be used for new projects. The balance of receipts after these anticipated receipts and commitments is shown as £2m. Future capital receipts are expected to come mainly from housing right to buy sales and amount to £1m per annum at current sales levels, so will not replenish capital funds and will not be sufficient to maintain the current level of activity in the future. No other major receipts are currently expected.

Summary

The key points for Members to note are:

- The Capital Programme operates on a cash funded position with no new projects being approved to commence unless the whole project costs can be financed through additional funding, sufficient capital receipts have been banked, external borrowing is approved or other savings in the programme have been identified. The new projects in the programme have been approved subject to the completion of a Project Appraisal for approval by Cabinet, or the Director of Finance, Housing & Community in consultation with the Portfolio Holder responsible for Finance under delegated powers;
- The Capital Programme is partly financed from HRA Right-to-Buy sales. The level of sales increased in 2016/17 and the level of sales appears to be similar for 2017/18. The level of receipts available for general capital purposes remains limited.
- The detailed financing of the Capital and Special Revenue Projects Programmes is delegated to the Director of Finance, Housing and Community in consultation with the portfolio holder responsible for Finance;

- There is no provision for making capital grants to other organisations, other than those grants already approved; and
- The lack of headroom in the capital programme for additional projects is a significant constraint and large projects will need to be funded from external borrowing where revenue savings can be identified to offset the borrowing costs (such as the Leisure Centre and Property Investment Strategy projects).

RECOMMENDATIONS FROM THIS SECTION

212. It is recommended that Cabinet:

Continue the practice of delegated authority to the Director of Finance, Housing and Community, in consultation with the Portfolio Holder responsible for Finance, to:-

- Apply capital receipts, revenue resources, grants, s106 monies, etc. to finance the approved Capital and Special Revenue Projects Programmes;
- Authorise new projects up to £50k that are included in the Capital and Special Revenue Programmes;
- Approve the allocation of funds from the Capital and Special Revenue Contingencies to projects;
- Authorise virements between Regeneration projects;
- Apply Growth Point reserves to Regeneration projects.

Delegate authority to the Director of Finance, Housing and Community, in consultation with the Portfolio Holder responsible for Finance, to:-

- Authorise project overspends up to a maximum of 10% or £100k (whichever is lower); and apply relevant financing resources to cover.

213. It is recommended that Council:

- Approve the Capital and Special Revenue Projects Programmes;
- Approve that capital resources required to finance new projects are secured before new projects commence.

TREASURY MANAGEMENT AND THE PRUDENTIAL CODE

214. The Local Government Act 2003 introduced new capital accounting regulations, which required Councils to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code when setting their budgets.

215. The new capital system promotes a Council framework to ensure:

(a) That the authority maintains a balanced budget;
(b) That the impact of capital investment decisions is reflected in the revenue budget; and
(c) That performance measurement is implemented in managing and controlling the impact of capital investment decisions.

216. Annex 9 will be updated for the second circulation of the budget and MTFP and will set out estimates for each of the relevant Prudential Indicators in each of the financial years 2018/19 to 2021/22, and include the latest estimates for 2017/18 aligned with the revised forecast budget. Approval will be sought for the proposed indicators for 2018/19 – 2021/22.

217. The capital programme has been financed to date within existing resources, which include capital receipts, specific capital grants, the Major Repairs Allowance, and useable reserves and internal borrowing. Significant projects, including the Dover District Leisure Centre and Property Investment Strategy, will be financed by borrowing; however no borrowing has been undertaken at this time. Approval levels for borrowing will be included in annex 9.

TREASURY MANAGEMENT

218. The Council's Treasury Strategy complies with the requirements of the CIPFA Code of Practice on Treasury Management, which was adopted by the Council in September 2002 and the CIPFA Code of Practice on Treasury Management (revised November 2011) that was adopted by this Council in March 2012.

219. Approval of the strategy is a Council decision.

RECOMMENDATIONS FROM THIS SECTION

220. It is recommended that Council:

- Approve the Treasury Management Strategy, including the Prudential Indicators and Minimum Revenue Provision statement.

KEY ASSUMPTIONS & READY RECKONER

Background

221. In order to complete the budget and MTFP in accordance with the timetable it is necessary to make various assumptions. These are based on the most realistic information available at the time of production, but it is important that Members are aware of these assumptions and their implications.

Inflation

222. Salary inflation will be based on the results of the Collective Bargaining process. Contract inflation for 2018/19 is based on the details of the specific contracts, the state of the market for the specific services and any other relevant factors. Contract inflation is assumed to be 3% for future years. Inflation on all other expenditure will aim to be limited to the current budget level; however a small allowance of 2% has been forecast to allow some limited growth.

Staff Numbers

223. The 2018/19 budget includes 272 full time equivalent posts directly employed for DDC plus a further 31 employed by DDC as part of the East Kent Audit Partnership (working for Canterbury, Thanet, Shepway and Dover and recharged accordingly) and East Kent HR (working for Canterbury, Thanet and Dover and recharged accordingly) allocated across services as detailed in Annexes 5A-5D.

Triennial Valuation of the Pension Fund by the Fund Actuaries

224. The triennial valuation took effect from April 2016. It has been assumed that the DDC backfunding contribution will increase by 5% above the 2018/19 level of £1.96m for the planning period.

Interest Rates

225. It is assumed that DDC will maintain the 2018/19 level of income from investments for the remainder of the planning period.

Revenue Support Grant

226. The current draft settlement provides figures for 2018/19 – 2019/20. 2019/20 is forecast to reduce by 90.1% when the value of the grant will be £57k.

Business Rates Retention

227. The current draft settlement covers 2018/19 – 2019/20 and proposes an increase in NDR inflation of 3.00% for 2018/19, and 2.22% for 2019/20.

Council Tax

228. Council tax increases have been assumed at £4.95 for 2018/19 and for the remainder of the planning period.

New Homes Bonus

229. New Homes Bonus is a scheme that provides incentives and rewards for councils and communities who support delivery of new homes in their area. Government has reduced the grant paid to Local Authorities as detailed in the General Fund section.

Capital Projects

230. There are no material revenue pressures expected from current capital projects as they go live.

Ready Reckoner

- Payroll - 1% increase costs the General Fund approximately £80k;
- Council tax - 1% raises £69k;
- RSG – 1% change equals £6k;
- NDR – 1% growth in BR income equals £76k (DDC's share @ 40%, less 50% levy, but will be higher under pooling and pilot scheme arrangements due to reduced or zero levy rates);
- Investment Income - 1% equals approximately £400k (based on available investment balances of £40m);
- Contract inflation – 1% equals £80k;
- Business Rates Tariff - Every £100k reduction below the NDR baseline results in £40k reduced income for DDC to a maximum of the safety net value of £265k approx.;
- Business Rates Levy – Every £100k received above the NDR baseline results in £20k additional income, before levy reductions from pooling and pilot schemes.

SIGNIFICANT BUDGET RISKS

231. Budgets, by their nature, involve an element of forecasting which entails uncertainty and hence risk. The schedule below highlights the main budget risks identified.

Ref	Description	Impact	Likeli-hood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
1	Council Tax Base / Collection Rates – reduced collection rates could impact on the resources available to the Council.	H	M	Realistic performance targets for collection of Council Tax have been set to reflect the system of local Council Tax Support now in place. EKS undertake regular monitoring of collection rates, trends on non payments and bad debt analysis. The collection rate for new payers is being monitored very closely and collection is in line with projections. Reasonable arrangements to pay are put in place by staff where appropriate.	1% reduction in the total collection rate costs £69k.	M	M
2	NDR Localisation • The localisation of Business Rates transfers some of the impact of growth or reduction in the tax base and collection rates to the billing authority. • The increase in the district's total RV under the 2017 revaluation includes a significant increase for the Channel Tunnel of £12.5m. (£15.4m on 2010 RV list to £28m on 2017 RV list). Previously, Channel Tunnel have won appeals against their 2005 and 2010 valuations. The VOA have already reduced their RV from £35m between the draft 2017 RV list and the "go-live"	H	H	The NDR1 return to MHCLG takes into account the likely scenario for the future year's business rates and that adequate provision has been made for the impact of BR appeals. Regular monitoring of the position is undertaken in conjunction with East Kent Services.	Impact of appeals on income not possible to accurately quantify across all businesses. For 2018/19 an additional level of appeals provision has been included in the budget which incorporates an allowance for further potential changes for Channel tunnel to mitigate this	H	H

Ref	Description	Impact	Likeli-hood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
	RV list on 01/04/17, and further reductions could arise. • Dover receives 40% of business rates income, but after deduction of a tariff of £11.8m in 2018/19 and £11.7m in 2017/18 compared to £10.6m in 2016/17 under the 2010 valuation). • This reduces Dover's share to a baseline of £3.6m approx. of BR income • If there is a shortfall of income, Dover bears the first £265k before receiving a safety net payment to limit its loss of funding. • If there is growth above the baseline, Dover receives its 40% share, but after a 50% levy reducing the amount retained to 20% of any growth. • There is a pooling mechanism that reduces the levy payable on growth from 50% to, say, 10% approx., but the saving from pooling is not entirely retained by Dover, but governed by the pool's sharing mechanism. • Dover has joined a 'pilot scheme' enabling 100% retention of growth locally (but not necessarily fully retained by Dover). Distribution of additional growth retained will be measured against the pre-pilot scheme retention levels (Dover being subject to a 50%			The district has benefitted from an increase in gross rates arising from the 2017 revaluation. Higher reliefs to small businesses, increased appeals allowances, and a £1.2m increase in DDC's tariff reduce its share of the BR income to a similar level to under the 2010 valuation (the previous revaluation of all businesses' base RVs). The Council was in a Kent BR pool with KCC and 10 districts in 2015/16 but withdrew from the pool in 2016/17 and 2017/18 due to volatility and uncertainty over its likely BR income pending resolution of significant appeals. The ongoing eroding effect of appeals on income and the timing of significant growth, not expected until 2018/19 (DTIZ), limits "growth" above the baseline, and therefore the significance of levies payable to Govt. Due to expected growth in 2018/19, Dover would have joined the BR pool in 2018/19, but this has been superseded by the granting of 'pilot scheme' status to Kent authorities, enabling all of Kent's growth above baseline funding levels to be retained locally (not necessarily 100% by reference to Dover's own	risk. Impact of BR income being below the baseline is up to £265k loss of funding until the safety net kicks in. Impact of being outside the Kent pool on reducing levy payable, is a loss of £12k direct saving per £100k of growth and a further £12k that would have gone into a Kent/Dover LEP for agreed projects		

Ref	Description	Impact	Likeli-hood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
	levy, but arguing to be treated equally as a 'pool member' for comparison purposes and already enjoying a lower levy rate. The growth distribution mechanisms and comparative basis for ensuring "no detriment" are not yet finalised and are subject to debate and challenge by Kent-wide authorities, preventing exact determination of eventual growth retention even with revised NNDR income expectations • The future sustainability of BR under 'localisation' is questionable and the outcomes are sometimes perverse. • The 100% retention in the 2018/19 Kent Pilot is expected to be reduced to 75% for 2019/20.			growth in isolation, but subject to complex sharing mechanisms). The outcome is expected to be favourable. While pooling and pilot schemes reduce levy rates, which is beneficial, if Dover's BR income falls beneath its baseline, the pool/pilot scheme would have to fund any safety net payment, making Dover a drain on the pool. While outside the pool (as for 16/17 and 17/18), if Dover exceeds its baseline and has to pay a levy, it will pay it at a higher rate than under pooling. The pilot scheme has a "no detriment" clause among members, so no authority should be worse off than if the scheme had not been implemented.			
3	A class action by NHS trusts/foundations regarding applications for mandatory relief for their premises is underway, to treat them as if they are charities, and is currently being contested by local authorities nationally. It is not thought that this will be successful, but no allowance is built into the MTFP should the NHS Trusts succeed in their claim, which would entitle them to 80% mandatory relief. It is described as a	M	M	The impact of mandatory charitable relief at 80% on NHS Trust accounts is approximately £250k p.a. but, with backdating of claims to 2010, this could result in a one-off cost of £1,322k in 2018/19.	£250k p.a. after backdating of claims resolved, based on current 2017 valuations		

Ref	Description	Impact	Likeli-hood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
	"Landmark case" but the most recent article, in the Local Govt. Chronicle on 16/10/2017, says "proceedings would be tentatively scheduled for September". We assume this refers to September 2018. Trusts could then apply for a further 20% discretionary relief, potentially reducing their bills to £nil. If they are successful, the impact could be significant in terms of back-dated refunds and reduction in ongoing rates payable.			The additional 20% relief would only be given if required under the local authorities' discretionary relief policy.			
4	Reduced level of commitment by partners in regeneration projects leading to reduced resources available to complete the projects.	H	M	The Chief Executive and the Head of Inward Investment are in frequent contact with our major partners. Our partners have also invested their own resources in the regeneration projects and have become identified with the projects' success.		H	L
5	Reduced capital receipts from housing and other asset sales leading to reduced resources available to complete projects.	H	M	The reduced receipts could arise from lower sales, lower prices or both. We cannot mitigate against market movements or reduced levels of sales. To some degree lower values may increase the level of interest, but this will also be dependant on interest rate movements.		H	M
6	The level of resources for repairs and maintenance to properties may result in asset deterioration and potential service failure.	H	M	A corporate budget is held for repairs and maintenance of assets enabling the Director of Environment and Corporate Assets to allocate the resources appropriately according to need.		H	M

Ref	Description	Impact	Likeli-hood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
7	There is a risk that the Government settlement for future years will be less than the forecast included in this plan. The government is currently consulting on a Fair Funding review which will re-calibrate the local government settlement. Pressure from upper tier and unitary authorities may reduce the resources available to district councils.	H	M	As with the current settlement, the Council can take part in Kent wide lobbying on the settlement, but has limited ability to influence the settlement.	Every 1% reduction in RSG costs the Council approx. £5k.	H	M
8	Pension Funding – increased deficit, demographic change, reduced asset values and interest rates may lead to additional contribution rates, at future triennial valuations, to meet backfunding requirements.	H	H	Instead of paying a contribution rate based on a % of salaries, DDC pays a fixed sum.	A 1% increase in contribution rates costs the General Fund approximately £80k	H	M
9	Fees and Charges – some sources of income may be affected by a reduction in overall economic activity.	M	M	Income assumptions are made at a conservative level based on historic performance and other known influencing factors. Active monitoring of income levels is carried out throughout the year.		M	M
10	The budgeted level of vacancy savings may not be achieved.	M	M	The current Employment Stability process challenges the replacement of all vacancies and temporary staff requests. In addition, active monitoring of vacancy savings is carried out throughout the year.	Vacancy savings of £150k are forecast	M	M
12	New Homes Bonus may not be achieved through if levels of new homes completions are not to target. The government has previously reduced the	H	M	The New Homes Bonus assumed in the MTFP is based on the current projections for DDC and includes assumptions for the proposed changes.	2018/19 NHB income of £1.5m included as a key element of the General Fund	M	M

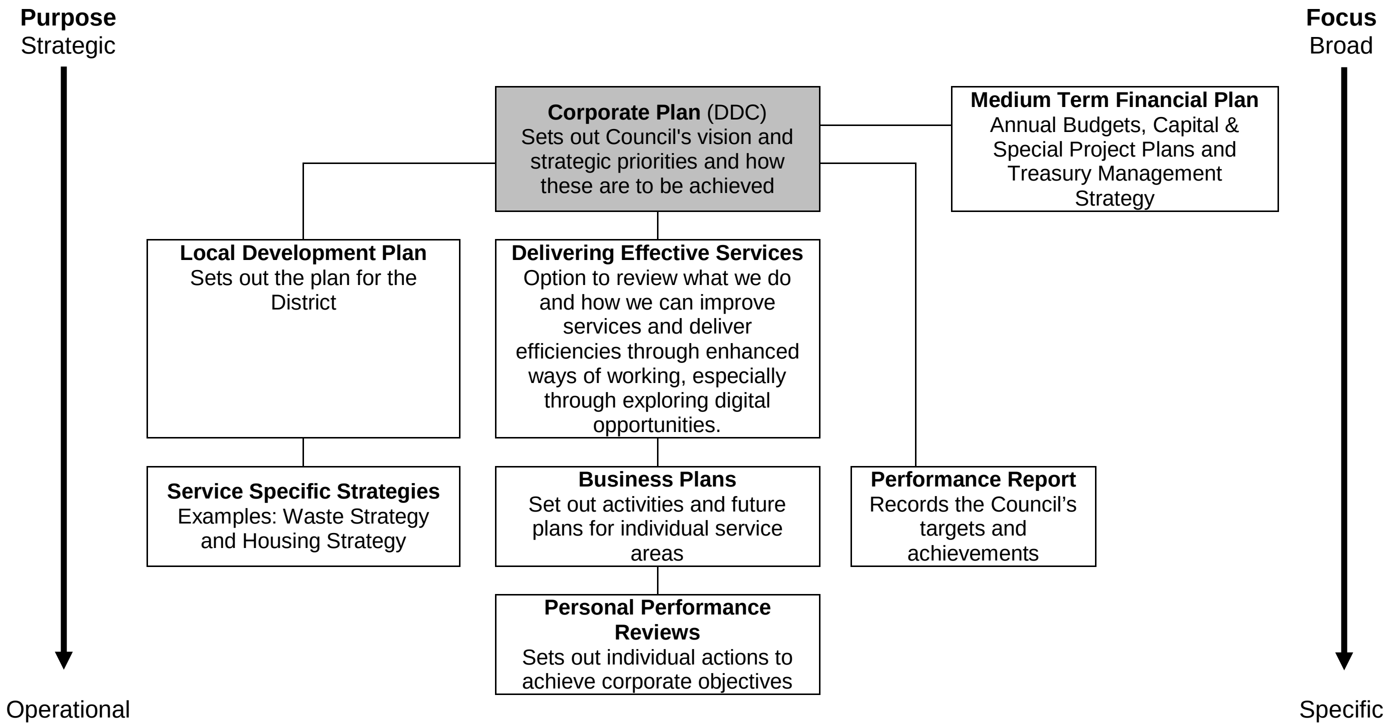
Ref	Description	Impact	Likeli-hood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
	NHB system from 6 years payments to 4. It is possible that they will make further changes which would reduce the income stream for the council. NHB is currently fully credited to the General Fund, and so any reduction would require offsetting savings or alternative income.				budget.		
13	The impact of Housing and Planning Bill could be significant	H	H	The essence of the proposals are included in this document. The implications will only be known when the implementation proceeds. The bulk of this is subject to regulation by the Secretary of State.	Unable to forecast at the time of writing.	H	H
14	Homeless expenditure may further increase due to the impact of the Homeless Reduction Bill and the continued implementation of Universal Credit in the district	M	H	Close monitoring of the impact of the Bill and the in-year budget. Investigating innovative options to support homeless requirements in the district.	Unable to forecast at the time of writing.	M	H
15	Neighbourhood Development Plans may be produced by a number of Town or Parish Councils, for which the cost items such as a referendum and examination is the responsibility of the District Council.	H	H	Planning advice is provided to towns and parishes to help ensure a good process is followed which would help to minimise costs. Government grants are currently available to offset the costs to districts however it is not known whether this will continue into future years.	£20k per annum.	H	H
16	Increase in HRA rent arrears following roll out of Universal Credit	M	H	A bad debt provision is included within the budget and arrears levels are being monitored and reported to EKH to support their collection plans.	1% rent loss equates to £180k	M	M
17	IFRS9 Financial Instruments	H	M	The current, draft, proposals for the implementation of IFRS9 in local authority accounts	Representati on from LAs to CIPFA & MHCLG to	H	L

Ref	Description	Impact	Likeli-hood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
				could result in changes in capital from pooled fund investments being charged to the GF.	implement a statutory override to negate the impact. £2m of DRED reserve set aside to offset impact if incurred.		
18	Economic downturn	M	M	Recent financial market activity may be the precursor of an economic downturn, or simple a re-adjustment. The UK is generally regarded as being well placed economically. Nonetheless, western economies have not yet fully normalised following the previous crash so room for manoeuvre by governments and central banks is limited.	Potential slowing of economic activity could place pressure on income streams and expenditure.	M	M
19	Brexit – Economic	H	H	It is not yet known whether the terms for Brexit will be favourable, adverse or neutral. If negative the impact of Brexit on the economy could affect bank rates, consumer spending, property prices and other economic areas.			
20	Brexit - Port	H	H	At the present time there remains uncertainty as to the impact. In the short term there may be some impact on decision making, whilst in the longer term there will be additional costs associated with changes to our domestic legislation and the likely instigation of a Border Inspection Post at the Port. This will result in additional training for staff and a substantial resource re-evaluation for Port Health with the likely need of			

Ref	Description	Impact	Likeli-hood	Mitigation	Sensitivity	Residual Impact	Residual Likelihood
				additional Port Health Officers to operate a service. The Port Health service is likely to be required to operate 24 hours a day significantly amending the current arrangements.			
21	East Kent Housing Single System The system is over budget and over timetable. Thanet have withdrawn from the implementation. The system may not deliver the savings required to repay the financing, the costs may increase further, or other partners may decide not to proceed.	H	M	An Owners Committee is meeting on 15th March with the intention of resolving any disputes.		H	M

RELATED STRATEGIES AND PLANS

The relationship between the Council's major plans and strategies is set out below. Members are reminded to consider these plans when approving the allocation of resources as set out in the MTFP.



<u>Notes:</u> The Corporate Plan sets out the vision and strategic priorities of the Council and provides the context for other strategies and plans that we may produce. The outcomes contained in this Plan are cascaded throughout the organisation, with targets to keep us on track. Each service has its own Business Plan, which sets out the service specific activity carried out and plans for delivering the services into the future.

JOINT PLANS WITH PARTNERS

232. Partnership working is an important element in service delivery and achievement of our corporate objectives. The Council's major partnerships are described below.

Partner / Project	Commentary
Dover Town Investment Zone (DTIZ) St. James's	We have signed Development Agreements with Bond City Limited in relation to the DTIZ/St. James scheme. The Council's Development Partner, Bond City Ltd., has also signed a Funding Agreement with Legal and General Investment Management. Planning consent has been agreed for a revised retail/leisure scheme and a successful Compulsory Purchase Order has been progressed following an earlier Public Inquiry. The site has been vested in the Council's ownership and demolition of the remaining properties has been completed and construction works are now in progress and are expected to be substantially complete by the end of January 2018. It is anticipated that an initial opening of the development will take place during February 2018 with wider launch around Easter 2018. Beyond the site, the former Centurion House has been demolished and temporary car parking has been provided. The Council has also been working with the Port of Dover and a major landowner on the next stage of Master Planning for Dover Waterfront. In the meantime, Cabinet has also considered a report in January which highlighted the need to strengthen and further partnerships to enable stronger economic foundations to be achieved in the wider Dover town centre.
Aylesham Regeneration	Phase 1B of the development is now well underway with an expected completion within 18 months-2 years, taking the total of new homes to 770. Discussions are underway with the developers to move forward with the next phase when 1B is built-out.
Connaught Barracks	A Memorandum of Understanding has been entered into with the Homes and Communities Agency (HCA), the current site owners. The HCA has been working with the District Council and liaising with English Heritage to a secure a sustainable solution for the site, which has seen Fort Burgoyne transferred to the Land Restoration Trust, supported by a dowry to enable ongoing maintenance and the development of a sustainable end use to be achieved. Planning Consent has been granted for the first part of the housing on the former Officer's Mess site on the western side of the site and the HCA has marketed this opportunity and is expected to make an appointment in early 2018. In addition to this, the HCA has also undertaken direct investment in the demolition and infrastructure planning which will de-risk the site for smaller builders. It is expected that the HCA will be working with the Council through the latter part of 2018 to develop an approved Masterplan for the remainder of the site. The Land Restoration Trust is also expected to commence consultations and bring forward proposals for Fort Burgoyne during late 2018.

Hadlow College at Betteshanger	A Memorandum of Understanding has been entered into with Hadlow College who now own the site. The Council has continued to work with Hadlow College and the HCA to bring forward and enable a comprehensive development of the former business park and adjacent country park. The Council has worked with Hadlow on the preparation of Grant Funding bids under the Coastal Communities Fund and Heritage Lottery Fund which have recently been approved. In addition to this, The Council has supported Hadlow College in the preparation of a bid for European Funding which is currently in progress. Development commenced on the country park during Autumn 2015 and is due for completion during late Spring 2018. Further specific proposals for the country park along with the business park are also expected to be submitted during 2018 alongside a wider masterplan for the business park.
Western Heights and Farthingloe	A Planning Performance Agreement was completed with the main land owner in the locality, CGI Limited. Planning Consent was granted following the completion of prior legal agreements with English Heritage and KCC. Cabinet also authorised the necessary land owner agreements which progressed in parallel. The Council's decision to grant Planning Consent was the subject of an on-going judicial challenge from the Campaign for Protection for Rural England (CPRE). Following a protracted series of challenges, the Supreme Court issued a judgement in December 2017, which upheld the decision of the Court of Appeal in September 2016 to quash the Planning Consent. This is now returned as a live application. We continue to work with CGI and other bodies to explore the significant investment interest for this area.
East Kent Spatial Development Company	The Council is a member of the Company, which is being restructured following the proposed withdrawal by the Homes and Communities Agency, to explore and bring forward investment opportunities in the District. Successful investments have been made at Aylesham, Betteshanger along with an impending scheme at Albert Road, Deal. Other opportunities continue to be explored.
South East Local Enterprise Partnership (SELEP)	The Council has continued to contribute actively as a member of the SELEP Board and as part of the Kent Federated Model to ensure that the strategic and local interests of East Kent and the District are fully represented. Thus far successful bids have been progressed for the Port of Dover and access arrangements at Albert Road in Deal alongside an agreement to support the provision of infrastructure to enable the return of the Open Golf Championship to Sandwich in 2020. Furthermore, the Council is also participating actively as part of the wider Network of Coastal Communities and ensuring that their interests are taken into account as part of the SELEP work streams.

Dover Harbour Board	Following the decision by Government not to privatise the Port of Dover, the Council has engaged with Dover Harbour Board and others as part of the recently established Port of Dover Community Forum. Regeneration remains a key requirement going forward. The Port of Dover commenced the scheme known as the Western Docks Revival in spring 2015, with the construction of two new junctions on the A20 forming the first phase of activity and due for completion in February 2018. A further Harbour Revision Order has been approved to modernise the Harbour Board's constitution whilst strengthening the links between the Port and community. Construction work proper on phase 1 of the Western Docks commenced in 2017 with the construction of the new pier, marina and landing platform in anticipation of the first logistics facilities comprising a major refrigerated cargo terminal. The Port of Dover has also engaged with DDC and other interested parties on the essential master planning for Dover Waterfront.
Discovery Park Enterprise Zone, Sandwich	The Council is engaging fully in the Enterprise Zone Programme at both a national level, regular liaison with the Ministry for Housing, Communities and Local Government, and as part of the local Enterprise Zone Board. Significant progress has been made at Discovery Park, which is recognised as one of the flagship EZ's. Currently, there is a total of around 3000 jobs secured or retained, comprising over 150 companies, with people employed on site or in the pipe-line moving there (the MHCLG target was 3,000 jobs by 2017). The foundations for future investment in the site have also been put in place through the submission and resolution to approve a comprehensive site wide Masterplan together with an application for a supermarket, funding further essential infrastructure. DDC has also worked actively with Discovery Park on the successful submission of Grant Funding bids. Planning Consent has been issued for the site wide masterplan, which enables a mixed-use development around the retained buildings. A number of new commercial developments are progressing on site which will further boost job numbers. DDC has also participated with Government and others, using Discovery Park as part of a case study route map to assist with opportunity developments where the need arises elsewhere.
Kearsney Parks for People	In 2016 DDC submitted a successful £3.1m bid to the Heritage Lottery Fund/Big Lottery Fund 'Parks for People' programme for a major scheme of restoration and improvement works at Russell Gardens and Kearsney Abbey. The project team are continuing with the phased programme and additional members of staff will be appointed in 2018 to extend engagement with park users and the local community. Phases of clearance work have taken place in Russell Gardens during the winter of 2017, with the main restoration and improvement work starting in spring/summer 2018. The project is due to end in 2020.
White Cliffs Countryside Partnership	The White Cliffs Countryside Partnership is a partnership between Dover District Council, Shepway District Council, Kent County Council, Eurotunnel, EDF Energy, Land Trust, Natural England and many other local organisations with financial contributions from the Heritage Lottery Fund, which was established in 1989 to help conserve and enhance the special coast and countryside of Dover and Shepway districts, and make it accessible to all. Dover DC is the host authority for the partnership.

Up on the Downs Partnership	Up on the Downs is a £2.5 million Heritage Lottery funded Landscape Partnership Scheme that aims to make a significant difference to the easily recognisable and iconic landscape of the Dover and Folkestone area by working with our partners and local communities to conserve and celebrate the landscape and heritage of the scheme area. The scheme has been extended to 31 May 2018 to help secure an appropriate legacy for the scheme, including continuing the partnership into the long-term. Recent changes at HLF mean that a further extension is unlikely. Dover DC is the host authority for the partnership.
In House Grounds Maintenance Service	The new in house GM team work with many organisations providing grounds maintenance services. Our partners are: Highways England, Kent County Council, Kent Highways, Various Town and Parish Councils, East Kent Housing, BAM construction, The Battle of Britain Memorial, Aylesham Garden Village developers, private organisations and many other departments within DDC. The drive towards a more sustainable and commercially focused service will rely on these relationships and creating new partners as time goes on.
Waste and Recycling	The Council has awarded a 10 year contract to carry out recycling and waste collections, the processing of recyclate collected and street cleansing operations to Veolia Environmental Services (UK), which commenced in January 2011. The contract has been awarded in partnership with Shepway District Council and Kent County Council (as the disposal authority). Dover is the lead on this partnership and manages the client team who oversee the contract from the Dover District Council offices on behalf of the three authorities.
Kent Resource Partnership	The constituents of the KRP are the twelve district councils (the Waste Collection Authorities: WCAs) and Kent County Council (the Waste Disposal Authority: WDA). The KRP supports the constituent councils by providing a forum for discussion about issues relating to the formation and delivery of the Kent Joint Municipal Waste Management Strategy (KJMWMS). The purpose of the KRP is to deliver three strategic objectives which are - deliver the KJMWMS, deliver financial and performance benefits to Kent taxpayers and to contribute to and set a national lead through innovative project delivery and lobbying.
East Kent Housing	EKH has been established as an Arms Length Management Organisation jointly owned by Dover, Canterbury, Shepway and Thanet districts to deliver a range of delegated housing management services.
Choice Based Lettings	A Choice Based Lettings service delivered by Kent Homechoice the organisation set up in partnership with other Kent local authorities and Registered Providers.
Housing PFI	A partnership project between KCC and districts which secured PFI funding to enable the delivery of two extra care housing schemes in Dover district. The Council is represented on the two project boards which monitor the performance of the contracts.
East Kent Audit Partnership	The partnership is hosted by Dover working with Canterbury, Thanet and Shepway councils and provides the internal audit service to East Kent Services and East Kent Housing.
East Kent Services	EKS discharge the administration of council tax, national non domestic rates, the housing benefits scheme, customer services, ICT and Human Resources functions on behalf of Dover, Canterbury and Thanet Councils. The East Kent Services Committee oversees the work of EKS.

South Kent Coast Health and Wellbeing Board	The South Kent Coast Health and Wellbeing Board covers the Dover district (with the exception of some GP practices in Dover district that are part of the Canterbury and Coastal HWBB) and Shepway district (following the boundary of the South Kent Coast Clinical Commissioning Group) and Dr Joe Chaudhuri is the chair of the Board. The local-level board complements the county-wide Board and will feed local views into the overarching Kent strategy and ensure local issues are determined locally. The aim of the South Kent Coast Health and Wellbeing Board is to ensure a "local" voice and to identify, at the appropriate level, district-wide and neighbourhood-level health needs, priorities and gaps in service provision.
A New Vision for Sandwich	Board membership at Officer and Member level on the 'A New Vision for Sandwich' project board. The Board was formed in September 2016 following the publication of the jointly commissioned KCC and Sandwich Town Council report "Which way for Sandwich?" The Board will deliver a programme of improvements to Sandwich Town Centre, commencing with the Guildhall project.
Sandwich Guildhall Project	Provision of Project Management services for the initiation phase of the first project in the "A New Vision for Sandwich" programme, centred on the Guildhall and the Guildhall forecourt.

GENERAL FUND BUDGET SUMMARY

2016/17 Actual £000		2017/18 Original Budget £000	2017/18 Projected Outturn (31 Dec 17) £000	2018/19 Budget £000
	Directorate			
861	Chief Executive	1,785	1,983	1,916
2,374	Governance	2,714	2,627	2,775
7,361	Finance, Housing & Community	7,501	8,108	8,336
4,832	Environment & Corporate Assets	5,334	4,205	3,492
244	Shared Services (DDC hosted)	226	162	214
630	Special Revenue Projects	1,011	1,541	102
0	Vacancy Allowance/Delivering Effective Services	-224	0	-220
0	Homelessness - Service Delivery Target Saving	0	0	-200
0	EKS - Target Saving	-151	0	-150
16,302	**Net Direct Expenditure**	**18,196**	**18,626**	**16,265**
	Other Operating Income & Expenditure:			
0	Property Investment Strategy	-500	-34	0
-57	Council Tax Second Homes	0	0	0
0	Contingency	101	21	227
68	River Stour Drainage Board	70	70	71
67	Council Tax Support Funding to Towns & Parishes	39	39	0
-1,227	Recharge Income from HRA & Capital Projects	-1,543	-1,731	-2,029
15,153	**Net Operating Expenditure**	**16,363**	**16,991**	**14,534**
	Financing Adjustments:			
-1,098	Revenue Expenditure Funded by Capital Under Statute	-859	-859	-950
113	Annual Leave Adjustment	0	0	0
-263	Interest Receivable	-229	-519	-979
237	Interest Payable	238	238	238
9	Loan Principal Repayments/Borrowing Allowance	9	458	949
654	Direct Revenue Financing of Capital (exc Direct Expenditure	0	0	0
-348	**Total Financing Adjustments**	**-841**	**-682**	**-742**
	Contribution to/(from) Reserves:			
48	- Special Projects & Events Reserve	-991	-1,521	568
162	- Periodic Operations Reserve	117	221	370
-539	- Urgent Works Reserve	0	0	25
466	- Dover Regeneration Reserve	-115	-368	160
0	- District Regeneration & Economic Development Reserve	0	0	0
-142	- IT Equipment Reserve	58	58	115
613	- Revenue Grants in Advance Reserve	0	-44	-36
-924	- Business Rates & Council Tax Reserve	-728	254	-605
-316	**Net Contribution to/(from) Reserves**	**-1,659**	**-1,400**	**597**
14,489	**Total Budget Requirement**	**13,863**	**14,909**	**14,389**
	Financed by:			
3,518	Business Rates - Share of NDR	3,564	4,520	4,999
1,081	Business Rates - Enterprise Zone Relief Grant	1,145	1,169	618
12	Business Rates - Renewable Energy Retained	84	84	330
-724	Business Rates - Collection Fund Surplus/(Deficit)	-728	-728	-605
1,758	Revenue Support Grant	1,027	1,027	568
6,251	Council Tax	6,600	6,600	6,922
145	Council Tax - Collection Fund Surplus	236	236	141
5	Council Tax - Other S31 Grants	0	7	0
1,907	New Homes Bonus	1,874	1,873	1,515
509	Community Housing Grant	0	0	0
15	New Burdens	0	0	0
14,477	**Total Financing**	**13,802**	**14,788**	**14,488**
12	**General Fund Deficit/(Surplus) for the Year**	**61**	**121**	**-99**
-2,995	**General Fund Balance at Start of Year**	**-2,689**	**-2,533**	**-2,412**
450	**Transfer to Earmarked Reserves**	**0**	**0**	**0**
-2,533	**Leaving Year End Balances of**	**-2,628**	**-2,412**	**-2,511**

BUDGET SUMMARY - FUNDING ANALYSIS

2016/17 Actual £000		2017/18 Original Budget £000	2017/18 Projected Outturn (31 Dec 17) £000	2018/19 Budget £000
	Financed by:			
	Business Rates (NDR):			
3,391	Baseline	3,460	3,460	3,564
576	Growth over baseline	100	382	1,763
-288	Levy on Growth	-50	-191	-881
0	Levy Saving from Pooling - 2018/19 onwards	0	0	423
-221	Growth above budget-recognition deferred (non-S31 eleme	0	-282	0
0	Adjustment to Growth/Decline for S31 element not deferred	0	-31	0
0	Tariff Adjustment (Channel Tunnel impact)	0	1,123	0
60	Section 31 Grant for impact of multiplier cap	54	59	130
3,518	**Share of NDR**	**3,564**	**4,520**	**4,999**
-724	Collection Fund (Deficit)/Surplus - NDR (as declared)	-728	-728	-605
2,794	**NDR Funding Level**	**2,836**	**3,792**	**4,394**
	Enterprise Zone Relief Grant:			
1,116	Share of Enterprise Zone relief for current year	1,078	1,073	609
-92	Amount of EZ Relief in current year above NDR1 17/18 estimated value, required to be recognised in following year	0	4	0
57	Amount of EZ Relief in prior year above NDR 16/17 estimated value, permitted to be recognised in current year	67	92	9
1,081	**Total Enterprise Zone Relief Grant**	**1,145**	**1,169**	**618**
	Renewable Energy Retained:			
44	Share of Renewable Energy for current year	40	61	309
-44	Amount of Renewable Energy in current year above NDR1 17/18 estimated value, required to be recognised in following year	0	-21	0
12	Amount of Renewable Energy in prior year above NDR 16/17 estimated value, permitted to be recognised in current year	44	44	21
12	**Total Renewable Energy Retained**	**84**	**84**	**330**
	RSG:			
1,758	Revenue Support Grant (incl. C. Tax Support Funding)	1,027	1,027	568
0	Returned Funding	0	0	0
0	Homelessness Grant (RSG Element)	0	0	0
1,758	**RSG per Settlement**	**1,027**	**1,027**	**568**
6,251	**Council Tax**	**6,600**	**6,600**	**6,922**
145	**Collection Fund Surplus - C Tax**	**236**	**236**	**141**
5	**Council Tax - Other S31 Grants**	**0**	**7**	**0**
1,907	**New Homes Bonus**	**1,874**	**1,873**	**1,515**
509	**Community Housing Grant**	**0**	**0**	**0**
15	**New Burdens**	**0**	**0**	**0**
14,477	**Total Financing**	**13,802**	**14,788**	**14,488**

ANNEX 1A

Summary of General Fund Budget & Financing Requirements

	2017/18 Original Budget £m		2018/19 Original Budget £m	Year on year change %
Budget Requirement:				
Gross Revenue Expenditure	69.164		68.930	
Gross Revenue Income	(54.778)		(54.992)	
Underlying Budget Requirement	**14.386**		**13.938**	
Earmarked Reserve adjustments	(0.523)		0.451	
Net Budget Requirement	**13.863**		**14.389**	4%
Financing Requirement:				
Revenue Support Grant	(1.027)		(0.568)	-45%
Business Rates Retained	(3.565)		(4.998)	40%
EZ Relief & Renewable Energy- in year	(1.117)		(0.918)	-18%
Council tax	(6.600)		(6.922)	5%
New Homes Bonus	(1.874)		(1.515)	-19%
Underlying Financing	**(14.182)**		**(14.922)**	**5%**
One-off Financing:				
Collection Fund Distribution				
NDR	0.728		0.605	
Council Tax	(0.236)		(0.141)	
EZ Relief & Renewable Energy- prior year	(0.111)		(0.031)	
Total Financing	**(13.801)**		**(14.488)**	5%
(Surplus) / Deficit for the year	0.062		(0.099)	
Opening General Fund Balance	**(2.689)**		**(2.412)**	
Closing General Fund Balance	**(2.628)**		**(2.511)**	

	A	B	K	O	R	U	X
1	**DOVER - NDR MONITORING - SUMMARY**						
2			Updated Forecast	Budget Revised	Budget Estimate	Budget Estimate	Budget Estimate
3			2017/18	2018/19	2019/20	2020/21	2021/22
4	Number of hereditaments		4,003	4,003	4,003	4,003	4,003
5	Aggregate RV		104,278,920	108,388,352	109,155,574	109,338,102	109,337,719
6	Calculated gross rate yield		48,593,977	52,026,409	53,556,746	54,778,389	55,871,575
7							
8	Estimated gross rate yield for full year - ***before EZ & TP Relief***		48,549,010	50,154,475	51,267,000	52,349,000	53,394,000
9	Net Additions (i.e. Growth)		44,967	1,871,934	2,289,746	2,429,389	2,477,575
10	Change in yield for previous years		-183,044	0	0	0	0
11	**Less:**						
12	Enterprise Zone Relief		2,682,597	1,522,000	496,000	274,000	157,000
13	Transitional Protection Rates Relief		1,283,883	-867,393	-975,000	-932,000	-830,000
14	Mandatory reliefs (current & previous years)		6,401,530	6,713,724	6,862,000	7,005,000	7,143,000
15	Discretionary reliefs (current & previous years)		189,594	228,780	234,400	239,900	244,300
16	Discretionary Reliefs funded from S31 Grant		168,114	210,907	146,000	109,000	104,000
17	Losses in collection		500,000	500,000	511,000	522,000	532,000
18	Interest on refunds (offset in gross rate yield on NDR3)		0	0	0	0	0
19	Cost of collection		164,215	159,573	163,000	166,000	169,000
20	Deferral Scheme + or - *(exclude for now!)*		0	0	0	0	0
21	Enterprise Zone BR to be retained		0	0	0	0	0
22	New Development Deal BR to be retained		0	0	0	0	0
23	Renewable Energy Schemes BR to be retained		61,103	309,425	500,280	510,840	521,040
24	Net yield before rate retention adjustments		36,959,897	43,249,393	45,619,066	46,883,649	47,831,235
25							
26	Rate retention adjustments		0	0	0	0	0
27	Estimated provision for loss on future appeals		2,006,813	2,276,000	2,292,000	2,296,000	2,296,000
28	**Collectible Rates, less cost of collection allowance**		**34,953,084**	**40,973,393**	**43,327,066**	**44,587,649**	**45,535,235**
29	Add back: Transitional Protection Rates Relief		1,283,883	-867,393	-975,000	-932,000	-830,000
30	**Net Rate Yield for Sharing**		**36,236,967**	**40,106,000**	**42,352,066**	**43,655,649**	**44,705,235**
31							
32	**Allocation of net rate yield**	%					
33	Central share - before EZ and Transition Relief settlemen	0.50	18,118,483	20,053,000	21,176,033	21,827,825	22,352,617
34	District/Unitary(0.49)	0.40	14,494,787	16,042,400	16,940,826	17,462,260	17,882,094
35	Kent County Council	0.09	3,261,327	3,609,540	3,811,686	3,929,008	4,023,471
36	Kent Fire and Rescue	0.01	362,370	401,060	423,521	436,556	447,052
37			36,236,967	40,106,000	42,352,066	43,655,649	44,705,235
38							
39	District tariff		11,458,420	11,802,664	12,064,437	12,319,030	12,564,918
40	District Funding (District share above, *less* tariff)		3,036,367	4,239,736	4,876,389	5,143,230	5,317,176
41	Adjustment for reliefs covered by S31 Grant		1,047,597	1,086,363	1,082,578	1,089,421	1,108,262
42	*Sub-total - Adjusted district share for levy/safety net*		*4,083,964*	*5,326,099*	*5,958,967*	*6,232,651*	*6,425,438*
43	District Baseline		3,459,995	3,563,943	3,642,989	3,719,867	3,794,116
44	Safety Net level	0.925	3,200,495	3,296,648	3,369,765	3,440,877	3,509,557
45	Safety Net payment		0	0	0	0	0
46	Levy payment if applicable	0.5	311,984	881,078	1,157,989	1,256,392	1,315,661
47							
48	**District Income from NNDR (excl. CF Surplus):**						
49	District funding - rates (as above)		3,036,367	4,239,736	4,876,389	5,143,230	5,317,176
50	District S31 Grant - Actual, incl. for 2% cap on multiplier		1,101,602	1,216,155	1,228,069	1,238,160	1,258,473
51	Safety net/levy		-311,984	-881,078	-1,157,989	-1,256,392	-1,315,661
52	*Sub-total*		3,825,985	4,574,813	4,946,469	5,124,998	5,259,988
53	Enterprise Zone Relief - District Share of Grant		1,086,855	608,800	198,400	109,600	62,800
54	Renewable Energy retained		61,103	309,425	500,280	510,840	521,040
55	Levy saving while in pool - 30% direct saving returned, less 5% levy		0	0	0	0	0
56							
57	**Total Income From NNDR (excl CF surplus)**		4,973,942	5,493,038	5,645,149	5,745,438	5,843,828
58							
59							
60							

	A	B	K	O	R	U	X
2			Updated Forecast	Budget Revised	Budget Estimate	Budget Estimate	Budget Estimate
3			2017/18	2018/19	2019/20	2020/21	2021/22
61	RV of last list of appeals		24,388,125				
62	Top 10 appeals total RV		21,113,000				
63	Top 50 appeals RV		23,823,950				
64	Total number of appeals		123				
65							
66							
67	**Completion Notes:**						
68	Spreadsheet Rows 13, 14 & 15 show the total amount of relief granted in the year in respect of current and previous years						
69							
70	**COLLECTION FUND MOVEMENT:**						
71	Balance B/Fwd - Surplus/(Deficit)		-1,298,484	-1,513,500	0	0	0
72							
73	**In-year performance:**						
74	Net yield for sharing before bad debts & appeals		38,743,779	42,882,000	45,155,066	46,473,649	47,533,235
75	Change in appeals provision		-2,006,813	-2,276,000	-2,292,000	-2,296,000	-2,296,000
76	Change in bad debts provision		-500,000	-500,000	-511,000	-522,000	-532,000
77			36,236,967	40,106,000	42,352,066	43,655,649	44,705,235
78	**Total distributed:**						
79	(Surplus)/deficit (distributed)/contributed per NNDR1		1,820,017	1,513,500	0	0	0
80	NDR shares paid per NNDR1		-38,272,000	-40,106,000	-42,352,066	-43,655,649	-44,705,235
81			-36,451,983	-38,592,500	-42,352,066	-43,655,649	-44,705,235
82							
83	Balance C/Fwd - Surplus/(Deficit)		-1,513,500	0	0	0	0
84							
85	DDC share of Surplus/(Deficit)		-605,400	0	0	0	0
86							
87							
88	**Appeals Provision:**						
89	Balance B/Fwd		2,406,000	4,412,813	6,688,813	8,980,813	11,276,813
90	Charged to provision		-183,044	0	0	0	0
91	Increase/(Decrease) in provision		2,189,857	2,276,000	2,292,000	2,296,000	2,296,000
92							
93	Balance C/Fwd		4,412,813	6,688,813	8,980,813	11,276,813	13,572,813
94							
95	Increase in appeals as % of gross rates		4.51%	4.37%	4.28%	4.19%	4.11%

Annex 1C

Business Rates Overview

1. The BR to be paid by businesses are determined by the Valuation Office Agency (VOA), who set the rateable value (RV) of commercial premises, and by central government, who set the multiplier (rate in the pound) that is to be applied to the rateable value. The VOA shares only limited information on its work, and local authorities are not permitted a role in defending valuations subject to appeal, nor do they have access to much of the information from the VOA.

2. Local authorities therefore have no role in setting the BR, and are mainly responsible just for the collection of the due amount, and promoting economic regeneration to grow the tax base.

3. The Government's policy of localisation of BR focuses on how the income generated from BR is to be shared between central and local government. Businesses have seen no difference in the way they pay BR or the way the tax rate continues to be set by Government, and the rateable values will continue to be determined by the VOA.

4. However the financing of local government is radically altered by the arrangements for sharing the income generated by BR. The system includes:

    - Tariffs and top-ups;
    - Safety-nets and levies;
    - Pooling BR with other Kent districts to produce levy savings
    - Entering a pilot scheme in 2018/19 to retain 100% growth locally (i.e. no levy);
    - A number of uncertainties including:
        - Projections of future BR levels (NNDR1 and NNDR3);
        - Appeals by businesses against their rateable values;
        - Reductions in rateable values agreed by VOA for other reasons;
        - Lack of a finalised, detailed pilot scheme model to determine the split of retained growth between Kent districts, incl. KCC, Medway and Fire;
        - Accounting arrangements and determining the 2017/18 performance and the 2018/19 budget;
        - The impact of the BR revaluation for 2017;
        - The impact of reliefs, including the extension of the Small Business Rates Relief by altering thresholds, and related compensation by way of S31 grant;
        - Setting the multiplier.

    - Future issues and changes include:
        - The potential change to a 75% localisation scheme from 2020/21;
        - Slow progress by the VOA in settling outstanding BR appeals on the 2010 list;
        - A new "Check, challenge, appeal" system introduced by VOA in 2017/18, which is not easy for businesses to use and may create delays in appeals arising against the 2017 revaluation (few appeals registered so far);
        - The expected encouragement of appeals by ratings agents, with fees based on a fixed percentage of refunds, which may lead to delays in appeals challenges until a few years into the '2017 revaluation' period to maximise % fees on backdated refunds;
        - Unexpected and significant class reductions in BR by the VOA (previously £2.3m refunded to the NHS for purpose built doctors surgeries in Dover,

and a current nationwide appeal by NHS hospitals to be treated as charities in order to secure 80% mandatory relief, which is subject to legal proceedings but not yet agreed);

- The continuous on-going eroding effect on the tax base in the appeals being settled by the VOA;
- Obtaining strategic information from the VOA;
- Inaccuracies in figures provided by VOA.

5. In addition to the complexity of explaining the above factors for any one financial year, the new system makes it extremely difficult to explain how finances have changed between financial years, especially in comparison to the periods before 2013/14, compounded by the impact of the 2017 revaluation, which makes 2017/18 and 2018/19 figures complex to calculate and hard to meaningfully compare to 2016/17. This is complicated by Dover becoming part of a pilot scheme in 2018/19, enabling additional growth to be retained locally (i.e. within Kent, so that there is no levy payable on growth).

6. However, at its most basic, the new system results in 50% of BR collected by a council being paid direct to government, with 40% retained by the Council, 9% going to KCC and 1% to Kent Fire and Rescue. This is described as “50% retention”.

7. The table below provides a simple indicative example based on 2017/18 data (before adjustment for S31 grant funding of reliefs).

Attribution of BR Income (Indicative)	**£m**
Net rate yield	(36.2)
Less	
50% to Government	18.1
9% to KCC and 1% to Fire	3.6
Balance of 40%	(14.5)
Less: tariff to Government	11.5
Balance retained by DDC	3.0

8. From the 40% retained, if the baseline amount that remains with the council is greater than the council’s baseline budget requirement, then the council pays the excess to government in the form of a “tariff”. For Dover this means the bulk of the 40% is also paid to government. Once the tariff is set, a district will have to continue to pay this amount to government. If actual collection is lower (for example, due to demolition at Discovery Park, successful appeals by doctors surgeries, etc.) the council has to continue to pay the tariff, and bear the loss itself, as well as bearing the costs of the appeals refunds, which may stretch back over many years and may even pre-date the current system.

9. The system is also asymmetric. If the amount collected grows, then the Council has to pay a levy on the growth, at 50%. So, if BR reduces by £1m, DDC would itself bear a loss of £200k. If BR grows by £1m, DDC would retain an additional £100k.

10. The total BR collected by DDC for 2017/18 is c. £36.2m, so with a fixed tariff to pay, a proportionately small movement in this large number will have a very significant effect upon the Council’s budget, and growth is rewarded at only half the rate that

reductions are penalised, until a safety net kicks in after the council has borne a reduction of c. £260k.

11. The estimate of BR collectable by DDC for 2018/19 is c. £40.1m[1]. After its expected tariff and S31 grant adjustment, the permitted amount for retention before levy or safety net adjustments is £5.33m approx., which is £1.762m above its BR baseline for 2018/19. Ordinarily, a 50% levy would apply to the £1.762m excess, being £881k approx. However, DDC has joined a Government-approved pilot scheme for 2018/19 which should enable all growth to be retained locally (i.e. with £nil levy payable).

12. The arrangements for splitting growth between the Kent partners are complex and have not yet been modelled in detail. However, the pilot scheme arrangements are expected to have a favourable impact on Dover in the region of £500k (being the 'Financial Stability Fund' element) as well as leaving an additional 'Growth Fund' amount available to be split amongst the "East Kent cluster" (Ashford, Canterbury, Dover, Shepway, Thanet) subject to agreement among the partners in conjunction with KCC. This additional funding has not yet been incorporated into the 2018/19 budget as operational and financial details are not yet resolved. Any additional income from the pilot will be transferred to earmarked reserves to support future projects.

13. Instead, we have incorporated savings based on pooling arrangements (rather than pilot scheme arrangements), as if we had joined the existing Kent pool with the other Kent Authorities for 2018/19, which would have been our intent if Kent had not been awarded pilot scheme status. This would have reduced our levy from 50% to, say, 10% and the resulting levy saving would have been shared: 30% KCC; 30% Dover; 30% Growth fund (requiring KCC approval for spend on DDC projects), and 10% set aside for contingency purposes. Therefore, instead of paying an £881k levy, Dover would only have needed to pay £176k levy, a saving of £705k. Dover's share of this saving is £423k (being 30% direct saving of £212k, and 30% Growth fund element of £211k which is transferred to the 'KCC & Dover Growth Fund' reserve pending allocation to projects requiring KCC approval). These savings are built into the 2018/19 budget. The additional savings of £520k in the preceding paragraph are not.

14. The remainder of this section addresses the 5 most important aspects of BR as they impact Dover:

- The 2017 Revaluation
- The VOA
- Appeals
- Small Business Rates Relief
- Accounting Treatment
- "Real" Growth
- The pilot scheme and other factors for 2018/19

<u>The 2017 Revaluation</u>

15. Revaluation is meant to happen every 5 years. The 2017 revaluation is the first since 2010.

[1] This figure is based on the NNDR1 form submitted to Government on 29th January 2018. It is stated after the offset of appeals adjustments and the reversal of transitional relief granted, which is not borne by the preceptors.

16. Government intends the revaluation to be fiscally neutral – as the RV changes so the multiplier is changed to ensure the overall national total of BR does not change, and government also amends the tariffs and top-ups to moderate the impacts, both good and bad, on individual councils.

17. For Dover, initially, the revaluation in 2017/18 led to an estimated increase in gross rates (before reliefs etc.) of £8.3m, from £43.6m (per NNDR1 2016/17) to £51.9m for 2017/18 (incl. growth). However, the 2017/18 figure is subject to higher reliefs for small businesses and the need for additional appeals provisions, leaving the net rate yield (for sharing) increasing by only £3.8m, from £34.5m (per NNDR1 2016/17) to £38.3m for 2017/18 (incl. growth). DDC's share is 40%, but the tariff deductible from its share was increased by £2m, leaving a decrease in rates income (excl. EZ relief and retained rates from renewable energy) of £57k (this takes into account compensating s31 grants).

18. Therefore, following the 2017 revaluation, the tariff increase of £2m reduces DDC's share of the higher tax base by £2m.

19. The higher tariff was set based on an initial RV list for Dover's businesses issued in (or around) October 2016. By the time the 2017 RV list went 'live' on 1st April 2017, Dover's biggest business rates payer, Channel Tunnel, had been awarded a £7m reduction in RV, equating to a loss of £3.36m gross rates (transitional relief is ignored, as it is neutralised in terms of DDC's funding). Even having allowed for an element of reduction within the appeals provision, this meant DDC would have been in the safety net for 2017/18 and subsequent years, meaning that Government would have needed to top up its funding with a safety net payment in 2017/18, and placing an ongoing burden on the pool or pilot scheme 'safety net mechanisms' for 2018/19 and subsequent years.

20. Fortunately, Govt. made provision to adjust tariffs for changes in the RV of the 2017 list between the draft list (October 2016) and the "go-live" date (1st April 2017). As such, a tariff adjustment of £1.1m has finally been agreed (after lengthy challenge for correction of VOA errors in the original tariff adjustment), reducing the tariff for Dover to £11.5m for 2017/18, rising to £11.8m in 2018/19. This places Dover back in a 'growth' position for 2017/18 and 2018/19, and will make Dover a net contributor to growth in the pilot scheme in 2018/19, unless anything unexpected happens.

21. This adds to the level of uncertainty and is also a potential mechanism by which the government can apply "negative" RSG settlements in the future.

22. DDC is in a relatively unusual position in that its BR income is very heavily concentrated in its largest sites, with 38% of its BR income from just four sites.

Dover's Rateable Values	**Rateable Value [2] £000**	**%**
Channel Tunnel	28,000	27
Discovery Park	6,115	6
Dover Harbour Board	2,720	3

[2] Note – These figures are based on 2017 valuations. Rateable Value is not the same as the Business Rates paid. RV is multiplied by a government set multiplier (49.7p in 2016/17 decreasing to 47.9p in 2017/18 for the standard multiplier), to determine the amount payable, and this may be subject to BR allowances.

Dover's Rateable Values	Rateable Value [2] £000	%
Tesco, Whitfield	2,390	2
Sub Total	**39,225**	**38**
Remainder	65,263	62
Total	**104,488**	**100**

(The next largest site is just 1% of the total.)

23. The values above come from the 2017 revaluation. In general, the RV of properties in the district showed minimal increases or even reductions, but the total RV for the district increased by £14.0m. Of this, £11.6m remains due to the increase for the Channel Tunnel from £15.4m (2010) to £28.0m (2017). In the initial list, the RV for the Channel Tunnel was £35m but this had been reduced to £28m by the "go-live" date. This makes the council unduly reliant on the Channel Tunnel valuation, which must be subject to uncertainty, as the existing £15.4m for 2010 remains under appeal, and prior appeals have been won by Channel Tunnel.

24. Although RV growth would appear to be a good thing, the current system means that this is not necessarily the case. The government have used it to increase the Council's tariff (and therefore BR income target) and if the VOA then fails to defend appeals successfully, as is often the case, then the council is left with a higher target and a reduced tax base.

<u>The VOA</u>

25. The VOA takes the lead role on the revaluation. For Dover this has led to significant complications with tariff adjustments of £1.1m due mainly to changes in rateable value (RV) arising from the 2017 revaluation between the date of the draft list (in October 2016) and the "go-live" list on 1st April 2017.

26. The tariff adjustments relate (mainly) to the £7m reduction in the RV of Channel Tunnel from the draft valuation to the final list.

27. The VOA provided data for the tariff adjustment that was highly inaccurate, leading to a proposed reduction in the 2017/18 tariff (and similar adjustment for 2018/19) within the draft settlement of £609k, which was £528k less than we were expecting. It has only been possible to confirm officially that our own calculation of an expected downwards adjustment of £1.1m approx. is correct, following our challenge to VOA and MHCLG[3] over the errors[4], and following a revised data release on 18th January 2018. This means that we can expect growth in 2018/19 rather than potentially being in the safety net until the next revaluation or "reset".

<u>Appeals</u>

28. There is a sizeable appeals backlog and fresh appeals continue to arise, maintaining a continuing level of uncertainty over BR income. The VOA have had to resource the 2017 revaluation and it is not surprising that the backlog still remains high (c. £24m of properties where there is some element of appeal). There have been some surprising appeal outcomes which question the robustness of original valuations. It is therefore important that the VOA increase their rigour and do not concede appeals in order to clear the backlog.

[3] Ministry of Housing, Communities and Local Government

[4] These challenges by Dover led to a last minute change in the local government settlement for all English councils.

29. In the backlog there are some significant appeals. Most / all NHS trusts have appealed on the basis that "hospitals are charities" and should receive charitable relief. This will be at a cost to the local authorities who are defending this as a "class action". In effect, two arms of government are locked in a dispute that could be resolved by the sponsoring departments, should they choose to do so. If NHS Trusts are successful in their claim, and charitable status is awarded, charitable relief would be mandatory and result in relief at 80% of the value of net rates chargeable, leaving only 20% to pay – a significant reduction.

30. Recent successful appeals against rateable values include GPs' surgeries, Discovery Park (incl. Pfizer), Tesco, Cable Connection to Thanet Wind Farm, De Bradelei Wharf (alongside ownership changes) and Motis Ireland's freight and truck stop reductions. These have an on-going impact on business rates income alongside the further impact of smaller appeals. Further outstanding appeals will add to this where successful, and the impact is cumulative over the years. Additionally, UK Border Agency is entitled to 100% empty property relief on its Immigration Removal Centre while empty. Similarly, VOA have already allowed a £7m reduction in the proposed RV of Channel Tunnel under the 2017 list from £35m to £28m and have advised that "Business Rates is an 'opinion-based' tax rather than a 'formula-based' tax", making it almost impossible to challenge their decisions.

31. It should also be noted that the appeals process only ever reduces RV. No one seeks an increase, and there are many agencies offering to submit appeals on behalf of businesses on a no-win/no-fee basis. The continuing erosion of the BR tax base due to appeals amounted to c. £600k p.a. under the 2010 RV list. Establishing the correct appeals provision has a significant impact on the collection fund and on the level and timing of resources available to the Council. The information upon which such major provisions must be made is often insufficient.

32. A new "check, challenge, appeal" system has been implemented from the beginning of the 2017 revaluation. There is some uncertainty about the availability of appeals data for the 2017 valuation, as VOA insists that the Valuations Tribunal service should supply details on tribunal referrals and outcomes. It also appears that BR payers are finding the new "check, challenge, appeal" system unwieldy to use, which is currently deterring appeals, but this is unlikely to prevent ratings agents encouraging appeals or offering to lodge them on the bill-payer's behalf in the longer term.

Small Business Rates Relief

33. Additional reliefs are being made available to small businesses by government, for which districts are only partly compensated. The combined effect of the changes in RV and the extension of SBRR have the potential to significantly increase the number of qualifying businesses. The take-up rate and the overall effects of these changes are extremely difficult to forecast accurately.

34. Additional compensation is being offered for the loss of income due to the change in SBRR qualification thresholds, based on VOA calculations. This is a favourable outcome, although some of the benefit is lost as the extra income is taken into account when calculating the gross BR income on which the levy is charged, in Dover's case @ 50% for 2017/18.

Accounting Treatment

35. The accounting treatment for BR further complicates the position.

36. Good or bad BR performance are recognised in the following year, however the compensating safety net payment receivable from government (when performance is poor) has to be recognised in the accounts in the year of poor performance, creating an apparent better result than expected. It is similar for better performance, where the extra income is recognised in the following year, but the levy payable is charged in the year of the improved performance, reducing the BR income recognised in the accounts in that year of better performance.

37. As a result of these timing differences, good performance will, in the accounts for that year, appear as poor performance and vice versa.

38. In addition, regulations require that only the proportionate share of EZ compensation grant relating to the amount of relief declared on the NNDR1[5] for a particular year can be recognised as grant received in that year. Any adjustment for actual relief awarded is recognised as additional grant income in the immediately following year.

39. As a result it is not possible to present Members with simple accounting information that shows the underlying performance for the year.

40. EZ relief also has a final deadline for fresh claims of 31st March 2018, and lasts for a maximum of five years. By 2018/19 many businesses will have claimed (or nearly claimed) their full five years' entitlement to relief, and therefore we are expecting EZ relief to decrease from £2.68m in 2017/18 to £1.562m in 2018/19 and to continue to fall thereafter, reducing the favourable impact of Dover's share of compensation (@ 40% of the total relief granted). Unlike normal BR growth, the compensation for EZ relief does not trigger any levy and sits outside pooling and pilot scheme calculations. Before any pilot scheme considerations, we are expecting EZ relief compensation to reduce from £1,169k in 2017/18 to £618k in 2018/19. The exact benefit under the pilot scheme arrangements may change, but the detailed modelling has not yet been completed by the lead authority, Maidstone B.C

41. Similar considerations apply to retention of BR from Renewable Energy businesses. This has not been particularly significant in 2017/18 or prior years, but the new Combined Heat & Power Plant at Discovery Park is due to become operational around the summer of 2018, with the exact RV yet to be determined. It is expected to be in the region of £800k - £1.2m and could lead to rates retained in the region of £436k p.a. or more from 2019/20 onwards, with a part year allowance of £250k approx. for 2018/19, subject to final dates of commencement of operation and the actual RV assessment by VOA.

Real Growth

42. It is important that we do not lose sight of the real growth in bricks and mortar that is being delivered, and the growth is needed to offset the continuing RV erosion from appeals.

[5] NNDR1 is a MHCLG form which all authorities are required to complete, predicting the coming year's BR income, reliefs etc. It is a key element in the system of localised BR, and generally payments from Government in the year are based on the NNDR1, even if actual performance is known to be significantly different.

43. Forecasting delivery of future growth in the district is very difficult. There is a clear trend of real growth. However, establishing a reasonable value for the new buildings and a start date for the BR income stream is subject to a significant margin of error, and the sometimes subjective opinions of VOA valuers in a system that our VOA Relationship Manager insists is an “opinion-based” tax rather than a “formula-based” one. These issues and estimates feed into the MTFP but bring a level of uncertainty that is hard to quantify.

The Pilot Scheme and other factors for 2018/19

44. Kent has been awarded pilot scheme status for 2018/19, which means it can fully retain growth within its district areas without having to pay a levy.

45. The arrangements for splitting growth between the Kent partners are complex and have not been modelled in detail. However, the pilot scheme arrangements are expected to have a favourable impact on Dover in the region of £500k (being the fixed ‘Financial Stability Fund’ element) as well as leaving an additional ‘Growth Fund’ amount available to be split amongst the “East Kent cluster” (Ashford, Canterbury, Dover, Shepway, Thanet) subject to agreement among the partner authorities in conjunction with KCC. This additional funding has not yet been incorporated into the 2018/19 budget as operational and financial details are not yet resolved.

46. The base calculations for measuring growth in the pilot scheme need to assume Dover would otherwise have joined the Kent pool in 2018/19 and would have benefited from a reduced levy, but this has yet to be modelled by the lead authority, which is Maidstone B.C., with the support of other authorities such as Dover. Additional modelling, and clarification and agreement between the partner authorities are needed before absolute outcomes for individual authorities can be determined.

47. Nevertheless, the pilot scheme should deliver additional resource based on the £nil levy, so long as partners are generally expecting growth to be at or above 2017/18 levels, even if the exact final split between partners cannot be immediately determined.

48. At the moment, the draft budget for 2018/19 is stated on a pooling basis (rather than pilot scheme basis).

49. The pilot scheme may (or may not) continue for 2019/20, and is subject to the decisions of MHCLG. From 2020/21 the system is expected to be different again, and is expected to be based around “75% retention” of BR locally, but with all the complexities of the current system. It is not yet clear whether 75% retention will reflect the average of those authorities with 50% retention and those pilot authorities with 100%, or simply a universal 75% retention rate for all.

50. Other factors to be taken into account in considering BR include:

- In 2020/21 the system is due for a re-set. This could mean that the benefits of increased growth in the tax base that DDC has generated will be lost or reduced.

- There is a possibility that Central Government will centralise appeals provisions to reduce local volatility at some point. It is not known when this might be, how it would be implemented, or what the impact would be on individual authorities, and whether it would be favourable or adverse.

- Businesses within the Discovery Park Enterprise Zone receive Business Rates relief (typically the first £55k of their BR each year, for up to five years). Government compensates DDC for its loss of BR income with a separate EZ Relief Grant attributed to Dover, Kent and Fire in an 80:18:2 proportionate split. Regulations govern when the EZ Relief can be recognised. Eventually, as EZ discount ceases to be given after 31st March 2018 (and therefore grant to DDC diminishes), the BR income itself will increase by an equivalent amount (because the discount has ceased). Ordinarily, the additional BR income generated would be subject to a 50% levy, whereas the compensating grant previously given was not. However, by entering the pilot scheme, the levy is reduced to £nil while the scheme remains in force, and so the additional rates generated as the relief diminishes will be retained 100% locally within the pilot scheme regardless.

- The continued payment and funding of EZ relief, which has a significant impact on the budget, depends upon the level of EZ relief claimed at Discovery Park which, in turn, depends upon the extent to which occupancy at DP remains focused on smaller firms and units.

- The final date for qualifying for EZ Relief is 31st March 2018, and therefore, in subsequent years, EZ relief will start to reduce as the maximum 5-year claim period per business runs out.

- BR systems include programmes that assist in modelling and forecasting future BR income. The software suppliers have commented that they have not received information from government in good time on changes to the BR regime and the revaluations. As a result they are facing challenges to get all the required programmes and reports produced. The council relies on the accuracy of these programmes.

General Fund Service Expenditure by Cost Type

	2017/18 Original Budget	2017/18 Projected Outturn as at 31 Dec 2017	2018/19 Proposed Budget
	£000	£000	£000
Direct Expenditure			
Employees	12,923	12,911	13,935
Premises	1,592	1,693	1,644
Transport	191	212	205
Supplies and services	6,456	7,352	8,310
Third parties	8,165	9,164	9,558
Shared services	2,859	2,721	2,721
Transfer payments	37,538	35,814	35,293
Total Direct Expenditure	69,724	69,867	71,666
Direct Income			
Government Grants	(38,747)	(37,309)	(36,705)
Sales	(48)	(63)	(63)
Fees and Charges	(6,922)	(8,600)	(9,935)
Other Income	(6,354)	(6,431)	(7,924)
Total Direct Income	(52,071)	(52,403)	(54,627)
Central Support reallocation of costs	(318)	(541)	(520)
Special Revenue Projects	1,011	1,541	102
Vacancy Allowance & Employment Stability	(224)	-	(220)
Homelessness - Service Delivery Target	-	-	(200)
Shared services (DDC Hosted)	226	162	214
EKS Savings Target	(151)	-	(150)
Net Service Expenditure	18,197	18,626	16,265

ANNEX 2B

GENERAL FUND KEY FIGURES - EXPENDITURE

Key Expenditure Figures:	2016/17 Outturn £000	2017/18 Original Budget £000	2017/18 Projected Outturn £000	2018/19 Draft Budget £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000
Employees:							
Basic	8,174	9,336	9,086	9,886	10,083	10,285	10,491
NI	877	965	941	1,019	1,039	1,060	1,081
Current year pension	1,150	1,399	1,369	1,502	1,532	1,563	1,594
Backfunding	1,627	1,550	1,550	1,610	1,686	1,762	1,839
	11,828	13,250	12,946	14,017	14,341	14,670	15,005
Major contracts:							
Refuse Collection	1,037	1,045	1,045	1,077	1,109	1,143	1,177
Recycling	966	1,035	1,035	1,066	1,098	1,131	1,165
Street Cleansing	1,505	1,541	1,541	1,588	1,636	1,685	1,735
Total Waste	3,508	3,621	3,621	3,731	3,843	3,958	4,077
Landscape maintenance	722	225	236	249	256	264	272
Balance of Third Party Payments[1]	1,555	912	1,469	1,557	1,604	1,652	1,701
	5,785	4,758	5,326	5,537	5,703	5,874	6,050

Notes

[1] Excludes EKS Management Fees & WCLP

GENERAL FUND KEY FIGURES - INCOME

Key Income Figures:	2016/17 Outturn £000	2017/18 Original Budget £000	2017/18 Projected Outturn £000	2018/19 Draft Budget £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000
Car Parking	(2,359)	(2,317)	(2,382)	(2,600)	(2,600)	(2,600)	(2,600)
Rent Income	(419)	(397)	(1,555)	(2,342)	(2,342)	(2,389)	(2,389)
Development Management	(706)	(655)	(655)	(715)	(715)	(729)	(729)
Building Control	(272)	(285)	(285)	(315)	(315)	(321)	(321)
Licensing	(268)	(247)	(254)	(210)	(210)	(214)	(214)
Green Waste	(224)	(223)	(235)	(248)	(248)	(248)	(248)
Land Charges	(230)	(220)	(98)	(98)	(98)	(98)	(98)
	(4,478)	(4,344)	(5,464)	(6,528)	(6,528)	(6,600)	(6,600)
Total Financing:							
Non-Domestic Rates	4,611	4,793	5,773	5,947	5,568	5,687	5,793
Revenue Support Grant	1,758	1,027	1,027	568	56	0	0
Council Tax	6,251	6,600	6,600	6,922	7,179	7,437	7,695
New Home Bonus	1,907	1,874	1,873	1,515	1,665	1,762	1,771
Other	(50)	(492)	(485)	(464)	(460)	(460)	(460)
Total Financing	14,477	13,802	14,788	14,488	14,009	14,426	14,800

ANNEX 3

Major Variances - 2018/19 Budget vs. 2017/18 Budget

	£000	£000
Movement in Budget Requirement:		
Total Budget Requirement in 2018/19		14,389
Total Budget Requirement in 2017/18		13,863
Increase in Budget Requirement for 2018/19		**526**

	Adverse / (Favorable)	
	£000	£000
Major Variances:		
Corporate:		
Homelessness service delivery savings target		(200)
Increased income from Property Investment Strategy		(150)
Increased contingency to reflect volatility of budget position		126
Recharges - net increase in recovery from outside General Fund		(486)
Increased investment returns from revised Treasury Management Strategy		(750)
Inceased salary costs due to inflation and increments		124
		(1,336)
Reserve Transfers:		
Special Projects & Events Reserve - new contribution to support future projects	650	
Dover Regeneration Reserve - new contribution to support LDF and planning appeals	75	
Dover Regeneration Reserve - contribution from pooling for joint KCC/DDC projects	211	
IT Equipment & Servers Resrve - increased contribution to support digital projects	57	
Periodic Operations Reserve - contribution to support waste contract renewal	25	
Business Rates & Council Tax Reserve - reduced use of reserve to cover collection fund deficit from 2017/18 to be recognised in 2018/19	123	
		1,141
Total Corporate and Reserve Transfers		**(195)**
Chief Executive:		
Local Land charges - reduction in income anticipated from new VAT charges imposed on fees being charged for information		24
Print unit - Reduction in equipment rental as no longer using Neopost Mailer		(16)
		(63)
Development Mgmt Planning Fee income - additional income expected from fees, enforcement, etc.		
		(55)
Finance, Housing & Community:		
EKS Management Fees savings based on 2017/18 costs		(137)
Homelessness - net increase in Emergency Accommodation costs after HB income, furniture storage reduction and recharged amounts		696
Pensions backfunding increase based on actuarial report		55
Net credit from Benefits Subsidy System reduction due to earlier exchange of information		50
Crime and Disorder - Increase due uncertainty about continued grant although some work is still intended for 18/19 funded from reserves		27
		691

	Adverse / (Favorable)	
	£000	£000
Major Variances:		
Environment & Corporate Assets:		
Dover Leisure Centre - reduced support to leisure provide due to new contract at Dover		(33)
New Tourism and Transports posts		85
Assets & Building Control increased costs due to restructure, offset by increased recharges to HRA & projects above		159
Car Parks - Surface Paying - Increase income from new charging proposals as per Cabinet report		(140)
Refuse Collection - Increase income from change to charges for replacement bins net of contract increase		(40)
		31
Governance:		
Corporate Health and Safety - increase due to the service being devolved from EKHR to the separate authorities		50
Enforcement hub - technical support officer post		30
		80
Total Major Variances		552
Minor Variances (numerous small variances) - net adverse		(26)
Total Variances		**526**
Changes in Funding:		
Business Rates:		
Additional Funding from Baseline Movement	(104)	
Increase in Growth above Baseline	(1,663)	
Increase in Levy	831	
Levy Saving from Pooling - 2018/19 onwards	(423)	
Renewably energy retained (incl. recognition of prior year amounts)	(76)	
Collection Fund - decrease in deficit (offset by reserve use above)	(123)	
Variance in NDR Funding Level		(1,558)
Reduction in Enerprise Zone relief grant		527
Increase in renewable energy retained		(246)
Other:		
Revenue Support Grant - Reduction		459
Council Tax - Increase in tax base & rate charged		(322)
Council Tax Collection Fund Surplus - increased DDC share for 2017/18		95
New Homes Bonus - Decrease		359
Total Changes in Funding		**(686)**
Net Change in Deficit		**(160)**

FOUR YEAR REVENUE BUDGET FINANCIAL PROJECTION

Notes	2017/18 Projected Outturn £000		2018/19 Proposed Budget £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000
1	14,909	**Net Budget Requirement**	14,389	14,389	14,389	14,389
		Corporate Adjustments				
2	-	Salary inflation and increments including impact on National Insurance and Pensions		255	514	776
3	-	Pension Backfunding (Triennial Valuation from 17/18)		81	165	254
4	-	Contract inflation @ 3% plus allownce for renewals		251	795	1,848
5	-	Average expenditure inflation impact from non-specifically budgetted income item		169	357	533
6	-	Average income inflation impact		(152)	(439)	(748)
7		**Total Inflation Adjustments**		604	1,392	2,663
8	-	Property Investment Income Target		(100)	(200)	(300)
9	-	Homeless Savings Target		(150)	(250)	(250)
10	-	Reduced transfers to earmarked reserves		(200)	(350)	(650)
11	0	**Total Corporate Adjustments**	0	(450)	(800)	(1,200)
	14,909	**Total Forecast Budget Requirement**	14,389	14,543	14,981	15,852
		Financed By :-				
		Non-Domestic Rates Income				
		Detailed modelling of forecasts undertaken				
		Collection fund deficit one-off in 2018/19 only				
		Business growth in the district				
12	4,520	Non-Domestic Rates Income	4,999	5,502	5,728	5,892
13	(728)	Collection Fund Distribution	(605)			
14		Collection Fund Distribution reserve offset removed		(605)	(605)	(605)
15		Kent Pool contribution to KCC/DDC joint reserve		(66)	(90)	(104)
16	1,253	Enterprise Zone Relief & Renewable Energy Retained	948	699	620	584
17	1,027	Revenue Support Grant (reduced by 45% & 90% as per 4 year settlement. Assumed "negative" from 2020/21)	568	56	0	0
18	236	Collection Fund Surplus	141	141	141	141
		Council Tax Income				
		Tax increase (£4.95 annual increase)				
		Base increase (1% per annum)				
19	6,607	Total Council Tax Income	6,922	7,179	7,437	7,695
20	1,873	New Homes Bonus (reducing from 5 years to 4 years from 2018/19)	1,515	1,665	1,762	1,771
	14,788	**Total Financing**	14,488	14,571	14,993	15,374
21	121	**NET (SURPLUS) / DEFICIT**	(99)	(29)	(12)	478
22	-	**Target Savings & Income Growth**		-	-	(500)
23	121	**NET (SURPLUS) / DEFICIT AFTER SAVINGS**	(99)	(29)	(12)	(22)
		Impact on Reserves :-				
		Projected General Fund Reserves				
	(2,533)	Opening balance	(2,412)	(2,511)	(2,540)	(2,552)
24	(2,412)	**Closing Balance**	(2,511)	(2,540)	(2,552)	(2,574)

THREE YEAR REVENUE BUDGET FINANCIAL PROJECTION

Notes

1 The net budget is taken from the 2018/19 budget at Annex 1.

2 Increased salary costs reflect assumed inflation at 2% pay settlement for the planning period.

3 Pension backfunding reflects the increases in backfunding required by the fund actuaries based on the current triennial valuation.

4 Inflation on major contracts has been assumed at 3% for the planning period.

5 Inflation on all other expenditure will aim to be limited to the current budget level, however a small allowance of 2% has been forecast to allow some limited growth.

6 Increases in general income received (excluding specifically budgetted items such as car parking) assumed at 2% inflation.

7 Total adjustments due to inflation and associated costs.

8 Target increased income from Property Investment Strategy

9 Target expenditure savings Homeless service changes

10 Reduced transfer to earmarked reserves

11 Total corporate adjustments

12 Forecast NDR funding, including impact of inflation & assumptions for business growth.

13 Redistribution of NDR Collection Fund year-end balances.

14 The 2017/18 budget includes one-off reserve funding to offset the impact of the 2015/16 NDR Collection Fund deficit, this has been removed from future years.

15 Under the Kent NDR Pooling arrangements an element of the additional retained NDR growth is allocated for projects to be jointly agreed with DDC & KCC

16 Enterprise Zone relief & renewable energy grant anticipated based on current forecasts.

17 The draft settlement as indicated in Dec 2016 by DCLG for future years.

18 The collection fund surplus is distributed to the precepting authorities pro rata to their share of the precepts.

19 Council Tax is forecast to increase by £4.95 per annum for the rest of the planning period. A 1% per annum increase in the tax base has also been assumed.

20 New Homes Bonus reduced to 4 year payments from 2018/19, with a minimum delivery of 0.4% growth.

21 Forecast (surplus) / deficit.

22 Target savings required.

23 Revised (surplus) / deficit after target savings.

24 Forecast General Fund Balance.

Annex 5A

OFFICE OF THE CHIEF EXECUTIVE

The Chief Executive is the Head of Paid Service and leads the Corporate Management Team. The main service areas within his cost centres are summarised below.

LEADERSHIP SUPPORT

This team is mainly concerned with the formulation of policy and strategy, in particular the development and delivery of the Health and Wellbeing agenda (and supporting other Districts to roll out the agenda) including Public Health liaison. It also includes corporate planning, supporting strategic and operational consultations and engagement and production of the annual State of the District. The team also supports the Corporate Management Team and the Executive, through project based work, CMT and Leadership Forum co-ordination and attendance.

In addition, the team includes Design Studio services enabling in house design, photography and video, Print Unit services for in-house printing and Mail Room services plus ensuring the Council's brand and corporate identity are adhered to in all communications. Both the Print Unit and Mail Room also support partner organisations.

DEVELOPMENT MANAGEMENT

The section's principal functions are:

Development Management (Regeneration Projects)

- Contribute to the realisation of major projects and other significant schemes, including resolution of any conflict between corporate aspirations and planning principles and policies, collaborative working and project management.

Development Management (General / Other)

- Processing of planning and other formal applications submitted under the Town and Country Planning Acts and making determinations in accordance with policies and other material considerations and taking account of performance indicators;
- Negotiations to resolve conflict and secure better quality developments;
- Reporting applications to Planning Committee in accordance with the provisions of the Constitution;
- Responding to requests for fee-earning pre-application advice and discussion;
- Responding to other informal letters, e-mails or telephone enquiries about a wide range of matters and land charge enquiries;
- Seek to protect and enhance our heritage and environment, including settlements, buildings, and landscapes;
- Managing change so that it both complements and underpins the long term viability of the district;
- Promoting good urban design throughout the District;
- Responding to appeals against the refusal of applications, the imposition of conditions or the failure to determine applications, including the preparation and giving of evidence at informal hearings and public inquiries;
- Investigation of breaches of planning control and monitoring of development, including responding to concerns raised by interested parties, and the taking of formal enforcement action in appropriate cases; and

- Support the Regeneration Delivery Section's work on the Local Plans, Supplementary Planning Documents and other issues

The section seeks to meet Government performance indicators (NIs) relating to decision times on planning applications. There remains a heavy workload on corporate and other challenging applications and a delicate balance must be maintained between this and available staff resources.

Local Land Charges

The section is responsible for local land charges. Duties include the maintenance of the Local Land Charges Register, liaison with other departments regarding the correct registration and removal of charges, acceptance, compilation and return of local land charges searches and liaison with departments for replies associated with personal searches. The Land Charges team maintains comprehensive background records of charges recorded within the Land Charges Register.

REGENERATION DELIVERY

Development Plan and Implementation

This Section brings together the Development Plan work that sets out the future of the District. Up until recently it has been focussed on the delivery and implementation phase of the District Council's Core Strategy, Land Allocations Local Plan, Heritage Strategy and the Council's regeneration activities as a landowner.

The primary focus for the team is to now prepare a District Local Plan. This will involve undertaking an assessment of the areas of land that have come forward for development under the 'Call for sites', refreshing Dover Transportation Study, developing a Deal Transportation Model, preparing a Retail and Leisure Study, Gypsy and Traveller Study, Green Infrastructure Strategy.

The Council's existing Adopted Core Strategy establishes the Council's objectives and policies for the future pace, scale, location and quality of development over a 20 year period (up until 2026) and is closely allied to the Corporate Plan and Community Strategy. The production of a Local Plan involves information gathering, monitoring and research. The implementation of the Local Plan is reported each year in the form of an Authority Monitoring Report.

In order to continue with the momentum that is being generated from the St. James's redevelopment and the forthcoming Dover Western Docks Revival Project, the Section has been working with Consultants to prepare a masterplan for the Dover Waterfront area and a Public Realm Strategy. Other work in the Section includes providing Landscape and Ecology advice, monitoring the payment of S106 Agreements, processing Listed Buildings applications and the implementation of the District Council's Heritage Strategy by empowering local groups to prepare Conservation Area Character Appraisals.

The Section promotes the Council's interests and is deeply engaged in the District regeneration agenda. It is also heavily involved in supporting the Council's major regeneration projects and related research, strategies and corporate priorities that are carried out by other services e.g. the delivery of strategic housing and the relocation of the Dover leisure centre provision and plans for the Commonwealth War Memorial.

The overall objective is to bring focus to the Council's regeneration activities and concentrate resources where they can be most effective in bringing success whilst being prepared to respond to appropriate opportunities where they arise outside the identified programme.

Landowner Projects

The section also has responsibility for assisting with developing and promoting regeneration projects where the Council has a land interest (for example the Commonwealth War Memorial). This will involve negotiating, agreeing and overseeing development agreements with the Council's developer partners and helping to steer projects through either the Local Plan or planning application processes.

ELECTORAL SERVICES

Elections - The Elections Service is responsible for the organisation and conduct of European, Parliamentary, County Council, District Council and Parish Council elections within the district and has responsibility for the Police and Crime Commissioner Elections for Kent. The costs incurred in the conduct of elections are met by the body concerned.

Electoral Registration - The section is responsible for the compilation and maintenance of the Register of Electors including special category electors and absent voters. Electors should register as soon as they move and there is the facility to do this electronically. In addition, an annual household canvass must be undertaken to ensure that the register is up to date. Some Boundary review work and the implementation of those changes are also carried out within the team. The Council is obliged to appoint an officer of the Council to act as Electoral Registration Officer and to meet costs properly incurred in undertaking their statutory duties. The officer then acts as Acting Returning Officer at Parliamentary Elections and the Local Returning Officer at European Parliamentary Elections.

ANNEX 5A

Service Summary

Budget 2018/2019

Chief Executive

		Costs controlled by Head of Service				
		FTE	**Employees**	**Other Costs**	**Income**	**Sub-tot**
C3300	CHIEF EXEC ADMIN TRADING ACCT	2.0	213,280	5,510	-	218,790
A1170	NON SERVICE SPECIFIC WORK	0.0	3,550	69,420	-	72,970
A1171	HEALTH PROJECTS	0.0	-	3,000	-	3,000
	Total Corporate Resource	2.0	216,830	77,930	-	294,760
A5001	UNAPPORTIONABLE OVERHEADS (Print Unit)	0.0	-	(1,420)	-	(1,420)
C3030	MAIL ROOM TRADING ACCOUNT	2.0	78,940	19,870	(42,370)	56,440
C3050	PRINT UNIT TRADING ACCOUNT	0.0	-	49,560	(35,000)	14,560
C3331	DESIGN STUDIO	2.0	89,660	15,460	-	105,120
C3336	POLICY & LEADERSHIP SUPPORT	2.0	138,730	1,240	-	139,970
C5020	PHOTOCOPIERS HOLDING ACCOUNT	0.0	-	34,730	(46,740)	(12,010)
C5060	MAIL ROOM POSTAGE ACCOUNT	0.0	-	86,000	(86,000)	-
	Total Policy & Leadership Support	6.0	307,330	205,440	(210,110)	302,660
B5000	LOCAL LAND CHARGES	0.0	120	22,410	(196,000)	(173,470)
C3745	HEAD OF INWARD INVESTMENT	0.9	94,240	3,280	(16,160)	81,360
C3760	REGENERATION DELIVERY TRADING	11.0	531,550	27,980	(49,530)	510,000
C3770	DEVELOPMENT MANAGEMENT TRADING	27.1	1,167,840	38,310	(12,000)	1,194,150
C5240	PLANNING DELIVERY GRANT	0.0	3,000	3,000	-	6,000
H2030	CONSERVATION & HERITAGE	0.0	-	470	-	470
H3000	DEVELOPMENT MANAGEMENT	0.0	-	142,440	(733,800)	(591,360)
H3080	NATIONAL INFRASTRUCTURE PROJ	0.0	-	-	(13,530)	(13,530)
H4000	DOVER DISTRICT DEVELOPM'T PLAN	0.0	-	1,050	-	1,050
L4010	OTHER REGENERATION PROJECTS	0.0	-	70	-	70
L4095	AYLESHAM DEVELOPMENT	0.0	-	52,000	(52,000)	-
L5000	ECONOMIC DEVELOPMENT	0.0	-	3,750	-	3,750
L5640	WATERFRONT DEVELOPMENT	0.0	-	30,100	-	30,100
	Total Regeneration & Development	39.0	1,796,750	324,860	(1,073,020)	1,048,590
B4100	POLICE & CRIME COMM-POLICE ARO	0.0	-	20	-	20
B4500	ELECTORAL REGISTRATION	0.0	950	95,300	(510)	95,740
C3304	ELECTORAL SERVICES	5.5	237,520	1,430	(64,460)	174,490
	Total Electoral Services	5.5	238,470	96,750	(64,970)	270,250
		52.5	2,559,380	704,980	(1,348,100)	**1,916,260**

Annex 5B

DIRECTOR OF GOVERNANCE

The Director of Governance is responsible for a number of service areas that help support strong governance across the Council. The significant service areas in terms of income and expenditure are summarised below.

MONITORING OFFICER

As Monitoring Officer, the Director of Governance is responsible for delivering his statutory responsibilities to the District Council under the Local Government and Housing Act 1989, supporting the Governance Committee and the District Council and 35 Town and Parish Councils in relation to Member Code of Conduct matters, including considering any complaints against District, Town and Parish Councillors.

DEMOCRATIC SERVICES

Members

The section provides support to all members of the Council. They service all committees of the Council, provide support for the scrutiny function, administer the councillors' remuneration and allowances scheme, co-ordinate training and development and provide equipment to enable the councillors to carry out their democratic role as elected representatives of the community.

Chairman and Leader of the Council

The section provides secretarial and administrative support to the Leader of the Council and the Chairman of the Council. In addition, events organised by the Chairman to commemorate such events as Merchant Navy Day, Armed Forces Day and Commonwealth Day are organised by the section.

ENVIRONMENTAL HEALTH

This service is fundamentally divided into two key areas each covering a broad range of functions:

Public Protection

The principal functions for this team include:

- **Food Safety and Hygiene Control** - the Council undertakes visits and inspections of food establishments on a programmed, risk rated basis to ensure that appropriate standards of food hygiene are maintained. It also operates the National Food Hygiene Rating Scheme throughout the area, investigates complaints of unsound food / unhygienic premises and applies infectious disease controls.
- **Health and Safety at Work** - the Council is responsible for investigating accidents (including fatalities) and dangerous occurrences in premises such as offices, shops, warehouses and clubs. A risk-based, targeted and proportionate approach to interventions and enforcement is utilised when ensuring compliance with the relevant Acts and Regulations.

- **Port Health** - the Port Health function includes inspections of vessels that enter the Port, such as cross channel ferries and cruise ships, to ensure that food hygiene standards are maintained. Certain imported foodstuffs are also identified, examined and sampled when necessary to ensure compliance with food safety regulations. Additionally ferries, cruise and cargo ships are inspected when requested to issue Ship Sanitation Certificates to demonstrate that such vessels are free from pests.

Environmental Protection

The principal functions for this team include:

- **Pollution Control** - the primary aim of the service is to facilitate acceptable standards for those living, working or visiting the district in respect of air, land and water quality. In particular, the team has a key role in fulfilling the Council's statutory duties in relation to Air Quality Management, Contaminated Land and Drinking and Bathing Water Quality.
- **Environmental Protection** - the team responds to service requests relating to a range of public health and environmental issues. There is a statutory duty to investigate potential statutory nuisances, which include noise (from commercial and domestic premises, burglar and car alarms etc.), dust, smoke (e.g. bonfires), odours, fumes, animals, etc. In addition, service requests relating to matters including drainage, rodents, accumulations on private land, filthy and verminous premises and dark smoke from industrial/commercial premises are also responded to. The team also oversee the provision of burials undertaken under relevant Public Health legislation.
- **Pest Control** - the team manages the pest control service, which is provided by Cannon Pest Control who offer competitive rates for Dover District Council Residents.

ENVIRONMENTAL CRIME

The principal focus of this team area is to tackle environmental crimes including:

- Littering
- Dog Fouling
- Stray Dogs
- Fly tipping
- Trade waste
- Accumulations of rubbish

A small team of uniformed and non-uniformed staff, combined with an external contractor (as from April 2017) seek to promote behavioural change through a range of enforcement and educative activities with the aim of creating a cleaner, safer and greener environment. The work of the team is supplemented and enhanced by partnership working with Kent Police, KCC, Parish Councils etc.

LOCAL LICENSING AND REGISTRATION

The Council is responsible for the issuing and enforcement of local licences including:

- **Alcohol, public entertainment and late night refreshments,**
- **Gambling,**
- **Animals** - boarding and breeding establishments, Riding establishments, Zoo’s, Pet Shops, Dangerous Wild animals
- **Beauty Treatments –** Tattooing, Piercing etc.
- **Hackney carriage (Taxis) and Private hire operators, drivers and vehicles.**

CORPORATE SERVICES

This section is responsible for a number of corporate services of which the main areas are:
Provide **insurance cover** for the Council's assets and liability risks and administer all insurance claims
Emergency Planning - working with KCC, fulfilling the Council's duty as a Category 1 responder to act with the emergency services to provide humanitarian support during an emergency situation;
Monitor, report and comment on the Council’s **performance** and benchmark to other authorities where possible to measure efficiency and value for money;
Contribute to **the Delivering Effective Service** Reviews - conduct internal business reviews of the Council's service departments to improve efficiency and work with external agencies during inspection periods
Provide Corporate **Digital Services** across the Council to develop and support a range of corporate and departmental IT systems projects
Administer **all Freedom of Information and Data Protection** requests responding to FOI requests within the time constraints laid down by the Information Commissioner; ensuring that any personal customer information held by the Council is protected and not passed to a third party. This includes preparing for the new General Data Protection Regulations which will be introduced on 25 May 2018
Administer **complaints** made against the Council and Members- investigating and resolving complaints which have not been agreed between the customer and the service department and liaising with the Local Government Ombudsman on any issues which have been referred to them;
Risk Management - identification and mitigation of key corporate and project risks; maintain the Risk Registers and conduct risk assessments
Business Continuity - The development and maintenance of procedures to maintain the Council's key services during a disaster situation where the offices, systems or staff are not available;
Administer **RIPA** (Regulation of Investigatory Powers Act) and **SPOC** (Single Point of Contact applications) – ensure that any surveillance work is properly authorised in accordance with legislation
Equality and diversity - act as the central point of reference to promote and advise on equality issues throughout the Council's services
Provide **project management** support to corporate projects and initiatives
Administer the Council’s **document retention** scheme
Administer the **National Fraud Initiative** system
Provide other corporate services such as the **Governance Assurance Statement, Disclosure of Interests**
Act as the **Client Officer for EKS ICT**
Manage and promote the digital services improvements across the Council
Manage the Council’s website and provide automated service facilities
Participate in **Job Evaluation** Exercises as required.
Administer the **Employment Management** Scheme
Maintain **CMT agendas** and supporting documents

LEGAL SERVICES

This section is responsible for providing a full legal service to the Council. This includes corporate and service specific legal advice, together with legal support to the Monitoring Officer and legal advice and support to the Executive and all Committees of the Council. Some of the specific areas of a legal practice are planning law, conveyancing, employment law and support for the Council's regulatory functions (including both civil and criminal court work).The Legal team continues to be heavily involved in supporting the regeneration agenda and advising on numerous matters including ongoing development of Dover Town Centre and the delivery of a new leisure centre in Dover.

EAST KENT HUMAN RESOURCES (EKHR)

Human Resources – this Council is the host Authority for the East Kent HR Service that is a shared service governed under a Joint Committee arrangement (East Kent Services Committee) and shared with Canterbury and Thanet Councils. EKHR also provide HR services to East Kent Housing. The leadership of this service is delegated to the Director of Collaborative Service who is also the Director of East Kent Services. The service is responsible for advising on HR matters including recruitment, retention, absence management, and disciplinary and grievance matters.

Payroll – EKHR also provides and manages a full Payroll provision for the Council and the other partner councils in the shared arrangement. This payroll service includes payment of staff, statutory and other deductions, production of interfaces to the general ledger, the production of statutory returns and liaison with statutory bodies. System security is managed within the team for all users.

Pensions - the employer level pension function is administered in conjunction with the administering body, Kent County Council, developing employer scheme discretions and management and staff information.

Service Summary

Budget 2018/2019

Governance

		FTE	Employees	Other Costs	Income	Sub-tot
		Costs controlled by Head of Service				
C3330	DIRECTOR OF GOVERNANCE	1.8	152,890	3,740	-	156,630
	Total Director of Governance	1.81	152,890	3,740	-	156,630
C3940	HEAD OF REGULATORY SERVICES	1.4	110,760	5,340	-	116,100
C3945	CORPORATE HEALTH & SAFETY	1.0	52,130	580	-	52,710
C3960	LICENSING ADMIN TRAD ACCOUNT	5.0	173,440	8,610	-	182,050
C3980	ENVIRONMENTAL HEALTH	10.5	546,730	25,970	-	572,700
C3990	ENVIRONMENTAL CRIME	4.6	164,350	16,820	-	181,170
E1000	FOOD SAFETY AND HYGIENE	0.0	-	18,350	-	18,350
E1300	PEST CONTROL	0.0	-	100	-	100
E1430	ENV PROTECTION ENFORCEMENT	0.0	5,500	30,060	(19,200)	16,360
E1500	PORT HEALTH	0.0	7,000	5,150	(26,340)	(14,190)
E2010	LICENSING	0.0	-	-	(94,950)	(94,950)
E2015	MISCELLANEOUS LICENSING	0.0	-	5,000	(17,330)	(12,330)
E2020	GAMBLING ACT 2005	0.0	-	-	(17,060)	(17,060)
E2030	HACKNEY CAR & PRIVATE HIRE	0.0	-	11,970	(80,260)	(68,290)
E2100	DOG CONTROL MEASURES	0.0	-	13,250	(2,300)	10,950
E2190	ENVIRONMENTAL CRIME	0.0	-	96,730	(104,500)	(7,770)
	Total Environmental Enforcmnt & Prot	22.48	1,059,910	237,930	(361,940)	935,900
B1500	EMERGENCY PLANNING	0.0	17,000	16,940	-	33,940
C3335	CORPORATE SUPPORT TRADING ACCT	9.0	453,660	33,580	(8,000)	479,240
	Total Corporate Support	9.00	470,660	50,520	(8,000)	513,180
A1161	CHAIRMANS ACCOUNT	0.0	-	10,050	-	10,050
A1165	MEMBERS ACCOUNT	0.0	7,490	291,580	(3,250)	295,820
C3301	DEMOCRATIC SERVICES	4.0	172,800	10,880	-	183,680
	Total Democratic Services	4.00	180,290	312,510	(3,250)	489,550
C3540	LEGAL TRADING ACCOUNT	9.7	559,450	37,940	(71,190)	526,200
C5045	LEGAL FEES HOLDING ACCOUNT	0.0	-	30,000	-	30,000
	Total Legal	9.68	559,450	67,940	(71,190)	556,200
C3000	HUMAN RESOURCES TRADING ACCOUNT	0.0	123,240	540	-	123,780
	Total Human Resources (DDC)	0.00	123,240	540	-	123,780
		46.97	2,546,440	673,180	(444,380)	**2,775,240**

DIRECTOR OF FINANCE, HOUSING AND COMMUNITY

The Director of Finance, Housing and Community is responsible for the following main service areas.

FINANCE

Accountancy

The Accountancy team is responsible for the General Fund revenue accounts, the capital budget, the Housing Revenue Account, supporting the Property Investment Strategy and technical matters such as VAT and Treasury Management.

Although the team is responsible for a range of tasks, the main focus is on co-ordinating and consolidating the revenue and capital budgets, producing the Medium Term Financial Plan, producing budget monitoring reports, producing the final accounts, completing statutory and other returns (including VAT), treasury management and supporting value for money achievement. The team also supports budget managers, CMT and Members through the provision of financial advice in relation to budgets, property investment, service reviews, the Employment Management process, projects, reports with financial implications, partnership working and associated matters.

Procurement, Creditors and Income

The Procurement team provides support to the Council in achieving best value, complying with its constitution, EU and other legislation and procurement best practice. The team is responsible for the procurement infrastructure, including managing and upgrading the system for requisitioning and raising orders, negotiating of contracts and catalogues and updating guidance and contract standing orders. They also maintain the Contracts Register, publish Supplier Spend data and administer the Procurement Card scheme.

The Creditors team are responsible for the accurate and timely processing of approved invoices, managing the payments process and producing the monthly returns to HMRC for the Construction Industry Scheme.

The Income team are responsible for the reconciliation of income receipts, updating the daily cash records and reconciling all entries to the bank statements. They also set up sundry income invoices for the Authority and manage rechargeable works.

East Kent Audit Partnership

This Council is the host of the East Kent Audit Partnership and therefore the team forms part of the directorate. The service delivers an agreed annual internal audit plan, undertakes special investigations and reports to the s151 Officer and also independently to the Governance Committee.

EK SERVICES

The Director of Finance, working with other DDC colleagues, acts as the lead client on behalf of the Council, for the following services, ICT, Revenues & Benefits and Customer Services. These services transferred to EK Services (EKS) in February 2011 who provided these jointly for Dover, Thanet & Canterbury under a joint committee arrangement, the East Kent Services Committee (EKSC). In January 2018, the Revenues & Benefits services and Customer Services were contracted out to Civica UK Ltd who now provide these services on behalf of the Council; ICT remains within EK Services.

All of these services are fully delegated to the EKSC who in turn have delegated the full responsibility for the ICT service to the Director of Shared Services (Dominic Whelan) who is also responsible for the EKHR service and EKS also provide the 'joint client' function to manage the Civica contract on behalf of the Councils, reporting back to the Director of Finance on performance and Civica client matters where applicable. EKS provides or manages (via the Civica contract) the following services to Dover Council and the other partner councils in the shared arrangement:

Revenues

Council Tax has to be calculated, billed and collected for approximately 52,000 dwellings within the district. Council Tax includes monies billed and collected for Dover District Council, Kent County Council, The Police & Crime Commissioner for Kent, Kent and Medway Fire and Rescue and the district's town and parish councils. The service target is to collect 97.80% of Council Tax in the year.

Business Rates / Non Domestic Rates (NDR) also have to be calculated, billed and collected for more than 3000 businesses in the district. NDR is distributed by the council to the Government, KCC, Police, Fire and Rescue. The service target is to collect at least 98.20% of NDR by end of financial year.

Any shortfall in revenue collection continues to be collected or attempted to be collected beyond the end of the financial year.

Benefits

The service pays out housing benefit, discretionary housing support payments and council tax support to council tenants as well as private tenants and council tax payers across the District.

Under the Universal Credit initiative, responsibility for Housing Benefit administration for working age customers is moving to the Department for Work and Pensions (DWP) under a 5 year timetable between 2017 and 2022. Universal Credit Full Services commenced in May 2017 for new customers and those existing claimants that have a change in circumstance but the bulk of the existing customer base remains under the existing provision pending the final move of all claimants to Universal Credit expected after 2020.

Customer Services

Customer Services provides on-line, telephone and face to face service delivery for citizens and business owners to answer questions and handle transactions or to act as a conduit to other Council departments*.*

The service continues to seek to increase the level of electronic service provision and self-service by customers and realigning resources to cater for changes in demand. Innovation around electronic service provision for the council as a whole, such as the recent introduction of a new digital benefits system is delivering better solutions that are intelligent and provide easier access to the majority of claimants. For 2018, this includes the introduction of risk based verification that means individuals will only need to provide information relevant to their personal circumstances with significant reduction in the amount of documentation required.

ICT

The ICT service provides a complete strategic and operational technology service to the council under an agreed service level agreement. This includes support to desktop facilities for officers and councillors by the provision of an online and telephone service desk; the provision and maintenance of the local and wider area network supporting the main council office and remote sites, and infrastructure in terms of the data centre and associated servers and storage. This service also supports existing business systems and the implementation of new business systems.

A Geographical Information Systems (GIS) service is provided that maintains the existing GIS platforms, the Local Land and Property Gazetteer, and provides a GIS development service. Software development, technical business analysis and system testing services are also provided.

New opportunities are assessed and a seven year technology renewal plan is in place. ICT work closely with Dover District Council procurement team to ensure that any hardware or technology systems that are purchased by the council are centrally managed by the ICT teams to ensure compliance with various national and local protocols such as Public Service Network compliance.

ICT have a dedicated network and infrastructure security team who work closely with the Council Senior Information Risk Officer (SIRO) to ensure the councils information and systems remain secure.

COMMUNITY SERVICES

Community Engagement

The Communications & Engagement Team develops and manages relationships between Dover District Council, the community and external stakeholders. Taking a project/campaign based approach to the proactive delivery of Council services the department is responsible for Strategic Partnerships, Community Engagement, Public Relations & Marketing, Events, and External Funding to support social investment. The department has a cross-cutting agenda with other Council departments and services. There will be a clear entry and exit strategy with regards to the team’s projects and campaigns, and these will be clearly aligned with DDC’s Strategic Priorities.

Community Safety

Dover District experiences low levels of crime and is consistently in the bottom quarter of reported crime levels in Kent. The Council manages the Dover District Community Safety Partnership (CSP), a group of agencies including Dover District Council, The Police & Crime Commissioner for Kent, Kent County Council, the Kent Fire and Rescue Service, the Probation Service and the local Primary Care Trust. The Kent Police and Crime Commissioner funds this partnership. The CSP has challenging targets for achieving reductions in reported crime and anti-social behaviour.

The Partnership also funds many initiatives across the district, tackling community safety issues identified by our communities.

Anti-Social Behaviour Unit (ASB)

The Council's Anti-Social Behaviour Unit was established in November 2004 to tackle anti-social behaviour across the district. This has now evolved into the Community Safety Unit run jointly with Kent Police and staffed by personnel from DDC, Kent Police and KCC. The Community Safety Unit works closely with other DDC departments, especially Environmental Health, East Kent Housing and other relevant agencies to tackle ASB and community safety issues across the district.

The Council is continuing to embed crime reduction activities in all its services (the Section 17 Project).

The division is also responsible for DDC’s approach to Safeguarding issues (Child and Adult Protection), the Disclosure and Barring Service (previously known as CRB) policy and conducting DBS checks on behalf of the Licensing Section.

CCTV

The Council’s CCTV system comprises a mixture of dome cameras and “shoe-box” type cameras with 23 cameras located in Dover, 17 in Deal and 9 in Sandwich.

The cameras are monitored and maintained by a team of CCTV operators based at a dedicated Control Centre, which is a restricted and secure centre, operated in accordance with Home Office Guidelines with access strictly controlled. All our CCTV Operators have undergone formal training and achieved a recognised qualification in the operation of CCTV.

The team works closely with the police, other law enforcement agencies, Dover/Deal/Sandwich Partnerships against Crime, the Town Centre Crime Reduction Group and DDC's Community Safety Unit to reduce crime, and the fear of crime throughout the district.

The performance of the unit is reported upon on an annual basis following an independent audit of the section's activities and this report is in the public domain.

STRATEGIC HOUSING

Housing Strategy

The Council's Strategic Housing service is responsible for developing an effective strategic approach which will help meet the housing needs in the district and contribute to the development of sustainable communities.

Strategic housing includes housing strategy and enabling, housing needs, including homelessness prevention, and the private sector housing functions, as well as functions carried out by the Council's Planning service and its Property Services section.

The Strategic Housing service is also responsible for monitoring East Kent Housing, the Arms Length Management Organisation set up to provide landlord services delegated to it by the Council and three other East Kent councils.

Housing Strategy and Enabling

The strategic housing function plays an important role in enabling the provision of affordable housing in the district. In the past this had been solely through partnership working with other affordable housing providers such as Housing Associations.

In 2016/17 government provided funding to Council's identified as having a higher than normal number of second homes. Under this Community Housing Fund (CHF) initiative the council received just over £500k to enable community-led housing development. Recruitment to a new temporary post of Community Housing Programme Manager was approved and an appointment has recently been made. The new post will be responsible for promoting and managing the CHF programme and enabling community organisations to bring forward housing projects.

The service plays an important role liaising with other Council services such as Development Management, Regeneration Delivery and Corporate Property Services as well as external agencies such as the Homes & Communities Agency so as to secure new affordable housing in the district.

The service also provides input into a number of key partnerships which aim to deliver improved housing services both county wide and locally. These include:

- Kent Housing Group
- Kent Joint Planning & Policy Board
- PFI Project Boards: Better Homes Active Lives & Excellent Homes For All

Housing Needs

The Housing Needs team is responsible for ensuring social housing is allocated in accordance with statutory guidance, providing advice on housing options and dealing with homelessness in accordance with statutory duties.

The Housing Register is maintained by a small team of Allocations Officers. Social rent homes are currently let through a ‘choice based lettings’ system. The system is procured through a partnership of Kent district councils and housing associations with housing stock in the district. DDC is currently the lead partner and hosts the partnership manager. A recent re-procurement of the choice based lettings IT system has resulted in an enhanced system at lower cost.

The Housing Options team, overseen by a Senior Housing Options Officer, provide advice and assistance to anyone who is homeless or potentially homeless.

The Council's strategic approach to addressing homelessness is set out in the East Kent Homelessness Strategy 20014-2019 developed in partnership with Shepway, Canterbury and Thanet District Councils. This led to the establishment of a new Dover district Homelessness Forum which meets quarterly to share intelligence and good practice and monitor the delivery of the strategy.

Private Sector Housing

Services provided by the Private Sector Housing team comprise:

- Tackling rogue landlords and improving the private rented sector through legal/formal action to require owners/landlords meet the minimum Health and safety requirements laid down in the Housing Act 2004 and requirements of other regulations.
- The licensing of Houses in Multiple Occupation.
- The provision of Mandatory Disabled Facilities Grants and other discretionary grants and loans to adapt homes for independent living.
- The provision of financial housing assistance to vulnerable owner occupiers living in substandard homes.
- The licensing of Caravan Sites.
- Bringing empty homes back into use

Most enforcement work relating to housing conditions takes place in Dover where a significant proportion of the housing stock is in poor condition due to its age and where there are relatively high numbers of privately rented properties.

The service has been very successful over the years in bringing long term empty properties back into use. It works closely with external agencies on partnership projects which provide funding to bring empty derelict property back into use.

The service also works in partnership with other agencies and organisations to deliver projects aimed at improving the condition of the housing stock in the district.

The team is also engaged in working in partnership with KCC and the CCG to identify and address health issues associated with poor housing conditions.

EAST KENT HOUSING

Dover District Council is the major social landlord in the district. As at 31 December 2017 it owned a stock of 4,317 dwellings comprising 2,730 houses and bungalows and 1,607 flats and maisonettes.

On 1 April 2011 the Council delegated the provision of day to day housing management services to East Kent Housing, an Arms Length Management Organisation (ALMO), set up jointly with Shepway, Thanet and Canterbury councils.

Ownership of the stock remains with the Council and East Kent Housing manages and maintains the stock under the terms of a Management Agreement with the Council for which it receives a management fee funded from the Housing Revenue Account.

A primary aim behind the decision to set up East Kent Housing (EKH) was to improve the quality of services provided to tenants. EKH is required to produce an Annual Delivery Plan and to provide the Council with regular performance management reports.

EKH continues to be involved in the implementation of a new single, housing management IT system which had been identified as enabling the delivery of significant financial efficiencies and service improvements. The project is being funded by loans provided by the council owners with the expectation that the loan will be repaid from the financial savings achieved.

ANNEX 5C

Service Summary

Finance, Housing & Community

Budget 2018/2019

		Costs controlled by Head of Service				
		FTE	Employees	Other Costs	Income	Sub-tot
C3310	DIRECTOR OF FINANCE, HSG & COM	1.0	122,510	3,970	-	126,480
Total Director Of Finance, Housing & Community		1.00	122,510	3,970	-	126,480
C3500	ACCOUNTANCY TRADING ACCOUNT	9.1	473,180	56,490	(34,330)	495,340
C3020	PROCUREMENT, CREDITORS &INCOME	7.1	286,870	24,510	(97,450)	213,930
C5010	OFFICE TELEPHONES HLDG ACCOUNT	0.0	-	28,000	(28,000)	-
A1070	SPECIAL FEES AND PAYMENTS	0.0	-	75,640	(4,500)	71,140
A1075	TREASURY MANAGEMENT	0.0	-	14,900	-	14,900
A5000	BCKFNDNG & OTHER PENSION COSTS	0.0	2,086,090	730	(62,970)	2,023,850
B1600	GRANTS TO VOLUNTARY ORGS	0.0	-	244,910	-	244,910
Total Finance		16.17	2,846,140	445,180	(227,250)	3,064,070
C3995	COMMUNITY AND ENGAGEMENT	10.2	474,840	14,390	(4,610)	484,620
A1050	CORPORATE PRESS & PUBLICITY	0.0	-	33,650	-	33,650
E2200	CCTV	3.0	102,770	63,180	(3,340)	162,610
E8700	CRIME AND DISORDER	1.0	35,750	2,090	(2,030)	35,810
M1520	REGEN OFFICER AYLESHAM	0.0	13,150	4,500	(17,650)	-
M1575	INSPIRE FUND	1.0	11,240	-	-	11,240
M1576	AYLESHAM GARDEN VILLAGE	0.7	4,020	110	(4,130)	-
M2600	SPORTS STRTGY, IMPLMTN & GRNTS	0.0	-	4,500	-	4,500
M4000	ANTI-SOCIAL BEHAVIOUR	0.0	-	10,940	(30,000)	(19,060)
Total Community Engagement		15.92	641,770	133,360	(61,760)	713,370
C3360	HOUSING ADMIN TRADING ACCOUNT	1.0	81,040	1,690	(17,000)	65,730
C3855	HOUSING NEEDS TRADING ACCOUNT	12.2	458,620	5,600	(8,130)	456,090
C3857	KENT HOMECHOICE	1.0	46,450	205,470	(262,010)	(10,090)
M1000	HOMELESSNESS	0.0	-	1,461,800	(556,170)	905,630
M1050	RENT DEPOSIT SCHEME	0.0	-	20,000	(20,000)	-
M1100	PRIVATE SECTOR HOUSING (incl. Renov'n Grants)	6.2	286,070	974,050	(2,550)	1,257,570
M1401	HOUSING STRATEGY	0.0	-	8,000	-	8,000
M1410	CHOICE BASED LETTINGS	0.0	-	11,040	-	11,040
Total Strategic Housing		20.37	872,180	2,687,650	(865,860)	2,693,970
C3520	AUDIT TRADING ACCOUNT	0.0	-	390	-	390
Total Audit		0.00	-	390	-	390
B2100	COUNCIL TAX-COST OF COLLECTION	0.0	-	836,820	(300,000)	536,820
B2300	NNDR - COST OF COLLECTION	0.0	-	169,710	(174,570)	(4,860)
B7000	BENEFITS & SUBSIDIES	0.0	-	36,624,640	(36,251,330)	373,310
C3010	COMPUTER SERVICES TRADING ACCT	0.0	-	481,760	-	481,760
C3376	DDC @ YOUR SERVICE	0.0	-	188,780	-	188,780
C3388	CORPORATE INCOME COLLECTION	0.0	-	161,560	-	161,560
Total East Kent Services		0.00	-	38,463,270	(36,725,900)	1,737,370
		53.46	4,482,600	41,733,820	(37,880,770)	**8,335,650**

DIRECTOR OF ENVIRONMENT AND CORPORATE ASSETS

The Director of Environment and Corporate Assets is responsible for a number of service areas, the most significant of which are those summarised below:

WASTE MANAGEMENT

Refuse and Recycling Collections

The Council introduced new service arrangements for refuse and recycling collections in 2011, which provide residents with:

- Weekly segregated collection of food / kitchen waste, collected in a 23l kerbside caddy, with householders also using a small kitchen caddy;
- Alternative weekly collections of recyclables and residual waste, with residual waste collected in a 180l wheeled bin (black lid), mixed dry recyclables collected in a 240l wheeled bin (blue lid) and paper & card collected in the black box. Alternative arrangements are available for those householders with limited storage space or difficult access. The materials collected through the doorstep recycling scheme now includes paper, card, plastic bottles, tetrapak cartons and plastic pots, tubs and trays, cans and glass which are collected fortnightly from all properties across the district;
- Fortnightly subscription service for the collection of garden waste; and
- Separate collection of clinical waste including needles.

The contract for the collection of refuse and recycling with Veolia Environmental Services (UK), which extends until January 2021, has been awarded in partnership with Shepway District Council and Kent County Council (as the disposal authority). Dover is the lead authority within this partnership and manage the client team, which comprises staff from both Dover and Shepway based at the Dover District Council offices who manage the contract and are also responsible for promoting waste reduction, re-use and recycling to residents across the district.

Paper and card from the recycling schemes is recycled into newsprint and packaging, cans into new metal items, plastic into food grade plastics or recycled products and glass is crushed and either used as roadside aggregates or melted down for reuse.

Garden waste collected fortnightly through the subscription green waste collection service, is composted on a local farm and ploughed back in as a soil improver. Food waste collected weekly as part of the new service is taken to an anaerobic digestion facility operated by Tamar Energy in Basingstoke.

In addition to the weekly recycling and waste collections, the Council offers other related services such as, for example, the bulky waste collection service. This is available for residents who wish to arrange for larger items of waste to be collected for a small fee from their homes. The removal of abandoned vehicles is also administered by this section in accordance with the Refuse Disposal Amenities Act (1978).

Street Cleansing

The section is responsible for the cleansing of the highways and Council owned land, in accordance with the provisions of the Environmental Protection Act 1990 and subsequent Code of Practice on Litter and Refuse (2006). This is carried out in accordance with standards set by Government, which define how quickly the Council has to clear such land. It covers litter, detritus (grit in the gutter), dog fouling and leaves. These items are collected either manually or by using mechanical sweepers. The section also arranges the emptying of litter and dog waste bins.

The removal of fly tipping also falls within the service provision; however Environmental Health deals with the investigation and enforcement element.

The service is provided as part of contract with Veolia Environmental Services, which extends until January 2021 and also forms part of the partnership working and joint contractual arrangement with Shepway District Council administered by the Waste Services Section.

Parking Services

The Parking Services team is responsible for the management and operation of parking both on and off street across the District.

With regard to off-street parking, the Council provides a number of car parks spread across the district including maintenance and enforcement operations. The Council also manages car parks on behalf of Sainsbury's and the Co-Op in Deal, and Eurotunnel at Samphire Hoe.

The management of on-street parking is carried out on behalf of KCC in accordance with the provisions set up within the Kent Parking agreement developed following the decriminalisation of parking operations within Kent in 2001.

The work of the team involves both "back office" functions associated with parking enforcement, and dealing with all representations and challenges to the service of PCNs and debt recovery.

Cash collection from all Pay and Display machines and counting is carried out "in house" by a small team.

ASSETS & BUILDING CONTROL

This service is divided into a number of key areas:

Asset Management

Public Conveniences - The Council currently maintains and operates 19 facilities within the towns and villages across the district. Of these, 14 facilities are supported by Town and Parish Councils.

Depots - This budget includes costs associated with one operational depot at Dover, and the former depot at Deal, as well as several garages and stores. The depot in Dover is leased to Veolia Environmental Services as part of the Council's Waste Management Contract and includes the responsibility for their repair and maintenance.

Markets - Markets are currently held every Saturday in Dover and Deal. The Council manages the long established Saturday fruit and vegetable market in Market Square, Dover with the stallholder paying a set fee per pitch, while Dover Town Team and Deal Town Council operates the Dover (Tuesday) and Deal (Saturday) markets in partnership with Dover District Council.

Beaches and Foreshores - The district's coastline extends between Dover and Sandwich. This budget maintains the beaches and foreshores in this area. Additional income is generated by leasing beach and boat plots at the following locations:

- Beach huts in St Margaret's Bay and Walmer;
- Beach hut plots in Kingsdown;
- Commercial boat plots in Deal and Walmer; and
- Private boat plots in Deal, Walmer, Kingsdown and St Margaret's.

Oil Pollution - In accordance with the County of Kent Oil Pollution Response Scheme, the District Council has responsibility to deal with pollutions by oil on beaches and with the threat of oil to beaches and to sea up to a depth of 5.5 metres at low water mark of ordinary tides or to a distance of one mile from the shore, whichever is less. Areas beyond this extent are dealt with by Kent County Council.

Leasehold Properties – The Council has significant land holdings across the District, some of which are let for commercial and/or retail use. The Valuation team ensures these are managed in accordance with the Corporate Asset Management Plan.

Coast Protection - Under the Coast Protection Act 1949 the Council has powers to provide and maintain coastal defences to protect the land from erosion. The Government provides financial support to coast protection authorities by grant aiding capital schemes, with the approval processes being managed by The Environment Agency, but will not grant aid routine maintenance. Shoreline Management Plans for the coastal frontage have been produced and work is also progressing on implementing the recommendations of the Pegwell Bay to Kingsdown Coastal Strategy.

Facilities Management

The service covers a number of properties;

- **Dover Town Hall (Maison Dieu), Dover** - The main facilities at Dover Town Hall are the Stone Hall, Connaught Hall and the Council Chamber. There are also other smaller areas available for hire. The facilities are used for a variety of functions including wedding receptions, dinners, parties, dances, concerts, theatre, exhibitions, seminars, elections etc. The premises are leased to Your Leisure, who also operate the Winter Gardens at Margate and lease some of the Council's leisure facilities. Under the terms of the lease, most categories of expenditure are the responsibility of Your Leisure but some major areas remain as Council obligations. The Council is currently developing a revised funding bid as part of plans for major renovations to the building.

- **Deal Pier** - The present Pier was officially opened by the Duke of Edinburgh in 1957. It provides opportunities for walking and fishing, has a café, which won a number of architectural awards, at the seaward end and two small shops at the entrance. The Pier itself is managed directly by the Council. Substantial maintenance works including concrete repairs, replacement seating and resurfacing of the stem are due to take place during 2018.The lease to the café was relinquished at the end of 2017 and the Council is working to ensure that an operator is found as quickly as possible.

- **Leisure Centres** – The work to construct the new Dover District Leisure Centre at Whitfield is progressing on time and on budget. The process to find an operator has been concluded and Places For People, the successful bidder, take on responsibility for the present Dover Leisure Centre from 1 April 2018 until the new centre opens in 2019. Tides Leisure and Indoor Tennis Centre provides a wide range of facilities including a beach effect leisure pool with waterslides, ancillary pools, and other features, a four-court sports hall, fitness/health suite and a cafeteria. The Indoor Tennis Centre is an LTA Beacon status site, recognising it's high quality and affordable community tennis programmes. The Council has begun exploring what refurbishment works and alterations are needed to improve wet and some dryside facilities that are now 30 years old. Tides Leisure & Indoor Tennis Centre has been leased to and managed by Your Leisure since April 2001. Your Leisure also manages Walmer Paddling Pool.

- **Corporate Properties** – The Council operates from a number of buildings within the District including the offices at Whitfield and Dover Gateway. The assets team are responsible for the effective management of each of the premises in terms of activities such as caretaking, cleansing and routine maintenance.

Building Control

The main functional area relates to Building Regulations Fee Earning (BRFE) work. The Section implements the Building Regulations, which are concerned with health and safety, access for all and conservation of fuel and power in and about buildings. Fees are set by Dover District Council to fully recover the costs of providing the service over any three-year period. The service is in full competition with the private sector.

The second area of activity is paid for from the General Fund. This area includes certain Building Regulations work, for which no fees can be charged, for example, building work to adapt a house for someone with a disability. Another example is building control has become a repository for information regarding self-certification of certain Building Regulations applications, relating to replacement windows and electricity etc. Central Government does not allow local authorities to charge for this function.

In addition, the section undertakes additional functions such as dealing with dangerous structures.

Capacity continues to be created through continuous reviews of staffing, procedures and practices in order to increase efficiency and effectiveness. Despite the recession, the level of building activity remained relatively stable but continual improvements in efficiency are still being sought. Capacity to increase fees substantially may well be constrained through increased competition from the private sector. All applications received from 1st January 2016 are electronic.

PARKS & OPEN SPACES

Parks and Open Spaces

The Council has a substantial stock of parks, open spaces and sports grounds throughout the district including, for example, Kearsney Abbey and Connaught Park in Dover and Victoria Park in Deal. The areas provide for both active and passive leisure and include facilities such as skateboard parks, multi-use games areas, play areas, sports pitches, bowling greens and tennis courts in addition to areas for walking and quiet reflection. Grounds maintenance of the sites had been contracted out for many years but the Council decided in 2016 to insource the service and this work has been undertaken by a directly managed team from April 2017.

The Council will be commissioning a range of strategies this year which includes, a Parks & Open Spaces Strategy, a Playing Pitch & Outdoor Sports Provision Strategy & a Play Area Strategy. This work will feed into the development of the Council's overarching Green Infrastructure Strategy and support the revision of the District Local Plan. The various strategies will help the Council to plan for future investment and provide a strategic approach to how it manages and delivers future projects.

Cemeteries - There are six cemeteries in the district managed by the Council, located in Dover, Deal, Sandwich and Aylesham, presently used for earth burials, covering a total of 19.25 hectares.

Closed Churchyards - The Council has a legal obligation for the upkeep of closed churchyards, which are no longer maintained by the church or parish councils. There are currently 21 closed churchyards maintained, covering 5.01 hectares.

White Cliffs Countryside Partnership
The White Cliffs Countryside Partnership was set up 25 years ago to help conserve and enhance the special coast and countryside of Dover and Shepway districts, and make it accessible to all. It is a partnership between Dover District Council, Shepway District Council, Kent County Council, Eurotunnel, Natural England, Environment Agency, Kent Downs AONB Unit, Kent Wildlife Trust, National Trust, British Energy, British Nuclear Group, Affinity Water, Network Rail with financial contributions from the European Regional Development Fund, the Big Lottery and the Heritage Lottery Fund.

Up on the Downs
Up on the Downs is a £2.5 million Heritage Lottery funded Landscape Partnership Scheme that is making a significant difference to the easily recognisable and iconic landscape and communities of the Dover and Folkestone area by:

- Investing in heritage
- Supporting communities
- Increasing access, skills and understanding
- Working together in partnership

The scheme is scheduled for completion in September 2017; however, Up on the Downs and DDC are working with partner organisations to secure an appropriate legacy for the scheme, including continuing the partnership into the long-term.

Kearsney Parks for People

In 2016 DDC submitted a successful £3.1m bid to the Heritage Lottery Fund/Big Lottery Fund ‘Parks for People’ programme for a major scheme of restoration and improvement works at Russell Gardens and Kearsney Abbey. Our project manager and design team have been reappointed and are working on detailed designs and we have appointed additional members of staff to extend engagement with park users and the local community. The first phase of clearance work will take place in Russell Gardens during the winter of 2016/17, with the main restoration and improvement work starting in autumn 2017. The project is due to end in 2020.

MUSEUM & TOURISM SERVICES

Dover Museum

Dover Museum is one of the oldest museums in the UK, founded in 1836. Its three floors of exhibitions on the history of Dover and its award winning Bronze Age Boat Gallery are open free to the public. It operates a successful schools programme and works with young people, traditionally a hard to reach group for museums, to make the museum more relevant to them, and a team of volunteers is implementing a new collections plan relating to the national museums accreditation scheme.

Tourism

The Council’s role in tourism is as a co-ordinator for the district’s tourism industry and the White Cliffs Country Marketing brand. It produces a successful annual tourism guide, days out leaflet and a website along with an associated marketing campaign. The service in partnership with other districts, KCC and Visit Kent is actively engaged in promoting the district during events such as the Open Golf tournament at Sandwich. It directly runs Dover Visitor Information Centre and the welcome desk for the Cruise Partnership

ANNEX 5D

Service Summary

Budget 2018/2019

Environment & Community Assets

		Costs controlled by Head of Service				
		FTE	**Employees**	**Other Costs**	**Income**	**Sub-tot**
C3600	DIRECTOR OF ENV & CORP ASSETS	1.0	122,400	1,360	(11,710)	112,050
Total Director Of Environment & Corporate Assets		1.00	122,400	1,360	(11,710)	112,050
A1162	CIVIC CAR	0.0	5,100	2,310	-	7,410
C3715	PROPERTY SERVICES	22.3	973,400	60,440	(219,900)	813,940
C3725	PROPERTY MAINTENANCE TEAM	3.0	90,240	(90,250)	-	(10)
C3954	MAISON DIEU PREMISES	0.0	-	10,520	(3,500)	7,020
C3956	DEAL AREA OFFICE TRADING ACCT	0.0	-	4,430	-	4,430
C3957	THE DOVER GATEWAY (CASTLE ST)	0.0	-	66,540	(5,000)	61,540
C5001	CORPORATE MAINTENANCE	0.0	-	410,000	-	410,000
C5200	OFFICE ACCOMMODATION-WHITFIELD	2.2	58,000	450,540	(2,220)	506,320
E4100	PUBLIC CONVENIENCES	0.0	-	173,970	(94,140)	79,830
E5000	DEPOTS	0.0	-	9,020	(1,020)	8,000
E8000	COAST PROTECTION	0.0	-	150	(45,290)	(45,140)
H1000	BUILDING CONTROL	5.0	253,150	30,700	(327,200)	(43,350)
K2015	TRANSPORTATION SERVICES	0.0	-	173,800	(70,000)	103,800
K2040	BUS SHELTERS	0.0	-	17,150	-	17,150
K3000	PRECINCTS-DEAL AND DOVER	0.0	-	300	-	300
L1350	GARAGES GF	0.0	-	77,260	(459,000)	(381,740)
L1360	SHOPS & SHOWROOMS GF	0.0	-	7,130	(69,500)	(62,370)
L1396	WHITFIELD COURT	0.0	-	26,950	(336,900)	(309,950)
L1397	B&Q RETAIL WAREHOUSE	0.0	-	85,450	(1,067,970)	(982,520)
L1399	MISC PROPERTIES-GENERAL	0.0	-	25,520	(316,830)	(291,310)
L2010	HALLS-TOWN HALL DOVER	0.0	-	117,110	-	117,110
L3000	TIMEBALL TOWER, DEAL	0.0	-	-	(520)	(520)
L3630	PUBLIC CLOCKS AND MEMORIALS	0.0	-	250	-	250
L4030	DOLPHIN HOUSE	0.0	-	59,540	(86,760)	(27,220)
M2100	BEACHES AND FORESHORES	0.0	-	13,050	(73,930)	(60,880)
M2200	DEAL PIER	3.1	104,780	36,240	(74,080)	66,940
M2210	SANDWICH QUAY	0.0	-	5,020	(15,300)	(10,280)
M2305	PARKS FOR PEOPLE-KEARSNEY	0.0	182,220	2,354,300	(2,536,520)	-
M2310	KEARSNEY PARKS	0.0	-	5,000	(2,000)	3,000
M2500	DOVER LEISURE CENTRE	0.0	-	173,820	(28,000)	145,820
M2510	DEAL LEISURE POOL-TIDES	0.0	-	150,530	-	150,530
M2520	DEAL TENNIS CENTRE	0.0	-	1,280	-	1,280
M2610	PROPERTY SERVICES EVENTS	0.0	-	10,000	(21,000)	(11,000)
Total Asset Management & Maintenance		35.59	1,666,890	4,468,070	(5,856,580)	278,380
C3680	HEAD OF PARKS AND OPEN SPACES	1.0	76,670	950	-	77,620
C3690	GROUNDS MAINTENANCE TEAM	26.8	727,990	382,390	-	1,110,380
E6000	CEMETERIES	0.0	-	26,940	(161,910)	(134,970)
M2300	PARKS AND OPEN SPACES	0.0	-	82,230	(76,540)	5,690
Total Parks and Open Spaces		27.80	804,660	492,510	(238,450)	1,058,720
L3020	DOVER MUSEUM	10.1	473,550	188,290	(88,360)	573,480
L3022	MUSEUMS-BRONZE AGE BOAT-EXHIBT	0.0	-	16,670	(100)	16,570
L3025	DOVER MUSEUM SCHOOLS	0.0	500	21,600	(18,000)	4,100
L3027	DOVER MUSEUM - BEQUEST WORK	0.0	-	8,690	(7,030)	1,660
L3600	GRAND SHAFT-WESTERN HEIGHTS	0.0	-	2,220	-	2,220
L5601	TOURISM DEVELOPMENT	0.0	-	36,080	-	36,080
L5610	VIC GRANTS & HISTORIC PANELS	0.0	-	9,200	-	9,200
L5614	CRUISE WELCOME OPERATION	0.0	2,150	350	(3,000)	(500)
Total Museum & Tourism		10.14	476,200	283,100	(116,490)	642,810
C3390	PARKING SERVICE ADMINISTRATION	3.0	101,950	22,520	-	124,470
C3392	PARKING OPERATIONS & ENFORCEMT	16.5	480,190	32,970	-	513,160
K4000	CAR PARKS-SURFACE FREE	0.0	-	8,470	(50)	8,420
K4010	CAR PARKS-SURFACE PAYING	0.0	-	366,570	(1,896,650)	(1,530,080)
K4030	CAR PARKS - ON STREET	0.0	-	40,320	(709,700)	(669,380)
Total Parking Services		19.51	582,140	470,850	(2,606,400)	(1,553,410)
C3610	WASTE SERVICES TRADING ACCOUNT	4.8	224,110	22,330	(85,000)	161,440
E4200	REFUSE COLLECTION	0.0	-	1,177,800	(128,000)	1,049,800
E4210	RECYCLING	0.0	-	1,091,550	(871,590)	219,960
E4230	SHEPWAY WASTE CONTRIBUTION	0.0	-	4,000,000	(4,000,000)	-
E4240	KCC WASTE CONTRIBUTION	0.0	-	1,000,000	(1,000,000)	-
E4300	STREET CLEANSING	0.0	-	1,604,310	(58,500)	1,545,810
Total Waste Services		4.81	224,110	8,895,990	(6,143,090)	2,977,010
L6000	WHITE CLIFFS COUNTRYSIDE PROJ	12.8	335,350	31,620	(331,070)	35,900
L6002	WCCP-SAMPHIRE HOE	2.0	71,980	5,010	(106,490)	(29,500)
L6025	DUNGENESS (EDF ENERGY)	0.0	62,410	8,090	(100,000)	(29,500)
Total White Cliffs Countryside Project		14.81	469,740	44,720	(537,560)	(23,100)
		113.66	4,346,140	14,656,600	(15,510,280)	**3,492,460**

ANNEX 6

Earmarked General Reserves (2018/19 Budget Forecast)

	Balance 2016/17 £000	Contrib-ution 2017/18 £000	Application 2017/18 £000	Balance 2017/18 £000	Contrib-ution 2018/19 £000	Application 2018/19 £000	Balance 2018/19 £000	Contrib-ution 2019/20 £000	Application 2019/20 £000	Balance 2019/20 £000	Contrib-ution 2020/21 £000	Application 2020/21 £000	Balance 2020/21 £000	Contrib-ution 2021/22 £000	Application 2021/22 £000	Balance 2021/22 £000
General Fund Balance	**-2,533**	0	121	**-2,412**	-99	0	**-2,511**	-29	0	**-2,540**	-12	0	**-2,553**	-22	0	**-2,574**
Special Projects & Events Reserve	**-2,966**	-20	1,129	**-1,856**	-670	1,586	**-940**	-470	0	**-1,410**	-320	0	**-1,730**	-20	0	**-1,750**
Periodic Operations Reserve	**-3,548**	-235	738	**-3,044**	-340	2,263	**-1,122**	-340	621	**-841**	-110	139	**-812**	-110	60	**-861**
Urgent Works Reserve	**-1,175**	0	220	**-955**	0	0	**-955**	0	0	**-955**	0	0	**-955**	0	0	**-955**
Dover Regeneration Reserve	**-2,041**	-15	464	**-1,593**	-336	632	**-1,297**	-65	100	**-1,262**	-65	100	**-1,227**	-65	100	**-1,192**
ICT Equipment & Servers	**-724**	-58	378	**-405**	-115	520	**0**	-115	100	**-15**	-115	100	**-30**	-115	100	**-45**
Business Rates & Council Tax Support	**-1,338**	-982	728	**-1,592**	0	601	**-991**	0	0	**-991**	0	0	**-991**	0	0	**-991**
District Regen & Economic Dev Reserve	**-12,500**	0	144	**-12,357**	0	9,457	**-2,900**	0	100	**-2,800**	0	2,800	**0**	0	0	**0**
Earmarked Reserves Total	**-24,292**	-1,310	3,801	**-21,801**	-1,462	15,058	**-8,204**	-990	921	**-8,273**	-610	3,139	**-5,744**	-310	260	**-5,794**
Total Revenue Reserves	**-26,825**	-1,310	3,922	**-24,213**	-1,561	15,058	**-10,715**	-1,019	921	**-10,813**	-622	3,139	**-8,297**	-331	260	**-8,368**

EARMARKED RESERVES

The following earmarked reserves are held:

1. General Fund Balance

The General Fund Balance is forecast to remain above the £2m preferred level in 2018/19. The forecasts for future years show the General Fund Balance being maintained above £2m if action is taken to deliver the target budget reductions. It is considered that at this time there are sufficient other earmarked reserves to support the council while the Council continues to address future budget pressures.

2. Special Projects & Events Reserve

This reserve is set aside to continue to fund one-off General Fund projects as they arise and to support major events in the district. The contributions and applications from this reserve are detailed in the Special Projects summary (Annex 8C).

3. Periodic Operations Reserve

This reserve is to cover costs of cyclical / periodic events such as elections, "carry forward requests" and to hold grants or other income streams for specific purposes, such as New Burdens grants and On-Street parking surpluses. Approval of expenditure from this reserve is delegated to the Section 151 Officer and the Portfolio Holder responsible for Finance.

4. Urgent Works Reserve

This reserve is set aside to fund urgent works on corporate assets and for other urgent business requirements, for example to fund a provision for claims from Municipal Mutual Insurance or for future restructures to meet likely on-going grant reductions. One-off opportunities will be taken to add to the balance in this reserve in the future to maintain the capacity to manage the Council's ageing assets. Approval of expenditure from this reserve is delegated to the Section 151 Officer and the Portfolio Holder responsible for Finance.

5. Regeneration Reserve

This reserve is set aside to support the Local Development Framework process and associated regeneration projects. Approval of expenditure from this reserve is delegated to the Section 151 Officer and the Portfolio Holder responsible for Finance.

6. ICT Equipment & Servers

The ICT Equipment & Servers reserve is held in order to support the requirements of the current and future ICT Strategies. Approval of expenditure from this reserve is delegated to the Section 151 Officer and the Portfolio Holder responsible for Finance.

7. Business Rates & Council Tax Support Reserve

This reserve was set up to allow for the risk of unforeseen pressures from the Redistribution of Business Rates, the new Council Tax Support scheme and future changes for Universal Credit. In 2014/15 a contribution was made to the reserve from the safety net receipt received from Government in that year. That contribution has been applied to annual budgets, as required, to offset the anticipated pressures from the movement in the Collection Fund surplus. As there are still many uncertainties around these areas, it is recommended that this reserve is retained and reviewed on an annual basis.

8. Dover Regeneration & Economic Development Reserve

The £12.5m transferred from the Housing Revenue Account to the General Fund in 2013 is held in this reserve. £10m of the reserve has been set allocated to fund Leisure Centre provision and improvements to Dover Town Hall. In addition £2m is proposed to be ring-fenced to allocate funds to mitigate the impact of IFRS9 (Financial Instruments) if required.

Housing Revenue Account - Budget Monitoring Report as at 31 December 2017

	Original Budget £000	Projected Outturn £000	Variance of Original to Projected £000	Notes	2018/19 Proposed Budget £000	Variance to 2017/18 Projected Budget £000	Notes
INCOME							
Dwelling Rents	(18,835)	(19,122)	(287)	1	(18,650)	472	A
Non-dwelling Rents	(501)	(25)	477	2	(22)	3	
Tenant Charges for Services and Facilities	(466)	(466)	(0)		(414)	52	B
Leaseholder Charges for Services and Facilities	(403)	(237)	166	4	(317)	(80)	C
Conts. towards Expend. - Grants for Supporting People	0	(170)	(170)	3	0	170	D
TOTAL INCOME	**(20,205)**	**(20,019)**	186		**(19,402)**	**618**	
EXPENDITURE							
Repairs and Maintenance	3,338	3,418	80	5	3,581	163	E
Supervision and Management	4,027	4,077	50	5	4,242	165	F
Rents, Rates, Taxes and Other Charges	48	22	(27)		24	2	
Negative Subsidy Entitlement (Incl MRA)	0	0	0		0	0	
Self Financing Settlement Determination	0	0	0		0	0	
Depreciation of Fixed Assets	1,735	1,991	257		1,991	0	
Impairment of Fixed Assets	0	0	0		0	0	
Revaluation Gain - rev of pr yr loss	0	0	0		0	0	
Debt Management Expenses	26	31	5		38	7	
Bad Debt Provision	250	250	0		250	0	
Rent Rebate Subsidy Limitation	0	0	0		0	0	
TOTAL EXPENDITURE	**9,424**	**9,789**	**365**		**10,126**	**337**	
NET COST OF HRA SERVICES PER AUTHORITY INCOME AND EXPENDITURE ACCOUNT	**(10,781)**	**(10,230)**	551		**(9,276)**	955	
HRA Share of Corporate and Democratic Core	461	655	194	6	746	91	G
HRA share of other amounts not allocated to specific services	0	0	0		0	0	
NET COST OF HRA SERVICES	**(10,320)**	**(9,575)**	**745**		**(8,529)**	**1,046**	
(Gain)/Loss on Sales of HRA Fixed Assets	0	0	0		0	0	
Interest Payable and Similar Charges	2,716	2,716	0		2,646	(69)	H
Amortisation of Premiums & Discounts	0	0	0		0	0	
Interest and Investment Income	(72)	(20)	53		(20)	0	
Pension Int Costs and expected return on pensions assets	473	473	0		393	(80)	
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	**(7,204)**	**(6,406)**	798		**(5,510)**	896	
Amount required by statute to be credited to the HRA Balance for the year (as per the Note to the Statement of Movement below) **	4,666	4,015	(651)		5,255	1,240	
Net (Increase)/Decrease in the Housing Revenue Account Balance before transfers to or from reserves	***(2,538)***	***(2,391)***	147		**(255)**	2,136	
Transfer to or (from) reserves	*2,500*	2,400	*(100)*	7	250	*(2,150)*	I
(Increase)/decrease in year on the HRA balance	***(38)***	***9***	47		**(5)**	(14)	

<u>Impact of Deficit / (surplus) on balances</u>						
Housing Revenue Account surplus brought forward	(1,047)	(1,047)	0		(1,038)	9
Housing Revenue Account surplus carried forward	***(1,085)***	***(1,038)***	***47***		**(1,043)**	***(5)***

**** Note to the Statement of Movement on the HRA Account**

Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year	***£000***	***£000***	***£000***		***£000***	***£000***	
Net Charges made for retirement benefits in accordance with IAS19	456	456	0		467	11	
	456	**456**	**0**		467	**11**	
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance							
Transfer to/(from) the Major Repairs Reserve	3,000	2,696	(304)		2,666	(30)	J
Employer's contributions payable to the Pension Fund and retirements benefits payable direct to pensioners	(473)	(473)	0		(393)	80	
Capital expenditure funded by the HRA	1,683	1,336	(347)	8	2,514	1,178	J
	4,210	**3,559**	**(651)**		4,788	**1,229**	
Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year	**4,666**	**4,015**	**(651)**		**5,255**	**1,240**	

ANNEX 7A

Housing Revenue Account Variance Analysis

2017/18 Original Budget to 2017/18 Projected Outturn & Projected Outturn to 2018/19 Estimates

Housing Revenue Account Variation Statement - as at 31 December 2017

			£000's
	2017/18 Original Budget		**(38)**
1	Dwelling Rents	Fewer Voids than anticipated	(287)
2	Non Dwelling Rents	Transfer of garages and shops to general fund	477
3	Grants for Supporting people	Uncertainty of income at budget setting	(170)
4	Leaseholder Charges	Major works not taking place	166
5	Repairs and Maintenance	Reworking of revenue programme	130
6	Corporate and Democratic Core	Recalculation of internal recharges	194
7	Transfer to or (from) reserves	Decrease in transfer to HIR	(100)
8	Capital expenditure funded by the HRA	Decrease in direct revenue financing	(347)
	Miscellaneous	Numerous other minor variances	(16)
	Projected Outturn 2017/18 as at 31 December 2017		**9**
A	Dwelling Rents	Reduction of rents by 1% as advised by Government and impact of RTB sales	472
B	Tenant Charges for Services and Facilities	Tenant service charge increase	52
C	Leaseholder charges for Services and Facilities	Leaseholder contributions	(80)
D	Contributions towards Expenditure	Removal of KCC supporting people income	170
E	Repairs & Maintenance	Increased cost of revenue works programme	163
F	Supervision and Management	Mainly due to increase in grounds maintenance costs	165
G	HRA Share of Corporate and Democratic Core	Recalculation of internal recharges	91
H	Interest Payable and Similar Charges	Interest payable reduction	(69)
I	Transfer to or (from) reserves	Reduction of transfer to Housing Initative Reserve	(2,150)
J	Capital expenditure funded by the HRA	Capital expenditure funded by the HRA	1,149
	Miscellaneous	Numerous other minor variances	23
	2018/19 Budget Estimate		**(5)**

FOUR YEAR REVENUE BUDGET FINANCIAL PROJECTION

Notes	2017/18 Projected Outturn £000		2018/19 Proposed Budget £000	2019/20 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000
1	(20,019)	**Income**	(19,402)	(19,402)	(19,402)	(19,402)
		Income Adjustments				
2		Rent reduction @1% per annum as per Govt requirements		187	187	187
3		Rent increases at CPI + 1% after reduction period			(554)	(1,124)
4		Impact of Right to Buy sales on rental income (1%)		88	179	273
5		Forecast rent from new stock		(154)	(218)	(281)
6		Inflation on leasehold & service charges		(13)	(33)	(46)
	(20,019)	**Total**	(19,402)	(19,294)	(19,841)	(20,394)
7	10,444	**Expenditure**	10,873	10,873	10,873	10,873
		Expenditure Adjustments				
8		Repairs and Maintenance (3% inflation)		107	218	332
9		Supervision and Management (3% inflation)		85	171	260
10		Other Misc expenditure inflation		17	34	51
	10,444	**Total**	10,873	11,082	11,296	11,515
11	7,184	**Other Charges**	8,274	8,274	8,274	8,274
12		Removal of 2018/19 one-off capital projects		(550)	(550)	(550)
13		IAS19 Pension backfunding increase		18	37	57
	7,184	**Total**	8,274	7,742	7,761	7,781
14	2,400	**Transfers to / (from) reserves**	250	450	800	1,100
15	9	**NET (SURPLUS) / DEFICIT**	(5)	(20)	16	3
		Impact on Reserves :-				
		Projected HRA Balance				
	(1,047)	Opening balance	(1,038)	(1,043)	(1,063)	(1,047)
16	(1,038)	**Closing Balance**	(1,043)	(1,063)	(1,047)	(1,044)
		Projected Housing Initiatives Reserve Balance				
	(12,499)	Opening balance	(13,414)	(7,562)	(2,847)	(2,647)
	(2,400)	Contribtution to reserve	(250)	(450)	(800)	(1,100)
	1,485	Proposed application of reserve to projects	6,102	5,165	1,000	1,000
17	(13,414)	**Closing Balance**	(7,562)	(2,847)	(2,647)	(2,747)

THREE YEAR REVENUE BUDGET FINANCIAL PROJECTION

Notes

1 The gross income budget is taken from the 2018/19 budget at Annex 7.

2 The Government has imposed a 1% per annum decrease in rents for the period 2016/17 - 2019/20.

3 Following the rent reduction period it is expected that rent increases will return to levels of CPI plus 1%.

4 Right to Buy sales have increased and will therefore have a negative impact on rent income. Based on current levels this has been assumed to reduce rent income by 0.5% per annum.

5 Additional income forecast as a result of the proposed increases in stock from the Housing Initiatives projects.

6 It is assumed that tenant service charges will increase in line with inflation.

7 The gross expenditure budget is taken from the 2018/19 budget at Annex 7.

8 It is assumed that repairs & maintenance expenditure will increase in line with inflation.

9 It is assumed that supervision & management expenditure (including charges from East Kent Housing) will increase in line with inflation.

10 Inflationary increases on other expenditure areas.

11 Other charges are taken from the 2018/19 budget at Annex 7. These include, capital works, interest payable & receivable & pension charges.

12 The 2018/19 budget includes some one-off capital projects, including fire precaution works, that will not need to be continued at the same level in future years.

13 The HRA share of the Authority's pension deficit is assumed to increase by 5% per annum in line with the Actuary's forecasts.

14 The annual transfer to the Housing Initiatives reserves is assumed to continue for the planning period.

15 Forecast (surplus) / deficit.

16 Forecast HRA Balance.

17 Forecast Housing Initiatives Reserve Balance.

MEDIUM TERM CAPITAL PROGRAMME - JANUARY 2018 OUTTURN							
	APPROVED BUDGET	PROPOSED BUDGET					
Projects included in the programme	**Total**	**Previous years**	**Estimate 2017/18**	**Estimate 2018/19**	**Estimate 2019/20**	**Future years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Committed General Fund Projects							
Dover Regeneration Projects							
DTIZ - Waterfront	1,048	794	254	0	0	0	1,048
DTIZ Growth Point - Unallocated Grant Funding	7	0	7	0	0	0	7
Dover Pride - Dover Priory Ph 1 & 2	220	107	0	113	0	0	220
Sub total	**1,276**	**902**	**262**	**113**	**0**	**0**	**1,276**
Other Regeneration Projects							
Aylesham Regeneration Project	1,604	1,462	142	0	0	0	1,604
Aylesham retail units - fit out	130	0	130	0	0	0	130
Discovery Park - Grant (100% grant funded)	3,151	2,986	165	0	0	0	3,151
Discovery Park - Loan (100% grant funded)	2,578	0	400	2,178	0	0	2,578
Sub total	**7,463**	**4,448**	**837**	**2,178**	**0**	**0**	**7,463**
ICT Projects							
Replace Exchange Server & customer access licences	24	23	0	0	0	0	24
E-Procurement implementation / servers	31	0	31	0	0	0	31
Replacement Telephony Central System	78	37	41	0	0	0	78
Purchase Telephony Equipment (Handsets / Headsets)	47	21	26	0	0	0	47
Sub total	**179**	**81**	**98**	**0**	**0**	**0**	**179**
Other projects							
Disabled Facilities Grants:-							
Mandatory Disabled Facilities Grants	1,392	n/a	900	492	0	0	1,392
Winter Warmth Grants	50	n/a	50	0	0	0	50
Renovation Grants	9	n/a	9	0	0	0	9
Renovation/PSH Loans	259	n/a	150	109	0	0	259
Empty Homes Loans	300	0	100	100	100	0	300
Leisure Centre contingency **(wef 18/19)**	79	56	23	0	0	0	79
Tides - Plant & Equipment Replacement	108	67	42	0	0	0	108
Beach Hut Project	38	37	1	0	0	0	38
Parks for People - Kearsney Abbey & Russell Gardens	2,860	245	115	2,500	0	0	2,860
Dover Museum & Bronze Age Boat - Essential Works	306	23	93	190	0	0	306
Whitfield Offices - Capital Works	220	161	0	59	0	0	220
Disabled WC - Marine Rd Walmer	60	45	0	15	0	0	60
Dover Leisure Centre - new facility provision	26,600	3,678	7,000	15,922	0	0	26,600
Dover Town Hall-Urgent Repairs	150	1	100	49	0	0	150
Sandwich Quay - dredge & install fenders	50	0	50	0	0	0	50
St Margarets Bay Study	13	0	13	0	0	0	13
Deal Pier - Capital Works	755	0	144	612	0	0	755
Bus Shelters - Honeywood Parkway	20	0	20	0	0	0	20
DTIZ enhancement works	230	0	90	140	0	0	230
Deal Beach Management 2015-20 (100% grant funded)	1,750	0	160	540	350	700	1,750
Property Investment Acquisition - 1 - B&Q Dover	17,251	0	17,251	0	0	0	17,251
Property Investment Acquisition - 2 - Whitfield Court	4,477	0	4,477	0	0	0	4,477
Sub total	**56,977**	**4,313**	**30,786**	**20,727**	**450**	**700**	**56,977**
Sub total of Committed General Fund Projects	**65,894**	**9,744**	**31,982**	**23,018**	**450**	**700**	**65,894**

MEDIUM TERM CAPITAL PROGRAMME - JANUARY 2018 OUTTURN

	APPROVED BUDGET	PROPOSED BUDGET					
Projects included in the programme	**Total**	**Previous years**	**Estimate 2017/18**	**Estimate 2018/19**	**Estimate 2019/20**	**Future years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
General Fund Projects - Proposed Projects							
Capital Contingency	212	0	212	0	0	0	212
Leisure Centre contingency **(wef 18/19)**	21	0	21	0	0	0	21
Tides Leisure Centre Refurbishment	2,222	0	0	150	750	1,322	2,222
Museum - General Works & Replacements	0	0	0	0	0	0	0
Victoria Park-Play Area (S106 funded)	37	0	0	37	0	0	37
Dover Museum - Gallery Refurbishment	69	0	0	69	0	0	69
Deal Pier - Phase 1 H&S Works	0	0	0	0	0	0	0
Dover Town Hall - DDC contribution to major refurbishment works	3,000	0	0	100	100	2,800	3,000
Dover Museum - storage facilities	0	0	0	0	0	0	0
Property Investment Strategy (note 5)	178,272	0	28,272	50,000	50,000	50,000	178,272
Dover Town Centre Regeneration	500	0	0	500	0	0	500
Deal Pier - Phase 2	0	0	0	0	0	0	0
Bronze Age Boat - replace environment conditioning plant/controls	0	0	0	0	0	0	0
Market Sq public realm enhancements - DDC contribution **(wef 18/19)**	100	0	0	100	0	0	100
Purchase new beach huts	100	0	0	100	0	0	100
DDC CCTV improvements	90	0	0	90	0	0	90
Disabled Facilities Grants	0	0	0	950	0	0	950
Dover Museum - temporary exhibition cases for Zeebrugge event	0	0	0	116	0	0	116
Dover Museum storage facilities	0	0	0	0	500	0	500
Middle & Upper Danes reinstatement works	0	0	0	100	0	0	100
Tides Leisure Centre Refurbishment	0	0	0	0	0	3,800	3,800
Deal Pier - phase 3	0	0	0	0	0	600	600
Cowdray Square play area refurbishment	0	0	0	0	0	68	68
Victoria Park-outdoor facilities improvements (S106 funded)	0	0	0	100	0	0	100
Beach Huts - replacements & refurbishments	0	0	0	125	0	0	125
St Margarets Bay coast protection works (grant funded)	0	0	0	150	0	0	150
Kearsney Abbey / Russell Gardens - play area / disabled facilities access	0	0	0	200	0	0	200
Kearsney Abbey - disabled adult changing facility	0	0	0	40	0	0	40
Strategic land purchase for redevelopment / regeneration	0	0	0	2,000	0	0	2,000
CCTV upgrade & relocation	0	0	0	110	0	0	110
Street-lighting works	0	0	0	935	0	1,500	2,435
Bus Rapid Transport Route (BRT)	0	0	0	100	0	15,800	15,900
Upgrade commercial properties	0	0	0	0	50	0	50
Sub total of General Fund Proposed Projects	**184,622**	**0**	**28,505**	**56,071**	**51,400**	**75,889**	**211,865**
ICT Infrastructure Investment - Proposed Projects							
Sub total of ICT Proposed Projects	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Sub total of all Proposed General Fund Projects	**184,622**	**0**	**28,505**	**56,071**	**51,400**	**75,889**	**211,865**
General Fund Projects Total	**250,516**	**9,744**	**60,487**	**79,089**	**51,850**	**76,589**	**277,759**

MEDIUM TERM CAPITAL PROGRAMME - JANUARY 2018 OUTTURN

	APPROVED BUDGET		PROPOSED BUDGET					
Projects included in the programme	**Total**		**Previous years**	**Estimate 2017/18**	**Estimate 2018/19**	**Estimate 2019/20**	**Future years**	**Total**
	£000		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
HRA Programme								
Housing Revenue Account Property Projects - Committed Works	3,705		n/a	3,705	0	0	0	3,705
Folkestone Rd Property Purchases & Refurbishments	1,064		556	507	0	0	0	1,064
Sheltered Upgrade	1,800		94	150	1,556	0	0	1,800
St Radigunds Play Area	112		0	112	0	0	0	112
HRA Property Purchases	957		0	957	0	0	0	957
Foxborough Close development	250		0	11	239	0	0	250
New affordable housing development - HRA	1,515		0	500	1,015	0	0	1,515
Modular Interim Housing	32		0	32	0	0	0	32
Housing Revenue Account - Provisions for proposed projects	0		0	0	0	0	0	0
Play Areas - proposed HRA funding	51		0	0	0	51	0	51
Whitfield Development - Phase 1A - proposed	3,500		0	0	3,500	0	0	3,500
Future projects to be funded from Housing Initiatives Reserve (note 4)	117		0	117	0	0	0	117
Proposed possible developments on HRA land - 17/18 new bid	0		0	0	0	0	0	0
Folkestone Rd Property Purchases & Refurbishments - 17/18 new bid	0		0	0	0	0	0	0
HRA Housing Stock - Capital Works - 18/19 new bid	0		0	0	4,920	0	0	4,920
HRA contingency - 18/19 new bid	0		0	0	30	0	0	30
Social Housing Provision - new bid	0		0	0	3,500	8,000	3,000	14,500
Folkestone Rd property refurbishments - 18/19 new bid	0		0	0	140	0	0	140
Sheltered Upgrade - 18/19 new bid	0		0	0	700	0	0	700
Proposed possible developments on HRA land - 18/19 new bid	0		0	0	875	0	0	875
HRA Total	**13,102**		**650**	**6,091**	**16,475**	**8,051**	**3,000**	**34,267**
Total	**263,618**		**10,394**	**66,577**	**95,564**	**59,901**	**79,589**	**312,026**

MEDIUM TERM CAPITAL PROGRAMME - JANUARY 2018 OUTTURN

	APPROVED BUDGET	PROPOSED BUDGET					
Projects included in the programme	**Total**	**Previous years**	**Estimate 2017/18**	**Estimate 2018/19**	**Estimate 2019/20**	**Future years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Financed by:							
Capital projects financed in previous financial years	10,394	10,394	0	0	0	0	10,394
Capital receipts - General Fund	5,778	n/a	896	2,811	750	1,322	5,778
Capital receipts - General Fund - 18/19 new bids	0	n/a	0	3,226	550	2,168	5,943
Capital receipts - General Fund (Dover Regeneration)	250	n/a	0	250	0	0	250
Capital receipts - General Fund (Developer contingencies)	63	n/a	63	0	0	0	63
Capital receipts - PSH Loan receipts	559	n/a	250	209	100	0	559
Capital receipts - HRA	0	n/a	0	0	0	0	0
Excess Right to Buy Receipts	1,988	n/a	634	1,203	0	0	1,837
Excess Right to Buy Receipts - 18/19	0	n/a	0	1,355	2,400	900	4,655
Major Repairs Allowance	3,000	n/a	3,000	0	0	0	3,000
Major Repairs Allowance - 18/19	0	n/a	0	2,504	0	0	2,504
Direct Revenue Financing							
HRA	868	n/a	817	0	51	0	868
HRA - 18/19	0	n/a	0	2,445	0	0	2,445
General Fund	35	n/a	35	0	0	0	35
General Fund - Heritage Lottery Fund Grant (Parks for People-Kearsney)	2,344	n/a	68	2,275	0	0	2,344
Section 106 Funding	302	n/a	26	781	0	0	807
Section 106 Funding - 18/19 new bids	0	n/a	0	100	0	0	100
Grants							
Growth Point - Unallocated Grant Funding	7	n/a	7	0	0	0	7
Growth Point (Dover Priory Multi-Storey Car Park)	100	n/a	0	100	0	0	100
KCC Better Care Fund (Disabled Facilities Grant)	1,230	n/a	950	280	0	0	1,230
KCC Better Care Fund (Disabled Facilities Grant) estimate	0	n/a	0	950	0	0	950
Environment Agency (Deal Beach Management 2015-20)	1,750	n/a	160	540	350	700	1,750
Environment Agency (St Margarets Bay Study)	13	n/a	13	0	0	0	13
Environment Agency (Sandwich Quay)	15	n/a	15	0	0	0	15
Environment Agency (St Margarets Bay coast protection works)	0	n/a	0	150	0	0	150
DCLG Building Foundations for Growth Grant (Discovery Park)	2,743	n/a	565	2,178	0	0	2,743
Performance Reward Grant (Telephony)	67	n/a	67	0	0	0	67
Sport England - estimated (new Dover Leisure Centre)	1,500	n/a	0	1,500	0	0	1,500
Housing Infrastructure Fund (BRT)	0	n/a	0	0	0	15,800	15,800
Other reserves							
- Cluster Prep (Rev Reserve)	119	n/a	119	0	0	0	119
- Special projects (Rev reserve)	0	n/a	0	0	0	0	0
- Housing Initiative (HRA Reserve)	6,346	n/a	1,629	4,363	0	0	5,992
- Housing Initiative (HRA Reserve) - 18/19	0	n/a	0	3,861	5,600	2,100	11,561
- ICT Reserve	31	n/a	31	0	0	0	31
- District Regeneration & Economic Development Reserve	10,500	n/a	144	7,457	100	2,800	10,500
- SEEDA-Dover Regeneration	150	n/a	90	60	0	0	150
PWLB borrowing - Property Investment Acquisition	21,728	n/a	21,728	0	0	0	21,728
PWLB borrowing - estimated (new Dover Leisure Centre)	13,467	n/a	7,000	6,467	0	0	13,467
PWLB borrowing - Tides Leisure Centre refurb - 18/19 new bids	0	n/a	0	0	0	3,800	3,800
Salix loan - Street-lighting works	0	n/a	0	500	0	0	500
Property Investment Strategy (note 5)	178,272	n/a	28,272	50,000	50,000	50,000	178,272
Total	**263,618**	**10,394**	**66,577**	**95,564**	**59,901**	**79,589**	**312,026**

Notes

1) **Dover Regeneration projects** comprise a single capital budget. Virement between the lines within this project are delegated to the Director of Finance to approve.

2) Authorisation of approved **projects up to £50k** included on the Programme delegated to Director of Finance, Housing & Community in consultation with the Portfolio Holder for Corporate Resources & Performance.

3) Authorisation of projects funded from the **Capitial Contingency** delegated to Director of Finance, Housing & Community in consultation with the Portfolio Holder for Corporate Resources & Performance.

4) **Housing Initiatives Reserve**

To enable the HIR to be used in a responsive manner to new opportunities, the HIR is shown as a single line in the Capital Programme with delegation for:-

a) Setting the level of the on-going HRA minimum balance and the use of prudential borrowing, and adjusting the resources of the HIR accordingly, delegated to the Director of Finance, Housing & Community in consultation with the Portfolio Holder for Performance & Resources;

b) Approval of individual projects to be financed by the HIR delegated to Cabinet;

c) Approval of offers, tenders or bids for the purchase of properties on the open market or at auction, delegated to the Director of Finance, Housing & Community in consultation with the Portfolio Holder for Performance & Resources.

5) **Property Investment Strategy**

£200m approved by Council and Cabinet in November 2016; financing of each proposal to be determined on a case-by-case basis.

Authority to approve property investments delegated to Portfolio Holder for Corporate Resources and Performance, advised by Project Advisory Group

ANNEX 8B

Capital Receipts Summary as at 31/12/17

Usable Capital Receipts 18/19		Income			Expediture		
	Opening Balance £000	Right to buy sales £000	Other capital income £000	Anticipated future income £000	Existing projects £000	Proposed projects £000	Available funding £000
Ring Fenced for 1:4:1 Affordable Housing	3,475	1,159	0	2,000	(1,837)	(4,655)	**143**
Ring fenced for PSH	559	0	0	0	(559)	0	**0**
Ring fenced for Dover Regeneration	250	0	0	0	(250)	0	**0**
Ring fenced for Aylesham contractual commitments	839	0	0	0	(63)	0	**777**
Un-ringfenced capital receipts	12,189	599	10	958	(5,778)	(5,943)	**2,034**
Total	**17,312**	**1,758**	**10**	**2,958**	**(8,488)**	**(10,598)**	**2,953**

SPECIAL REVENUE PROJECTS - 2017/18 OUTTURN

SPECIAL REVENUE PROJECTS	Capital / Revenue	Total Approved Budget	Prior Years Exp	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Future years	Total Revised Budget
		£000	£000	£000	£000	£000	£000	£000
Committed Special Revenue Projects								
Corporate Property - Planned Maintenance	R	1,051	1,033	18	0	0	0	1,051
Control of Asbestos Regulations Works - Corporate Buildings	R	44	38	6	0	0	0	44
Dover Town Hall - Consultancy / Funding Bid	R	194	180	14	0	0	0	194
Dover Leisure Centre Study	R	45	43	2	0	0	0	45
Dover Transportation Study	R	149	124	25	0	0	0	149
Duke of York Roundabout Design	R	39	30	9	0	0	0	39
Parking Services Software Upgrade & Devices	R	27	18	9	0	0	0	27
Tree Safety Emergency Works (following quinquennial) - **delete wef 18/19**	R	35	35	0	0	0	0	35
Commonwealth War Memorial-Dover	R	500	0	500	0	0	0	500
Up on the Downs Project	R	62	46	16	0	0	0	62
St Margarets Bay Promenade-Refurbish Railings	R	58	15	43	0	0	0	58
Property Investment Strategy-external support	R	200	0	57	43	50	50	200
Recycling & Refuse Storage Areas	R	15	0	0	15	0	0	15
Food Waste Promotion	R	47	10	10	27	0	0	47
Dover Tourism Signage Scheme	R	20	10	10	0	0	0	20
LDF Plan	R	300	0	80	220	0	0	300
Street Lighting-Replacements & Repairs	R	90	0	90	0	0	0	90
Kearsney Temporary Premises	R	20	0	20	0	0	0	20
Russell Gdns - access bridge replacement	R	13	0	13	0	0	0	13
Dover Regeneration - enabling costs	R	94	0	94	0	0	0	94
Sandwich Walled Town Conservation Area - consultancy	R	20	0	20	0	0	0	20
Guildhall Sq Sandwich - support for external funding bids	R	30	0	30	0	0	0	30
North Deal Land Study	R	300	0	200	100	0	0	300
Resurfacing Car Parks & DDC owned access roads	R	240	0	0	240	0	0	240
Clarendon Field - safety boundary fence	R	30	0	30	0	0	0	30
Parks - General Repairs (walls, fences, lakes, structures etc)	R	25	25	0	0	0	0	25
Sub total		**3,647**	**1,607**	**1,295**	**645**	**50**	**50**	**3,647**
ICT Infrastructure Investment Projects								
Payment Card Industry (PCI) Compliance	R	45	17	28	0	0	0	45
eFinancials System Improvements	R	18	11	7	0	0	0	18
IDOX - Asset Management Software	R	47	26	21	0	0	0	47
IDOX Upgrade - Planning, Building Control & Property Services	R	77	14	63	0	0	0	77
Mapping System - property boundary	R	13	7	6	0	0	0	13
Data Storage - HP 3PAR SSD	R	44	0	44	0	0	0	44
SQL Server Database Refresh	R	15	0	15	0	0	0	15
Back-up software renewal	R	9	0	9	0	0	0	9
E-Fin upgrade vers 5	R	27	0	27	0	0	0	27
Regulatory Services - purchase IDOX Uniform database	R	65	0	11	54	0	0	65
Upgrade of Mobile Iphones	R	17	0	17	0	0	0	17
ICT Reserve funded - small projects	R	36	3	32	0	0	0	36
Sub total		**413**	**79**	**279**	**54**	**0**	**0**	**413**
Capital projects in capital programme financed from reserve:								
Provision allocated to capital programme to finance capital projects	C	0	n/a	0	0	0	0	0
		4,060	**1,686**	**1,574**	**699**	**50**	**50**	**4,060**
Proposed Projects								
Special Revenue Contingency - overspends	R/C	51	0	21	31	0	0	51
Special Revenue Contingency - urgent projects	R/C	115	0	45	69	0	0	115
DES Efficiency Projects - **delete wef 18/19**	R	30	0	0	0	0	0	0
Cemetery Provision - consultancy	R	15	0	15	0	0	0	15
Corporate Property Maintenance - Contingency	R	73	0	23	50	0	0	73
Utilities Management for all Corporate Properties	R	20	0	0	20	0	0	20
Connaught Park Tennis Courts Improvements	R	31	0	31	0	0	0	31
Marines Memorial Gardens Refurbishment	R	15	0	15	0	0	0	15
Corporate Property Maintenance	R	160	0	0	0	160	0	160
Dover Regeneration - enabling costs	R	80	0	80	0	0	0	80
St James Church - intermediate works	R	70	0	0	70	0	0	70
Parks, Gardens, Churchyards - General Repairs	R	60	0	60	0	0	0	60
Disabled Facility Grant projects - DDC funded - **delete wef 18/19**	R	150	0	0	0	0	0	0
Walmer Green railing refurbishment	R	45	0	0	45	0	0	45
Sandwich Parks project (Phase 1) - enabling design & survey work	R	24	0	24	0	0	0	24
Litter Bins - Deal Promenade	R	20	0	20	0	0	0	20
Butts - access bridge works	R	16	0	16	0	0	0	16
Gazen Salts - nature reserve works	R	15	0	15	0	0	0	15
Apertures for wheeled bins - **delete wef 18/19**	R	15	0	0	0	0	0	0
Dover Health Impact Assessment (HIA) - **delete wef 18/19**	R	11	0	0	0	0	0	0
Tree safety emergency works (following quinquennial) - **delete wef 18/19 - ref CMT 31/10/17**	R	10	0	0	0	0	0	0
Sub total - proposed projects		**1,025**	**0**	**364**	**285**	**160**	**0**	**809**
ICT Infrastructure Investment - Proposed Projects								
Corporate Digital Projects	R/C	60	0	60	0	0	0	60
Confirm Software Purchase	R	7	0	7	0	0	0	7
Regulatory Services - handheld systems	R	20	0	0	20	0	0	20
AIM upgrade	R	11	0	11	0	0	0	11
Scan hard copy plans	R	8	0	8	0	0	0	8
Sub total - ICT proposed projects		**107**	**0**	**87**	**20**	**0**	**0**	**107**
Proposed balance to transfer to capital projects	C	0	n/a	0	0	0	0	0

18/19 Proposed Projects								
Dover Town Centre improvements	R	0	0	0	300	0	0	300
Western Heights - establish heritage trust	R	0	0	0	50	0	0	50
Connaught Park - strategic review	R	0	0	0	0	25	0	25
Contribution to development of Dover Town archaeological plan	R	0	0	0	12	0	0	12
Sandwich Town place-making	R	0	0	0	50	0	0	50
Contribution to transport improvement (for Open Golf)	R	0	0	0	100	0	0	100
Guildhall Sq Sandwich - support for external funding bids	R	0	0	0	25	0	0	25
Kearsney Abbey / Russell Gdns pond repair	R	0	0	0	52	0	0	52
Kearsney Park project contingency	R	0	0	0	200	0	0	200
Public realm works	R	0	0	0	60	0	0	60
Corporate Property Maintenance contingency	R	0	0	0	50	50	100	200
Project feasibility costs	R	0	0	0	50	0	0	50
Special Revenue Contingency - overspends	R/C	0	0	0	20	0	0	20
Special Revenue Contingency - urgent projects	R/C	0	0	0	50	0	0	50
Sub total - 18/19 proposed projects		**0**	**0**	**0**	**1,019**	**75**	**100**	**1,194**
Corporate Digital Projects - 18/19 new bids	R/C	0	0	0	446	0	0	446
Total Projects Subject to Approval/Appraisal		**1,132**	**0**	**451**	**1,770**	**235**	**100**	**2,555**
GRAND TOTAL		**5,192**	**1,686**	**2,025**	**2,469**	**285**	**150**	**6,615**
Special Projects Financing								
Special Projects financed in previous years		1,686	1,686					1,686
Funded from Special Project Reserve		1,529	0	620	532	160	0	1,313
Funded from ICT Reserve		421	0	347	74	0	0	421
Funded from HRA		41	0	41	0	0	0	41
Funded from On-Street Parking Reserve		60	0	0	60	0	0	60
Funded from Periodic Operations Reserve		9	0	9	0	0	0	9
Funded from Regeneration Reserve		502	0	139	263	50	50	502
Funded from Dover Regeneration Reserve		65	0	65	0	0	0	65
Funded from KCC contribution		94	0	69	25	0	0	94
Funded from LDF revenue		6	0	6	0	0	0	6
Funded from SEEDA		79	0	79	0	0	0	79
Funded from HCA		23	0	23	0	0	0	23
Funded from HM Treasury grant		500	0	500	0	0	0	500
Funded from HLF/Partnership funding		16	0	16	0	0	0	16
Funded from Developer contribution		150	0	100	50	0	0	150
Funded from Planning revenue		10	0	10	0	0	0	10
Funded from Special Project Reserve - 18/19 new bids		0	0	0	619	75	100	794
Funded from ICT Reserve - 18/19 new bids		0	0	0	446	0	0	446
Funded from KCC & Dover Growth Fund Reserve-18/19 new bids		0	0	0	300	0	0	300
Funded from Major Events Reserve - 18/19 new bids		0	0	0	100	0	0	100
TOTAL		**5,192**	**1,686**	**2,025**	**2,469**	**285**	**150**	**6,615**

Remaining balance in Special Projects reserve	
Balance at 1 April 2017	**2,883**
Allocation to projects in 17/18	(620)
Community Housing Funding to be moved to separate reserve	(509)
Allocation from General Fund for 17/18	0
Balance at 31 March 2018	**1,754**
Proposed allocation to projects in 18/19 & future years	(692)
New additional proposed allocation to projects in 18/19 & future years	(794)
Allocation from General Fund for 18/19	650
Balance after future years allocations	**918**

Remaining balance in ICT Reserve	
Balance at 1 April 2017	**724**
Allocation to Spec Rev projects in 17/18	(347)
Allocation to Capital projects in 17/18	(31)
Allocation from General Fund for 17/18	58
Balance at 31 March 2018	**405**
Proposed allocation to Spec Rev projects in 18/19 & future years	(74)
New additional proposed allocation to Spec Rev projects in 18/19 & future years	(446)
Proposed allocation to Capital projects in 18/19 & future years	0
Allocation from General Fund for 18/19	115
Balance after future years allocations	**0**

Major Events Reserve	
Major Events opening position	83
17/18 Allocation to Reserve	20
Major Events balance as at 31 March 2018	**103**
Major Events commitments	(100)
18/19 Allocation to Reserve	20
Major Events balance	**23**

Annex 9

Treasury Management Strategy Statement 2018/19

Introduction

In March 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. CIPFA consulted on changes to the Code in 2017, and a revised code was published in December 2017.

In addition, the Ministry for Housing, Communities and Local Government (MHCLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the potential impact upon the revenue budget of changing interest rates. The successful identification, monitoring and control of risk are therefore essential and are addressed in the Authority's treasury management strategy.

Revised strategy: In accordance with the CLG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, significant changes in the Authority's capital programme or in the level of its investment balance.

External Context[1]

Economic background: *The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.*

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the

[1] *This is provided by our Treasury Management advisors, Arlingclose. Treasury advisors generally use a more journalistic style than is used by our officers, but in order to avoid changing the meaning or sense of Arlingclose's work, this has not been edited out.*

Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit outlook: *High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.*

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

Interest rate forecast: *The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to rise twice in 2018 and once more in the first half of 2019, following the rise from the historic low of 0.25%. Arlingclose believes the risks are weighted to the downside. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.*

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 2.8%, and that new long-term loans will be borrowed at an average rate of 3%.

Local Context

On 31st December 2017, the Authority held £86m of borrowing and £56m of investments. This is set out in further detail at Appendix B. Table 1, below, illustrates the forecast changes in these sums each year, based on the capital expenditure and financing as proposed in the Capital Programme. The main drivers of the forecast increased borrowing levels are the construction of the Dover District Leisure Centre and the approval for purchase of commercial property, should appropriate properties become available. The figures for Property Investment purchases are based on an estimated split of the £200m approval level and are not a commitment to spend.

Table 1: Capital Financing Requirement and Forecast

	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000
CAPITAL EXPENDITURE	Revised	Estimate	Estimate	Estimate
General Fund	60,487	79,089	51,400	76,589
HRA	6,090	16,475	8,051	3,000
Total Expenditure	**66,577**	**95,564**	**59,901**	**79,589**
CAPITAL FINANCING				
Capital Receipts	(1,843)	(9,053)	(3,800)	(4,389)
Government Grants	(1,777)	(5,698)	(350)	(16,500)
Contributions	(26)	(881)	0	0
Reserves	(2,012)	(15,740)	(5,700)	(4,900)
Revenue	(920)	(4,720)	(51)	0
Borrowing*	(57,000)	(56,697)	(50,000)	(53,800)
Total Financing	**(66,577)**	**(95,564)**	**(59,901)**	**(79,589)**

* Includes “internal” borrowing

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority’s current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing.

The Authority has an increasing CFR due to the increased scope of the proposed capital programme and will therefore be required to increase its external borrowing levels over the forecast period; this is after maximising the use of internal borrowing.

CIPFA’s *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority’s total debt should be lower than its highest forecast CFR over the next three years. Appendix C shows that the Authority expects to comply with this recommendation during 2018/19 and the following years.

Borrowing Strategy

As at 31 March 2017 the Authority held £92m of loans, an increase of £2m on the previous year (made up of a £4m temporary loan now repaid less £2m of loan repayments), as part of its strategy for funding previous years' capital programmes. In order to optimise the timing of the loans and interest rates achieved we don't necessarily borrow at the point of expenditure. The Authority therefore expects to borrow up to £118m to fund prior year capital expenditure and projects that are completed in 18/19. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £338.5m.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body;
- Any institution approved for investments (see below);
- Any other bank or building society authorised to operate in the UK;
- UK public and private sector pension funds (except Kent Pension Fund);
- Capital market bond investors;
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Operating and finance leases;
- Hire purchase;
- Private Finance Initiative;
- Sale and leaseback.

The Authority has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans; that may be available at more favourable rates.

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

LOBOs: The Authority holds £3m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. These LOBOs have options during 2018/19, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £3m.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £55m and £72m; it is expected that these balances will reduce with the increased use of internal borrowing to fund the capital programme.

Objectives: Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2018/19. This is especially the case for balances available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, and money market funds. This diversification will represent a continuation of the new strategy adopted in 2017.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

<u>Table 2: Approved investment counterparties and limits</u>

Credit rating	Banks unsecured	Banks secured	Government
UK Govt	n/a	n/a	£ Unlimited 50 years
AAA	£8m 5 years	£8m 20 years	£25m 50 years
AA+	£8m 5 years	£8m 10 years	£25m 25 years
AA	£8m 4 years	£8m 5 years	£25m 15 years
AA-	£8m 3 years	£8m 4 years	£25m 10 years
A+	£8m 2 years	£8m 3 years	£25m 5 years
A	£8m 13 months	£8m 2 years	£25m 5 years
A-	£8m 6 months	£8m 13 months	£8m 5 years
Operating bank	£20m	£20m	n/a
Pooled funds (including money market funds)	£10m per fund		

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Pooled funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £20m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made;
- Any existing investments that can be recalled or sold at no cost will be; and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments: The CLG Guidance defines specified investments as those:

- Denominated in pound sterling;
- Due to be repaid within 12 months of arrangement;
- Not defined as capital expenditure by legislation; and
- Invested with one of:
  - The UK Government;
  - A UK local authority, parish council or community council; or
  - A body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	Cash limit
Total long-term investments	£30m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£30m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£10m
Total non-specified investments	**£40m**

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be £24.2m on 31st March 2018. In order that no more than 35% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £8 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£8m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£16m per group
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee account	£15m per broker
Operating bank	£20m
Unsecured investments with building societies	£8m in total
Pooled funds (including Money Market Funds)	£10m per fund

Liquidity management: The Authority uses purpose-built cash flow forecasting spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Authority may also purchase property for investment.

Such investments will be subject to the Authority's approval processes for the Property Investment Strategy (approved by Council November 2016) and need not comply with this treasury management strategy.

The Authority's existing non-treasury investments are listed in Appendix B.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. The lower score the better credit rated the portfolio.

	Target
Minimum acceptable portfolio average credit score	6.0
Average credit score as at 31/12/17	4.7

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£8m

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

	2018/19	**2019/20**	**2020/21**
Upper limit on fixed interest rate exposure	£300m	£300m	£300m
Upper limit on variable interest rate exposure	£90m	£90m	£90m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity structure of borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	**Lower**
Under 12 months	25%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment

Principal sums invested for periods longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	**2019/20**	**2020/21**
Limit on principal invested beyond year end	£30m	£30m	£30m

<u>Other Items</u>

There are a number of additional items that the Authority is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

Policy on the use of financial derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on apportioning interest to the HRA: On 5 March 2012, Council approved a one-pool approach to its existing long-term loans for the General Fund and HRA. This merged the existing General Fund debt with the new HRA debt, combining the management of the debt and resulting in a consolidated rate of interest being charged to all the debt.

In the future, new long-term loans borrowed will be assigned in their entirety to the pool. Interest payable and other costs / income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged / credited to the pool. These costs will be apportioned to the GF / HRA based on their level of borrowing within the pool. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

Investment training: The needs of the Authority's treasury management staff for training in investment management are assessed as part of staff development plans, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose or CIPFA.

Investment advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by monitoring the advice given and training provided.

Investment of money borrowed in advance of need: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £338.5m. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Financial Implications

The budget for investment income in 2018/19 is £1m, based on an average investment portfolio of £36m at an interest rate of 2.8%. The budget for debt interest paid in 2018/19 is £3.5m, based on an average debt portfolio of £105m at an average interest rate of 3%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Recommendations from this Section

It is recommended that Council:

- Approve the Treasury Management Strategy, including the Prudential Indicators and Minimum Revenue Provision statement.

Appendix A

Arlingclose Economic & Interest Rate Forecast February 2018[2]

Underlying assumptions:

- The MPC has raised expectations for further rises in Bank Rate, both sooner and to a higher level than previously anticipated by markets. Reiterating the view of the UK economy's impaired supply capacity and survey data of higher private sector earnings growth, meaning inflationary outcomes are more likely, the MPC also revised the UK's economic growth prospects slightly higher due to the pull of global economic momentum.
- Significantly, the MPC also decided to shorten the forecast horizon over which inflation will be brought back to the CPI target.
- The MPC believes that soft domestic consumption will recover as the inflationary impact of weaker sterling fades. Their projections assume that households and companies base their decisions on a smooth adjustment to the new trading relationship with the EU.
- However, the additional moves made by the Bank to intentionally raise interest rate expectations suggests a wider strategy. By moving quickly and creating the conditions for monetary tightening, monetary policy will be a more effective weapon should downside Brexit risks crystallise.
- Our view is that the UK economy still faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q4 2017 GDP growth was 0.5%, after a 0.4% expansion in Q2. Household consumption growth has softened, despite high employment and low saving rates. Housing markets are soft. Nevertheless, we cannot disregard the MPC's forceful intent and signal in the February Inflation Report and accompanying commentary.
- The depreciation in sterling is assisting the economy to rebalance away from spending. Export volumes have increased, helped by a stronger global and Eurozone economic expansions.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

Forecast:

- Over the near term, Arlingclose must forecast the MPC's actions rather than the expected level of monetary policy given our assessment of the UK economy. There is clear momentum on the MPC for higher Bank Rate and this is likely to crystallise from May 2018.
- The MPC has heightened expectations of more increases in Bank Rate and at a quicker

[2] This is provided by our Treasury Management advisors, Arlingclose. Treasury advisors generally use a more journalistic style than is used by our officers, but in order to avoid changing the meaning or sense of Arlingclose's work, this has not been edited out.

pace despite only modest changes in inflation and growth forecasts, based on the Bank's perceptions of impaired supply capacity and a desire to bring inflation back to target more quickly.

- Our central case is for Bank Rate is to rise twice in 2018 and once more in the first half of 2019. The risks are weighted to the downside.

- Gilt yields have risen but remain historically low; current yields already incorporate higher Bank Rate expectations, so we expect little further upward movement

- The interest rate forecast is detailed below:

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.08
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.58
3-month LIBID rate														
Upside risk	0.00	0.05	0.10	0.10	0.20	0.20	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.22
Arlingclose Central Case	0.50	0.75	0.85	1.00	1.10	1.35	1.35	1.35	1.35	1.30	1.30	1.30	1.30	1.14
Downside risk	0.00	-0.25	-0.30	-0.40	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.57
1-yr LIBID rate														
Upside risk	0.05	0.10	0.20	0.20	0.30	0.30	0.35	0.35	0.40	0.50	0.50	0.50	0.50	0.33
Arlingclose Central Case	0.70	0.95	1.10	1.30	1.40	1.65	1.65	1.60	1.55	1.50	1.50	1.50	1.50	1.38
Downside risk	0.00	-0.25	-0.30	-0.40	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.57
5-yr gilt yield														
Upside risk	0.20	0.20	0.20	0.20	0.20	0.25	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.31
Arlingclose Central Case	1.15	1.35	1.40	1.50	1.55	1.60	1.65	1.70	1.70	1.70	1.65	1.65	1.65	1.56
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50
10-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.30
Arlingclose Central Case	1.65	1.80	1.85	1.90	2.00	2.05	2.10	2.15	2.15	2.15	2.05	2.05	2.05	2.00
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50
20-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.30
Arlingclose Central Case	2.00	2.10	2.15	2.15	2.20	2.25	2.25	2.20	2.15	2.20	2.20	2.20	2.20	2.17
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50
50-yr gilt yield														
Upside risk	0.15	0.20	0.20	0.20	0.25	0.25	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.30
Arlingclose Central Case	1.80	1.95	2.00	2.00	2.05	2.10	2.10	2.05	2.00	2.05	2.05	2.05	2.05	2.02
Downside risk	-0.10	-0.30	-0.35	-0.45	-0.50	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.50

Appendix B

Existing Investment & Debt Portfolio Position

	31 December 2017 **Actual Portfolio** **£m**	31 December 2017 **Average Rate** **%**
External borrowing:		
Public Works Loan Board	83.6	3.35
LOBO loans from banks	3.0	4.75
Total gross external debt	**86.6**	
Treasury investments:		
Banks & building societies (unsecured)	21.5	0.17
Government	1.9	1.25
Local authorities	7.5	0.70
Money Market Funds	7.0	0.31
Other pooled funds	18.0	4.50
Total treasury investments	**55.9**	
Net debt	**30.7**	

	31 December 2017 **Actual Portfolio** **£m**	31 December 2017 **Average Rate** **%**
Non-treasury investments:		
Investment property	21.5	2
Total investments	77.4	

Appendix C

Prudential Indicators 2018/19

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in

Capital Expenditure and Financing	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
General Fund	60,487	79,089	51,400	76,589
HRA	6,090	16,475	8,051	3,000
Total Expenditure	**66,577**	**95,564**	**59,901**	**79,589**
Capital Receipts	(1,843)	(9,053)	(3,800)	(4,389)
Government Grants	(1,777)	(5,698)	(350)	(16,500)
Contributions	(26)	(881)	0	0
Reserves	(2,012)	(15,740)	(5,700)	(4,900)
Revenue	(920)	(4,720)	(51)	0
Borrowing	(57,000)	(56,697)	(50,000)	(53,800)
Total Financing	**(66,577)**	**(95,564)**	**(59,901)**	**(79,589)**

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.18 Revised £000	31.03.19 Estimate £000	31.03.20 Estimate £000	31.03.21 Estimate £000
General Fund	44,014	11,610	11,610	11,610
HRA	74,134	71,911	69,617	67,250
Total CFR	**118,148**	**83,521**	**81,227**	**78,860**

The CFR is forecast to fall by £39m over the next three years as it is anticipated that external borrowing for the Dover District Leisure Centre and the Property Investment acquisitions will be undertaken, thereby reducing the CFR.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that new debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.18 Revised £000	31.03.19 Estimate £000	31.03.20 Estimate £000	31.03.21 Estimate £000
Borrowing	85,515	195,936	233,642	275,075
Total Debt	**85,515**	**195,936**	**233,642**	**275,075**

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	333	**333**	333	333

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Limit £m	2018/19 Limit £m	2019/20 Limit £m	2020/21 Limit £m
Borrowing	338.5	338.5	338.5	338.5

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Fund	0.06	1.51	1.50	1.51
HRA	14.46	21.94	22.03	22.00

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
General Fund - increase in annual band D Council Tax	1.96	0.20	0.83
HRA - increase in average weekly rents	11.41	9.19	9.16

Adoption of the CIPFA Treasury Management Code: The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in March 2012. It fully complies with the Codes recommendations.

Appendix D

Annual Minimum Revenue Provision Statement 2018/19

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance

- For capital expenditure incurred before 1st April 2008, and for supported capital expenditure incurred on or after that date, MRP will be determined in accordance with the former regulations that applied on 31st March 2008.

- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined as being equal to the accounting charge for depreciation.

- Repayments included in annuity loans are applied as MRP.

Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

Annex 10A

Resolution to set the Council Tax

COUNCIL 7 MARCH 2018

The Council is recommended to resolve the following in relation to Council Tax for 2018/19
and these determinations are consequent upon the adoption of the budget recommended by Cabinet for that financial year:

(1) It be noted that on 31st January 2018 the Council calculated the Council Tax Base for 2018/19

(a) as 37,962.69 for the whole Council area [Item T in the formula in Section 31B(1) of the Local Government Finance Act 1992, as amended (the "Act")] and,

(b) for dwellings in those parts of its area to which a Parish precept relates, as follows:

Part of the Council's Area	Tax Base
Alkham	307.61
Ash	1,126.94
Aylesham	1,365.88
Capel-le-Ferne	660.15
Deal	6,651.71
Denton-with-Wootton	171.45
Dover	8,073.27
Eastry	788.15
Eythorne	782.97
Goodnestone	171.61
Great Mongeham	268.71
Guston	374.95
Hougham-without	183.08
Langdon	227.56
Lydden	254.42
Nonington	293.16
Northbourne	267.72
Preston	326.30
Ringwould-with-Kingsdown	1,018.86
Ripple	152.03
River	1,487.35
St Margarets-at-Cliffe	1,303.27
Sandwich	1,922.46
Shepherdswell-with-Coldred	753.56
Sholden	746.02
Staple	229.77
Stourmouth	113.25
Sutton-by-Dover	307.40
Temple Ewell	645.05
Tilmanstone	153.26
Walmer	3,290.37
Whitfield	1,933.63
Wingham	681.07
Woodnesborough	464.24
Worth	465.46
	37,962.69

(2) That the Council Tax requirement for the Council's own purposes (excluding Parish precepts) for 2018/19
is calculated as:

£6,922,117

(3) That the following amounts be calculated by the Council for the year 2018/19 in accordance with Sections 31 to 36 of the Act:

(a) £106,939,209 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

(b) £97,633,536 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £9,305,673 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act).

(d) £245.13 being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).

(e) £2,383,556 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.

(f) £182.34 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates. *(Council Tax at Band D for District Excluding Parish Precepts).*

(g)

Town and Parish Councils	£
Alkham	208.81
Ash	250.04
Aylesham	249.99
Capel-le-Ferne	230.88
Deal	240.35
Denton-with-Wootton	253.10
Dover	272.89
Eastry	248.44
Eythorne	234.96
Goodnestone	221.67
Great Mongeham	215.09
Guston	285.55
Hougham-without	233.35
Langdon	243.42
Lydden	242.97
Nonington	213.04
Northbourne	219.28
Preston	235.71
Ringwould-with-Kingsdown	226.24
Ripple	211.60
River	225.32
St Margarets-at-Cliffe	249.51
Sandwich	266.66
Shepherdswell-with-Coldred	233.17
Sholden	232.37
Staple	211.30
Stourmouth	238.01
Sutton-by-Dover	218.48
Temple Ewell	221.48
Tilmanstone	226.07
Walmer	219.32
Whitfield	237.29
Wingham	267.63
Woodnesborough	223.76
Worth	232.83

being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

(3) (h)

	Valuation Bands							
	A	B	C	D	E	F	G	H
Town and Parish Councils	£	£	£	£	£	£	£	£
Alkham	139.21	162.41	185.61	208.81	255.21	301.61	348.02	417.62
Ash	166.69	194.48	222.26	250.04	305.60	361.17	416.73	500.08
Aylesham	166.66	194.44	222.21	249.99	305.54	361.10	416.65	499.98
Capel-le-Ferne	153.92	179.57	205.23	230.88	282.19	333.49	384.80	461.76
Deal	160.23	186.94	213.64	240.35	293.76	347.17	400.58	480.70
Denton-with-Wootton	168.73	196.86	224.98	253.10	309.34	365.59	421.83	506.20
Dover	181.93	212.25	242.57	272.89	333.53	394.17	454.82	545.78
Eastry	165.63	193.23	220.84	248.44	303.65	358.86	414.07	496.88
Eythorne	156.64	182.75	208.85	234.96	287.17	339.39	391.60	469.92
Goodnestone	147.78	172.41	197.04	221.67	270.93	320.19	369.45	443.34
Great Mongeham	143.39	167.29	191.19	215.09	262.89	310.69	358.48	430.18
Guston	190.37	222.09	253.82	285.55	349.01	412.46	475.92	571.10
Hougham-without	155.57	181.49	207.42	233.35	285.21	337.06	388.92	466.70
Langdon	162.28	189.33	216.37	243.42	297.51	351.61	405.70	486.84
Lydden	161.98	188.98	215.97	242.97	296.96	350.96	404.95	485.94
Nonington	142.03	165.70	189.37	213.04	260.38	307.72	355.07	426.08
Northbourne	146.19	170.55	194.92	219.28	268.01	316.74	365.47	438.56
Preston	157.14	183.33	209.52	235.71	288.09	340.47	392.85	471.42
Ringwould-with-Kingsdown	150.83	175.96	201.10	226.24	276.52	326.79	377.07	452.48
Ripple	141.07	164.58	188.09	211.60	258.62	305.64	352.67	423.20
River	150.21	175.25	200.28	225.32	275.39	325.46	375.53	450.64
St Margarets-at-Cliffe	166.34	194.06	221.79	249.51	304.96	360.40	415.85	499.02
Sandwich	177.77	207.40	237.03	266.66	325.92	385.18	444.43	533.32
Shepherdswell-with-Coldred	155.45	181.35	207.26	233.17	284.99	336.80	388.62	466.34
Sholden	154.91	180.73	206.55	232.37	284.01	335.65	387.28	464.74
Staple	140.87	164.34	187.82	211.30	258.26	305.21	352.17	422.60
Stourmouth	158.67	185.12	211.56	238.01	290.90	343.79	396.68	476.02
Sutton-by-Dover	145.65	169.93	194.20	218.48	267.03	315.58	364.13	436.96
Temple Ewell	147.65	172.26	196.87	221.48	270.70	319.92	369.13	442.96
Tilmanstone	150.71	175.83	200.95	226.07	276.31	326.55	376.78	452.14
Walmer	146.21	170.58	194.95	219.32	268.06	316.80	365.53	438.64
Whitfield	158.19	184.56	210.92	237.29	290.02	342.75	395.48	474.58
Wingham	178.42	208.16	237.89	267.63	327.10	386.58	446.05	535.26
Woodnesborough	149.17	174.04	198.90	223.76	273.48	323.21	372.93	447.52
Worth	155.22	181.09	206.96	232.83	284.57	336.31	388.05	465.66

being the amounts given by multiplying the amounts at 3(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(4) That it be noted for the year
2018/19
that the Kent County Council, the Police & Crime Commissioner for Kent and the Kent and Medway Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings as shown below:

	Valuation Bands							
	A	B	C	D	E	F	G	H
Precepting Authority:	£	£	£	£	£	£	£	£
Kent County Council	825.12	962.64	1,100.16	1,237.68	1,512.72	1,787.76	2,062.80	2,475.36
The Police & Crime Commissioner for Kent	112.77	131.56	150.36	169.15	206.74	244.33	281.92	338.30
Kent & Medway Fire & Rescue Service	50.34	58.73	67.12	75.51	92.29	109.07	125.85	151.02

(5) That, having calculated the amounts at 3(h) and 4 above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following aggregate amounts as the amounts of Council Tax for the year
2018/19
for each part of its area and for each of the categories of dwellings, as shown below:

	Valuation Bands							
	A	B	C	D	E	F	G	H
Town and Parish Councils	£	£	£	£	£	£	£	£
Alkham	1,127.44	1,315.34	1,503.25	1,691.15	2,066.96	2,442.77	2,818.59	3,382.30
Ash	1,154.92	1,347.41	1,539.90	1,732.38	2,117.35	2,502.33	2,887.30	3,464.76
Aylesham	1,154.89	1,347.37	1,539.85	1,732.33	2,117.29	2,502.26	2,887.22	3,464.66
Capel-le-Ferne	1,142.15	1,332.50	1,522.87	1,713.22	2,093.94	2,474.65	2,855.37	3,426.44
Deal	1,148.46	1,339.87	1,531.28	1,722.69	2,105.51	2,488.33	2,871.15	3,445.38
Denton-with-Wootton	1,156.96	1,349.79	1,542.62	1,735.44	2,121.09	2,506.75	2,892.40	3,470.88
Dover	1,170.16	1,365.18	1,560.21	1,755.23	2,145.28	2,535.33	2,925.39	3,510.46
Eastry	1,153.86	1,346.16	1,538.48	1,730.78	2,115.40	2,500.02	2,884.64	3,461.56
Eythorne	1,144.87	1,335.68	1,526.49	1,717.30	2,098.92	2,480.55	2,862.17	3,434.60
Goodnestone	1,136.01	1,325.34	1,514.68	1,704.01	2,082.68	2,461.35	2,840.02	3,408.02
Great Mongeham	1,131.62	1,320.22	1,508.83	1,697.43	2,074.64	2,451.85	2,829.05	3,394.86
Guston	1,178.60	1,375.02	1,571.46	1,767.89	2,160.76	2,553.62	2,946.49	3,535.78
Hougham-without	1,143.80	1,334.42	1,525.06	1,715.69	2,096.96	2,478.22	2,859.49	3,431.38
Langdon	1,150.51	1,342.26	1,534.01	1,725.76	2,109.26	2,492.77	2,876.27	3,451.52
Lydden	1,150.21	1,341.91	1,533.61	1,725.31	2,108.71	2,492.12	2,875.52	3,450.62
Nonington	1,130.26	1,318.63	1,507.01	1,695.38	2,072.13	2,448.88	2,825.64	3,390.76
Northbourne	1,134.42	1,323.48	1,512.56	1,701.62	2,079.76	2,457.90	2,836.04	3,403.24
Preston	1,145.37	1,336.26	1,527.16	1,718.05	2,099.84	2,481.63	2,863.42	3,436.10
Ringwould-with-Kingsdown	1,139.06	1,328.89	1,518.74	1,708.58	2,088.27	2,467.95	2,847.64	3,417.16
Ripple	1,129.30	1,317.51	1,505.73	1,693.94	2,070.37	2,446.80	2,823.24	3,387.88
River	1,138.44	1,328.18	1,517.92	1,707.66	2,087.14	2,466.62	2,846.10	3,415.32
St Margarets-at-Cliffe	1,154.57	1,346.99	1,539.43	1,731.85	2,116.71	2,501.56	2,886.42	3,463.70
Sandwich	1,166.00	1,360.33	1,554.67	1,749.00	2,137.67	2,526.34	2,915.00	3,498.00
Shepherdswell-with-Coldred	1,143.68	1,334.28	1,524.90	1,715.51	2,096.74	2,477.96	2,859.19	3,431.02
Sholden	1,143.14	1,333.66	1,524.19	1,714.71	2,095.76	2,476.81	2,857.85	3,429.42
Staple	1,129.10	1,317.27	1,505.46	1,693.64	2,070.01	2,446.37	2,822.74	3,387.28
Stourmouth	1,146.90	1,338.05	1,529.20	1,720.35	2,102.65	2,484.95	2,867.25	3,440.70
Sutton-by-Dover	1,133.88	1,322.86	1,511.84	1,700.82	2,078.78	2,456.74	2,834.70	3,401.64
Temple Ewell	1,135.88	1,325.19	1,514.51	1,703.82	2,082.45	2,461.08	2,839.70	3,407.64
Tilmanstone	1,138.94	1,328.76	1,518.59	1,708.41	2,088.06	2,467.71	2,847.35	3,416.82
Walmer	1,134.44	1,323.51	1,512.59	1,701.66	2,079.81	2,457.96	2,836.10	3,403.32
Whitfield	1,146.42	1,337.49	1,528.56	1,719.63	2,101.77	2,483.91	2,866.05	3,439.26
Wingham	1,166.65	1,361.09	1,555.53	1,749.97	2,138.85	2,527.74	2,916.62	3,499.94
Woodnesborough	1,137.40	1,326.97	1,516.54	1,706.10	2,085.23	2,464.37	2,843.50	3,412.20
Worth	1,143.45	1,334.02	1,524.60	1,715.17	2,096.32	2,477.47	2,858.62	3,430.34

(6) That the Council's basic amount of Council Tax for
2018/19
is determined as not being excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.

Mike Davis

Director of Finance, Housing and Community

Annex 10B

PARISH AND TOWN COUNCILS 2018/19

Item No	Town and Parish Councils	2017/18 Total Requirement £	2017/18 DDC Grant £	2017/18 Precept £	2017/18 Tax Base	2017/18 Council Tax £	2018/19 Total Requirement £	2018/19 DDC Grant £	2018/19 Precept £	2018/19 Tax Base	2018/19 Council Tax £	Council Tax Increase
1	Alkham	8,000.00	-77.83	7,922.17	306.43	25.85	8,142.00	0.00	8,142.00	307.61	26.47	2.40%
2	Ash	74,635.00	-1,014.50	73,620.50	1,120.04	65.73	76,294.00	0.00	76,294.00	1,126.94	67.70	3.00%
3	Aylesham	89,414.25	-1,413.25	88,001.00	1,103.18	79.77	92,401.05	0.00	92,401.05	1,365.88	67.65	-15.19%
4	Capel-le-Ferne	26,240.00	-245.88	25,994.12	626.51	41.49	32,045.00	0.00	32,045.00	660.15	48.54	16.99%
5	Deal	389,712.55	-7,144.14	382,568.41	6,594.87	58.01	385,865.70	0.00	385,865.70	6,651.71	58.01	0.00%
6	Denton-with-Wootton	12,000.00	-77.45	11,922.55	172.20	69.24	12,131.00	0.00	12,131.00	171.45	70.76	2.20%
7	Dover	736,229.21	-19,229.21	717,000.00	7,924.76	90.48	731,000.00	0.00	731,000.00	8,073.27	90.55	0.08%
8	Eastry	51,439.25	-922.25	50,517.00	779.46	64.81	52,097.00	0.00	52,097.00	788.15	66.10	1.99%
9	Eythorne	38,280.62	-732.62	37,548.00	775.78	48.40	41,200.00	0.00	41,200.00	782.97	52.62	8.72%
10	Goodnestone	6,565.00	-65.14	6,499.86	173.67	37.43	6,750.00	0.00	6,750.00	171.61	39.33	5.08%
11	Great Mongeham	8,894.05	-107.05	8,787.00	268.30	32.75	8,800.00	0.00	8,800.00	268.71	32.75	0.00%
12	Guston	40,014.08	-190.08	39,824.00	374.32	106.39	38,700.00	0.00	38,700.00	374.95	103.21	-2.99%
13	Hougham-without	9,390.41	-50.96	9,339.45	181.32	51.51	9,339.45	0.00	9,339.45	183.08	51.01	-0.97%
14	Langdon	13,368.00	-132.07	13,235.93	227.85	58.09	13,900.00	0.00	13,900.00	227.56	61.08	5.15%
15	Lydden	15,130.00	-58.84	15,071.16	253.51	59.45	15,425.00	0.00	15,425.00	254.42	60.63	1.98%
16	Nonington	9,000.00	-70.37	8,929.63	295.17	30.25	9,000.00	0.00	9,000.00	293.16	30.70	1.49%
17	Northbourne	9,890.00	-147.89	9,742.11	269.79	36.11	9,890.00	0.00	9,890.00	267.72	36.94	2.30%
18	Preston	16,293.90	-135.90	16,158.00	302.76	53.37	17,414.63	0.00	17,414.63	326.30	53.37	0.00%
19	Ringwould-with-Kingsdown	39,174.66	-354.66	38,820.00	1,013.04	38.32	44,730.00	0.00	44,730.00	1,018.86	43.90	14.56%
20	Ripple	4,429.00	-67.79	4,361.21	150.81	28.92	4,449.00	0.00	4,449.00	152.03	29.26	1.18%
21	River	63,104.00	-303.66	62,800.34	1,497.88	41.93	63,926.00	0.00	63,926.00	1,487.35	42.98	2.50%
22	St Margarets-at-Cliffe	87,547.00	-464.05	87,082.95	1,283.08	67.87	87,547.00	0.00	87,547.00	1,303.27	67.17	-1.03%
23	Sandwich	164,124.07	-1,765.07	162,359.00	1,925.51	84.32	162,101.83	0.00	162,101.83	1,922.46	84.32	0.00%
24	Shepherdswell-with-Coldred	37,624.70	-278.70	37,346.00	738.74	50.55	38,300.00	0.00	38,300.00	753.56	50.83	0.55%
25	Sholden	33,890.00	-337.82	33,552.18	670.64	50.03	37,323.00	0.00	37,323.00	746.02	50.03	0.00%
26	Staple	6,654.90	-42.75	6,612.15	228.32	28.96	6,654.14	0.00	6,654.14	229.77	28.96	0.00%
27	Stourmouth	6,048.60	-22.02	6,026.58	111.50	54.05	6,305.00	0.00	6,305.00	113.25	55.67	3.00%
28	Sutton-by-Dover	10,779.68	-129.87	10,649.81	305.59	34.85	11,109.00	0.00	11,109.00	307.40	36.14	3.70%
29	Temple Ewell	25,246.00	-127.84	25,118.16	639.36	39.29	25,246.00	0.00	25,246.00	645.05	39.14	-0.38%
30	Tilmanstone	6,752.00	-51.20	6,700.80	153.23	43.73	6,702.00	0.00	6,702.00	153.26	43.73	0.00%
31	Walmer	123,246.00	-1,553.12	121,692.88	3,277.47	37.13	121,692.00	0.00	121,692.00	3,290.37	36.98	-0.40%
32	Whitfield	106,260.00	-863.89	105,396.11	1,899.84	55.48	106,260.00	0.00	106,260.00	1,933.63	54.95	-0.96%
33	Wingham	58,842.17	-452.40	58,389.77	672.16	86.87	58,086.77	0.00	58,086.77	681.07	85.29	-1.82%
34	Woodnesborough	18,213.77	-228.77	17,985.00	442.87	40.61	19,229.00	0.00	19,229.00	464.24	41.42	1.99%
35	Worth	20,000.00	-141.00	19,859.00	444.44	44.68	23,500.00	0.00	23,500.00	465.46	50.49	13.00%
		2,366,432.87	-39,000.04	2,327,432.83	37,204.40	62.56	2,383,555.57	0.00	2,383,555.57	37,962.69	62.79	0.37%
						T&P Average					T&P Average	

2018/19 Precepts and the NDR Multiplier

The Council Tax Base

The Council Tax base (in terms of the number of "Band D equivalent") has been resolved for the coming year at:	37,962.69

The District Council's Precept on the Collection Fund for it's Own Purposes

The District Council's precept upon the Collection Fund in 2018/19 for it's own purposes will be:	£6,922,117.00
The Band D Council Tax for the District Council's own purposes will therefore be:	£182.34
The Band D Council Tax for the District Council's own purposes last year was:	£177.39
The increase in Council Tax for the District Council's own purposes is therefore:	2.79%
This is an annual increase of:	£4.95
Or a weekly increase of:	£0.10

Parish Council Precepts

The Parish Councils will, in total, precept:	£2,383,555.57
Last year, Parish Councils precepted:	£2,327,432.83
The ave. Band D Council Tax for the Parish Councils' own purposes will therefore be:	£62.79
The ave. Band D Council Tax for the Parish Councils' own purposes last year was:	£62.56
This is an increase of:	0.37%
The total precept, on the Collection Fund by the District Council, on behalf of itself and the Parish Councils will therefore be:	£9,305,672.57

Kent County Council Precept

Excluding the Collection Fund Surplus, the precept upon the collection fund in 2018/19 will be:	£46,985,662.00
Last year's precept was:	£43,857,291.00
The Band D Council Tax will therefore be:	£1,237.68
Last year's Band D Council Tax was:	£1,178.82
The Band D Council Tax increase as a result of this precept is therefore:	4.99%

2018/19 Precepts and the NDR Multiplier

The Police & Crime Commissioner for Kent

Excluding the Collection Fund Surplus, the precept upon the collection fund in 2018/19 will be:	£6,421,389.00
Last year's precept was:	£5,846,671.00
The Band D Council Tax will therefore be:	£169.15
Last year's Band D Council Tax was:	£157.15
The Band D Council Tax increase as a result of this precept is therefore:	7.64%

Kent Fire & Rescue Service Authority Precept

Excluding the Collection Fund Surplus, the precept upon the collection fund in 2018/19 will be:	£2,866,563.00
Last year's precept was:	£2,728,943.00
The Band D Council Tax will therefore be:	£75.51
Last year's Band D Council Tax was:	£73.35
The Band D Council Tax increase as a result of this precept is therefore:	2.94%

Non-Domestic Rates

Non-domestic rates are collected by billing authorities at a nationally prescribed rate in the pound, and are paid into a central pool for redistribution. The prescribed 'lower' rate in 2018/19 for qualifying properties of less than £51,000 rateable value is:	£0.480
And for these properties, the 2017/18 'lower' rate was:	£0.466
For all other properties >£51,000, the 2018/19 'higher' rate is:	£0.493
And for these properties, the 2017/18 'higher' rate was:	£0.479

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ANNEX 11

GRANTS TO CONCESSIONARY RENTALS 2018-19

2017/18	2018/19		
50	50	Sandwich Tennis Club	Lease Of Tennis Courts In Sandown Road, Sandwich
75	75	Aylesham Parish Council	Lease Of 1.82 Acres At Market Square, Aylesham
225	225	Dover Bowling Club	Lease Of Pavilion In Maison Dieu Gardens, Dover
355	355	Victoria Park Bowling Club	Rent Of Pavilion, Victoria Park, Deal
150	150	Aylesham Parish Council	Lease Of 7.7 Acres Adjoining Hill Crescent, Aylesham
325	325	Deal & Walmer Angling Club	Lease Of Angling Cabin On Deal Pier
450	450	Capel-Le-Ferne Parish Council	Lease Of Land In Lancaster Avenue For Use Of Playing Field
1,225	1,225	Dover Rugby Football Club	Rent Of Crabble Pavilion, River (Our Half Of The 7 Months @50% Of £4,200)
1,750	1,750	Dover Rugby Football Club	Rent Of Crabble Pavilion, River (We Pay The Remaining 5 Months @ 100% Of £4,200)
2,500	2,500	Dover Athletic Football Club	Orange Telephone Mast 50% Of Rental Fee (Dover Ath Keep All Income As Part Of Our Support For Them - Grant Reflects Payment To Code Instead Of Their Payment Of Our Half In Original Deal)
8,000	8,000	Dover Athletic Football Club	Lease Of Ground At Crabble Athletic, River
10,000	10,000	Dover Citizen's Advice Bureau	Rent Of 1st Floor Dover Area Office
10,000	10,000	Deal Citizen's Advice Bureau	Lease Of The Cedars, 26 Victoria Road, Deal
35,105	**35,105**	In most cases, the above shows a 50% grant or more reduction in the rental charges for DDC properties or income generating sites	

Financial Assistance Payments to Other Outside Bodies

2017/18 £	2018/19 £	Change %		
265,000	137,500	-48%	Your Leisure	2018/19 Dover Leisure Centre will no longer be managed by Your Leisure (YL). £132.5k has been agreed by Cabinet Members as a grant payment linked to a revised funding agreement with lease for Tides Leisure Centre. A grant of £5k to YL for Walmer Paddling Pool is to be provided from 2018/19.
0	95,000	100%	Places For People	£95k one off payment to Places for People for managing the old Dover Leisure Centre site
1,500	1,500	0%	Pegasus Playscheme	Provision of a playscheme for children with disabilities
0	1,500	100%	Age Concern	Provision of area office services
3,000	3,000	0%	Kent County Council	Contribution to Sports Partnership
4,500	4,500	0%	Gazen Salts Nature Reserve	To assist in managing and maintaining the reserve
10,000	10,000	0%	Sandwich Town Cricket Club	To assist the Club in defraying its expenditure in managing, maintaining and improving the Recreation Grounds at The Butts & Gazen Salts.
12,000	12,000	0%	Dover Rugby Club	For ground maintenance at Crabble Athletic Ground, covered by saving made in the Landscape maintenance contract.
1,000	1,000	0%	Victoria Bowls	Contribution to running expenses of the Club
10,000	8,000	-20%	Dover Bowling Club	New grant for 2017/18 for ground maintenance at Dover Bowling Green. Covered by savings within the grounds maintenance budget. Letter regarding payment schedule saved in accountancy-Budgets-2017/18-Grants
100,500	102,000	1%	Dover Citizen's Advice Bureau	CAB Core Funding grant, plus £3,500 service charge contribution
22,500	22,500	0%	Neighbourhood Forums	Joint contribution with KCC for neighbourhood projects
7,900	8,000	1%	Home Improvement Agency	"Intouch" Housing Improvement Agency funding
5,000	5,000	0%	Deal Town Council	Astor Theatre
3,500	3,500	0%	Actions with Communities in Rural Kent	Contribution to rural housing
446,400	**415,000**			

ANNEX 12

SUMMARY OF RECOMMENDATIONS

Detailed below is a summary of all the recommendations included in the report:

General Fund Revenue Account

It is recommended that Cabinet:

- Continue the practice of delegating authority to the Director of Finance, Housing and Community to approve revenue budget carry forwards within the guidelines set out; and
- Approve the grants to organisations detailed at Annex 11.

It is recommended that Council:

- Approve the General Fund Revenue Budget for 2018/19 and the projected outturn for 2017/18;
- Approve the policies and protocols regarding the General Fund balances and earmarked reserves, and transfers between reserves as set out in Annex 6.

Housing Revenue Account

It is recommended that Cabinet:

- Delegate to the Director of Finance, Housing and Community, in consultation with the portfolio holder responsible for Finance, power to acquire freehold or leasehold residential properties and to agree terms and conditions in connection therewith.
- Delegate to the Director of Finance, Housing and Community, in consultation with the Portfolio Holders for Built Environment and Corporate Resources and Performance, the provision of a further loan to EKH, on similar terms and conditions to the original loan, of up to £100k for completion of the single system implementation, and to determine the financing of the loan.

It is recommended that Council:

- Approve the 2017/18 Projected Outturn and the 2018/19 HRA budget at Annex 7.
- Delegate to the Director of Finance, Housing and Community, in consultation with the portfolio holder for Performance and Resources, the setting of the level of the on-going HRA minimum balance, the transfer of balances to the HIR, the use of prudential borrowing, and adjustment of the resources of the HIR accordingly.

Capital & Special Revenue Programmes

It is recommended that Cabinet:

Continue the practice of delegating authority to the Director of Finance, Housing and Community, in consultation with the Portfolio Holder responsible for Finance, to:-

- Apply capital receipts, revenue resources, grants, s106 monies, etc. to finance the approved Capital and Special Revenue Projects Programmes;
- Authorise projects up to £50k that are included in the Capital and Special Revenue Programmes;
- Approve the allocation of funds from the Capital and Special Revenue Contingencies to projects;
- Authorise virements between Regeneration projects;
- Apply Growth Point reserves to Regeneration projects.

Delegate authority to the Director of Finance, Housing and Community, in consultation with the Portfolio Holder responsible for Finance, to:

- Authorise project overspends up to a maximum of 10% or £100k (whichever is lower); and apply relevant financing resources to cover.

It is recommended that Council:

- Approve the Capital and Special Revenue Projects Programmes;
- Approve that capital resources required to finance new projects are secured before new projects commence.

Treasury Management and the Prudential Code

It is recommended that Council:

- Approve the Treasury Management Strategy, including the Prudential Indicators and Minimum Revenue Provision statement.

Council Tax Resolution – To be provided for final circulation

It is recommended that Council:

- Approve the Council Tax Resolution as set out at Annex 10A;
- Note that if the formal Council Tax Resolution at Annex 10A is approved, the total Band D Council Tax will be as follows:

	2017/18 £	2018/19 £	Increase %
Dover District Council	177.39	182.34	2.79%
Kent County Council	1,178.82	1,237.68	4.99%
The Police & Crime Commissioner for Kent	157.15	169.15	7.64%
Kent & Medway Fire & Rescue Authority	73.35	75.51	2.94%
Sub-Total	**1,586.71**	**1,664.68**	**4.91%**
Town & Parish Council (average)	62.56	62.79	0.37%
Total Band D Council Tax	**1,649.27**	**1,727.47**	**4.74%**

The Council Tax, by band, for the major preceptors will be as follows:

	Valuation Bands							
	A	B	C	D	E	F	G	H
Precepting Authority:	£	£	£	£	£	£	£	£
Kent County Council	825.12	962.64	1,100.16	1,237.68	1,512.72	1,787.76	2,062.80	2,475.36
The Police & Crime Commissioner for Kent	112.77	131.56	150.36	169.15	206.74	244.33	281.92	338.30
Kent & Medway Fire & Rescue Service	50.34	58.73	67.12	75.51	92.29	109.07	125.85	151.02
Dover District Council	121.56	141.82	162.08	182.34	222.86	263.38	303.90	364.68
Total (excl. T&P)	**1,109.79**	**1,294.75**	**1,479.72**	**1,664.68**	**2,034.61**	**2,404.54**	**2,774.47**	**3,329.36**