



Democratic Services  
White Cliffs Business Park  
Dover  
Kent CT16 3PJ

Telephone: (01304) 821199  
Fax: (01304) 872300  
DX: 6312  
Minicom: (01304) 820115  
Website: [www.dover.gov.uk](http://www.dover.gov.uk)  
e-mail: [democraticservices@dover.gov.uk](mailto:democraticservices@dover.gov.uk)

9 January 2012

To the Members of the Council

You are hereby summoned to attend a meeting of the **COUNCIL** to be held in the Council Chamber at these Offices on Wednesday 18 January 2012 at 6.00 pm for the transaction of the business set out in the Agenda.



Chief Executive

**Members of the Council:**

S R Nicholas	(Chairman)	M R Eddy	K E Morris
P S Le Chevalier	(Vice-Chairman)	R J Frost	M J Ovenden
J S Back		B Gardner	A S Pollitt
B W Bano		J H Goodwin	J A Rook
T J Bartlett		D Hannent	M A Russell
P M Beresford		P J Hawkins	F J W Scales
T A Bond		P G Heath	D G Smallwood
P M Brivio		G J Hood	A R Smith
B W Butcher		S J Jones	C J Smith
P I Carter		L A Keen	J M Smith
S S Chandler		N S Kenton	R J Thompson
N J Collor		S M Le Chevalier	J F Tranter
M D Conolly		G Lymer	R S Walkden
G Cowan		S C Manion	P Walker
J A Cronk		K Mills	P A Watkins

**AGENDA**

1. **APOLOGIES**

To receive any apologies for absence.

2. **DECLARATIONS OF INTEREST**

Members are required to disclose the existence and nature of a personal interest under this item of business or when the interest becomes apparent. An explanation

in general terms of the interest should also be given to the meeting. If the interest is also a prejudicial interest, the Member should then withdraw from the room or chamber.

3. **MINUTES** (Pages 7-12)

To confirm the attached Minutes of the meeting held on 30 November 2011.

4. **ANNOUNCEMENTS**

To receive any announcements from the Chairman, Leader, Members of the Cabinet or Head of Paid Service.

5. **LEADER'S TIME**

To receive an oral report at the meeting from the Leader (and Cabinet) on the business of the Executive or on any topic or subject that it is felt should be brought to the attention of the Council.

(Up to fifteen minutes is allowed for the Report of the Leader (and Cabinet), up to ten minutes is allowed for the Leader of the Major Opposition Group (or his nominee) to respond, up to five minutes is allowed for the Leader of any other Opposition Group (or his nominee) to respond. The Leader is allowed up to five minutes as a Right of Reply or 25% of the time given to the Opposition Group Leaders, whichever is the greatest.)

6. **SEAT ALLOCATION AND GROUP APPOINTMENTS**

To receive from Group Leaders any changes to seat allocations or appointments.

(Note: Any changes must be within the approved allocation of seats to political groups in accordance with the political balance rules (where applicable).)

7. **PROVISIONAL PROGRAMME OF ORDINARY MEETINGS 2012/13** (Pages 13-15)

To consider the attached report of the Director of Governance.

8. **COUNCIL TAX – CALCULATION OF TAX BASE** (Pages 16-21)

To consider the attached report of the Director of Finance, Housing and Community.

9. **TREASURY MANAGEMENT QUARTER TWO REPORT** (Pages 22-36)

The Cabinet at its meeting on 9 January 2012 considered the attached report of the Director of Finance, Housing and Community upon the Treasury Management Quarter Two Report. The Cabinet recommended the following to Council:

" It was agreed to recommend to Council that the report be noted."

10. **QUESTIONS FROM MEMBERS**

Up to 60 minutes is allowed for this part of the meeting unless extended by the Chairman of Council on a motion moved, duly seconded and approved by the Council. Members may ask one supplementary question in addition to their original question.

(a) To Chairmen/Vice-Chairmen of Committees

To receive answers in respect of questions from Members of the Council to the Chairman or Vice-Chairman of the Council or the Chairman of any Committee or Sub-Committee asked in accordance with Rule 12 of the Council Procedure Rules.

- (1) Councillor J H Goodwin will ask the Chairman of the Council:

Could the Chairman express her views on the planned closure of the fountain in the Market Square Dover for the whole of next year 2012?

(b) To the Executive

To receive answers in respect of questions from Members of the Council to a Member of the Executive asked in accordance with Rule 12 of the Council Procedure Rules.

- (2) Councillor P M Brivio will ask the Portfolio Holder for Community, Housing and Youth:

Following the disturbing report on "The State of the District" can the Portfolio Holder for Community, Housing and Youth advise what action is planned to address the above average number of properties in the area that do not meet the Decent Home Standard?

- (3) Councillor L A Keen will ask the Portfolio Holder for Community, Housing and Youth:

Could the Portfolio Holder for Community, Housing and Youth please confirm that any DDC proposals or bids to fund or otherwise support and promote the provision of youth facilities in the DDC area will include the provision of a youth centre in Aylesham?

- (4) Councillor K Mills will ask the Leader of the Council:

What are the views of the Leader on the future of the youth wing at Archers Court following his response to Councillor Mike Hill in October 2011?

- (5) Councillor B W Bano will ask the Portfolio Holder for Health, Well-Being and Public Protection:

Could the Portfolio Holder for Health, Well-Being and Public Protection inform this Council what will be the consequences for the care of frail elderly people in the District of the recent closure of the dementia ward in St Martin's Hospital, Canterbury?

- (6) Councillor M R Eddy will ask the Portfolio Holder for Health, Well-Being and Public Protection:

What representations has this Council made to the Kent and Medway Fire and Rescue Authority regarding the planned closure of the St Margaret's Bay Fire Station? What implications will the closure have for fire cover in this District?

- (7) Councillor K Mills will ask the Portfolio Holder for Environment, Waste and Planning:

Could the Portfolio Holder outline the criteria used to select the suitability or not of the premises to be allocated wheelie bins?

- (8) Councillor K Mills will ask the Portfolio Holder for Health, Well-Being and Public Protection:

Could the Portfolio Holder for Health, Well-Being and Public Protection outline how the proposed changes within the East Kent Ambulance Service (particularly Dover) will affect the response times of the service?

- (9) Councillor L A Keen will ask the Portfolio Holder for Environment, Waste and Planning:

What proposals does this Council have for fully consulting the people of Aylesham on the Deed of Variation to the Aylesham Development Agreement?

- (10) Councillor A S Pollitt will ask the Portfolio Holder for Health, Well-Being and Public Protection:

Does the Portfolio Holder for Health, Well-Being and Public Protection share my disappointment that Kent County Council chose not to pursue the community backed social enterprise solution proposed to safeguard elderly care at Sampson Court in Deal?

11. **DECISIONS TAKEN BY PORTFOLIO HOLDERS BETWEEN CABINET AND COUNCIL MEETINGS** (Pages 37-44)

To receive the following reports of decisions taken outside the Budget and Policy Framework or decisions taken by Portfolio Holders where the call-in procedure has been suspended or decisions taken in consultation with the Chairman of the relevant Scrutiny Committee to give notice of a key decision or where call-in has been suspended by the Chairman of the Council (or Vice-Chairman or Head of Paid Service) or where the Leader has amended the scheme of delegation for executive functions.

U09 Pilot scheme to install solar photovoltaic panels in Council properties in St Radigunds, Dover (the appendix to the accompany report could be found within the confidential section of the agenda)

12. **MOTIONS**

- (1) In accordance with Council Procedure Rule 13, Councillor B W Bano will move:

"In order to facilitate public engagement with DDC, Council requests the Leader to introduce an 'Ask the Leader' facility on the Council's website in line with our partner authority in Shepway."

- (2) In accordance with Council Procedure Rule 13, Councillor L A Keen will move:

"This Council agrees the importance of locality boards and scoping board meetings and the need for all members to be fully informed of the boards' activities, therefore this Council agrees the following:

- Notice of all meetings shall be given in the 'members' news'.
- Agenda and minutes will be made available to all councillors and members of the public as soon as they are issued to board members.
- Meetings will be open to all DDC councillors and members of the public.
- Councillors may speak to an item after giving appropriate notice to the chairman/support officer."

13. **URGENT BUSINESS TIME**

To consider any other items deemed by the Chairman of the Council to be urgent in accordance with the Local Government Act 1972.

14. **EXCLUSION OF THE PRESS AND PUBLIC** (Page 45)

The recommendation is attached.

MATTER WHICH THE MANAGEMENT TEAM SUGGESTS SHOULD BE CONSIDERED IN PRIVATE AS THE REPORT CONTAINS EXEMPT INFORMATION AS DEFINED WITHIN PART 1 OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AS INDICATED AND IN RESPECT OF WHICH THE PROPER OFFICER CONSIDERS THAT THE PUBLIC INTEREST IN MAINTAINING THE EXEMPTION OUTWEIGHS THE PUBLIC INTEREST IN DISCLOSING THE INFORMATION

15. **DECISIONS TAKEN BY PORTFOLIO HOLDERS BETWEEN CABINET AND COUNCIL MEETINGS** (Paragraph 3 – Information relating to the financial or business affairs of any particular person) (Pages 47-50)

To receive the following reports of decisions taken outside the Budget and Policy Framework or decisions taken by Portfolio Holders where the call-in procedure has been suspended or decisions taken in consultation with the Chairman of the relevant Scrutiny Committee to give notice of a key decision or where call-in has been suspended by the Chairman of the Council (or Vice-Chairman or Head of Paid Service) or where the Leader has amended the scheme of delegation for executive functions.

U09 Pilot scheme to install solar photovoltaic panels in Council properties in St Radigunds, Dover (the appendix to the report which accompanies the decision notice contained within the public part of the agenda)

U10 Sale of the Quarterdeck, Deal

### **Access to Meetings and Information**

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information. Seating is available within the Council Chamber for the press and up to 35 members of the public
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website [www.dover.gov.uk](http://www.dover.gov.uk). Minutes are normally published within five working days of each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting. Basic translations of specific reports and the Minutes are available on request in 12 different languages.
- Refreshments will be available for Members in the HMS Brave Room prior to the meeting.
- If you require any further information about the contents of this agenda or your rights to gain access to information held by the Council please contact Louise Cooke, Democratic Services Manager (telephone: (01304) 872352 or e-mail [louisecooke@dover.gov.uk](mailto:louisecooke@dover.gov.uk)).

**Large print copies of this agenda can be supplied on request.**

**MINUTES OF PROCEEDINGS**

At the meeting of the Council for the District of Dover held at the Council Offices, Whitfield on Wednesday 30 November 2011 at 6.00 pm.

Present:

Chairman: Councillor S R Nicholas

Councillors:

J S Back	T J Bartlett	P M Beresford
T A Bond	B W Butcher	P I Carter
S S Chandler	N J Collor	M D Conolly
R J Frost	D Hannent	P G Heath
N S Kenton	P S Le Chevalier	S M Le Chevalier
G Lymer	S C Manion	K E Morris
M J Ovenden	J A Rock	M A Russell
F J W Scales	C J Smith	R S Walkden
P A Watkins		

Officers: Chief Executive  
Director of Environment and Corporate Assets  
Director of Finance  
Director of Governance  
Head of Inward Investment  
Democratic Services Manager  
Democratic Services Officer

Apologies for absence were received from Councillors B W Bano, P M Brivio, G Cowan, J A Cronk, M R Eddy, B Gardner, J H Goodwin, P J Hawkins, G J Hood, S J Jones, L A Keen, K Mills, A S Pollitt, D G Smallwood, A R Smith, J M Smith, R J Thompson, J F Tranter and P Walker.

286 **DECLARATION OF INTEREST**

There were no declarations of interest made by Members.

287 **MINUTES**

The Minutes of the Meeting held on 28 September 2011 were approved as a correct record and signed by the Chairman.

288 **ANNOUNCEMENTS**

The Chairman made the following announcements:

- (a) To invite Members to join her for the mince pies she had purchased for after the meeting.
- (b) To announce the death of local businessman Mr John Turnpenny and to advise that she had instructed for the civic flag to be flown at half mast for his funeral. The Council stood in silence as a mark of respect.

The Leader of the Council included the following matters in his report:

- (a) The work of the Pfizer Task Force in securing future employment at the site. It was expected that Pfizer would retain approximately 800 jobs on the site engaged in scientific research and that along with allied companies who might relocate to it. The site would continue as a mixed science centre. Overall, it seemed the impact of the changes in unemployment had not been at the level originally envisaged with many Pfizer workers securing work at other locations or with other employers.
- (b) The pressure on the Planning Department to deliver the Local Development Order for the Pfizer site and the impact this was having on other major projects in the District.
- (c) The Regional Growth Fund awards for East Kent which consisted of two tranches of £20 million. One of these would be allocated to rail infrastructure improvements.
- (d) The announcement of the Harbour Revision Order on Tuesday 29 November 2011 which would act as a catalyst for the redevelopment of the Dover Waterfront area. The rights of access granted by the Order would apply to any future owner of the Port of Dover and safeguard other DDC development plans in the town.
- (e) The Government's Strategy for Growth which set the priorities for restoring the health of the economy.
- (f) The new models for regeneration set out in the Localism Act and the implications for the Council. The LEP would be instrumental making decisions on how regeneration funding would be allocated and the Council would be bidding against other authorities in Kent, Essex and East Sussex. It was therefore important that any scheme the Council submitted was ready to go straight away as the money would only be available to spend within a finite period.
- (g) There were concerns about the proposed allocation of monies from the New Homes Bonus at a regional level. The Council would continue to press for the use of monies from the New Homes Bonus to be decided at a local level.
- (h) Councillor P G Heath advised that Dover Ambulance Station had closed and transferred to the Ashford Make Ready station. It had been replaced by two new locations for ambulances in Dover and this was expected to improve response times locally. He had spoken to South East Coast Ambulance Service and they had extended an invitation for one of the Council's scrutiny committees to visit the Ashford Make Ready Centre.

In the absence of the Opposition Leader and his deputy there were no matters to report under Opposition Leader's time and no right of reply for the Leader of the Council.

290 QUESTIONS FROM THE PUBLIC

In accordance with Rule 11 of the Council Procedure Rules the Leader of the Council responded to the following question from Mrs W Hansell:

"Five years ago Dover District Council spent a great deal on money employing consultants to look at public transport within the Dover District. Can the Leader of the Council tell me what steps have been taken to implement the recommendations of this consultation?"

The Leader of the Council called upon the Portfolio Holder for Access and Property Management, Councillor N J Collor, to answer the question on his behalf.

Councillor N J Collor advised that he presumed the question related to the Dover Transport Study and Model which was completed in June 2008 by WSP in support of the Local Development Framework. It was intended that the proposals in the study would be funded by developers and other partners rather than Council. He cited the public realm works at Dover Priory Station as one of several examples.

Mrs W Hansell asked as her supplementary question when improvements would be made to bus services to the lower part of Shepherdswell. Councillor N J Collor responded by advising that public transport was a matter for Kent County Council but he would be happy to take it up on her behalf.

291 DEVELOPMENT OPPORTUNITIES AT THE PORT OF CALAIS AND AN UPDATE ON PROGRESS ON DTIZ

The Head of Inward Investment gave a presentation to Council on the development opportunities at the Port of Calais and an update on progress on DTIZ.

It was moved by Councillor P A Watkins, duly seconded and

RESOLVED: That the Head of Inward Investment be thanked for his presentation.

292 SEAT ALLOCATION AND GROUP APPOINTMENTS

There were no changes from either of the political groups.

293 DELIVERING EFFECTIVE SERVICES – CHANGES TO THE CHIEF OFFICER STRUCTURE

The Chief Executive presented the report on the proposed changes to the Chief Officer structure.

It was moved by Councillor P A Watkins, duly seconded and

RESOLVED: (a) That Council approves the redistribution of functions between the Chief Officers who form the Council's Corporate Management Team.

(b) That Council approves the flexible retirement request of the Director of Community and Development (a Chief Officer) from 1 December 2011, pursuant to the Local Government Pension Scheme (LGPS) 2007 Regulation

18(1) and that it be noted that this request would result in no detrimental effect on the overall service provided by this Council.

- (c) That Council approves resultant changes to the Scheme of Officer Delegations (Council Functions) as outlined at Appendix 2 of the report.

294 MEMBER APPOINTMENT TO FAIRTRADE STEERING GROUPS

The Democratic Support Officer presented the report on Member appointments to Fairtrade Steering Groups.

It was moved by Councillor P A Watkins, duly seconded and

RESOLVED: That it be recommended to the Cabinet:

- (a) That it accepts the invitation from the Deal Fairtrade Steering Group and the Dover Fairtrade Steering Group to appoint a Member to each body.
- (b) That Councillors D Hannent and P J Hawkins be nominated as the Members to be appointed.
- (c) That the appointments be made on an annual basis each May.

295 REVIEW OF PARLIAMENTARY CONSTITUENCY BOUNDARIES

The Democratic Services Manager presented the review of parliamentary constituency boundaries.

It was moved by Councillor S S Chandler, duly seconded and

RESOLVED: (a) That the Boundary Commission for England be advised that the Council supports the initial proposals in respect of the new Dover Constituency and request that the name of the Constituency remain unchanged.

- (b) That the Boundary Commission for England be requested to consider the following amendments to the scheme on the grounds set out:
  - (i) The Margate and Ramsgate constituency include the Dover Ward of Little Stour and Ashstone but exclude the Thanet Ward of Salmestone. It is further suggested that in order to properly reflect the community identity the Constituency be named East Thanet and Sandwich.
  - (ii) The Herne Bay Constituency include the Thanet Ward of Salmestone but exclude the Dover Ward of Little Stour and Ashstone.

- (iii) The proposed changes to the Boundary Commission for England initial proposals would:
  - (A) Ensure that the local ties between Little Stour and Ashstone and Sandwich would be maintained.
  - (B) It would prevent "orphan wards" being created in respect of Little Stour and Ashstone in Dover and Salmestone in Thanet.
  - (C) Maintain the existing boundary of the Constituency for Dover District Wards (currently in South Thanet).
  - (E) Prove administratively more effective in reducing the number of local authority areas covered by the Constituencies from three to two thus ensuring a stronger tie with the Member of Parliament.

296 REVIEW OF POLLING DISTRICTS AND POLLING STATIONS

The Democratic Services Manager presented the review of polling districts and polling stations.

It was moved by Councillor S S Chandler, duly seconded and

- RESOLVED: (a) That the existing Polling District and Polling Place scheme be confirmed without change.
- (b) That the Polling Place be designated as the existing Polling District.
  - (c) That the Chief Executive be authorised to designate an adjoining Polling District as the Polling Place where necessary.

297 QUESTIONS FROM MEMBERS

The Chairman of the Council announced that in the absence of a request from the questioners that she put the questions on their behalf in accordance with Council Procedure Rule 11.7, the questions would not be dealt with.

298 DECISIONS TAKEN BY PORTFOLIO HOLDERS BETWEEN CABINET AND COUNCIL MEETINGS

It was moved by Councillor P A Watkins, duly seconded and

RESOLVED: That the following items be received and noted:

- U07 Amendment to the Scheme of Officer Delegations in respect of executive housing functions

299 MOTIONS

The Chairman of the Council announced that in the absence of the Members who gave notice of their intention to move the Motions that they would be withdrawn in accordance with Council Procedure Rules 13.2.

300 DECISIONS TAKEN BY PORTFOLIO HOLDERS BETWEEN CABINET AND COUNCIL MEETINGS

It was moved by Councillor P A Watkins, duly seconded and

RESOLVED: That the following items be received and noted:

U08 The sale of St Nicholas House, Ash

The meeting ended at 7.30 pm.

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**Subject:** PROVISIONAL PROGRAMME OF ORDINARY MEETINGS

**Meeting and Date:** Council – 18 January 2012

**Report of:** David Randall, Director of Governance

**Classification:** Unrestricted

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**Purpose of the report:** The Constitution requires that the Programme of Ordinary Meetings be set at the Annual Meeting of the Council. This report seeks to gain an indication of Council's view prior to formal adoption at the AGM to facilitate arrangements being made.

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**Recommendation:** Council is requested to approve in principle the Programme of Ordinary Meetings for 2012/13 subject to final ratification at the Annual Meeting of Council in May 2012.

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## 1. Summary

In order to provide Members, Officers, other partner local authorities and the general public with as much notice as possible, a provisional Programme of Ordinary Meetings is presented to the Council in January each year prior to its final ratification at the Annual Meeting of the Council.

## 2. Introduction and Background

2.1 The Programme of Ordinary Meetings for 2012/13 is based on a 6 - 8 week cycle that commences with a meeting of the Cabinet and ends with a meeting of the Council. In between those two points all other committee business takes place.

2.2 However, due to a number of external factors several alterations have had to be made to the Programme for 2012/13. These are respectively the Olympic Torch Relay through the district (18-19 July 2012), the Kent Police and Crime Commissioner election (15 November 2012) and the Kent County Council elections (2 May 2013). As a consequence no scheduled meetings will be arranged for the week of these events in order to ensure that sufficient officer resources are available to properly support these meetings.

2.3 In addition, wherever possible efforts have been made to avoid school holiday dates although this has not always been achievable.

2.4 It should be emphasised that the programme set out in Appendix 1 only applies to committees with scheduled meetings. It does not apply to any Committees that are called on an ad-hoc basis as business warrants, such as the General Purposes Committee.

## 3. Identification of Options

3.1 There are three options available to the Council:

3.2 Option A – To approve in principle the Programme of Ordinary Meetings for 2012/13 as set out in Appendix 1 for ratification at the Annual Meeting of Council to be held on 16 May 2012.

3.3 Option B – To approve in principle the Programme of Ordinary Meetings for 2012/13 with amendments.

3.4 Option C – To not approve the Programme of Ordinary Meetings for 2012/13.

#### 4. **Evaluation of Options**

4.1 The recommended option is Option A as this supports the existing decision route cycle and avoids wherever possible school holidays and significant local events such as the Olympic Torch Relay.

4.2 Options B and C are not recommended as it may require adjustments to the existing decision route cycle.

4.3 In the event that any Member wishes to propose Option B, thereby changing the provisional Programme of Ordinary Meetings, they are asked to contact the Democratic Services Manager prior to the date of the meeting at which this report is considered in order that the feasibility of rearranging the meeting can be established.

#### 5. **Resource Implications**

There are no resource implications arising from this report as set out. However, if significant changes were to be made to the Programme of Ordinary Meetings then this may need to be re-evaluated.

#### 6. **Appendices**

Appendix 1 – Programme of Ordinary Meetings 2012/13

#### 7. **Background Papers**

None.

Contact Officer: Louise Cooke, Democratic Services Manager

# DRAFT DOVER DISTRICT COUNCIL – PROGRAMME OF MEETINGS – 2012/2013

2012

2013

Committee	Start at (4)	2012								2013				
		May	June	July (8)	Aug	Sept	Oct	Nov (6)	Dec	Jan	Feb	Mar	April	May (7)
Cabinet	11.00 am	14	11	9		3	8	5	3	7	4 <sup>(A)</sup>	4	15	13
Council	6.00 pm	16 <sup>(1)</sup>		25		26			12	30 <sup>(B)</sup>		6 <sup>(2)</sup>		22 <sup>(1)</sup>
East Kent (Joint Arrangements) Committee	10.00 am		20			19			12			13		
East Kent (Joint Scrutiny) Committee	9.30 am			11			10			9			3	
Dover Joint Transportation Board	6.00 pm		7			20			20		28		11	
Governance Committee	6.00 pm		14			27 <sup>(D)</sup>			6			14		
Licensing Committee	9.30 am		12			18		20			12		16	
Planning Committee	6.00 pm	24	28		2	6	4 25	22	13	17	21	21	18	16
Regulatory Committee	10.00 am		12			18		20			12		16	
Scrutiny (Community & Regeneration) Committee	6.00 pm	23	20	11		19	17	28	19	23	27	20	10	29
Scrutiny (Policy & Performance) Committee	6.00 pm	22	19	10		11	16	27	18	15	12 <sup>(C)</sup>	12	16	28
Standards Committee	10.00 am		20			12			5			13		
Joint Staff & Safety Consultative Fora <sup>(3)</sup>	2.30 pm			11			10			16		13		
Scrutiny Call-In Meetings <sup>(5)</sup>	6.00 pm		6	31		25	30	27		3	26	26		14
Forward Plan Publication	N/A	14	18	16	13	17	15	12	10	14	11	11	15	13

## Footnotes

- (1) Denotes the Annual Meeting of Council  
 (2) Denotes Budget and Council Tax Setting Meeting  
 (3) Denotes that these meetings are not open to the public  
 (4) All meetings generally commence at the times indicated above but are subject to change  
 (5) These meetings will not be held unless an Executive decision is called-in by Scrutiny  
 (6) Police and Crime Commissioner Elections to be held on Thursday 15 November 2012  
 (7) Kent County Council Elections to be held on Thursday 2 May 2013  
 (8) Olympic Torch Relay on 18 & 19 July 2012

- (A) Budget and Medium Term Financial Plan  
 (B) Council Tax Base  
 (C) Budget Scrutiny  
 (D) Final Accounts

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<b>Subject:</b>	<b>COUNCIL TAX BASE 2012/13</b>
<b>Meeting and Date:</b>	<b>Council – 18 January 2012</b>
<b>Report of:</b>	<b>Mike Davis, Director of Finance, Housing and Community</b>
<b>Portfolio Holder:</b>	<b>Councillor Mike Conolly, Portfolio Holder for Corporate Resources and Performance</b>
<b>Decision Type:</b>	<b>Key</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**Purpose of the report:** To set the Council Tax base for 2012/13 by 31 January 2012, in accordance with the Local Government Finance Act 1992.

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**Recommendation:** Members are asked to confirm:

- (a) The District's Council Tax Base for 2012/13 be set as 40,188.44.
- (b) The Council's tax base for the town and parish parts of the Council's administrative area, to be as set out in the table at Appendix 2.
- (c) To continue with the current policy on empty homes and second homes discounts, and that the review scheduled for 2012 be postponed until 2013/14.

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**1. Summary**

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

**2. Introduction and Background**

2.1 The Council is required to set its tax base by 31 January every year, for the following financial year. The tax base is defined mainly in terms of the number of Band D equivalent properties, but it is then adjusted to reflect various discounts, including those for empty properties, second homes, and single persons. It is also adjusted to reflect the rate of collection which, although high, will not be 100%.

2.2 As the Council Tax base is defined in terms of "Band D equivalent" dwellings, and Band D dwellings are treated as "average" houses, all other properties are defined as a ratio against Band D houses, and pay Council Tax in accordance with that ratio. The table below uses the current 2011/12 Dover District Council Council Tax to show how this works.

<b>Council Tax Band</b>	<b>Ratio to Band D</b>	<b>2011/12 DDC Council Tax £</b>
Band A	6/9	105.96
Band B	7/9	123.62

Council Tax Band	Ratio to Band D	2011/12 DDC Council Tax £
Band C	8/9	141.28
Band D	9/9	158.94
Band E	11/9	194.26
Band F	13/9	229.58
Band G	15/9	264.90
Band H	18/9	317.88

- 2.3 Setting the tax base for the coming year is not an exact process. It depends on the projections of the number of houses (and their bands) that will be added to and taken from the register, the level of discounts granted, and the collection rates achieved.
- 2.4 Based on these factors it is recommended that the tax base for 2012/13 is set at 40,188.44, compared to a tax base for 2011/12 of 40,238.41. This is a net reduction of 49.97 Band D properties.
- 2.5 The main reasons for this variance are set out below.

	2011/12	2012/13	Variance – Adverse/ (Favourable)
Total number of Band D equivalent properties	46,286	46,267	19
Less effect of discounts for:			
Second homes (10%)	(115)	(107)	(8)
Empty properties (0%)	-	-	
Single person discounts (25%)	(3,516)	(3,571)	55
Other discounts/reliefs	(1,700)	(1,735)	35
<b>Net adjusted Band D equivalent properties</b>	<b>40,955</b>	<b>40,854</b>	<b>101</b>
Estimated collection rate	98.25%	98.37%	
Tax Base	40,238.41	40,188.44	49.97

- 2.6 Based on the projected reduction in the tax base, and using the DDC 2011/12 Council Tax level of £158.94 for illustrative purposes, the reduction of 49.97 Band D properties will result in a reduction of £7,942 in Council Tax income to the Council.
- 2.7 Projections and assessments for the coming financial year continue to be difficult due to the impacts of recession upon housing growth and the changing household types, which impact on discounts.
- 2.8 The growth of the Tax base based on new build cannot be guaranteed, although it is predicted that there will be some development through plans that are already in place. However, the overall picture of a reduced tax base is consistent with relatively low levels of build. This is supported by the low level of New Homes Bonus received by the Council from central government, in comparison with other Kent districts, as shown in Appendix 1.

### 3. Identification of Options

- 3.1 The setting of the Council Tax base is mainly a mechanical process based on the projected number of properties, level of discounts and collection rates.

3.2 The only scope for discretion is in the level of discounts offered.

#### **4. Evaluation of Options**

4.1 The Local Government Act 2003 brought in powers for local authorities to vary discounts on dwellings classed as second homes or long-term empty properties.

4.2 The removal of discounts for long-term empty properties, Class C under the regulations, and reduced discounts, to 10% for classes A and B, second homes has been reflected within the Tax Base calculation.

4.3 In the longer term, the Council has the opportunity to review the policies for discounts. However these policies need to be considered in the context of the changes proposed in the Localism Bill. It is therefore proposed to defer consideration of changes to discounts to the setting of the tax base for 2013/14.

4.4 The calculation of the Tax Base has been undertaken in accordance with the methodology in the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003. It is set out in Appendix 2. Adoption of the indicated tax base of 40,188.44 is the recommended option.

#### **5. Resource Implications**

5.1 As set out above, if the Council Tax remains at 2011/12 levels in 2012/13, then the implications of the new Council Tax base will be a reduction in Council Tax income of £7,900 approx. This will be reflected in the budget and Medium Term Financial Plan to be presented to Council in March.

#### **6. Corporate Implications**

6.1 Comment from the Director of Finance, Housing and Community: The Director has been involved in the production of the report and has no further comment to make.

6.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.

6.3 Comment from the Equalities Officer: As stated in section three of this proposal, this is a mechanical process with no scope for flexibility at this stage.

#### **7. Appendices**

Appendix 1 – New Homes Bonus Awards

Appendix 2 – The Council Tax Base Calculation for 2012/13

#### **8. Background Papers**

- Local Government Finance Act 1992
- Local Government Act 2003
- The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended)
- The Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003
- Detailed calculations for District and Parish/Town Council Tax Bases

Contact Officer: Mandie Kerry, Income Manager, EK Services

**New Homes Bonus Awards**

<b>New Homes Bonus Provisional Allocations 2012-13</b>	<b>Affordable homes premium: £350 per unit</b>	<b>Year one payments</b>	<b>Year two Payments (£): <u>inc. empty homes. Inc AH premium</u></b>	<b>Total payment in year (inc previous delivery)</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ashford Borough Council	104,720	621,103	816,581	1,437,684
Canterbury City Council	36,680	440,593	469,119	909,712
Dartford Borough Council	49,560	239,102	534,198	773,301
Dover District Council	6,160	294,113	154,955	449,067
Gravesham Borough Council	25,760	207,504	316,185	523,688
Maidstone Borough Council	78,120	892,316	903,336	1,795,652
Sevenoaks District Council	15,400	282,343	363,654	645,997
Shepway District Council	5,600	372,278	379,570	751,848
Swale Borough Council	44,800	749,034	451,267	1,200,301
Thanet District Council	40,040	508,780	536,193	1,044,973
Tonbridge and Malling Borough Council	52,080	648,353	576,124	1,224,477
Tunbridge Wells Borough Council	26,880	258,932	338,671	597,603
<b>Total of Kent Districts</b>	<b>485,800</b>	<b>5,514,451</b>	<b>5,839,852</b>	<b>11,354,303</b>
Kent	121,450	1,378,613	1,459,963	2,838,576
<b>KCC area total</b>	<b>607,250</b>	<b>6,893,064</b>	<b>7,299,815</b>	<b>14,192,879</b>
Medway Council	122,500	1,040,716	1,276,523	2,317,239

**The Council Tax Base Calculation for 2012/13**

Council Tax Base = A x B:

- (i) A is the total of the "relevant amounts" (or Band D equivalents) for that year for each of the valuation bands which is shown or is likely to be shown for any day in that year in the authority's valuation list as applicable to one or more dwellings situated in this area.
- (ii) B is the authority's estimate of its collection rate for that year 98.37%.
- (iii) The "relevant amount" for a valuation band is the amount found by applying the formula:  $(H - Q + J) \times (F/G)$
- (iv) H is the number of chargeable dwellings in the area of the Council (as billing authority) on 1 December 2011, allowing for exemptions, disabled reductions and appeals.
- (v) Q is the aggregate of amounts found by multiplying for each different relevant percentage the dwellings with a reduced discount and the level of the percentage reduction for the discount.
- (vi) J is the estimated adjustments due to change in the number of dwellings, exemptions and discounts.
- (vii) F is the number which is the proportion, as set out in the Local Government Finance Act 1992, applicable to dwellings in that band.
- (viii) G is the number that, in that proportion, is applicable to dwellings in band D.

The amount calculated for Dover District Council's Council Tax Base in 2012/13 is 40,188.44 (40,238.41 2011/12), save for the following parts of the Council's administrative area where its Council Tax Base shall be the amounts shown against each part respectively.

Part of Council's Area	Tax base	
	2011/12	2012/13
Alkham	320.91	319.15
Ash	1,222.25	1,214.70
Aylesham	1,096.36	1,102.77
Capel-le-Ferne	689.66	693.75
Deal	7,257.40	7,252.96
Denton	172.31	176.67
Dover	9,570.39	9,551.58
Eastry	883.37	878.96
Eythorne	872.09	877.59
Goodnestone	184.31	186.04
Great Mongeham	290.35	288.72
Guston	411.52	426.54
Hougham Without	183.88	191.53
Langdon	236.20	240.58
Lydden	252.80	251.38
Nonington	309.20	309.66
Northbourne	298.56	294.97
Preston	283.21	281.03
Ringwould with Kingsdown	1,040.95	1,056.26
Ripple	163.84	162.78
River	1,520.65	1,524.40
St Margarets-at-Cliffe	1,290.91	1,287.70
Sandwich	2,065.71	2,032.33

Part of Council's Area	Tax base	
	2011/12	2012/13
Shepherdswell with Coldred	771.32	769.62
Sholden	450.39	439.75
Staple	236.06	236.06
Stourmouth	112.98	120.00
Sutton	320.25	321.19
Temple Ewell	651.20	635.26
Tilmanstone	158.22	155.51
Walmer	3,453.39	3,442.60
Whitfield	1,871.77	1,872.25
Wingham	712.77	707.38
Woodnesborough	427.73	429.42
Worth	455.50	457.35
<b>Total</b>	<b>40,238.41</b>	<b>40,188.44</b>

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<b>Subject:</b>	<b>TREASURY MANAGEMENT QUARTER TWO REPORT</b>
<b>Meeting and Date:</b>	<b>Cabinet – 9 January 2012</b> <b>Council – 18 January 2012</b>
<b>Report of:</b>	<b>Mike Davis, Director of Finance, Housing and Community</b>
<b>Portfolio Holder:</b>	<b>Councillor Mike Conolly, Portfolio Holder for Corporate Resources and Performance</b>
<b>Decision Type:</b>	<b>Non-Key</b>
<b>Classification:</b>	<b>Unrestricted</b>

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<b>Purpose of the report:</b>	To provide details of the Council's treasury management for the quarter ended 30 September 2011 and an update of activity to date.
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<b>Recommendation:</b>	That the report is received
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**1. Summary**

- 1.1 The Council's in-house investments (approximately £5.5m or 30% of total investments) and investments with the investment managers, Investec (approximately £12.5m or 70% of total investments) are currently outperforming their benchmark<sup>1</sup>.
- 1.2 The total interest received for the first two quarters was in line with the budget for the period (£199k). Performance to date has improved slightly due to Investec selling our holding of UK Index Linked 5 year Gilts due to an exceptionally sharp rise in the price. These figures will be reflected in future budget monitoring reports once the full year position and future proposals from Investec are known.
- 1.3 The Council has remained within its Treasury Management and Prudential Code guidelines during the period.

**2. Introduction and Background**

- 2.1 CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2009: it recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.
- 2.2 In order to comply with the CIPFA code referred to above, but minimise the resource requirements in producing this report, a brief summary is provided below, and Appendix 1 contains a full report from the Council's Treasury Management Advisers, Sector.

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<sup>1</sup> The "benchmark" is the interest rate against which performance is assessed. DDC use the London Inter-Bank Rate or LIBOR, as its benchmark.

### 3. **Annual investment strategy**

3.1 Since the end of quarter two one internally managed investment held with NatWest for £1m has been reinvested with them until November 2012. A number of externally managed investments have matured or been sold since the end of quarter one. The investment portfolio as at the end of November 2011 is attached at Appendix 2.

3.2 In view of the current uncertainties in the market, and the potential knock-on effects if Greece, or other major European countries, were to default, Sector has recently reviewed their credit methodology used for assessing counterparties to place of investments with. As a result of these recent moves they are stressing the importance of a cautionary investment stance and are temporarily suggesting restricting all new investments to a maximum period of 3 months. This limit will apply to all entities on the suggested Sector Credit List with the following exceptions:

- UK Government and related entities such as Local Authorities. Their suggested duration limit remains at 5yrs.
- UK semi-nationalised institutions (Lloyds / RBS). Sector continue to view the current significant UK ownership of these entities as providing significant comfort to investors.
- Money Market Funds.

3.3 Sector do not believe we should be unduly worried about prior investment decisions, rather that by restricting new investments to the above limits portfolios will be allowed to lower risk naturally as investments mature.

### 4. **Economic background**

4.1 The report attached contains information up to the end of September 2011; since then we have received the following update from Sector:

4.2 Britain's economy remained at 0.5% in Q3 2011, compared with a 0.1% expansion in the second quarter. Q2 was especially weak because activity was interrupted by the extra holiday for the Royal Wedding and the aftermath of the Japanese Tsunami. Growth in Q3 was predominately driven by increase in firms' inventories. Q3 figures revealed that Government spending was up 0.9%, which is unlikely to continue as Chancellor George Osborne's austerity measures kick in.

4.3 The BoE also kept interest rates on hold at a record low 0.5%. They also decided to stick to its four month programme to pump an extra £75 billion of QE into Britain's rapidly slowing economy.

4.4 The PMI Manufacturing Index fell to 47.6 in November, from an upwardly revised 47.8 in October. The manufacturing sector shrank for the second successive month as output and orders fell on weak global demand, raising the risk that the UK economy could be heading for another recession.

4.5 The PMI Services Index rose to 52.1 in November from 51.3 in October. The pick up in activity in services was driven by a continued inflow of new business. However, the figure was still below September's reading of 52.9.

- 4.6 UK unemployment rose to its highest level in more than 17 years in the three months to October. The Office for National Statistics (ONS) said that the number of people out of work rose by 128,000 to 2.6 million, its highest level since 1994.
- 4.7 Consumer Price Inflation (CPI) eased in November as expected, taking the annual inflation rate to 4.8% from 5.0%, helped mainly by a slowing rate of increase in the prices of food, transport and clothing. The figures go hand in hand with the Bank of England's forecasts that inflation has peaked and will fall back sharply in the coming months.
- 4.8 The GfK Consumer Confidence Index recovered slightly to -31 in November from -32 in October. However, given the pessimism surrounding the UK economy and the euro zone crisis, the one point increase reflected a minor variation rather than uplift in confidence.

## 5. **Interest Rates**

- 5.1 Given the circumstances, and the potential for damaging prospects for recovery, Sector sees the prospects for any interest rate changes before mid-2013 as very limited.

## 6. **New Borrowing**

- 6.1 No borrowing has been undertaken since the end of quarter one.

## 7. **Debt Rescheduling**

- 7.1 At this time it is not of benefit to the Council to consider rescheduling of its long term debt as advised by Sector.

## 8. **Compliance with Treasury and Prudential Limits**

- 8.1 The Council has operated within the treasury limits and Prudential Indicators and in compliance with the Council's Treasury Management Practices.

## 9. **UK Bank and Building Society Ratings**

- 9.1 Over the past few months Fitch and Moody's have taken rating actions on many UK financial institutions. Also, in Fitch's case where they have introduced a new rating called a 'Viability Rating' which allows investors to see in Fitch's view as to the intrinsic creditworthiness of an issuer.
- 9.2 Fitch have downgraded a few UK institutions such as Clydesdale Bank, Royal Bank of Scotland, Bank of Scotland, NatWest, Lloyds TSB, Santander UK and Nationwide Building Society in addition to putting Barclays on Negative Watch over the last few months. Fitch in September 2011 noted that credit risk, and thus ratings, for many large and currently highly rated banks face greater downside pressure. The collective impact of the negative ratings drivers: below trend economic growth prospects, the costs and ambiguities of additional bank regulation, political pressure to reduce or eliminate implicit state support, the consistent vulnerability of banks to market sentiment and the market's growing realisation of and pricing for all of these factors. Additional negative rating drivers in the UK include concerns about the banking system being large relative to the UK economy and the uncertainty in the development of banking reforms and the economy.

9.3 In addition to this, on 7th October 2011, Moody's downgraded the ratings of 12 UK financial institutions based on Moody's assumptions of 'a decrease in the probability that the UK government would provide future support to financial institutions if needed'. The downgrades were not driven by deterioration in the financial strength of the banking system or that of the government but were purely caused by Moody's reassessment of potential support available. In classifying the level of systematic support Moody's have clustered UK financial institutions into 3 groups, which shows smaller financial institutions as having lower likelihood of support than institutions that have a greater degree of systematic important to the UK economy. Moody's view of systematic support is shown below.

- Bank with a very high likelihood of support include: RBS, Lloyds, Barclays and HSBC
- Bank with moderate or high likelihood of support include: Nationwide, Santander UK, Co-operative Bank and Clydesdale
- Institutions with a low or no likelihood of support include: consists of the smaller rated building societies

## 10. **Iceland update**

10.1 The Icelandic Supreme Court has found in favour of UK local authorities and other UK wholesale depositors. This judgment means that UK local authorities' claims have been recognised as deposits with priority status over other creditors' claims. This means they will be paid first when it comes to getting their money back and will recover almost all of the money they had on deposit with the failed Icelandic banks.

10.2 This decision, which comes more than 3 years after the banks failed, is a huge victory. The way in which the LGA and our legal advisors have coordinated the legal action with other local authorities has minimised legal costs whilst enabling us to advance the strongest possible arguments to secure this result. The cost of the litigation to date amounts to less than 1 per cent of the amount we expect to recover.

## 11. **Corporate Implications**

11.1 Comment from the Director of Finance, Housing and Community (linked to the MTFP): No further comments to add.

11.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consultation in the preparation of this report and has nothing further to add.

11.3 Comment from the Equalities Officer: There are no equality implications in this report

## 12. **Appendices**

Appendix 1 – Sector treasury management report for quarter one

Appendix 2 - Investment portfolio as at 30 November 2011

## 13. **Background Papers**

Medium Term Financial Plan 2011/12– 2013/14

Contact Officer: Helen Lamb, Financial Services Manager

## Treasury Management Update

Quarter Ended 30<sup>th</sup> September 2011

CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2009; it recommends that members should be updated on treasury management activities at least twice a year, but preferably more frequently. This report therefore ensures this council is implementing best practice in accordance with the Code.

### 1. Economic background:

- Indicators suggest that the economy has at best stagnated;
- Conditions on the high street have deteriorated further;
- Employment has fallen again;
- The public finances are expected to miss this year's fiscal forecasts;
- CPI inflation rising, heading for a peak of around 5% in Q4;
- The Monetary Policy Committee signals a move towards increasing QE;
- Equities prices plummet and gilt yields fall to historic lows;
- The economic recoveries falter in the US and Europe.

Activity indicators suggest that the economic recovery has ground to a halt. Indeed, the weighted output balance of the CIPS/Markit surveys fell in August to a level that has been consistent with contraction in the past. The surveys also exclude retail activity – and the latest news from the high street suggests that the sector is in a similar position. While sales volumes rose by 0.2% m/m in July, they fell by the same amount in August.

However, output for the first quarter was depressed by a variety of factors (including the one-off Bank Holiday for the Royal Wedding in April and the after-effects of the Japanese earthquake), so the economy might still register growth in the second quarter.

Meanwhile, the fading of the economic recovery has impacted on the job market. The Labour Force Survey measure of employment fell by 70,000 in the three months to July, the first fall this year. And the ILO measure of unemployment rose by 80,000 over the same period – the largest rise in two years. The timelier (but narrower) claimant count measure also rose by a monthly 33,700 in July and 20,300 in August. The pace of job losses across the whole economy looks unlikely to ease off in the coming months. Job vacancies in the three months to August were 1.3% lower than a quarter ago, while the employment balances of all three of the CIPS surveys were below the 50-mark in July and August (below 50 marks a contraction in expectations).

Meanwhile, the public finances are on track to miss this year's fiscal forecasts. If the trend in borrowing seen over the first five months of the fiscal year continues, it will be around £5bn higher than the OBR expects. Admittedly, the full impact of some tax changes have yet to be felt, but the lags between developments in the economy and the public finances suggest that the recent slowdown is unlikely to have had its full effect on receipts.

Conditions in the housing market have also continued to deteriorate. Whilst the number of mortgage approvals for new house purchase rose from 48,800 in June to 52,400 in August, this has not prevented renewed falls in house prices. The Nationwide index ended the second quarter 0.2% lower than at the end of the first.

The trade in goods and services deficit was £4.5bn in July, compared to an average monthly deficit of £3.8bn in Q1. The survey measures of export orders also point to falls in exports ahead – the new export orders balance of the CIPS Manufacturing survey, for example, fell to its lowest level

since May 2009 in September. At that level, it points to a quarterly drop in the volume of manufactured goods exports of around 5%.

Inflation continued to climb in the second quarter. CPI inflation rose from 4.2% in June to 4.4% in July and 4.5% in August. A series of rises in electricity and gas prices also took effect in late August and September which, together with a rise in food inflation reflecting past rises in agricultural commodity prices, could push inflation close to 5% in September.

Inflation may creep a little higher in the third quarter – but recent developments suggest that it should fall quite sharply next year. Oil prices fell from \$113 per barrel at the end of Q1 to \$106 at the end of Q2. Agricultural prices also fell over the past quarter. Surveys of manufacturers pricing intentions in Q2 also pointed to a fall in producer output price inflation ahead. Meanwhile, the continued weakness of the broad money supply and lending data in Q2 and the persistence of a large degree of spare capacity in the economy also suggest that inflation will fall sharply in 2012.

Measures of inflation expectations have drifted up – the Bank of England's measure of households' inflation expectations in the year ahead rose from 3.9% to 4.2% in Q2. However with conditions in the labour market continuing to deteriorate, these expectations seem unlikely to become ingrained. The annual rate of average earnings growth including bonuses fell from 3.1% to 2.9% in July (the rate excluding bonuses fell from 2.2% to 1.7%). Real pay growth has thus remained negative.

Meanwhile, the MPC became distinctly more dovish during Q2. Spencer Dale and Martin Weale both abandoned their votes for a rate hike at the meeting in August. The minutes of September's meeting also suggested that QE2 will be launched soon, although, no other members have yet joined Adam Posen in voting for more QE. Most have however accepted that the case for policy stimulus has significantly strengthened and that "a continuation of the conditions seen over the past month would probably be sufficient to justify an expansion of the asset purchase programme at a subsequent meeting."

Financial market sentiment deteriorated sharply in the second quarter, reflecting declining prospects for economic growth and renewed risk aversion as a result of the intensification of the euro-zone sovereign debt crisis. The FTSE 100 finished the quarter at 5,128 – about 14% lower than its level at the end of the first quarter. Ten year gilt yields plummeted from 3.38% to 2.43%, reflecting falling interest rate expectations, safe-haven flows as a result of a perceived rise in default risk on sovereign debt in the euro-zone and perhaps expectations that further QE might soon be on the way. Meanwhile, a global shift away from risk saw the dollar strengthen. As a result, sterling weakened against the dollar from about \$1.60 to \$1.56, but strengthened slightly against the euro from €1.16 to €1.10.

In the US, economic data was weak, but a little stronger than in the UK. The US ISM indices pointed to annualised quarterly GDP growth of around 1.5% in July and August. Growth in payrolls also stagnated in August. And while President Obama proposed a \$450bn job creation bill, equivalent to nearly 3% of GDP, it seems unlikely to be passed by Congress in full.

Growth has also slowed sharply in the euro-zone. In particular, the ECB composite PMI now pointed to outright falls in GDP in August. A steep drop in the EC Economic Sentiment Indicator in August also left the index consistent with a sharp slowdown in annual GDP growth in the region.

## 2. Interest rate forecast

The Council's treasury adviser, Sector, provides the following forecast:

Sector's Interest Rate View															
	Now	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Sector's Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	2.00%	2.25%	2.50%
5yr PWLB Rate	2.41%	2.30%	2.30%	2.30%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	3.10%	3.30%	3.50%	3.70%
10yr PWLB Rate	3.46%	3.30%	3.30%	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%	4.60%	4.80%
25yr PWLB Rate	4.31%	4.20%	4.20%	4.20%	4.30%	4.30%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%
50yr PWLB Rate	4.42%	4.30%	4.30%	4.30%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%

The Sector central forecast is for the first increase in bank rate to be in September 2013. We would remind clients of the view we expressed in our two previous interest rate revision newsflashes of just how unpredictable PWLB rates and bond yields are as we are experiencing exceptional levels of volatility which are highly correlated to political developments (or lack of them) in the sovereign debt crisis.

### SUMMARY OUTLOOK

Sector has undertaken a review of our interest rate forecasts as a result of two major events: -

1. The decision by the MPC to expand quantitative easing over the next four months by a further £75bn which had an immediate effect of depressing gilt yields at the long end of the curve. It also clearly underlines how concerned the MPC now is about the prospects for growth of the UK economy and that recession is now decisively a much greater concern than inflation.
2. The marked deterioration of growth prospects in the US, EU and UK, especially as concerns have further increased over Greece and the potential fall out from their debt situation. This has led in turn to a further increase in safe haven flows into UK gilts since our last interest rate forecast (16.8.11) which have depressed gilt yields and PWLB rates to even lower levels.

These developments had left our short term forecasts for PWLB rates markedly out of line with actual rates. They have also substantially pushed back our expectations of the timing of the eventual start of increases in Bank Rate and the expected eventual rise in gilt yields and PWLB rates.

In summary, our concerns around a slow down in prospects for GDP growth in the western world are as follows: --

#### US

- Current weak GDP growth; jobless recovery
- Fed unlikely to increase central rate until mid 2013
- Latest Fed Twist operation unlikely to save US economy from weak growth in the shorter term
- Near exhaustion of major fiscal and monetary remedies
- Political gridlock ahead of Nov 2012 Presidential elections for major fiscal action
- New President unlikely to make significant impact on the US economy in 2013
- Housing market still fraught and banks face rising losses on mortgages which will lead in turn to restricted supply of credit to the economy; little hope of the housing market turning around in the near future

## EU

- Sovereign debt crisis is morphing into an EU banking crisis where some weaker banks will need semi-nationalisation to cope with a major write down of Greek debt, resulting in an increase in government debt levels. This in turn could threaten (e.g.) the French AAA rating and lead to an increase in concerns for the size of the French debt to GDP ratio
- EU economy now heading into recession in 2012; increasing lack of supply of bank credit plus major fall in consumer and business confidence will inhibit economic growth
- High risk that 17 Euro zone nations will not agree on what to do about Greece ahead of financial markets losing patience and precipitating a crisis
- German elections in 2013 getting ever closer; German voters hostile to bailing out Greece and other weak peripherals

## UK

- 40% of UK GDP dependent on overseas trade; high correlation of UK growth to US and EU GDP growth means that the UK economy may only barely escape recession in the next two years
- Consumers have paid down total debt to income ratio from 180% in 2008 to 160%. OBR forecasts March 2011 for GDP growth of 2.5% in 2012 and 3.0% in the following three years are predicated on an increase in consumer spending and borrowing taking that ratio back to 175% by 2015 i.e. an increase of £570bn in debt. This is highly unlikely given current consumer sentiment, job fears, high inflation eroding disposable incomes, small or no pay increases, mortgagors coming off initial cheap fixed rate deals onto higher SVR rates etc.
- Little sign of a coordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth
- Little sign of a major increase in exports to boost UK growth
- QE2 likely to be too little too late to boost UK growth significantly in the near term

## CHINA

- Increasing concerns that efforts to gently slowdown the economy to cool inflation could lead into a hard landing.

### 3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2011/12, which includes the Annual Investment Strategy, was approved by the Council on 3<sup>rd</sup> March 2011. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate and the heightened credit concerns it is considered appropriate to keep investments short term with a maximum duration of 3 months.

This limit will apply to all entities on the suggested Sector Credit List with the following exceptions:

1. UK Government and related entities such as Local Authorities. Their suggested duration limit will remain at 5yrs.
2. UK semi-nationalised institutions (Lloyds / RBS). We continue to view the current significant UK ownership of these entities as providing significant comfort to investors.
3. Money Market Funds.

A full list of investments held as at 30 September 2011, compared to Sector's counterparty list, and changes to Fitch, Moodys and S&P's credit ratings during quarter ended 30.09.2011 are shown in Appendix 2.

Investment rates available in the market have continued at historically low levels. There were no funds available for investment purposes during the quarter. The authority holds £18m core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for quarter ended 30.09.2011

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.47%	1.22%	199,000

As illustrated, the Authority outperformed the benchmark by 0.75%. The Council's budgeted investment return for 2011/12 is £339k, and performance for the year to date is in line with the budget.

#### 4. New borrowing:

No borrowing was undertaken during the quarter. . However work is being undertaken to assess the options for taking on the borrowing requirements under the proposed Housing Revenue Account reform. Further information will be reported to Members in the future.

This Council has not borrowed in advance of need during the quarter ended 30.09.2011 and has no intention to borrow in advance in the rest of 2011/12.

#### 5. Debt Rescheduling

Debt rescheduling opportunities have been limited in the current economic climate and structure of interest rates following increases in PWLB new borrowing rates in October 2010. No debt rescheduling was undertaken during the quarter.

#### 6. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in appendix 1.

#### 7. Other

The Icelandic Supreme Court has found in favour of UK local authorities and other UK wholesale depositors. This judgment means that UK local authorities' claims have been recognised as deposits with priority status over other creditors' claims. This means they will be paid first when it comes to getting their money back and will recover almost all of the money they had on deposit with the failed Icelandic banks.

This decision, which comes more than 3 years after the banks failed, is a huge victory. The way in which the LGA and our legal advisors have coordinated the legal action with other local authorities has minimised legal costs whilst enabling us to advance the strongest possible arguments to secure this result. The cost of the litigation to date amounts to less than 1 per cent of the amount we expect to recover.

APPENDIX 1: Prudential and Treasury Indicators as at 30<sup>th</sup> September 2011

<b>Prudential Indicator</b>	<b>2011/12 Budget £'000</b>	<b>Quarter 2 – Actual £'000</b>
Authorised limit for external debt	20,000	0
Operational boundary for external debt	15,000	0
Net borrowing	4,870	4,970
Capital Financing Requirement (CFR)	7,428	7,428
Maturity structure of borrowing limits		
Under 12 months	0	0
12 months to 2 years	1	1
2 years to 5 years	0	0
5 years to 10 years	0	0
10 years and above	7,000	7,000

## APPENDIX 2: Investment portfolio

Investments held as at 30<sup>th</sup> September 2011 compared to Sector's counterparty list:

### Investec Funds as at 30/09/11 - Inhouse as at 30/09/11

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating
<b>Investec Investments</b>						
RBS	Certificate of deposit	AA-/F1+/1	09/05/2012	1.310	1,100,000	UK - Gov 'AAA'
Toronto Dominion Bank	Certificate of deposit	AA-/F1+/1	12/10/2011	0.600	1,800,000	Canada - Gov 'AAA'
Rabobank	Certificate of deposit	AA+/F1+/1	09/03/2012	1.130	700,017	Netherlands - Gov 'AAA'
Rabobank	Certificate of deposit	AA+/F1+/1	10/08/2012	1.560	1,200,060	Netherlands - Gov 'AAA'
Nationwide	Certificate of deposit	AA-/F1+/1	01/06/2012	1.380	1,100,000	UK - Gov 'AAA'
Barclays	Certificate of deposit	AA-/F1+/1	26/04/2012	1.250	1,200,000	UK - Gov 'AAA'
RBS	Certificate of deposit	AA-/F1+/1	09/05/2012	1.310	1,100,000	UK - Gov 'AAA'
					<b>7,100,077</b>	
UK	Gilt		07/12/2011	0.500	2,573,263	UK - Gov 'AAA'
UK	Gilt		01/07/2016	1.100	638,780	UK - Gov 'AAA'
European Bank for reconstruction	Fixed bond		01/12/2013	1.940	309,461	
Bank Nova Scotia	Deposit		03/10/2011	0.400	1,900,000	
<b>GBP cash - settled balance</b>					<b>87,113</b>	
					<b>12,708,693</b>	

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Duration
<b>In-house Investments - Portfolio</b>							
Landisbanke Islands	Term deposit	Not rated by sector	26/11/2008	6.170	1,000,000	Iceland - Gov 'BBB-'	364 days
Lloyds	Term deposit	AA-/F1+/1	22/11/2011	1.900	2,000,000	UK - Gov 'AAA'	364 days
Lloyds	Term deposit	AA-/F1+/1	14/12/2011	1.950	1,000,000	UK - Gov 'AAA'	364 days
Natwest	Bond	AA-/F1+/1	07/11/2011	2.000	1,000,000	UK - Gov 'AAA'	364 days
Natwest	Bond	AA-/F1+/1	27/04/2012	2.000	1,500,000	UK - Gov 'AAA'	364 days
					<b>6,500,000</b>		

Call Accounts/MMF	Balance as at 30/09/11	Rate
DMA	0	
Global Treasury Fund	40,106	0.64%
SIBA	1,349,264	0.75%
SIBA SEEDA	55,012	0.50%
SIBA HCA	46,855	0.50%
SIBA ASDA	10,893	0.50%
Alliance & Leicester	4,543,801	0.80%
BoS	3,622	0.75%
Abbey	1	
	<b>6,049,552</b>	

Investment portfolio as at 30<sup>th</sup> November 2011

Investments held as at 30<sup>th</sup> November 2011 compared to Sector's counterparty list:

**Investec Funds as at 30/11/11 - Inhouse as at 30/11/11**

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating
<b>Investec Investments</b>						
RBS	Certificate of deposit	A/F1/1	09/05/2012	1.23	1,100,000	UK - Gov 'AAA'
CSFB	Certificate of deposit	AA-/F1+/1	12/01/2012	0.76	1,200,015	Switzerland - Gov 'AAA'
Rabobank	Certificate of deposit	AA+/F1+/1	09/03/2012	1.04	700,017	Netherlands - Gov 'AAA'
Rabobank	Certificate of deposit	AA+/F1+/1	10/08/2012	1.51	1,200,060	Netherlands - Gov 'AAA'
Nationwide	Certificate of deposit	AA-/F1+/1	01/06/2012	1.31	1,100,000	UK - Gov 'AAA'
Barclays	Certificate of deposit	AA-/F1+/1	26/04/2012	1.19	1,200,000	UK - Gov 'AAA'
Nordea Group	Certificate of deposit	AA-/F1+/1	12/01/2012	0.76	1,900,000	Sweden – Gov 'AAA'
HSBC Securities	Certificate of deposit	AA/F1+/1	23/11/2012	1.77	1,400,000	UK - Gov 'AAA'
					<b>9,800,092</b>	
UK	Gilt		07/12/2011	0.500	2,573,263	UK - Gov 'AAA'
European Bank for reconstruction	Fixed bond		01/12/2013	1.940	309,461	
<b>GBP Cash - Settled Balance</b>					<b>33,841</b>	
<b>GBP Cash – Income Due</b>					<b>41,113</b>	
					<b>12,757,769</b>	

Organisation	Type of investment	Current rating	Maturity date	Market yield %	Book cost	Government Sovereign Debt rating	Duration
<b>In-house Investments - Portfolio</b>							
Landisbanke Islands	Term deposit	Not rated by sector	26/11/2008	6.170	1,000,000	Iceland - Gov 'BBB-'	364 days
Lloyds	Term deposit	A/F1/1	14/12/2011	1.950	1,000,000	UK - Gov 'AAA'	364 days
Natwest	Bond	A/F1/1	07/11/2011	2.000	1,000,000	UK - Gov 'AAA'	364 days
Natwest	Bond	A/F1/1	27/04/2012	2.000	1,500,000	UK - Gov 'AAA'	364 days
					<b>4,500,000</b>		

Call Accounts/MMF	Balance as at 30/11/11	Rate
DMA	0	
Global Treasury Fund	40,106	0.67%
Special Interest Bearing Account (SIBA)	1,309,492	0.75%
SIBA SEEDA	55,081	0.50%
SIBA HCA	46,914	0.50%
SIBA ASDA	10,907	0.50%
Alliance & Leicester	49,354	0.80%
Bank of Scotland	4,003,622	0.75%
Abbey	1	
	<b>5,515,477</b>	



COMMITTEE SECTION ONLY	
Decision No:	<u>U09</u>
Notification Date:	<u>2.12.11</u>
Implementation Date: (unless called-in)	<u>6.12.11</u>
Call-in:	<u>No</u>

**Notice of Decision Taken by Portfolio Holder/Leader of the Council  
Between Meetings of the Cabinet**

*(Please read the attached guidance notes before completing this notice)*

**A. Decision taken by:** Councillor Sue Chandler, Portfolio Holder for Community, Housing and Youth

**B. Part of the Constitution authorising decision:**

Part 3 (Responsibility for Functions); Section 3C; paragraph 13 (Responsibility for Executive Functions)

**C. (a) Subject (including whether it is a Key Decision and included within the Forward Plan):**

Pilot scheme to install solar photovoltaic panels in Council properties in St Radigunds, Dover

This is not a Key Decision (although a related decision concerning solar panels is included in the Forward Plan)

**(b) Is the decision likely to disclose exempt information?**

Yes - Appendix 1 of the report contains exempt information under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and has therefore been given a limited distribution.

**D. Decision:**

A decision is required for approval to offer Council tenants in St Radigunds the opportunity to benefit from electricity savings arising from solar photovoltaic and Community Energy Support Programme funding. The attached Cabinet report refers.

**E. Reason(s) for decision (including why the decision cannot wait until the next meeting of Cabinet (or Council where appropriate)):**

This decision is urgent because our preferred partners have advised us that these works need to commence by late November 2011 or the grant aid will be lost. It is therefore necessary to take this decision now as it cannot wait until the next meeting of Cabinet on 5 December 2011.

The Government has recently announced an urgent consultation on the FIT (Feed In Tariff) and has decided that the grant will reduce significantly by 12 December 2011. Our partners have agreed to install as many PV systems as possible before 23 December 2011. The form of the Landlord's Agreement with Eaga has been agreed following lengthy negotiation. One

of the key aspects of the agreement is to ensure that tenants have a choice and are fully consulted.

**F. Details of alternative options considered and rejected:**

There are no alternative partners that a) can match the proposed offer, and b) could complete in time to take advantage of the Government grant. Council properties/tenants will stand to lose up to £2.12 million if this project is not approved.

**G. Any personal or prejudicial interest declared by the Portfolio Holder/Leader of the Council when the decision was taken:**

None.

**H. Background Documents:**

Report to Cabinet

**I. Decisions within the Budget or Policy Framework taken by the Portfolio Holder (or Leader of the Council) between Meetings of the Cabinet (Part 3, Section 3C, paragraph 13 - General Responsibilities Delegated to All Members of the Executive)**

I confirm that the decision-taker has taken the decision in consultation with me.

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Leader/or Deputy)

**J. Decisions outside the Budget or Policy Framework taken by the Portfolio Holder (or Leader of the Council) between Meetings of the Council (Part 4, paragraph 4 – Budget and Policy Framework Procedure Rules)**

Please give reasons why it is not practical to convene a quorate meeting of the Council or General Purposes Committee to take the decision.

**Not applicable**

I have given my consent to the decision being taken as a matter of urgency.

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Chairman of the relevant Scrutiny Committee)

**K. Urgent decisions not subject to call-in**

I confirm that this decision is an urgent one and should not, therefore, be subject to call-in.

Yes/No

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Decision-taker)

On the advice of the decision-taker, I agree that the decision is reasonable in all the circumstances and, as a matter of urgency, should not be subject to call-in.

Yes/No

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Chairman/Vice-Chairman/Head of Paid Service or their nominee)

(Please note that L-N relate to Key Decisions not in the Forward Plan (Part 4; Rules 15 and 16 of the Access to Information Procedure Rules))

**L. Reason(s) for General Exception/Special Urgency (i.e. why the decision was not included in the current Forward Plan and why it would be impracticable to defer the decision until the period covered by the next Forward Plan)**

**Not applicable.**

**M. Notice of use of General Exception Procedure (to be followed where at least five clear days will have elapsed between issuing a General Exception Notice and informing the Chairman of the relevant Scrutiny Committee, and the Key Decision being taken)**

I have informed the Chairman of the relevant Scrutiny Committee.

**Not applicable.**

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Decision-Taker)

**N. Agreement to use of Special Urgency Procedure (to be followed where it is not possible to give five clear days' notice that a Key Decision will be taken)**

I agree that the taking of the decision cannot reasonably be deferred.

**Not applicable.**

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Chairman of the relevant Scrutiny Committee)

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Decision-Taker)

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<b>Subject:</b>	<b>INSTALLATION OF A RENEWABLE ENERGY PILOT SCHEME FOR COUNCIL PROPERTIES IN ST RADIGUNDS, DOVER, KENT</b>
<b>Report of:</b>	<b>Roger Walton, Head of Environment and Corporate Assets</b>
<b>Portfolio Holder:</b>	<b>Portfolio Holder for Environment, Waste and Planning</b>
<b>Decision Type:</b>	<b>NON - KEY</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**Purpose of the report:** To obtain approval to offer the Councils tenants in St Radigunds LSOA the opportunity to benefit from electricity savings arising from the installation of solar photo-voltaics on Council properties.

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- Recommendation:**
1. To accept an offer to work with Carillion (Eaga) on a pilot scheme for the provision of approximately 200 PV (PhotoVoltaic) systems that will provide free electricity during daylight hours for Council tenants in St Radigunds LSOA (Lower Super Output Area) The project will also attract an indicative £110,000 for energy saving measures under the Government's CESP (Community Energy Support Programme).
  2. That East Kent Housing be requested to undertake all necessary consultation with affected tenants (and their tenant representatives) and to implement any agreed consequential changes required to the terms and conditions of tenancy.
  3. It is requested that, in view of the urgency of this decision, the Chairman of the Council suspends call-in to allow confirmation of our intent by late November 2011
  4. That the Director of Environment and Corporate Assets be authorised in consultation with the Solicitor to the Council to settle the terms of an agreement with Eaga covering the survey of properties and the installation and maintenance of the solar PV panels for the pilot scheme at St Radigunds.
- 

## 1. Summary

Partnership working with Eaga will facilitate the installation of approximately 200 solar panel systems onto the roofs of suitable Council properties in St Radigunds, a deprived area of Dover. This will provide free electricity for tenants worth up to an estimated £100/yr. This installation will be free to the Council and its tenants as the project will be funded from the Government's (FITs) Feed In Tariff. The Government has also introduced a Community Energy Support Programme (CESP) specifically for areas of deprivation. Dover has one such area – St Radigunds, which has been identified as being eligible for an indicative £110,000 grant for multiple additional energy saving measures. The Government's phased programme for PV installations

reduces the value of the FIT in April 2012; therefore this offer is time limited and is linked to the additional CESP funding.

## **2. Introduction and Background**

- 2.1 This project will help alleviate fuel poverty in a deprived area of Dover (St Radigunds LSOA) by providing free electricity (during daylight hours, as PV solar only supplies electricity during the day) to Council house tenants in suitable properties within the pilot scheme area. Suitable properties will be South facing (+/- 35 degrees) and not overshadowed by taller buildings or trees. The FIT will be available for 25 years, at the end of this period the solar panels will revert to the Council's ownership.
- 2.2 In Appendix 1 we have assessed offers from a range of providers, including roof rental schemes and have concluded that the roof sizes of Council-owned properties in St Radigunds are too small to offer a viable rental income. Our preferred partner Eaga (Carillion) have offered to install panels to the greatest number of Council properties, and are able to secure additional grant funding through the Government's CESP (Community Energy Support Programme).
- 2.3 The Government's Feed In Tariffs (FITs) were introduced in April 2010 to encourage the generation of renewable energy. The FITs for householders using PhotoVoltaic technology generating  $\leq 4$  kWp retrofit will receive 41.3 p/kWhr for a period of 25 years provided the installation is completed before 31<sup>st</sup> March 2012. The solar panels will be installed by Eaga, who will collect the FIT, the householder will benefit from the use of free electricity during daylight hours. The maintenance costs are borne by Eaga and at the end of the 25yr period the ownership/maintenance will revert to the Council.
- 2.4 The Government is also offering CESP (Community Energy Support Project) funding for multiple energy saving measures in the wider St Radigunds area. Measures will include upgrading insulation, solid wall insulation, fitting energy efficient boilers, heating controls and heat pumps. For our Council Properties an indicative £9,973 contribution from the Council will bring in a further £110, 989 in grant funding.
- 2.5 For other tenures (Private Owned/Private Rented) in the St Radigunds LSOA we have an offer of CESP funding which can be used to help improve our hard to treat homes in this area. The partnership funding for these tenures has been identified in a separate cabinet report titled Revision of Existing Housing Assistance Policy. The level of partnership funding from the Council will determine the amount of grant that is available from CESP, an indicative assessment is a 61/39 split between the grant and match funding for non Council housing.
- 2.6 The proposal has raised certain legal issues regarding tenancy agreements, tenant's choice, tenant's consultation, change of tenancy and Right to Buy. The key principle is that existing tenants must enter into an agreement with Eaga and future tenants will also be required to enter into a similar agreement as a condition of allocation of the property. These are being dealt with in a legal agreement between the Council and Eaga (Carillion). Eaga have stated that they will take full responsibility for tenant liaison and have experience of working in other local authority areas on similar projects.

## **3. Identification of Options**

- 3.1 Option 1. Do Nothing

- 3.2 Option 2. Tender for PV on Council Properties in St Radigunds
- 3.3 Option 3. Carry out a pilot PV project in St Radigunds and lever in CESP funding.

4. **Evaluation of Options**

4.1 Option 1. This is not a preferred option because:

- a) Tenants would lose the benefit of free day-time electricity, and CESP energy saving measures.
- b) The Council would lose the opportunity for carbon savings and also the opportunity to improve the SAP rating and energy efficiency of its housing stock in a deprived area.

4.2 Option 2. This is not a preferred option at this time because:

- a) It is unlikely that this process could be completed in time to benefit from the CESP grant.
- b) The FIT degresses in April 2012 making free PV installations less attractive to potential business partners.

4.3 Option 3. This is the preferred option because:

- a) Tenants in Fuel Poverty would benefit from free day-time electricity.
- b) Tenants would benefit from a range of Energy Saving measures under CESP
- c) The Council's property will benefit from an improved SAP rating

5. **Resource Implications**

<i>Capital/Major Revenue Project Expenditure</i>	<i>2011/12 £000</i>	<i>2012/13 £000</i>	<i>2013/14 £000</i>	<i>Total £000</i>
Expenditure		£10		£10
Income		£0		£0
Net Capital Investment		£10		£10
Proposed to be financed from [specify, receipts, revenue reserves, grants, etc]		£0		£0
Provision for the project which was included in the Medium Term Financial Plan		£10		£10

<i>Revenue Implications</i>	<i>2011/12 £000</i>	<i>2012/13 £000</i>	<i>2013/14 £000</i>	<i>On-Going £000</i>
Expenditure increase/(decrease)				
Income (increase)/decrease				
Net Revenue Implications				
Increase/(decrease) in budget requirement				

## 6. Finance Summary

The value of energy saving measures proposed within this project is approximately £2,120,000. The contribution required from the Council to lever in this funding is £9,973.91 which has been identified from the existing HRA housing maintenance budget. Due to Government grant timetables a decision to proceed is required by mid November at the latest or the offer will be withdrawn.

## 7. Addendum

On 31 October 2011 the Government announced an urgent review of the FIT. The consultation is due to end on the 23<sup>rd</sup> December 2011, however the immediate effect on this project is that from the 12<sup>th</sup> December the FIT reduces from 43.1p per kWhr to 21p per kWhr. for local generated electricity. The Government's rationale is that *'Reduced subsidies for domestic solar electricity production have been proposed as part of an urgent effort to keep the FITs scheme budget under control and reflect the plummeting costs of the technology.'*

In view of these unforeseen circumstances it is initially proposed to restrict the scheme to three streets (St Radigunds, Beaufoy & Barwiick Road) with the number of properties being in line with the number of installations that Eaga indicate they would be able to undertake during the period up to 23 December. This would make the consultation with tenants more manageable and will help avoid raising the expectations of other tenants, which it may not be possible to meet, should government changes to the FIT mean that panels can't be fitted to all the homes included in the original scheme.

There is considerable lobbying taking place and at the end of the Government's urgent consultation period the decision may be to retain the previous FIT reduction date of 31<sup>st</sup> March 2012. Under these circumstances Eaga would be able to complete all suitable houses within the pilot scheme area.

## 8. Corporate Implications

### 8.1 Comment from the Director of Finance (linked to the MTFP):

This report concerns two separate but related projects:

The first project is the supply and installation of PhotoVoltaic systems that will benefit Council tenants at no cost to DDC as these works will be commissioned by Carillion (Eaga). They will also maintain the systems for 25 years at which time the systems become the property of the Council.

The second project is additional energy saving measures to Council properties within the same St Radigunds area funded by CESP. This project has been assisted by the approximate £2.12m investment under the PV systems project advised above.

The second project provides indicative funding of circa £120k. Circa £10k of this sum would be financed by DDC in order to lever the balance of up to £110k from CESP. DDC's contribution would be accommodated within the existing HRA Capital Works Programme with the CESP funded works being commissioned (and paid for) by Carillion (Eaga). – PH

## 8.2 Comment from the Solicitor to the Council:

The Solicitor to the Council is satisfied that the supply and installation of 200 panels under the pilot scheme will fall under the thresholds for EU procurement rule purposes. It will be necessary for a formal waiver (by the Monitoring Officer/Section 151 Officer) to be made in accordance with CSO 13 in order to formally waive the requirement for the Council to conduct a full competitive purchasing process (on the grounds that the works are required as a matter of urgency and a full value for money exercise has been carried out).

The form of the Landlords Agreement with Eaga has been agreed following lengthy negotiation. The important issues have been: (i) to ensure that Tenants are properly informed and fully consulted and are given freedom of choice; (ii) that an installation does not proceed after survey unless the Tenant has signed a Licence Agreement with Eaga; (iii) that upon change of tenancy a new Tenant will also sign a Residents Agreement directly with Eaga; (iv) whilst Eaga will agree to have regard to certain maintenance and servicing standards throughout the 25 years, they cannot accept an enforceable obligation to keep in repair. However, it is agreed that the installer has an inherent interest in maintaining its panels in order to continue to receive the feed in tariffs.

## 9. **Appendices**

Appendix 1 – Analysis of Social PV Offers

## 10. **Background Papers**

None.

Contact Officer: Shaun Cline, Climate Change Officer

**EXCLUSION OF THE PRESS AND PUBLIC**

**Recommendation**

That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the remainder of the business on the grounds that the item to be considered involves the likely disclosure of exempt information as defined in the paragraph of Part I of Schedule 12A of the Act set out below:

<u>Item Report</u>	<u>Paragraph Exempt</u>	<u>Reason</u>
Decisions taken by Portfolio Holders between Cabinet and Council Meetings	3	Information relating to the financial or business affairs of any particular person