



Sevenoaks
DISTRICT COUNCIL

Despatched: 10.09.12

PERFORMANCE AND GOVERNANCE COMMITTEE

18 September 2012 at 7.00 pm
Conference Room - Council Office

AGENDA

Membership:

Chairman: Cllr. Fittock Vice-Chairman: Cllr. Walshe
Cllrs. Mrs. Bayley, Clark, Mrs. Cook, Davison, Dickins, Firth, Gaywood, Grint, London,
McGarvey and Piper and one vacancy

	<u>Pages</u>	<u>Contact</u>
Apologies for Absence.		
1. Minutes Minutes of the meeting held on 12 June 2012.	(Pages 1 - 6)	
2. Declarations of interest. Any interests not already registered		
3. Statement of Accounts 2011/12 - Outcome of External Audit		Andy Mack District Auditor
4. Formal Response or Consultation Requests from the Cabinet and/or Select Committees following matters referred by the Committee: (a) Performance Monitoring: LPI HR 003 – Number of working days lost through long term sickness absence per FTE (>20cumulative days) (Response from Services Select Committee - 19 June 2012, referred on 13 March 2012)	(Pages 7 - 18)	
5. To receive the minutes of the Finance Advisory Group for information Minutes of the meetings held on 13 June 2012 and 25 July 2012.	(Pages 19 - 30)	
6. Actions from the last meeting of the Committee (attached)	(Pages 31 - 32)	

- | | | | |
|-----|--|-------------------|--------------------------------------|
| 7. | Future Business, the Work Plan 2012/13 (attached) and the Forward Plan | (Pages 33 - 34) | |
| | Members will develop a schedule of work over the year to reflect the terms of reference of the Committee focussing on the Council's priorities for policy development. This includes opportunities to invite other organisations who provide services in the District to provide information to the Committee and discuss issues of importance to the Community. | | |
| 8. | Performance Monitoring | (Pages 35 - 50) | Lee Banks
Tel: 01732
227161 |
| 9. | Financial Prospects and Budget Strategy 2012/14 and Beyond | (Pages 51 - 64) | Pav Ramewal
Tel: 01732
227298 |
| 10. | Annual Review of the Committee's Terms of Reference | (Pages 65 - 74) | Bami Cole
Tel: 01732
227000 |
| 11. | Internal Audit Progress Report - Quarter 1 | (Pages 75 - 86) | Bami Cole
Tel: 01732
227000 |
| 12. | Asset Management Plan - Annual Report | (Pages 87 - 94) | Jim Latheron
Tel: 01732
227209 |
| 13. | Argyle Road Offices, Accommodation for Outside Organisations | (Pages 95 - 102) | Jim Latheron
Tel: 01732
227209 |
| 14. | Budget Monitoring July 2012 | (Pages 103 - 108) | Helen Martin
Tel: 01732
227483 |
| 15. | Annual Treasury Management Report 2011-12 | (Pages 109 - 124) | Pav Ramewal
Tel: 01732
227298 |

EXEMPT ITEMS

(At the time of preparing this agenda, there were no exempt items. During any such items which may arise, the meeting is likely NOT to be open to the public.)

To assist in the speedy and efficient despatch of business, Members wishing to obtain factual information on items included on the Agenda are asked to enquire of the appropriate Director or Contact Officer named on a report prior to the day of the meeting.

Should you require a copy of this agenda or any of the reports listed on it in another format please do not hesitate to contact the Democratic Services Team as set out below.

For any other queries concerning this agenda or the meeting please contact:

The Democratic Services Team (01732 227241)

PERFORMANCE AND GOVERNANCE

Minutes of the meeting held on 12 June 2012 commencing at 7.00 pm

Present: Cllr Fittock (Chairman)

Cllr Walshe (Vice-Chairman)

Cllrs. Mrs. Bayley, Clark, Davison, Dickins, Firth, Gaywood, Grint, London, McGarvey and Piper

Apologies for absence were received from Cllrs. Hogarth.

Cllrs. Mrs. Davison and Ramsay were also present.

1. Minutes

In respect of Minute 59, a Member noted that a further report would be brought to the Committee on the new Police Office and a more in-depth consideration of value for money in the letting process and questioned when the report would be presented. In response, the Deputy Chief Executive and Director of Corporate Resources confirmed that the report would be presented at the September meeting.

Resolved: that the minutes of the meeting of the Performance and Governance Committee held on 13 March 2012, be approved and signed by the Chairman as a correct record.

2. Declarations of interest.

In respect of minute 7, Property Review – Local Needs Housing Shoreham, Councillor McGarvey declared a personal interest as the Acting Clerk to Shoreham Parish Council.

3. Formal Response or Consultation Requests from the Cabinet and/or Select Committees following matters referred by the Committee:

a) Internal Audit Quarter 2 – Progress Report – ‘Review of Car Parking Income’(Response from Environment Select Committee 20 March 2012)

The response was noted.

b) LPI HR 003 – Number of working days lost through long term sickness absence per FTE (>20 cumulative days) (Response from Services Select Committee 3 April 2012)

The Committee noted that a further report was due to be considered by the Services Select Committee on 19 June 2012.

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Performance and Governance - 12 June 2012

4. To receive the minutes of the Finance Advisory Group for information.

Members noted the Minutes of the meeting of the Finance Advisory Group held on 28 March 2012.

5. Actions from the last meeting of the Committee

The completed actions were noted.

6. Future Business, the Work Plan 2012/13 (attached) and the Forward Plan.

Members noted that the Internal Audit Quarter 1 report would be considered at the September meeting.

7. Property Review - Local Needs Housing, Shoreham

In 2005, Shoreham Parish Council, supported by Sevenoaks District Council, asked the Rural Housing Enabler at Action with Communities in Rural Kent to carry out a housing needs survey in the Parish, to identify if there was a need for affordable housing for local people. The results identified a housing need from 17 households and the Parish council agreed that a small development of eight homes would go some way to meet this need. From an initial sight search it was agreed that the most appropriate available site was in Filston Lane. The land identified formed part of Timberden Farm, owned by the District Council and let on a Farm Business Tenancy. The land would have no other development use other than for agricultural purposes were it not for an identified local need and had been valued at £25,000. The original purchase of the farm by the District Council provided for the vendor to receive 50% of any proceeds of sale of whole or part of the farm for development purposes. The proposal accorded with equality issues in that it would be beneficial to provide housing for disadvantaged sections of the local community, especially in rural areas such as Shoreham.

A Member reported that at its meeting the previous week, Shoreham Parish Council took the decision to oppose the proposal. The Parish Council had concerns that the proposal was based on a survey that had been published in 2005 and was therefore seven years old. As a result of this it was likely that demand had changed in the intervening years. There was also a scheme in Dunton Green which was relatively local and appeared to be meeting local need.

The Professional Services Manager reported that the scheme would not be progressed unless there was full support from the Parish Council.

Resolved: That the matter be deferred pending the receipt of further information from Shoreham Parish Council.

8. Review of the Effectiveness of Internal Audit 2011/12.

The Committee considered a report outlining the outcome of the annual self-assessment of the Council's internal audit function. The initial self assessment was undertaken by the internal audit manager using the standard CIPFA template. The assessment was then reviewed by the Council's Officers Risk Management Group, prior to a review by management team and subsequently the Performance and Governance Committee. The

overall assessment was that the Council has an effective internal audit team, which substantially complies with the CIPFA Code

In respect of staffing, training and development, the Chairman queried whether costs had been included in the budget. The Audit, Risk and Anti-Fraud Manager reported that training needs were identified through the appraisal process and would be funded through the corporate training budget.

In response to a question from the Chairman, the Audit, Risk and Anti-Fraud Manager reported that the review of the implementation of the new CIPFA guidance on the role of the Head of Internal Audit to ensure compliance would be undertaken within the next six months.

A Member suggested that it may be helpful to invite the Audit Manager to a meeting with no managers present to enable them to speak freely. The Chief Executive confirmed that the Audit, Risk and Anti-Fraud Manager had free, direct access to the Chairman of the Committee. The Chairman also confirmed that he had private meetings with the Audit Manager. Following discussions, it was agreed that this initiative could be pursued at a future meeting.

Action 1: That the Audit Manager be invited to a meeting of the Committee with no management present.

Resolved: That the Annual Self-Assessment Review of the Effectiveness of Internal Audit Service 2011/12 be approved.

9. Internal Audit Annual Report

The Committee considered a report setting out the achievements of the Internal Audit Team during the period April 2011 to March 2012. The report was prepared in compliance with the Accounts and Audit Regulations 2011, and professional guidance issued by CIPFA. The report incorporated the Audit Manager's overall assurance opinion for 2011/12. The opinion indicated that the Council had effective internal control arrangements in place during the period

Resolved: That

- a) the work of the Internal Audit Team for 2011/12 be approved; and
- b) the Audit Manager's annual assurance opinion that the Council has effective internal controls and governance arrangements in place for delivering its objectives and the management of its business risks be supported.

10. Annual Governance Statement 2011/12.

The Committee considered the annual Governance Statement 2011/12 which was required to accompany the Council's Statutory Accounts. A Member noted that the Statement for 2011/12 was not substantially different from that produced for 2010/11. In response the Audit, Risk and Anti Fraud Manger confirmed that the Statement was a requirement under the Accounts and Audit Regulations 2011 and that as there had been no substantial changes during the year the two statements appeared to be similar. The

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Committee were assured that the completion of the Annual Governance Statement was a thorough process, involving management team and Heads of Service.

Resolved: That the Annual Governance Statement for 2011/12, which accompanies the Council's Accounts, be agreed.

11. Risk Management Plan 2012/13.

The Committee considered an update on the Council's risk management process and plans for delivering the Council's risk management strategy in 2012/13. The Audit, Risk and Anti-Fraud Manager pointed out that training workshops on the Council's refreshed risk management framework would be delivered to all managers and risk owners within the next few weeks. The second part of the report set out a summary of the Council's Strategic Risks.

Referring to paragraph 9 of the report, a Member commented that the tone of the paragraph appeared to be unduly negative. In response the Chief Executive highlighted that the purpose of the report was to focus on risk, and staffing was an area of risk to the Authority. The Chief Executive also highlighted that a staff survey would be undertaken over the summer and the Council would be assessed for its Investors in People accreditation in the autumn and this would demonstrate more positive aspects.

Resolved: That the report be noted.

12. Benefits Fraud Report 2011/12

The Committee considered a report setting out details of the activities of the Anti-Fraud Team during 2011/12 and the Team's work plan for 2012/13. The Fraud Manager amended two typing errors on page 100 of the report. There had been a 69% increase in the value of overpaid Housing Benefit and Council Tax Benefit discovered through benefit fraud investigations in 2011/12. There had also been a 42% increase on the number of benefit sanctions issued. The figures were encouraging as the partnership with Dartford Borough Council was only in its second year.

The Committee considered how the creation of a new Single Fraud Investigation Service would affect the work carried out by the Anti-Fraud Team. The Fraud Manager reported that the effects of the proposed new service were unclear. The Deputy Chief Executive and Director of Corporate Resources explained to Members that one of the difficulties faced by Officers was that a fraud team working to national priorities could lose a local focus. In addition to this, the Fraud Team also dealt with Council Tax Fraud and it would be a challenge for the Local Authority to identify the necessary resources to continue this work if funding was lost through the centralisation of Housing Benefit. Work was being undertaken with authorities across Kent in order to address the issues that were arising. The Committee were assured that regular updates would be provided as more information was received from central government.

A Member questioned why it was that whilst in 2011/12 56 cases of proven fraud had been identified, only 34 benefit sanctions had been issued in respect of Sevenoaks District Council. The Fraud Manager reported that there were a number reasons why benefit sanctions had not been issued. In some cases, for public interest reasons cases

were not prosecutable and this meant that sanctions were not pursued. There were also some cases where time limitations within the benefit fraud legislation had affected the Council's ability to pursue sanctions.

In response to a question, the Fraud Manager confirmed that, the recovery of overpayments was the responsibility of the Revenue and Benefits Team.

A Member questioned how repeat offenders were traced by local authorities, especially when they moved from area to area. The Fraud Manager explained to the Committee that there was a central database of sanctions that could be accessed by all local authorities. In addition to this, the only sanction that can be taken against repeat offenders would be prosecution.

Resolved: That the report and the work of the Anti-Fraud Team carried out in 2011/12 and the work proposed for 2012/13 be noted.

13. Performance Management End of Year Results

The Committee considered a report summarising Council performance. The report also provided details of all 'Red' performance indicators for the period to the end of March 2012. Members noted that the Services Select Committee would be considering a report on sickness absence and the Environment Select Committee would be considering a report on Fly Tipping.

Turning to Indicator LPI HB001, a Member stressed the need to recognise that Officers were in a difficult position due to the 70% increase in the number of new claims and the challenges relating to recruiting experienced benefit assessors. As a result of the challenges being faced by the service, Members stressed the need to set realistic targets for staff. The Deputy Chief Executive and Director of Corporate Resources reported that in order to meet the additional demand between 14 and 17 new benefit assessors would have to be recruited. This simply was not possible due to budget constraints and problems recruiting experienced assessors.

Members also expressed concern at the length of the delay in processing new benefit claims. The Deputy Chief Executive and Director of Corporate Resources reported that some complaints had been received but customers appeared to appreciate the effort that was taken by staff to keep them informed and updated on the progress of their claim.

The Deputy Chief Executive and Director of Corporate Resources also reported that Officers had been meeting with the Portfolio Holder for Finance and Value for Money in order to discuss additional funding contributions towards the Service from the Housing Benefit Subsidy Reserve. The Committee agreed that the Services Select Committee should be asked to further review the performance indicators relating to the Housing Benefits Service.

Turning to Performance Indicator LPI PH001, Number of Home Improvement Agency projects completed, a Member noted that no up-to-date information had been provided. The Policy and Performance Manager explained that at the time the agenda was published the information had not been available however, the new information that had

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been received would be circulated with the minutes. The Committee also agreed that it would be helpful for the indicator to be further review by the Services Select Committee.

Action 2: That update information regarding indicator LPI PH001 be circulated with the minutes.

In reference to Performance Indicator LPI Waste005, Number of Missed Green Waste Collection Complaints, a Member expressed concerns surrounding having an indicator that simply recorded complaints and did not record the number of missed collections. The Committee agreed that it would be helpful for the composition of the target to be reviewed.

Resolved: That the report be noted and that the Services Select Committee be requested to further review the performance indicators relating to the Housing Benefits Service.

14. Provisional Outturn 2011/12

Members considered a report setting out the provisional outturn for 2011/2012. The Committee heard that at the end of February the forecast outturn was a favourable variance of £50,000. Since then the Council had received a VAT refund of £552,000.

The provisional outturn for the year showed a favourable variance of £632,000 which, after allowing for the VAT refund, was a year end favourable variance of £80,000.

The Committee welcomed the favourable variance and thanked Officers for their hard work and diligence in balancing the budget.

Resolved: That the Provisional Outturn 2011/12 be noted.

THE MEETING WAS CONCLUDED AT 8.52 PM

CHAIRMAN

STATEMENT OF ACCOUNTS 2011/12 – OUTCOME OF EXTERNAL AUDIT

Performance and Governance Committee - 18 September 2012

Report of the: Deputy Chief Executive and Director of Corporate Resources

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the external audit findings of the 2011/12 accounts.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager Financial Services – Adrian Rowbotham

Recommendation to Performance and Governance Committee: It be RESOLVED that the Statement of Accounts 2011/12 be approved.

Introduction

- 1 The Draft Statement of Accounts 2011/12 was submitted to and reviewed by the Finance Advisory Group on 25 July 2012.
- 2 The external audit of the accounts began on 26 July and the Annual Governance Report in Appendix A sets out the findings and the changes to the accounts agreed as part of the process. The report also sets out the auditor's Value for Money (VFM) conclusion for 2011/12.
- 3 The Council's external auditor, Andy Mack of The Audit Commission, will attend the meeting to discuss their report on the 2011/12 audit. The accounts are required to be signed off by the end of September.
- 4 The Audited Statement of Accounts 2011/12 is attached in Appendix B.
- 5 The format of the statement remained the same as 2010/11 and has been compiled in line with International Financial Reporting Standards (IFRS).

Review by the Finance Advisory Group

- 6 At the meeting on 25 July, the Finance Manager explained the most important items in the statement and provided answers to detailed questions raised by Members.

Agenda Item 3

- 7 Following Member recommendation, the 'Movement in Reserves Statement' has been amended so that the year end balance transferred to the Budget Stabilisation Reserve can be clearly identified.

Changes made since the Finance Advisory Group meeting

- 8 As well as the changes mentioned in the Audit of the Financial Statements section below, officers have also made the following changes since the draft statement was presented to the Finance Advisory Group:
- Added a policy and note for Heritage Assets, which is a new requirement for 2011/12. this council does not have any Heritage Assets of a material value.
 - The table in the foreword has been adjusted to show the year-end contribution to the Budget Stabilisation Reserve.

Commentary on the Auditor's Report

Audit of the Financial Statements

- 9 The Audit Commission has stated that the accounts presented for approval have been prepared to a sound standard and that none of the adjustments have impacted on the overall reported general fund balance.
- 10 The main changes highlighted in the Annual Governance Report are explained below:
- a. Council Tax benefit classification – in all previous years Council Tax benefit and Housing benefit have been included in the 'Housing services' line in the 'Comprehensive Income and Expenditure Statement'. The Audit Commission have pointed out that the two benefits should be treated separately with Council Tax benefit being included in the 'Central services to the public' line.
 - b. Municipal Mutual Insurance Limited (MMI) – MMI was the main local authority insurer for many years up until 1992 when the company failed and went into "run off". A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run-off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion.

Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of others rather than MMI. This increased the risk that a solvent run-off would not be achieved which would result in councils (and others, such as housing associations) being liable to clawback of monies paid out to settle claims. Due to this uncertainty, the council has shown this risk as a Contingent Liability in the Statement of Accounts in recent years.

Since March, more information has become available following the outcome of a Supreme Court Judgement which has made it more likely that this council will

incur additional expenditure. Therefore, a Provision has now been included in the accounts rather than a Contingent Liability.

- c. Council tax refunds (banding appeals) – Officers were aware of the discrepancy and have been carrying out a detailed analysis to identify the likely causes. The cause was found to be how council tax banding refunds had been treated for years prior to the current Academy System going live. The adjustment affects the Collection Fund and the Balance Sheet but has no effect on the year-end outturn position.

- 11 There are no uncorrected errors.

Value for Money

- 12 The Audit Commission has issued an unqualified opinion about the Council's economy, efficiency and effectiveness in its use of resources.
- 13 In particular, the report highlights that the Council continues to have strong arrangements in place to ensure value for money. This includes high quality financial monitoring and robust medium term financial planning which is underpinned by high quality strategic leadership at both Member and senior officer level.

Process Improvements

- 14 We would like to express our thanks to the Audit Commission for their efforts in completing the required audit work in time for reporting to this Committee. The Finance Team will be working with the Audit Commission to review the 2011/12 Accounts process to identify any improvements that can be made for future years.

Key Implications

Financial

- 15 There are no financial implications.

Community Impact and Outcomes

- 16 No issues have been identified.

Legal, Human Rights etc.

- 17 There are no legal or human rights implications.

Conclusions

- 18 It is pleasing to report to Members a positive outcome to the closure of accounts process. It has been a challenging process due to the staffing changes and budget savings resulting from the departure of the Head of Finance and Human Resources. I would like to take this opportunity to thank the Team for their dedication and professionalism in successfully completing the accounts during a period of change.

Agenda Item 3

Risk Assessment Statement

- 19 In order to meet this year's statutory publication deadline, the final version of the Statement of Accounts needs to be agreed with the external auditor by 30 September 2012.
- 20 The system of internal control within the Council, including regular budget monitoring and internal audit reviews, reduces the risk of errors in the Statement of Accounts and provides the Committee with further assurance.
- 21 The staffing changes in the Finance Team increases the risk of errors but this risk has been mitigated by having thorough working papers and by having a handover process.
- 22 Referring the Statement of Accounts to the Finance Advisory Group for more detailed scrutiny should provide the Committee with further assurance about the accuracy of the Statement.

Appendices

Appendix A – Annual Governance Report 2011/12

Appendix B – Audited Statement of Accounts
2011/12

Contact Officer(s):

Helen Martin Ext.7483

Adrian Rowbotham Ext.7153

Dr. Pav Ramewal

Deputy Chief Executive and Director of Corporate Resources

Annual governance report

Sevenoaks District Council

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

My audit is now substantially complete. I expect to issue an unqualified audit opinion after the Performance and Governance Committee on 18 September 2012.

The Council produced a draft set of accounts by the 30 June 2012 deadline which were of a sound standard overall. The accounts were supported by good quality working papers and officers were prompt and helpful in responding to queries from the audit team. A number of amendments have been made as a result of the audit

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. I have considered your arrangements to:

- secure financial resilience; and
- secure economy, efficiency and effectiveness.

The Council continues to have strong arrangements in place to ensure value for money. This includes high quality financial monitoring and robust medium term financial planning which is underpinned by high quality strategic leadership at both Member and senior officer level.

Certificate

I plan to issue my certificate by 30 September 2012.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2010/12.

I ask the Performance and Governance Committee to:

- take note of the adjustments to the financial statements included in this report (appendix 2);
- approve the letter of representation (appendix 3), on behalf of the Authority before I issue my opinion and conclusion.

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to final audit closing procedures, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Amendments

My audit identified some presentational and typographical areas for improvement. I have discussed these with management and agreed amendments as appropriate. This has also included amendments in relation to:

- reclassification of Council Tax Benefits income and expenditure as shown in the income and expenditure account;
- upgrading a contingent liability to a provision for potential costs associated with Municipal Mutual Insurance Limited (MMI) claims of £221,000 where the latest information from MMI suggests the scheme of arrangement is more likely to be called upon ;and
- the accounting treatment of Council tax refunds where the refund extends back, to beyond the period covered by the current Academy system.

I have set out further details on these in Appendix 2.

Officers have previously reported to Cabinet in July that they have also made two adjustments to the financial statements in respect of:

- the need to include disclosure of Heritage Assets, which is a new requirement for 2011/12 ; and
- a text disclosure error in relation to the level of surplus for the year transferred to the Budget Stabilisation reserve.

Significant risks and my findings

I reported to you in my March 2012 Audit Plan the significant risk that relevant to my audit. I report to you my findings below:

Table 1: Table 1.Risks and findings

Risk	Finding
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Authority is required to value most types of PPE at fair value (except for infrastructure, community assets and assets under construction which are valued at historic cost). Accounting for PPE crosses over many areas within the financial statements and the values at Sevenoaks are significant, (£19m valuation at 31/3/2011). Because the accounting is complex and includes material estimations, there is potential for material error.</p>	<p>The Authority carries PPE in the balance sheet at fair value. For freehold and leasehold properties (the majority of the Council's property holding) fair value is determined in accordance with Royal Institute of Chartered Surveyors' RICS valuation principles for particular asset types:</p> <ul style="list-style-type: none"> ■ Existing Use Value (operational assets); ■ Market Value (investment properties) ■ Depreciated Replacement Cost (specialist assets with no market) <p>The Authority uses independent valuations provided by its external valuers to inform it of current valuations; a rolling programme of valuations is carried out to ensure that whole portfolio is revalued every five years.</p> <p>All estimates carry with them a degree of uncertainty. In the case of valuation of PPE, this is minimised by using suitably qualified independent valuers and the application of appropriate valuation principles.</p> <p>The risk of error at the Council is further minimised by officers closely scrutinising the output from the valuer and questioning any unusual trends or items. In respect of the 2011/12 valuation exercise officers identified a number of anomalies including:</p> <ul style="list-style-type: none"> ■ an unusual downward revaluation movement of £1.2m to an investment property; ■ inconsistency in the description of property (operational/ investment) ■ a discrepancy between electronic and hard copy versions of the valuation report. <p>I am satisfied that these items have been appropriately addressed between the Council and the valuer.</p>

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

I have no additional matters to report.

Whole of Government Accounts

Alongside my work on the financial statements, I have also reviewed and reported to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report were specified by the National Audit Office. Subject to the final completion of my audit testing, I have no matters to report.

Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my March 2012 Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing each of the risks I identified.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 2: Value for money conclusion criteria and my findings

Criteria	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>The quality of financial governance and leadership within an organisation is critical in meeting the financial management challenges and for securing financial resilience. Although good basic systems, controls and processes are important, it is the overall financial culture that makes the difference. Sevenoaks District Council has a strong culture of financial leadership provided by experienced and knowledgeable officers who have been able to respond to the scale of financial challenges arising from cuts in government funding.</p> <p>The Authority's financial planning and modelling extends over the long term, which allows it to take decisions in a planned way, allowing for the lead-in time that is necessary in implementing organisational change.</p> <p>Tight financial control is maintained over revenue budgets; over successive years the annual out turn has achieved a surplus. For 2011/12 the authority achieved a</p>

Criteria	Findings
	<p>surplus of £518,000, which has been transferred into the 'Budget Stabilisation' Reserve. The year end balance on this of £2.8 million, along with that of the more strategic 'Financial Plan' reserve allows the Authority to manage transition budget pressures and invest in projects to deliver longer term efficiencies, service improvements and reduce the extent to which the Authority's budget is reliant on income from reserves.</p>

2. Securing economy efficiency and effectiveness

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2011/12:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Council has continued to implement the savings programme it started previously. During 2011/12 the Council delivered a number of important savings actions. It has :

- completed a review of staff pay and conditions;
- implemented a more streamlined senior management structure;
- developed property sharing arrangements with Moat Housing and Kent Police to improve under utilised office space, maintain services and generate income; and
- implement shared environmental health services with Dartford Borough Council.

This activity has been delivered against a new corporate vision and priorities set by the Leader.

In my March 2012 Audit Plan I reported to you the significant risk that was relevant to my conclusion. I have set out below the findings of my work.

Table 3: **Significant risk**

Risk	Finding	Impact on VFM conclusion
<p>The external financial environment continues to be a very challenging one for all local authorities. The need to maximise the efficient use of resources cuts across all of the Council's operations and is reflected</p>	<p>The Council recognised the significance of the financial challenges it faced and started its 2011/12 budget setting process two months earlier than usual. From this a ten year budget and four year savings plan were developed. A similar approach was adopted for the 2012/13</p>	<p>I intend to issue an unqualified vfm conclusion. The council is taking a reasonable and prudent approach to manage future spending downwards to within the level of its projected income.</p>

Risk	Finding	Impact on VFM conclusion
<p>in the Council's risk register along with associated actions and controls to mitigate the risks.</p>	<p>budget, with members being informed of the future financial prospects and risk assessment of the budget at an early stage.</p> <p>The current outlook remains very challenging with increased uncertainty over the level of future income. Further reductions in government grant appear likely, which will continue to challenge the Council. In particular there are uncertainties surrounding the impact of the Local Government resources review and the local retention of business rates by the Council. In response the Council has established a cabinet portfolio for Economic Development and Partnerships as business development in the area is highly important to future levels of grant income.</p>	

Fees

I reported my planned audit fee in the March 2012 Audit Plan.

I will complete the audit within the planned fee.

Table 4: Fees

	Planned fee 2011/12 (£)	Expected fee 2011/12 (£)
Audit	94,402	94,402
Claims and returns	25,000	25,000
Non-audit work	0	0
Total	119,402	119,402

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SEVENOAKS DISTRICT COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Sevenoaks District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Sevenoaks District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Resources (Deputy Chief Executive) and auditor

As explained more fully in the Statement of the Director of Resources (Deputy Chief Executive’s) Responsibilities, the Director of Resources (Deputy Chief Executive) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting

policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources (Deputy Chief Executive); and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Sevenoaks District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Sevenoaks District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Sevenoaks District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Mack

District Auditor

Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

18 September 2012

Appendix 2 – Amendments

I have discussed the following issues with management during my audit and management have amended the financial statements as a result.

Item of account	Nature of issue	Statement of comprehensive income and expenditure		Balance sheet	
		Dr £'000s	Cr £'000s	Dr £'000s	Cr £'000s
Classification: Council Tax benefit	The Council receives Council Tax benefit grant from the Department for Work and Pensions (DWP) in relation to Council tax benefit granted to taxpayers. Both the grant received from the DWP (income) and the benefit granted to council tax payers (expenditure) was incorrectly classified in the accounts against Housing Services rather than Central Services to the public (as required by the Chartered Institute of Public Finance and Accountancy). This has therefore resulted in a movement within the service lines of the CIES. There is no overall impact on the reported financial performance for the Council.	£7,200	£7,200		
Contingent Liabilities and Provisions	The Council has included a contingent liability in respect of Municipal Mutual Insurance Limited (MMI) claims of		£221		£221

	Statement of comprehensive income and expenditure	Balance sheet
<p>£221,000. Based on information provided in MMI's latest accounts, at the end of June, and the outcome of a recent Supreme Court Judgement, it is our view that a provision is now required in respect of MMI</p>		

	Collection Fund	Balance sheet
<p>Council tax refunds (banding appeals) extending back to prior to the current Academy System</p> <p>Although refunds have been properly accounted for in individual taxpayers personal accounts, the process requires manual intervention to deal with the pre-Academy element of a refund. The day to day automated posting between Academy and the ledger has not dealt with these postings and as a result, £484,000 of these transactions needed to be posted through the ledger.</p>	<p>£484</p>	<p>£484</p>

Appendix 3 – Draft letter of management representation

Sevenoaks District Council Audit of Accounts for the year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other relevant details directors of Sevenoaks District Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 march 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

For property valuations accounting estimate, I confirm:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the method;
- the assumptions appropriately reflect management’s intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures;
- the disclosures relating to the accounting estimate are complete and appropriate under the Code; and
- that no subsequent event requires the Authority to adjust the accounting estimate and related disclosures included in the financial statements.

Related party transactions

I confirm that I have disclosed the identity of the Authority’s related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Sevenoaks District Council

I confirm that the this letter has been discussed and agreed by the Performance and Governance Committee on 18 September 2012

Signed

Name

Position

Date

Appendix 4 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Audit Commission

Annual governance report

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



STATEMENT OF ACCOUNTS

2011/2012



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EXPLANATORY FOREWORD

The explanatory foreword relates to the Statement of Accounts.

1. Layout of the Statement of Accounts

The Statement of Accounts consists of the following:

- **The Statement of Responsibilities**, setting out the general responsibilities of both the District Council, and of the Deputy Chief Executive and Director of Corporate Resources, in making proper financial arrangements and in maintaining financial records.
- **The Independent Auditor's report**. The Council's external auditors provide an independent opinion on whether the financial statements present a "true and fair view" of the financial position of the Council at the Balance Sheet date and its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources
- The core financial statements:
 - i. **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for tax setting purposes. The line entitled 'Net Increase / Decrease before Transfers to Earmarked Reserves' shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the authority.
 - ii. **The Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
 - iii. **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may

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use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

- iv. **The Cash Flow Statement** shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying Cash flows as Operating, Investing and Financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.
- v. **Notes to the core financial statements** provide further detailed information.
- vi. **The Collection Fund Statement**, together with notes to this account.

2. Accounting Practice

The authority has always adopted best practice in the presentation of its accounts as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

These accounts also reflect the CIPFA Service Reporting Code of Practice and, in particular, the service spend analysis shown within the Comprehensive Income and Expenditure Statement is based on this code.

3. Comparison of Outturn to Budget

The original budget approved by Council on 16 December 2010 was a balanced budget with no planned contribution to or from the General Fund Reserve. During 2011/12 a supplementary estimate of £14,000 was approved for Christmas car parking.

The final outturn position is a surplus of £0.518m. As approved by Cabinet, this balance was transferred to the Budget Stabilisation Reserve to support future budgets, leaving a nil movement on the General Fund.

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The table below shows a comparison of budget and outturn figures in 2011/12

	Original Budget	Revised Budget	Revised Outturn
	£'000	£'000	£'000
Net Service Expenditure	13,771	13,785	12,784
VAT Refund	-	-	(552)
MMI Provision	-	-	211
Appropriation to/from Reserves	722	708	1,581
Interest Receipts	(153)	(153)	(308)
Landsbanki investment impairment	-	-	128
Government Support	(5,141)	(5,141)	(5,141)
*Council Tax	(9,199)	(9,199)	(9,221)
<hr/>			
Contribution from/(to) GF reserve	-	-	-
Contribution from/(to) Budget Stabilisation Reserve	-	-	(518)
<hr/>			
(Favourable)/Adverse variance	0	0	0

*The Council Tax figure is the Demand on the Collection Fund in the Income and Expenditure Account less Parish Council Precepts.

The main areas of variance in the year were as follows:-

- VAT refund (£552,000 income): The council received a refund in respect of overpaid VAT relating to the period prior to 1996 for Trade Refuse. The refund includes statutory interest which is payable in cases of official error.
- A Provision (£211,000) was set up to allow for claims from Municipal Mutual Insurance.
- Pay costs (£257,000 underspent): Almost all services showed an underspend; in some cases these are offset by agency costs (particularly Direct Services).
- Income (£555,000 favourable): Part of that variance refers to the VAT refund explained above. In total, income received from fees and charges was close to budget, but on the main income sources, Development Control, Building Control and Legal income, the position was very difficult during 2011/12.
- Direct Service Trading Accounts had a year end deficit of £21,000 (including capital charges of £47,000), which was worse than the budgeted surplus of £73,500 and was due mainly to increased fuel costs. (See also Note 25)

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- Interest and Investment Income was £122,000 better than budget (excluding interest relating to the VAT refund). This was due to the Council holding higher balances than budgeted, which has increased investment income.
- In 2010/11 an accumulated impairment of £284,000 was charged to the General Fund within the Movement in Reserves statement. That impairment represented the anticipated loss on the Icelandic investment based on information received during 2010/11. Based upon updated information, this impairment has been reduced by £128,000 and that sum is reflected in the Comprehensive Income and Expenditure statement.

4. Assets

Expenditure on non current assets during the year centred on Hever Road Gypsy Site, IT equipment and commercial vehicle replacements.

5. Pension Fund

The accounts fully comply with IAS 19 (formerly FRS 17) including appropriate adjustments to the Comprehensive Income and Expenditure Statement and Balance Sheet. The pension liability based on IAS 19 is estimated at £49.6m at 31 March 2012, compared to £34.5m at 31 March 2011.

IAS 19 does not have any impact on the actual level of employer contributions paid to the Kent County Council Fund. Employers' levels of contribution are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The last actuarial valuation of the pension fund was at March 2010. At that time the District Council's share of the overall deficit was £23m.

6. Internal and External Sources of Finance Available / Borrowing Requirements

At the end of the year, the Council held some £0.7m of capital receipts which could be used to finance future capital spending. The Council is debt-free.

Earmarked reserves have increased by £2.1m leaving a balance of £16.1m. £2.8m of this is in the new Budget Stabilisation Reserve.

7. Other Significant Items

In October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested with Landsbanki Islands hf. Following the successful outcome of legal test cases in the Icelandic Supreme Court

in late 2011, the deposits made by local authorities will rank as priority claims. The administrators have now commenced the process of dividend payments. The latest assumption is that 100% of the Council's investment (and interest up to 22 April 2009) will be recovered.

8. Impact of Current Economic Climate

Economic downturn has had a major impact on financial performance and financial planning. Several income streams have experienced reduced returns, such as from Development Services and Interest from Investments, whilst there is higher demand for housing benefits for example.

Future spending plans have taken into account the likely impact of a continued period of low economic growth, combined with the anticipated scale of grant reduction for local authorities. Large scale budgetary savings are essential in these circumstances and Sevenoaks District Council planned to make £4million of savings over four years starting in 2011/12. Operational efficiency and joint working are a major part of this financial strategy, which aims to ensure that the council can maintain services in the face of cuts and set sustainable budgets in future years.

In trying to ensure the Council has adequate reserves to withstand future financial pressures in the shorter term, a budget stabilisation reserve was created with surplus funds in 2009/10. This is required to manage the impact of significant reductions in grant support in future years.

9. Material Events After the Reporting Date

There have been no material events after the reporting date.

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STATEMENT OF RESPONSIBILITIES FOR THE

STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Deputy Chief Executive and Director of Corporate Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Deputy Chief Executive and Director of Corporate Resources' Responsibilities

The Deputy Chief Executive and Director of Corporate Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Deputy Chief Executive and Director of Corporate Resources has:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Deputy Chief Executive and Director of Corporate Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Deputy Chief Executive and Director of Corporate Resources' Certificate

I hereby certify that the Statement of Accounts for the year ended 31st March 2012 required by the Accounts and Audit (England) Regulations 2011 gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year.

DR PAV RAMEWAL

Deputy Chief Executive and Director of Corporate Resources

29 June 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVENOAKS DISTRICT COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of Sevenoaks District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Sevenoaks District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Resources (Deputy Chief Executive) and auditor

As explained more fully in the Statement of the Director of Resources (Deputy Chief Executive's) Responsibilities, the Director of Resources (Deputy Chief Executive) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources (Deputy Chief Executive); and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Sevenoaks District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Sevenoaks District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Sevenoaks District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andy Mack
District Auditor
Audit Practice,
Audit Commission
1st Floor
Millbank Tower
Millbank
London SW1P 4HQ

18 September 2012

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MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purpose of setting council tax. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked Reserves Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	3,713	14,516	-	537	18,766	(40,256)	(21,490)
<u>Movement in reserves during 2011/12</u>							
Surplus or (deficit) on the provision of services	7,331				7,331		7,331
Other Comprehensive Income and Expenditure				15	15	17,952	17,967
Total Comprehensive Income and Expenditure	7,331			15	7,346	17,952	25,298
Adjustments between accounting basis & funding basis under regulations (note 8)	(7,849)			211	(7,638)	7,638	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(518)			226	(292)	25,590	25,298
Year end balance transferred (to)/from Budget Stabilisation Reserve	(419)	419					
Other transfers to/from the Earmarked Reserve	937	(937)					
Transfers (to)/from Earmarked Reserves (note 9)	518	(518)					
Increase/(Decrease) in 2010/11	-	(518)		226	(292)	25,590	25,298
Balance at 31 March 2011	3,713	13,998	-	763	18,474	(14,666)	3,808

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	General Fund Balance	Earmarked Reserves Balance	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	3,713	13,998	-	763	18,474	(14,666)	3,808
<u>Movement in reserves during 2011/12</u>							
Surplus or (deficit) on the provision of services	1,942				1,942		1,942
Other Comprehensive Income and Expenditure				13	13	(14,839)	(14,826)
Total Comprehensive Income and Expenditure	1,942			13	1,954	(14,839)	(12,884)
Adjustments between accounting basis & funding basis under regulations (note 8)	157			(68)	89	(89)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	2,099			(55)	2,044	(14,928)	(12,884)
Year end balance transferred (to)/ from Budget Stabilisation Reserve	(518)						
Other transfers to/from Earmarked Reserves	(1,581)						
Total transfers (to)/from Earmarked Reserves (note 9)	(2,099)	2,099			-		-
Increase/(Decrease) in 2011/12	-	2,099		(55)	2,044	(14,929)	(12,884)
Balance at 31 March 2012	3,713	16,097	-	708	20,518	(29,594)	(9,076)

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

2010/11			Note	2011/12		
Gross Exp Restated	Gross Income Restated	Net Exp Restated		Gross Exp	Gross Income	Net Exp
£000	£000	£000		£000	£000	£000
12,189	(8,128)	4,061		11,340	(8,175)	3,165
1,609	(520)	1,089		1,261	(27)	1,234
7,683	(1,670)	6,013		6,157	(1,408)	4,749
			6			
				23	(575)	(552)
5,567	(1,834)	3,733		5,216	(1,960)	3,256
1,634	(2,635)	(1,001)		1,001	(2,718)	(1,717)
28,037	(25,343)	2,694		29,089	(26,638)	2,451
36	-	36		178	-	178
-	-	-		211	0	211
(8,251)	-	(8,251)	35		-	-
48,504	(40,130)	8,374	24	54,476	(41,501)	12,975
		(222)				40
		(64)	25			(26)
		3,273				3,366
		10				6
		2,997				3,386
		313	11			207
		(40)				(128)
		1,972	35			1,091
		(449)				(416)
		1,796				754

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Gross Exp Restated	2010/11 Gross Income Restated	Net Exp Restated	Note	Gross Exp	2011/12 Gross Income	Net Exp
		(1,669)	29			(1,069)
		(12,445)				(12,511)
		(5,543)	29			(3,752)
		(841)	29			(1,725)
		<u>(20,498)</u>				<u>(19,057)</u>
		<u>(7,331)</u>				<u>(1,942)</u>
		(787)	10			(181)
		(17,180)	35			15,007
		<u>(25,298)</u>				<u>(12,884)</u>

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BALANCE SHEET

1 April 2010 £000	31 March 2011 £000	Note		31 March 2012 £000
			Long Term Assets	
17,339	16,584	10,31	Property, Plant and Equipment	17,083
-	-	38	Heritage Assets	-
1,260	3,047	11	Investment Property	2,835
-	-		Intangible Assets	-
-	-	16	Assets held for sale	-
742	2,560	12	Long Term Investments	404
611	570	14	Long Term Debtors	520
<u>19,952</u>	<u>22,761</u>		Total Long Term Assets	<u>20,842</u>
			Current Assets	
13,160	13,257	12	Short Term Investments	15,277
5,533	5,828	15	Cash and Cash Equivalents	8,772
22	36	13	Inventories	55
6,211	3,226	14	Short Term Debtors	1,965
190	171		Payments in Advance	139
<u>25,116</u>	<u>22,518</u>		Total Current Assets	<u>26,208</u>
			Current Liabilities	
(575)	(758)	17	Receipts in Advance	(789)
(2,651)	(2,626)	17	Short Term Creditors	(3,219)
(152)	(238)	18	Short Term Provisions	(187)
<u>(3,378)</u>	<u>(3,622)</u>		Total Current Liabilities	<u>(4,195)</u>
21,738	18,896		Net Current Assets	22,013
			Long Term Liabilities	
(371)	(370)	17	Long Term Creditors	(368)
(2,469)	(2,481)	18	Long Term Provisions	(1,757)
(58,904)	(34,512)	35	Net Pensions Liability	(49,641)
(1,436)	(486)	29	Capital Grants Receipts in Advance	(164)
<u>(63,180)</u>	<u>(37,849)</u>		Total Long Term Liabilities	<u>(51,930)</u>
<u>(21,490)</u>	<u>3,808</u>		Total Net Assets	<u>(9,075)</u>

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1 April 2010	31 March 2011		continued from previous page	31 March 2012
£000	£000	Note		£000
		19	Usable Reserves	
537	763		Usable Capital Receipts Reserve	708
14,516	13,998	9	Earmarked Reserves	16,098
3,713	3,713		General Fund	3,713
		20	Unusable Reserves	
15,298	15,592		Capital Adjustment Account	15,702
3,449	4,161		Revaluation Reserve	4,322
(152)	(152)		Accumulated Absences Account	(152)
(211)	-		Financial Instruments Adj Account	-
-	-		Collection Fund	(54)
(58,904)	(34,512)	35	Pensions Reserve	(49,641)
264	245		Deferred Capital Receipts	229
<u>(21,490)</u>	<u>3,808</u>		Total Reserves	<u>(9,075)</u>

These financial statements replace the unaudited financial statements authorised at the meeting of the Performance and Governance Committee on 18 September 2012.

Dr Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources
08 September 2012

COUNCIL APPROVAL

The Performance and Governance Committee, at its meeting on 18 September 2012, approved the Statement of Accounts for the year ended 31 March 2012 in accordance with the Accounts and Audit (England) Regulations 2011.

Councillor M. Fittock
Chairman of the Performance and Governance Committee
18 September 2012

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THE CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as Operating, Investing and Financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2010/11			2011/12
£000	Note		£000
(7,331)		Net (surplus) or deficit on the provision of services	(1,942)
3,702	21	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(1,951)
579	21	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	279
<u>(3,050)</u>	21	Net Cash flows from Operating Activities	<u>(3,614)</u>
2,759	22	Investing Activities	674
<u>(4)</u>	23	Financing Activities	<u>(4)</u>
<u>(295)</u>		Net (increase) or decrease in cash and cash equivalents	<u>(2,944)</u>
5,533		Cash and Cash Equivalents at the beginning of the reporting period	5,828
5,828	15	Cash and Cash Equivalents at the end of the reporting period	8,772

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

a. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b. Accruals of Income and Expenditure

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this are payments of regular quarterly accounts (e.g., telephones, electricity) and Penalty Charge Notice income. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The officer responsible for Treasury Management has categorised items on the balance sheet as cash equivalents on this basis.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

d. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting

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practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

e. Charges to Revenue for Non-Current Assets

Service revenue accounts, central support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation.

f. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and

any such amount payable but unpaid at the year-end.

Post-employment Benefits

Employees of the Authority are members of the Local Government Pension Scheme, administered by Kent County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Kent County Council Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% (based on the yield on the iboxx AA rated over 15 year corporate bond index as at 31 March 2012).
- The assets of the Kent County Council Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed costs.
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- actuarial gains or losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- contributions paid to the Kent County Council Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

g. Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

h. Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. This includes trade creditors and loans.

Financial assets are classified as loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. This includes investments, trade debtors and loans.

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing, and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if this is unlikely to be a temporary fall.

i. Government Grants and Contributions

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Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

j. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

The Council writes off the entire cost to the Comprehensive Income and Expenditure Statement in the year the cost is incurred.

k. Inventories

Stocks are valued at cost. This is a departure from the requirements of the Code which require inventories to be shown at cost or net realisable value if lower; the effect of the different treatment is immaterial.

l. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital

appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually, except when the net book value is under £100,000, to ensure that the carrying value reflects market/fair value. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

m. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

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- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this

is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

n. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or services in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

o. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

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Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de-minimis level of £15,000 has been applied.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement basis:

- infrastructure, community assets and assets under construction – depreciated historical costs.
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the

year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.]

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

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- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts

are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

p. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

The specific purposes of the Council's provisions are explained in a note to the Core Financial Statements.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

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Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probably that there will be an inflow of economic benefits or service potential.

q. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

r. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset (for example, Disabled Facilities Grants) has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

s. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

t. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in policy 1.o.

At present the Council has no material heritage assets.

2. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced a change in accounting policy in relation to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets), which will need to be adopted fully by the authority in the 2012/13 financial statements.

3. Critical Judgements in Applying Accounting Policies

There are no significant critical judgements included in these accounts.

4. Prior Period Adjustment

There are no prior period adjustments.

5. Assumption Made About the Future and Other Major Sources of Estimation Uncertainty

In October 2008 a number of Icelandic banks went into administration. At that time, Sevenoaks District Council had £1m invested in Landsbanki Islands hf at an interest rate of 6.32% and a maturity date of 25 June 2009. Action in the Icelandic courts resulted in a decision that the deposits made by local authorities (including interest up to the bankruptcy reference date of 22 April 2009) rank as priority claims. The latest information from the bank's Winding Up Committee is that the investment and interest will be returned in full by 2019.

6. Material Items of Income and Expense

A VAT refund of £552,000 has been received in respect of overpaid VAT relating to the period prior to 1996 for Trade Refuse. This was a one-off opportunity. The refund includes statutory interest which is payable in cases of official error.

7. Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Deputy Chief Executive and Director of Corporate Resources on 18 September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects

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to reflect the impact of this information.

8. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2011/12

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	920			(920)
Movements in the market value of Investment Properties	207			(207)
Capital grants and contributions applied	(1,069)			1,069
Non Specific Capital Grants	-			-
Revenue expenditure funded from capital under statute	1,018			(1,018)
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	40	57		(97)
Amount by which finance cost calculated in accordance with the Code are different from the amount of Finance Costs calculated in accordance with statutory requirements.	-			-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				
Capital expenditure charged against the General Fund Balance	(1,144)			1,144
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-		-	
Application of grants to capital financing transferred to the Capital Adjustment Account			-	-
Finance Lease SI454 Income	4			(4)

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	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in UnUsable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(119)		119
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	6	(6)		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,021			(3,021)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,899)			2,899
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	53			(53)
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-			-
Total Adjustments	157	(68)	-	89

2010/11 Comparative Figures

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:				
Charges for depreciation and impairment of non-current assets	996			(996)
Movements in the market value of Investment Properties	313			(313)
Capital grants and contributions applied	(1,669)			1,669
Non Specific Capital Grants	26			(26)
Revenue expenditure funded from capital under statute	1,095			(1,095)
Amount of non-current assets written off on disposal or sale as part of the (gain) /loss on disposal to Comprehensive Income and Expenditure Statement	(223)	361		(138)
Amount by which finance cost calculated in accordance with the Code are different from the amount of Finance Costs calculated in accordance with statutory requirements.	(211)			211
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:				
Capital expenditure charged against the General Fund Balance	(978)			978
Capital Grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-		-	
Application of grants to capital financing transferred to the Capital Adjustment Account			-	-
Finance Lease SI454 Income	4			(4)

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	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in UnUsable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		(140)		140
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	10	(10)		
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,756)			3,756
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,456)			3,456
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-			-
Adjustments primarily involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration chargeable in the year in accordance with statutory requirements	-			-
Total Adjustments	(7,849)	211	-	7,638

9. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11 and 2011/12.

	Balance at 1 April 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31Mar 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31Mar 2012 £000
General Fund:							
Financial Plan	-	-	-	-	-	5,812	5,812
Budget Stabilisation	1,846	-	419	2,265	(362)	863	2,766
Housing Benefit Subsidy	851	-	341	1,192	-	159	1,351
Asset Maintenance	4,721	(666)	260	4,315	(3,387)	72	1,000
First Time Sewage	-	-	-	-	-	915	915
Local Plan/ LDF	538	(143)	179	574	(71)	62	565
Re-organisation	359	(19)	18	358	(21)	141	478
Community Development	448	(55)	25	418	(6)	58	470
Pension Fund Valuation	-	-	-	-	-	349	349
Action & Development	349	(35)	-	314	(19)	-	295
Vehicle Renewal	608	(522)	478	564	(803)	531	292
Vehicle Insurance	246	(12)	30	264	-	23	287
Carry forward Items	240	(66)	167	341	(224)	105	222
New Homes Bonus	-	-	-	-	(120)	335	215
Rent Deposit / Guarantee	178	-	1	179	(15)	18	182
Homelessness	64	(4)	-	60	(7)	81	134
IT Asset	-	-	-	-	-	121	121
Big Community	-	-	-	-	(17)	120	103
Local Strategic Partnership	148	(37)	-	111	(29)	-	82
Housing Benefit	65	(13)	37	89	(23)	-	66
Economic Dev.	-	-	-	-	-	60	60
District Elections	66	-	16	82	(45)	16	53
Transportation	80	-	-	80	(80)	-	-
Pension Fund Deficit	3,511	(942)	-	2,569	(2,569)	-	-
Other Reserves (under £50,000)	198	(33)	58	223	(9)	65	279
Total	14,516	(2,547)	2,029	13,998	(7,807)	9,906	16,097

The purpose of these earmarked reserves are shown below:

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- Financial Plan – Funds moved from the Asset Maintenance Reserve and Pension Fund Deficit Reserve to support the 10-year budget strategy.
- Budget Stabilisation - To support decisions required to continue to produce a balanced budget in future years in spite of expected funding reductions.
- Housing Benefit Subsidy - Provides a cushion against large movements in reclaimable sums in any year.
- Asset Maintenance – To fund emergency asset maintenance works.
- First Time Sewerage – Transferred from a provision for potential liabilities relating to earlier sewerage installations.
- Local Plan / LDF - To help support the Local Plan and LDF.
- Re-organisation - To fund actions taken to achieve annual budget savings.
- Community Development - To fund ongoing and future projects.
- Pension Fund Valuation - To contribute towards the expected downturn at the next pension fund actuarial valuation.
- Action and Development - To fund ad hoc expenditure e.g. resulting from an emergency.
- Vehicle Renewal - Funding for future commercial vehicle replacements.
- Vehicle Insurance - Provides own damage cover on the council's commercial vehicle fleet.
- Carry Forward Items - For specific items agreed by cabinet.
- New Homes Bonus - Due to the uncertainty of future Government funding an element of the New Homes Bonus is being kept separate until further information is received.
- Rent Deposit / Guarantee - To support the homeless etc, by providing their initial deposit and guarantee for a property.
- Homelessness Prevention – For preventing homelessness.
- IT Asset Maintenance – To fund future IT asset maintenance costs.
- Big Community – To fund local projects.
- Local Strategic Partnership - Grant received for the Local Area Agreement to be passed on to Local Strategic Partnerships.
- Housing Benefit Section – To meet the varying demand of administering Housing Benefits.
- District Elections - To finance local elections.
- Economic Development - To support economic development
- Transportation - For uncertainty relating to concessionary fares transfer to KCC.
- Pension Fund Deficit - To meet some of the back funding element. The remaining balance has been moved into the Financial Plan Reserve.
- Other - Other small reserves set aside.

10. Property, Plant and Equipment

Movements on Balances

Movements in 2011/12:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Assets under Construction £000	Total Property, Plant Equipment £000
<u>Cost or Valuation</u>					
At 1 April 2011	19,321	7,465	383	949	28,118
Additions	451	879	-	-	1,330
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	118	-	-	-	118
- Surplus or Deficit	-	-	-	-	-
Derecognition – Disposals	-	(574)	-	-	(574)
Derecognition - Other	-	-	-	-	-
Reclassifications	949	-	-	(949)	-
At 31 March 2012	20,839	7,770	383	-	28,992
<u>Accumulated Depreciation and Impairment</u>					
At 1 April 2011	(6,241)	(5,294)	-	-	(11,535)
Depreciation Charge	(197)	(723)	-	-	(920)
Depreciation written out to the					
- Revaluation Reserve	63	-	-	-	63
- Surplus/ Deficit on the Provision of Service	-	-	-	-	-
Derecognition – Disposals	-	483	-	-	483
Derecognition - Other	-	-	-	-	-
At 31 March 2012	(6,375)	(5,534)	-	-	(11,909)
<u>Net Book Value</u>					
As at 31 March 2011	13,080	2,171	383	949	16,583
As at 31 March 2012	14,464	2,236	383	-	17,083

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Comparative Movements in 2010/11:

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Assets under Construction £000	Total Property, Plant Equipment £000
<u>Cost or Valuation</u>					
At 1 April 2010	20,705	7,654	383	-	28,742
Additions	123	620	-	949	1,692
Revaluation increases/ (decreases) recognised in:					
- Revaluation Reserve	767	-	-	-	767
- Surplus or Deficit	(33)	-	-	-	(33)
Derecognition – Disposals	(141)	(5)	-	-	(146)
Derecognition - Other	-	(804)	-	-	(804)
Reclassifications	(2,100)	-	-	-	(2,100)
At 31 March 2011	19,321	7,465	383	949	28,118
<u>Accumulated Depreciation and Impairment</u>					
At 1 April 2010	(6,015)	(5,388)	-	-	(11,403)
Depreciation Charge	(253)	(710)	-	-	(963)
Depreciation written out to the					
- Revaluation Reserve	20	-	-	-	20
- Surplus/ Deficit on the Provision of Service:					
Derecognition – Disposals	7	-	-	-	7
Derecognition - Other	-	804	-	-	804
At 31 March 2011	(6,241)	(5,294)	-	-	(11,535)
<u>Net Book Value</u>					
As at 31 March 2010	14,690	2,266	383	-	17,339
As at 31 March 2011	13,080	2,171	383	949	16,583

Depreciation

The following useful lives have been used in the calculation of depreciation:

- Buildings - up to 60 years
- Vehicles - up to 7 years
- Equipment - up to 5 years

Capital Commitments

At 31 March 2012, there were no significant sums outstanding on capital contracts.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

The freehold and leasehold properties which comprise the Authority's property portfolio have been valued as at 31st March 2012, by external independent valuers, I. Dewar FRICS IRRV MCI Arb, R. Messenger BSc FRICS IRRV MCI Arb, S. Layfield FRICS IRRV and A. Williams Dip BSc (Hons) MRICS IRRV of Wilks, Head and Eve, Chartered Surveyors. Valuations have been made on the undermentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation.

Plant and machinery that forms part of a building is included in the valuation.

Properties regarded by the Authority as operational were valued on the basis of Existing Use Value or where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Useful economic lives for these properties are generally 35 years.

Properties regarded by the Authority as investment properties have been valued on the basis of market value, again with useful economic lives of generally 35 years.

Vehicles, plant and equipment in the balance sheet relate to the Council's commercial vehicle fleet, computer equipment, fitness equipment in the leisure centres, air quality monitoring equipment, CCTV equipment and playground equipment. Most equipment is depreciated over 5 years, with some larger commercial vehicles over 7 years.

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The following statement shows the progress on the Council's rolling programme for the revaluation of Property, Plant and Equipment:

	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Assets under Construction	TOTAL
	£000	£000	£000	£000	£000
Carried at historical cost	187	7,770	383	-	8,340
Valued at current value in:					
2011/12	2,275	-	-	-	2,275
2010/11	1,039	-	-	-	1,039
2009/10	9,401	-	-	-	9,401
2008/09	3,892	-	-	-	3,892
2007/08	4,043	-	-	-	4,043
Total	20,837	7,770	383	-	28,990

11. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2011/12 £000	2010/11 £000
Rental income from investment property	81	80
Direct operating expenses from investment property	-	-
Net gain/(loss)	81	80

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2011/12 £000	2010/11 £000
Balance at start of the year	3,047	1,260
Disposals	(5)	-
Net Gains/ (losses) from fair value adj	(207)	(313)
Transfers from Property, Plant & Equipment	-	2,100
Other Changes	-	-
Balance at end of the year	2,835	3,047

12. Financial Instruments

The investment figures are made up mainly of surplus capital and revenue reserve balances. The investments are placed with recognised financial institutions. These are classified in the loans and receivables category of financial instruments, having fixed or determinate payments and not quoted in an active market.

The balances, which include the principal and the interest accrued, at the year end can be analysed as follows:

	2011/12 £000	2010/11 £000
Long-term Investments:		
Financial Institutions	404	2,560
Building Societies	-	-
Other Local Authorities	-	-
	404	2,560
Short-term Investments:		
Financial Institutions	8,266	7,242
Building Societies		4,009
Other Local Authorities	7,011	2,006
	15,277	13,257
Total Investments	15,681	15,817

Short-term investments are those that were placed for a period in excess of three months and fall to be repaid within one year of the balance sheet date. Long-term investments were placed for over one year. Investments placed for less than three months are treated as cash or cash equivalents.

Fair value of assets carried at amortised cost

Financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Market rates at 31 March 2012 for comparable instruments with the same duration,
- An impairment has been recognised for the investment with Landsbanki Islands hf.

	31 March 2012		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	23,692	23,807	22,131	22,159

The fair value is higher than the carrying amount because the Authority's portfolio of investments includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date.

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Disclosure of nature and extent of risks arising from financial instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have the funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. Risk management is carried out by the Council in the following ways:

- Formal adoption of the requirements of the CIPFA Treasury Management Code of Practice and Treasury Policy Statement.
- Approving annually in advance prudential and treasury indicators for the following three years and an Annual Treasury Management Strategy.

These policies are implemented by treasury management officers and the Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy. The Council uses the creditworthiness service provided by its treasury management consultant. Deposits are not made with banks and financial institutions unless they comply with the sophisticated modelling approach that combines credit ratings as the core element with other subjective overlays. In addition, the Council has the following policies:

- Minimum long term credit rating, as assessed by Fitch, of A.
- Maximum investment period of one year.
- Investments are limited to 25% of the total fund to any single institution or institutions within a group of companies
- Total investments in any one EU country outside of the UK is limited to 15% of the total fund.
- Investment in other foreign countries is no longer permitted.
- No more than £5m (or £6m including call accounts) per counterparty.

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The Strategy also permits investment with other local authorities and the UK Government's Debt Management Office for periods up to 1 year and six months respectively.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £12.9m at 31 March 2012 cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2012 that this was likely to crystallise.

The only historical experience of default relates to the Landsbanki Islands hf investment detailed below. Currently, investments are only being made with UK institutions. In all cases to date, the Government and/or another building society or bank has stepped in to rescue a failing institution, leading to no defaults by UK institutions.

Icelandic Bank Defaults

In October 2008 a number of Icelandic banks went into administration. At that time, the Council had £1m invested with Landsbanki Islands hf as follows:

	Date invested	Maturity date	Amount invested £000	Interest rate %	Carrying amount £000	Impairment £000	Principal default %
Landsbanki	25/6/07	25/6/09	1,000	6.32	594	156	0

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators/receivers. The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest available information, the Council considers it appropriate to make an impairment adjustment for the deposit and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of future payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Following the decision of the Icelandic Supreme Court to grant Priority status to UK local authorities, the winding up board made a distribution to creditors in a basket of currencies in February 2012.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest at a rate of 3.35%. This element of the distribution has been retained in Iceland due to currency controls operating there and, as a result, is subject to exchange rate risk, over which the Council has no control. The value of the escrow account has been estimated to be just over £7,000 as at the balance sheet date.

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The current position on estimated future payouts is as shown in the following table and the Council has used these estimates to calculate a likely impairment based on recovering 100p in the £.

Date	Repayment
Received in 2011-12	30.00%
Received in May 2012	12.20%
December 2012	7.00%
December 2013	7.00%
December 2014	7.00%
December 2015	7.00%
December 2016	7.00%
December 2017	7.00%
December 2018	7.00%
December 2019	8.80%

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

Recoveries are expressed as a percentage of the Council's claim in administration, which validly includes interest accrued up to the bankruptcy date of 22 April 2009.

The total impairment (principal plus interest not received) in the financial years up to and including 2011/12 has been recognised in the Income and Expenditure Account. As at 31 March 2011 the impairment was £284k and at 31 March 2012 this had reduced to £156k. This impairment has been calculated by discounting the assumed cash flows at the effective rate of interest of the original deposit in order to recognise the anticipated loss of interest to the Council until monies are recovered. Adjustments to the assumptions will be made in future years' accounts as more information becomes available.

Liquidity Risk

The Council ensures that it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft and standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives.

The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus, there is no significant risk that it will be unable to raise finance to meet its commitments.

The treasury management team monitors cash flow on a daily basis and takes into account known future spending patterns.

The maturity analysis of financial assets (excluding the Icelandic investment) is as follows:

	31 March 2012	31 March 2011
	£000	£000
Less than 1 year	24,231	19,300
Between 1 and 2 years	-	2,000

Refinancing and Maturity Risk

This risk relates to the maturing of both longer term financial liabilities and longer term financial assets. As the Council does not currently have any debt and does not lend for periods in excess of one year, this risk is not considered significant.

Market Risk

Interest Rate Risk

Upwards or downwards movements in interest rates may have a complex impact on the Council. For instance, a rise in variable and fixed interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall (but no impact on revenue balances).

The treasury management team has an active strategy for assessing interest risk exposure that feeds into the setting of the annual budget.

By way of example, if interest rates on fixed deposits had been 1% higher during 2011/12 (with all other variables held constant), the financial effect would have been to increase investment income by £319,000

Price Risk

The Council does not invest in equity shares or marketable bonds and is not, therefore, exposed to losses arising from movements in prices.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and, therefore, no exposure to loss arising from movements in exchange rates.

Foreign Exchange Risk in relation to Icelandic Deposits

The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki Islands hf. This is being held in Icelandic Kroner in an escrow account due to the imposition of currency controls in Iceland.

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13. Inventories

	2011/12	2010/11
	£000	£000
Balance outstanding at start of the year	36	22
Purchases	502	511
Recognised as an expense in the year	(483)	(497)
Balance outstanding at end of the year	<u>55</u>	<u>36</u>

14. Debtors

	31/03/12	31/03/11
	£000	£000
Long Term Debtors		
Employee Car Loans	100	106
Loan to Sencio	156	181
Finance lease	201	205
Other	63	78
Total Long Term Debtors	<u>520</u>	<u>570</u>
Short Term Debtors		
Collection Fund (CF)		
Central Government (NNDR)	-	1,253
Council Tax Payers	1,060	916
Bad Debt provision	(381)	(340)
General Fund		
DWP – Housing Benefit Grant	-	-
Housing Benefit Overpayments	1,194	856
Partnership working	477	-
Performance Reward Grant	-	-
Moat Housing Association	-	-
VAT	91	701
Other	472	516
Bad Debt provision	(948)	(676)
Total Short term debtors	<u>1,965</u>	<u>3,226</u>

The carrying amount is also deemed to be the fair value (being the amount that the market is willing to exchange assets).

15. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31/03/12	31/03/11
	£000	£000
Cash held by the Authority	1	1
Bank current accounts	761	4,826
Short-term deposits with:		
• Banks	3,008	-
• Building Societies	-	1,001
• Other Local Authorities	5,002	-
Total Cash and Cash Equivalents	<u>8,772</u>	<u>5,828</u>

16. Assets Held for Sale

No assets are classified as held for sale

17. Creditors and Receipts in Advance

	31/03/12	31/3/11
	£000	£000
<u>Receipts in Advance</u>		
Tax Payers	(170)	(153)
s.106 receipts	(384)	(346)
Other Receipts in advance	(235)	(259)
Total Receipts in Advance	<u>(789)</u>	<u>(758)</u>
<u>Short Term Creditors</u>		
DWP – Housing Benefit Grant	(83)	(665)
Central Government (NNDR)	(1,100)	-
Deposits	-	-
Council Taxpayers	(45)	(136)
Capital	(139)	(128)
Insurance	(168)	(164)
HMRC	(674)	(563)
Kent County Council	(613)	(423)
Other General Fund	(397)	(547)
Total Short Term Creditors	<u>(3,219)</u>	<u>(2,626)</u>
<u>Long Term Creditors</u>		
Long Term Creditor (Quakers Hall Allotments)	(368)	(370)

The carrying amount is also deemed to be the fair value (being the amount that

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the market is willing to settle liabilities).

18. Provisions

The following provisions have been made by the Council:

	Long Term			Short Term		Total
	First time Sewerage Schemes	Edenbridge Relief Road	MMI	Accumulated Absences	Other Provisions	
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	915	1,566	-	152	85	2,718
Additional Provisions made during year	-	7	211	-	-	218
Amounts Used during the year	(915)	(27)	-	-	(51)	(993)
Balance at 31 March 2012	-	1,546	211	152	34	1,943

The First Time Sewerage provision is to meet the liabilities of guarantee payments on schemes carried out in prior years. The limitation periods ran out in 2012, therefore there is no longer the requirement for a provision. However, the remaining balance has been moved to a First Time Sewerage Reserve in case there is a later call on this amount.

The Edenbridge Relief Road provision is to meet the liabilities of land and other compensation claims in relation to the road scheme which was completed in December 2004. The movement during the year consists of a compensation payment and an increase to reflect the longer period of time that any claims would cover. Also see note 36 for further information about the Edenbridge Relief Road.

Municipal Mutual Insurance Limited (MMI) – MMI was the main local authority insurer for many years up until 1992 when the company failed and went into “run off”. A Scheme of Arrangement was approved in 1994 with the aim of meeting all claims and achieving a solvent run-off. For a number of years the Administration and Creditors Committee reported that a solvent run-off was likely to be achieved and sought to sell the business to another insurer to bring the arrangement to a conclusion.

Unfortunately a sale has never been achieved and more recently claims have emerged where courts have ruled in favour of others rather than MMI. This increased the risk that a solvent run-off would not be achieved which would result in councils (and others, such as housing associations) being liable to clawback of monies paid out to settle claims. Due to this uncertainty, the Council has shown this risk as a Contingent Liability in the Statement of Accounts in recent years.

Since March, more information has become available following the outcome of a Supreme Court Judgement which has made it more likely that this council will incur additional expenditure. Therefore, a Provision has now been included in the accounts rather than a Contingent Liability.

The Accumulated Absences Provision is the opposite of the Accumulated Absences Account included in Unusable Reserves. This absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

Other provisions include:

- Redundancies that were agreed before 31 March 2011 but did not occur during 2011/12.
- A provision to cover potential restitutionary claims in respect of personal search fees of the land register.

19. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 8.

20. Unusable Reserves

	31/03/12	31/03/11
	£000	£000
Capital Adjustment Account	15,702	15,592
Revaluation Reserve	4,322	4,161
Accumulated Absences Account	(152)	(152)
Financial Instruments Adjustment Account	-	-
Collection Fund Adjustment Account	(54)	-
Pensions Reserve	(49,641)	(34,512)
Deferred Capital Receipts Reserve	229	245
Total Unusable Reserves	(29,594)	(14,666)

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Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11		2011/12	
£000		£000	£000
15,298	Balance at 1 April		15,592
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
	Charges for depreciation and impairment of non current assets	(920)	
(996)			
(2)	Revaluation Losses on Property, Plant and Equipment	-	
(1,095)	Revenue expenditure funded from capital under statute	(1,018)	
-	Deferred Capital Receipts movement	-	
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(97)	
(93)			
(2,184)			(2,035)
30	Adjusting Amounts written out of the Revaluation Reserve		20
(2,154)	Net Written out amount of the cost of non current assets consumed in the year		(2,015)
	Capital Financing applied in the year:		
	Use of the Capital Receipts Reserve to finance new capital expenditure	119	
140			
	Capital Grants and contributions credited to the Comprehensive Income and expenditure statement that have been applied to capital financing	1,069	
1,669			
(26)	Non-specific capital grant	-	
-	Application of Grants to capital financing from the Capital Grants Unapplied Account	-	
-	Statutory provision for the financing of capital investment charged against the General Fund	-	
978	Capital Expenditure charged against the General Fund	1,145	
2,761			2,333
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement		(207)
(313)			
15,592	Balance at 31 March		15,702

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11		2011/12	
£000		£000	£000
3,449	Balance at 1 April		4,161
787	Upward Revaluation of Assets	181	
	Downward Revaluation of Assets and impairment losses not charged to Surplus Deficit on the Provision of Services	_____	
4,236	Surplus/(Deficit) on revaluation of non- current assets not posted to the Surplus or Deficit on Provision of Services		181
(30)	Difference between fair value depreciation and historical cost depreciation	(20)	
(45)	Accumulated gains on assets sold or scrapped	-	
(75)	Amount written off to the Capital Adjustment Account	_____	(20)
<u>4,161</u>	Balance at 31 March		<u>4,322</u>

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11		2011/12	
£000		£000	£000
(152)	Balance at 1 April		(152)
	Settlement or cancellation of accrual made at the end		
-	Amounts accrued at the current year end	-	
-	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-
<u>(152)</u>	Balance at 31 March		<u>(152)</u>

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Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

2010/11 £000		2011/12	
		£000	£000
(211)	Balance at 1 April		-
40	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
171	Impairment of Landsbanki investments as required by regulations	-	
-	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-	
<u>211</u>	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		<u>-</u>
<u>-</u>	Balance at 31 March		<u>-</u>

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £000		2011/12	
		£000	
-	Balance at 1 April		-
-	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(54)	
<u>-</u>	Balance at 31 March		<u>(54)</u>

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements or accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits

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are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11		2011/12
£000		£000
(58,904)	Balance at 1 April	(34,512)
17,180	Actuarial Gains/(Losses) on pensions assets and liabilities	(15,007)
3,756	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,021)
3,456	Employer's pensions contributions and direct payments to pensioners payable in the year	2,899
(34,512)	Balance at 31 March	(49,641)

Deferred Capital Receipts Reserve

The deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010/11		2011/12
£000		£000
264	Balance at 1 April	245
(4)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure statement	(4)
(15)	Transfer to the Capital receipts reserve upon receipt of cash	(12)
245	Balance at 31 March	229

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21. Cash Flow Statement – Operating Activities

Adjustments to net surplus or deficit on the provision of services for non-cash movements:

2010/11		2011/12
£000		£000
(963)	Depreciation	(920)
(315)	Impairment and downward valuations	(354)
-	Amortisation	-
-	Increase in impairment provision for bad debts	-
(158)	(Increase)/Decrease in creditors	(2,096)
(3,004)	Increase/(Decrease) in debtors	255
14	Increase/(Decrease) in stock	19
7,212	Pension liability	(1,876)
93	Carrying amount of non-current assets sold	97
823	Other non-cash items charged to the net surplus or deficit on the provision of services	2,924
<u>3,702</u>		<u>(1,951)</u>

Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities:

2010/11		2011/12
£000		£000
-	Purchase of short-term and long-term investments	-
449	Proceeds from short-term and long-term investments	416
130	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(137)
<u>579</u>		<u>279</u>

The cash flows for operating activities include the following items:

2010/11		2011/12
£000		£000
337	Interest received	308
-	Interest paid	-
-	Dividends received	-

22. Cash Flow Statement – Investing Activities

2010/11		2011/12
£000	<u>Investing Activities</u>	£000
1,691	Purchase of property, plant & equipment, investment property and intangible assets	1,330
1,915	Purchase of short term and long term investments	(136)
-	Other payments for investing activities	-
(375)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(70)
(449)	Proceeds from sale of short-term and long-term investments	(416)
(23)	Other receipts from investing activities	(34)
<u>2,759</u>	Net Cash Flow from investing activities	<u>674</u>

23. Cash Flow Statement – Financing Activities

20010/11		2011/12
£000	<u>Financing Activities</u>	£000
-	Net increase / (decrease) in short- and long term deposits	-
-	Other receipts from financing activities	-
(4)	Cash payments for finance leases	(4)
-	Other payments for financing activities	-
<u>(4)</u>	Net Cash Flow from Financing activities	<u>(4)</u>

24. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Heads of Service. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on support services is budgeted for centrally and not charged to Heads of Service.

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The income and expenditure of the Authority's services recorded in the budget reports for the year is as follows:

Heads of Service
Income and
Expenditure
2011/12

	Community Development	Development Services	Environmental and Operations	Housing & Communications	Finance & Human Resources	IT & Facilities Management	Legal & Democratic Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(308)	(525)	(4,879)	(279)	(1,692)	(359)	(354)	(8,396)
Government Grants	(76)	-	-	(99)	(33,212)	-	-	(33,386)
Total Income	(385)	(525)	(4,879)	(378)	(34,903)	(359)	(354)	(41,783)
Employee Expenses	555	1,750	2,373	717	2,700	824	1,249	10,167
Other Service Expenses	970	188	5,034	605	36,931	1,129	468	45,324
Total Expenditure	1,525	1,938	7,406	1,321	39,630	1,954	1,717	55,491
Net Expenditure	1,140	1,413	2,528	944	4,727	1,595	1,363	13,709

Heads of Service
Income and
Expenditure
2010/11

	Community Development	Development Services	Environmental and Operations	Housing & Communications	Finance & Human Resources	IT & Facilities Management	Legal & Democratic Services	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Service Income	(886)	(612)	(4,134)	(168)	(856)	(308)	(356)	(7,320)
Government Grants	(99)	(23)	(59)	(90)	(32,541)	-	(34)	(32,846)
Total Income	(985)	(635)	(4,193)	(258)	(33,397)	(308)	(390)	(40,166)
Employee Expenses	686	1,968	2,528	802	1,893	896	1,502	10,275
Other Service Expenses	1,186	339	5,549	470	37,189	1,116	452	46,301
Total Expenditure	1,872	2,307	8,077	1,272	39,082	2,012	1,954	56,576
Net Expenditure	887	1,672	3,884	1,014	5,685	1,704	1,564	16,410

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

The reconciliation shows how the figures in the analysis of income and expenditure related to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12	2010/11
	£000	£000
Net Expenditure in Directorate Analysis	13,709	16,410
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(734)	(8,036)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement.	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	12,975	8,374

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Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Heads of Service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12

	Heads of Service Analysis	Amounts not reported management	Amounts not included in I&E	Cost of Service	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(8,396)			(8,396)		(8,396)
Interest and Investment Income					(416)	(416)
Income from Council Tax and NNDR					(16,263)	(16,263)
Government Grants and Contributions	(33,386)			(33,386)	(2,794)	(36,180)
Total Income	(41,782)	-	-	(41,782)	(19,473)	(61,255)
Employee Expenses	10,167	-		10,167		10,167
Other Service Expenses	45,324	(734)		44,590	1,105	45,695
Support service recharges						-
Depreciation, amortisation and Impairment		-	-	-	207	207
Interest Payments					(128)	(128)
Precepts & Levies					3,366	3,366
Payments to Housing Capital Receipts Pool					6	6
Gain or loss on disposal of non-current assets						-
Total Expenditure	55,491	(734)	-	54,757	4,556	59,313
(Surplus) or deficit on the provision of services	13,709	(734)	-	12,975	(14,917)	(1,942)

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2010/11 Comparative Figures	Heads of Service Analysis	Amounts not reported management	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(7,320)			(7,320)		(7,320)
Interest and Investment Income					(449)	(449)
Income from Council Tax and NNDR					(17,988)	(17,988)
Government Grants and Contributions	(32,846)			(32,846)	(2,510)	(35,356)
Total Income	(40,166)	-	-	(40,166)	(20,947)	(61,113)
Employee Expenses	10,274	-	-	10,274		10,274
Other Service Expenses	46,302	(8,036)	-	38,266	1,687	39,952
Support service recharges						-
Depreciation, amortisation and Impairment		-	-	-	313	313
Interest Payments					(40)	(40)
Precepts & Levies					3,273	3,273
Payments to Housing Capital Receipts Pool					10	10
Gain or loss on disposal of non- current assets						-
Total Expenditure	56,576	(8,036)	-	48,540	5,242	53,782
(Surplus) or deficit on the provision of services	16,410	(8,036)	-	8,374	(15,705)	(7,331)

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25. Trading Operations

Trading Accounts are operated for Direct Services, which includes two major services, Refuse Collection and Street Cleaning.

The following table sets out the financial trading accounts for 2011/12:

	Income £000	Expenditure £000	(Surplus)/Deficit £000	2010/11 £000
Direct Services				
Refuse Collection	(2,060)	2,086	26	(1)
Street Cleansing	(1,153)	1,205	52	80
Other Operational Accts	(1,962)	1,891	(71)	(113)
Overhead Accounts	(1,092)	1,059	(33)	(30)
	<u>(6,267)</u>	<u>6,241</u>	<u>(26)</u>	<u>(64)</u>

Other Operational Accounts include vehicle workshop and premises cleaning. Overhead Accounts include transport fleet and depot.

In order to satisfy the requirements of competition law, recharges for internal work completed by the trading accounts have been priced to include a cost of capital recovery. The Code of Practice does not permit charges for cost of capital to be debited to trading accounts. The following table sets out the position if capital charges had been made:

	Income £000	Expenditure £000	(Surplus)/Deficit £000	2010/11 £000
Direct Services				
Refuse Collection	(2,060)	2,111	51	19
Street Cleansing	(1,153)	1,219	66	93
Other Operational Acts	(1,962)	1,899	(63)	(99)
Overhead Accounts	(1,092)	1,059	(33)	(30)
	<u>(6,267)</u>	<u>6,288</u>	<u>21</u>	<u>(17)</u>

26. Members' Allowances

The authority paid the following amounts to Members of the Council during the year:

	2011/12 £000	2010/11 £000
Allowances	273	275
Expenses	16	16
Total	<u>289</u>	<u>291</u>

27. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

	Salary	Bonuses	Expenses	Pension Contribution	Other Benefits/ Payments	Total
	£	£	£	£	£	£
Chief Executive (Hales, R)						
2011/12	133,683		372	19,222	12,626	165,903
2010/11	133,683		392	20,594	3,487	158,156
Director of Community & Planning Services						
2011/12	112,300		286	14,686		127,272
2010/11	112,300		275	16,830		129,405
Director of Corp Resources						
2011/12	112,300		265	14,686		127,251
2010/11	112,300		296	16,830		129,426
Monitoring Officer						
2011/12	66,564	1,664	13	9,397		77,638
2010/11	66,564	1,796	23	10,732		79,115

The Chief Executive receives other payments for being the Deputy Returning Officer at elections.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees	
	2011/12	2010/11
£50,000 - £54,999	9	6
£55,000 - £59,999	4	7
£60,000 - £64,999	2	4
£65,000 - £69,999	-	1
£70,000 - £74,999	3	2
£75,000 - £79,999	-	1

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The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £000	2011/12 £000
£0 - £20,000	13	2	-	4	13	6	141	32
£20,001 - £40,000	3	4	-	-	3	4	77	108
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	1	-	-	-	1	-	82
Total	16	7	-	4	16	11	218	222

28. External Audit Fees

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

	2011/12 £000	2010/11 £000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	87	96
Fees Payable to external auditors in respect of statutory inspections	-	-
Fees payable to external auditors for the certification of grant claims and returns	32	26
Fees payable in respect of other services provided by external auditors during the year	-	-
Total	119	122

29. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2011/12 £000	2010/11 £000
<u>Credited to Taxation and Non Specific Grant Income</u>		
Non-Domestic Business Rates (CLG)	(3,752)	(5,543)
Revenue Support Grant (CLG)	(1,160)	(805)
Travellers Site (CLG)	(386)	(949)
Disabled Facilities (CLG)	(373)	(375)
New Homes Bonus (CLG)	(335)	-
Community Facility Improvements	(247)	(14)
Council Tax Freeze (CLG)	(230)	-
Regional Housing Pot (CLG)	(63)	(326)
Area Based Grant (CLG)	-	(36)
Other grants	-	(5)
Total	<u>(6,546)</u>	<u>(8,053)</u>
<u>Credited to Services</u>		
Housing Benefit Administration (DWP)	(632)	(674)
Choosing Health PCT (West Kent PCT)	(129)	(196)
Communities against Drugs (KCC)	(108)	(165)
Concessionary Fares (DfT)	-	(98)
Air Quality	-	(59)
Homelessness (CLG)	(92)	(47)
Tax and Housing Benefits (DWP)	-	(37)
Housing Option – HERO (CLG)	(55)	(36)
Small Sites and Commons	-	(24)
Youth Support	(36)	(19)
Planning Policy (CLG)	-	(16)
Other	(57)	(119)
Total	<u>(1,109)</u>	<u>(1,490)</u>

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The authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year-end are as follows:

	2011/12	2010/11
<u>Capital Grants Receipts in Advance</u>	£000	£000
Travellers Site (CLG)	-	(343)
Regional Housing Pot (CLG)	(48)	(92)
Disabled Facilities (CLG)	(116)	(51)
Total	<u>(164)</u>	<u>(486)</u>

30. Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 24 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in note 29.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in note 26. During 2011/12 the Council paid grants totalling £500 to voluntary organisations in which 1 member had an interest. The grants were made with proper consideration of declarations of interest. The relevant member did not take part in any discussion or decision relating to the grants. The Register of Members' Interests is open to public inspection.

Kent County Council pension fund – see note 35.

Assisted organisations – the Council provided material financial assistance to the following organisations:

- Sevenoaks Leisure Limited – management fee of £161,000. Two members are Sevenoaks District Council appointed directors of Sevenoaks Leisure Limited. A loan of £250,000 was given to Sevenoaks Leisure Limited to improve the fitness centre at Sevenoaks Leisure Complex. The term of the loan is 10 years, with a redemption date of 31 March 2018 and interest of 7% per year.

- Sevenoaks Town Council – management and service fees of £100,000 for the Stag Theatre. These fees are for the operation of the building and related services, community provision and youth outreach. Two SDC members are also members of Sevenoaks Town Council, and two members are trustees of Sevenoaks Community Arts Centre Limited which operates the lease of the Stag theatre. The grant was made with proper consideration of declarations of interest and the relevant members did not take part in decisions relating to that grant.

31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The Capital Financing Requirement is analysed in the second part of this note.

	2011/12	2010/11
	£000	£000
Opening Capital Financing Requirement	-	-
Capital Investment:		
Property, Plant & Equipment	1,330	1,691
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	1,018	1,095
	<u>2,348</u>	<u>2,786</u>
Sources of Finance:		
Capital Receipts	(119)	(140)
Government Grants and other contributions	(1,085)	(1,669)
Sums set aside from revenue	(1,144)	(977)
	<u>(2,348)</u>	<u>(2,786)</u>
Closing Capital Financing Requirement	-	-

32. Leases

Authority as Lessee

Payments under operating leases during the year amounted to £72,000 (£94,000 in 2010/11), relating to company cars and multi-functional printing devices.

Commitments under operating leases for company cars payable in 2012/13 amount to £17,000, all of which expires in that year.

A three year operating lease for multi-functional printing devices commenced in March

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2010. Lease payments are £32,000 per annum.

	Minimum Lease Payments	
	31/03/12	31/03/11
	£000	£000
Not later than one year	49	72
Later than one year and not later than five years	-	53
Later than five years	-	-
	<u>49</u>	<u>125</u>

The authority does not hold any finance leases as a lessee.

Authority as Lessor

The Authority has classified one lease it has granted, as a finance lease. This is due to the length of the lease agreement in relation to the asset's useful life at the inception of the lease, and the value of lease payments to asset value.

The Authority recognises a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts.

	31/03/12	31/03/11
	£000	£000
Gross Investment in the Lease	379	405
Estimated Residual value	31	31
Net Investment in the lease (Gross Investment discounted by implicit rate)	195	199
Unearned Finance Income	185	206

The gross investment in the lease will be received over the following periods.

	31/03/12	31/03/11
	£000	£000
Not later than one year	24	24
Later than one year and not later than 5 years	120	120
Later than 5 years	235	262
Total	<u>379</u>	<u>406</u>

33. Impairment Losses

During 2011/12, the Authority has not recognised any impairment losses to its operational property, plant and equipment, but has recognised an impairment loss of £207k in the value of its Investment property.

34. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £222,000 (£218,000 in 2010/11) – see note 27 for the number of exit packages and total cost per band. The majority of these were as a result of the budget savings agreed by Council on 16 December 2010.

35. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme, administered by Kent County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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Transactions Relating to Post-employment Benefits

The authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme	
	2011/12	2010/11
	£000	£000
Comprehensive Income & Expenditure Statement		
Cost of Services:		
• Current Service Cost	1,752	2,487
• Past Service Cost	-	(8,251)
• Settlement and Curtailments	178	36
Financing and Investment Income & Expenditure		
• Interest Cost	4,996	5,585
• Expected return on scheme assets	(3,905)	(3,613)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,021	(3,756)
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement		
• Actuarial (Gains)/Losses	15,007	(17,180)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	18,028	(20,936)
Movement in Reserves Statement		
• Reversal of net charges made to the surplus or Deficit for Provision of Services for post employment benefits in accordance with the Code	(3,021)	3,756
Actual Amount Charged against the General Fund Balance for pensions in the year:		
• Employer's Contributions payable to scheme	2,899	3,456

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2012 a loss of £35.178m and at 31 March 2011 was a loss of £20.171m.

Exceptional Item

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the authority's liabilities in the Pension Fund by £8,251,000 which has been reflected as an exceptional item in the Comprehensive Income and Expenditure Statement in 2010/11.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligations):

	Funded Liabilities: Local Government Pension Scheme	
	2011/12	2010/11
	£000	£000
Opening Balance	(91,686)	(109,566)
Current service cost	(1,752)	(2,487)
Interest cost	(4,996)	(5,585)
Contributions by scheme participants	(614)	(686)
Actuarial (gains)/losses	(12,506)	14,570
Benefits paid	4,041	3,652
Past service costs	-	8,251
Losses on curtailments	(178)	(36)
Unfunded benefits paid	203	201
Closing Balance	<u>(107,488)</u>	<u>(91,686)</u>

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2011/12	2010/11
	£000	£000
Opening Balance	57,174	50,662
Expected rate of return on assets	3,905	3,613
Actuarial Gains and losses	(2,501)	2,610
Employer Contributions	2,899	3,456
Contributions by scheme participants	614	686
Benefits paid	(4,244)	(3,853)
Closing Balance	<u>57,847</u>	<u>57,174</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected

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yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £1.404m (2010/11 £4.442m).

Scheme History

	2007/8	2008/9	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present Value Liabilities	(73,520)	(71,940)	(109,566)	(91,686)	(107,488)
Fair Value of Assets	45,660	37,370	50,662	57,174	57,847
Surplus/(deficit) in the scheme	(27,860)	(34,570)	(58,904)	(34,512)	(49,641)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £49.641m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £8.788m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit of the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the scheme by the Council in the year to 31 March 2013 is £2.685m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Kent County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	2011/12	2010/11
Long-Term expected rate of return on assets in the		
Equity Investments	6.3%	7.4%
Gilts	3.3%	4.4%
Bonds	4.6%	5.5%
Property	4.3%	5.4%
Cash	3.0%	3.0%
Mortality Assumptions:		
Longevity at 65 for current pensioners		
Men	20.0	19.8
Women	24.0	23.9
Longevity at 65 for future pensioners		
Men	22.0	21.9
Women	25.9	25.8
Rate of Inflation (CPI)	2.5%	2.7%
Rate of increase in salaries	4.7%	5.0%
Rate of increase in pensions	2.5%	2.7%
Rate for discounting scheme liabilities	4.6%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/12	31/03/11
	%	%
Equity investments	74	76
Gilts	1	1
Bonds	10	12
Property	9	9
Cash	4	2
Target return portfolio	2	-
Total	<u>100</u>	<u>100</u>

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History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	(19.4)	(32.8)	21.0	4.6	(4.3)
Experience gains and losses on liabilities	2.0	0.0	0.4	1.4	(0.1)

36. Contingent Liabilities

During 2004/05 the construction of the Edenbridge Relief Road, a council funded scheme, was completed. Significant land and disturbance compensation costs will become payable as part of the scheme. When the scheme was agreed, an overall costs estimate of £1.2m was made for which a provision has been made. The provision has since been increased to cover potential interest costs (see note 18). In addition to these costs, further costs may be incurred for which a reliable estimate cannot be made as claims and offers on individual sites may vary considerably. A contingent liability is being disclosed for those potential uncertain costs.

37. Contingent Assets

The Council transferred the remaining part of its housing stock to Moat Housing Association in 1993. When Shared Ownership Lessees purchase further equitable shares in their property the Council receives the proceeds of purchasing the further share, less certain costs. This contingent asset applies for a period of 30 years commencing in 1993.

38. Heritage Assets

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies for Property, Plant and Equipment as set out in Note 1o.

At present the Council has no material heritage assets and these are valued for insurance purposes only.

THE COLLECTION FUND
INCOME AND EXPENDITURE ACCOUNT 2011/12

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for which the income has been raised. The costs of administering collection are accounted for in the General Fund.

2010/11		Note	2011/12	
£000			£000	£000
	<u>Income</u>			
68,992	Billed to Council Tax Payers	1		69,240
6,915	Council Tax Benefits			6,764
30,090	Non-Domestic Rates	2		32,436
229	Reduction in Bad and Doubtful Debts Provision			103
106,226				108,543
	<u>Expenditure</u>			
	Precepts:			
52,836	Kent County Council		52,991	
6,993	Kent Police Authority		7,014	
3,426	Kent Fire and Rescue Service		3,437	
12,445	Sevenoaks District Council (incl. Parishes)		12,565	76,007
	Non Domestic Rates:			
29,914	Payment to National Pool		32,261	
176	Cost of Collection Allowance		175	32,436
345	Bad and Doubtful Debts Provision			348
92	- Write Offs			75
-	Contribution towards previous year's Collection Fund surplus	3		-
106,227				108,866
(1)	(DEFICIT)/SURPLUS FOR YEAR	3		(323)
	COLLECTION FUND BALANCE			
-	Balance at beginning of year			(1)
(1)	(Deficit)/Surplus for year			(323)
(1)	Balance at end of year	4		(324)

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Note 1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. A different ratio is applied to a small number of properties in band A that have been adapted for use by a disabled person. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, Kent Police Authority, Kent Fire and Rescue Service and the District Council for the forthcoming year and dividing this by the tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of band D dwellings). This gives rise to the basic amount of council tax for a band D property. Taxes for other bands are derived by applying the ratio in the following table to the band D tax.

The tax base for 2011/12 was calculated in January 2011 as follows:

Band	Estimated no. of taxable properties after the effect of discounts	Ratio	Band D equivalent dwellings
A*	2.50	5/9ths	1.39
A	1,304.50	6/9ths	869.67
B	2,497.25	7/9ths	1,942.31
C	9,199.50	8/9ths	8,177.33
D	10,454.75	9/9ths	10,454.75
E	6,573.50	11/9ths	8,034.28
F	5,332.50	13/9ths	7,702.50
G	6,830.00	15/9ths	11,383.33
H	<u>1,125.75</u>	18/9ths	<u>2,251.50</u>
	<u>43,320.25</u>		<u>50,817.06</u>

Less adjustment for collection rates and anticipated changes during the year for successful banding appeals etc., offset by contributions in lieu in respect of Crown property.

	<u>242.49</u>
COUNCIL TAX BASE FOR 2011/12	<u>50,574.57</u>
COUNCIL TAX BASE FOR 2010/11	<u>50,426.50</u>

The tax rate for a band D property was £1,436.30 excluding Parish Council taxes (2010/11 = £1,436.30).

Note 2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies an amount (43.3p in 2011/12 and 41.4p in 2010/11) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

According to the rating list, the total non-domestic rateable value at 31 March 2012 was £90,317,429 (31 March 2011 = £89,501,044).

Note 3 Contributions to Collection Fund Surpluses and Deficits

In January each year the Council must estimate the Collection Fund balance for the coming 31 March.

In January 2011, the estimated balance at 31 March 2011 in respect of council tax transactions was zero. Had there been a surplus or deficit, it would have been shared between Kent County Council, Kent Police Authority, Kent Fire & Rescue Service and the District Council in proportion to their precepts on the Collection Fund in 2010/11 and taken into account by the respective authorities in the calculation of their council taxes for 2011/12.

The actual position at 31 March 2011 was a deficit of approximately £1,400.

Note 4 Reconciliation of Balance at the end of year to the Balance Sheet

Only the Sevenoaks District Council element of the Balance at end of year is included in the Balance Sheet.

Authority	2010/11		2011/12	
	% of Council Tax	Est. share of Balance £000	% of Council Tax	Est. share of Balance £000
Sevenoaks DC (incl. Parish and Town Councils)	16.5	0	16.6	(54)
Kent County Council	69.8	(1)	69.7	(226)
Kent Police Authority	9.2	0	9.2	(30)
Kent Fire and Rescue Service	4.5	0	4.5	(14)
Total	100.0	(1)	100.0	(324)

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ANNUAL GOVERNANCE STATEMENT 2011/12

1. Background

The Annual Governance Statement (AGS) is a corporate document involving a variety of people charged with developing and delivering good governance including:

- the Head of Paid Service and the Leader of the Council as signatories;
- directors and management assigned with the ownership of risks and the delivery of services;
- the Chief Financial Officer who is responsible for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972;
- the Monitoring Officer in meeting her statutory responsibilities of ensuring the legality of Council business;
- the Council's Internal Audit function;
- Members (for example, through the scrutiny committees and the Performance and Governance Committee); and
- others responsible for providing assurance, in particular the District Auditor of the Audit Commission, in his role as the Council's External Auditor.

Thus the AGS, as a corporate document, is owned by all senior Officers and Members of the Council. A shared approach was taken in compiling the AGS with the objective of engaging the whole authority within the process and encouraging a high quality of reflection and corporate learning. This increases the statement's significance and encourages people to objectively assess their responsibilities.

The system of corporate governance highlighted in the AGS, together with the system of internal control, is reviewed continually throughout the year as part of routine governance and managerial processes; prime examples being the authority's performance management and risk management systems.

Although corporately owned, the AGS requires assessments/assurance statements from Heads of Service, Directors, the Monitoring Officer and the Section 151 Officer, all of which were obtained as part of the process.

2. Scope of Responsibility

Sevenoaks District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Sevenoaks District Council seeks to conduct these responsibilities within the framework of achieving continuously improving, high quality service provision to enhance community wellbeing and engagement.

In discharging this overall responsibility, Sevenoaks District Council is also responsible for ensuring that there is a system of corporate governance which facilitates the effective and principled exercise of the Council's functions and which includes arrangements for the management of risk.

The roles of the Chief Executive (as Head of paid Service), the Section 151 Officer, the Monitoring Officer and the Executive Role of Members are defined within Part 13 of the Council's Constitution.

Officers and Members are expected to conduct themselves in a proper manner in accordance with the Constitution and both are expected to declare interests that may impact on the Council's decision making process. These interests are held on a register and are reviewed on a regular basis by the Monitoring Officer.

Sevenoaks District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from our Audit & Efficiency team or via the Council's website. This statement explains how Sevenoaks District Council has implemented both the code and the requirements of regulation 4(3) of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an Annual Governance Statement.

3. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority informs, directs, manages and monitors its operations, and its activities through which it accounts to, engages with and empowers the community. It enables the authority to evaluate the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Sevenoaks District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Sevenoaks District Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

4. The Governance Framework

The following represent the key elements of the governance framework within Sevenoaks District Council:

- The Council's objectives to March 2012 were established and set out in the Sevenoaks District Sustainable Community Action Plan 2010-13 and the Corporate Performance Plan. The Sustainable Community Plan 2010-13 was approved and adopted by Council in March 2010.
- Both of these plans are subject to considerable Member review and challenge by Cabinet, the appropriate Select Committee or the Performance and Governance

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Committee, the Finance Advisory Group and ultimately by the full Council. These plans are also cascaded to individuals within the Council through Service Plans and individual action plans through the appraisal process. Furthermore the Council has now adopted an approach whereby the appropriate Select Committee scrutinises key proposals prior to Cabinet making its decision.

- Policy and decision-making is facilitated through reports from Officers to Cabinet. Each Cabinet Member has responsibility for a specific portfolio and will take decisions on matters relevant to that portfolio. Committees have the opportunity to 'call-in' the decisions of Cabinet and recommend changes to decisions or policies.
- The Council's Constitution specifies the roles and responsibilities of Members and Officers; and the financial and procedural rules for the efficient and effective discharge of the Council's business.
- Implementation of established policies, procedures, laws and regulations and good practice is achieved through:
 - a) **Internal Audit** – The Council's internal audit team works to an approved annual audit plan and undertakes that work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom (revised 2006). Individual audit reports are produced for relevant management, with copies to the Chief Executive, Section 151 Officer and the relevant Director. Quarterly update reports and Annual audit reports are made to the Performance and Governance Committee. The quarterly reports highlight the results of individual risk-based audit reviews, while the annual report evaluates the overall internal control environment as tested through audit work undertaken in the year. The review of the effectiveness of Internal Audit was assessed in March 2012 as 'satisfactory' in meeting the requirements of an adequate and effective internal audit service.
 - b) **External Audit and Audit Commission** – External audit reports are sent to senior management and Members. Recommendations and comments are considered and discussed with timely actions taken to address agreed recommendations. The Council's current practice was commended in all its recent audit and inspection reports, and unqualified opinions were issued in relation to both financial statements and value for money for 2010-11.
 - c) **Financial Management** – A robust budgetary control system is in place and regular monitoring reports are produced for Heads of Services, Management Team, Cabinet, the Overview and Scrutiny Board and the Finance Advisory Group. Senior accountants conduct monthly client liaison meetings with responsible budget holders.
 - d) **Performance Management** – Monitoring of the achievement of the Council's objectives is undertaken through the Council's performance management system which is developed through monthly monitoring with Head of Service commentaries. Strategic information is reported to Management Team, Cabinet Members and Select Committees.
 - e) **Arrangements for Partnerships** – The Council believes that it can enhance value for money with service delivery through innovative and cost-effective partnership working. The Council engages in extensive discussion and planning to develop efficient working arrangements while protecting quality of services. The Council has developed a comprehensive partnership toolkit to ensure that partnerships incorporate the

Council's culture and comprehensive approach to managing risk. Decisions to enter into partnership working are supported by business cases and cost-benefit analysis, and are subject to scrutiny and approval by Members. Following on from the successful implementation of a Revenues and Benefits shared service in 2010-11, the Council has successfully implemented a further major shared service project during 2011-12.

- f) **Risk Management** – A risk management strategy is in place and corporate strategic risks have been identified and assessed. Relevant risk owners now manage these risks. Relevant training has been delivered to Members and Officers. Operational risk registers and action plans have been completed and are monitored. An Officer risk management group is also in place and operates effectively.
- g) **Relationships and Ethics** – Good co-operative relationships exist between the Council and its external auditors and inspectors and between Officers and Members. Relationships between Officers and Members are guided by a protocol embedded in the Council's Constitution. A written communications protocol has also been established between the Leader and the Chief Executive. The Council has clear Codes of Conduct for Members and Officers embedded within its Constitution, underpinned by a culture of integrity and ethical behaviour. Member conduct is scrutinised by the Standards Committee.
- h) **Service Delivery by Trained and Experienced People** – The Council has a robust recruitment policy and procedures in place. The Council holds Gold status in the Investors in People (IiP) New Choices scheme, conferred by an external inspection regime in November 2009. The Council was the first local authority nationally to achieve this standard. Staff appraisals take place annually, including an annual review of service and training planning, training evaluation and recruitment and selection procedures.
- i) **Monitoring Officer** – The Council has appointed a Monitoring Officer to oversee its compliance with laws and statutory obligations. The Monitoring Officer reports to the Council's Standards Committee. Regular meetings between the three statutory Officers (Chief Executive, Corporate Resources Director and Head of Legal Services) form part of the Council's governance arrangements.
- j) **Anti-fraud and Corruption** – The Council has a fraud and corruption policy, including a whistle-blowing policy, published on its intranet site. The Council also has a dedicated Benefits Fraud Team and a "fraud hotline", available to both staff and members of the public, which allows individuals to report anonymously any suspected cases of fraud and corruption. The risks of fraud and corruption have been assessed within the strategic risk register and appropriate measures put in place to mitigate these risks.

5. Role of the Chief Financial Officer (CFO)

- 5.1 Section 151 of the Local Government Act 1972 requires that the Council appoint an individual officer to be responsible and accountable for the administration of its financial affairs. The Scheme of Delegation held within Part 13 of Sevenoaks District Council's Constitution assigns this responsibility in paragraph 5.2 to the Deputy Chief Executive & Director of Corporate Resources (Dr Pav Ramewal).

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5.2 CIPFA has issued a Statement on the Role of the Chief Financial Officer in Local Government. This details the governance arrangements and delegated responsibilities considered necessary to facilitate an effective CFO. The Council has considered this Statement, and believes that, during the financial year 2011-12, it has complied fully with the governance requirements of this Statement. The Council's Financial Procedure Rules, codified within Appendices D and E of the Constitution, ensure that all the appropriate responsibilities are delegated and reserved to the CFO as the Statement recommends.

6. Review of Effectiveness

6.1 Sevenoaks District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the Council's internal auditors and by Heads of Service who have responsibility for the development and maintenance of the internal control environment. It also considers comments made by the external auditors and other external review agencies and inspectorates. The Council is keen to allow itself to be the subject of external scrutiny and challenge, and to consider recommendations for improvement.

6.2 The External Auditor concluded that, for 2010-11, the Council had adequate arrangements in place to ensure value for money was achieved. An unqualified opinion was issued in relation to the Council's financial statements. The Council is not aware of any issues arising in relation to value for money from the current work being undertaken by the External Auditor.

6.3 Annual internal audit reports are presented to the Performance and Governance Committee (which fulfils the requirements of an Audit and Risk Management Committee), giving the Audit and Efficiency Manager's opinion on the overall internal control and governance environment. Any internal audit review judged "unsatisfactory" or "unacceptable" is subject to timely action plan and follow-up audit.

6.4 The opinion of the Audit and Efficiency Manager in the Annual Audit Report to the Performance and Governance Committee for 2011/12 is that the overall control environment was **Satisfactory**.

6.5 The Chief Financial (Section 151) Officer and the Monitoring Officer periodically review the Constitution, procedures for internal financial control and application of the various Codes of Conduct.

6.6 The Council continues to review and improve its governance arrangements on a continuous basis. Improvements during 2011/12 include the following:

- Review and enhancement of the Council's Risk Management Framework;
- Ongoing review of savings plans and budget adjustments made to protect services in the circumstances of government grant cuts;
- Extension of Shared Service arrangements to ensure Value for Money;
- The development, testing and peer review of the Council's Business Continuity and Incident Management Plan, particularly in relation to the Olympics and Paralympics; and

- Review of the work and performance of the Performance and Governance Committee and completion of a self-assessment of the Committee's performance, including an end of year report by the Chairman of the Committee.
- The Standards Committee, comprising of elected Members, independent representatives and Town and Parish Council continues to govern the actions of the executive and ensures that Members adhere to the protocols of Conduct as set out in the Constitution.

6. Significant Governance Issues

Following a fatal road traffic accident on 13 September 2010 involving one of Sevenoaks District Council's road sweeping vehicles, the Health and Safety Executive served an Improvement Notice on the Council in relation to its risk assessments for sweeping roads. Following an appeal of this notice, lawyers acting on behalf of the Council's insurers have agreed with the Health and Safety Executive that the wording and compliance time of the notice be varied and the Council has now complied with the varied notice. As such, the Council's appeal has now been withdrawn.

There is an ongoing regulatory inquiry into the fatality.

..... Date:

..... Date:

Robin Hales

Cllr. Peter Fleming

Chief Executive
Head of Paid Service

Cllr for Sevenoaks Town & St. John's
Leader of the Council

on behalf of Sevenoaks District Council

Dr. Pav Ramewal

Deputy Chief Executive and Director of Corporate Resources
June 2012

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GLOSSARY OF TERMS – Statement of Accounts

Most terms are explained within the “Explanatory Foreword” and “Statement of Accounting Policies” sections of the accounts

Accounting Period. The period of time covered by the accounts, normally 12 months starting on 1st April for Local Authority accounts.

Accrual. Item relating to, and accounted for in, one accounting period but actually paid in another.

Actual. The final amount of expenditure or income which is recorded in the Council’s accounts.

Agency and Contracted Services. Services purchased from another public body or external organisation and subject to a contract. Includes the services provided by Direct Services.

Budget. A statement of the Council’s plans for net revenue and capital expenditure over a specified period of time.

Budget Requirement. Broadly the authority’s estimated net revenue expenditure after allowing for movement in reserves and the addition of parish precepts, to be met from revenue support grant, redistributed non-domestic rates and council tax income.

Capital Expenditure. The acquisition, construction, enhancement or replacement of tangible fixed assets (i.e. land, buildings, structures etc.), the acquisition of investments and the making of grants, advances or other financial assistance towards expenditure by other persons on tangible fixed assets or investments.

Capital Financing Requirement. The difference between Capital Expenditure and the resources available to finance such expenditure from grants/contributions, capital receipts or revenue funds. This indicates the fundamental requirement to borrow.

Capital Programme. The capital projects the Council proposes to undertake over a set period of time.

Capital Receipts. Money obtained on the sale of a capital asset.

CLG. Department for Communities and Local Government (formally Office of the Deputy Prime Minister ODPM).

Collection Fund. The fund into which council tax and non-domestic rates are paid, and from which we meet demands by preceptors and payments to the non-domestic rates pool.

Contingent Liabilities. Contingent liabilities are either:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation’s control, or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
 - (ii) the amount of the obligation cannot be measured with sufficient

reliability.

Corporate and Democratic Core. Costs involved in corporate policy making, representing local interests (including civic ceremonials), support to elected bodies and duties arising from public accountability.

Cost Centre. An individual unit to which items of income or expenditure are charged for managerial or control purposes.

Council Tax. A local tax set by Councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, some people with disabilities and some other special cases.

Council Tax Base. The measure of the taxable capacity of an area. It represents the estimated full year equivalent number of chargeable dwellings in an area, expressed as the equivalent number of band D dwellings, after allowing for disabled reduction (relief) and discounts, adjusted for an allowance for non-collection.

Creditors. People or organisations from whom we have received goods or services and as a consequence owe money.

Debtors. People or organisations who owe money to the Council.

Deferred Capital Receipts. Capital Receipts which will accrue in the future, such as mortgage repayments.

Depreciation. A charge to a revenue account to reflect the reduction in the useful economic life of a fixed asset.

DfT. Department for Transport.

DWP. Department for Work and Pensions.

Employee Costs. This includes the full costs of employees including salaries, employers contributions to national insurance and superannuation, and the costs of leased cars.

Fees and Charges. In addition to income from council tax payers, business ratepayers and the government, local authorities charge for some services, e.g. local land charge searches and car parking.

General Fund. The main revenue fund of the Council from which payments are made to provide services and into which receipts are paid, including the District Council's share of council tax income.

Government Grants. Payments by government towards either the revenue or capital cost of local authority services. These may be either in respect of particular services called specific grants, e.g. housing benefits, or in aid of local services generally, e.g. revenue support grant.

Heritage Assets. Heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge and culture.

Impairment. A downward revaluation of an asset.

KCC. Kent County Council.

Leasing. A method of financing the acquisition of equipment, vehicles etc. The items concerned do not belong to the user (or lessee) but are the property of the lessor to

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whom the lessee pays an annual rental for a specific period of time.

MBC. Maidstone Borough Council.

National Non-Domestic Rate (NNDR). Non-domestic rates are levied at a uniform rate in the pound set by the Government. The proceeds are pooled nationally and then redistributed to each Local Authority in proportion to residential population and other criteria determined by the Government.

PCT. Primary Care Trust.

Precept. The demand on the collection fund by one authority (e.g. Kent County Council) which is collected from the council tax payer by another (e.g. Sevenoaks). Precepts on Sevenoaks are also made by Kent Police Authority, Kent Fire & Rescue Service, Town and Parish Councils in the District.

Premises Expenses. Includes expenditure on repairs, buildings, grounds and plant maintenance, energy, rents, rates, water services and cleaning of council buildings.

Provisions. Funds to provide for liabilities or losses which are known obligations, but are uncertain as to amounts or dates.

Recharges. The transfer of costs from one account to another.

Reserves. The general capital and revenue balances of the Council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside, surpluses or delayed expenditure can be spent or earmarked at the discretion of the Council. The usable capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the reserves brought about by the new capital accounting system namely the capital adjustment account and the revaluation reserve.

Revenue Expenditure. Expenditure to meet the continuing cost of services including wages and salaries, purchase of materials and financing charges on capital expenditure.

Revenue Support Grant (RSG). The general Government grant to local authorities. It is payable to all local authorities in support of expenditure in their area.

Revised Estimates. The approved estimates for the current year as amended e.g. by supplementary estimates and virement.

Specific Grant. Government grant for specific purposes. The Authority does not have the power to apply such grants for other purposes

Standard Spending Assessment (SSA). The amount of revenue expenditure, net of Specific Grants, which it is appropriate for each authority to incur in providing a common level of service consistent with the aggregate figure of Total Standard Spending. The sum of all authorities' Standard Spending Assessments is equal to Total Standard Spending less the total of Specific Grants.

Standard Spending Grant (SSG). An informal alternative name for Revenue Support Grant, which helps to make it clear that the grant is paid in support of expenditure at the level of the Standard Spending Assessment.

Supplies and Services. Includes expenditure on equipment and materials.

Support Services. The charges made by central functions for the services they provide to other departments. These are services which support the provision of services to the public, other support services and the corporate and democratic core. This includes the provision of accommodation, IT, administrative items purchased centrally, (e.g.

telephones, stationery and bank charges), central professional services (Personnel, Legal and Property, and Financial Services support) and the cost of providing some centrally provided services e.g. post distribution and contact centre.

Total Standard Spending (TSS). The amount of revenue expenditure which the Secretary of State considers it is appropriate for all local authorities in England to incur in the provision of services and the financing of expenditure.

Transfer Payments. Payments to other bodies where no goods or services are received in return e.g. Housing Benefit grants.

TWBC. Tunbridge Wells Borough Council.

Valuation Bands. To calculate the relative value of dwellings for council tax purposes each dwelling is placed on a valuation list in one of eight bands ranging from A to H. Within a local area, the Council tax will vary between the different bands according to proportions laid down by law.

Band	Value	Proportion
A	Up to £40,000	6/9
B	Over £40,000 and up to £52,000	7/9
C	Over £52,000 and up to £68,000	8/9
D	Over £68,000 and up to £88,000	9/9
E	Over £88,000 and up to £120,000	11/9
F	Over £120,000 and up to £160,000	13/9
G	Over £160,000 and up to £320,000	15/9
H	Over £320,000	18/9

Virement A transfer of budget provision from one budget to another.

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FORMAL RESPONSE OR CONSULTATION REQUESTS FROM THE CABINET AND/OR SELECT COMMITTEES FOLLOWING MATTERS REFERRED BY THE COMMITTEE

- (a) Performance Monitoring: LPI HR 003 – Number of working days lost through long term sickness absence per FTE (>20cumulative days) (Response from Services Select Committee - 19 June 2012, referred on 13 March 2012)

10. Sickness Absence

The Human Resources Manager, Syreeta Gill, introduced herself to the Committee and gave a brief description of her career background.

She reported that at the meeting of the Performance and Governance Committee on 13 March 2012, a Performance Monitoring report was considered which highlighted areas across the council where performance was not meeting target. Due to Members concerns surrounding the levels of sickness absence it was resolved that the matter be referred to the Services Select Committee to review. The report updated Members on the levels of sickness absence across the council and set out an analysis of sickness absence levels across the council, incorporating trends from previous years and available benchmarking. The strategy and actions to reduce sickness absence levels was also included for Members consideration.

Members discussed the differences between the statistics on manual and non manual staff. In response to questions the Human Resources Manager advised that it was difficult to find comparable data with the private sector. The Director of Corporate Resources (Deputy Chief Executive) advised that he would need to confirm but that the private sector was around 7.1 days lost to sickness absence per year compared to 9.6 days in local government.

Action 4: The Director of Corporate Resources (Deputy Chief Executive) to obtain confirmation of the figures.

Members agreed that it was a clear report with helpful statistics., and were very pleased with the progress made on reducing sickness absence. A Member stressed the importance of monitoring the quality of return to work interviews. Another Member queried whether flu jabs were provided, advised that positive working from home could help reduce sickness absence, and queried whether the time between the first day of long term sickness and a possible termination period could be reduced by swifter action by managers. It was confirmed that free flu jabs were not provided. The Vice Chairman whilst agreeing with the general point made about speed of action added a note of caution that very often a certain period of time was required in order to prove due process.

The Director of Corporate Resources (Deputy Chief Executive) reported that a number of factors had helped reduce the figures which included a change to the Occupational Health service provider and improved practices for managers including the return to work procedures.

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Action 5: That the report be appended to the referral back to Performance and Governance Committee.

Resolved: That the levels of sickness absence be noted and the planned action to reduce the levels of sickness absence, endorsed.

SERVICES SELECT COMMITTEE – 19 JUNE 2012

SICKNESS ABSENCE

Report of the: Deputy Chief Executive and Director of Corporate Resources

Status: For Consideration

Executive Summary: This report updates Members on the levels of sickness absence across the council in response to a concern identified by the Performance & Governance Committee. The report sets out an analysis of sickness absence levels across the council, incorporating trends from previous years and available benchmarking. The strategy and actions to reduce sickness absence levels is also included for Members consideration.

This report supports the Key Aim of Corporate Performance Plan “Effective Management of Council Resources”

Portfolio Holder Cllr. Ramsay

Recommendation: It be RESOLVED that the levels of sickness absence be noted and the planned action to reduce the levels of sickness absence be endorsed.

Background

- 1 At its meeting of the 13 March 2012 the Performance and Governance Committee considered a Performance Monitoring report which highlights areas across the council where performance is not meeting target. Due to Members concerns surrounding the levels of sickness absence it was resolved that the matter be referred to the Services Select Committee to review.

Introduction

- 2 This report provides Members with an analysis of the levels of sickness absence across the council and highlights actions taken in the last year and actions already planned for 2012/13 that are aimed to reduce sickness absence levels further.
- 3 The Human Resources (HR) team play a critical role in developing the council’s policies and procedures for the management of its staff, including Managing Attendance and policies surrounding staff wellbeing. The HR team also ensure that sickness absence is accurately and thoroughly recorded and that managers are supported in managing sickness absence within their departments. Resources such as occupational health and employee support programmes that are available to staff are also procured and managed by HR.

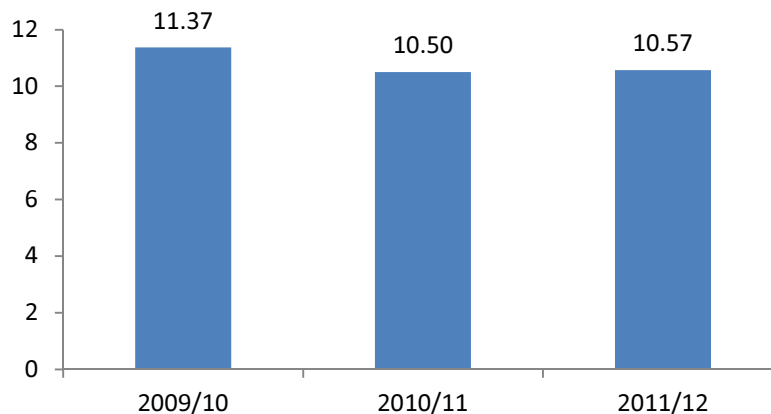
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Managing Attendance

- 4 The Council's Managing Attendance policy recognises that "the Council is committed to both the health and welfare of employees, as well providing excellent services to the community". It sets out clear procedures for the monitoring of employee absence, taking appropriate action to ensure a prompt return to work, and encouraging the promotion of good health.
- 5 The council defines procedures for the management of both short term and long term absence. Short term absence is considered to be a continuous period of absence less than 20 calendar days and long term absence a continuous period of absence of 20 calendar days or more. Within these periods there are trigger points that ensure that managers discuss, and if issues arise, address absence from work at pre-determined points.
- 6 The council will always work to support employees to return to work in the first instance. Measures such as referral to occupational health, phased returns to work and making reasonable adjustments to the work required or the hours worked are common. Redeployment will also be considered where an appropriate vacancy exists. But ultimately if an employee is unable to return to work and carry out their duties capably they may be dismissed.

Sickness Absence

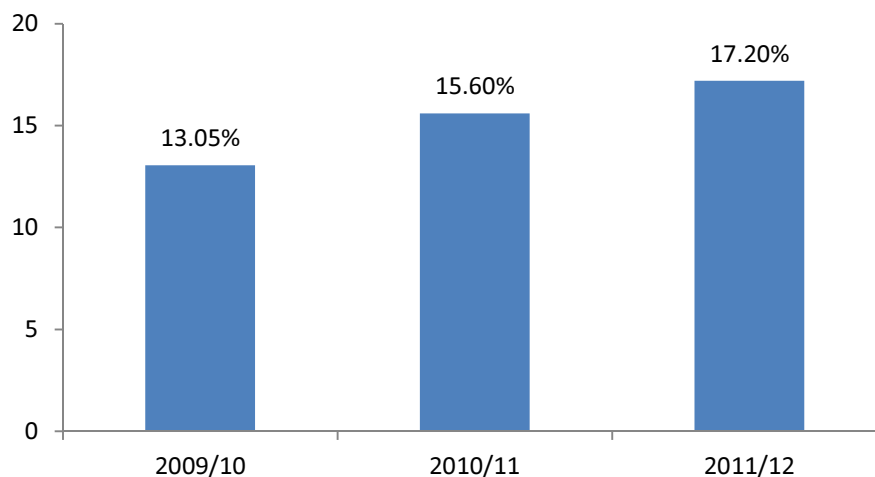
- 7 Sickness absence is measured as the average number of days absence per full time equivalent (FTE) member of staff. The following chart sets out the total level of sickness absence since 2009/10.



- 8 Sickness absence can also be represented as an absence rate. The absence rate is the proportion of working days lost in the working year. The council's absence rate for 2011/12 was 4.6%. This is against a local government average of 4.2%.
- 9 The Absence Management Survey 2011 carried out by the Chartered Institute for Personnel and Development (CIPD) determined that the average days lost to sickness absence per year in local government was 9.6 days. Across the public sector as a whole the CIPD concluded that sickness absence had decreased between 2010 and 2011 by 0.5 days. Analysis shows that this is as a result of

low levels of absence in the education sector. No equivalent benchmark was provided for the local government sector.

- 10 In 2010 the Council went through a significant period of change. A four year savings plan totalling £4 million was agreed, with £2.5 million delivered in 2011/12. Despite significant effort to limit the number of staff lost, to deliver a sustainable budget the council saw its full time equivalent staff count fall by 11%. This is a fall of 47.5 FTE from 435.2 in 2010/11 to 387.6 in 2011/12.
- 11 Resultantly the Council's employees are increasingly being expected to deliver more with less resource. The continued demand on staff to seek new ways of working and to be more productive to deliver the high quality services the Council expects has had an impact on well being. It is recognised that high levels of sickness absence increases this pressure further. The impact on staff well being from organisational change is evidenced from an analysis of the causes of sickness absence.
- 12 In 2011/12 the most common reason for absence from work was Stress, Anxiety or Depression. The chart below shows the marked increase in the proportion sickness absence in Stress, Anxiety or Depression since 2009.



- 13 Stress, Anxiety or Depression can relate to a work situation or to someone's personal life. In reality the two become intertwined. The council monitors a separate category of absence where sickness is specifically certified as work related stress. In 2011/12 this accounted for just 1.1% of all absence from work (in addition to the 17.2% set out above).
- 14 The CIPD's Absence Management Survey concluded that stress was the most common cause of long term sickness absence. Where stress was work related workloads or volume of work were the most commonly cited reason. 50% of public sector organisations reported that stress-related absence had increased over the past year.
- 15 It is also important to recognise the cultural and organisational transformation that the Council has gone through. External assessors, including Investors in People, have cited Sevenoaks District Council as one that has the highest levels of productivity on an individual staff member basis. Through their own analysis and

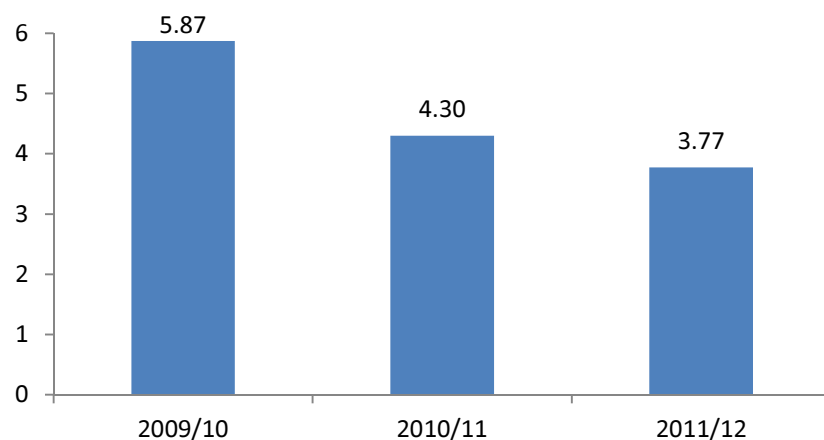
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assessment Investors in People has shown that much of this has been achieved through the introduction of empowerment, where individuals at all levels have taken on more responsibility and greater ownership of decision making.

- 16 The consequence of a Sevenoaks District Council member of staff having comparatively high levels of productivity will have an impact on levels of sickness absence. However under these circumstances the Council needs to ensure that whilst making every effort to reduced sickness levels it remains sympathetic in order to avoid impacting on overall productivity levels.

Short Term Sickness Absence

- 17 The council defines short term sickness absence as less than 20 continuous calendar days absence. Since 2009/10 the Council has made significant progress in reducing the level of short term absence, as shown in the chart below.



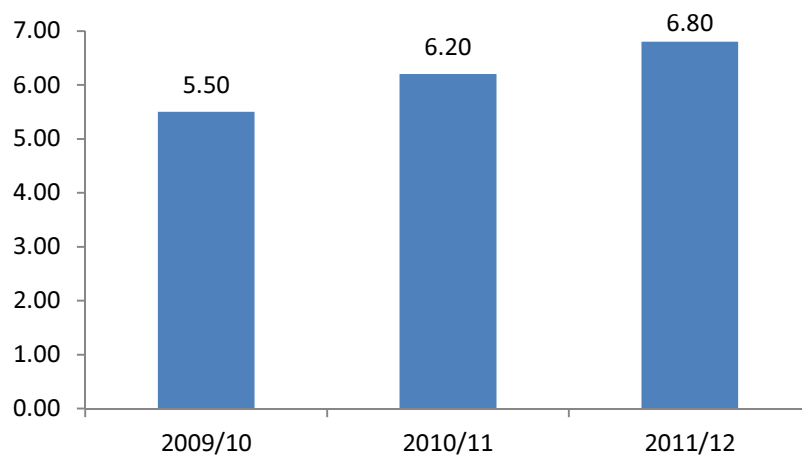
- 18 The CIPD Absence Management Survey concluded that across the private and public sector short term absence accounts for more than 65% of all absence. However by implementing improved monitoring, more stringent trigger points and improved support for managers, short term absence at the council accounts for only 35.6% of all absence.
- 19 The data collected by the HR team shows that a relatively large number of employees require time off work for short term illness. In 2011/12 242 members of staff (64% of the workforce) were absent from work due to short term sickness absence.
- 20 The most common reasons for short term sickness absence in 2011/12 were:
- Cold/Flu, accounting for 14.2% of all short term absence;
 - Stomach upsets, 12% of all short term absence; and
 - Chest / Respiratory pain, 9.3% of all short term absence.
- 21 This is in common with the previous year, when Cold/Flu accounted for 18.4% of short term absence and also in line with the findings of the CIPD Absence Management Survey.
- 22 The HR team will continue to work hard to minimise levels of short term absence. In addition to the best practice initiatives already in place that have reduce short

term sickness absence by 36% over the last two years a strategy and action plan is in place for 2012/13 that is explained further from paragraph 34 of this report.

Long Term Sickness Absence

23 Long term sickness absence was the key area of concern of the Performance & Governance Committee in referring the matter to this Committee. The council defines long term sickness absence as 20 or more continuous calendar days absence. Since December 2011 the level of long term sickness absence has exceeded the targeted level for 2011/12, ending the year at an average of 6.8 days per FTE against a target of 6.1 days per FTE.

24 The table below illustrates that there has been a steady increase in the level of long term sickness absence since 2009.



25 Long term sickness absence accounted for 64.4% of all sickness absence at the council during 2011/12. In terms of staff numbers 48 people required extended absence from work. Therefore two thirds of all absence was attributable to 13% of the workforce.

26 The most common reasons for long term sickness absence in 2011/12 were:

- Stress, Anxiety or Depression, accounting for 23.5% of all long term absence;
- Operations and Recovery, 13.6% of all long term absence; and
- Chest / Respiratory pain, 9.7% of all long term absence.

27 The most common reasons for long term absence are broadly similar to the previous year. However in 2010/11 Operations and Recovery accounted for 28% of all long term absence, with Stress, Anxiety or Depression the second highest cause at 23.5%, and treatment for serious illness the third highest at 8.5%.

28 The most common causes of long term absence in 2011/12 are also in line with the findings of the CIPD Absence Management Survey, which ranked stress, acute medical conditions and musculoskeletal injuries as the top three causes of long term absence.

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29 Addressing the increase in long term sickness absence is a key objective for the HR team in 2012/13. In order to do so a number of actions are planned to be delivered in the coming months, many of which are referred to from paragraph 34 of this report. But specifically to improve the council's ability to address long term sickness absence the HR team will:

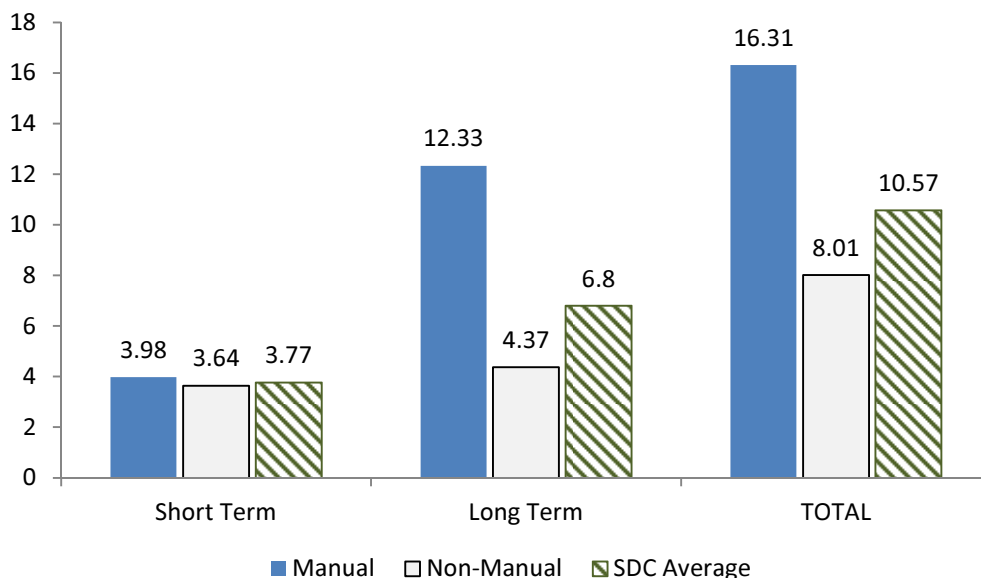
- Revise the Managing Attendance Policy to address the need for more contact when officers absent from work due to long term sickness. This will be effective from June 2012;
- Deliver training for all managers on the revised Managing Attendance Policy; and
- Re-launch the successful onsite Occupational Health resource, providing managers with improved support and tools to manage long term sickness absence. This will be effective from June 2012 and more details are provided at paragraph 34 of this report.

Direct Services

30 A high proportion of the staff working within Direct Services are manual workers. Therefore there are some illnesses or injuries that will result in a greater number of days out of work than if they were experienced by a non-manual employee, increasing the levels of long term sickness.

31 The council commonly uses phased returns to work to bring staff back in to the workplace as soon as possible. However this is more difficult to achieve with the manual workforce as many of the roles they fulfil are not suitable for phased returns.

32 Resultantly the sickness absence levels of the manual workforce are higher than that of the average for the council as a whole. The following chart shows the level of sickness absence for manual and non-manual staff in 2011/12, with the third column showing the average sickness levels for the council as a whole.



- 33 The most common reasons for long term absence amongst the manual workforce relate to acute illnesses such as chest and heart problems, musculoskeletal injuries and operations and recovery.

Strategy for Improvement

- 34 The HR team, in partnership with managers across the council, are determined to minimise the levels of sickness absence experienced by the council. The strategy for improvement incorporates providing staff with the tools they need to manage their own wellbeing and providing managers with the support, tools and confidence to effectively manage their workforce and address absence from work. The strategy applies equally to both the manual and non-manual workforce.

- 35 To deliver on this strategy a number of key actions are planned for 2012/13. These include:

- Improving the Employee Assistance Programme available for all staff by making it available on the internet. This is in addition to the current service where staff can access support over the telephone or access support in person where it is necessary;
- The HR team will invest more time in management reporting. Each month a member of the team will meet with each Head of Service to ensure they are aware of all sickness issues in their respective areas;
- Each quarter a member of the team will attend Departmental Management Team meetings, ensuring Directors, alongside their Heads of Service are fully briefed on all sickness issues across their Directorate; and
- Detailed monthly reports will be sent to all managers on staff absence, helping to ensure immediate action is being taken when an issue with sickness absence has been identified.

- 36 In addition the HR team will be re-launching the already successful onsite Occupational Health resource in June 2012. Following a successful procurement exercise an improved service will be delivered by Health Management. This will include a range of additional services that will assist staff in taking greater responsibility for their own health and greatly improve the resources available to managers to manage any absence in their service areas. New features will include:

- An online portal through which occupational health referrals can be made;
- Improved response times in relation to referral reports. The report from Occupational Health will now be available on the same day the officer is seen;
- Access to a physician over the telephone for immediate advice;
- A website hosted on the Council Intranet on which all officers can read articles and features on a range of health issues; and

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- Health and well being days specifically targeted to tackle issues such as stress, depression, healthy lifestyles and life skills.

Conclusion

- 37 Sickness absence levels are currently higher than the council would wish them to be. The Council is amongst the few that retains its own Direct Services. This has ensured that the Council's costs have remained low, but due to the nature of the work Direct Services staff carry out sickness absence levels will always be higher than the rest of the organisation.
- 38 Significant progress has been made in reducing the level of short term sickness absence, by 36% since 2009. However long term sickness absence has increased as the council has begun a significant period of organisational change that has seen the number of staff employed fall by 11% in one year alone. A number of teams across the council are striving to deliver high quality services on much reduced resources and may be considered to be working at full capacity. Analysis of sickness absence data suggests this is having an impact on staff wellbeing, with stress, anxiety or depression accounting for the greatest proportion of sickness absence across the council.
- 39 A strategy and action plan are in place to ensure the council is doing all it can to minimise the levels of both short term and long term absence. There will be a strong focus on addressing long term absence in the coming year. However, with the council taking on new services as a result of Government legislation, further reductions being made as a result of the required budget savings, and some departments finding vacancies increasingly difficult to fill there will continue to be high levels of pressure on staff.
- 40 The council has a committed workforce that has a strong recognition of the customer and a desire to deliver services that meet the expectation of the community. Initiatives such as empowerment continue to contribute positively to increasing efficiency and productivity. However, it is recognised that sickness levels need to be reduced further.

Key Implications

Financial

- 41 Payments to staff related to sickness absence are managed within the Council's salaries budgets and every effort is made to ensure that actual salaries spend does not exceed the allocated budget.

Community Impact and Outcomes

- 42 To ensure the Council continues to deliver high quality services to the community it is essential that it maximises the potential of its workforce. High levels of sickness absence may have an impact on the quality of service experienced by the community.

Legal, Human Rights etc.

43 None

Resource (non-financial)

44 The staff the council employs are one of its most important resources. It is therefore important that they are given the tools and support to deliver to their full potential. Being supportive at times of sickness absence but recognising when officers are no longer capable of performing their role is essential in delivering an effective workforce.

Value For Money

45 It is essential that the Council delivers value for money from its workforce. Minimising the levels of sickness absence makes the most cost effective use of the workforce and maximises the value for money delivered.

RISK ASSESSMENT STATEMENT

46 High levels of sickness absence have the potential to place the quality of service delivery and cost effectiveness of the workforce at risk.

Sources of Information:

SDC Managing Attendance Policy

CIPD Absence Management Survey 2011

Covalent Performance Management Software

Contact Officer(s):

Syreeta Gill, HR Manager. Ext 7403

Dr. Pav Ramewal

Deputy Chief Executive and Director of Corporate Resources

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FINANCE ADVISORY GROUP

Minutes of the meeting held on 13 June 2012 commencing at 9.30 am

Present: Cllr. Ramsay (Chairman)

Cllrs. Firth, Fittock, Grint, McGarvey and Scholey

1. Minutes

The notes of the meeting of 28 March 2012 were agreed as a correct record.

2. Declarations of Interest

There were no declarations of interest.

3. Council Tax Collection Fund and Taxbase Setting Process

Following a request at the last meeting, the Principal Accountant gave a presentation to the Group on the Council Tax collection fund and the calculation of the Council Tax base. He also circulated to Members a copy of the taxbase figures for the district as a whole and for each parish council within their ward.

The Principal Accountant considered each step of the calculation process and highlighted the differences between it and the calculation done for the purposes of the Revenue Support Grant.

In the calculations the Group was surprised at the number of chargeable dwellings entitled to the single person discount. A Member was concerned at the discount given to second homes, as they still benefited from local services. Officers clarified that there was a minimum discount of 10% with a discretion to offer up to 50% discount but the Council only granted the minimum discount and this was similar to most Councils. Those whose second home was related to and required by their job would, however, qualify for a discount of 50%.

The total of Band D equivalent properties in the district was 51,115.60 and the Council had presumed a 99.5% collection rate, which resulted in a taxbase of 50,860.03. The collection rate was higher than the national average. It was explained that the final figure was higher than the total number of dwellings in the Sevenoaks District as there were more properties in the area which were above band D level than there were below.

In response to a question, the Officer advised that revaluation of the Council Tax bands was due to take place every 5 years, however calculations were still based on 1991 bandings. He did not expect this to change soon.

The Group commended the Principal Accountant for a very informative presentation.

4. Financial Control of Planning Agreements

Having considered the funds received and balances held the Service Accountant considered that there were appropriate methods in place to control funds received under a Section 106 agreement.

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Officers advised that in the past most monies received were to be passed to Kent County Council for the provision of infrastructure, such as education or highways. In 2011/12 the Council had received almost £300,000 and approximately £200,000 of it was for contributions to affordable housing provision. This reflected a growing trend. The Chairman emphasised that Officers needed to ensure there was an adequate audit trail to show the sums had been dealt with appropriately.

The Group Manager – Planning directed Members to the report which showed how the new Obligation Tracker software traced the funds received and then whether those funds have been spent or forwarded, as appropriate, within the expected timeframe. Each sum sent to the Council is given a planning reference and will be allocated accordingly.

Some Members asked what the consequence would be should a third party, having received monies from the agreement, not deliver the infrastructure. They were concerned about whom the developer would contact to reclaim the money and whether the Council would have a legal obligation to ensure the infrastructure was adequately provided. It was agreed that either the Planning or Legal Services Teams should provide a response as to the Council's obligations in such cases.

Action: The Planning or Legal Services Team to provide Members with clarification on the Council's obligations under Section 106 agreements, in the event of non-performance by a third party.

The Chairman considered that the software would assist in tracking monies but agreed further general oversight of monies may be required, possibly by the Performance and Governance Committee or the Finance Advisory Group. Oversight of the performance of agreements may need to be considered by individual, relevant Committees. A Member, not on the Group, was concerned that oversight would be lost if divided between too many Committees. The Chairman believed this could be considered further at a later point.

The Group thanked the Officers for their work on the report.

Resolved: That the report be noted.

5. Localisation of Council Tax Support

The Group Manager – Financial Services advised the meeting that by 1 April 2013 all Council Tax billing authorities would require a local Council Tax Support Scheme. The scheme would replace the existing provisions for Council Tax Benefit in which the Council pays a sum to the claimant and the Council is then reimbursed by the government. In future the support would be provided by way of discount from the Council Tax bill. The Government would pay a grant to district and upper tier councils to contribute to the costs.

The Council faced considerable challenges as the Government was committed to reducing the grant by 10% on current levels and had stated that pensioners should be protected and receive their existing levels of support. 52% of the current claimants within Sevenoaks District were pensioners. Secondly, as the support now acted as a discount on Council Tax, rather than a payment, the Council's taxbase would be detrimentally affected so the amount of Council Tax collected would reduce. It was also not realistic for over 300 billing authorities to have individual local schemes as there are very few

specialist software suppliers who will not be able to write unique systems for that number of customers within the available timescale.

On 25 May 2012 Members of the Kent Forum agreed to recommend a single Council Tax Support Scheme which provided for an 18.5% reduction to all non-pensioner claimants. In return the 3 major precepting authorities (Kent County Council, Kent Police Authority and Kent & Medway Fire & Rescue Authority) had agreed that they would both pay £125,000 to each district as a contribution to the increased administrative costs and also reimburse a district council should the new discounts exceed the cost of the grant receivable from the Government. This agreement would run for 3 years. The joint agreement with a single scheme would have the added benefit of creating consistency when creating new software. This proposal had been approved in principle by the Kent Forum but discussions were continuing and some details may still be changed.

Recently the Government had announced that it may provide some support to parish and town councils to ameliorate the effect of the change in their taxbase. District Councils would be provided a grant which would be distributed to the local councils.

A Member stressed the importance of notifying residents in writing of the 18.5% reduction in Council Tax support for unprotected groups. The Group Manager – Financial Services clarified that there will be consultation on the Scheme over the Summer and it would not be finalised until December. Claimants could be notified between December 2012 and March 2013.

The Chairman suggested that the Council's taxbase could reduce between 2.5 and 5% because of the reforms.

6. Matters Arising including actions from last meeting

It was considered that presentation from the Secretary of the Superannuation Fund created a good debate but Members hoped that, as the number of pensioners in the scheme rose when compared to the number of contributors, that the scheme would move towards more long term investments, such as bonds and away from equities.

The other completed actions were noted.

A Member, who was also the acting clerk for Shoreham Parish Council, apologised to the Group regarding the item on local housing needs in Shoreham, which was considered at the last meeting of the Group. It was only at the Parish Council's meeting on the Thursday prior to the Performance and Governance Committee meeting on 12 June 2012 that he learned of the Parish Council's objections to the scheme. The Parish Council now believed that the consultation from 2005 was out of date. Since the consultation the local needs would have changed and the development in Dunton Green had since begun. Members were informed that the Performance and Governance Committee had therefore deferred the item.

7. Referrals from Performance & Governance Committee

There were no referrals.

8. Provisional Outturn 2011/12 and Carry Forward Requests

The Finance Manager reminded Members that at the end of February the forecast outturn was for a favourable variance of £50,000. The provisional variance was now

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£632,000 which included a VAT refund the Council had achieved of £552,000. Disregarding the refund the variance was £30,000 better than the February forecast. If approved, the carry forward requests would reduce the outturn to approximately £8,000.

The Group considered the carry forward requests and had comments on the following items:

Direct Services Training

A Member was concerned that there was no clear commitment that the carry forward request would be spent in the financial year 2012/13. The Finance Manager confirmed that the training budgeted for had started in the last month and was therefore an ongoing expense.

Asset maintenance

The reason for the request stated that the funds carried forward possibly may not be used on the same projects as those which were underspent in 2011/12. Officers were advised that the request should not be used to recreate the asset maintenance fund which had been abolished by the Council. The Chairman agreed that the projects the money would be spent on should be enumerated before the report was taken to the Cabinet meeting on 14 June 2012 for consideration. Officers agreed to report to Cabinet those items which had been underspent to show the sums were authentic carry forward requests.

Action: Officers to clarify, when the report is considered by Cabinet, which asset maintenance items had been underspent.

Disabled Facility Grants 2011/12

The Chairman noted that there was little leeway for the Council on this request as the Occupational Therapist service was one run by Kent County Council. He was also unsettled by the sums involved in children's Disabled Facility grants but was content to approve the request.

A Member noted that Direct Services Trading Account had continued to struggle, facing a £21,000 loss as opposed to the originally budgeted £71,000 gain. In February the expectation had been to break even. The Chairman noted that the Head of Environmental and Operational Services had reported to the Group on 28 March 2012 explaining the increased costs they had faced. The Chairman hoped for improvement but had confidence in the Officers.

Resolved that:

- (a) the Revenue 'carry forward' requests totalling £72,010 as set out in paragraph 13 of the report be approved, subject to the clarification suggested by the Finance Advisory Group; and
- (b) the capital carry forward requests totalling £490,107 as set out in paragraph 15 of the report also be approved.

9. Financial Performance Indicators 2011/12 - to the end of March 2012

A Member enquired why the Council Tax collected for 2011/12 was at 98.6% when the taxbase was calculated on a presumption of a collection rate of 99.5%. It was clarified that the figure of 98.6% was the amount collected within the year and some would only be collected later.

Members were encouraged that the numbers paying for Council Tax through Direct Debit had risen. Residents had recently been given the opportunity to arrange this online and it had proven very popular.

It was noted that the number of full-time equivalent employees in March was above target. The Finance Manager stated that the Benefits Team had recently needed the use of agency staff. The Chairman noted from the report in minute item 10 that the figure in April 2012 had improved to 372, which was 7 ahead of target.

10. Financial Performance Indicators 2012/13 - to the end of April 2012

Officers were asked why the reason for sundry debts was high. This was a result of 2 large invoices for one of the other Councils in the Licensing Partnership. The Chairman noted that there were some considerable National Non-Domestic Rates outstanding.

Action: Officers to shift the scales on the graphs when the reports is next presented, so that the lines are closer to the centre.

11. Forward Programme

It was requested that a report be made on the costs for the Council of the Paralympic Games. Although set out in the costs for Community Development, the Chairman suggested that the figures be brought forward.

The Group Manager – Financial Services agreed to include updates on the localisation of Council Tax support before a proposal was sent to the Council in the Summer.

Members invited the Head of Environmental and Operational Services to return to the Group in October 2012, principally to focus on an update regarding Direct Services.

THE MEETING WAS CONCLUDED AT 12.07 pm

Chairman

FINANCE ADVISORY GROUP

Minutes of the meeting held on 25 July 2012 commencing at 9.30 am

Present: Cllr. Ramsay (Chairman).

Cllrs. Fittock, Grint and McGarvey.

Apologies for absence were received from Cllrs. Firth and Scholey.

12. Minutes

The notes of the meeting of 13 June 2012 were agreed as a correct record.

13. Declarations of Interest

No declarations of interest were made.

14. Matters Arising Including Actions From The Last Meeting

There were none.

15. Referrals From Performance & Governance Committee

There were none.

16. Argyle Road Offices, Accommodation For Outside Organisations

Members considered the report of the Property Services Manager. Members commended Officers for converting the capital into revenue which meant a lot for the future especially with the challenges ahead and expressed a wish to see more of this type of approach. It was viewed as an excellent use of resources whilst keeping the Council's capital intact. Members were pleased to see that the service charge was to be annually reviewed and understood the position with regards to the competitiveness of rent, commenting on the number of empty properties currently in the immediate area.

Members wished to know the service charge per square foot rather than per desk, and were keen to know how the rent figure was arrived at. There was also interest expressed in knowing the costs of running the building without IT or desk costs. The Chairman advised that he would ensure that the proposed rent and service charge figures in the Heads of Terms would be completed before submission to the Performance and Governance Committee, and an explanation of the approach included.

Resolved: That it be RECOMMENDED to Performance and Governance Committee that, subject to the points raised above, capital reserves be used to provide office accommodation for Moat Housing on the terms and conditions detailed in the report and to such other conditions as the Council's legal advisors consider necessary to protect the Council's interests.

17. Investment Strategy Update

The Principal Accountant tabled two papers listing investments as at 25 July 2012. The report updated Members on treasury activity in the first quarter of the current financial

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year as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. The annual report on performance in the previous financial year would be reported to the next Performance and Governance Committee.

Provisional figures for the previous financial year were comparing favourably with the London Interbank Bid Rate (LIBID) benchmark, with last years investment income exceeding the target by just over £120,000. Investment income in the first quarter of the current financial year was also exceeding target. The June 2012 outcome of the benchmarking carried out with neighbouring authorities was now available. As a result of further credit rating downgrades it had been necessary to revert to options such as lending to other local authorities and the UK Governments Debt Management Office at inferior rates. There had been success with recent investments in Money Market Funds which is why the report proposed to increase the lending as set out in the recommendations.

In response to a question the Principal Accountant advised that KPMG had produced a report on building societies, and further advised that the Government had recently issued a consultation document as to the future role of building societies which indicated the Government may be looking to protect and/or expand their role.

Action 1: The KPMG report to be circulated to Members.

In response to further questions he advised that only a small amount of the money received from Landsbanki Islands hf was in Icelandic Krona, the remainder was in Sterling, US Dollars and Euros. Iceland was not allowing any of its own currency out of the country at the moment, which once released would be converted to sterling. The latest advice received was that 100% of the investment would be returned ultimately.

Action 2: List of investments to be amended to reflect the amount recovered from Landsbanki Islands hf.

Members felt that there did not need to be undue concern with regards to the recent publicised issues surrounding the Council's bankers, Barclays resulting in their financial strength being placed on negative outlook.

Resolved: That it be RECOMMENDED to Performance and Governance Committee that

- a) the update on treasury management activity in the first quarter of 2012/13 be noted; and
- b) the upper investment limits for the Ignis and Insight Money Market Funds be increased to £3m each.

18. Draft Statement of Accounts 2011/12

The Finance Manager presented the draft statement of accounts for the financial year ended 31 March 2012. The accounts were completed within the statutory deadline of 30 June and were currently open to public inspection following the advertisement in the Public Notices, though so far, no one had asked to see them. The annual audit had already begun and the team from District Audit were due to start on site the next day and be here until the end of August.

The format of the statement followed the same layout as the previous year but the Finance Manager proposed that the final version include a note on the position of the Council's heritage assets. This was a new requirement for 2011/12 to report on material property or assets held only for their historical or cultural value of more than £15,000. She did not believe that the Council had any such assets meeting this definition but a note would still be required. In response to a question she believed Otford Gate House was below the material limit. There may be an issue with the civic regalia however again, no individual item was above the material limit.

Since the statement had been printed on the agenda, an error had been identified on page 51 and an amendment was tabled. The amount put into the budget stabilisation fund for 2011/12 was £728k and not as shown. That sum represented the final favourable variance for the year and included the VAT refund of £552k. The tabled papers also explained the major reasons for the differences between the statement of accounts and the budget monitoring given at the last meeting.

Members acknowledged the hard work that went into producing these accounts to the new standards. However they did feel that the new reporting standards made it much more difficult to understand, especially to a member of the public.

Action 3: The 'Movement in Reserves Statement' be amended so that the year end balance transferred to the Budget Stabilisation Reserve can be clearly identified.

Resolved: That

- a) the Draft Statutory Statement of Accounts be noted; and
- b) Performance and Governance Committee be asked to consider writing a letter expressing concern and dismay that the current accounting standards lead to Council accounts being too complicated and opaque and detracting from accountability to the Public.

19. Financial Prospects

The Group Manager Financial Services reported that the purpose of the Financial Prospects report, which would go to Performance and Governance Committee in September, was to set out the major financial pressures the Council was likely to face in the short to medium term, together with a proposed strategy for setting a balanced and sustainable budget for 2013/14 and beyond. This would be a significant part of the budget process.

The overall emphasis would be on building on the strong framework provided by the 10-year budget, whilst taking into account any new financial burdens and changes in the economy that could have an impact on budget assumptions. This was the first stage of the budget process that would see a revision to the 10-year budget being approved by Members in February 2013.

Apart from Council Tax, the largest funding source in the budget was Government Support. There was still significant uncertainty as to the amount of Government Support the Council was likely to receive in 2013/14 and beyond. The effect of the change to Business Rates Retention in particular was still unknown. In the current 10-year budget

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Government Support reductions of 9% in 2013/14 and 10% in 2014/15 had been assumed. However, more recent information would indicate reductions in grant would be higher than this.

The Director of Corporate Resources (Deputy Chief Executive) was originally planning to attend the meeting, and was able to do so if Members still wished, but given the uncertainties he had decided to attend the next meeting or invite members of the Group to visit him to run through the issues before the Financial Prospects report was formally presented to members at Performance and Governance Committee and Cabinet.

Members agreed that the Director of Corporate Resources (Deputy Chief Executive) did not need to attend this meeting and would catch up in early autumn or possibly at one of the meetings offered.

20. Update on Localisation of Council Tax Support

The Group Manager Financial Services reminded Members of the verbal update given at the last Finance Advisory Group and that a detailed report was provided to Services Select Committee on 19 June 2012. Reports were also presented to Cabinet on 12 July and Council on 24 July.

Currently council tax benefit was a national scheme administered by Local Authorities but funded by central government. This would be replaced on 1 April 2013 by a local scheme for council tax support, and government funding would be 10% less than under Council Tax benefits. Only pensioners were fully protected, therefore in theory a 10% saving needed to be spread over the remaining current claimants.

On 25 May 2012 the Kent Forum for Leaders and Chief Executives agreed in principle to a Kent-wide scheme which proposed:

- Standard deduction of 18.5% on all non pensioner claimants,
- Reduce empty property exemption (Class C) from 6 months to 3 months
- Major precepting authorities (MPA's) will pay £125k to each billing authority – admin, collection, recovery costs,
- MPA's will reimburse any increased admin costs if the case load of the local scheme increases significantly.
- Agreement to operate for three years (after next election)

Further legislation had been produced, which did not appear to allow the reduction of the empty property reduction from six months to three months, but Officers were investigating other ways of achieving the same result. Work was also continuing with the major precepting authorities to try to lower the 18.5% deduction currently proposed for non pensioner claimants.

The modelling tool had been received which would be used to provide equalities and parish information. There would be an 8 week consultation period from 6 August to 30 September 2012.

After discussion Members noted that there was an expectation that the Council Tax collection rate may drop as a direct consequence of the changes.

21. Financial Results 2012/13 - to the end of June 2012

The Finance Manager presented the budget monitoring results for the end of June 2012. She reported that the year end position was forecast to be £174,000 better than budget, but with Building Control, Land charges and pre application fees currently showing adverse variances for the year to date. Corporately the Council had benefited from reduced audit fees, additional income from court costs, market rents, income from investments and the Head of Community Development had received £17,000 from LOCOG. However income from Planning Fees (pre application and s106 monitoring) was down. Under the Localism Act planning fees could be increased by 15 % from August, however 20% had been budgeted for.

The Finance Manager reported that last Friday she had been advised that Wendy Fair Markets was planning to go into voluntary liquidation.. They currently owed the Council £74,000 and there was a creditors meeting on 3 August 2012. The Principal Legal Executive was looking at the papers. The markets would continue to operate for the time being. It was noted that even when in administration the company could continue operating.

Action 4: The Director of Corporate Resources (Deputy Chief Executive), Property Services Manager and Portfolio Holder for Finance and Value for Money to meet and discuss the way forward should the company go into liquidation..

With regards to Building Control Members wondered whether it was possible to decrease the number of visits made to help reduce costs. A Member was concerned about the principle of them operating in a commercial environment. Members asked why costs had not yet been cut with regards to the housing register.

Action 5: Head of Housing and Communications to be asked to include reasons and time frame for cutting the costs of the housing register.

The report was noted.

22. Financial Performance Indicators 2012/13 - To The End Of June 2012

The Finance Manager advised that Wendy Fair was not shown on the sundry debtors list as there was a payment plan in place.

The report was noted.

23. Forward Programme

Members considered the Forward Programme. It was discussed and agreed that further updates on the Localisation of Council Tax Support and Financial Prospects be considered at the next meeting.

THE MEETING WAS CONCLUDED AT 11.52 am

Chairman

ACTIONS FROM THE MEETING HELD ON 12.06.12

Action	Description	Status and last updated	Contact Officer
ACTION 1	That the Audit Manager be invited to a meeting of the Committee with no management present.	The Performance & Governance Committee meeting on 13 November 2012 will include an item for this.	Bami Cole
ACTION 2	That update information regarding indicator LPI PH001 be circulated with the minutes.	This was appended to the minutes when published on 26.06.12.	Lee Banks/Democratic Services

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Performance and Governance Committee 2012/13 – Work Plan

Topic	18 September 2012	13 November 2012	8 January 2013	12 March 2013	June 2013
Governance	Annual review of Terms of Reference			Update of the Council's Anti-Fraud and Corruption Strategy to reflect the requirements of the Bribery Act 2010 (commencement Order 2011).	
Internal Audit (Irregularities to be reported confidentially as & when necessary)	Internal Audit Quarter 1 report		Q2 Report	Internal Audit Plan Q3 Progress Report	Review of effectiveness of Internal Audit Annual Governance Statement Internal Audit Annual Report
Risk Management			Update		Risk Management Plan
Accounts and External Audit	Draft Statement of Accounts Outcome of the External Audit		District Auditor's Annual Audit Letter	Annual Audit Plan	

Topic	18 September 2012	13 November 2012	8 January 2013	12 March 2013	June 2013
Treasury Management & Investment Strategy	Annual Treasury Management Report 2011-12	Treasury Management Update	Treasury Management Strategy 2012/13		
Strategic Business & Finance Planning (Budget Strategy)		Budget Strategy			
Budget Monitoring	July Figures	September figures	November Figures	January Figures	Outturn Figures
Property	Asset Management Property Review Update				
Performance Management	Performance Report	Performance Report		Performance Report	End of Year Results
Other	Finance Advisory Board Minutes (if met)	Annual Complaints Monitoring Report Finance Advisory Board Minutes (if met)	Finance Advisory Board Minutes (if met)	Finance Advisory Board Minutes (if met)	Finance Advisory Board Minutes (if met)

PERFORMANCE MONITORING

Performance & Governance Committee – 18 September 2012

Report of the: Deputy Chief Executive and Director of Corporate Resources

Status: For Consideration

Executive Summary: This report provides the Committee with a summary of Council performance and through the exceptions report details of all ‘Red’ performance indicators for the period to the end of July 2012.

This report supports the Key Aim of Corporate Performance Plan “Effective Management of Council Resources”

Portfolio Holder Cllr. Mrs. Davison

Recommendation: It be RESOLVED that Members:

- (a) note the contents of this report, and
 - (b) where appropriate, refer areas of concern to the Finance Advisory Group or the appropriate Select Committee for further action.
-

Background

- 1 The Council’s performance management arrangements are supported by a software system which allows performance to be monitored using a simple traffic light system i.e. Green for good, Amber if caution is required and Red if the indicator requires attention. This allows the Council to both celebrate good practice and take early steps to rectify actual and potential problem areas. The system allows for the review of historical performance as well as tracking progress against performance targets.
- 2 The Council’s performance management system, Covalent, is available to all Members via the Members Portal. All of the current performance indicators agreed by Members are available on the system and Members are encouraged to use this to access performance information across all service areas.

Performance Reporting

- 3 The Committee has agreed that the performance monitoring report will show only the ‘Red’ indicators, separated in to the responsibilities of each Select Committee, allowing for a strong focus on areas of underperformance.
- 4 Performance reports will always provide Members with the most up to date information accompanied by management commentaries on the reasons for underperformance and the actions being taken to improve the service.

Agenda Item 8

Performance Overview – April to July 2012/13

- 5 The following table summarises the performance levels to the end of July 2012/13.

Red	Amber	Green
<i>10% or more below target</i>	<i>Less than 10% below target</i>	<i>At or above target</i>
13	7	35
23%	13%	64%

- 6 Set out at Appendix 1 are details of each of the 14 ‘Red’ performance indicators categorised by the Select Committee which holds responsibility for scrutinising that service’s performance. Alongside the performance data is a trend chart, showing all performance for the year and a commentary provided by the manager of the service. Commentaries include additional context data where it is available and explain the reason behind the performance and any actions that are planned or are currently being taken to improve performance.
- 7 Of the 14 performance indicators that are ‘Red’ Members may wish to note that:
- LPI Clean 002 – A report on fly tipping was presented to Environment Select Committee at their meeting of 4 September 2012. The report provided a comprehensive review of the incidents of fly tipping since 2008/09 to the end of 2011/12 and a breakdown of the number of fly tips that was reported in each Town or Parish for the past two years; and
 - LPI HB 001 – An update on the progress of the Benefits team will be provided to Services Select Committee at their meeting on 25 September 2012.
- 8 In any further instances where the Performance and Governance Committee is dissatisfied with the performance level and the plans for improvement it is recommended that they refer the issue to the Finance Advisory Group or the relevant Select Committee for scrutiny. Where performance concerns are referred for scrutiny the appropriate Head of Service or Service Manager would attend the Select Committee to provide further information and analysis and where relevant an improvement plan. Any recommendations made by the Select Committee would also be referred to Cabinet.

Key Implications

Financial

- 9 Effective performance management monitoring arrangements will assist the Council in diverting resources to areas or services where it is considered to be a greater priority.

Community Impact and Outcomes

- 10 Robust performance management arrangements ensure services continue to be measured against targets for improvement. Striving to meet these targets and developing action plans where performance needs to be improved helps to ensure the delivery of high quality services to the community.

Legal, Human Rights etc.

- 11 None

Resource (non-financial)

- 12 None

Value For Money

- 13 A strong performance culture and effective performance management monitoring arrangements contribute to improved services and ultimately more cost effective Value for Money services.

Risk Assessment Statement

Risk	Impact	Control	Residual Risk
1. Inaccurate data could be used in the assessment of performance	High	Robust data collection arrangements in place. Annual data quality audit by both Internal and External Audit	Low. Risk Adequately Controlled
2. Poor performance might not be identified	High	Suite of performance indicators reviewed annually to ensure all key areas of service delivery are appropriately monitored. Members focus on exceptions in their performance reporting.	Low. Risk Adequately Controlled
3. Poor performance might not be addressed	High	Performance management is embedded in the organisation with robust performance review and monitoring arrangements in place. Covalent updated monthly with data and made available to officers and Members to review. Formal performance reports to Management Team, Performance and Governance Committee and Cabinet. Service Review processes in place.	Low. Risk Adequately Controlled

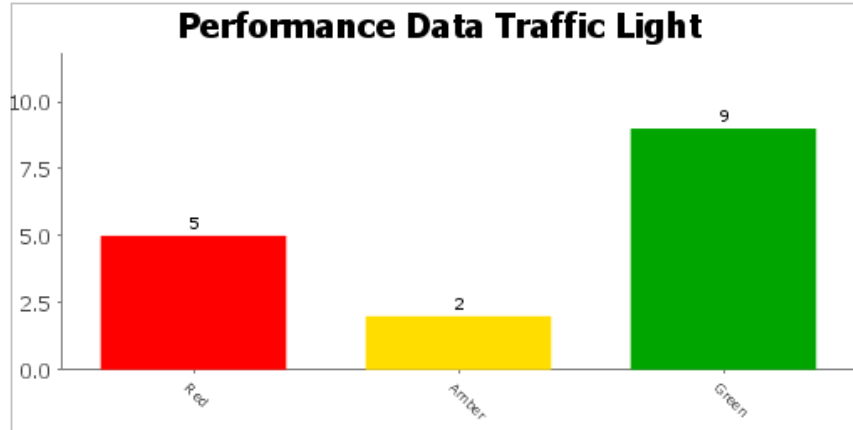
Agenda Item 8

Sources of Information: Covalent Performance Management Software

Contact Officer(s): Lee Banks, Policy and Performance Manager.
Ext 7161

Dr. Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources


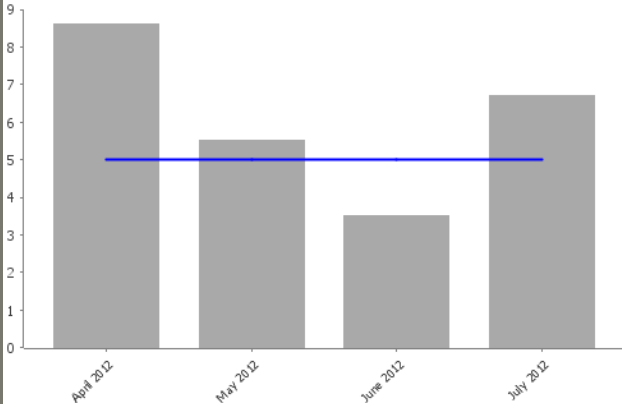
Environment Select Committee PI's


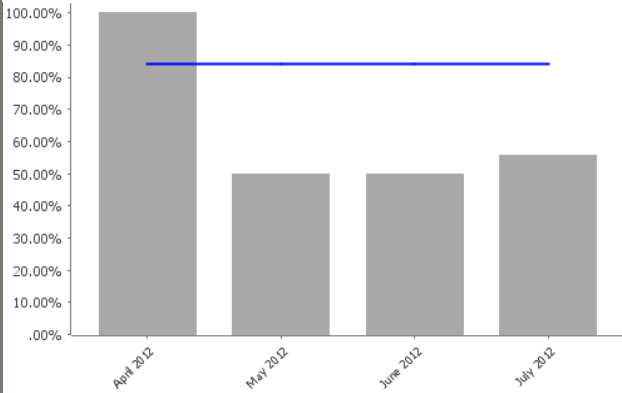

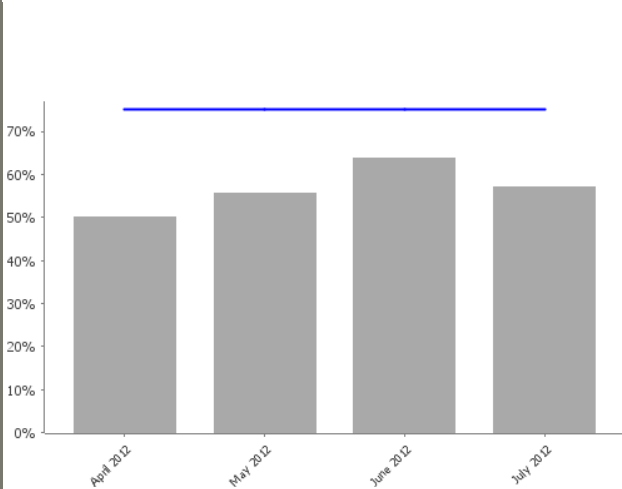



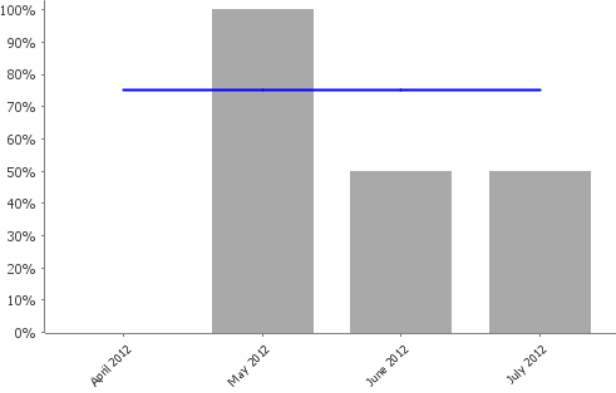
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Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note										
LPI Clean 001	Number of justified Street Cleaning complaints	50	43		<table border="1"> <thead> <tr> <th>Month</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>April 2012</td> <td>8</td> </tr> <tr> <td>May 2012</td> <td>4</td> </tr> <tr> <td>June 2012</td> <td>15</td> </tr> <tr> <td>July 2012</td> <td>25</td> </tr> </tbody> </table>	Month	Value	April 2012	8	May 2012	4	June 2012	15	July 2012	25	<p>There were 25 justified complaints regarding street cleaning in July, which is higher than the monthly average of 12. However the total number of complaints this year, to date, [50] compares very favourably with the same period last year [79]. The situation will continue to be monitored but it is expected that the number of justified complaints will be within the overall target for the year, as it was last year.</p>
Month	Value															
April 2012	8															
May 2012	4															
June 2012	15															
July 2012	25															

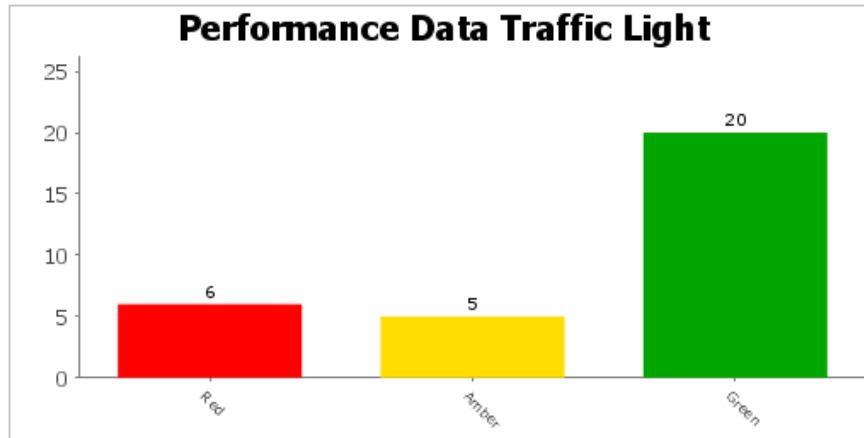
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Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note										
	Average number of days taken to remove fly tips which the District Council has responsibility to clear	6.08	5		 <table border="1"> <caption>Bar Chart Data: Average days taken to remove fly tips</caption> <thead> <tr> <th>Month</th> <th>Average Days</th> </tr> </thead> <tbody> <tr> <td>April 2012</td> <td>8.5</td> </tr> <tr> <td>May 2012</td> <td>5.5</td> </tr> <tr> <td>June 2012</td> <td>3.5</td> </tr> <tr> <td>July 2012</td> <td>6.8</td> </tr> </tbody> </table>	Month	Average Days	April 2012	8.5	May 2012	5.5	June 2012	3.5	July 2012	6.8	<p>A full analysis of fly tipping incidents over the past four years was provided to Environment Select Committee at their meeting on 4 September. There have been 223 fly tipping incidents reported since April compared with 203 for the same period last year, a 10% increase. However the number removed, for which SDC has the responsibility to remove, was 109, compared with 110 in first four months of 2011/12. The average time from report to removal for the first four months was 6.1 days against a target of 5 days.</p> <p>All reported incidents of fly tipping must first be investigated by the crew to determine whether the Council is responsible for their removal. Many smaller scale incidents are removed on the next working day. However, larger scale fly tipping incidents often require a grab lorry to remove. This can take a longer period of time to organise and complete the works. Performance will continue to be monitored but it is considered no further action is required at this time.</p>
Month	Average Days															
April 2012	8.5															
May 2012	5.5															
June 2012	3.5															
July 2012	6.8															

Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
LPI DC 007a	Processing of planning applications: Major applications in 13 weeks	55.56%	84.00%			There were 9 major planning application decisions made between April and July, with 5 of those determined within 13 weeks. With low numbers of applications for decision delays on a few applications can have a disproportionate effect on the overall percentage. Major applications often require additional time to process because of the complex issues they raise, including requirements for legal agreements to be negotiated.
LPI DC 009	Percentage of appeals against planning application refusal dismissed	57.14%	75%			The proportion of planning appeals dismissed this year is broadly in line with the national picture but below the Council's target. All of the appeal decisions since April were householder appeals where the Council is not able to submit a statement other than the Officers report on the application. Half of the appeals allowed were Green Belt extensions where the Council is currently reviewing policy. The other half were residential extensions within settlements where Inspector's took a different view of the impact on the amenity of neighbours which can be a matter of individual judgement. Most of the appeals dismissed also fell in these two categories.

Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note										
LPI DC 010	Percentage of all enforcement appeals dismissed	50%	75%		 <table border="1"> <caption>Trend Chart Data</caption> <thead> <tr> <th>Month</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>April 2012</td> <td>0%</td> </tr> <tr> <td>May 2012</td> <td>100%</td> </tr> <tr> <td>June 2012</td> <td>50%</td> </tr> <tr> <td>July 2012</td> <td>50%</td> </tr> </tbody> </table>	Month	Percentage	April 2012	0%	May 2012	100%	June 2012	50%	July 2012	50%	<p>There have only been two decisions issued by the Planning Inspectorate within this category to July this year. With very low numbers, any appeals that are allowed will have a disproportionate effect on the overall percentage. One of the appeal decisions this year was affected by a change in planning legislation between when the enforcement notice was issued and when the appeal was determined. It was therefore not possible to have foreseen this.</p>
Month	Percentage															
April 2012	0%															
May 2012	100%															
June 2012	50%															
July 2012	50%															


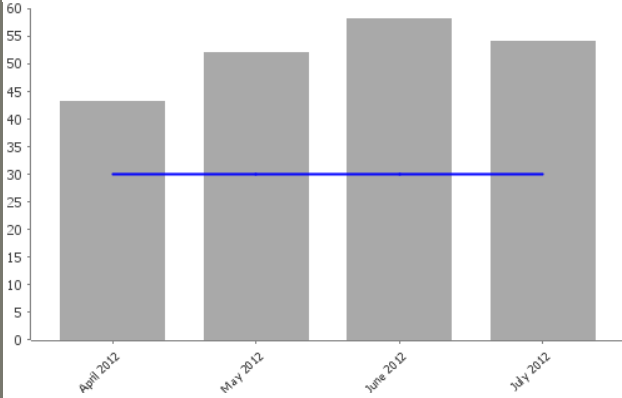


Services Select Committee PI's






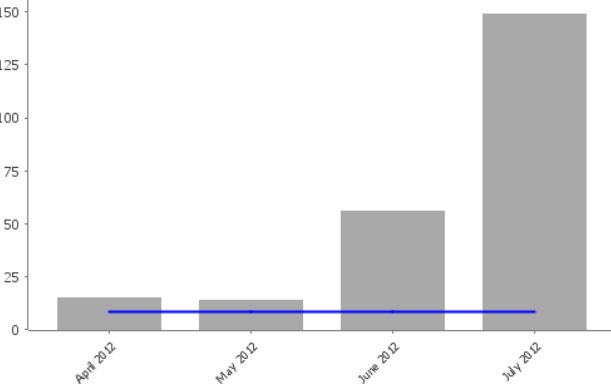
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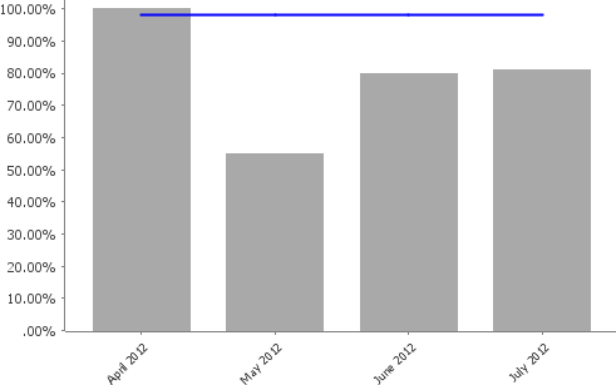
Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note										
LPI FS 003	Debts outstanding more than 61 days	£25,330	£20,000		<table border="1"> <caption>Trend Chart Data</caption> <thead> <tr> <th>Month</th> <th>Value (€)</th> </tr> </thead> <tbody> <tr> <td>April 2012</td> <td>~25,000</td> </tr> <tr> <td>May 2012</td> <td>~26,000</td> </tr> <tr> <td>June 2012</td> <td>~24,000</td> </tr> <tr> <td>July 2012</td> <td>~25,000</td> </tr> </tbody> </table>	Month	Value (€)	April 2012	~25,000	May 2012	~26,000	June 2012	~24,000	July 2012	~25,000	<p>Debts outstanding continue to be actively pursued. The larger outstanding debts are currently with the Debt Collection Agency and proceeding through Legal recovery. The others have been issued with final reminder letters. If that is unsuccessful then they will be forwarded to the Debt Collection Agency.</p>
Month	Value (€)															
April 2012	~25,000															
May 2012	~26,000															
June 2012	~24,000															
July 2012	~25,000															

Agenda Item 8

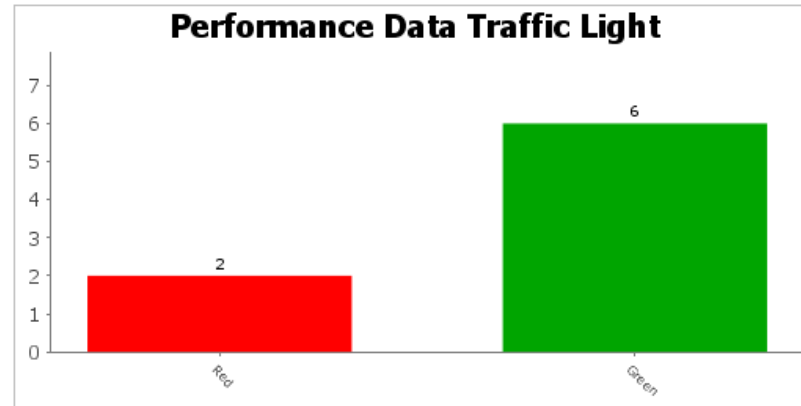
Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
LPI HB 001	Average number of days to process new benefits claims	54	30			Demand for the benefits service continues to be extremely high and additional resources have been secured. As a result there is an improvement in turn around times for new claims in July and work is continuing to further improve performance. An update on performance of the Benefits team is being provided to Services Select Committee at their September meeting.
LPI HP 001	The number of dwellings vacant for more than six months returned to occupation or demolished	2	3			The Empty Homes Officer is very proactive and has projects planned to ensure the Council is on target for end of year. It is difficult to predict on a month by month basis how many properties will be completed and put back into use and small delays in projects can result in quarterly performance falling marginally behind target.



Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
LPI PH 001	Number of Home Improvement Agency projects completed	48	75			<p>The Home Improvement Agency is currently managed by Mosaics, as there were issues with the previous management (Hyde In Touch). This is a temporary arrangement for 6 months whilst a Kent wide tender process takes place for a new provider.</p> <p>The providers have not spent funding and have dealt with applicants inefficiently and the result is an under spend and a lower than anticipated number of cases assisted.</p> <p>However, the Council has been able to maximise use of the under spend to help fund several paediatric cases that have been presented. Issues will be resolved when new Kent wide management is agreed, for which Kent County Council is the Lead Authority.</p>


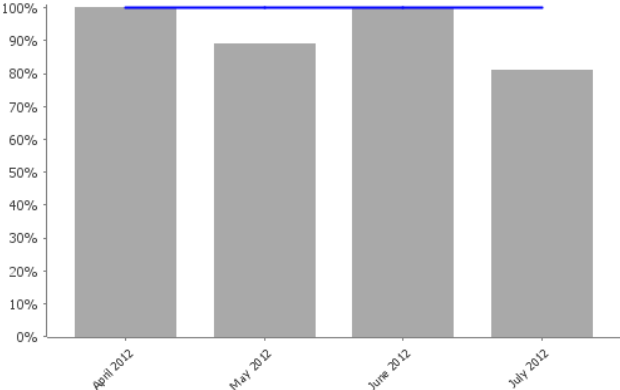
Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note										
LPI Waste 004	Number of missed green waste collections	234	33		 <table border="1"> <caption>Monthly Missed Green Waste Collections (2012)</caption> <thead> <tr> <th>Month</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>April 2012</td> <td>15</td> </tr> <tr> <td>May 2012</td> <td>15</td> </tr> <tr> <td>June 2012</td> <td>55</td> </tr> <tr> <td>July 2012</td> <td>150</td> </tr> </tbody> </table>	Month	Value	April 2012	15	May 2012	15	June 2012	55	July 2012	150	<p>The number of missed garden waste collections for the first four months of 2012/13 is 234 [147 bins and 87 sacks] compared with 67 in same period last year [33 bins and 34 sacks] and against a target of only 12 bins and 20 sacks.</p> <p>This collection crew has been through major staffing changes lately due to a combination of staff departures and long term sickness, resulting in the need to engage agency staff until vacancies are filled permanently. Agency staff are not as familiar with the collection rounds as directly employed staff.</p> <p>A new Supervisor/Driver has recently started and has been tasked with turning around performance as a matter of priority, particularly for those customers with a bin permit. Performance will continue to be closely monitored on a weekly basis.</p>
Month	Value															
April 2012	15															
May 2012	15															
June 2012	55															
July 2012	150															

Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
LPI Waste 005	Percentage of missed green waste collections corrected by next working day	79.00%	98.00%			<p>Performance against this indicator is directly affected by the increased number of missed collections to be corrected, 234 in the first four months of 2012/13.</p> <p>The garden waste collection crew have been through a period of staff changes due to staff departures and long term sickness requiring the use of agency staff until vacancies are filled permanently.</p> <p>The agency staff's knowledge of the rounds is not as good as the permanent crews. A new Supervisor/Driver has been appointed and has been tasked with turning around performance as a matter of priority. Performance will be monitored on a weekly basis.</p>

Social Affairs Select Committee PI's



Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note
LPI CD 007	Number of domestic burglaries per 1,000 households	2.3	2.0			<p>Nationally the level of crime, including domestic burglaries, has experienced an upward trend in the last two years. Reported crime in Sevenoaks has mirrored this trend.</p> <p>The Community Safety Partnership is aware of the challenge regarding domestic burglary and is prioritising and promoting property security. The police are focussing on known offenders</p>

Code	Description	Year to Date Value	Year to Date Target	Status	Trend Chart	Latest Note										
LPI EH 004	Percentage of higher risk food inspections due that was done (higher risk is categories A & B)	81%	100%		 <table border="1"> <caption>Trend Chart Data</caption> <thead> <tr> <th>Month</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>April 2012</td> <td>100%</td> </tr> <tr> <td>May 2012</td> <td>90%</td> </tr> <tr> <td>June 2012</td> <td>100%</td> </tr> <tr> <td>July 2012</td> <td>81%</td> </tr> </tbody> </table>	Month	Percentage	April 2012	100%	May 2012	90%	June 2012	100%	July 2012	81%	<p>3 inspections were outstanding at the end of July and these were inspected in August.</p> <p>Performance is monitored monthly and the 100% target for the year will be achieved.</p>
Month	Percentage															
April 2012	100%															
May 2012	90%															
June 2012	100%															
July 2012	81%															

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FINANCIAL PROSPECTS AND BUDGET STRATEGY 2013/14 AND BEYOND

Performance & Governance Committee – 18 September 2012

Report of the: Deputy Chief Executive and Director of Corporate Resources

Status: For Decision

Also considered by: Cabinet - 13 September 2012

Key Decision: No

Executive Summary: This report sets out the major financial pressures the Council is likely to face over the next four years, together with a proposed strategy for setting a balanced and sustainable budget for 2013/14 and beyond. The Council has an excellent track record in identifying, planning for and addressing financial challenges. In light of the challenging financial position facing all authorities two years ago, for 2011/12 the Council produced a 10-year budget together with a four-year savings plan for the first time. This will be the third year this method has been used and provides the Council with a stable basis for future years, which addresses the reduction in Government funding as well as reducing its reliance on reserves.

Building on the considerable progress made over recent years, this report updates Members on significant risk areas as well as setting out the way forward for service prioritisation, business and financial planning, financial strategy and the budget setting process.

The overall emphasis is on building on the strong framework provided by the 10-year budget, whilst taking into account any new financial burdens and changes in the economy that have an impact on budget assumptions. This report also provides Members with the proposed timetable for the budget setting process.

It is suggested that a further review of the 10-year budget be carried out once the government grant settlement has been finalised and a full review of the 4-years savings plan has been undertaken. Officers will report back to Cabinet with a revised 10-year budget, highlighting any significant variations.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager – Financial Services – Adrian Rowbotham

Recommendation to Cabinet:

- (a) endorse the ten-year financial planning approach and principles set out in this report and request officers to carry out a further review and update once the government grant settlement has been finalised and a review of the 4-year
-

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savings plan has been undertaken and report back to Cabinet on 10 January 2013;

- (b) note the budget timetable set out in Appendix A.
-

Recommendation to the Performance & Governance Committee: That the report be noted.

Introduction

- 1 The Council's financial strategy over the past eight years has worked towards increasing financial sustainability and it has been successful through the use of a number of strategies including:
 - implementing efficiency initiatives;
 - significantly reducing the back office function;
 - improved value for money;
 - maximising external income;
 - the movement of resources away from low priority services; and
 - an emphasis on statutory rather than non-statutory services.
- 2 Over this period the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders through the Community Plan. In financial terms, the adoption of this strategy has to date allowed the Council to move away from its reliance on general fund reserves which has ensured that the general fund reserves have remained largely unchanged.
- 3 Due to the level of funding and other potential changes and uncertainties, it is still difficult to anticipate with sufficient accuracy even at this stage in the budget process what the level of Government settlement is likely to be. However, using the data sources available to the Council, officers have attempted to identify a budget deficit figure over the 10-year period but recognise that this is a constantly changing situation and more accurate data will not be available for some months yet.
- 4 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the short-term reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, that ensured the Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.
- 5 The intention of this report is to enable Members to give early consideration to the pressures likely to be faced by the Council and put in place a long-term solution that ensures service reductions are minimised. This report sets out the high level approach and principles but a report to Cabinet on 6 December 2012 will provide

Agenda Item 9

the budget details along with analysis of the areas the Cabinet has requested officers to consider in assisting the balancing of the budget, as well as feedback from select committees on proposed service plans for 2013/14 onwards.

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Financial Pressures 2013/14 to 2022/23

Overall Summary

- 6 In the medium term, the Council will have to progress its savings plan and maintain tight control over net expenditure in order to deliver its 10-year budget.
- 7 The potential to increase income levels over the next few years is very limited. In some cases the Government controls the level of increase and in other areas current economic conditions make it challenging for the Council to meet current targets. However, taking a holistic view the Council should achieve a balanced budget at the year end.
- 8 Looking at expenditure, inflation is running at 2.6% (CPI). At this early stage we are anticipating the Council is likely to receive a reduction of 9% in Government Support in 2013/14 and further 10% reduction in 2014/15.
- 9 The 10-year budget attached at Appendix B shows a surplus of £930,000, however, the financial challenge and uncertainty ahead, along with the need to deliver the 4-year budget savings plan, are likely to leave little flexibility over the period.
- 10 The paragraphs below set out the position in more detail and assess the impact on the current Financial Plan.

Income

- 11 **Government Support** (£4.2m in 2012/12) – The basis for allocating Government Support from 2013/14 is changing to the Business Rates Retention Scheme. This scheme initially allows billing authorities, such as this council, to keep 40% of Business Rates received, however tariffs and top ups are applied to ensure that initially each local authority is not significantly affected by this change. Other adjustments will also be made.
- 12 In this year, the level of complexity and uncertainty has been more significant than in previous years, therefore projections and forecasts are having to be made with minimal data where assumptions are constantly changing.
- 13 Draft Government Support figures are expected in December with final figures being produced in the new year. It is expected that these figures will only be for two years so the effect on the later years of the 10-year budget will remain uncertain.
- 14 The current assumptions for Government Support are a reduction of 9% in 2013/14 and 10% in 2014/15. This would mean that the Council would have seen a 4-year grant reduction of around 43%.
- 15 **New Homes Bonus** – the Government started this new funding stream in 2011/12 with the intention that local authorities would be rewarded for new homes being built over a six-year period. This was not included in the last 10-year budget as it was uncertain if other Government Support would be reduced to fund it resulting in a nil overall effect. There is now more assurance that this is a separate funding

stream for the initial six years, therefore it has now been included in the 10-year budget for this period only (up to 2016/17).

- 16 **Council Tax** (£9.3m) – The change from Council Tax Benefit to Council Tax Support will reduce the Council Tax base and therefore reduce Council Tax income. The proposed scheme will result in this reduction being offset by a new Government grant, funding from the major preceptors (Kent County Council, Fire and Police) and changes to other Council Tax discounts. There is a high risk that the new scheme will have an adverse effect on collection rates.
- 17 The current assumptions for Council Tax which were approved by Council on 21 February 2012 are for an increase of 3% in 2013/14 and 2014/15 and 4% in later years. Government capping which was set at 3.5% in 2012/13 may continue to limit future increases. 1% change equals £93,000.
- 18 **Investment income** (£0.2m) – returns are continuing to be significantly lower than they were a few years ago due to low interest rates and the revision of the Council's current Investment Strategy towards a low risk approach. It is certain that the Council's reserves will continue to fall due to their use in the 10-year budget, so as a consequence, investment income will continue to reduce. The latest assumption is for the following returns: 0.8% in 2013/14, 0.9% in 2014/15 and 1.3% in later years based on the Bank Rate estimates provided by our treasury advisors.
- 19 **Variable income sources** – The Council receives income in fees and charges from a number of sources. This includes (income figures are shown gross):
- Land Charges (£0.2m);
 - Development Control (£0.7m);
 - Building Control (£0.5m); and
 - Car parks (£2.1m);
 - On-street parking (£0.7m).
- 20 The first three are linked to some extent to activity in the housing market and remain vulnerable, with some adverse variances against budget in the current year. However, at this stage, these variations are being managed within the current budget.
- 21 Despite the current economic conditions on-street parking income is at budgeted levels but off-street parking income is currently below budget.
- 22 **External Funding** (£0.5m) - the Council has been very successful in securing external funding across a range of services, based on it delivering a wide range of innovative services, often in partnership with other agencies, to local residents. The Council's officers continue to seek new opportunities for funding. As financial constraints are put on public services the funding available from health and other public bodies is expected to reduce.

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- 23 **Discretionary Charging** This area is regularly reviewed and will be further developed. The budget already assumes that in 2012/13 additional income of £150,000 will be generated from discretionary charging.
- 24 **Partnership working** - Various services have included savings from partnership working in recent years budgets and this continues to be an area that is being investigated. The Council successfully works in partnership with other authorities in a number of areas, including Revenues, Benefits, Internal Audit and Anti Fraud, Finance, IT, Licensing and Environmental Health. A programme of more extensive partnership working with other authorities continues to be investigated to generate further efficiencies for the Council however, opportunities are becoming limited. Savings based on shared services are already included in the four-year savings plan, so successful partnership working would secure these savings.
- 25 **Use of reserves** - One of the principles of the Financial Strategy is to make more effective use of the remaining earmarked reserves. When this strategy was first used in 2011/12, it was agreed that the remaining balances in the Asset Maintenance and Superannuation Fund Deficit Reserves would be moved to a new Financial Plan Reserve and used over the initial 10-year budget period. The Budget Stabilisation Reserve was also set up at the same time to manage the fluctuations between years to ensure that an overall balanced budget remained for the 10-year period. This reserve has been funded by surpluses achieved on the revenue budget since 2009/10. The surpluses were mainly due to over £2.7m being received for VAT refunds.

Expenditure

- 26 **Pay costs** total £12.9m and form about half the Council's gross expenditure (excluding Benefits payments). The 10-year budget assumes the pay award for 2013/14 will be 1%, however, employers are suggesting a 0% increase. Therefore, this may have to be revised later in the year. The Financial Plan assumes a pay increase of 1.5% in 2014/15 and 2% in later years. These percentages are below current inflation rates. Every one percent change equals £129,000.
- 27 **Non-pay costs** - the budget assumes non-pay costs will increase by an average of 3.5% in 2013/14, 3% in 2014/15 and 1.75% in later years. In practice, items such as rates and energy costs have risen at a higher rate, so other non-pay items have been allowed a much lower inflation increase. Inflation is currently at 2.6%. It will be challenging to contain the inflation on current services within these levels.
- 28 **Welfare reform changes** - the changes affecting Housing Benefits regarding Universal Credit are currently being looked at by a Member Scrutiny Group. It is uncertain how the final scheme will operate, the timescales involved and whether this Council will need to provide additional resources to support our residents. The change to the Local Council Tax Support Scheme is seen by many as one of the biggest changes to local government since the community charge. In an economic climate that shows no real signs of recovery, the cost of benefits will continue to increase and the impact on district councils both financially and from a social wellbeing perspective is likely to be significant and unsustainable. The full effect of both of these changes will potentially have a financial impact.

- 29 **Unavoidable service pressures** - One of the lessons to be learnt from previous financial strategies is that there is always a likelihood of unavoidable service pressures and there needs to be a clear strategy in dealing with these. The model does not allow for unavoidable service pressures, therefore these will need to be met from within existing budgets. These have not yet been identified to be included in the revised Plan, but they could be significant.
- 30 Based on previous experience, growth items totalling up to £0.5m a year could occur although, having the 4-year savings plan and the 10-year budget in place it is likely the figure will be less than £200,000. Officers are still identifying the likely service pressures for 2013/14, particularly in relation to external income. These will be presented to Members later in the budget process once the review of the 4-year savings plan has been undertaken and further information is available.
- 31 **Progress on the 4 year savings plan** – 2013/14 will be the third year of using the 10-year budget. The savings plan includes 63 items and some of those contain a significant element of risk. Together with Portfolio Holders, Management Team and Heads of Service are closely monitoring progress in delivering the savings, but it is inevitable that some savings will either be delayed or not achieved. The main risk items are those which rely on third parties or the generation of additional income. The savings plan is currently being reviewed and any shortfalls could initially be addressed through the stabilisation Reserve but in the medium to longer term will require a revenue budget based solution.
- 32 The following table shows the differences between the 10-year budget agreed by Council on 21 February 2012 and the latest version set out in Appendix B.

10-Year Budget	£000
Previous 10-year Budget (surplus)	(191)
Changes:	
Reduction in Government support	2,870
Reduction in Council tax base due to Council tax localisation	8,905
Council tax localisation support	(8,117)
Reduction in Investment income	2,449
Other adjustments	170
Budget gap: deficit	6,086
Proposed solution:	
Short-term use of New Homes Bonus	(3,328)
Use of Budget Stabilisation Reserve	(2,758)
Revised budget gap	0

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Proposed Business and Financial Planning Strategy

33 In order to maintain a viable Council that continues to deliver on its main priorities and the services it provides to its residents, the Council has already adopted a Financial Strategy that embraces the following principles:

- A ten-year balanced budget;
- Flexible use of the Budget Stabilisation Reserve;
- More effective use of remaining earmarked reserves;
- Structured use of capital receipts;
- The review and tighter management of inflationary pressures; and

34 It is recommended that this strategy continues to be adopted.

Audit Commission

35 Our external auditor made the following comment in the Value for Money section of his most recent Annual Audit Letter.

“Sevenoaks District Council continues to have strong governance, a highly effective financial planning framework and very good financial management. It took early action to address financial pressures and has strong arrangements in place to secure financial resilience. The Council takes a strategic approach to prioritisation of resources and achievement of cost reductions through improved efficiency and productivity. It has embraced partnership working and moves rapidly to adopt new joint arrangements working with staff and empowering decision making.”

Process and timetable

36 Members will note from the timetable set out in the appendix that this report will also be considered by the Performance and Governance Committee at its meeting on 18 September 2012 and any comments will be considered by Cabinet at its meeting on 6 December 2012. It is proposed that Cabinet will agree its draft budget on 6 December 2012 along with its proposed areas for savings, Cabinet will agree its final budget on 7 February 2013 and full Council will consider the budget on 19 February 2013.

Consultation

37 In consultation with the Portfolio Holder, officers are in the process of agreeing a consultation strategy for the budget albeit that it will be limited as the Council has a 10-year budget in place and is not at this stage required to make any further savings or service reductions.

Key Implications

Financial

- 38 All financial implications are covered elsewhere in this report.

Community Impact and Outcomes

- 39 Members' early consideration of the issues raised in this report would be beneficial to residents in that a planned approach to achieving a balanced budget should produce the best outcome for the community in limiting the level in budget reductions.

Legal, Human Rights etc.

- 40 None.

Conclusions

- 41 There is no doubt that there are a number of risks associated with this approach, including significant cost pressures that may destabilise the ten-year budget. However, by adopting this approach, many of these will be predictable and more importantly, the Council will be better placed to react to such events. This solution also allows the Council a little more stability and sustainability in delivering its services and dealing with its finances.
- 42 The Strategic Financial and Business Planning process has ensured that the Council follows a logical and well considered process and approach in dealing with the many difficult financial challenges which it has faced. The 10-year budget has further improved this process and helped to ensure that the Council is well placed in dealing with more immediate and longer-term financial challenges.
- 43 Looking at the medium term, although the Council has made considerable savings in previous years and already plans to make further savings over future years, it is likely that additional savings will be required to meet the expected pressures. Changes in grant distribution methodology and localisation of council tax support are two major factors that are likely to have a significant impact on the Council
- 44 This budget process, although presenting a balanced outcome, will once again be a major financial challenge for a Council that already provides value for money services to a high standard. In making any budget proposals, Members will need to consider the impact on service quality and staff well-being, to ensure that these proposals lead to an achievable 10-year budget that supports the Council's aspirations for customer-focused services.

Risk Assessment Statement

- 45 An effective integrated policy and priority driven long-term financial and business process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.
- 46 The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future grant

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settlements. The risk will be mitigated by continuing to review assumptions and estimates and by updating Members throughout the process.

Appendices

Appendix A – Budget Timetable

Appendix B – 10-year Budget

Background Papers:

Contact Officer(s):

Adrian Rowbotham Ext.7153

Helen Martin Ext.7483

Dr. Pav Ramewal

Deputy Chief Executive and Director of Corporate Resources

2013/14 Budget Setting Timetable

	Date	Committee
Stage 1		
Financial Prospects and Budget Strategy 2013/14 and Beyond	13 September	Cabinet
	18 September	Performance & Governance
↓		
Stage 2		
Review of Service Plans	23 October	Environment Select
	30 October	Social Affairs Select
	1 November	Services Select
↓		
Stage 3		
Draft 10 Year Budget (incl. Service Change Impact Assessments (SCIAs), feedback from Select Committees & Other Consultation)	6 December	Cabinet
↓		
Stage 4		
Financial Prospects – further review and update	10 January	Cabinet
↓		
Stage 5		
Review of Service Change Impact Assessments (if required)	15 January	Environment Select
	22 January	Social Affairs Select
	29 January	Services Select
↓		
Stage 6		
Budget Setting Meeting (Recommendations to Council)	7 February	Cabinet
↓		
Stage 7		
Budget Setting Meeting (incl. Council Tax setting)	19 February	Council

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Ten Year Budget - Revenue

	Budget 2012/13	Plan 2013/14	Plan 2014/15	Plan 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Cumulative
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure												
Net Service Expenditure c/f	13,771	13,443	13,628	14,662	15,110	15,531	15,935	16,197	16,569	16,934	17,273	
Inflation	468	621	633	565	564	566	563	558	552	339	338	
Superannuation Fund deficit: actuarial increase	0	0	520	0	0	0	0	0	0	0	0	
Net savings (approved in previous years)	(796)	(436)	(119)	(117)	(143)	(162)	(301)	(186)	(187)	0	0	
New growth and savings	0	0										
Net Service Expenditure b/f	13,443	13,628	14,662	15,110	15,531	15,935	16,197	16,569	16,934	17,273	17,611	
Financing Sources												
Government Support (1)	(4,646)	(3,998)	(3,598)	(3,466)	(3,391)	(3,359)	(3,460)	(3,564)	(3,671)	(3,781)	(3,894)	
New Homes Bonus (less Big Community Fund)		(490)	(711)	(942)	(1,185)	0	0	0	0	0	0	
Council Tax	(9,251)	(8,782)	(9,045)	(9,407)	(9,783)	(10,174)	(10,581)	(11,004)	(11,444)	(11,902)	(12,378)	
Council Tax Support grant and other funding		(747)	(769)	(800)	(783)	(776)	(799)	(823)	(848)	(873)	(899)	
Interest Receipts	(173)	(222)	(246)	(335)	(302)	(279)	(261)	(245)	(232)	(225)	(221)	
Contributions to Reserves	330	430	330	330	330	330	330	330	330	330	408	
Contributions from Reserves	(536)	(526)	(524)	(521)	(519)	(516)	(513)	(511)	(508)	(505)	0	
Total Financing	(14,276)	(14,335)	(14,563)	(15,141)	(15,633)	(14,774)	(15,284)	(15,817)	(16,373)	(16,956)	(16,984)	
Budget Gap (surplus)/deficit	(833)	(707)	99	(31)	(102)	1,161	913	752	561	317	627	2,758
Contribution to/(from) Stabilisation Reserve	833	707	(99)	31	102	(1,161)	(913)	(752)	(561)	(317)	(627)	(2,758)
Unfunded Budget Gap (surplus)/deficit	0	0	0	0	0	0	0	0	0	0	0	0

Remaining balance in Budget Stabilisation reserve: 930

Assumptions

Government Support: -9% in 13/14, -10% in 14/15, -4% in 15/16, -2% in 16/17, -1% in 17/18, +3% later years
 Council Tax: 0% in 12/13, 3% in 13/14 & 14/15, 4% later years (as agreed by Council Feb 12)
 Interest Receipts: 13/14 0.8%, 14/15 0.9%, 1.3% later years (based on Sector Bank Rate forecast + 0.3%)
 Pay award: 0% in 12/13, 1% in 13/14, 1.5% in 14/15, 2% later years
 Increments: 1.5% in all years
 Other costs: 2.5% in 12/13, 3.5% in 13/14, 3% in 14/15 1.75% later years
 Income: 3.5% in all years

Note 1 Government Support includes Council Tax Freeze Grants

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ANNUAL REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE

Performance & Governance Committee – 18 September 2012

Report of the: Deputy Chief Executive & Corporate Resources Director

Status: For Consideration

Key Decision: No

Also considered by: Modern Local Government Group – 4 October 2012

Council - 16 October 2012

Executive Summary: This report has been produced in accordance with the Committee's Work Plan. The report sets out amendments to the committee's Terms of References in order to reflect organisational, statutory or regulatory changes. These are set out in the amended Terms of Reference attached to this report. Prior to this report no amendments had been made to the Committee's Terms of Reference since changes were last considered by the Committee at its meeting on 20 April 2010; which were subsequently agreed by the Modern Local Government Group on 8 July 2010 and by the Council on 20 July 2010.

Head of Service: Group Manager, Financial Services – Adrian Rowbotham

Recommendation to Performance & Governance Committee: That the Committee approve the revisions and RECOMMEND to Council that the revised terms of reference be adopted.

Recommendation to Modern Local Government Group: That Council be RECOMMENDED to adopt the revised terms of reference.

Introduction

1. This report has been produced in accordance with the Committee's Work Plan for the Year. The report updates the Committee's Terms of Reference in order to reflect organisational changes and changes in statutory or regulatory requirements

Background

2. At its meeting in April 2010 the Committee considered and endorsed changes to its Terms of Reference which were designed to focus on procedural matters, removing repetition and duplication in the Committee's procedures, clarifying inconsistencies and being more user friendly as a result.
3. The amendments to the Committee's procedures grouped procedures together under topic specific headings to aid clarity and some parts of the document were reordered to improve the overall layout. The Terms of Reference were also

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reviewed and minor amendments made to reflect best practice and consistency with CIPFA Guidance. Since those changes were agreed by the Modern Local Government Group and the Council there have been no further substantive amendments to the Committee's Terms of Reference to report. At the Committee's meeting in April 2011 the Terms of Reference were reviewed again, but no further amendments were made and the Committee has continued to perform its role very effectively.

Summary of Proposed Changes

4. The changes now proposed reflect recent organisational changes, statutory or regulatory requirements. These are set out in relevant paragraphs on the attached terms of reference as follows:
 - 1.1 to reflect the requirements of the Accounts and Audit Regulations 2011, which now replaces the Accounts and Audit Regulations 2003, Regulations 2006
 - 3 (h), now includes Whistleblowing arrangements as part of the policies to be reviewed by this committee
 - 3 (i), now includes the committee's responsibility for approving the Annual Governance Statement, which replaces the Statement on Internal Control
 - 3 (m), and (n) – references made to the Audit Manager and Audit Team respectively have been changed to reflect new titles as a result of organisational changes.
 - 3 (q), Bribery allegations, now added to the list of special investigation reports the committee will consider, in order to reflect the requirements of the Bribery Act 2010, which came into effect in July 2011.

Key Implications

Financial

5. None directly arising from this report.

Community Impact and Outcomes

6. The Performance and Governance Committee plays a very important role in ensuring that the Council continues to operate under the highest standards of governance. It also plays a key role in ensuring that the Council continues to perform to the highest standards. The current Terms of Reference ensure that the Committee continues to deliver these important services effectively and underpin this important role.

Legal, Human Rights etc.

7. The Terms of Reference comply with relevant legal requirements.

Risk Assessment Statement

8. The Committee needs to have clear and effective written procedures to ensure that it continues to operate effectively. The current Terms of Reference provides clarity whilst complying with relevant statutory requirements.

Sources of Information: None.

Contact Officer(s): Bami Cole – Audit, Risk and Anti–Fraud Manager
Ext. 7039

Dr. Pav Ramewal
Deputy Chief Executive & Corporate Resources Director

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PART 6 – PERFORMANCE AND GOVERNANCE COMMITTEE

1. Introduction

- 1.1 The Council will appoint the Performance and Governance Committee to discharge the functions conferred by the Accounts and Audit Regulations 2011 in relation to the matters set out below and specifically to consider the Council's Performance and Governance arrangements, including a review of the system of internal control and the effectiveness of internal audit the annual governance statement and its arrangements for the management of business risks, in compliance with Regulations 4 and 6 of the Accounts and Audit Regulations 2011 and any subsequent legislation.
- 1.2 The number of meetings and Terms of Reference of the Performance and Governance Committee may be reviewed from time to time by the Modern Local Government Group which may report to the Council.

2. Membership of the Committee

- 2.1 All Members of the Council, except members of the Cabinet and the Chairman of the Council, may be members of the Performance and Governance Committee. However, no Member may be involved in reviewing a decision in which he/she has been directly involved.
- 2.2 The Committee will be made up of 14 elected Members that follow the political proportionality of the Council. The membership of the Committee can be found at Appendix H - Membership of Cabinet, Committees etc.
- 2.3 The Performance and Governance Committee shall be entitled to recommend to Council the appointment of up to two additional co-opted non-voting members.

3. Terms of Reference of the Performance and Governance Committee

Performance

- (a) To consider Financial and Performance Management Reports and, in particular, to receive regular reports from the Finance Advisory Group (FAG).
- (b) To monitor the Cabinet's performance in the strategic management of the Council and to make recommendations for improvements.
- (c) To consider the development of the budget strategy. No decision to approve the Budget Strategy will be taken until the matter has been considered by the Committee first.
- (d) To review the Council's resources and the Council's management of property, assets acquisition and disposal, including strategies for proper management of assets already obtained. Unless there are special circumstances which justify an urgent decision, no decision will be taken to dispose of land until

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the proposal has been considered by the Performance and Governance Committee.

(e) To consider the development of the Council's Procurement Strategy and forward procurement plan.

(f) To consider the arrangements in place for the management and monitoring of the Council significant partnerships.

Regulatory Framework

(g) To monitor the effective development and operation of corporate governance and risk management in the Council.

(h) To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and anti-corruption strategy and the Council's complaints process; including the Council's whistleblowing arrangements.

(i) To approve the Council's Annual Governance Statement and recommend its adoption to Council

(j) To consider the Council's compliance with its own and other published standards and controls.

Audit Activity

(k) To consider the development of the Council's Internal Audit Strategy, Charter or terms of reference.

(l) To consider the annual internal audit plan and a summary of internal audit activity regarding the level of assurance that it can give over the Council's internal control and corporate governance and risk management arrangements

(m) To consider the Audit , Risk and Anti-Fraud Manager's annual report and assurance opinion.

(n) To consider progress reports from the Audit, Risk and Anti-Fraud Manager regarding the progress of the Annual Internal Plan.

(o) To consider a report on the progress of all recommendations made by internal audit and other external regulatory or review agencies.

(p) To receive and consider the annual report on the review of the effectiveness of internal audit

(q) To consider reports on investigations carried out by Internal Audit of suspected fraud; corruption or Bribery allegations within the Council or its partners.

(r) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

(s) To comment on the scope and depth of external audit work and to ensure it gives value for money.

(t) To consider any external audit report resulting from the Statement of Accounts and any recommendations and comments received from the District Auditor.

Accounts

(u) To review the annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

(v) To approve the Statutory Statement of Accounts when the deadline for approval does not allow approval by full Council.

(w) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts, and comments received from the District Auditor.

Miscellaneous

(x) to undertake a monitoring role in relation to the development of the budget strategy as and when appropriate.

(y) to undertake a monitoring role in relation to reviews of the Council's resources and the Council's management of property, asset acquisition and disposal strategies for the proper management of assets as already obtained as and when appropriate.

4. Performance and Governance Committee Procedure Rules

The Committee will conduct their proceedings in accordance with the Procedure Rules set out below.

Appointment of Sub-Committees/Working Groups

4.1 The Committee may appoint Sub-Committees or working groups. These may be appointed for a fixed period or until the next Annual Council meeting.

Procedure at Meetings of the Performance and Governance Committee

4.2 The Performance and Governance Committee shall consider the following business:

(a) minutes of the last meeting;

(b) declarations of interest;

(c) responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations; and

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- (d) the business otherwise set out on the agenda for the meeting.

Meetings of the Performance and Governance Committee

- 4.3 There shall be at least five ordinary meetings of the Committee in each year. In addition, other meetings may be called from time to time as and when appropriate. A meeting of the Committee may be called by the Chairman of the Committee, by a quarter of the members of the Committee or by the Chief Executive (in consultation with the Chairman or Vice-Chairman, if available) if he considers it necessary or appropriate.

Quorum

- 4.4 The quorum for the Performance and Governance Committee shall be as set out for Committees in the Council Procedure Rules in Part 2 of this Constitution.

Work Plan

- 4.5 The Performance and Governance Committee will be responsible for setting its own Work Plan and in doing so shall take into account the wishes of all members on the Committee.

Agenda Items

- 4.6 Any member of the Performance and Governance Committee shall be entitled to give notice to the Chief Executive that he/she wishes an item relevant to the functions of the Committee to be included on the agenda for the next available meeting of the Committee. On receipt of such a request the Chief Executive will ensure that it is included on the next available agenda and the Chairman will be informed.
- 4.7 Any five Members who are not members of the Committee may give written notice to the Chief Executive that they wish an item relevant to the functions of the Committee to be included on the agenda of the Performance and Governance Committee. If the Chief Executive receives such a notification, then he/she will include the item on the first available agenda of the Committee for consideration by the Committee and the Chairman will be informed.
- 4.8 The Performance and Governance Committee shall also respond, as soon as work plans permit, to requests from the Council and if it considers it appropriate, the Cabinet or other Committees, to review particular areas of Council activity relevant to the functions of the Committee.

Reports and Recommendations from the Performance and Governance Committee

- 4.9 Once it has formed recommendations, the Performance and Governance Committee will submit these in writing to the Chief Executive for consideration by the Cabinet, Council or the relevant Committee.
- 4.10 The Council, Cabinet or Committee shall whenever possible consider and respond to the report and/or recommendations of the Committee within two months of it being submitted to the Chief Executive.

Members and Officers Attending Committee

- 4.11 In discharging its terms of reference, the Performance and Governance Committee may require any member of the Cabinet, the Chairman of a Committee, the Chief Executive, any Director and/or any Head of Service to attend before it to answer questions in relation to matters within their remit. For the avoidance of doubt, such a person may be required to answer questions on the Council's relationships with partner organisations, contractors and/or other public bodies, providing that person is responsible for managing that relationship as part of their duties. It is the duty of those persons to attend if so required.
- 4.12 Where any Member or Officer is required to attend the Performance and Governance Committee under this provision, the Chairman of the Committee will inform the Chief Executive. The Chief Executive shall inform the Member or Officer in writing giving at least five clear working days notice of the meeting at which he/she is required to attend. The notice will state the nature of the item on which he/she is required to attend and whether any papers are required to be produced for the Committee. Where the Committee will require the production of a report, then the Member or Officer concerned will be given sufficient notice to allow for preparation of that documentation.
- 4.13 Where the Member or Officer is unable to attend on the required date, then the Committee shall in consultation with the Member or Officer arrange an alternative date for attendance to take place usually within 21 days from the date of the original request.

Attendance by Others

- 4.14 In discharging its terms of reference, the Performance and Governance Committee may review the performance/governance of partner organisations, contractors and/or other public bodies. It may also invite people other than those people referred to in paragraph 5.11 to provide it with a report, address it and/or answer questions.

INTERNAL AUDIT PROGRESS REPORT – QUARTER 1

Performance and Governance Committee – 18 September 2012

Report of the: Director of Corporate Resources

Status: For Decision

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager, Financial Services – Adrian Rowbotham

Recommendation: That this Committee notes the content of the report and the progress made by the audit team in delivering the 2012/13 Annual Internal Audit Plan.

Introduction

1. This report summarises the progress of the team in delivering the Annual Internal Audit Plan 2012/13 and the audits issued during the year to date.

Summary of Issues Within the Report:

2. A summary of progress made towards achieving the assurance requirement is attached as Appendix A to this report. Appendix B provides a brief summary of each final audit reports issued since the last meeting of the committee. Appendix C sets out the descriptions of the audit opinion for audit reviews.
3. The details on Appendix A set out progress to date against each audit in the Annual Internal Audit Plan for 2012/13, approved by the Performance and Governance Committee on 13 March 2012. Members may note that eight reviews have commenced since the start of the year, with three reviews having been finalised. Three of the remaining five reviews commenced are due to be finalised shortly. Thus 32% of planned reviews have commenced since April 2012. No significant control issues were identified within reports finalised to date.

Staffing

4. The team commenced the year with a full staffing complement and are working well towards delivering the annual audit plan, which is expected to be delivered within existing resources.

Partnership Arrangements

5. The partnership agreement with Dartford Council for the provision of Internal Audit and Anti-Fraud services is operating well at present. However, discussions are still on-going regarding the most effective way to take risk management forward within the shared service framework. A meeting with Dartford Management Team is

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planned for later this month. This committee would be update on progress in due course.

Key Implications

Financial

6. This report has no financial implications.

Community Impact and Outcomes

7. Not applicable.

Legal, Human Rights etc.

8. This report has no additional legal implications save those relating to the Data Protection and Freedom of Information Acts.

Resource (non-financial)

9. There are no additional resource requirements impacting on this report.

Equality

10. There are no additional equality implications for this report.

Sustainability Checklist

11. Not applicable

Value for Money

12. There is no value for money implication.

Conclusions

13. The Committee is requested to adopt the recommendation set out above.

Risk Assessment Statement

14. The main risks identified are failure to achieve the assurance requirements for the current financial year through inadequate resource or quality of work performed and also the risk of the partnership with Dartford not succeeding. Failure to achieve the requirements may expose the Council to unforeseen risks, including adverse comments from the Council's external auditors or inspectors. Failure to make the partnership with Dartford succeed may have financial consequences at a time of financial uncertainties. It is management's view that the identified risks are being effectively managed and appropriate steps have been taken, or are being taken to address any relevant issues identified that may impact on performance regarding the delivery of the Annual Internal Audit Plan, or the success of the partnership with Dartford.

Sources of Information: Internal Audit Annual Plan for 2012/13

Contact Officer(s): Bami Cole Ext. 7039

Dr. Pav Ramewal
Corporate Resources Director

Appendix A

PROGRESS AGAINST 2012/13 INTERNAL AUDIT PLAN						
		Final report issued	Feedback process in progress	Fieldwork in progress	Brief issued	Possibly defer or cancel
1	Main Accounting System					
2	Budgetary Control					
3	Cash & Bank Reconciliations					
4	Treasury Management					
5	Payroll		x			
6	Purchasing & Creditors					
7	Debtors					
8	Council Tax/NNDR					
9	Council Tax/Housing Benefits					
10	Housing					
11	Car Parking Income				x	
12	Contract Management Arrangements	x				
13	Environmental Services					
14	Savings Forecast	x				
15	Paralympics	x				
16	Annual Governance Statement					
17	Sale of Assets					
18	Impact of Budgetary Constraints		x			
19	Dunbrik					
20	Project Delivery Arrangements					
21	Data Quality/Accuracy					
22	Information Management		x			
23	Risk Management					
24	IT Implementation					
25	Procurement			x		
	Total	3	3	1	1	

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Appendix B

Review of SDC Savings Forecast – 2012/13 - Issued: 20 August 2012

Opinion: Good

The purpose of the review was to provide assurance on the reliability of the processes in place to forecast key assumptions within the Council's long-term financial strategy. The review did not reach any conclusion on the numerical value of any predicted forecasts, but rather on the procedures giving rise to the predictions made.

To this effect, the following key risks and associated controls were examined:

- 1) Risk that the Council may not comply with relevant legislation, organisational policy (for example the Treasury Management Policy) and good practice.
- 2) Risk that the Council may not identify all relevant sources of information to base its assumptions on.
- 3) Risk that the Council may not respond timely or effectively to changes within the environment which may render its existing assumptions ineffective.
- 4) Risk that there may not be effective communication between departments, to communicate changes made in the plan and ensure they are reflected within departmental operational or service plans.
- 5) Risk that the assumptions made may not be subject to regular formal scrutiny or review to assess the effect of changes in the internal or external situation.
- 6) Risk that fraud and corruption may be undetected.
- 7) Risk that opportunities to demonstrate efficiency or value for money may not be realised.
- 8) Risk that risk assessments are not adequately undertaken and risks not adequately managed.

Audit testing results indicated that controls were fully met in all eight of the aspects examined.

In view of the above, the audit opinion was therefore 'good'. This meant that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.

One recommendation was agreed with Management to further enhance an existing control mechanism. This relates to risk 5.

- All assumptions to the ten-year budget should be reviewed on a six-monthly basis in order to ensure that all changes which could affect the budget are addressed. Any changes in the assumptions should be reported to the Financial Advisory Group.

Members will be advised of the progress in implementing this recommendation in due course.

Review of SDC Paralympics 2012/1 - Issued: 19 July 2012

Opinion: Good

The purpose of this audit was to provide assurance on the effectiveness of the arrangements in place to deliver the Council's responsibilities in regard to the Paralympics.

To this effect, the following key risks and associated controls were examined:

1. Risk that the Council may not comply with relevant legislation, policies or good practice.
2. Risk that contractual arrangements with The London Organising Committee of the Olympic and Paralympic Games (LOCOG) may not be met.
3. Risk that key responsibilities and objectives may not be identified or addressed
4. Risk that local and community impact may not be addressed.
5. Risk that arrangements in place to manage the event may not be adequate or effective.
6. Risk that arrangements in place to address crowd management may not be adequate or effective.
7. Risk that transport and travel arrangements may not be adequate or effective
8. Risk that fraud and corruption may be undetected.
9. Opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
10. Operational and event risk assessments may not be undertaken and risks not adequately managed

Audit testing results indicated that controls were fully met in all ten of the aspects examined.

The audit opinion was 'good'. This meant that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.

Appendix B

Whilst all the controls examined within this review were met, the following three recommendations were agreed with management in pursuance of best practice.

- The Equality Impact Assessment should be reviewed to ensure that it contains only relevant information and then the Event Plan should be corrected before it is finalised.
- All spectators eligible for the shuttle buses should be identified and clarified. Service providers should be made aware of the eligible passengers.
- Once the allocation and distribution of complementary tickets is agreed, it should be recorded in order to demonstrate transparency and fairness

Members will be advised of the progress in implementing this recommendation in due course.

Contract Management Arrangements – 2012/13 2012

Issued: 22 August

Opinion: Satisfactory

The purpose of the review was to provide assurance to Management that contracts entered into over the last 12 months, complied with Council policies and procedures, including statutory requirements, and that there are robust arrangements in place to manage performance and delivery.

To this effect, the following key risks and associated controls were examined:

- 1) Risk that the Council may not comply with relevant legislation, organisational policy (for example the Treasury Management Policy) and good practice.
- 2) Risk that contracts may not be delivered on time, within budget or of acceptable quality.
- 3) Risk that contract deliverables may not be achieved or agreements managed properly.
- 4) Risk of contract deliverables may not meet perceived needs and/or do not help to deliver corporate objectives.
- 5) Risk that fraud and corruption may be undetected.
- 6) Opportunities to achieve or demonstrate efficiency or value for money may not be maximised.
- 7) Pre-contract risk assessments may not be undertaken and risks not adequately managed

Audit testing results indicated that controls were fully met in six of the aspects examined, whilst one was partially met (risk 1).

The audit opinion was 'satisfactory'. This meant that controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against foreseeable risks. Compliance with the risk

management process is considered to be good and no significant or material errors or omissions were found.

One recommendation was agreed with Management to address the area where controls were partially met. This relates to risk 1.

- In relation to the annual audit assurance, the Strategic Procurement Group (SPG) through the Chair should ensure that appropriate steps are taken to remind Heads of Service and relevant Service Managers to send their forward procurement plans to the SPG on a timely basis, which could be used for monitoring purposes by the group.

At least on a quarterly basis the information provided is to be disseminated to officers responsible for updating procurement plans and the South East business portal. These officers have already been nominated by the group and are aware of their roles. This process will help to provide clarity regarding the Council's forward spend and also comply with Local Transparency requirements.

Members will be advised of the progress in implementing this recommendation in due course.

Appendix C

AUDIT OPINIONS - Definitions

- Good** *Controls are in place to ensure the achievement of service objectives, good corporate governance and to protect the Council against significant foreseeable risks. Compliance with the risk management process is considered to be good and no significant or material errors or omissions were found.*
- Satisfactory** *Controls exist to enable the achievement of service objectives, obtain good corporate governance, and reduce significant foreseeable risks. However, occasional instances of failure to comply with the control process were identified and opportunities still exist to reduce potential risks.*
- Adequate** *Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and leave the Council exposed to some minor risks. There is therefore, a need to introduce some additional controls and improve compliance with existing controls to reduce the risk to the Council.*
- Unsatisfactory** *Controls are considered insufficient with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Council exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.*
- Unacceptable** *Controls are generally weak or non-existent, leaving the system open to abuse or error. A high number of key risks remain unidentified and therefore, unmanaged.*

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ASSET MANAGEMENT PLAN- ANNUAL REPORT

Performance & Governance Committee – 18 September 2012

Report of the: Deputy Chief Executive & Director of Corporate Resources

Status: For consideration

Executive Summary: This report details the progress made against the Asset Management Plan, reports the performance of the Council's properties and identifies further improvements to be undertaken in the forthcoming year.

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Head of Legal and Democratic Services – Mrs Christine Nuttall

Recommendation: That Members note the contents of this report.

Property Ownership

1. The Council's property can be identified as four groups according to use and impact on the Council's services as follows:

CATEGORY (defined by the CIPFA)	No. OF UNITS	AREA (m²)	ASSET VALUE (£)
Depots, Offices & Public Conveniences (property employed to deliver/support services)	34	20,939	8,814,711
Community Buildings (property held for the benefit of the community)	30	1,570	4,334,807
Other Properties (property held for income generation)	27	12,210	1,850,705
Surplus Properties (property no longer required by the council)	5	239	1,671,770
TOTALS	96	34,958	16,671,993

Agenda Item 12

Property Review

2. Since the last report to Members (27 September 2011) the transfer of the following property has been completed:
 - Chancel Close, West Kingsdown (amenity land to parish) (£nil)
 - Forge Way, Shoreham (amenity land to parish) (£nil)
 - Larkwell Lane, Hartley (Site of scout hut to scouts) (£8,000)
 - Vernon Close, West Kingsdown (amenity land to parish) (£nil)
3. Completion of the following sales and transfers is expected in the near future
 - Small Grains, Fawkham (amenity land to parish)
 - Beldam Haw, Halstead (amenity land to parish)
 - Wellfield, Hartley (allotment land to parish council)
 - Chalk Pit, Otford (scout hut site to local scout group)
 - Public Toilets, Fullers Hill, Westerham (to parish)
 - Public Toilets, Lower St Johns Hill, Sevenoaks (to town)
 - Public Toilets, Ide Hill (to parish)
 - Public Toilets, Kemsing (to parish)
 - Public Toilets, Leigh (to school/KCC) (£11,500)
 - Public Toilets, Swanley (to town) (£17,500)
4. The one remaining tenant of the Cobden Road Centre has now relocated to shared accommodation and a report on the future of the Cobden Road Centre will be presented to the Committee at its November meeting
5. The remaining tenant of Meeting Point, 27-37 High Street, Swanley is considering purchasing the freehold of the premises from the District Council and the outcome of these discussions will be reported separately to Members.
6. The tenant of the Council's only remaining residential property has submitted a Right to Buy application and Members will be informed of the outcome of this matter.
7. A £1.3m government grant funded refurbishment and extension of the accommodation at the Hever Road Travellers site has been completed

although the final completion date was delayed following the discovery of World War 2 ordnance on the site

8. There have been no significant rent reviews due in respect of Council property since the last report to Members although the renewal of existing leases have been agreed in respect of the Outdoor Bowls Club, Sevenoaks, The Lodge, Lullingstone Park Golf Course and Filston Lane car park, Shoreham
9. The Council has provide accommodation within the Council Offices for Kent Police Community Support Unit and the Police Public Office. Twelve desk spaces on the second floor have been leased to Moat Housing and a Police operational office is being constructed within the car park at the Council's expense 9the accommodation will subsequently be leased to the Police. Moat Housing would like to increase their accommodation and Kent Social Services have expressed interest in leasing desk space within the building. These matters form the basis of a detailed report to be considered at this meeting.
10. The Council is currently in discussion with developers in respect of a proposed town centre retail and residential development of the 66 London Road, Sevenoaks (including the Council owned London Road and Pembroke Road car parks). The developers have submitted a planning application and the matter will be reported to Members at a later date although in transactions of this type time may become of the essence especially in the current economic climate and given the standing/desirability of the proposed tenant (Marks & Spencer) it may not be possible to adhere to the usual reporting routes and constraints of the committee timetable.

Property Condition & Condition Surveys

11. The Council's property holdings are categorised in accordance with the CIPFA Property Category Definitions as listed below:

Condition categories A – D

- A** – Good, performing as intended and operating efficiently (10.6% of the Council's properties are in this category)
 - B** – Satisfactory, performing as intended but showing minor deterioration (77.1% of the Council's properties are in this category)
 - C** – Poor, showing major defects and/or not operating as intended (12.3% of the Council's properties are in this category)
 - D** – Bad, life expired and/or serious risk of imminent failure (0% of the Council's properties are in this category)
12. The property element of the Council's asset maintenance budget has been reviewed as part of the budget process and the current year £255,800

Agenda Item 12

shows a £62,200 reduction from the 2011/12 budget and a £158,000 overall reduction from the 2010/11 budget.

13. An access audit and priority plan put in place. 81% of Council buildings publicly accessible areas are considered accessible.
14. The Council continues to be retained by Sevenoaks Town Council to manage the maintenance of the Stag Community Arts Centre and Stag Theatre and is retained by Tandridge District Council to manage the maintenance of their leisure buildings generating a combined income of some £27,000 p.a.

Performance Indicators

15. National Property Performance Indicators and are benchmarked against all English and Welsh Councils who are part of the Institute of Public Finance Asset Management Forum. The collection of data by the Institute for 2011/12 has only recently been made. At the last review only some 50 authorities provided comprehensive data and the validity of such a small percentage sample must be in question.
16. Energy and water use across the corporate properties continues to be monitored and the consumption figures are shown below.

2010/11 Electricity 858,013 kwh: Gas 785,270 kwh

2011/12 Electricity 818,153 kwh: Gas 625,081 kwh

17. Water use is shown below

2010/11 3,467³

2011/12 3,538m³

Condition & Suitability Surveys

18. Appropriate surveys are undertaken with the various service providers as part of the asset maintenance budget review and monitoring process.

Corporate Objectives

Green & Healthy Environment

19. The Council purchases energy through a buying consortium, replaces plant with energy efficient alternatives and has developed a Carbon Management Action Plan. Further energy savings initiatives are investigated as part of any plant replacement/renewal programme.

Dynamic & Sustainable Economy

20. The Council works with social housing providers to, wherever possible, provide land to enable all ranges of social housing to be constructed especially in rural areas.

Effective Management of Council Resources

21. The Council continuously reviews its property holdings with a view to reducing the amount of surplus property and promotes the transfer of local amenity land to the local town and parish councils if it is considered that that would provide a more effective local management.

The Asset Management Action/Improvement Plan

22. Appendix attached to this report.

Asset Management Plan (AMP)

23. The AMP held by the District Council is a substantial document drawing information from a number of sources. Members wishing to view the complete plan should contact the Professional Services Manager on Ext. 7209.
24. Following the Audit Commission identifying Sevenoaks District Council as a case study for Good Practice in Strategic Asset Management in 2009, the Department of Communities and Local Government Best Practice Compendium identifies Sevenoaks as an example of good asset rationalisation practices.

Key Implications

Financial

25. The implementation of the Asset Management Plan is undertaken within existing staff resources and asset maintenance is funded from a previously agreed annual budget.

Legal, Human Rights etc.

26. No legal or human rights issues have been identified.

Value For Money & Asset Management

27. The proposals contained in this report will enable the District Council to satisfy the requirements of the Comprehensive Performance Assessment and will aid the achievement of Value for Money in asset management and capital investment.

Community Impact & Outcomes

28. No issues have been identified.

Resource (non-financial)

29. No issues have been identified.

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Equality Impacts

30. No issues have been identified.

Sustainability Checklist

31. No issues have been identified.

Risk Assessment Statement

32. The information and procedures outlined in this asset management plan will enable the Council to assess and compare the performance of its assets and if the Asset Management Plan is not regularly updated and reported the Council will not be able to provide the required information to the appropriate government departments nor make valued judgements in respect of future asset use.

Sources of Information: Asset Management Plan, Master Copy

Contact Officer(s): Jim Latheron extn 7209

Dr Pav Ramewal
Corporate Resources Director

ASSET MANAGEMENT BEST VALUE IMPROVEMENT/ACTION PLAN (September 2012)

Ref No.	Proposed Action	Identified Improvements	Officer	Financial Implications	Priority	Timetable	Progress
R2/08	Develop assets to meet operational, service and community needs	To support the Council's strategies and policies	Jim Latheron	Staff time	Med	Ongoing	Continuing in support of future asset management planning
R3/08	Review all significant assets to ensure that they are fit for purpose, meets current needs and provide value for money	To rationalise under-performing or surplus assets and consider appropriate alternative forms of management	Jim Latheron	Staff time	Med	Ongoing	Continuing in support of future asset management planning
R4/08	Significant investment decisions are evaluated using option appraisal and whole life costings	Improve value for money, deliver better outcomes for the community and mitigate adverse impacts on the environment.	Jim Latheron	Staff time	High	Ongoing	Continuing in support of future asset management planning
R6/08	To review the ownership of The Cobden Road Centre, Sevenoaks, 12 Knole Way, Sevenoaks and the Land to the rear of 7-13 Oakhill Road, Sevenoaks	To maximise the use/value of the Council's property assets	Jim Latheron	Professional fees to be identified and reported to Members	Med	December 2012 annual	Cobden Road Centre has now been vacated and will be the subject of a report to the Committee at a later date. The tenant of 12 Knole Way is considering an application to purchase the property. Rear of 7-13 Oakhill Road is being held in abeyance pending a decision by the adjoining owner regarding their land.
R7/10	To review the water usage by the main operational buildings to ensure judicious use of natural resources	Reduced mains water consumption	Jim Latheron	Staff time	High	Ongoing	Current and past usage is detailed in the report, monitoring of water use will continue and water saving methods considered.

R8/1	To review the Council's rural land holdings	To rationalise under-performing or surplus assets and consider appropriate alternative forms of management/ownership	Jim Latheron	Staff time plus unidentified specialist advisor fees	Med	August 2014	Timber den Farm review is to be considered in 2014 as currently the return on any capital should it be sold is below the income from farm rents and grants (the current grant scheme ends in 2014)
R9/10	To review the ownership of Meeting Point, 27-37 High Street, Swanley	To maximise the use/value of the Council's property assets	Jim Latheron	Professional fees to be identified and reported to Members	Med	December 2012	The tenants are considering purchase of the freehold, an offer is awaited following which the matter will be reported to Members

ARGYLE ROAD OFFICES, ACCOMMODATION FOR OUTSIDE ORGANISATIONS

Performance & Governance Committee - 18 September 2012

Report of the: Corporate Resources Director

Status: For Consideration

Also considered by: Finance Advisory Group – 25 July 2012

Cabinet - 11 October 2012

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsay

Head of Service Head of Legal & Democratic Services – Mrs Christine Nuttall

Recommendation that the Committee recommends to the Cabinet of the Council that capital reserves are used to provide office accommodation for Moat Housing and Kent County Council on the terms and conditions detailed in the report and to such other conditions as the Council's legal advisors consider necessary to protect the Council's interests.

Introduction

1. Following the relocation of Environmental Health to Dartford uses of the vacated accommodation have been considered.
2. The District Council has been approached by Moat Housing which currently rents 12 desk spaces located on the second floor between the Elections section and the Property section. Due to an internal reorganisation Moat Housing would like to have 15 desks but these cannot be accommodated on the second floor without a major redesign of the existing layout.
3. It is possible to fit 15 desks into the area vacated by Environmental Health on the first floor as shown on the attached plan (Option 2). This layout provides:
 - Environmental Health 8 hot desks as existing with no changes proposed.
 - The 15 desks for Moat which have been accommodated in reduced space following a meeting with Moat where they agreed to reduce the amount of storage required
 - Three dedicated hot desks for Community Development and the Police Community Support Unit..

Agenda Item 13

4. Moat currently pays £8,500p.a. rent and £14,400p.a service charge and if the proposed changes precede these payments will increase to £9,200 and £18,000 respectively.
5. Officers are also in discussion with Kent County Council Social Services who are looking for accommodation for 6 staff; these staff could be accommodated within the second floor area currently occupied by Moat Housing with the remaining 6 desks being used as corporate hot desks until an alternative occupier is identified. (Option 2b)
6. To achieve this capital expenditure in the sum of £7,000 is needed to be invested by the District Council in respect of furniture and alterations to the power supply (each proposed tenant will be responsible for providing their own IT and telephony systems at no cost to the District Council).
7. KCC will pay £4,700p.a. rent and £7,200p.a. service charge
8. The total income from Moat and KCC will increase from £22,900p.a. to £39,100 p.a.
9. All these figures are subject to the final agreement of all parties and the draft Heads of Terms are appended to this report for information.
10. The rental indicated above reflects a rental of £15 per square foot per annum which reflects favourably with commercial office rents in central Sevenoaks given that the accommodation in Argyle Road is not self contained, does not have air conditioning, has no allocated parking and is only available for use 5 days/week during normal office hours. Central Sevenoaks purpose built self contained air conditioned offices with parking tend to attract a rent of between £16 and £21 per square foot per annum with high specification offices reaching £23 per square foot. The Community Infrastructure Levy indicates that rents for town centre, self contained, air conditioned offices in Sevenoaks range from £15.80 to £21.50 per square foot and the District Valuers average rent for similar offices is £16.73 per square foot.
11. The service charge is based on actual costs incurred in the preceding year in respect of building repairs, plant maintenance, power and water, fire safety, business rates, insurance, cleaning etc. and photocopying usage. The cost for 2011/12 has been calculated at £1,200 per desk per year this equates to £24 per square foot of usable office space or £8.50 per square foot of total accommodation

Key Implications

Financial

12. This project will enable some of the Council capital to be converted into a revenue stream and will also go some way to mitigating the cost of operating the Argyle Road offices.

Community Impact and Outcomes

13. Moat Housing and Kent Social Services will retain a local presence in Sevenoaks for the convenience of Moat's tenants and this proposal will enable closer joint working with the Housing team whilst maintaining the Social Services presence in Sevenoaks will benefit their local customers.

Legal, Human Rights etc.

14. No legal or human rights issues have been identified.

Value For Money and Asset Management

15. The proposal provides an acceptable return on the capital invested and reduces the cost of operating the offices on the public purse.

Equality Impacts

16. No legal or human rights issues have been identified.

Risk Assessment Statement

Risk 1

17. That Moat Housing or Kent County Council vacate the accommodation early thereby reducing the Council's income. The likelihood is low and the mitigation is that the updated accommodation will remain available for use by other parties/sections of the Council.

Risk 2

18. That generally investment rates increase to a level that renders the return on the capital invested poor. The likelihood of this happening during the first 5 year period is extremely low and mitigation is not considered necessary.

Appendices: Appendix A – Plans of proposed accommodation

Appendix B – Draft Heads of Terms

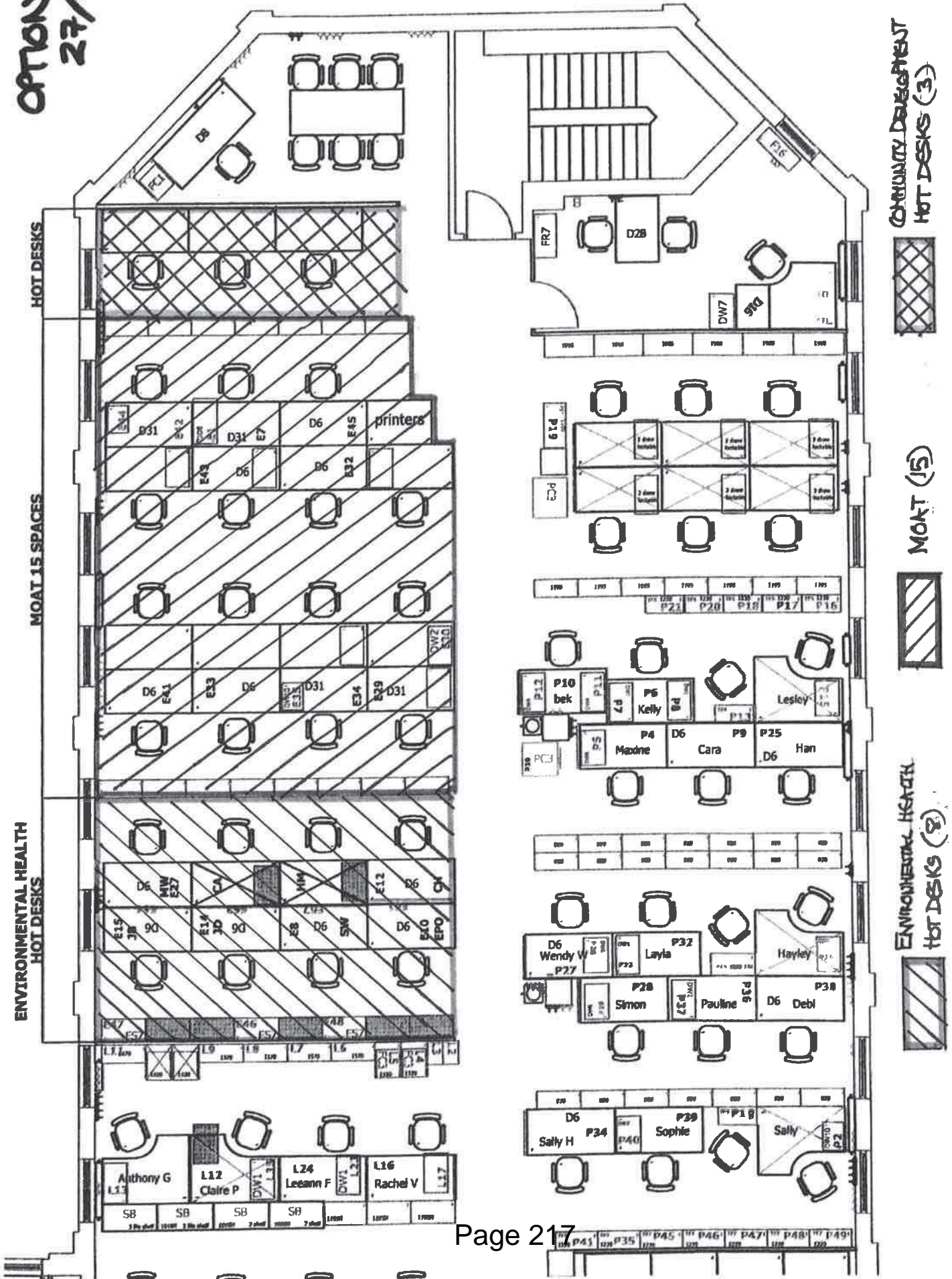
Background Papers: Property file- Argyle Road Office Moves (Current)

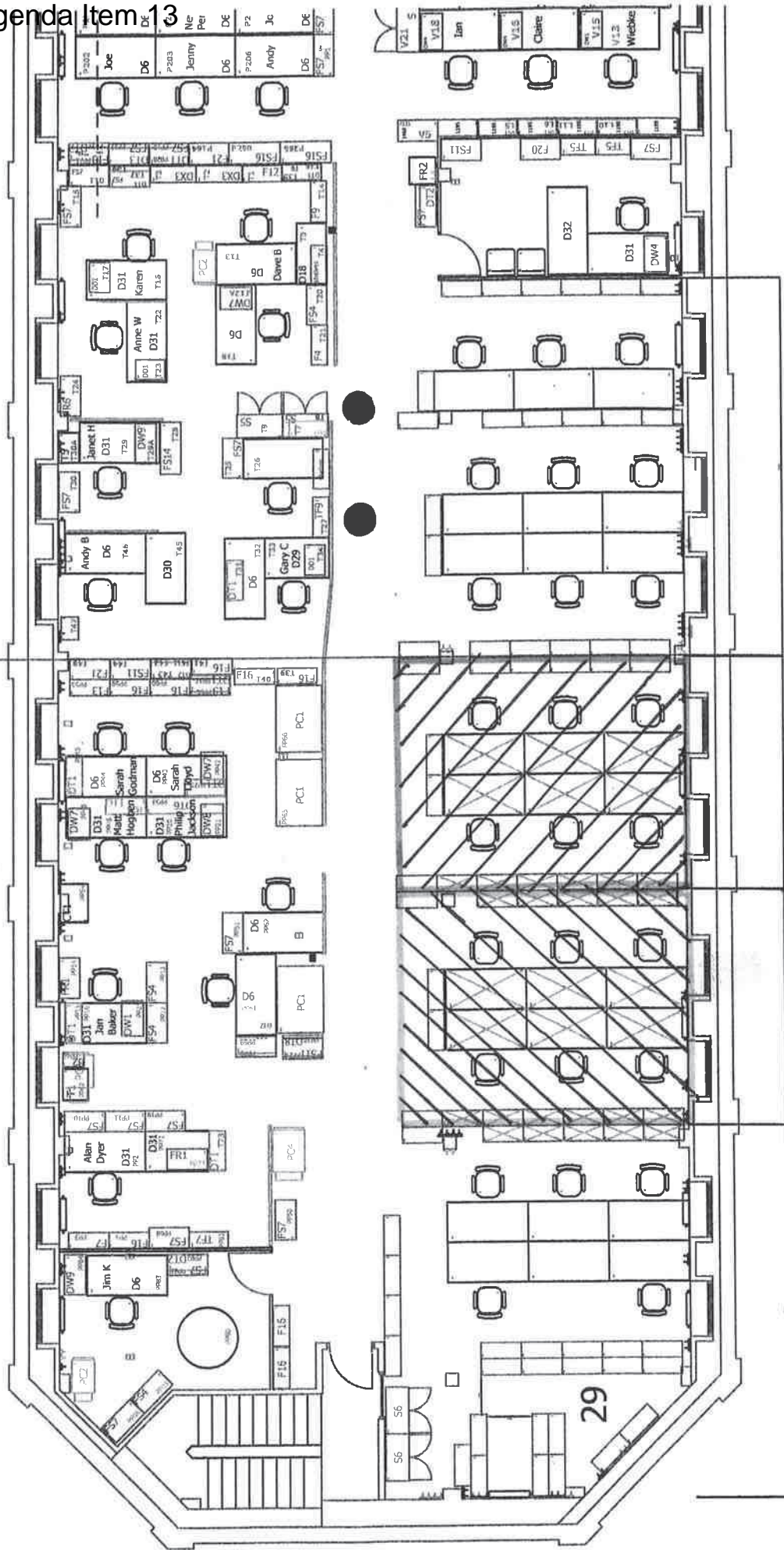
Contact Officer(s): Jim Latheron Extn. 7209

Dr. Pav Ramewal
Corporate Resources Director

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OPTION 2
27/4/12





electoral & LC

hot desks

kcc

property

OPTION 2b

OFFICE ACCOMMODATION FOR MOAT HOUSING AT COUNCIL OFFICES, ARGYLE ROAD, SEVENOAKS, TN13 1HG

PROPOSED HEADS OF TERMS

Proposal: To grant a licence to occupy office accommodation within the Argyle Road offices.

Term: 5 years with break clause to be exercised upon 6 months notice by either party after the end of the 3rd year

Rent: £9,500p.a. with no reviews for the first 5 years

Service Charge: Based on 2011/12 expenditure £18,000p.a. to cover rates, insurance, energy, security, office support including use of the photocopying equipment and post room and all related building running costs payable annually in arrears. Subsequent years service charge based on actual costs per square metre calculated on the square meterage of the accommodation occupied by Moat Housing .

Accommodation: The District Council will provide sufficient accommodation for 15 work stations, each workstation comprising a desk, chair and storage cabinet. The location of the accommodation is shown edged red on the attached plan.

Cost of works: Sevenoaks District Council will meet the cost of providing the accommodation and workstations including power supply and furniture. Moat Housing will be responsible for providing their own office equipment, PCs, printers, telephones etc.

Car Parking: No on site car parking will be allowed.

Operating hours: The offices are open for staff from 7am to 7pm Monday to Friday, public access is from 8.45am to 5.15pm. Out of hours working will only be available if security staff are available and any addition cost met by the requesting party.

Indemnity: If Moat Housing withdraws from the proposal it is to reimburse the District Council any costs expended in providing the accommodation. (This is with immediate effect as the District Council will be committing to expenditure prior to Moat taking up the accommodation.

Early surrender: If Moat Housing vacate the accommodation provided within the first 3 years of the agreement it will reimburse the District Council a proportion of the capital cost expended in providing the accommodation on the following scale vacation in year 1 100% reimbursement, year 2 66% reimbursement, year 3 33% reimbursement and after year 3 reimbursement nil.

Agenda Item 13

OFFICE ACCOMMODATION FOR KENT COUNTY COUNCIL (SOCIAL SERVICES) AT COUNCIL OFFICES, ARGYLE ROAD, SEVENOAKS, KENT, TN13 1HG

PROPOSED HEADS OF TERMS

Proposal: To grant a licence to occupy office accommodation within the Argyle Road offices.

Term: 5 years with break clause to be exercised upon 6 months notice by either party after the end of the 3rd year

Rent: £4,700 p.a. with no reviews for the first 5 years

Service Charge: £7,200 p.a. to cover rates, insurance, energy, security, office support including use of the photocopying equipment and post room and all related building running costs payable annually in arrears. Service charge based on actual costs per square metre calculated on the square meterage of the accommodation occupied by Kent County Council .

Accommodation: The District Council will provide sufficient accommodation for x work stations, each workstation comprising a desk, chair and storage cabinet. The extent of the accommodation will be shown edged red on a plan

Cost of works: Sevenoaks District Council will meet the cost of providing the accommodation and workstations including power supply and furniture. Kent County Council will be responsible for providing their own office equipment, PCs, printers, telephones etc.

Car Parking: No on site car parking will be allowed.

Operating hours: The offices are open for staff from 7am to 7pm Monday to Friday, public access is from 8.45am to 5.15pm. Out of hours working will only be available if security staff are available and any addition cost met by the requesting party.

Indemnity: If Kent County Council withdraws from the proposal it is to reimburse the District Council any costs expended in providing the accommodation. (This is with immediate effect as the District Council will be committing to expenditure prior to KCC taking up the accommodation.

Early surrender: If KCC vacate the accommodation provided within the first 3 years of the agreement it will reimburse the District Council a proportion of the capital cost expended in providing the accommodation on the following scale vacation in year 1 100% reimbursement, year 2 66% reimbursement, year 3 33% reimbursement and after year 3 reimbursement nil.

BUDGET MONITORING – JULY 2012

Performance & Governance Committee – 18 September 2012

Report of the: Deputy Chief Executive and Director of Corporate Resources

Status: For Information

Key Decision: No

This report supports all the Council's key themes and objectives

Portfolio Holder Cllr. Ramsey

Head of Service Group Manager Financial Services – Adrian Rowbotham

Recommendation to Performance and Governance Committee: That the report be noted.

Introduction

Overall Financial Position

- 1 Four months into the year the results to date show an overall favourable variance of £150,000.
- 2 The year-end position is forecast to be £120,000 better than budget.

Key Issues for the year to date

- 3 **Income** – investment income is performing above target and is forecast to be better than budgeted at the year-end. This is due to higher than estimated balances and slightly higher rates being achieved, and a favourable forecast is shown to reflect this position.
- 4 Looking at the other main income sources, the position remains difficult. Building Control, Land Charges and Planning Pre-application fees currently show adverse variances for the year to date.
- 5 **Pay costs** – the actual expenditure is less than budget due to some vacancies during the year and staffing restructures following the departure of senior managers.
- 6 **Other** – Direct Services' results show a negative variance of £6,000 compared to budget.

Agenda Item 14

Year End Forecast

- 7 Four months into the year, the year-end position is forecast to be £120,000 better than budget with extra investment income being the largest factor explaining the variance. Additional income is also expected from office rentals and council tax court costs. Further favourable variance is forecast for audit fees.

Risk areas

- 8 The current economic situation continues to have a real and potential impact on the Council's finances:
- The investment strategy is constantly under review in light of the changing long term credit ratings which affects the number of organisations the Council can invest in;
 - property related income such as Development Control (particularly pre-application fees and s106 monitoring), Building Control, Land Charges and Capital Receipts remain vulnerable;
 - the Benefits workload is continuing at a higher level than before the recession, which is having an impact on processing times (though an action plan is in place to improve performance);
 - Council Tax collection rates, though currently in line with the previous year, could be affected by increased unemployment and squeezed household incomes; and
 - Planned savings through the generation of income, particularly from new partnership working, remain risk areas for the current and for future years.

Key Implications

Financial

The financial implications are included elsewhere in the report.

Community Impact and Outcomes

None.

Legal, Human Rights etc.

None.

Risk Assessment Statement

Detailed budget monitoring is complete on a monthly basis where all variances over £10,000 are explained. Future risk items are also identified.

Appendices

Appendix A – Budget Monitoring Sheets for July 2012

Background Papers:

Budget 2012/13

Budget Monitoring Reports for 11/12

Financial System

Contact Officer(s):

Helen Martin x7483

Dr. Pav Ramewal

Deputy Chief Executive and Director of Corporate Resources

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2. Overall Summary

JULY 12 - Final

	Period		Period		Period		Y-T-D		Y-T-D		Y-T-D		Annual		Annual		2011/12	
	Budget	Actual	Variance	Variance	Budget	Actual	Variance	Variance	Budget	Actual	Variance	Variance	Budget	Forecast (including Accruals)	Variance	Actual	Actual	Actual
	£'000	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	£'000	£'000
Community and Planning																		
Community Development	57	49	7	13.0	422	373	49	11.5					975	975	-	1,140		
Development Services	102	131	-28	-27.7	415	431	-17	-4.0					1,298	1,298	-	1,413		
Environmental and Operations	242	165	77	31.8	1,097	1,106	-9	-0.8					2,716	2,855	-139	2,528		
Housing and Communications	63	51	13	19.9	327	315	12	3.6					872	872	-	944		
Total Community and Planning	464	396	69	14.7	2,260	2,225	35	1.5					6,000	6,000	-139	6,025		
Corporate Resources																		
Finance and Human Resources	298	318	-20	-6.6	1,130	1,125	6	0.5					3,951	3,921	30	4,516		
IT and Facilities Management	168	152	16	9.6	648	624	24	3.8					2,029	2,029	-	1,595		
Legal and Democratic Services	124	111	14	11.0	780	728	52	6.6					1,911	1,788	123	1,363		
Total Corporate Resources	591	581	10	1.7	2,558	2,476	82	3.2					7,891	7,738	153	7,473		
NET EXPENDITURE (1)	1,056	977	79	7.5	4,818	4,702	116	2.4					13,752	13,738	14	13,498		
<i>Adjustments to reconcile to Amount to be met from Reserves</i>																		
Direct Services Trading Accounts	-28	-6	-22	-78.6	-82	-76	-6	-7.3					-64	-64	-	21		
Capital charges outside General Fund	-4	-4	-0	-0.0	-18	-18	-0	-0.0					-54	-54	-	-47		
Support Services outside General Fund	-16	-16	-	-	-62	-62	-	-					-191	-191	-	-197		
Redundancy Costs - all	-	-	-	-	-	-	-	-					-	-	-	-		
NET EXPENDITURE (2)	1,008	951	57	5.6	4,656	4,545	110	2.4					13,443	13,430	14	13,275		
Government Grant	-387	-387	-	0.0	-1,549	-1,549	-	-					-4,646	-4,646	-	-5,141		
Council Tax Requirement - SDC	-771	-771	-	0.0	-3,084	-3,084	-	-					-9,251	-9,251	-	-9,199		
NET EXPENDITURE (3)	-151	-207	57	-37.6	23	-87	110	475.2					-454	-467	14	-1,065		
<i>Summary including investment income</i>																		
Net Expenditure	-151	-207	57	-38	23	-87	110	475.2					-454	-467	14	-1,065		
Investment Impairment	-	-	-	-	-	-	-	-					-	-	-	-		
Interest and Investment Income	-16	-28	12	-75.7	-61	-101	40	66.0					-173	-280	107	-308		
Overall total	-167	-235	69	-113	-37	-188	150	541					-627	-747	120	-1,373		
Planned appropriation (from)/to Reserves																		
Supplementary appropriation from Reserves																		
Surplus																		
														627	627	-	-	-
														-	-	-	-	-
														-	-120	120	-	-1,373

Reserves

	31/03/12 draft £000	Movement in month £000	Cumulative to date £000	Balance as at 31/07/12 £000	31/3/13 budget £000	31/3/13 forecast £000
Provisions						
Edenbridge Relief Road Compensation (1)	1,546			1,546	0	0
Accumulated Absences	152			152	152	152
Others	34			34	0	0
	1,732	0	0	1,732	152	152
Capital Receipts(Gross)						
	708	-1	114	822	1,314	1,314
Note: this balance will reduce at year end as the receipts are used to finance capital expenditure						
Earmarked Reserves						
Financial Plan	5,812			5,812	5,296	5,296
Budget Stabilisation	2,976			2,976	3,495	2,976
New Homes Bonus	215			215	1,588	1,588
Housing Benefit subsidy	1,351			1,351	1,102	1,301
Asset Maintenance	1,000			1,000	1,000	1,000
First Time Sewerage	915			915	715	915
Vehicle Renewal	293			293	564	564
Reorganisation (previously Termination)	478			478	499	478
LDF	565		-32	533	428	428
Community Development	470		-17	453	418	418
Carry Forward Items	222		-18	204	341	341
Action and Development	296			296	300	300
Vehicle Insurance	287			287	264	264
Pension Valuation	349			349	349	349
Big Community Fund	103		-9	94	0	0
Rent Deposit Guarantees	181			181	179	179
Local Strategic Partnership	81			81	111	111
Homelessness Prevention	134			134	0	0
IT Asset Maintenance	121			121	0	0
Others	459	-20	-34	425	424	424
	16,308	-20	-110	16,198	16,724	16,932
General Fund						
Required Minimum	1,500				1,500	1,500
Available Balance	2,213				2,213	2,213
	3,713				3,713	3,713
TOTAL	22,461				21,903	22,111

Notes

1. Changes in the Edenbridge Relief Road Compensation provision is very difficult to predict as it is dependant on the timing of agreeing compensation sums.

3. Net Service Expenditure for each Head of Service - analysed by Budget area

JULY 12 - Final

Community Development

	Period				Y-T-D				Y-T-D				Annual		2011/12		
	Budget	Actual	Variance	Period	Budget	Actual	Variance	Period	Budget	Actual	Variance	Period	Budget	Forecast	Annual	Actual	
	£'000	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000	%	£'000	(including Accruals)	£'000	£'000	
SDC Funded																	
8 to 12 project	-	-1	1	-	-	-	-	-	-	-	-	-	-	-	-	23	
Administrative Expenses - Community Dev.	1	0	0	58.4	3	2	1	29.3	10	10			10	10		8	
All Weather Pitch	-0	-0	0	-	-1	-1	0	4.0	-2	-2			-2	-2		-2	
Arts Development	-	0	-0	-	-	0	-0	-	-	-			-	-		-	
Community Activity	-	7	-7	-	-	7	-7	-	-	-			-	-		20	
Community Development Service Provisions	-0	-0	0	-	-1	-5	5	677.0	-2	-2			-2	-2		-15	
Community Safety	17	21	-4	-24.0	69	60	9	12.7	207	207			207	207		191	
Economic Development	-6	-4	-2	-31.0	16	18	-2	-15.3	41	41			41	41		43	
Grants to Organisations	2	3	-1	-47.3	162	158	4	2.2	179	179			179	179		185	
Health Improvements	3	3	-0	-2.2	14	14	-1	-4.5	41	41			41	41		41	
Leisure Contract	29	27	2	5.9	76	72	4	5.6	248	248			248	248		339	
Leisure Development	5	5	-	-	10	10	-	-	20	20			20	20		20	
LEAG Community Arts Centre	-	-	-	-	50	25	25	50.0	100	100			100	100		100	
Sustainability	0	-1	1	-	1	3	-2	-146.5	4	4			4	4		16	
The Community Plan	5	6	-1	-22.8	19	18	1	7.5	58	58			58	58		50	
Tourism	1	1	0	2.3	16	15	1	3.9	24	24			24	24		52	
West Kent Partnership	2	2	0	8.2	-16	-14	-2	-10.8	-	-			-	-		-	
Youth	4	4	-0	-7.7	16	8	8	51.9	48	48			48	48		71	
Total Community Development (SDC Funded)	64	75	-11	-17.2	434	391	43	9.9	975	975			975	975		1,140	

Externally Funded

Big Community Fund	-	-9	9	-	-	-	-	-	-	-			-	-		-	
Choosing Health WK PCT	-7	-23	15	207.2	-11	-21	10	90.0	-	-			-	-		-	
Falls Prevention	-	1	-1	-	-	2	-2	-	-	-			-	-		-	
Local Strategic Partnership	-	-	-	-	-	5	-5	-	-	-			-	-		-	
Partnership - Child	-	-	-	-	-	-	-	-	-	-			-	-		-	
Partnership - Home Office	-0	5	-5	-	-1	5	-6	-685.3	-	-			-	-		-	
PCT Health Checks	-	-	-	-	-	0	-0	-	-	-			-	-		-	
PCT Initiatives	-	-	-	-	-	-9	9	-	-	-			-	-		-	
Total Community Development (Ext Funded)	-7	-26	18	246.8	-12	-18	6	50.0	49	49			49	49		1,140	
Total Community Development	57	49	7	13.0	422	373	49	11.5	975	975			975	975		1,140	

Agenda Item 14

3. Net Service Expenditure for each Head of Service - analysed by Budget area

JULY 12 - Final

Development Services

	Period			Period			Period			Y-T-D			Y-T-D			Y-T-D			Annual			Annual		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administrative Expenses - Development Control	2	1	1	48.1			7	10	-3	-38.0			29	29	-									
Administrative Expenses - Policy and Environment	-	-0	0	-			-	-0	0	-			-	-	-									
Bridleways / Footpath Diversions	0	0	-	-			0	0	-	-			1	1	-									
Conservation	4	4	0	6.5			16	17	-2	-11.5			47	47	-									
LDF Expenditure	-	2	-2	-			-	7	-7	-			-	-	-									
Planning - Appeals	14	19	-6	-43.7			54	61	-7	-12.1			163	163	-									
Planning - Counter	-0	-0	0	-			-0	-0	0	-			-1	-1	-									
Planning - Development Control	31	53	-22	-71.0			124	128	-4	-3.5			362	362	-									
Planning - Enforcement	22	21	2	7.5			89	86	4	4.1			269	269	-									
Planning Policy	30	31	-1	-3.9			124	123	2	1.2			427	427	-									
Total Development Services	102	131	-28	-27.7			415	431	-17	-4.0			1,298	1,298	-									1,414

3. Net Service Expenditure for each Head of Service - analysed by Budget area

JULY 12 - Final

Environmental and Operational Services

	Period				Y-T-D				Y-T-D				Annual		2011/12	
	Budget		Actual		Budget		Actual		Budget		Actual		Budget		Actual	
	£'000	£'000	£'000	Variance	Period	Period	£'000	Variance	£'000	%	£'000	Variance	£'000	%	£'000	£'000
Administrative Expenses - Building Control	1	0	1	95.8	3	0	2	84.7	6	6	-	6	6	-	6	6
Administrative Expenses - Community Director	1	2	-0	-31.1	5	3	2	36.6	11	11	-	11	11	-	11	5
Administrative Expenses - Direct Services	-	0	-0	-	-	-0	0	-	-	-	-	-	-	-	-	-
Administrative Expenses - Health	2	1	1	70.7	7	3	5	63.7	18	18	-	18	18	-	18	15
Administrative Expenses - Transport	1	1	0	15.0	3	2	1	19.6	6	6	-	6	6	-	6	5
Asset Maintenance Car Parks	-0	-	-0	-	15	27	-12	-78.5	15	15	-	15	15	-	15	-
Asset Maintenance CCTV	1	-	1	100.0	4	-	4	100.0	11	11	-	11	11	-	11	15
Asset Maintenance Countryside	0	-	0	-	2	-	2	100.0	5	3	2	5	3	2	5	8
Asset Maintenance Direct Services	2	-	2	100.0	9	5	3	39.3	26	26	-	26	26	-	26	19
Asset Maintenance Playgrounds	1	-	1	100.0	3	-	3	100.0	8	5	3	8	5	3	8	3
Asset Maintenance Public Toilets	1	-	1	100.0	3	0	2	92.9	8	8	-	8	8	-	8	13
Building Control	-10	-14	5	47.8	-60	-30	-29	-49.1	-130	-36	-94	-130	-36	-94	-130	-14
Building Control Discretionary Work	-0	1	-1	-	-0	3	-3	-	-	-	-	-	-	-	-	-
Car Parks	-153	-140	-13	-8.3	-488	-447	-41	-8.3	-1,600	-1,580	-20	-1,600	-1,580	-20	-1,600	-1,555
CCTV	13	19	-6	-44.9	102	118	-15	-14.9	245	275	-30	245	275	-30	245	275
Crime Prevention	2	2	0	19.1	11	10	1	8.6	28	28	-	28	28	-	28	10
Clean Air	39	1	38	97.8	55	16	39	70.3	103	103	-	103	103	-	103	100
Contaminated Land	4	-	4	100.0	15	-0	15	100.3	47	47	-	47	47	-	47	47
Dangerous Structures	2	2	0	10.1	7	7	0	6.0	22	22	-	22	22	-	22	21
Darford Environmental Hub (SDC Costs)	-	49	-49	-	-	200	-200	-	-	-	-	-	-	-	-	-
Emergency	5	5	0	7.9	20	19	1	4.4	60	60	-	60	60	-	60	57
Environmental Health Partnership	-	-49	49	-	-	-41	41	-	-	-	-	-	-	-	-	-
Estates Management - Grounds	8	6	2	28.5	31	27	4	12.7	94	94	-	94	94	-	94	88
Licensing Health	4	1	3	83.8	15	0	14	97.4	30	30	-	30	30	-	30	40
Licensing Partnership Hub (Trading)	-0	21	-21	-	-0	-5	4	-	-0	-0	-	-0	-0	-	-0	-
Licensing Partnership Members	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing Regime	4	-2	6	150.2	19	25	-5	-28.5	-14	-14	-	-14	-14	-	-14	25
National Food Hygiene Rating Scheme	-	-3	3	-	-	-3	3	-	-	-	-	-	-	-	-	-
Noise Control	6	-	6	100.0	24	-	24	100.0	75	75	-	75	75	-	75	84
On-Street Parking	-46	-38	-8	-17.4	-131	-129	-2	-1.6	-393	-393	-	-393	-393	-	-393	-297
Parks and Recreation Grounds	7	12	-5	-63.3	29	42	-13	-43.0	91	91	-	91	91	-	91	123
Parks - Rural	8	8	0	0.6	33	28	5	16.1	81	81	-	81	81	-	81	56

Public Conveniences	3	3	-1	-37.3	17	20	-3	-20.9	37	37	-	55
Public Health	32	-28	60	184.8	130	-16	146	112.2	389	389	-	481
Public Transport Support	0	0	-0	-	0	0	-0	-	1	1	-	1
Refuse Collection	200	202	-2	-1.0	804	811	-8	-0.9	2,204	2,204	-	2,161
Street Cleansing	99	98	1	1.3	394	386	8	2.0	1,175	1,175	-	1,212
Street Naming	1	1	0	26.1	4	2	2	49.7	13	13	-	-
Support - Direct Services	4	9	-4	-109.4	16	20	-5	-28.9	38	38	-	2
Support - Health and Safety	1	1	1	55.6	6	4	2	29.5	17	17	-	1
Taxis	-2	-2	0	14.5	-9	-4	-5	-53.6	-12	-12	-	-1
Total Environmental and Operational Services	242	165	77	31.8	1,097	1,106	-9	-0.8	2,716	2,855	-139	2,528

Agenda Item 14

3. Net Service Expenditure for each Head of Service - analysed by Budget area

JULY 12 - Final

Finance and Human Resources

	Period			Period			Period			Y-T-D			Y-T-D			Y-T-D			Annual			2011/12	
	Budget		Actual	Budget		Actual	Budget		Actual	Budget		Actual	Budget		Actual	Budget		Actual	Forecast (including Accruals)		Annual		Actual
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administrative Expenses - Chief Executive	1	1	1	1	1	50.8				5	3	2	44.6			18	18	-			6		
Administrative Expenses - Corporate Director	0	1	-0							1	3	-2	-128.9			4	4	-			2		
Administrative Expenses - Finance	2	1	2	76.8						9	11	-2	-19.8			29	29	-			17		
Administrative Expenses - Personnel	2	1	1	33.3						8	8	0	2.1			13	13	-			14		
Benefits Admin	-11	-8	-3	-29.4						-45	-43	-2	-4.1			828	828	-			1,276		
Benefits Grants	-49	-49	0	0.0						-195	-195	0	0.0			-659	-659	-			-659		
Council Tax Support (R&B P'ship)	-	10	-10							-	-56	56				-	-	-			-		
Darford Partnership Hub (SDC costs)	152	160	-8	-5.2						603	618	-15	-2.5			-7	-7	-			-524		
Housing Advances	0	-	0							1	3	-2	-109.4			5	5	-			3		
Local Tax	-25	-16	-9	-37.4						-98	-86	-12	-12.4			154	101	53			208		
Members	32	30	2	4.9						127	127	-0	-0.3			395	395	-			313		
Misc. Finance	133	127	6	4.2						469	488	-18	-3.9			2,155	2,170	-15			2,036		
Support - Audit Function	-2	-9	7	353.5						-8	-13	5	63.4			139	139	-			126		
Support - Exchequer and Procurement	11	10	1	10.8						43	39	3	7.7			138	138	-			134		
Support - Finance Function	15	11	4	27.6						53	41	12	22.7			231	209	22			147		
Support - General Admin	10	14	-4	-37.7						56	62	-6	-10.8			193	193	-			177		
Support - Nursery	-	3	-3							-	7	-7				-	-	-			2		
Support - Personnel	19	18	1	3.4						75	76	-1	-1.3			225	225	-			208		
Treasury Management	7	13	-6	-84.6						27	33	-6	-22.5			90	120	-30			99		
Total Finance and Human Resources	298	318	-20	-6.6						1,130	1,125	6	0.5			3,951	3,921	30			3,584		

3. Net Service Expenditure for each Head of Service - analysed by Budget area																				
JULY 12 - Final																				
<u>Housing and Communications</u>																				
Period	Period	Actual	Period	Variance	Period	Variance	Period	Variance	Y-T-D	Budget	Y-T-D	Actual	Y-T-D	Variance	Y-T-D	Variance	Annual Budget	Annual Forecast (including Accruals)	Annual - Annual Variance	2011/12 Actual
1	1	1	0	22.3	4	3	2	39.6	11	11	-	-	-	-	-	-	11	11	-	11
0	-	0	0	-	1	1	100.0	-	2	2	-	-	-	-	-	-	2	2	-	2
2	5	-3	-144.8	8	9	-2	-22.5	60	39	21	35.2	143	143	-	-	-	6	6	-	6
19	8	11	58.3	60	39	21	35.2	-6	4	-11	-171.7	143	143	-	-	-	143	143	-	143
-3	13	-16	-479.8	20	-	20	100.0	20	20	0	100.0	39	39	-	-	-	39	39	-	39
-	-	-	-	31	40	-9	-27.7	31	40	-9	-27.7	104	104	-	-	-	104	104	-	104
-3	-15	12	388.5	-12	-18	6	47.9	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	2	-2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	19	3	13.7	153	163	-10	-6.8	153	163	-10	-6.8	367	367	-	-	-	367	367	-	367
1	0	1	87.8	3	3	-1	-35.9	3	3	-1	-35.9	8	8	-	-	-	8	8	-	8
0	4	-4	-	0	9	-9	-	0	9	-9	-	0	0	-	-	-	0	0	-	0
0	1	-0	-	1	3	-2	-136.5	1	3	-2	-136.5	4	4	-	-	-	4	4	-	4
-	-	-	-	-	-	-	-	-	-	-	-	13	13	-	-	-	13	13	-	13
16	12	4	26.0	65	60	5	7.7	65	60	5	7.7	195	195	-	-	-	195	195	-	195
0	-1	1	-	0	-3	3	-	0	-3	3	-	0	0	-	-	-	0	0	-	0
63	51	13	19.9	327	315	12	3.6	327	315	12	3.6	872	872	-	-	-	872	872	-	872
Total Housing and Communications																				

Agenda Item 14

3. Net Service Expenditure for each Head of Service - analysed by Budget area																		
JULY 12 - Final																		
<u>IT & Facilities Management</u>																		
	Period		Period		Period		Period		Y-T-D		Y-T-D		Y-T-D		Annual		2011/12	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Forecast (including Accruals)	Variance	Budget	Actual
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administrative Expenses - IT	2	1	1	1	60.3				8	2	5	67.6			26		26	16
Asset Maintenance IT	25	4	21	84.4					65	43	22	33.4			300		300	300
Support - Central Offices - Facilities	13	20	-7	-57.3					78	74	4	4.9			254		254	259
Support - Contact Centre	32	31	1	4.2					125	124	0	0.4			396		396	407
Support - General Admin	16	26	-11	-68.3					68	77	-9	-12.8			264		264	280
Support - IT	80	70	10	12.7					279	275	4	1.4			737		737	739
Support - Local Offices	0	0	0	-					26	27	-2	-7.8			53		53	50
Total IT & Facilities Management	168	152	16	9.6					648	624	24	3.8			2,029		2,029	2,052

3. Net Service Expenditure for each Head of Service - analysed by Budget area

JULY 12 - Final

Legal and Democratic Services

	Period				Y-T-D				Y-T-D				Annual		2011/12 Actual £'000
	Budget		Actual		Budget		Actual		Budget		Forecast (including Accruals)		Annual Variance		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Action and Development	1	-0	1	156.8	2	1	1	67.0	6	6	-	-	-	14	
Administrative Expenses - Legal and Democratic	5	3	2	31.4	36	31	5	13.4	77	77	-	-	-	5	
Administrative Expenses - Property	0	0	0	-	1	0	1	93.6	2	2	-	-	-	3	
Asset Maintenance Argyle Road	-	-	-	-	-	3	-3	-	50	50	-	-	-	3	
Asset Maintenance Leisure	8	2	6	75.3	31	26	5	15.6	92	92	-	-	-	143	
Asset Maintenance Other Corporate Properties	-	-	-	-	1	1	-	-	30	30	-	-	-	34	
Asset Maintenance Sewage Treatment Plants	1	-	1	100.0	4	-	4	100.0	11	11	-	-	-	13	
Asset Maintenance Support & Salaries	11	11	1	8.0	38	40	-2	-5.0	115	115	-	-	-	101	
Bus Station	-1	-1	-0	-18.7	6	3	3	44.4	13	13	-	-	-	10	
Civic Expenses	0	0	0	-	13	14	-1	-6.4	14	14	-	-	-	14	
Committee Admin	8	6	2	21.1	36	27	9	24.4	102	102	-	-	-	85	
Corporate Management	71	51	19	27.4	280	250	30	10.7	903	833	70	70	70	879	
Corporate Savings	9	-	9	100.0	30	-	30	100.0	21	21	-	-	-	-	
Electors	5	5	-0	-1.8	22	16	6	28.0	67	67	-	-	-	68	
Equalities Legislation	-	-	-	-	17	13	3	19.6	17	14	3	3	3	13	
Estates Management - Buildings	-13	2	-15	-116.3	-13	6	-18	-144.7	-113	-113	-	-	-	-48	
Housing Premises	-0	1	-1	-	-12	-9	-3	-25.9	-9	-9	-	-	-	-8	
Land Charges	-13	-10	-3	-25.6	-46	-32	-13	-29.3	-121	-121	-	-	-	-116	
Markets	-19	-25	6	32.5	-74	-95	20	27.4	-240	-288	48	48	48	-281	
Performance Improvement	0	-	0	-	2	5	-3	-193.6	6	6	-	-	-	5	
Register of Electors	19	20	-1	-5.3	44	48	-4	-8.4	131	131	-	-	-	118	
Support - Central Offices	9	16	-7	-72.3	260	264	-4	-1.6	426	404	23	23	23	410	
Support - Legal Function	16	22	-6	-38.9	75	88	-13	-17.5	225	245	-20	-20	-20	242	
Support - Property Function	7	7	-0	-2.1	27	29	-1	-3.8	88	88	-	-	-	56	
Total Legal and Democratic Services	124	111	14	11.0	780	728	52	6.6	1,911	1,788	123	123	123	1,837	

4. Cumulative Salary Monitoring

JULY 12 - Final

Chief Executive, PA & Secretariat
Total Chief Executives Dept

Director, PA & Secretariat
 Finance & Human Resources
 IT & Facilities Management
 Legal & Democratic Services
Total Corporate Resources

Director, PA & Secretariat
 Community Development
 Development Services
 Housing & Communications
 Operational Services
 Building Control
 Environmental Health
 Licensing
 Parking & Amenity Services
Total Community and Planning Services

Sub Total
 Council Wide - Vacant Posts
 Performance Award Contingency
 Market Premiums
TOTAL SDC Funded Salary Costs

Externally Funded & Funded from other sources (gross figures). Overspendings here are matched by external funding and represent additional resources secured for the Council since the budget was set.

Community Development Ext.
 Housing Ext.
TOTAL All Salary Costs
 Less Allocs to Trading a/cs inc Ext Funded TASK
 Less Allocations to Capital and Asset maint. etc
 Council Wide Vacant Posts
Check total to Pay Costs (Budget book page9)

Period	Period		Period		Period		Y-T-D		Y-T-D		Y-T-D		Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual			
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Variance	Variance			
	%	%	%	%	%	%	%	%	%	%	%	%			
17	19	-1	-8.7	74	69	-6	-8.4	206	206	-	206	206			
17	19	-1	-8.7	74	69	-6	-8.4	206	206	-	206	206			
24	25	-1	-6.0	99	94	-5	-5.7	282	282	-	282	282			
240	246	-7	-2.9	967	939	-27	-2.9	2,867	2,845	22	2,867	2,845			
62	66	-4	-6.2	261	252	-9	-3.6	778	778	-	778	778			
49	48	1	1.2	210	209	-2	-0.8	626	626	-	626	626			
374	386	-12	-3.1	1,537	1,494	-44	-2.9	4,554	4,532	22	4,554	4,532			
14	15	-0	-2.9	58	56	-1	-2.6	169	169	-	169	169			
30	29	0	1.3	114	119	5	4.1	358	358	-	358	358			
147	141	6	4.1	575	597	21	3.6	1,790	1,790	-	1,790	1,790			
51	50	1	1.6	211	204	-8	-3.8	611	611	-	611	611			
279	258	21	7.4	1,020	1,115	95	8.5	3,350	3,350	-	3,350	3,350			
32	31	0	0.5	127	126	-1	-0.7	379	379	-	379	379			
49	49	-0	-0.6	203	196	-6	-3.3	589	589	-	589	589			
27	23	5	17.3	88	109	21	19.4	328	283	45	328	283			
40	39	0	0.8	161	159	-2	-1.3	471	471	-	471	471			
668	636	33	4.9	2,559	2,683	124	4.6	8,045	8,000	45	8,045	8,000			
1,060	1,040	20	1.8	4,171	4,245	74	1.7	12,805	12,738	67	12,805	12,738			
5	-	5	100.0	-	13	13	100.0	-32	-32	-	-32	-32			
-	-	-	-	0	-	0	-	48	48	-	48	48			
4	-	4	100.0	-	17	17	100.0	52	52	-	52	52			
1,069	1,040	29	2.7	4,171	4,275	105	2.4	12,873	12,806	67	12,873	12,806			
7	11	-5	-74.0	47	26	-21	-81.5	78	78	-	78	78			
15	10	6	38.2	37	62	25	39.9	186	186	-	186	186			
22	21	1	5.0	84	88	4	4.0	264	264	-	264	264			
1,091	1,061	30	2.7	4,255	4,363	108	2.5	13,137	13,070	67	13,137	13,070			
-237	-216	-21	-8.9	-860	-949	-90	-9.5	-2,848	-2,848	-	-2,848	-2,848			
-7	-2	-5	-72.6	-8	-7	1	10.0	-22	-22	-	-22	-22			
-5	-	-5	-100.0	-	-13	-13	-100.0	32	32	-	32	32			
841	843	-1	-0.2	3,387	3,393	6	0.2	10,298	10,231	67	10,298	10,231			

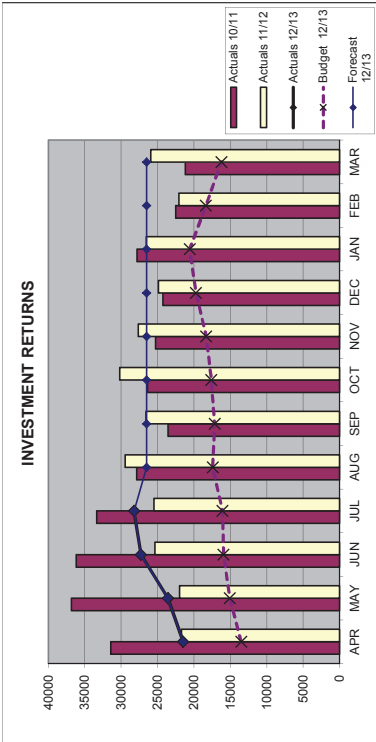
DIRECT SERVICES SUMMARY

	PERIOD						Y-T-D				ANNUAL			Y-T-D NET VARIANCE				ANNUAL NET VARIANCE		
	Budget	Actual	Actual / Budget	Variance	Budget	Actual	Actual / Budget	Variance	Budget	Forecast	Variance	Net Budget by Service	Net Actual by Service	Variance by Service	Net Budget by Service	Net Actual by Service	Variance by Service			
	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Jul-12																				
Income																				
Refuse	-175	-175	0%		-702	-703	0%	1	-2,109	-2,109		23	-5	28	67	67				
Street Cleaning	-93	-93	0%		-372	-372	0%		-1,117	-1,117		13	24	-11	38	38				
Trade	-28	-27	-5%	-1	-162	-147	-9%	-14	-400	-400		-35	-38	2	-21	-21				
Workshop	-47	-48	3%	1	-188	-171	-9%	-17	-564	-564		-6	1	-7	-17	-17				
Green Waste	-52	-40	-23%	-12	-177	-164	-7%	-13	-389	-389		-73	-84	11	-60	-60				
Premises Cleaning	-17	-19	13%	2	-66	-69	3%	2	-199	-199		3	4	-1	10	10				
Cesspools	-23	-22	-1%		-90	-76	-15%	-14	-270	-270		-17	-7	-10	-52	-52				
Pest Control	-16	-3	-81%	-13	-30	-12	-59%	-18	-79	-79		-4	14	-18						
Grounds	-10	-10	0%		-40	-40	0%		-122	-122		3	7	-4	-2	-2				
Fleet	-70	-67	-4%	-2	-278	-271	-3%	-8	-835	-835		12	-3	3	-26	-26				
Depot	-22	-17	-23%	-5	-94	-75	-20%	-19	-293	-293			15	-3						
Emergency	-4	-4	0%		-15	-15	0%		-46	-46			-3	3						
Total Income	-556	-525	-6%	-31	-2,215	-2,115	-5%	-100	-6,423	-6,423		-82	-76	-6	-64	-64				
Expenditure																				
Refuse	181	176	3%	5	725	698	4%	27	2,175	2,175										
Street Cleaning	96	100	-4%	-4	385	396	-3%	-11	1,155	1,155										
Trade	32	29	7%	2	126	110	13%	17	379	379										
Workshop	46	47	-4%	-2	182	172	6%	10	547	547										
Green Waste	26	22	12%	3	103	80	23%	24	329	329										
Premises Cleaning	17	20	-12%	-2	70	73	-4%	-3	209	209										
Cesspools	18	17	4%	1	73	69	5%	3	218	218										
Pest Control	7	7	1%		26	26	0%		79	79										
Grounds	11	11	-4%		43	47	-9%	-4	119	119										
Fleet	70	67	3%	2	278	267	4%	11	835	835										
Depot	21	18	12%	3	106	90	15%	16	267	267										
Emergency	4	3	22%	1	15	13	19%	3	46	46										
Total Expenditure	528	519	2%	9	2,133	2,039	4%	94	6,359	6,359		-82	-76	-6	-64	-64				
Net	-28	-6	-79%	-22	-82	-76	-7%	-6	-64	-64		-82	-76	-6	-64	-64				

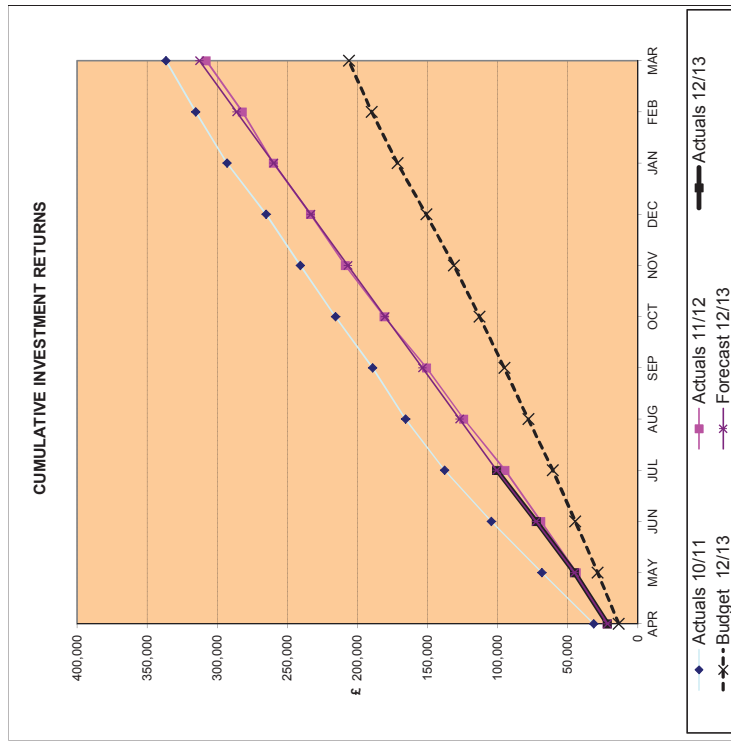
Agenda Item 14

INVESTMENT RETURNS

	Actuals		Budget	Variance	Forecast
	10/11	11/12			
APR	31,431	21,722	13,502	7,987	21,500
MAY	36,831	21,983	15,074	8,497	23,600
JUN	36,164	25,342	15,944	11,336	27,300
JUL	33,361	25,498	16,070	12,157	28,200
AUG	27,858	29,446	17,425	26,500	26,500
SEP	23,532	26,586	17,156	26,500	26,500
OCT	26,352	30,200	17,603	26,500	26,500
NOV	25,254	27,636	18,323	26,500	26,500
DEC	24,240	24,871	19,730	26,500	26,500
JAN	27,832	26,525	20,578	26,500	26,500
FEB	22,501	22,078	18,355	26,500	26,500
MAR	21,179	25,935	16,240	26,500	26,500
TOTAL	336,535	307,822	206,000	39,977	312,600



	Actuals		Budget	Variance	Forecast
	10/11	11/12			
APR	31,431	21,722	13,502	7,987	21,500
MAY	68,262	43,705	28,576	16,484	45,100
JUN	104,426	69,047	44,520	27,820	72,400
JUL	137,787	94,545	60,590	39,977	100,600
AUG	165,645	123,991	78,015	127,100	127,100
SEP	189,177	150,577	95,171	153,600	153,600
OCT	215,529	180,777	112,774	180,100	180,100
NOV	240,783	208,413	131,097	206,600	206,600
DEC	265,023	233,284	150,827	233,100	233,100
JAN	292,855	259,809	171,405	259,600	259,600
FEB	315,356	281,887	189,760	286,100	286,100
MAR	336,535	307,822	206,000	312,600	312,600



BUDGET FOR 2012/13 206,000
 FORECAST OUTTURN 312,600

CODE:- YHAA 96900

N.B.

- These are the gross interest receipts rather than the interest remaining in the General Fund
- Interest due on the Landsbanki investment has been removed from the calculations as from 25/6/2008

Fund Average 1.0938%
 7 Day LIBID 0.4444%
 3 Month LIBID 0.8752%

Agenda Item 14

STAFFING STATISTICS JULY 2012

	BDGT	BOOK	STAFF	STAFF	AGENCY	CASUAL	TOTAL	COMMENTS / VARIATIONS	JUNE
	FTE	FTE	FTE	STAFF	STAFF	FTE	TOTAL		TOTALS
CHIEF EXECUTIVES									
Chief Executive's Office	3.00	2.41	0.00	0.00	0.00	0.00	2.41	0.41 temp post wef 11/7/11 - 10/7/12 plus 1.0 Temp Sec.	2.41
SUB TOTAL	3.00	2.41	0.00	0.00	0.00	0.00	2.41		2.41
CORPORATE RESOURCES									
Director, Secretaries	6.38	7.62	0.00	0.00	0.00	0.00	7.62	Budget includes Secretariat (although report to HR). 1 Temp post for maternity cover.	7.62
Finance & Human Resources	82.67	77.23	6.61	1.08	84.92	1.08	84.92	Still includes Human Resources, Contact Centre and Property Team.	77.23
Legal, Electoral, Democratic Services & Policy & Performance	14.95	13.34	0.00	0.00	13.34	0.00	13.34		13.34
<i>Legal, Electoral & Democratic Services</i>	<i>13.14</i>	<i>11.53</i>	<i>0.00</i>	<i>0.00</i>	<i>11.53</i>	<i>0.00</i>	<i>11.53</i>		<i>11.53</i>
<i>Policy & Performance</i>	<i>1.81</i>	<i>1.81</i>	<i>0.00</i>	<i>0.00</i>	<i>1.81</i>	<i>0.00</i>	<i>1.81</i>	Now 1.61 budgeted to Legal, Electoral and Dem Services. 0.2 worked in Housing & Comms but inc. in P&P.	<i>1.81</i>
IT & Facilities Management	23.43	22.43	0.00	0.00	22.43	0.00	22.43	1 Temp post (IT) so 1 over budget FTE.	22.43
SUB TOTAL	127.43	120.62	6.61	1.08	128.31	1.08	128.31		120.62
COMMUNITY AND PLANNING SERVICES									
Director, PA & Secretarial	2.00	2.00	0.00	0.00	2.00	0.00	2.00		2.00
Community Development	8.54	8.54	0.00	0.00	10.52	1.98	10.52	1 post is part externally funded.	9.81
Environmental & Operational Services	152.82	140.05	17.86	0.50	158.41	0.50	158.41		156.04
<i>SDS & CCTV</i>	<i>175.98</i>	<i>103.27</i>	<i>17.86</i>	<i>0.50</i>	<i>121.63</i>	<i>0.50</i>	<i>121.63</i>	Includes Grounds Maintenance.	<i>119.60</i>
<i>Env Health</i>	<i>12.57</i>	<i>12.57</i>	<i>0.00</i>	<i>0.00</i>	<i>12.57</i>	<i>0.00</i>	<i>12.57</i>		<i>12.57</i>
<i>Licensing</i>	<i>9.41</i>	<i>9.35</i>	<i>0.00</i>	<i>0.00</i>	<i>9.35</i>	<i>0.00</i>	<i>9.35</i>		<i>8.57</i>
<i>Parking & Amenity</i>	<i>14.86</i>	<i>14.86</i>	<i>0.00</i>	<i>0.00</i>	<i>14.86</i>	<i>0.00</i>	<i>14.86</i>		<i>14.86</i>
Development Services	48.37	47.51	0.00	0.00	47.51	0.00	47.51		47.51
Building Control	7.81	5.81	2.00	0.00	7.81	0.00	7.81	Plus 1 Seconded Officer.	7.81
Housing & Communications	14.89	13.57	2.00	0.00	15.57	0.00	15.57	1 post is part externally funded.	15.57
SUB TOTAL	234.43	217.48	21.86	2.48	241.82	2.48	241.82		238.74
EXTERNALLY FUNDED POSTS									
Community Development	2.54	2.54	0.00	0.00	2.54	0.00	2.54		2.54
Environmental & Operational Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Development Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Housing & Communications	5.81	3.00	0.00	0.00	3.00	0.00	3.00	1 post is part funded by SDC (see Housing permanent posts).	3.00
SUB TOTAL	8.35	5.54	0.00	0.00	5.54	0.00	5.54		5.54
TOTALS	373.21	346.05	28.47	3.56	378.08	3.56	378.08		367.31
Number of staff paid in July									
376 permanent, 11 casuals									

Reserves

	31/03/12 draft £000	Movement in month £000	Cumulative to date £000	Balance as at 31/07/12 £000	31/3/13 budget £000	31/3/13 forecast £000
Provisions						
Edenbridge Relief Road Compensation (1)	1,546			1,546	0	0
Accumulated Absences	152			152	152	152
Others	34			34	0	0
	1,732	0	0	1,732	152	152
Capital Receipts(Gross)						
	708	-1	114	822	1,314	1,314
Note: this balance will reduce at year end as the receipts are used to finance capital expenditure						
Earmarked Reserves						
Financial Plan	5,812			5,812	5,296	5,296
Budget Stabilisation	2,976			2,976	3,495	2,976
New Homes Bonus	215			215	1,588	1,588
Housing Benefit subsidy	1,351			1,351	1,102	1,301
Asset Maintenance	1,000			1,000	1,000	1,000
First Time Sewerage	915			915	715	915
Vehicle Renewal	293			293	564	564
Reorganisation (previously Termination)	478			478	499	478
LDF	565		-32	533	428	428
Community Development	470		-17	453	418	418
Carry Forward Items	222		-18	204	341	341
Action and Development	296			296	300	300
Vehicle Insurance	287			287	264	264
Pension Valuation	349			349	349	349
Big Community Fund	103		-9	94	0	0
Rent Deposit Guarantees	181			181	179	179
Local Strategic Partnership	81			81	111	111
Homelessness Prevention	134			134	0	0
IT Asset Maintenance	121			121	0	0
Others	459	-20	-34	425	424	424
	16,308	-20	-110	16,198	16,724	16,932
General Fund						
Required Minimum	1,500				1,500	1,500
Available Balance	2,213				2,213	2,213
	3,713				3,713	3,713
TOTAL	22,461				21,903	22,111

Notes

1. Changes in the Edenbridge Relief Road Compensation provision is very difficult to predict as it is dependant on the timing of agreeing compensation sums.

9. Capital

JULY 12 - Final

COMMDEV Big Community Fund - Capital
 ENVOPS Vehicle Purchases
 FINSERV Sevenoaks Town Centre
 FINSERV Horton Kirby Village Hall
 HOUSING Improvement Grants
 HOUSING WKHA Adaps for Disab Financing Costs Advances
 HOUSING SDC - HMO Grants
 HOUSING RHPCG 10-11 SDC
 LEGAL Modern Govt Document Management System
 LEGAL Police Co-Location

Period	Period		Period		Period		Y-T-D	Y-T-D		Y-T-D	Y-T-D		Annual Budget	Annual Forecast (including Accruals)	Annual Variance
	Budget	Actual	Variance	%	Budget	Variance		Budget	Actual		Variance	%			
	-	4	-4	-	-	11	-11	-	-	-	-	-	-	-	-
	110	-1	112	101.2	235	4	232	98.4	844	844	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	202	20	181	89.9	204	46	158	77.4	612	612	-	-	-	-	
	85	2	83	97.4	85	22	64	74.8	256	256	-	-	-	-	
	-	2	-2	-	-	6	-6	-	-	-	-	-	-	-	
	-	-	-	-	-	2	-2	-	-	-	-	-	-	-	
	8	2	6	75.8	8	8	-	-	16	16	-	-	-	-	
	63	36	27	43.4	73	46	27	37.5	200	200	-	-	-	-	
	469	65	404	86.1	606	145	461	76.0	1,928	1,928	-	-	-	-	

Improvement Grants budget shown net of Government grant.

CUMULATIVE INCOME FIGURES

July 2012

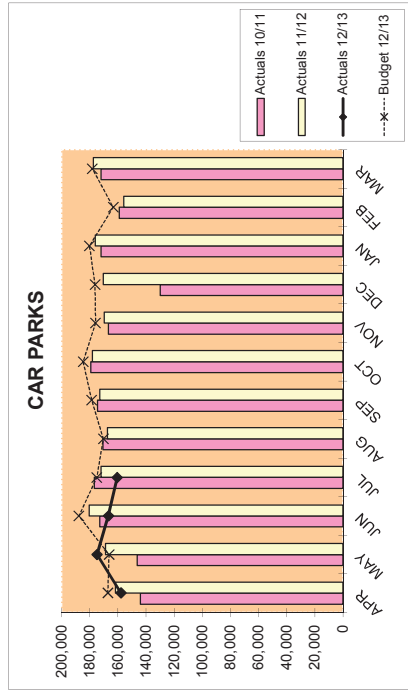
Agenda Item 14

	Comparison of 11/12 and 12/13, where a minus is 'bad news'	MANAGER'S PROFILED BUDGET	Variance, where a minus is 'bad news'	ANNUAL BUDGET	Annual Forecast
CAR PARKS	659,830	696,026	-36,196	2,103,442	2,103,442
CONCRETE STREET PARKING	238,171	224,944	13,227	671,285	671,285
LAND CHARGES	55,906	68,599	-12,693	190,556	190,556
BUILDING CONTROL	149,813	190,967	-41,154	519,648	390,600
DEVELOPMENT CONTROL	211,657	232,228	-20,572	696,684	696,684
	1,315,376	1,412,764	-97,388	4,181,615	4,052,567

10 Car Parks Graphs

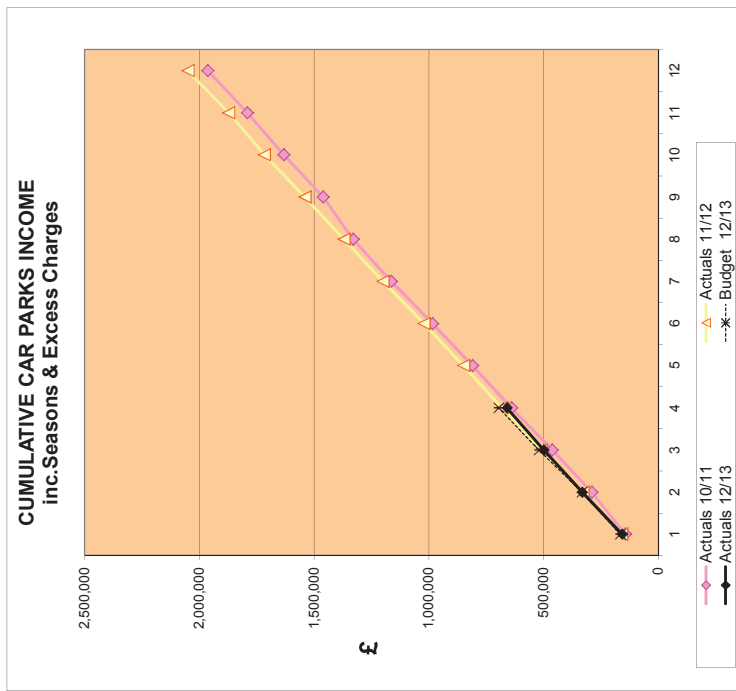
CAR PARKS (HWCARP)

	Actuals 10/11	Actuals 11/12	Actuals 12/13	Increase / decrease from 11/12 to 12/13	Budget 12/13	Variance (Actuals-Budget)	Manager's Forecast
1 APR	144,052	161,707	157,819	-3,888	167,079	-9,260	
2 MAY	146,247	168,722	174,830	6,108	166,300	8,530	
3 JUN	172,788	180,368	166,750	-13,618	187,694	-20,944	
4 JUL	176,717	171,960	160,431	-11,529	174,953	-14,522	
5 AUG	170,558	167,336	170,293	-167,336	170,293	-170,293	
6 SEP	174,392	172,793	178,651	-172,793	178,651	-178,651	
7 OCT	179,153	178,067	184,625	-178,067	184,625	-184,625	
8 NOV	166,673	169,631	175,874	-169,631	175,874	-175,874	
9 DEC	129,891	170,349	176,200	-170,349	176,200	-176,200	
10 JAN	171,978	175,979	180,246	-175,979	180,246	-180,246	
11 FEB	158,986	155,870	163,322	-155,870	163,322	-163,322	
12 MAR	172,012	177,420	178,205	-177,420	178,205	-178,205	
	1,963,447	2,050,202	659,830	-1,390,372	2,103,442	-1,443,612	2,103,442



CAR PARKS (CUMULATIVE)

	Actuals 10/11	Actuals 11/12	Actuals 12/13	Cumulative increase / decrease from 11/12 to 12/13	Budget 12/13	Variance (Column E-G)	Manager's Forecast
APR	144,052	161,707	157,819	-3,888	167,079	-9,260	
MAY	290,299	330,429	332,649	2,220	333,379	-730	
JUNE	463,087	510,797	499,399	-11,398	521,073	-21,674	
JUL	639,804	682,757	659,830	-22,927	696,026	-36,196	
AUG	810,362	850,093		-850,093		0	
SEP	984,754	1,022,886		-1,022,886		0	
OCT	1,163,907	1,200,953		-1,200,953		0	
NOV	1,330,580	1,370,584		-1,370,584		0	
DEC	1,460,471	1,540,933		-1,540,933		0	
JAN	1,632,449	1,716,912		-1,716,912		0	
FEB	1,791,435	1,872,782		-1,872,782		0	
MAR	1,963,447	2,050,202		-2,050,202		0	2,103,442



JULY 2012

HWCARP

	Actual	Budget	(Monthly)
DAY TICKETS	***0	537,871	129,592
EXCESS / PENALTY CHARGES	***1/****3	55,915	13,556
SEASON TICKETS	***2	98,240	16,846
OTHER (inc.Res.Pkg)	***9	-	315
WAIVERS	3404	-	100
RENT	94500	4,000	22
	659,830	696,026	160,431

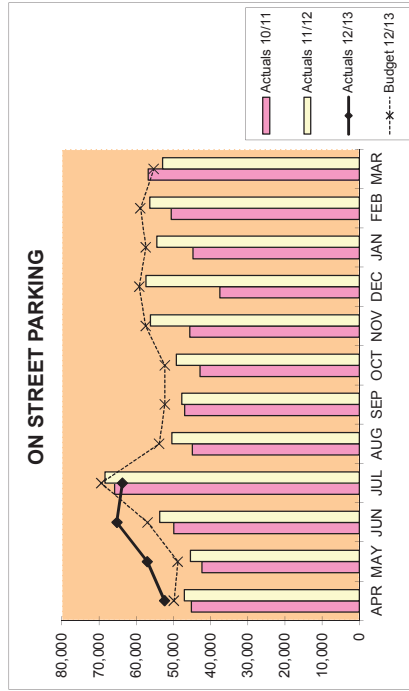
CUMULATIVE BREAKDOWN

	Actual (Cumulative)	Budget
DAY TICKETS	509,842	537,871
EXCESS / PENALTY CHARGES	51,596	55,915
SEASON TICKETS	93,398	98,240
OTHER (inc.Res.Pkg)	609	-
WAIVERS	3404	-
RENT	4,044	4,000
	659,830	696,026

10 On-Street Graphs

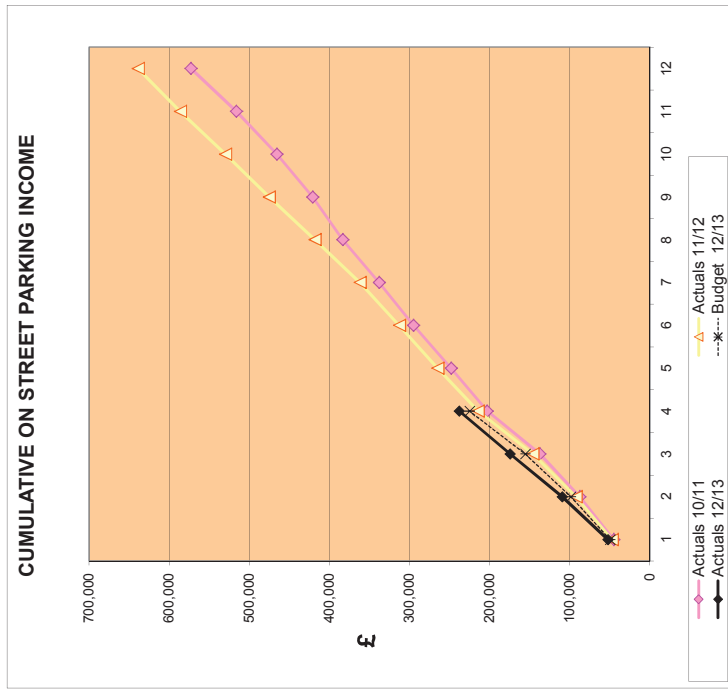
ON STREET PARKING (HWDCRIM)

	Actuals 10/11	Actuals 11/12	Actuals 12/13	Increase / decrease from 11/12 to 12/13	Budget 12/13	Variance (Actuals-Budget)	Manager's Forecast
1 APR	45,146	47,046	52,328	5,282	49,814	2,514	
2 MAY	42,328	45,408	56,995	11,587	48,794	8,201	
3 JUN	49,872	53,666	65,190	11,524	56,938	8,252	
4 JUL	65,784	66,376	63,657	-4,719	69,398	-5,741	
5 AUG	44,910	50,350		-50,350	53,779	-53,779	
6 SEP	46,913	47,762		-47,762	52,243	-52,243	
7 OCT	42,832	49,209		-49,209	52,291	-52,291	
8 NOV	45,607	56,170		-56,170	57,436	-57,436	
9 DEC	37,452	57,330		-59,125	59,125	-59,125	
10 JAN	44,720	54,468		-54,468	57,396	-57,396	
11 FEB	50,568	56,324		-56,324	58,844	-58,844	
12 MAR	56,761	52,883		-52,883	55,227	-55,227	
	572,893	638,992	238,171	-400,821	671,285	-433,114	671,285



ON STREET PARKING (CUMULATIVE)

	Actuals 10/11	Actuals 11/12	Actuals 12/13	Cumulative Increase / decrease from 11/12 to 12/13	Budget 12/13	Variance (Column E-G)	Manager's Forecast
APR	45,146	47,046	52,328	5,282	49,814	2,514	
MAY	87,474	92,454	109,324	16,870	98,608	10,716	
JUNE	137,346	146,120	174,514	28,394	155,546	18,968	
JUL	203,130	214,496	238,171	23,675	224,944	13,227	
AUG	248,040	264,846		-264,846	0	0	
SEP	294,953	312,608		-312,608	0	0	
OCT	337,785	361,817		-361,817	0	0	
NOV	383,392	417,987		-417,987	0	0	
DEC	420,844	475,317		-475,317	0	0	
JAN	465,564	529,785		-529,785	0	0	
FEB	516,132	586,109		-586,109	0	0	
MAR	572,893	638,992		-638,992	0	0	671,285



JULY 2012

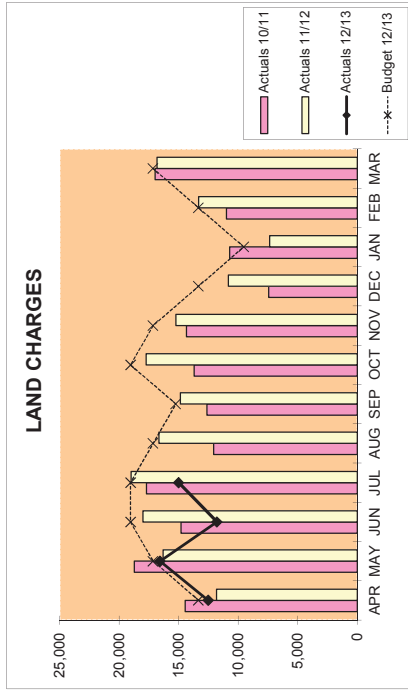
HWDCRIM

	Actual (Cumulative)	Budget	(Monthly)
PENALTY NOTICES	3403	48,000	13,497
WAIVERS	3404	1,708	370
RESIDENTS PERMITS	3406	18,821	4,143
ON STREET PARKING	3300	125,876	34,226
BUSINESS PERMITS	3408	29,299	11,422
OTHER	9999	-	-
	238,171	224,944	63,657

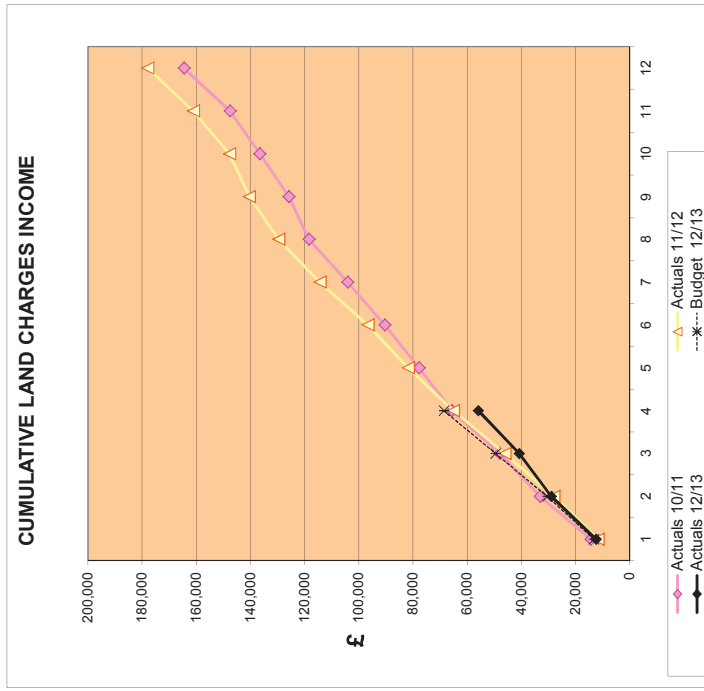
CUMULATIVE BREAKDOWN

10 Land Charges Graphs

	Actuals 10/11	Actuals 11/12	Actuals 12/13	Increase / decrease from 11/12 to 12/13	Budget 12/13	Variance (Actuals-Budget)	Manager's Forecast
1 APR	14,463	11,836	12,520	684	13,339	-819	
2 MAY	18,718	16,303	16,579	276	17,150	-571	
3 JUN	14,812	17,994	11,786	-6,208	19,055	-7,269	
4 JUL	17,700	18,987	15,021	-3,966	19,055	-4,034	
5 AUG	12,074	16,658	17,150	-16,658	17,150	-17,150	
6 SEP	12,624	14,863	15,244	-14,863	15,244	-15,244	
7 OCT	13,710	17,740	19,055	-17,740	19,055	-19,055	
8 NOV	14,339	15,228	17,150	-15,228	17,150	-17,150	
9 DEC	7,439	10,819	13,339	-10,819	13,339	-13,339	
10 JAN	10,731	7,369	9,530	-7,369	9,530	-9,530	
11 FEB	10,999	13,340	13,339	-13,340	13,339	-13,339	
12 MAR	16,983	16,826	17,150	-16,826	17,150	-17,150	
	164,592	177,963	55,906	-122,057	190,556	-134,650	190,556



	Actuals 10/11	Actuals 11/12	Actuals 12/13	Cumulative increase / decrease from 11/12 to 12/13	Budget 12/13	Variance (Column E-G)	Manager's Forecast
APR	14,463	11,836	12,520	684	13,339	-819	
MAY	33,181	28,139	29,099	960	30,489	-1,390	
JUNE	47,993	46,133	40,885	-5,248	49,544	-8,659	
JUL	65,693	65,120	55,906	-9,214	68,599	-12,693	
AUG	77,767	81,778		-81,778		0	
SEP	90,391	96,641		-96,641		0	
OCT	104,101	114,381		-114,381		0	
NOV	118,440	129,609		-129,609		0	
DEC	125,879	140,428		-140,428		0	
JAN	136,610	147,797		-147,797		0	
FEB	147,609	161,137		-161,137		0	
MAR	164,592	177,963		-177,963		0	190,556



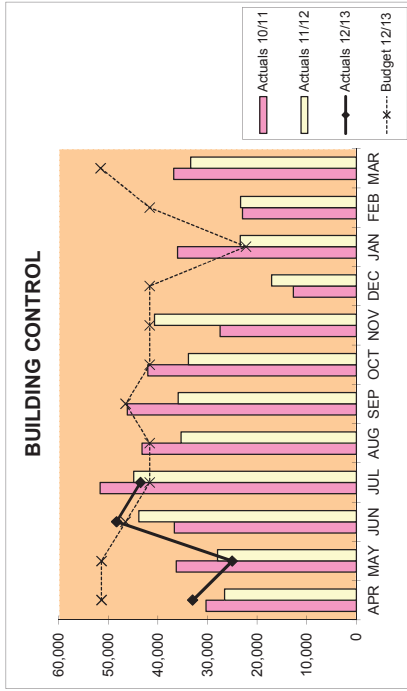
JULY 2012

LPLNDCH	Received (Month)	Percentage (Month)	Percentage (Month) 11/12	(Cumulative)
Searches Received - Paper	£105	52	24.2%	219
Searches Received - Electronic	£86	102	47.4%	345
Searches Received - Personal	£0	61	28.4%	239
	215	100.0%	100.0%	803

10 Building Control Graphs

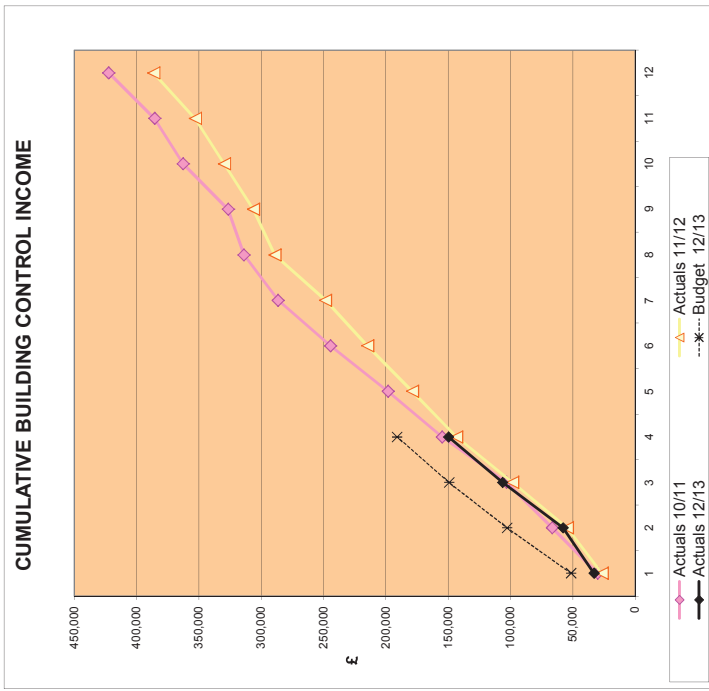
BUILDING CONTROL (DVBCFEE)

	Actuals 10/11	Actuals 11/12	Actuals 12/13	Increase / decrease from 11/12 to 12/13	Budget 12/13	Variance (Actuals-Budget)	Manager's Forecast
1 APR	30,284	26,583	32,975	6,392	51,384	-18,410	
2 MAY	36,330	28,008	24,976	-3,032	51,384	-26,408	
3 JUN	36,701	43,878	48,352	4,474	46,527	1,825	
4 JUL	51,649	44,902	43,510	-1,392	41,671	1,839	
5 AUG	43,199	35,321		-35,321	41,671	-41,671	
6 SEP	46,163	35,890		-35,890	46,527	-46,527	
7 OCT	42,044	33,837		-33,837	41,671	-41,671	
8 NOV	27,469	40,725		40,725	41,671	-41,671	
9 DEC	12,695	17,118		-17,118	41,671	-41,671	
10 JAN	36,036	23,425		-23,425	22,245	-22,245	
11 FEB	22,935	23,315		-23,315	41,671	-41,671	
12 MAR	36,833	33,397		-33,397	51,551	-51,551	
	422,338	386,399	149,813	-236,586	519,648	-369,835	390,600



BUILDING CONTROL (CUMULATIVE)

	Actuals 10/11	Actuals 11/12	Actuals 12/13	Cumulative Increase / decrease from 11/12 to 12/13	Budget 12/13	Variance (Column E-G)	Manager's Forecast
APR	30,284	26,583	32,975	6,392	51,384	-18,410	
MAY	66,614	54,591	57,951	3,360	102,769	-44,818	
JUNE	103,315	98,469	106,303	7,834	149,296	-42,993	
JUL	154,964	143,371	149,813	6,442	190,967	-41,154	
AUG	198,163	178,692		-178,692	0	0	
SEP	244,326	214,582		-214,582	0	0	
OCT	286,370	248,419		-248,419	0	0	
NOV	313,839	289,144		-289,144	0	0	
DEC	326,534	306,262		-306,262	0	0	
JAN	362,570	329,687		-329,687	0	0	
FEB	385,505	353,002		-353,002	0	0	
MAR	422,338	386,399		-386,399	0	0	390,600



JULY 2012

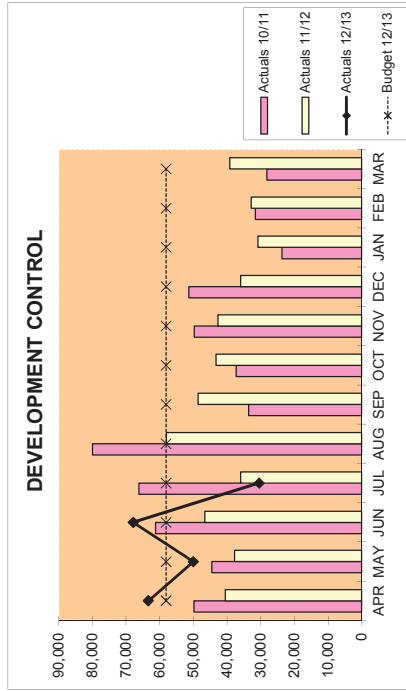
DVBCFEE

	Actual (Cumulative)	Budget	(Monthly)
Plan Fee	3066	81,925	19,251
Inspection Fee	3067	59,357	22,127
Other	9999	8,531	2,133
	149,813	190,967	43,510

10 Development Control Graphs

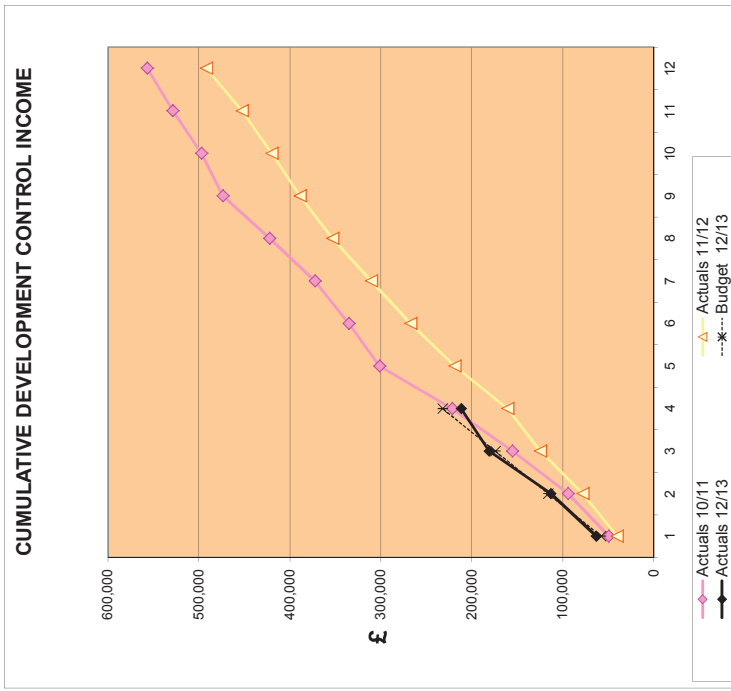
DEVELOPMENT CONTROL (DVDEVCT)

	Actuals 10/11	Actuals 11/12	Actuals 12/13	Increase / decrease from 11/12 to 12/13	Budget 12/13	Variance (Actuals-Budget)	Manager's Forecast
1 APR	49,786	40,515	63,378	22,863	58,057	5,321	
2 MAY	44,456	37,722	49,955	12,233	58,057	-8,102	
3 JUN	61,214	46,543	67,875	21,332	58,057	9,818	
4 JUL	66,145	35,903	30,448	-5,455	58,057	-27,609	
5 AUG	79,942	57,980		-57,980	58,057	-58,057	
6 SEP	33,610	48,611		48,611	58,057	-58,057	
7 OCT	37,246	43,214		-43,214	58,057	-58,057	
8 NOV	49,751	42,649		-42,649	58,057	-58,057	
9 DEC	51,341	35,907		-35,907	58,057	-58,057	
10 JAN	23,650	30,824		-30,824	58,057	-58,057	
11 FEB	31,622	32,829		-32,829	58,057	-58,057	
12 MAR	28,116	39,201		-39,201	58,057	-58,057	
	556,879	491,898	211,657	-280,242	696,684	-485,028	696,684



DEVELOPMENT CONTROL (CUMULATIVE)

	Actuals 10/11	Actuals 11/12	Actuals 12/13	Cumulative Increase / decrease from 11/12 to 12/13	Budget 12/13	Variance (Column E-G)	Manager's Forecast
APR	49,786	40,515	63,378	22,863	58,057	5,321	
MAY	94,242	76,237	113,333	35,096	116,114	-2,781	
JUNE	155,456	124,780	181,209	56,429	174,171	7,038	
JUL	221,601	160,683	211,657	50,974	232,228	-20,572	
AUG	301,543	218,663		-218,663		0	
SEP	335,153	267,274		-267,274		0	
OCT	372,399	310,488		-310,488		0	
NOV	422,150	353,137		-353,137		0	
DEC	473,491	389,044		-389,044		0	
JAN	497,141	419,868		-419,868		0	
FEB	528,763	452,697		-452,697		0	
MAR	556,879	491,898		-491,898		0	696,684



JULY 2012

DVDEVCT

	Actual	Budget	(Monthly)
Planning Application Fees	3009	188,922	27,198
S106 Monitoring	3106	-	-
Other	9999	-	-
Pre-application Fees	94301	26,139	2,350
Monitoring Fees	94302	17,167	900
	211,657	232,228	30,448

ANNUAL TREASURY MANAGEMENT REPORT 2011/12

Performance & Governance Committee – 18 September 2012

Report of the: Deputy Chief Executive and Director of Corporate Resources

Status: For consideration and recommendation to Cabinet

Also considered by: Cabinet – 11 October 2012

Key Decision: No

Executive Summary: This report provides the customary review of investment activity during 2011/12 as required by the Council's Financial Procedure Rules. The report outlines the strategy adopted during the year, shows the position of the investment portfolio at the beginning and the end of the year and gives details of how the fund performed in comparison with previous years and against various benchmarks.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager - Financial Services – Mr. Adrian Rowbotham

Recommendation: It be RESOLVED that the Annual Treasury Management Report for 2011/12 be commended to Cabinet.

Background

- 1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2011/12. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 2 During 2011/12 the minimum reporting requirements were that the Council should receive the following reports:
 - an annual treasury strategy in advance of the year (Council 16/12/2010)
 - a mid year (minimum) treasury update report (Performance and Governance Committee 15/11/11, Cabinet 8/12/11)
 - an annual report following the year describing the activity compared to the strategy (this report)
- 3 In addition, the Council received a quarterly treasury management update report (Performance and Governance Committee 27/9/11) and regular reports on progress were presented to the Finance Advisory Group.

Agenda Item 15

- 4 Recent changes in the regulatory environment place a much greater onus on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 5 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to treasury management reports before they were reported to the full Council. Member training on treasury management issues was undertaken on 27 January 2010 in order to support Members' scrutiny role.
- 6 The financial year 2011/12 continued the challenging environment of previous years with low investment returns and ongoing counterparty risk.

Introduction

- 7 This **annual treasury report** covers:
 - (a) the Council's treasury position at the beginning and end of the financial year;
 - (b) Investment Strategy for 2011/12;
 - (c) the economy and interest rates in 2011/12;
 - (d) compliance with treasury limits and prudential indicators;
 - (e) investment rates in 2011/12;
 - (f) investment outturn for 2011/12 and performance; and
 - (g) Icelandic bank defaults.

Treasury position at the beginning and end of the financial year

- 8 The Council's investment portfolio at the beginning and end of the financial year appears at Appendix A, whilst an analysis by maturity and repayment due dates appears at Appendix B.

Investment Strategy for 2011/12

- 9 The expectation for interest rates within the strategy for 2011/12 anticipated low but rising Bank Rate (starting in quarter 4 of 2011) with similar gradual rises in medium and longer term fixed interest rates over 2011/12. Variable or short-term rates were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
- 10 The actual movement in gilt yields meant Public Works Loan Board (PWLB) rates fell sharply during the year and to historically very low levels. This was caused by a flight to quality into UK gilts from EU sovereign debt and also from shares as investors became very concerned about the potential for a Lehmans type crisis in the financial markets if the Greek debt crisis were to develop into a precipitous default and exit from the Euro.

- 11 **Change in strategy during the year** – the strategy adopted in the original Treasury Management Strategy Report for 2011/12 approved by the Council on 16 December 2010 was subject to revision during the year due to the downgrading of counterparty credit ratings. The Council's minimum rating criteria for lending were reduced and the counterparty cash limit was increased as a result of a smaller pool of institutions meeting the minimum rating requirement.

The economy and interest rates in 2011/12

- 12 The financial year 2011/12 continued the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk. The original expectation for 2011/12 was that Bank Rate would start gently rising from quarter 4 2011. However, economic growth in the UK was disappointing during the year due to the UK austerity programme, weak consumer confidence and spending, a lack of rebalancing of the UK economy to exporting and weak growth in our biggest export market - the European Union (EU). The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Key to retaining this rating will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within the austerity plan timeframe. The USA and France lost their AAA credit ratings from one rating agency during the year. Weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing by £75bn in October and another £50bn in February. Bank Rate therefore ended the year unchanged at 0.5% while CPI inflation peaked in September at 5.2%, finishing at 3.5% in March, with further falls expected to below 2% over the next two years. The EU sovereign debt crisis grew in intensity during the year until February when a second bailout package was eventually agreed for Greece.
- 13 Gilt yields fell for much of the year, until February, as concerns continued building over the EU debt crisis. This resulted in safe haven flows into UK gilts which, together with the two UK packages of quantitative easing during the year, combined to depress PWLB rates to historically low levels.
- 14 As far as investment rates were concerned, risk premiums were a constant factor in raising money market deposit rates for periods longer than 1 month. Widespread and multiple downgrades of the ratings of many banks and sovereigns, continued Eurozone concerns, and the significant funding issues still faced by many financial institutions, meant that investors remained cautious of longer-term commitment.

Compliance with treasury limits and prudential indicators

- 15 During 2011/12, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Agenda Item 15

	2010/11 Actual (£000)	2011/12 Original (£000)	2011/12 Actual (£000)
Actual capital expenditure	2,786	2,628	2,348
Total Capital Financing Requirement:			
• Non-HRA	-	-	-
• HRA	-	-	-
• Total	-	-	-
Net borrowing	-	-	-
External debt	-	-	-
Investments			
• Longer than 1 year	2,000		-
• Under 1 year	19,300		24,231
• Total	21,300		24,231

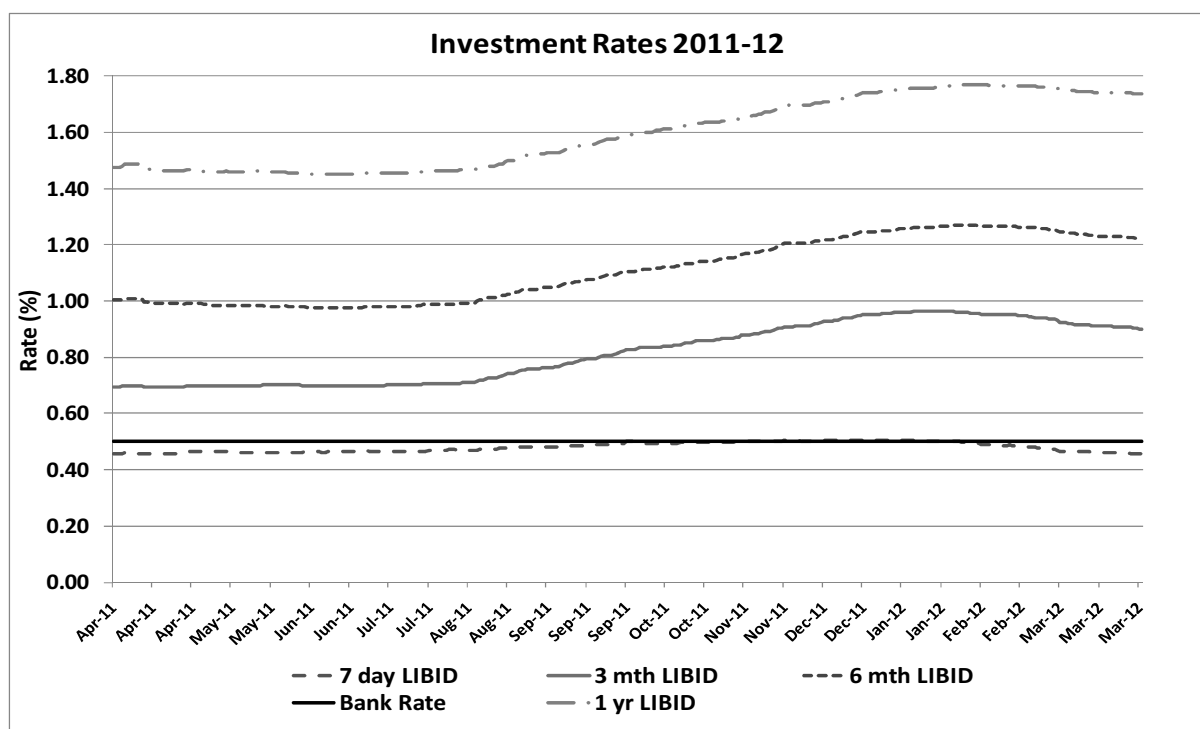
- 16 The investment figures relate to the time left to maturity, not the length at the commencement date and exclude accrued interest. The Landsbanki investment has also been excluded.
- 17 During the year the Council operated within the treasury limits and prudential indicators set out in its Treasury Policy Statement and Annual Treasury Strategy Statement with one exception. It came to light that there was a period of seven days in August 2011, during which the Council had balances between £6.6m and £7.8m invested with Santander UK plc. This was in the form of a single £1m fixed deposit and the remainder in a Money Market call account. At the time the limit was £5m in fixed deposits or £6m in combined fixed deposits and call accounts. This occurred while the Principal Accountant (the usual Treasury Management Officer) was out of the office and other officers were administering treasury business. This was a one-off error and was corrected by the Principal Accountant on his return by withdrawing funds from the call account to bring the balance in line with the limits. Procedures have since been put in place to prevent a recurrence of this event.
- 18 The lending list was kept under constant review throughout the year in response to credit rating changes arising from the financial crisis. As detailed above, the opportunity was taken to increase the lending limit for individual institutions meeting the Council's lending criteria, as difficulty was being experienced in placing investments within the restricted number of counterparties. A copy of the latest lending list appears at Appendix C.

- 19 No institutions in which investments were made during 2011/12 had any difficulty in repaying investments and interest in full during the year.

Investment rates in 2011/12

- 20 The tight monetary conditions following the 2008 financial crisis continued through 2011/12 with little material movement in the shorter term deposit rates. However, one month and longer rates rose significantly in the second half of the year as the Eurozone crisis grew. Bank Rate remained at its historic low of 0.5% throughout the year while market expectations of the start of monetary tightening were gradually pushed further and further back during the year to the second half of 2013 at the earliest.

- 21 Overlaying the relatively poor investment returns were the continued counterparty concerns generated by the Eurozone sovereign debt crisis.



Investment outturn for 2011/12 and performance

- 22 The Council’s investment policy is governed by Department of Communities and Local Government (CLG) guidance, which has been implemented in the annual investment strategy approved by the Council on 16 December 2010. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.). The strategy was amended later in the financial year, as mentioned earlier in this report, to deal with issues around the restricted number of counterparties.

- 23 With the one exception mentioned above, the investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties, which might have led to the need to borrow.

Agenda Item 15

- 24 Appendix D shows the performance of the fund during 2011/12 both in table and graphical form. The table shows the average percentage return on the fund, both monthly and for the whole year and compares them with the average 7-day and 3-month London Interbank Bid (LIBID) rates. The average return achieved by each broker is only a very basic measure of performance, because returns will depend on the number and length of each investment he/she is asked to carry out. If a particular broker is only asked to place short term investments, he/she may well not achieve the same overall rate as a broker who predominantly handles longer term investments for us.
- 25 The graph shows actual monthly receipts for 2009/10, 2010/11 and 2011/12 plus budgeted monthly receipts for 2011/12. The monthly interest budget has been profiled in line with the previous year's monthly weighted average principal.
- 26 Over the course of the year interest receipts amounted to £0.308m compared with a budget of £0.186m. The main reasons why the budget was exceeded were that the Council had locked into some longer investments at higher interest rates than planned for in the budget plus the positive impact on cash flow of delayed capital expenditure.
- 27 In 2011/12 the percentage return on the Council's investments was marginally lower than that of our neighbouring authorities. Our overall rate of return was 1.05% compared with 1.45% for Tonbridge & Malling Borough Council and 2.15% for Tunbridge Wells Borough Council. It should be noted, however, that investment returns are notoriously difficult to compare as they have often been compiled on a different basis (for example, whether or not interest has been compounded, whether or not cashflow generated balances have been included, whether or not externally managed funds have been included and whether or not the figures are net of borrowings). In addition, although we had locked into a few longer term investments at higher interest rates, it transpires that the other two authorities had committed a greater part of their portfolios to such investments, thereby improving their overall rates of return.
- 28 Our treasury management advisers, Sector Treasury Services Ltd, recommend the 3-month LIBID figure as a benchmark. This reflects a more realistic neutral investment position for core investments with a medium term horizon and a rate which is more stable with less fluctuation caused by market liquidity. Historically, this rate has been slightly higher than the 7-day rate and therefore more challenging a comparator, but one which does not necessitate a significantly increased level of risk. The figures calculated by Sector for these two benchmarks are as follows:
- 7-day LIBID uncompounded 0.480%
 - 3-month LIBID uncompounded 0.817%

Icelandic bank defaults

- 29 This authority currently has an investment of £1m frozen in Landsbanki Islands hf. The investment was placed on 25 June 2007 at 6.32%, to mature on 25 June 2009.
- 30 The Icelandic Government has stated its intention to honour all its commitments as a result of their banks being placed into receivership. The U.K. Government is working with the Icelandic Government to help bring this about. The Local Government Association is coordinating the efforts of all UK authorities with Icelandic investments.
- 31 At the current time, the process of recovering assets is still ongoing with the administrators. Investments outstanding with the two Iceland-domiciled banks (Glitnir Bank hf and Landsbanki Islands hf) have been subject to decisions of the Icelandic Courts. Following the successful outcome of legal test cases in the Icelandic Supreme Court in late 2011, the Administrators have now commenced the process of dividend payments in respect of both of these banks. At the time of writing, in excess of £400,000 of our investment has been recovered and the indications are that 100% of the deposit plus interest up to April 2009 will be recovered eventually.
- 32 Members have been periodically updated on the latest developments in these efforts.

Key Implications

Financial

- 33 The management of the Council's investment portfolio and cash-flow generated balances plays an important part in the financial planning of the authority. The security of its capital and liquidity of its investments is of paramount importance.

Community Impact and Outcomes

- 34 There are no community impacts arising from this report.

Legal, Human Rights etc.

- 35 Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.
- 36 This annual review report fulfils the requirements of The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2009.

Conclusions

- 37 The overall return on the Council's investments exceeded the budget in 2011/12 by approximately £120,000.

Agenda Item 15

- 38 The economic situation both globally and within the Eurozone in particular remains volatile with inevitable consequences for the UK economy. Treasury management in the past financial year was conducted against this background and with a cautious investment approach.
- 39 Recovery of the Icelandic deposit is ongoing and further updates will be provided as and when monies are received.

Risk Assessment Statement

- 40 Treasury Management has two main risks :
- Fluctuations in interest rates can result in a reduction in income from investments; and
 - A counterparty to which the Council has lent money fails to repay the loan at the required time.
- 41 Consideration of risk is integral in our approach to treasury management. However, this particular report has no specific risk implications as it is not proposing any new actions, but merely reporting performance over the last year.

Appendices:

- Appendix A – Investment portfolio at start and end of financial year
- Appendix B – Analysis of investment portfolio by maturity and repayment due dates
- Appendix C – Current counterparty lending list as at August 2012
- Appendix D - Investment performance in 2011/12

Background Papers:

- Treasury Management Strategy for 2011/12 - Council 16 December 2010
- Sector Treasury Services Ltd – economic updates, annual treasury management review, credit rating lists
- 2009 CIPFA Code of Practice for Treasury Management in the Public Services
- Investment monitoring files and current/repaid investment records

Contact Officer(s):

Roy Parsons ext.7204

Dr. Pav Ramewal

Deputy Chief Executive and Director of Corporate Resources

SEVENOAKS DISTRICT COUNCIL

List of Investments as at:- 31-Mar-11

Reference	Name	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	Broker
	Santander UK plc (Business Reserve A/C)	U.K.	Santander	0	01-Apr-99			0.60000%	Variable	Direct
	Santander UK plc (Money Market A/C)	U.K.	Santander	1,800,000	09-Oct-06			0.80000%	Variable	Direct
	Bank of Scotland plc (Corp Instant Access A/C)	U.K.	Lloyds/HBOS	500,000	01-Aug-04			0.50000%	Variable	Direct
	Clydesdale Bank plc (Base Tracker Plus - 15 Day)	U.K.	NAB	2,000,000	10-Sep-10			0.65000%	Variable	Direct
IP935	Bank of Scotland plc	U.K.	Lloyds/HBOS	1,000,000	26-Nov-10	1.28000%	26-May-11		6 Months	Direct
IP954	Bank of Scotland plc	U.K.	Lloyds/HBOS	1,000,000	04-Feb-11	1.58000%	03-Nov-11		9 Months	Direct
IP945	Barclays Bank plc	U.K.		1,000,000	17-Dec-10	0.65000%	15-Apr-11		4 Months	Direct
IP951	Lloyds TSB Bank plc	U.K.	Lloyds/HBOS	1,000,000	24-Jan-11	1.28000%	25-Jul-11		6 Months	Direct
IP953	Lloyds TSB Bank plc	U.K.	Lloyds/HBOS	1,000,000	03-Feb-11	1.95000%	03-Feb-12		1 Year	Direct
IP958	National Westminster Bank plc	U.K.	RBS	2,000,000	22-Mar-11	1.00000%	27-Apr-12	2.50000%	1 Year	Direct
IP938	Nationwide Building Society	U.K.		2,000,000	17-Dec-10	1.00000%	17-Jun-11		6 Months	Sterling
IP946	Nationwide Building Society	U.K.		1,000,000	29-Dec-10	1.00000%	29-Jun-11		6 Months	R P Martin
IP950	Nationwide Building Society	U.K.		1,000,000	21-Jan-11	0.63000%	15-Apr-11		3 Months	Sterling
IP957	Nationwide Building Society	U.K.		1,000,000	02-Mar-11	1.06000%	01-Sep-11		6 Months	Tradition
IP948	Newcastle Upon Tyne City Council	U.K.		1,000,000	12-Jan-11	1.25000%	11-Jan-12		1 Year	Sterling
IP956	Santander UK plc	U.K.	Santander	1,000,000	28-Feb-11	0.98000%	28-Apr-11		2 Months	Direct
IP931	Thurrock Council	U.K.		1,000,000	29-Oct-10	0.75000%	24-Aug-11		10 Months	R P Martin
IP939	Ulster Bank Ltd	U.K.	RBS	1,000,000	17-Dec-10	1.12000%	17-Jun-11		6 Months	R P Martin
IP952	Ulster Bank Ltd	U.K.	RBS	1,000,000	26-Jan-11	1.12000%	26-Jul-11		6 Months	R P Martin
	Total Invested			<u><u>21,300,000</u></u>						
	Matured Investment									
IP813	Landsbanki Islands hf	Iceland		1,000,000	25-Jun-07	6.32000%	25-Jun-09		2 Years	R P Martin
	Other Loan									
	Sevenoaks Leisure Limited			250,000	29-Apr-08	7.00000%	31-Mar-18		10 Years	Direct

SEVENOAKS DISTRICT COUNCIL

List of Investments as at:- 31-Mar-12

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	Broker
	Santander UK plc (Business Reserve A/C)	A+	U.K.	Santander	0	01-Apr-99			0.60000%	Variable	Direct
	Santander UK plc (Money Market A/C)	A+	U.K.	Santander	0	09-Oct-06			0.80000%	Variable	Direct
	Bank of Scotland plc (Corp Instant Access A/C)	A	U.K.	Lloyds/HBOS	0	01-Aug-04			0.50000%	Variable	Direct
	Clydesdale Bank plc (Base Tracker Plus - 15 Day)	A	U.K.	NAB	0	10-Sep-10			0.65000%	Variable	Direct
	Barclays Bank plc (Business Premium A/C)	A	U.K.		1,231,000	01-Oct-11			0.45000%	Variable	Direct
	National Westminster Bank plc (Liquidity Select)	A	U.K.	RBS	2,000,000	07-Oct-11			0.80000%	Variable	Direct
IP991	Aberdeen City Council		U.K.		1,000,000	29-Nov-11	0.50000%	29-May-12		6 Months	Sterling
IP1014	Bank of Scotland plc	A	U.K.	Lloyds/HBOS	1,000,000	14-Feb-12	2.50000%	12-Feb-13		1 Year	Direct
IP1018	Bank of Scotland plc	A	U.K.	Lloyds/HBOS	1,000,000	24-Feb-12	2.50000%	22-Feb-13		1 Year	Direct
IP1020	Birmingham City Council		U.K.		1,000,000	02-Mar-12	0.50000%	12-Apr-12		6 Weeks	Tradition
IP1021	Birmingham City Council		U.K.		1,000,000	14-Mar-12	0.50000%	01-May-12		7 Weeks	Tradition
IP985	Blaenau Gwent County Borough Council		U.K.		2,000,000	07-Nov-11	0.55000%	08-May-12		6 Months	Sterling
IP1004	Eastleigh Borough Council		U.K.		1,000,000	16-Jan-12	0.42000%	16-Jul-12		2 Months	Direct
IP1015	Lancashire County Council		U.K.		2,000,000	15-Feb-12	0.37000%	18-Apr-12		2 Months	Sterling
IP1007	Lloyds TSB Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	25-Jan-12	1.75000%	25-Jul-12		6 Months	Direct
IP1009	Lloyds TSB Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	31-Jan-12	2.00000%	31-Oct-12		9 Months	Direct
IP1010	Lloyds TSB Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	03-Feb-12	2.00000%	05-Nov-12		9 Months	Direct
IP958	National Westminster Bank plc	A	U.K.	RBS	2,000,000	22-Mar-11	1.00000%	27-Apr-12	2.50000%	1 Year	Direct
IP997	National Westminster Bank plc	A	U.K.	RBS	1,000,000	19-Dec-11	1.00000%	18-Jul-12	1.80000%	6 Months	Direct
IP990	Nottingham City Council		U.K.		2,000,000	23-Nov-11	0.50000%	23-May-12		6 Months	R P Martin
IP1002	Salford City Council		U.K.		1,000,000	11-Jan-12	0.38000%	23-Jul-12		6 Months	Sterling
IP1022	Salford City Council		U.K.		1,000,000	16-Mar-12	0.35000%	02-Apr-12		17 Days	Tradition
IP1023	Ulster Bank Ltd	A-	U.K.	RBS	1,000,000	27-Mar-12	0.75000%	27-Apr-12		1 Month	R P Martin
	Total Invested				24,231,000						
	Matured Investment										
IP813	Landsbanki Islands hf		Iceland		694,000	25-Jun-07	6.32000%	25-Jun-09		2 Years	R P Martin
	Other Loan										
	Sevenoaks Leisure Limited				250,000	29-Apr-08	7.00000%	31-Mar-18		10 Years	Direct

SEVENOAKS DISTRICT COUNCIL
ANALYSIS OF INVESTMENT POOL FUND 31.3.2012

MATURITY PROFILE (BY VALUE)

BASED ON PERIOD OF INVESTMENT AT COMMENCEMENT DATE

MATURITY PERIOD	BANKS £'000	B.SOCS £'000	OTHER LA'S £'000	TOTAL £'000
NOTICE MONEY	3,231			3,231
15 DAY NOTICE				-
UP TO 1 MONTH	1,000		1,000	2,000
1 TO 3 MONTHS			4,000	4,000
3 TO 6 MONTHS	1,000		4,000	5,000
6 MONTHS TO 1 YEAR	5,000		3,000	8,000
OVER 1 YEAR	2,000			2,000
	12,231	-	12,000	24,231

MATURITY PROFILE (PERCENTAGE OF TOTAL FUND)

BASED ON PERIOD OF INVESTMENT AT COMMENCEMENT DATE

MATURITY PERIOD	BANKS %	B.SOCS %	OTHER LA'S %	TOTAL %
NOTICE MONEY	13.4	-	-	13.4
15 DAY NOTICE	-	-	-	-
UP TO 1 MONTH	4.1	-	4.1	8.2
1 TO 3 MONTHS	-	-	16.5	16.5
3 TO 6 MONTHS	4.1	-	16.5	20.6
6 MONTHS TO 1 YEAR	20.6	-	12.4	33.0
OVER 1 YEAR	8.3	-	-	8.3
	50.5	-	49.5	100.0

PROFILE OF REPAYMENTS DUE

	VALUE £'000	% TOTAL FUND
NOTICE MONEY	3,231	13.4
15 DAY NOTICE	-	0.0
DUE WITHIN ONE MONTH	7,000	28.9
DUE WITHIN TWO MONTHS	6,000	24.7
DUE WITHIN THREE MONTHS	-	0.0
DUE WITHIN SIX MONTHS	4,000	16.5
DUE WITHIN ONE YEAR	4,000	16.5
DUE AFTER ONE YEAR	-	0.0
	24,231	100.0

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SEVENOAKS DISTRICT COUNCIL LENDING LIST AS AT 31 AUGUST 2012

	Institution Name	Group	Country	Sovereign	L/Term	S/Term	Individual	Support	Duration	CDS Status	Adj Duration	Limit (£m)	Group Limit (£m)
	BANKS												
	Australia & New Zealand Banking Group		AUS	AAA	AA-	F1+	AA-	1		In Range		5	
!!	Bank Nederlandse Gemeenten		NLD	AAA	AAA	F1+		1		No data		5	
	Bank of Montreal		CAN	AAA	AA-	F1+	AA-	1		No data		5	
!!	Bank of New York Mellon		USA	AAA	AA-	F1+	AA-	1		No data		5	
!!	Bank of Nova Scotia		CAN	AAA	AA-	F1+	AA-	1		No data		5	
!!	Bank of Scotland plc	Lloyds	GBR	AAA	A	F1		1		N/A		5	5
!!	Barclays Bank plc		GBR	AAA	A	F1	A	1		In Range		5	
!!	BNP Paribas		FRA	AAA	A+	F1+	A+	1		In Range		5	
!!	CALYON Corporate and Investment Bank		FRA	AAA	A+	F1+		1	n/c	Monitoring	n/c	5	
	Canadian Imperial Bank of Commerce		CAN	AAA	AA-	F1+	AA-	1		No data		5	
	Cater Allen Ltd	Santander	GBR	AAA						No data	n/c	5	
!!	Clydesdale Bank	NAB	GBR	AAA	A	F1	BBB	1	n/c	No data	n/c	5	5
	Commonwealth Bank of Australia		AUS	AAA	AA-	F1+	AA-	1		In Range		5	
!!	Cooperatieve Centrale Raiffeisen-Boerenleenbank BA		NLD	AAA	AA	F1+		1		In Range		5	
!!	Credit Industriel et Commercial (CIC Group)		FRA	AAA	A+	F1+		1		No data		5	
!!	Credit Suisse		CHE	AAA	A	F1	A	1		In Range		5	
	DBS Bank Limited		SGP	AAA	AA-	F1+	AA-	1				5	
!!	Deutsche Bank AG		DEU	AAA	A+	F1+	A	1		In Range		5	
!!	Fortis Bank		BEL	AA	A	F1	BBB+	1		In Range		5	
	Hongkong and Shanghai Banking Corporation		HKG	AA+	AA	F1+	AA-	1		No data		5	
!!	HSBC Bank plc		GBR	AAA	AA	F1+	AA-	1		In Range		5	
!!	HSBC Bank USA National Association		USA	AAA	AA	F1+	A-	1		No data		5	
!!	JPMorgan Chase Bank		USA	AAA	A+	F1	A+	1		In Range		5	
	Landesbank Berlin AG		DEU	AAA	A+	F1+	BBB-	1		No data		5	
!!	Lloyds TSB Bank plc	Lloyds	GBR	AAA	A	F1	BBB	1		N/A		5	5
	National Australia Bank	NAB	AUS	AAA	AA-	F1+	AA-	1		In Range		5	5
!!	National Westminster Bank plc	RBS	GBR	AAA	A	F1		1		N/A		5	5
!!	Nordea Bank AB		SWE	AAA	AA-	F1+	AA-	1		In Range		5	
!!	Nordea Bank Finland plc		FIN	AAA	AA-	F1+		1		In Range		5	
	Northern Rock plc		GBR	AAA	BBB	F3	BBB	5	n/c	N/A	n/c	5	
	Oversea-Chinese Banking Corp		SGP	AAA	AA-	F1+	AA-	1				5	
!!	Royal Bank of Canada		CAN	AAA	AA	F1+	AA	1		No data		5	
!!	Royal Bank of Scotland plc	RBS	GBR	AAA	A	F1	BBB	1		N/A		5	5
!!	Santander UK plc	Santander	GBR	AAA	A	F1	A	1		Monitoring		5	5
	Standard Chartered Bank		GBR	AAA	AA-	F1+	AA-	1		In Range		5	
!!	Svenska Handelsbanken AB		SWE	AAA	AA-	F1+	AA-	1		In Range		5	
!!	Toronto-Dominion Bank		CAN	AAA	AA-	F1+	AA-	1		No data		5	
!!	Ulster Bank Ltd	RBS	GBR	AAA	A-	F1	CCC	1		N/A		5	5
	United Overseas Bank		SGP	AAA	AA-	F1+	AA-	1				5	
!!	Wells Fargo Bank NA		USA	AAA	AA-	F1+	AA-	1		In Range		5	
	Westpac Banking Corporation		AUS	AAA	AA-	F1+	AA-	1		In Range		5	
	UK BUILDING SOCIETIES												
!!	Nationwide Building Society		GBR		A+	F1	A+	1		In Range		5	

	ALL UK LOCAL AUTHORITIES												5	
	UK DEBT MANAGEMENT OFFICE ACCOUNT												5	
	DEPOSIT FACILITY													
	MONEY MARKET FUNDS												5	

Key:

- Recommended for short-term lending up to 3 months
- Recommended for short-term lending up to 6 months
- Recommended for short-term lending up to 1 year
- Recommended for short-term lending up to 1 year (Nationalised & part-nationalised banks)
- Recommended for short-term lending up to 2 years

!! Ratings on Rating Watch / Rating Alert / Rating Outlook

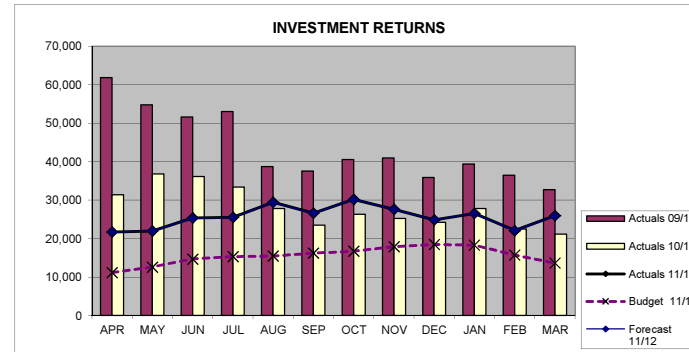
N.B. As at September 2011, in the light of the deteriorating Eurozone situation, a temporary restriction to a maximum of 3 months has been imposed, with a few exceptions

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INVESTMENT RETURNS

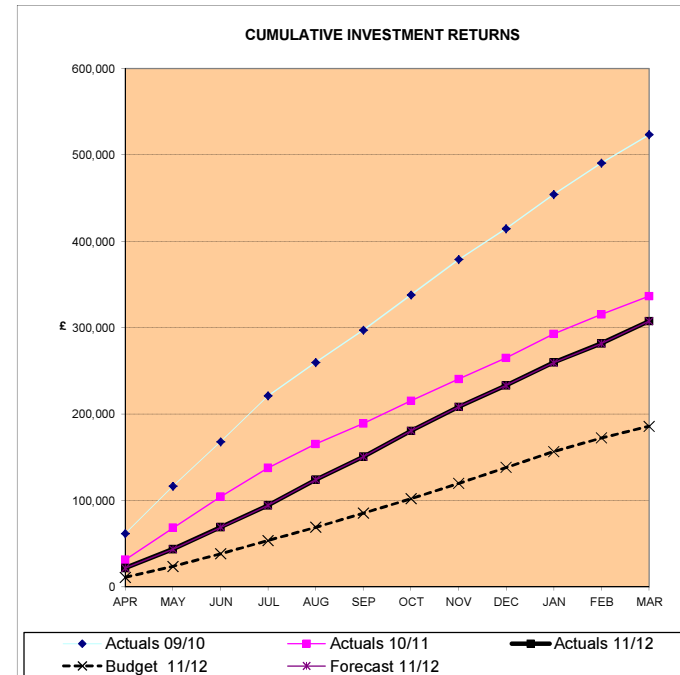
INVESTMENT RETURNS

	Actuals 09/10	Actuals 10/11	Actuals 11/12	Budget 11/12	Variance	Forecast 11/12
APR	61,847	31,431	21,722	11,105	10,617	21,700
MAY	54,783	36,831	21,983	12,591	9,392	22,000
JUN	51,598	36,164	25,342	14,677	10,665	25,300
JUL	53,006	33,361	25,498	15,269	10,229	25,500
AUG	38,709	27,858	29,446	15,442	14,004	29,400
SEP	37,534	23,532	26,586	16,215	10,371	26,600
OCT	40,524	26,352	30,200	16,748	13,452	30,200
NOV	40,982	25,254	27,636	17,846	9,790	27,600
DEC	35,869	24,240	24,871	18,460	6,411	24,900
JAN	39,423	27,832	26,525	18,302	8,223	26,500
FEB	36,455	22,501	22,078	15,698	6,380	22,100
MAR	32,694	21,179	25,935	13,647	12,288	25,900
TOTAL	523,424	336,535	307,822	186,000	121,822	307,700



INVESTMENT RETURNS (CUMULATIVE)

	Actuals 09/10	Actuals 10/11	Actuals 11/12	Budget 11/12	Variance	Forecast 11/12
APR	61,847	31,431	21,722	11,105	10,617	21,700
MAY	116,630	68,262	43,705	23,696	20,009	43,700
JUN	168,228	104,426	69,047	38,373	30,674	69,000
JUL	221,234	137,787	94,545	53,642	40,903	94,500
AUG	259,943	165,645	123,991	69,084	54,907	123,900
SEP	297,477	189,177	150,577	85,299	65,278	150,500
OCT	338,001	215,529	180,777	102,047	78,730	180,700
NOV	378,983	240,783	208,413	119,893	88,520	208,300
DEC	414,852	265,023	233,284	138,353	94,931	233,200
JAN	454,275	292,855	259,809	156,655	103,154	259,700
FEB	490,730	315,356	281,887	172,353	109,534	281,800
MAR	523,424	336,535	307,822	186,000	121,822	307,700



BUDGET FOR 2011/12 186,000
FORECAST OUTTURN 307,700

CODE:- YHAA 96900

N.B.

- 1) These are the gross interest receipts rather than the interest remaining in the General Fund
- 2) Interest due on the Landsbanki investment has been removed from the calculations as from 25/6/2008

Fund Average 1.0481%
7 Day LIBID 0.4708%
3 Month LIBID 0.8236%

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