Sevenoaks
DISTRICT COUNCIL

Despatched: 13.01.14

FINANCE AND RESOURCES ADVISORY COMMITTEE

21 January 2014 at 7.00 pm
Conference Room, Argyle Road, Sevenoaks

AGENDA

Membership:

Chairman: Cllr. Ramsay   Vice-Chairman: Cllr. McGarvey

Cllrs. Mrs. Bayley, Brookbank, Cooke, Mrs. Davison, Edwards-Winser, Mrs. Sargeant, Scholey and Walshe

		Pages	Contact
	Apologies for Absence		
1.	**Minures** To agree the Minutes of the meeting of the Committee held on 12 November 2013, as a correct record	(Pages 1 - 6)	
2.	**Declarations of Interest** Any interests not already registered		
3.	**Actions from Previous Meeting**	(Pages 7 - 8)	
4.	**Update from Portfolio Holder**		Cllr Ramsay
5.	**Referrals from Cabinet or the Audit Committee (if any)**		
6.	**Proposed Joint working project between Sevenoaks District Council and Tonbridge and Malling Borough Council on Building Control Services**	(Pages 9 - 14)	Richard Wilson Tel: 01732 227262
7.	**Capital and Asset Maintenance Budget 2014/15**	(Pages 15 - 28)	Helen Martin Tel: 01732 227483
8.	**Risks and Assumptions for Budget 2014/15**	(Pages 29 - 40)	Helen Martin Tel: 01732 227483
9.	**Financial Performance Indicators 2013/14 - to the end of November 2013**	(Pages 41 - 48)	Helen Martin Tel: 01732 227483
10.	**Financial Results 2013/14 - to the end of November 2013**	(Pages 49 - 52)	Helen Martin Tel: 01732 227483
11.	**Treasury Management Strategy 2014/15**	(Pages 53 - 90)	Roy Parsons Tel: 01732 227204

12. **Work Plan** (Pages 91 - 92)

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 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)

FINANCE AND RESOURCES ADVISORY COMMITTEE

Minutes of the meeting held on 12 November 2013 commencing at 7.00 pm

Present: Cllr. Ramsay (Chairman)

Cllr. McGarvey (Vice-Chairman)

Cllrs. Mrs. Bayley, Brookbank, Mrs. Davison, Edwards-Winser and Walshe

Apologies for absence were received from Cllrs. Cooke and Scholey

22. Minutes

Resolved: That the minutes of the meeting of the Finance and Resources Advisory Committee held on 29 August 2013 be approved and signed by the Chairman as a correct record.

23. Declarations of Interest

No declarations of interest were made.

24. Actions from Previous Meeting

It was noted that in the Financial Results 2013/14 – to the end of September 2013 report considered by the Committee under minute item 32, risk areas had been quantified.

25. Update from Portfolio Holder

The Chairman, who was also the Portfolio Holder for Finance and Resources, updated the Committee on his work since the previous meeting of the Advisory Committee.

The Portfolio Holder had met with the Chief Finance Officer to further consider the budget assumptions, which had been incorporated into the 10 year budget.

He had met with the Audit, Risk and Anti-Fraud Manager, and was informed that an audit of the processes for Section 106 obligations was taking place. A concern facing that team was that the government had proposed a Single Fraud Investigation Service. However this proposal failed to regard the need for a local Anti-Fraud team for local assessment of Council Tax payments and discounts and for the Council to carry out any investigations into its own functions. The Portfolio Holder felt it important for the Council to keep its own Anti-Fraud team.

The Chairman had been considering the Council's Investment Strategy, which the Committee would be looking at further under minute items 27 and 28.

The Property and Facilities Management Manager had made good progress with the report for the redevelopment of the Swanley White Oak Leisure Centre. A benchmark had been set for comparing the relative cost of each proposal. A report would be ready to present to the Advisory Committee in January 2014.

Members noted the Co-Operative Bank was withdrawing its services from local authorities. The Principal Accountant advised that the Council had no funds with the bank but Dartford Borough Council did. Sevenoaks District Council had offered to assist Dartford with Housing Benefit payments, if necessary, while they move accounts. Interest would be charged for any such payments made.

26. Referrals from Cabinet or the Audit Committee (if any)

There were none.

27. Capita Asset Services

Richard Bason, Regional Director of Capita Asset Services gave a presentation to the Advisory Committee on treasury management. The presentation provided updates on the financial markets, the Council's balance sheet, the position of the portfolio and its comparative performance to other local authorities, as well as investment options for the Council to consider.

Mr. Bason emphasised that the financial markets were focusing on analysing the level of unemployment since the forward guidance provided by Bank of England's Monetary Policy Committee which stated that the bank rate was unlikely to change until unemployment had fallen to 7%. The markets were indicating that they expected this staging post to be met by the middle of 2015, though some forecasts, such as Capital Economics suggested 2017.

The balance sheet position in 2012/13 was relatively stable when compared to 2011/12. The Council's surplus monies had increased from £2.2million to £4.25million.

The Council's investment strategy was in line with guidance from the Department for Communities and Local Government and the CIPFA Treasury Management Code of Practice 2011. Although the Council lent money only to UK institutions there were a number of other AAA rated countries in which the Council could lend. Capita had taken a defensive approach with lending to building societies although the Council had agreed to lend to the five largest. It was difficult to find rates above 0.5-0.6% on instant access lending due to the downward pressure of the Funding for Lending scheme.

Capita had compiled a benchmark graph for those local authorities it advised and another for those it advised within Kent. The Council was broadly in the middle of the grouping but its risk was slightly higher. The outliers were benefiting from either long term investments or from higher risks.

Options for the Council included enhanced money market funds, property funds or equities. Equities were not recommended as their price was volatile and lower values may need to be reflected in the accounts at year end.

The presentation included the relative performance of property funds. Over the past five years they had mixed, often negative, performance, though they had recovered as the UK came out of recession. The risks and potential of each property fund would need to be considered, including the types of property each was invested in. The risks would include a possible loss in the capital value of the fund. Specialist advice should be sought before any investment is made in property funds.

Mr. Bason replied to Members' questions. It was within the Code of Practice for Councils to hold property and foreign exchange but there was no clarity over the legality of investments in derivatives. Capita was confident that the Government would not withdraw its backing for the nationalised banks in the next 12 months.

28. Treasury Management Mid Year Update

The report was the mid-year treasury update to fulfil the requirements of regulations and the CIPFA Code of Practice on Treasury Management. It provided information on economic activity for the first half of 2013/14 and advised Members of the treasury activity in the same period.

The Principal Accountant noted that the recognised benchmarks for percentage returns on investments were being exceeded. Investment income was on course to exceed the budget of £260,000 by approximately £17,000. Nearly all longer term investments had matured and so investment yields were expected to fall; the existing levels of receipts would not be achievable in 2014/15.

The report provided an update on the Council's investment with Landsbanki Islands hf. £1million had been invested on 25 June 2007 before the bank was placed in receivership. Approximately 54% had already been recovered with the prospect of full recovery by 2018.

Some Members proposed investment in banks outside the UK, particularly those with AAA credit ratings. Risk could be spread by investing smaller sums. A Member indicated that investment over two years, rather than the present limit of one year, might be accepted. The Chairman indicated that the fear of collapsing financial markets had now receded. The Vice-Chairman added that the Council still had a 15% investment limit per foreign country. Members did not feel property funds would be appropriate.

> *Action 1: The Principal Accountant to investigate possible investments in foreign banks, particularly in AAA credit rated countries, together with the option of investing for periods of up to two years.*
>
> Resolved: That Cabinet be asked to approve the Treasury Management Mid-Year Update for 2013/14.

29. 2014-15 Budget and Review of Service Plans

The report was to provide the members of the Committee an opportunity to advise Cabinet and give their views on the potential growth and savings which could be included in the updated 10-year budget. The updated budget would be presented to Council on 18 February 2014.

It was proposed that a remaining balance of £70,000 per year be put into the Financial Plan Reserve to support later years if still present when the budget was set. Alternatively, if the assumptions in the 10-year budget changed then the sum could be put towards addressing any shortfall.

The Advisory Committee considered each of the Service Change Impact Assessments (SCIAs). Comments were particularly made on the following items.

SCIA #4

The Council was facing increased fees of £11,000 from the number of debit and credit card transactions processed. Transactions had risen by a quarter.

The Chairman was against passing this fee on to residents as it could jeopardise the high number of residents paying Council Tax. Officers regularly renegotiated the fees charged so that the fees would be minimised.

SCIAs #5 and 12

Different types of skills were sought within the Finance Team due to changes in technology and the importance of having a high level of financial expertise within the Council.

SCIA #9

The introduction of a Print Studio Assistant, together with the partial reduction in a Print Studio Officer post, was expected to bring a positive impact of £10,000 from increased income.

The Chief Officer Corporate Support advised that the post would increase capacity and allow increased work from external partners, such as town and parish councils. There were indicators the Print Studio had at times been turning orders away due to limited capacity.

SCIA #10

The Chief Officer Corporate Support informed the Committee that the bulk of savings were through the removal of the need for microfilming and the maintenance of that equipment when compared to scanning.

Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

> Resolved: That the growth and savings proposals set out in appendix C of the report be recommended to Cabinet.

30. Members' IT Working Group - Feedback

In the absence of the Working Group's Chairman and at his request the Chief Officer Corporate Support updated the Advisory Committee on the work of the IT Working Group.

Historically the Council had formed part of an IT disaster recovery partnership with other local authorities across Kent, but that agreement had expired at the end of 2012 and not renewed. Data back-up would now be by disk rather than tape and would allow data recovery from 8 weeks rather than only 4. Some services would have information backed up hourly.

The Working Group had reviewed the technical solutions and contributed to the new recovery plan which was effectively at the final draft stage. The Working Group was unable to progress further until the draft IT Disaster Recovery Plan was incorporated into the Corporate Disaster Recovery Plan, led by the Portfolio Holder for Economic and Community Development.

The Corporate Disaster Recovery Plan was expected to be approved in February 2014. The Working Group would then assist by posing a disaster recovery scenario to test the scheme.

Officers confirmed to Members that they were keeping a watching brief on cloud storage solutions. However, guidance from the Cabinet Office restricted the authority from using such services if based outside the UK. The cost of using approved UK providers meant such an option was not yet viable.

The Chairman of the Advisory Committee recommended full standby power generators for the Council. Officers were happy to circulate the draft Disaster Recovery Plan.

Action 2: The Chief Officer Corporate Support to circulate the draft Disaster Recovery Plan to Members of the Advisory Committee.

31. Shared Services

The Head of Finance introduced the annual report on the Council's range of shared services. There had been two changes in the past year. Tandridge District Council had entered into a further agreement with the Council for financial management system support services valued at £3,000 per year. The shared Building Control Manager post with Tonbridge and Malling had ended but the Chief Officer Environmental and Operational Services was expected to prepare a report for Cabinet on a fully shared building control service with that council later in the financial year.

It was noted the partnership arrangements were with several different Councils. Shared services could only be adopted when opportunities arrived with willing partners.

A Member was concerned the implementation costs of the Police Reception at Argyle Road meant that the cost would only be recovered after 10 years. However, the Chairman advised that the annual rental income was fixed and the investment would also contribute to the value of the Council Offices as an asset.

Resolved: That the report be noted.

32. Financial Results 2013/14 - to the end of September 2013

The report advised that the financial results in the year to date showed an overall favourable variance of £440,000. The year-end position was expected to be £30,000 better than budget. This reflected 0.06% of the gross budget.

Members' attention was brought to the £17,000 income above forecast for investments, which was strong given the current level of interest rates. Income from on-street parking, land charges and development management were achieving or exceeding budget targets. A 1% staff pay award had been paid in October.

Commentaries to the budget monitoring as at 30 September 2013 were tabled.

Resolved: That the report be noted.

33. Financial Performance Indicators 2013/14 - to the end of September 2013

The report presented figures on internally set performance indicators for 2013/14 up to the end of September 2013, with comparative figures for the previous year.

Further information on the Finance Indicators, including notes for each, was tabled for Members' consideration. As at the end of September all indicators were either at or better than target.

Resolved: That the report be noted.

34. Work Plan

Officers advised that a report on the Capital and Asset Maintenance budget would be brought to the Committee at its meeting on 21 January 2014. The Chairman clarified that a report on White Oak Leisure Centre, including benchmarked costs and the comparative costs for different aspects of each option, would also be presented in January 2014. A report to review the risks and assumptions in the budget, incorporating the Kent County Council Superannuation Fund, would be presented to the same meeting.

A Member suggested that Committee may need to revisit the progress of the IT Working Group.

THE MEETING WAS CONCLUDED AT 9.04 PM

CHAIRMAN

ACTIONS FROM THE MEETING HELD ON 12 NOVEMBER 2013			
Action	**Description**	**Status and last updated**	**Contact Officer**
ACTION 1	The Principal Accountant to investigate possible investments in foreign banks, particularly in AAA credit rated countries, together with the option of investing for periods of up to two years.	Please see Item 12 on the agenda.	Roy Parsons
ACTION 2	The Chief Officer Corporate Support to circulate the draft Disaster Recovery Plan to Members of the Advisory Committee.	Draft copy to be emailed to members of the Committee on 17th January.	Jim Carrington-West

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PROPOSED JOINT WORKING PROJECT BETWEEN SEVENOAKS DISTRICT COUNCIL AND TONBRIDGE AND MALLING BOROUGH COUNCIL ON BUILDING CONTROL SERVICES

Finance and Resources Advisory Committee – 21 January 2014

Report of	Chief Officer, Environmental and Operational Services
Status:	For recommendation to Cabinet and report to Economic and Community Development Advisory Committee
Also to be considered by:	Economic and Community Development Advisory Committee – 13 February 2014 Cabinet – 6 March 2014
Key Decision:	Yes

Executive Summary: This report proposes an operating model for joint working with Tonbridge and Malling Borough Council (T&MBC) for Building Control Services and recommends that a joint working arrangement be entered into.

This report supports the Key Aim of a dynamic and sustainable economy and effective management of Council resources.

Portfolio Holder Cllr. Roderick Hogarth

Contact Officer(s) Kevin Tomsett – Head of Parking and Surveying Services Ext: 7368

Recommendation: That it be resolved that it be recommended to Cabinet and reported to the Economic and Community Development Advisory Committee that:

a) in principle, and, subject to the views of the Economic and Community Development Advisory Committee the Council enter into an agreement with T&MBC for a joint working project for Building Control Services;

b) the Portfolio Holder for Economic and Community Development be delegated the Authority to agree the Heads of Terms for a joint working Agreement; and

c) the Portfolio Holder for Economic and Community Development be delegated the authority to approve any consequential actions required in order to implement the project.

Reason for recommendation: To build on the shared Management arrangements with T&MBC on Building Control to achieve efficiency savings for both Authorities and significantly increase the resilience for the Building Control Service by amalgamating two existing small teams into one larger team covering both Authorities.

Introduction and Background

1 From September 2011, the Council entered into an agreement with T&MBC to have a shared Building Control Manager for both Authorities. This Councils Building Control Manager fulfilled this role until his promotion to Head of Parking and Surveying Services in September 2013.

T&MBC have explored various options for the arrangement of their Building Control Service and have concluded that a full joint working arrangement with SDC would deliver the desired outcomes of:-

a) Increased capacity and resilience for both Authorities
b) Ability to fulfil statutory obligations
c) Ability to meet agreed service standards
d) Ability for customers to access services to be the same, or better, than current arrangements
e) Efficiency savings delivered for both Authorities
f) A single professional Building Control Manager reporting to Director/Head of Service for each Authority.
g) Ability to expand Consultancy Services across both Authorities
h) Ability to strengthen market position against competitors
i) Ability to attract appropriate professionally qualified staff
j) New structure will provide career opportunities and succession planning

Brief Description of Building Control Services to be covered by the proposed joint working arrangement

2 Building Control is a front line service, providing services to external and internal customers whilst fulfilling several statutory functions and well as providing consultancy services. These can be divided in to:

3 Chargeable element of the Building Regulation Service including plan checking and site inspections – Ensuring that building work is carried out to a minimum standard in the interest of the health, safety and welfare of the occupiers and users of buildings. Building Control is exercised under the Building Act and the main purpose of the Building Regulations is to secure the health and safety of people in and around buildings, promote conservation of energy and provide access to buildings and facilities, for people of all abilities. This is administered through the checking of plans for compliance with the requirements and undertaking site visits to ensure that buildings are constructed in accordance with the requirements of the regulations.

4 Statutory functions (non-chargeable)

- Control of unauthorised works
- Enforcement
- Disabled adaptation applications
- Temporary structures and grandstands – Safety Advisory Group representation
- Dangerous Structures

- Demolitions
- Competent person notifications
- Initial Notice Register

5 Internal customers

- Development Control
- Environmental Health
- Private Sector Housing
- Land Charges

6 Consultancy Services

- Code for Sustainable Homes
- Domestic Energy Assessments
- Fire Risk Assessments

7 It is proposed that the 'host' Authority will be SDC with the main office base being at the Sevenoaks office, however, with 'hot desk' functionality being available at both the main T&MBC office and at the office in Tonbridge Castle.

Finances

8 It is proposed that a BC 'hub' account will be provided with all expenditure being charged to the 'hub'. The contribution of each authority to the 'hub' will be based on activity (site and plan inspection volumes), based on the previous financial year. This contribution will be adjusted, as necessary, each year, based on the previous financial years activity.

9 Income generated will be retained by the individual Authority.

Staffing

10 A full consultation on the proposal has commenced with the staff involved for both Authorities and will continue.

11 It is proposed that staff will remain being employed by their respective employers and if vacancies occur they will be filled by the employer where the vacancy arises.

12 Where appropriate, staff will be 'assimilated' into the new structure, but for some posts, for example the team leader posts, a selection process may be appropriate.

Technology Infrastructure and ICT

13 The integration of both Authorities ICT systems will be necessary to ensure access to each other's databases, however, it should be noted for both Authorities, the current IT system is 'Uniform' (supplied by the IDOX Group) so whilst there are recognised operational differences, there is already a common base of systems, knowledge, process and practice.

Customers

14 Both Councils have corporate performance standards and local arrangements will be maintained. Customer and performance standards will be set within the broad aim of

maintaining current levels of Service. Regardless of location base all customers will be able to contact their own Local Authority as current.

Governance

15 It is anticipated that the joint working arrangement will have a Partnership agreement that clearly sets out the joint working arrangements to ensure the parties adhere to the values, responsibility and performance of the project. This will cover:-

- Functions and responsibilities
- Delegations
- Financial reporting and budgetary arrangements
- Exit strategy
- Performance measurement
- How risks and benefit will be shared
- Staffing issues

16 SDC and T&MBC will remain as two separate Councils, keeping their own political governance arrangements, accounts and their own identities. An Officer Partnership Board will be created representing both Councils, who will be responsible for managing the project.

Key Implications

Financial

The proposed joint working model will deliver annual savings for each Authority.

The proposal is based on savings and implementation costs being shared by both Authorities.

Legal Implications and Risk Assessment Statement.

There will be a legal agreement for the proposed joint working arrangement. This agreement, along with governance arrangements will need to be finalised and therefore it is recommended that the approval be delegated to the relevant Portfolio Holder.

Decisions regarding legal action will initially be retained by each Council.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Conclusions

There is no significant operational risk identified with the proposed arrangement. It will be enshrined within a legal agreement with termination clauses as appropriate.

The proposal maintains current levels of service delivery, increases capacity and resilience for both Authorities and provides significant annual efficiency savings.

Individual Authority governance arrangements are protected.

Background Papers: None

Richard Wilson
Chief Officer Environmental and Operational Services

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CAPITAL PROGRAMME & ASSET MAINTENANCE 2014/17

Finance and Resources Advisory Committee 21 January 2014

Report of	Chief Finance Officer
Status:	For Decision
Key Decision:	No

Executive Summary:

This report sets out the proposed 2014/17 Capital Programme, with supporting documentation in a standard format for individual scheme bids. Projected capital receipts are included, indicating the proposed financing of the Programme. A proposed overall provisional limit for Asset Maintenance is also made.

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

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Helen Martin Ext. 7483

Recommendation to Cabinet: It be RESOLVED that:

(a) the Capital Programme 2014/17 and funding method set out in Appendix B be approved;

(b) the proposed Asset Maintenance budget of £469,000 be agreed for 2014/15.

Introduction and Background

1 A copy of the existing 2013/16 three year programme is attached at Appendix A. The 2013/14 column includes budgets brought forward from 2012/13. Forecast outturn figures for the current year and estimated carry forward figures are shown.

2 The Council's current policy in relation to capital expenditure is as follows: "no new schemes to be added to the programme except mandatory improvement grants, information technology and vehicle replacements"

3 This policy has previously been revised and updated as part of the Best Value review of Asset Management and Capital Investment, including the development of a formal options appraisal process.

Capital Bids

4 Scheme Bid Documents are attached at Appendix C for all on-going items referred to at paragraph 2 above which require additional capital resources. These documents identify any external funding available and indicate the internal funding source.

5 Appendix B summarises the position if all schemes are approved, and indicates the funding methods proposed.

6 Unspent schemes in the current year's programme (2013/14) may be carried forward to 2014/15, subject to Cabinet approval, when the outturn is known.

7 Cabinet on 10 January 2013 discussed asset maintenance at White Oak Leisure Centre and it was resolved that Officers be asked to investigate and explore all possibilities surrounding Options Two (invest in the existing building) and Three (replace the existing building on the same or a different site), consulting with all stakeholders and report back to Members as soon as practicable. The results of this investigation may lead to additional capital resources in future years. This centre is the subject of a separate report to this Advisory Committee.

Capital Receipts

8 Other than the Vehicle Renewal Fund, net capital scheme costs, after any approved funding from the Capital Reserve, are funded from Capital Receipt balances. New receipts expected over the programme period are as follows:

	2013/14 £000	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**
Shared Ownership Staircasing	60	50	40	30
Mortgage repayments (net of pooling)	3	1	0	0
Land Sales	2,645	1,700	2,131	0
	2,708	1,751	2,171	30

The Land Sales receipts arise from the Property Review process which plans and monitors actions to dispose of surplus sites as part of the asset management plan.

9 It must be emphasised that the scale and timing of the land sales is very unpredictable and subject to market conditions and planning risks. For this reason, only 75% of the above figures for 2014/15 onwards have been included in Appendix B.

10 Up until 2008/09, the Council used its capital receipts to fund its capital programme. However, due to a combination of reducing assets and a period of recession impacting asset values, the level of reliance on capital receipts could not be sustained. Therefore, Members made the decision to fund the capital

programme through the revenue budget at an annual cost of £330,000. This has now been reduced to £298,000 following a reduction in the gross capital scheme costs for Improvement Grants.

11 Appendix B takes these projections, together with the actual balance of such receipts at 1st April 2013.

Asset Maintenance

12 Up until 2010/11 asset maintenance was funded from a separate revenue earmarked reserve.

13 One of the principles adopted as part of the Business and Financial Planning Strategy was to make more effective use of remaining earmarked reserves. It was agreed that from 2011/12, allowing for an emergency asset maintenance reserve of £1m, the remainder be used over the ten-year budget period equally to smooth the rundown of these reserves.

14 The allocation of budgets to individual areas and schemes is made in accordance with the asset management plan and service requirements, reflecting backlog maintenance, health & safety and income generation as priorities.

15 The following SCIA agreed in the 2012/13 budget will result in changes to asset maintenance expenditure in 2014/15

- SCIA28 Playground equipment / CCTV equipment / depot / car parks – asset maintenance costs reduced by £31,000 (30%) from 2011/12 for three years returning to original budget levels in 2014/15.

16 SCIA 5 Leisure in the 2011/12 to 2014/15 savings plan had a saving of £70,000 additional saving in Asset maintenance, however Cabinet on 6 December 2012 agreed that the additional saving could not be made.

17 After allowing for the above changes, the budget figures are based on an average of 30% of the existing 10 year maintenance assessment. This would then give the following programme :

	2013/14 £000	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**
Budget	427	469	479	490

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

18 There are no legal or human rights issues. The Council must agree a Capital Programme as part of its financial plan and ensure that resources are available to fund it.

Community Impact and Outcomes

19 The capital programme funds improvements to residents' homes and infrastructure required to deliver services to the public.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	Yes	It is a statutory duty to provide Disabled Facility Grants to the older and or disabled residents in the district
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Conclusions

20 Members are asked to review the scheme bids submitted at Appendix C, and approve the programme and funding at Appendix B.

Appendices

Appendix A – Existing 2013/16 capital programme

Appendix B – Proposed 2014/17 capital programme

Appendix C – Scheme bid documents

Background Papers: None

Adrian Rowbotham
Chief Finance Officer

Appendix B

Capital Programme and Asset Maintenance

Capital Programme 2013-16 (proposed programme)

Head of Service/Scheme	Scheme Cost £000	2012/13 Budget £000	2012/13 Forecast £000	2012/13 Likely C/F £000	2013/14 £000	2014/15 £000	2015/16 £000
Chief Executive							
Blighs phase two		150	150	-	-	-	-
Community Development							
Parish projects		71	0	71	-	-	-
Environmental and Operational Services							
Commercial vehicle replacements		844	844	-	650	650	650
Housing							
Improvement Grants							
Gross cost		612	512	100	603	603	603
Government DFG Subsidy		-347	-347	-	-396	-396	-396
Legal and Democratic Services							
Modern Government doc. mgt. system		16	16	-	-	-	-
Police office in Argyle Road offices	200	200	200	-	-	-	-
Argyle Road Office Accommodation	7	7	7	-	-	-	-
TOTAL		1,553	1,382	171	857	857	857

The 2012/13 budget includes amounts carried forward from 2011/12.

	2012/13	2013/14	2014/15	2015/16
Internal Funding				
Vehicle Renewal Fund	844	650	650	650
Capital reserve	330	207	207	207
Capital receipts	379	0	0	0
	1,553	857	857	857
Capital Receipts				
Balance at 1st April	708	1,423	3,060	3,886
Expected new receipts	1,094	1,637	826	19
Capital Financing	-379	0	0	0
Balance at 31st March	1,423	3,060	3,886	3,905
Capital Reserve				
Balance at 1st April	0	0	91	182
Contributions to the reserve	330	298	298	298
Capital Financing	-330	-207	-207	-207
Balance at 31st March	0	91	182	273

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Appendix B

Capital Programme and Asset Maintenance

Capital Programme 2014-17 (proposed programme)

Appendix B

Chief Officer/Scheme	Scheme Cost £000	2013/14 Budget £000	2013/14 Forecast £000	2013/14 Likely C/F £000	2014/15 £000	2015/16 £000	2016/17 £000
Corporate Support							
Back-up generator		-	-	-	140	-	-
Communities and Business							
Parish projects		61	0	61	-	-	-
Environmental and Operational Services							
Commercial vehicle replacements		650	650	-	600	645	640
Housing							
Improvement Grants							
Gross cost		603	603	-	617	684	684
Government DFG Subsidy		-396	-396	-	-410	-477	-477
TOTAL		918	857	61	947	852	847

The 2013/14 budget includes amounts carried forward from 2012/13.

	2013/14	2014/15	2015/16	2016/17
Internal Funding				
Vehicle Renewal Fund	650	600	645	640
Capital reserve	298	207	207	207
Capital receipts	-30	140	0	0
	918	947	852	847
Capital Receipts				
Balance at 1st April	1,694	4,432	5,605	7,233
Expected new receipts	2,708	1,313	1,628	22
Capital Financing	30	-140	0	0
Balance at 31st March	4,432	5,605	7,233	7,255
Capital Reserve				
Balance at 1st April	0	0	91	182
Contributions to the reserve	298	298	298	298
Capital Financing	-298	-207	-207	-207
Balance at 31st March	0	91	182	273

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Capital Programme 2014/17

Scheme Bid Document - Scheme: Backup Power Generator

Description: Replacement of Argyle Road backup power generator to ensure continuation of services in the event of a power outage.

Service : Corporate Support - Property

Portfolio Holder/Chief Officer : **Cllr Ramsay/Jim Carrington-West**

Financials :

CAPITAL COSTS	TOTAL £000	2014/15 £000	2015/16 £000	2016/17 £000
Gross scheme cost	140	140	0	0
External Contributions (list)				
Net scheme cost	140	140	0	0
ONGOING REVENUE IMPLICATIONS (excluding loss of interest)				
Running costs				
Income streams				
Net cost		0	0	0

Funding Source : Funded from capital reserves. Ongoing revenue costs for maintenance and fuel are to be met from existing revenue budgets.

Other Resource Implications :	
Staffing	Staffing required for overseeing installation and ongoing maintenance is allocated as part of the current Property Team workload.
Asset Values	£140,000

Justification: (Statutory Duty / Community Plan Aims / Key Infrastructure / Additional Savings / Other)

The Argyle Road offices are currently served by an existing generator set with a rated output of only 40kVA, this is located in the basement Generator Room, leading off the Lower Ground Floor Ventilation Plant Room.
For comparison purposes, the incoming 400V 3-phase mains supply to the Council Offices is

rated at 250kVA, and metering has recorded an absolute peak consumption to date of some 208kW. Presently the generator set serves very limited areas.

In light of a review of our Business Continuity Management arrangements and IT resilience it is proposed to install a new generator set of sufficient capacity to serve the whole of the Argyle Road office building, rather than installing or retaining a set of lower output to serve only designated essential supplies/services or to retain a hire agreement for the provision of generation in the event of a mains failure.

The reasons for this are mainly:

- The existing arrangements power only part of the building and although the IT server room is covered by a backup UPS, the air conditioning serving the server room is not covered by the generator. This effectively means that the servers will have to be shutdown in the event of any prolonged power failure. Therefore existing arrangements have a risk in terms of business continuity, service delivery and IT restoration times.

- The option to hire a generator (be that on a guaranteed delivery or not) is covered by a Force Majeure clause. It is highly likely that if we are to suffer a prolonged mains failure it will be due to a Force Majeure, leading to the generator not being delivered. This is considered a high risk option.

- If we retained or replaced with a smaller generator and looked to cover areas so that IT infrastructure may remain operational, the existing electrical distribution within the building would need to be split between essential and non-essential supplies, meaning that we would effectively have two power distribution networks running throughout the building. The cost of providing this would exceed the additional cost of a full-load sized generator set against a part-load sized unit. Furthermore, assuming that distribution was indeed split between essential and non-essential, future changes to service provision requirements and/or relocation of services within the building could result in further additional costs to change distribution arrangements for that service from essential to non-essential, and vice-versa.

A new Generator is estimated to have a serviceable lifespan of approximately 25 years.

Capital Programme 2014/17

Scheme Bid Document - Scheme: Vehicle Replacement Programme

Description: Purchase of replacement commercial fleet vehicles that have reached the end of their fully depreciated life.

Service: Environmental and Operational Services

Portfolio Holder/Chief Officer: Ian Bosley/Richard Wilson

Financials:

CAPITAL COSTS	TOTAL £000	2014/15 £000	2015/16 £000	2016/17 £000
Gross scheme cost	1885	600	645	640
External Contributions (list)				
Net scheme cost	1885	600	645	640

ONGOING REVENUE IMPLICATIONS (excluding loss of interest)	2014/15	2015/16	2016/17
Running costs			
Income streams			
Net cost	0	0	0

Funding Source: Funding via the vehicle replacement fund which is financed by depreciation charges for all fleet vehicles and from the sale of any vehicles. Depreciation charges are made on all vehicles and met from fixed transport charges on relevant trading account or relevant service budget.

Other Resource Implications :	
Staffing	Managed by fleet management overhead account by existing employees
Asset Values	Approximately £3.0 M

Justification: (Statutory Duty / Community Plan Aims / Key Infrastructure / Additional Savings / Other)

To maintain services, mainly statutory. Supports all the Council's priorities

Capital Programme 2014/17

Scheme Bid Document - Scheme: Improvement Grants

Description: Statutory Disabled Facility Grants (DFGs) including large-scale voluntary transfer (LSVT), Registered Social Landlords (RSL) aids and adaptations and cost of processing applications

Service : Housing Services

Portfolio Holder/Chief Officer : Cllr M Lowe / Pat Smith

Financials :

CAPITAL COSTS	TOTAL	2014/15	2015/16	2016/17
	£000	£000	£000	£000
Gross scheme cost	1,985	617	684	684
External Contributions				
CLG grant	(1,364)	(410)	(477)	(477)
Net scheme cost	621	207	207	207
ONGOING REVENUE IMPLICATIONS (excluding loss of interest)				
Running costs				
Income streams				
Net cost		0	0	0

Funding Source : Government Grant (DCLG) and Council budgets

* : Revenue implications dependent on individual projects.

Other Resource Implications :	
Staffing	Staff costs have been removed over a 5 year period. (Costs now met from existing revenue budgets).
Asset Values	Assets not in Council ownership

Justification: (Statutory Duty / Community Plan Aims / Key Infrastructure / Additional Savings / Other)

It is statutory duty to provide DFGs to the older and or disabled residents in the district. Out of the total budget, £250,000 is ring fenced for West Kent Housing Association(WKHA) Aids and Adaptations for tenants. Both SDC/HIA and WKHA schemes are eligible for DCLG funding.

The Council has just started managing most of the DFG process in house (December 2013).

The Council will only use the HIA, at the moment, for larger grant applications however the majority of work will be under taken in house by the Housing Advice and Standards team.

It is hoped to provide a more effective service this way and this should show in the budget spend. A review will be taken of the in house service after it has been running a year when a report will be sent to Members to decide whether the service should continue in house or be managed by the HIA.

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RISKS AND ASSUMPTIONS FOR BUDGET 2014/15

Finance and Resources Advisory Committee – 21 January 2014

Report of	Chief Finance Officer
Status:	For consideration
Key Decision:	No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsey

Contact Officer(s) Helen Martin Ext. 7483

Recommendation to Finance and Resources Advisory Committee: Members views are requested on the risks and assumptions included in the attached appendices

Introduction

1. The Draft Budget 2014/15 report to Cabinet on 5 December 2013 provided information on the key assumptions and risks included within the draft budget proposals. This risk assessment report provides more detail on these assumptions and risks. Cabinet were given a further update on 9 January 2014.

2. The risk assessment is included for Members consideration (Appendix A). The 10 year budget as presented to Cabinet in December 2013 is also attached for information. (Appendix B).

Key Financial Assumptions

3. The financial assumptions included in the financial plan are as follows:

    - Government Support: -7.5% in 2014/15, -18% in 2015/16, -2% in 2016/17, -1% in 2017/18, +3% in later years. The Government announced provisional figures for 2014/15 and 2015/16 on 18 December 2013.
    - Council Tax: 2% in 2014/15, 2% in 2015/16, 3% in later years
    - Interest Receipts: 0.8% in 2014/15, 1.2% in 2015/16, 1.3% in later years. These assumptions are based on the Sector Bank Rate Forecast +0.3%
    - Pay Costs: 1% in 2015/16, 1.5% in 2016/17, 1.5% in 2017/18, 2% in later years
    - Non-pay costs: 3% in 2014/15, 2.25% in later years.

- Income: 3.5% in all years

Key Implications

Financial

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.

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.

Community Impact and Outcomes

A balanced budget that includes the assessment and management of risk provides the Council with the financial stability required to plan and deliver its services to the community.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

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 settlements.

The risk will be mitigated by continuing to review assumptions and estimates and by updating Members throughout the process.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	Yes	Individual equalities assessments have been completed for all of the Service Change Impact Assessments (SCIAs) to ensure the decision making process is fair and transparent.
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts		No mitigating steps are required

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
identified above?		

Conclusions
The financial assumptions are based on the latest available information but Members should be aware that these may change. Any changes will be included in the budget report to Cabinet 6 February 2014.

Appendices	Appendix A– Risk Factors 2014/15 Appendix B – 10 Year Budget
Background Papers	None

Adrian Rowbotham

Chief Finance Officer

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Risk Factors 2014/15

Issue	£ Scale	Likelihood 1 (low) – 5 (high)	Impact 1 (low) – 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place
Pay Costs	£13m total costs	2	4	8	1% pay increase = £130k. Budget assumptions: 1% pay award,	Largest single item of cost. Complex drivers across the organisation.	Strict monitoring of both financials and staff numbers. New salary bands introduced from 1 April 2012 which reduced the costs of annual increments. Formal sickness & overtime monitoring. Separate control on agency staff. Part of National Agreement.
Pensions Funding	£25m deficit	1	4	4	1% change in employers contribs = £105k.	Deficit on County Fund. Future actuarial results. Government review.	£520,000 included in 10-year budget in 2014/15 to contribute towards any revaluation increase.
Major Service Income areas					See below by income type	Income subject to local economic conditions. Some very large single-source income targets (see below).	Strict monitoring, with trend analysis.
- Land Charges	£0.2m	4	1	4	20% reduction would be £31k.	Volatile activity levels in the housing market. National legal action now underway in	A provision of £34k is held for the national legal action. Continue to monitor.

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Agenda Item 8

Issue	£ Scale	Likelihood 1 (low) – 5 (high)	Impact 1 (low) – 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place
						relation to Personal Search companies recouping monies expended under the previous legislation.	
- Development Control	£0.7m	3	3	9	20% reduction would be £135k.	Volatile activity levels in the housing market and general economic conditions.	Current year income is above target. Continue to monitor.
- Building Control	£0.5m	4	3	12	20% reduction would be £90k	Volatile activity levels in the housing market and general economic conditions. Competition from commercial organisations	Current year income is above target. Continue to monitor.
- Car Parks	£2.0m	2	4	8	20% reduction would be £405k	General economic conditions; central government directives	Current year income is below target. Continue to monitor.
- On-Street Parking	£0.7m	3	3	9	20% reduction would be £143k	General economic conditions. Legislative constraints on spending surpluses. Reverts to KCC control	Current year is above target. Continue to monitor and review.

Issue	£ Scale	Likelihood 1 (low) – 5 (high)	Impact 1 (low) – 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place
- Car Parking – Enforcement income	£0.2m	2	2	4	20% reduction would be £31k	General economic conditions; central government directives	Current year is below target. Continue to monitor and review
Partnership working and partner contributions		3	2	6	Impact on individual projects is high.	Partner actions delayed. Agreed funding not received by SDC. Partnerships ending.	Separate accounting arrangements. Active liaison with partners on service arrangements Written partnership agreements.
External Funding Awards	£0.5m	3	2	6	Up to £400k Impact on individual projects is high	Time limited.	Exit strategies in place.
Changes in service demand		3	3	9	Impacts will vary depending on service.		Service planning in place Continue to lobby Government where changes are due to new Gov't requirements.
Interest Rates	£0.229m 13/14 budget	2	4	8	£143k per 0.5%.	Large cash variance from small rate changes. Reducing availability of suitable counter parties	Use of professional advisers

Issue	£ Scale	Likelihood 1 (low) – 5 (high)	Impact 1 (low) – 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place
Investments	£37m balance at November 2013	1	5	5		Financial institutions going into administration.	Investment strategy regularly reviewed by FRAC.
Asset base maintenance	£1.0m	1	2	2	Annual budget is based on 25% of assessed maintenance.	Unexpected problems occurring with financial implications. Reducing budget levels.	Reserve funds set aside. 10 year maintenance planning carried out. Policy of reducing asset liabilities wherever possible.
Capital Investment resources	£1.7m balance at March 2013	2	2	4	Risks taken into account in the Capital Programme report.	Capital receipt levels modest.	External funding sought wherever possible. Capital Investment priorities in place. Property Review being pursued to secure asset sales.
Disposal of surplus assets	£0.8m budget in plan (14/15)	2	2	4	Risks taken into account in the Capital Programme and Asset Maintenance report.	Planning conflict. Resources required to bring sites forward.	Land Owner/Planning protocols in place. In-house property team. Planned Property Review disposal programme.

Issue	£ Scale	Likelihood 1 (low) – 5 (high)	Impact 1 (low) – 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place
Government Grant	£3.8m in 2013/14	5	4	20	£38k per 1% change	Government continues to reduce grant. Impact of business rates retention policy. Only short term settlements provided. Austerity measures extended to 2017/18.	Adequate level of General Reserve held.

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Agenda Item 8

Issue	£ Scale	Likelihood 1 (low) – 5 (high)	Impact 1 (low) – 5 (high)	Total Score	Potential Annual Impact and sensitivity Analysis	Risk Areas	Controls and Actions in place
Council tax capping	£8.7m CTAX income in 13/14	4	3	12	£87k per 1% capping reduction	Council tax freeze offers from Govt. Council tax increases limited to 2% Impact on council tax base from Local CTAX schemes.	Draft 10-year budget includes council tax increase assumptions for future years.
Future Service Changes by Government		4	4	16		Additional services without consequent resources, e.g. Maint. of trees on common land. Government directives on income charging e.g. Personal searches	Monitor proposals. Respond to consultation with local view.
Fuel cost increases for Direct Services	£0.5m	5	2	10	10% increase would be £50k	Changes in global oil prices.	Continue to monitor fuel usage and efficiency. Vehicle replacement programme.
`		2	2	4		Abolition of Audit Commission, change of external auditors	Plan responses to new initiatives well in advance. Ensure Council organisation design can meet challenges.

Ten Year Budget - Revenue

	Budget 2013/14 £000	Plan 2014/15 £000	Plan 2015/16 £000	Plan 2016/17 £000	Plan 2017/18 £000	Plan 2018/19 £000	Plan 2019/20 £000	Plan 2020/21 £000	Plan 2021/22 £000	Plan 2022/23 £000	Plan 2023/24 £000
Expenditure											
Net Service Expenditure c/f	13,443	13,800	14,657	15,045	15,407	15,802	16,130	16,520	16,956	17,369	17,783
Inflation	621	488	533	555	558	629	626	623	413	414	416
Superannuation Fund deficit: actuarial increase	0	520	0	0	0	0	0	0	0	0	0
Net savings (approved in previous years)	(264)	(99)	(117)	(143)	(162)	(301)	(186)	(187)	0	0	0
New growth	***0***	***191***	***0***	***0***	***0***	***0***	***(50)***	***0***	***0***	***0***	***0***
New savings	***0***	***(243)***	***(28)***	***(50)***	***0***	***0***	***0***	***0***	***0***	***0***	***0***
Net Service Expenditure b/f	**13,800**	**14,657**	**15,045**	**15,407**	**15,802**	**16,130**	**16,520**	**16,956**	**17,369**	**17,783**	**18,199**
Financing Sources											
Government Support (1)	(3,788)	(3,504)	(2,873)	(2,811)	(2,784)	(2,868)	(2,954)	(3,043)	(3,134)	(3,228)	(3,325)
New Homes Bonus	(976)	(1,276)	(946)	(1,126)	(1,126)	(1,126)	(1,126)	(1,126)	(1,126)	(1,126)	(1,126)
Govt Support - to be passed on to Towns/Parishe	(274)	(279)	(285)	(294)	(303)	(312)	(321)	(331)	(341)	(351)	(362)
Govt Support - passed on to Towns/Parishes	274	279	285	294	303	312	321	331	341	351	362
Council Tax	(8,728)	(8,955)	(9,188)	(9,519)	(9,861)	(10,216)	(10,582)	(10,962)	(11,355)	(11,762)	(12,183)
Council Tax Support grant	(734)	(749)	(764)	(747)	(740)	(762)	(785)	(809)	(833)	(858)	(884)
Interest Receipts	(229)	(255)	(386)	(406)	(382)	(349)	(318)	(293)	(272)	(255)	(247)
Contributions to Reserves	787	418	418	418	298	298	298	298	298	298	298
Contributions from Reserves	(795)	(510)	(510)	(510)	(510)	(510)	(510)	(510)	(510)	(335)	(335)
Total Financing	**(14,463)**	**(14,831)**	**(14,249)**	**(14,701)**	**(15,105)**	**(15,533)**	**(15,977)**	**(16,445)**	**(16,932)**	**(17,266)**	**(17,802)**
Budget Gap (surplus)/deficit	**(663)**	**(174)**	**796**	**706**	**697**	**597**	**543**	**511**	**437**	**518**	**398**
Contribution to/(from) Stabilisation Reserve	**663**	**174**	**(796)**	**(706)**	**(697)**	**(597)**	**(543)**	**(511)**	**(437)**	**(518)**	**(398)**
Unfunded Budget Gap (surplus)/deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Remaining balance / (shortfall) in Budget Stabilisation reserve:	4,703	4,998	4,322	3,737	3,039	2,442	1,899	1,387	950	432	34

Assumptions	
Government Support:	-7.5% in 14/15, -18% in 15/16, -2% in 16/17, -1% in 17/18, +3% later years
Council Tax:	2% in 14/15 - 15/16, 3% later years
Interest Receipts:	0.8% in 14/15, 1.2% in 15/16, 1.3% later years (based on Sector Bank Rate forecast + 0.3%)
Pay award:	1% in 14/15 - 15/16, 1.5% in 16/17 - 17/18, 2% later years
Other costs:	3% in 14/15, 2.25% later years
Income:	3.5% in all years
Note 1	Government Support includes Council Tax Freeze Grants

FINANCIAL PERFORMANCE INDICATORS 2013/14 – TO THE END OF NOVEMBER 2013

Finance and Resources Advisory Committee – 21 January 2014

Report of	Chief Finance Officer
Status:	For consideration
Key Decision:	No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsey

Contact Officer(s) Helen Martin Ext. 7483

Recommendation to Finance and Resources Advisory Committee: That the report be noted.

Introduction and Background

1. This report presents figures on seven internally set performance indicators covering activities that support information provided in the regular financial monitoring statements.

2. Information is provided on targets for the financial year, and figures for the previous year are given for comparison.

3. Use of these indicators assists management in highlighting areas where performance has an impact on financial outturn for the authority.

Key Implications

Financial

There are no financial implications arising from this report.

Legal Implications and Risk Assessment Statement.

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.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	The recommendation is concerned with sound control of the Councils finances and does not directly impact on services provided to the community
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		No mitigating steps are required

Appendices Appendix A – Performance Indicators – November 2013

Background Papers None

Adrian Rowbotham

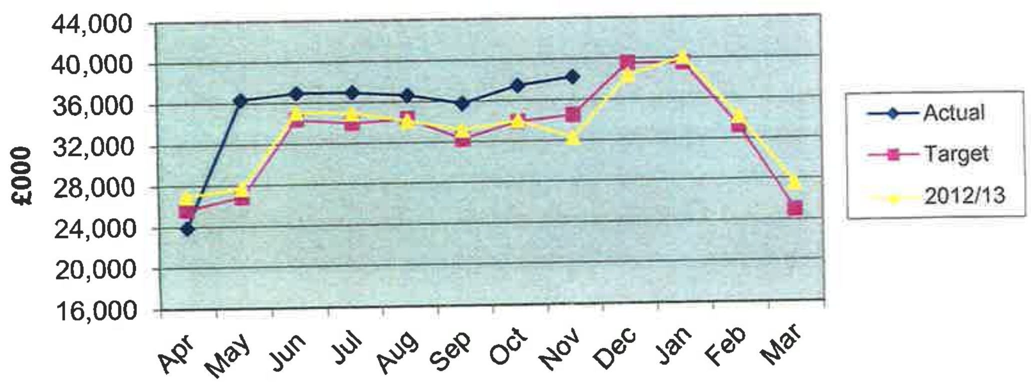
Chief Finance Officer

Finance & Resources Advisory Committee Finance Indicators 2013/14
as at end November 2013

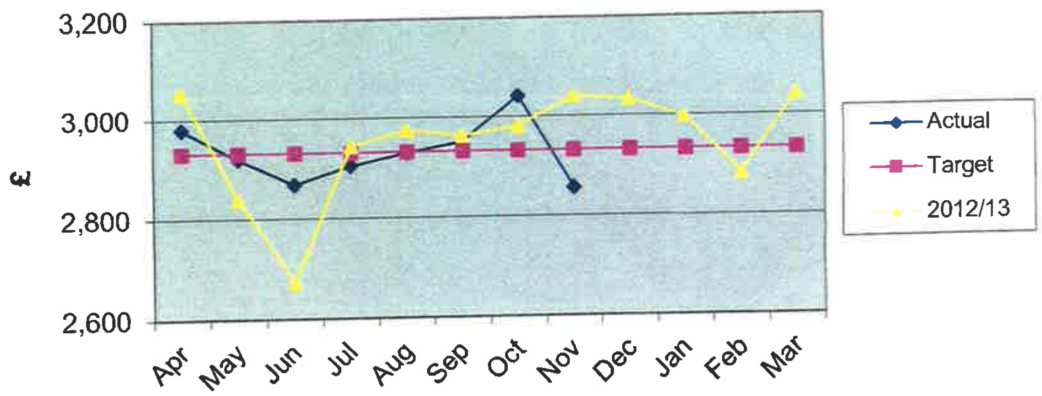
Description	target	actual	Variance	%	notes	graph
Monthly investment balance £000	34,520	38,226	3,706	10.7%	Total investments at month end. From April 2013, precepts are paid in 12 instalments of roughly £5m. (Previous years we paid in 10 instalments - not June or December). The target figures have been updated to reflect the Balance Sheet position as at 31/03/13.	1
Average monthly cost per employee (non cumulative) £	2,986	2,857	-129	-4.3%	Target is annual pay budget divided by budget ftes, figures include agency and casual staff. Actuals excludes costs and fte of Agency staff at Dunbrik.	2
Average monthly salary cost SDC £000	1,110	1,033	-77	-6.9%	Excludes numbers and costs of Dunbrik temps	
Number of ftes	373.2	371.2	-2.0	-0.5%	Target is budgeted ftes.	3
Council Tax % collected for 2013/14	75.0	77.0	2.0	2.7%	LPIFS 19. Monthly cumulative figures	-
NNDR % collected for 2013/14	75.0	78.3	3.3	4.4%	LPIFS 20. Monthly cumulative figures.	-
Council Tax payers % on direct debit	72.0	77.6	5.6	7.8%	LPIFS8 - % on direct debit	4
Investment return %	0.80	0.77	-0.03	-3.8%	Cumulative return on investments. Target is budget assumption	5
3 month LIBID		0.50	0.50			
7 day LIBID		0.38	0.38			
Sundry debtors: debts over 21 days £000	35	32.964	-2	-5.8%	21 days is taken as the base as the first reminder is issued after 3 wks.	6
Sundry debtors: debts over 61 days £000	20	8.231	-12	-58.8%	61 days is when the third reminder is issued (debts exclude items on 'indefinite hold', e.g. debtors in administration)	7

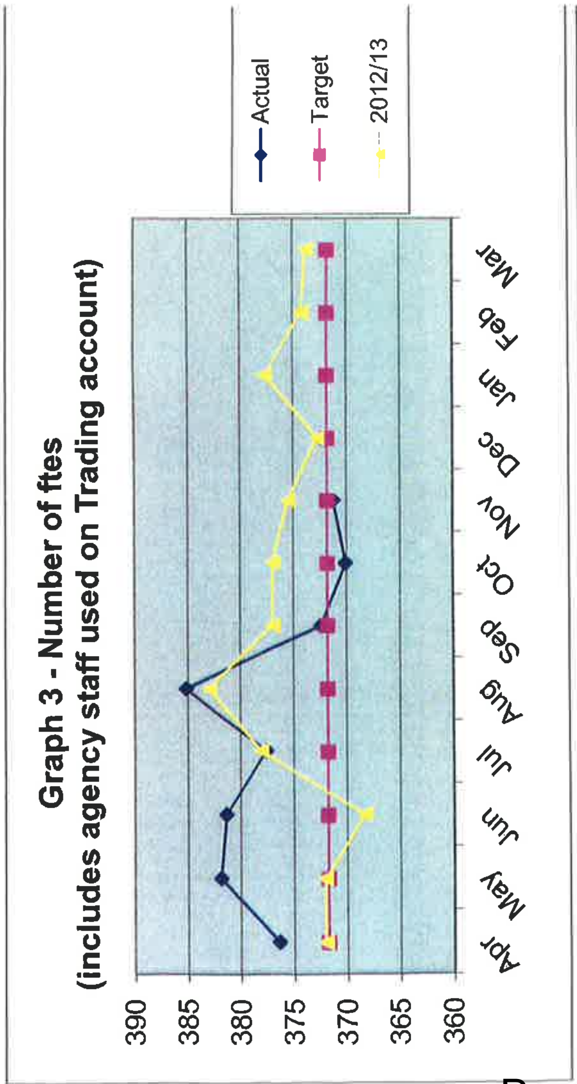
Finance & Resources Advisory Committee Finance Indicators 2013/14
as at end November 2013

Graph 1 - Monthly Investment Balance

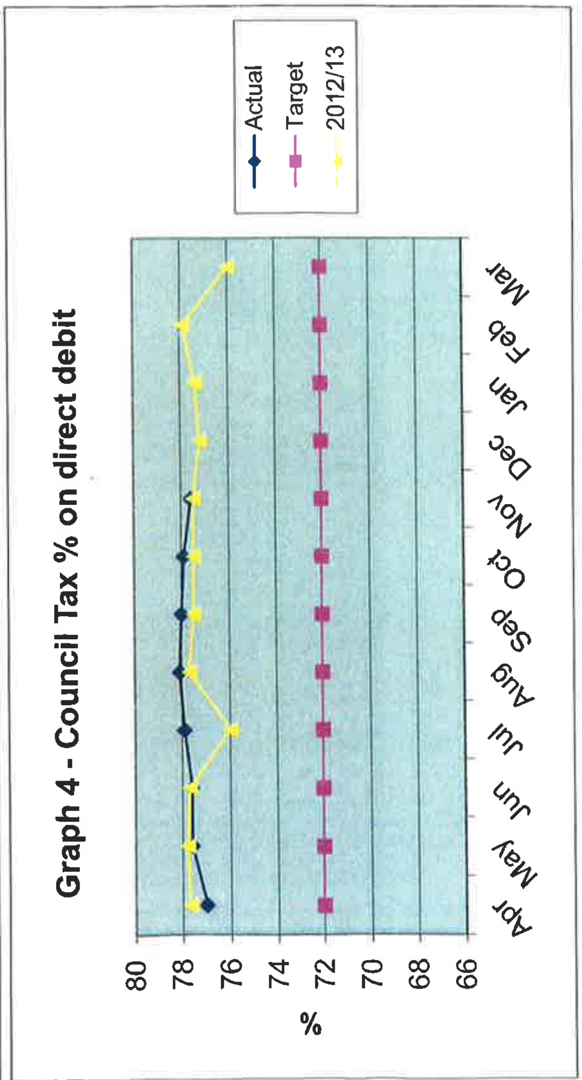


Graph 2 - Av. monthly cost per employee (excludes agency staff at Dunbrik)

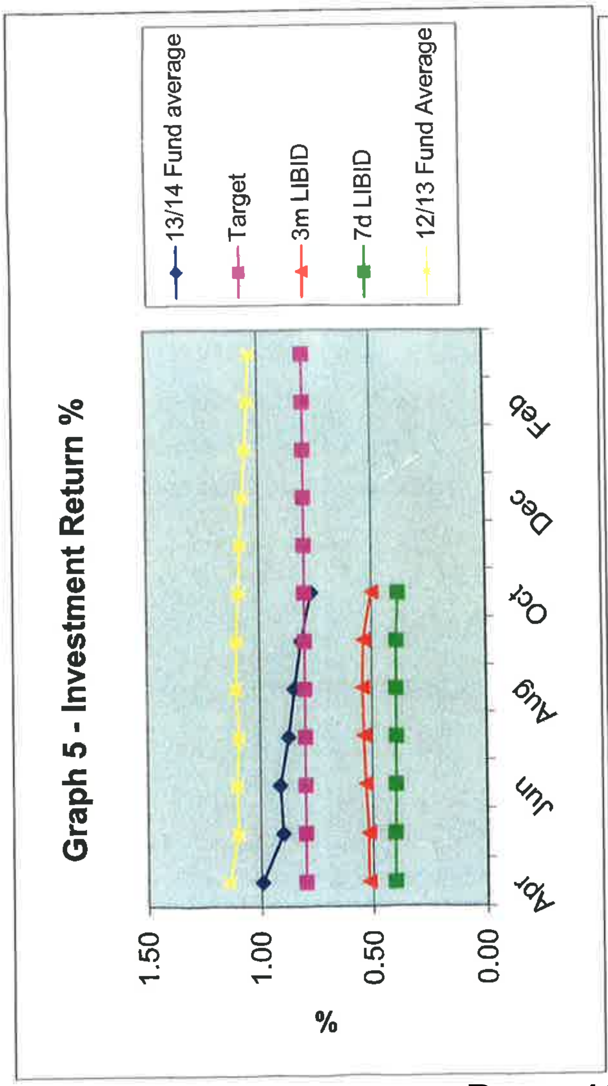


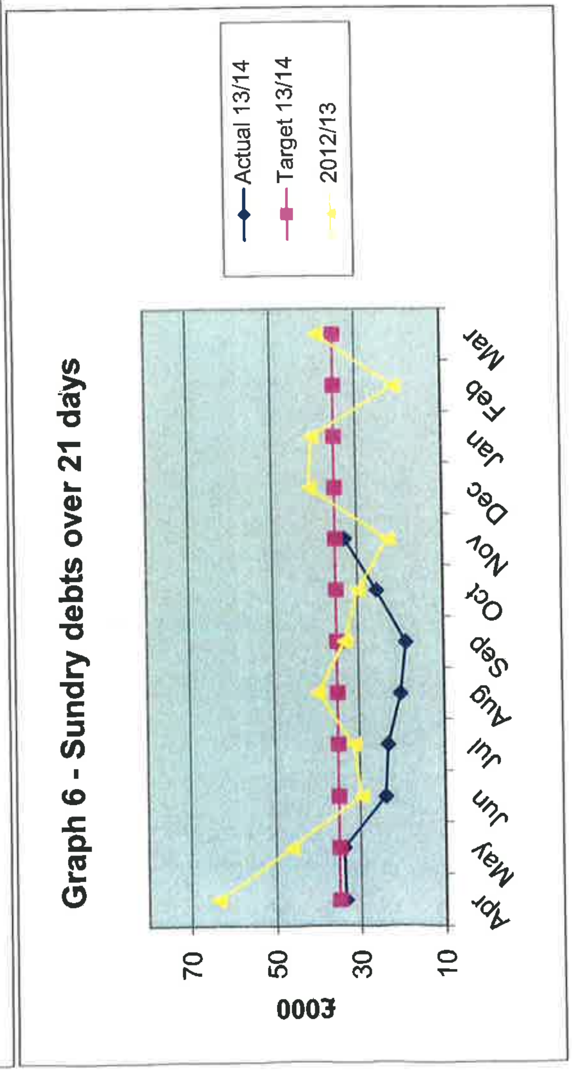


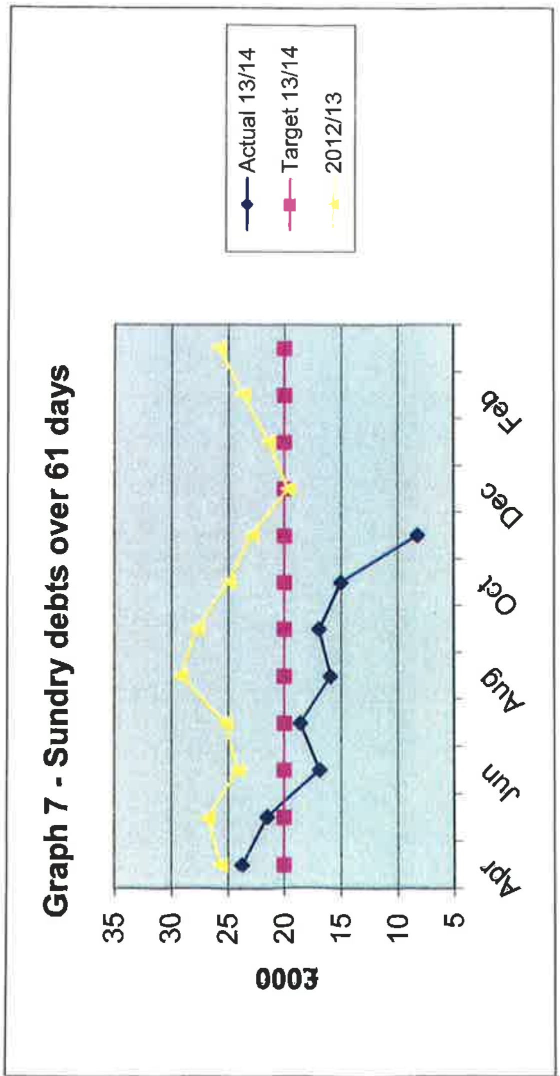
Graph 3 - Number of ftes
(includes agency staff used on Trading account)
390
385
380
375
370
365
360
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Actual
Target
2012/13



Graph 4 - Council Tax % on direct debit
%
80
78
76
74
72
70
68
66
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Actual
Target
2012/13


Graph 5 - Investment Return %
13/14 Fund average
Target
3m LIBID
7d LIBID
12/13 Fund Average
%
1.50
1.00
0.50
0.00
Apr
Jun
Aug
Oct
Dec
Feb


Graph 6 - Sundry debts over 21 days
Actual 13/14
Target 13/14
2012/13
£000
70
50
30
10
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar


Graph 7 - Sundry debts over 61 days
£000
35
30
25
20
15
10
5
Apr
Jun
Aug
Oct
Dec
Feb
Actual 13/14
Target 13/14
2012/13

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FINANCIAL RESULTS 2013/14 – to the end of November 2013

Finance and Resources Advisory Committee – 21 January 2014

Report of	Chief Finance Officer
Status:	For consideration
Key Decision:	No

This report supports the Key Aim of Effective Management of Council Resources

Portfolio Holder Cllr. Ramsey

Contact Officer(s) Helen Martin Ext. 7483

Recommendation to Finance and Resources Advisory Committee: That the report be noted.

Introduction and Background

Overall Financial Position

1. Eight months into the year the results to date showed an overall favourable variance of £533,000. Reasons for this current favourable variance are explained in the individual commentaries from Chief Officers

2. The year-end position is forecast to be £49,000 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 during the first half of the year.

4. Income from the major income sources, with the exception of car parking, has achieved or exceeded budget targets at the end of November.

5. **Pay costs** – the actual expenditure to date on SDC funded salaried staff is £122,000 below budget. An underspending of £199,000 relates to Direct Services and will be offset by agency staff costs held within the trading account. Additional resources are being used to address the Benefits workload and costs will be met by additional funding from both partners. The 1% pay award was paid in October.

6. **Other** – Direct Services' results show a positive variance of £126,000 compared to budget.

7. Costs amounting to £30,000 were incurred in facilitating the sale of 66 London Road.

8. Revised Members expenses were agreed on 1 October and adjustments were paid in November.

Year End Forecast

9. The year-end position is forecast to be £49,000 better than budget.

10. Investment income is still a small favourable variance, however interest rates are expected to remain low into the future. Income from council tax court costs is expected to be above budget for the year.

11. Following the sale of 66 London Road, there will be a saving on rent and rates at that site. Expenditure is forecast to be £76,000 below budget.

12. The contracts for markets at Sevenoaks and Swanley were re-tendered in 12/13 following the voluntary liquidation of the previous operators. Income from these new contracts is forecast to be £62,000 worse than budget.

13. Car Parking income, mainly pay and display, is now expected to be £70,000 worse than budget.

14. Direct Services are forecasting a favourable variance of £54,000 for the year.

15. Planning Services are now predicting that Planning fee income will be £95,000 better than budget.

16. The review of the senior management structure did not take effect until 1 September and as a result the full salary saving will not be met in 2013/14 although this shortfall of £48,000 will be met from other Corporate savings. The full saving will be delivered in future years.

Risk areas

17. 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. The annual revenue budget for investment income is £229,000 and a reduction of 0.1% in the rate of interest we are able to achieve could reduce our income by £28,000;
    - property related income such as Development Control (particularly pre-application fees and S106 monitoring), Building Control, Land Charges remain vulnerable. The income budget for these major items is £1.294m and the current predicted favourable variance of £90k represents 7% of that budget;
    - the Benefits workload is at a higher level than before the recession. Agency staff are being used to address the workload and to fill any vacancies due to continuing uncertainties relating to Universal Credit;
    - Council Tax collection rates, though currently in line with 2012/13 (in-year collection rate of 98.5%), could be affected by increased unemployment and squeezed household incomes;

- Changes in the price of diesel could have a significant impact on Direct Services. Annual fuel consumption is about 420,000 litres, and each 1p per litre increase would result in increased costs of £4,200; and

18. Planned savings through the generation of income, particularly from new partnership working, remain risk areas for the current and for future years.

Key Implications

<u>Financial</u>

The financial implications are set out elsewhere in this report.

<u>Legal Implications and Risk Assessment Statement.</u>

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.

Detailed budget monitoring is completed on a monthly basis where all variances are explained. Future risk items are also identified.

<u>Equality Impacts</u>

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	The recommendation is concerned with sound control of the Councils finances and does not directly impact on services provided to the community
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		No mitigating steps are required

Appendices Appendix – November Budget Monitoring Reports

Background Papers None

Adrian Rowbotham

Chief Finance Officer

Budget Monitoring Sheets for December 2013

Contents

1 Commentaries

2 Overall Summary

3 Overall Summary by Service

4 Cumulative Salary Monitoring

5 Direct Services Trading accounts

6 Investment Income

7 Staffing Statistics

8 Reserves.

9 Capital

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BUDGET MONITORING - Strategic Commentary - As at 31st December 2013

Overall Financial Position

1. Nine months into the year the results to date show an overall favourable variance of £615,000. Reasons for this current favourable variance are explained in the individual commentaries from Chief Officers

2. The year-end position is now forecast to be £293,000 better than budget.

Key Issues for the year to date

3. 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 during the first half of the year.

4. Income from On Street Parking, Land Charges and Development Management, has achieved or exceeded budget targets at the end of December.

5. Pay costs – the actual expenditure to date on SDC funded salaried staff is £156,000 below budget. An underspending of £232,000 relates to Direct Services and will be offset by agency staff costs held within the trading account. Additional resources are being used to address the Benefits workload and costs will be met by additional funding from both partners.

6. Other

    - Direct Services' results show a positive variance of £160,000 compared to budget.
    - Costs amounting to £30,000 were incurred in facilitating the sale of 66 London Road.
    - Revised Members expenses were agreed on 1 October and adjustments were paid in November.

Year End Forecast

7. The year-end position is forecast to be £293,000 better than budget.

8. Investment income is still a small favourable variance, however interest rates are expected to remain low into the future.

9. Income from council tax court costs is expected to be above budget for the year.

10. Following the sale of 66 London Road, there will be a saving on rent and rates at that site. Expenditure is forecast to be £76,000 below budget. An unfavourable variance of £40,000 is expected on the budget for management of properties where the Council has to meet the business rates of properties now vacant pending disposal, and the associated reduced rental income.

11. A saving of £30,000 is expected against the annual budget for audit fees.

12. The contracts for markets at Sevenoaks and Swanley were re-tendered in 12/13 following the voluntary liquidation of the previous operators. Income from these new contracts is forecast to be £62,000 worse than budget.

13. Car parking income, mainly pay and display, is still expected to be £70,000 worse than budget.

14. Direct Services are forecasting a favourable variance of £119,000 for the year. £69,000 is a favourable forecast on income particularly from the vehicle workshop.

15. Planning Services are now predicting that Planning fee income will be £95,000 better than budget.

16. Additional income from legal work on S106 agreements is giving rise to a £21k favourable variance

17. The review of the senior management structure did not take effect until 1 September and as a result the full salary saving will not be met in 2013/14 although this shortfall of £48k will be met from other Corporate savings. The full saving will be delivered in future years. Following the restructure, there is favourable variance of £12k on the budget for administrative expenses.

Risk areas

18. 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 and Land Charges remain vulnerable;
- the Benefits workload is at a higher level than before the recession. Agency staff are being used to address the workload and to fill any vacancies due to uncertainties relating to Universal Credit;

- Council Tax collection rates, though currently in line with the previous year, could be affected by increased unemployment and squeezed household incomes;
- Changes in the price of diesel could have an impact on Direct Services.

19. Planned savings through the generation of income, particularly from new partnership working, remain risk areas for the current and for future years.

Contacts:

Pav Ramewal	Chief Executive	ext. 7298
Adrian Rowbotham	Chief Finance Officer	ext. 7153
Helen Martin	Head of Finance	ext. 7483

Communities and Business – December 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Partnership – Home Office (Ext Funded)	23		This is partnership funding received in advance. Will be zero at year end.
Salaries (Ext Funded)	-23	-25	Additional externally funded salaries. Offset by additional external income.
Capital – Big Community Fund	-32		This is fully funded from the earmarked reserve at the year end.
Capital – Parish Projects	46	61	There are no current capital schemes in Parish projects, balance to be carried forward.

Future Issues/Risk Areas

Lesley Bowles
Chief Officer Communities and Business
January 2014

Corporate Support – December 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Estates Management – Buildings	-36	-70	£30k costs associated with facilitating the sale of 66 London Road. £40k variance due to the Council having to meet the business rates of properties now vacant pending disposal and the associated reduced rental income.
Support – Contact Centre	24	32	Underspend due to staff turnover during the year and one vacant post still remaining unfilled.
Support – General Admin	44	0	Forecast underspends on internal printing from Legal, Chief Exec, Finance, Transformation and HR totalling £28k offset by increased income from other print customers.
Salaries	38	36	Underspend due to staff turnover during the year and vacant posts still remaining unfilled.

Future Issues/Risk Areas

Chief Officer Corporate Support
January 2014

Environmental & Operational Services – December 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Asset Maintenance Car Parks	-22	-25	Essential car park maintenance undertaken in October. To be offset, partially, by £13,000 underspend on other asset maintenance budgets.
Asset Maintenance Direct Services	16		Maintenance spending on depots planned for later in the financial year.
Building Control	10	20	Income £5,000 below profile. Savings on structural checking fees. Shared management arrangement with T&MBC ended end of September 2013 (£23,000 shortfall in income). Savings made on salary costs by covering for a few months, one surveyor post. Fee income low December-February.
Car Parks	-51	-70	Income £55,000 below profile predominantly on pay and display.
CCTV	-12	-20	The challenging income budget is currently under achieving and has been partially offset by the savings on salaries and transmission costs.
EH Animal Control	-11	-12	Over expenditure on kennel fees and vet treatments for unclaimed stray dogs.
EH Environmental Protection	28	25	Savings on air quality monitoring costs.
Land Charges	18	15	Income £17,000 above profile.
Licensing Partnership Hub (Trading)	22		Licensing trading 'hub' currently £22,000 in 'Surplus'. If not spent on initiatives such as on-line forms, end of year 'surplus' is shared between the three licensing partners.
Licensing Regime	-9	-19	General licensing fees are £20k above profile which has helped to offset the other income lines which are currently underachieving.
Markets	-54	-68	Income budget for Swanley market £62,000 greater than tender price accepted. Over expenditure on cleaning and monitoring costs. Savings on salaries.
Parks & Recreation Grounds	-29		Overspend on Parks and Recreation areas offset by underspends on Estate Management – Grounds and Parks Rural.
Parks – Rural	25		See above.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Refuse Collection	15		2nd quarter recycling credits requested. One-off grant received from Salvation Army for textile recycling.
Street Naming	7	5	Income £4,000 above profile.
Support – Direct Services	18	6	Savings on printing and mobile phone costs. Further expenditure required on training.
Salaries – Licensing	19		Savings on salaries in the licensing admin 'hub' reflected in the licensing 'hub' accounts.
Salaries – Operational Services	232	232	Savings on Direct Services salaries due to vacancies partly offset by use of agency staff to maintain services. Reflected in Direct Services Trading Accounts.
Capital – Vehicle Purchases	429		Vehicle replacement programme will be delivered within approved budget. Any slippage is carried forward into the vehicle replacement fund. All vehicles now ordered.
Direct Services – Refuse	61	53	Underspend on salaries due to vacancies partly offset by additional costs of agency staff, fuel and transport repairs.
Direct Services – Workshop	44	44	Income £55,000 above profile, mainly on vehicle repairs. Expenditure £11,000 over profile, mainly on vehicle parts.
Direct Services – Green Waste	34	27	Income £33,000 above profile mainly due to annual bin permits.
Direct Services – Cesspools	-9	-16	Expenditure £11,000 above profile mainly on salaries and transport repairs. Income slightly above target.
Direct Services – Pest Control	-16	-15	Income £17,000 below profile on wasp nest treatments, however, £31,000 income generated on wasp nest treatments this year.
Direct Services – Grounds	-9	-15	Income fixed. Over expenditure on salaries and fixed transport.
Direct Services – Depot	23	19	Income from small construction team to profile. Over expenditure on utility charges. Underspend on supplies and services.
Direct Services - Trading Accounts Overall	160	119	Income £64,000 above profile. Expenditure £96,000 below profile

Future Issues/Risk Areas

Chief Officer Environmental & Operational Services
January 2014

Financial Services – December 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Admin Expenses – Community Director	8	12	Forecast amended to reflect year end position on accounts no longer in use.
Admin Expenses – Financial Services	16	9	Printing and staff training budgets are currently underspent.
Benefits Admin	42		£16,000 New Burdens Grant received from Government for Welfare Reform.
Corporate Management	7	66	Savings of £48k will off-set the shortfall in meeting the savings target for the senior management restructure which is explained further below.
Corporate Savings	-27	-38	The new senior management structure took effect in September. As a result the full year saving will not be met this year, giving a forecast annual variance of -£48k. Savings in the corporate management budget will off-set the shortfall this year. Additional savings of £10k have been achieved elsewhere in the Corporate Savings budget to reduce the overall variance to -£38k.
Dartford Partnership Hub (SDC Costs)	-171	-145	Additional resources to help address the Benefits increased workload. Both partners have agreed to provide additional funding. Total forecast is £290,000 of which half will be funded by Dartford BC.
Dartford Partnership Implementation & Project Costs	89	145	External funding received that will fund SDC's share of the Benefits increased workload above.
Local Tax	-4	2	Income behind profile but year end forecasting extra Council Tax court costs.
Members	19	20	This is underspent because some Councillors do not claim basic allowance and others do not claim the increases.
Misc. Finance	36	58	Savings on rent and rates for 66 London Road following sale of the site. £50,000 of this saving has been moved to Property to fund initial investigations into potential property developments. Discretionary Rate Relief budget is no longer required due to the change to the Business Rates Retention Scheme.
Performance Improvement	14	14	The Council received a small New Burdens Grant for the administration of Community Rights legislation. This funding has been used prudently through the year and enabled a favourable variance of £14k to be forecast.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Support – Finance Function	65		Work on non finance partnerships is currently being contained within original resources.
Treasury Management	-9	-11	Additional costs of debit/credit card transactions.
Salaries	-146	-145	Agency staff are being used to help address the Benefits increased workload and to fill vacant posts due to the uncertain future caused by Universal Credit.

Future Issues/Risk Areas

Chief Finance Officer
January 2014

Housing – December 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Private Sector Housing	25	18	Part of the Housing Standards and Energy Conservation officer post is now externally funded which has created a short term saving. The energy conservation area is now 50% of a post within the Housing Policy team.
Salaries (Ext Funded)	27	37	A staff member has left plus there has also been a review of the team function. Note this is all externally funded and will not impact on Council budgets.
Capital – Improvement Grants (West Kent & SDC)	178		It is difficult to predict when works will be completed but the budget is to be reviewed.
Capital – SDC / RHPCG	-36		This is external funding and will not affect Council budgets.

Future Issues/Risk Areas

It is likely that for this year the DFG budget may be under spent by approx £80,000. The reason is that the service has recently been taken in-house from the HIA in December and will take a few months to develop the service. The in-house service will be reviewed at the end of November 2014.

Chief Housing Officer
January 2014

Legal & Governance – December 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Admin Expenses – Legal & Governance	15	15	Due to the reduction in Committee Reports we anticipate an underspend on internal printing.
Register of Electors	34		The annual canvass has been delayed in 2013 by Government so fees to canvassers will come online later. £6.5k is the Government grant for the introduction of individual electoral registration; costs are being drawn down over the coming months.
Support – Legal Function	18	21	Income generated from S106 agreements and miscellaneous sources exceeds expectations this year.

Future Issues/Risk Areas

Chief Officer Legal & Governance
January 2014

Planning Services – December 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Planning – Development Management	113	136	The overachievement on fee income is down to a relatively small number of high fee applications, including fees of c£58k, c£25k, c£22k, c£20k and c£18k for sites at West Kingsdown, Birchwood School, Hartley, Mackerels Plain and The Farmers in Sevenoaks. There remains an underspend on pay due to several factors - staff working reduced hours, vacancy, and maternity leave.
Salaries	25	25	The current underspend is due to a variety of factors including filling vacant posts, staff sickness, maternity leave and an element of part time working.
Capital – Affordable Housing	-342		Met from monies secured by S106 planning obligations. This will be financed at the end of the year.

Future Issues/Risk Areas

Future Judicial Reviews, including Forge Field, and appeals.

Chief Planning Officer
January 2014

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2. Overall Summary

December 13 - Final

	Period Budget £'000	Period Actual £'000	Period Variance £'000	Period Variance %	Y-T-D Budget £'000	Y-T-D Actual £'000	Y-T-D Variance £'000	Y-T-D Variance %	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	2012/13 Actual £'000
Communities and Business	47	74	- 27	-57	742	704	37	5	1,008	1,005	3	966
Corporate Support	192	160	32	16	2,391	2,330	61	3	3,083	3,120	- 37	2,808
Environmental and Operational Services	183	225	- 43	-23	2,002	1,985	17	1	2,502	2,633	- 130	2,816
Financial Services	338	257	81	24	3,077	2,970	107	3	4,718	4,567	151	4,408
Housing	55	52	2	4	609	579	30	5	772	763	9	728
Legal and Governance	46	37	8	18	473	407	66	14	616	580	36	593
Planning Services	116	121	- 4	-4	989	865	124	12	1,376	1,240	136	1,261
NET EXPENDITURE (1)	**977**	**927**	50	5	**10,284**	**9,841**	443	4	**14,075**	**13,908**	167	**13,579**
Adjustments to reconcile to Amount to be met from Reserves												
Direct Services Trading Accounts	27	- 7	34	126	- 82	- 242	160	195	- 64	- 182	119	- 73
Capital charges outside General Fund	- 5	- 5	0	7	- 44	- 47	3	7	- 58	- 58	-	- 54
Support Services outside General Fund	- 11	- 11	0	0	- 103	- 103	0	0	- 138	- 138	-	- 167
Redundancy Costs - all	-	-	-	-	-	7	- 7	-	-	-	-	-
NET EXPENDITURE (2)	987	903	84	9	10,055	9,456	599	6	13,816	13,530	286	13,285
Government Grant	- 458	- 458	-	0	- 4,124	- 4,124	-	0	- 5,498	- 5,498	-	- 4,646
Council Tax Requirement - SDC	- 727	- 727	-	0	- 6,546	- 6,546	-	0	- 8,728	- 8,728	-	- 9,251
NET EXPENDITURE (3)	**- 198**	**- 282**	**84**	**-42**	**- 615**	**- 1,214**	**599**	**97**	**- 410**	**- 696**	**286**	**- 612**
Summary including investment income												
Net Expenditure	*- 198*	*- 282*	*84*	*-42*	*- 615*	*- 1,214*	*599*	97	*- 410*	*- 696*	*286*	*- 612*
Investment Impairment	-	-	-	*0*	-	-	-	0	-	-	-	-
Interest and Investment Income	*- 24*	*- 21*	*- 3*	*10*	*- 191*	*- 207*	*15*	*8*	*- 229*	*- 236*	*7*	*- 323*
Overall total	*- 222*	*- 304*	*81*	*37*	*- 806*	*- 1,421*	*615*	*76*	*- 639*	*- 932*	*293*	*- 935*
Planned appropriation (from)/to Reserves									655	655	-	-
Supplementary appropriation from Reserves (Christmas car parking approved by Council Dec 13)									- 16	- 16	-	-
												-
Surplus									-	*- 293*	*293*	*- 935*

. Net Service Expenditure for each Chief Officer - analysed by Budget area

December 13 - Final

ommunities & Business	Period Budget £'000	Period Actual £'000	Period Variance £'000	Period Variance %	Y-T-D Budget £'000	Y-T-D Actual £'000	Y-T-D Variance £'000	Y-T-D Variance %	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	2012/13 Actual £'000
SDC Funded												
Administrative Expenses - Communities & Business	1	0	1	73	10	6	4	38	14	14	-	9
All Weather Pitch	- 0	- 0	0	-	- 1	- 2	0	4	- 2	- 2	-	- 2
Community Development Service Provisions	- 0	-	- 0	-	- 1	- 5	4	266	- 2	- 2	-	- 11
Community Safety	17	23	- 5	- 31	154	153	1	1	205	205	-	205
Economic Development	3	4	- 1	- 31	35	39	- 5	- 13	45	45	-	41
Grants to Organisations	2	2	0	2	175	175	0	0	183	183	-	178
Health Improvements	4	3	0	8	34	32	2	5	45	45	-	42
Leisure Contract	11	16	- 6	- 53	158	152	5	3	281	281	-	259
Leisure Development	-	-	-	-	15	15	-	-	20	20	-	20
STAG Community Arts Centre	-	-	-	-	75	75	0	1	75	75	-	100
The Community Plan	5	5	0	7	48	49	- 1	- 2	64	64	-	59
Tourism	2	2	- 0	- 1	26	24	2	8	29	29	-	24
West Kent Partnership	3	3	- 1	- 23	- 5	1	- 6	- 113	-	-	-	-
Youth	2	2	- 0	- 13	26	24	2	8	49	46	3	39
Total Communities & Business (SDC Funded)	49	60	- 11	- 23	749	739	10	1	1,008	1,005	3	966
Externally Funded												
Big Community Fund	-	-	-	-	-	1	- 1	-	-	-	-	-
Choosing Health WK PCT	10	9	1	10	1	7	- 6	- 382	-	-	-	-
Falls Prevention	-	1	- 1	-	-	3	- 3	-	-	-	-	-
Local Strategic Partnership	-	-	-	-	-	1	- 1	-	-	-	-	-
New Ash Green	-	1	- 1	-	-	2	- 2	-	-	-	-	-
Partnership - Home Office	- 12	2	- 14	- 117	- 9	- 31	23	257	-	-	-	-
PCT Health Checks	-	- 1	1	-	-	- 3	3	-	-	-	-	-
PCT Initiatives	-	1	- 1	-	-	- 8	8	-	-	-	-	-
Troubled Families Project	-	-	-	-	-	0	- 0	-	-	-	-	-
West Kent Partnership Business Support	-	-	-	-	-	- 6	6	-	-	-	-	-
Total Communities & Business (Ext Funded)	- 2	14	- 16	- 885	- 7	- 35	28	381	-	-	-	-
Total Communities & Business	**47**	**74**	**- 27**	**- 57**	**742**	**704**	**37**	**5**	**1,008**	**1,005**	**3**	**966**

. Net Service Expenditure for each Chief Officer - analysed by Budget area

December 13 - Final

orporate Support	Period Budget £'000	Period Actual £'000	Period Variance £'000	Period Variance %	Y-T-D Budget £'000	Y-T-D Actual £'000	Y-T-D Variance £'000	Y-T-D Variance %	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	2012/13 Actual £'000
Administrative Expenses - Corporate Support	2	2	- 0	- 12	19	23	- 4	- 21	25	25	-	23
Administrative Expenses - Human Resources	1	1	0	37	10	3	7	71	16	10	6	14
Administrative Expenses - Property	0	0	- 0	-	3	1	2	74	4	4	-	-
Asset Maintenance Argyle Road	-	-	-	-	25	20	5	21	45	45	-	22
Asset Maintenance Hever Road	-	0	- 0	-	4	2	2	59	6	6	-	-
Asset Maintenance IT	14	17	- 3	- 22	245	245	- 1	- 0	290	290	-	300
Asset Maintenance Leisure	- 1	- 6	5	482	84	75	9	10	165	165	-	91
Asset Maintenance Other Corporate Properties	-	-	-	-	10	5	5	49	30	30	-	21
Asset Maintenance Sewage Treatment Plants	-	0	- 0	-	8	3	5	66	8	8	-	-
Asset Maintenance Support & Salaries	8	7	1	13	71	75	- 4	- 5	95	95	-	118
Bus Station	-	0	- 0	-	13	9	4	31	14	14	-	9
Estates Management - Buildings	- 6	- 15	9	136	- 33	4	- 36	- 111	- 72	- 2	- 70	- 40
Housing Premises	- 0	- 2	2	-	- 9	- 8	- 0	- 5	- 8	- 8	-	- 10
Support - Central Offices	35	19	15	44	364	358	6	2	405	405	-	385
Support - Central Offices - Facilities	19	18	2	9	165	159	6	4	247	247	-	239
Support - Contact Centre	36	32	4	11	306	282	24	8	414	382	32	379
Support - General Admin	15	11	4	29	180	135	44	25	234	234	-	235
Support - Human Resources	17	20	- 3	- 18	175	184	- 8	- 5	237	242	- 5	209
Support - IT	46	48	- 2	- 5	633	632	0	0	792	792	-	685
Support - Local Offices	0	-	0	-	54	53	1	1	55	55	-	52
Support - Nursery	-	0	- 0	-	-	2	- 2	-	-	-	-	3
Support - Property Function	6	8	- 1	- 22	66	70	- 4	- 7	84	84	-	72
Total Corporate Support	**192**	**160**	**32**	**16**	**2,391**	**2,330**	**61**	**3**	**3,083**	**3,120**	**- 37**	**2,808**

. **Net Service Expenditure for each Chief Officer - analysed by Budget area**

December 13 - Final

nvironmental and Operational Services	Period Budget £'000	Period Actual £'000	Period Variance £'000	Period Variance %	Y-T-D Budget £'000	Y-T-D Actual £'000	Y-T-D Variance £'000	Y-T-D Variance %	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	2012/13 Actual £'000
Administrative Expenses - Building Control	1	0	0	54	7	3	3	49	9	9	-	8
Administrative Expenses - Direct Services	- 1	0	- 1	- 100	- 5	- 0	- 5	- 100	- 9	- 9	-	-
Administrative Expenses - Health	2	1	1	59	19	9	9	51	25	25	-	12
Administrative Expenses - Transport	2	0	2	83	12	5	7	59	18	18	-	7
Air Quality (Ext Funded)	-	- 2	2	-	-	1	- 1	-	-	-	-	-
Asset Maintenance Car Parks	1	34	- 33	- 2,522	12	34	- 22	- 191	16	41	- 25	55
Asset Maintenance CCTV	1	-	1	100	9	4	4	52	12	12	-	14
Asset Maintenance Countryside	0	-	0	-	9	-	9	100	10	5	5	2
Asset Maintenance Direct Services	2	1	1	38	20	5	16	77	27	27	-	25
Asset Maintenance Playgrounds	1	0	0	64	6	3	3	52	8	5	3	-
Asset Maintenance Public Toilets	1	0	1	87	6	0	6	95	8	3	5	-
Building Control	- 11	6	- 18	- 158	- 68	- 78	10	15	- 97	- 117	20	- 58
Building Control Discretionary Work	- 0	1	- 1	-	- 0	3	- 4	-	- 0	- 0	-	2
Car Parks	- 148	- 142	- 6	- 4	- 1,181	- 1,130	- 51	- 4	- 1,654	- 1,584	- 70	- 1,448
CCTV	12	14	- 2	- 20	191	203	- 12	- 6	244	264	- 20	271
Civil Protection	2	2	0	14	25	22	3	12	32	32	-	25
Dangerous Structures	2	2	0	7	17	16	1	5	22	22	-	20
Dartford Environmental Hub (SDC Costs)	- 0	- 0	- 0	-	- 0	0	- 0	-	-	-	-	-
EH Animal Control	0	- 0	0	-	1	11	- 11	- 1,692	1	13	- 12	22
EH Commercial	22	22	0	0	196	190	6	3	262	262	-	239
EH Environmental Protection	31	29	2	6	301	274	28	9	393	368	25	355
Emergency	5	5	- 0	- 2	46	45	2	3	62	62	-	58
Environmental Health Partnership	-	-	-	-	-	-	-	-	-	-	-	-
Estates Management - Grounds	8	16	- 8	- 101	71	68	3	5	95	95	-	86
Land Charges	- 6	- 5	- 1	- 10	- 73	- 91	18	24	- 91	- 106	15	- 85
Licensing Partnership Hub (Trading)	- 0	- 4	4	-	- 0	- 22	22	-	-	-	-	-
Licensing Partnership Members	-	-	-	-	-	-	-	-	-	-	-	-
Licensing Regime	5	5	- 0	- 0	- 18	- 9	- 9	- 49	- 3	16	- 19	10
Markets	- 15	- 6	- 9	- 58	- 195	- 140	- 54	- 28	- 261	- 193	- 68	- 156
On-Street Parking	- 29	- 15	- 13	- 46	- 296	- 290	- 6	- 2	- 406	- 406	-	- 345
Parks and Recreation Grounds	8	13	- 5	- 63	73	101	- 29	- 40	97	97	-	124
Parks - Rural	7	4	3	40	60	35	25	42	80	80	-	65
Public Conveniences	3	4	- 1	- 37	32	40	- 8	- 25	41	41	-	49
Public Transport Support	0	0	- 0	-	0	1	- 1	-	0	0	-	1
Refuse Collection	173	144	29	17	1,764	1,749	15	1	2,281	2,281	-	2,248

Street Cleansing	97	95	2	2	910	909	2	0	1,213	1,213	-	1,163
Street Naming	1	0	1	66	10	3	7	65	13	8	5	3
Support - Direct Services	4	0	4	92	39	21	18	47	52	46	6	39
Support - Health and Safety	1	1	0	7	13	9	5	34	18	18	-	20
Taxis	2	- 0	2	102	- 11	- 19	8	71	- 16	- 16	-	- 12
Total Environmental and Operational Services	**183**	**225**	**- 43**	**- 23**	**2,002**	**1,985**	**17**	**1**	**2,502**	**2,633**	**- 130**	**2,816**

. Net Service Expenditure for each Chief Officer - analysed by Budget area

December 13 - Final

inancial Services	Period Budget £'000	Period Actual £'000	Period Variance £'000	Period Variance %	Y-T-D Budget £'000	Y-T-D Actual £'000	Y-T-D Variance £'000	Y-T-D Variance %	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	2012/13 Actual £'000
Action and Development	1	-	1	100	5	0	5	95	7	7	-	6
Administrative Expenses - Chief Executive	1	0	1	80	10	5	5	51	13	12	2	7
Administrative Expenses - Community Director	1	0	1	76	11	3	8	76	14	3	12	7
Administrative Expenses - Corporate Director	1	-	1	100	5	6	- 1	- 14	7	6	1	6
Administrative Expenses - Financial Services	3	5	- 1	- 31	31	15	16	52	42	33	9	29
Administrative Expenses - Transformation and Strategy	1	0	0	23	5	2	2	47	6	4	2	-
Benefits Admin	- 28	- 48	21	75	- 124	- 166	42	34	863	863	-	1,008
Benefits Grants	- 43	- 35	- 8	- 20	- 388	- 388	0	0	- 659	- 659	-	- 659
Consultation and Surveys	-	-	-	-	-	3	- 3	-	3	3	-	-
Corporate Management	56	38	18	31	533	526	7	1	744	678	66	842
Corporate Savings	3	-	3	100	- 27	-	- 27	- 100	13	51	- 38	-
Dartford Partnership Hub (SDC costs)	153	150	3	2	1,379	1,550	- 171	- 12	- 3	142	- 145	- 541
Dartford Partnership Implementation & Project Costs	14	- 10	25	170	- 73	- 162	89	122	- 30	- 175	145	-
Equalities Legislation	-	-	-	-	17	14	3	20	17	14	3	13
External Communications	12	8	4	33	108	103	4	4	143	139	4	136
Housing Advances	-	-	-	-	5	2	2	49	5	2	2	3
Local Tax	- 54	- 73	19	35	- 426	- 422	- 4	- 1	127	126	2	346
Members	34	30	4	12	306	287	19	6	407	387	20	366
Misc. Finance	140	147	- 7	- 5	1,298	1,262	36	3	2,276	2,218	58	2,157
Performance Improvement	-	-	-	-	6	- 9	14	251	6	- 8	14	5
Support - Audit Function	- 11	- 9	- 2	- 22	- 32	- 27	- 5	- 16	145	145	-	161
Support - Exchequer and Procurement	19	17	1	6	104	99	4	4	135	135	-	127
Support - Finance Function	19	12	7	37	168	103	65	39	224	224	-	130
Support - General Admin	10	8	2	23	92	86	6	6	123	118	5	146
Treasury Management	8	16	- 9	- 118	68	77	- 9	- 14	90	101	- 11	111
Total Financial Services	**338**	**257**	**81**	**24**	**3,077**	**2,970**	**107**	**3**	**4,718**	**4,567**	**151**	**4,408**

. Net Service Expenditure for each Chief Officer - analysed by Budget area

December 13 - Final

ousing	Period Budget £'000	Period Actual £'000	Period Variance £'000	Period Variance %	Y-T-D Budget £'000	Y-T-D Actual £'000	Y-T-D Variance £'000	Y-T-D Variance %	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	2012/13 Actual £'000
Administrative Expenses - Housing	1	1	1	56	13	14	- 2	- 13	17	22	- 5	12
Energy Efficiency	1	2	- 1	- 95	19	23	- 4	- 24	22	31	- 8	22
Gypsy Sites	- 2	- 1	- 1	- 45	- 17	- 19	2	12	- 23	- 20	- 3	- 24
Homeless	8	6	2	22	71	65	7	9	106	97	9	116
Homelessness Funding	3	2	1	26	26	20	6	25	-	-	-	-
Homelessness Prevention	-	- 6	6	-	-	-	-	-	-	-	-	-
Housing	26	29	- 2	- 8	348	349	- 1	- 0	438	440	- 2	378
Housing Initiatives	1	0	1	90	6	3	3	46	8	8	-	9
Housing Option - Trailblazer	-	5	- 5	-	-	5	- 5	-	-	-	-	-
KCC Loan Scheme	-	-	-	-	-	-	-	-	-	-	-	- 1
Leader Programme	1	0	0	64	7	6	0	4	9	9	-	9
Needs and Stock Surveys	-	-	-	-	-	-	-	-	13	13	-	13
Private Sector Housing	15	15	1	4	137	112	25	18	182	164	18	174
Total Housing	**55**	**52**	**2**	**4**	**609**	**579**	**30**	**5**	**772**	**763**	**9**	**728**

. Net Service Expenditure for each Chief Officer - analysed by Budget area

December 13 - Final	Period Budget	Period Actual	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 Variance	2012/13 Actual
egal and Governance	£'000	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000
Administrative Expenses - Legal and Governance	3	2	1	33	58	44	15	25	73	58	15	67
Civic Expenses	0	0	0	-	14	14	0	3	15	15	-	13
Committee Admin	9	8	1	7	79	77	3	3	106	106	-	93
Elections	7	3	4	61	49	52	- 4	- 8	71	71	-	65
Register of Electors	8	8	0	2	111	77	34	31	135	135	-	117
Support - Legal Function	18	16	2	11	162	144	18	11	216	195	21	237
Total Legal and Governance	**46**	**37**	**8**	**18**	**473**	**407**	**66**	**14**	**616**	**580**	**36**	**593**

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. Net Service Expenditure for each Chief Officer - analysed by Budget area

December 13 - Final

lanning Services	Period Budget £'000	Period Actual £'000	Period Variance £'000	Period Variance %	Y-T-D Budget £'000	Y-T-D Actual £'000	Y-T-D Variance £'000	Y-T-D Variance %	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	2012/13 Actual £'000
Administrative Expenses - Planning Services	3	2	0	13	24	21	3	12	31	31	-	21
Affordable Housing	-	-	-	-	-	3	- 3	-	-	-	-	-
Conservation	4	1	4	86	39	37	1	3	52	52	-	44
LDF Expenditure	-	-	-	-	-	0	- 0	-	-	-	-	-
Planning - Appeals	15	14	1	5	140	142	- 3	- 2	185	189	- 4	166
Planning - Counter	- 0	- 0	0	-	- 0	- 0	0	-	- 0	- 0	-	-
Planning - Development Management	34	38	- 4	- 12	316	202	113	36	409	273	136	429
Planning - Enforcement	22	21	1	5	203	194	9	4	270	265	5	259
Planning Policy	38	44	- 6	- 17	269	266	4	1	429	430	- 1	342
Total Planning Services	**116**	**121**	**- 4**	**- 4**	**989**	**865**	**124**	**12**	**1,376**	**1,240**	**136**	**1,261**
0	977	927	50	5	10,284	9,841	443	4	14,075	13,908	167	13,579

4. Cumulative Salary Monitoring

December 13 - Final	**Period Budget £'000**	**Period Actual £'000**	**Period Variance £'000**	**Period Variance %**	**Y-T-D Budget £'000**	**Y-T-D Actual £'000**	**Y-T-D Variance £'000**	**Y-T-D Variance %**	**Annual Budget £'000**	**Annual Forecast (including Accruals) £'000**	**Annual Variance £'000**
Communities and Business	30	30	0	1	276	279	- 2	- 1	369	369	-
Corporate Support	147	151	- 4	- 2	1,266	1,228	38	3	1,712	1,676	36
Environmental & Operational Services:	431	400	31	7	3,894	3,624	270	7	5,193	4,960	232
- Building Control	*32*	*32*	*- 0*	*- 0*	*300*	*292*	*8*	*3*	*400*	*400*	*-*
- Environmental Health	*50*	*49*	*1*	*3*	*453*	*451*	*2*	*1*	*604*	*604*	*-*
- Licensing	*24*	*21*	*3*	*12*	*218*	*199*	*19*	*9*	*291*	*291*	*-*
- Operational Services	*288*	*262*	*26*	*9*	*2,576*	*2,344*	*232*	*9*	*3,441*	*3,208*	*232*
- Parking & Amenity Services	*37*	*36*	*1*	*3*	*346*	*338*	*9*	*2*	*456*	*456*	*-*
Financial Services	201	204	- 3	- 1	1,918	2,064	- 146	- 8	2,524	2,669	- 145
Housing	47	40	7	14	449	452	- 2	- 1	589	591	- 2
Legal & Governance	44	43	1	3	411	409	2	0	544	544	-
Planning Services	159	161	- 2	- 1	1,380	1,356	25	2	1,829	1,804	25
Sub Total	1,059	1,029	30	3	9,595	9,411	183	2	12,760	12,613	147
Council Wide - Vacant Posts	9	-	9	100	- 17	-	- 17	- 100	- 9	- 4	- 5
Performance Award Contingency	-	-	-	-	-	-	-	-	48	-	48
Market Premiums	- 5	-	- 5	- 100	- 11	-	- 11	- 100	22	7	15
TOTAL SDC Funded Salary Costs	**1,063**	**1,029**	**34**	**3**	**9,567**	**9,411**	**156**	**2**	**12,821**	**12,616**	**205**
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.											
Communities and Business Ext. Funded	9	12	- 3	- 31	84	107	- 23	- 27	112	137	- 25
Housing Ext. Funded	16	24	- 7	- 44	147	121	27	18	196	159	37
	26	36	- 10	- 39	231	228	4	2	309	297	12
TOTAL All Salary Costs	1,088	1,065	24	2	9,799	9,639	160	2	13,130	12,913	217
Less Allocs to Trading a/cs inc Ext Funded TASK	- 243	- 218	- 25	- 10	- 2,185	- 1,958	- 227	- 10	- 2,913	- 2,913	-
Less Allocations to Capital and Asset maint. etc	-	-	-	-	-	-	-	-	-	-	-
Check total to Pay Costs	**846**	**847**	**- 1**	**- 0**	**7,614**	**7,681**	**- 67**	**- 1**	**10,216**	**10,000**	**217**

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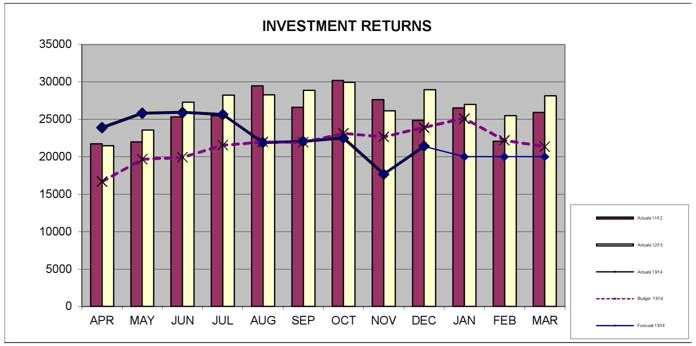
DIRECT SERVICES SUMMARY

Dec-13	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
Income																	
Refuse	-184	-186	1%	1	-1,648	-1,654	0%	6	-2,197	-2,200	3	40	-21	61	53		53
Street Cleaning	-96	-97	1%	1	-868	-873	1%	5	-1,157	-1,160	3	32	25	7	43	36	7
Trade	-26	-23	-11%	-3	-286	-288	1%	1	-364	-364		-39	-48	9	-35	-44	9
Workshop	-44	-45	2%	1	-398	-454	14%	55	-531	-590	59	-8	-52	44	-10	-54	44
Green Waste	-12	-15	25%	3	-338	-371	10%	33	-408	-435	27	-76	-110	34	-70	-97	27
Premises Cleaning	-7	-7	0%		-87	-88	1%	1	-108	-108		-9	-15	5	-5	-8	3
Cesspools	-21	-21	-1%		-187	-190	1%	3	-250	-250		-24	-15	-9	-31	-15	-16
Pest Control	-4	-3	-27%	-1	-71	-51	-27%	-19	-80	-60	-20	-11	6	-16		15	-15
Grounds	-10	-10	0%		-93	-93	1%	1	-126	-126		-5	5	-9	-11	4	-15
Fleet	-66	-62	-6%	-4	-596	-573	-4%	-23	-795	-795			-8	8			
Depot	-30	-23	-25%	-8	-186	-187	1%	2	-274	-272	-2	16	-7	23	2	-17	19
Emergency	-4	-4	0%		-36	-36	0%		-48	-48		1	-2	4	2	-2	4
Total Income	**-506**	**-496**	**-2%**	**-10**	**-4,794**	**-4,857**	**1%**	**64**	**-6,339**	**-6,408**	**69**	**-82**	**-242**	**160**	**-64**	**-182**	**119**
Expenditure																	
Refuse	187	171	9%	16	1,687	1,633	3%	54	2,250	2,200	50						
Street Cleaning	100	99	1%	1	900	897	0%	2	1,200	1,196	4						
Trade	27	28	0%		247	240	3%	7	329	320	9						
Workshop	43	43	2%	1	391	402	-3%	-11	521	536	-15						
Green Waste	36	25	31%	11	262	261	0%	1	338	338							
Premises Cleaning	9	6	28%	2	78	73	6%	4	103	100	3						
Cesspools	18	19	-4%	-1	164	175	-7%	-11	219	235	-16						
Pest Control	7	6	7%		60	57	5%	3	80	75	5						
Grounds	9	7	14%	1	88	98	-11%	-10	114	130	-16						
Fleet	66	61	8%	6	596	565	5%	31	795	795							
Depot	26	20	22%	6	202	180	11%	21	276	255	21						
Emergency	4	4	3%		37	34	9%	4	50	46	4						
Total Expenditure	**533**	**489**	**8%**	**44**	**4,711**	**4,615**	**2%**	**96**	**6,275**	**6,226**	**49**						
Net	**27**	**-7**	**-127%**	**34**	**-82**	**-242**	**195%**	**160**	**-64**	**-182**	**119**						

INVESTMENT RETURNS

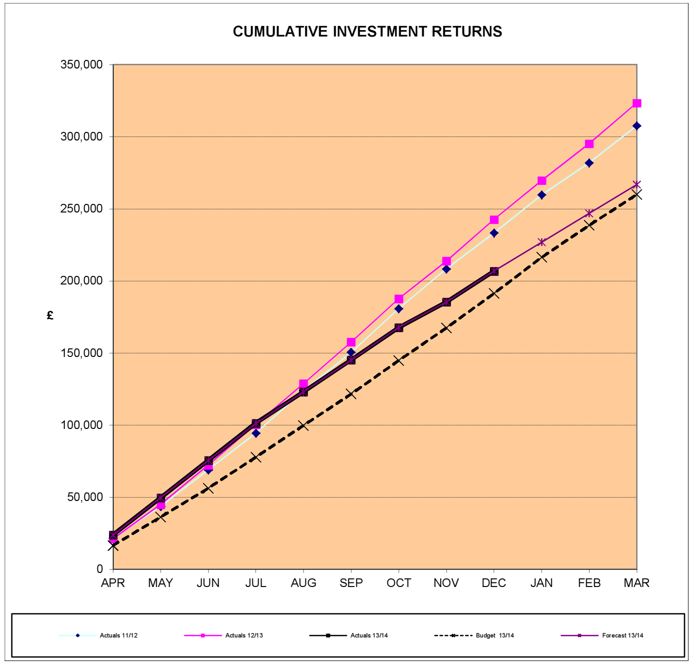
INVESTMENT RETURNS

	Actuals 11/12	*Actuals* 12/13	***Actuals* 13/14**	***Budget* 13/14**	***Variance***	***Forecast* 13/14**
APR	**21,722**	**21,489**	**23,889**	16,680	**7,209**	**23,900**
MAY	**21,983**	**23,571**	**25,821**	19,662	**6,159**	**25,800**
JUN	**25,342**	**27,280**	**25,924**	19,910	**6,014**	**25,900**
JUL	**25,498**	**28,227**	**25,660**	21,538	**4,122**	**25,700**
AUG	**29,446**	**28,256**	**21,900**	21,963	**-63**	**21,900**
SEP	**26,586**	**28,853**	**22,069**	21,931	**138**	**22,100**
OCT	**30,200**	**29,941**	**22,500**	23,118	**-618**	**22,500**
NOV	**27,636**	**26,144**	**17,673**	22,656	**-4,983**	**17,700**
DEC	**24,871**	**28,954**	**21,411**	23,914	**-2,503**	**21,400**
JAN	**26,525**	**26,999**		25,109		**20,000**
FEB	**22,078**	**25,505**		22,172		**20,000**
MAR	**25,935**	**28,159**		21,347		**20,000**
	307,822	**323,378**	**206,847**	**260,000**	**15,475**	**266,900**



INVESTMENT RETURNS (CUMULATIVE)

	Actuals 11/12	*Actuals* 12/13	***Actuals* 13/14**	***Budget* 13/14**	***Variance***	***Forecast* 13/14**
APR	**21,722**	**21,489**	**23,889**	16,680	**7,209**	**23,900**
MAY	**43,705**	**45,060**	**49,710**	36,342	**13,368**	**49,700**
JUN	**69,047**	**72,340**	**75,634**	56,252	**19,382**	**75,600**
JUL	**94,545**	**100,567**	**101,294**	77,790	**23,504**	**101,300**
AUG	**123,991**	**128,823**	**123,194**	99,753	**23,441**	**123,200**
SEP	**150,577**	**157,676**	**145,263**	121,684	**23,579**	**145,300**
OCT	**180,777**	**187,617**	**167,763**	144,802	**22,961**	**167,800**
NOV	**208,413**	**213,761**	**185,436**	167,458	**17,978**	**185,500**
DEC	**233,284**	**242,715**	**206,847**	191,372	**15,475**	**206,900**
JAN	**259,809**	**269,714**		216,481		**226,900**
FEB	**281,887**	**295,219**		238,653		**246,900**
MAR	**307,822**	**323,378**		**260,000**		**266,900**



BUDGET FOR 2013/14 **260,000**
FORECAST OUTTURN **266,900**

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 **0.7488%**
7 Day LIBID **0.3816%**
3 Month LIBID **0.4887%**

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STAFFING STATISTICS
December 2013

	BDGT BOOK FTE REV	STAFF FTE	AGENCY STAFF	CASUAL FTE	TOTAL	COMMENTS / VARIATIONS	NOVEMBER TOTALS
Communities and Business	8.54	8.00	0.00	0.97	8.97		9.31
Corporate Support	58.03	56.12	1.00	0.00	57.12	Now includes Contact Centre, Human Resources, Secretariat and Property	57.12
Environmental & Operational Services	159.18	144.57	8.95	0.55	154.07		156.59
Operational Services	115.77	*104.16*	*8.95*	*0.55*	*113.66*	Includes Grounds Maintenance, plus D Boorman	116.18
Env Health	12.57	*12.57*	*0.00*	*0.00*	*12.57*		*12.57*
Licensing	8.81	*7.81*	*0.00*	*0.00*	*7.81*		*7.81*
Parking	12.61	*11.61*	*0.00*	*0.00*	*11.61*	Still includes R Froud (Should be Op Services)	*11.61*
Surveying Services	9.42	8.42	0.00	0.00	8.42	Was Building Control, now includes Land Charges	*8.42*
Financial Services	63.46	59.93	5.00	0.92	65.85	Includes P Pamewal, plus Transformation & Strategy. No longer includes Human Resources, Contact Centre or Property. All now in Corporate Support	66.56
Housing	11.89	13.24	0.00	0.00	13.24	No longer includes Communications	13.24
Legal and Governance	11.92	12.31	0.00	0.00	12.31	No longer includes 'Policy' - now Fin Serv or 'Land Charges' - now Surveying Services	11.31
Planning Services	47.19	47.07	2.00	0.00	49.07		*49.07*
Posts Removed under SMT Review	3.00						
SUB TOTAL	**363.21**	**341.24**	**16.95**	**2.44**	**360.63**		363.20
EXTERNALLY FUNDED POSTS							
Communities and Business	2.54	3.54	0.00	0.00	3.54	Includes Graduate Trainee Economic Development Officer	3.54
Housing	6.00	4.49	0.00	0.00	4.49	1 post is part funded by SDC (see Housing permanent posts).	4.49
SUB TOTAL	**8.54**	**8.03**	**0.00**	**0.00**	**8.03**		8.03
TOTALS	**371.75**	**349.27**	**16.95**	**2.44**	**368.66**		**371.23**
							0.00

Reserves

	01/04/13 £000	Movement in month £000	Cumulative to date £000	Balance as at end December 13 £000	31/3/14 budget £000	31/3/14 forecast £000
Provisions						
Edenbridge Relief Road Compensation	*0*			**0**	0	*0*
Accumulated Absences	*152*			**152**	152	*152*
Municipal Mutual Insurance (MMI)	*305*			**305**	211	*255*
Others	*34*			**34**	0	*0*
	491	**0**	**0**	**491**	*363*	*407*
Capital Receipts(Gross)	*1,693*	**50**	**2,222**	**3,915**	2,915	*4,365*
Note: this balance will reduce at year end as the receipts are used to finance capital expenditure						
Earmarked Reserves						
Financial Plan	5,224			**5,224**	4,635	*4,644*
Budget Stabilisation	4,051		**1**	**4,052**	4,703	*5,223*
New Homes Bonus	594			**594**	406	*259*
Housing Benefit subsidy	1,021			**1,021**	1,161	*1,020*
Asset Maintenance	1,000			**1,000**	1,000	*1,000*
First Time Sewerage	915			**915**	715	*915*
Vehicle Renewal	508			**508**	292	*309*
Reorganisation (previously Termination)	386			**386**	-21	*486*
LDF	520	**-19**	**-23**	**497**	456	*597*
Community Development	460		**-23**	**437**	470	*460*
Carry Forward Items	144	**-1**	**-85**	**59**	222	*53*
Action and Development	395			**395**	295	*395*
Vehicle Insurance	277			**277**	287	*277*
Pension Valuation	810			**810**	1,018	*1,200*
Big Community Fund	110			**110**	0	*0*
Rent Deposit Guarantees	112			**112**	82	*112*
Local Strategic Partnership	76			**76**	82	*76*
Homelessness Prevention	197	**-11**	**-45**	**152**	134	*163*
IT Asset Maintenance	315			**315**	0	*0*
Others	516	**1**	**6**	**522**	432	*625*
	17,631	***-29***	***-170***	***17,461***	*16,369*	*17,814*
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	***23,528***				***23,360***	***26,299***

9. Capital

December 13 - Final

		Period Budget £'000	Period Actual £'000	Period Variance £'000	Period Variance %	Y-T-D Budget £'000	Y-T-D Actual £'000	Y-T-D Variance £'000	Y-T-D Variance %	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000
COMMDEV	Big Community Fund - Capital	-	4	- 4	-	-	32	- 32	-	-	-	-
COMMDEV	Parish Projects	15	-	15	100	46	-	46	100	61	-	61
ENVOPS	Vehicle Purchases	295	35	260	88	579	150	429	74	650	650	-
FINSERV	Horton Kirby Village Hall	-	0	- 0	-	-	0	- 0	-	-	-	-
HOUSING	Improvement Grants	29	13	17	57	265	150	115	43	353	353	-
HOUSING	WKHA Adaps for Disab Financing Costs Advances	21	11	10	48	187	124	63	34	250	250	-
HOUSING	SDC - HMO Grants	-	-	-	-	-	6	- 6	-	-	-	-
HOUSING	RHPCG 10-11 SDC	-	-	-	-	-	6	- 6	-	-	-	-
HOUSING	RHPCG - Discretionary Grants	-	-	-	-	-	24	- 24	-	-	-	-
ICT	Sevenoaks Town Centre	-	6	- 6	-	-	6	- 6	-	-	-	-
ICT	Police Co-Location	-	-	-	-	-	4	- 4	-	-	-	-
DEVCONT	Affordable Housing	-	-	-	-	-	342	- 342	-	-	-	-
		361	**70**	**291**	**81**	**1,077**	**845**	**232**	**22**	**1,314**	**1,253**	**61**

*Improvement Grants budget shown net of Government grant.

CUMULATIVE INCOME FIGURES December 2013

	ACTUAL	Comparison of 12/13 and 13/14, where a minus is 'bad news'	MANAGER'S PROFILED BUDGET	Variance, where a minus is 'bad news'	ANNUAL BUDGET	Annual Forecast
CAR PARKS	**1,450,641**	*-30,693*	**1,509,553**	-58,912	2,010,427	1,940,427
ON-STREET PARKING	**644,270**	*124,561*	**622,593**	21,677	841,790	841,790
LAND CHARGES	**137,872**	*21,685*	**124,110**	13,762	157,225	172,225
BUILDING CONTROL	**327,861**	*36,054*	**346,545**	-18,684	462,069	462,069
DEVELOPMENT MANAGEMENT	**591,447**	*165,873*	**506,205**	85,242	674,972	749,972
	3,152,090	***317,480***	**3,109,006**	**43,084**	**4,146,483**	**4,166,483**

10 Car Parks Graphs

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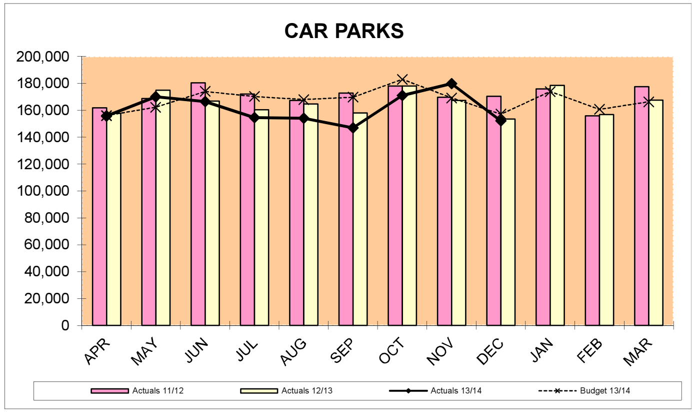
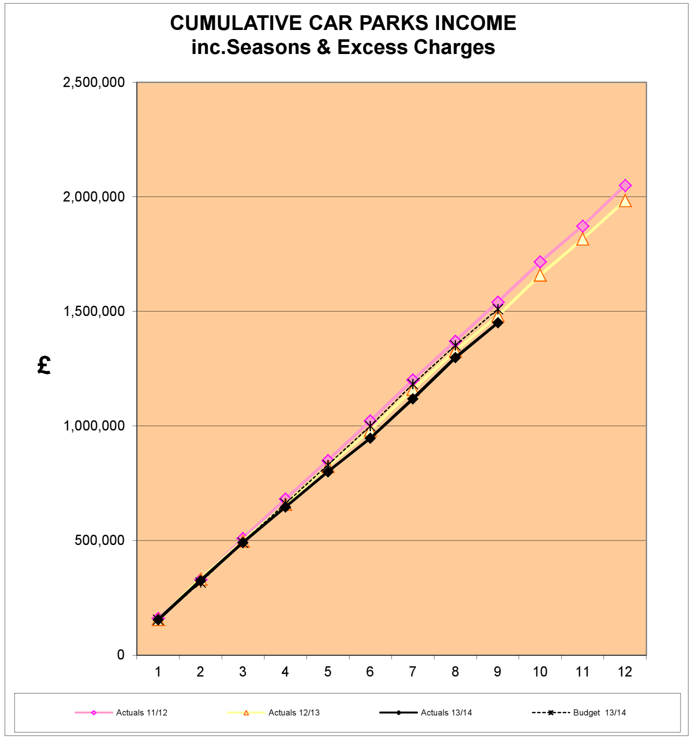
CAR PARKS (HWCARPK)

	Actuals 11/12	Actuals 12/13	***Actuals* 13/14**	*Increase / decrease from 12/13 to 13/14*	***Budget* 13/14**	*Variance (Actuals-Budget)*	*Manager's Forecast*
1 **APR**	161,707	157,819	**155,699**	*-2,120*	**156,090**	-391	
2 **MAY**	168,722	174,830	**169,965**	*-4,865*	**162,201**	7,764	
3 **JUN**	180,368	166,750	**166,396**	*-354*	**174,024**	-7,628	
4 **JUL**	171,960	160,431	**154,581**	*-5,850*	**170,262**	-15,681	
5 **AUG**	167,336	164,734	**154,033**	*-10,700*	**168,016**	-13,983	
6 **SEP**	172,793	157,977	**146,979**	*-10,999*	**169,718**	-22,739	
7 **OCT**	178,067	178,029	**170,958**	*-7,071*	**182,945**	-11,987	
8 **NOV**	169,631	167,264	**179,815**	*12,551*	**169,150**	10,665	
9 **DEC**	170,349	153,501	**152,215**	*-1,285*	**157,147**	-4,932	
10 **JAN**	175,979	178,423		*-178,423*	**173,935**	-173,935	
11 **FEB**	155,870	156,797		*-156,797*	**160,682**	-160,682	
12 **MAR**	177,420	167,622		*-167,622*	**166,257**	-166,257	
	2,050,202	**1,984,176**	**1,450,641**	***-533,535***	**2,010,427**	**-559,786**	**1,940,427**



CAR PARKS (CUMULATIVE)

	Actuals 11/12	Actuals 12/13	***Actuals* 13/14**	*Cumulative increase / decrease from 12/13 to 13/14*	***Budget* 13/14**	*Variance (Column E-G)*	*Manager's Forecast*
APR	161,707	157,819	**155,699**	*-2,120*	**156,090**	-391	
MAY	330,429	332,649	**325,664**	*-6,985*	**318,291**	7,373	
JUNE	510,797	499,399	**492,060**	*-7,339*	**492,315**	-255	
JUL	682,757	659,830	**646,641**	*-13,189*	**662,577**	-15,936	
AUG	850,093	824,563	**800,674**	*-23,889*	**830,593**	-29,919	
SEP	1,022,886	982,541	**947,653**	*-34,888*	**1,000,311**	-52,658	
OCT	1,200,953	1,160,569	**1,118,610**	*-41,959*	**1,183,256**	-64,646	
NOV	1,370,584	1,327,834	**1,298,425**	*-29,408*	**1,352,406**	-53,981	
DEC	1,540,933	1,481,334	**1,450,641**	*-30,693*	**1,509,553**	-58,912	
JAN	1,716,912	1,659,757		*-1,659,757*		0	
FEB	1,872,782	1,816,554		*-1,816,554*		0	
MAR	2,050,202	1,984,176		*-1,984,176*		0	1,940,427



DECEMBER 2013

CUMULATIVE BREAKDOWN

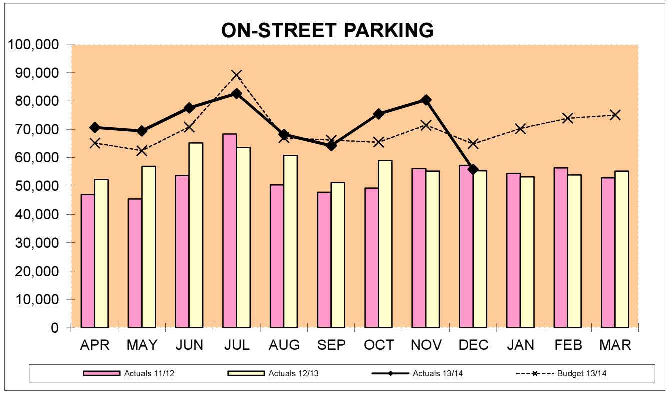
HWCARPK		**Actual (Cumulative)**	**Budget**	(Monthly)
DAY TICKETS	3300	**1,207,535**	**1,269,313**	127,195
EXCESS / PENALTY CHARGES	***1/***3	**(8)**	**-**	-
SEASON TICKETS	***2	**232,341**	**232,023**	23,969
OTHER (inc.Res.Pkg)	***9	**3,707**	**5,220**	1,042
WAIVERS	3404	**3,000**	**-**	10
RENT	94500	**4,065**	**2,997**	-
		1,450,641	**1,509,553**	152,215

Agenda Item 10

10 On-Street / Enforcement Graphs

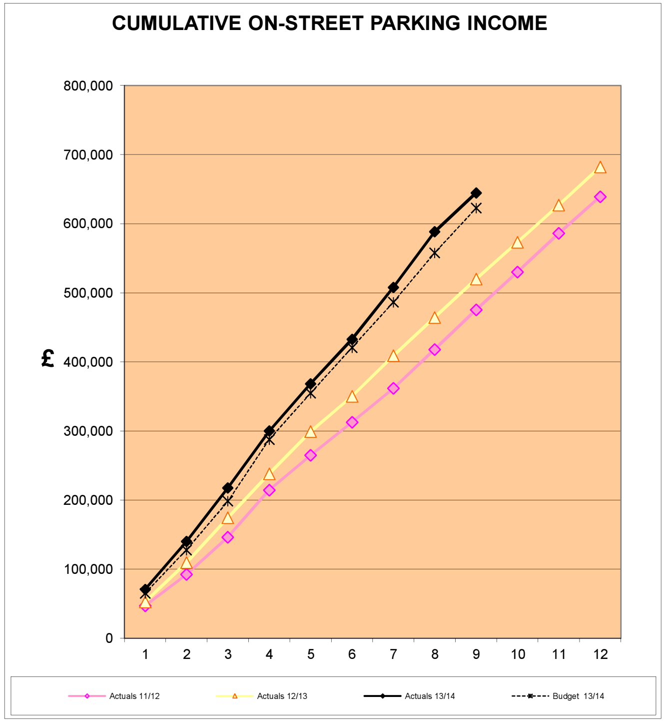
ON-STREET PARKING (HWDCRIM / HWENFORC)

	Actuals 11/12	Actuals 12/13	**Actuals 13/14**	*Increase / decrease from 12/13 to 13/14*	**Budget 13/14**	Variance (Actuals-Budget)	Manager's Forecast
1 APR	47,046	52,328	**70,633**	*18,304*	**65,155**	5,478	
2 MAY	45,408	56,995	**69,381**	*12,386*	**62,451**	6,930	
3 JUN	53,666	65,190	**77,535**	*12,344*	**70,836**	6,699	
4 JUL	68,376	63,657	**82,605**	*18,948*	**89,137**	-6,532	
5 AUG	50,350	60,822	**68,200**	*7,378*	**67,046**	1,154	
6 SEP	47,762	51,221	**64,195**	*12,974*	**66,166**	-1,971	
7 OCT	49,209	58,926	**75,420**	*16,494*	**65,418**	10,002	
8 NOV	56,170	55,213	**80,422**	*25,209*	**71,494**	8,928	
9 DEC	57,330	55,356	**55,880**	*524*	**64,890**	-9,010	
10 JAN	54,468	53,183		*-53,183*	**70,241**	-70,241	
11 FEB	56,324	53,925		*-53,925*	**73,934**	-73,934	
12 MAR	52,883	55,254		*-55,254*	**75,022**	-75,022	
	638,992	**682,071**	**644,270**	***-37,801***	**841,790**	**-197,520**	**841,790**



ON-STREET PARKING (CUMULATIVE)

	Actuals 11/12	Actuals 12/13	**Actuals 13/14**	*Cumulative increase / decrease from 12/13 to 13/14*	**Budget 13/14**	Variance (Column E-G)	Manager's Forecast
APR	47,046	52,328	**70,633**	*18,304*	**65,155**	5,478	
MAY	92,454	109,324	**140,014**	*30,690*	**127,606**	12,408	
JUNE	146,120	174,514	**217,548**	*43,034*	**198,442**	19,106	
JUL	214,496	238,171	**300,153**	*61,982*	**287,579**	12,574	
AUG	264,846	298,993	**368,353**	*69,360*	**354,625**	13,728	
SEP	312,608	350,214	**432,548**	*82,334*	**420,791**	11,757	
OCT	361,817	409,140	**507,968**	*98,828*	**486,209**	21,759	
NOV	417,987	464,353	**588,390**	*124,037*	**557,703**	30,687	
DEC	475,317	519,709	**644,270**	*124,561*	**622,593**	21,677	
JAN	529,785	572,892		*-572,892*		0	
FEB	586,109	626,817		*-626,817*		0	
MAR	638,992	682,071		*-682,071*		0	841,790



DECEMBER 2013 — **CUMULATIVE BREAKDOWN**

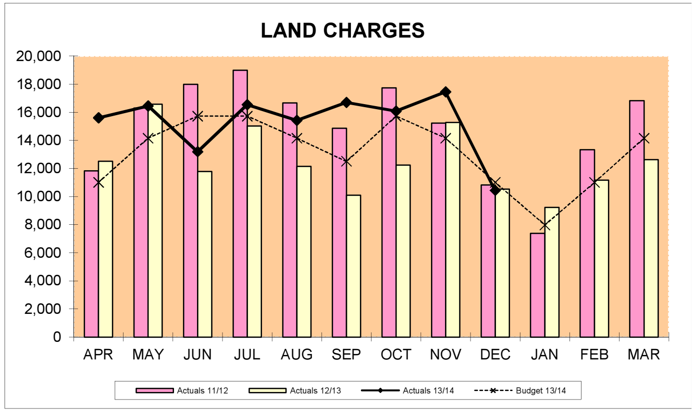
HWDCRIM / HWENFORC

		Actual (Cumulative)	**Budget**	(Monthly)
PENALTY NOTICES	*3403*	**98,210**	**106,416**	7,910
WAIVERS	*3404*	**6,689**	**3,978**	112
RESIDENTS PERMITS	*3406*	**38,542**	**32,360**	3,530
ON STREET PARKING	*3300*	**342,374**	**307,414**	31,426
BUSINESS PERMITS	*3408*	**65,802**	**56,640**	5,047
OTHER	*9999*	**997**	**-**	-
EXCESS CHARGE	****1*	**91,656**	**115,785**	7,854
		644,270	**622,593**	55,880

10 Land Charges Graphs

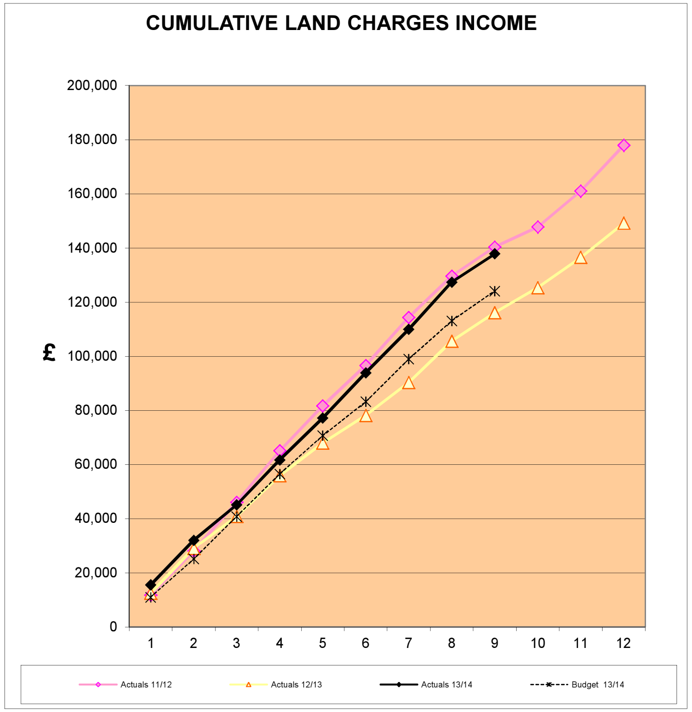
LAND CHARGES (LPLNDCH)

	Actuals 11/12	Actuals 12/13	**Actuals 13/14**	Increase / decrease from 12/13 to 13/14	**Budget 13/14**	Variance (Actuals-Budget)	Manager's Forecast
1 **APR**	11,836	12,520	**15,600**	*3,080*	**11,000**	4,600	
2 **MAY**	16,303	16,579	**16,455**	*-124*	**14,150**	2,305	
3 **JUN**	17,994	11,786	**13,180**	*1,394*	**15,720**	-2,540	
4 **JUL**	18,987	15,021	**16,544**	*1,523*	**15,720**	824	
5 **AUG**	16,658	12,139	**15,419**	*3,281*	**14,150**	1,269	
6 **SEP**	14,863	10,100	**16,709**	*6,608*	**12,500**	4,209	
7 **OCT**	17,740	12,235	**16,083**	*3,849*	**15,720**	363	
8 **NOV**	15,228	15,271	**17,455**	*2,183*	**14,150**	3,305	
9 **DEC**	10,819	10,536	**10,427**	*-109*	**11,000**	-573	
10 **JAN**	7,369	9,220		*-9,220*	**7,965**	-7,965	
11 **FEB**	13,340	11,165		*-11,165*	**11,000**	-11,000	
12 **MAR**	16,826	12,637		*-12,637*	**14,150**	-14,150	
	177,963	**149,208**	**137,872**	***-11,337***	**157,225**	**-19,353**	**172,225**



LAND CHARGES (CUMULATIVE)

	Actuals 11/12	Actuals 12/13	**Actuals 13/14**	Cumulative increase / decrease from 12/13 to 13/14	**Budget 13/14**	Variance (Column E-G)	Manager's Forecast
APR	11,836	12,520	**15,600**	*3,080*	**11,000**	4,600	
MAY	28,139	29,099	**32,055**	*2,956*	**25,150**	6,905	
JUNE	46,133	40,885	**45,235**	*4,350*	**40,870**	4,365	
JUL	65,120	55,906	**61,779**	*5,873*	**56,590**	5,189	
AUG	81,778	68,044	**77,198**	*9,154*	**70,740**	6,458	
SEP	96,641	78,145	**93,907**	*15,762*	**83,240**	10,667	
OCT	114,381	90,379	**109,990**	*19,611*	**98,960**	11,030	
NOV	129,609	105,651	**127,445**	*21,794*	**113,110**	14,335	
DEC	140,428	116,186	**137,872**	*21,685*	**124,110**	13,762	
JAN	147,797	125,407		*-125,407*		0	
FEB	161,137	136,571		*-136,571*		0	
MAR	177,963	149,208		*-149,208*		0	172,225



DECEMBER 2013

CUMULATIVE BREAKDOWN

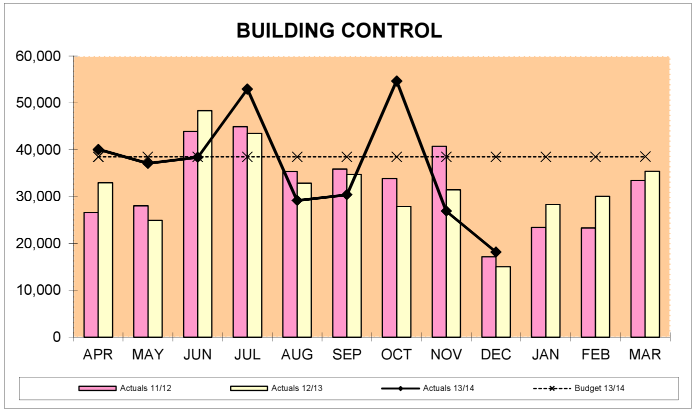
LPLNDCH

		Received (Month)	**Percentage (Month)**	Percentage (Month 12/13)	(Cumulative)
Searches Received - Paper	*£105*	**29**	**15.9%**	15.6%	421
Searches Received - Electronic	*£86*	**80**	**44.%**	54.1%	1,186
Searches Received - Personal	*£0*	**73**	**40.1%**	30.3%	753
		182	**100.%**	100.%	2,360

10 Building Control Graphs

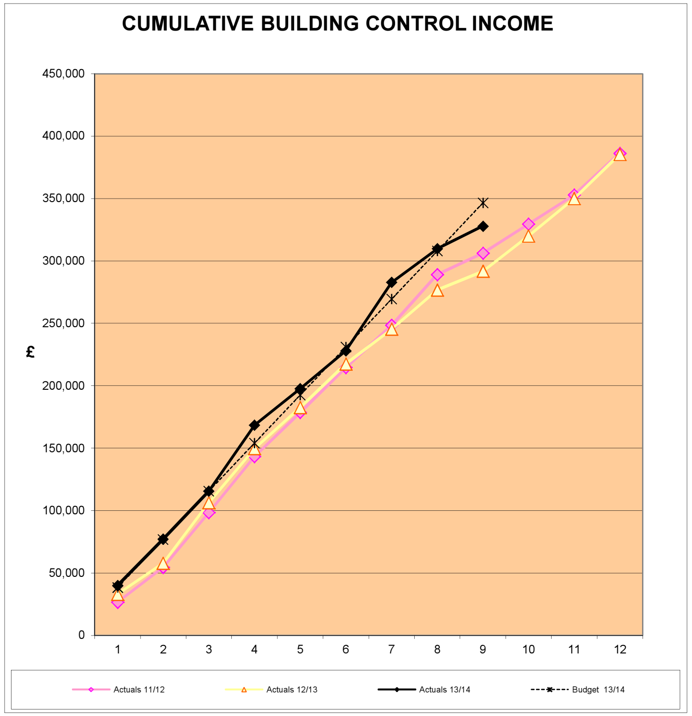
BUILDING CONTROL (DVBCFEE)

	Actuals 11/12	*Actuals 12/13*	***Actuals 13/14***	*Increase / decrease from 12/13 to 13/14*	***Budget 13/14***	*Variance (Actuals-Budget)*	*Manager's Forecast*
1 **APR**	26,583	32,975	**40,068**	*7,094*	**38,505**	1,563	
2 **MAY**	28,008	24,976	**37,100**	*12,124*	**38,505**	-1,405	
3 **JUN**	43,878	48,352	**38,370**	*-9,982*	**38,505**	-135	
4 **JUL**	44,902	43,510	**52,998**	*9,488*	**38,505**	14,493	
5 **AUG**	35,321	32,905	**29,169**	*-3,736*	**38,505**	-9,336	
6 **SEP**	35,890	34,735	**30,402**	*-4,333*	**38,505**	-8,103	
7 **OCT**	33,837	27,882	**54,714**	*26,832*	**38,505**	16,209	
8 **NOV**	40,725	31,440	**26,918**	*-4,523*	**38,505**	-11,587	
9 **DEC**	17,118	15,031	**18,120**	*3,090*	**38,505**	-20,385	
10 **JAN**	23,425	28,290		*-28,290*	**38,505**	-38,505	
11 **FEB**	23,315	30,097		*-30,097*	**38,505**	-38,505	
12 **MAR**	33,397	35,403		*-35,403*	**38,514**	-38,514	
	386,399	**385,596**	**327,861**	***-57,735***	**462,069**	**-134,208**	**462,069**



BUILDING CONTROL (CUMULATIVE)

	Actuals 11/12	*Actuals 12/13*	***Actuals 13/14***	*Cumulative increase / decrease from 12/13 to 13/14*	***Budget 13/14***	*Variance (Column E-G)*	*Manager's Forecast*
APR	26,583	32,975	**40,068**	*7,094*	**38,505**	1,563	
MAY	54,591	57,951	**77,168**	*19,218*	**77,010**	158	
JUNE	98,469	106,303	**115,539**	*9,236*	**115,515**	24	
JUL	143,371	149,813	**168,537**	*18,724*	**154,020**	14,517	
AUG	178,692	182,719	**197,706**	*14,988*	**192,525**	5,181	
SEP	214,582	217,453	**228,108**	*10,655*	**231,030**	-2,922	
OCT	248,419	245,335	**282,823**	*37,487*	**269,535**	13,288	
NOV	289,144	276,776	**309,740**	*32,964*	**308,040**	1,700	
DEC	306,262	291,807	**327,861**	*36,054*	**346,545**	-18,684	
JAN	329,687	320,096		*-320,096*		0	
FEB	353,002	350,193		*-350,193*		0	
MAR	386,399	385,596		*-385,596*		0	462,069



DECEMBER 2013 — **CUMULATIVE BREAKDOWN**

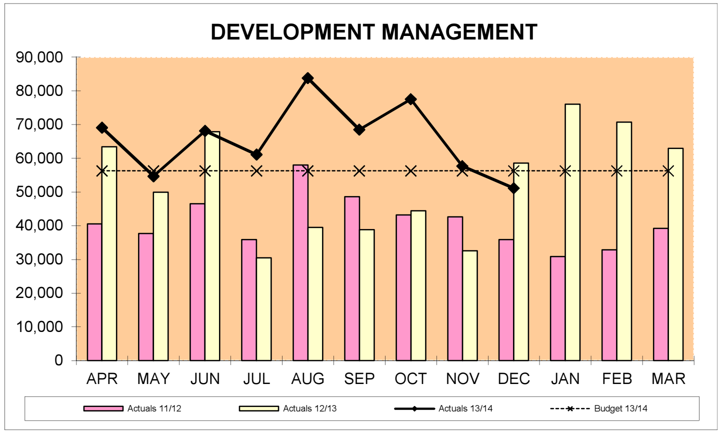
DVBCFEE

		Actual (Cumulative)	**Budget**	(Monthly)
Plan Fee	*3066*	**193,716**	**193,221**	12,936
Inspection Fee	*3067*	**121,348**	**126,936**	3,052
Other	*9999*	**12,797**	**26,388**	2,133
		327,861	**346,545**	18,120

10 Development Management Graph

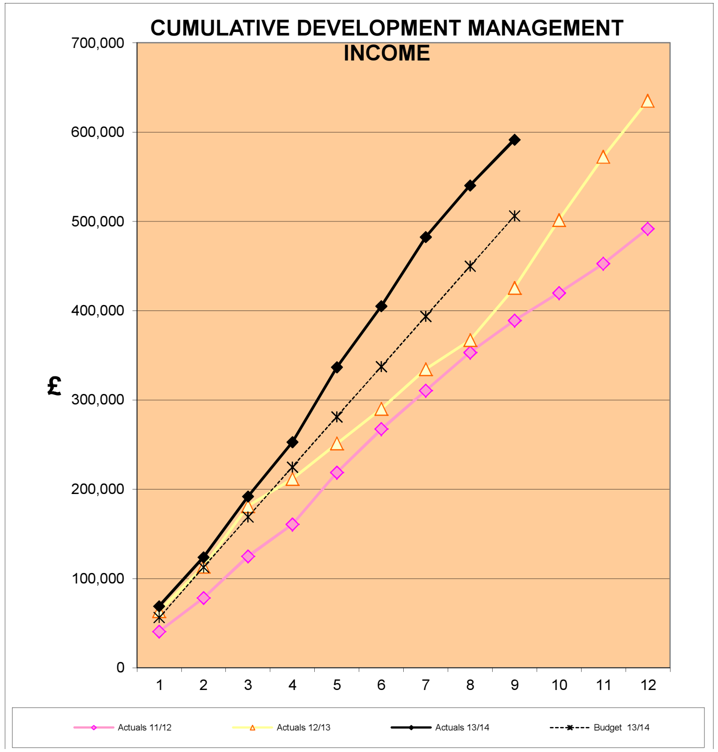
DEVELOPMENT MANAGEMENT (DVDEVCT)

		Actuals 11/12	Actuals 12/13	**Actuals 13/14**	*Increase / decrease from 12/13 to 13/14*	**Budget 13/14**	Variance (Actuals-Budget)	Manager's Forecast
1	**APR**	40,515	63,378	**69,061**	*5,682*	**56,245**	12,816	
2	**MAY**	37,722	49,955	**54,683**	*4,728*	**56,245**	-1,562	
3	**JUN**	46,543	67,875	**68,069**	*194*	**56,245**	11,824	
4	**JUL**	35,903	30,448	**61,049**	*30,601*	**56,245**	4,804	
5	**AUG**	57,980	39,527	**83,804**	*44,277*	**56,245**	27,559	
6	**SEP**	48,611	38,837	**68,457**	*29,621*	**56,245**	12,212	
7	**OCT**	43,214	44,434	**77,511**	*33,077*	**56,245**	21,266	
8	**NOV**	42,649	32,532	**57,665**	*25,133*	**56,245**	1,420	
9	**DEC**	35,907	58,588	**51,148**	*-7,440*	**56,245**	-5,097	
10	**JAN**	30,824	76,016		*-76,016*	**56,245**	-56,245	
11	**FEB**	32,829	70,715		*-70,715*	**56,245**	-56,245	
12	**MAR**	39,201	62,921		*-62,921*	**56,277**	-56,277	
		491,898	**635,226**	**591,447**	***-43,780***	**674,972**	**-83,525**	**749,972**



DEVELOPMENT MANAGEMENT (CUMULATIVE)

	Actuals 11/12	Actuals 12/13	**Actuals 13/14**	*Cumulative increase / decrease from 12/13 to 13/14*	**Budget 13/14**	Variance (Column E-G)	Manager's Forecast
APR	40,515	**63,378**	**69,061**	*5,682*	**56,245**	12,816	
MAY	78,237	**113,333**	**123,743**	*10,410*	**112,490**	11,253	
JUNE	124,780	**181,209**	**191,813**	*10,604*	**168,735**	23,078	
JUL	160,683	**211,657**	**252,862**	*41,205*	**224,980**	27,882	
AUG	218,663	**251,184**	**336,666**	*85,482*	**281,225**	55,441	
SEP	267,274	**290,020**	**405,123**	*115,103*	**337,470**	67,653	
OCT	310,488	**334,454**	**482,634**	*148,180*	**393,715**	88,919	
NOV	353,137	**366,986**	**540,299**	*173,313*	**449,960**	90,339	
DEC	389,044	**425,574**	**591,447**	*165,873*	**506,205**	85,242	
JAN	419,868	**501,590**		*-501,590*		0	
FEB	452,697	**572,305**		*-572,305*		0	
MAR	491,898	**635,226**		*-635,226*		0	749,972



DECEMBER 2013

CUMULATIVE BREAKDOWN

DVDEVCT

		Actual (Cumulative)	**Budget**	(Monthly)
Planning Application Fees	*3009*	**534,548**	**447,570**	42,140
Other	*9999*	**(2,600)**	**-**	-
Pre-application Fees	*94301*	**42,848**	**37,413**	4,208
Monitoring Fees	*94302*	**16,650**	**21,222**	4,800
		591,447	**506,205**	51,148

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Agenda Item 10

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TREASURY MANAGEMENT STRATEGY 2014/15

Finance and Resources Advisory Committee – 21 January 2014

Report of the:	Chief Finance Officer
Status:	For Consideration
Also considered by:	Cabinet – 6 February 2014
	Council – 18 February 2014
Key Decision:	No

Executive Summary: The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment guidance issued subsequent to the Act). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

Members' particular attention is drawn to paragraphs 61-64 of the report, which deal with proposed changes to the investment criteria.

This report supports the Key Aim of Effective Management of Council Resources.

Portfolio Holder Cllr. Ramsay

Contact Officer Roy Parsons, Principal Accountant - Ext 7204

Recommendation to Finance and Resources Advisory Committee: That consideration is given to the amended investment criteria outlined in paragraphs 61-64 of this report, for inclusion in the Treasury Management Strategy for 2014/15.

Recommendation to Cabinet: That, subject to the views of the Finance and Resources Advisory Committee, Cabinet recommends Council to approve the Treasury Management Strategy for 2014/15.

Reason for recommendations: To ensure that an appropriate and effective annual Treasury Management Strategy is drawn up in advance of the forthcoming financial year, which meets both legislative and best practice requirements.

Background

1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

3 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Introduction

<u>Reporting requirements</u>

4 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Finance and Resources Advisory Committee.

5 Prudential and Treasury Indicators and Treasury Strategy (This report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision Policy (MRP) (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

6 A Mid Year Treasury Management Report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and

whether the treasury strategy is meeting the strategy or whether any policies require revision.

7 An Annual Treasury Report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Treasury Management Strategy for 2014/15

8 The strategy for 2014/15 covers two main areas:

Capital Issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) strategy.

Treasury management Issues

- the current treasury position;
- treasury indicators which will limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- the investment strategy;
- creditworthiness policy; and
- policy on the use of external service providers.

9 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Department of Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

Training

10 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was last undertaken in 2010 and further training will be arranged as required.

11 The training needs of treasury management officers are reviewed periodically.

Treasury management consultants

12 The Council uses Capita Asset Services, Treasury Solutions as its external treasury management advisors.

13 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

14 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and subjected to review.

Capital Issues

The Capital Prudential Indicators 2014/15 – 2016/17

15 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

Capital Expenditure

16 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

	2012/13 Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
Capital Expenditure	1,337	1,314	***	***	***

*** Figures to be added to Cabinet report when Capital Programme is completed

17 Other long term liabilities. The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

18 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

	2012/13 Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
Capital Expenditure	1,337	1,314	***	***	***

Financed by:					
Capital receipts	64	0	***	***	***
Capital grants	588	396	***	***	***
Capital reserves	330	268	***	***	***
Revenue	355	650	***	***	***
Net financing need for the year	**1,337**	**1,314**	***	***	***

*** Figures to be added to Cabinet report when Capital Programme is completed

The Council's Borrowing Need (the Capital Financing Requirement)

19 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

20 The CFR does not increase indefinitely, as the minimum revenue position (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

21 The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £0.2m of such schemes within the CFR.

22 The Council is asked to approve the CFR projections below:

	2012/13 Actual £000	**2013/14 Estimate £000**	**2014/15 Estimate £000**	**2015/16 Estimate £000**	**2016/17 Estimate £000**
Capital Financing Requirement					
Total CFR	164	143	122	101	80
Movement in CFR	-21	-21	-21	-21	-21

Movement in CFR represented by:					
Net financing need for the year (above)					
Less MRP/VRP and other financing movements	-21	-21	-21	-21	-21
Movement in CFR	**-21**	**-21**	**-21**	**-21**	**-21**

Note:- The MRP / VRP includes finance lease annual principal payments

Minimum Revenue Provision (MRP) Policy Statement

23 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

24 CLG Regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement*:*

25 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be based on CFR.

26 These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

27 From 1 April 2008 for all unsupported borrowing (including PFI and finance leases), the MRP policy will be the Depreciation method – MRP will follow standard depreciation accounting procedures. This provides for a reduction in the borrowing need over approximately the asset's life. Repayments included in annual PFI or finance leases are applied as MRP.

Core Funds and Expected Investment Balances

28 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an on-going impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	2012/13 Actual £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
Fund balances / reserves	20,205	***	***	***	***
Capital receipts	1,423	***	***	***	***
Provisions	363	***	***	***	***
Other	0	***	***	***	***
Total core funds	**21,991**	***	***	***	***
Working capital*	21,991	***	***	***	***
Under/over borrowing	0	***	***	***	***
Expected investments	**21,991**	***	***	***	***

*Working capital balances shown are estimated year end; these may be higher mid year

*** Figures to be added to Cabinet report when Capital Programme is completed

Affordability Prudential Indicators

29 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

Ratio of Financing Costs to Net Revenue Stream

30 This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs, net of investment income) against the net revenue stream.

	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	-3.00%	***	***	***	***

*** Figures to be added to Cabinet report when Capital Programme is completed

The estimates of financing costs include current commitments and the proposals in the budget report.

Incremental Impact of Capital Investment Decisions on Council Tax.

31 This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

	2012/13 Actual	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Council tax band D	-£0.91	***	***	***	***

*** Figures to be added to Cabinet report when Capital Programme is completed

Treasury Management Issues

32 The capital expenditure plans set out above provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Current Portfolio Position

33 The Council's treasury portfolio position at 31 December 2013 appears in Appendix A.

Borrowing

34 The above mentioned portfolio position shows that, at present, this authority does not borrow. This has been the position for a number of years. However, this may change in future and hence the strategy needs to deal with such a situation, should it arise.

35 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows for some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

36 This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Operational boundary	**2013/14 Estimate £000**	**2014/15 Estimate £000**	**2015/16 Estimate £000**	**2016/17 Estimate £000**
Debt	5,000	5,000	5,000	5,000
Other long term liabilities	0	0	0	0
Total	**5,000**	**5,000**	**5,000**	**5,000**

The Authorised Limit for external debt

37 A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

38 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

39 The Council is asked to approve the following Authorised Limit:

Authorised limit	**2013/14 Estimate £000**	**2014/15 Estimate £000**	**2015/16 Estimate £000**	**2016/17 Estimate £000**
Debt	5,000	5,000	5,000	5,000
Other long term liabilities	0	0	0	0
Total	**5,000**	**5,000**	**5,000**	**5,000**

Prospects for Interest Rates

40 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Appendix B draws together a number of current City forecasts for short term and longer fixed interest rates. Appendix C contains Capita Asset Services' latest economic background report.

Borrowing Strategy

41 At present, there are no capital borrowings. However, should this change during 2014/15, the Council would look to maintain an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement or "CFR") has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is considered a prudent one as investment returns are low and counterparty risk is relatively high.

Treasury Management Limits on Activity

42 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs and/or improve performance. The indicators are:

a. Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position, net of investments.

b. Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.

c. Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

43 The council is asked to approve the following treasury indicators and limits:

Interest rate exposures	**2014/15** %	**2015/16** %	**2016/17** %
Upper limit for variable interest rate exposure	50%	50%	50%
Upper limit for fixed interest rate exposure	100%	100%	100%

Maturity structure for borrowings:			
Upper limit for under 12 months	100%	100%	100%
Lower limit for under 12 months	0%	0%	0%
Upper limit for over 12 months	100%	100%	100%
Lower limit for over 12 months	0%	0%	0%

Policy on borrowing in advance of need

44 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

45 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Annual Investment Strategy

Investment Policy

46 The Council's investment policy has regard to the Department of Communities and Local Government (CLG) Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

47 In accordance with the above, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings and watches published by all three ratings agencies with a full understanding of what the ratings reflect in the eyes of each agengy. Using the Capita Asset Services' ratings service, banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

48 Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to contiunally assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps (CDS)" and overlay that

information on top of the credit ratings. This is fully integrated into the credit methodology provided by Capita Asset Services in producing its colour codings which show the varying degrees of suggested creditworthiness.

49 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

50 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable divesification and thus avoidance of concentration risk.

51 The intention of the strategy is to provide security of investment and minimisation of risk.

52 Investment instruments identified for use in the financial year are listed in Appendix D under the ‘Specified’ and ‘Non-Specified’ Investments categories. Counterparty limits will be as set below.

<u>Creditworthiness Policy</u>

53 This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utlilising credit ratings from the three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

54 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments. The Council will therefore use counterparties within the following durational bands*:*

- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour as individually specified in the Strategy

55 The ‘Green’ limit was formerly for 3 months, but the Financial Conduct Authority has set a requirement for qualifying deposits for bank liquidity buffers of a minimum of 95 days. For this reason, the green band has been slightly extended

to accommodate this regulatory change. The 'Purple' limit has been added this year for the reasons outlined below.

56 The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

57 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, long term rating A, viability rating of A- and a support rating of 1. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

58 All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

59 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

Country limits

60 The Council has determined that it will only use approved counterparties from the UK or the EU which also have a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix E. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other Creditworthiness Issues

61 The Council's current investment policy further limits the one proposed by Capita Asset Services as follows:-

a. Maximum investment period of 1 year.

b. Investments in any single institution or institutions within a group of companies are limited to 25% of the total fund, at the time the investment is placed.

c. Total investments in any one foreign country are limited to 15% of the total fund, but UK-based institutions to be used as first preference.

d. Investments are limited to £5m per counterparty excluding call accounts and £6m including call accounts except for Lloyds Banking Group plc and Royal Bank of Scotland Group plc, where the limits will be £8m for each with no distinction between fixed deposits and call accounts. Investments in other banks are limited to £5m per counterparty excluding call accounts and £6m including call accounts.

e. If the Council's own banker, Barclays, falls below Sector's minimum credit rating requirements, it will nevertheless continue to be used, although balances will be minimised in both monetary size and duration.

f. Building Societies with assets in excess of £9bn are included in the lending list with a maximum investment limit of £2m each and a maximum duration of three months.

62 In the last cycle of meetings, officers have suggested a change to some of these limits in order to provide more flexibility when placing investments and to try and increase yield whilst being mindful of potential increase in risk. A copy of the options paper that was presented to the last meeting of this Committee and to Cabinet on 5 December 2013 is attached at Appendix F. The proposal for the 2014/15 investment policy is as follows:

a. Maximum investment period of 2 years.

b. Investments in any single institution or institutions within a group of companies are limited to 25% of the total fund, at the time the investment is placed.

c. Total investments in any one foreign country are limited to 15% of the total fund, but UK-based institutions to be used as first preference.

d. Investments are limited to £5m per counterparty excluding call accounts and £6m including call accounts except for Lloyds Banking Group plc and Royal Bank of Scotland Group plc, where the limits will be £8m for each with no distinction between fixed deposits and call accounts. Investments in other banks are limited to £5m per counterparty excluding call accounts and £6m including call accounts.

e. If the Council's own banker, Barclays, falls below Sector's minimum credit rating requirements, it will nevertheless continue to be used, although balances will be minimised in both monetary size and duration.

f. Building Societies with assets in excess of £9bn are included in the lending list with a maximum investment limit of £2m each and a maximum duration of 100 days.

g. Include the use of Enhanced Money Market Funds (EMMF) as an alternative to the existing standard Money Market Funds (MMF). The limit would remain at £5m per Fund to include both EMMFs and MMFs.

h. Include Property Funds with a limit of £5m in each. The express approval of this Committee would be required prior to opening such an account.

63 Members will note that the main changes proposed are to extend the maximum investment period from 1 to 2 years, to include the use of EMMFs and to allow the use of Property Funds with the approval of this Committee. At the previous meeting, some Members were comfortable with the idea of investing in high quality, non UK-based institutions. The existing policy allows for this and the option will be kept under review during 2014/15.

64 The idea of investing in appropriate Tracker Funds was also proposed at a recent Portfolio Holder meeting and the suitability of this option is currently being investigated by our advisers, Capita Asset Services.

<u>Investment Strategy</u>

65 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

66 Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 2 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2013/2014 0.50%
- 2014/2015 0.50%
- 2015/2016 0.75%
- 2016/2017 1.25%

67 There are upside risks to these forecasts (i.e. start of increases in Bank Rate occurs sooner) if economic growth remains strong and unemployment falls faster than expected. However, should the pace of growth fall back, there could be downside risk, particularly if Bank of England inflation forecasts for the rate of fall of unemployment were to prove to be too optimistic.

68 The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next four years are as follows:

2014/15	0.50%
2015/16	0.50%
2016/17	1.00%
2017/18	2.00%

69 The Council is asked to approve the following treasury indicator limit. These limits are set with regard to the Council's liquidity requirements and to reduce the need for an early sale of an investment. They are based on the availability of funds after each year-end

Maximum principal sums invested > 364 days	2014/15 £000	2015/16 £000	2016/17 £000
Principal sums invested > 364 days	10,000	10,000	10,000

70 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

<u>Icelandic Bank Investment</u>

71 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.

72 The Icelandic Government has stated its intention to honour all its commitments as a result of their banks being placed into receivership. The UK Government, Administrators and other agencies continue to work with the Icelandic Government to help bring this about. The Local Government Association is coordinating the efforts of all UK authorities with Icelandic investments.

73 At the current time, the process of recovering assets is still ongoing with the Administrators. Following the successful outcome of legal test cases in the Icelandic Supreme Court in late 2011, the deposits made by local authorities now rank as priority claims. The Administrators have commenced the process of dividend payments and four such payments have been received amounting to approximately 54% of our claim. The latest assumption is that 100% of the Council's investment (and interest up to 22 April 2009) will be recovered in the period up to 2018.

74 One recent development is the resolution of the foreign exchange (FX) dispute in the Icelandic Supreme Court. Our claim was converted to Icelandic Kronur on 22 April 2009 and subsequent dividends have been paid in a basket of currencies including Euros, US Dollars, Sterling and Icelandic Kronur. Originally, the Administrators calculated the four partial payments by reference to the FX rates as at 22 April 2009 rather than the FX rates on the date of the relevant distribution. The Court held that the Administrators must apply the Central Bank of Iceland's official selling rate at the date of distribution when calculating the portion of the claim amount that is satisfied by each partial payment. The effect has been to very slightly reduce the percentage of the claim deemed to have been satisfied. This means that the amount (in Icelandic Kronur terms) we can expect to receive for the balance of our claim will be larger, but the actual amounts received will be dependent on FX rates as at the date of distribution.

<u>End of Year Investment Report</u>

75 At the end of the financial year, the Council will receive a report on its investment activity as part of the Annual Treasury Report.

Scheme of delegation

76 The guidance notes accompanying the revised Code also require that a statement of the Council's scheme of delegation in relation to treasury management is produced as part of the Annual Investment Strategy. This appears at Appendix G.

Role of the Section 151 officer

77 As with the scheme of delegation mentioned in the previous paragraph, a statement of the role of the Section 151 officer is also required. This appears at Appendix H.

Key Implications

Financial

78 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.

Legal Implications and Risk Assessment Statement

79 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.

80 This annual investment strategy report fulfils the requirements of The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2009.

81 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.

Consideration of risk is integral in our approach to treasury management.

82 This report proposes new investment limits. The movement in previous years towards having a restricted lending list of better quality institutions but higher individual limits with those institutions has reduced the chances of a default. But if a default did occur, the potential loss would be greater. The proposals in this report do create additional risk.

83 These risks are mitigated by the annual investment strategy which has been prepared on the basis of achieving the optimum return on investments commensurate with proper levels of security and liquidity. However, Members should recognise that in the current economic climate, these remain significant risks and that the strategy needs to be constantly monitored.

Equality Impacts

Consideration of impacts under the Public Sector Equality Duty:		
Question	Answer	Explanation / Evidence
a. Does the decision being made or recommended through this paper have potential to disadvantage or discriminate against different groups in the community?	No	The recommendation is concerned with investment management and does not directly impact upon a service provided to the community.
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	No	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		No mitigating steps are required.

Conclusions

84 The effect of the proposals set out in this report is to allow the Council to effectively and efficiently manage cash balances.

85 In line with the revised CIPFA Code of Practice on Treasury Management, the Annual Treasury Strategy must be considered by Council and this is planned for its meeting on 18 February 2014. Given the current uncertainties in the banking sector and financial markets, the Council may need to consider amending its strategy during the year.

Appendices:

Appendix A – Investment portfolio at 31 December 2013

Appendix B – Prospects for interest rates

Appendix C – Economic background report

Appendix D – Specified and non-specified investments

Appendix E – Approved countries for investments

Appendix F – Alternative investment options to increase yield

Appendix G – Treasury management scheme of

	delegation
	Appendix H – The treasury management role of the S151 officer
Background Papers:	None

Adrian Rowbotham
Chief Finance Officer

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APPENDIX A: CURRENT PORTFOLIO POSITION

List of Investments as at:- 31-Dec-13

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms
	Santander UK plc (Business Reserve A/C)	A	U.K.	Santander	0	01-Apr-99			0.50000%	Variable
	Santander UK plc (Money Market A/C)	A	U.K.	Santander	0	09-Oct-06			0.50000%	Variable
	Clydesdale Bank plc (Base Tracker Plus - 15 Day)	A	U.K.	NAB	0	10-Sep-10			0.65000%	Variable
	Barclays Bank plc (Business Premium A/C)	A	U.K.		2,773,000	01-Oct-11			0.35000%	Variable
	National Westminster Bank plc (Liquidity Select)	A	U.K.	RBS	4,000,000	07-Oct-11			0.50000%	Variable
	National Westminster Bank plc (95 Day Notice)	A	U.K.	RBS	3,000,000	24-May-13			0.60000%	Variable
	Ignis Liquidity Fund (Money Market Fund)	AAA	U.K.		5,000,000	11-May-12				Variable
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		1,000,000	11-May-12				Variable
IP1092	Bank of Scotland plc	A	U.K.	Lloyds/HBOS	1,000,000	12-Feb-13	1.10000%	11-Feb-14		1 Year
IP1095	Bank of Scotland plc	A	U.K.	Lloyds/HBOS	1,000,000	22-Feb-13	1.10000%	21-Feb-14		1 Year
IP1139	Barclays Bank plc	A	U.K.		1,000,000	07-Nov-13	0.46000%	07-Feb-14		3 Months
IP1133	Coventry Building Society	A	U.K.		1,000,000	15-Oct-13	0.45000%	15-Jan-14		3 Months
IP1142	Coventry Building Society	A	U.K.		1,000,000	29-Nov-13	0.45000%	28-Feb-14		3 Months
IP813	Landsbanki Islands hf		Iceland		452,300	25-Jun-07	6.32000%	25-Jun-09		2 Years
IP1137	Leeds Building Society	A-	U.K.		1,000,000	01-Nov-13	0.40000%	04-Feb-14		3 Months
IP1131	Lloyds Bank plc	A	U.K.	Lloyds/HBOS	2,000,000	08-Oct-13	0.98000%	07-Oct-14		1 Year
IP1136	Lloyds Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	30-Oct-13	0.98000%	29-Oct-14		1 Year
IP1138	Lloyds Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	04-Nov-13	0.98000%	03-Nov-14		1 Year
IP1098	Lloyds TSB Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	08-Apr-13	1.10000%	08-Apr-14		1 Year
IP1113	Lloyds TSB Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	04-Jul-13	1.01000%	03-Jul-14		1 Year
IP1119	Nationwide Building Society	A	U.K.		2,000,000	23-Jul-13	0.50000%	23-Jan-14		6 Months
IP1122	Nationwide Building Society	A	U.K.		1,000,000	01-Aug-13	0.50000%	03-Feb-14		6 Months
IP1132	Nationwide Building Society	A	U.K.		1,000,000	09-Oct-13	0.45000%	09-Jan-14		3 Months
IP1141	Nationwide Building Society	A	U.K.		1,000,000	29-Nov-13	0.45000%	28-Feb-14		3 Months
IP1135	Skipton Building Society	BBB-	U.K.		1,000,000	29-Oct-13	0.49000%	29-Jan-14		3 Months
IP1143	Skipton Building Society	BBB-	U.K.		1,000,000	29-Nov-13	0.49000%	28-Feb-14		3 Months
IP1121	Ulster Bank Ltd	A-	U.K.	RBS	1,000,000	29-Jul-13	0.65000%	29-Jan-14		6 Months
IP1134	Yorkshire Building Society	BBB+	U.K.		2,000,000	18-Oct-13	0.40000%	20-Jan-14		3 Months
	Total Invested				38,225,300					

Other Loan

	Name				Amount	Start Date	Comm Rate	End Date		Terms
	Sevenoaks Leisure Limited				250,000	29-Apr-08	7.00000%	31-Mar-18		10 Years

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APPPENDIX B: Interest Rate Forecasts 2013 – 2017

Capita Asset Services Interest Rate View														
	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
3 Month LIBID	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.60%	0.70%	0.90%	1.30%
6 Month LIBID	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.70%	0.80%	1.00%	1.20%	1.40%
12 Month LIBID	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	1.00%	1.20%	1.40%	1.60%	1.80%	2.00%	2.30%
5yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
10yr PWLB Rate	3.60%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
25yr PWLB Rate	4.40%	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
50yr PWLB Rate	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%
Bank Rate														
Capita Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate														
Capita Asset Services	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.40%
UBS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	2.10%	2.30%	2.30%	2.30%	2.30%	2.30%	2.50%	2.90%	3.30%	-	-	-	-	-
10yr PWLB Rate														
Capita Asset Services	3.60%	3.60%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.30%	4.40%	4.50%
UBS	3.90%	4.00%	4.00%	4.10%	4.10%	-	-	-	-	-	-	-	-	-
Capital Economics	3.30%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.80%	-	-	-	-	-
25yr PWLB Rate														
Capita Asset Services	4.40%	4.40%	4.50%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.10%
UBS	4.40%	4.50%	4.50%	4.60%	4.60%	-	-	-	-	-	-	-	-	-
Capital Economics	4.10%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%	4.30%	-	-	-	-	-
50yr PWLB Rate														
Capita Asset Services	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.20%
UBS	4.50%	4.50%	4.60%	4.60%	4.70%	-	-	-	-	-	-	-	-	-
Capital Economics	4.30%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.50%	-	-	-	-	-

APPENDIX C: Economic Background

THE GLOBAL ECONOMY

The Eurozone (EZ). The sovereign debt crisis has eased during 2013 which has been a year of comparative calm after the hiatus of the Cyprus bailout in the spring. The EZ finally escaped from seven quarters of recession in quarter 2 of 2013 but growth is likely to remain weak and so will dampen UK growth. The ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bail out, has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2012 figures) of 176% Greece, Italy 131%, Portugal 124%, Ireland 123% and Cyprus 110%, remain a cause of concern, especially as many of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are continuing to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable and continues to struggle to meet EZ targets for fiscal correction. Many commentators still view a Greek exit from the Euro as inevitable and there are concerns that austerity measures in Cyprus could also end up in forcing an exit. The question remains as to how much damage an exit by one country would do and whether contagion would spread to other countries. However, the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks. It looks increasingly likely that Slovenia will be the next country to need a bailout.

Sentiment in financial markets has improved considerably during 2013 as a result of firm Eurozone commitment to support struggling countries and to keep the Eurozone intact. However, the foundations to this current "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse. There are particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 26% and unemployment among younger people of over 50%. The Italian political situation is also fraught with difficulties in maintaining a viable coalition which will implement an EZ imposed austerity programme and undertake overdue reforms to government and the economy.

USA. The economy has managed to return to reasonable growth in Q2 2013 of 2.5% y/y and 2.8% in Q3, in spite of the fiscal cliff induced sharp cuts in federal expenditure that kicked in on 1 March, and increases in taxation. The Federal Reserve has continued to provide huge stimulus to the economy through its $85bn per month asset purchases programme of quantitative easing. However, it is expected that this level of support will start to be tapered down early in 2014. It has also pledged not to increase the central rate until unemployment falls to 6.5%; this is probably unlikely to happen until early 2015. Consumer, investor and business confidence levels have improved markedly in 2013. The housing market has turned a corner and house sales and increases in house prices have returned to healthy levels. Many house owners have, therefore, been helped to escape from negative equity and banks have also largely repaired their damaged balance sheets so that they can resume healthy levels of lending. All this portends well for a reasonable growth rate looking forward.

China. Concerns that Chinese growth could be heading downwards have been allayed by recent stronger statistics. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also increasing concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. The initial euphoria generated by "Abenomics", the huge QE operation instituted by the Japanese government to buy Japanese debt, has tempered as the follow through of measures to reform the financial system and the introduction of other economic reforms, appears to have stalled. However, at long last, Japan has seen a return to reasonable growth and positive inflation during 2013 which augurs well for the hopes that Japan can escape from the bog of stagnation and deflation and so help to support world growth. The fiscal challenges though are huge; the gross debt to GDP ratio is about 245% in 2013 while the government is currently running an annual fiscal deficit of around 50% of total government expenditure. Within two years, the central bank will end up purchasing about Y190 trillion (£1,200 billion) of government debt. In addition, the population is ageing due to a low birth rate and will fall from 128m to 100m by 2050.

THE UK ECONOMY

Economic growth. Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth stongly rebounded in 2013 - quarter 1 (+0.3%), 2 (+0.7%) and 3 (+0.8%), to surpass all expectations as all three main sectors, services, manufacturing and construction contributed to this strong upturn. The Bank of England has, therefore, upgraded growth forecasts in the August and November quarterly Inflation Reports for 2013 from 1.2% to 1.6% and for 2014 from 1.7% to 2.8%, (2015 unchanged at 2.3%). The November Report stated that: -

> *In the United Kingdom, recovery has finally taken hold. The economy is growing robustly as lifting uncertainty and thawing credit conditions start to unlock pent-up demand. But significant headwinds — both at home and abroad — remain, and there is a long way to go before the aftermath of the financial crisis has cleared and economic conditions normalise. That underpins the MPC's intention to maintain the exceptionally stimulative stance of monetary policy until there has been a substantial reduction in the degree of economic slack. The pace at which that slack is eroded, and the durability of the recovery, will depend on the extent to which productivity picks up alongside demand. Productivity growth has risen in recent quarters, although unemployment has fallen by slightly more than expected on the back of strong output growth.*

So very encouraging - yes, but, still a long way to go! However, growth is expected to be strong for the immediate future. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth.

Forward guidance. The Bank of England issued forward guidance in August which said that the Bank will not start to consider raising interest rates until the jobless rate (Labour Force

Survey / ILO i.e. not the claimant count measure) has fallen to 7% or below. This would require the creation of about 750,000 jobs and was forecast to take three years in August, but revised to possibly quarter 4 2014 in November. The UK unemployment rate currently stands at 2.5 million i.e. 7.6 % on the LFS / ILO measure. The Bank's guidance is subject to three provisos, mainly around inflation; breaching any of them would sever the link between interest rates and unemployment levels. This actually makes forecasting Bank Rate much more complex given the lack of available reliable forecasts by economists over a three year plus horizon. The recession since 2007 was notable for how unemployment did NOT rise to the levels that would normally be expected in a major recession and the August Inflation Report noted that productivity had sunk to 2005 levels. There has, therefore, been a significant level of retention of labour, which will mean that a significant amount of GDP growth can be accommodated without a major reduction in unemployment.

Credit conditions. While Bank Rate has remained unchanged at 0.5% and quantitative easing has remained unchanged at £375bn in 2013, the Funding for Lending Scheme (FLS), aimed at encouraging banks to expand lending to small and medium size enterprises, has been extended. The FLS certainly seems to be having a positive effect in terms of encouraging house purchases (though levels are still far below the pre-crisis level), FLS is also due to be bolstered by the second phase of Help to Buy aimed at supporting the purchase of second hand properties, which is now due to start in earnest in January 2014. While there have been concerns that these schemes are creating a bubble in the housing market, the house price increases outside of London and the south-east have been minimal. However, bank lending to small and medium enterprises continues to remain weak and inhibited by banks still repairing their balance sheets and anticipating tightening of regulatory requirements.

Inflation. Inflation has fallen from a peak of 3.1% in June 2013 to 2.2% in October. It is expected to fall back to reach the 2% target level within the MPC's two year time horizon.

AAA rating. The UK has lost its AAA rating from Fitch and Moody's but that caused little market reaction.

Capita Asset Services forward view

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds.

There could well be volatility in gilt yields over the next year as financial markets await the long expected start of tapering of asset purchases by the Fed. The timing and degree of tapering could have a significant effect on both Treasury and gilt yields. Equally, at the time of writing, the political deadlock and infighting between Democrats and Republicans over the budget, and the raising of the debt limit, has only been kicked down the road, rather than resolved. Resolving these issues could have a significant effect on gilt yields during 2014.

The longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in economic recovery is also likely to compound this effect as a continuation of recovery will further encourage investors to switch back from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and some EZ countries experiencing low or negative growth, will, over that time period, see a significant increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks currently include:

- UK strong economic growth is currently very dependent on consumer spending and recovery in the housing market. This is unlikely to endure much beyond 2014 as most consumers are maxed out on borrowing and wage inflation is less than CPI inflation, so disposable income is being eroded.
- A weak rebalancing of UK growth to exporting and business investment causing a major weakening of overall economic growth beyond 2014
- Weak growth or recession in the UK's main trading partners - the EU and US, depressing economic recovery in the UK.
- Prolonged political disagreement over the US Federal Budget and raising of the debt ceiling
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis
- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable; this will cause major difficulties in implementing austerity measures and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- Problems in other Eurozone heavily indebted countries (e.g. Cyprus and Portugal) which could also generate safe haven flows into UK gilts, especially if it looks likely that one, or more countries, will need to leave the Eurozone.

- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Geopolitical risks e.g. Syria, Iran, North Korea, which could trigger safe haven flows back into bonds

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A sharp upturn in investor confidence that sustainable robust world economic growth is firmly expected, causing a surge in the flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on a sustainable improvement in financial stresses in the Eurozone.
- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- In the longer term – an earlier than currently expected reversal of QE in the UK; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.

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APPENDIX D - SPECIFIED AND NON-SPECIFIED INVESTMENTS

SPECIFIED INVESTMENTS

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable

NON-SPECIFIED INVESTMENTS

These are any investments which do not meet the specified investment criteria. A maximum of 50% will be held in aggregate in non-specified investments.

A variety of investment instruments will be used, subject to the credit quality of the institution. Depending on the type of investment made it will fall into one of the above two categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum Credit Criteria (i.e. Colour Band)	Max % of total investments / £ limit per institution	Max. maturity period	Specified (S) / Non-Specified (N)
Debt Management Agency Deposit Facility (DMADY) – UK Government	N/A	100%	6 Months	S
UK Government gilts	UK sovereign rating AA- or better	100%	1 Year	S
UK Government treasury bills	UK sovereign rating AA- or better	100%	6 Months	S
Bonds issued by multilateral development banks	UK sovereign rating AA- or better	100%	6 Months	S
Money market funds	AAA	25% / £5m	Liquid	S
Enhanced money market funds	AAA	25% / £5m	Liquid	S
Local authorities (up to one year)	N/A	25% / £5m	1 Year	S
Local authorities (over one year)	N/A	25% / £5m	2 Years	N
Term deposits with Lloyds Bank Group / RBS Group (up to one year)	Blue	25% / £8m	1 Year	S
Term deposits with Lloyds Bank Group / RBS Group (over one year)	Blue	25% / £8m	2 Years	N
Term deposits with other banks (up to one year)	Green	25% / £6m	1 Year	S
Term deposits with other banks (over one year)	Green	25% / £6m	2 Years	N
Term deposits with building societies	No colour	25% / £2m	3 Months	N
CDs or corporate bonds with banks or building societies	Green	25% / £5m	1 Year	S
Gilt funds	UK sovereign rating AA- or better	25% / £5m	1 Year	S
Property funds	N/A	25% / £2m	Semi-liquid	N

The criteria in this appendix are intended to be the operational criteria in normal times. At times of heightened volatility, risk and concern in the financial markets, this strategy may be amended by temporary operational criteria further limiting investments to counterparties of a higher creditworthiness and/or restricted time limits.

APPENDIX E - Approved countries for investments

Based on lowest available rating

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Hong Kong
- Netherlands
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium
- Saudi Arabia

APPENDIX F – Alternative investment options to increase yield

Background

1. Owing to a flood of government money into the banking sector as a result of the Funding For Lending scheme, there has been a downward trend in investment rates over the last few months. We previously had significant sums invested in the one year period at various rates in excess of 1% and up to 3%. These investments have started to mature and the equivalent 1 year rates are now at or below 1%.
2. In order to maintain the interest receipts budget at its existing level going forward, consideration needs to be given to alternative options to increase yield.
3. The consideration of risk is important in local authority investment decisions and the overriding principles are security and liquidity before yield.
4. In considering the alternative options, it must be realised that additional risk will be inherent.
5. Our treasury management advisors (Capita Asset Services) produce a matrix of recommended counterparties and duration limits on a weekly basis. Whilst it is for the authority to make its own investment decisions, it should be recognised that some of the options would fall outside their recommended guidance.
6. Our current investment strategy is very cautious and largely follows the Capita model. Most changes put forward here would not be compatible and would hence require approval by Full Council.

Options

A. Increase limits to existing counterparties
   Currently, the limits are £8m for Lloyds and RBS, £5m (or £6m including call accounts) for others and £2m for the top five building societies (with the exception of Nationwide).

   The value of the portfolio averages about £30m and there is a current limit of 25% of the total fund to any counterparty.

   By increasing the limits, there would be scope to concentrate more money in the institutions paying better rates (mainly Lloyds & RBS). However, it should be recognised that there is increased risk in the event of the institution's failure.

B. Add new counterparties
   At present, the policy is to only lend to UK based institutions. The use of foreign banks could be considered as some are paying better rates. Examples are Santander (who were removed from the lending list because of perceived issues with its Spanish parent) and Svenska Handelsbanken who will shortly

be opening a branch in Sevenoaks and whose offerings for instant access accounts at least match or even better those on offer from Barclays and RBS.

The Bank of China (London branch) is new into the sterling market. It is paying above the usual levels (3 months @ 0.55%, 1 year @ 0.95%)

C. Extend the duration of investments
The maximum duration currently allowed in our strategy is one year. Depending on the assessment in Capita's colour coding matrix, some counterparties have a maximum of 3 or 6 months duration imposed. These limits severely restrict potential yield, but are there to mitigate against the security and liquidity risks. We also have a self-imposed 3 month limit on Building Societies other than the Nationwide.

There is no doubt that an improvement in yield could be obtained by committing to longer dated investments. An analysis of the need to use reserves over the coming years would be needed before tying up money long term.

Other authorities already use longer dated investments, so we would not be unique here. Some examples of the rates available at 10/9/13 are:-

Lloyds – 2 years @ 1.10%, 3 years @ 1.45%, 4 years @ 1.96% and 5 years @ 2.30%

RBS – 18 mths @ 0.85%, 2 years @ 1.27%, 3 years @1.74%, 4 years @ 2.08% and 5 years @ 2.37%

Barclays – 2 years @ 1.03%, 3 years @ 1.46%, 4 years @ 1.94% and 5 years @ 2.39%

These rates are dependent on gilt yields which have been on the increase recently owing to so much good news on the UK economy. Swap rates are moving up, so cash rates have been improving all the time. However, they can be very volatile and decisions to place money need to be timed carefully in reaction to rapidly changing market conditions. The market thinks that base rates will need to rise before Mark Carney's goal of a reduction in unemployment to 7% is reached.

As far as the Building Societies are concerned, by extending the duration to 1 year, rates in the region of 0.85% to 0.87% can be achieved, compared with 0.45% to 0.50% in the 3 month period to which we are limited at the present time.

D. Enhanced Money Market Funds
These are becoming a popular alternative for many authorities as they struggle with shrinking counterparty lists and ever reducing yields. However, these funds operate in a very different way to the standard MMFs, even

though both types have AAA ratings. EMMFs have a variable NAV and therefore a greater market risk exposure. There is a potential for loss of capital. They achieve better returns because they have a wider credit appetite and increased durational limits.

EMMFs are usually viewed with a minimum of a 6 months holding in order to even out potentially volatile month on month returns. However, should access to cash be required, it is usually on a T+2 or T+3 basis (i.e. a redemption requested on Monday would be received on Wednesday or Thursday).

An example of an EMMF from one of our existing MMF providers, based on a 1 month annualised gross return and on T+5 access, is:

August 2013: 1.05%

July 2013: 0.54%

June 2013: 0.50%

May 2013: 0.93%

This compares with an almost static 0.43% to 0.44% return over the same period on their standard MMF.

E. Property Funds
These are pooled investment vehicles, investing in all types of commercial/industrial property. They have entry and exit fees and are typically viewed as long term investments over 5 years or more. They give indirect access to the property market, can be seen as another means of diversification and can provide stable returns and capital appreciation.

On the downside, they are illiquid and have inherent price volatility (whether due to a property market collapse or quality of tenants). Hence the need to take a longer term view. Additionally, exit timings can be difficult resulting in a long term lag on redemption.

APPENDIX G - Treasury management scheme of delegation

Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

Finance and Resources Advisory Committee

- reviewing the treasury management policy and procedures and making recommendations to Cabinet.

APPENDIX H - The treasury management role of the section 151 officer

The S151 (responsible) officer is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Finance & Resources Advisory Committee Work Plan 2013/14

21 January 2014	June 2014	September 2014	November 2014
Treasury Management Strategy 2014/15 White Oak Leisure Centre Capital and Asset Maintenance Budget 2014/15 Risks and Assumptions for Budget 2014/15 Financial Performance Indicators 2013/14 – to the end of November 2013 Financial Results 2013/14 – to the end of November 2013 Proposed Joint working project between Sevenoaks District Council and Tonnbridge and Malling Borough Council on Building Control Services	Provisional Outturn 2013/14 and Carry Forward Requests Financial Performance Indicators 2013/14 – to the end of March 2014 Provisional Outturn 2013/14 and Carry Forward Requests	Annual Treasury Management Report 2013/14 Financial Performance Indicators 2014/15 – to the end of July 2014 Financial Results 2014/15 – to the end of July 2014 Financial Prospects and Budget Strategy 2015/16 and Beyond	Treasury Management Statutory Report Review of Service Plans/SCIAs Shared Services Financial Performance Indicators 2014/15 – to the end of September 2014 Financial Results 2014/15 – to the end of September 2014

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