

04 February 2016 at 7.00 pm



Conference Room, Argyle Road, Sevenoaks
Despatched: 27.01.16


Cabinet

Membership:


Chairman, Cllr. Fleming; Vice-Chairman, Cllr. Lowe
Cllrs. Dickins, Firth, Hogarth, Piper and Searles

Agenda

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Committee held on 14 January 2016, as a correct record.	(Pages 1 - 6)	
2. Declarations of interest Any interests not already registered		
3. Questions from Members (maximum 15 minutes)		
4. Matters referred from Council, Audit Committee, Scrutiny Committee or Cabinet Advisory Committees (if any)		
5. Annual Review of Parking Charges 2016/17 (results of public consultation) 	(Pages 7 - 14)	John Strachan, Richard Wilson Tel: 01732227310/7262
6. Budget & Council Tax Setting 2016/17 	(Pages 15 - 64)	Adrian Rowbotham Tel: 01732 227153
REPORTS AND RECOMMENDATIONS FROM THE CABINET ADVISORY COMMITTEES		
7. Discretionary Rate Relief	(Pages 65 - 88)	Sue Cressall, Adrian Rowbotham Tel: 01732 227041/7153

- | | | | |
|-----|--|----------------------|--|
| 8. | Capital Programme and Asset Maintenance | (Pages 89 - 106) | Helen Martin,
Adrian Rowbotham
Tel: 01732
227483/7153 |
| 9. | Treasury Management Strategy 2016/17
 | (Pages 107 -
148) | Helen Martin,
Adrian Rowbotham
Tel: 01732
227483/7153 |
| 10. | Financial Results to the end of November 2015 | (Pages 149 -
156) | Helen Martin,
Adrian Rowbotham
Tel: 01732
227483/7153 |
| 11. | Scrap Metal Dealers Fees | (Pages 157 -
176) | Claire Perry,
Richard Wilson Tel:
01732 227325/7262 |
| 12. | Sevenoaks District Council Trading Company
named Quercus7 Ltd | (Pages 177 -
232) | Christine Nuttall
Tel: 01732 227245 |

 Indicates a Key Decision

 indicates a matter to be referred to Council

EXEMPT INFORMATION

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

If you wish to obtain further factual information on any of the agenda items listed above, please contact the named officer prior to the day of the meeting.

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227247 or democratic.services@sevenoaks.gov.uk.

CABINET

Minutes of the meeting held on 14 January 2016 commencing at 7.00 pm

Present: Cllr. Fleming (Chairman)

Cllrs. Dickins, Firth, Hogarth, Lowe, Piper and Searles

Cllrs. Abraham and Pett were also present.

54. Ruling by the Chairman regarding Urgent Matters

In accordance with Section 100B (4) of the Local Government Act 1972, the Chairman advised the Cabinet he had agreed to accept an urgent matter – “Draft Budget 2016/17 – Update.”

As a result of waiting for Government clarification, the report missed the statutory date for publication. However the Cabinet would be making its final recommendation on the budget at its meeting on 4 February 2016.

55. Minutes

Resolved: That the minutes of the meeting of Cabinet held on 3 December 2015 be approved and signed as a correct record.

56. Declarations of interest

There were no additional declarations of interest.

57. Questions from Members

There were none.

58. Matters referred from Council, Audit Committee, Scrutiny Committee or Cabinet Advisory Committees

There were none.

59. Community Plan 2016-19 Public Consultation Draft

The Portfolio Holder for Communities and Business commended and the Chief Officer, Communities and Business presented the report which sought approval of the public consultation draft of Community Plan for the period 2016-19. The document and its supporting Action Plan had been developed following comprehensive consultation with Members, residents, town and parish councils, a wide range of voluntary and community organisations and partner agencies.

The Portfolio Holder for Planning requested that the reference to ‘Explore opportunities from the proposed Quality Bus Partnership’ be deleted from the summary and initial

analysis as this was not being pursued. Members reviewed the draft consultation document and agreed amendments as follows:

- to amend, where used, the word 'threat' to alternative words such as 'concern' or 'challenge';
- to the change 'family' illustration on page 5 to something more representational of the population dynamic;
- to add a reference to the distance to Ebbsfleet;
- with regards to the health statistics, to ensure the 3 local health priorities were included;
- to amend references to the Strategic Housing Market Assessment (SHMA) to include the whole range of issues being looked at;
- reference to be made to 'refuse' not rubbish collection service; and
- deletion of the remainder of the sentence after the word 'study' at the second bullet point, page 33, of the consultation draft.

Members thanked Officers for their work on the production of the consultation and its more succinct presentation.

Public Sector Equality Duty

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

Resolved: That, subject to the amendments listed above, the public consultation draft Community Plan and strategic level action plan for the period 2016-19, be approved and run from 15 January to 26 February 2016.

60. Calculation of Council Tax Base and other tax setting issues

The Portfolio Holder for Finance presented the report for Members consideration, advising that as part of the budget cycle the calculation of the council tax base of the district was required for tax setting purposes for the coming financial year and had to be approved by Cabinet and Full Council. The tax base was determined by converting all property and occupancy data to the equivalent number of band D properties and the figure was used to calculate the band D charge. He pointed out that the figures in the report were not the amounts of council tax that residents would pay, but the number of taxable properties.

The report showed that the current tax base for 2015/16 was 48,209 and the tax base for 2016/17 would be 48,896. The number of dwellings on the Valuation List had increased from 49,082 to 49,279. A collection rate of 99.4% had been included which was a small increase over that used in 2015/16.

The report also set out the timetable leading up to setting the council tax for 2016/17.

Public Sector Equality Duty

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

Resolved: That it be recommended to Council that:

- a) the report of the Chief Finance Officer for the calculation of the Council's tax base for the year 2016/17 be approved;
- b) pursuant to the report of the Chief Finance Officer and in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) the amount calculated by the Sevenoaks District Council as its council tax base for the whole area for the year 2016/17 shall be 48,895.68;
- c) pursuant to the report of the Chief Finance Officer and in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) the amount calculated by the Sevenoaks District Council as the council tax base for 2016/17 for the calculation of local precepts shall be:

<u>Parish</u>	<u>Tax Base</u>
Ash-cum-Ridley	2,407.77
Badgers Mount	330.21
Brasted	783.17
Chevening	1,443.79
Chiddingstone	599.08
Cowden	416.68
Crockenhill	646.70
Dunton Green	993.01
Edenbridge	3,462.90
Eynsford	924.22
Farningham	638.94

Fawkham	283.79
Halstead	759.02
Hartley	2,510.65
Hever	599.68
Hextable	1,645.57
Horton Kirby & South Darent	1,277.09
Kemsing	1,816.83
Knockholt	619.96
Leigh	803.25
Otford	1,664.06
Penshurst	835.26
Riverhead	1,232.06
Seal	1,193.50
Sevenoaks Town	9,225.61
Sevenoaks Weald	613.40
Shoreham	677.81
Sundridge	921.84
Swanley	5,308.16
Westerham	1,957.48
West Kingsdown	2,304.19

- d) any expenses incurred by the Council in performing in part of its area a function performed elsewhere in its area by a parish or community council or the chairman of a parish meeting shall not be treated as special expenses for the purposes of section 35 of the Local Government Finance Act 1992.

61. Draft Budget 2016/17 - Update

The Portfolio Holder for Finance presented the update report for Members consideration, advising that it contained several small changes (including the Council Tax Base) since the report to the previous meeting, which bridged the previous budget gap of £13,000 per annum.

He reported that the Provisional Local Government Finance Settlement had been published and as expected Revenue Support Grant (RSG) for 2016/17 had been reduced significantly, by 61%. As there had already been an assumption of no RSG in the 10-year budget from 2016/17, no changes had been made to the plan. For the first time the settlement also included indicative figures for the following three years and these contained a 'tariff adjustment' which was in effect a negative Revenue Support Grant. Discussions with Government were ongoing about this change and the implications to district councils.

The Chief Finance Officer reported that the Local Government Finance Settlement had been published on 17 December and further details and clarifications had been obtained over Christmas. The biggest change was the 'tariff adjustment'. Tariffs were one of the tools used to redistribute Business Rates (BR) but the Government had previously said that BR tariffs would not change until 2020 after a review had been carried out. The reason for the 'tariff adjustment' was that Government wanted to reduce Local Authority funding by a significant amount which in Sevenoaks District Council's (SDC) case was more than the RSG received. That was why the tariff adjustment was being referred to as a 'negative RSG' because SDC would have to make a payment to Government.

This Council was potentially affected from 2017/18 along with 14 other authorities (including Maidstone Borough Council, Tonbridge & Malling Borough Council, and eight in Surrey), more would be affected in the following two years.

The Leader had met the Secretary of State to highlight the implications of this change and the Chief Finance Officer had compiled a response to the Government Consultation on behalf of the authorities initially affected.

The Final Local Government Finance Settlement for 2016/17 was expected on 11 February and could contain changes to the approach taken to date. The figures included in the settlement for 2017/18 to 2019/20 were indicative so the 10-year budget had not been adjusted to reflect them. However, officers were continuing to look into options to address the indicative figures, should the Government continue with them, so that the 10-year budget remained fully funded going forward.

Cabinet would make its final recommendations on the budget at its meeting on 4 February with Council setting the budget on 16 February 2016.

The Chairman commended the work carried out by the Chief Finance Officer for all his hard work coordinating the collective response with the 14 other local authority's heads of finance.

Public Sector Equality Duty

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

Resolved: That the report be noted.

THE MEETING WAS CONCLUDED AT 7.28 PM

CHAIRMAN

IMPLEMENTATION OF DECISIONS

This notice was published on 18 January 2016. The decisions contained in Minutes 60 and 61 take effect immediately. The decision contained in Minute 59 takes effect on 26 January 2016.

ANNUAL REVIEW OF PARKING CHARGES FOR 2016/17

Cabinet - 4 February 2016

Report of Chief Officer Environmental and Operational Services

Status: For Decision

Also considered by: Cabinet 15 October 2015

Key Decision: Yes

Executive Summary:

This report is the response to a public consultation on the annual review of parking charges for 2016-17.

It proposes agreeing revised tariffs in the Council's off-street car parks and in on-street pay and display parking bays.

This report supports the Key Aim of:

The effective management of Council resources and supporting the local economy.

Portfolio Holder Councillor Dickins

Contact Officer(s) John Strachan Ext.7310

Recommendation:

That following consideration of the responses to the public consultation, that the proposals for revised parking charges for 2016-17, as detailed in Appendix B be agreed by Cabinet.

Reason for recommendation:

To help regulate and manage the use of on and off street parking facilities in the District; to ensure car parking charges are set to support a sustainable local economy; and, to support services for residents as set out in the approved 10 year budget.

Agenda Item 5

Introduction

- 1 This report considers the responses to proposals for revised charges in the Council's car parks and the fees for on street parking for 2016-17.

Background Information

- 2 Proposals were considered by cabinet on 15 October 2015 and officers were directed to carry out a public consultation on these proposals.

Key Implications

Financial

Decisions made on the approved 10 year budget plan require parking charges to be increased by 2.5%.

Legal Implications and Risk Assessment Statement

Changes to the car park charges will require Notices of Variation in respect of the on-street Traffic Regulation Order and the off-street Parking Order.

Equality Impacts

There is a low risk that the proposals in this report would have any implications under the Equality Act.

Community Impact and Outcomes

Measured and reasonable parking charges support sustainable transport decisions and healthier lifestyles. Encouraging the use of cycles, buses, trains and walking for journeys to schools, work and to the shops and other amenities in towns.

Human Rights

There are no human rights issues or implications.

Conclusions

Proposals and options to meet the budget income targets.

Appendices

Appendix A - Responses to the public consultation on the annual review of parking charges for 2016-17.

Appendix B - Proposed On and Off-Street Parking Charges

Richard Wilson, Chief Officer Environmental and Operational Services

ANNUAL REVIEW OF PARKING CHARGES FOR 2016/17

Responses to the Public Consultation

Profile of Respondents: (total of 11)

Of the 11 respondents to the public consultation on proposed charges under the Parking Fees and Charges Review for 2016/17, eight identified themselves as residents, two were visitors and one was a business.

Table of Responses

Comment	Respondents										
	1	2	3	4	5	6	7	8	9	10	11
£10 charge unreasonable	x	x									
Doubling 20p charge is excessive			x						x		
Should be able to park according to what you have paid (i.e. if 80p charging period and you pay £1, should get additional 20p's worth of parking)			x					x			
30mins charging period should be available in all car parks			x					x			
Increased charging won't encourage visitors/trade					x	x	x		x		
Do more to charge commuters (including in station car parks) who sometimes park for free elsewhere, as commuters do not spend money in the town.					x					x	
Consider a free parking periods (e.g. free hour/2hours parking at lunch (as in France)/increase period of free parking on street/free parking after 6.30pm)			x		x					x	x
Pay on exit system would mean fewer staff and less stress	x										
Pay by phone option should be discounted as it is less to administer			x								
Parking in the car parks behind the Swanley Centre should be abolished as there are two doctors' surgeries close by				x							

Original comments:

Respondent 1

On the whole seem reasonable but do not believe the £10 Blighs proposal reasonable or likely to be popular. Although I understand enforcement staff are already employed Sundays (not sure how many/why?), I do not believe additional parking restrictions will benefit trade. Whilst not a comment on the current

Agenda Item 5

proposals, I do wonder if it would be of benefit to all if pay on exit facilities were in place in car parks. This might result in fewer enforcement staff, shoppers not having to rush back to cars, so perhaps spending more in town and more likely to return. Perhaps this has already been looked at, but perhaps not.

Respondent 2

The new £10 charge for 4 hours at Blighs car park is excessive. What are you trying to achieve with the new rate. Are we actively encouraging shoppers and visitors to the centre of Sevenoaks, or trying to rip them off.

Respondent 3

1. Doubling the 20p for 30 minutes on street parking in South Park & High Street etc is excessive
2. It is possible for machines to give a number of minutes parking based on the amount paid, for example if the rate is 80p for an hour and the user only has a £1 coin, the user should be given extra time for the extra 20p paid. Likewise if the user has only 50p, you get fewer minutes. Its not rocket science and it is fairer than taking money for nothing.
3. The payment by telephone should offer a discount against the cash payment - as it is less work for the Council
4. All car parks should offer a 30 minute slot.
5. If you want to attract shoppers and diners to the high street, consider offering a free hour/2hours at lunchtime like most towns in France.

Respondent 4

I think the parking charges in the car parks behind Swanley Centre should be abolished particularly as this includes the 2 doctors' surgeries.

Respondent 5

Get rid of parking charges, use a 2-4 hour slot for free parking, why would a council charge residents to park? You want money spent in the towns then it's idiot proof FREE PARKING !!!!!!! I'm a retail manager and you really shouldn't charge for parking, it's greed, get money from other resources instead, and slap a ticket on clever commuters who park for free and get away with it and ignore the signs!!!!!!

Respondent 6

Sevenoaks has unreasonable parking charges and forces people away from the town.

Respondent 7

Can someone explain to me how putting the parking charges up will encourage people to visit Sevenoaks and spend money in local businesses when you have free

parking at other towns in the area to encourage shoppers. Also if you outstay your welcome the traffic wardens are waiting for you !!

Respondent 8

I think the restraint is a good thing. I have two 'however's' though. I think that people should get the parking they pay for when they don't have the exact change. e.g at the moment if the parking fee is 70p, and you only have a pound coin so pay £1 you get no more time. I think a 30 minute parking in Buckhurst 1 would be appreciated by local businesses. I am sure this could be positioned as investing in the town.

Respondent 9

I have owned and run a business in Southpark for over 10 years and have witnessed a steady incline in parking charges and a steady decline in footfall over those years. For you to think and state in your report that Sevenoaks town remains a thriving shopping centre because we have the fewest number of empty shops shows how deluded you are. Also your comments regarding Marks and Spencer helping to underpin Sevenoaks as a popular retail hub is pathetic, it's great that we have M & S but having them here has done absolutely nothing for the other businesses in town. I'm not sure if you have noticed but there's a small shopping centre called "Bluewater" just up the road which every business in town has to contend with. How you think its fair to put up the charges from 20p to 40p (100% increase) is absolutely ridiculous, the new charge will not help with parking turnover and will not help local businesses either. Again it will just make it more expensive and again put more people off.

Respondent 10

Parking charges should be abolished after 6.30 pm as there is a surplus of space and no need to manage demand by pricing. This would boost restaurants, cinema and pub trade. Daytime pricing in the station car parks could be increased at a faster rate. Rail commuters largely do not contribute to footfall in shops and other businesses.

Respondent 11

I park in surrounding streets where you currently have 2 hours free. I can't afford to pay for parking, so rush in and out of required bank etc. and leave! Could you not increase the free time for parking in the streets to encourage people to look around the shops and businesses in Sevenoaks? As I understand things, councils don't operate to make a profit/income out of parking charges (by law) to having a 2 hours limit doesn't help anyone and is harming both businesses and tourism/day trippers.

This page is intentionally left blank

Areas for consideration: Review of Fees and Charges 2016-17				
Off Street				
			Current	Revised
1A	Blighs	Up to 30 mins	70p	No Change
		Up to 1 hr	£1.30	£1.50
		Up to 2 hrs	£3	No Change
		Up to 3 hrs	£4.80	£5
		Up to 4 hrs	New	£10
		Evening	£1	No Change
		Sundays - Up to 4 hrs	New	4 hours max stay
1B	Buckhurst 1 South Park Suffolk Way	Up to 1 hr	£1	No Change
		Up to 2 hrs	£1.80	£2
		Up to 3 hrs	£3	No Change
		Up to 4 hrs	£4	No Change
		Up to 5 hrs	New	£4.50
		Evening	£1	No Change
1C	Buckhurst 2 Weekdays	All day	£4.60	No Change
		Evening	£1	No Change
	Buckhurst 2 Saturdays	Up to 1 hr	£1	£2
		Up to 2 hrs	£1.80	£2
		Up to 3 hrs	£3	No Change
		Up to 4 hrs	£4	No Change
		Over 4 hours and all day	£4.60	No Change
		Evening	£1	No Change
	Buckhurst 2 and South Park Season Tickets	Annual Season Ticket	£859	No Change
		Quarterly Season Ticket	£224.75	No Change
Resident Permit		£35	No Change	
1D	Council Offices	Saturdays	Free	Free on Sundays too
2A	St Johns St James	Up to 30 mins	20p	No Change
		Up to 1 hr	40p	No Change
		Up to 2hrs	60p	No Change
		Up to 4 hrs	£1	No Change
		Over 3 hrs and all day	£3.10	No Change
		Annual Season Ticket	£429	No Change
			£117.25	No Change
		Resident Permit	£35	No Change
2B	Bradbourne	All day	£7	No Change
		After 3pm up to 6.30pm	£1.50	No Change
	Bradbourne Season	Annual Season Ticket	£1,110	No Change
		Quarterly Season Ticket	£287.50	No Change
2C	Sennocke	All day	£7	No Change
		Up to 2 hrs	£1	No Change
		After 3pm up to 6.30pm	£1.50	No Change
	Sennocke Season Tickets	Annual Season Ticket	£1,150	No Change
		Quarterly Season Ticket	£297.50	No Change

Areas for consideration: Review of Fees and Charges 2016-17				
Off Street (continued)				
2D	Bevan Place Park Road (not all day) Station Road	Up to 30 mins	30p	No Change
		Up to 1 hr	50p	
		Up to 2 hrs	70p	
		Up to 4 hrs	£1.10	
		Over 4 hrs and all day	£4	
2E	Bevan Place Season Tickets	Annual Season Ticket	£396	No Change
		Quarterly Season Ticket	£109	
2F	Darent	Up to 30 mins	Free	Free
		Up to 1 hr		
		Up to 2 hrs		
		Up to 3 hrs	£1.20	£1.50
		Up to 4 hrs		
		Over 4 hrs and all day		
2G	Quebec Avenue	Up to 15 mins	10p	No Change
		Up to 30 mins	20p	
		Up to 1 hr	50p	
		Up to 2 hrs	70p	
		Up to 4 hrs	£1.20	
		Over 4 hrs and all day	£3.10	
2H	Vicarage Hill	Up to 15 mins	10p	No Change
		Up to 30 mins	20p	
		Up to 1 hr	60p	
		Up to 2 hrs	£1.50	

Changed in 2015

BUDGET AND COUNCIL TAX SETTING 2016/17

Cabinet - 4 February 2016

Report of Chief Finance Officer

Status: For Decision

Also considered by: Council - 16 February 2016

Key Decision: No

Executive Summary: The Council has an excellent track record in identifying, planning for and addressing financial challenges. In light of the challenging financial position facing all authorities five years ago, for 2011/12 the Council produced a 10-year budget together with a savings plan for the first time. This will be the sixth year this method has been used and provides the Council with a stable basis for future years.

This report sets out the proposed budget and required level of Council Tax for 2016/17. The report details changes to the draft budget since the Cabinet meeting on 14 January 2016.

The report proposes a net expenditure budget of £13.689m in 2016/17 (£14.253m in 2015/16). Subject to any further changes this would result in a Council Tax increase of 1.96% in 2016/17, with the District’s Council Tax being £196.65 for a Band D property for the year (£192.87 in 2015/16).

The report also contains details of the precepts received from other authorities; the Collection Fund position and an opinion on the robustness of the budget and the adequacy of the reserves.

Portfolio Holder Cllr. Searles

Contact Officer(s) Adrian Rowbotham Ext.7153
 Helen Martin Ext.7483

Recommendation to Cabinet:

That recommendations (a) to (d) set out below be recommended to Council.

Recommendation to Council:

- (a) The Summary of Council Expenditure and Council Tax for 2016/17 set out in Appendix E be approved.

-
- (b) Approve the 10-year budget 2016/17 to 2025/26 which is the guiding framework for the detailed approval of future years' budgets set out in Appendix B to the report, including the growth and savings proposals set out in Appendix C-D to the report, and that where possible any variations during and between years be met from the Budget Stabilisation Reserve: and
- (c) The changes to reserves and provisions set out in Appendix H be approved.
- (d) Members' views are sought on the issue of Council Tax Support funding for Town and Parish Councils and one of the following options be approved:
- i. No funding is passed to Town and Parish Councils for Council Tax Support in 2016/17;
 - ii. An amount of funding is passed to Town and Parish Councils for Council Tax Support in 2016/17 equivalent to the amount passed on in 2013/14 less 78% (the Council's reduction in Revenue Support Grant);
 - iii. A different amount is passed to Town and Parish Councils for Council Tax Support in 2016/17.
- (e) Due to there length and complexity, the further recommendations have been produced as a separate document (Appendix L).
-

Introduction and Background

- 1 The Council's financial strategy over the past eleven years has worked towards increasing financial sustainability and it has been successful through the use of a number of strategies including:
 - implementing efficiency initiatives;
 - significantly reducing the back office function;
 - improving value for money;
 - maximising external income;
 - the movement of resources away from low priority services; and
 - an emphasis on statutory rather than non-statutory services.
- 2 Over this period the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders. In financial terms, the adoption of this strategy has to date allowed the Council to move away from its reliance on general fund reserves.
- 3 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the short-term reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, that ensured the

Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.

- 4 With the amount of Revenue Support Grant provided by Government continuing to reduce at a significant rate it is important that the council aims to become more financially self-sufficient by having a balanced economy and a financial strategy that is focused on local solutions. These solutions include:
 - continuing to deliver financial savings and service efficiencies;
 - growing the council tax base; and
 - generating more income.
- 5 Local Government generally appears to be feeling the impacts of the Government funding reductions and the recession. However, productivity and morale within this Council remain high which has a positive impact on the financial bottom line.
- 6 At the Cabinet meeting on 17 September 2015, Members considered a report setting out the Council's financial prospects for 2016/17 and beyond. That report set out the major financial pressures the Council is likely to face, together with a proposed strategy for setting a balanced and sustainable budget for 2016/17 and beyond.
- 7 As part of the budget process officers put forward their Service Dashboards to the Advisory Committees between September and November, which set out a summary of current and future challenges and risks. The Advisory Committees recommended new growth and savings items which were considered at the Cabinet meeting on 3 December 2015.
- 8 The report to Cabinet on 3 December 2015 also contained updates to the Financial Prospects report. An update report was presented to Cabinet on 14 January 2016 following the announcement of the Provisional Local Government Finance Settlement.
- 9 The adoption of the 10-year budget over the last five years has resulted in a much more stable budget position than had previously been achieved.
- 10 This report includes a number of attachments:
 - Appendix A - Budget timetable
 - Appendix B - 10-year budget;
 - Appendix C - Summary of the Council's agreed savings and growth items;
 - Appendix D - Summary of new growth and savings items proposed during the current budget process;

Agenda Item 6

- Appendix E - Summary of Council Expenditure and Council Tax;
- Appendix F - Summary of service analysis in budget book format;
- Appendix G - Analysis of pay costs;
- Appendix H - Reserves
- Appendix I - Risk analysis;
- Appendix J - Latest information on precepting authorities (only in Council report)
- Appendix K - Town and Parish Council precepts and council tax rates (only in Council report)
- Appendix L - Council tax setting recommendations (only in Council report)
- Appendix M - Council tax rates across the district (only in Council report)

Financial Self-Sufficiency

- 11 The Council's Corporate Plan, introduced in 2013, set out an ambition for the Council to become financially self-sufficient. This would mean the Council no longer required direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 12 The decision to become financially self-sufficient is intended to give the Council greater control over its services, reducing the potential for decision making to be influenced by the level of funding provided by government to local authorities.
- 13 The attached 10-year budget assumes no Revenue Support Grant or New Homes Bonus from 2016/17 but does incorporate income from the Property Investment Strategy including the development of Sennocke and Bradbourne car parks.
- 14 It is intended that any funding received from Revenue Support Grant and New Homes Bonus will be put into the Financial Plan Reserve which can be used to support the 10-year budget by funding 'invest to save' initiatives and to support the Property Investment Strategy. One of the aims of the Property Investment Strategy is to achieve returns of 6%; therefore using funding for this purpose will result in additional year on year income that is not impacted by Government decisions.
- 15 Cabinet are keen to become financially self-sufficient early so that the Council is better able to anticipate and shape change, and place the Council on a stronger footing going forward. After making these changes, it is achievable to be free from Government control and be able to move ahead

in the knowledge that this Council has the financial resources to provide the services that the district's residents want into the future.

Government Funding

- 16 ***The Provisional Local Government Finance Settlement*** for 2016/17 was announced on 17 December 2015 together with indicative figures for 2017/18 to 2019/20. The level of reduction was much larger and faster than had been predicted by experts. This was discussed by Cabinet on 14 January.
- 17 The Settlement included an amount of £632,791 for 2016/17 which is 61% lower than the amount received for 2015/16.
- 18 The indicative figures show that this Council is expected to receive no Revenue Support Grant (RSG) in any year after 2016/17 and in addition a 'tariff adjustment' has been included for the first time. Fourteen other district councils have also been affected in the same way from 2017/18 and many others in the following two years. This 'tariff adjustment' is in effect a negative RSG.
- 19 This dramatic reduction and by including a 'tariff adjustment' for the first time will have a major impact on district councils and it brings into question whether all local authorities will be able to survive in their current format.
- 20 The Council Leader and Leaders from two of the other fourteen other district councils initially affected, met Greg Clark MP, Secretary of State for Communities and Local Government on 4 January 2016 to discuss the Provisional Settlement and in particular the impact of the new 'tariff adjustment'.
- 21 The provisional settlement included a consultation document, with a deadline of 15 January 2016, which this council has responded to. It is expected that the Government will issue a Final Local Government Finance Settlement for 2016/17 on 11 February 2016 and any changes that impact Sevenoaks District Council will be reported at the Council meeting.
- 22 As the figures for 2017/18 to 2019/20 are only indicative at this time, they have not been incorporated into the attached 10-year budget. Early indications suggest that a resolution will be found that removes the need for a 'tariff adjustment' before the provisional settlement figures are provided for these years. Should the 'tariff adjustment' amounts remain, one option would be to use New Homes Bonus income to offset this loss. However, if this approach was taken, less would be transferred into the Financial Plan Reserve to support the Property Investment Strategy.

Council Tax Support Funding for Town and Parish Councils

- 23 The Government introduced a change from Council Tax Benefit (CTB) to Council Tax Support (CTS) from 1 April 2013. CTB was fully reimbursed by Government but CTS is a Council Tax Discount (similar to the Single Person

Agenda Item 6

Discount) and local authorities now only receive the amount of Council Tax they collect.

- 24 To partly offset this, the Government gave a grant to Major Precepting Authorities (i.e. Sevenoaks District Council, Kent County Council, Fire and Police) in 2013/14 amounting to 90% of the CTB they had received in 2012/13. Town and Parish Councils were initially excluded from this but the Government later changed their mind and allocated an additional identifiable grant to billing authorities to pass on to Town and Parish Councils.
- 25 When allocating this additional grant for 2013/14, the Government pointed out that this may not continue in future years. Officers advised Town and Parish Councils that in view of the information published by Government it could not be certain that this additional funding would be paid in future years. This resulted in many Town and Parish Councils increasing their Council Tax Precept (as Town and Parish Councils do not have a referendum limit like Major Precepting Authorities) to offset the future likely loss of this funding stream.
- 26 When the Government announce the funding settlement each year they can show funding in the following three ways:
 - a. Ring-fence an amount so that it has to be spent on a specific purpose or it has to be returned.
 - b. Highlight an amount for a specific purpose using a separate formula; this does not have to be spent on the specific purpose.
 - c. Revenue Support Grant - a formula based grant that can be used for any legal purpose.
- 27 In 2013/14 the additional funding for Town and Parish Councils was shown as a (b), in 2014/15, 2015/16 and 2016/17 it is within (c) and no specific amount for this purpose is shown.
- 28 Governments have treated other funding in a similar way in the past, e.g. Concessionary Fares, when funding was initially separately identified but was later included within the Revenue Support Grant.
- 29 As the additional funding for Town and Parish Councils was clearly identified in 2013/14, Sevenoaks District Council was early to commit to pay the full amount.
- 30 Officers have continued to inform Town and Parish Councils that if this additional funding could not be clearly identified in the grant settlement, it is likely that nothing would be passed on to Town and Parish Councils.
- 31 A report was presented to Council on 13 May 2014 requesting that members approve one of three options for 2014/15. Members decided not to pass on any funding to Town and Parish Councils for Council Tax Support in 2014/15. Members made the same decision for 2015/16.

- 32 Council Members' views are sought for 2016/17 and are asked to approve one of the following three options:
- i. No funding is passed to Town and Parish Councils for Council Tax Support in 2016/17;
 - ii. An amount of funding is passed to Town and Parish Councils for Council Tax Support in 2016/17 equivalent to the amount passed on in 2013/14 less 78% (the Council's reduction in Revenue Support Grant);
 - iii. A different amount is passed to Town and Parish Councils for Council Tax Support in 2016/17.
- 33 The Provisional Local Government Finance Settlement announced on 17 December 2015 once again did not include a separate amount for major preceptors or Town and Parish Councils therefore the assumption in the 10-year budget remains that no funding will be passed on.
- 34 Members may wish to note that in the first year of the Council Tax Support Scheme an amount of £1.008m was included within the Revenue Support Grant (RSG) for this purpose. The total RSG for 2016/17 is only £632,791. If a proportion of the RSG is passed on to Town and Parish Councils, further savings would be required to continue to have a balanced 10-year budget.

Collection Fund Surplus/Deficit Calculation

- 35 Rules governing the operation of the collection fund require the Council to make an estimate on 15 January (or the next working day) each year of the fund's likely difference at the end of the current financial year, in respect of council tax transactions. The amount so estimated is to be shared between the District Council, County Council, Fire and Police in proportion to their precepts on the collection fund. Each authority's share is to be taken into account by the authority in calculating its council tax for the year following the year in which the surplus or deficit has been estimated.
- 36 The actual surplus balance on the collection fund at 31 March 2015 was £299,145. The actual balance is very small in the context of the gross council tax collectible during 2014/15 of £74m.
- 37 The calculation at 15 January 2016 estimates a surplus balance on the collection fund at 31 March 2016. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.
- 38 The overall estimated surplus balance at 31 March 2016 is £1.968m, of which this Council's share is £333,000. This has come about following a review of the bad debt provision now that the council tax support scheme (which replaced council tax benefit) has been operating for two years.

Agenda Item 6

Current Budget Position

- 39 The only changes to the budget since 14 January 2015 are the Collection Fund Surplus of £333,000 as explained earlier, and the use of this amount to increase the Corporate Project Support Reserve (see Appendix H).
- 40 Included in the 10-year budget is an additional £100,000 of income per annum from 2017/18. If this cannot be achieved via income, further savings would be required.
- 41 The 10-year budget (Appendix B) shows a fully funded 10-year position. By continuing to use the 10-year budget strategy, this council remains in a strong position going forward.

2016/17 Budget and Council Tax

- 42 After allowing for the growth and savings agreed and the key changes made during this budget process, the resulting net expenditure for 2016/17 is £13.689m. As shown in Appendix E this results in Council Tax income of £9.615m, meaning that the District element of the Band D charge will be £196.65.
- 43 When the other preceptors announce their increases, details will be included in Appendix J.

Integration with other budget reports on the Cabinet Agenda

- 44 A report on the Treasury Management Strategy is being presented to Cabinet and Council and a report setting out the Capital Programme and Asset Maintenance proposals is being presented to Cabinet. The attached revenue budgets take into account the recommendations and revenue implications set out in those reports.

Opinion under the Local Government Act 2003 (LGA 2003)

- 45 Under the LGA 2003 the Statutory Finance Officer (Chief Executive) is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves.
- 46 In terms of the robustness of the budget, the following sources of assurance were taken into account:
- The Strategic Business and Financial Planning process used for the 2016/17 budget.
 - The Financial Strategy, including a 10-year Budget, clear financial objectives, sensitivity analysis and the savings package.
 - Growth and savings suggestions proposed.

- The strong financial control structure and effective performance management within the Council, confirmed by feedback from external auditors.
- Clear budget responsibilities at individual officer level.
- Effective monitoring regime giving early notification of potential financial issues through the use of the Finance Advisory Committee.
- Effective Internal/External audit system, with risk-based audits, reporting through the Audit Committee.
- Set aside of earmarked funds for potential liabilities in the medium term.
- Effective strategic and operational risk management.

47 As is the case every year, inevitably there are a number of risk factors within the 2016/17 budget proposals; these are set out in some detail in Appendix I. This Appendix was also considered by the Finance Advisory Committee on 25 January 2016. Some of the more significant items are set out below.

a) Pay costs

Pay costs are budgeted on 100% basis, with a 1% inflationary pay award assumption included and with a separate vacancy saving target. With controls over the appointment of any staff and monitoring of staff numbers as well as costs, pay costs are subject to a high level of control.

b) Income

In-depth monitoring of income budgets will continue throughout the year and will be given regular consideration by the Finance Advisory Committee.

c) Pensions funding

The next actuarial valuation will take effect from 2017/18.

d) Investment receipts

Interest receipts have remained low in 2015/16 and are not expected to increase in the near future. The Treasury Management Strategy will be kept under review and brought back to Members for consideration as necessary during the year. The proposed Strategy for 2016/17 is reported separately on this Agenda.

e) Capital investment

Property Investment Strategy income is now included in the 10-year budget. Members are assured that any property acquisitions will be

Agenda Item 6

supported by a thorough business case and approved by the relevant Portfolio Holders.

f) Growth

The 10-year budget has no allowance for growth as it is anticipated that where possible this will be met through additional savings or the Budget Stabilisation Reserve.

- 48 Members will recognise that budget risk cannot be avoided completely. However, the structures already in place and the actions being put in place should ensure that next year's overall revenue spend figure is achieved, particularly through the Council's flexible approach to budgeting allowing the risk areas to be compensated by those that are underspent or over achieve on income.

Adequacy of Reserves

- 49 Ensuring the adequacy and sustainability of the Council's reserves continues to be a key part of the budget process. Individual balances have been reviewed as part of writing this report and the detailed work is set out in Appendix H. This review should ensure that all provisions and earmarked reserves are adequate for their purposes.
- 50 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies.
- 51 The strong formal advice of the Section 151 officer to the Council is that every effort must be made to achieve the agreed savings plan in order to ensure financial sustainability and preserve the level of reserves for future commitments. The Council should avoid, at all costs, the General Fund Reserve balance reducing below 10% of its Net Service Expenditure (for 2016/17 this equates to £1.4m).

Referendums relating to council tax increases

- 52 Section 72 of the Localism Act 2011 inserted Section 52ZB into the Local Government Finance Act 1992. This sets out the duty on local authorities, fire authorities and Police and Crime Commissioners (PCCs) to each determine whether the amount of council tax they plan to raise for a financial year is excessive. If an authority's relevant basic amount of council tax is excessive, the provisions in relation to the duty to hold a referendum apply.
- 53 The Secretary of State has published draft thresholds in relation to 2016/17 council tax levels. The Government proposes to set a threshold of 4% for local authorities with social care responsibilities and 2% for district councils, PCCs, fire authorities and the Greater London Authority. Districts and PCCs whose council tax level is in the lowest quartile of their type of authority may raise council tax by up to £5.00 on a band D bill (which may be a greater rise than 2%). Sevenoaks is not one of these authorities. As in

previous years, no equivalent principles are being proposed for Town and Parish Councils.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered. The budget risk analysis is included as Appendix I.

Current and future pressures were included in the Service Overviews presented to the Advisory Committees and each Service Change Impact Assessment (SCIA) included the likely impacts including a risk analysis.

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.

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.

The Council has in place a number of specific reserves and provisions to address identified risks.

Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.

Individual equalities assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision making process is fair and transparent. These were included in the Draft Budget 2016/17 report to Cabinet on 3 December 2015.

Agenda Item 6

Community Impact and Outcomes

In making any budget proposals, Members need to consider the impact on customers, service quality and staff well-being, to ensure that the budget supports the Council's aspirations for customer-focused services.

Conclusions

The budget process has once again been a major financial challenge for a council that already provides value for money services to a high standard. The 10-year budget shows a fully funded position over the whole period which keeps this council in a strong position going forward.

The future financial prospects for the public sector are increasingly difficult, with the added uncertainty of the pending elections. However, this budget ensures the Council is in a financially sustainable position but it will be reviewed when changes resulting from the elections are known.

If the council tax resolution attached in Appendix L is approved, the Sevenoaks District Council element of the band D council tax will be £196.65.

Appendices

Appendix A - Budget timetable

Appendix B - 10-year budget

Appendix C - Summary of the Council's agreed savings and growth items

Appendix D - Summary of new growth and savings items proposed during the current budget process

Appendix E - Summary of Council Expenditure and Council Tax

Appendix F - Summary of service analysis in budget book format

Appendix G - Analysis of pay costs

Appendix H - Reserves

Appendix I - Risk analysis (also being considered by Finance Advisory Committee on 25 February 2016)

Appendix J - Latest information on precepting authorities (only in Council report)

Appendix K - Town and Parish Council precepts

and council tax rates (only in Council report)

Appendix L - Council tax setting
recommendations (only in Council report)

Appendix M - Council tax rates across the district
(only in Council report)

Background Papers:

Report to Council 17 February 2015 - Budget and
Council Tax Setting 2015/16

Report to Cabinet 17 September 2015 - Financial
Prospects and Budget Strategy 2016/17 and
Beyond

Report to Housing and Health Advisory
Committee 22 September 2015, Economic and
Community Development Advisory Committee 24
September 2015, Direct and Trading Advisory
Committee 6 October 2015, Legal and
Democratic Services Advisory Committee 8
October 2015, Planning Advisory Committee 13
October 2015, Finance Advisory Committee 17
November 2015, Policy and Performance Advisory
Committee 26 November 2015 - Budget 2016/17:
Review of Service Dashboards and Service Change
Impact Assessments (SCIAs)







Report to Cabinet 3 December 2015 - Draft
Budget 2016/17

Report to Cabinet 14 January 2016 - Draft Budget
2016/17 Update

**Adrian Rowbotham
Chief Finance Officer**

This page is intentionally left blank

2016/17 Budget Setting Timetable

	Date	Committee
Stage 1		
Financial Prospects and Budget Strategy 2016/17 and Beyond	1 September	Finance AC
	17 September	Cabinet
		
Stage 2		
Review of Service Dashboards and Service Change Impact Assessments (SCIAs)	22 September	Housing & Health AC
	24 September	Economic & Comm. Dev. AC
	6 October	Direct & Trading AC
	8 October	Legal & Dem. Svs AC
	13 October	Planning AC
	17 November	Finance AC
	26 November	Policy & Performance AC
		
Stage 3		
Budget Update (incl. Service Change Impact Assessments (SCIAs), feedback from Advisory Committees)	3 December	Cabinet
		
Stage 4		
Budget Update (incl. Government Support information)	14 January	Cabinet
		
Stage 5		
<i>Budget Update and further review of Service Change Impact Assessments (if required)</i>	<i>January - February</i>	<i>Advisory Committees</i>
		
Stage 6		
Budget Setting Meeting (Recommendations to Council)	4 February	Cabinet
		
Stage 7		
Budget Setting Meeting (incl. Council Tax setting)	16 February	Council

Note: The Scrutiny Committee may 'call in' items concerning the budget setting process.

This page is intentionally left blank

Ten Year Budget - Revenue

	Budget 2015/16	Plan 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Plan 2023/24	Plan 2024/25	Plan 2025/26
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	14,136	14,253	13,689	14,261	14,512	14,672	15,223	15,577	15,938	16,306	16,679
Inflation	473	569	506	622	446	638	454	461	468	473	478
Superannuation Fund deficit: actuarial increase	0	(721)	300	0	0	200	0	0	0	0	0
Net savings (approved in previous years)	(356)	(13)	(162)	(271)	(216)	(187)	0	0	0	0	0
New growth	0	88	28	0	30	0	0	0	0	0	0
New savings/Income	0	(487)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Net Service Expenditure b/f	14,253	13,689	14,261	14,512	14,672	15,223	15,577	15,938	16,306	16,679	17,057
Financing Sources											
Government Support											
: Revenue Support Grant	(1,516)	0	0	0	0	0	0	0	0	0	0
New Homes Bonus	(1,818)	0	0	0	0	0	0	0	0	0	0
Council Tax	(9,298)	(9,615)	(9,923)	(10,240)	(10,565)	(10,899)	(11,242)	(11,594)	(11,956)	(12,328)	(12,710)
Locally Retained Business Rates	(1,934)	(1,951)	(1,989)	(2,048)	(2,113)	(2,155)	(2,198)	(2,242)	(2,287)	(2,333)	(2,380)
Collection Fund Surplus		(333)	0	0	0	0	0	0	0	0	0
Interest Receipts	(301)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Property Investment Strategy Income	0	(500)	(500)	(1,132)	(1,276)	(1,276)	(1,276)	(1,276)	(1,376)	(1,376)	(1,376)
Contributions to/(from) Reserves	(233)	100	(353)	(353)	(353)	(353)	(353)	(179)	(179)	(635)	148
Total Financing	(15,100)	(12,549)	(13,015)	(14,023)	(14,557)	(14,933)	(15,319)	(15,541)	(16,048)	(16,922)	(16,568)
Budget Gap (surplus)/deficit	(847)	1,140	1,246	489	115	290	258	397	258	(243)	489
Contribution to/(from) Stabilisation Reserve	847	(1,140)	(1,246)	(489)	(115)	(290)	(258)	(397)	(258)	243	(489)
Unfunded Budget Gap (surplus)/deficit	0	0	0	0	0	0	0	0	0	0	0

Assumptions	
Revenue Support Grant:	-100% in 16/17
Locally Retained Business Rates:	2% all years
Council Tax:	2% in all years
Interest Receipts:	£250,000 16/17 onwards
Property Inv. Strategy:	£500,000 from 16/17, £700,000 from 18/19, £800,000 23/24 onwards. Sennocke and Bradbourne development income included from 2018/19.
Pay award:	1% in 16/17 - 19/20, 2% later years
Other costs:	2.25% in all years
Income:	2.5% all years

This page is intentionally left blank

Summary of the Council's Agreed Savings and Growth Items

Appendix C

SCIA		Description	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	Later Years £000	Total £000
Year	No.									
		Direct and Trading Advisory Committee								
		No savings or growth agreed from 2016/17 onwards								
		Economic and Community Development Advisory Committee								
2014/15	2	Economic Development & Property Team - SCIA originally called 'Broadband and business growth' (reversal of temporary growth item)						(50)	(30)	
		Finance Advisory Committee								
2011/12	62,63	Staff terms and conditions - savings agreed by Council 18/10/11						(143)	(836)	
2015/16	1	Staffing: Employers National Insurance increase from April 2016 - implications due to change in legislation						200		
2015/16	10	External Audit fee reduction (reversal of temporary saving item)							30	
2015/16	11	Dartford BC partnerships: revised split of costs (reversal of temporary saving item)						90		
		Housing and Health Advisory Committee								
2015/16	17	Housing Advice: Bed and breakfast reduction (reversal of temporary saving item)						10		
2015/16	18	Housing Advice: Private sector letting scheme (reversal of temporary saving item)						10		
		Legal and Democratic Services Advisory Committee								
		No savings or growth agreed from 2016/17 onwards								
		Planning Advisory Committee								
2014/15	15	Planning: Use CIL funds for monitoring						(50)		
		Policy and Performance Advisory Committee								
2014/15	18	Corporate Projects (reversal of temporary growth item)						(60)		
2014/15	21	Customer Services: Channel shift programme						(20)		
		Total Savings	(2,984)	(841)	(314)	(479)	(533)	(103)	(806)	(6,060)
		Total Growth	371	45	50	327	177	90	(30)	1,030
		Net Savings	(2,613)	(796)	(264)	(152)	(356)	(13)	(836)	(5,030)

This page is intentionally left blank

New Growth and Savings Proposals

Proposal shown as 'New Growth' on the attached 10-year budget						
SCIA Year	No.	Description	Year	Ongoing	Annual Impact £000	10-year Budget Impact £000
Growth						
Policy and Performance Advisory Committee						
2016/17	1	Economic Development & Property: Staffing establishment levels made permanent	2016/17	yes	88	1,342
Total					88	1,342

Proposals not included on the attached 10-year budget						
SCIA Year	No.	Description	Year	Ongoing	Annual Impact £000	10-year Budget Impact £000
Growth						
Direct and Trading Advisory Committee						
2016/17	2	Street Cleaning: Fly-tipping clearance and enforcement action	2016/17	yes	36	360
Economic and Community Development Advisory Committee						
none						
Finance Advisory Committee						
2016/17	4	Facilities Management: Loss of asset maintenance income	2016/17	yes	13	130
2016/17	5	Facilities Management: Asset maintenance at Hever Road Travellers Site	2016/17	yes	30	300
2016/17	6	Finance: Insurance Premium Tax increase	2016/17	yes	12	120
Housing and Health Advisory Committee						
none						
Legal and Democratic Services Advisory Committee						
2016/17	7	Register of Electors: Individual Electoral Registration	2016/17	yes	40	400
Planning Advisory Committee						
none						
Policy and Performance Advisory Committee						
none						
Sub Total					131	1,310

Proposals not included on the attached 10-year budget						
SCIA Year	No.	Description	Year	Ongoing	Annual Impact £000	10-year Budget Impact £000
Savings						
Direct and Trading Advisory Committee						
2016/17	8	Playgrounds: Reduction in asset maintenance	2016/17	5 yrs	(7)	(35)
2016/17	9	Public Conveniences: Reduction in asset maintenance	2016/17	5 yrs	(8)	(40)
Economic and Community Development Advisory Committee						
2016/17	10	Youth: Reduction in contributions to projects	2016/17	yes	(10)	(100)
Finance Advisory Committee						
2016/17	11	Facilities Management: Reduction in utility costs	2016/17	yes	(15)	(150)
2016/17	12	Facilities Management: Reduction in maintenance and consumables cost	2016/17	yes	(66)	(660)
2016/17	13	Facilities Management: Increased print income	2016/17	yes	(10)	(100)
2016/17	14	Various partnerships: Revised split of costs	2016/17	yes	(70)	(700)
2016/17	15	Finance: Partnership work covered within existing resources	2016/17	yes	(72)	(720)
Housing and Health Advisory Committee						
2016/17	16	Housing Advice & Standards: Housing Register	2016/17	yes	(15)	(150)
2016/17	17	Disabled Facility Grants: Fee income	2016/17	yes	(20)	(200)
2016/17	18	Private Sector Lettings (PSL) scheme: reduced contribution	2016/17	yes	(5)	(50)
Legal and Democratic Services Advisory Committee						
none						
Planning Advisory Committee						
2016/17	19	Planning: Efficiency review	2016/17	yes	(20)	(200)
Policy and Performance Advisory Committee						
2016/17	20	Pay costs saving	2016/17	yes	(300)	(3,000)
Sub Total					(618)	(6,105)
Net Savings Total					(487)	(4,795)

Summary of Council Expenditure & Council Tax

	2015/16 Budget Net Expenditure £000	2016/17 Budget Net Expenditure £000
Service expenditure before Support Services and Capital Charges including trading accounts (see Appendix F)	14,485	13,914
Capital Charges and Support Services charged outside the General Fund	(232)	(225)
Sub Total	14,253	13,689
Non allocated expenditure:		
Collection Fund adjustment	0	0
Net Service Expenditure excluding Capital Charges	<u>14,253</u>	<u>13,689</u>
Revenue Support Grant inc CTS	(1,516)	0
Retained Business Rates	(1,934)	(1,951)
New Homes Bonus	(1,818)	0
Council Tax Requirement - Sevenoaks DC	(9,298)	(9,615)
Collection Fund Surplus	0	(333)
Grant & Council Tax income	<u>(14,566)</u>	<u>(11,899)</u>
Net Expenditure after Grant & Council Tax, before interest	(313)	1,790
Less: Interest and Investment income	(301)	(250)
Less: Property Investment Strategy Income	0	(500)
Amount to be met from Reserves	<u>(614)</u>	<u>1,040</u>
Contributions (to) / from reserves		
Earmarked Reserves		
Capital	(148)	(148)
Budget Stabilisation	(847)	1,020
New Homes Bonus	(120)	0
Financial Plan	501	501
Corporate Project Support	0	(333)
Planned contribution from General Fund Reserve	0	0
	<u>(614)</u>	<u>1,040</u>

	2014/15	2015/16	2016/17
Taxbase	47,629	48,209	48,549
	£	£	£
Council Tax @ Band D	189.18	192.87	

Council Tax Summary

Band D charge

			%	%
Kent County	1,068.66	1,089.99	69.2	
Kent Fire	69.30	70.65	4.5	
Kent Police	144.28	147.15	9.3	
	1,282.24	1,307.79	83.1	0
Sevenoaks District	189.18	192.87	12.2	
Average Town/Parish	73.41	73.95	4.7	
	1,544.83	1,574.61	100.0	0

Interest Receipts Summary

Investment interest	328	277
Mortgage and other interest	0	0
Allocations to Provisions	-27	-27
Net Revenue contribution	<u>301</u>	<u>250</u>

Net Service Expenditure analysed by Head of Service

	Actuals 14/15	Budget 15/16	Proposed Budget 16/17
Summary	£'000	£'000	£'000
Communities and Business	839	1,054	1,061
Corporate Support	3,247	3,325	3,372
Environmental and Operational Services	2,633	2,514	2,660
Financial Services	4,847	4,997	4,212
Housing	725	730	735
Legal and Governance	541	634	668
Planning Services	1,060	1,295	1,288
	13,892	14,549	13,996
Direct Services		-64	-82
Items outside General Fund		-232	-225
		14,253	13,689

	Actuals 14/15 £'000	Budget 15/16 £'000	Proposed Budget 16/17 £'000
Summary			
Pay Costs	9,761	10,887	11,156
Premises and Grounds	1,866	1,557	1,589
Transport	64	64	65
Supplies & Services	2,301	2,185	2,217
Supplies & Services IT	1,093	832	850
Agency & Contracted	4,513	4,221	3,272
Agency & Contracted - Partnerships	3,178	2,968	3,021
Agency & Contracted - Direct Services	3,695	3,746	3,878
Transfer Payments - Benefits	29,739	29,090	29,590
Transfer Payments - Other	47	27	38
Support Services	126	50	51
Funds drawn to/from Reserves	509	-205	-154
Income - Other	-33,054	-31,442	-31,852
Income - Fees and Charges	-6,859	-5,991	-6,226
Recharges	-250	-281	-281
Recharges - Partnerships	-2,835	-3,159	-3,217
Service expenditure before re-allocation of Support Services and Capital charges	<u>13,892</u>	<u>14,549</u>	<u>13,996</u>
Direct Services (net)		-64	-82
Items outside General Fund		-232	-225
		<u>14,253</u>	<u>13,689</u>

Analysis of budget changes between 15/16 and 16/17

Base Budget 2015/16		14,253
Inflation		569
Other Items in Financial Plan		-721
Net Savings agreed previous years		-13
New Growth		88
New savings/income		-487
Other adjustments		0
Proposed Budget 2016/17		<u><u>13,689</u></u>

Note 1 15/16 includes costs previously shown as Staff Costs - Other Chief Officers

Net Service Expenditure analysed by Chief Officer

	Actuals	Budget	Proposed
	14/15	15/16	Budget
	£'000	£'000	16/17
			£'000
Communities and Business			
Arts Development	0	0	0
All Weather Pitch	-2	-2	-5
Broadband	2	-0	0
Business Area Improvement Fund	0	0	0
Community Safety	183	173	178
Community Development Service Provisions	-5	-5	-5
The Community Plan	46	49	50
Dunton Green Project	0	0	0
Economic Development	76	49	51
Economic Development Property	0	242	247
Grants to Organisations	181	184	185
Health Improvements	45	34	35
Healthy Lifestyles (SDC)	0	0	0
Leisure Contract	207	227	230
Leisure Development	20	20	20
Local Strategic Partnership	0	0	0
Partnership - Home Office	-0	0	0
Property Investment Strategy	0	0	0
Administrative Expenses - Communities & Business	7	14	15
Tourism	32	31	32
Choosing Health WK PCT	0	0	0
Community Sports Activation Fund	-0	0	0
Falls Prevention	0	0	0
Business Flood Support Scheme	0	0	0
Repair & Renew Flood Support Scheme	-0	0	0
PCT Health Checks	0	0	0
New Ash Green	0	0	0
PCT Initiatives	-0	0	0
Sportivate Inclusive Archery Project	0	0	0
Troubled Families Project	-0	0	0
West Kent Partnership	0	-0	0
West Kent Partnership Business Support	0	0	0
Youth	47	38	28
Total Service Expenditure	839	1,054	1,061

Net Service Expenditure analysed by Chief Officer

	Actuals 14/15	Budget 15/16	Proposed Budget 16/17
	£'000	£'000	£'000
Corporate Support			
Asset Maintenance Argyle Road	10	69	70
Asset Maintenance Other Corporate Properties	47	30	31
Asset Maintenance Hever Road	34	6	36
Asset Maintenance IT	260	263	269
Asset Maintenance Leisure	198	167	171
Asset Maintenance Support & Salaries	88	92	93
Asset Maintenance Sewage Treatment Plants	39	8	8
Bus Station	16	15	15
Corporate Projects	85	0	0
Estates Management - Buildings	-74	-37	-21
Housing Premises	-4	-1	-0
Administrative Expenses - Corporate Support	29	27	24
Administrative Expenses - Human Resources	14	14	10
Administrative Expenses - Property	2	4	4
Support - Central Offices	493	430	426
Support - Contact Centre	387	441	449
Support - Central Offices - Facilities	246	247	238
Support - General Admin	241	276	275
Support - IT	765	906	930
Support - Local Offices	61	56	57
Support - Nursery	3	0	0
Support - Human Resources	271	272	249
Support - Property Function	34	39	37
Total Service Expenditure	3,247	3,325	3,372

	Actuals	Budget	Proposed
	14/15	15/16	Budget
	£'000	£'000	16/17
			£'000
Corporate Support			
Pay Costs	1,585	1,717	1,721
Premises and Grounds	1,139	936	969
Transport	4	6	6
Supplies & Services	470	379	373
Supplies & Services IT	808	712	727
Agency & Contracted	148	113	116
Agency & Contracted - Direct Services	10	10	10
Transfer Payments - Other	3	0	0
Support Services	39	39	40
Funds drawn to/from Reserves	-160	0	0
Income - Other	-179	-145	-145
Income - Fees and Charges	-429	-304	-307
Recharges	-60	-69	-69
Recharges - Partnerships	-133	-69	-69
Service expenditure before re-allocation of Support Services and Capital charges	3,247	3,325	3,372

Analysis of budget changes between 15/16 and 16/17

Base Budget 2015/16	3,325
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	94
Asset maintenance inflation	9
Planned Savings agreed previous years	
SCIA 21 Channel Shift Programme	-20
SCIAs 2016/17	
SCIA 04 Loss of Asset Maintenance Income	13
SCIA 05 Asset maintenance at Hever Road	30
SCIA 06 Insurance Premium Tax (part)	1
SCIA 11 Reduction in Utility cost	-15
SCIA 12 Reductions in maintenance and consumables costs (part)	-15
SCIA 13 Increased Print Income	-10
SCIA 20 Pay costs saving (part)	-40
Other Adjustments between Chief Officers	0
Proposed Budget 2016/17	3,372

Agenda Item 6

Appendix F

Net Service Expenditure analysed by Chief Officer

	Actuals	Budget	Proposed
	14/15	15/16	Budget
	£'000	£'000	16/17
			£'000
Environmental and Operational Services			
Asset Maintenance Car Parks	20	19	19
Asset Maintenance CCTV	15	16	17
Asset Maintenance Countryside	5	8	8
Asset Maintenance Direct Services	49	37	37
Asset Maintenance Playgrounds	1	14	8
Asset Maintenance Public Toilets	0	14	7
Building Control Discretionary Work	3	-9	-9
Building Control Partnership Hub (SDC Costs)	0	-0	0
Building Control	-113	-159	-128
Car Parks	-1,658	-1,797	-1,841
Car Parking - On Street	-440	-442	-447
CCTV	260	238	243
Civil Protection	26	34	38
Dangerous Structures	19	10	10
Dartford Environmental Hub (SDC Costs)	0	-0	0
EH Commercial	257	260	279
EH Animal Control	24	1	1
EH Environmental Protection	377	368	366
Emergency	61	64	66
Estates Management - Grounds	125	98	102
Kent Resource Partnership	0	0	0
Land Charges	-116	-98	-139
Licensing Partnership Hub (Trading)	0	-0	0
Licensing Partnership Members	0	0	0
Licensing Regime	10	-0	7
Markets	-183	-190	-187
Parks and Recreation Grounds	118	98	100
Parks - Rural	62	103	109
Building Control Partnership Implementation & Projec	0	0	0
Public Transport Support	0	0	0
Refuse Collection	2,359	2,415	2,502
Administrative Expenses - Building Control	5	9	9
Administrative Expenses - Direct Services	0	0	0
Administrative Expenses - Health	11	26	21
Administrative Expenses - Transport	10	10	8
Street Naming	5	15	15
Street Cleansing	1,235	1,255	1,334
Support - Health and Safety	14	18	19
Support - Direct Services	39	54	56
Taxis	-26	-18	-13
Public Conveniences	56	43	45
Air Quality (Ext Funded)	3	0	0
Total Service Expenditure	2,633	2,514	2,660

	Actuals	Budget	Proposed
	14/15	15/16	Budget
	£'000	£'000	16/17
			£'000
Environmental and Operational Services			
Pay Costs	2,230	2,343	2,398
Premises and Grounds	632	567	568
Transport	39	33	34
Supplies & Services	559	558	565
Supplies & Services IT	102	0	0
Agency & Contracted	423	373	417
Agency & Contracted - Partnerships	978	1,018	1,050
Agency & Contracted - Direct Services	3,684	3,736	3,868
Transfer Payments - Other	0	0	0
Support Services	19	11	11
Funds drawn to/from Reserves	0	0	0
Income - Other	-768	-623	-596
Income - Fees and Charges	-4,851	-4,440	-4,554
Recharges	2	0	0
Recharges - Partnerships	-418	-1,062	-1,101
Service expenditure before re-allocation of Support Services and Capital charges	2,633	2,514	2,660

Analysis of budget changes between 15/16 and 16/17

Base Budget 2015/16	2,513
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	131
Planned Savings agreed previous years	0
SCIAs 2016/17	
SCIA 02 Fly Tipping	36
SCIA 06 Insurance Premium Tax (part)	4
SCIA 08 Playgrounds Asset maintenance	-7
SCIA 09 Toilets Asset maintenance	-8
SCIA 12 Reductions in maintenance and consumables costs (part)	-9
Other Adjustments between Chief Officers	0
Proposed Budget 2016/17	2,660

Net Service Expenditure analysed by Chief Officer

	Actuals 14/15	Budget 15/16	Proposed Budget 16/17
	£'000	£'000	£'000
Financial Services			
Action and Development	4	7	7
Benefits Admin	642	794	785
Benefits Grants	-659	-659	-659
Consultation and Surveys	0	4	4
Corporate Management	863	1,092	1,119
Corporate Savings	0	-163	-379
Counter Fraud	0	0	92
Dartford Partnership Hub (SDC costs)	0	0	0
Equalities Legislation	14	18	18
External Communications	174	150	153
Housing Advances	1	2	1
Local Tax	86	120	46
Members	377	418	427
Misc. Finance	2,604	2,410	1,802
Dartford Partnership Implementation & Project Costs	0	-30	0
Performance Improvement	-20	6	-1
Administrative Expenses - Chief Executive	10	36	29
Administrative Expenses - Financial Services	31	35	34
Administrative Expenses - Transformation and Strategy	4	6	5
Support - Audit Function	134	146	176
Support - Exchequer and Procurement	137	135	137
Support - Finance Function	150	213	149
Support - General Admin	175	145	152
Treasury Management	121	112	114
Total Service Expenditure	4,847	4,997	4,212

Net Service Expenditure analysed by Chief Officer

	Actuals 14/15	Budget 15/16	Proposed Budget 16/17
	£'000	£'000	£'000
Housing			
Energy Efficiency	26	25	43
Gypsy Sites	-19	-30	-31
Homeless	94	79	92
Disabled Facilities Grant Administration	1	0	-20
Housing	437	438	432
Housing Initiatives	6	13	6
Homelessness Prevention	4	0	0
Needs and Stock Surveys	0	0	0
Housing Energy Retraining Options (HERO)	0	0	0
Private Sector Housing	153	178	185
Administrative Expenses - Housing	12	18	18
Sevenoaks Switch and Save	2	0	0
Homelessness Funding	0	-0	0
Leader Programme	10	10	10
Total Service Expenditure	725	730	735

	Actuals 14/15 £'000	Budget 15/16 £'000	Proposed Budget 16/17 £'000
Housing			
Pay Costs	662	757	785
Premises and Grounds	37	11	9
Transport	0	0	0
Supplies & Services	15	22	22
Supplies & Services IT	1	0	0
Agency & Contracted	208	158	134
Agency & Contracted - Direct Services	0	0	0
Transfer Payments - Other	31	27	38
Funds drawn to/from Reserves	33	13	10
Income - Other	-211	-188	-171
Income - Fees and Charges	-52	-70	-92
Recharges	0	0	0
Service expenditure before re-allocation of Support Services and Capital charges	725	730	735
Analysis of budget changes between 15/16 and 16/17			
Base Budget 2015/16			730
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)			28
Planned Savings agreed previous years			
SCIA 17 (15/16) Bed and Breakfast - reverse one off saving			10
SCIA 18 (15/16) Private Sector Letting - reverse one-off saving			10
SCIAs 2016/17			
SCIA 12 Reductions in maintenance and consumables costs (part)			-3
SCIA 16 Housing Register			-15
SCIA 17 Disabled Facility Grants - fee income			-20
SCIA 18 Private Sector Lettings Reduced Contribution			-5
Other Adjustments between Chief Officers			0
Proposed Budget 2016/17			735

Net Service Expenditure analysed by Chief Officer

	Actuals 14/15	Budget 15/16	Proposed Budget 16/17
	£'000	£'000	£'000
Legal and Governance			
Civic Expenses	15	15	16
Democratic Services	112	139	132
Elections	57	73	80
Register of Electors	131	139	184
Administrative Expenses - Legal and Governance	63	65	49
Support - Legal Function	162	202	208
	<hr/>		
Total Service Expenditure	541	634	668
	<hr/> <hr/>		

	Actuals 14/15 £'000	Budget 15/16 £'000	Proposed Budget 16/17 £'000
Legal and Governance			
Pay Costs	457	473	446
Premises and Grounds	24	25	26
Transport	8	11	12
Supplies & Services	209	206	193
Supplies & Services IT	19	10	11
Agency & Contracted	101	155	199
Funds drawn to/from Reserves	18	-60	-60
Income - Other	-240	-148	-148
Income - Fees and Charges	-56	-40	-10
	<hr/>		
Service expenditure before re-allocation of Support Services and Capital charges	541	634	668
	<hr/> <hr/>		

Analysis of budget changes between 15/16 and 16/17

Base Budget 2015/16	634
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	38
Planned Savings agreed previous years	0
SCIAS 2016/17	
SCIA 7 Individual Electoral Registration	40
SCIA 12 Reductions in maintenance and consumables costs (part)	-17
Other Adjustments between Chief Officers	
SCIA 21 15/16 Back Office Savings - reallocated	-27
	<hr/>
Proposed Budget 2016/17	668
	<hr/> <hr/>

Net Service Expenditure analysed by Chief Officer

	Actuals 14/15	Budget 15/16	Proposed Budget 16/17
	£'000	£'000	£'000
Planning Services			
Conservation	40	46	48
Planning Policy	459	389	457
LDF Expenditure	53	0	0
Neighbourhood Plan	0	0	0
Planning - Appeals	180	196	193
Planning - CIL Administration	3	0	-50
Planning - Counter	-0	-0	0
Planning - Development Management	71	352	324
Planning - Enforcement	249	279	282
Fort Halstead	-22	0	0
Administrative Expenses - Planning Services	28	34	35
Administrative Expenses - Policy and Environment	0	0	0
Total Service Expenditure	1,060	1,295	1,288

	Actuals 14/15 £'000	Budget 15/16 £'000	Proposed Budget 16/17 £'000
Planning Services			
Pay Costs	1,653	1,820	1,876
Premises and Grounds	0	1	1
Transport	1	0	0
Supplies & Services	89	63	65
Supplies & Services IT	21	2	2
Agency & Contracted	112	84	85
Transfer Payments - Other	12	0	0
Funds drawn to/from Reserves	107	61	76
Income - Other	-5	0	0
Income - Fees and Charges	-931	-716	-797
Recharges	0	-20	-20
Service expenditure before re-allocation of Support Services and Capital charges	1,060	1,295	1,288

Analysis of budget changes between 15/16 and 16/17

Base Budget 2015/16	1,295
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	69
Planned Savings agreed previous years	
SCIA 15 (14/15) Use of CIL Funds for Monitoring	-50
SCIAs 2016/17	
SCIA 12 Reductions in maintenance and consumables costs (part)	-6
SCIA 19 Efficiency Review	-20
Other Adjustments between Chief Officers	0
Proposed Budget 2016/17	1,288

PAY COST ESTIMATES SUMMARY 2016/2017

Line No.		2015/16 BUDGET	2016/17 BUDGET	2015/16 FTE	2016/17 FTE
1	Communities and Business	618,119	645,741	13.73	13.73
2	Corporate Support	1,948,120	1,960,430	60.23	57.85
3a	Building Control	434,418	448,525	10.61	10.61
3b	Environmental Health	613,910	629,203	12.57	12.18
3c	Licensing	288,563	299,869	8.62	8.62
3d	Operational Services	583,244	598,254	13.99	13.99
3e	Operational Services (TASK)	2,821,290	2,858,125	91.02	90.56
3f	Parking & Amenity Services	428,563	428,244	12.00	12.00
4	Finance	2,563,854	2,643,886	64.72	64.72
5	Housing	602,973	631,696	12.35	11.54
6	Legal & Governance	576,674	538,472	12.31	10.50
7	Planning	1,839,584	1,897,099	45.80	45.48
		13,319,312	13,579,543	357.95	351.78
	Other Salary Costs				
8	Vacancy Savings	-100,000	-100,000	-	-
	SUB-TOTAL	13,219,312	13,479,543	357.95	351.78
9	Community Development (Ext Funded)	165,393	216,183	5.23	6.23
10	Operational Services (Ext Funded)	-	0	-	-
11	Operational Services TASK (Ext Funded)	-	0	-	-
12	Development Services (Ext Funded)	-	0	-	-
13	Housing (Ext Funded)	221,719	248,890	6.09	6.51
	GRAND TOTAL	13,606,424	13,944,616	369.27	364.51

NOTES

1) Externally funded posts (lines 9 to 13) have been excluded from earlier lines. The income will show elsewhere in the 2016/17 budget

This page is intentionally left blank

Statement of Reserves and Provisions

1. This appendix sets out details of the reserves and provisions held by the council. These balances have been subject to a detailed review as part of the budget process. **The items in bold show the changes that are being recommended.**
2. One of the requirements of the Financial Planning Strategy is to have flexible use of the Budget Stabilisation Reserve. The fund incorporates any annual under-spends and absorbs any annual over-spends. **It is recommended that any variance in the 2015/16 budget is put into this reserve or absorbed by this reserve.**
3. **It is recommended that a Switch and Save Reserve is established.** Income from the Switch and Save Scheme will be used to fund energy efficiency projects.
4. **It is recommended that a Business Rates Retention Reserve is established to manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.**
5. The Community Infrastructure Levy (CIL) is a charge on some forms of new development that brings forward money to be spent on the infrastructure needed to support growth. Cabinet have agreed Governance arrangements and a CIL Spending Board has been established which will consider applications from local communities and infrastructure providers. **It is recommended that a Community Infrastructure Levy (CIL) Reserve is established to hold the funds that accumulate to be spent throughout the District.**
6. A Corporate Project Support Reserve is already in place to finance external expertise required for projects (e.g. the website). **It is recommended that £383,000 be transferred into the Corporate Project Support Reserve from the sources listed below to fund future project work including 'invest to save' initiatives.**
 - a. **First Time Sewerage Reserve £50,000.**
 - b. **Collection Fund Surplus £333,000.**
7. Following the senior management restructure **it is recommended that the Re-organisation Reserve is increased by £100,000.**
8. The pension fund position has been reviewed and **it is recommended that the Pension Fund Valuation reserve is reduced by £100,000.**

The table below sets out the reserves and provisions held at 1 April 2015

	01/04/15	Purpose (some further details are included in the Statement of Accounts 2014/15)
Provisions	£000	
Business Rates Appeals	1,804	The change to the Business Rates Retention scheme means that the Council has to provide for its share of the costs arising from successful appeals by business ratepayers.
Accumulated Absences	152	Absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences (e.g. annual leave) earned but not taken in the year. Opposite entry in Unusable Reserves.
Municipal Mutual Insurance (MMI)	257	A solvent run-off of MMI is now unlikely which may result in Councils being liable to clawback of monies paid out.
Other	94	To cover potential restitutionary claims in respect of personal search fees of the land register.
Sub Total	2,307	
Capital Receipts		
Capital Receipts	3,460	Balance from previous asset sales and mortgage repayments. Can be used to fund future capital expenditure.
Earmarked Reserves		
Action and Development	395	To fund ad hoc and unplanned expenditure (including emergencies and flooding).
Asset Maintenance	1,000	To fund emergency works to assets.
Budget Stabilisation	6,704	To support decisions required to continue to produce a balanced budget in future years.
Capital Financing	184	Annual contributions from revenue to fund some capital projects.
Carry Forward Items	336	For specific items agreed by Cabinet, e.g. if a project has slipped between years.
Community and Business	383	External funding received for ongoing and future projects.
Corporate Project Support	200	To fund invest to save projects and external expertise required to investigate proposed projects.
District Elections	106	To finance District Council elections.
Financial Plan	4,160	Funds moved from the Asset Maintenance and Employer's Superannuation Reserves to support the 10-year budget.

First Time Sewerage	366	Transferred from a provision for potential liabilities relating to earlier sewerage installations.
Flood Support	144	To give grants to businesses that have suffered flooding and make claims under the Business Flood Support Scheme.
Health and Safety	100	To fund legal costs.
Homelessness Prevention	103	For preventing homelessness.
Housing Benefit Subsidy	664	Provides a cushion against large movements in reclaimable sums in any year.
Housing Surveys	105	To fund Housing Surveys at the time of need.
IT Asset Maintenance	244	To fund future IT asset maintenance costs.
Local Plan/LDF	634	To help support the Local Plan and Local Development Framework.
New Homes Bonus	379	Due to the uncertainty of future Government funding an element of NHB is being kept separate.
Pension Fund Valuation	640	To contribute towards downturns in future pension fund actuarial valuations.
Property Investment	3,731	To support the aims of the Property Investment Strategy agreed by Council.
Repayable Housing Grant Assistance	117	Part of the grant may be repayable when the conditions are no longer met e.g. house sold.
Re-organisation	465	To fund actions taken to achieve annual budget savings.
Vehicle Insurance	293	Own vehicle damage for the commercial vehicle fleet. Contributions are made from the trading accounts.
Vehicle Renewal	419	Vehicle replacement for the commercial vehicle fleet. Contributions are made from the revenue trading accounts each year
Others (under £100,000)	446	Includes Rent Deposit Guarantee, Local Strategic Partnership, Housing Benefit, Big Community Fund.
Sub Total	22,318	
General Fund	1,500	Acts as a working balance to meet unexpected issues during the year, for which a minimum of 10% of net service expenditure recommended. It also meets any planned deficits on the revenue account.
TOTAL	29,585	

Definitions:

Provisions - funds set aside for liabilities or losses which are known obligations, but are uncertain as to amounts or dates. Expenditure can be charged direct against the Provision without being reflected in the Revenue Account.

Capital Receipts - money received from the sale of assets (normally land and buildings) and the repayment of grants and advances (e.g. mortgage repayments). Such receipts can only be used to repay debt, or to finance capital investment.

Earmarked Reserve - amounts set aside for purposes falling outside the definition of Provisions. Expenditure should not be charged direct to reserves, but shown in the Revenue Account with the transfer to or from the reserve distinguished from service expenditure.

Unallocated Reserve - the General Fund balance. This amount is not set-aside for a specific purpose.

Risk Factors 2016/17 (this was Appendix A to the Risks and Assumptions report to Finance Advisory Committee on 25/1/16)

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	Cash impact of 1% change in budgetted expenditure or income
Pay Costs	£14m total costs	1	4	4	1% pay increase = £140k. Budget assumptions: 1.0% pay award from 2016/17 to 19/20.	Largest single item of cost. Complex drivers across the organisation.	Pay settlement pending for 2016/17. 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.	£140k
Pensions Funding	£25m deficit	1	3	3	1% change in employers contributes = £115k.	Deficit on County Fund. Future actuarial results. Government review.	£0.3m included in 10-year budget in 2017/18 to contribute towards any increase at the next triennial revaluation.	£115k
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	10% reduction would be £19k.	Volatile activity levels in the housing market. Potential for changes in Land Charges following the Infrastructure Act.	Continue to monitor.	£2k

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	Cash impact of 1% change in budgetted expenditure or income
- Development Control	£0.7m	3	3	9	10% reduction would be £72k.	Volatile activity levels in the housing market and general economic conditions. Fluctuations in income with major applications	Current year income is above target. Continue to monitor.	£7k
- Building Control	£0.5m	3	3	9	10% reduction would be £49k	Volatile activity levels in the housing market and general economic conditions. Competition from commercial organisations	Current year income is below target. Continue to monitor.	£5k
Car Parks	£2.1m	1	4	4	10% reduction would be £216k	General economic conditions; central government directives	Current year income is ahead of target. Continue to monitor.	£21.6k
- On-Street Parking	£0.7m	1	3	3	10% reduction would be £73k	General economic conditions. Legislative constraints on spending surpluses. Reverts to KCC control	Current year is above target. Continue to monitor and review.	£14.3k
- Car Parking - Enforcement income	£0.2m	1	2	2	10% reduction would be £15k	General economic conditions; central government directives	Current year is ahead of 14/15 income at similar time of year. Continue to monitor and review	£3.1k
Partnership working and partner contributions	£0.6m	3	2	6	Impact on individual projects is high. (As reported to Legal and Democratic AC in Oct 2015 we save £608k pa by working in Partnerships)	Partner actions delayed. Agreed funding not received by SDC. Partnerships ending.	Separate accounting arrangements. Active liaison with partners on service arrangements Written partnership agreements.	£6k

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	Cash impact of 1% change in budgetted expenditure or income
External Funding Awards	£0.5m	3	2	6	Up to £500k Impact on individual projects is high	Time limited.	Exit strategies in place.	£5k
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	£0.250m 16/17 budget	3	3	9	£215k per 0.5%. Rate increase predicted for 2016/17	Large cash variance from small rate changes. Reducing availability of suitable counter parties	Use of professional advisers. If internal borrowing is used for capital investment projects in 2016/17 there will be less cash earning bank interest. Realistic budget proposed for 2016/17	£2.5k
Investments	£44m balance at Nov 2015	1	5	5		Financial institutions going into administration.	Investment strategy regularly reviewed by FAC. Use of professional advisers.	n/a
Asset base maintenance	£1.0m	1	2	2	Annual budget is based on 30% of assessed maintenance.	Unexpected problems occurring with financial implications. Reducing budget levels. Ageing assets	Reserve funds set aside. 10 year maintenance planning carried out. Policy of reducing asset liabilities wherever possible.	n/a
Capital Investment resources	£3.5m balance at March 2015 utilised for Investment Property purchase	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. Internal Borrowing approved for future investments	n/a

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	Cash impact of 1% change in budgetted expenditure or income
Rental Income from Investment Property	£0.6m in 2016/17 budget	1	4	4	Dependant on financial strength of tenants + good management to reduce impact of void periods.	Property tenants unable to pay rents/length of void premises/ability to source new tenants	Vetting of new tenants; tight control on rent payments	
Disposal of surplus assets	£1.6m budget in plan (15/16)	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.	
Government Support: Revenue Support Grant	£1.5m in 2015/16	5	4	20	£15k per 1% change.	Government continues to reduce grant. Uncertainty over future grant receipts for use in investment. Only short term settlements provided.	Excluding grant from budget from 16/17 onwards so SDC will be self sufficient from govt. funding; Adequate level of General Reserve held.	n/a
Government Support: Retained Business Rates	£1.9m in 2015/16	5	4	20	£19k per 1% change	Government changing baseline and therefore safety net levels. Time delays in decisions on appeals. High volume of successful valuation appeals.	10-year budget strategy gives ability to gradually adjust for changes. Adequate level of General Reserve held.	£19k
Council tax Referendum limits	£9.30m CTAX income in 15/16	4	3	12	£93k per 1% Government controls on changes in council tax rates	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.	£93k

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	Cash impact of 1% change in budgetted expenditure or income
Future Service Changes by Government		4	4	16		Additional services without consequent resources, e.g. previous examples of Maint. of trees on common land. Government directives on income charging e.g. Personal searches. Potential changes on health responsibilities.	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.	£5k
Changes to Audit Arrangements		2	2	4		Abolition of Audit Commission in March 2015; change of external auditors	Plan responses to new initiatives well in advance. <i>(appointment of external auditors transfers to Public Sector Audit Appointments Ltd)</i> , Ensure Council organisation design can meet challenges.	

This page is intentionally left blank

Item 7 - Discretionary Rate Relief

The attached report was considered by the Finance Advisory Committee on 25 January 2016, and the relevant Minute extract was not available prior to the printing of this agenda.

This page is intentionally left blank

DISCRETIONARY RATE RELIEF

Cabinet 4 February 2016

Report of Chief Finance Officer

Status: For Decision

Also considered by: Finance Advisory Committee - 25 January 2016

Key Decision: No

Executive Summary: The Council requires potential recipients of discretionary rate relief to submit a formal application every two years. However, in view of the changes brought about by business rate retention, the proposals for awarding relief are to be reported annually. This report sets out the proposals for awarding discretionary rate relief for 2016/17.

This report supports the Key Aims of: Supporting and developing the local economy and providing value for money

Portfolio Holder Cllr. Searles

Contact Officer(s) Sue Cressall Ext. 7041

Paula Porter Ext. 7277

Recommendation to Finance Advisory Committee: Members are asked to recommend that Cabinet approve the proposals for granting relief from business rates for 2016/17 set out in Appendix B.

Recommendation to Cabinet: Members are asked to approve the proposals for granting relief from business rates for 2016/17 set out in Appendix B.

Reason for recommendation: Relief from business rates provides organisations with valuable support and contributes to the Council's commitment to supporting and developing the local economy.

Background

- 1 Charities and sports organisations that have charitable status currently receive 80% mandatory relief. In order to qualify for the mandatory relief the organisation must be established for charitable purposes only and the premises must be wholly or mainly used for charitable purposes. Sports

Agenda Item 7

clubs registered with HMRC as community amateur sports clubs are also entitled to 80% mandatory relief.

Certain types of business in rural villages may qualify for 50% mandatory rate relief subject to the rateable value of the property being under specified limits.

- 2 Section 47 of the Local Government Finance Act 1988 (as amended by s69 of the Localism Act 2011) provides local authorities with powers to grant discretionary rate relief of up to 100% to any ratepayer.
- 3 Discretionary rate relief can be awarded in isolation or given to ‘top-up’ a mandatory award.
- 4 However, unless one of the following apply, authorities may only grant discretionary rate relief if satisfied that it would be reasonable to do so, having regard to the interests of the council tax payers:
 - The ratepayer is a charity or trustees for a charity, and the property is wholly or mainly used for charitable purposes; or
 - The ratepayer is a community amateur sports club and the property is wholly or mainly used for the purpose of the club and other such clubs; or
 - The ratepayer is entitled to mandatory rural rate relief; or
 - All or part of the property is occupied by non-profit making organisations whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or
 - The property is occupied by a club, society or other non-profit making organisation and it is wholly or mainly used for purposes of recreation.
- 5 Authorities should have easily understood guidelines for deciding whether or not to grant relief and for determining the amount of relief which should be based on the consideration of the merits of each individual case. However, as the range of bodies that may be eligible for discretionary rate relief is wide, not all the suggested criteria will be applicable in each case.

Introduction

- 6 The Council currently grants discretionary rate relief over the following categories:
 - Discretionary rate relief up to 100% of rates bill (but usual award is 80%);
 - Village Shop rate relief at 50% of rates bill;
 - Hardship relief up to 80% of rates bill; and

- Discretionary ‘top-up’ relief to take total relief up to 100% of the rates bill.

7 Members reviewed the criteria for granting discretionary rate relief to charities, not for profit organisations, discretionary rural rate relief and hardship relief in February 2013 and this is attached at Appendix A.

8 Applications from ratepayers falling outside of these criteria will be considered on their merits and individual recommendations will be made having regard to the interests of the District’s council tax payers.

Approach taken to reviewing applications

9 The full list of applications, together with officer recommendations, is attached at Appendix B. Each application has been considered on its own merits, however in reviewing applications against the criteria, similar organisations were considered together, to ensure consistency of approach.

10 The criteria was applied as follows for discretionary rate relief and discretionary top-up relief:

- Links to Council priorities - the extent to which the activities supported the Council’s priorities was assessed, including support/activities for vulnerable or socially excluded groups.
- Evidence of financial need including reserve levels and assets - all organisations were requested to provide financial information and reserve levels were compared to annual expenditure, to assess financial need. The ability to generate income was also considered. In addition, for sports clubs, consideration was given to whether they had applied to become community amateur sports clubs (CASCs).
- Membership within the District - where it appeared that a substantial proportion of the membership was from outside the District, this was taken into account in putting forward a recommendation.
- Membership open to all - where membership is restricted to a particular group or locations, or is dependent on recommendations from existing members this has been taken into account, as not all residents would be able to benefit from the relief granted.
- Membership fee levels - fee levels were assessed to consider whether they were so high that they could exclude some in the local community.
- Bar activity and profits - if the bar is the main activity an organisation was unlikely to be recommended for relief. Any profits are expected to be used to fund club expenses.

11 For discretionary village shop relief, officers considered the benefits of the shop/business to the local community when compared with the cost of the

Agenda Item 7

relief. It is recommended that the village shops receive relief due to the benefit they provide to local communities.

- 12 Where a ratepayer receives 100% small business rate relief the recommendation is for no discretionary rate relief or village shop relief to be granted, since the businesses already receive maximum support.
- 13 There is no formal appeals process against the Council's decisions on the discretionary reliefs referred to in this report. The current approach is however to re-consider decisions in the light of any representations made by the ratepayers.

Applications for 2016/2017

- 14 Appendix B contains the details of each applicant to be considered for relief for 2016/2017 and detailed recommendations of the level of relief to be applied.
- 15 All applicants fall to be considered under the criteria set out in Appendix A.
- 16 The level of relief is based upon the provisional multipliers announced on 16 December 2015 which are subject to confirmation. In the unlikely event that the multipliers change, a further report setting out the revised relief awards will be submitted.
- 17 If applications are approved, the total gross relief granted would be £176,881.92.
- 18 Members should be aware that the requirement for relief can change during the financial year as a result of rateable value changes, vacations etc. Therefore, some of these awards may not ultimately require full funding.

Key Implications

Financial

- 19 Since 1 April 2013 all discretionary relief granted has come under the provisions of the business rate retention scheme. The cost of relief is effectively shared between Central Government (50%), and local authorities (50%). Of this Sevenoaks District Council is required to fund 40%.
- 20 When setting the business rates baseline for 2013/14, the Government broadly used the existing levels of discretionary relief. Because of the operation of the levy and safety net on the business rate retention scheme it is not possible to say exactly what the actual effect of granting the relief will be and it may vary between years. For example if the Council was already at the safety net then granting additional relief would have no direct impact for that year, but would as soon as the Council moved out of the safety net.
- 21 Therefore Appendix B only refers to the projected gross discretionary rate relief.

Legal Implications and Risk Assessment Statement

22 There are no legal issues.

Risk Assessment Statement

23 New organisations may request relief after the deadline for receipt of applications and so would not be able to receive discretionary relief until the next annual review. In order to address urgent cases the Chief Finance Officer determines any relief to be awarded under delegated authority. These organisations would then apply in the usual way for the next round.

24 A biennial application process may seem to be an additional burden for businesses, many of whom are small. Officers have taken account of this in designing the application process so as to minimise the administrative burden on applicants.

Equality Assessment

25 Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups. The decisions recommended through this paper directly impact on end users. The impact has been analysed and does not vary between groups of people. The results of this analysis are set out immediately below.

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	This approach provides equality of access to discretionary relief, due to clear criteria for the award of relief and consideration of all applications at the same time.
b. Does the decision being made or recommended through this paper have the potential to promote equality of opportunity?	Yes	
c. What steps can be taken to mitigate, reduce, avoid or minimise the impacts identified above?		

Agenda Item 7

Appendices

Appendix A - Policy for considering applications for Discretionary Rate Relief

Appendix B - List of organisations proposed to receive relief

Background Papers:

None

**Mr Adrian Rowbotham
Chief Officer for Finance**

Policy for considering applications for Discretionary Rate Relief

Charitable and not for profit organisations

Under National Non-Domestic Rate (NNDR) legislation the Council has the power to award discretionary rate relief to certain charitable or not for profit organisations where the following conditions are satisfied.

All or part of the property is occupied by one or more institutions or organisations which are:

- Not established for profit, **and**
- Whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or
- Used wholly or mainly for recreation by a not-for-profit club or society.

Discretionary rate relief cannot be awarded if the ratepayer is a billing or precepting authority.

The process for considering applications is as follows:

- Not-for-profit organisations are asked to apply for discretionary rate relief (in isolation or as ‘top-up’ every two years, all applications to be considered at the same time.
- Cabinet to decide annually which organisations are to receive relief based on criteria including how the organisation assists the Council to achieve its priorities (see below). This includes deciding the level of relief to be granted in each case.

Criteria	Explanation
Links to Council priorities	The extent to which the activities of the organisation support the Council’s priorities as set out in the Corporate Plan, and specifically supporting and developing the local economy and providing good value for money through a balanced budget.
Evidence of financial need including reserve levels and assets	Organisations with high levels of reserves (covering more than 12 months’ expenditure) or who cannot demonstrate a financial need would not be a priority for rate relief.

Membership within District	As 40% of the relief is funded by SDC taxpayers priority will be given to those organisations with a high proportion of members from within the District.
Membership open to all	To give all residents an opportunity to benefit from the rate relief, priority should be given to organisations where membership is open to all.
Membership fee levels	Where membership fees are charged they should not be so high as to exclude any of the community.
Extent to which activity is based around Bar and use of profits from it	Priority would not be given to those organisations where the bar is the main activity. It would be expected that any profits from the bar would be put back to fund club expenses.

Discretionary rural rate relief

Certain types of business in rural villages, with a population below 3,000, may qualify for rate relief of 50%. Businesses that qualify for this relief are the sole general store and the sole post office in the village, provided it has a rateable value of up to £8,500, any food shop with a rateable value of up to £8,500 and the sole pub and the sole petrol station in the village provided it has a rateable value of up to £12,500. The Council has discretion to give further relief on the remaining bill on such property.

The Council may decide to give up to 100% relief to any other business in such a rural village, with a rateable value of up to £16,500, if it is satisfied that the business is of benefit to the community and having regard to the interests of its council tax payers.

Hardship Relief

Hardship relief is granted in exceptional circumstances, any business can apply for hardship relief if they can show the following:

- The business would suffer hardship if relief was not granted; and
- It is in the interests of council tax payers for relief to be granted.

An application needs to be supported by current trading figures as well as previous audited accounts or accounts accepted by HMRC. In assessing an

application regard will be had to employment issues for the company or any related business and the impact that the loss of business would have on the local area. The current approval process is that the Finance Team carries out a review of the business's accounts and the Chief Finance Officer decides whether hardship relief is appropriate based on each case's merits. In practice hardship relief has been granted in only exceptional cases to date.

This page is intentionally left blank

Ref	Organisation name and property description/address	Parish	% for 2016/17	Estimated Relief for 2016/17	Recommendation/comments
	DISCRETIONARY RELIEF				
30559572	Army Cadet Force Hall Argyle Road, Sevenoaks	Sevenoaks	80	£4,646.40	Recommended
30561773	Army Cadet Force Hall Swanley Lane, Swanley	Swanley	80	£2,207.04	Recommended
30562325	Army Cadet Force Hall 8 High Street, Westerham	Westerham	80	£2,323.20	Recommended
30549735	Edenbridge Forge Singers Hall 72 High Street, Edenbridge	Edenbridge	80	£305.89	Recommended
30558326	Hartley & District Social Club Ltd Club Ash Road, Hartley	Hartley	40	£1,587.52	Recommended Facility used by non-members including youth karate, fitness pilates local Masons, Hartley & District Active Retirement Association, Wellfield Horticultural Group
30567870	Manor Forstal Residents Society Ltd Garage 97-98 Manor Forstal	Ash Cum Ridley	80	£474.32	Recommended
30578788	New Ash Green Village Association Ltd Offices Centre Road, New Ash Green	Ash Cum Ridley	80	£5,904.80	Recommended

Ref	Organisation name and property description/address	Parish	% for 2016/17	Relief for 2016/17	Recommendation/comments
30553475	New Ash Green Village Association Ltd Workshop Ash Road, New Ash Green	Ash Cum Ridley	80	£5,324.00	Recommended
30570319	New Ash Green Village Association Ltd Hall Ash Road, New Ash Green	Ash Cum Ridley	80	£2,865.28	Recommended
30557491	New Ash Green Village Association Ltd Sports Ground Punch Croft, New Ash Green	Ash Cum Ridley	80	£6,001.60	Recommended
30584363	Royal British Legion Club (Leigh Kent) Ltd Club High Street, Leigh	Leigh	80	£2,090.88	Recommended
30553253	Gamecock Meadow Management Committee Club House R/O Gamecock Meadow, London Rd, West Kingsdown	West Kingsdown	80	£890.56	Recommended Used for recreational sports, pavillion, library. Rents facilities to local football clubs, boules club, tennis clubs and skateboard park
30709346	RACDV Sales Ltd 36 Swanley Centre, Swanley	Swanley	80	£4,646.40	Recommended Charity shop
30573806	Royal British Legion (Westerham) Club Ltd Club Mill Lane, Westerham	Westerham	80	£3,252.48	Recommended

Ref	Organisation name and property description/address	Parish	% for 2016/17	Relief for 2016/17	Recommendation/comments
	TOP-UP RELIEF				
30550568	10th Sevenoaks (Weald's own) Scout Group Hall Glebe Road, Sevenoaks	Sevenoaks Weald	20	£283.29	Recommended
30562165	15th Sevenoaks (Otford) Scouts Hall Station Road, Otford	Otford	20	£268.38	Recommended
30565195	17th Sevenoaks (Westerham) Scout Group Hall Hortons Way, Westerham	Westerham	20	£201.29	Recommended
30557095	1st Crockenhill Scouts Group Hall Stones Cross Road, Swanley	Swanley	20	£159.04	Recommended
30561414	Edenbridge Scout Group Hall Station Road, Edenbridge	Edenbridge	20	£203.77	Recommended
30558593	1st Eynsford & Farningham Scout Group Hall Priory Lane, Eynsford	Eynsford	20	£221.17	Recommended
30565812	1st Horton Kirby Scout Group Hall Horton Road, Horton Kirby	Horton Kirby	20	£221.17	Recommended

Ref	Organisation name and property description/address	Parish	% for 2016/17	Relief for 2016/17	Recommendation/comments
30558555	1st Sevenoaks Scout Group Hall 57 Oakhill Road, Sevenoaks	Sevenoaks	20	£328.02	Recommended
30562080	3rd Sevenoaks (Riverhead & Dunton Green) Scouts Hall Bradbourne Vale Road	Sevenoaks	20	£293.23	Recommended
30573417	6th Sevenoaks (Kemsing) Scout Group Hall Heaverham Road, Kemsing	Kemsing	20	£176.44	Recommended
30566792	7th Sevenoaks (Halstead) Scout Group Hall Shoreham Lane, Halstead	Halstead	20	£101.89	Recommended
30556245	7th Tonbridge (Eden Valley) Scout Group Hall Kiln Lane, Leigh	Leigh	20	£238.56	Recommended
30631306	Rural Age Concern Darent Valley Community Centre Scratchers Lane, Fawkham	West Kingsdown	20	£248.50	Recommended
30638543	Age Concern Sevenoaks & District Offices St John's Road, Sevenoaks	Sevenoaks	20	£1,515.85	Recommended

Ref	Organisation name and property description/address	Parish	% for 2016/17	Relief for 2016/17	Recommendation/comments
30642788	Age Concern Sevenoaks & District Shop London Road, Sevenoaks	Sevenoaks	20	£1,217.65	Recommended
30612176	Badgers Mount Memorial Hall Hall Highlands Rd, Badgers Mount	Shoreham	20	£362.81	Recommended
30558715	British Red Cross Society Hall 47 Bradbourne Vale Road	Sevenoaks	20	£377.72	Recommended
30574069	Sevenoaks Citizens Advice Bureau Offices Buckhurst Lane, Sevenoaks	Sevenoaks	20	£705.74	Recommended
30569890	Farningham Village Hall Hall High Street, Farningham	Farningham	20	£362.81	Recommended
30604373	Eden Valley Museum Trust Museum High Street, Edenbridge	Edenbridge	20	£685.86	Recommended

Ref	Organisation name and property description/address	Parish	% for 2016/17	Relief for 2016/17	Recommendation/comments
30693953	Edenbridge & Westerham Citizens Advice Bureau Office The Eden Centre, Edenbridge	Edenbridge	20	£1,391.60	Recommended
30558982	Fawkham Village Hall Hall Valley Road, Fawkham	Fawkham	20	£556.64	Recommended
30675078	Hartley Village Hall Hall Ash Road, Hartley	Hartley	20	£263.41	Recommended
30555785	Ide Hill Village Hall Management Committee Store Ide Hill Village Hall	Sundridge	20	£221.17	Recommended
30570296	Ide Hill Village Hall Management Committee Hall Ide Hill Village Hall	Sundridge	20	£248.50	Recommended
30658332	Longfield & Hartley Scout Grp Club House Larkwell Lane, Hartley	Hartley	20	£457.24	Recommended
30676033	Relate West & Mid Kent Store 12-14 Wealden Place,Sevenoaks	Sevenoaks	20	£342.93	Recommended

Ref	Organisation name and property description/address	Parish	% for 2016/17	Relief for 2016/17	Recommendation/comments
30643088	Riverside Players Store Furlong Farm, Eynsford	Eynsford	20	£226.14	Recommended
30554812	Sevenoaks Area Mind Day Centre St John's Road, Sevenoaks	Sevenoaks	20	£437.36	Recommended
30569944	Ide Hill Scout Group Hall Ide Hill	Sundridge	20	£114.31	Recommended
30575161	Sevenoaks District Scout Council Hall School Lane, Seal	Seal	20	£253.47	Recommended
30607563	Sevenoaks Leisure Ltd Leisure Centre Edenbridge Leisure Centre	Edenbridge	20	£22,464.40	Recommended
30605970	Sevenoaks Leisure Ltd Leisure Centre White Oak Leisure Centre	Swanley	20	£44,978.50	Recommended
30607556	Sevenoaks Leisure Ltd Swimming Pool Sevenoaks Leisure Centre	Sevenoaks	20	£26,092.50	Recommended

Ref	Organisation name and property description/address	Parish	% for 2016/17	Relief for 2016/17	Recommendation/comments
30607570	Sevenoaks Leisure Ltd Shop Lullingstone Golf Club	Crockenhill	20	£725.62	Recommended
30687859	Sevenoaks Leisure Ltd Sports Centre Wilderness Sports Centre	Sevenoaks	20	£3,280.20	Recommended
30556474	St John Ambulance Hall Chatham Hill Road, Sevenoaks	Sevenoaks	20	£181.41	Recommended
30671342	Stag Community Arts Centre Theatre & Cinema London Road, Sevenoaks	Sevenoaks	20	£4,174.80	Recommended
30568910	Swanley Youth & Community Centre Hall St Mary's Road, Swanley	Swanley	20	£1,217.65	Recommended
30567641	4th Sevenoaks (St John's) Scout Group Hall Mill Lane, Sevenoaks	Sevenoaks	20	£675.92	Recommended
30606959	Age Concern Darenth Valley Pt 27-37 High Street, Swanley	Swanley	20	£4,448.15	Recommended
30554416	Halstead Village Hall Knockholt Road, Halstead	Halstead	20	£283.29	Recommended
30557156	Otford Village Memorial Hall High street, Otford	Otford	20	£626.22	Recommended

Ref	Organisation name and property description/address	Parish	% for 2016/17	Relief for 2016/17	Recommendation/comments
30610552	Remap 2010 Unit D9 Chaucer Business Park Kemsing	Kemsing	20	£825.02	Recommended
30576102	Sevenoaks and Swanley CAB 16 High Street, Swanley	Swanley	20	£1,391.60	Recommended
30556078	St Johns Ambulance Brigade Horton Way, Farningham	Farningham	20	£332.99	Recommended
30556276	Sundridge Village Hall Main Road, Sundridge	Sundridge	20	£268.38	Recommended
30569487	Ash Village Hall Hall The Street, Ash	Ash Cum Ridley	20	£246.02	Recommended
30672130	YMCA Workshop Warsop Trading Estate, Edenbridge	Edenbridge	20	£1,863.75	Recommended Property used as warehouse/distribution centre for donated goods
30702369	Kingsdown Village Hall Hall London Road, West Kingsdown	West Kingsdown	20	£1,615.25	Recommended

	RURAL RATE RELIEF OFFICER RECOMMENDED	Parish	% for 2016/17	Relief for 2016/17	Recommendation/comments
30575154	BD & CB Patel Convenience Store 6 East Hill, South Darent	Horton Kirby	50	£0.00	Recommended
30583360	Mr M Patel Retail and post office 4-5 The Broadway, Crockenhill	Crockenhill	50	£2,250.60	Recommended
30602841	Seal Supermarket Ltd General Store 21 High Street, Seal	Seal	50	£3,025.00	Recommended
30697481	Ide Hill Community Shop CIC Post Office & Community Shop Ide Hill	Ide Hill	20.36	£708.32	Recommended

<u>Discretionary Rate Relief</u>	Number	Relief 2016/17
Total Officer Recommended	14	£42,520.37
Total Officer Rejected	0	
<u>Top-Up Relief</u>	Number	Amount
Total Officer Recommended	50	£128,377.63
Total Officer Rejected	0	
<u>Rural Rate Relief</u>	Number	Amount
Total Officer Recommended	4	£5,983.92
Total Officer Rejected	0	

This page is intentionally left blank

Item 8 - Capital Programme & Asset Maintenance 2016/19

The attached report was considered by the Finance Advisory Committee on 25 January 2016, and the relevant Minute extract was not available prior to the printing of this agenda.

This page is intentionally left blank

CAPITAL PROGRAMME & ASSET MAINTENANCE 2016/19

Cabinet - 4 February 2016

Report of Chief Finance Officer

Status: For Decision

Also considered by: Finance Advisory Committee - 25 January 2016

Key Decision: No

Executive Summary: This report sets out the proposed 2016/19 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 provision limit for Asset Maintenance is also made.

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

Portfolio Holder Cllr. Searles

Contact Officer Helen Martin Ext. 7483

Recommendation to Cabinet:

- (a) the Capital Programme 2016/19 and funding method set out in Appendix B be approved, and
- (b) the proposed Asset Maintenance budget of £490k be agreed for 2016/17.

Reason for recommendation: To comply with the Councils Procedure Rules and sound financial management principles.

Introduction and Background

- 1 A copy of the existing 2015/18 three year programme is attached at Appendix A. The 2015/16 columns include budgets brought forward from 2014/15. Forecast outturn figures for the current year and estimated carry forward figures are shown.
- 2 The Council's previous policy in relation to capital expenditure was as follows: "no new schemes to be added to the programme except mandatory improvement grants, information technology and vehicle replacements". As agreed by Council, schemes have been added to help the Council achieve self sufficiency.

Agenda Item 8

- 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 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 (2015/16) may be carried forward to 2016/17, subject to Cabinet approval, when the outturn is known.

Capital Receipts

- 7 Capital Receipts are a significant funding source for the capital programme. New receipts expected over the programme period are as follows:

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Shared Ownership Staircasing	80	40	20	10
Mortgage repayments (net of pooling)	0	0	0	0
Land Sales	1,129	2,467	915	157
	<hr/>	<hr/>	<hr/>	<hr/>
	1,209	2,507	935	167

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.

- 8 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 2016/17 onwards have been included in Appendix B.
- 9 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. The revenue contribution to capital budgets was £148,000 and the latest 10 year budgets proposes this funding level continues.

- 10 Appendix B takes these projections, together with the actual balance of such receipts at 1st April 2015.

Asset Maintenance

- 11 Up until 2010/11 asset maintenance was funded from a separate revenue earmarked reserve. 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.
- 12 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. The table below does not include any changes proposed for the 2016/17 budget within the Growth and Savings schedule (SCIAs).
- 13 The budget figures are based on an average of 30% of the existing 10 year maintenance assessment. This would then give the following programme :

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Budget	481	490	499	508

Key Implications

Financial

All financial implications are covered elsewhere in this report

Legal Implications and Risk Assessment Statement.

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.

Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups. The decisions recommended through this paper directly impact on end users. The impact has been analysed and varies between groups of people. The results of this analysis are set out immediately below.

Agenda Item 8

It is a statutory duty to provide Disabled Facility Grants to the older and or disabled residents in the district.

Conclusions

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 2015/18 capital programme

Appendix B - Proposed 2016/19 capital programme

Appendix C - Scheme bid documents

Background Papers:

None

Adrian Rowbotham
Chief Finance Officer

Capital Programme and Asset Maintenance

Capital Programme 2015-18

Appendix A

Chief Officer/Scheme	Funding Source	2014/15			2015/16 £000	2016/17 £000	2017/18 £000
		Budget £000	Forecast £000	Likely C/F £000			
		Corporate Support					
Back-up generator	Capital Receipts	140	-	140	-	-	-
Communities and Business							
Parish projects	Capital Receipts	61	-	61	-	-	-
Environmental and Operational Services							
Commercial vehicle replacements	Vehicle Renewal Res.	489	489	-	498	514	501
Dunbrik Vehicle Workshop	Capital Receipts	-	-	-	234	-	-
Car Park	External Borrowing	-	-	-	4,000	-	-
Housing							
Improvement Grants (gross)	Gov Grant/ cap reserve	517	603	-	534	534	534
Finance							
Property Investment Strategy	Prop. Inv. Reserve	-	-	-	8,000	-	-
TOTAL		1,207	1,092	201	13,266	1,048	1,035

Funding Sources

Capital Receipts	234	-	-
Capital Financing Reserve	57	57	57
Vehicle Renewal Reserve	498	514	501
Property Investment Strategy Reserve ***	8,000	-	-
Government Disabled Facilities Subsidy	477	477	477
External Borrowing	4,000	-	-
	13,266	1,048	1,035

*** Part will be funded from Capital Receipts

This page is intentionally left blank

Capital Programme and Asset Maintenance

Capital Programme 2016-19

Appendix B

Chief Officer/Scheme	Funding Source	2015/16			2016/17 £000	2017/18 £000	2018/19 £000
		Budget £000	Forecast £000	Likely C/F £000			
		Corporate Support					
Back-up generator	Capital Receipts	140	-	140	-	-	-
Communities and Business							
Parish projects	Capital Receipts	61	-	61	-	-	-
Sennocke and Bradbourne Hotel	Fin Plan Reserve & Capital Receipts	-	-	-	1,500	7,700	-
Sennocke and Bradbourne Car Parks	Internal Borrowing	-	-	-	5,300	0	-
Environmental and Operational Services							
Commercial vehicle replacements	Vehicle Renewal Res.	489	489	-	498	514	501
Dunbrik Vehicle Workshop	Capital Receipts	234	234	-	-	-	-
Dunbrik Vehicle Workshop - Roof	Capital Receipts	-	-	-	20	-	-
Car Park	External Borrowing	-	-	-	4,000	-	-
Housing							
Improvement Grants (gross)	Gov Grant/ cap reserve	534	534	-	534	534	534
Finance							
Property Investment Strategy	Prop. Inv. Reserve	-	-	-	10,000	-	-
TOTAL		1,458	1,257	201	21,852	8,748	1,035

Funding Sources

Capital Receipts	-	-	-
Financial Plan Reserve & Cap Receipts	1,520	7,700	-
Vehicle Renewal Reserve	498	514	501
Property Investment Strategy Reserve ***	10,000	-	-
Government Disabled Facilities Subsidy	477	477	477
Capital Financing Reserve	57	57	57
Internal Borrowing	5,300	-	-
External Borrowing	4,000	-	-
	21,852	8,748	1,035

*** Part will be funded from Capital Receipts

This page is intentionally left blank

Capital Programme 2016/19

Scheme Bid Document - Scheme: Property Investment Strategy

Description: A sum of £10m be set aside for the purposes of building a diversified and balanced portfolio of investment assets (Council agreed 21/07/15).

Service : Finance

Portfolio Holder/Chief Officer : Cllr Searles/Adrian Rowbotham

Financials :

CAPITAL COSTS	TOTAL	2016/17	2017/18	2018/19
	£000	£000	£000	£000
Gross scheme cost	10,000	10,000	-	-
External Contributions (list)				
 Net scheme cost	10,000	10,000	-	-

ONGOING REVENUE IMPLICATIONS
(excluding loss of interest)

Running costs

Income streams (see note below)

Net cost	-	-	-
----------	---	---	---

Funding Source : Council agreed that this can be funded from borrowing. However, it is likely that further capital receipts will be received from the sale of assets and when this arises, the options for their use will be analysed to ensure they are used in the most beneficial way.

Income Streams: These were outlined on Gold Pages at Council on 22 July 2014 (and previously at Cabinet (10 April 2014) and FRAC (26 March 2014)). Details are withheld as Exempt Information by virtue of Para. 3 of Part 1 of Schedule 12A LGA 1972.

Other Resource Implications :	
Staffing	<p>Resource would be required from the Legal Section (or possible external legal advisors) to undertake legal pre purchase due diligence. There is also likely to be an increase in the level of Landlord and Tenant related legal work.</p> <p>The Property Investment Strategy requires an element of financial management, which will include billing rents, service charge and insurance.</p>

Asset Values	n/a
--------------	-----

Justification: Additional Savings

This Property Investment Strategy is a major part of the overall strategy to contribute to the Council becoming financially self-sufficient.

Capital Programme 2016/19

Scheme Bid Document - Scheme: Development of Sennocke and Bradbourne Car Parks

Description: Provision of a hotel on the Sennocke car park site and a new decked car park to provide additional capacity at the nearby Bradbourne car park.

Service : Property

Portfolio Holder/Chief Officer : Peter Fleming/Lesley Bowles/Richard Wilson

Financials :

CAPITAL COSTS	TOTAL £000	2016/17 £000	2017/18 £000	2018/19 £000
Gross scheme cost				
Hotel	9,200	1,500	7,700	-
Car Park	5,300	5,300		
 Net scheme cost	 14,500	 6,800	 7,700	 -
 ONGOING REVENUE IMPLICATIONS * (excluding loss of interest)				
Running costs				
Income streams				
Net cost		x	x	x

Funding Source :

Hotel to be funded from Financial Plan Reserve and Capital Receipts (as Option C Cabinet 15 October 2015)

Car Park works funded from Internal Borrowing (as Option B Cabinet 15 October 2015)

*Details of the income streams from these schemes is excluded here by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, however the funding method for the Hotel should result in an income yield in excess of 6% as required in the Property Investment Strategy. Details of the anticipated income streams were provided as a confidential appendix to Cabinet on 15th October 2015.

Other Resource Implications :	
Staffing	There is likely to be significant staff time involvement in setting up a Development Management Agreement and Agreement for Lease with the preferred Development Management Consultant and preferred

	Hotel Operator
Asset Values	n/a

Justification:

The proposed development has the potential to deliver economic benefits to the District through the provision of a much needed Hotel and additional car parking at Sevenoaks Station. The Investment will also provide an income stream that could contribute significantly towards the Council's aim of Financial Self Sufficiency.

Capital Programme 2016/19

Scheme Bid Document - Scheme: Building works - Dunbrik Depot Vehicle Workshop

Description: Funds necessary to achieve completion of workshop roof line alterations and associated works substantially progressed during 2015/16. These works are necessary to permit all current refuse freighter and other large commercial vehicles to gain entry to the workshop for essential maintenance.

Service : Environmental and Operational Services

Portfolio Holder/Chief Officer : Councillor Matthew Dickins/Richard Wilson

Financials :

CAPITAL COSTS	TOTAL	2016/17	2017/18	2018/19
	£000	£000	£000	£000
Gross scheme cost	20	20	0	0
External Contributions (list)				

Net scheme cost	20	20	0	0
-----------------	----	----	---	---

ONGOING REVENUE IMPLICATIONS
(excluding loss of interest)

Running costs				
Income streams				
Net cost	0	0	0	0

Funding Source: From reserves.

Other Resource Implications :	Short term closure of workshop and MOT Test station during construction works.
Staffing	Managed by existing employees
Asset Values	Approximately £498k

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

- 1) To have effective infrastructure to maintain vehicles essential to providing mainly statutory services.
- 2) Supports the Council's priorities.
- 3) Replacement vehicle purchases dictated by workshop height limitations and may not offer best overall value.

Capital Programme 2016/19

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 Standards

Portfolio Holder/Chief Officer : Cllr Michele Lowe and Pat Smith

Financials :

CAPITAL COSTS	TOTAL £000	2016/17 £000	2017/18 £000	2018/19 £000
Gross scheme cost	1,602	534	534	534
External Contributions (list)	(1,431)	(477)	(477)	(477)
Net scheme cost	171	57	57	57

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 and 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 a statutory duty to provide DFG's to older and or disabled residents. £250,000 is ring fenced for aids and adaptations for West Kent Housing Association (WKHA) tenants and both this and the Council's DFG service are eligible for DCLG funding.

The Council was running the DFG process in house as a pilot and it was reviewed after 18 months and as it has been performing very well it will remain in house. The HIA still manages the larger DFGs and we are looking at a possible Handyman service.

From 2015 the DCLG total budget for Kent has been administered by KCC (ring fenced for each Council so should not be an issue). Currently it is assumed the funding will continue to be not less than last year's allocation.

Capital Programme 2016/19

Scheme Bid Document - Scheme: Vehicle Replacement Programme

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

Service: Environmental and Operational Services

Portfolio Holder/Chief Officer : Councillor Matthew Dickins/Richard Wilson

Financials :

CAPITAL COSTS	TOTAL	2016/17	2017/18	2018/19
	£000	£000	£000	£000
Gross scheme cost	1434	514	451	469
External Contributions (list)				

Net scheme cost	1434	514	451	469
-----------------	------	-----	-----	-----

ONGOING REVENUE IMPLICATIONS

(excluding loss of interest)

Running costs

Income streams

Net cost	0	0	0
----------	---	---	---

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

Other Resource Implications :	
Staffing	Managed by fleet management overhead account by existing employees.
Asset Values	Approximately £3 M

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

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

Item 9 - Treasury Management Strategy 2016/17

The attached report was considered by the Finance Advisory Committee on 25 January 2016, and the relevant Minute extract was not available prior to the printing of this agenda.

This page is intentionally left blank

TREASURY MANAGEMENT STRATEGY 2016/17

Cabinet - 4 February 2016

Report of the: Chief Finance Officer

Status: For Decision

Also considered by: Finance Advisory Committee - 25 January 2016

Council - 16 February 2016

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 paragraph 68 of the report, which discusses a new investment option.

This report supports the Key Aim of efficient management of the Council's resources.

Portfolio Holder Cllr. Searles

Contact Officer Roy Parsons, Principal Accountant - Ext 7204

Recommendations to Finance Advisory Committee: That

- a) consideration be given to investment with Santander UK plc; and
- b) the recommendation to Cabinet be approved.

Recommendation to Cabinet: That, subject to the views of the Finance Advisory Committee, Cabinet recommend that Council approve the Treasury Management Strategy for 2016/17.

Recommendation to Council: That the Treasury Management Strategy for 2016/17 be approved.

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

Reporting requirements

- 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 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 (MRP) policy (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 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 2016/17

- 8 The strategy for 2016/17 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;
 - policy on borrowing in advance of need;
 - 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.

Agenda Item 9

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 2016/17 - 2018/19

- 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:

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Capital Expenditure	4,263	1,458	21,852	8,748	1,035

- 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).

	2014/15 Actual £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Capital Expenditure	4,263	1,458	21,852	8,748	1,035
Financed by:					
Capital receipts	1,250	435	1,520	0	0
Capital grants	2,489	477	477	477	477
Capital reserves	168	57	10,057	7,757	57
Revenue	355	489	498	514	501
Internal borrowing			5,300		
External borrowing			4,000		
Net financing need for the year	0	0	0	0	0

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

Agenda Item 9

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:

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Capital Financing Requirement					
Total CFR	122	101	80	59	38
Movement in CFR	-21	-21	-21	-21	-21

Movement in CFR represented by:					
Net financing need for the year (above)	0	0	0	0	0
<u>Less</u> 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 This option provides 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 either:
- Asset life method - MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction); or
 - Depreciation method - MRP will follow standard depreciation accounting procedures.

These options provide 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.

Agenda Item 9

Year End Resources	2014/15 Actual £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Fund balances / reserves	23,818	22,265	22,728	21,327	20,080
Capital receipts	3,460	7,233	7,255	7,255	7,255
Provisions	443	503	409	409	409
Other	0	0	0	0	0
Total core funds	27,721	30,001	30,392	28,991	27,744
Working capital*	1,032	1,061	1,090	1,119	1,129
Under/over borrowing	0	0	0	0	0
Expected investments	28,753	31,062	31,482	30,110	28,873

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

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.

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
Ratio	-2.00%	-3.00%	-2.00%	-1.00%	-1.00%

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.

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
Council tax band D	£0.00	-£0.02	£0.01	-£0.02	-£0.04

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 appropriate 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 2015 appears in Appendix A.
- 34 The Council's treasury portfolio position at 31 March 2015, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement or CFR), highlighting any over or under borrowing.

Agenda Item 9

	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Estimate	Estimate	Estimate
External Debt					
Debt at 1 April	0	0	0	4,000	4,000
Expected change in Debt	0	0	4,000	0	0
Other long-term liabilities (OLTL)	0	0	0	0	0
Expected change in OLTL	0	0	0	0	0
Actual gross Debt at 31 March	0	0	4,000	4,000	4,000
The Capital Financing Requirement (CFR)	122	101	80	59	38
Under / (over) borrowing	122	101	80	59	38

- 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 2016/17 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 36 The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.
- 37 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.

Treasury indicators which will limit the treasury risk and activities of the Council

Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary

38 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	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Debt	10,000	10,000	10,000	10,000
Other long term liabilities	0	0	0	0
Total	10,000	10,000	10,000	10,000

The Authorised Limit for external debt

39 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.

40 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.

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

Authorised limit	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Debt	10,000	10,000	10,000	10,000

Agenda Item 9

Other long term liabilities	0	0	0	0
Total	10,000	10,000	10,000	10,000

Prospects for Interest Rates

- 42 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

- 43 At present, there are no capital borrowings. However, should this change during 2016/17, 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.
- 44 Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
 - *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.*
- 45 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

Treasury Management Limits on Activity

46 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:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position, net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates.
- 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.

47 The Council is asked to approve the following treasury indicators and limits:

	2016/17	2017/18	2018/19
	%	%	%
Interest rate exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100	100	100
Limits on variable interest rates based on net debt	50	50	50
Maturity structure of fixed interest rate borrowing 2016/17			
		Lower	Upper
Under 12 months		0	100
12 months to 2 years		0	100

Agenda Item 9

2 years to 5 years	0	100
5 years to 10 years	0	100
10 years and above	0	100
Maturity structure of variable interest rate borrowing 2016/17		
	Lower	Upper
Under 12 months	0	100
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years and above	0	100

As borrowing is yet to be undertaken, the maturity structures have all been set with an upper limit of 100%. If and when this happens, these limits can be refined in light of actual borrowing patterns.

Policy on borrowing in advance of need

- 48 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.
- 49 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.

Municipal Bonds Agency

- 50 It is likely that the Municipal Bonds Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). If the Council does borrow in the future it intends to make use of this new source of funding as and when appropriate.

Annual Investment Strategy

Changes to credit rating methodology

- 51 The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody's) Financial Strength rating withdrawn by the agency.
- 52 In keeping with the agencies' new methodologies, the rating element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used for Standard & Poor's, this has been a change in the use of Fitch and Moody's ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.
- 53 The evolving regulatory environment, in tandem with the rating agencies' new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria, the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of AA-. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.
- 54 It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the

Agenda Item 9

majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the “support” phase of the financial crisis.

Investment Policy

- 55 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.
- 56 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- 57 Ratings will not be the sole determinant of the quality of an institution; it is important to continually 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.
- 58 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.
- 59 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.

Creditworthiness Policy

- 60 This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising 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.

61 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 suggested 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

	Colour (and long term rating where applicable)	Money and/or % Limit	Time Limit
A. Banks - UK	Purple	£7m	2 years
B. Banks - UK	Orange	£7m	1 year
C. Banks - UK (part nationalised)	Blue	£10m	1 year
D. Banks - UK	Red	£7m	6 months
E. Banks - UK	Green	£7m	100 days
F. Banks - UK	No Colour	Not to be used	
G. Banks - non UK	All Colours	£5m	Dependent on Colour
H. Council's banker (if not meeting Banks A. to G.)	N/A	£7m	1 day

Agenda Item 9

I. Other institutions limit	All Colours	£5m	Dependent on Colour
J. Other institutions limit	No Colour	£4m	100 days
K. DMADF	AAA	£5m	6 months
L. Local authorities	N/A	£5m	2 years
	Fund rating	Money and/or % Limit	Time Limit
M. Money market funds	AAA	£5m (per fund)	Liquid
N. Enhanced money market funds	AAA	£5m (per fund)	Liquid

- 62 The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.
- 63 Typically the minimum credit ratings criteria the Council uses will be a Short Term rating (Fitch or equivalents) of short term rating F1 and a long term rating A-. 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.
- 64 All credit ratings will be monitored regularly. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services 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 daily basis via its Passport website, provided exclusively to it by Capita Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- 65 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 any external support for banks to help support its decision making process.

Country limits

- 66 The Council has determined that it will only use approved counterparties from countries that have a minimum sovereign credit rating of AA- from Fitch and where those countries have been approved by the Finance Advisory Committee. 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

- 67 The Council's current investment policy further limits the one proposed by Capita Asset Services as follows:-
- a. Maximum investment period of two years. Part nationalised UK banks also have a two year duration limit.
 - 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, except for Lloyds Banking Group plc and Royal Bank of Scotland Group plc where the limit is 30%.
 - 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. The only country, other than the UK, approved for investment is Sweden.
 - d. Investments are limited to £6m per bank excluding call accounts and £7m including call accounts except for:-
 - (i) Lloyds Banking Group plc and Royal Bank of Scotland Group plc, where the limits are £10m for each with no distinction between fixed deposits and call accounts; and
 - (ii) Svenska Handelsbanken AB, where the limit is £5m with no distinction between fixed deposits and call accounts.
 - e. If the Council's own banker, Barclays, falls below Capita Asset Services' 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 £4m each and a maximum duration of 100 days. If a Building Society meets Capita Asset Services' minimum credit rating requirements, the investment limit is increased to £5m with a maximum investment duration of two years.

Agenda Item 9

- g. Investments in Money Market Funds (MMFs) and Enhanced Money Market Funds (EMMFs) are limited to a combined maximum of £5m per provider.

68 The only change proposed for 2016/17 is the inclusion of Santander UK plc as a potential investment counterparty. Subsequent to the financial crisis in 2008, they were removed from our counterparty list when we decided to concentrate investment activity in UK-based institutions. Although a UK-based operation, they are ultimately owned by their Spanish parent company. They are currently used by a considerable number of local authorities, including several in Kent. As well as fixed rate products they are offering very competitive notice accounts. Members' views on this option would be gratefully received. If considered a suitable counterparty, investment and duration limits would need to be agreed if they are to deviate from the Capita Asset Services colour coding scheme, which, at the time of writing, was Red (maximum £7m and 6 months duration).

Investment Strategy

69 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).

70 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:

- 2016/17 1.00%
- 2017/18 1.75%
- 2018/19 2.00%

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

- 2016/17 0.90%
- 2017/18 1.50%
- 2018/19 2.00%
- 2019/20 2.25%
- 2020/21 2.50%
- 2021/22 3.00%
- 2022/23 3.00%
- Later years 3.00%

72 The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and/or forecasts for increases in inflation rise, there could be an upside risk.

- 73 The Council is asked to approve the following treasury indicator and 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	2016/17 £000	2017/18 £000	2018/19 £000
Principal sums invested > 364 days	10,000	10,000	10,000

- 74 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.

Investment risk benchmarking

- 75 The Council will use an investment benchmark to assess the performance of its portfolio. The benchmarks will be 7 day and 3 month LIBID un compounded.

End of year investment report

- 76 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

- 77 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 F.

Role of the Section 151 officer

- 78 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 G.

Key Implications

Financial

- 79 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.

Agenda Item 9

Legal Implications and Risk Assessment Statement

- 80 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.
- 81 This annual investment strategy report fulfils the requirements of The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2009.
- 82 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.

- 83 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 proposal in this report does create small additional risk.
- 84 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 Assessment

- 85 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

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

- 87 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 16 February 2016. 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 2015
- 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 - Treasury management scheme of delegation
- Appendix G - The treasury management role of the S151 officer

Background Papers:

None

**Adrian Rowbotham
Chief Finance Officer**

This page is intentionally left blank

APPENDIX A: CURRENT PORTFOLIO POSITION

List of Investments as at:- 31-Dec-15

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			0.40000%	Variable
	Santander UK plc (Money Market A/C)	A	U.K.	Santander	0	09-Oct-06			0.40000%	Variable
	Clydesdale Bank plc (Base Tracker Plus - 15 Day)	A	U.K.	NAB	0	10-Sep-10			0.30000%	Variable
	Barclays Bank plc (Business Premium A/C)	A	U.K.		3,707,000	01-Oct-11			0.35000%	Variable
	Barclays Bank plc (Flexible IBCA)	A	U.K.		0	01-Jun-14			0.45000%	Variable
	National Westminster Bank plc (Liquidity Select)	BBB+	U.K.	RBS	1,000,000	07-Oct-11			0.25000%	Variable
	National Westminster Bank plc (95 Day Notice)	BBB+	U.K.	RBS	0	24-May-13			0.35000%	Variable
	Svenska Handelsbanken AB (Deposit A/C)	AA-	Sweden		3,000,000	23-Jul-14			0.40000%	Variable
	Standard Life Liquidity Fund (Money Market Fund)	AAA	U.K.		5,000,000	11-May-12				Variable
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		3,500,000	11-May-12				Variable
IP1227	Bank of Scotland plc	A+	U.K.	Lloyds/HBOS	1,000,000	10-Feb-15	1.00000%	09-Feb-16		1 Year
IP1229	Bank of Scotland plc	A+	U.K.	Lloyds/HBOS	1,000,000	20-Feb-15	1.00000%	19-Feb-16		1 Year
IP1259	Barclays Bank plc	A	U.K.		3,000,000	08-Sep-15	0.66000%	08-Mar-16		6 Months
IP1250	Coventry Building Society	A	U.K.		1,000,000	15-Jul-15	0.60000%	15-Jan-16		6 Months
IP1258	Coventry Building Society	A	U.K.		1,000,000	28-Aug-15	0.60000%	29-Feb-16		6 Months
IP1272	Coventry Building Society	A	U.K.		1,000,000	17-Nov-15	0.60000%	17-May-16		6 Months
IP1234	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	07-Apr-15	1.00000%	05-Apr-16		1 Year
IP1240	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	28-Apr-15	1.00000%	26-Apr-16		1 Year
IP1241	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	05-May-15	1.00000%	04-May-16		1 Year
IP1246	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	03-Jul-15	0.70000%	04-Jan-16		6 Months
IP1262	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	2,000,000	06-Oct-15	0.80000%	29-Mar-16		175 Days
IP1268	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	02-Nov-15	0.75000%	03-May-16		6 Months
IP1273	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	27-Nov-15	0.75000%	27-May-16		6 Months
IP1247	Nationwide Building Society	A	U.K.		1,000,000	09-Jul-15	0.66000%	11-Jan-16		6 Months
IP1254	Nationwide Building Society	A	U.K.		1,000,000	06-Aug-15	0.66000%	08-Feb-16		6 Months
IP1257	Nationwide Building Society	A	U.K.		1,000,000	28-Aug-15	0.66000%	29-Feb-16		6 Months
IP1261	Nationwide Building Society	A	U.K.		2,000,000	23-Sep-15	0.66000%	23-Mar-16		6 Months
IP1232	Royal Bank of Scotland plc	BBB+	U.K.	RBS	3,000,000	15-Apr-15	1.00000%	18-Apr-17		2 Years
IP1265	Skipton Building Society	BBB+	U.K.		1,000,000	22-Oct-15	0.43000%	22-Jan-16		3 Months
IP1263	Yorkshire Building Society	A-	U.K.		1,000,000	15-Oct-15	0.47000%	15-Jan-16		3 Months
IP1266	Yorkshire Building Society	A-	U.K.		1,000,000	22-Oct-15	0.47000%	22-Jan-16		3 Months
IP1267	Yorkshire Building Society	A-	U.K.		1,000,000	28-Oct-15	0.47000%	28-Jan-16		3 Months
IP1271	Yorkshire Building Society	A-	U.K.		1,000,000	17-Nov-15	0.47000%	17-Feb-16		3 Months
	Total Invested				<u><u>45,207,000</u></u>					
	Other Loan									
	Sevenoaks Leisure Limited				250,000	29-Apr-08	7.00000%	31-Mar-18		10 Years

This page is intentionally left blank

APPENDIX B: Interest Rate Forecasts 2016 - 2019

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Capita Asset Services Interest Rate View														
	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank Rate View	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
3 Month LIBID	0.60%	0.70%	0.80%	0.90%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	1.90%	2.00%	2.00%	2.10%
6 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.10%	2.20%	2.20%	2.30%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.40%	2.50%	2.50%	2.70%
5yr PWLB Rate	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB Rate	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB Rate	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB Rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%
Bank Rate														
Capita Asset Services	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	-	-	-	-	-
5yr PWLB Rate														
Capita Asset Services	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
Capital Economics	2.40%	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.50%	-	-	-	-	-
10yr PWLB Rate														
Capita Asset Services	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
Capital Economics	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
25yr PWLB Rate														
Capita Asset Services	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
Capital Economics	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
50yr PWLB Rate														
Capita Asset Services	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%
Capital Economics	3.40%	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	-	-	-	-	-

This page is intentionally left blank

APPENDIX C: Economic Background

UK. UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again to +0.5% (+2.3% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% - 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.2%.

The Bank of England's Monetary Policy Committee (MPC) has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. However, it is unlikely that the MPC would start raising rates until wage inflation was expected to consistently stay over 3%, as a labour productivity growth rate of around 2% would mean that net labour unit costs would still only be rising by about 1% y/y. The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. However, the first round of falls in oil, gas and food prices in late 2014 and in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but only to be followed by a second, more recent, round of falls in fuel prices which will now delay a significant tick up in inflation from around zero. CPI inflation is now expected to get back to around 1% in the second half of 2016 and not get near to 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase.

There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, accordingly, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively during 2015 from Q4 2015 to Q2 2016. Increases after that are also likely to be at a much slower pace, and to much lower final levels than prevailed before

Agenda Item 9

2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers and householders than they did before 2008.

The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20 and this timetable was maintained in the November Budget.

USA. GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded remarkably strongly in Q2 to 3.9% (annualised) before falling back to +2.1% in Q3.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Federal Reserve (Fed) would start to increase rates in September. The Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong while November was also reasonably strong; this, therefore, opened up the way for the Fed to embark on its first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the European Central Bank (ECB) fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing (QE) to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and +0.3% in quarter 3. However, this more recent lacklustre progress, combined with the recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and / or increasing its size in order to get inflation up from the current level of around zero towards its target of 2%. The ECB will also aim to help boost the rate of growth in the EZ.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing / communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

China and Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.2% after a short burst of strong growth of 1.1% during Q1, but then came back to +0.3% in Q3 after the first estimate had indicated that Japan had fallen back into recession; this would have been the fourth recession in five years. Japan has been hit hard by the downturn in China during 2015 and there are continuing concerns as to how effective efforts by the Abe government to stimulate growth, and increase the rate of inflation from near zero, are likely to prove when it has already fired the first two of its 'arrows' of reform but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market during the summer. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of the bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, concerns about whether the Chinese economy could be heading for a hard landing, and the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September, remain a concern.

Emerging countries. There are also considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries) there is now a strong flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields.

This change in investors' strategy, and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US, has helped to cause the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Agenda Item 9

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

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

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

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

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

This page is intentionally left blank

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:

Agenda Item 9

	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 (DMADF) - 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	30% / £10m	1 Year	S
Term deposits with Lloyds Bank Group / RBS Group (over one year)	Blue	30% / £10m	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% / £4m	100 Days	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

This list is based on those countries which have sovereign ratings of AA- or higher and also have banks operating in the sterling markets which have colour codes of green or above in the Capita Asset Services credit worthiness service.

AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium

APPENDIX F - 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 Advisory Committee

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

APPENDIX G - 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.

Item 10 - Financial Results 2015/16 - to the end of November 2015

The attached report was considered by the Finance Advisory Committee on 25 January 2016, and the relevant Minute extract was not available prior to the printing of this agenda.

This page is intentionally left blank

FINANCIAL RESULTS 2015/16 - TO THE END OF NOVEMBER 2015

Cabinet - 4 February 2016

Report of Chief Finance Officer

Status: For consideration

Also considered by: Finance Advisory Committee - 25 January 2016

Key Decision: No

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

Portfolio Holder Cllr. Searles

Contact Officer Helen Martin Ext. 7483

Recommendation to Finance Advisory Committee: That the report be noted, and any comments forwarded to Cabinet.

Recommendation to Cabinet: Cabinet considers any comments from Finance Advisory Committee and notes the report

Reason for recommendation: sound financial governance of the Council.

Overall Financial Position

- 1 Eight months into the year the results to date show an overall favourable variance of £179,000.
- 2 The year-end position is forecast to be £76,000 worse than budget; just over 0.5% of the net budget for the year.
- 3 Both the results to date and forecasts include any significant accruals.

Key Issues for the year to date

- 4 **Property Investment Strategy Income** - this is a new income source and represents income derived from the recent acquisitions of commercial property. As at the end of November we had received £292,000 and this will be transferred to the Budget Stabilisation Reserve.

Agenda Item 10

- 5 **Revenues and Benefits Partnership** - Within Finance, additional resources have been used to help address the Benefits workload and to be proactive in contacting Council Tax Support customers. The funding of this additional cost will be shared with Dartford BC with the SDC element funded from the agreed carry forward and contributions from KCC, Fire and Police.
- 6 **Income** from Car Parks, On Street parking, Land Charges and Development Management is ahead of budget at the end of November
- 7 **Pay costs** - the actual expenditure to date on staff costs, (including agency staff but excluding those who are externally funded) is, in total, within £24,000 of budget. There are variances in individual areas and the larger variances are explained in the Chief Officer commentaries.
- 8 **Corporate Savings** - there is a budget of £100,000 from vacancy savings and these savings are currently £14,000 ahead of schedule.

Year End Forecast

The year-end position is forecast to be £76,000 worse than budget.

Property Investment Strategy

- 9 Forecast net income of £383,000 from commercial letting of the recent Property Investment Strategy acquisitions is excluded from the forecast as it will be transferred to the Budget Stabilisation Reserve.

Unforeseen pressures on 2015-16 Budget

- 10 Costs have been incurred at Farningham Woods for emergency felling of coppices and standard trees to try to contain the infestation of Oriental Chestnut Gall Wasp under instruction from DEFRA/Forestry Commission. There is a forecast of £40,000 for this work. The Forestry Commission has agreed to cover expenditure above £40,000.
- 11 Work on the Individual Electoral Registration Canvass is forecast to exceed budget by £56,000; the cost of the additional work is forecast to be greater than the amount of central government funding that we have received.
- 12 Tandridge District Council has terminated the agreement whereby Sevenoaks staff managed asset maintenance work and this has resulted in lost income of £13,000.
- 13 Asset Maintenance work at Hever Road site is forecast to exceed budget by £27,000.

Other forecasts for 2015-16

- 14 Budgeted income of £36,000 from a Building Control shared management arrangement with Tonbridge and Malling Council will not be received this year as full shared working commenced in October 2014.

- 15 The adverse variance of £30,000 for car parks expenditure relates to the rent for the leased area of Bligh's car park.
- 16 Income from sale of recycled glass is forecast to be £60,000 below budget following adverse market fluctuations in the price of cullet.
- 17 Within Finance, support work to non-finance partnerships is mainly contained within existing resources and this gives rise to a favourable forecast of £40,000.
- 18 Development Management income is forecast to be £82,000 better than budget due to a small number of high fee applications.
- 19 An ongoing vacancy in Planning Enforcement will result in a forecast favourable variance of £30,000.
- 20 The budgeted surplus for the Direct Services Trading account increased by £20,000 following a reallocation of savings required by SCIA21 (Back Office Savings). In addition to that, a further favourable variance of £26,000 is forecast.
- 21 This Council is entitled to retain 50% of extra income arising from increases in the business rate tax base, however this figure is subject to great volatility as it is affected by the results of outstanding appeals and therefore a prudent assessment of £75,000 additional income has been included at this stage.

Future Issues and Risk areas

- 22 Chief Officers have considered the future issues and risk areas for their services and the impacts these may have on the Council's finances as follows:
 - Asset Maintenance costs for leisure centres may exceed current budgets due to ageing assets; asset maintenance costs for Hever Road are currently under review;
 - Benefit Fraud will move to the DCLG in February 2016. A corporate fraud function will be in place after that date;
 - There remains the risk that planning decisions will be challenged, either at appeal or through the Courts;
 - Planning fee income remains uncertain and is being closely monitored;
 - Some significant appeals are scheduled and these could result in costs.
- 23 Planned savings for 2015/16 total £533,000, including efficiency savings, particularly from partnership working, and from additional income generation, and these will be risk areas for the current and for future years.

Agenda Item 10

- 24 Grant funding to local government has been reducing and this is a non-protected area and must be considered vulnerable in the future.

Key Implications

Financial

The financial implications are set out elsewhere in 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.

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

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Appendices

Appendix - November Budget Monitoring - Summary

Background Papers:

None

Adrian Rowbotham

Chief Finance Officer

2. Overall Summary
**November 2015 -
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	2014/15 Actual £'000
Communities and Business	87	46	42	48	796	692	103	13	1,054	1,054	-	839
Corporate Support	195	176	19	10	2,276	2,260	16	1	3,319	3,359	- 40	3,247
Environmental and Operational Services	165	128	38	23	1,666	1,611	54	3	2,478	2,701	- 223	2,536
Financial Services	409	431	- 22	- 5	2,805	3,007	- 202	- 7	5,070	5,026	44	4,847
Housing	62	69	- 7	- 11	613	615	- 2	- 0	730	739	- 8	725
Legal and Governance	51	24	27	53	459	438	21	5	634	685	- 52	541
Planning Services	112	94	18	16	841	658	183	22	1,284	1,183	101	1,060
NET EXPENDITURE (1)	1,082	967	115	11	9,456	9,282	173	2	14,569	14,747	- 178	13,795
<i>Adjustments to reconcile to amount to be met from Reserves</i>												
Direct Services Trading Accounts	13	- 8	21	157	- 141	- 197	57	40	- 84	- 110	26	- 192
Capital charges outside General Fund	- 5	- 5	- 0	- 0	- 42	- 42	- 0	- 0	- 63	- 63	-	- 60
Support Services outside General Fund	- 14	- 14	0	1	- 111	- 112	1	1	- 168	- 168	-	- 168
Redundancy Costs - all	-	-	-	-	-	24	- 24	-	-	-	-	31
NET EXPENDITURE (2)	1,076	940	136	13	9,162	8,955	207	2	14,254	14,406	- 152	13,406
Revenue Support Grant (incl. CT Support)	- 126	- 126	-	0	- 1,011	- 1,011	-	0	- 1,516	- 1,516	-	- 2,232
Retained Business Rates	- 161	- 161	-	0	- 1,289	- 1,289	-	0	- 1,934	- 2,009	75	- 1,898
New Homes Bonus	- 152	- 152	-	0	- 1,212	- 1,212	-	0	- 1,818	- 1,825	7	- 1,396
Council Tax Requirement - SDC	- 775	- 775	-	0	- 6,199	- 6,199	-	0	- 9,298	- 9,298	-	- 9,010
Property Investment Strategy Income	-	-	-	-	-	- 292	292	-	-	- 383	383	-
NET EXPENDITURE (3)	- 137	- 274	136	- 99	- 549	- 1,047	499	- 91	- 312	- 625	313	- 1,129
<i>Summary including investment income</i>												
Net Expenditure	- 137	- 274	136	- 99	- 549	- 1,047	499	- 91	- 312	- 625	313	- 1,129
Investment Impairment	-	-	-	0	-	-	-	0	-	-	-	-
Interest and Investment Income	- 28	- 22	- 5	20	- 214	- 186	- 28	- 13	- 301	- 296	- 5	- 227
OVERALL TOTAL	- 165	- 296	131	79	- 763	- 1,233	470	- 62	- 614	- 920	307	- 1,357
Planned appropriation (from)/to Reserves	-	-	-	-	-	-	-	-	614	614	-	-
Additional Appropriation to Budget Stabilisation Reserve	-	-	-	-	-	292	- 292	-	-	383	- 383	-
<i>(Surplus)/Deficit</i>					- 763	- 941	179	- 23	-	76	- 76	- 1,357

This page is intentionally left blank

Item 11 - Scrap Metal Dealers Act 2013: Scrap Metal Dealer Licence Fees 2016/2017

The attached report was considered by the Legal & Democratic Services Advisory Committee on 26 January 2016, and the relevant Minute extract was not available prior to the printing of this agenda.

This page is intentionally left blank

**SCRAP METAL DEALERS ACT 2013: SCRAP METAL DEALER LICENCE FEES
2016/2017**

Cabinet 4 February 2016

Report of Chief Officer Environmental and Operational Services

Status: For Decision

Also considered by: Legal and Democratic Services Advisory Committee - 26
January 2016

Key Decision: No

This report supports the Key Aim of Safe Communities to aid in the reduction of crime within the District.

Portfolio Holder Cllr. Firth (Legal and Democratic Services)

Contact Officer Claire Perry Ext. 7325 / 07970 731616

Recommendation to Legal and Democratic Services Committee:

That Cabinet be recommended to approve the appropriate fee levels as set out in paragraph 25 of the report.

Recommendation to the Cabinet:

That, subject to the comments of the Legal and Democratic Services Advisory Committee, the fees set out in paragraph 25 of the report be approved.

Reason for recommendation: to ensure that the Council complies with its Statutory duty under the Scrap Metal Dealers Act 2013 and ensure that the licensing of Scrap Metal Dealers is self financing, in accordance with the Council's Service and Budget Plan. A fees model, similar to the one used to first set the Gambling Act fees in 2007 was used.

Introduction and Background

1. The Act repeals the Scrap Metal Dealers Act 1964 (and related legislation) and Part 1 of the Vehicles (Crime) Act 2001, creating a revised regulatory regime for the scrap metal recycling and vehicle dismantling industries. The Act maintains local authorities as the principal regulator, but gives them the power to better regulate these industries by allowing them to refuse to grant a licence to 'unsuitable' applicants and a power to revoke licences if the dealer becomes 'unsuitable'.

Agenda Item 11

2. The licensing regime introduced by the Act is very similar to the licensing of taxi drivers and the issuing of Personal Licences under the Licensing Act. The suitability of applicants is based on a number of factors as outlined in the Act, including any unspent relevant criminal convictions. Whilst it is expected that straightforward applications will be decided under delegation to Officers, any applications with objections where the applicant wishes to make representations would need to be heard at a hearing, with an option to appeal their decision to the Magistrates' Court.
3. It had been expected that the Home Office would make regulations about the new Scrap Metal Dealer Act which would allow the Council to manage the licensing process in the same way it manages its other licensing functions, namely to delegate them to the Licensing Committee. Although the Act has come into force these regulations have not been made. This means that these matters are the responsibility of Cabinet rather than Council and the Licensing Committee. Delegations from the Leader to the relevant Officers will be made separately.

Licences

4. Under the Act there are two types of licence; a site licence and a collector's licence, which will both be administered by the local authority. Site managers will need to be named on site licences. Collectors will need a licence in each local authority area in which they collect. Both types of licence last for three years.
5. The local authority must be satisfied that the applicant is a suitable person to hold a licence before it can grant a licence. The scope of this requirement will include applicants, site managers, directors, secretaries and shadow directors of companies.
6. The Council requires a photograph to accompany the application for a Collector's Licence. The photograph forms part of the licence document and enables Officers to identify licensed collectors.

Determining Applications

7. Section 3 of the Act states that a Council must not issue a licence unless it is satisfied the applicant is a suitable person to carry on a business as a scrap metal dealer, identified via a 'suitability test'. In the case of a partnership, the suitability of each partner will be assessed. In the case of a company, it means assessing the suitability of any directors, company secretaries, or shadow directors.
8. In assessing an applicant's suitability, the Council can consider any information considered relevant. The Council will be in a stronger position to defend any challenges to a decision to refuse a licence where the decision is based on the factors specifically listed in legislation, which includes whether:

9. The applicant or site manager has been convicted of a relevant offence or subject to any relevant enforcement action (Statutory Guidance has been published and is attached as Appendix B);
10. The applicant has previously been refused a scrap metal dealers licence or an application to renew a licence has been refused.
11. The applicant will be required to complete an application and declare that the information provided is correct. The applicant will commit an offence under the Act should they make a false statement, or recklessly make a statement which is false in a material way.
12. The authority will want to satisfy itself that an applicant is suitable by checking they do not have a previous relevant conviction, have not been the subject of enforcement action, or have been refused a licence. There is no requirement under the Act for applicants to provide a Basic Disclosure Certificate (BDC). However, this authority requires applicants to submit a Basic Disclosure Certificate provided by Basic Disclosure Scotland as part of the application process. The Council will require the certificate to be within 30 days of its issue when presented with the application.
13. Should an applicant refuse to supply a BDC this would be grounds for the Council to consider what further information was needed to judge whether the applicant was suitable to hold a licence. Refusal to submit a Basic Disclosure Certificate would be grounds for the Council to decline to proceed with the application.
14. The Council requires an applicant to provide a Basic Disclosure Certificate (including standard and enhanced disclosures) that are no more than one month old at the time the application is submitted. The authority recognises that a Basic Disclosure Certificate will reveal only any unspent convictions on the Police national computer. The Certificate will not provide details of convictions for relevant offences secured by the Environment Agency or equivalent, or other local authorities. For any new applications, the authority will consult with the Environment Agency or equivalent and the Police. The authority will reserve the right to also contact any other local authority it feels necessary to determine the suitability of an applicant(s).
15. In the case where a Basic Disclosure Certificate highlights a relevant conviction the authority will seek further information from the Police to enable the authority to better assess the applicant(s) suitability. The authority will also check public records held by the Environment Agency or equivalent to assess if any enforcement action has been taken against an individual. In certain circumstances it may be necessary to make direct contact with the above to assess if any on-going enforcement action is pending, which may not be held on a public register at the time of application.
16. If the Council should receive information that an applicant(s) has been convicted of a relevant offence, a judgement will be made whether to refuse or grant the licence. The Council will take into account any

Agenda Item 11

information received by an applicant or other bodies. The Council will consider the nature of the offence or enforcement action, the gravity of the offence or enforcement action, when the enforcement action was taken, or any other relevant information as defined by the Act.

Representations

17. In the case where the authority rejects an application(s), or revokes, or varies a licence, the Council will notify the applicant or licence holder by way of a written Notice. The Council will advise the applicant(s) or licence holder what the authority proposes to do and the reasons behind the action. The Notice will stipulate that the applicant/licence holder has the opportunity to make a representation, or let the authority know that they wish to. The applicant/licence holder has up to 14 days from the date of the Notice to respond.
18. If the applicant/licence holder does not make a representation, or does not say that they wish to in that time period, then the Council can refuse the application, or revoke, or vary the licence. Where the applicant states they want to make representations, the authority will provide a further reasonable period in which to do so. If the applicant fails to provide a representation within the agreed period then the authority will refuse the application, or revoke, or vary the licence.

Hearings

19. Where the applicant makes representations, the authority has to consider them in accordance with the Act. If the applicant wishes to make oral representations the authority will arrange a hearing. It is anticipated that these hearings will follow the procedures for hearings under the Licensing Act 2003. The Council anticipates that further guidance on hearings will be issued.
20. Should the Council refuse an application, revoke or vary a licence the applicant/licence holder will receive a Notice of Decision, which will set out the Council's reasons for its decision. The Notice will inform the applicant, or licence holder of their right to appeal to the Magistrates' Court and, where the licence has been revoked or varied, the date under which that comes into effect.

Conditions

21. In cases where the applicant or any site manager has been convicted of a relevant offence, or where the authority is revoking a licence, the authority can impose conditions on the licence. The authority can impose one or both of two conditions, these conditions specify that:
 - the dealer can receive scrap metal only between 9.00am and 5.00pm on any day, in effect limiting the dealer's operating hours; and/or

- any scrap metal received has to be kept in the form the dealer received it for a set period of time, which cannot be more than 72 hours.

22. There is no equivalent set of conditions for collectors.

Fees

23. The Act provides that an application for a licence must be accompanied by a fee. The fee will be set locally by each local authority on a cost recovery basis. Local authorities will have a duty to have regard to guidance issued by the Secretary of State which outlines the issues that should be considered when setting the fee and what activities the fee can cover. This fee will be an essential component of the new regime as it will provide local authorities with the funding they need to administer the legislation and ensure compliance (Appendix A).

24. In setting a fee, the authority must have regard to any guidance issued by the Secretary of State, the proposed fees have been calculated using that Guidance (Appendix A) and are as follows;

25. Site Licence - Grant (3 years)	£460
Site Licence - Renewal (3 years)	£390
Collectors Licence - Grant/renewal (3 years)	£280
Minor administrative change to licence -	£30.00
Variation - change of site manager -	£165
Variation from collector to site licence -	£200
Variation from site to collector licence -	£130

Other Options Considered and/or Rejected

26 If the Licensing Committee were minded not to approve these fees the Council would not be able to meet the Council's Service and Budget Plan or ensure the licensing of Scrap Metal Dealers was self-financing.

Key Implications

Financial

The cost of licence fees takes into account the need to maintain a 'self financing' position for the service. The proposals contained in this report will achieve this.

Legal Implications and Risk Assessment Statement.

Should parts of industry believe the authority's fees are at a level which is greater than the costs of the statutory functions then it would be open to them to undertake a judicial review proceeding. Should this arise, the authority would need

Agenda Item 11

to evidence how it arrived at the fee levels to demonstrate that they have been calculated on a cost recovery basis only.

Equality Assessment

The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Appendices

A - Home Office: Scrap Metal Dealers Act 2013:
guidance on licence fee charges

B - Home Office: Scrap Metal Dealers Act 2013
Determining suitability to hold a scrap metal
dealer's licence

Background Papers:

None.

Mr Richard Wilson

Chief Officer Environmental and Operational Services

Scrap Metal Dealer Act 2013: guidance on licence fee charges

Context

The Scrap Metal Dealers Act 2013 (referred to in this guidance as the 2013 Act) received Royal Assent on the 28 February 2013, delivering much needed reform of the scrap metal sector. The 2013 Act will provide effective and proportionate regulation of the sector, creating a more robust, local authority run, licensing regime that will support legitimate dealers yet provide the powers to effectively tackle unscrupulous operators. It will raise trading standards across the whole sector.

Introduction

The 2013 Act will allow local authorities to decide who should and should not be licensed, allowing them to refuse a licence upon application or to revoke a licence at any time if they are not satisfied that the applicant is a suitable person to carry on business as a Scrap Metal Dealer. The act also creates closure powers for unscrupulous dealers who operate without a licence. It extends the record keeping requirements placed upon scrap metal dealers and requires the verification of the people Scrap Metal Dealers are transacting with. The act will integrate the separate regulation for motor salvage operators with the scrap metal sector and bring to an end the cash exemption given to some collectors under the 1964 Act.

Finally, the 2013 Act creates a fee raising power, to allow local authorities to recover the costs stemming from administering and seeking compliance with the regime. This element of the legislation will be the focus of this guidance.

The intention is for the act to be implemented in October 2013.

Licensing requirements placed upon scrap metal dealers

Section one of the 2013 Act requires a scrap metal dealer to obtain a licence in order to carry on business as a scrap metal dealer¹. It will be an offence to carry on a business as a scrap metal dealer in breach of the requirement to hold a licence. This offence is punishable on summary conviction with a fine not exceeding level 5 on the standard scale. In addition, Schedule 1(6) of the 2013 Act provides that an application must be accompanied by a fee set by the authority.

Aim and scope

Local authorities will be responsible for administration and compliance activity in relation to the 2013 Act. This guidance is provided to local authorities in relation to the carrying out of their fee raising function. It also provides information for the benefit of those who will be applying for a scrap metal dealer's licence and the general public. This guidance applies to local authorities in England and Wales and is produced in accordance with the 2013 Act.

Legal status

Schedule 1(6) of the 2013 Act provides that an application must be accompanied by a fee set by the local authority. In setting a fee, the authority must have regard to any guidance issued from time to time by the Secretary of State with the approval of the Treasury. This Guidance is therefore binding on all licensing authorities to that extent.

Agenda Item 11

What costs can local authorities charge for when issuing a licence?

The 2013 Act provides that an application for a licence must be accompanied by a fee set by the local authority. This fee raising power is an essential component of the legislation as it will provide local authorities with the funding they need to administer the regime and ensure compliance.

The power to set fees has been passed to individual local authorities, so that any fees levied in each local area is set by reference to the actual costs to each authority. The EU services directive states that a licence fee can only be used to pay for the cost associated with the licensing process. In effect, each local authority must ensure that the income from fees charged for each service does not exceed the costs of providing the service.

LAs should specify fees for each category of application. Specifically we would expect a fee to be specified for the assessment of an application for a licence, the assessment of an application to vary a licence, and the assessment of an application for licence renewal.

Local authorities should specify fees which are payable by licence applicants for the assessment and administration activity within the new licensing regime brought about by the 2013 Act. They should do this by identifying what they need to do to assess the type of licence in question and calculating their best estimate of the cost to be incurred by the LA. The authority will then be able to calculate a best estimate of unit cost for each case.

In effect, the costs of a licence should reflect the time spent assessing and administering applications, processing them, having experienced licensing officers review them, storing them, consulting on the suitability of an applicant, reviewing relevant offences, the decision on whether to issue a licence, as well as the cost of issuing licences in a format that can be displayed. Consulting the local authority's enforcement records in order to determine the suitability of the applicant is chargeable within the licence fee costs as are costs associated with contested licence applications.

Registering authorities should review fees regularly to check whether they remain appropriate.

Can a local authority charge for enforcement activity?

The licence fee cannot be used to support enforcement activity against unlicensed scrap metal dealers. Any activity taken against unlicensed operators must be funded through existing funds. Such activity against unlicensed operators includes issuing closure notices; with applications for closure orders subsequently made to a magistrates court. The cost of applying to the Magistrates Court for a warrant (Section 16(5)(6) and (7) of the 2013 Act) for entry to unlicensed premises, by force if necessary, will incur legal costs to be borne by the local authority and police.

What are the different types of licences?

There are two types of licence specified within the act, one is for a site licence and the other is for a mobile collector licence (carrying on business otherwise than at a site). The licence authorises the licensee to carry on business as a scrap metal dealer at the sites listed in it (in the case of a site licence) or within the local authority area (in the case of a mobile collector's licence).

Site licences

A site licence requires all of the sites at which the licensee carries on the business as a scrap metal dealer within the local authority area to be identified and a site manager to be named for each site. In doing so, they will be permitted to operate from those sites as a scrap metal dealer, including transporting scrap metal to and from those sites from any local authority area.

Collectors licences

A collector's licence authorises the licensee to operate as a mobile collector in the area of the issuing local authority, permitting them to collect any scrap metal as appropriate. This includes commercial as well as domestic scrap metal.

The licence does not permit the collector to collect from any other local authority area. A separate licence should be obtained from each local authority from which the individual wishes to collect in. A collector's licence does not authorise the licensee to carry on a business at a site within any area. Should a collector wish to use a fixed site, they will need to obtain a site licence from the relevant local authority.

The Act 2013 also specifies that a licence will be issued by the local authority in whose area a scrap metal site is situated, or (in respect of a mobile collector) in the area that the collector operates.

Do different fees apply?

Yes. Fees charged for a site licence would reflect the extra work involved in processing these licences and will vary from a collector's licence.

Display of licences

The form in which a licence is issued must enable it to be displayed in accordance with section ten of the 2013 Act. All licensees are therefore required to display a copy of their licence. For site operators the licence must be displayed in a prominent place in an area accessible to the public. For mobile collectors, it must be in a manner which enables the licence to be easily read by a person outside the vehicle. A criminal offence is committed by any scrap metal dealer who fails to fulfil this requirement. This offence is punishable on summary conviction with a fine not exceeding level 3 on the standard scale.

The cost of providing a licence in a form which can be displayed should be included in the local authority licence fee charges.

Police objections to licence applications

The police may object to a licence application where they believe that the applicant is not a suitable person as defined within the act. The police can object where, for example, the applicant has been convicted of a relevant offence. LAs should also consider representations from other organisations or individuals in considering the applicant's suitability

Where the police do object, the local authority should take this into consideration but must use their own judgement and discretion when taking a licence decision. The local authority must allow for the person whose licence is about to be refused or revoked to be afforded the right to make representations. The local authority considering the matter must restrict its consideration to the issue of suitability of applicant and provide comprehensive reasons for

Agenda Item 11

its decision.

Costs associated with considering oral and written representations should be included in licence fee charges.

Appeals

There is a right of appeal to the Magistrates' Court against a decision to refuse a licence application, to include a condition within the licence, to revoke the licence or to vary the licence. The costs associated with appeals and the costs of defending an appeal in the Magistrate Court should not be included in licence fee charges.

The costs associated with defending a Judicial Review into whether the local authority has failed to have regard to the guidance on fees is not chargeable under the licence regime.

Revocation of a licence and formulating and imposing licence conditions

If a licence has been granted, it may be revoked or licence conditions imposed on a scrap metal dealer if the subsections within Clause 4 of the Scrap Metal Dealers Act are triggered. A local authority may impose conditions pending an appeal against revocation (section 4 (7)) or if the applicant or site manager has been convicted of a relevant offence (section 3 (8)).

Variation of licence

Schedule 1 paragraph 3(1) indicates that a local authority may, on an application, vary a licence by changing it from one type to another and (2) if there is a change in any of the matters mentioned in section 2(4)(a), (c) or (d) or (6)(a).

These changes should be recorded by the local authority. The applicant is also under a duty to notify any convictions for relevant offences to the local authority. These measures ensure that a single record will be held of the licence holder's history in terms of licensing matters.

National Register of Scrap Metal Dealers

Whilst a local authority can recover any costs incurred in transmitting information about a licence, the costs which the Environment Agency incurs are not chargeable under the licence regime.

How long will a licence be valid for?

Schedule 1 paragraph 1 of the 2013 Act specifies the terms of a licence. It indicates that a licence expires at the end of the period of 3 years beginning with the day on which it is issued.

Additional regulations and guidance

The Home Office will be publishing regulations in relation to relevant offences and the identification required to sell scrap metal over the summer of 2013. These regulations will be published on www.gov.uk. We will also be working with the Local Government Association, the British Metal Recycling Association and British Transport Police to produce additional guidance on the requirements of the new act.

The Local Government Association guidance will include a breakdown of reasonable timescales for each of the activities associated with setting a fee.

Annex A - Definitions

What is a local authority?

'Local authority' means —

- (a) in relation to England, the council of a district, the Common Council of the City of London or the council of a London borough;
- (b) in relation to Wales, the council of a county or a county borough.

What is a scrap metal dealer?

21 'Carrying on business as a scrap metal dealer' and 'scrap metal'

(2) A person carries on business as a scrap metal dealer if the person—

- (a) carries on a business which consists wholly or partly in buying or selling scrap metal, whether or not the metal is sold in the form in which it was bought, or
- (b) carries on business as a motor salvage operator (so far as that does not fall within paragraph (a)).

What is a mobile collector?

'Mobile collector' means a person who—

- (a) carries on business as a scrap metal dealer otherwise than at a site, and
- (b) regularly engages, in the course of that business, in collecting waste materials and old, broken, worn out or defaced articles by means of visits from door to door.

What is a motor salvage operator?

(4) For the purposes of subsection (2)(b), a person carries on business as a motor salvage operator if the person carries on a business which consists —

- (a) wholly or partly in recovering salvageable parts from motor vehicles for re-use or sale and subsequently selling or otherwise disposing of the rest of the vehicle for scrap,
 - (b) wholly or mainly in buying written-off vehicles and subsequently repairing and reselling them,
 - (c) wholly or mainly in buying or selling motor vehicles which are to be the subject (whether immediately or on a subsequent re-sale) of any of the activities mentioned in paragraphs (a) and (b), or
 - (d) wholly or mainly in activities falling within paragraphs (b) and (c).
-

This page is intentionally left blank



Home Office

APPENDIX B

Scrap Metal Dealers Act 2013

Determining suitability to hold a scrap metal dealer's licence

Statutory guidance for local authorities in England and Wales
First publication: issued 1 October 2013

Introduction

The Scrap Metal Dealers Act 2013 received Royal Assent on 28 February 2013. The majority of the provisions within the Act commence on 1 October 2013 including the requirement in section 1(1) to be authorised by a licence in order to carry on business as a scrap metal dealer. Section 3(1) of the Act states that a local authority must not issue or renew a scrap metal dealer's licence unless it is satisfied that the applicant is a suitable person to carry on business as a scrap metal dealer. Section 3(6) states that a local authority must have regard to any guidance on determining suitability issued by the Secretary of State.

Status of the guidance

This is statutory guidance and local authorities are under a duty to have regard to it.

Whose suitability should be assessed?

When assessing an application for a scrap metal dealer's licence, you should consider the suitability of:

- the individual applicant;
- each partner within a partnership;
- any director(s), secretary(s) or shadow director(s) of a company.

You should consider whether a site manager (if an application for a site licence is submitted) has been convicted of a relevant offence or relevant enforcement action and whether this impacts on the applicant's suitability to hold a scrap metal dealer's licence.

What information may you have regard to?

Under section 3(2) of the Scrap Metal Dealers Act 2013, you may have regard to any information which you consider to be relevant when determining the suitability of a person to hold a scrap metal dealer's licence, including:

1. whether the applicant or any site manager has been convicted of any relevant offence

Under Schedule 1, Para 2 (1) (j), of the Act, a person applying for a scrap metal dealer's licence must provide details of any conviction for a relevant offence. The relevant offences, prescribed by the Secretary of State, can be found in Part 1 and 2 of the Schedule of The Scrap Metal Dealers Act 2013 (Prescribed Relevant Offences and Relevant Enforcement Action) Regulations 2013 using the following link:

<http://www.legislation.gov.uk/id/ukSI/2013/2258>. Under Regulation 2, a relevant offence is also "attempting or conspiring to commit any offence falling within the Schedule; inciting or aiding, abetting, counselling or procuring the commission of any offence falling within the Schedule, and an offence under Part 2 of the Serious Crime Act 2007 (encouraging or assisting crime) committed in relation to any offence falling within the Schedule". These offences should also be considered when determining suitability.

- A conviction for a relevant offence should not automatically lead to the refusal of a scrap metal dealer's licence. You may consult your local police force (section 3 (7)) for further details about the offence including both the seriousness of the offence and the date of when it was committed. Once you have this, you should consider it alongside any other information you may have regard to when determining suitability. If a site manager has been convicted of a relevant offence, the same process applies.

Agenda Item 11

- Under section 4 (5) of the Act, if a person has been convicted of a relevant offence or is convicted of a relevant offence once a licence has been issued, you may wish to consider, imposing one or both of the following conditions on the licence if you think this is necessary:
 - that the dealer must not receive scrap metal except between 9am and 5pm on any day;
 - that all scrap metal received must be kept in the form in which it is received for a specified period, not exceeding 72 hours, beginning with the time when it is received.
 - These conditions are set out at section 3 (8) of the Act and could be applied until you are satisfied that the inclusion of such a condition in the licence is no longer necessary under all the circumstances.
 - If, during your checks, you discover that the applicant has a relevant conviction which was not detailed in a person's application you should request further information from the applicant (Schedule 1, Para 4). You should also consider whether this is a deliberate omission and therefore impacts on suitability. Making a false statement in an application is a criminal offence (Schedule 1, Para 5) and, where this has happened, it will be at your discretion as to whether you refer this to the police.
 - Only unspent convictions should be considered for individual applicants, site managers, partnerships and companies.
2. whether the applicant or any site manager has been the subject of any relevant enforcement action
- The relevant enforcement action you may have regard to when considering suitability to hold a scrap metal licence has been prescribed in Regulation 3 of The Scrap Metal Dealers Act 2013 (Prescribed Relevant Offences and Relevant Enforcement Action) Regulations 2013 by the Secretary of State which can be found at: <http://www.legislation.gov.uk/id/uksi/2013/2258>.
 - Under Regulation 3(a), a person is the subject of relevant enforcement if *'the person has been charged with an offence specified in the Schedule to these Regulations, and criminal proceedings in respect of that offence have not yet concluded'*. However, you should **not** refuse a licence on this point alone as the action (pending prosecution) is ongoing. If an applicant details a pending prosecution in their application form, you should note this and monitor the outcome. Only once the action is completed should you consider whether the outcome, if a conviction, impacts on a person's suitability to hold a scrap metal dealer's licence and take any necessary action for instance to impose conditions or, ultimately, to revoke.
 - Under Regulation 3 (b), a person is the subject of relevant enforcement action if *"If an environmental permit granted in respect of the person under the Environmental Permitting (England and Wales) Regulations 2010 has been revoked in whole, or partially revoked, to the extent that the permit no longer authorises the recovery of metal"*. You should consult the Environment Agency (in England) or Natural Resources Wales (section 3 (7)) to find out the reasons for the whole or partial revocation and consider if the reasons impact on their suitability.
3. any previous refusal of an application for the issue or renewal of a scrap metal licence (and the reasons for the refusal)
- You should check your local authority area's records to find out whether a scrap metal dealer has previously been refused a scrap metal dealer's licence, taking into consideration

Agenda Item 11

the reasons for the refusal. Section 3 (7) of the Act states that you may consult other persons regarding the suitability of an applicant, including in particular, any other local authority or officer of a police force. It will be undesirable for a person who has been refused a licence by one local authority area to be issued a licence by another, therefore if a person has been refused a licence in a different local authority area it will be important to scrutinise the reasons for the refusal. For example, the refusal may have been given because the applicant has not demonstrated that there will be adequate procedures in place to comply with the Act (section 3 (2) (f)) but the applicant has now implemented sufficient changes and the reason no longer applies.

4. any previous refusal of an application for a relevant environmental permit or registration (and the reasons for the refusal)
 - You should routinely check whether an applicant is on the Environment Agency's/Natural Resources Wales' register of permits and registrations. If you have any concerns or would like to find out further information you should contact the Environment Agency (in England) or Natural Resources Wales. Additionally, if the applicant does not appear on the register and, therefore, does not hold a relevant environmental permit, exemption, or registration, then you may also wish to consult the Environment Agency or Natural Resources Wales as the applicant should not be operating as a scrap metal dealer without one or other of these.
5. any previous revocation of a scrap metal licence (and the reasons for the revocation)
 - You should routinely check the register of scrap metal licences, hosted by the Environment Agency/Natural Resources Wales, to find out if a scrap metal dealer has had a licence revoked in another local authority area. If a person has had a licence revoked, you should contact that local authority to understand the reasons why the licence was revoked (section 3 (7)). It will be important for you to scrutinise the reasons for refusal and consider whether these still apply. The reasons for revoking a licence may not always impact on suitability (section 4 (1) (2)).
6. whether the applicant has demonstrated that there will be in place adequate procedures to ensure that the provisions of this Act are complied with
 - Where you have information that raises concerns about the adequacy of procedures that the applicant or site manager has in place to comply with section 11 (verifying the supplier's identity), section 12 (offence of buying scrap metal for cash) or section 15 (records: supplementary), you may wish to obtain further information about how the applicant will ensure compliance with the requirements of the Act. For example, where you have concerns about the procedures around the offence of buying scrap metal for cash, you may wish to check the details of the back account which the applicant proposes to use. This information should be included in the application form (Schedule 1, Para 2 (1) (i)).

Further information

Although section 3 (2) sets out some information you may have regard to, you may request any relevant information from the applicant (either when the application is made or later) to help you consider the application (Schedule 1, Para 4 (1)), this will include determining suitability.

Reasons for refusal

If a licence application is refused, you should provide full reasons for your decision. This will not only help the applicant to understand the refusal but will allow a Magistrates' Court to clearly understand the reasons should the applicant appeal the decision.

This page is intentionally left blank

Item 12 - Sevenoaks District Council Trading Company named Quercus7 Ltd

The attached report was considered by the Legal & Democratic Services Advisory Committee on 26 January 2016, and the relevant Minute extract was not available prior to the printing of this agenda.

This page is intentionally left blank

SEVENOAKS DISTRICT COUNCIL TRADING COMPANY NAMED QUERCUS 7 LIMITED

Cabinet - 4 February 2016

Report of Chief Officer Communities and Business, Chief Officer Legal and Governance and the Chief Finance Officer

Status: For Consideration

Also considered by: Legal and Democratic Services - 26 January 2016

Key Decision: No

Executive Summary: This report provides information on how the new Trading Company Quercus 7 Limited will work operationally and requests Cabinet to approve the current working arrangements and the further proposed arrangements.

Portfolio Holder Cllr. Firth

Contact Officers Christine Nuttall Ext. 7245, Adrian Rowbotham Ext. 7153, Lesley Bowles Ext. 7430

Recommendation to the Legal and Democratic Services Advisory Committee:

Advise Cabinet on how the new Trading Company Quercus 7 Limited will work operationally in order for Cabinet to approve the working arrangements, that is:

- a) the appointment of Chief Officers initially put forward as Directors on incorporation;
 - b) the composition of The Trading Board, established to oversee the trading activities of the Company, to comprise the Cabinet with a quorum of three Members to be chaired by the Leader of the Council;
 - c) the job description and specification required to recruit the 2 Non-Executive Directors as set out at Appendix B and such recruitment to be either using internal resources or through a firm of specialist Management & Recruitment Consultants with an approved budget of up to £6,000 in this respect;
 - d) remuneration to be paid to the Non-Executive Directors up to £5,000 each;
 - e) the Chief Officer Legal and Governance in conjunction with the Chief Finance Officer be authorised to finalise a Shareholder Agreement and Loan Arrangements for the Company in conjunction with relevant Portfolio Holders.
-

Recommendation to Cabinet:

Subject to comments from the Legal & Democratic Services Advisory Committee, Cabinet approve how the new Trading Company Quercus 7 Limited will work operationally, and the working arrangements, that is:

- a) the appointment of Chief Officers initially put forward as Directors on incorporation;
- b) the composition of The Trading Board, established to oversee the trading activities of the Company, to comprise the Cabinet with a quorum of three Members to be chaired by the Leader of the Council;
- c) the job description and specification required to recruit the 2 Non-Executive Directors as set out at Appendix B and such recruitment to be either using internal resources or through a firm of specialist Management & Recruitment Consultants with an approved budget of up to £6,000 in this respect;
- d) remuneration to be paid to the Non-Executive Directors up to £5,000 each;
- e) the Chief Officer Legal and Governance in conjunction with the Chief Finance Officer be authorised to finalise a Shareholder Agreement and Loan Arrangements for the Company in conjunction with relevant Portfolio Holders.

Reason for recommendation: It is important that Members are fully informed on the need for SDC to have a Trading Company and how the new Trading Company Quercus 7 Limited will work operationally as they will form the Company Shareholders, and that the views of the Advisory Committee are taken into account by Cabinet when approving the current working arrangements and further proposed arrangements for the future success of the Company.

Introduction and Background

- 1 Council on 31st March 2015 authorised the Chief Officer Legal and Governance to incorporate a company (the Company) wholly owned by the Council in consultation with the Chief Executive, Chief Finance Officer and Portfolio Holder for Finance so as to allow the Council to exercise the power to trade contained in the Local Government Act 2003 and the Localism Act 2011 and to settle the detailed arrangements for the establishment of the Company together with the Governance structure recommended by EC Harris Built Asset Consultancy (EC Harris).
- 2 The establishment of the Company builds on the direction set out in the Corporate Plan for the Council to move towards a more financially self sufficient position. The Company will enable the Council to operate property development on a commercial basis as well as allowing the Council

to invest in residential property to be leased which it is not otherwise allowed to do.

- 3 On the 31st December 2015 the Company, Quercus 7 Limited (the Company) was incorporated and the Certificate of Incorporation along with the Articles of Association are Annexed at Appendix A to this report. The Articles of Association are very much in standard format but can be changed if the need arises.

Company Structure - Governance

- 4 EC Harris advised on the setting up of a generic trading company which could concentrated, at this stage, on property development as its main activity and it was proposed that the initial Board of Directors comprise three Officers, plus 2 Non-Executive Directors who would be approved by Cabinet and such Non-Executive Directors could receive a small remuneration.
- 5 For the initial set up the following Chief Officers have been appointed as Directors. This being The Chief Finance Officer, Chief Officer Communities & Business and the Chief Officer Environmental & Operational Services. Cabinet is asked to approve such appointments.

The Trading Board

- 6 It is proposed that The Trading Board is established on behalf of Sevenoaks District Council to oversee the trading activities of the Company. The Trading Board will comprise the Cabinet and for meetings a quorum of three Members will be required with the Leader of the Council being the Chairman of The Trading Board. Cabinet is asked to approve the composition of such Board. Within the Shareholder Agreement the Shareholder (the Members of SDC) will delegate to Cabinet the responsibility to oversee the trading activities of the Company via The Trading Board.

Recruitment of the 2 Non-Executive Directors

- 7 The 2 Non-Executive Directors now have to be chosen by Cabinet via The Trading Board. Recruitment of the Non-Executive Directors can take place utilising the job description and specification set out at Appendix B to this report, either using internal resources or through a firm of specialist Management & Recruitment Consultants. Cabinet is asked to approve such arrangements with an approved budget of up to £6,000 if using a firm of specialist Management & Recruitment Consultants. The job description and specification has been produced by Trowers & Hamblins LLP based on what is ordinarily required by such a Trading Company taking into account the advice received from EC Harris which was that the Non-Executive Directors be selected on the basis of relevant professional experience in property investment and corporate governance, and with careful consideration given

Agenda Item 12

to any potential conflicts of interest. In addition, the Council would also be desirous in having Non-Executive Directors with professional experience in property construction and risk assessment.

- 8 Members should be aware that the remuneration of the Non-Executive Directors in relation to a local authority owned company is governed by legislation which does not allow for the Non-Executive Directors to be paid more than an ordinary Member of the Council for sitting on a Council Committee. As a result it is suggested that the Non-Executive Directors be offered no more than the approximate basic allowance for all Members, this being no more than £5,000 and Cabinet approval is sought in this respect.
- 9 However, in order to ensure transparency and competitiveness with the private sector and not to breach the rules in relation to State Aid the Company must not be subsidised by the authority. Therefore if the Non-Executive Directors are paid a salary and such salary is provided via Sevenoaks District Council's payroll, the Council would need to charge the Company at the market rate for providing such a service to the Company.

Articles of Association

- 10 The Articles of Association govern the way in which a company's internal affairs are regulated. This may be likened to an agreement between all the Shareholders being the Members of Sevenoaks District Council (Members of SDC) and the Company itself. The Articles do follow the relevant model articles. The Articles can be changed if the need arises although the Articles cannot over rule the provisions of the Companies Act and so care needs to be taken if changes are made to the basic model Articles.
- 11 The Articles of Association are exhibited at Appendix A to this report along with the Certificate of Incorporation and, comprise the following:
 - The Articles are for a company limited by shares.
 - The Articles state that there can only be one shareholder and this is defined as all of the Members of SDC.
 - The liability of the Council is limited to the nominal value of its share.
 - The Shareholder (the Members of SDC) will agree the general investment targets for the period and the associated budget, enabling the Board to set an annual and 5 year business plan. Half-yearly reports from the Company will go to Cabinet.
 - The Cabinet appoint the Directors and can remove them.
 - The Directors shall be officers of the Council, together with up to two outside Non-Executive Directors.

- If a Director ceases to be employed by the Council (except the outside Directors) then they will automatically cease to be a Director.
- There must be a minimum of 3 Directors and the number of External Directors shall be two but the Shareholder may choose to increase the number of External Directors.
- Three Directors must be present in order to have a valid Directors meeting.
- The Directors can appoint their own Chair, although this is something that the shareholder (Members of SDC) could decide.
- The Council can pass a resolution that either prevents or directs the Directors to do something.
- The Company can pay dividends, which will accrue to the Council as a whole for the benefit of the District and will not benefit individual Members.
- The Company does not have to have a seal to execute documents. Deeds and documents can be signed by two Directors.
- The Company shall have a Company Secretary.
- The Company is obliged to comply with all requirements that flow from the fact that it is a wholly owned subsidiary of a local authority.
- The Articles cannot be amended or the name of the Company changed unless the Council approves a resolution to amend them.
- The Company cannot engage in anything that represents a substantial change in the business of the Company without a resolution being passed by the Council.
- The Company can purchase indemnity insurance for the Directors

Shareholder Agreement

- 12 The Shareholder Agreement is separate to the Articles of Association and does not have to be registered at Companies House. The Shareholder Agreement regulates the relationship between the Shareholder and the Company and gives rights and obligations that would not normally be put into the Articles, or would not be appropriate for inclusion in the Articles. The Shareholder Agreement can provide that the Annual General Meeting of the Company takes place in the Council Chamber on an evening when Full Council takes place with the shareholder (Members of SDC) being invited to attend. The Company will be a controlled Company, being entirely owned by Sevenoaks District Council who will approve:

Agenda Item 12

- The setting of the general investment targets each year and the associated budget;
- Appoint or remove Auditors;
- Any borrowing arrangement and giving security in respect of such borrowing;
- Making any application for planning permission or lodging an appeal against a planning authority;
- And any matter that the Council shall advise the Company of in writing.

In this way the Company shareholder (Members of SDC) has ultimate control over the activities of the Company and the Company's operational matters.

Cabinet is requested to authorise the Chief Officer for Legal and Governance in conjunction with the Chief Finance Officer and the relevant Portfolio Holders to finalise the details of the Shareholder Agreement.

Members' Ability to Further Control the Company

- 13 As can be seen by the suggested provisions within the Articles of Association the Company shareholder (Members of SDC) has ultimate control over who will be the Directors of the Company and the shareholder (Members of SDC) can change the make up of the board with immediate effect if so desired. In addition the Company Secretary can be asked to stand down in the same way.
- 14 The Articles of Association can make provision for the shareholder (the Members of SDC) to appoint Director(s) by serving notice in writing to the Company. Such notice shall state such particulars of the Director(s) as are required to be included in the Company's Register of Directors.
- 15 In addition the Articles of Association can make provision for the shareholder (Members of SDC) to remove any Director(s) by serving notice in writing to the Company and to appoint any other person to be a Director in place of a Director who leaves office by whatever means.
- 16 The notice of appointment or removal of a Director(s) pursuant to the Articles can take place with immediate effect on delivery to the Secretary of the Company.
- 17 The Trading Company will fall within the category of a "controlled company" as defined by the Local Government and Housing Act 1989 and as a result will be subject to The Local Authorities (Companies) Order 1995. The Order sets out regulations that are specific to controlled companies and start from the basis that the public should be aware that the company they are dealing with is controlled by the local authority.

- 18 For example, the company must provide information about the affairs of the company to any Member of the local authority as they shall reasonably require for the proper discharge of duty as a Member. They must also provide information that the local authority's auditors require in relation to the accounts and affairs of the company.

The Loan Agreement

- 19 On the 31st March 2015 Full Council gave authority for a budget of £10,000 for set up costs of the Company. This to be funded from the Property Investment Reserve.
- 20 Now that the Company has been incorporated the Council will need to make loans to the Company to fund the Business Cases(s).
- 21 The financial objective of the Property Investment Strategy is to achieve a 6% income return. Different types of investment will provide different levels of return, income and capital.
- 22 The loans will be sourced from the Property Investment Reserve. Amounts in this reserve are agreed by Members as part of the budget setting process.
- 23 There is the potential to increase the amount set aside for the Property Investment Reserve through additional reserves, further capital receipts, although all this would be subject to Council approval.
- 24 Specialist financial advice may need to be sought when the Company makes acquisitions or receives loans from the Council in order to ensure that State Aid regulations are complied with.
- 25 Cabinet is requested to authorise the Chief Officer Legal and Governance in conjunction with the Chief Finance Officer to finalise the Borrowing arrangements and necessary Agreements in conjunction with the relevant Portfolio Holders.

Staffing Implications

- 26 There should be no direct implications for staff currently employed by the Council in relation to the Company as it is not proposed that any staff transfer to the Company. Staff may in time be working on specific work relating to the Company but all time and resources will be specifically accounted for and charged to the Company. If the Company does decide to employ staff directly, with Council staff transferring to the Company under TUPE, the Company will be required to offer any such staff comparable terms and conditions of employment including pension rights. No such plans are currently envisaged.

State Aid

- 27 State Aid is defined as "a Member State's financial aid which favours selected businesses and has the potential to distort competition and affect

Agenda Item 12

trade between EU Member States”. Article 87(1) European Convention sets out the criteria, all of which must be met for state aid to be present:

The aid favours certain undertakings or the production of certain goods,

The aid is provided through State resources,

The aid distorts or threatens to distort competition,

The aid affects trade between Member States.

- 28 In order to ensure transparency and competitiveness with the private sector and not to breach the rules in relation to State Aid the Company must not be subsidised by the authority. This means that the authority must recover the costs of any accommodation, goods, services, employees or any other support it supplies to the Company. As a result it will be necessary to demonstrate independence of the Company from the authority.
- 29 The Trading Company should be mindful of its trading impact on the local economy. In recognition of this concern it may be decided that new lines of business would only be taken on after a Market Impact Assessment had been carried out.

Legal Implications and Risk Assessment Statement

- 30 A local authority is able to establish a Local Authority Trading Company (“LATC”) through powers in section 95 of the Local Government Act 2003. A local authority is permitted to trade in anything that it is authorised to do under its ordinary functions. The Company can with good business planning generate a surplus which can be re-invested into services, or the Council, being the single shareholder. In addition, the Localism Act 2011 gives a local authority the power to trade. Under section 1 of the Localism Act 2011 Local Authorities now have a general power that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation. It is under such legislation, that the Company was incorporated.
- 31 The Local Authorities (Goods and Services) Act 1970 (the 1970 Act) continues in force and it enables Councils to provide services to other Councils and to other public bodies but not to the private sector or the public in general. Successful trading has been undertaken by this authority under this legislation since 1970 enabling the saving of money and the achievement of efficiencies through economies of scale. The trading company will enable the authority to take advantage of trading opportunities that cannot be undertaken using the powers within the 1970 Act. However, it is anticipated that existing trading will continue to happen as it currently does under the 1970 Act as this is the most cost effective way to trade with other local authorities and public bodies.
- 32 The Company is a “controlled company” as defined in the Local Government and Housing Act 1989 as it is a subsidiary company of a local authority and as

such the shareholder (Members of SDC) can have ultimate control over the activities and operational matters of the Company.

33 The key strategic risks are identified as follows:

Risk	Likelihood 1(low)- 5(high)	Impact 1(low)- 5(high)	Total	Controls
Failure to set up trading arrangement in strict compliance with legislation	1	3	3 Low	Extensive consultation with other authorities and, appropriate, external advice on governance arrangements and financial requirements
Using trading powers where there is a statutory obligation to provide them	1	3	3 Low	Consideration to be given on a case by case basis as to the ownership of assets
Possibility of trading ultra vires	1	2	2 Low	Every new trading activity via the company to consider statutory obligations
Possibility of challenge to state aid	1	2	2 Low	Obtain full cost recovery and any loan given to the Company to be set at commercial lending rates - financial advice sought
Possibility of conflicts of interest arising for members or officers as Directors	1	3	3 Low	Recommendation not to have Members on the Board to remove the possibility of conflicts of interest. Officers to abide by the Code of Conduct for Employees and are subject to the Officer Employment Procedure Rules. Strengthened requirements on conflicts of interest set out in the Articles of Association
Failure to arrange adequate insurance cover for the Company's liabilities/assets	2	4	8 Medium	Ensure Insurer for the Company is kept up to date with any new areas of trading activity
Failure to comply with taxation laws -	2	3	6 Medium	Advice given by EC Harris in relation to taxation generally with further

Agenda Item 12

corporation tax & vat				advice sought if necessary
Consideration of potential TUPE implications	1	1	1 Low	Review regularly
Trading Company failure	1	3	3 Low	Market testing and valuations to be obtained and the implementation of tight budgetary controls
Conflict of interest over workload priorities of Council projects and Company projects	2	2	4 Low	Effective resource planning and compliance with Corporate Plan. Non-Executive Director(s) on the Board
Company credit rating	1	2	2 Low	Council could act as guarantor and insurance to mitigate
Challenge from Council's Auditors	1	2	2 Low	Follow CIPFA Code of Practice on LA Accounting. All transactions applicable to the Company can be identified using unique transaction records and coding structures. Council's Auditors to be kept fully informed in relation to any new trading activities
Lack of capacity to manage additional work	2	2	4 Low	Careful programming of staff resources
Contractual disputes	2	3	6 Medium	SDC's in house legal section to be employed to check all contracts before they are entered into and expert advice sought when necessary
Poor investment acquisitions if purchased through the Company	2	2	4 Low	Each investment acquisition will be of good quality with the potential of high income return as set out in the EC Harris Report and Business Case
Poor rate of return on investment property	2	2	4 Low	Annual valuation which sets a target rate of return and allows for financing costs and the generation of an annual surplus

Business Case

- 34 The establishment of the Company builds on the direction set out in the Corporate Plan for the Council to move towards a more financially self-sufficient position. The agreed plan articulates an approach of investing in assets that will generate revenue income to allow less reliance on diminishing Government Support.
- 35 In December 2013 the Council was subject to a Peer Challenge process which endorsed the Corporate Plan and the Council's approach recommending that the opportunity to generate greater income from investing in property assets would significantly contribute towards the aim of financial self-sufficiency.
- 36 The Company will enable the Council to operate property development on a commercial basis as well as allowing the Council to invest in residential property to be leased which it is not otherwise allowed to do. In order to operate and manage a balanced portfolio the ability to trade commercially and to invest in residential property is, key.
- 37 Now that the Company has been established the Company's Board will develop and approve an annual and 5 year Business Plan. This will set out in detail the expected financial results of the business. Cabinet via The Trading Board will receive half yearly reports.
- 38 Business opportunities other than trading in property can also be developed within the Business Plan to enhance the profitability of the Company.
- 39 Risks associated with the operation of the Company are set out in detail above.

Equality Assessment

- 40 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

- 41 The Company was set up as it was considered appropriate to make use of the increased power given by the Localism Act 2011 to enable trading to take place for profit through a limited liability company wholly owned by the Council in order that this Council may enhance the economic wellbeing of the District as well as providing an income stream which will help the Council be self-sufficient and not dependent upon Government funding.
- 42 This reports sets out the current arrangements that have been put in place for the Company and asks Cabinet to endorse such arrangements and the further proposed arrangements including authorisation to finalise a Shareholder Agreement and Loan Arrangements in conjunction with the relevant Portfolio Holders.

Agenda Item 12

Appendices

Appendix A - Articles of Association and Certificate of Incorporation

Appendix B - Job Advert and Personal Specification for the recruitment of the 2 Non-Executive Directors

Background Papers:

[EC Harris Built Asset Consultancy](#)

[Report to Council dated 31st March 2015 entitled "Authority to Establish a Local Authority Trading Company"](#)

Christine Nuttall, Chief Officer Legal and Governance

Adrian Rowbotham, Chief Finance Officer

Lesley Bowles, Chief Officer Communities and Business

**ARTICLES OF ASSOCIATION
of
QUERCUS 7 LIMITED**

Christine Nuttall
Chief Officer Legal & Governance
Sevenoaks District Council
Council Offices
Argyle Road
Sevenoaks
Kent
TN13 1HG

**ARTICLES FOR QUERCUS 7 LIMITED
A PRIVATE COMPANY LIMITED BY SHARES**

Contents

Part 1 - Interpretation and limitation of liability

1. Defined terms
2. Liability of Shareholder

Part 2 - Directors

Directors' powers and responsibilities

3. Directors' general authority
4. Shareholder's reserve power
5. Directors may delegate
6. Committees

Decision-making by Directors

7. Directors to take decisions collectively
8. Unanimous decisions
9. Validity of Directors' decisions
10. Calling a Directors' meeting
11. Participation in Directors' meetings
12. Quorum for Directors' meetings
13. Chairing of Directors' meetings
14. Casting vote
15. Declaration of Director's interests
16. Conflicts of interest
17. Authorisation of directors' conflicts of interest
18. Records of decisions to be kept
19. Directors' discretion to make further rules

Appointment and retirement of Directors

20. Number of Directors
21. Methods of appointing and removing Directors
22. Termination of Director's appointment

Agenda Item 12

- 23. Directors' remuneration
- 24. Directors' expenses

Part 3 - Shares and distributions

Shares

- 25. Shareholder
- 26. All shares to be fully paid up
- 27. Powers to issue different classes of share
- 28. Company not bound by less than absolute interests
- 29. Share certificates
- 30. Replacement share certificates

Dividends and other distributions

- 31. Procedure for declaring dividends
- 32. Payment of dividends and other distributions
- 33. No interest on distributions
- 34. Unclaimed distributions
- 35. Non-cash distributions
- 36. Waiver of distributions

Capitalisation of Profits

- 37. Authority to capitalise and appropriation of capitalised sums

Part 4 - Decision-making by Shareholder

- 38. Annual General Meeting

Organisation of general meetings

- 39. Attendance and speaking at general meetings
- 40. Quorum for general meetings
- 41. Chairing general meetings
- 42. Attendance and speaking by Directors and non-shareholders
- 43. Adjournment

Voting at General Meetings

- 44. Vote of Shareholder
- 45. Errors and disputes

- 46. Content of proxy notices
- 47. Delivery of proxy notices
- 48. Amendments to resolutions

Part 5 - Administrative arrangements

- 49. Means of communication to be used
- 50. Company seals
- 51. Provision for employees on cessation of business
- 52. Access to Information
- 53. Secretary
- 54. Local Government
- 55. Amendment of Articles

Directors' Indemnity and Insurance

- 56. Indemnity
- 57. Insurance

Part 1

Interpretation and limitation of liability

1. Defined terms

1.1 In these Articles, unless the context requires otherwise the following terms shall have the following meanings:

Act		means the Companies Act 2006;
Articles		means the Company's Articles of association;
Sevenoaks Council	District Council	means Sevenoaks District Council of Council Offices, Argyle Road, Sevenoaks, Kent TN13 1HG;
bankruptcy		includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;
chairman		has the meaning given in Article 3;
chairman of the meeting		has the meaning given in Article 42;
Companies Acts		means the Companies Acts (as defined in section 2 of the Act), in so far as they apply to the Company;
Council		Sevenoaks District Council and any successor body which takes over the majority of the functions of Sevenoaks District Council;
Council Director		means a current employee of the Council;
Director		means a Director of the Company, and includes any person occupying the position of Director whether they are a Council Director or an External Director, by whatever name called;
document		includes, unless otherwise specified, any document sent or supplied in electronic form;
electronic form		has the meaning given in section 1168 of the Act;
External Director		means a director who is a representative of the private and/or community sectors;
fully paid		in relation to a share, means that the nominal

	value and any premium to be paid to the Company in respect of that share have been paid to the Company;
Group Organisation	means in relation to the Shareholder any holding Company or subsidiary of the Shareholder (with holding Company and subsidiary having the meanings given in section 1159 of the Act) or any organisation of which that Shareholder is a subsidiary;
hard copy form	has the meaning given in section 1168 of the Act;
instrument	means a document in hard copy form;
ordinary resolution	has the meaning given in section 282 of the Act;
paid	means paid or credited as paid;
participate	in relation to a Directors' meeting, has the meaning given in Article 11;
proxy notice	has the meaning given in Article 48;
Representative	means in relation to the Shareholder any person who is for the time being the person authorised by that Shareholder pursuant to Article 43.2 to be its authorised representative;
Shareholder	means the Council or such Group Organisation to which the Council has transferred its shares in accordance with Article 25.2;
shares	means shares in the Company;
special resolution	has the meaning given in section 283 of the Act;
subsidiary	has the meaning given in section 1159 of the Act;
writing	means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Agenda Item 12

- 1.2 Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the Act as in force on the date when these Articles become binding on the Company.

2. Liability of Shareholder

The liability of the Shareholder is limited to the amount, if any, unpaid on the shares held by them.

Part 2
Directors

Directors' Powers and Responsibilities

3. Directors' general authority

Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company.

4. Shareholder's reserve power

- 4.1 The Shareholder may, by special resolution, direct the Directors to take, or refrain from taking, specified action.
- 4.2 No such special resolution invalidates anything which the Directors have done before the passing of the resolution.

5. Directors may delegate

- 5.1 Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles:
 - (a) to such person or committee;
 - (b) by such means (including by power of attorney);
 - (c) to such an extent;
 - (d) in relation to such matters or territories; and
 - (e) on such terms and conditions;as they think fit.
- 5.2 If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.
- 5.3 The Directors may revoke any delegation in whole or part, or alter its terms and conditions.
- 5.4 Subject to any terms and conditions under Article 5.1(e), the proceedings of a committee with two or more members shall be governed by the Articles regulating the proceedings of Directors so far as they are capable of applying.

6. Committees

- 6.1 Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by Directors.
- 6.2 The Directors may make rules of procedure for all or any committees, which prevail over rules derived from the Articles if they are not consistent with them.

Decision-Making by Directors

7. Directors to take decisions collectively

The general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with Article 8.

8. Unanimous decisions

- 8.1 A decision of the Directors is taken in accordance with this Article when all eligible Directors indicate to each other by any means that they share a common view on a matter.
- 8.2 Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible Director or to which each eligible Director has otherwise indicated agreement in writing.
- 8.3 References in this Article to eligible Directors are to Directors who would have been entitled to vote on the matter had it been proposed as a resolution at a Directors' meeting.
- 8.4 A decision may not be taken in accordance with this Article if the eligible Directors would not have formed a quorum at such a meeting.

9. Validity of Directors' decisions

- 9.1 All acts done by a meeting of Directors, or of a committee of Directors, or by a person acting as a Director shall be as valid notwithstanding the participation in any vote of a director:
- (a) discovered afterwards that there was a defect in the appointment of any Director; or

- (b) that any of them were disqualified from holding office; or
- (c) had vacated office; or
- (d) were not entitled to vote on the matter, whether by reason of a conflict of interests or otherwise;

If without:

- (e) the vote of that Director; and
- (f) that Director being counted in the quorum;

the decision has been made by a majority of the Directors at a quorate meeting.

- 9.2 Article 9.1 does not permit a director or a connected person to keep any benefit that may be conferred upon him or her by a resolution of the Directors or of a committee of directors if, but for Article 9.1, the resolution would have been void, or if the Director has not complied with Article 15.
- 9.3 A resolution in writing signed by all the Directors entitled to receive notice of a meeting of Directors or of a committee of Directors, shall be as valid and effective as if it had been passed at a meeting of Directors or (as the case may be) a committee of Directors duly convened and held. Such a resolution may consist of several documents in like form, each signed by one or more of the Directors.

10. Calling a Directors' meeting

- 10.1 Any Director may call a Directors' meeting by giving notice of the meeting to the Directors or by authorising the Company secretary (if any) to give such notice.
- 10.2 Notice of any Directors' meeting must indicate:
- (a) its proposed date and time;
 - (b) where it is to take place; and
 - (c) if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 10.3 Notice of a Directors' meeting must be given to each Director, but need not be in writing.

Agenda Item 12

10.4 Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than 7 days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

11. Participation in Directors' meetings

11.1 Subject to the Articles, Directors participate in a Directors' meeting, or part of a

Directors' meeting, when:

- (a) the meeting has been called and takes place in accordance with the Articles, and
- (b) they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

11.2 In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.

11.3 If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.

12. Quorum for Directors' meetings

12.1 At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

12.2 The quorum for Directors' meetings shall be three Directors.

12.3 If the total number of Directors for the time being is less than the quorum required, the Directors must not take any decision other than a decision to request that the Shareholder appoints further Directors.

13. Chairing of Directors' meetings

13.1 The Directors may appoint a Director to chair their meetings.

13.2 The person so appointed for the time being is known as the chairman.

13.3 The Directors may terminate the chairman's appointment at any time.

13.4 If the chairman is not participating in a Directors' meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair it.

14. Casting vote

14.1 If the numbers of votes for and against a proposal are equal, the chairman or other Director chairing the meeting has a casting vote.

14.2 But this does not apply if, in accordance with the Articles, the chairman or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes.

15. Declaration of Director's interests

A Director must declare the nature and extent of any interest, direct or indirect, which he or she has in a proposed transaction or arrangement with the Company or in any transaction or arrangement entered into by the Company which has not previously been declared. Save where Article 16.3 applies, a Director must absent themselves from any discussions of the Directors in which it is possible that a conflict will arise between his or her duty to act solely in the interests of the Company and any personal interest (including but not limited to any personal financial interest).

16. Conflicts of interest

16.1 If a proposed decision of the Directors is concerned with an actual or proposed transaction or arrangement with the Company in which a Director is interested, that Director is not to be counted as participating in the decision-making process for quorum or voting purposes.

16.2 But if Article 16.3 applies, a Director who is interested in an actual or proposed transaction or arrangement with the Company is to be counted as participating in the decision-making process for quorum and voting purposes.

16.3 This Article applies when:

- (a) the Company by ordinary resolution disapplies the provision of the Articles which would otherwise prevent a Director from being counted as participating in the decision-making process;

Agenda Item 12

- (b) the Director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
- (c) the Director's conflict of interest arises from a permitted cause.

16.4 For the purposes of Article 16.3, the following are permitted causes:

- (a) the transaction or arrangement is to be made by the Company with the Council, or with any Group Organisation of the Council and the Director's interest arises because they are employed by or are an elected member of the Council;
- (b) a guarantee given, or to be given, by or to a Director in respect of an obligation incurred by or on behalf of the Company or any of its subsidiaries;
- (b) subscription, or an agreement to subscribe, for shares or other securities of the Company or any of its subsidiaries, or to underwrite, sub-underwrite, or guarantee subscription for any such shares or securities; and
- (c) arrangements pursuant to which benefits are made available to employees and Directors or former employees and Directors of the Company or any of its subsidiaries which do not provide special benefits for Directors or former Directors.

16.5 For the purposes of this Article 16, references to proposed decisions and decision-making processes include any Directors' meeting or part of a Directors' meeting.

16.6 Subject to Article 16.7 if a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any Director other than the chairman is to be final and conclusive.

16.7 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the Directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

17. Authorisation of directors' conflicts of interest

17.1 For the purposes of section 175 of the Act, as amended, consolidated or re-enacted from time to time, the Shareholder shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach by a Director of the duty to avoid conflicts of interest set out in that section of the Act. Any reference in these Articles to a conflict of interest includes a conflict of interest and duty and a conflict of duties.

17.2 A Director, notwithstanding their office, may be a director or other officer of, employed by or an elected member of the Council, or any Group Organisation of the Council, and no authorisation under Article 17.1 shall be necessary in respect of any such interest.

17.3 Any Director shall be entitled from time to time to disclose to the Council or to the Shareholder such information concerning the business and affairs of the Company as they shall at their discretion see fit.

17.4 If a Director receives or has received any information otherwise than by virtue of their position as a director of the Company and in respect of which they owe a duty of confidentiality to another person, the director is under no obligation to:

- (a) disclose any such information to the Company, the directors or any other director or employee of the Company; or
- (b) use or apply any such information in connection with the performance of their duties as a director;

provided that to the extent that such duty of confidentiality arises out of a situation or relationship which would or might otherwise constitute or give rise to a breach by the Director of the duty to avoid conflicts of interest set out in section 175 of the Act, this Article shall apply only if such situation or relationship has been authorised by the Shareholder, or by these Articles.

18. Records of decisions to be kept

The Directors must ensure that the Company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or

Agenda Item 12

majority decision taken by the Directors. Such record may be kept in electronic form.

19. Directors' discretion to make further rules

19.1 Subject to the Articles, the Directors may make such rules as they may deem necessary, expedient or convenient for the proper conduct and management of the Company.

19.2 The Company in general meeting shall have power to alter, add to or repeal any rules created by the Directors under Article 19.1.

Appointment and retirement of Directors

20. Number of Directors

20.1 The number of Directors shall be not less than three but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum.

20.2 The number of External Directors shall not be more than two but the Shareholder may choose to increase the number of External Directors.

21. Methods of appointing and removing Directors

21.1 The Shareholder shall appoint the Directors by serving notice in writing to the Company. Such notice shall state such particulars of the Director as are required to be included in the Company's register of Directors.

21.2 The Shareholder shall be entitled by notice in writing to remove any Director or Directors and to appoint any other person to be a Director in place of a Director who leaves office by whatever means.

21.3 An External Director shall be appointed for a term of three years and at the end of the three year term the External Director shall be deemed to have retired as a Director unless the Shareholder reappoints that External Director for a further three year term.

21.4 The Shareholder shall not reappoint an External Director if they have already served 9 years as a Director.

21.5 A notice of appointment or removal of a Director pursuant to this Article shall take effect upon delivery to a meeting of the Directors or on delivery to the secretary.

- 21.6 Every Director appointed pursuant to this Article shall hold office until they are either removed in a manner provided by this Article or dies or vacates office pursuant to Article 22 and neither the Company in general meeting nor the Directors shall have power to fill any such vacancy except as expressly provided for in this Article.
- 21.7 Any Director shall be at liberty from time to time to make such disclosure to the Shareholder or to any Group Organisation as to the business and affairs of the Company and its subsidiaries as they shall in their absolute discretion determine.
- 21.8 No Director shall be appointed otherwise than as provided in these Articles.

22. Termination of Director's appointment

22.1 A person ceases to be a Director as soon as:

- (a) that person ceases to be a Director by virtue of any provision of the Act or is prohibited from being a Director by law;
- (b) a bankruptcy order is made against that person;
- (c) a composition is made with that person's creditors generally in satisfaction of that person's debts;
- (d) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a Director and may remain so for more than three months;
- (e) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
- (f) notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms;
- (g) the Company receives a notice in respect of that person in accordance with Article 21.2;

Agenda Item 12

- (h) that person is absent without the permission of the Directors from all their meetings held within a period of six months and the Directors resolve and the Shareholder agrees that his/her office be vacated;
- (i) that person ceases to be an elected member or employed by the Shareholder, having been an elected member or employed by the Shareholder when appointed; or
- (j) the third anniversary of their appointment if they are an External Director and they have not been reappointed under Article 21.3.

22.2 No director shall be removed other than as provided for in these Articles.

22.3 Any removal of a Director shall be deemed to be an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of services between such Director and the Company.

23. Directors' remuneration

23.1 Directors may undertake any services for the Company that the Directors decide.

23.2 Directors are entitled to such remuneration as may be approved by the Shareholder:

- (a) for their services to the Company as Directors, and
- (b) for any other service which they undertake for the Company.

23.3 Subject to the Articles, a Director's remuneration may:

- (a) take any form, and
- (b) include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that Director.

23.4 Unless the Directors decide otherwise, Directors' remuneration accrues from day to day.

23.5 Unless the Directors decide otherwise, Directors are not accountable to the Company for any remuneration which they receive as Directors or other

officers or employees of the Company's subsidiaries or of any other body corporate in which the Company is interested.

24. Directors' expenses

The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at:

- (a) meetings of Directors or committees of Directors;
- (b) general meetings; or
- (c) separate meetings of the holders of any class of shares or of debentures of the Company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.

Part 3
Shares and distributions

Shares

25. Shareholder

25.1 There shall be one shareholder. The only body permitted to be registered as a shareholder is Sevenoaks District Council or any person to whom the Shareholder may have transferred its membership to in accordance with Article 25.2.

25.2 The Shareholder may subject to the transferee signing a form consenting to become the Shareholder and agreeing to be bound by the Memorandum and Articles of Association of the Company transfer its membership to a Group Organisation of the Shareholder by notice in writing to the Company signed by or on behalf of the transferee and by or on behalf of the transferor. Upon receipt of such notice and consent form the Group Organisation transferee shall be admitted as the Shareholder and the transferor shall cease to be a shareholder.

26. All shares to be fully paid up

26.1 No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the Company in consideration for its issue.

26.2 This does not apply to shares taken on the formation of the Company by the subscriber to the Company's memorandum.

27. Powers to issue different classes of share

27.1 Subject to the Articles, but without prejudice to the rights attached to any existing share, the Company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

27.2 The Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms, conditions and manner of redemption of any such shares.

28. Company not bound by less than absolute interests

Except as required by law, no person is to be recognised by the Company as holding any share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

29. Share certificates

29.1 The Company must issue the Shareholder, free of charge, with one or more certificates in respect of the shares which the Shareholder holds.

29.2 Every certificate must specify:

- (a) in respect of how many shares, of what class, it is issued;
- (b) the nominal value of those shares;
- (c) that the shares are fully paid; and
- (d) any distinguishing numbers assigned to them.

29.3 No certificate may be issued in respect of shares of more than one class.

29.4 Certificates must:

- (a) have affixed to them the Company's common seal, or
- (b) be otherwise executed in accordance with the Companies Acts.

30. Replacement share certificates

30.1 If a certificate issued in respect of the Shareholder's shares is:

- (a) damaged or defaced, or
- (b) said to be lost, stolen or destroyed, that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.

30.2 The Shareholder exercising the right to be issued with such a replacement certificate:

- (a) may at the same time exercise the right to be issued with a single certificate or separate certificates;
- (b) must return the certificate which is to be replaced to the Company if it is damaged or defaced; and
- (c) must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide.

Dividends and other distributions

31. Procedure for declaring dividends

- 31.1 The Company may by ordinary resolution declare dividends, and the Directors may decide to pay interim dividends.
- 31.2 A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.
- 31.3 No dividend may be declared or paid unless it is in accordance with the Shareholder's rights.
- 31.4 Unless the Shareholder's resolution to declare or Directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to the Shareholder's holding of shares on the date of the resolution or decision to declare or pay it.
- 31.5 If the Company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear.
- 31.6 The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 31.7 If the Directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

32. Payment of dividends and other distributions

Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:

- (a) transfer to a bank or building society account specified by the Shareholder either in writing or as the Directors may otherwise decide;

- (b) any other means of payment as the Directors agree with the Shareholder either in writing or by such other means as the Directors decide.

33. No interest on distributions

The Company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:

- (a) the terms on which the share was issued, or
- (b) the provisions of another agreement between the holder of that share and the Company.

34. Unclaimed distributions

34.1 All dividends or other sums which are:

- (a) payable in respect of shares, and
- (b) unclaimed after having been declared or become payable, may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

34.2 The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it.

34.3 If:

- (a) twelve years have passed from the date on which a dividend or other sum became due for payment, and
 - (b) the Shareholder has not claimed it,
- the Shareholder is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

35. Non-cash distributions

35.1 Subject to the terms of issue of the share in question, the Company may, by ordinary resolution on the recommendation of the Directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any Company).

Agenda Item 12

35.2 For the purposes of paying a non-cash distribution, the Directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

- (a) fixing the value of any assets;
- (b) paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and
- (c) vesting any assets in trustees.

36. Waiver of distributions

The Shareholder may waive its entitlement to a dividend or other distribution payable in respect of a share by giving the Company notice in writing to that effect.

Capitalisation of Profits

37. Authority to capitalise and appropriation of capitalised sums

37.1 Subject to the Articles, the Directors may, if they are so authorised by an ordinary resolution:

- (a) decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and
- (b) appropriate any sum which they so decide to capitalise (a "capitalised sum") to the persons who would have been entitled to it if it were distributed by way of dividend (the "persons entitled") and in the same proportions.

37.2 Capitalised sums must be applied:

- (a) on behalf of the persons entitled, and
- (b) in the same proportions as a dividend would have been distributed to them.

37.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.

37.4 A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the Company which are then allotted credited as fully paid to the persons entitled or as they may direct.

37.5 Subject to the Articles the Directors may:

- (a) apply capitalised sums in accordance with Articles 37.3 and 37.4 partly in one way and partly in another;
- (b) make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this Article (including the issuing of fractional certificates or the making of cash payments); and
- (c) authorise any person to enter into an agreement with the Company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this Article.

Part 4

Decision-making by shareholders

Annual General Meeting

38. The Company shall hold an annual general meeting.

Organisation of General Meetings

39. Attendance and speaking at general meetings

39.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

39.2 A person is able to exercise the right to vote at a general meeting when:

- (a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
- (b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

39.3 The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

39.4 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

40. Quorum for general meetings

No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting unless a quorum is present. The presence of the Representative shall constitute a quorum.

41. Chairing general meetings

41.1 If the Directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.

41.2 If the Directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:

- (a) the Directors present, or
 - (b) (if no Directors are present), the meeting,
- must appoint a Director or the Representative to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.

41.3 The person chairing a meeting in accordance with this Article is referred to as “the chairman of the meeting”.

42. Attendance and speaking by Directors and non-shareholders

42.1 Directors may attend and speak at general meetings, whether or not they are the Representative.

42.2 The chairman of the meeting may permit other persons who are not:

- (a) the Representative, or
 - (b) otherwise entitled to exercise the rights of a shareholder in relation to general meetings,
- to attend and speak at a general meeting.

43. Adjournment

43.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

43.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if:

- (a) the meeting consents to an adjournment, or
- (b) it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

Agenda Item 12

- 43.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.
- 43.4 When adjourning a general meeting, the chairman of the meeting must:
- (a) either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors, and
 - (b) have regard to any directions as to the time and place of any adjournment which have been given by the meeting.
- 43.5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least 7 clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):
- (a) to the same persons to whom notice of the Company's general meetings is required to be given, and
 - (b) containing the same information which such notice is required to contain.
- 43.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

Voting at General Meetings

44. Vote of Shareholder

- 44.1 The Shareholder shall have one vote on a show of hands.
- 44.2 The Shareholder may by resolution of its Cabinet (or a duly formed committee of the Cabinet) authorise such person as it thinks fit to act as its representative at any meeting of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the Shareholder which he represents as the Shareholder could exercise if it were an individual shareholder.
- 44.3 A vote given by a Representative shall be valid notwithstanding the previous determination of the authority of the person voting unless notice of the

determination was received by the Company before the commencement of the meeting or adjourned meeting at which the vote is given.

45. Errors and disputes

45.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

45.2 Any such objection must be referred to the chairman of the meeting, whose decision is final.

46. Content of proxy notices

46.1 Proxies may only validly be appointed by a notice in writing (a “proxy notice”)

Which:

- (a) states the name and address of the Representative appointing the proxy;
- (b) identifies the person appointed to be the Representative’s proxy and the general meeting in relation to which that person is appointed;
- (c) is signed by or on behalf of the Representative appointing the proxy, or the Shareholder or is authenticated in such manner as the Directors may determine; and
- (d) is delivered to the Company in accordance with the Articles and any instructions contained in the notice of the general meeting to which they relate.

46.2 The Company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.

46.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

46.4 Unless a proxy notice indicates otherwise, it must be treated as:

- (a) allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting, and

Agenda Item 12

- (b) appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

47. Delivery of proxy notices

- 47.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the Company by or on behalf of that person.
- 47.2 An appointment under a proxy notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- 47.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 47.4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointer's behalf.

48. Amendments to resolutions

- 48.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:
 - (a) notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and
 - (b) the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.
- 48.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:
 - (a) the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and
 - (b) the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

48.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

Part 5

Administrative arrangements

49. Means of communication to be used

49.1 Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the Act provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the Company.

49.2 Subject to the Articles, any notice or document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or documents for the time being.

49.3 A Director may agree with the Company that notices or documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

50. Company seals

50.1 The Company need not have a common seal and pursuant to section 44 of the Act the Company may execute any document by the signature of any two authorised persons.

50.2 If the Company has a common seal it may only be used by the authority of the Directors.

50.3 The Directors may decide by what means and in what form any common seal is to be used.

50.4 Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

50.5 For the purposes of this Article, an authorised person is:

- (a) any Director of the Company; and
- (b) the Company secretary (if any).

51. Provision for employees on cessation of business

The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (other than a Director or former Director or shadow Director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

52. Access to Information

- 52.1 Except as provided by law or authorised by the Directors or an ordinary resolution of the Company, no person having an interest in the Company is entitled to inspect any of the Company's accounting or other records or documents.
- 52.2 The Company shall provide and instruct its auditors to provide to the Shareholder such information as it may reasonably require for the purpose of preparing and auditing the Shareholder's accounts or for investigating value for money or any other reasonable purpose.
- 52.3 The Company shall provide any member or officer of the Shareholder with such information about the activities of the Company which it may reasonably need for the discharge of its functions.

53. Secretary

Subject to the provisions of the Act the secretary, if required, shall be appointed by the Directors for such term, at such remuneration (if not a director) and upon such conditions as the Directors shall think fit and any secretary so appointed may be removed by them.

54. Local Government

- 54.1 The Company shall observe all legal requirements imposed on it by virtue of the Shareholder being a Local Authority. In particular (but without limitation) the Company shall:
- (a) not engage in activities for party political purposes or publish party political materials;
 - (b) comply with the Shareholder's procedure rules in relation to the tendering and letting of contracts.

Agenda Item 12

54.2 The Company shall observed all legal requirements imposed on it by virtue of it being a controlled company as defined by section 68 of the Local Government and Housing Act 1989 and by virtue of the provisions of the Local Authorities (Companies) Order 1995 and any other statute or regulations made from time to time.

55. Amendment of Articles

The Company shall not without a special resolution:

- (a) amend the memorandum or articles of association of the Company;
- (b) alter any rights or restrictions attaching to any class of share in the capital of the Company;
- (c) change the name of the Company;
- (d) pass any resolution or engage in any other matter which represents a substantial change in the nature of the business of the Company or in the manner in which such business is conducted;
- (e) issue any additional shares.

Directors' Indemnity and Insurance

56. Indemnity

56.1 Subject to paragraph (2), a relevant Director of the Company or an associated Company may be indemnified out of the Company's assets against:

- (a) any liability incurred by that Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated Company;
- (b) any liability incurred by that Director in connection with the activities of the Company or an associated Company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Act);
- (c) any other liability incurred by that Director as an officer of the Company or an associated Company.

56.2 This Article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

56.3 In this Article:

- (a) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate; and
- (b) a “relevant Director” means any Director or former Director of the Company or an associated Company.

57. Insurance

57.1 The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant Director in respect of any relevant loss.

57.2 In this Article:

- (a) a “relevant Director” means any Director or former Director of the Company or an associated Company;
- (b) a “relevant loss” means any loss or liability which has been or may be incurred by a relevant Director in connection with that Director’s duties or powers in relation to the Company, any associated Company or any pension fund or employees’ share scheme of the Company or associated Company; and
- (c) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

This page is intentionally left blank



**CERTIFICATE OF INCORPORATION
OF A
PRIVATE LIMITED COMPANY**

Company Number **9933195**

The Registrar of Companies for England and Wales, hereby certifies that

QUERCUS 7 LIMITED

is this day incorporated under the Companies Act 2006 as a private company, that the company is limited by shares, and the situation of its registered office is in England and Wales.

Given at Companies House, Cardiff, on **31st December 2015**.

The above information was communicated by electronic means and authenticated by the Registrar of Companies under section 1115 of the Companies Act 2006



This page is intentionally left blank



TWO NON-EXECUTIVE DIRECTORS

Quercus 7 Limited

Payment - Non-Executive Director £X

Sevenoaks District Council covers almost 142 square miles with nearly 60% of the District being made up of Areas of Outstanding Natural Beauty. There is now an exciting opportunity to be part of Quercus 7 Limited, a generic trading company which will concentrate on property development as its main activity. This new venture is pioneering and aims to increase investment income for Sevenoaks District Council and to make Sevenoaks District Council more self-sufficient, as well as to deliver social outcomes and add financial value to the District.

We are now recruiting two non-executive directors, one of whom may be appointed as Board Chair, who will form part of the Board of Quercus 7 Limited and have responsibility for the governance of this new business opportunity. The core requirements for Board Members are strong entrepreneurial backgrounds, including risk management, and relevant professional experience in property investment and corporate governance.

Quercus 7 Limited is a new company limited by shares with Sevenoaks District Council as its sole shareholder. This is an exciting time to join the Board as the successful candidates will have responsibility for taking forward the next phase of property development projects for the benefit of Quercus 7 Limited and its shareholder, Sevenoaks District Council.

We are looking to recruit a Board that is balanced and comprised of business professionals who have a track record of building commercial value and translating strategic visions into priority investment and ultimately business success.

Further details of each role are contained within the recruitment pack. For additional information, or an informal discussion about any role, please contact [insert name] on [insert contact number].



TWO NON-EXECUTIVE DIRECTORS

Quercus 7 Limited (the 'Company')

Job Descriptions

January 2016

Role Profiles

Non-Executive Director

Role Summary:
To ensure the success of the Company by maintaining compliance with legal and regulatory obligations and setting and monitoring the strategic direction of the Company. Each Non-Executive Director is expected to contribute to and share responsibility for decision making at Board level.
Main Responsibilities:
To approve ambitious but financially prudent business plans, budgets and accounts.
To monitor organisational performance of the annual business plan, budgets and accounts and to monitor the performance and conduct of management in meeting agreed goals.
To contribute to Board discussion of agenda items and to provide independent

judgement and advice on strategic aims.
To ensure that Company performance is subject to appropriate and effective controls where risk can be assessed and managed.
To ensure that the Company's affairs are conducted lawfully and in accordance with regulatory requirements.
To make sure that all decisions taken by the Board are in the Company's best interests.
Develop a good working relationship with other Board members.
Maintain Company confidentiality.
To represent the Company externally as required; acting as an ambassador for the Company.
Business Skills/Experience:
Board or senior management level experience in a property investment company.
Experience engaging positively and collaboratively in Board discussions.
Knowledge and understanding of complying with corporate governance.
Experience of risk identification and risk management.
Understanding of financial planning, monitoring financial performance and accounting.
Ability to communicate and engage in discussions including listening to and considering the views of other Board members, and accepting challenge of own views.
Communicating with clarity; strong interpersonal skills and negotiation skills.
Ability to critically evaluate information and constructively challenge the Board where required.