

12 September 2019 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks  
Despatched: 04.09.19



## Cabinet


### Membership:


Chairman, Cllr. Fleming; Vice-Chairman, Cllr. Dickins  
Cllrs. McArthur, Piper, Dyball and Thornton

### Agenda

There are no fire drills planned. If the fire alarm is activated, which is a continuous siren with a flashing red light, please leave the building immediately, following the fire exit signs.

	Pages	Contact
Apologies for Absence		
1. <b>Minutes</b> To agree the Minutes of the meeting of the Committee held on 11 July 2019, as a correct record	(Pages 1 - 4)	
2. <b>Declarations of interest</b> Any interests not already registered		
3. <b>Questions from Members (maximum 15 minutes)</b>		
4. <b>Matters referred from Council, Audit Committee, Scrutiny Committee, CIL Spending Board or Cabinet Advisory Committees</b>		
5. <b>Bank Account Signatories</b>	(Pages 5 - 8)	Roy Parsons Tel: 01732 227204
<b>REPORTS ALSO CONSIDERED BY THE CABINET ADVISORY COMMITTEES</b>		
6. <b>Treasury Management Annual Report 2018/19</b>	(Pages 9 - 32)	Roy Parsons Tel: 01732 227204
7. <b>Financial Results 2019/20 - to the end of July 2019</b>	(Pages 33 - 68)	Alan Mitchell Tel: 01732227483
8. <b>Financial Prospects and Budget Strategy 2020/21 and Beyond</b>	(Pages 69 - 86)	Alan Mitchell Tel: 01732227483

 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 227000 or [democratic.services@sevenoaks.gov.uk](mailto:democratic.services@sevenoaks.gov.uk).

CABINET

Minutes of the meeting held on 11 July 2019 commencing at 7.00 pm

Present: Cllr. Fleming (Chairman)

Cllr Dickins (Vice Chairman)

Cllrs. McArthur, Piper, Dyball and Thornton

Cllrs. Bayley, Dr. Canet, Perry Cole, Edwards-Winsor, Esler, Eyre and Pender were also present.

10. Minutes

Resolved: That the minutes of the meeting of Cabinet held on 13 June 2019 be approved and signed as a correct record.

11. Declarations of interest

There were no additional declarations of interest.

12. Questions from Members

A Member asked a question about the Chairman's meeting with badminton players from Swanley. The Chairman said that at the meeting he had explained the plans for White Oak Leisure Centre, including the provision of two new badminton courts. He said he was happy to respond to any future correspondence.

13. Matters referred from Council, Audit Committee, Scrutiny Committee, CIL Spending Board or Cabinet Advisory Committees

There were none.

14. Strategic Management Team Restructure

The Chairman presented the report which set out a proposed Strategic Management Team restructure to better enable the Council to meet the priorities set out in its new Council Plan and the ambitions of Members following the District Council elections in May this year.

The Chief Executive explained that it was proposed that the Chief Officer roles were reduced from five posts to four posts and a new Strategic Advisor role for Commercial & Property was introduced to increase focus and bring new skills in to the organisation for regeneration and the delivery of capital projects. This would result in two existing roles being deleted and the post holders, with their mutual agreement, leaving the organisation.

He explained that consultation had closed and that no alternative proposals for a new structure had been brought forward. He explained that the proposals were generally supported by the consultation.

Cabinet noted that the final decision relating to the proposed restructure would be made by Council on 23 July 2019 and recorded its thanks to both the Chief Officer Environmental and Operational Services and the Chief Officer Communities and Business for their work at the Council over a number of years.

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 to approve the restructure of the Council's Strategic Management Team.

15. Sevenoaks District Community Safety Strategy & Action Plan Annual Report 2018-19

The Chief Planning Officer presented the report highlighting the work of the Community Safety Partnership throughout 2018-19. He advised that the People & Places Advisory Committee had noted the same report.

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.

16. Adoption of updated Conservation Area Appraisals and extensions to conservation areas

The Development & Conservation Portfolio Holder presented the report which provided a summary of the outcome of the public consultation on draft conservation area appraisals and set out changes that had been made as a result of the public. The Conservation Officer advised that the Development & Conservation Advisory Committee had considered the same report and that she was happy to answer any questions.

Public Sector Equality Duty

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

Resolved: That

## Cabinet - 11 July 2019

- a) the updated conservation area appraisals for the Brasted High Street, Leigh, Seal, Shoreham, and Swanley Village Conservation Areas, be adopted;
- b) the proposed extensions be designated to each of the above conservation areas as set out below -
  - i. the inclusion of the following five properties into the Brasted High Street Conservation Area: Old Orchard, High Street; Tanners Mead; The Old Forge; and 1 & 2 Tannery Cottages, all on Rectory Lane as shown in the map at Appendix C to the report;
  - ii. the inclusion of the following properties into the Leigh Conservation Area: 1-22 (consecutive) Garden Cottages; 21 and 22 Barnetts Road; 1 Powder Mill Lane; The Hawthorns; Oak Tree Cottage; The Beeches; The Cottage and Rosslyn, all on Powder Mill Lane; and the northern section of Crandalls (the street); Land to the south of Site of Former Public Conveniences; Land belonging to Chestnuts; The Green, Leigh as shown in the map at Appendix B to the report;
  - iii. the inclusion of the following 11 properties into the Seal Conservation Area: The Seal Village Allotments on Childsbridge Lane; 1 - 5 (consecutive) Jubilee Rise; Northview; Hill House; Bella Vista on Jubilee Rise; and the Scout Hut of the Ninth Sevenoaks Scout Group; and Lulworth, both on School Lane as shown in the map at Appendix B to the report.
  - iv. the extension of the Shoreham conservation area to include the following 14 properties: Nos. 40, 42, 44, 46-56 (even), 72-76 (even), 76a and 83 High Street and Field at the North End of High Street, known as Crown Field, into the conservation area as shown in the map at Appendix B to the report
  - v. the inclusion of the following seven properties into the Swanley Village conservation area: Lucas Farmhouse, Land North of Lucas Farmhouse, Lucas Cottage and Pine Cottage, Cygnet and Land East of Cygnet, all on Beechenlea Lane, and the building attached to the listed Coach House at Old Place, Old Place Stables, Swanley Village Road as set out in the map at Appendix B to the report;
- c) Shoreham Mill Lane Conservation Area be cancelled and extensions designated to the Shoreham High Street and Church Street Conservation Area to include all the properties of the former Shoreham Mill Lane Conservation Area to form the Shoreham Conservation Area;
- d) the making of a focused use of Article 4 directions to remove limited permitted development rights for protecting historic boundary treatments and front gardens in the Shoreham Conservation Area and

Swanley Village Conservation Area, as set out in paragraphs 51 to 55, be agreed; and

- e) delegated authority be granted to the Portfolio Holder to approve the final version of the documents.

17. Community Infrastructure Levy (CIL) Spending Board - Review of Governance

The Development & Conservation Portfolio Holder presented the report on proposed amendments to current CIL governance arrangements which had been agreed by Members in July 2017 and were reviewed annually to ensure that they were still fit for purpose. The report set out some suggested changes following feedback received from Members and Officers and the new Chairman and Vice Chairman of the CIL Spending Board. She advised that the Development & Conservation Advisory Committee had considered the same report.

Public Sector Equality Duty

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

Resolved: That the proposed changes to the CIL Spending Board governance arrangements as set out in the report, be agreed subject to necessary minor textual corrections and subject to Appendix A to the report, at paragraph 5.14, sixth bullet point being amended to read 'Whether sufficient evidence has been provided to show that funding from other sources has been maximised and that this will normally include a majority of funding from other sources.'

THE MEETING WAS CONCLUDED AT 7.30 PM

CHAIRMAN

IMPLEMENTATION OF DECISIONS

This notice was published on 15 July 2019. The decision contained in Minute 16 takes effect on 23 July 2019 and the decisions in Minute 15 and 17 take effect immediately. The decision contained in Minute 14 will be considered at Council on 23 July 2019.

## BANK ACCOUNT SIGNATORIES

Cabinet - 12 September 2019

Report of the: Chief Finance Officer

Status: For Decision

Key Decision: No

---

**Executive Summary:** This report seeks approval for a change to the list of officers authorised to sign cheques and sanction banking instruments on behalf of the Council.

---

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

**Portfolio Holder** Cllr. Matthew Dickins

**Contact Officer** Roy Parsons, Principal Accountant - Ext 7204

---

### Recommendation to Cabinet:

That pursuant to Financial Procedure Rules 4.73 and 4.74, Mrs Jessica Booth, Senior Principal Accountant, be authorised to sign cheques and sanction banking instruments on behalf of the Council.

---

**Reason for recommendation:** To bring up to date the list of authorised signatories for the Council's bank accounts.

---

### Background and Introduction

- 1 The Council operates an imprest account for use by the Legal Section to defray small but urgent items of expenditure. This account operates independently of the Council's main bank accounts. It is funded up to a maximum of £700 at any one time. The signatories to it are members of the Legal Section.
- 2 With regard to the remainder of the Council's bank accounts, currently, three officers plus the Chief Executive and Chief Finance Officer are authorised signatories. It is in respect of these accounts that the change detailed below is required.

## Agenda Item 5

### Change Required

- 3 The Council's Financial Procedure Rules require Cabinet approval for officers other than the Chief Executive or Section 151/Chief Finance Officer to be able to sign cheques or sanction banking instruments on behalf of the Council.
- 4 At the Cabinet meeting on 7 March 2019, two officers were removed from the list and one added. Following the recent appointment of the new Senior Principal Accountant, approval is now being sought to add her to the list.
- 5 Assuming this change is approved, the complement will revert to the usual six officers.

### Key Implications

#### Financial

There are no financial implications.

#### 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, including the operation of banking facilities.

For day to day practical reasons, officers need to be authorised to sign cheques and sanction banking instruments on behalf of the Council. Failure to have authorised signatories in place would severely restrict the Council in the way in which it could operate bank accounts and deal with its financial needs.

Protection is in place by:

- (i) limiting the balance held in the Chief Executive's Imprest Account to a maximum of £700 at any one time and requiring dual signatories on amounts over this sum; and
- (ii) requiring dual signatories on the other bank accounts for items over £10,000 (£5,000 for housing benefit and local tax payments).

#### 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.

### Conclusions

Members are being asked to update the list of authorised signatories to the Council's bank accounts.



**Appendices:** None

**Background Papers:** Constitution of Sevenoaks District Council,  
Appendix D - Financial Procedure Rules:-  
[Document 21 - Appendix D - Financial Procedure Rules](#)

**Adrian Rowbotham  
Chief Finance Officer**

This page is intentionally left blank

**Item 6 - Treasury Management Annual Report 2018/19**

The attached report was considered by the Finance and Investment Advisory Committee on 3 September 2019. The relevant Minute extract was not available prior to the printing of this agenda and will follow when available.

This page is intentionally left blank

## TREASURY MANAGEMENT ANNUAL REPORT 2018/19

Cabinet - 12 September 2019

Report of the: Chief Finance Officer

Status: For decision

Also considered by: Finance & Investment Advisory Committee - 3 September 2019

Key Decision: No

---

**Executive Summary:** This report provides the customary review of investment and borrowing activity during 2018/19 as required by the Council's Financial Procedure Rules. The report outlines the strategy adopted during the year, shows the position of the investment and debt portfolios at the beginning and the end of the year and gives details of how the investment fund performed in comparison with previous years and against various benchmarks.

---

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

**Portfolio Holder** Cllr. Matthew Dickins

**Contact Officer** Roy Parsons, Principal Accountant - Ext 7204

---

**Recommendation to Finance & Investment Advisory Committee:** That Cabinet be asked to approve the Treasury Management Annual Report for 2018/19.

**Recommendation to Cabinet:** That the Treasury Management Annual Report for 2018/19 be approved.

---

**Reason for recommendation:** As required by both the Council's Financial Procedure Rules and the CIPFA Code, an annual report of treasury management activity is to be presented to Members for approval.

---

### Background

- 1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2018/19. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

## Agenda Item 6

- 2 During 2018/19 the minimum reporting requirements were that the Council should receive the following reports:
  - an annual treasury strategy in advance of the year (Council 20/02/2018)
  - a mid year (minimum) treasury update report (former Finance Advisory Committee 15/11/2018, Cabinet 06/12/2018)
  - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 3 The Council's treasury management advisers, Link Asset Services, also provided monthly reviews of our investment performance which were emailed to Members.
- 4 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 5 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the former Finance Advisory Committee before they were reported to Cabinet or the full Council. Member training was undertaken during the year on 14 November 2018 in order to support Members' scrutiny role.

### Introduction

- 6 This annual treasury report covers:
  - (a) The Council's capital expenditure and financing;
  - (b) treasury position at the beginning and end of the financial year
  - (c) the economy and interest rates;
  - (d) investment strategy for 2018/19;
  - (e) borrowing requirement and debt;
  - (f) borrowing strategy in 2018/19;
  - (g) borrowing outturn 2018/19;
  - (h) investment outturn for 2018/19 and performance;
  - (i) compliance with treasury management limits and prudential indicators; and

- (j) other issues (including an update on the Municipal Bonds Agency).

**The Council’s capital expenditure and financing**

- 7 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no impact on the Council’s borrowing need; or
  - if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 8 The actual capital expenditure forms one of the required prudential indicators. The following table shows the actual capital expenditure and how this was financed.

	<b>31/3/18 Actual (£000)</b>	<b>31/3/19 Actual (£000)</b>
Capital expenditure	10,600	16,557
Financed in year	(6,285)	(7,195)
Unfinanced capital expenditure	4,315	9,362

The unfinanced capital expenditure was funded by internal borrowing.

**Treasury position at the beginning and end of the financial year**

- 9 The Council’s treasury position at the beginning and end of the financial year was as follows:

	<b>31/3/18 Principal (£000)</b>	<b>Rate Return (%)</b>	<b>Average Life (Years)</b>	<b>31/3/19 Principal (£000)</b>	<b>Rate Return (%)</b>	<b>Average Life (Years)</b>
Total debt	5,250	2.66	29.5	5,190	2.66	28.5
Capital Financing Requirement (CFR)	13,807	-	-	23,019	-	-

## Agenda Item 6

Over/(under) borrowing	(8,557)	-	-	(17,829)	-	-
Total investments	30,960	0.39	-	21,315	0.72	-
<b>Net debt/(investments)</b>	<b>(25,710)</b>	-	-	<b>(16,125)</b>	-	-

- 10 The maturity structure of the debt portfolio was as follows:

	31/3/18 Actual (£000)	31/3/19 Actual (£000)
Under 12 months	-	-
12 months and over and within 20 years	-	-
20 years and over and within 30 years	5,250	5,190
30 years and over and within 50 years	-	-

- 11 The investment portfolio at the beginning and end of the financial year appears at Appendix A, whilst an analysis by maturity and repayment due dates appears at Appendix B.
- 12 All investments were for periods up to one year in duration.

### The economy and interest rates

- 13 **UK.** After weak economic growth of only 0.2% in quarter one of 2018, growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% y/y confirming that the UK was the third fastest growing country in the G7 in quarter 4.
- 14 After the Bank of England's Monetary Policy Committee (MPC) raised Bank Rate from 0.5% to 0.75% in August 2018, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any



further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC has been having increasing concerns over the trend in wage inflation, which peaked at a new post financial crisis high of 3.5% (excluding bonuses) in the three months to December before falling only marginally to 3.4% in the three months to January. British employers ramped up their hiring at the fastest pace in more than three years in the three months to January as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work surged by 222,000, helping to push down the unemployment rate to 3.9%, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

- 15 As for CPI inflation itself, this has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%.
- 16 The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.
- 17 **Brexit.** The Conservative minority government has so far been unable to muster a majority in the Commons over its Brexit deal. The EU set a deadline of 12 April 2019 for the House of Commons to propose what form of Brexit it would support and this was further extended to 31 October 2019. If nothing happens by this date, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.
- 18 **USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate) in quarter 1 of 2018 to 4.2% in quarter 2, 3.5% in quarter 3 and then back to 2.2% in quarter 4. The annual rate came in at 2.9% for 2018, just below President Trump's aim for 3% growth. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.4% in February, a decade high point. However, CPI inflation overall fell to 1.5% in February, a two and

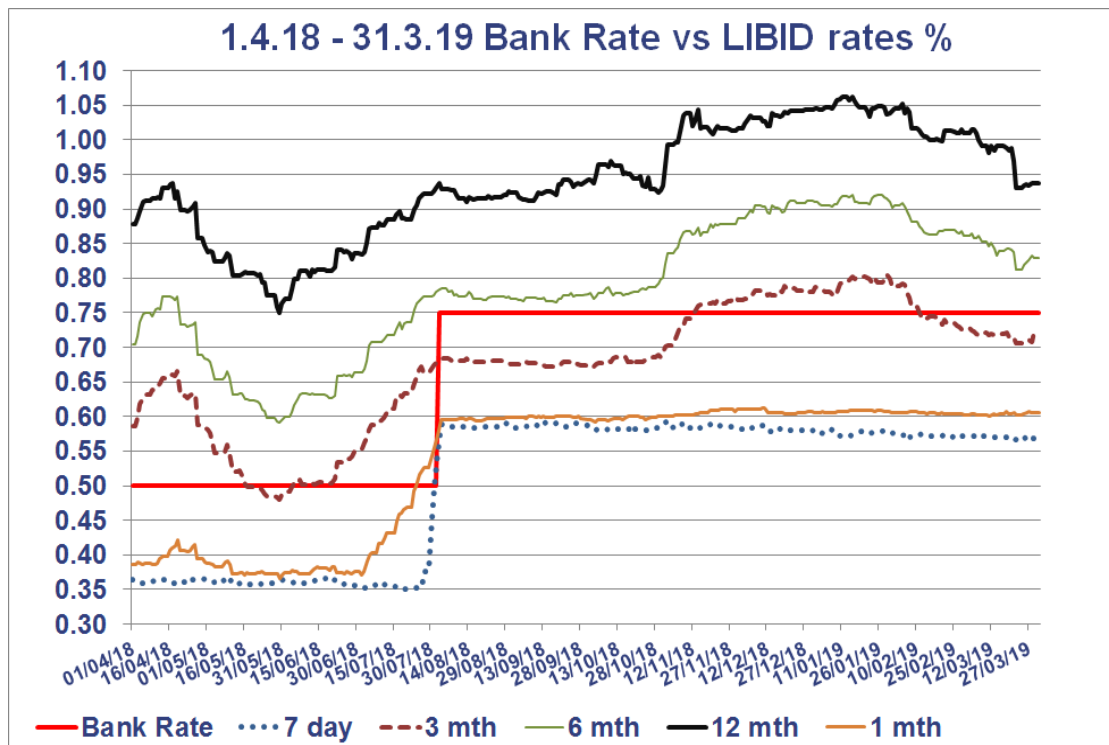
## Agenda Item 6

a half year low, and looks to be likely to stay around that number in 2019 i.e. below the Federal Reserve (Fed) target of 2%. The Fed increased rates by another 0.25% in December to between 2.25% and 2.50%, this being the fourth increase in 2018 and the ninth in the upward swing cycle. However, the Fed now appears to be edging towards a change of direction and admitting there may be a need to switch to taking action to cut rates over the next two years. Financial markets are now predicting two cuts of 25 bps by the end of 2020.

- 19 **Eurozone (EZ).** The European Central Bank (ECB) provided massive monetary stimulus in 2016 and 2017 to encourage growth in the EZ and that produced strong annual growth in 2017 of 2.3%. However, since then the ECB has been reducing its monetary stimulus measures and growth has been weakening - to 0.4% in quarters 1 and 2 of 2018, and then slowed further to 0.2% in quarters 3 and 4; it is likely to be only 0.1 - 0.2% in quarter 1 of 2019. The annual rate of growth for 2018 was 1.8% but is expected to fall to possibly around half that rate in 2019. The ECB completely ended its programme of quantitative easing purchases of debt in December 2018, which means that the central banks in the US, UK and EU have all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. With its refinancing rate already at 0.0% and the deposit rate at -0.4%, it has probably reached the limit of cutting rates. At its March 2019 meeting it said that it expects to leave interest rates at their present levels “at least through the end of 2019”, but that is of little help to boosting growth in the near term. Consequently, it also announced a third round of Targeted Longer Term Refinancing Operations (TLTROs); this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans.
- 20 **China.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

- 21 **Japan** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.
- 22 **World growth.** Equity markets are currently concerned about the synchronised general weakening of growth in the major economies of the world. They fear there could even be a recession looming up in the US, though this fear is probably overdone.

**Investment strategy for 2018/19**



- 23 Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of the financial year, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the MPC would raise Bank Rate in August. This duly happened at the MPC meeting on 2 August 2018. During this period, investments were, therefore, kept shorter term in anticipation that rates would be higher later in the year.
- 24 It was not expected that the MPC would raise Bank Rate again during 2018/19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments after 2 August where cash balances were sufficient to allow this.

## Agenda Item 6

- 25 Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November 2018 was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.
- 26 Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

### The borrowing requirement and debt

- 27 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR)
- 28 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2018/19. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	<b>31/3/18 Actual (£000)</b>	<b>31/3/19 Actual (£000)</b>
CFR General Fund	13,807	23,019
Gross borrowing position	5,250	5,190
Over/(under) funding of CFR	(8,557)	(17,829)

- 29 The "authorised limit" is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2018/19 the Council has maintained gross borrowing within its authorised limit.
- 30 The "operational boundary" is the expected borrowing position of the Council during the year. Periods where the actual position is either below or

over the boundary are acceptable subject to the authorised limit not being breached.

- 31 “Actual financing costs as a proportion of net revenue stream” is an indicator identifying the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2018/19 (£000)
Authorised limit	35,000
Maximum gross borrowing position during the year	5,250
Operational boundary	30,000
Average gross borrowing position	5,220
Financing costs as a proportion of net revenue stream	0.98%

#### Borrowing strategy in 2018/19

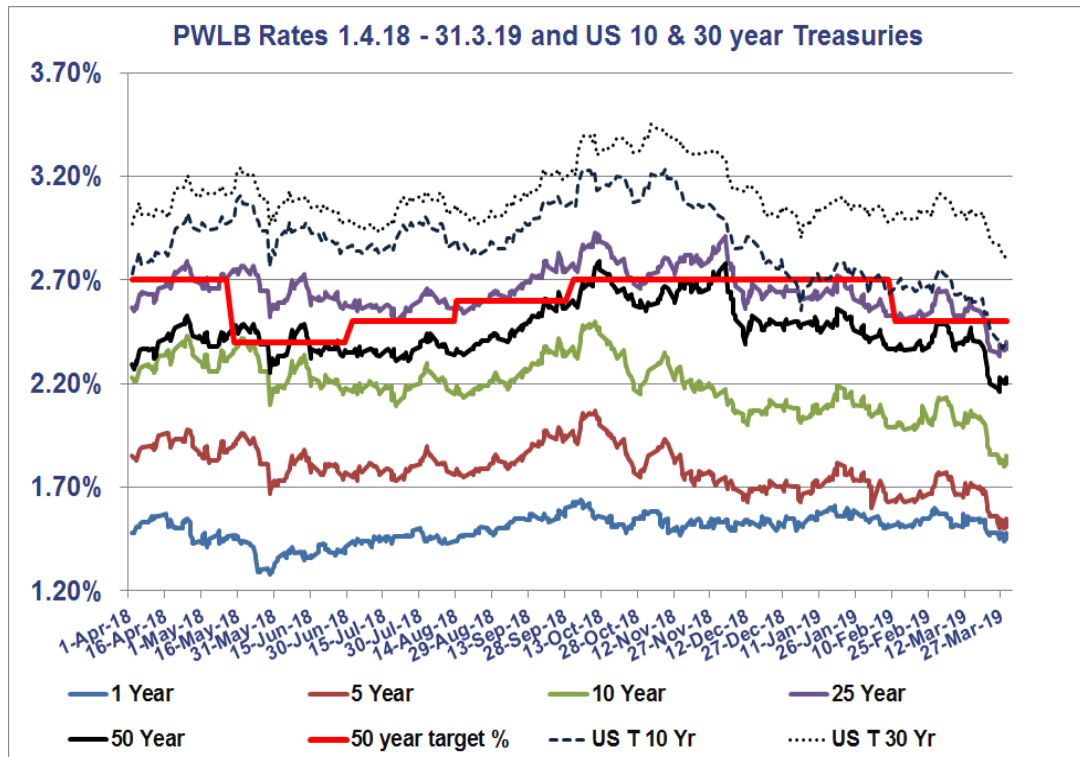
- 32 During 2018/19 the Council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This is known as internal borrowing. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 33 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost - the difference between (higher) borrowing costs and (lower) investment returns.
- 34 The policy of avoiding new borrowing by running down spare cash balances, has served the Council well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

# Agenda Item 6

## PWLB certainty maturity borrowing rates

35 Interest rate forecasts anticipated only gradual rises in medium and longer term fixed borrowing rates during 2018/19 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Forecasts from our treasury management advisors, Link Asset Services, together with historical rates appear below:

Link Asset Services Interest Rate View 12.2.18													
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%
5yr PWLB Rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%



36 Since PWLB rates peaked during October 2018, most PWLB rates have been on a general downward trend, though longer term rates did spike upwards again during December, and (apart from the 1 year rate) reached lows for the year at the end of March. There was a significant level of correlation between movements in US Treasury yields and UK gilt yields, which

determine PWLB rates. The Fed in America increased the Fed Rate four times in 2018, making nine increases in all in this cycle, to reach 2.25% - 2.50% in December. However, it had been giving forward guidance that rates could go up to nearly 3.50%. These rate increases and guidance caused Treasury yields to also move up. However financial markets considered by December 2018, that the Fed had gone too far, and discounted its expectations of further increases. Since then, the Fed has also come round to the view that there are probably going to be no more increases in this cycle. The issue now is how many cuts in the Fed Rate there will be and how soon, in order to support economic growth in the US. But weak growth now also looks to be the outlook for China and the EU so this will mean that world growth as a whole will be weak. Treasury yields have therefore fallen sharply during 2019 and gilt yields / PWLB rates have also fallen.

**Borrowing outturn for 2018/19**

37 No borrowing was undertaken during the year. The following is the only loan outstanding:-

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£5.25m	Fixed interest rate - Annuity	2.66%	3/11/2047

38 There were no repayments or rescheduling of debt during 2018/19.

**Investment outturn for 2018/19 and performance**

39 The Council’s investment policy is governed by Ministry of Housing Communities and Local Government (MHCLG) guidance, which has been implemented in the annual investment strategy approved by the Council on 20 February 2018. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

40 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

41 Appendix C shows the performance of the fund during 2018/19 both in table and graphical form. The table shows the average percentage return on the fund, both monthly and for the whole year and compares them with the average 7-day and 3-month London Interbank Bid (LIBID) rates. The average return achieved by each broker is only a very basic measure of performance, because returns will depend on the number and length of each investment he/she is asked to carry out. If a particular broker is only asked to place

## Agenda Item 6

short term investments, he/she may well not achieve the same overall rate as a broker who predominantly handles longer term investments for us.

- 42 The graph shows actual monthly receipts for 2016/17, 2017/18 and 2018/19 plus budgeted monthly receipts for 2018/19. The monthly interest budget has been profiled in line with the previous year's monthly weighted average principal.
- 43 Over the course of the year interest receipts amounted to £270,700 compared with a budget of £157,000.
- 44 In 2018/19 the average return on the Council's investments was roughly in line with that of our neighbouring authorities. Our overall rate of return was 0.72% compared with 0.99% for Tonbridge & Malling Borough Council and 0.76% for Gravesham Borough Council. It should be noted that investment returns are notoriously difficult to compare as they have often been compiled on a different basis (for example, whether or not interest has been compounded, whether or not cashflow generated balances have been included, whether or not externally managed funds have been included and whether or not the figures are net of borrowings). Note that this Council has also invested in property which is not included in this report.
- 45 Our treasury management advisers recommend the 3-month LIBID figure as a benchmark. This reflects a more realistic neutral investment position for core investments with a medium term horizon and a rate which is more stable with less fluctuation caused by market liquidity. Historically, this rate has been slightly higher than the 7-day rate and therefore more challenging a comparator, but one which does not necessitate a significantly increased level of risk. The figures calculated by our advisers for these two benchmarks are as follows:
- 7-day LIBID uncompounded 0.5068%
  - 3-month LIBID uncompounded 0.6753%

### **Compliance with treasury management limits and prudential indicators**

- 46 The Council operates to approved prudential indicators for treasury management as contained in the Treasury Management Strategy Statement (TMSS). The TMSS for 2018/19 was part of the annual treasury strategy reported to Council on 20 February 2018. The approved limits exist to regulate short-term borrowing for operational cash flow fluctuations, as well as long-term borrowing for financing capital investments. Additionally, the limits aim to mitigate against fluctuations in interest rates.

### **Other issues**

#### Update on the Municipal Bonds Agency

- 47 During 2014/15, the Council invested £50,000 to become an equity shareholder in the Local Capital Finance Company, which was set up by the



Local Government Association under the name of the Municipal Bonds Agency (MBA). This was a 'Policy Investment' and does not form part of the treasury management strategy. The purpose of the agency is to facilitate borrowing by local authorities at rates that are expected to be more competitive than those of the Public Works Loan Board (PWLB). There are 56 shareholder councils.

- 48 The primary focus of the agency has been delivering its first debt financing and has engaged with numerous authorities with regard to their debt finance requirements. The agency has received a strong confidential credit rating and has had its "Framework Agreement" approved by at least 25 councils, who can now avail themselves of borrowing from the agency.
- 49 The agency is still preparing for its initial debt offering and related financing to local authorities and this process has taken longer than originally anticipated. Accordingly, the Board of Directors implemented a series of measures to reduce the cost base in recent years. The latest set of accounts, covering the year to 30 November 2018, show that the agency reduced its operating expenditure to £733,000 from £1.1m in the previous year.
- 50 The agency has recently announced that it is to outsource its management and operations to an external provider. A tender has been issued for a "managed service provider" to develop a new operating model and corporate structure. The agency has also stated that the restructuring meant that "the directors have a reasonable expectation that the company will be able to provide financing to local authorities below the PWLB rate".

### Non-treasury management investments

- 51 Members will be aware that significant property purchases have been carried out in recent years which are regarded as non-treasury investments. Further details are contained within Property Investment Strategy reports that are submitted to Members separately.

### **Key Implications**

#### Financial

The management of the Council's investment portfolio and cash-flow generated balances plays an important part in the financial planning of the authority. The security of its capital and liquidity of its investments is of paramount importance.

#### Legal Implications and Risk Assessment Statement

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.

This annual review report fulfils the requirements of The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2017.

## Agenda Item 6

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. However, this particular report has no specific risk implications as it is not proposing any new actions, but merely reporting performance over the last year.

### 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.

### **Conclusions**

The overall return on the Council's investments was above budget in 2018/19 by approximately £113,700 and the percentage return exceeded the recognised benchmarks. Whilst returns exceeded budget, inflation continues to outpace investment returns, leading to the gradual erosion of capital in real terms.

The economic situation both globally and within the Eurozone remains volatile, and this will have consequences for the UK economy. Treasury management in the past financial year was conducted against this background and with a cautious investment approach.

### **Appendices:**

Appendix A - Investment portfolio at start and end of financial year

Appendix B - Analysis of investment portfolio by maturity and repayment due dates

Appendix C - Investment performance in 2018/19

### **Background Papers:**

[Treasury Management Strategy for 2018/19 - Council 20 February 2018](#)

**Adrian Rowbotham**  
**Chief Finance Officer**

**SEVENOAKS DISTRICT COUNCIL**

List of Investments as at:- 31-Mar-18

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	Broker
	Barclays Bank plc (Business Premium A/C)	A	U.K.		860,000	01-Oct-11			0.30000%	Variable	Direct
	National Westminster Bank plc (Liquidity Select)	BBB+	U.K.	RBS	0	07-Oct-11			0.01000%	Variable	Direct
	National Westminster Bank plc (95 Day Notice)	BBB+	U.K.	RBS	0	24-May-13			0.10000%	Variable	Direct
	Svenska Handelsbanken AB (Deposit A/C)	AA-	Sweden		0	23-Jul-14			0.20000%	Variable	Direct
	Svenska Handelsbanken AB (35 Day Notice A/C)	AA-	Sweden		3,000,000	01-Sep-16			0.30000%	Variable	Direct
	Standard Life Liquidity Fund (Money Market Fund)	AAA	U.K.		500,000	11-May-12				Variable	Direct
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		100,000	11-May-12				Variable	Direct
	BlackRock Liquidity Fund (Money Market Fund)	AAA	U.K.		500,000	13-Oct-16				Variable	Direct
IP1357	Bank of Scotland plc	A+	U.K.	Lloyds/HBOS	1,000,000	09-Aug-17	0.45000%		0.70000%	95 Day Notice	Direct
IP1377	Birmingham City Council		U.K.		1,000,000	31-Jan-18	0.46000%	30-Apr-18		3 Months	R P Martin
IP1369	Blackpool Borough Council		U.K.		2,000,000	24-Nov-17	0.50000%	24-May-18		6 Months	R P Martin
IP1364	Conwy County Borough Council		U.K.		2,000,000	31-Oct-17	0.43000%	30-Apr-18		6 Months	R P Martin
IP1362	Coventry Building Society	A	U.K.		2,000,000	18-Oct-17	0.45000%	18-Apr-18		6 Months	R P Martin
IP1378	Leeds Building Society	A-	U.K.		2,000,000	29-Mar-18	0.65000%	06-Jul-18		99 Days	Tradition
IP1361	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	05-Oct-17	0.36000%	05-Apr-18		6 Months	Direct
IP1365	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	2,000,000	03-Nov-17	0.65000%	03-May-18		6 Months	Direct
IP1366	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	06-Nov-17	0.65000%	08-May-18		6 Months	Direct
IP1373	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	30-Nov-17	0.65000%	31-May-18		6 Months	Direct
IP1374	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	05-Jan-18	0.70000%		0.70000%	95 Day Notice	Direct
IP1372	Nationwide Building Society	A+	U.K.		2,000,000	17-Nov-17	0.48000%	17-May-18		6 Months	Tradition
IP1371	Santander UK plc	A	U.K.		2,000,000	15-Nov-17	0.53000%	15-May-18		6 Months	Tradition
IP1375	Santander UK plc	A	U.K.		1,000,000	11-Jan-18	0.48000%	11-Apr-18		3 Months	Tradition
IP1367	Thurrock Borough Council		U.K.		3,000,000	06-Nov-17	0.50000%	08-May-18		6 Months	R P Martin
IP1368	Thurrock Borough Council		U.K.		2,000,000	16-Nov-17	0.50000%	16-May-18		6 Months	R P Martin
Total Invested					30,960,000						
<b>Other Loans</b>											
	Sevenoaks Leisure Limited				250,000	29-Apr-08	7.00000%	31-Mar-18		10 Years	Direct
	Sevenoaks Leisure Limited				600,000	27-Nov-17	6.00000%	30-Jul-27		10 Years	Direct

This page is intentionally left blank

**SEVENOAKS DISTRICT COUNCIL**

List of Investments as at:- 31-Mar-19

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	Broker
	Barclays Bank plc (Business Premium A/C)	A+	U.K.		115,000	01-Oct-11			0.55000%	Variable	Direct
	Svenska Handelsbanken AB (Deposit A/C)	AA	Sweden		0	23-Jul-14			0.40000%	Variable	Direct
	Svenska Handelsbanken AB (35 Day Notice A/C)	AA	Sweden		1,000,000	01-Sep-16			0.50000%	Variable	Direct
	Aberdeen Standard Liquidity Fund (Money Market Fund)	AAA	U.K.		0	11-May-12				Variable	Direct
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		0	11-May-12				Variable	Direct
	BlackRock Liquidity Fund (Money Market Fund)	AAA	U.K.		0	13-Oct-16				Variable	Direct
	CCLA Public Sector Deposit Fund (Money Market Fund)	AAA	U.K.		2,200,000	08-Oct-18				Variable	Direct
IP1357	Bank of Scotland plc	A+	U.K.	Lloyds/HBOS	1,000,000	09-Aug-17	0.45000%		1.10000%	95 Day Notic	Direct
IP1401	Goldman Sachs International Bank	A	U.K.		3,000,000	15-Nov-18	0.92000%	15-May-19		6 Months	Tradition
IP1400	Kingston upon Hull City Council		U.K.		2,000,000	26-Nov-18	0.90000%	28-May-19		6 Months	Tradition
IP1374	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	05-Jan-18	0.70000%		1.10000%	95 Day Notic	Direct
IP1403	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	21-Dec-18	1.00000%	21-Jun-19		6 Months	Direct
IP1398	London Borough of Croydon		U.K.		4,000,000	22-Oct-18	1.00000%	22-Jul-19		9 Months	Tradition
IP1402	Nottingham Building Society		U.K.		1,000,000	17-Dec-18	0.90000%	17-Jun-19		6 Months	Tradition
IP1399	Thurrock Borough Council		U.K.		3,000,000	31-Oct-18	0.95000%	30-Apr-19		6 Months	R P Martin
IP1405	Thurrock Borough Council		U.K.		2,000,000	31-Jan-19	0.95000%	31-Jul-19		6 Months	R P Martin

Total Invested

21,315,000

Other Loans

Sevenoaks Leisure Limited

600,000 02-Mar-18 6.00000% 02-Mar-28 10 Years Direct

This page is intentionally left blank

**SEVENOAKS DISTRICT COUNCIL**  
**ANALYSIS OF INVESTMENT POOL FUND 31.3.2019**

Appendix B

MATURITY PROFILE (BY VALUE)

BASED ON PERIOD OF INVESTMENT AT COMMENCEMENT DATE

<b>MATURITY PERIOD</b>	<b>BANKS £'000</b>	<b>B.SOCS £'000</b>	<b>MMFS £'000</b>	<b>OTHER LAs £'000</b>	<b>TOTAL £'000</b>
NOTICE MONEY	3,115	-	2,200	-	5,315
UP TO 1 MONTH	-	-	-	-	-
1 TO 3 MONTHS	-	-	-	-	-
3 TO 6 MONTHS	4,000	1,000	-	7,000	12,000
6 MONTHS TO 1 YEAR	-	-	-	4,000	4,000
OVER 1 YEAR	-	-	-	-	-
	<b>7,115</b>	<b>1,000</b>	<b>2,200</b>	<b>11,000</b>	<b>21,315</b>

MATURITY PROFILE (PERCENTAGE OF TOTAL FUND)

BASED ON PERIOD OF INVESTMENT AT COMMENCEMENT DATE

<b>MATURITY PERIOD</b>	<b>BANKS %</b>	<b>B.SOCS %</b>	<b>MMFS %</b>	<b>OTHER LAs %</b>	<b>TOTAL %</b>
NOTICE MONEY	14.6	-	10.3	-	24.9
UP TO 1 MONTH	-	-	-	-	-
1 TO 3 MONTHS	-	-	-	-	-
3 TO 6 MONTHS	18.8	4.7	-	32.8	56.3
6 MONTHS TO 1 YEAR	-	-	-	18.8	18.8
OVER 1 YEAR	-	-	-	-	-
	<b>33.4</b>	<b>4.7</b>	<b>10.3</b>	<b>51.6</b>	<b>100.0</b>

PROFILE OF REPAYMENTS DUE

	<b>VALUE £'000</b>	<b>% TOTAL FUND</b>
NOTICE MONEY	5,315	24.9
DUE WITHIN ONE MONTH	3,000	14.1
DUE WITHIN TWO MONTHS	5,000	23.5
DUE WITHIN THREE MONTHS	2,000	9.4
DUE WITHIN SIX MONTHS	6,000	28.1
DUE WITHIN ONE YEAR	-	-
DUE AFTER ONE YEAR	-	-
	<b>21,315</b>	<b>100.0</b>

This page is intentionally left blank



TOTAL INTEREST ON FUND 2018/2019

Broker/Institution	Apr-18			May-18			Jun-18		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	246,575.34	739.73	0.3000%	254,794.52	776.71	0.3048%	246,575.34	863.28	0.3501%
Aberdeen Standard (Money Market Fund)	347,945.21	1,686.09	0.4846%	413,698.63	2,127.76	0.5143%	395,342.47	2,073.77	0.5246%
Insight (Money Market Fund)	75,068.49	313.05	0.4170%	200,821.92	899.04	0.4477%	112,876.71	509.49	0.4514%
BlackRock (Money Market Fund)	106,849.32	473.62	0.4433%	234,246.58	1,143.41	0.4881%	275,342.47	1,355.43	0.4923%
CCLA (Money Market Fund)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Tradition	575,342.47	3,090.41	0.5371%	534,246.58	3,370.41	0.6309%	613,698.63	4,487.12	0.7312%
RP Martin	646,575.34	3,161.64	0.4890%	712,328.77	4,193.15	0.5887%	657,534.25	4,545.21	0.6913%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	906,849.32	5,101.36	0.5625%	419,178.08	2,686.85	0.6410%	410,958.90	2,810.96	0.6840%
Fund Average	2,905,205.48	14,565.91	0.5014%	2,769,315.07	15,197.33	0.5488%	2,712,328.77	16,645.26	0.6137%
Other Interest		0.00			2,493.02			3,588.16	
7 Day LIBID			0.3600%						0.3600%
3 Month LIBID			0.6300%			0.5200%			0.5100%

Broker/Institution	Jul-18			Aug-18			Sep-18		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	164,383.56	635.62	0.3867%	169,863.01	679.45	0.4000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	84,931.51	297.26	0.3500%	84,931.51	297.26	0.3500%	82,191.78	341.10	0.4150%
Aberdeen Standard (Money Market Fund)	385,205.48	2,080.36	0.5401%	419,178.08	2,580.87	0.6157%	399,452.05	2,611.25	0.6537%
Insight (Money Market Fund)	153,698.63	706.10	0.4594%	79,452.05	468.24	0.5893%	161,643.84	1,001.08	0.6193%
BlackRock (Money Market Fund)	201,917.81	1,025.43	0.5078%	276,712.33	1,736.24	0.6275%	334,246.58	2,218.10	0.6636%
CCLA (Money Market Fund)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Tradition	663,013.70	4,987.67	0.7523%	679,452.05	5,138.36	0.7563%	657,534.25	4,972.60	0.7563%
RP Martin	679,452.05	4,696.71	0.6913%	679,452.05	4,832.60	0.7113%	657,534.25	5,054.79	0.7688%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	589,041.10	4,055.34	0.6885%	594,520.55	4,490.96	0.7554%	739,726.03	4,897.81	0.6621%
Fund Average	2,921,643.84	18,484.49	0.6327%	2,983,561.64	20,223.98	0.6778%	3,032,328.77	21,096.73	0.6957%
Other Interest		-41.10			0.00			733.90	
7 Day LIBID			0.3600%			0.5800%			0.5900%
3 Month LIBID			0.6200%			0.6800%			0.6800%

Broker/Institution	Oct-18			Nov-18			Dec-18		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	84,931.51	424.66	0.5000%	82,191.78	410.96	0.5000%	84,931.51	424.66	0.5002%
Aberdeen Standard (Money Market Fund)	361,369.86	2,468.61	0.6831%	339,452.05	2,399.17	0.7068%	299,178.08	2,210.48	0.7389%
Insight (Money Market Fund)	193,424.66	1,236.28	0.6392%	184,657.53	1,203.27	0.6516%	80,547.95	547.96	0.6803%
BlackRock (Money Market Fund)	254,246.58	1,746.48	0.6869%	212,054.79	1,489.19	0.7023%	163,561.64	1,155.01	0.7062%
CCLA (Money Market Fund)	131,506.85	925.42	0.7037%	227,397.26	1,648.69	0.7250%	254,794.52	1,895.39	0.7439%
Tradition	723,287.67	5,826.58	0.8056%	931,506.85	8,155.07	0.8755%	1,104,109.59	9,913.42	0.8979%
RP Martin	679,452.05	5,243.84	0.7718%	657,534.25	5,671.23	0.8625%	679,452.05	5,860.27	0.8625%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	643,835.62	4,506.03	0.6999%	334,246.58	2,857.53	0.8549%	339,726.03	3,026.58	0.8909%
Fund Average	3,072,054.79	22,377.89	0.7284%	2,969,041.10	23,835.11	0.8028%	3,006,301.37	25,033.98	0.8327%
Other Interest		5,486.23			-27.40			247.03	
7 Day LIBID			0.5800%			0.5900%			0.5800%
3 Month LIBID			0.6800%			0.7500%			0.7900%

Broker/Institution	Jan-19			Feb-19			Mar-19		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	84,931.51	424.66	0.5000%	76,712.33	383.78	0.5003%	84,931.51	424.66	0.5000%
Aberdeen Standard (Money Market Fund)	411,780.82	3,180.81	0.7725%	332,602.74	2,623.14	0.7887%	167,671.23	1,312.75	0.7829%
Insight (Money Market Fund)	113,698.63	813.65	0.7156%	55,342.47	401.68	0.7258%	23,287.67	167.97	0.7213%
BlackRock (Money Market Fund)	270,684.93	1,987.70	0.7343%	132,054.79	978.52	0.7410%	23,287.67	173.31	0.7442%
CCLA (Money Market Fund)	254,794.52	1,962.39	0.7702%	191,780.82	1,513.97	0.7894%	141,369.86	1,023.69	0.7241%
Tradition	1,104,109.59	9,975.34	0.9035%	997,260.27	9,006.03	0.9031%	991,780.82	9,105.21	0.9181%
RP Martin	630,136.99	5,480.55	0.8697%	515,068.49	4,774.79	0.9270%	424,657.53	4,034.25	0.9500%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	339,726.03	3,201.93	0.9425%	265,753.42	2,729.05	1.0269%	254,794.52	2,717.82	1.0667%
Fund Average	3,209,863.01	27,027.03	0.8420%	2,566,575.34	22,410.96	0.8732%	2,111,780.82	18,959.64	0.8978%
Other Interest		5,486.23			0.00			6,843.49	
7 Day LIBID			0.5800%			0.5700%			0.5700%
3 Month LIBID			0.7900%			0.7300%			0.7200%

Cumulative Totals			
Broker/Institution	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	334,246.58	1,315.07	0.3934%
Handelsbanken (35 Day Notice)	1,498,630.14	5,808.91	0.3876%
Aberdeen Standard (Money Market Fund)	4,272,876.71	27,355.06	0.6402%
Insight (Money Market Fund)	1,434,520.55	8,267.81	0.5763%
BlackRock (Money Market Fund)	2,485,205.48	15,482.44	0.6230%
CCLA (Money Market Fund)	1,201,643.84	8,969.55	0.7464%
Tradition	9,575,342.47	78,028.22	0.8149%
RP Martin	7,619,178.08	57,549.04	0.7553%
Sterling	0.00	0.00	0.0000%
Direct dealing	5,838,356.16	43,082.21	0.7379%
Fund Average	34,260,000.00	245,858.30	0.7176%
Other Interest		24,809.56	
7 Day LIBID			0.5067%
3 Month LIBID			0.6750%

N.B.

These are the gross interest receipts rather than the interest remaining in the General Fund

# INVESTMENT RETURNS

## INVESTMENT RETURNS

	Actuals 16/17	Actuals 17/18	Actuals 18/19	Budget 18/19	Variance	Forecast 18/19
APR	19,679	11,389	14,566	10,480	4,086	14,600
MAY	21,188	11,020	17,690	11,259	6,431	17,700
JUN	22,859	11,182	20,233	11,622	8,611	20,200
JUL	21,769	13,806	18,443	12,530	5,913	18,500
AUG	23,005	11,280	20,224	13,050	7,174	20,200
SEP	21,312	11,190	21,831	12,963	8,868	21,800
OCT	21,399	13,282	27,864	13,361	14,503	27,900
NOV	17,942	14,533	23,808	14,782	9,026	23,800
DEC	18,150	17,148	25,281	15,683	9,598	25,300
JAN	19,573	20,510	32,513	16,362	16,151	32,500
FEB	14,244	15,173	22,411	13,113	9,298	22,400
MAR	16,626	17,852	25,803	11,795	14,008	25,800
	237,746	168,365	270,667	157,000	113,667	270,700

## INVESTMENT RETURNS (CUMULATIVE)

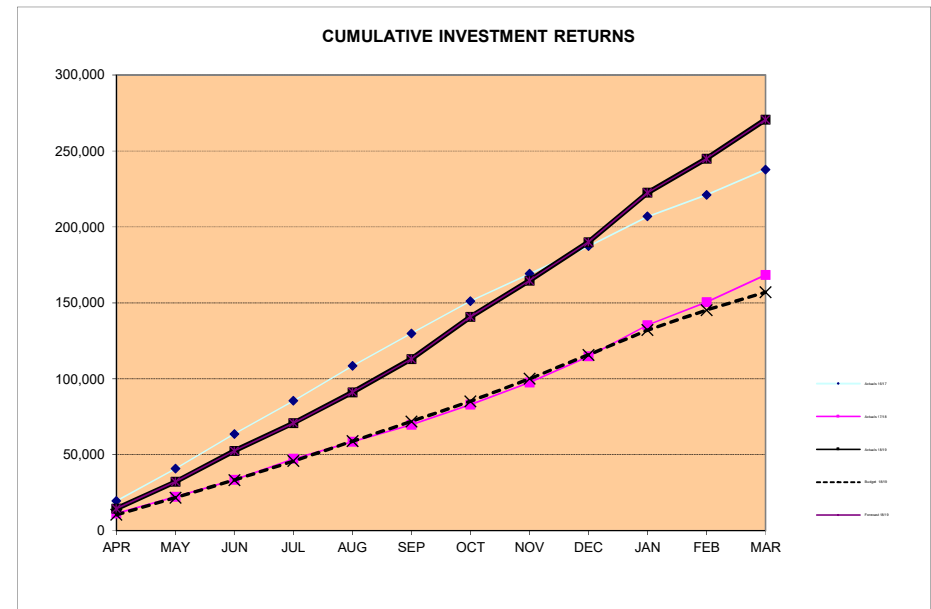
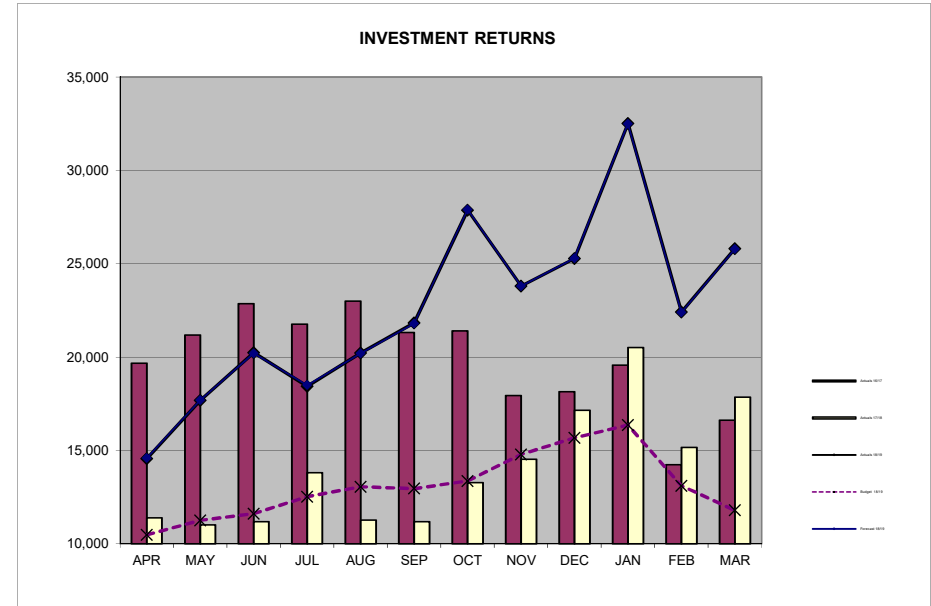
	Actuals 16/17	Actuals 17/18	Actuals 18/19	Budget 18/19	Variance	Forecast 18/19
APR	19,679	11,389	14,566	10,480	4,086	14,600
MAY	40,867	22,409	32,256	21,739	10,517	32,300
JUN	63,726	33,591	52,489	33,361	19,128	52,500
JUL	85,495	47,397	70,932	45,891	25,041	71,000
AUG	108,500	58,677	91,156	58,941	32,215	91,200
SEP	129,812	69,867	112,987	71,904	41,083	113,000
OCT	151,211	83,149	140,851	85,265	55,586	140,900
NOV	169,153	97,682	164,659	100,047	64,612	164,700
DEC	187,303	114,830	189,940	115,730	74,210	189,900
JAN	206,876	135,340	222,453	132,092	90,361	222,500
FEB	221,120	150,513	244,864	145,205	99,659	244,900
MAR	237,746	168,365	270,667	157,000	113,667	270,700

BUDGET FOR 2018/19                    157,000  
 FORECAST OUTTURN                    270,700

CODE:-                    **YHAA                    96900**

N.B.  
 These are the gross interest receipts rather than  
 the interest remaining in the General Fund

Fund Average                    0.7176%  
 7 Day LIBID                    0.5067%  
 3 Month LIBID                    0.6750%



**Item 7 - Financial Results 2019/20 - to the end of July 2019**

The attached report was considered by the Finance and Investment Advisory Committee on 3 September 2019. The relevant Minute extract was not available prior to the printing of this agenda and will follow when available.

This page is intentionally left blank

**FINANCIAL RESULTS 2019/20 - TO THE END OF JULY 2019**

**Cabinet - 12 September 2019**

Report of Chief Finance Officer

Status: For consideration

Also considered by: Finance & Investment Advisory Committee - 3 September 2019

Key Decision: No

---

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

Portfolio Holder Cllr. Matthew Dickins

Contact Officer(s) Alan Mitchell Ext. 7483  
Adrian Rowbotham Ext. 7153

---

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

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

---

**Reason for recommendation:** Sound financial governance of the Council.

---

**Overall Financial Position**

1 The year-end position is currently forecast to be a favourable variance of £44,000; this represents just under 0.3% of our net service expenditure budget totalling £15,521,000. This favourable variance includes £90,000 of interest from loans to Quercus 7 for property investments. If this was excluded there would be an unfavourable variance forecast of £46,000.

**Year to Date - Areas of Note**

2 Pay costs - the expenditure to date on staff costs is £51,000 below budget. There are currently vacancies within Corporate Services and Emergency Planning & Property. Planning and Building Control have recently had a restructure approved and are employing consultants which may utilise any underspend. The impact of the larger salary variances are included within the Chief Officer commentaries.

## Agenda Item 7

- 3 Income - the Council receives a number of different income streams to help balance the budget; section 8 of the monitoring pack provides details in relation to the main streams. At the end of July, income is ahead of profile for On-Street Parking and Building Control and Development Management. The level of On-Street Parking income remained at an increased level as during large scale works customers park in different locations and are slowly moving back to carparks. We have seen an increase in the use of season tickets and proposed changes to implement short term parking options are anticipated to increase car park income. Land Charges and Planning Fee income is currently lower due to a reduced volume of search requests; Chief Officers are aware of risks and have provided further details in their commentaries.
- 4 Investment Returns - the return to date on the investments held by the Council has resulted in a favourable position being reported, with interest received to date totalling £61,000 compared to a budget of £49,000.
- 5 New Homes Bonus - the Council is due to receive £1,220,000 New Homes Bonus during 2019/20; as per the 10-year budget, this income will not be applied to fund the provision of services, instead it will be transferred to the Budget Stabilisation Reserve to be utilised as future needs arise.
- 6 Retained Business Rates - Income expectation of £2,132,000 forms part of the 2019/20 budget; any receipts over and above this amount, including those that result from being a beneficiary of the Kent Business Rates Pool, will be transferred to the Budget Stabilisation Reserve. Regular monitoring takes place, with any amendments feeding into the outturn forecasts.

### **Year End Forecast**

- 7 The year-end forecast position is a favourable variance of £44,000. Following are details of the larger variances, both favourable and unfavourable.

### **Net Service Expenditure - Favourable variances**

- 8 The revision of the sewage treatment plant charges to full cost recovery will result in additional income and a favourable variance of £12,000.
- 9 Various underspends across Environmental & Operational Services support functions has resulted in a favourable variance of £17,000 being forecast; this is as a result of savings on repairs, postage, phones, equipment and other minor expenditure areas.
- 10 Within Corporate Management is the grant received from the Government to help local authorities with any necessary preparations for the UK exiting the EU. Until further information about the nature of the UK's exit is known the grant funding will not be committed. The annual forecast, currently £18,000 favourable will be continually reviewed and adjusted once any necessary spending commitments are known

**Net Service Expenditure - Unfavourable variances**

- 11 Land charges fees were revised for 2019/20 but the number of searches is down on previous years leading to a £10,000 unfavourable forecast.
- 12 Car Parks income is £10,000 below target, with day ticket income down although season ticket income is up. The Business Rates bills for 2019/20 are higher than budgeted leading to an overall unfavourable variance of £30,000.
- 13 A new enforcement service is being trialled for a year and is currently not expected to achieve the full £100,000 in the year. The future service provision will be reviewed during the year. £95,000 is due to be received from Kent County Council following SDC's decision at Council on 26/02/19 to amend the Council Tax Empty Property discounts. £43,000 has been spent with business rates valuation experts and is shown as a cost here. A corresponding amount of additional income is shown on the Business Rates line.
- 14 There is unrealised income within CCTV but reduced transmissions costs offset this slightly leading to an unfavourable variance of £25,000.
- 15 Estate Management for Buildings are forecasting an unfavourable variance of £50,000 due to Business Rates bills being higher than budgeted and includes Meeting Point in Swanley which will continue to be incurred until the building is demolished.

**Other Variances**

- 16 Retained Business Rates - Additional income of £43,000 has been forecast to reflect an increase in Rateable Values following works undertaken by Analyse Local; the cost of these works is reflected in Local Tax.
- 17 Interest Receipts - current levels of investment returns and possible rates available going forward has resulted in £12,000 additional income being forecast.
- 18 Investment Property Income - The properties held within the Property Investment Strategy continue to achieve the income levels predicted. During this year the council has loaned funds to Quercus 7 to enable property purchases. This will result in the council receiving an additional £90,000 interest compared to what would have been earned via treasury management interest receipts.

**Future Issues and Risk areas**

- 19 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:
  - Feasibility costs for property investments and development of council owned assets.
  - The full service of Universal Credit, seeing the transfer of new claims to Universal Credit, commenced in November 2018. Migration for existing

## Agenda Item 7

claims is being phased after this date; however, pensioner cases will be retained. Regular liaison meetings are taking place between DBC/SDC managers and DWP partnership managers.

- Business Rates amount not yet known for new Sevenoaks Town Car Park.
- There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts. The U+I Public Inquiry has now taken place and a cost award was successful. The effect of that will be reported in future months.
- Staff turnover remains high with planning and recruiting to vacant posts continues to be difficult.
- The Local Plan process will likely generate the submission of a small number of potentially high fee applications, which will be carefully monitored.

20 The potential impact of Brexit is being monitored and addressed as part of the Council's risk management process.

### 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 A - July Budget Monitoring Commentary

Appendix B - July Financial Information

### Background Papers

None

Adrian Rowbotham

Chief Finance Officer



Budget Monitoring for July 2019

**Contents**

- 1 Commentaries
- 2 Overall Summary
- 3 Overall Summary by Service
- 4 Cumulative Salary Monitoring
- 5 Direct Services Trading accounts
- 6 Investment Income
- 7 Staffing Statistics
- 8 Income Graphs

## Communities and Business – July 19 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
West Kent Partnership	(18)		External funding received in advance
Youth	16		Youth Zone activity costs paid in advance so spend is ahead of profile.
Choosing Health WK PCT	35		External funding to be received.
One You - Your Home Project	(10)		External funding received in advance
PCT Initiatives	(17)		External funding received in advance – will part fund Choosing Health above.
West Kent Kick Start	(12)		External funding received in advance

*For noting, figures in brackets represent a favourable variance*

**Future Issues/Risk Areas**

Feasibility costs for property investments and development of council owned. This is carefully monitored

**Lesley Bowles**  
**Chief Officer - Communities and Business**  
**July 2019**

## Corporate Services – July 2019 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Asset Maintenance IT	(48)		Spend as per 10-year asset maintenance plan – any surplus will be moved to the IT Asset Maintenance reserve at year end as agreed.
Elections	10		Current overspend is due to income outstanding relating to the EU Parliamentary Elections. The remaining 25% of the fees will be recovered once accounts are signed off by the Electoral Claims Unit (ECU).
Support - Legal Function	(15)		Underspend due to currently vacant post. This underspend is likely to cover the cost of external advice required. The new postholder starts in October.
Land Charges	9	10	Current underachievement in income is due to a reduced volume of search requests received in April. This will be monitored monthly and potentially offset by increased volumes in later periods.

*For noting, figures in brackets represent a favourable variance*

#### Future Issues/Risk Areas

**Jim Carrington-West**  
**Chief Officer – Corporate Services**  
**July 2019**

## Environmental and Operational Services – July 2019 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Asset Maintenance Argyle Road	12		Replacement carpets and new rear doors installed off staff car parks. This is within the annual budget.
Asset Maintenance Leisure	34		Works carried out to showers and boilers and lifts at Edenbridge Leisure Centre. This will be contained within the annual asset maintenance budget.
Asset Maintenance Support & Salaries	(35)		This includes the additional asset maintenance budget approved in the 2019/20 budget process. The new emergency generator will be funded from here.
Car Parks	62	60	Full Business Rates bills paid for year. Actual expenditure is £30,000 over budget. Income is £12,000 below target. Day ticket income is down but season ticket income is up.
Estates Management Buildings	47	50	Business Rates bill paid for Meeting Point building in Swanley. This will continue to be paid until the building is demolished.
Housing Premises	(16)	(9)	Income received for Private Sewage treatment works ahead of profile. Income received higher than budget.
Licensing Regime	(13)		Income £10,000 above profile

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Markets	(28)		Income for Swanley Market ahead of profile.
Parks and Recreation Grounds	(18)		First invoice from Consultants for Bradbourne Lakes surveys, paid in 2018/19.
Parks - Rural	(11)		Income received for coppiced timber.
Private Sector Housing	(22)	(12)	Savings on salaries due to vacancies which have now been filled.
Refuse Collection	(80)		£60,000 income received from Kent Resource Partnership. To be used for recycling initiatives.
Support - Central Offices	(11)	(10)	Expenditure is currently below profile on utility bills and repair and maintenance.
Support - General Admin	(11)	(7)	Savings on salaries and postage costs.
Taxis	(10)		Income ahead of profile and charges from DirectServices for taxi testing below profile.
Direct Services - Trading Accounts	48	20	Income £41,000 below profile (Trade waste; workshop; pest control). Expenditure £7,000 above profile.

*For noting, figures in brackets represent a favourable variance*

#### **Future Issues/Risk Areas**

Business Rates amount not yet known for new Sevenoaks Town Car Park.

Richard Wilson  
Chief Officer - Environmental & Operational Services - July 2019

### Finance – July 2019 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Corporate Management	(16)	(18)	Government have provided an additional grant to local authorities for any necessary preparations for the UK exiting the EU. Until further information about the nature of the UK's exit is known the grant funding will not be committed. The annual forecast will be continually reviewed and adjusted once any necessary spending commitments are known
Corporate - Other	(18)		The savings made from vacant posts are currently ahead of profile for the year to date. Currently the level of savings generated is forecast to reduce in the coming months and to be in line with the budgeted amount by the end of September. Should additional vacancies arise the year-end forecast will be reviewed.
Dartford Partnership Hub (SDC costs)	(64)		Underspend due to staff vacancies mainly in Audit due to the staffing restructure that is to be completed soon.

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Equalities Legislation	(20)		The Council holds a budget to ensure it as able to make changes or adaptations to services should it identify a need through an equalities impact assessment. Currently there are no commitments against this budget and the annual forecast will continually be reviewed and adjusted once any necessary spending commitments are known.
External Communications	(15)		The current variance is due to a delay in the receipt of invoices for the production and dispatch of InShape magazine and the support costs for the Council website. It is forecast that the budget for these items will be spent in full this year.
Local Tax	55	22	A new enforcement service is being trialled for a year and is currently not expected to achieve the full £100,000 in the year. The future service provision will be reviewed during the year. £95,000 is due to be received from Kent County Council following SDC's decision at Council on 26/02/19 to amend the Council Tax Empty Property discounts. £43,000 has been spent with business rates valuation experts and is shown as a cost here. A corresponding amount of additional income is shown on the Business Rates line.
Members	(11)		Some positions were unfilled for a period following the election.
Administrative Expenses - Finance	16		Works carried out to improve the Finance IT system.
Support - General Admin	15		Print Studio income is currently below budget from both internal and external customers. Should this pattern continue savings will be sought in expenditure to seek to reduce the adverse variance.

*For noting, figures in brackets represent a favourable variance*

#### Future Issues/Risk Areas

The full service of Universal Credit, seeing the transfer of new claims to Universal Credit, commenced in November 2018. Migration for existing claims will be phased after this date; however, pensioner cases will be retained. Regular liaison meetings are taking place with DWP partnership managers.

**Adrian Rowbotham, Chief Finance Officer - July 2019**



### Planning – July 2019 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Planning Performance Agreement (PPA)	11		This will be covered by phased payments from a PPA.
LDF Expenditure	12		This will be drawn down from the Local Plan Reserve.
Planning - Appeals	36		This is the result of an award of costs at Fircroft Way, Edenbridge. This cost may be offset by year-end but it is too early to assume at this stage.
Planning - Development Management	(66)		This results from an underspend on salaries due to vacant posts, which are proving difficult to fill, and an overachievement on fee income due to a small number of high fee applications.
Building Control	(24)		This is a result of an overachievement on fee income and is being closely monitored to see if it is a trend.

*For noting, figures in brackets represent a favourable variance*

#### Future Issues/Risk Areas

There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts. The U+I Public Inquiry has now taken place and a cost award was successful. The effect of that will be reported in future months. Staff turnover remains high and recruiting to vacant posts continues to be difficult. The Local Plan process will likely generate the submission of a small number of potentially high fee applications, which will be carefully monitored.

**Richard Morris, Chief Planning Officer - July 2019**

This page is intentionally left blank

*Position as at the end of July 2019  
(Period 202004)*

	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	Annual Variance %
Communities & Business	603	1,595	1,595	0	0.0
Corporate Services	918	3,162	3,172	10	0.3
Environmental & Operational Services	1,593	5,069	5,136	67	1.3
Financial Services	775	4,517	4,521	4	0.1
Planning Services	287	1,285	1,285	0	0.0
	<b>4,175</b>	<b>15,627</b>	<b>15,708</b>	<b>81</b>	<b>0.5</b>
<i>Adjustments to Reconcile to amount to be met from reserves</i>					
Direct Services Trading Account	(72)	(144)	(124)	20	13.9
Capital Charges outside the General Fund	(15)	(60)	(60)	0	0.0
Support Services outside the General Fund	(43)	(172)	(172)	0	0.0
<b>NET SERVICE EXPENDITURE</b>	<b>4,045</b>	<b>15,251</b>	<b>15,352</b>	<b>101</b>	<b>0.7</b>
Revenue Support Grant and New Homes Bonus	0		0	0	-
Retained Business Rates	(533)	(2,132)	(2,175)	(43)	(2.0)
Council Tax	(2,729)	(10,917)	(10,917)	0	(0.0)
Contribution from Collection Fund	0	0	0	0	-
<u>Summary excluding Investment Income</u>	<b>783</b>	<b>2,202</b>	<b>2,260</b>	<b>58</b>	<b>2.6</b>
Investment Property Income	(704)	(1,258)	(1,348)	(90)	0.0
Interest Receipts	(80)	(200)	(212)	(12)	0.0
<b>OVERALL TOTAL</b>	<b>(1)</b>	<b>744</b>	<b>700</b>	<b>(44)</b>	<b>(5.9)</b>
Planned Appropriation to/(from) Reserves	(186)	(744)	(744)	0	
Other Reserve Movements	0	0	0	0	
Supplementary Estimates	0	0	0	0	
(Surplus)/Deficit	<b>(187)</b>	<b>0</b>	<b>(44)</b>	<b>(44)</b>	

### 3. Services by Chief Officer

#### *Position as at the end of July 2019 (Period 202004)*

#### **Communities and Business SDC Funded**

- Administrative Expenses - Communities & Business	8	22	22	-
- Administrative Expenses - Housing	0	-	-	-
- All Weather Pitch	(2)	(5)	(5)	-
- Community Development Service Provisions	(6)	(6)	(6)	-
- Community Safety	52	201	201	-
- Economic Development	30	59	59	-
- Economic Development Property	86	291	291	-
- Grants to Organisations	160	183	183	-
- Health Improvements	15	53	53	-
- Housing Initiatives	10	48	48	-
- Homeless	61	253	253	-
- Homelessness Funding	33	-	-	-
- Housing	97	118	118	-
- Homelessness Prevention	3	-	-	-
- Housing Energy Retraining Options (HERO)	38	45	45	-
- Leader Programme	1	4	4	-
- Leisure Contract	13	183	183	-
- Leisure Development	5	20	20	-
- The Community Plan	14	57	57	-
- Tourism	10	33	33	-
- West Kent Partnership	(38)	-	-	-
- Youth	25	35	35	-
<b>Total Communities &amp; Business (SDC Funded)</b>	<b>615</b>	<b>1,595</b>	<b>1,595</b>	<b>-</b>

Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
8	22	22	-
0	-	-	-
(2)	(5)	(5)	-
(6)	(6)	(6)	-
52	201	201	-
30	59	59	-
86	291	291	-
160	183	183	-
15	53	53	-
10	48	48	-
61	253	253	-
33	-	-	-
97	118	118	-
3	-	-	-
38	45	45	-
1	4	4	-
13	183	183	-
5	20	20	-
14	57	57	-
10	33	33	-
(38)	-	-	-
25	35	35	-
<b>615</b>	<b>1,595</b>	<b>1,595</b>	<b>-</b>

**Position as at the end of July 2019  
(Period 202004)**

**Communities and Business Externally Funded**

- Choosing Health WK PCT
- Community Sports Activation Fund
- Dementia Area Project - Run Walk Push
- Dunton Green Projects - S106
- Dunton Green Projects
- One You - Your Home Project
- Partnership - Home Office
- PCT Health Checks
- PCT Initiatives
- Sport Satellite Clubs
- Sportivate Inclusive Archery Project
- Troubled Families Project
- West Kent Enterprise Advisor Network
- West Kent Kick Start
- West Kent Business Rates Retention
- West Kent Partnership Business Support
- Total Communities & Business (Ext Funded)**

**Total Communities & Business**

Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
36	-	-	-
0	-	-	-
(4)	-	-	-
15	-	-	-
(0)	-	-	-
(10)	-	-	-
(24)	-	-	-
(0)	-	-	-
(11)	-	-	-
(1)	-	-	-
(0)	-	-	-
(2)	-	-	-
4	-	-	-
(12)	-	-	-
6	-	-	-
(7)	-	-	-
(12)	-	-	-
603	1,595	1,595	-

**Position as at the end of July 2019  
(Period 202004)**

**Corporate Services**

- Asset Maintenance IT
- Civic Expenses
- Democratic Services
- Elections
- Register of Electors
- Administrative Expenses - Corporate Services
Land Charges
Street Naming
- Administrative Expenses - Legal and Democratic
- Administrative Expenses - Human Resources
- Support - Contact Centre
- Support - General Admin
- Support - IT
- Support - Legal Function
- Support - Local Offices
- Support - Nursery
- Support - Human Resources
- Corporate Projects
<b>Total Corporate Services</b>

Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
23	283	283	-
15	17	17	-
42	156	156	-
72	140	140	-
35	223	223	-
4	17	17	-
(16)	(105)	(95)	10
(7)	6	6	-
37	69	69	-
8	4	4	-
136	531	531	-
16	28	28	-
391	1,093	1,093	-
41	241	241	-
14	19	19	-
0	-	-	-
85	342	342	-
21	101	101	-
<b>918</b>	<b>3,162</b>	<b>3,172</b>	<b>10</b>

**Position as at the end of July 2019  
(Period 202004)**

**Environment and Operational**

- Asset Maintenance Argyle Road
- Asset Maintenance CCTV
- Asset Maintenance Countryside
- Asset Maintenance Other Corporate Properties
- Asset Maintenance Direct Services
- Asset Maintenance Hever Road
- Asset Maintenance Leisure
- Asset Maintenance Playgrounds
- Asset Maintenance Support & Salaries
- Asset Maintenance Sewage Treatment Plants
- Asset Maintenance Public Toilets
- Bus Station
- Car Parks
- Car Parking - On Street
- CCTV
- Civil Protection
- Dartford Environmental Hub (SDC Costs)
- EH Commercial
- EH Animal Control
- EH Environmental Protection

Y-T-D	Annual	Annual	Forecast
Actual	Budget	Forecast	Annual
£'000	£'000	(including Accruals)	Variance
		£'000	£'000
30	75	75	-
2	18	18	-
-	8	8	-
5	33	33	-
10	40	40	-
16	38	38	-
80	182	182	-
2	8	8	-
11	228	228	-
-	9	9	-
-	7	7	-
11	13	13	-
(240)	(1,974)	(1,944)	30
(126)	(490)	(490)	-
100	266	291	25
19	71	71	-
(0)	-	-	-
2	260	260	-
1	1	1	-
8	401	401	-

**Position as at the end of July 2019  
(Period 202004)**

**Environment and Operational cont.**

	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
- Emergency	18	68	68	-
- Energy Efficiency	-	26	26	-
- Estates Management - Buildings	76	(11)	39	50
- Estates Management - Grounds	37	119	119	-
- Gypsy Sites	(2)	(6)	(6)	-
- Disabled Facilities Grant Administration	0	(20)	(20)	-
- Housing Premises	(25)	1	(8)	(9)
- Kent Resource Partnership	60	(0)	(0)	-
- Licensing Partnership Hub (Trading)	(5)	-	-	-
- Licensing Partnership Members	(1)	-	-	-
- Licensing Regime	9	9	9	-
- Markets	(71)	(184)	(184)	-
- Parking Enforcement - Tandridge DC	(2)	(29)	(29)	-
- Parks and Recreation Grounds	28	183	183	-
- Parks - Greensand Commons Project	5	-	-	-
- Parks - Rural	19	130	130	-
- Private Sector Housing	40	207	195	(12)
- Private Sector Housing Maintenance Operatives	5	-	-	-
- Public Transport Support	-	0	0	-
- Refuse Collection	661	2,779	2,779	-
- Administrative Expenses - Direct Services	0	-	-	-
- Administrative Expenses - Health	1	10	10	-
- Administrative Expenses - Licensing	0	8	8	-
- Administrative Expenses - Property	0	3	3	-
- Administrative Expenses - Transport	1	7	7	-
- Street Cleansing	364	1,464	1,464	-



**Position as at the end of July 2019  
(Period 202004)**

**Environment and Operational cont.**

- Support - Central Offices
- Support - Central Offices - Facilities
- Support - General Admin
- Support - Health and Safety
- Support - Direct Services
- Support - Procurement
- Support - Property Function
- Sevenoaks Switch and Save
- Taxis
- Public Conveniences

**Total Environmental and Operational Services**

Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
294	473	463	(10)
68	273	273	-
36	189	182	(7)
5	18	18	-
16	51	51	-
-	6	6	-
16	48	48	-
(0)	-	-	-
(9)	2	2	-
16	49	49	-
<b>1,593</b>	<b>5,069</b>	<b>5,136</b>	<b>67</b>

**Position as at the end of July 2019  
(Period 202004)**

<b>Finance</b>	<b>Y-T-D Actual £'000</b>	<b>Annual Budget £'000</b>	<b>Annual Forecast (including Accruals) £'000</b>	<b>Forecast Annual Variance £'000</b>
- Action and Development	-	7	7	-
- Benefits Admin	(411)	180	180	-
- Benefits Grants	118	(25)	(25)	-
- Consultation and Surveys	-	4	4	-
- Corporate Management	213	1,072	1,054	(18)
- Corporate - Other	-	39	39	-
- Dartford Partnership Hub (SDC costs)	536	-	-	-
- Equalities Legislation	-	20	20	-
- External Communications	32	201	201	-
- Housing Advances	1	1	1	-
- Local Tax	(265)	(56)	(34)	22
- Members	102	455	455	-
- Misc. Finance	317	1,763	1,763	-
- Performance Improvement	6	(1)	(1)	-
- Administrative Expenses - Chief Executive	2	22	22	-
- Administrative Expenses - Finance	30	32	32	-
- Administrative Expenses - Transformation and Strategy	2	5	5	-
- Support - Counter Fraud	(21)	55	55	-
- Support - Audit Function	(5)	185	185	-
- Support - Exchequer and Procurement	34	125	125	-
- Support - Finance Function	44	183	183	-
- Support - General Admin	11	124	124	-
- Treasury Management	29	126	126	-
<b>Total Finance</b>	<b>775</b>	<b>4,517</b>	<b>4,521</b>	<b>4</b>

**Position as at the end of July 2019  
(Period 202004)**

**Planning Services**

- Administrative Expenses - Planning Services
- Community Housing Fund
- Conservation
- Planning Performance Agreement
- LDF Expenditure
- Planning - Appeals
- Planning - CIL Administration
- Planning - Counter
- Planning - Development Management
- Planning - Enforcement
- Planning Policy
- Building Control Partnership Members
- Building Control Partnership Hub (SDC Costs)
- Building Control
- Dangerous Structures
- Administrative Expenses - Building Control

**Total Planning Services**

Y-T-D	Annual	Annual	Forecast
Actual	Budget	Forecast	Annual
£'000	£'000	(including Accruals) £'000	Variance £'000
13	46	46	-
4	-	-	-
19	92	92	-
11	-	-	-
12	-	-	-
87	207	207	-
5	(68)	(68)	-
(0)	-	-	-
(20)	232	232	-
69	280	280	-
142	610	610	-
(0)	-	-	-
(0)	-	-	-
(56)	(129)	(129)	-
-	3	3	-
1	12	12	-
<b>287</b>	<b>1,285</b>	<b>1,285</b>	<b>-</b>

## 4. Cumulative Salary Monitoring

**Position as at the end of July 2019**  
**(Period 202004)**

Communities and Business  
Corporate Services  
Environmental & Operational Services:  
- Emergency Planning & Property  
- Environmental Health  
- Licensing  
- Operational Services  
- Parking  
Financial Services  
Planning Services  
- Planning  
- Building Control  
**Sub Total**

Council Wide - Vacant Posts  
Staff Recruitment and Retention  
**TOTAL SDC Funded Salary Costs**

Externally Funded & Funded from other sources (gross figures).  
*Overspendings here are matched by external funding and represent additional resources secured for the Council since the budget was set.*

Communities and Business Ext. Funded  
Environmental & Operational Services Ext Funded  
**TOTAL All Salary Costs**

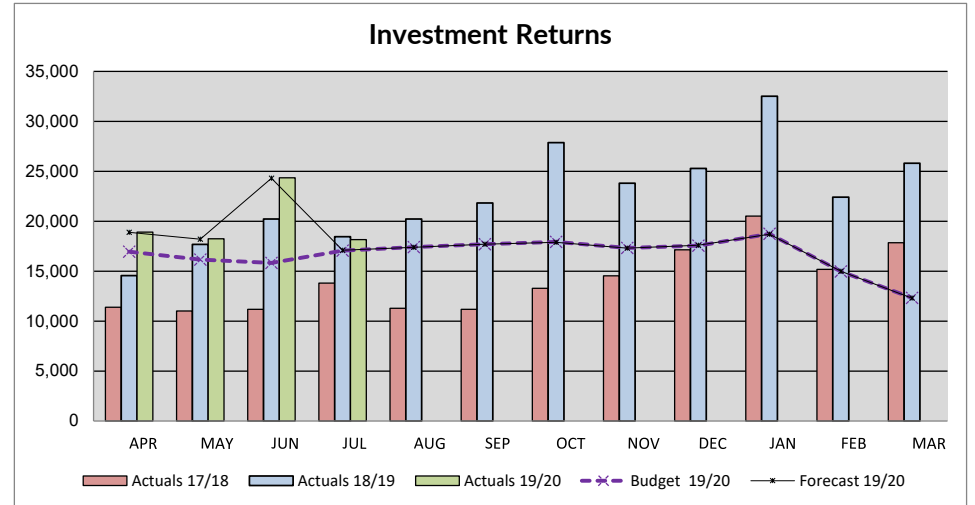
Y-T-D	Annual	Annual	Annual	Annual
Actual	Budget	Forecast	Variance	Variance
£'000	£'000	£'000	£'000	%
288	1,031	1,031	0	-
623	2,604	2,572	(32)	(1)
1,545	6,136	6,117	(19)	(0)
185	778	759	(19)	(2)
160	668	668	0	-
94	391	391	0	-
985	3,825	3,825	0	-
121	475	475	0	-
666	2,896	2,896	0	-
<b>596</b>	<b>2,578</b>	<b>2,578</b>	<b>0</b>	<b>-</b>
509	2,242	2,242	0	-
87	336	336	0	-
<b>3,718</b>	<b>15,246</b>	<b>15,195</b>	<b>(51)</b>	<b>(0)</b>
0	(86)	(86)	0	-
0	72	72	0	-
<b>3,718</b>	<b>15,232</b>	<b>15,181</b>	<b>(51)</b>	<b>(0)</b>
164	667	667	0	-
32	173	173	0	-
<b>195</b>	<b>841</b>	<b>841</b>	<b>0</b>	<b>-</b>
<b>3,913</b>	<b>16,073</b>	<b>16,022</b>	<b>(51)</b>	<b>(0)</b>

5 Direct Services  
July 2019

2019-20	PERIOD				YEAR-TO-DATE				ANNUAL			Y-T-D NET VARIANCE			ANNUAL NET VARIANCE		
	Budget	Actual	Actual / Budget	Variance	Budget	Actual	Actual / Budget	Variance	Budget	Forecast	Variance	Net Budget by Service	Net Actual by Service	Variance by Service	Net Budget by Service	Net Actual by Service	Variance by Service
Jun-19	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>																	
Refuse	(220)	(223)	(1.2)	(3)	(660)	(661)	(0.1)	(1)	(2640)	(2640)	0	2	14	11	10	10	0
CDSU	(9)	(8)	2.6		(26)	(25)	1.1		(103)	(103)	0	5	9	3	20	20	0
Street & Toilet Cleaning	(123)	(123)	(0.3)	(0)	(350)	(352)	(0.5)	(2)	(1400)	(1400)	0	(3)	(13)	(9)	(13)	(13)	0
Trade	(73)	(69)	5.5	4	(150)	(142)	5.3	8	(447)	(447)	0	(50)	(44)	6	(46)	(46)	0
Workshop	(62)	(66)	(7.1)	(4)	(186)	(172)	7.7	14	(744)	(744)	0	(0)	1	2	(1)	(1)	0
Green Waste	(75)	(48)	35.8	27	(213)	(212)	0.6	1	(596)	(596)	0	(79)	(68)	11	(66)	(66)	0
															0	0	0
Cesspools	(20)	(19)	5.0	1	(61)	(62)	(2.7)	(2)	(243)	(243)	0	(8)	(2)	6	(31)	(31)	0
Pest Control	(11)	(6)	41.7	5	(18)	(11)	38.7	7	(90)	(90)	0	5	14	9	0	0	0
Grounds	(15)	(15)	1.1		(46)	(46)	1.1	1	(185)	(185)	0	1	(12)	(13)	(2)	(2)	0
Fleet	(80)	(79)	0.7	1	(239)	(234)	2.3	6	(958)	(958)	0	0	6	6	0	0	0
Depot	(25)	(22)	12.2	3	(81)	(73)	9.7	8	(302)	(302)	0	11	27	17	(0)	(0)	0
Emergency	(5)	(5)	0.0	0	(14)	(14)	0.0	0	(57)	(57)	0	(4)	(5)	(1)	(15)	(15)	0
<b>Total Income</b>	<b>(717)</b>	<b>(684)</b>	<b>4.6</b>	<b>33</b>	<b>(2045)</b>	<b>(2004)</b>	<b>2.0</b>	<b>41</b>	<b>7766</b>	<b>7766</b>		<b>(120)</b>	<b>(72)</b>	<b>48</b>	<b>(145)</b>	<b>(145)</b>	
<b>Expenditure</b>																	
Refuse	221	222	0.6	1	663	675	1.8	12	2,650	2,650	0						
CDSU	10	9	(9.6)	(1)	31	34	9.7	3	124	124	0						
Street & Toilet Cleaning	116	112	(3.0)	(3)	347	339	(2.2)	(8)	1,387	1,387	0						
Trade	33	33	(1.7)	(1)	100	98	(2.1)	(2)	401	401	0						
Workshop	62	64	2.8	2	186	173	(6.8)	(13)	743	743	0						
Green Waste	40	61	51.1	21	134	144	7.7	10	530	530	0						
															0	0	0
Cesspools	18	21	18.7	3	53	60	13.9	7	212	212	0						
Pest Control	7	8	8.6	1	23	26	9.9	2	90	90	0						
Grounds	16	10	(35.3)	(6)	47	34	(28.5)	(13)	183	183	0						
Fleet	80	81	1.0	1	239	240	0.3	1	958	958	0						
Depot	22	24	11.9	3	91	100	9.6	9	301	301	0						
Emergency	3	3	(10.0)	(0)	10	9	(12.1)	(1)	41	41	0						
<b>Total Expenditure</b>	<b>628</b>	<b>648</b>	<b>3.2</b>	<b>20</b>	<b>1925</b>	<b>1932</b>	<b>0.4</b>	<b>7</b>	<b>7621</b>	<b>7621</b>	<b>0</b>						
<b>Net</b>	<b>88</b>	<b>(35)</b>	<b>7.8</b>	<b>53</b>	<b>(120)</b>	<b>(72)</b>	<b>2.4</b>	<b>48</b>	<b>145</b>	<b>145</b>							

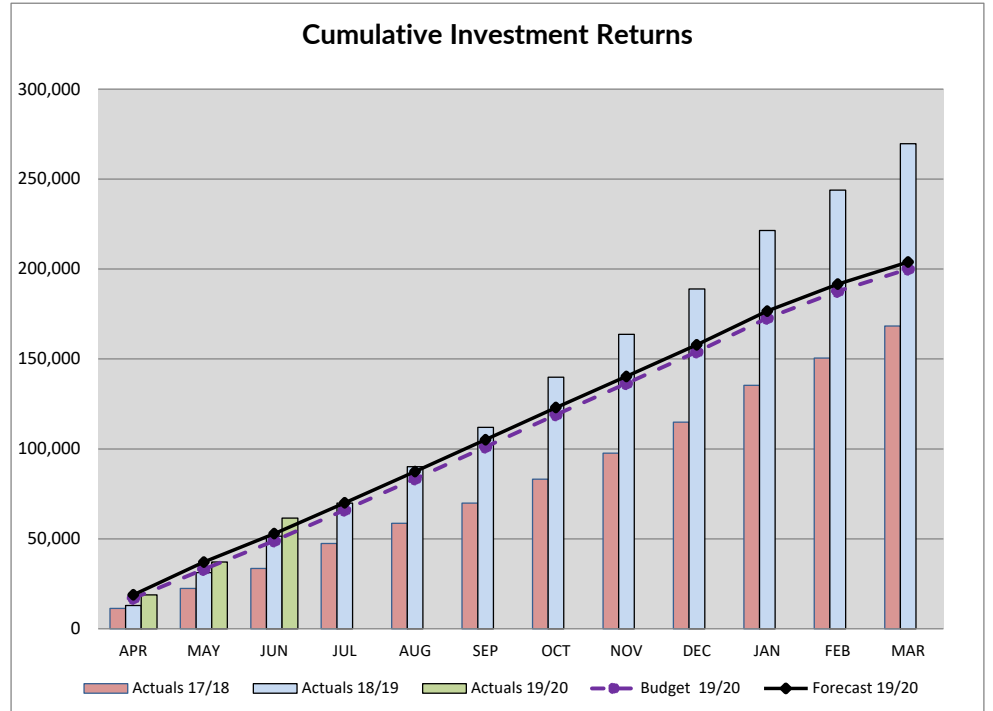
## 6 Investment Returns

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Budget 19/20	Variance	Forecast 19/20
APR	11,389	14,566	18,908	16,960	1,948	18,900
MAY	11,020	17,690	18,243	16,166	2,077	18,200
JUN	11,182	20,233	24,341	15,834	8,507	24,300
JUL	13,806	18,443	18,166	17,056	1,110	17,100
AUG	11,280	20,224		17,417		17,400
SEP	11,190	21,831		17,702		17,700
OCT	13,282	27,864		17,934		17,900
NOV	14,533	23,808		17,332		17,300
DEC	17,148	25,281		17,550		17,600
JAN	20,510	32,513		18,738		18,700
FEB	15,173	22,411		14,983		15,000
MAR	17,852	25,803		12,328		12,300
	168,365	270,667	79,658	200,000	13,642	212,400



### INVESTMENT RETURNS (CUMULATIVE)

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Budget 19/20	Variance	Forecast 19/20
APR	11,389	12,927	18,908	16,960	1,948	18,900
MAY	22,409	31,250	37,151	33,126	4,025	37,100
JUN	33,591	51,483	61,492	48,960	12,532	52,900
JUL	47,397	69,926		66,016		70,000
AUG	58,677	90,150		83,433		87,400
SEP	69,867	111,981		101,135		105,100
OCT	83,149	139,845		119,069		123,000
NOV	97,682	163,653		136,401		140,300
DEC	114,830	188,934		153,951		157,900
JAN	135,340	221,447		172,689		176,600
FEB	150,513	243,858		187,672		191,600
MAR	168,365	269,661		200,000		203,900



BUDGET FOR 2019/20                    200,000  
 FORECAST OUTTURN                    212,400

CODE:-                    **YHAA    96900**

**N.B.**

These are the gross interest receipts rather than the interest remaining in the General Fund

Fund Average                    0.8989%  
 7 Day LIBID                    0.5700%  
 3 Month LIBID                    0.6800%

STAFFING STATISTICS JULY 2019

	BUDGET FTE	STAFF FTE	AGENCY STAFF	CASUAL FTE	TOTAL	COMMENTS	APRIL TOTALS
<b>1. Communities and Business</b>	19.42	27.04	2.00	1.10	30.14	This includes Housing Advice	30.14
<b>2. Corporate Services</b> <i>Contact Centre, HR, Secretarial, Legal, Democratic Service, Elections</i>	65.67	59.61	0.00	0.35	59.96		60.96
<b>3. Environmental &amp; Operational Services</b>	168.88	163.29	20.42	0.78	184.49		185.43
<i>3a. Environmental Health</i>	12.57	11.65	2.00	0.00	13.65		13.65
<i>3b. Licensing</i>	10.67	9.18	0.00	0.19	9.37		9.37
<i>3c &amp; 3d Operational Services + CCTV</i>	112.16	109.77	18.42	0.59	128.78		131.22
<i>3e. Parking &amp; Amenity Services</i>	13.00	13.00	0.00	0.00	13.00		13.00
<i>3f. Property Services</i>	20.48	19.69	0.00	0.00	19.69		18.19
<b>4. Finance</b> <i>Finance, Revenues &amp; Benefits, Transformation &amp; Strategy, &amp; Chief Executive</i>	67.92	54.95	4.00	0.22	59.17		60.27
<b>5a. Planning</b>	50.21	43.25	0.50	0.00	43.75		44.75
<i>5b. Building Control</i>	7.00	7.00	0.00	0.00	7.00		7.00
<b>SUB TOTAL</b>	<b>379.10</b>	<b>355.14</b>	<b>26.92</b>	<b>2.45</b>	<b>384.51</b>		<b>388.55</b>
<b>EXTERNALLY FUNDED POSTS</b>							
<b>7. Communities and Business</b>	18.7	9.62	0.00	0	9.62		9.62
<b>8. Operational Services</b>	2	2	0.00	0	2.00		2.00
<b>9. Property Services</b>	1.50	1.00	0.00	0.00	1.00		1.00
<b>SUB TOTAL</b>	<b>22.20</b>	<b>12.62</b>	<b>0.00</b>	<b>0.00</b>	<b>12.62</b>		<b>12.62</b>
<b>TOTAL</b>	<b>401.30</b>	<b>367.76</b>	<b>26.92</b>	<b>2.45</b>	<b>397.13</b>		<b>401.17</b>
Number of staff paid in JULY 2019: 401 permanent, 9 casuals							

## 8 Income Graphs Summary

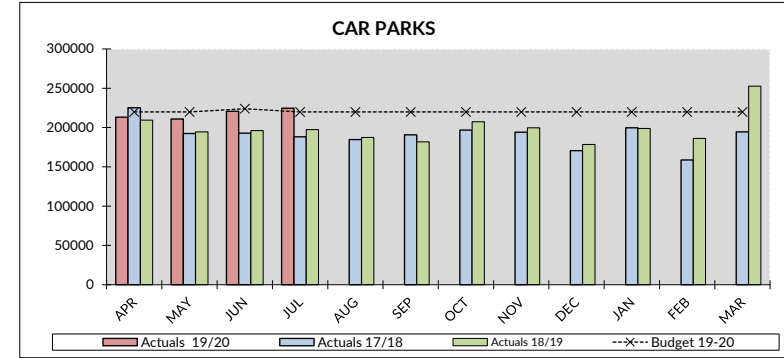
		Comparison of 18/19 and 19/20, where brackets show increased income	MANAGER'S PROFILED BUDGET	Variance, where brackets are favourable	ANNUAL BUDGET 2019/20	Annual Forecast
	ACTUAL					
CAR PARKS	869,265	(71,976)	663,676	(205,588)	2,642,705	2,642,705
ON-STREET PARKING	378,946	21,034	257,534	(121,412)	1,030,136	1,030,136
LAND CHARGES	60,044	(7,473)	52,534	(7,511)	210,135	210,135
BUILDING CONTROL	188,464	(28,721)	116,777	(71,686)	467,110	467,110
DEVELOPMENT MANAGEMENT	374,436	(86,243)	230,431	(144,005)	921,722	921,722
	<b>1,871,155</b>	<b>(173,379)</b>	<b>1,320,952</b>	<b>(550,203)</b>	<b>5,271,808</b>	<b>5,271,808</b>



CAR PARKS (HWCARPK)

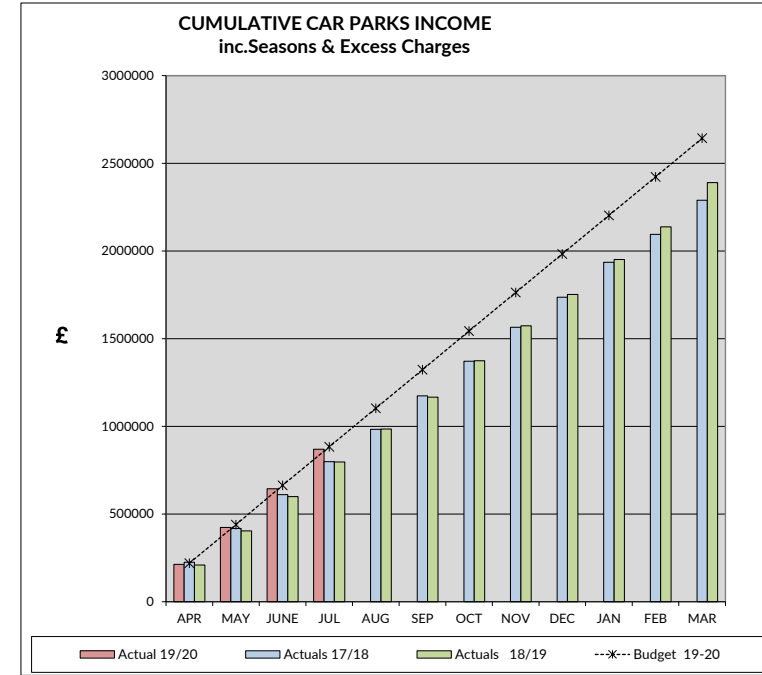
	Actuals 17/18	Actuals 18/19	Actuals 19/20	Increase / decrease from 18/19 to 19/20	Budget 19-20	Variance (Budget-Actuals)	Manager's Forecast
1 APR	225,193	209,387	213,119	(3,732)	219,892	6,773	
2 MAY	192,331	194,451	210,813	(16,362)	219,892	9,079	
3 JUN	192,806	196,119	220,637	(24,518)	223,892	3,255	
4 JUL	188,319	197,332	224,695	(27,363)	219,892	(4,803)	
5 AUG	184,778	187,490			219,892		
6 SEP	190,794	181,917			219,892		
7 OCT	196,832	207,316			219,892		
8 NOV	194,124	199,634			219,892		
9 DEC	170,661	178,551			219,892		
10 JAN	199,732	198,858			219,892		
11 FEB	158,761	186,163			219,892		
12 MAR	194,523	252,653			219,892		
<b>TOTAL</b>	<b>2,288,853</b>	<b>2,389,870</b>	<b>869,265</b>	<b>-71,976</b>	<b>2,642,705</b>	<b>14,304</b>	<b>2,642,705</b>

NOTE: Budget Profiles to be reviewed



CAR PARKS (CUMULATIVE)

	Actuals 17/18	Actuals 18/19	Actual 19/20	Cumulative increase / decrease from 18/19 to 19/20	Budget 19-20	Variance (Budget-Actuals)	Manager's Forecast
APR	225,193	209,387	213,119	(3,732)	219,892	6,773	
MAY	417,523	403,838	423,932	(20,094)	439,784	15,852	
JUNE	610,329	599,957	644,570	(44,612)	663,676	19,107	
JUL	798,648	797,289	869,265	(71,976)	883,568	14,303	
AUG	983,426	984,779			1,103,460		
SEP	1,174,220	1,166,696			1,323,352		
OCT	1,371,052	1,374,012			1,543,245		
NOV	1,565,176	1,573,646			1,763,137		
DEC	1,735,836	1,752,197			1,983,029		
JAN	1,935,568	1,951,055			2,202,921		
FEB	2,094,330	2,137,218			2,422,813		
MAR	2,288,853	2,389,870			2,642,705		2,642,705



Page 63

Jul-19

CUMULATIVE BREAKDOWN

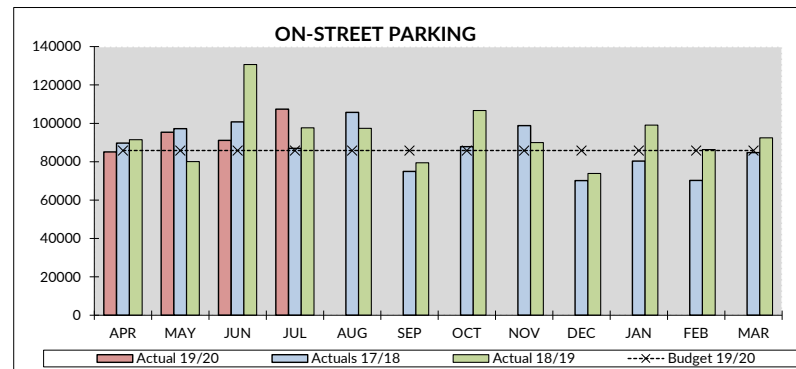
	Actual (Cumulative)	Budget	(Monthly)	
<b>HWCARPK</b>				
DAY TICKETS	3300	705,027	701,956	175,648
EXCESS / PENALTY CHARGES	****1/****3	-	-	-
SEASON TICKETS	***2	-	(0)	-
SEASON TICKET CAR PARK	3310	159,479	174,930	43,733
OTHER (inc.Res.Pkg)	****9	-	1,656	-
WAIVERS	3404	-	-	-
RENT	94500	4,759	5,027	1,257
Business Permits	3406 /3408			
<b>TOTAL</b>		<b>869,265</b>	<b>883,568</b>	<b>220,637</b>

Agenda Item 7

**ON-STREET PARKING (HWDCRIM / HWENFORC)**

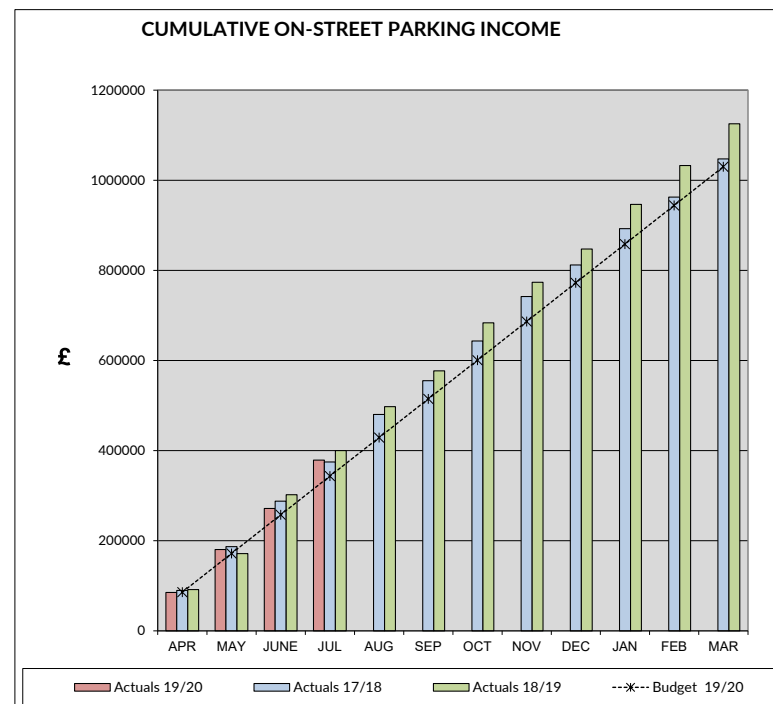
	Actuals 17/18	Actual 18/19	Actual 19/20	Increase / decrease from 18/19 to 19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
1 APR	89,694	91,515	85115	6,400	85,845	730	
2 MAY	97,250	80,099	95338	(15,240)	85,845	(9,494)	
3 JUN	100,738	130,688	91102	39,586	85,845	(5,257)	
4 JUL	86,987	97,678	107391	(9,713)	85,845	(21,546)	
5 AUG	105,737	97,434			85,845		
6 SEP	74,972	79,445			85,845		
7 OCT	87,843	106,690			85,845		
8 NOV	98,849	89,993			85,845		
9 DEC	70,137	73,861			85,845		
10 JAN	80,326	99,112			85,845		
11 FEB	70,259	86,373			85,845		
12 MAR	84,739	92,426			85,845		
<b>TOTAL</b>	<b>1,047,530</b>	<b>1,125,314</b>	<b>378,946</b>	<b>21,034</b>	<b>1,030,136</b>	<b>-35,568</b>	<b>1,030,136</b>

Note: Budget profiles still subject to review



**ON-STREET PARKING (CUMULATIVE)**

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Cumulative increase / decrease from 18/19 to 19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
APR	89,694	91,515	85115	6,400	85,845	730	
MAY	186,944	171,613	180,453	(8,840)	171,689	(8,764)	
JUNE	287,681	302,302	271,555	30,746	257,534	(14,021)	
JUL	374,669	399,980	378,946	21,034	343,379	(35,568)	
AUG	480,406	497,414			429,223		
SEP	555,378	576,859			515,068		
OCT	643,221	683,549			600,913		
NOV	742,070	773,542			686,757		
DEC	812,207	847,403			772,602		
JAN	892,532	946,515			858,447		
FEB	962,791	1,032,888			944,291		
MAR	1,047,530	1,125,314			1,030,136		1,030,136



Jul-19

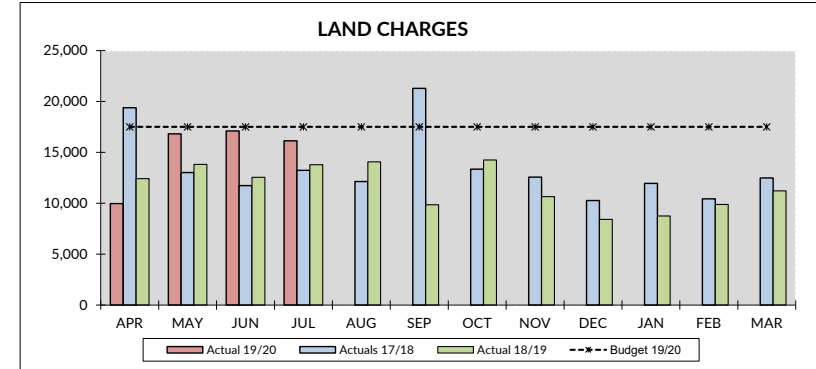
**CUMULATIVE BREAKDOWN**

**HWDCRIM / HWENFORC**

	Actual (Cumulative)	Budget	(Monthly)
PENALTY NOTICES & EXCESS CH/ 3403/****1	124,124	116,740	29,185
WAINERS	3404	6,740	1,404
RESIDENTS PERMITS	3406	30,911	9,022
ON STREET PARKING	3300	204,410	47,044
BUSINESS PERMITS	3408	11,729	4,447
Driveway Access Protection Lines	3405	1,032	-
OTHER	9999	-	-
<b>TOTAL</b>	<b>378,946</b>	<b>343,379</b>	<b>91,102</b>

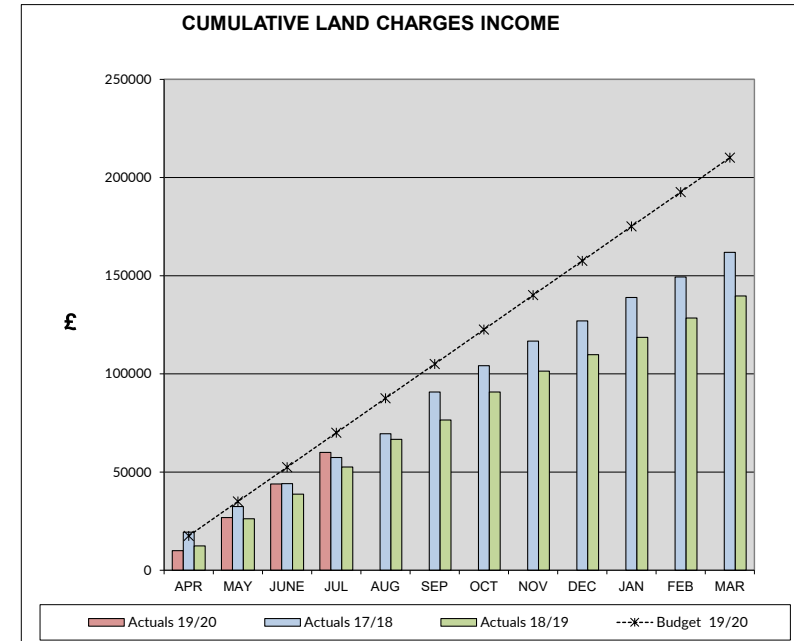
LAND CHARGES (LPLNDCH)

	Actuals 17/18	Actual 18/19	Actual 19/20	Increase / decrease from 18/19	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
1 APR	19,382	12,416	9,967	2,449	17,511	7,544	
2 MAY	13,025	13,827	16,828	(3,001)	17,511	683	
3 JUN	11,742	12,546	17,112	(4,566)	17,511	399	
4 JUL	13,243	13,782	16,137	(2,355)	17,511	1,374	
5 AUG	12,132	14,070			17,511		
6 SEP	21,283	9,855			17,511		
7 OCT	13,360	14,249			17,511		
8 NOV	12,568	10,650			17,511		
9 DEC	10,270	8,425			17,511		
10 JAN	11,950	8,755			17,511		
11 FEB	10,438	9,882			17,511		
12 MAR	12,485	11,220			17,511		
<b>TOTAL</b>	<b>161,879</b>	<b>139,678</b>	<b>60,044</b>	<b>-7,473</b>	<b>210,135</b>	<b>10,001</b>	<b>210,135</b>



LAND CHARGES (CUMULATIVE)

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Cumulative increase / decrease from 18/19	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
APR	19,382	12,416	9,967.29	2,449	17,511	7,544	
MAY	32,408	26,244	26,795	(552)	35,023	8,227	
JUNE	44,149	38,789	43,907	(5,118)	52,534	8,626	
JUL	57,393	52,572	60,044	(7,472)	70,045	10,001	
AUG	69,525	66,641			87,556		
SEP	90,808	76,497			105,068		
OCT	104,167	90,746			122,579		
NOV	116,735	101,396			140,090		
DEC	127,005	109,821			157,601		
JAN	138,955	118,576			175,113		
FEB	149,394	128,457			192,624		
MAR	161,879	139,678			210,135		210,135



CUMULATIVE BREAKDOWN

	Received (Month)	Percentage (Month)	Percentage (Month 18/19)	(Cumulative)
£105	37	16%	12%	77
£86	85	36%	41%	272
£0	112	48%	48%	320
<b>TOTAL</b>	<b>234</b>	<b>100%</b>	<b>100%</b>	<b>669</b>

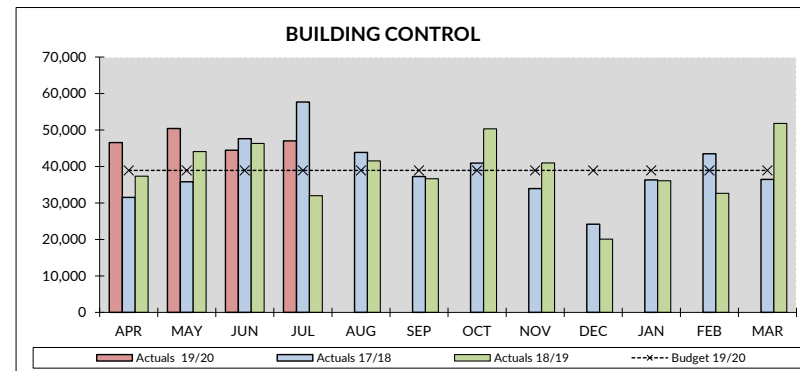
LPLNDCH

Searches Received - Paper  
 Searches Received - Electronic  
 Searches Received - Personal

£105  
 £86  
 £0

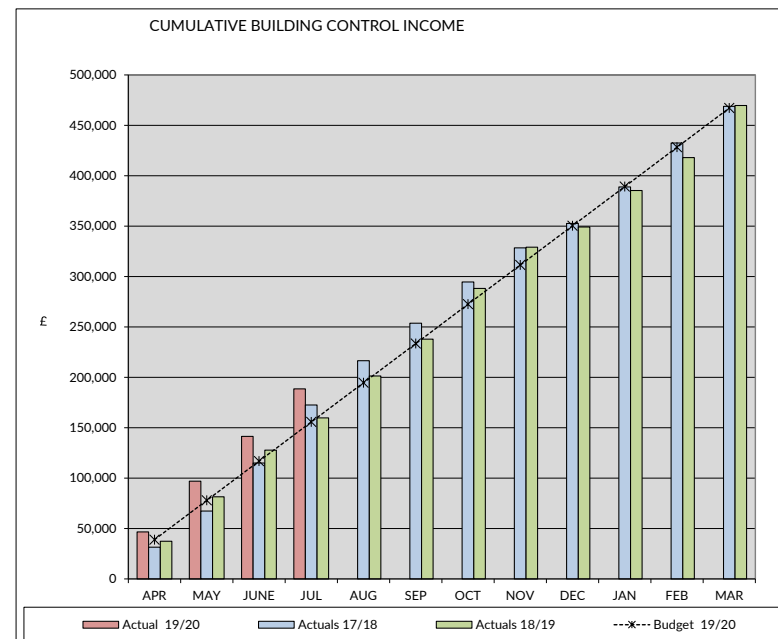
**BUILDING CONTROL (DVBCFEE)**

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Increase / decrease from 18/19 to 19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
1 APR	31,511	37,342	46,552	(9,210)	38,926	(7,626)	
2 MAY	35,809	44,099	50,427	(6,328)	38,926	(11,501)	
3 JUN	47,602	46,293	44,461	1,833	38,926	(5,535)	
4 JUL	57,651	32,009	47,025	(15,016)	38,926	(8,099)	
5 AUG	43,832	41,516			38,926		
6 SEP	37,255	36,624			38,926		
7 OCT	40,902	50,302			38,926		
8 NOV	33,940	40,944			38,926		
9 DEC	24,156	20,059			38,926		
10 JAN	36,291	36,097			38,926		
11 FEB	43,486	32,648			38,926		
12 MAR	36,473	51,799			38,926		
<b>TOTAL</b>	<b>468,910</b>	<b>469,732</b>	<b>188,464</b>	<b>(28,721)</b>	<b>467,110</b>	<b>(32,761)</b>	<b>467,110</b>



**BUILDING CONTROL (CUMULATIVE)**

	Actuals 17/18	Actuals 18/19	Actual 19/20	Cumulative increase / decrease from 18/19-19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
APR	31,511	37,342	46,552	(9,210)	38,926	(7,626)	
MAY	67,320	81,441	96,978	(15,537)	77,852	(19,127)	
JUNE	114,923	127,734	141,439	(13,705)	116,777	(24,661)	
JUL	172,574	159,743	188,464	(28,721)	155,703	(32,761)	
AUG	216,406	201,259			194,629		
SEP	253,661	237,883			233,555		
OCT	294,563	288,185			272,481		
NOV	328,503	329,129			311,407		
DEC	352,660	349,188			350,332		
JAN	388,951	385,285			389,258		
FEB	432,437	417,933			428,184		
MAR	468,910	469,732			467,110		467,110



Jul-19

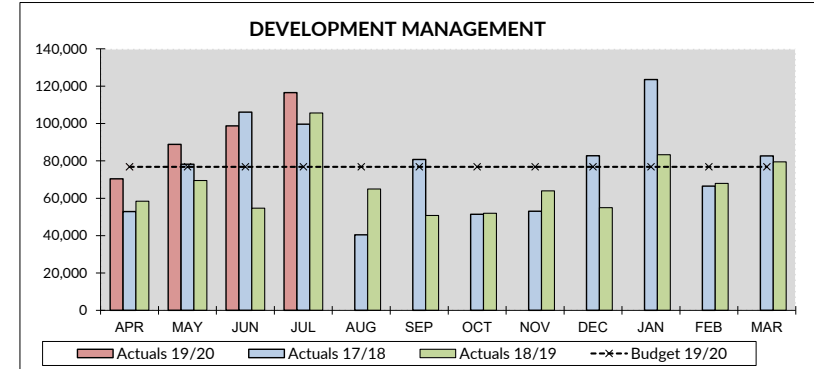
**DVBCFEE**

	Actual (Cumulative)	Budget	(Monthly)
Plan Fee	3066	95,541	29,420
Inspection Fee	3067	60,163	15,041
Other	9999	2,192	
<b>TOTAL</b>	<b>188,464</b>	<b>155,703</b>	<b>44,461</b>

(0)

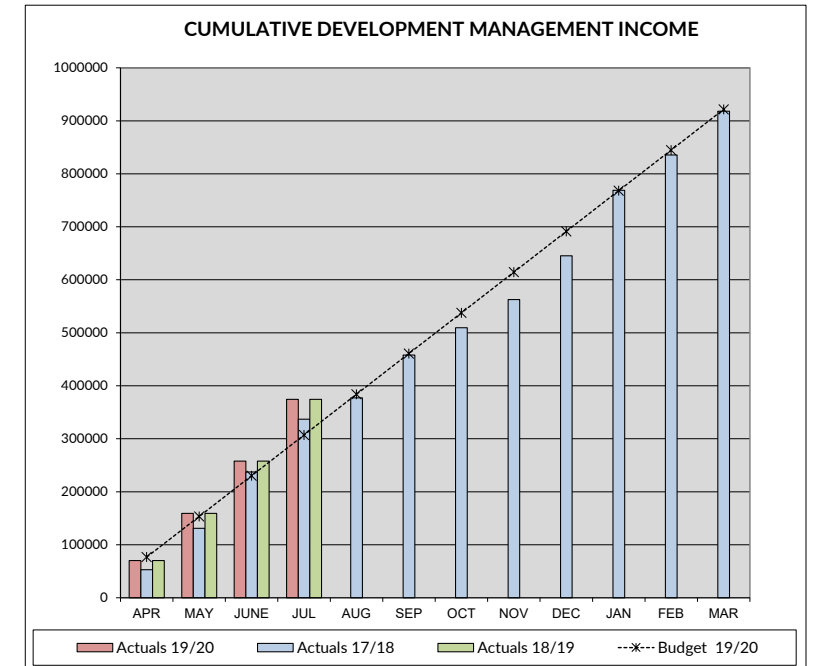
DEVELOPMENT MANAGEMENT (DVDEVCT/DVDEVRND)

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Increase / decrease from 18/19 - 19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
1 APR	52,884	58,404	70,363	(11,959)	76,810	6,447	
2 MAY	78,250	69,455	88,827	(19,372)	76,810	(12,017)	
3 JUN	106,124	54,668	98,710	(44,043)	76,810	(21,900)	
4 JUL	99,681	105,667	116,536	(10,869)	76,810	(39,726)	
5 AUG	40,402	64,977			76,810		
6 SEP	80,747	50,827			76,810		
7 OCT	51,400	51,985			76,810		
8 NOV	53,057	63,941			76,810		
9 DEC	82,753	54,926			76,810		
10 JAN	123,499	83,258			76,810		
11 FEB	66,539	67,922			76,810		
12 MAR	82,682	79,480			76,810		
<b>TOTAL</b>	<b>918,017</b>	<b>805,509</b>	<b>374,436</b>	<b>(86,243)</b>	<b>921,722</b>	<b>(67,195)</b>	<b>921,722</b>



DEVELOPMENT MANAGEMENT (CUMULATIVE)

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Cumulative increase / decrease from 18/19 to 19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
APR	52,884	58,404	70,363	(11,959)	76,810	6,447	
MAY	131,134	127,859	159,190	(31,331)	153,620	(5,570)	
JUNE	237,257	182,526	257,900	(75,374)	230,431	(27,469)	
JUL	336,939	288,193	374,436	(86,243)	307,241	(67,195)	
AUG	377,340	353,170			384,051		
SEP	458,087	403,997			460,861		
OCT	509,487	455,982			537,671		
NOV	562,544	519,923			614,481		
DEC	645,297	574,849			691,292		
JAN	768,796	658,107			768,102		
FEB	835,335	726,029			844,912		
MAR	918,017	805,509			921,722		921,722



Page 67

Jul-19

DVDEVCT/DVDEVRND

	Actual 19/20	Budget 19/20	(Monthly)	
Planning Application Fees	94300/3009	345,870	272,457	68114
Other	94300/9999	251	0	(695)
Pre-application Fees	94301	28,315	34,784	8696
Monitoring Fees	94302		0	
RECH-Other A/C'S	98100			
<b>TOTAL</b>	<b>374,436</b>	<b>307,241</b>	<b>76,115</b>	
	116,536.15	76,810.50	-22,596	

Agenda Item 7

This page is intentionally left blank

**Item 8 - Financial Prospects and Budget Strategy 2020/21 Onwards**

The attached report was considered by the Finance and Investment Advisory Committee on 3 September 2019. The relevant Minute extract was not available prior to the printing of this agenda and will follow when available.

This page is intentionally left blank



**FINANCIAL PROSPECTS AND BUDGET STRATEGY 2020/21 AND BEYOND**

**Cabinet - 12 September 2019**

Report of	Chief Finance Officer
Status	For Decision
Also considered by	2019 Finance and Investment Advisory Committee - 3 September 2019
Key Decision	No

**Executive Summary:**

This Financial Prospects Report is the first report of the Council’s budget setting process for 2020/21 onwards. It sets out the financial pressures the Council is likely to face in the coming years and suggests an appropriate strategy, utilising the 10-year budget framework first adopted in 2011/12, to ensure the Council remains financially stable over the long term.

Informed by the latest information from Government and discussions with the Portfolio Holder, the report proposes that the Council continues to set a revenue budget that assumes no direct funding from Government through the Revenue Support Grant or New Homes Bonus. This will result in the Council continuing to be financially self-sufficient.

To achieve this aim and to ensure a balanced budget position over the next 10-year period, whilst also increasing the Council’s ability to be sustainable beyond that time, a net savings requirement of £100,000 per annum is currently included. This will need to be achieved by new savings and additional income whilst also having to offset any new growth items. Growth and savings proposals will be presented to the Advisory Committees and their recommendations will be included in the Budget Update report to Cabinet on 5 December 2019.

**Portfolio Holder** Cllr. Matthew Dickins

**Contact Officer(s)** Adrian Rowbotham, Ext. 7153

Alan Mitchell, Ext. 7483

**Recommendation to Finance and Investment Advisory Committee:**

Advise Cabinet with views on the ten-year financial planning approach and principles set out in the report.

### Recommendation to Cabinet:

- (a) That subject to the views of the Finance and Investment Advisory Committee, endorse the ten-year financial planning approach and principles set out in this report;
- (b) request Advisory Committees to review the Service Dashboards and advise Cabinet of possible growth and savings options;
- (c) request officers to continue to review the assumptions in this report and report back to Cabinet on 5 December 2019.

---

### Introduction and Background

- 1 The Council's financial strategy over the past fifteen years has worked towards increasing financial sustainability and it has been successful through the use of a number of strategies including:
  - implementing efficiency initiatives;
  - significantly reducing the back-office function;
  - improved value for money;
  - maximising external income;
  - the movement of resources away from low priority services; and
  - an emphasis on statutory rather than non-statutory services.
- 2 Over this period, the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders. 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 Using the data sources available to the Council, this report sets out a budget over the 10-year period but recognises that it is likely that more accurate data will become available in future months and current assumptions may need to be updated.
- 4 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the short-term reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, that ensured the Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.
- 5 With the Revenue Support Grant provided by Government ceasing from 2017/18 it is important that the council remains 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.

- 6 The intention of this report is to enable Members to give consideration to the pressures likely to be faced by the Council and put in place a long-term solution that ensures service reductions are minimised. This report sets out the high-level approach and principles but a report to Cabinet on 5 December 2019 will provide further budget details along with analysis of the areas the Cabinet has requested officers to consider in assisting the balancing of the budget, as well as feedback from advisory committees on service dashboards for 2020/21 onwards.

### **Financial Self-Sufficiency**

- 7 The Council's Corporate Plan 2013-2018 set out an ambition for the Council to become financially self-sufficient which was achieved in 2016/17. The current Council Plan aims to continue with this approach. This means that the Council no longer requires direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 8 This approach was adopted in response to the financial challenges the Country was faced with in bringing its public spending down to ensure it was able to live within its means. In practice this has seen Government funding to local authorities dramatically reduced since 2010/11 with Sevenoaks District Council receiving no Revenue Support Grant from 2017/8.
- 9 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.
- 10 The Council's decision to seek to become financially self-sufficient was subject to scrutiny by the Local Government Association's Peer Challenge of the District Council during December 2013. In their closing letter to the Council, they concluded that they 'fully support that aspiration and given the existing and anticipated squeeze upon public finances this makes much sense'.
- 11 With the Council receiving no Revenue Support Grant from 2017/18 and New Homes Bonus reducing from 2018/19, this approach remains appropriate. The attached 10-year budget assumes no Revenue Support Grant or New Homes Bonus. Any funding received from these sources 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 support for the Property Investment Strategy. One of the aims of the Property Investment Strategy is to achieve an income yield of 3%+ above the Council's average treasury management

## Agenda Item 8

return (currently 0.8%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 2.2% for 30 years). Therefore, using funding for this purpose will result in additional year on year income that is not impacted by Government decisions.

- 12 Cabinet are keen to remain financially self-sufficient and be ahead of the game. This will include a new target to replace reliance on Business Rates income over the coming years. This will allow this Council to move ahead in the knowledge that this council has the financial resources to provide the services that the district's residents need into the future.

### **Financial Pressures 2020/21 to 2029/30**

#### Overall Summary

- 13 In the medium term, the Council will have to progress its savings plan and maintain tight control over net expenditure in order to deliver its 10-year budget.
- 14 Looking at expenditure, inflation is running at 2.0% (CPI at July 2019).
- 15 The last government had previously stated its intention to hold a new Spending Review in 2019 covering the period 2020/21 to 2022/23. However, due to the focus on Brexit, the new government recently announced that a full Spending Review will now be held in 2020 and a one-year Spending Round will take place in September 2019. The Spending Round will allocate funding to government departments for 2020/21.
- 16 Based on previous years, the Provisional Local Government Finance Settlement for 2020/21 only will probably be announced in December.
- 17 Earlier in 2019 the government carried out consultations on the 'Fair Funding Review' and 'Business Rates Retention Reform' which this council responded to, but no findings have yet been released.
- 18 The 10-year budget attached at Appendix B shows a net savings requirement of £100,000 per annum to deliver a long-term sustainable budget. This has been reduced to £93,000 in 2020/21 as extra savings were identified in the 2019/20 budget process.
- 19 The paragraphs below set out the position in more detail and assess the impact on the current 10-year budget.

#### Income

- 20 Each year in the 10-year budget there is about a £4m gap between net service expenditure and Council Tax revenue. While it is reasonable to assume that inflation rates for these two items will generally be similar, inflationary changes of the items which we rely on to bridge the gap may be very different. In particular the council's receipts from Business Rates could

be very variable. Members should be aware that significant changes to income assumptions may result in higher levels of savings being required.

- 21 **Government Support: Revenue Support Grant (RSG)** (nil received in 2019/20) - This formula-based grant has significantly reduced since 2010/11 as the emphasis of Government Support has changed, in fact this council received no RSG in 2017/18 and is not expected to receive any in future years. The attached 10-year budget assumes no RSG, if any amounts are received in future years, they will be put into the Financial Plan Reserve to support the 10-year budget including 'invest to save' initiatives and support for the Property Investment Strategy.
- 22 Negative RSG (i.e. where council's pay government) has previously been proposed by government but was not actioned due to intense lobbying which this council was heavily involved in. This remains a threat going forward.
- 23 **New Homes Bonus (NHB)** (£1.2m received in 2019/20 but not used to fund the revenue budget) - the Government started this new funding stream in 2011/12 from funds top sliced from RSG with the intention that local authorities would be rewarded for new homes being built over a six-year period. The basis of NHB was changed with effect from 2017/18. Previously it was based on cumulative figures for 6 years, but this was reduced to 5 years from 2017/18 and 4 years from 2018/19. In addition, NHB was only received on tax base growth above 0.4% instead of on all growth (known as the deadweight).
- 24 In the same way as RSG, the attached 10-year budget assumes no NHB resulting in there being no reliance on this funding source to support the revenue budget. Any amounts received will be put into the Financial Plan reserve for the same purpose as noted above.
- 25 It is likely that NHB will soon be replaced by a different method to incentivise housing growth.
- 26 **Council Tax** (£10.9m) - The Government referendum limit has initially been set at 2% in recent years although it has been changed later in the process. In 2019/20 the referendum limit was increased to 3% (or £5 if higher) in line with inflation. Council agreed to increase Council Tax by 2.97% in 2019/20 but to retain the assumption in the 10-year budget at 2% for all later years.
- 27 The tax base increases each year due to the general increase in the number of residential properties and future developments as well as the continuing work to check the validity of Council Tax discounts awarded. The assumption going forward reflects the increases achieved in recent years and the ongoing work. The increased tax base results in additional Council Tax income which is assumed to be greater than the incremental cost of servicing the additional properties although it should be recognised that there are likely to be step changes in costs for some services in the future such as refuse collection. The Local Plan may also affect future Council Tax assumptions.

## Agenda Item 8

- 28 Officers will be reviewing the tax base for the 10-year period taking into account the latest information including the Local Plan.
- 29 **Business Rates Retention** (£2.1m) - The basis for allocating Government Support from 2013/14 changed to the Business Rates Retention Scheme. This scheme initially allows billing authorities, such as this council, to keep 40% of Business Rates received. However, tariffs and top ups are applied to ensure that the funding received by each local authority is not significantly different to pre 2013/14 amounts. This council is due to collect £37m of Business Rates in 2019/20.
- 30 A Business Rates Pool operates in Kent and Medway which generally results in councils retaining more Business Rates than if they were not in the pool. This council and Dover Borough Council were not part of the pool in previous years, but it has been agreed that Sevenoaks and Dover will benefit as if they were in the pool going forward. This is the first year that this council has been in this position so the additional benefits are uncertain at this time but updated figures will be provided during the budget process.
- 31 Due to the large number of business rates appeals being outstanding (£2.5m is held in the Business Rates Appeals Provision) with the Valuation Office Agency (VOA) and the limited opportunities to increase the number of businesses in the district, the assumption in the 10-year budget from 2019/20 remains at the safety-net level, which is the amount of business rates the council is assured of retaining in the current scheme if it were not in a pool.
- 32 Any increased Business Rates retained in 2019/20 due to being in the Kent and Medway Pool will be transferred to the Budget Stabilisation Reserve.
- 33 With the outcome of the Spending Review and the results of the 'Fair Funding Review' and 'Business Rates Retention Reform' remaining unknown, there is a risk that this council may no longer retain any Business Rates in the future. This would result in a funding gap that would need to be replaced by additional income or further savings.
- 34 **Interest receipts** (£0.25m) - returns are continuing to be significantly lower than they were a few years ago due to low interest rates and the Council's Investment Strategy taking a low risk approach. Whilst returns exceeded Budget last year, inflation continues to outpace investment returns, leading to the gradual erosion of capital in real terms.
- 35 The interest receipts assumptions are currently £250,000 for all years excluding interest received from Quercus 7 Ltd which is included in Property Investment Strategy Income. The Bank of England Base Rate is currently 0.75%. Assumptions will be reviewed based on advice from our treasury advisors and discussions with the Finance and Investment Advisory Committee during the budget process.
- 36 **Property Investment Strategy** - The strategy was approved by Council on 22 July 2014 with the intention of building on an approach of property-based

investment in order to deliver increased revenue income. This was set against a background of reducing Government Support and continued low rates of return through existing treasury management arrangements.

- 37 Six assets have been purchased or built to date, including the Sennocke Hotel, at a cost of £25m. The annual income yields for completed schemes range from 6% to 9%.
- 38 A total of £50m has been approved by Council to be spent on the Property Investment Strategy. As well as the £25m above, £4m has been spent by Quercus 7 Ltd on three assets resulting in £21m of the approved amount remaining.

Property Investment Strategy income assumptions

2020/21 - 2022/23	£1.311m per annum
2023/24	£1.411m
2024/25 - 2025/26	£1.455m per annum
2026/27 - 2028/29	£1.655m per annum
2029/30	£1.696m

- 39 A Property Investment Strategy Update report will be produced later in the budget cycle.
- **Variable fees and charges** - The Council receives income in fees and charges from a number of sources.
- 40 The assumption is currently for a 2.5% increase for all years except for off-street car parking which is 3.5% for five years (2019/20 - 2023/24). The additional 1% for car parking is one of the funding streams for the development of Sevenoaks Town (formerly Buckhurst 2) Car Park as agreed by Council on 22 November 2016.
- 41 **External Funding** - the Council has been very successful in securing external funding across a range of services, based on it delivering a wide range of innovative services to local residents, often in partnership with other agencies. The Council's officers continue to seek new opportunities for funding. As financial constraints are put on public services the funding available from health and other public bodies may reduce.
- 42 **Shared working** - Various services have included savings from shared working in recent years budgets. The Council successfully works in partnership with other authorities in a number of areas, including Revenues, Benefits, Internal Audit, Counter Fraud, Finance, IT, Licensing, Building Control, CCTV and Environmental Health.
- 43 The largest savings were achieved when each shared service started, some of which were in 2010. The viability of continuing to share these services is

## Agenda Item 8

reviewed on a regular basis to ensure that this Council receives value for money and the service standards it requires.

- 44 ***Use of reserves*** - One of the principles of the Financial Strategy is to make more effective use of the remaining earmarked reserves. When this strategy was first used in 2011/12, it was agreed that the remaining balances in the Asset Maintenance and Superannuation Fund Deficit Reserves would be moved to a new Financial Plan Reserve and used over the initial 10-year budget period. The Budget Stabilisation Reserve was also set up at the same time to manage the fluctuations between years to ensure that an overall balanced budget remained for the 10-year period. This reserve has been increased by surpluses achieved on the revenue budget in recent years.
- 45 The balance in the Budget Stabilisation Reserve is sufficient to support to the attached 10-year budget.

### Expenditure

- 46 ***Pay*** costs total £16m. Discussions between the National Employers for Local Government Services and the unions regarding the national pay award for 2020/21 are due to commence shortly.
- 47 The assumption in the attached 10-year budget is a 2% increase in all years. Work on a new workforce strategy may have an impact on assumptions and will be monitored as it progresses.
- 48 Members previously agreed that a budget would be set aside to address the Council's recruitment and retention difficulties and challenges going forward. This remains in place and will be used as required.
- 49 ***Superannuation fund*** - the last pension fund triennial valuation, which was the third by the actuaries Barnett Waddingham, took place in November 2016.
- 50 The funding level increased from 72% to 77% since the previous valuation in 2013 and the deficit recovery period for the fund reduced from 20 years to 17 years. The 10-year budget includes the contribution amounts set by the actuaries to 2019/20 and includes an additional £100,000 from 2020/21 when the next triennial valuation will come in to effect.
- 51 The next triennial valuation is due to take place later in 2019 and the implications will be included in the budget process at that stage.
- 52 One issue that is likely to adversely impact the valuation is the McCloud Judgement. In December 2018, the Court of Appeal ruled that there was age discrimination in the judges' and firefighters' pension schemes where transitional protections were given to scheme members. It has since been identified that this ruling is likely to affect Local Government Pension Schemes (LGPS) as well (of which Sevenoaks District Council is part, through the Kent County Pension Fund), although the impact had been uncertain due



to a potential appeal from Central Government against the ruling. However, the Supreme Court rejected permission to appeal the ruling on 27 June 2019.

- 53 **Non-pay costs** - the budget assumes non-pay costs will increase by an average of 2.25% in all years. In practice, items such as rates and energy costs often rise at a higher rate, so other non-pay items have been allowed a much lower inflation increase. Inflation is currently at 2.0% (CPI - July 2019).
- 54 **Asset Maintenance** - Any asset maintenance expenditure is funded by the revenue budget each year. Asset maintenance expenditure can fluctuate as the demand for programmed and ad hoc work varies across sites. A review of the asset maintenance requirements for council owned properties was carried out last year with the budget being increased by £100,000. This resulted in the average yearly liability covered increasing from 54% to 67%. Asset maintenance budgets will be reviewed again as part of this budget cycle.
- 55 **Welfare reform changes** - The next phase of Universal Credit commenced in the district on 21 November 2018. This is known as 'Full Service' but mainly affects new working age customers. The rest of our working age customers still remain on Housing Benefit. The next step is currently being piloted by DWP who still intend to move all customers across to Universal Credit by 2023. The delays in Universal Credit and the phased approach continues to bring many challenges to the administration of Housing Benefit. However, the Council agreed a new working age Council Tax Reduction scheme which came into effect from 1 April 2019 which addresses challenges to both administration of Council Tax Reduction and also the collection of Council Tax.
- 56 **Unavoidable service pressures** - One of the lessons to be learnt from previous financial strategies is that there is always a likelihood of unavoidable service pressures and there needs to be a clear strategy for dealing with these. The model does not allow for unavoidable service pressures that could be significant. These will be identified in the Service Change Impact Assessments (SCIAs) that will be reported to the Advisory Committees between October and November.
- 57 These additional service pressures will where possible be absorbed within existing budgets however, there is some likelihood that some pressures will be difficult to absorb, and Members will need to give these consideration as part of the budget process. However, it should be recognised that by having a 10-year budget there is greater scope to deal with these pressures and therefore have less impact on current services where as other councils who only have single year budgets would have to make larger immediate savings.
- 58 **Progress on the savings plan** - 2020/21 will be the tenth year of using the 10-year budget. During this period, 164 savings/additional income items have been identified totalling £7.6m. The majority of these savings/additional income items have already been achieved and Portfolio

## Agenda Item 8

Holder, Chief Officers, Heads of Service and Service Managers have worked closely to deliver these savings.

- 59 ***Changes since the 10-year budget started*** - The table below shows how the Net Service Expenditure has changed since 2010/11. This shows that the budget has reduced by £4.7m (28%) in real terms.

<b>Net Service Expenditure</b>	<b>£000</b>
2010/11 (budget)	16,711
2019/20 (2010/11 budget +2% inflation per year)	19,971
2019/20 (budget)	15,251
Difference	4,720

- 60 ***Current 10-year budget position*** - The 10-year budget set out in Appendix B has been updated from the version agreed by Council on 26 February 2019 to reflect base budget changes.
- 61 These changes have had minimal impact on the overall budget position therefore at this stage, it is not proposed to change the £93,000 net savings/ additional income target for 2020/21 as further changes and additional growth are likely to be included within the assumptions as the budget setting process progresses.
- 62 When looking at prospects for year 11 onwards, there is still likely to be a need to take further actions as these years come into the rolling 10-year period.

### **Proposed Business and Financial Planning Strategy**

- 63 In order to maintain a viable Council that continues to deliver on its main priorities and the services it provides to its residents, the Council has already adopted a Financial Strategy that embraces the following principles:
- A ten-year balanced budget;
  - Flexible use of the Budget Stabilisation Reserve;
  - More effective use of remaining earmarked reserves;

- Structured use of capital receipts; and
- The review and tighter management of inflationary pressures.

64 It is recommended that this strategy continues to be adopted.

### **Process and timetable**

- 65 Members will note from the timetable set out in Appendix A that this report is being considered by the Finance and Investment Advisory Committee on 3 September 2019 and any comments will be considered along with this report at Cabinet on 12 September 2019.
- 66 All Advisory Committees will be presented with their Service Dashboards and Service Change Impact Assessments (SCIAs) between October and November when they will be asked for their views on growth and savings proposals for their areas. This part of the process ensures that all members have a role to play in the Governance of the council and the budget decision making process.
- 67 Training sessions on the budget process will be provided and aimed at new Members to ensure they have an understanding of the process and relevant issues to allow them to play an active part in the budget setting process. If Members require any further training, please contact Adrian Rowbotham, Chief Finance Officer.
- 68 Cabinet will receive a Budget Update report on 5 December 2019 taking into account any updated information and feedback from the Advisory Committees. Cabinet will agree its draft budget on 6 February 2020 and Full Council will consider the budget on 25 February 2020.

### **Consultation**

- 69 Consultation requirements will be reviewed if any significant changes are proposed during the budget setting process.

### **Key Implications**

#### Financial

All financial implications are covered elsewhere in this report.

#### Legal Implications and Risk Assessment Statement.

There are no legal implications.

An effective integrated policy and priority driven long-term financial and business planning 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

## Agenda Item 8

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 changes to Business Rates Retention. The risks will be mitigated by continuing to review assumptions and estimates, remaining financially self-sufficient and by updating Members throughout the process.

### 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.

### **Conclusions**

The Strategic Financial and Business Planning process has ensured that the Council follows a logical and well considered process and approach in dealing with the many difficult financial challenges that it has faced. The 10-year budget has further improved this process and helped to ensure that the Council is well placed in dealing with more immediate and longer-term financial challenges.

By becoming financially self-sufficient at an early stage, this Council has become much more in control of its own destiny.

The attached 10-year budget shows that this Council can continue to be financially stable going into the future with a level of assurance that any council would aspire to.

This budget process will once again be a major financial challenge for a Council that already provides value for money services to a high standard. In making any budget proposals, Members will need to consider the impact on service quality and staff well-being, to ensure that these proposals lead to an achievable 10-year budget that supports the Council's aspirations for customer-focused services.

### **Appendices**

Appendix A - Budget Timetable

Appendix B - 10-year Budget

### **Background Papers**

None

**Adrian Rowbotham**  
**Chief Finance Officer**

2020/21 Budget Setting Timetable

	Date	Committee
<b>Stage 1</b>		
Financial Prospects and Budget Strategy 2020/21 and Beyond	3 September	Finance & Investment AC
	12 September	Cabinet
↓		
<b>Stage 2</b>		
Review of Service Dashboards and Service Change Impact Assessments (SCIAs)	1 October	People & Places AC
	3 October	Improvement & Innovation AC
	8 October	Housing & Health AC
	15 October	Development & Conservation AC
	29 October	Cleaner & Greener AC
	21 November	Finance & Investment AC
↓		
<b>Stage 3</b>		
Budget Update (incl. Service Change Impact Assessments (SCIAs), feedback from Advisory Committees)	5 December	Cabinet
↓		
<b>Stage 4</b>		
Budget Update (incl. Government Settlement information)	9 January	Cabinet
↓		
<b>Stage 5</b>		
<i>Budget Update and further review of Service Change Impact Assessments (if required)</i>	<i>January - February</i>	<i>Advisory Committees</i>
↓		
<b>Stage 6</b>		
Budget Setting Meeting (Recommendations to Council)	6 February	Cabinet
↓		
<b>Stage 7</b>		
Budget Setting Meeting (incl. Council Tax setting)	25 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

Appendix B

	Budget 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Plan 2023/24	Plan 2024/25	Plan 2025/26	Plan 2026/27	Plan 2027/28	Plan 2028/29	Plan 2029/30
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>											
Net Service Expenditure c/f	14,687	15,251	15,556	15,972	16,353	16,740	17,133	17,531	17,936	18,450	18,971
Inflation	608	656	472	481	487	493	499	505	513	521	530
Superannuation Fund deficit and staff recruitment & retention	0	100	0	0	0	0	0	0	0	0	0
Net savings (approved in previous years)	(181)	(298)	14	0	0	0	(1)	0	1	0	(1)
<b>New growth</b>	<b>256</b>	<b>(60)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>New savings/Income</b>	<b>(119)</b>	<b>(93)</b>	<b>(70)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Service Expenditure b/f</b>	<b>15,251</b>	<b>15,556</b>	<b>15,972</b>	<b>16,353</b>	<b>16,740</b>	<b>17,133</b>	<b>17,531</b>	<b>17,936</b>	<b>18,450</b>	<b>18,971</b>	<b>19,500</b>
<b>Financing Sources</b>											
Govt Support: Revenue Support Grant	0	0	0	0	0	0	0	0	0	0	0
New Homes Bonus	0	0	0	0	0	0	0	0	0	0	0
Council Tax	(10,917)	(11,261)	(11,616)	(11,979)	(12,353)	(12,737)	(13,131)	(13,536)	(13,927)	(14,328)	(14,740)
Business Rates Retention	(2,132)	(2,139)	(2,182)	(2,226)	(2,271)	(2,316)	(2,362)	(2,409)	(2,457)	(2,506)	(2,556)
Collection Fund Surplus	0	0	0	0	0	0	0	0	0	0	0
Interest Receipts	(200)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Property Investment Strategy Income	(1,258)	(1,311)	(1,311)	(1,311)	(1,411)	(1,455)	(1,455)	(1,655)	(1,655)	(1,655)	(1,696)
Contributions to/(from) Reserves	(353)	(353)	(353)	(179)	(179)	(635)	148	148	148	148	148
<b>Total Financing</b>	<b>(14,860)</b>	<b>(15,314)</b>	<b>(15,712)</b>	<b>(15,945)</b>	<b>(16,464)</b>	<b>(17,393)</b>	<b>(17,050)</b>	<b>(17,702)</b>	<b>(18,141)</b>	<b>(18,591)</b>	<b>(19,094)</b>
<b>Budget Gap (surplus)/deficit</b>	<b>391</b>	<b>242</b>	<b>260</b>	<b>408</b>	<b>276</b>	<b>(260)</b>	<b>481</b>	<b>234</b>	<b>309</b>	<b>380</b>	<b>406</b>
<b>Contribution to/(from) Stabilisation Reserve</b>	<b>(391)</b>	<b>(242)</b>	<b>(260)</b>	<b>(408)</b>	<b>(276)</b>	<b>260</b>	<b>(481)</b>	<b>(234)</b>	<b>(309)</b>	<b>(380)</b>	<b>(406)</b>
<b>Unfunded Budget Gap (surplus)/deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Assumptions**

Revenue Support Grant:	nil all years
Business Rates Retention:	Business Rates Retention safety-net in 19/20 plus 2% in later years
Council Tax:	2% in all years
Council Tax Base:	Increase of 580 Band D equivalent properties from 20/21. 480 from 27/28
Interest Receipts:	£250,000 in all years
Property Investment Strategy:	£1.311m from 20/21. £1.411m from 23/24. £1.455m from 24/25. £1.655m from 26/27. £1.696m from 29/30
Pav award:	2% in all years
Other costs:	2.25% in all years
Income:	2.5% in all years except for off-street car parks which are an average of 3.5% per annum from 19/20 - 23/24

This page is intentionally left blank