Sevenoaks
DISTRICT COUNCIL

FINANCE AND RESOURCES ADVISORY COMMITTEE
12 November 2013 at 7.00 pm

At the above stated meeting the attached documents were tabled for the following items:

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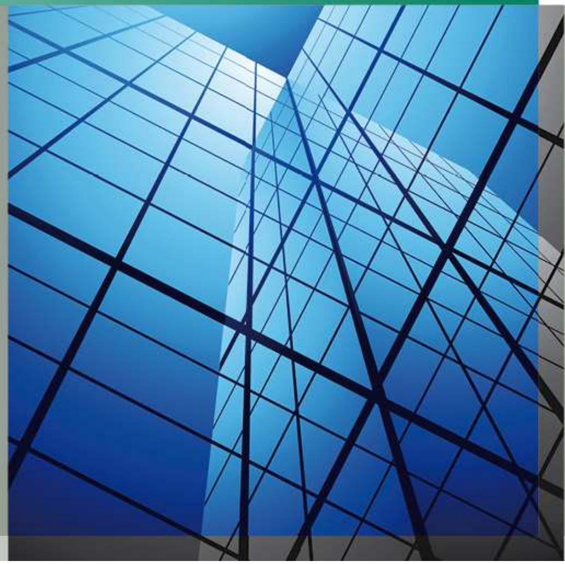
Asset Services

Treasury Management Presentation



Sevenoaks District Council
12th November

Presented by Richard Bason, CPFA
Regional Director

CAPITA

Asset Services

1. Agenda

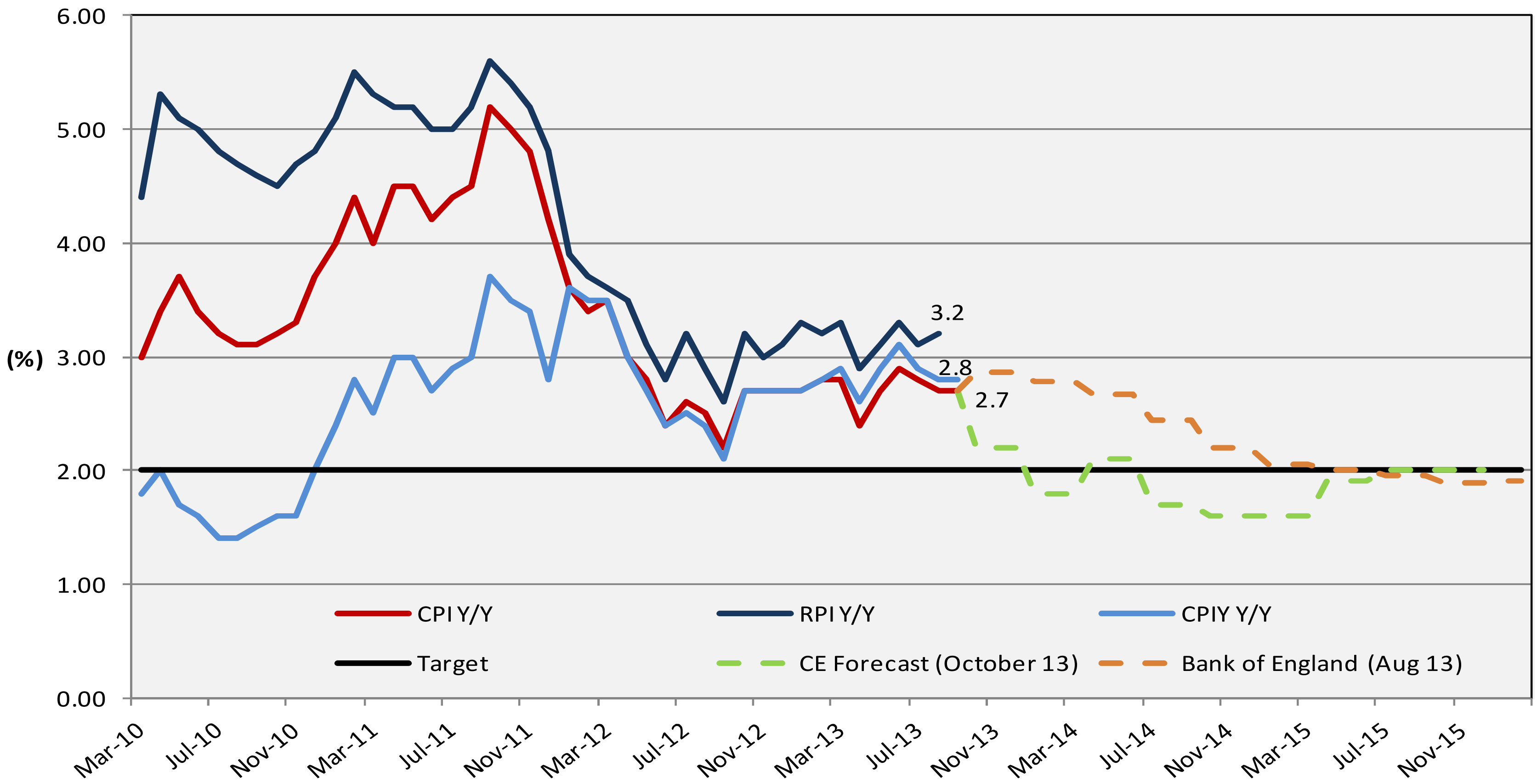
- Financial markets update
- Balance sheet
- Portfolio position
- Comparative performance
- Options for consideration
- Questions

Agenda Item 6

2. Financial markets – domestic economic data

- Bank rate / MPC meeting
- Consumer Price Index (CPI)
- Unemployment data
- Gross Domestic Product (GDP)
- House prices / surveys (Nationwide, Halifax, RICS)
- Average earnings
- Retail sales
- Strength of sterling
- UK /global events

CPI measure of inflation has rarely behaved itself over recent years…will it do so in the future?



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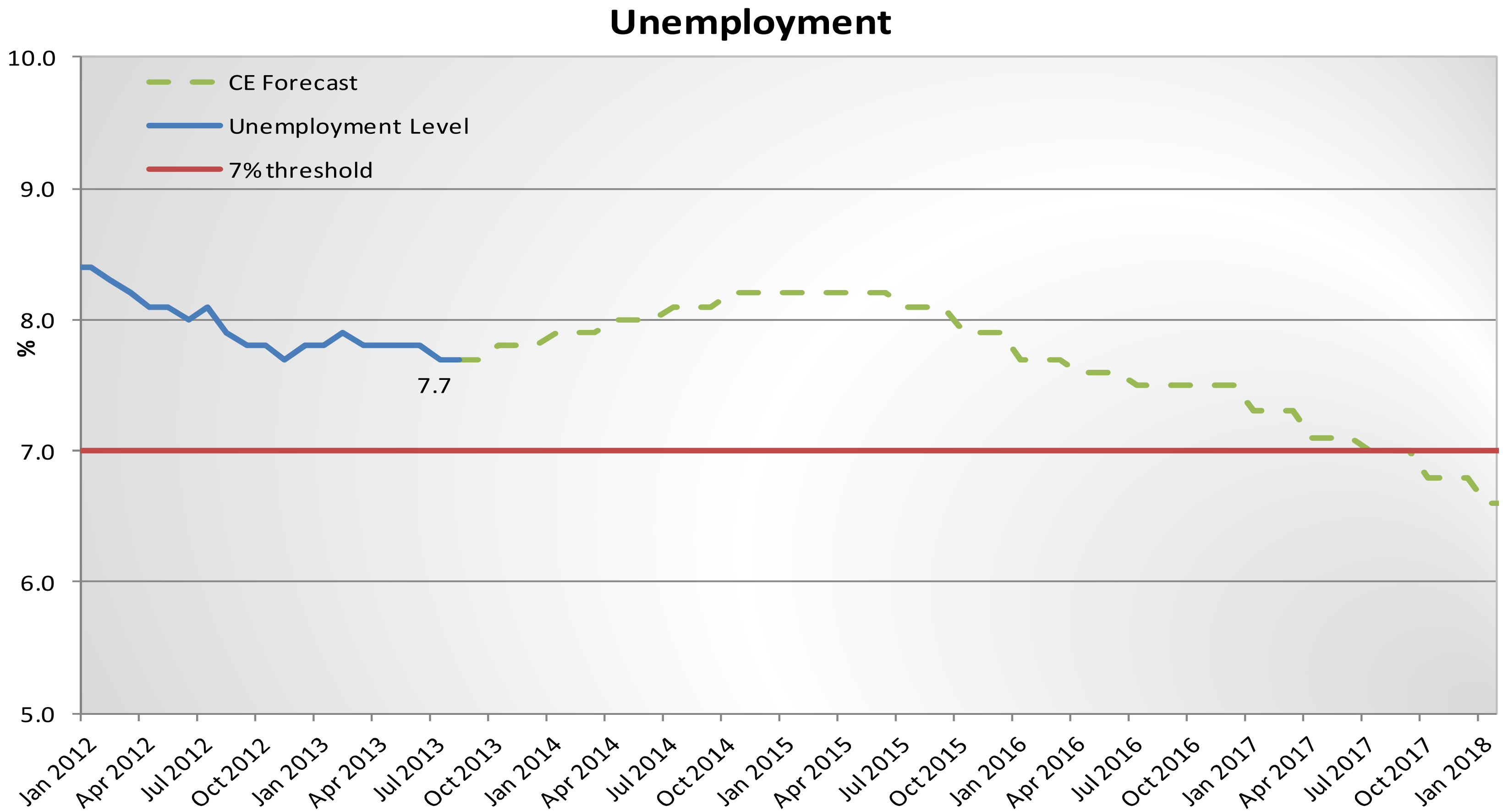
The MPC has stated that unemployment needs to fall to 7% before an increase in Bank Rate can be considered. BoE suggests that will be towards the end of 2016. The markets say mid 2015. Capital Economics 2017!



Page 5

Agenda Item 6

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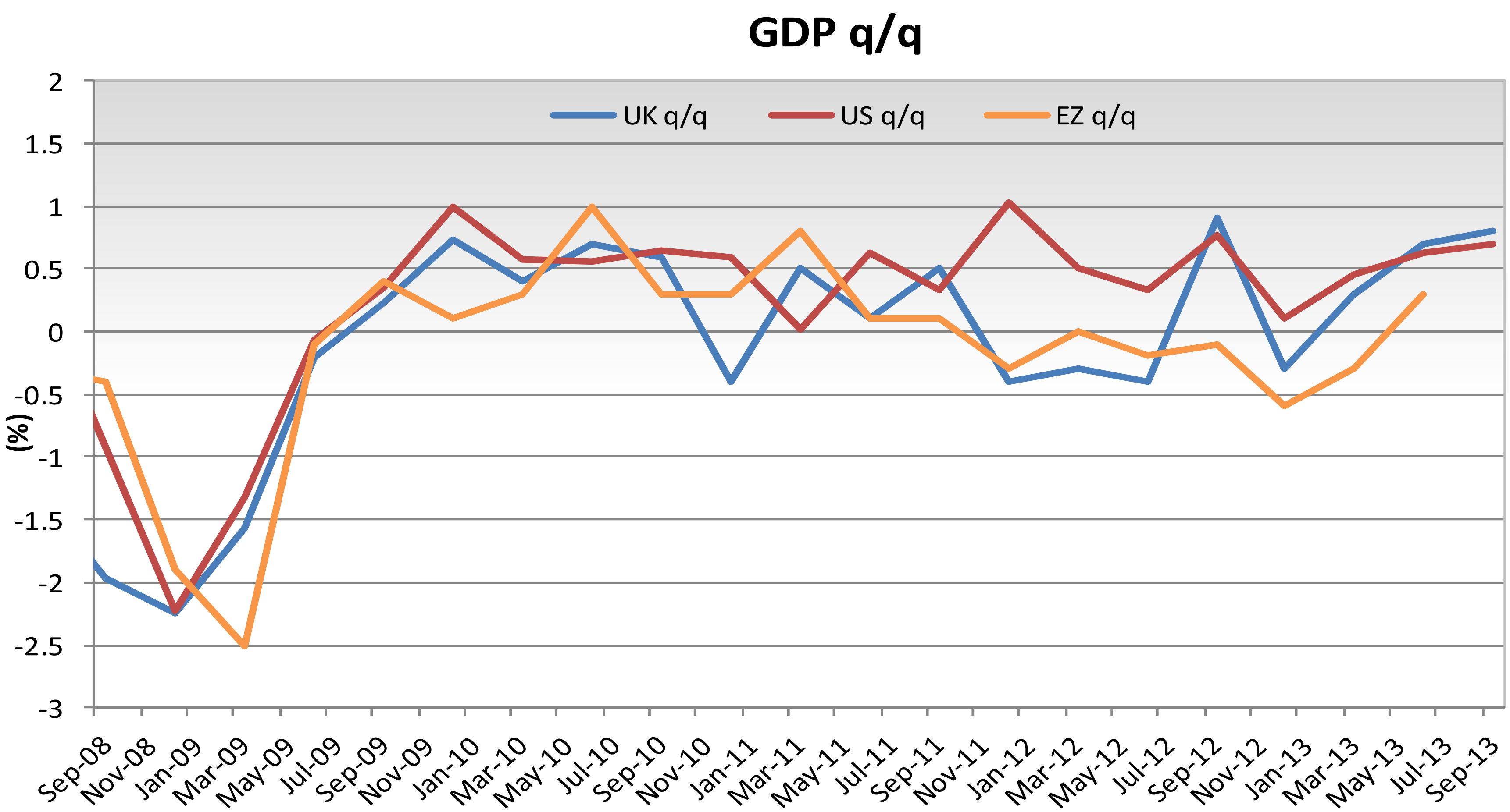
Latest Q3 GDP shows the UK performing best of the mature economies. The US is flattered somewhat by inventory restocking.



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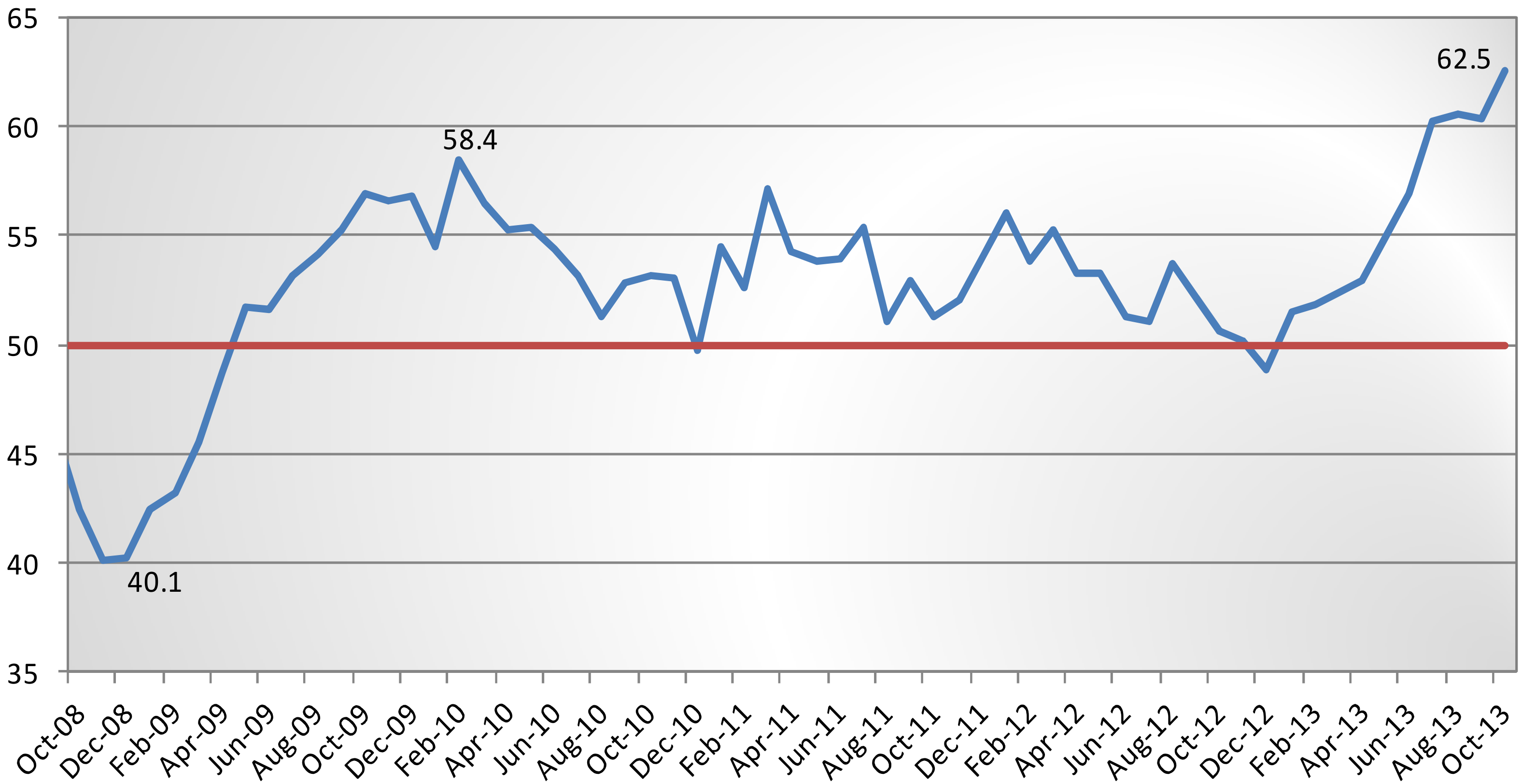
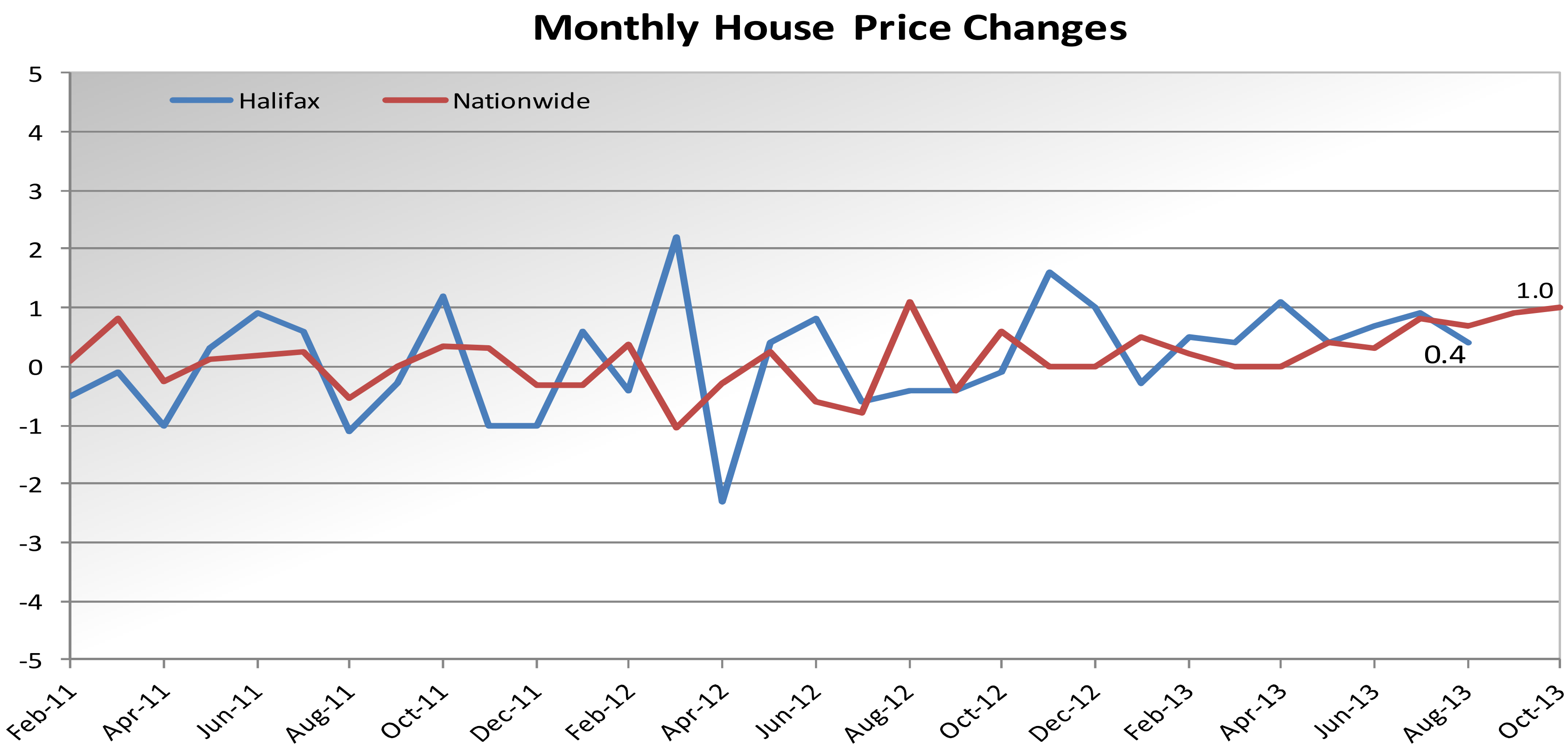
The monthly PMI services sector survey points to one of the strongest readings for the UK for 16 years (when records began). Scores > 50 = expansion. Scores < 50 = contraction.



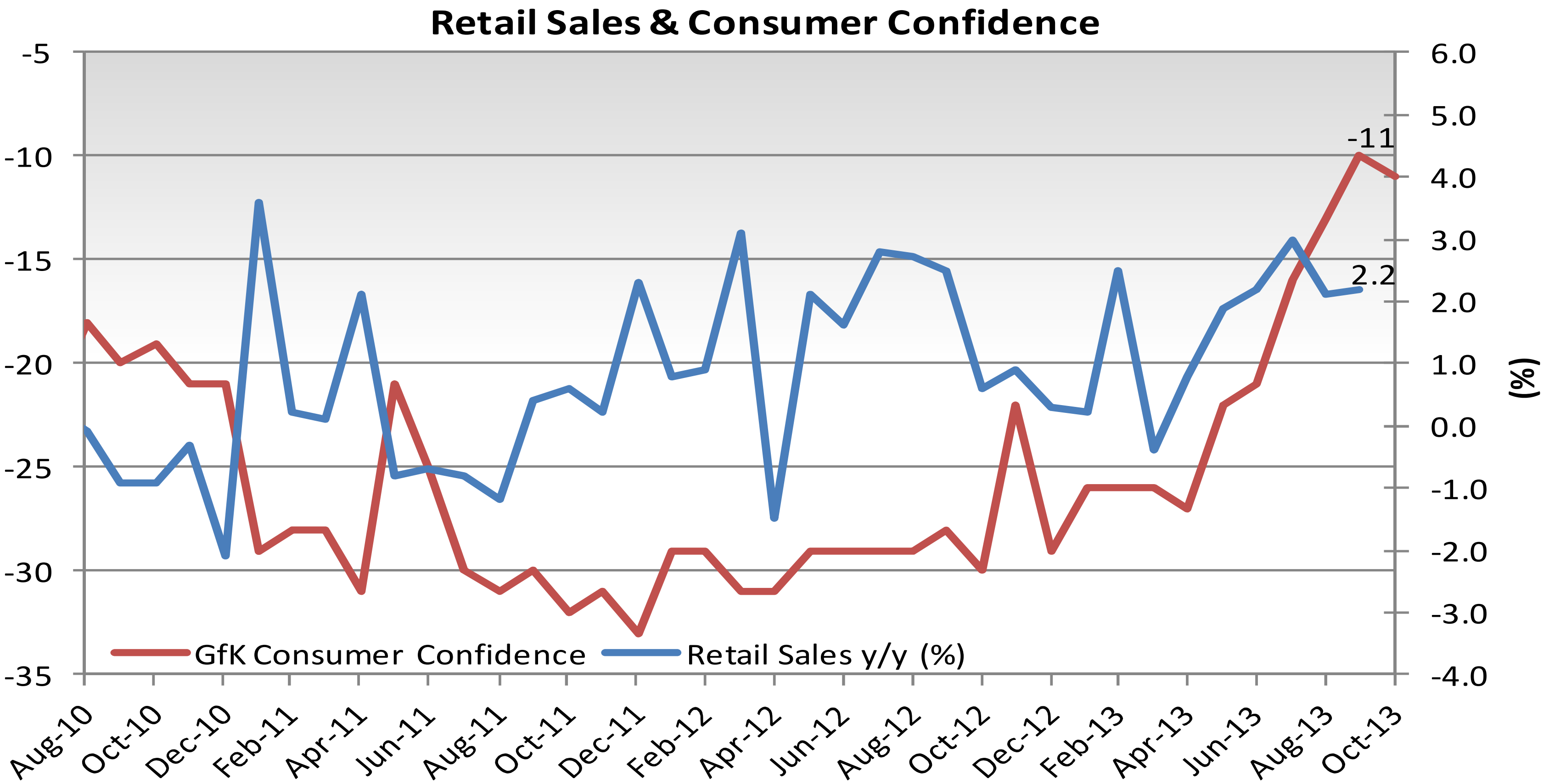
Page 7

Agenda Item 6

Although Help to Buy has not started in earnest, the UK housing market is moving full steam ahead, particularly in London and the SE.



Consumer confidence is also improving, so things are set fair for at least the next few months, although retail sales are only ok.



UK economic summary

- GDP growth of 0.8% in Q3 2013, predominantly on the back of service industries expansion, a pick up in exports and a run down of consumer saving. Can this be maintained?

- Quantitative easing static at £375bn
- UK credit rating robust

- Unemployment rate = 7.7%
- CPI at 2.7%, above the MPC's 2% target
- Bank Rate unlikely to rise before unemployment falls to 7% (2016?)

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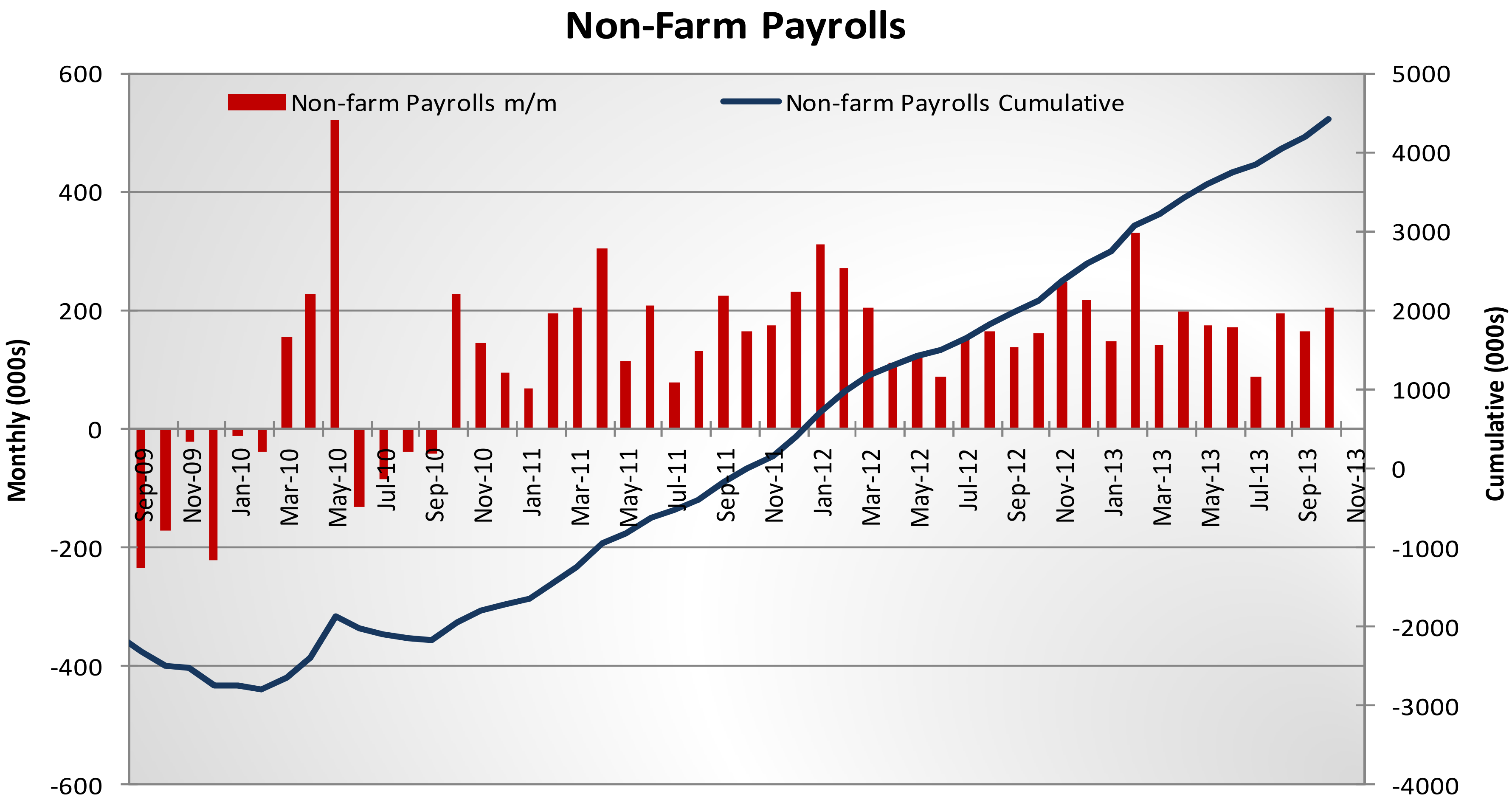
U.S. employment is ticking over. Non farm payroll is a good barometer of future prospects



Page 11

Agenda Item 6

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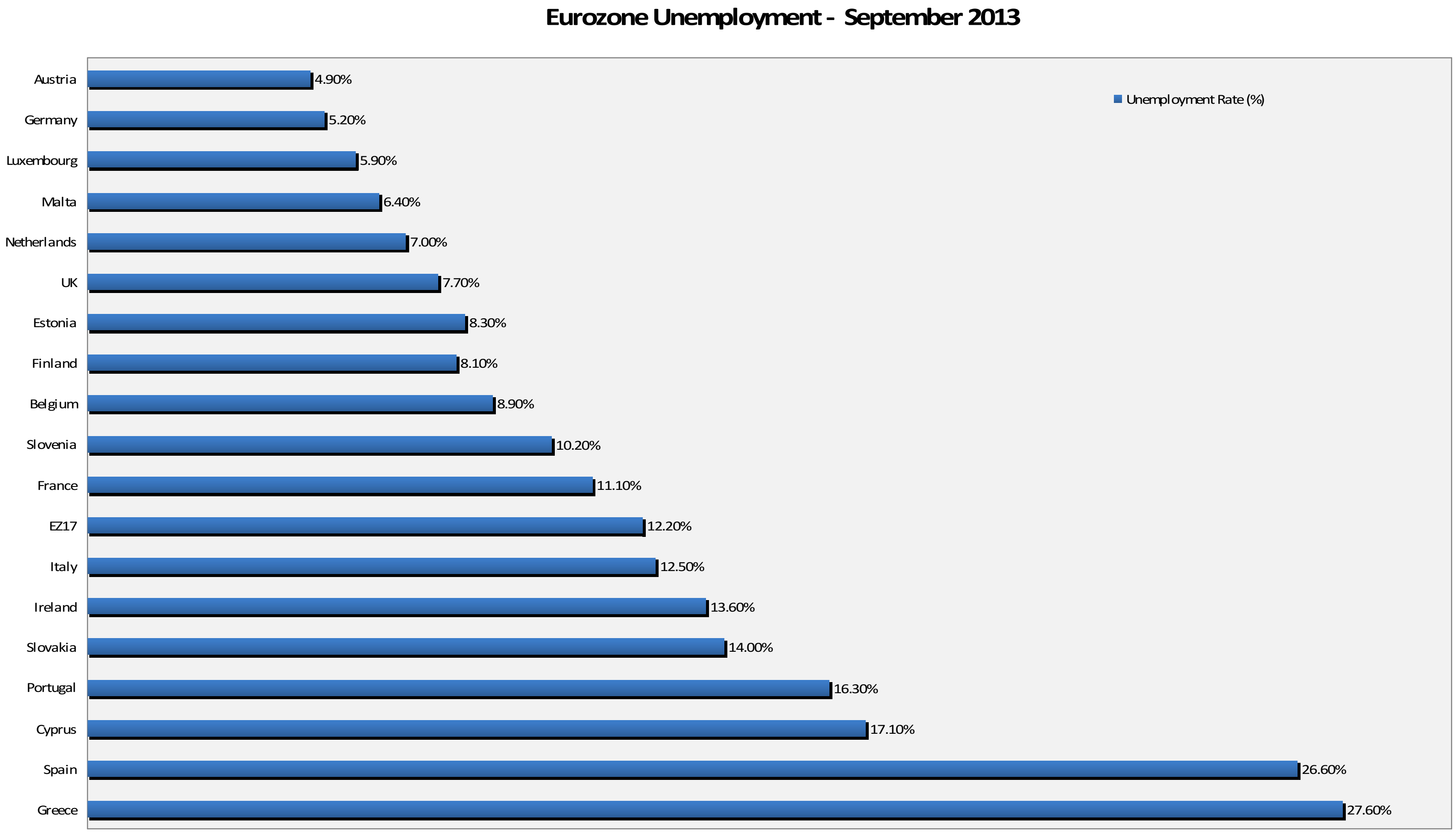
The Eurozone is expected to see tepid growth of circa 1% in 2014. High unemployment in the larger countries (bar Germany) is a barrier to improved prospects



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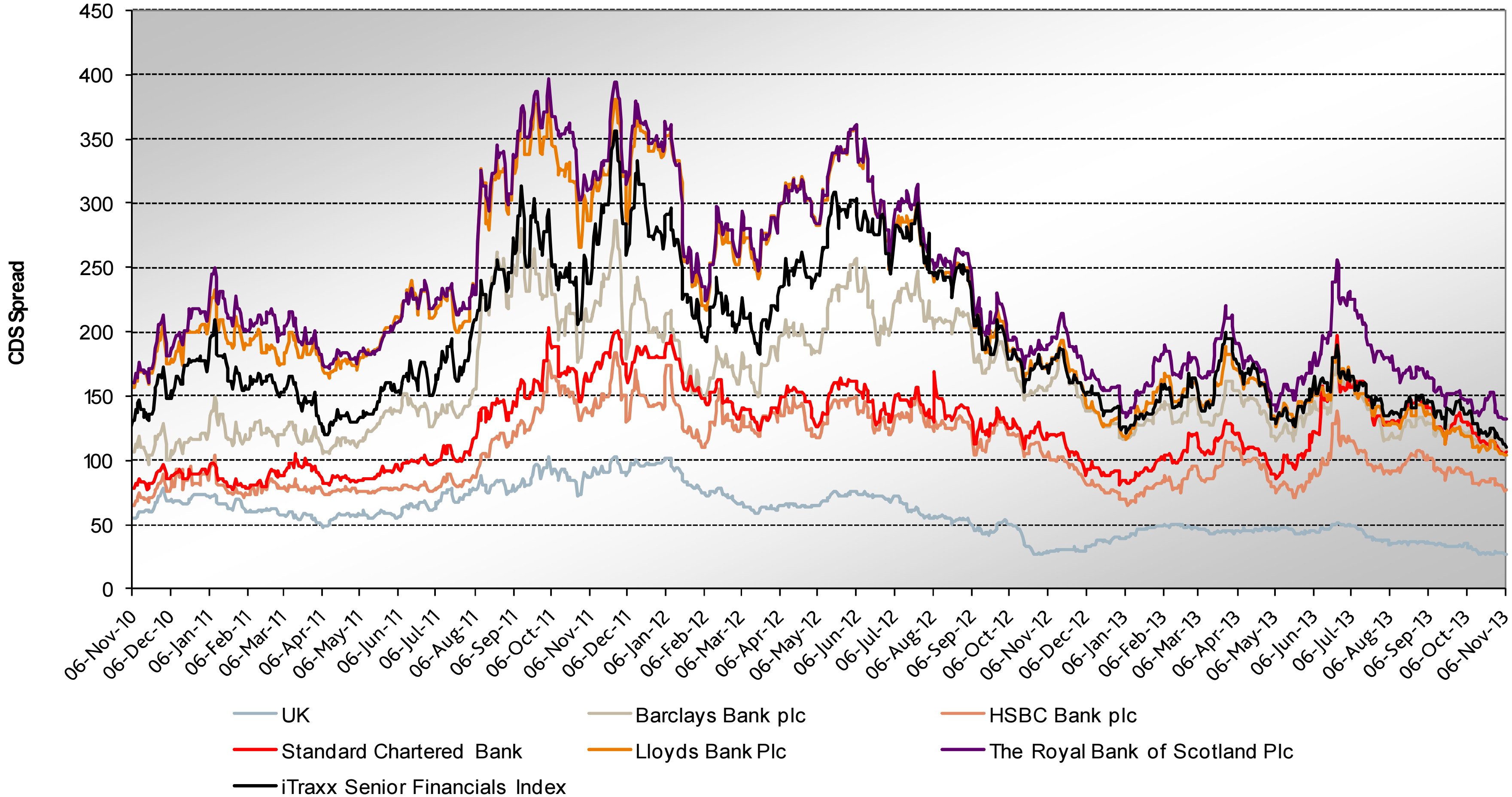
Interest rate forecasts to March 2017

Bank Rate															
	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	**0.50%**	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
UBS	**0.50%**	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-	-	-	-	-
Capital Economics	**0.50%**	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
5yr PWLB Rate															
	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	**2.35%**	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%
UBS	**2.35%**	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	**2.35%**	2.10%	2.30%	2.30%	2.30%	2.30%	2.30%	2.50%	2.90%	3.30%	-	-	-	-	-
10yr PWLB Rate															
	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	**3.51%**	3.70%	3.70%	3.70%	3.80%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
UBS	**3.51%**	3.90%	4.00%	4.00%	4.10%	4.10%	-	-	-	-	-	-	-	-	-
Capital Economics	**3.51%**	3.30%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.55%	3.80%	-	-	-	-	-
25yr PWLB Rate															
	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	**4.29%**	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%
UBS	**4.29%**	4.40%	4.50%	4.50%	4.60%	4.60%	-	-	-	-	-	-	-	-	-
Capital Economics	**4.29%**	4.10%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%	4.20%	4.30%	-	-	-	-	-
50yr PWLB Rate															
	NOW	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Capita Asset Services	**4.31%**	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.20%	5.20%	5.30%
UBS	**4.31%**	4.50%	4.50%	4.60%	4.60%	4.70%	-	-	-	-	-	-	-	-	-
Capital Economics	**4.31%**	4.30%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.50%	-	-	-	-	-

UK institutions – CDS trends (5 year bonds). High street credit quality is good v. ITRAXX Senior Financials Index



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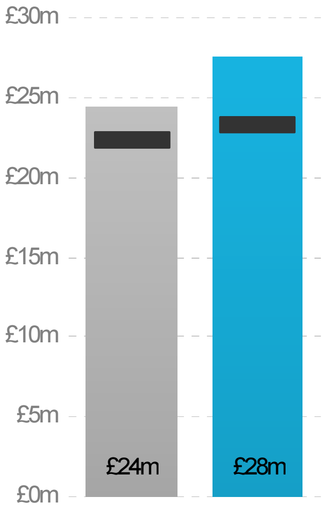
3. Balance Sheet review 2012/13

RESERVES / BALANCES AND INVESTMENTS (£'000)	2011/12	2012/13
Balances Available for Investment	£22,257	**£23,280**
External Investments	£24,453	**£27,535**
Surplus Monies	-£2,196	**-£4,255**

2011/12 (£'000)		2012/13 (£'000)	Change (£'000)
	Reserves / Balances		
(3,713)	General Fund Balance	(3,713)	-
54	Collection Fund Adjustment Account	97	43
(16,098)	Earmarked reserves / other balances	(17,631)	(1,533)
(708)	Capital Receipts Reserve	(1,693)	(985)
(1,792)	Provisions (exc. any accumulating absences)	(340)	1,452
(22,257)	**Amount Available for Investment**	**(23,280)**	**(1,023)**
	Investments		
15,277	Short-Term	17,203	1,926
404	Long-Term	350	(54)
8,010	Cash & Cash Equivalents - Investments / Deposit	9,023	1,013
762	Cash & Cash Equivalents - Other (Bank / Cash)	959	197
24,453	**TOTAL Investments**	**27,535**	**3,082**
2,196	**Surplus Monies**	**4,255**	**2,059**

Investments vs Balances



Analysis of Surplus Monies

Page 15

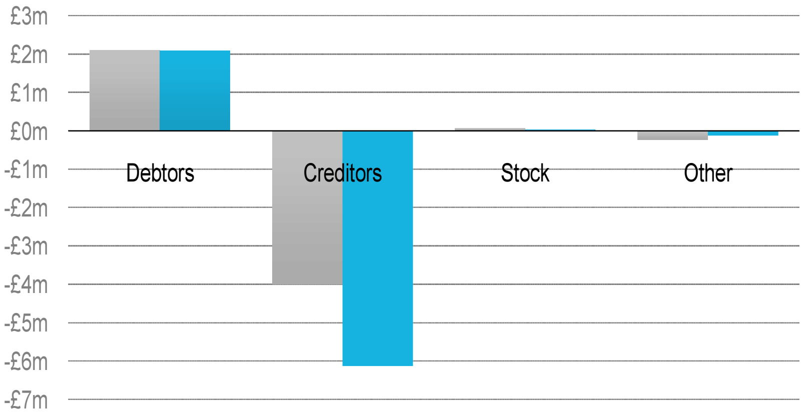
Agenda Item 6

Balance Sheet review 2012/13

WORKING CAPITAL (£'000)

	2011/12	2012/13
TOTAL Working Capital (Surplus)	-£2,090	**-£4,149**

Analysis of Working Capital



2011/12 (£'000)		2012/13 (£'000)	Change (£'000)
	Working Capital		
2,104	Debtors	2,085	(19)
(4,008)	Creditors	(6,136)	(2,128)
(164)	Capital Grants Receipts In Advance	(48)	116
55	Stock / WIP	30	(25)
(2,013)	**NET Working Capital (Surplus)**	**(4,069)**	**(2,056)**
	Other		
520	Balance LT Debtors	504	(16)
(597)	Deferred credits / receipts (non-capital)	(584)	13
(77)	**Other Long-Term Working Capital**	**(80)**	**(3)**
(2,090)	**TOTAL Working Capital (Surplus)**	**(4,149)**	**(2,059)**

4. Sevenoaks DC portfolio. Lending list 2013/14

- References CLG Guidance and CIPFA Code of Practice TM 2011
- Core cash of £23m or so
- Will lend to
  - UK institutions only
  - Max duration 1 year
  - No more than 25% with any one counterparty
  - Lloyds/RBS Group max £8m
  - Other UK high street banks/Nationwide max £5m + £1m call
  - Top 5 building societies max £2m
  - MMFs (AAA rated) £5m each
  - UK Debt Management Account Deposit Facility max £5m

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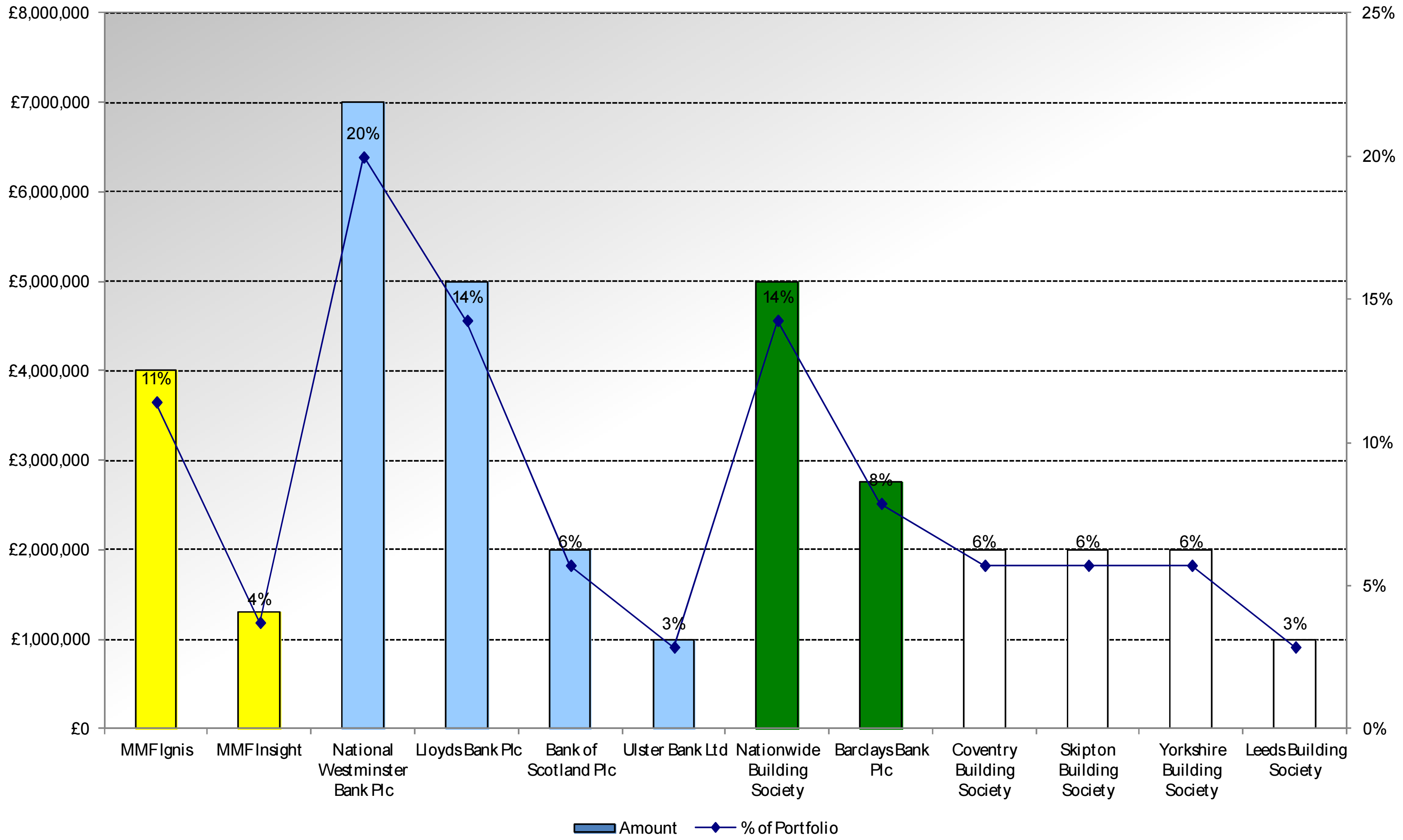
Sevenoaks DC – satisfactory returns (0.67%) for a medium credit risk (4.2 CAS score), short duration (average 55 days) portfolio

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date
Barclays Bank Plc	1,758,000	0.45%		Call
National Westminster Bank Plc	4,000,000	0.50%		Call
MMF Ignis	4,000,000	0.38%		MMF
MMF Insight	1,300,000	0.39%		MMF
Lloyds Bank Plc	1,000,000	0.80%	08/04/2013	08/10/2013
Nationwide Building Society	1,000,000	0.44%	09/07/2013	09/10/2013
Coventry Building Society	1,000,000	0.43%	15/07/2013	15/10/2013
Yorkshire Building Society	2,000,000	0.40%	18/07/2013	18/10/2013
Skipton Building Society	1,000,000	0.49%	29/07/2013	29/10/2013
Lloyds Bank Plc	1,000,000	2.25%	31/10/2012	30/10/2013
Leeds Building Society	1,000,000	0.35%	01/08/2013	01/11/2013
Lloyds Bank Plc	1,000,000	2.25%	05/11/2012	04/11/2013
Barclays Bank Plc	1,000,000	0.45%	07/08/2013	07/11/2013
Coventry Building Society	1,000,000	0.45%	29/08/2013	29/11/2013
Nationwide Building Society	1,000,000	0.44%	30/08/2013	29/11/2013
Skipton Building Society	1,000,000	0.49%	29/08/2013	29/11/2013
National Westminster Bank Plc	3,000,000	0.80%		Call95
Nationwide Building Society	2,000,000	0.50%	23/07/2013	23/01/2014
Ulster Bank Ltd	1,000,000	0.65%	29/07/2013	29/01/2014
Nationwide Building Society	1,000,000	0.50%	01/08/2013	03/02/2014
Bank of Scotland Plc	1,000,000	1.10%	12/02/2013	11/02/2014
Bank of Scotland Plc	1,000,000	1.10%	22/02/2013	21/02/2014
Lloyds Bank Plc	1,000,000	1.10%	08/04/2013	08/04/2014
Lloyds Bank Plc	1,000,000	1.01%	04/07/2013	03/07/2014
Total Investments	**£35,058,000**	**0.67%**		

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

Counterparty Exposure: In-line and adhering with current strategy



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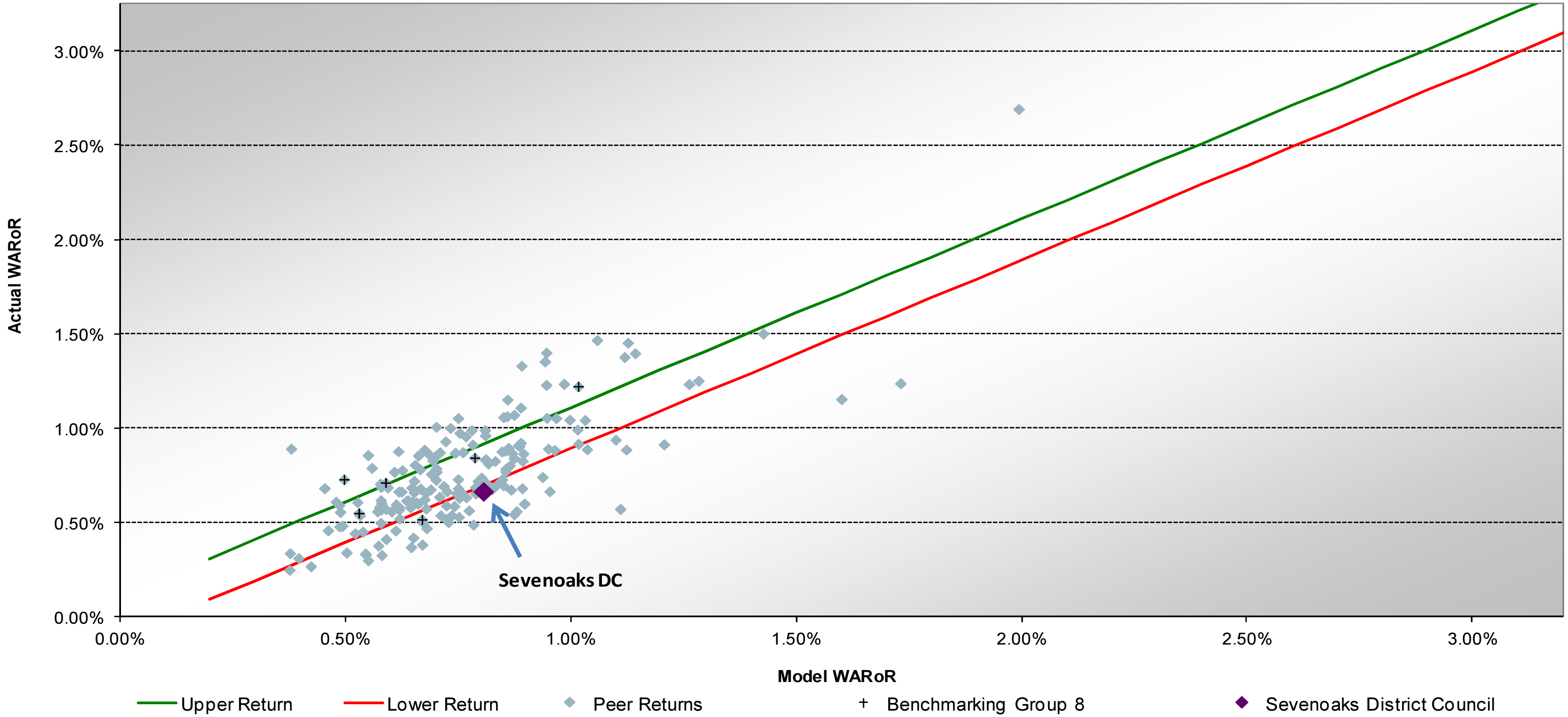
5. Comparative performance. September 2013: SDC vs. total benchmarking population (182 clients).
Returns broadly in line with risk profile but lower rated building societies (as per CAS credit risk assessment) not boosting returns.



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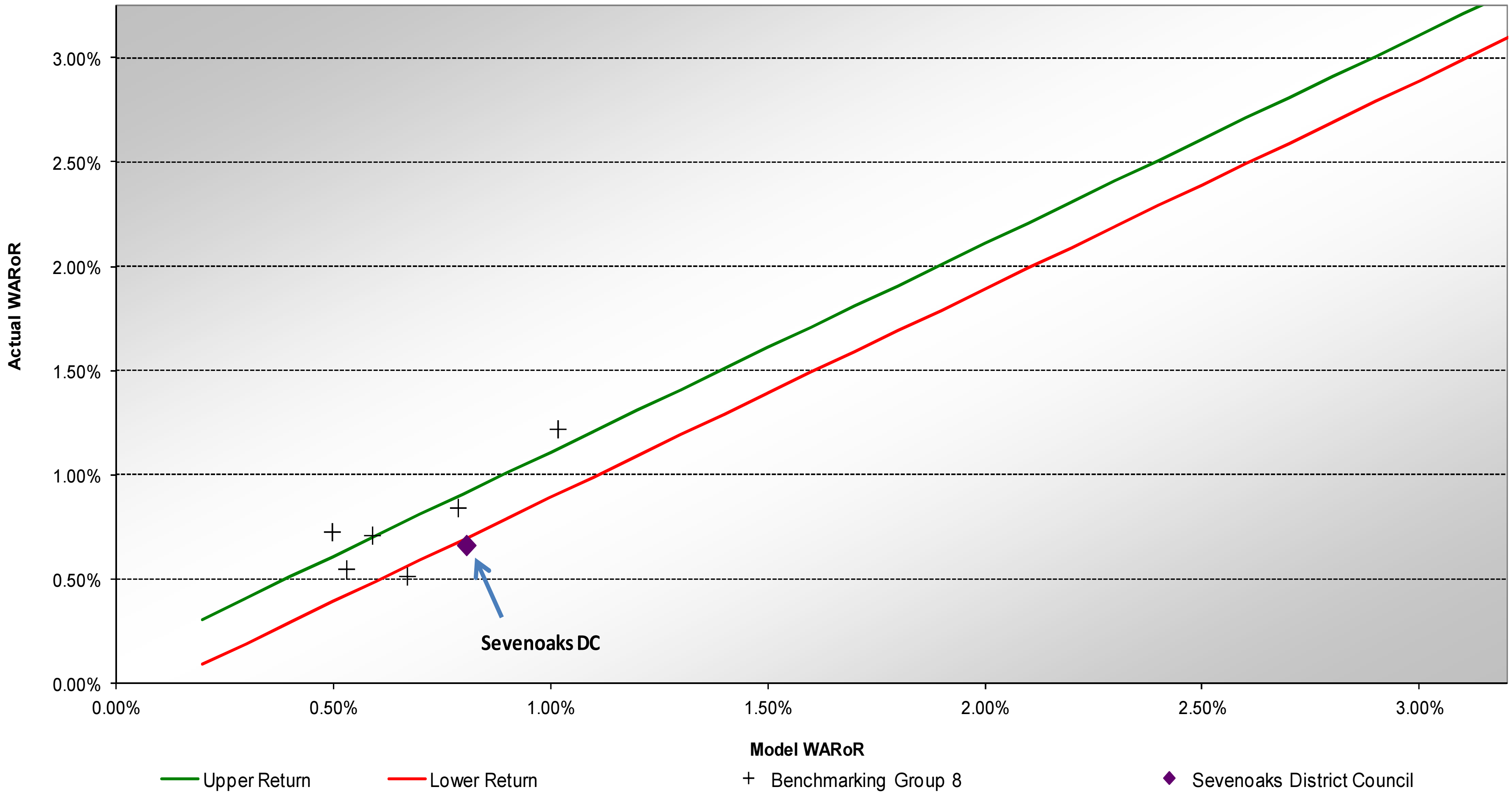
September 2013: SDC vs. Kent Benchmarking Group



Page 21

Agenda Item 6

6. Options for consideration: Property Funds performance…
A long-term investment where past performance is perhaps less reliable as an indicator than forecast growth for the UK economy. Dividend and capital growth potential, but high entrance/exit costs a possible barrier

Fund Performance, June 2013	3 Months %	1 Year %	3 Years % Annualised	5 Years % Annualised	NAV (£, Millions)
Aberdeen UK Balanced Property Fund	0.8	1.7	4.7	-1.1	34.7
AEW UK - Core Property Fund	2.9	9.8	-	-	46.1
BlackRock UK Property Fund	1.6	2.6	4.6	0.1	2,415.50
CBRE Lionbrook Property Fund	1.1	2.9	5.3	-1.9	404.7
CBRE Global Investors UK Property Income LP	2.3	0.7	-4.2	-8.6	37.5
Cordea Savills UK Income and Growth Fund	2.1	6	6.3	-	92.6
Fidelity UK Real Estate Fund	1.1	-0.1	1.7	1.7	133.3
Henderson UK Property Fund	2	5.7	5.8	1	145.8
Hermes Property Unit Trust	1.6	4.6	6.7	1.5	811.5
Lothbury Property Trust	1.7	5	6.4	2.4	785.2
M&G Property Fund	6.7	6.9	2	-1	261.8
Mayfair Capital Property Unit trust	1.7	4.5	3.7	-	102.5
Rockspring Hanover Property Unit Trust	0.8	-1.7	2.8	-4.1	408.6
Royal London Property Fund	1.1	2.4	4.4	1.7	218.5
Schroder UK Property Fund	2.1	3.7	5.7	0.1	1,243.80
The CCLA Property Fund	1.1	2.6	5.8	0	76.4
The M&G UK Property Fund	0.7	2.1	3.9	0.2	514.3
Threadneedle Property Unit Trust	1.4	3.6	3.3	0.5	798.6

Options for consideration: Money Market Funds

Liquidity Funds	Min Initial Investment, £	7- Day Gross Yield	30- Day Gross Yield	Portfolio Assets (m)	Weighted Average Maturity (Days)	Ratings Moody's	Ratings Standards & Poor's	Ratings Fitch
Aberdeen	1M	0.53	-	336.10	-	-	AAAm	AAAmmf
Amundi	1M	0.51	0.50	415.30	13.00	-	AAAm	AAAmmf
BlackRock	1M	0.50	0.50	27940.90	45.00	Aaa-mf	AAAm	-
BNP Paribas	2.5M	0.48	0.49	852.50	39.00	-	AAAm	-
BNY Mellon	1M	0.46	0.46	2504.20	27.00	Aaa-mf	AAAm	-
CCLA	25K	0.46	0.46	206.32	40.00	-	-	AAAmmf
Deutsche	1M	0.50	0.51	6823.30	49.00	Aaa-mf	AAAm	-
Federated S-T Sterling Prime Fund	-	0.52	0.53	1862.90	51.00	Aaa-mf	AAAm	AAAmmf
Fidelity	100K	0.49	0.49	733.40	44.00	Aaa-mf	AAAm	-
Goldman Sachs	1M	0.52	0.52	5987.20	53.00	Aaa-mf	AAAm	AAAmmf
HSBC	250K	0.50	0.50	5732.80	54.00	Aaa-mf	AAAm	-
Ignis	1M	0.54	0.54	12888.00	48.00	-	AAAm	AAAmmf
Insight	1M	0.49	0.49	15658.40	42.00	-	AAAm	AAAmmf
Invesco	100K	0.48	0.49	451.30	33.00	Aaa-mf	AAAm	AAAmmf
JPMorgan	6M	0.50	0.50	7946.00	41.00	Aaa-mf	AAAm	AAAmmf
LGIM	1M	0.51	0.51	13135.30	50.00	-	AAAm	AAAmmf
Morgan Stanley	-	0.48	0.48	1459.90	34.00	Aaa-mf	AAAm	AAAmmf
Northern Trust	1M	0.45	0.45	5054.00	35.00	Aaa-mf	-	-
RBS	50K	0.49	0.49	4779.70	44.00	Aaa-mf	AAAm	AAAmmf
SSgA	500K	0.50	0.49	2855.50	42.00	Aaa-mf	AAAm	AAAmmf
SWIP	1M	0.50	0.50	15373.80	46.00	Aaa-mf	AAAm	AAAmmf
Western Asset	2.5M	0.50	0.50	376.40	39.00	Aaa-mf	AAAm	-

QUESTIONS?

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CCLA

The Local Authorities' Property Fund
Fund Profile – 30 June 2013

An ideal choice for investors with long-term funds seeking a combination of capital and income growth

Price at 30.06.13	**Net asset value**
Income units	226.36p (xd)
Gross dividend yield	6.00%*

* Based upon the net asset value and an annual dividend of 13.59p, the gross income less management expenses.

The Property Fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector.

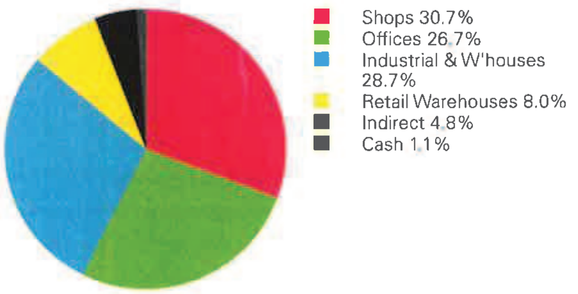
The portfolio is actively managed and seeks to boost returns by lease and tenant management and property improvement.

The Fund has a broad sector spread to maximise the range of opportunities, with prudent diversification to keep risks under control.

Strong governance
The trustee is the Local Authorities' Mutual Investment Trust (LAMIT). LAMIT is controlled by representatives of the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund. As trustee LAMIT approves the investment strategy and the risk profile of the portfolio and reviews performance.

Unique accounting advantages
Unlike other property funds of direct property purchases the Fund does not count as capital expenditure for English and Scottish local authorities. Dividends are treated as revenue income but the General Fund is protected from fluctuations in the unit price. The investment is treated as an available for sale financial asset.

Asset allocation by investment category 30 June 2013



Fund size £76 million

Property portfolio details

Top 5 properties = 48.5% of the portfolio

Top 5 tenants = 46.7% of rental income

Weighted unexpired lease term 4.7 years

Vacancy rate 10.5%

Asset allocation by region and category 30 June 2013

Fund Data and IPD Other Balanced Property Funds Index data as at 30 June 2013

Top ten property holdings – total 76.6%

London, Fenchurch Street
Lutterworth, Magna Park
Chichester, East Street
Bishops Stortford, Stansted Road
Reading, Broad Street
London, Threadneedle Street
Birmingham, Junction Six
Glasgow, Blythswood Square
Henderson UK Retail Warehouse Fund
Bardon, Interlink Park

Market update

Conditions in the sector have been challenging. Occupier markets have been weak and rents have been under pressure, particularly in the retail sector. Investment volumes have remained low and investor preference has been for top quality trophy assets. Activity, particularly in London, has been dominated by international investors.

Against this dull backcloth it is pleasing to note some recent signs of improvement. The availability of funding has improved and distressed sale volumes have fallen. Most encouragingly, investor interest has increased, attracted by the high income yields available and hopes that valuations, now stabilising will start to rise; if not in 2013 in 2014.

Fund activity

The Norwich shop previously let to Currys has been re-let to a new tenant and at a higher rent. At present the property is empty during refurbishment and this has pushed the void rate up to 10.5%, compared with 11.9% on the IPD Index. This is exceptional however and over the next month or so the rate will decline nearer to 3%. Other activity has seen a small vacant office holding in Slough sold and an extended lease agreed on a warehouse in Leicestershire.

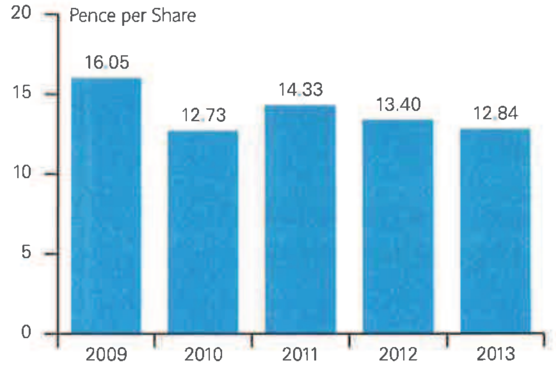
Outlook

In the immediate future we expect the two tier market to continue. The best returns will be earned by trophy assets and those with clear and secure income streams, secondary properties will produce a wider range of results but overall are expected to lag. Looking beyond this however we believe the sector is going through a process of transition which will lead to improved overall returns and a change of leadership, away from top prime properties, which are now only fair value, to good quality secondary stock. Supply of good assets at current prices is thin and demand is clearly increasing as a wider range of investors try to lock in to the exceptional income yields currently available. We expect a gradual improvement in values in the months ahead but there is a chance that the upturn is swifter and more substantial if buyers become more aggressive.

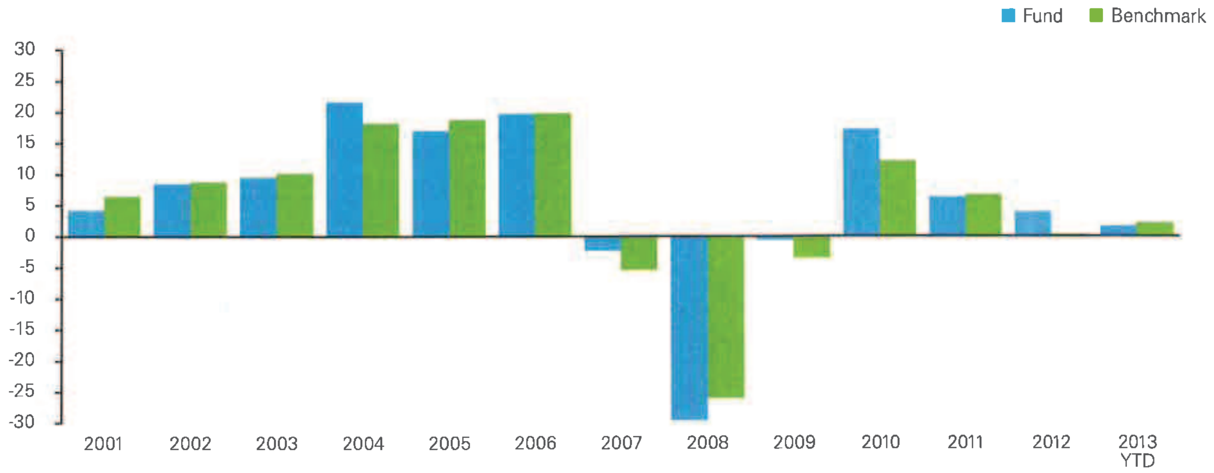
The importance of income

Dividend history of The Local Authorities' Property Fund

Years to 31 March



Calendar performance versus the benchmark



The benchmark is the IPD Other Balanced Property Funds Index.
Source: CCLA – Please note that past performance is no guarantee of future returns.

Long term performance

Total return performance (net) 12 months to end of June

	2013	2012	2011	2010	2009
The Local Authorities' Property Fund	+2.6%	+6.9%	+7.9%	+28.7%	-34.4%
Benchmark*	+1.4%	+3.8%	+7.9%	+19.0%	-29.5%

* The benchmark is the IPD Other Balanced Property Funds Index.
Source: CCLA – Please note that past performance is no guarantee of future returns.

Costs and charges

Our policy is always to keep costs and charges low - we believe that high costs and charges have a very damaging cumulative effect on investor returns. We negotiate to keep expenses low and monitor dealing costs closely. We have no entry or exit fees, the only income taken by the investment manager is the annual charge of 0.65%.

Key facts

Bid/offer spread	7.3%
Dealing day	Month end valuation day*
Minimum initial investment	£250,000
Minimum subsequent investment	£10,000
Dividend payment dates	End January, April, July & October
Annual management charge	0.65% (deducted from income)
Unit types available	Income
Sedol number	0521664
ISIN number	GB0005216642

* Instructions for the issue or redemption of units must be received by CCLA no later than 5pm on the business day prior to the Valuation Date. If the valuation day is a Bank Holiday the dealing day will be the previous working day. Units are only realisable on each monthly dealing date and redemptions may not be readily realisable; a period of notice not exceeding six months may be imposed for the redemption of units.

CCLA INVESTMENT MANAGEMENT LTD

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D10/JUL13

Important Information

Investors are not certain to make profits; losses may be made. Any forward looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated.

The Fund is an unregulated collective investment scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

CCLA Investment Management Limited (registered in England No. 2183088 at the office below) is authorised and regulated by the Financial Conduct Authority and is the manager of the Local Authorities Property Fund.

CCLA

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Local Authority Property Fund

Key points:

- An introduction to CCLA
- Why consider property?
- The Fund

CCLA:

- A specialist fund manager.
- We work only for Charity, Local Authority and Church investors, all of our resources are dedicated to the sector.
- We are owned by our clients, including the Local Authority sector. We avoid the conflict that commercial external shareholders can bring – do you prioritise your shareholders' or your clients' interest?
- We are property specialists with real expertise and an excellent record.

Why property?

Property is interesting because of the characteristics of the sector and the current position in the investment cycle.

Characteristics

Income provides the main source of return from the sector. Income (rent) is contractual and so predictable over the longer term. Looking back into the past we can see that whilst property values can weaken in times of economic difficulty, income payments have continued. Total returns from property have offset the effects of inflation.

Why now?

The sector is particularly attractive at the moment because large parts are suffering depressed valuations which have pushed yields up to levels which are elevated relative to history. In the past couple of years 'trophy' assets, particularly in London, have been well supported, particularly by overseas investors. Elsewhere however prices have been in decline, to the extent that values fell for 18 of the 20 months to July and valuations are still below 2007 levels in many cases. Property has massively underperformed other assets such as fixed income securities and equities. There is now very strong values available from good quality properties with strong tenants but which are on sub-5 year leases.

The Fund:

The Local Authority Property Fund is diversified and actively managed to keep specific asset risks low.

- It is available to only local authority investors.
- It has a portfolio of good quality assets.
- It provides a high income yield which is currently about 6%. We believe this income to be sustainable over time.
- It has an excellent performance record over all periods.
- It has a strong governance regime. The LAMIT Council is controlled by representatives of the LGA, the Convention of Scottish Local Authorities, NILGO and investors in the Fund.
- It has unique accounting advantages not available to other property funds or directly held properties. Investment in the Fund does not count as capital expenditure. Holdings are held on the balance sheet at acquisition cost.

Our approach:

We do not take a 'buy and hold' approach to investment. We are active managers and asset selection - finding the right property at the right time - is at the heart of what we do. The portfolio is diversified by location and sector but is not an index clone. Each asset we hold has been bought for a specific purpose. A key target is to maintain the high income payment to investors.

Sector outlook:

Valuations are low but investor interest is clearly increasing. This is slowly being reflected in prices, which are strengthening. We expect this process to continue for the next month or two, with more substantial progress at the end of this year and into 2014.

Regulatory information and risk warning

We do not represent that this information, including any third party information, is accurate or complete and it should not be relied upon as such. Opinions expressed herein are subject to change without notice.

The services described are provided by CCLA Investment Management Limited (CCLA), a firm authorised and regulated by the Financial Conduct Authority. This document is issued for information purposes only and is not a solicitation to buy or sell any investment. Nothing in the document should be deemed to constitute the provision of financial, investment or other professional advice.

Past performance is not an indication of future performance. Values of investments, and any income derived from them, may fall as well as rise and you may not get back the amount you invested. Exchange rate changes may have an adverse effect on the value, price or income of investments. The levels and bases of, and relief from, taxation may change. You should obtain tax advice where appropriate before proceeding with any investment. Investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on income and capital value. Income payments may constitute a return of capital in whole or in part. Income may be achieved by foregoing future capital growth. There may be additional risks associated with investment in emerging and developing markets.

Where reference is made to Funds CCLA is the appointed Manager and these may be Unregulated Collective Investment Schemes. The Funds may deal infrequently and may limit redemption. Share values may reflect fluctuations in property and share prices. Fund charges may be applied to capital which may result in capital erosion.

Any forward-looking statements are based upon our current opinions, expectations and projections. We undertake no obligation to update or revise these. Actual results could differ materially from those anticipated.

BUDGET MONITORING - Strategic Commentary - As at 30 September 2013

Overall Financial Position

1. Six months into the year the results to date show an overall favourable variance of £444,000. Reasons for this current favourable variance are explained in the individual commentaries from Chief Officers

2. The year-end position is forecast to be £30,000 better than budget.

Key Issues for the year to date

3. **Income** – investment income is performing above target and is forecast to be better than budgeted at the year-end. This is due to higher than estimated balances and slightly higher rates being achieved during the year so far, and a favourable forecast is shown to reflect this position.

4. Income from on-street parking, land charges and development management are achieving or exceeding budget targets at the end of September.

5. **Pay costs** – the actual expenditure to date on SDC funded salaried staff is £127,000 below budget. An underspending of £167,000 relates to Direct Services and will be offset by agency staff costs held within the trading account. Additional resources are being used to address the Benefits workload and costs will be met by additional funding from both partners. The 1% pay award will be paid in October.

6. **Other** – Direct Services' results show a positive variance of £98,000 compared to budget.

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

Year End Forecast

8. The year-end position is forecast to be £30,000 better than budget.

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

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

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

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

13. Direct Services are forecasting a favourable variance of £25,000 for the year.

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

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

Risk areas

16. The current economic situation continues to have a real and potential impact on the Council's finances:

- the investment strategy is constantly under review in light of the changing long term credit ratings which affects the number of organisations the Council can invest in;
- property related income such as Development Control (particularly pre-application fees and S106 monitoring), Building Control, Land Charges remain vulnerable;
- the Benefits workload is at a higher level than before the recession. Agency staff are being used to address the workload and to fill any vacancies due to uncertainties relating to Universal Credit;
- Council Tax collection rates, though currently in line with the previous year, could be affected by increased unemployment and squeezed household incomes;
- changes in the price of diesel could have a significant impact on Direct Services.

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

Contacts:

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Adrian Rowbotham	Chief Finance Officer	ext 7153
Helen Martin	Head of Finance	ext 7483

Communities and Business – September 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Youth	14	3	Expenditure on youth zone lower than profile and savings identified. Project costs currently behind profile.
Choosing Health WK PCT	-9		External funding – spending ahead of profile but will be zero at year end.
Partnership – Home Office	27		External Funding received in advance. Will be zero at year end.
Salaries – Ext Funded	-15	-25	This relates to increases in externally funded salaries to undertake work for which additional external funding has been achieved.
Capital – Big Community Fund	-25		This revenue budget is fully funded from the earmarked reserve at the year end.
Capital - Parish Projects	31		There are no current capital schemes in parish's projects. These projects are funded from an earmarked reserve.

Future Issues/Risk Areas

Lesley Bowles, Chief Officer Communities and Business
October 2013

Corporate Support – September 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Estates Management – Buildings	-21	-30	£30k costs associated with facilitating the sale of 66 London Road.
Support – Central Offices – Facilities	16		Current underspend in FM salaries. Salaries currently being redistributed across FM and Property to reflect new structure.
Support – Contact Centre	14		Current underspend on salaries costs due to carrying a vacant post.
Support – General Admin	14	-12	£12k underachievement on internal printing matching equal forecast underspend from Legal and Democratic Services.
Support – IT	27		Carry forward money for Licencing e-forms currently drawn down but awaiting final invoices. Post vacant for first six months of the year now filled.
Support – Property Function	-13		Current overspend in Property salaries. Salaries currently being redistributed across FM and Property to reflect new structure.
Salaries	40		Current underspend due to vacant posts in HR, Customer Services and IT. Forecast to be adjusted once current recruitment processes are complete

Future Issues/Risk Areas

Chief Officer Corporate Support
October 2013

ITEM 1
(4)

Environmental & Operational Services – September 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Asset Maintenance Car Parks	8	-25	Essential car park maintenance to be undertaken. Weekend of 12/13 and 19/20 October. To be partially offset by £8,000 underspend on other asset maintenance budgets.
Asset Maintenance Direct Services	12		Maintenance spending on depots to be planned later in the financial year.
Building Control	11		Income £4,000 above profile. Savings made on structural checking fees. Shared management arrangement with T&MBC ended at the end of September 2013. (£20,000 shortfall in income). Savings made on salary costs by carrying, for a few months, one surveyor post. Fee income low Dec – Feb.
Car Parks	-47	-70	Income down £49,000 on profile. Predominantly pay and display income.
EH Animal Control	-9	-12	Over expenditure on kennel fees and vet treatments for unclaimed stray dogs.
EH Environmental Protection	22	20	Savings on air quality monitoring costs.
Land Charges	13	10	Income £12,000 above profile.
Licensing Partnership Hub (Trading)	12		Licensing trading 'hub' currently £11,000 in 'surplus'. If not spent on initiatives such as online forms, end of year 'surplus' is shared between the three licensing partners.
Licensing Regime	-39	-20	The annual fees are £25k below profile but will be collected. The challenging income budget is currently forecast to be underachieving but is offset by savings on various expenditure items.
Markets	-36	-62	Income budget for Swanley market £62,000 greater than tender price accepted.
On-Street Parking	-11		Income £12,000 above profile, but one-off expenditure £23,000 above profile (IT System costs).
Parks & Recreation Grounds	-19		Overspend on Parks and Recreation Grounds are offset by underspend on Estate Management – Grounds and Parks Rural.
Refuse Collection	-46		First quarter claim for recycling credits from KCC submitted (£44,000), but not yet received.
Support – Direct Services	10		Training to be delivered on CPD driving and Health and Safety.
Salaries – Licensing	11		Savings in the licensing admin 'hub' reflected in the licensing 'hub' account.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Salaries – Operational Services	167	167	Savings on Direct Services salaries due to vacancies partly offset by use of agency staff to maintain services. Reflected in Direct Services trading accounts.
Capital – Vehicle Purchases	95		Vehicle replacement programme will be delivered within approved budget. Any underspend is carried forward into the vehicle replacement fund.
Direct Services – Refuse	39	50	Underspend on salaries due to vacancies offset partially by additional costs of agency staff, fuel and vehicle repair costs.
Direct Services – Street Cleaning	15	20	Savings on salaries due to chargehand post vacancy and savings on fixed transport costs, partly offset by increased fuel costs.
Direct Services – Workshop	26		Income £40,000 above profile, mainly on vehicle repairs with expenditure £15,000 above profile.
Direct Services – Green Waste	10		Income £10,000 above profile mainly due to annual bin permits.
Direct Services – Cesspools	-5	-11	Income slightly above profile, however expenditure £6000 above profile on staffing cost and vehicle repairs.
Direct Services – Pest Control	-12	-15	Income £14,000 below profile on wasp nest treatments, however, £29,000 income generated on wasp nest treatments in last three months. Account currently in small surplus.
Direct Services – Grounds	-12	-17	Income fixed. Over expenditure on salaries, agency and transport costs.
Direct Services – Depot	24	6	Income £18,000 above profile due to workload of two man construction team and out of hours work.
Direct Services – Trading Accounts (Overall)	98	25	Income £51,000 above profile. Expenditure £47,000 below profile. 1% pay award to be paid in October, back dated to April. 1% pay award paid from October onwards.

Future Issues/Risk Areas

Diesel costs rising over last few weeks.

Chief Officer Environmental & Operational Services
October 2013

Financial Services – September 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Benefits Admin	20		Grant received earlier than profile.
Corporate Management	257	48	The variance is as a result of the salary and savings adjustments for the new senior management structure taking effect in September. As the new structure only took affect at half year the full year saving will not be met this year, giving a forecast annual variance of £48k. Additional savings in the corporate management budgets will off-set the short fall in the savings target this year and the full saving will be delivered in future years.
Corporate Savings	-257	-84	The variance is as a result of the salary and savings adjustments for the new senior management structure taking effect in September. As the new structure only took affect at half year the full year saving will not be met this year, giving a forecast annual variance of -£48k. Savings in the corporate management budget will off-set the short fall this year and the full saving will be delivered in future years. The savings target for vacant posts (£100k) is forecast to be underachieved this year. On current levels of savings it is forecast that there will be a short fall of £36k.
Dartford Partnership (SDC Costs)	-113		Additional resources to help address the Benefits increased workload. Both partners have agreed to provide additional funding.
Dartford Partnership Implementation & Project Costs	44		Council tax support funding still due from Police.
Local Tax	-22	20	Income behind profile at September but year end forecasting extra Council Tax court costs.
Members	37		New Member Allowances agreed 1 October 2013; payments to be adjusted in November.
Misc. Finance	56	76	Savings on rent and rates for 66 London Road following sale of site.
Performance Improvement	14		The Council has received new burdens income from the Government in relation to the community rights elements of the Localism Act. The monies are not ring fenced and will be used to support service expenditure through the remainder of the year.
Support – Finance Function	45		Work on non finance partnerships is currently being contained within original resources.
Treasury Management	-8	-11	Additional costs of debit/credit card transactions.

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Salaries	-106		Agency staff are being used to fill vacant posts due to the uncertain future caused by Universal Credit.

Future Issues/Risk Areas

Chief Finance Officer
October 2013

Housing – September 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Private Sector Housing	17		Part of the Housing Standards and Energy Conservation Officer post was externally funded and created a saving. This underspend will change when the new Housing structure is implemented.
Salaries – Ext Funded	27		This underspend is mainly due to externally funded staff for a project not currently up and running.
Capital – Improvement Grants (West Kent & SDC)	144		It is difficult to predict when works will be completed but the bottom line is correct.
Capital – SDC / RHPCG	-32		This is external funding and it is difficult to predict when works will be completed but the bottom line is correct.

Future Issues/Risk Areas

Chief Housing Officer
October 2013

Legal & Governance – September 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Admin Expenses – Legal & Governance	14	12	Due to the reduction in Committee reports we anticipate an under spend on internal printing.
Register of Electors	30		£22.5k relates to costs for the annual canvass which has been delayed in 2013 by Government; the canvass has now started therefore costs are due to be brought back to profile over the coming months. £6.5k is the Government grant for the introduction of individual electoral registration; costs are being drawn down over the coming months.

Future Issues/Risk Areas

Chief Officer Legal & Governance
October 2013

Planning Services – September 2013 Commentary

Service	Variance to date £'000 (Minus is bad news)	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Planning – Appeals	13		We are awaiting invoices on the recent Broom Hill inquiry that will total c.£17k which will bring expenditure back in line with budget. We are currently underspent on appeal consultants but that could change with potential future appeal challenges. In addition we are overspent by c.£4k having had costs awarded against us on three occasions for applications at Land West of 5 Mill Lane, Shoreham; Land Rear of Woodhurst, Swanley; and Spingshaw Close, Sevenoaks. Two of these decisions were committee overturns and one was a delegated refusal.
Planning – Development Management	94	103	It remains the case that overachievement on fee income is down to a small number of high fee applications, in particular fees of c.£58k, c.£22k and c.£20k for sites at West Kingsdown, Hartley and Mackerels Plain. Without these three fee income would be c.10% over profiled budget. In addition there is currently an underspend on pay due to several factors - staff working reduced hours, vacancy, and maternity leave, and these have resulted in a revised forecast. This is under continued review.
Salaries	27	36	The current underspend is due to a variety of factors including filling vacant posts, staff sickness, maternity leave and an element of part time working. In addition two members of staff will be returning from maternity leave on reduced hours (subject to a trial).
Capital – Affordable Housing	-342		Met from monies secured by S106 planning obligations. This will be financed at the end of the year.

Future Issues/Risk Areas

Possible future judicial reviews (JR's) and appeals.

Chief Planning Officer
October 2013

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

Description	target	actual	Variance	%	notes	graph
Monthly investment balance £000	32,284	35,760	3,476	10.8%	Total investments at month end. From April 2013, precepts are paid in 12 instalments of roughly £5m. (Previous years we paid in 10 instalments - not June or December). The target figures have been updated to reflect the Balance Sheet position as at 31/03/13.	1
Average monthly cost per employee (non cumulative) £	2,986	2,951	-35	-1.2%	Target is annual pay budget divided by budget ftes, figures include agency and casual staff. Actuals excludes costs and fte of Agency staff at Dunbrik.	2
Average monthly salary cost SDC £000	1,110	1,063	-47	-4.2%	Excludes numbers and costs of Dunbrik temps	
Number of ftes	373.2	372.4	-0.8	-0.2%	Target is budgeted ftes.	3
Council Tax % collected for 2013/14	55.0	58.0	3.0	5.5%	LPIFS 19. Monthly cumulative figures	-
NNDR % collected for 2013/14	55.0	59.5	4.5	8.2%	LPIFS 20. Monthly cumulative figures.	-
Council Tax payers % on direct debit	72.0	78.0	6.0	8.3%	LPIFS8 - % on direct debit	4
Investment return % 3 month LIBID 7 day LIBID	0.80	0.82 0.54 0.39	0.02 0.54 0.39	2.0%	Cumulative return on investments. Target is budget assumption	5
Sundry debtors: debts over 21 days £000	35	18.822	-16	-46.2%	21 days is taken as the base as the first reminder is issued after 3 wks.	6
Sundry debtors: debts over 61 days £000	20	16.956	-3	-15.2%	61 days is when the third reminder is issued (debts exclude items on 'indefinate hold', e.g. debtors in administration)	7

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