

15 September 2016 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks  
Despatched: 07.09.16




# Cabinet


## Membership:

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

## Agenda

	Pages	Contact
Apologies for Absence		
1. <b>Minutes</b> To agree the Minutes of the meeting of the Committee held on 9 August 2016, 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 or Cabinet Advisory Committees</b>		
a) Reference from Scrutiny Committee - Report of the Leisure In-Depth Scrutiny Working Group	(Pages 5 - 6)	
<b>REPORTS AND RECOMMENDATIONS FROM THE CABINET ADVISORY COMMITTEES</b>		
5. <b>Treasury Management Annual Report 2015/16</b>	(Pages 7 - 24)	Roy Parsons Tel: 01732 227204
6. <b>Financial Prospects and Budget Strategy 2017/18 and Beyond</b>	(Pages 25 - 42)	Adrian Rowbotham Tel: 01732 227153
7. <b>Financial Results 2016/17 - to the end of July 2016</b>	(Pages 43 - 50)	Helen Martin Tel: 01732 227483

 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 9 August 2016 commencing at 7.00 pm

Present: Cllr. Fleming (Chairman)

Cllrs. Dickins, Hogarth, Piper and Searles

Apologies for absence were received from Cllrs. Lowe and Firth

Cllrs. McGarvey, Purves, Scholey and Thornton were also present.

18. Minutes

Resolved: That the minutes of the meetings of Cabinet held on 14 July 2016, be approved and signed as a correct record.

19. Declarations of interest

There were none.

20. Questions from Members

Cllr Purves asked a question about procurement for the construction of Bradbourne Multi Storey Car Park. She said that she assumed the contractor had been selected by competitive tender and asked:

“What is the budgeted cost, who is responsible if construction runs over budget and has this budgeted cost been agreed by Full Council?”

The Leader of the Council responded that all contracts let by the Council have to be compliant with legislation and that the OJEU rules did not apply in this case as Willmott Dixon were a pre-approved contractor, which had already been through the OJEU process as part of a procurement framework. The contractor would bear responsibility for construction running over budget. The Leader of the Council undertook to arrange for details of the full budgeted cost to be provided to Cllr Purves and stated that the cost had been agreed by Full Council.

Cllr Purves then asked a supplementary question requesting details of the Full Council at which the cost of development was approved.

The Leader of the Council undertook to provide such details to Cllr Purves.

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

There were none.

22. Swanley and Hextable Masterplan - Vision

The Portfolio Holder for Planning presented the report which set out a proposed Masterplan for Swanley and Hextable for public consultation. The Strategic Planning Manager outlined that the Masterplan set out a 20 year Vision for regeneration. It provided the means of formulating a cohesive and ambitious Vision for medium to longer term regeneration and growth and provided a focus on the large scale infrastructure projects needed to help achieve a positive transformation. He advised that the Planning Advisory Committee had considered and debated the same report and agreed to recommend it to Cabinet subject to a consultation strategy.

The consultation strategy, which had been drawn up since the meeting of the Planning Advisory Committee, was presented to Cabinet by the Planning Policy Team Leader and was attached to the minute reference from the Planning Advisory Committee for Cabinet's consideration.

The Chief Officer (Communities and Business) confirmed that there would be a newsletter delivered to each household at the beginning of the consultation period and that further consultation would take place online, through workshops, through consultation of Town and Parish Councils, by 'drop in' consultation in Swanley town centre and Hextable, a similar 'drop in' at Whiteoak Leisure Centre and a household survey. Following a request from a Member it was confirmed that adjacent parish councils would also be invited to comment.

Public Sector Equality Duty

Members were reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups. As above, subject to the outcome of public consultation the Masterplan Vision would be refined as an Area Action Plan element of the new Local Plan. The preparation and adoption of a Local Plan would directly impact on end users, and the impacts would be analysed via an Equalities Impact Assessment (EqIA) to be prepared alongside each key stage of plan making.

Resolved: That

- a) a Masterplan for the future regeneration and growth of Swanley and Hextable be considered, and the Vision agreed, and Scenario 3 - the

## Cabinet - 9 August 2016

transformational growth option - be taken to a full 8 week public consultation;

- b) a full detailed consultation strategy be put in place; and
- c) authority be delegated to the Chief Planning Officer, in consultation with the Planning Portfolio Holder, to make any subsequent changes to the Masterplan as necessary.

### 23. Sevenoaks District Council Local List

The Portfolio Holder for Planning presented the report which sought approval to go to public consultation. The Conservation Officer advised Cabinet that the report actioned policy EN.4 of the Allocations and Development Management Plan (ADMP) by creating a draft Sevenoaks District Local List Supplementary Planning Document (SPD) for public consultation. The compilation of the proposals to initiate the Sevenoaks District Council's Local List SPD had been a good example of partnership working between the local community and the District Council to action SDC policy. The draft SPD identified criteria for local listing and the buildings, structures and spaces which met that criteria within the Sevenoaks town area.

The Chief Planning Officer advised that the Planning Advisory Committee had considered and debated the same report and agreed to recommend it to Cabinet. He also explained that there was no appeal from inclusion on the Local List and that inclusion on the list simply reflected that an asset was already of heritage value.

#### Public Sector Equality Duty

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

Resolved: That

- a) the draft Local List Supplementary Planning Document, be approved; and
- b) the commencement of the public consultation exercise on the draft Local List Supplementary Planning Document be approved.

COUNCILLOR ROBERT BROOKBANK

A moment's silence was held in memory of Cllr. Robert Brookbank who had recently died.

THE MEETING WAS CONCLUDED AT 8.00 PM

CHAIRMAN

IMPLEMENTATION OF DECISIONS

This notice was published on 11 August 2016. The decision contained in Minute 23 takes effect immediately. The decision contained in Minutes 22 takes effect on 19 August 2016.

## Reference from Scrutiny Committee held on 5 July 2016

Relevant minute extract below

### 11. Report of the Leisure In-Depth Scrutiny Working Group

Councillor Ball presented the report of the Leisure In-Depth Scrutiny Working Group that assessed the value for money provided to the Council by Sencio Community Leisure. The report considered the lease arrangements between the Council and Sencio, the support provided by the Council, the financial position of Sencio and recent investments and improvements made by the leisure provider. The Group had considered the performance of Sencio against leisure providers for other Kent local authorities in the context of value for money for the local authority. The report recommended that Cabinet be asked to review the payment of management and asset maintenance fees to Sencio. It also recommended that Cabinet be asked to consider whether it would be more effective for the Council's Health & Housing Team to undertake the outreach aspect of the Sports Development function, previously transferred to Sencio, while retaining part of the management fee. Members confirmed that they had considered the confidential appendices to the report but that they would not discuss that confidential information.

Jane Parish, Chief Executive of Sencio, addressed the Committee and explained that the loss in 2015/16 had been due partly to the closure of the Wildernessee site, while still incurring staffing costs from the relocation and also due to accounts taking staff leave accrual into consideration. In 2015 Sencio had increased the level of maintenance carried out in areas the Council was responsible for under the lease.

Members discussed the level of fees paid by the Council to Sencio since its establishment in 2004. Members noted that the management fee had decreased while the number of customers had increased. However Sencio had shown a loss in the last financial year and members of the Group suggested that more could be done when compared to other local authority operators.

Members considered the recent investments and improvements made by Sencio, which included the purchase of 12 power-assisted exercise machines at White Oak Leisure, an updated Front of House system which would help increase online bookings, email renewal letters, website links to external partners (bringing commission to Sencio), an upgrade to the finance and payroll system and continued innovation to customers including "Smash Up" badminton and archery taster sessions. They noted that Sencio had made changes to drive up memberships and maximise income while reducing head office and other costs.

Resolved: That

- a) the conclusions of the Working Group that Sencio did not offer value for money to the Council at this time, be noted, while noting the trend of improvement;

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### **b) Cabinet be recommended to**

- i) review the management and asset management fees paid to Sencio; and
- ii) consider whether the Council could more effectively carry out the outreach element of the Sports Development function while retaining part of the management fee.

and in its consideration Cabinet be advised that it may wish to take account of the further investment that Sencio had been taking forward.

[Background papers: Report and minutes of Scrutiny Committee - 5 July 2016](#)



**Item 5 - Treasury Management Annual Report 2015/16**

The attached report was considered by the Finance Advisory Committee on 6 September 2016, and the relevant Minute extract was not available prior to the printing of this agenda.

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## TREASURY MANAGEMENT ANNUAL REPORT 2015/16

Cabinet - 15 September 2016

Report of the: Chief Finance Officer

Status: For recommendation to Cabinet

Also considered by: Finance Advisory Committee - 6 September 2016

Key Decision: No

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**Executive Summary:** This report provides the customary review of investment activity during 2015/16 as required by the Council's Financial Procedure Rules. The report outlines the strategy adopted during the year, shows the position of the investment portfolio at the beginning and the end of the year and gives details of how the fund performed in comparison with previous years and against various benchmarks.

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

**Portfolio Holder** Cllr. Searles

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

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**Recommendation to Finance Advisory Committee:** That Cabinet be asked to approve the Treasury Management Annual Report for 2015/16.

**Recommendation to Cabinet:** That the Treasury Management Annual Report for 2015/16 be approved.

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**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.

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### Background

- 1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2015/16. 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).

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- 2 During 2015/16 the minimum reporting requirements were that the Council should receive the following reports:
  - an annual treasury strategy in advance of the year (Council 17/2/2015)
  - a mid year (minimum) treasury update report (Finance Advisory Committee 17/11/2015, Cabinet 3/12/2015)
  - an annual report following the year describing the activity compared to the strategy (this report)
- 3 In addition, regular reports on progress were presented to the Finance Advisory Committee. The Council's treasury management advisers, Capita Asset Services Ltd, also provided monthly reviews of our investment performance which were forwarded to Members.
- 4 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 5 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to treasury management reports before they were reported to the full Council. Member training on treasury management issues was undertaken on 27 January 2010 in order to support Members' scrutiny role.
- 6 Members will be aware of the Property Investment Strategy which commenced in the latter part of 2014/15. The use of surplus cash balances for this type of 'Policy Investment' does not form part of the treasury management strategy and is not required to be included in either the Treasury Management Strategy Statement or the Annual Investment Strategy.

### Introduction

- 7 This **annual treasury report** covers:
  - (a) The Council's treasury position at the beginning and end of the financial year;
  - (b) Investment Strategy for 2015/16;
  - (c) the economy and interest rates in 2015/16;
  - (d) compliance with treasury limits and prudential indicators;
  - (e) investment rates in 2015/16;
  - (f) investment outturn for 2015/16 and performance; and

- (g) an update on the Municipal Bonds Agency

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

- 8 The Council's investment portfolio at the beginning and end of the financial year appears at Appendix A, whilst an analysis by maturity and repayment due dates appears at Appendix B.

### **Investment Strategy for 2015/16**

- 9 The expectation for interest rates within the treasury management strategy for 2015/16 anticipated low but rising Bank Rate, (starting in quarter 1 of 2016), and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
- 10 In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and to reduce counterparty risk.
- 11 The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back.
- 12 The strategy adopted in the original Treasury Management Strategy Report for 2015/16, approved by the Council on 17 February 2015, was subject to a minor revision during the year as a consequence of expanding the Property Investment Strategy. Three of the prudential indicators relating to borrowing were reviewed by Cabinet on 16 July 2015 and approved by Council on 21 July 2015. The indicators relating to the Operational Boundary and the Authorised Limit For External Debt were amended, whilst the indicator relating to Treasury Management Limits On Activity was left unchanged for the time being. Other indicators relating to the Council's borrowing need (the Capital Financing Requirement or 'CFR') and the Council's minimum revenue provision (MRP) strategy were highlighted for potential changes once a requirement to borrow had been identified.
- 13 Counterparty credit ratings were kept under constant review to ensure that any investment decisions met minimum lending requirements.

### **The economy and interest rates in 2015/16**

- 14 Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but soon moving back to quarter 1

## Agenda Item 5

2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.

- 15 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in 2015/16 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.
- 16 The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.
- 17 The European Central Bank (ECB) commenced a full blown quantitative easing (QE) programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015.
- 18 As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.
- 19 The UK elected a majority Conservative Government in May 2015, removing one potential concern but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

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

- 20 During 2015/16, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

	2014/15 Actual (£000)	2015/16 Original (£000)	2015/16 Actual (£000)
Capital expenditure	4,263	13,467	8,248
Total Capital Financing Requirement:			
• Non-HRA	-	-	-
• HRA	-	-	-
• Total	-	-	-
Net borrowing	-	-	-
External debt	-	-	-
Investments:			
• Longer than 1 year	-		3,000
• Under 1 year	37,801		31,420
• Total	37,801		34,420

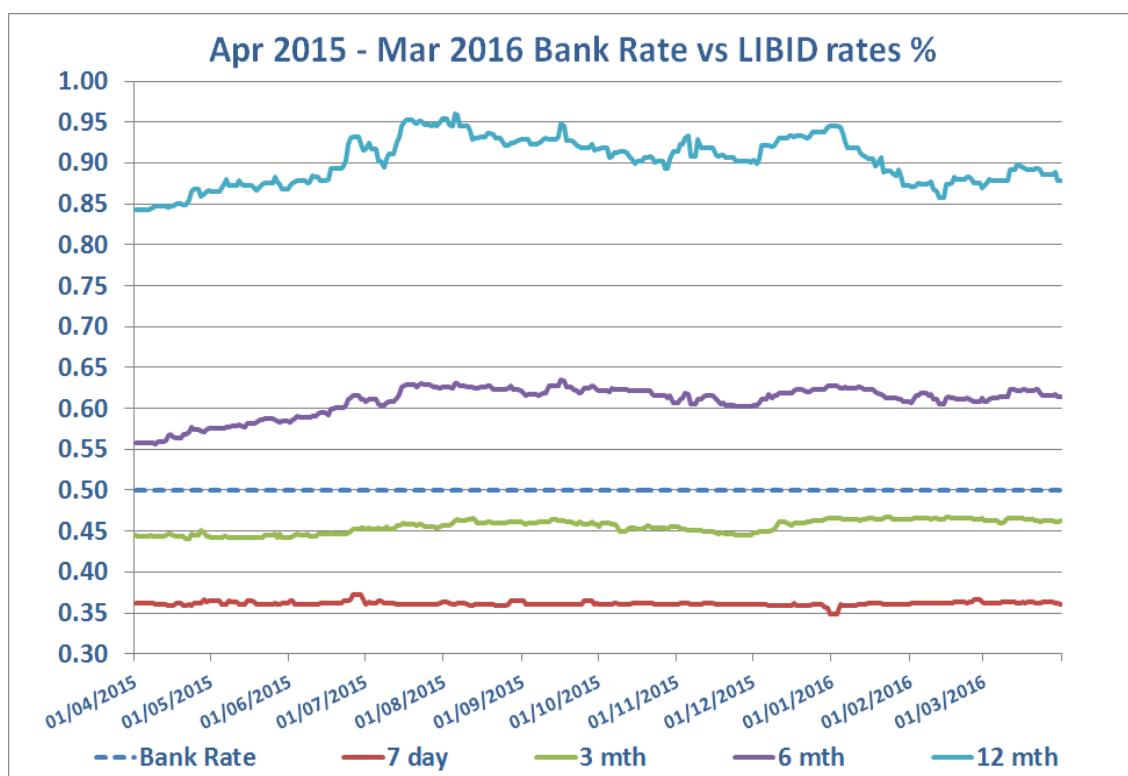
- 21 The investment figures relate to the time left to maturity, not the length at the commencement date and exclude accrued interest.
- 22 During the year the Council operated within the treasury limits and prudential indicators set out in its Treasury Policy Statement and Annual Treasury Strategy Statement (as amended in July 2015) with two exceptions:-
- On 8 May 2015, £5.3m was held in the Barclays Business Premium Account, which, together with £2.0m held in a Flexible Interest Bearing Current Account, exceeded the limit for Barclays by £0.3m. This was due to staff being absent on elections duties and the position was corrected the following working day.
  - On 15 September 2015, £6.1m was held in the Barclays Business Premium Account, which, together with a treasury deposit of £3.0m, exceeded the limit for Barclays by £2.1m. This was due to treasury staff being absent on a training course and the position was corrected the following working day.
- 23 The lending list was kept under constant review throughout the year in response to credit rating changes as and when they arose.

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- 24 No institutions in which investments were made during 2015/16 had any difficulty in repaying investments and interest in full during the year.

### Investment rates in 2015/16

- 25 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for seven years. Market expectations as to the timing of the start of monetary tightening started the year at quarter 1 2016 but then moved back to around quarter 2 2018 by the end of the year. Deposit rates remained depressed during the whole of the year, primarily due to the effects of the Funding for Lending Scheme and due to the continuing weak expectations as to when Bank Rate would start rising.



### Investment outturn for 2015/16 and performance

- 26 The Council's investment policy is governed by Department of Communities and Local Government (CLG) guidance, which has been implemented in the annual investment strategy approved by the Council on 17 February 2015. 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).
- 27 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties, which might have led to the need to borrow.



- 28 Appendix C shows the performance of the fund during 2015/16 both in table and graphical form. The table shows the average percentage return on the fund, both monthly and for the whole year and compares them with the average 7-day and 3-month London Interbank Bid (LIBID) rates. The average return achieved by each broker is only a very basic measure of performance, because returns will depend on the number and length of each investment he/she is asked to carry out. If a particular broker is only asked to place short term investments, he/she may well not achieve the same overall rate as a broker who predominantly handles longer term investments for us.
- 29 The graph shows actual monthly receipts for 2013/14, 2014/15 and 2015/16 plus budgeted monthly receipts for 2015/16. The monthly interest budget has been profiled in line with the previous year's monthly weighted average principal.
- 30 Over the course of the year interest receipts amounted to £284,600 compared with a budget of £328,000.
- 31 In 2015/16 the average return on the Council's investments was roughly in line with that of our neighbouring authorities. Our overall rate of return was 0.65% compared with 0.75% for Tonbridge & Malling Borough Council and 0.69% for Gravesham Borough Council. Dartford Borough Council's rate of return is not in the public domain, so I am unable to provide a comparison. 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).
- 32 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 0.361%
  - 3-month LIBID uncompounded 0.456%

#### **Update on the Municipal Bonds Agency**

- 33 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).

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- 34 The Agency has now converted to a PLC and is seeking a first bond issue in the autumn of 2016, although pricing and duration of the initial bond issue are unknown at present. It has been confirmed that pricing would be advantageous to the 57 shareholders, the latest of which to join are Surrey County Council and East Sussex County Council.
- 35 The MBA has stressed that success or failure will depend on local authority take up of loans. To date, eight local authorities have signed off the “framework agreement” allowing them to borrow from the MBA, but the major sticking point has been the implementation of a joint and several liability clause in the event that a borrowing local authority defaults on its loan. In these circumstances, the other borrowing authorities would be liable to make up the shortfall.
- 36 The objective of the MBA is to provide borrowing at lower rates than the PWLB Certainty Rates (i.e. gilts + 80 basis points). A credit rating has been issued by both Fitch & Moodys and the MBA is content with the outcome. No further information on this will be released ahead of the first bond issue.
- 37 It is also the intention of the MBA to develop a platform for inter-authority borrowing between councils. They are looking to provide a platform that is more controlled, more transparent and cheaper than the PWLB.
- 38 The MBA is keen for all of its shareholders to sign up to the framework agreement mentioned above. This would paint a more positive picture to those investors looking to purchase the bonds.
- 39 Although there are no immediate plans to borrow from the MBA, for the reasons given above, it is my intention to bring the draft agreement before the next meeting of this Committee for approval. It will need to be checked by our legal team, particularly the part covering joint and several liability as this has been of major concern to other authorities.

### Key Implications

#### Financial

- 40 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

- 41 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.

- 42 This annual review report fulfils the requirements of The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2009.
- 43 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.
- 44 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

- 45 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**

- 46 The overall return on the Council's investments was below budget in 2015/16 by approximately £43,400.
- 47 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 2015/16

#### **Background Papers:**

[Treasury Management Strategy for 2015/16 - Council 17 February 2015](#)

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

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SEVENOAKS DISTRICT COUNCIL

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

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	Broker
	Santander UK plc (Business Reserve A/C)	A	U.K.	Santander	0	01-Apr-99			0.40000%	Variable	Direct
	Santander UK plc (Money Market A/C)	A	U.K.	Santander	0	09-Oct-06			0.40000%	Variable	Direct
	Clydesdale Bank plc (Base Tracker Plus - 15 Day)	A	U.K.	NAB	0	10-Sep-10			0.30000%	Variable	Direct
	Barclays Bank plc (Business Premium A/C)	A	U.K.		2,801,000	01-Oct-11			0.35000%	Variable	Direct
	Barclays Bank plc (Flexible IBCA)	A	U.K.		2,000,000	01-Jun-14			0.45000%	Variable	Direct
	National Westminster Bank plc (Liquidity Select)	A	U.K.	RBS	1,000,000	07-Oct-11			0.25000%	Variable	Direct
	National Westminster Bank plc (95 Day Notice)	A	U.K.	RBS	0	24-May-13			0.35000%	Variable	Direct
	Svenska Handelsbanken AB (Deposit A/C)	AA-	Sweden		3,000,000	23-Jul-14			0.40000%	Variable	Direct
	Ignis Liquidity Fund (Money Market Fund)	AAA	U.K.		5,000,000	11-May-12				Variable	Direct
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		1,000,000	11-May-12				Variable	Direct
IP1227	Bank of Scotland plc	A	U.K.	Lloyds/HBOS	1,000,000	10-Feb-15	1.00000%	09-Feb-16		1 Year	Direct
IP1229	Bank of Scotland plc	A	U.K.	Lloyds/HBOS	1,000,000	20-Feb-15	1.00000%	19-Feb-16		1 Year	Direct
IP1218	Coventry Building Society	A	U.K.		1,000,000	15-Jan-15	0.45000%	15-Apr-15		3 Months	R P Martin
IP1231	Coventry Building Society	A	U.K.		1,000,000	27-Feb-15	0.45000%	29-May-15		3 Months	Tradition
IP1160	Lloyds Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	08-Apr-14	0.95000%	07-Apr-15		1 Year	Direct
IP1165	Lloyds Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	29-Apr-14	0.95000%	28-Apr-15		1 Year	Direct
IP1167	Lloyds Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	06-May-14	0.95000%	05-May-15		1 Year	Direct
IP1174	Lloyds Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	03-Jul-14	0.95000%	03-Jul-15		1 Year	Direct
IP1191	Lloyds Bank plc	A	U.K.	Lloyds/HBOS	2,000,000	07-Oct-14	1.00000%	06-Oct-15		1 Year	Direct
IP1198	Lloyds Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	03-Nov-14	1.00000%	02-Nov-15		1 Year	Direct
IP1204	Lloyds Bank plc	A	U.K.	Lloyds/HBOS	1,000,000	28-Nov-14	1.00000%	27-Nov-15		1 Year	Direct
IP1215	Nationwide Building Society	A	U.K.		1,000,000	09-Jan-15	0.66000%	09-Jul-15		6 Months	Tradition
IP1226	Nationwide Building Society	A	U.K.		1,000,000	06-Feb-15	0.66000%	06-Aug-15		6 Months	Tradition
IP1230	Nationwide Building Society	A	U.K.		1,000,000	27-Feb-15	0.66000%	28-Aug-15		6 Months	R P Martin
IP1233	Nationwide Building Society	A	U.K.		2,000,000	23-Mar-15	0.66000%	23-Sep-15		6 Months	Tradition
IP1217	Plymouth City Council		U.K.		2,000,000	15-Jan-15	0.40000%	15-Apr-15		3 Months	R P Martin
IP1220	Skipton Building Society	BBB	U.K.		1,000,000	22-Jan-15	0.43000%	22-Apr-15		3 Months	R P Martin
IP1223	Ulster Bank Ltd	A-	U.K.	RBS	1,000,000	28-Jan-15	0.60000%	28-Jul-15		6 Months	R P Martin
IP1216	Yorkshire Building Society	A-	U.K.		1,000,000	15-Jan-15	0.47000%	15-Apr-15		3 Months	R P Martin
IP1221	Yorkshire Building Society	A-	U.K.		1,000,000	22-Jan-15	0.47000%	22-Apr-15		3 Months	R P Martin
Total Invested					<u>37,801,000</u>						
Other Loan											
	Sevenoaks Leisure Limited				250,000	29-Apr-08	7.00000%	31-Mar-18		10 Years	Direct

**SEVENOAKS DISTRICT COUNCIL**

List of Investments as at:- 31-Mar-16

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	Broker
	Santander UK plc (Business Reserve A/C)	A	U.K.	Santander	0	01-Apr-99			0.40000%	Variable	Direct
	Santander UK plc (Money Market A/C)	A	U.K.	Santander	0	09-Oct-06			0.40000%	Variable	Direct
	Clydesdale Bank plc (Base Tracker Plus - 15 Day)	A	U.K.	NAB	0	10-Sep-10			0.30000%	Variable	Direct
	Barclays Bank plc (Business Premium A/C)	A	U.K.		1,420,000	01-Oct-11			0.35000%	Variable	Direct
	Barclays Bank plc (Flexible IBCA)	A	U.K.		0	01-Jun-14			0.45000%	Variable	Direct
	National Westminster Bank plc (Liquidity Select)	BBB+	U.K.	RBS	1,000,000	07-Oct-11			0.25000%	Variable	Direct
	National Westminster Bank plc (95 Day Notice)	BBB+	U.K.	RBS	0	24-May-13			0.35000%	Variable	Direct
	Svenska Handelsbanken AB (Deposit A/C)	AA-	Sweden		3,000,000	23-Jul-14			0.40000%	Variable	Direct
	Standard Life Liquidity Fund (Money Market Fund)	AAA	U.K.		4,000,000	11-May-12				Variable	Direct
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		1,000,000	11-May-12				Variable	Direct
IP1287	Bank of Scotland plc	A+	U.K.	Lloyds/HBOS	1,000,000	09-Feb-16	0.75000%	09-Aug-16		6 Months	Direct
IP1290	Bank of Scotland plc	A+	U.K.	Lloyds/HBOS	1,000,000	19-Feb-16	0.75000%	19-Aug-16		6 Months	Direct
IP1272	Coventry Building Society	A	U.K.		1,000,000	17-Nov-15	0.60000%	17-May-16		6 Months	Tradition
IP1280	Coventry Building Society	A	U.K.		1,000,000	15-Jan-16	0.60000%	15-Jul-16		6 Months	R P Martin
IP1283	Coventry Building Society	A	U.K.		2,000,000	22-Jan-16	0.60000%	22-Jul-16		6 Months	R P Martin
IP1234	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	07-Apr-15	1.00000%	05-Apr-16		1 Year	Direct
IP1240	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	28-Apr-15	1.00000%	26-Apr-16		1 Year	Direct
IP1241	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	05-May-15	1.00000%	04-May-16		1 Year	Direct
IP1268	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	02-Nov-15	0.75000%	03-May-16		6 Months	Direct
IP1273	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	27-Nov-15	0.75000%	27-May-16		6 Months	Direct
IP1276	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	04-Jan-16	0.75000%	04-Jul-16		6 Months	Direct
IP1293	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	2,000,000	29-Mar-16	0.80000%	29-Sep-16		6 Months	Direct
IP1279	Nationwide Building Society	A	U.K.		1,000,000	11-Jan-16	0.71000%	11-Jul-16		6 Months	Tradition
IP1286	Nationwide Building Society	A	U.K.		1,000,000	08-Feb-16	0.71000%	08-Aug-16		6 Months	Tradition
IP1292	Nationwide Building Society	A	U.K.		2,000,000	23-Mar-16	0.71000%	23-Sep-16		6 Months	Tradition
IP1232	Royal Bank of Scotland plc	BBB+	U.K.	RBS	3,000,000	15-Apr-15	1.00000%	18-Apr-17	1.21000%	2 Years	R P Martin
IP1281	Yorkshire Building Society	A-	U.K.		1,000,000	15-Jan-16	0.47000%	15-Apr-16		3 Months	R P Martin
IP1285	Yorkshire Building Society	A-	U.K.		1,000,000	28-Jan-16	0.47000%	28-Apr-16		3 Months	R P Martin
IP1289	Yorkshire Building Society	A-	U.K.		1,000,000	17-Feb-16	0.47000%	17-May-16		3 Months	Tradition
Total Invested					<u>34,420,000</u>						
Other Loan											
	Sevenoaks Leisure Limited				250,000	29-Apr-08	7.00000%	31-Mar-18		10 Years	Direct

**SEVENOAKS DISTRICT COUNCIL**

**ANALYSIS OF INVESTMENT POOL FUND 31.3.2016**

**MATURITY PROFILE (BY VALUE)**

BASED ON PERIOD OF INVESTMENT AT COMMENCEMENT DATE

MATURITY PERIOD	BANKS £'000	B.SOCS £'000	MMFS £'000	OTHER LAs £'000	TOTAL £'000
NOTICE MONEY	5,420		5,000		10,420
UP TO 1 MONTH					-
1 TO 3 MONTHS		3,000			3,000
3 TO 6 MONTHS	7,000	8,000			15,000
6 MONTHS TO 1 YEAR	3,000				3,000
OVER 1 YEAR	3,000				3,000
	<b>18,420</b>	<b>11,000</b>	<b>5,000</b>	<b>-</b>	<b>34,420</b>

**MATURITY PROFILE (PERCENTAGE OF TOTAL FUND)**

BASED ON PERIOD OF INVESTMENT AT COMMENCEMENT DATE

MATURITY PERIOD	BANKS %	B.SOCS %	MMFS %	OTHER LAs %	TOTAL %
NOTICE MONEY	15.7	-	14.6	-	30.3
UP TO 1 MONTH	-	-	-	-	-
1 TO 3 MONTHS	-	8.7	-	-	8.7
3 TO 6 MONTHS	20.3	23.3	-	-	43.6
6 MONTHS TO 1 YEAR	8.7	-	-	-	8.7
OVER 1 YEAR	8.7	-	-	-	8.7
	<b>53.4</b>	<b>32.0</b>	<b>14.6</b>	<b>-</b>	<b>100.0</b>

**PROFILE OF REPAYMENTS DUE**

	VALUE £'000	% TOTAL FUND
NOTICE MONEY	10,420	30.3
DUE WITHIN ONE MONTH	4,000	11.5
DUE WITHIN TWO MONTHS	5,000	14.6
DUE WITHIN THREE MONTHS	-	0.0
DUE WITHIN SIX MONTHS	12,000	34.9
DUE WITHIN ONE YEAR		0.0
DUE AFTER ONE YEAR	3,000	8.7
	<b>34,420</b>	<b>100.0</b>

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### TOTAL INTEREST ON FUND 2015/2016

Broker/Institution	Apr-15			May-15			Jun-15		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Nat West (Liquidity Select)	84,424.84	211.06	0.2500%	81,627.45	204.07	0.2500%	90,089.56	225.22	0.2500%
Handelsbanken (Deposit A/C)	246,575.34	986.30	0.4000%	254,794.52	1,019.18	0.4000%	246,575.34	986.60	0.4001%
Standard Life (Money Market Fund)	410,958.90	1,924.62	0.4683%	367,123.29	1,735.00	0.4726%	298,630.14	1,408.70	0.4717%
Insight (Money Market Fund)	380,821.92	1,494.62	0.3925%	178,082.19	695.73	0.3907%	216,438.36	856.22	0.3956%
Tradition	410,958.90	2,539.73	0.6180%	424,657.53	2,624.38	0.6180%	410,958.90	2,539.73	0.6180%
RP Martin	701,369.86	4,153.42	0.5922%	764,383.56	5,163.84	0.6756%	739,726.03	4,997.26	0.6756%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	879,452.05	8,235.62	0.9364%	861,643.84	8,476.03	0.9837%	958,904.11	8,860.82	0.9241%
Fund Average	3,114,561.82	19,545.37	0.6275%	2,932,312.38	19,918.22	0.6793%	2,961,322.43	19,874.55	0.6711%
Other Interest		0.00			0.00			2,297.59	
7 Day LIBID			0.3500%			0.3500%			0.3500%
3 Month LIBID			0.4300%			0.4300%			0.4300%

Broker/Institution	Jul-15			Aug-15			Sep-15		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Nat West (Liquidity Select)	87,293.39	218.23	0.2500%	78,862.38	197.16	0.2500%	92,962.77	232.41	0.2500%
Handelsbanken (Deposit A/C)	254,794.52	1,019.18	0.4000%	254,794.52	1,019.18	0.4000%	246,575.34	986.66	0.4001%
Standard Life (Money Market Fund)	424,657.53	2,036.97	0.4797%	394,520.55	1,923.88	0.4877%	408,219.18	2,006.47	0.4915%
Insight (Money Market Fund)	219,178.08	875.82	0.3996%	263,013.70	1,045.90	0.3977%	241,095.89	998.36	0.4141%
Tradition	424,657.53	2,624.38	0.6180%	506,849.32	3,018.90	0.5956%	575,342.47	3,419.18	0.5943%
RP Martin	764,383.56	5,219.45	0.6828%	764,383.56	5,180.82	0.6778%	739,726.03	5,013.70	0.6778%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	1,053,424.66	9,220.96	0.8753%	1,019,178.08	9,121.64	0.8950%	1,078,904.11	9,493.70	0.8799%
Fund Average	3,228,389.28	21,215.00	0.6571%	3,281,602.10	21,507.48	0.6554%	3,382,825.79	22,150.47	0.6548%
Other Interest		9,037.51			0.00			2,651.83	
7 Day LIBID			0.3500%			0.3500%			0.3500%
3 Month LIBID			0.4300%			0.4300%			0.4300%

Broker/Institution	Oct-15			Nov-15			Dec-15		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Nat West (Liquidity Select)	84,530.71	211.33	0.2500%	87,366.35	218.42	0.2500%	87,384.90	218.46	0.2500%
Handelsbanken (Deposit A/C)	254,794.52	1,019.18	0.4000%	246,575.34	986.30	0.4000%	254,794.52	1,019.51	0.4001%
Standard Life (Money Market Fund)	421,917.81	2,079.26	0.4928%	410,958.90	2,033.00	0.4947%	424,657.53	2,110.63	0.4970%
Insight (Money Market Fund)	286,301.37	1,228.70	0.4292%	302,739.73	1,246.15	0.4116%	383,561.64	1,675.85	0.4369%
Tradition	594,520.55	3,533.15	0.5943%	575,342.47	3,476.71	0.6043%	671,232.88	3,959.73	0.5899%
RP Martin	764,383.56	5,180.82	0.6778%	739,726.03	5,013.70	0.6778%	764,383.56	5,180.82	0.6778%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	1,132,876.71	9,706.99	0.8568%	1,117,808.22	9,168.49	0.8202%	1,161,643.84	9,299.45	0.8005%
Fund Average	3,539,325.23	22,959.42	0.6487%	3,480,517.04	22,142.77	0.6362%	3,747,658.88	23,464.45	0.6261%
Other Interest		2,493.02			0.00			2,084.36	
7 Day LIBID			0.3500%			0.3500%			0.3500%
3 Month LIBID			0.4300%			0.4300%			0.4300%

Broker/Institution	Jan-16			Feb-16			Mar-16		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Nat West (Liquidity Select)	81,764.52	204.41	0.2500%	87,420.82	218.55	0.2500%	87,439.38	218.60	0.2500%
Handelsbanken (Deposit A/C)	254,794.52	1,019.18	0.4000%	238,356.16	953.42	0.4000%	254,794.52	1,019.63	0.4002%
Standard Life (Money Market Fund)	424,657.53	2,124.97	0.5004%	397,260.27	1,989.05	0.5007%	397,260.27	2,000.98	0.5037%
Insight (Money Market Fund)	412,328.77	1,850.37	0.4488%	320,547.95	1,464.43	0.4569%	257,534.25	1,184.79	0.4601%
Tradition	632,876.71	3,842.74	0.6072%	671,232.88	3,949.04	0.5883%	567,123.29	3,490.68	0.6155%
RP Martin	841,095.89	5,562.19	0.6613%	712,328.77	5,066.85	0.7113%	679,452.05	4,875.07	0.7175%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	1,243,835.62	9,543.29	0.7672%	1,071,232.88	8,481.37	0.7917%	906,849.32	7,471.51	0.8239%
Fund Average	3,891,353.57	24,147.15	0.6205%	3,498,379.72	22,122.72	0.6324%	3,150,453.08	20,261.26	0.6431%
Other Interest		0.00			2,493.02			4,233.94	
7 Day LIBID			0.3565%			0.3600%			0.3603%
3 Month LIBID			0.4426%			0.4500%			0.4581%

Broker/Institution	Cumulative Totals		
	W.A.P	Interest Due	Ave Rate
Nat West (Liquidity Select)	1,031,167.07	2,577.92	0.2500%
Handelsbanken (Deposit A/C)	3,008,219.18	12,034.32	0.4000%
Standard Life (Money Market Fund)	4,780,821.92	23,373.53	0.4889%
Insight (Money Market Fund)	3,461,643.84	14,616.94	0.4223%
Tradition	6,465,753.42	39,018.36	0.6035%
RP Martin	8,975,342.47	60,607.95	0.6753%
Sterling	0.00	0.00	0.0000%
Direct dealing	12,485,753.42	107,079.86	0.8576%
Fund Average	40,208,701.31	259,308.87	0.6449%
Other Interest		25,291.27	
7 Day LIBID			0.3522%
3 Month LIBID			0.4351%

N.B.

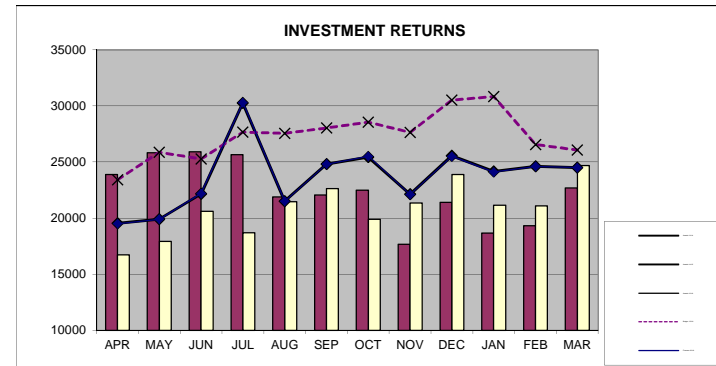
These are the gross interest receipts rather than the interest remaining in the General Fund

## INVESTMENT RETURNS

Appendix C

### INVESTMENT RETURNS

	Actuals 13/14	Actuals 14/15	Actuals 15/16	Budget 15/16	Variance	Forecast 15/16
APR	23,889	16,720	19,545	23,406	-3,861	19,500
MAY	25,821	17,917	19,918	25,875	-5,957	19,900
JUN	25,924	20,598	22,172	25,272	-3,100	22,200
JUL	25,660	18,694	30,253	27,663	2,590	30,300
AUG	21,900	21,459	21,508	27,560	-6,052	21,500
SEP	22,069	22,633	24,802	28,045	-3,243	24,800
OCT	22,500	19,904	25,452	28,556	-3,104	25,500
NOV	17,673	21,359	22,143	27,635	-5,492	22,100
DEC	21,411	23,875	25,549	30,531	-4,982	25,500
JAN	18,662	21,136	24,147	30,831	-6,684	24,100
FEB	19,308	21,081	24,616	26,556	-1,940	24,600
MAR	22,693	24,697	24,495	26,070	-1,575	24,500
	267,510	250,073	284,600	328,000	-43,400	284,500



### INVESTMENT RETURNS (CUMULATIVE)

	Actuals 13/14	Actuals 14/15	Actuals 15/16	Budget 15/16	Variance	Forecast 15/16
APR	23,889	16,720	19,545	23,406	-3,861	19,500
MAY	49,710	34,637	39,463	49,281	-9,818	39,400
JUN	75,634	55,235	61,635	74,553	-12,918	61,600
JUL	101,294	73,929	91,888	102,216	-10,328	91,900
AUG	123,194	95,388	113,396	129,776	-16,380	113,400
SEP	145,263	118,021	138,198	157,821	-19,623	138,200
OCT	167,763	137,925	163,650	186,377	-22,727	163,700
NOV	185,436	159,284	185,793	214,012	-28,219	185,800
DEC	206,847	183,159	211,342	244,543	-33,201	211,300
JAN	225,509	204,295	235,489	275,374	-39,885	235,400
FEB	244,817	225,376	260,105	301,930	-41,825	260,000
MAR	267,510	250,073	284,600	328,000	-43,400	284,500

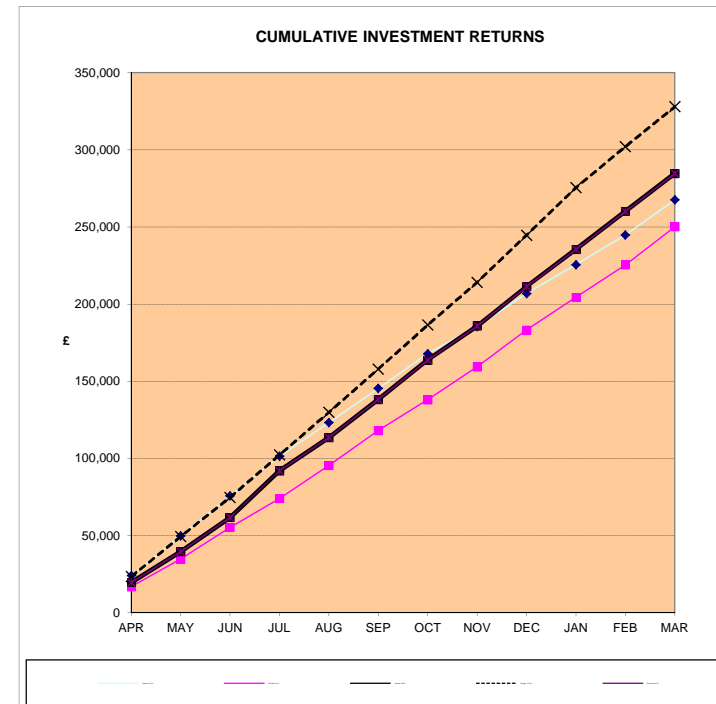
BUDGET FOR 2015/16 328,000  
FORECAST OUTTURN 284,500

CODE:- YHAA 96900

#### N.B.

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

Fund Average 0.6449%  
7 Day LIBID 0.3522%  
3 Month LIBID 0.4351%



**Item 6 - Financial Prospects and Budget Strategy 2017/18 and Beyond**

The attached report was considered by the Finance Advisory Committee on 6 September 2016, and the relevant Minute extract was not available prior to the printing of this agenda.

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## **FINANCIAL PROSPECTS AND BUDGET STRATEGY 2017/18 AND BEYOND**

**Cabinet - 15 September 2016**

Report of                      Chief Finance Officer

Status:                      For Decision

Also considered by:      Finance Advisory Committee - 6 September 2016

Key Decision:              No

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### **Executive Summary:**

This Financial Prospects Report is the first report of the Council's budget setting process for 2017/18 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 which 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, an ambition set out in its Corporate Plan.

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 savings requirement of £100,000 per annum is currently included. 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 1 December 2016.

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**Portfolio Holder**      Cllr. Searles

**Contact Officers**      Adrian Rowbotham Ext. 7153

Helen Martin Ext. 7483

Lee Banks Ext. 7161

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### **Recommendation to Finance Advisory Committee:**

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

- 
- (b) Advise Cabinet with views on the Government's multi- year settlement offer.

**Recommendation to Cabinet:**

- (a) That subject to the views of the Finance 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 1 December 2016;
- (d) advice officers whether they wish to accept the Government's multi-year settlement offer; and
- (e) note the budget timetable set out in Appendix A.
- 

**Introduction and Background**

- 1 The Council's financial strategy over the past twelve 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 amount of Revenue Support Grant provided by Government expected to cease in 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 1 December 2016 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 2017/18 onwards.

### **Financial Self-Sufficiency**

- 7 The Council's Corporate Plan, introduced in 2013, set out an ambition for the Council to become financially self-sufficient which was achieved in 2016/17. 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 is faced with in bringing its public spending down to ensure it is 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 expecting to receive 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 Associations 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 expecting to receive no Revenue Support Grant from 2017/18 and New Homes Bonus expected to reduce 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 returns of 6%; 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 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 want into the future.

### **Multi-Year Settlement Government Offer**

- 13 In the Provisional Local Government Finance Settlement 2016/17, the government stated that it would offer any council that wishes to take it up, a four-year funding settlement to 2019/20. At that time, information was limited on what the offer included and how to apply, but that an efficiency plan would need to be submitted when such an offer was requested.
- 14 The Final Local Government Finance Settlement 2016/17 confirmed that the deadline for requesting this offer was 14 October 2016. However, the government did not indicate what the approval process for requesting such an offer was.
- 15 The Secretary of State for Communities and Local Government subsequently issued a letter on 10 March 2016 which clarified a number of matters including:
  - The offer covers the figures provided in the Final Local Government Finance Settlement for Revenue Support Grant, Transitional Grant and Rural Services Delivery Grant.
  - In addition, tariffs and top-ups in 2017/18 to 2019/20 will not be altered for reasons related to changes in the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.
  - Efficiency plans do not need to be a separate document. They can be combined with the Budget Strategy and show how a four-year settlement will bring about opportunities for further savings.
- 16 The former Chancellor of the Exchequer made his Budget 2016 announcement on 16 March 2016 which included a number of changes to business rates and reference to additional savings of £3.5bn from public spending in 2019/20. The Government are to compensate local government for the loss of income as a result of the changes to business rates and, as confirmed by the Secretary of State, should not therefore affect the four-year funding offer to councils. What is unknown is how much the additional savings required will fall on the DCLG and, in turn local authorities, and how that might play out in 2019/20 in terms of the multi-year settlement.



- 17 The figures included in the final Local Government Finance Settlement 2016/17 for this council for the grants listed above are as follows:

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Revenue Support Grant	633	0	0	0
Transitional Grant	0	152	123	0
Rural Services Delivery Grant	0	0	0	0
<b>Total</b>	<b>633</b>	<b>152</b>	<b>123</b>	<b>0</b>

- 18 Clearly the amounts above are extremely small compared to the amounts of Revenue Support Grant that this council used to receive. If this offer is accepted, it should give a degree of certainty regarding these funding streams and there is a danger that councils who do not sign up to four-year settlement will receive even less in the later years.
- 19 The Local Government Finance Settlement 2016/17 also included an indicative 'tariff adjustment' amount of £1.083m in 2019/20. This is in effect a negative Revenue Support Grant and is not included in the list of grants mentioned in the multi-year settlement however this remains a concern and further clarity is sought.
- 20 Taking up the offer would bring a degree of certainty and if Cabinet recommend this approach, a response would be made to Government to accept and requesting clarification that the 'tariff adjustment' is not included in the offer. An efficiency plan would also be produced based on the 10-year budget.

### **Financial Pressures 2017/18 to 2026/76**

#### Overall Summary

- 21 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.
- 22 Looking at expenditure, inflation is running at 0.6% (CPI at July 2016).
- 23 The local government finance settlement for 2017/18 is not likely to be announced by Government until late December. As Revenue Support Grant and New Homes Bonus are no longer used to fund the revenue budget, these funding streams should not have an impact on the budget setting process.

## Agenda Item 6

Additional information on the multi-year settlement offer and Business Rates Retention may impact on the 10-year position and officers will report back to Cabinet when further information is available.

- 24 The 10-year budget attached at Appendix B shows a savings requirement of £100,000 per annum to deliver a long term sustainable budget.
- 25 The paragraphs below set out the position in more detail and assess the impact on the current 10-year budget.

### Income

- 26 **Government Support: Revenue Support Grant (RSG)** (£0.6m received in 2016/17 but not used to fund the revenue budget) - This formula based grant has significantly reduced over recent years as the emphasis of Government Support has changed. The indicative amounts in the Final Local Government Finance Settlement 2016/17 show this council receiving no RSG from 2017/18. The attached 10-year budget assumes no Revenue Support Grant resulting in their being no reliance on this funding source to support the revenue budget. Any amounts received 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.
- 27 **New Homes Bonus (NHB)** (£2.2m received in 2016/17 but not used to fund the revenue budget) - the Government started this new funding stream in 2011/12 with the intention that local authorities would be rewarded for new homes being built over a six-year period. 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.
- 28 **Council Tax** (£9.7m) - The Government referendum limit has been set at 2% in recent years although it was changed in February 2016 to the higher of 2% or £5 (2.57% for SDC) for 2016/17. The assumption in the 10-year budget is currently 2% for all years.
- 29 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.
- 30 **Locally Retained Business Rates** (£2.0m) - 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.

- 31 Due to the large number of business rates appeals being outstanding 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 remains at the safety net level which is the amount of business rates the council is assured of retaining in the current scheme.
- 32 The Department for Communities and Local Government (DCLG) is currently undertaking a consultation called 'Self-sufficient local government: 100% Business Rates Retention'. The Government intends to introduce 100% Business Rates Retention to local government by the end of the current Parliament. It is expected that, at the same time, the Government will update the relative needs formulae (i.e. that determine the amount of resources that an authority will have if it collects at its Business Rates target).
- 33 At this stage it is not clear whether 100% Business Rates will start in 2019/20 or 2020/21 and what impact it will have on this council. Officers will respond to the consultation and keep Members up to date during the budget setting process.
- 34 A Business Rates Retention Pool is in operation within Kent. In certain circumstances it is financially beneficial to be a member of a pool. To date, it has not been financially beneficial for this council to be a member of the pool but officers will continue to review the position and report to members if the situation changes.
- 35 **Interest receipts** (£0.3m) - 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. Due to the change of emphasis on to the Property Investment Strategy, £250,000 had been assumed for all years as investment balances will become less predictable.
- 36 Following the Bank of England Base Rate reduction from 0.5% to 0.25% on 4 August 2016, the interest receipts assumption has been reduced to £130,000 for 2017/18 and 2018/19 to reflect the Bank Base Rate estimates provided by our treasury advisors. It remains at £250,000 for later years.
- 37 **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.
- 38 Three assets have been purchased to date and on 21 July 2015, Council agreed to set aside a further £10m for the Property Investment Strategy.
- 39 The current assumption is £500,000 in 2017/18, £1.132m in 2018/19, £1.276m from 2019/20 to 2022/23 an additional £100,000 from 2023/24 and a further additional £200,000 from 2026/27. This includes income from the hotel from 2018/19.

- 40 **Variable fees and charges** - The Council receives income in fees and charges from a number of sources. This includes (income figures are shown gross):
- Land Charges (£0.2m);
  - Development Control (£0.7m);
  - Building Control (£0.5m);
  - Car parks (£2.2m); and
  - On-street parking (£0.8m)
- 41 The first three are linked to some extent to activity in the housing market and remain variable.
- 42 The assumption is currently for a 2.5% increase for all years.
- 43 **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 is expected to reduce.
- 44 The outcome of the EU Referendum may have an impact on the LEADER Programme as there is some uncertainty about the immediate and long term future of this funding. Officers will report to Members when more information is known.
- 45 **Shared working** - Various services have included savings from shared working in recent years budgets and this continues to be an area that is being investigated. The Council successfully works in partnership with other authorities in a number of areas, including Revenues, Benefits, Internal Audit and Counter Fraud, Finance, IT, Licensing, Building Control, CCTV and Environmental Health. Any further proposals that come forward for shared working ideas will continue to be actively pursued if it is in this Council's best interests to do so.
- 46 **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.

## Expenditure

- 47 *Pay* costs total £14m. The national pay award for 2017/18 has not yet been finalised and is unlikely to be resolved prior to the Council setting its draft budget for next year.
- 48 The Government's emergency budget on 8 July 2015 announced that there will be Public Sector pay rises of 1% for the next four years. This does not directly affect local government but it is often seen as a guide for those local authorities, including this council, on national terms and conditions. Therefore, the assumption is 1% until 2019/20 and 2% in later years.
- 49 ***Superannuation fund*** - the last pension fund triennial valuation, which was the second by the actuaries Barnett Waddingham, took place in November 2013. The minimum annual contribution to fund the deficit remained similar to that recommended in the previous valuation. The next triennial valuation will take place in November 2016 and the outcome of this will be included in the Budget Update report to Cabinet on 1 December 2016.
- 50 ***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 0.6% (CPI - July 2016).
- 51 ***Welfare reform changes*** - the changes affecting Housing Benefits regarding Universal Credit were looked at by a Member Scrutiny Group in 2012. Universal Credit commenced within the district in October 2015 but only in a very small way. Full roll out of Universal Credit is not now expected for several years.
- 52 The change to the Council Tax Reduction Scheme (also known as Council Tax Support) from 1 April 2013 was seen by many as one of the biggest changes to local government since the community charge. A consultation exercise is currently taking place before a new scheme is agreed to commence on 1 April 2017. An update on the financial implications of the new scheme will be included in the Budget Update report to Cabinet on 1 December 2016.
- 53 Town and Parish Councils have also been impacted by this change. In 2013/14 additional funding was clearly identified in the Government Grant Settlement which was fully passed on by this council. Since then no amount has been clearly identified and it was agreed at Full Council that no funding would be passed on to Town and Parish Councils for Council Tax Reduction. It is not expected that the Government will include an amount for this purpose once again in 2017/18.
- 54 ***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 which could be significant. These will be identified in the Service

## Agenda Item 6

Change Impact Assessments (SCIAs) that will be reported to the Advisory Committees between September and November.

- 55 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.
- 56 ***Progress on the savings plan*** - 2017/18 will be the seventh year of using the 10-year budget. During this period, 126 savings items have been identified totalling £6.7m. The majority of these savings have already been achieved and Portfolio Holders, Chief Officers, Heads of Service and Service Managers have worked closely to deliver these savings.
- 57 The following table shows the differences between the 10-year budget agreed by Council on 16 February 2016 and the latest version set out in Appendix B.

<b>10-Year Budget (total changes for the 10-year period)</b>	<b>£000</b>
Base changes:	
Rolled on to 26/27 and base figures updated to 16/17 budget	(793)
Assumption changes:	
Reduction in Interest Receipts following Base Rate change	240
<b>Total 10-year budget change gap/(surplus)</b>	<b>(553)</b>

- 58 The above table shows an additional contribution to the Budget Stabilisation reserve of £553,000 over the 10-year period (or £55,000 on average per annum). At this stage it is not proposed to change the £100,000 net savings/ additional income target for 2017/18 as further changes and additional growth is likely to be included within the assumptions as the budget setting process progresses.
- 59 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**

- 60 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.

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

### **Process and timetable**

- 62 Members will note from the timetable set out in Appendix A that this report is being considered by the Finance Advisory Committee on 6 September 2016 and any comments will be considered along with this report at Cabinet on 15 September 2016.
- 63 All Advisory Committees will be presented with their Service Dashboards and Service Change Impact Assessments (SCIAs) between September 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.
- 64 Training will be provided to Members in September 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.
- 65 Cabinet will receive a Budget Update report on 1 December 2016 taking into account any updated information and feedback from the Advisory Committees. Cabinet will agree its draft budget on 9 February 2017 and full Council will consider the budget on 21 February 2017.

### **Consultation**

- 66 Residents will be consulted as part of the budget process and their views will then be considered before the budget is finalised.

### **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 process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

## Agenda Item 6

The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future grant settlements. The 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.

### Community Impact and Outcomes

Members' early consideration of the issues raised in this report would be beneficial to residents in that a planned approach to achieving a balanced budget should produce the best outcome for the community in limiting the level in budget reductions.

### **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 which it has faced. The 10-year budget has further improved this process and helped to ensure that the Council is well placed in dealing with more immediate and longer-term financial challenges.

By becoming financially self-sufficient at an early stage, this Council has become much more in control of its own destiny as the Property Investment Strategy should provide a much more stable income stream than the reducing direct government funding streams.

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**



2017/18 Budget Setting Timetable

	Date	Committee
<b>Stage 1</b>		
Financial Prospects and Budget Strategy 2017/18 and Beyond	6 September	Finance AC
	15 September	Cabinet
↓		
<b>Stage 2</b>		
Review of Service Dashboards and Service Change Impact Assessments (SCIAs)	22 September	Planning AC
	4 October	Housing & Health AC
	6 October	Policy & Performance AC
	11 October	Economic & Comm. Dev. AC
	18 October	Legal & Dem. Svs AC
	1 November	Direct & Trading AC
	15 November	Finance AC
↓		
<b>Stage 3</b>		
Budget Update (incl. Service Change Impact Assessments (SCIAs), feedback from Advisory Committees)	1 December	Cabinet
↓		
<b>Stage 4</b>		
Budget Update (incl. Government Settlement information)	12 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)	9 February	Cabinet
↓		
<b>Stage 7</b>		
Budget Setting Meeting (incl. Council Tax setting)	21 February	Council

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

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Ten Year Budget - Revenue

	Budget 2016/17	Plan 2017/18	Plan 2018/19	Plan 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Plan 2023/24	Plan 2024/25	Plan 2025/26	Plan 2026/27
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>											
Net Service Expenditure c/f	14,253	13,689	14,249	14,489	14,638	15,178	15,521	15,871	16,228	16,590	16,957
Inflation	569	494	611	435	627	443	450	457	462	467	471
Superannuation Fund deficit: actuarial increase	(721)	300	0	0	200	0	0	0	0	0	0
Net savings (approved in previous years)	(13)	(162)	(271)	(216)	(187)	0	0	0	0	0	0
<b>New growth</b>	<b>88</b>	<b>28</b>	<b>0</b>	<b>30</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>(487)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>
<b>Net Service Expenditure b/f</b>	<b>13,689</b>	<b>14,249</b>	<b>14,489</b>	<b>14,638</b>	<b>15,178</b>	<b>15,521</b>	<b>15,871</b>	<b>16,228</b>	<b>16,590</b>	<b>16,957</b>	<b>17,328</b>
<b>Financing Sources</b>											
Government 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	(9,672)	(9,982)	(10,300)	(10,627)	(10,963)	(11,309)	(11,663)	(12,028)	(12,402)	(12,786)	(13,181)
Locally Retained Business Rates	(1,951)	(1,989)	(2,048)	(2,113)	(2,155)	(2,198)	(2,242)	(2,287)	(2,333)	(2,380)	(2,428)
Collection Fund Surplus	(333)	0	0	0	0	0	0	0	0	0	0
Interest Receipts	(250)	(130)	(130)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Property Investment Strategy Income	(500)	(500)	(1,132)	(1,276)	(1,276)	(1,276)	(1,276)	(1,376)	(1,376)	(1,376)	(1,576)
Contributions to/(from) Reserves	100	(353)	(353)	(353)	(353)	(353)	(179)	(179)	(635)	148	148
<b>Total Financing</b>	<b>(12,606)</b>	<b>(12,954)</b>	<b>(13,963)</b>	<b>(14,619)</b>	<b>(14,997)</b>	<b>(15,386)</b>	<b>(15,610)</b>	<b>(16,120)</b>	<b>(16,996)</b>	<b>(16,644)</b>	<b>(17,287)</b>
<b>Budget Gap (surplus)/deficit</b>	<b>1,083</b>	<b>1,295</b>	<b>526</b>	<b>19</b>	<b>181</b>	<b>135</b>	<b>261</b>	<b>108</b>	<b>(406)</b>	<b>313</b>	<b>41</b>
<b>Contribution to/(from) Stabilisation Reserve</b>	<b>(1,083)</b>	<b>(1,295)</b>	<b>(526)</b>	<b>(19)</b>	<b>(181)</b>	<b>(135)</b>	<b>(261)</b>	<b>(108)</b>	<b>406</b>	<b>(313)</b>	<b>(41)</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>

<b>Assumptions</b>	
Revenue Support Grant:	nil all years
Locally Retained Business Rates:	2% all years
Council Tax:	2% all years
Interest Receipts:	£130,000 in 17/18 - 18/19, £250,000 in later years
Property Inv. Strategy:	£500,000 from 16/17, £700,000 from 18/19, £800,000 23/24 onwards. Sennocke and Bradbourne development income included from 2018/19.
Pay award:	1% in 16/17 - 19/20, 2% in later years
Other costs:	2.25% in all years
Income:	2.5% in all years

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**Item 7 - Financial Results 2016/17 - to the end of July 2016**

The attached report was considered by the Finance Advisory Committee on 6 September 2016, and the relevant Minute extract was not available prior to the printing of this agenda.

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## FINANCIAL RESULTS 2016/17 - TO THE END OF JULY 2016

### Cabinet - 15 September 2016

Report of Chief Finance Officer

Status: For consideration

Also considered by: Finance Advisory Committee - 6 September 2016

Key Decision: No

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

Portfolio Holder Cllr. Searles

Contact Officer(s) Helen Martin Ext. 7483

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

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

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

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### Overall Financial Position

1. The year-end position is currently forecast to be £1,000 better than budget.
2. This forecast includes any significant accruals.

### Key Issues for the year to date

3. Property Investment Strategy Income - this represents income derived from the acquisitions of commercial property in Sevenoaks and Swanley. The income from acquisitions to date will be less than originally budgeted for 2016/17 due to refurbishment works and a rent free period awarded at the start of a new ten year lease. This will result in additional income over the 10-year budget period. Investigations into further acquisitions are continuing in line with the strategy.
4. Pay costs - the actual expenditure to date on staff costs, (including agency cover and costs of advertising for professional posts, but excluding those who are externally funded) is currently £70,000 greater than budget. There are variances in individual areas and the larger variances are explained in the Chief Officer commentaries.

### Year End Forecast

5. The year-end position is forecast to be a favourable variance of £1,000.
6. The budgeted surplus for the Direct Services Trading account is forecast to be £30,000 better than budget. Expenditure for the year is forecast to exceed budget by £29,000, however income is forecast to be £59,000 better than original budget.

### Future Issues and Risk areas

7. 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:
  - There is potential that asset maintenance on leisure centres, particularly White Oak, will exceed current budgets due to ageing assets;
  - Universal credit started in the district in 2015 but has had a minimal impact to date;
  - Planning fee income remains uncertain and is being closely monitored;
  - There remains the risk that planning decisions will be challenged, either at appeal or through the Courts;
  - Future Planning appeals may incur costs arising from specialist input.
8. This Council is entitled to retain 50% of extra income arising from increases in the business rate tax base, however this figure is subject to great volatility as it is affected by the results of outstanding appeals and this area will be closely monitored.
9. Planned savings for 2016/17 total £412,000, including savings from the senior management re-structure, from partnership working, and from additional income generation, and these will be risk areas for the current and for future years.
10. The impact on financial markets and externally funded projects following the results of the Referendum in June 2016 will be 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 - July Budget Monitoring - Summary

Background Papers:

None

**Adrian Rowbotham**

**Chief Finance Officer**

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## 2. Overall Summary

July 2016 Final

2015/16
Actual as Cabinet May '16
£'000
1,556
2,555
4,089
5,057
1,207
<b>14,464</b>
(233)
(63)
(222)
97
<b>14,043</b>
(3,341)
(2,084)
(9,298)
(680)
(422)
(259)
(1,361)
<b>1,331</b>
(30)

Communities & Business
Corporate Support
Environmental & Operational Services
Financial Services
Planning Services

Adjustments to Reconcile to amount to be met from reserves

Direct Services Trading Account
Capital Charges outside the General Fund
Support Services outside the General Fund
Redundancy Costs

## NET SERVICE EXPENDITURE

Government Grant and NHB
Retained Business Rates
Council Tax

Summary including Investment Income

Investment Property Income
Interest Receipts

## OVERALL TOTAL

Planned Appropriation to/(from) Reserves
(Surplus)/Deficit

Y-T-D	Annual	Annual	Annual	Annual
Actual	Budget	Forecast (including Accruals)	Variance	Variance
£'000	£'000	£'000	£'000	%
602	1,433	1,433	0	0.0
960	2,693	2,693	0	0.0
1,579	4,227	4,257	30	0.7
1,339	4,169	4,170	1	0.0
480	1,474	1,474	0	0.0
<b>4,961</b>	<b>13,996</b>	<b>14,027</b>	<b>31</b>	<b>0.2</b>
(144)	(82)	(112)	(30)	37
(19)	(60)	(60)	0	0
(57)	(165)	(165)	0	0
3	0	0	0	0
<b>4,744</b>	<b>13,689</b>	<b>13,690</b>	<b>1</b>	<b>0.0</b>
(650)	(1,951)	(1,951)	0	0.0
(3,224)	(9,672)	(9,672)	0	0.0
<b>869</b>	<b>2,066</b>	<b>2,067</b>	<b>1</b>	<b>0.0</b>
(215)	(500)	(500)	0	0.0
(86)	(250)	(252)	(2)	0.8
<b>569</b>	<b>1,316</b>	<b>1,315</b>	<b>(1)</b>	<b>(0.1)</b>
(439)	(1,316)	(1,316)	0	
<b>130</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>	

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