14 February 2019 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 06.02.19

Sevenoaks
DISTRICT COUNCIL

Cabinet

Membership:
Chairman, Cllr. Fleming; Vice-Chairman, Cllr. Lowe
Cllrs. Dickins, Firth, Hogarth, Piper and Scholey

Agenda

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

		Pages	Contact
Apologies for Absence			
1.	**Minutes** To agree the Minutes of the meeting of the Committee held on 10 January 2019, as a correct record.	(Pages 1 - 14)	
2.	**Declarations of interest** Any interests not already registered.		
3.	**Questions from Members (maximum 15 minutes)**		
4.	**Matters referred from Council, Audit Committee, Scrutiny Committee, CIL Spending Board or Cabinet Advisory Committees**		
5.	**Budget and Council Tax Setting 2019/20**	(Pages 15 - 76)	Adrian Rowbotham Tel: 01732 227153
REPORTS ALSO CONSIDERED BY THE CABINET ADVISORY COMMITTEES			
6.	**Local Landcharges - Review of Fees**	(Pages 77 - 84)	Jim Carrington-West, Matt Mitchell Tel: 01732 227286, Tel: 01732 227156

7.	**Discretionary Rate Relief**	(Pages 85 - 136)	Sue Cressall, Paula Porter Tel: 01732 227041/7277
8.	**Council Tax Discounts for Empty and Un-inhabitable Dwellings and Empty Premium** ➲	(Pages 137 - 142)	Tim Dennington Tel: 01732 227207
9.	**Treasury Management Strategy 2019/20** ➲	(Pages 143 - 190)	Roy Parsons Tel: 01732 227204
10.	**Capital Strategy 2019/20** ➲	(Pages 191 - 200)	Roy Parsons Tel: 01732 227204
11.	**Capital Programme and Asset Maintenance 2018/21**	(Pages 201 - 214)	Alan Mitchell, Adrian Rowbotham Tel: 01732227483, Tel: 01732 227153
12.	**Financial Results 2018/19 - to the end of November 2018**	(Pages 215 - 260)	Alan Mitchell, Adrian Rowbotham Tel: 01732227483, Tel: 01732 227153
13.	**Property Investment Strategy Update** ➲	(Pages 261 - 282)	Alan Mitchell, Adrian Rowbotham, Andrew Stirling Tel: 01732227483/7153/7099

🔑 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.

CABINET

Minutes of the meeting held on 10 January 2019 commencing at 7.00 pm

Present: Cllr. Fleming (Chairman)

Cllr. Lowe (Vice Chairman)

Cllrs. Dickins, Firth, Hogarth, Piper and Scholey

Cllrs. Edwards-Winser, Grint, Mrs Hunter, McGarvey and Pett were also present.

56. Minutes

Resolved: That the minutes of the meeting of Cabinet held on 6 December 2018 be approved and signed as a correct record.

57. Declarations of interest

Councillor Scholey declared that he had been promoter of an item which was considered by the Community Infrastructure Levy (CIL) Board.

There were no additional declarations of interest.

58. Questions from Members

A Member asked two questions about Minute 48 (Local Plan – Results of The Draft Local Plan Consultation, agreement to publish the Regulation 19 proposed submission version and next steps), which were taken just before the agreement of the Minutes above. The two questions firstly related to Pedham Place and secondly to new sites coming late to the local planning process.

The Chairman replied that the position of Pedham Place needed to be resolved in the light of further information and evidence, particularly from Highways England. Only following the receipt of such evidence could the broad location of Pedham Place be ruled in or out of allocation for future development in a future plan.

The Chairman replied in respect of new sites that developers could put forward new sites for consideration at all stages of the local planning process. He reminded Members that the entirety of the Green Belt within the District had been considered by the Arup report.

59. Matters referred from Scrutiny Committee and CIL Spending Board

a) In-Depth Scrutiny Working Group – Staffing

The Chairman presented the report from the Scrutiny Committee. At its October 2017 meeting the Scrutiny Committee resolved to set up a working group to look in more depth at matters relating to staffing within the Council. The group had a particular focus on recruitment, retention, and flexible working. While sickness has been covered during meetings, this is a substantial topic and was not the focus of the enquiry (for data on this topic, see Appendix E - sickness absence as of February 2018 and data in relation to occupational health).

Resolved: That

a) the report from the Scrutiny Committee and the recommendations as set out below, be noted:

   i) Wider use of flexible working arrangements, particularly the 10-2 market/ job shares where those coming back to the work place can be extremely well qualified but do not wish to commute to London, and the ability to work from home;

   ii) Increasing the period where staff have to pay back the costs of training from 2 to 3 years, including where they move to another local authority as opposed to the private sector, as currently occurs; It is suggested for consideration that this is on a tapered basis. If an officer leaves within 1 year of completing training, the full training cost is repayable. The amount then tapers as a reducing amount over years 2 and 3.

   iii) Widen the radius for the relocation allowance (Currently 10 miles from District boundary);

   iv) Review of structures, roles and responsibilities, and use of market related payments (reviewable every two years) - where finances permit;

   v) Improvement of the kitchen areas for staff;

   vi) Introduce a lower rate for car loans (Currently 2.55%);

   vii) Extend the period before which MRPs are reviewed;

   viii) Create a recruitment microsite for the Council to better advertise vacant posts and consider different places to advertise such as local press and social media (Linkedin, mumsnet etc.)

   ix) Review structures as part of the current Customer Redesign initiative, introducing career grades to support career development and succession planning;

   x) Encourage greater use of apprentices, funded through the apprenticeship levy.

xi) Consider a referral payment to staff who introduce an individual who then successfully takes up a position within the council. To be paid once new member of staff has successfully completed probation or 6 months of employment without issue; and

b) Officers to implement the recommendations, as appropriate, as operational decisions, and investigate and report back on the recommendations which were not.

b) Allocation of Community Infrastructure Levy (CIL) Contributions to Local and Strategic Infrastructure Projects

Members considered the recommendations from the Community Infrastructure Levy (CIL) Spending Board. The Chairman of that Board indicated that he believed the meeting had gone well and that various matters of procedure and governance would be considered at a later date.

Resolved: That

A) the £34,000.00 funding applied for, for the scheme "Edenbridge Public Toilets" be approved on the following grounds

i. Strong economic, social and environmental benefits to the community

ii. Partnership working with other organisations;

iii. There is sufficient certainty that the scheme will be delivered

iv. Need for the scheme is identified in an adopted plan or strategy

v. Sufficient evidence has been submitted to demonstrate a strong link between new development and the scheme.

B) a) subject to a legal agreement being signed within 6 months of the decision date, the £2,500.00 funding applied for, as set out in the report, for scheme "Otford Medical Practice Health Pod" be approved on the following grounds

i. strong economic, social and environmental benefits to the community

ii. strong local support for the project
ii. the CIL contribution will be matched by funding from other sources

iv. that there is sufficient certainty that the scheme will be delivered

b) if the legal agreement was not signed in accordance with (a) above then funding applied for would be refused for failure to ensure the effective management of CIL funds.

C) the £10,000.00, applied for, as set out in the report, for scheme "Swanley Park Disabled Play Equipment" be approved on the following grounds:

i. strong economic, social and environmental benefits to the community

ii. strong local support for the scheme

iii. the CIL contribution will be matched by funding from other sources

D) a) subject to a legal agreement being signed within 6 months of the decision date and planning permission in accordance with the terms of the CIL application being granted within 5 years of the decision date, the £600,000.00 applied for, as set out in the report, for scheme "Edenbridge Integrated Health and Wellbeing Centre" be approved on the following grounds

i. strong economic, social and environmental benefits to the community

ii. strong local support for the scheme

iii. partnership working with other organisations

iv. The CIL Contribution will be matched funded from other sources

v. The scheme forms part of a planned strategy to address the need for infrastructure

b) if the legal agreement was not signed in accordance with (a) above then funding applied for would be refused for failure to ensure the effective management of CIL funds.

E) the £1,200,000.00 funding applied for, as set out in the report, for scheme "Bat & Ball Community Centre" be approved on the following grounds:

i. strong economic, social and environmental benefits to the community;

iii. strong local support for the project

iv. the scheme forms part of a planned strategy to address the need for infrastructure

v. there is sufficient certainty that the scheme will be delivered.

F) a) subject to a legal agreement being signed within 6 months of the decision date and secured funding from other sources the £185,000

applied for, as set out in the report, for scheme "New Village Hall/Sports Pavilion Project" be approved on the following grounds:

i. strong economic, social and environmental benefits to the community

ii. the CIL contribution will be match funded from other sources

iii. there is sufficient certainty that the scheme will be delivered

b) if the legal agreement was not signed in accordance with (a) above or if the remaining funding was not secured from other sources then funding applied for would be refused for failure to ensure the effective management of CIL funds.

CHANGE IN AGENDA ITEM ORDER

With the agreement of Cabinet, the Chairman brought forward consideration of Agenda Item 8 – Land at Jenkins Neck Wood, Shacklands Road, Badgers Mount (Minute 60).

60. Land at Jenkins Neck Wood, Shacklands Road, Badgers Mount

The Chairman presented a supplementary report (further to the report considered by Cabinet on 6 December 2018, Minute 50) which attached a letter from the Solicitors acting for the owners of 1 Shacklands Cottages which had requested that the letter was considered by Cabinet when taking decisions on the proposed disposal of surplus property assets at Jenkins Neck Wood, Shacklands Road, Badgers Mount. He indicated his view that the Badgers Mount Parish Council should be afforded the opportunity to purchase the freehold of the woodland for a deferred capital payment.

The Head of Economic Development and Property indicated that he considered that the long leasehold interest held by 1 Shacklands Cottages could be converted to the freehold, the payment for the leasehold having equalled that which would have been made for the freehold. He also indicated that Cabinet could ask Badgers Mount Parish Council to provide a future management plan or at least evidence of arrangements to manage the woodland as part of any negotiations.

Public Sector Equality Duty

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

It was moved by the Chairman and

Resolved: That

a) Delegated authority be given to the Head of Economic Development and Property to agree detailed Heads of Terms and to dispose of the freehold

interest in the surplus land at Shacklands Road, Badgers Mount to Badgers Mount Parish Council for a deferred capital payment;

b) b) The part of the land currently held under a 99 year lease by 1 Shacklands Cottages be converted to freehold and delegated authority be given to the Head of Economic Development and Property to dispose of the freehold to the tenant for a nominal consideration.

61. Budget Update 2019/20

The Portfolio Holder for Finance presented the report which followed on from the report to Cabinet on 6 December 2018 and contained changes resulting from the Provisional Local Government Finance Settlement which was announced on 13 December.

The Portfolio Holder indicated that he was pleased to report that there was presently only a £3,000 per annum budget gap, subject to later discussions on SCIAs. He highlighted the Council Tax increase options. The current assumption in the budget was a 2% increase for 2019/20 as that was the expected referendum limit at the time of the assumptions. In the settlement, the referendum limit was increased to the higher of 3% of £5 for districts. By implementing the maximum increase for this council of £6.21 per annum for a Band D property, an additional £103,000 of Council Tax income per annum could be raised.

The Portfolio Holder indicated his hope that the Council would remain financially self-sufficient from direct Government funding and once again have a balanced 10-year budget.

The Chief Finance Officer reiterated that the Provisional Local Government Finance Settlement had been published on 13 December and further detail had been announced since. The most relevant points in the settlement were that negative Revenue Support Grant (RSG) had been removed, the Business Rates Retention Pilot for 2019/20 was not successful but that the Council would still receive more than the safety net assumed in the 10-year budget and that the Council Tax referendum limit had been increased from 2% to the higher of 3% or £5.

The Advisory Committees had put forward a number of growth and savings proposals which were discussed by Cabinet in December. He set out that these would need to be considered and that there were three potential resolutions in respect of each. He also explained that Cabinet needed to recommend the Council Tax increase for 2019/20 and depending upon that resolution to issue further instructions if necessary.

Public Sector Equality Duty

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

Resolved: That

a) Members gave consideration to each of the growth and savings proposals in Appendix E and made the following recommendations:

   i. The following SCIAs were supported and were to be included in the budget:
      - SCIA16 – Asset Maintenance: an ongoing growth item of £100,000 be included in the 2019/20 budget with a review to be carried out each year as part of the budget process taking into account any changing asset maintenance requirements and other funding demands within the Council.
      - SCIA17 – Parish Projects (capital): any unused capital budget will not be carried forward.

   ii. The following SCIAs should be investigated further and considered for the 2020/21 budget setting process.
      - SCIA19 – Agenda printing, delivery and postal arrangements: a Member Working Group to be set up.
      - SCIA20 – Training for taxi knowledge test: investigate a trial at this council only.
      - SCIA21 – MOT testing: investigate advertising and the potential financial benefits.

   iii. The following SCIAs should be kept on the list for possible future investigation.
      - SCIA18 – Responding to legislation

b) A Council Tax increase of 2.97% for 2019/20 be recommended to Council.

62. <u>Calculation of Council Tax Base and other tax setting issues</u>

The Portfolio Holder for Finance presented the report which set out details of the calculation of the District's tax base for council tax setting purposes. These figures were used to determine tax rates for each of the council tax bands once the Council's budget requirement was known. The report also advised Members of the timetable for setting the 2019/20 council tax.

The Chief Finance Officer set out that as part of the budget cycle the Council was required to calculate the Council Tax base of the District for tax setting purposes for the coming financial year. The calculation had to be approved by Cabinet and Full Council. The tax base was determined by converting all property and occupancy data to the equivalent number of band D properties and this figure was used to calculate the band D charge.

This report showed that the tax base for 2019/20 would be 50,772.34 which was an increase of 1.7%. A collection rate of 99.4% had been included which was the same as the rate used in 2018/19.

The Chief Finance Officer reiterated that the timetable leading up to setting the Council Tax for 2019/20 was also included in the report. The major precepting authorities' council taxes should be known in advance of the Council setting the tax for the whole District on 26 February 2019.

Public Sector Equality Duty

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

Resolved: That it be recommended to Council that

a) the report of the Chief Finance Officer for the calculation of the Council's tax base for the year 2019/20 be approved;

b) pursuant to the report of the Chief Finance Officer and in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) the amount calculated by the Sevenoaks District Council as its council tax base for the whole area for the year 2019/20 shall be 50,772.34;

c) pursuant to the report of the Chief Finance Officer and in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) the amount calculated by the Sevenoaks District Council as the council tax base for 2019/20 for the calculation of local precepts shall be:

Parish	Tax Base
Ash-cum-Ridley	2,460.65
Badgers Mount	334.28
Brasted	778.50
Chevening	1,450.74
Chiddingstone	602.66
Cowden	435.77
Crockenhill	660.41
Dunton Green	1,323.31
Edenbridge	3,556.04
Eynsford	945.99
Farningham	664.59
Fawkham	283.39
Halstead	782.28
Hartley	2,555.38

Hever	610.42
Hextable	1,666.94
Horton Kirby & South Darenth	1,299.56
Kemsing	1,839.00
Knockholt	634.77
Leigh	948.18
Otford	1,709.88
Penshurst	835.95
Riverhead	1,249.06
Seal	1,253.83
Sevenoaks Town	9,637.63
Sevenoaks Weald	615.09
Shoreham	685.46
Sundridge	932.07
Swanley	5,607.45
Westerham	2,068.71
West Kingsdown	2,344.35

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

63. Annual Review of Parking Management arrangements for 2019-20

The Portfolio Holder Direct & Trading Services presented a report which informed Members of the outcome of the public consultation on the annual review of parking management arrangements for 2019-20, which had proposed a moderate increase in the daily and season ticket charges in the Council's Bradbourne car park, and amendments to the maximum stay periods in Sevenoaks town centre car parks.

Public Sector Equality Duty

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

Resolved: That

a) the responses to the public consultation be noted; and

b) the revised parking management arrangements for 2019-20 as detailed below, be agreed

Areas for consideration: Review of Fees and Charges 2019-20				
Off Street				
			Current	Revised
		Up to 30 mins	70p	No Change
		Up to 1 hr	£1.50	
1A	Blighs	Up to 2 hours	£3	
		Up to 3 hours	£5	
		Up to 4 hours	£10	
1B		Up to 1 hr	£1	
	Buckhurst 1	Up to 2 hours	£2	
	South Park	Up to 3 hours	£3	
	Suffolk Way	Up to 4 hours	£4	
		Up to 5 hours	£4.50	Revoked
	Buckhurst 2 Weekdays	Up to 5 hours	n/a	£4.50
		Over 5 hours and all day	£4.60	No Change
	Buckhurst 2 Saturdays	Up to 1 hr	£1	
		Up to 2 hours	£2	
		Up to 3 hours	£3	
		Up to 4 hours	£4	
		Up to 5 hours	n/a	£4.50
		Over 5 hours and all day	£4.60	No Change
	Buckhurst 2 Season Tickets	Annual Season Ticket	£859	
		Quarterly Season Ticket	£224.75	
		Monthly Season Ticket	n/a	£92
		Weekly Season Ticket	n/a	£23
		Resident Permit	£35	No Change
1D	Council Offices	Saturdays & Sundays	Free	
2A	St Johns St James	Up to 30 mins	20p	
		Up to 1 hr	40p	
		Up to 2hours	60p	
		Up to 4 hours	£1	
		Over 3 hours and all day	£3.10	
		Annual Season Ticket	£429	
		Quarterly Season Ticket	£117.25	
		Resident Permit	£35	
2B	Bradbourne	Up to 1 hr	£1	
		Up to 2 hours	£2	
		Up to 3 hours	£3	
		Up to 4 hours	£4	
		Up to 5 hours (weekdays)	£5	
		All day (weekdays)	£7	£8
		All day (weekends)	£5	No Change
	Bradbourne Season	Premium Bay	£2,500	

		Annual	£1,110	£1,300
		6 Monthly	£565	£660
		Quarterly	£287.50	£335
		Monthly	£140	£160
		Weekly	£35	£40
2D		Up to 30 mins	30p	No Change
	Bevan Place	Up to 1 hour	50p	
	Park Road	Up to 2 hours	70p	
	Station Road	Up to 4 hours	£1.10	
		Over 4 hours and all day	£4	
2E	Bevan Place Season Tickets	Annual	£396	
		Quarterly	£109	
Areas for consideration: Review of Fees and Charges 2019-20				
Off Street (continued)				
			Current	Revised
2F	Darent	Up to 30 mins	Free	No Change
		Up to 1 hr		
		Up to 2 hours		
		Up to 3 hours		
		Up to 4 hours	£1.50	
		Over 4 hours and all day	£3.50	
2G	Quebec Avenue	Up to 15 mins	10p	
		Up to 30 mins	20p	
		Up to 1 hr	50p	
		Up to 2 hours	70p	
		Up to 4 hours	£1.20	
		Over 4 hours and all day	£3.10	
2H	Vicarage Hill	Up to 15 mins	10p	
		Up to 30 mins	20p	
		Up to 1 hr	60p	
		Up to 2 hours	£1.50	
Areas for consideration: Review of Fees and Charges 2019-20				
On Street				
			Current	Revised
3A		Up to 30 mins	50p	No Change
	High Street	Up to 1 hour	£1	
	London Road	Up to 2 hours	£2	
	South Park	Sunday	2 hours max stay	
3B	Sevenoaks Town	Up to 30 mins	20p	
	Holly Bush Lane	Up to 1 hour	60p	
	Plymouth Drive	Up to 2 hours	£1.30	
		Over 2 hours and all day	£3	
3C	Sevenoaks Station Morewood Close (West)	Up to 30 mins	20p	

		Up to 1 hour	60p	
		Up to 2 hours	£1.30	
		Up to 4 hours	£2.40	
3D	Sevenoaks Station	Up to 30 mins	20p	
	St Botolphs	Up to 1 hour	60p	
	Ashley Close	Up to 2 hours	£1.30	
	Morewood Close (East)	Up to 4 hours	£2.40	
		Over 4 hours and all day	£5.50	
3E		First	£35	
	Sevenoaks District	Second	£70	
	Resident Parking Permits	Third	£125	
		Fourth	£250	
3F	Resident Vistors	Book of 5	£6	
3G		Town Annual	£270	
		Town Half Yearly	£135	
		Town Quarterly	£67.50	
		Station (West) Annual	£765	
	Non-Resident Parking Permits	Station (West) Half Yearly	£382.50	
		Station (West) Quarterly	£191.25	
		Station (East) Annual	£650	
		Station (East) Half Yearly	£325	
		Station (East) Quarterly	£162.50	
4A	Knockholt	All Day	£3.50	
		After 2pm up to 6pm	£2.40	
4B	Godsel Rd/Azalia Dr	Up to 30 mins	20p	
		Up to 1 hour	60p	
		Up to 2 hours	£1.30	
		Up to 4 hours	£2.40	
Areas for consideration: Review of Fees and Charges 2019-20				
On Street				
			Current	Revised
4B	Godsel Rd / Azalia Dr	Over 4 hours and all day	£3.50	No Change
4C	Westerham On Street	15 minutes	10p	
	The Green	30 minutes	20p	
	The Grange	1 hour	60p	
	Market Square	2 hours	£1.50	
4D		15 minutes	10p	
	Westerham On Street	30 minutes	20p	
	Fullers Hill	1 hour	60p	
	Croydon Road	2 hours	£1.50	
		3 hours	£2.50	

64. <u>Economic Development Strategy 2018-2021</u>

The Portfolio Holder for Economic and Community Development presented the report, which detailed the responses to the consultation on the draft Economic Development Strategy 2018/21 and recommended adoption of the Strategy. The Strategy had three areas of common interest, being Innovation and Technology, the Rural Economy and Sustainability. The Portfolio Holder also set out that the Strategy was based around five themes, being Growth and Investment, Infrastructure, Visitor Economy, Skills and Enterprise. He thanked officers for their input into the Strategy and explained how the Council had gone about taking the views of businesses and residents in producing the document.

Public Sector Equality Duty

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

Resolved: That the Economic Development Strategy be approved.

THE MEETING WAS CONCLUDED AT 8.18 PM

CHAIRMAN

IMPLEMENTATION OF DECISIONS

This notice was published on 14 January 2019. The decisions contained in Minutes 59 and 61(a) take effect immediately. The decisions contained in Minutes 60, 63 and 64 take effect on 22 January 2019. Minutes 61(b) and 62 are recommendations to Council.

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BUDGET AND COUNCIL TAX SETTING 2019/20

Cabinet – 14 February 2019

Report of	Chief Finance Officer
Status	For Decision
Also considered by	Council – 26 February 2019
Key Decision	No

Executive Summary:

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

This report sets out the proposed budget and required level of Council Tax for 2019/20.

The report proposes a net expenditure budget of £15.251m in 2019/20 (£14.687m in 2018/19). Subject to any further changes this would result in a Council Tax increase of 2.97% in 2019/20, with the District's Council Tax being £215.01 for a Band D property for the year (£208.80 in 2018/19), an increase of £6.21.

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

Portfolio Holder Cllr. John Scholey

Contact Officer(s) Adrian Rowbotham, Ext. 7153

Alan Mitchell, Ext. 7483

Recommendation to Cabinet:

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

Recommendation to Council:

(a) The Summary of Council Expenditure and Council Tax for 2019/20 set out in Appendix E be approved.

(b) Approve the 10-year budget 2019/20 to 2028/29 which is the guiding framework for the detailed approval of future years' budgets set out in Appendix B to the report, including the growth and savings proposals set out in Appendix C-D to the report, and that where possible any variations during and between years be met from the Budget Stabilisation Reserve.

(c) Approve the Capital Programme 2019/22 and funding method set out in Appendix H.

(d) Approve the changes to reserves and provisions set out in Appendix J.

Due to their length and complexity, the further recommendations have been produced as a separate document (Appendix N).

Introduction and Background

1 The Council's financial strategy over the past fourteen years has worked towards increasing financial sustainability and it has been successful through the use of a number of strategies including:

- implementing efficiency initiatives;
- significantly reducing the back office function;
- improving value for money;
- maximising external income;
- the movement of resources away from low priority services; and
- an emphasis on statutory rather than non-statutory services.

2 Over this period the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders. In financial terms, the adoption of this strategy has to date allowed the Council to move away from its reliance on general fund reserves.

3 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the short-term reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, that ensured the Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.

4 With the amount of Revenue Support Grant provided by Government ceasing from 2017/18 it is important that the council remains financially self-sufficient by having a balanced economy and a financial strategy that is focused on local solutions. These solutions include:

- continuing to deliver financial savings and service efficiencies;
- growing the council tax base; and
- generating more income.

5 At the Cabinet meeting on 13 September 2018, Members considered a report setting out the Council's financial prospects for 2019/20 and beyond. That report set out the major financial pressures the Council is likely to face, together with a proposed strategy for setting a balanced and sustainable budget for 2019/20 and beyond.

6 As part of the budget process officers put forward their Service Dashboards to the Advisory Committees between September and November, which set out a summary of current and future challenges and risks. The Advisory Committees recommended new growth and savings items which were considered at the Cabinets meeting on 6 December 2018.

7 The report to Cabinet on 6 December 2018 also contained updates to the Financial Prospects report. Another update report was presented to Cabinet on 10 January 2019 following the announcement of the Provisional Local Government Finance Settlement. Further growth and savings items were considered at that meeting.

8 The adoption of the 10-year budget over the last eight years has resulted in a much more stable budget position than had previously been achieved.

9 The Council's successful approach to its finances was recognised nationally during 2017 by being crowned 'Innovator of the Year' and also the overall winner at the CIPFA Public Finance Innovation Awards.

10 This report includes a number of attachments:

- Appendix A – Budget timetable
- Appendix B – 10-year budget (revenue and balance sheet);
- Appendix C – Summary of the Council's agreed savings and growth items;
- Appendix D – Summary of Changes to the 10-year Budget
- Appendix E – Summary of Council Expenditure and Council Tax;
- Appendix F – Summary of service analysis in budget book format;
- Appendix G – Analysis of pay costs;
- Appendix H – Capital Programme 2018-21
- Appendix J - Reserves
- Appendix K – Risk analysis;
- Appendix L - Latest information on precepting authorities (only in Council report)

- Appendix M – Town and Parish Council precepts and council tax rates (only in Council report)
- Appendix N – Council tax setting recommendations (only in Council report)
- Appendix P - Council tax rates across the district (only in Council report)

Financial Self-Sufficiency

11 The Council's Corporate Plan, introduced in 2013, set out an ambition for the Council to become financially self-sufficient 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.

12 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 receiving no Revenue Support Grant from 2017/18.

13 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.

14 With the Council receiving no Revenue Support Grant from 2017/18 and New Homes Bonus reducing from 2018/19, this approach remains appropriate. The attached 10-year budget assumes no Revenue Support Grant or New Homes Bonus. Any funding received from these sources will be put into the Financial Plan Reserve which can be used to support the 10-year budget by funding invest to save initiatives and supporting the Property Investment Strategy.

15 Cabinet have been 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.

16 This vision for the future is set out in the new Council Plan which retains a focus on ensuring innovation, excellence and value for money in everything we do.

Local Government Finance Settlement

17 ***The Provisional Local Government Finance Settlement*** for 2019/20 was announced on 13 December 2018 and was for 2019/20 only. The most relevant elements for this Council were as follows:

- The Council Tax increase referendum limit for district councils for 2019/20 has been increased from 2% to 3% (or £5 if higher).
- The Kent and Medway Business Rates Retention Bid for 2019/20 was not successful.
- The Fair Funding Review consultation paper has been published.
- The Business Rates Retention consultation paper has been published.
- Commercialisation - The Secretary of State said that he shared the concerns of CIPFA regarding some councils' commercial investments and the potential "risks they are exposing" themselves and the public to and he would discuss with the Treasury "whether further intervention might be required"

18 ***The Final Local Government Finance Settlement*** for 2019/20 was announced on 29 January 2019. There were no changes proposed that affect this Council. The settlement will be debated in the House of Commons on 5 February 2019 and if there are any changes, they will be explained at the meetings.

Updates on Assumptions

19 ***Government Support: Revenue Support Grant*** **(RSG)** (£nil received in 2018/19) – As previously assumed, this council no longer receives Revenue Support Grant from 2017/18.

20 ***New Homes Bonus (NHB)*** (£1.3m received in 2018/19 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. The basis of NHB was changed with effect from 2017/18. Previously it was based on cumulative figures for 6 years but this has been reduced to 5 years from 2017/18 and 4 years from 2018/19. In addition, NHB will only be received on tax base growth above 0.4% instead of on all growth (known as the deadweight).

21 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 funding received from this 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 supporting the Property Investment Strategy.

New Homes Bonus (estimated amount)

2019/20	£1.220m

22 ***Council Tax*** (£10.4m) – in the Local Government Finance Settlement it was announced that the referendum limit for 2019/20 was being increased to 3% (or £5 if higher) in line with current inflation. At the Cabinet meeting on 10 January 2019 Members recommended to change the Council Tax increase assumption for 2019/20 to 2.97% but for it to remain at 2% for later years.

23 This recommendation would result in Band D Council Tax increasing from 2018/19 is £208.80 to £215.01 in 2019/20.

2019/20 Council Tax	Original Assumptions	Proposed Assumptions
% increase	2.00%	2.97%
£ increase (Band D pa)	£4.18	£6.21
£ (Band D pa)	£212.98	£215.01

24 Due to the uncertainty of future Council Tax increase referendum limits, if maximum increases are not taken there will be an ongoing detrimental impact on the ability to increase Council Tax in future years.

25 The Council Tax Base has increased from 49,902.9 to 50,772.3 Band D equivalent properties. That is an increase of 869.4 (1.7%) which is similar to the assumed increase of 880.5.

26 Part of this increase is due to changes to the empty property discount. A year ago the Government announced that Council's would be able to make changes from 2019/20 but the details have only recently been published. As part of the 2018/19 budget setting process, Members agreed that an estimated change for this would be included in the assumptions and a separate report on this is being presented at this meeting.

27 ***Business Rates Retention*** (£2.7m) - 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.

28 There has been a commitment from Government to introduce Business Rates Retention since before the 2015 General Election. The Department for Communities and Local Government (DCLG) invited local authorities to participate in a pilot of Business Rates Retention in 2018/19. A Kent and Medway pilot bid was submitted including Sevenoaks and was successful. This resulted in this Council retaining significantly more Business Rates in 2018/19 than had previously been assumed.

29 That pilot was for one year only and a further Kent and Medway pilot bid was submitted for 2019/20 but was not successful.

30 The situation in Kent and Medway is that Business Rates Retention for 2019/20 will revert back to the Business Rates Pool which operated in 2017/18. This Council and Dover Borough Council were not part of that pool but as part of the pilot negotiations it was agreed that Sevenoaks and Dover would benefit as if they were in the pool.

31 The assumption in the 10-year budget assumes Business Rates at the safety net level of £2.1m but it is expected that a higher amount will be retained due to the pool agreement.

32 The 'safety-net' amount in the Local Government Finance Settlement for 2019/20 is £1,000 higher than included in the previous year's settlement but there is also a one-off levy surplus distribution amount of £35,000.

Business Rates Safety-Net	
2019/20	£2.132m

33 The previous settlement continued to include an indicative 'tariff adjustment' (known as negative RSG) amount of £1.083m in 2019/20. It is pleasing to report that this has now been removed from the latest settlement.

34 ***Interest receipts*** (£0.13m) – 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.

35 The Bank of England Base Rate increased from 0.5% to 0.75% in August and recent investments have reflected this change. Link Asset Services, the Council's treasury advisors, are forecasting further increases over the next two years.

36 Based on the above information the interest receipts assumption for 2019/20 has been reduced from £250,000 to £200,000 but remains at £250,000 in 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 Five assets have been purchased to date at a cost of £18m and on 25 April 2017, Council agreed to set aside a further £25m for the Property Investment Strategy. The Sennocke Hotel is also now open.

39 The income assumptions have been updated based on the current income levels.

Property Investment Strategy Income

	Previous Assumption	Proposed Assumption
2019/20	£1.185m	£1.258m
2020/21 – 2022/23	£1.185m	£1.311m
2023/24	£1.285m	£1.411m
2024/25 – 2025/26	£1.329m	£1.455m
2026/27 – 2028/29	£1.529m	£1.655m

40 A Property Investment Strategy Update report has been presented to Finance Advisory Committee on 29 January 2019 and Cabinet on 14 February 2019.

41 ***Pay costs*** (£15m) - The pay award assumption in the previous 10-year budget was 2% per annum. The national pay award for 2019/20 has been finalised with staff on Band D and above receiving a 2% increase with staff on Bands A-C receiving a greater increase (on average over 3%). This additional increase for lower paid staff will increase the cost of the 2019/20 pay award by £60,000.

42 Members previously agreed that a budget would be set aside to address the Council's recruitment and retention difficulties and challenges going forward.

43 ***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. Following detailed work on the non-pay costs budget, the actual amount allocated for 2019/20 is £12,000 less than previously assumed. Inflation is currently at 2.1% (CPI – December 2018).

44 ***Annual Savings -*** When the 10-year budget was agreed by Council in February 2016, an annual Net Savings/Additional Income assumption of £100,000 was included up to and including 2026/27. Due to all of the changes made to the budget which are listed in **Appendix D**, the Net Savings/Income figure has been exceeded by £7,000. Therefore the Net Savings/Income assumption for 2020/21 has been reduced to £93,000.

45 ***Exiting the EU*** – The Government has said that they will assess and, if appropriate, fund any potential new burdens arising on councils as a result of exiting the EU. On 28 January the Ministry for Housing, Communities & Local Government announced that £40m will be allocated to councils over two years (this year and next) for the purpose of appropriate contingency planning. A further £10m has been retained by the Ministry to allocate next year in response to any specific local costs that become evident in the months after the UK exists the EU.

46 The Council continues to closely monitor the potential implications on the District and is engaged in contingency planning arrangements co-ordinated

by the Kent Resilience Forum. This includes submitting a further bid for costs related to contingency planning, which is separate and additional to the funding set out above.

47 All funding opportunities being pursued are for contingency purposes. The Council has not identified the need for any immediate spending whilst we await the outcome of negotiations with the EU on the form of exit the UK will make on 29 March 2019.

Collection Fund Surplus/Deficit Calculation

48 Rules governing the operation of the collection fund require the Council to make an estimate on 15 January (or the next working day) each year of the fund's likely surplus or deficit at the end of the current financial year, in respect of council tax transactions. The amount so estimated is to be shared between the District Council, County Council, Fire and Police in proportion to their precepts on the collection fund. Each authority's share is to be taken into account by the authority in calculating its council tax for the year following the year in which the surplus or deficit has been estimated.

49 The estimated surplus at 15 January 2018 was £1,519,500 (of which the Council's share was £254,772) whilst the actual surplus balance at 31 March 2018 was £1,162,300. The balance is relatively small in the context of the gross council tax collectible during 2017/18 of almost £84.5m. It came about as a result of greater than expected council tax income plus a review of the bad debt provision.

50 The calculation at 15 January 2019 estimates a likely surplus or deficit balance on the collection fund at 31 March 2019. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.

51 The overall estimated balance at 31 March 2019 is zero, meaning that there is no apportionment required between District, County, Fire and Police.

Current Budget Position

52 The 10-year budget (**Appendix B**) shows a fully funded 10-year position. By continuing to use the 10-year budget strategy, this council remains in a strong position going forward.

53 **Appendix D** shows that the overall change in the 10-year Budget since it was last approved by Council in February 2018 is a very small improved position of £4,000 (i.e. £400 per annum).

2019/20 Budget and Council Tax

54 After allowing for the growth and savings agreed and the key changes made during this budget process, the resulting net expenditure for 2019/20 is £15.251m. As shown in **Appendix E** this results in Council Tax income of

£10.917m, meaning that the District element of the Band D charge will be £215.01.

55 When the other preceptors announce their increases, details will be included in **Appendix L**.

Capital Programme

56 A report setting out the proposed 2018/21 Capital Programme, with supporting documentation in a standard format for individual scheme bids was presented to the Finance Advisory Committee on 29 January 2019 and Cabinet on 14 February 2019.

57 Scheme bid documents were received for all new schemes which included the proposed funding methods.

58 Unspent budgets in the current year's programme (2018/19) can be carried forward to 2019/20, subject to Cabinet approval, when the outturn is known.

59 **Appendix H** summarises the position if all schemes are approved, and indicates the funding method proposed.

60 Council will be informed at the meeting of any changes recommended by Cabinet.

Integration with other budget reports on the Cabinet Agenda

61 Separate reports on the Treasury Management Strategy and the Capital Strategy are being presented to Cabinet and Council. The attached revenue budgets take into account the recommendations and revenue implications set out in this report as well as the Capital Programme.

Opinion under the Local Government Act 2003 (LGA 2003)

62 Under the LGA 2003 the Statutory Finance Officer (Chief Finance Officer) is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves.

63 In terms of the robustness of the budget, the following sources of assurance were taken into account:

- The Strategic Business and Financial Planning process used for the 2019/20 budget.
- The Financial Strategy, including a 10-year Budget, clear financial objectives and sensitivity analysis.
- Growth and savings suggestions proposed.

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

64 As is the case every year, inevitably there are a number of risk factors within the 2019/20 budget proposals; these are set out in some detail in **Appendix K**. This Appendix was also considered by the Finance Advisory Committee on 29 January 2019. Some of the more significant items are set out below.

a) Pay costs

Pay costs are budgeted on 100% basis, with a 2% inflationary pay award assumption (higher for staff on lower bands A – C) in 2019/20 included and with a separate vacancy saving target. With controls over the appointment of any staff and monitoring of staff numbers as well as costs, pay costs are subject to a high level of control.

b) Income

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

c) Pensions funding

The next actuarial valuation will take effect from 2020/21 and an increase assumption has been included in the 10-year budget from then.

d) Investment receipts

Interest receipts have increased in 2018/19 following the Bank of England Base Rate increase in August. The Treasury Management Strategy will be kept under review and brought back to Members for consideration as necessary during the year. The proposed Strategy for 2019/20 is reported separately on this Agenda.

e) Capital investment

Property Investment Strategy income is included in the 10-year budget. Members are assured that any property acquisitions will be supported by a thorough business case and approved by the relevant Portfolio Holders.

f) Growth

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

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

Adequacy of Reserves

66 Ensuring the adequacy and sustainability of the Council's reserves continues to be a key part of the budget process. Individual balances have been reviewed as part of writing this report and the detailed work is set out in **Appendix J**. This review should ensure that all provisions and earmarked reserves are adequate for their purposes.

67 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies.

68 The strong formal advice of the Section 151 officer to the Council is that every effort must be made to achieve the agreed savings in order to ensure financial sustainability and preserve the level of reserves for future commitments. The Council should avoid, at all costs, the General Fund Reserve balance reducing below 10% of its Net Service Expenditure (for 2019/20 this equates to £1.5m).

Referendums relating to council tax increases

69 Section 72 of the Localism Act 2011 inserted Section 52ZB into the Local Government Finance Act 1992. This sets out the duty on local authorities, fire authorities and Police and Crime Commissioners (PCCs) to each determine whether the amount of council tax they plan to raise for a financial year is excessive. If an authority's relevant basic amount of council tax is excessive, the provisions in relation to the duty to hold a referendum apply.

70 The Secretary of State has published draft thresholds in relation to 2019/20 council tax levels. District councils will be allowed a Band D council tax increase of the higher of 3% or £5. This council is therefore able to increase

Band D council tax by up to 3% without requiring a referendum. As in previous years, no equivalent principles are being proposed for Town and Parish Councils although the Government has said that they will keep this under review and take action if necessary.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

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

Current and future challenges together with risks were included in the Service Dashboards presented to the Advisory Committees and each Service Change Impact Assessment (SCIA) included the likely impacts including a risk analysis.

An effective integrated policy and priority driven long-term financial and business process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

The risks associated with the 10-year budget approach include uncertainty around the future Business Rates Retention scheme. The risk will be mitigated by continuing to review assumptions and estimates and by updating Members throughout the process.

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

Equality Assessment

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

Individual equalities assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision making process is fair and

transparent. These were included in the Budget Update 2019/20 reports to Cabinet on 6 December 2018 and 10 January 2019.

Community Impact and Outcomes

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

Conclusions

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

The future financial prospects for the public sector remain difficult however, this budget ensures the Council remains in a financially sustainable position.

If the council tax resolution attached in **Appendix N** is approved, the Sevenoaks District Council element of the band D council tax will be £215.01.

Appendices

Appendix A – Budget timetable

Appendix B (i) – 10-year budget – Revenue

Appendix B (ii) – 10 year budget - Balance Sheet

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

Appendix D – Summary of changes to the 10-year Budget

Appendix E – Summary of Council Expenditure and Council Tax

Appendix F – Summary of service analysis in budget book format

Appendix G – Analysis of pay costs

Appendix H (i) – Capital Programme 2018-21 (also being considered by Finance Advisory Committee on 30 January 2018)

Appendix H (ii) – Capital bid forms

Appendix J – Reserves

Appendix K – Risk analysis (also being considered by Finance Advisory Committee on 30 January 2018)

Appendix L – Latest information on precepting authorities **(only in Council report)**

Appendix M – Town and Parish Council precepts and council tax rates **(only in Council report)**

Appendix N – Council tax setting recommendations **(only in Council report)**

Appendix P – Council tax rates across the district **(only in Council report)**

Background Papers

Report to Cabinet 6 February 2018 – Budget and Council Tax Setting 2018/19

Report to Cabinet 13 September 2018 – Financial Prospects and Budget Strategy 2019/20 and Beyond

Report to Economic and Community Development Advisory Committee 25 September 2018, Planning Advisory Committee 2 October 2018, Legal and Democratic Services Advisory Committee 4 October 2018, Direct and Trading Advisory Committee 9 October 2018, Finance Advisory Committee 15 November 2018, Housing and Health Advisory Committee 27 November 2018, Policy and Performance Advisory Committee 29 November 2018 – Budget 2019/20: Service Dashboards and Service Change Impact Assessments (SCIAs)

Report to Cabinet 6 December 2018 – Budget Update 2019/20

Report to Cabinet 10 January 2019 – Budget Update 2019/20

Adrian Rowbotham

Chief Finance Officer

2019/20 Budget Setting Timetable

	Date	Committee
Stage 1		
Financial Prospects and Budget Strategy 2019/20 and Beyond	4 September	Finance AC
	13 September	Cabinet
↓		
Stage 2		
Review of Service Dashboards and Service Change Impact Assessments (SCIAs)	25 September	Economic & Comm. Dev. AC
	2 October	Planning AC
	4 October	Legal & Dem. Svs AC
	9 October	Direct & Trading AC
	15 November	Finance AC
	27 November	Housing & Health AC
	29 November	Policy & Performance AC
↓		
Stage 3		
Budget Update (incl. Service Change Impact Assessments (SCIAs), feedback from Advisory Committees)	6 December	Cabinet
↓		
Stage 4		
Budget Update (incl. Government Settlement information)	10 January	Cabinet
↓		
Stage 5		
Budget Update and further review of Service Change Impact Assessments (if required)	*January - February*	*Advisory Committees*
↓		
Stage 6		
Budget Setting Meeting (Recommendations to Council)	14 February	Cabinet
↓		
Stage 7		
Budget Setting Meeting (incl. Council Tax setting)	26 February	Council

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

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Ten Year Budget - Revenue **Appendix B i**

	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	Plan 2027/28	Plan 2028/29
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	14,470	14,687	15,251	15,556	15,973	16,353	16,741	17,134	17,532	17,937	18,451
Inflation	732	608	656	473	480	488	493	499	505	513	522
Superannuation Fund deficit and staff recruitment & retention	0	0	100	0	0	0	0	0	0	0	0
Net savings (approved in previous years)	(427)	(181)	(298)	14	0	0	0	(1)	0	1	0
New growth	***292***	***256***	***(60)***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***
New savings/Income	***(380)***	***(119)***	***(93)***	***(70)***	***(100)***	***(100)***	***(100)***	***(100)***	***(100)***	***0***	***0***
Net Service Expenditure b/f	**14,687**	**15,251**	**15,556**	**15,973**	**16,353**	**16,741**	**17,134**	**17,532**	**17,937**	**18,451**	**18,973**
Financing Sources											
Govt Support: Revenue Support Grant	0	0	0	0	0	0	0	0	0	0	0
New Homes Bonus	0	0	0	0	0	0	0	0	0	0	0
Council Tax	(10,420)	(10,917)	(11,261)	(11,616)	(11,979)	(12,353)	(12,737)	(13,131)	(13,536)	(13,927)	(14,328)
Business Rates Retention	(2,700)	(2,132)	(2,139)	(2,182)	(2,226)	(2,271)	(2,316)	(2,362)	(2,409)	(2,457)	(2,506)
Collection Fund Surplus	(255)	0	0	0	0	0	0	0	0	0	0
Interest Receipts	(130)	(200)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Property Investment Strategy Income	(735)	(1,258)	(1,311)	(1,311)	(1,311)	(1,411)	(1,455)	(1,455)	(1,655)	(1,655)	(1,655)
Contributions to/(from) Reserves	(14)	(353)	(353)	(353)	(179)	(179)	(635)	148	148	148	148
Total Financing	**(14,254)**	**(14,860)**	**(15,314)**	**(15,712)**	**(15,945)**	**(16,464)**	**(17,393)**	**(17,050)**	**(17,702)**	**(18,141)**	**(18,591)**
Budget Gap (surplus)/deficit	**433**	**391**	**242**	**261**	**408**	**277**	**(259)**	**482**	**235**	**310**	**382**
Contribution to/(from) Stabilisation Reserve	**(433)**	**(391)**	**(242)**	**(261)**	**(408)**	**(277)**	**259**	**(482)**	**(235)**	**(310)**	**(382)**
Unfunded Budget Gap (surplus)/deficit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Assumptions	
Revenue Support Grant:	nil all years
Business Rates Retention:	Business Rates Retention safety-net in 19/20 plus 2% in later years
Council Tax:	2.97% in 19/20, 2% in later years
Council Tax Base:	Increase of 875 Band D equivalent properties in 19/20 including changes to empty property discounts, 580 from 20/21, 480 from 27/28
Interest Receipts:	£200,000 in 19/20, £250,000 in later years
Property Investment Strategy:	£1.258m in 19/20, £1.311m from 20/21, £1.411m from 23/24, £1.455m from 24/25, £1.655m from 26/27 onwards. Sennocke Hotel income included from 2019/20.
Pay award:	2% in all years (additional increase for lower paid staff in 2019/20)
Other costs:	2.25% in all years
Income:	2.5% in all years except for off-street car parks which are an average of 3.5% per annum from 19/20 -23/24.

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Ten Year Budget - Balance Sheet

Balance Sheet	Note	31/3/18 Actual £000	31/3/19 Plan £000	31/3/20 Plan £000	31/3/21 Plan £000	31/3/22 Plan £000	31/3/23 Plan £000
Long Term Assets							
Property, Plant and Equipment	1	33,888	33,738	33,588	33,438	33,288	33,138
Investment Property		22,632	22,632	22,632	22,632	22,632	22,632
Long Term Investments		50	50	50	50	50	50
Long Term Debtors		918	826	740	654	650	646
		57,488	57,246	57,010	56,774	56,620	56,466
Current Assets							
Short-term Investments		24,046	21,141	19,201	18,113	17,182	16,297
Cash and Cash Equivalents		7,445	7,445	7,445	7,445	7,445	7,445
Inventories		46	46	46	46	46	46
Short Term Debtors		3,564	3,564	3,564	3,564	3,564	3,564
Assets held for Sale		181	181	181	181	181	181
Payments in Advance		(0)	(0)	(0)	(0)	(0)	(0)
		35,282	32,377	30,437	29,349	28,418	27,533
Current Liabilities							
Receipts in Advance		(7,604)	(7,604)	(7,604)	(7,604)	(7,604)	(7,604)
Short Term PWLB Loan		(174)	(174)	(174)	(174)	(174)	(174)
Short Term Creditors		(9,386)	(9,387)	(9,388)	(9,389)	(9,390)	(9,391)
Short Term Provisions		(2,383)	(2,383)	(2,383)	(2,383)	(2,383)	(2,383)
		(19,547)	(19,548)	(19,549)	(19,550)	(19,551)	(19,552)
NET CURRENT ASSETS		15,735	12,829	10,888	9,799	8,867	7,981
Long Term Liabilities							
Long Term Creditors		(356)	(355)	(354)	(353)	(352)	(351)
Long Term PWLB Loan		(5,134)	(4,960)	(4,786)	(4,612)	(4,438)	(4,264)
Long Term Provisions		(256)	(256)	(256)	(256)	(256)	(256)
Net Pensions Liability	2,3	(91,413)	(89,923)	(88,433)	(86,943)	(85,453)	(83,963)
Capital Grants Receipts in Advance		(423)	(423)	(423)	(423)	(423)	(423)
		(97,582)	(95,917)	(94,252)	(92,587)	(90,922)	(89,257)
TOTAL NET ASSETS		(24,359)	(25,842)	(26,354)	(26,014)	(25,435)	(24,810)
USABLE RESERVES							
Usable Capital Receipts Reserve		(3,041)	(2,049)	(2,049)	(2,049)	(2,049)	(2,049)
Earmarked Reserves		(19,184)	(17,357)	(15,509)	(14,513)	(13,756)	(13,045)
General Fund		(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
		(23,725)	(20,906)	(19,058)	(18,062)	(17,305)	(16,594)
UNUSABLE RESERVES							
Capital Adjustment Account		(26,040)	(25,890)	(25,740)	(25,590)	(25,440)	(25,290)
Revaluation Reserve		(16,946)	(16,946)	(16,946)	(16,946)	(16,946)	(16,946)
Accumulated Absences Account		152	152	152	152	152	152
Pensions Reserve	2,3	91,413	89,923	88,433	86,943	85,453	83,963
Collection Fund Adj Account		(196)	(196)	(196)	(196)	(196)	(196)
NNDR Collection Fund Revenue Account		(132)	(132)	(132)	(132)	(132)	(132)
Deferred Capital receipts		(167)	(163)	(159)	(155)	(151)	(147)
		48,084	46,748	45,412	44,076	42,740	41,404
TOTAL RESERVES		24,359	25,842	26,354	26,014	25,435	24,810

Appendix B ii

Ten Year Budget - Balance Sheet

Balance Sheet continued	Note	31/3/24 Plan £000	31/3/25 Plan £000	31/3/26 Plan £000	31/3/27 Plan £000	31/3/28 Plan £001	31/3/29 Plan £002
Long Term Assets							
Property, Plant and Equipment	1	32,988	32,838	32,688	32,538	32,388	32,238
Investment Property		22,632	22,632	22,632	22,632	22,632	22,632
Long Term Investments		50	50	50	50	50	50
Long Term Debtors		642	638	634	630	626	622
		56,312	56,158	56,004	55,850	55,696	55,542
Current Assets							
Short-term Investments		15,319	14,497	13,897	13,555	13,139	12,650
Cash and Cash Equivalents		7,445	7,445	7,445	7,445	7,445	7,445
Inventories		46	46	46	46	46	46
Short Term Debtors		3,564	3,564	3,564	3,564	3,564	3,564
Assets held for Sale		181	181	181	181	181	181
Payments in Advance		(0)	(0)	(0)	(0)	(0)	(0)
		26,555	25,733	25,133	24,791	24,375	23,886
Current Liabilities							
Receipts in Advance		(7,604)	(7,604)	(7,604)	(7,604)	(7,604)	(7,604)
Short Term PWLB Loan		(174)	(174)	(174)	(174)	(174)	(174)
Short Term Creditors		(9,392)	(9,393)	(9,394)	(9,395)	(9,396)	(9,397)
Short Term Provisions		(2,383)	(2,383)	(2,383)	(2,383)	(2,383)	(2,383)
		(19,553)	(19,554)	(19,555)	(19,556)	(19,557)	(19,558)
NET CURRENT ASSETS		7,002	6,179	5,578	5,235	4,818	4,328
Long Term Liabilities							
Long Term Creditors		(350)	(349)	(348)	(347)	(346)	(345)
Long Term PWLB Loan		(4,090)	(3,916)	(3,742)	(3,568)	(3,394)	(3,220)
Long Term Provisions		(256)	(256)	(256)	(256)	(256)	(256)
Net Pensions Liability	2,3	(82,473)	(80,983)	(79,493)	(78,003)	(76,513)	(75,023)
Capital Grants Receipts in Advance		(423)	(423)	(423)	(423)	(423)	(423)
		(87,592)	(85,927)	(84,262)	(82,597)	(80,932)	(79,267)
TOTAL NET ASSETS		(24,278)	(23,590)	(22,680)	(21,512)	(20,418)	(19,397)
USABLE RESERVES							
Usable Capital Receipts Reserve		(2,049)	(2,049)	(2,049)	(2,049)	(2,049)	(2,049)
Earmarked Reserves		(12,241)	(11,593)	(11,167)	(10,999)	(10,757)	(10,442)
General Fund		(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
		(15,790)	(15,142)	(14,716)	(14,548)	(14,306)	(13,991)
UNUSABLE RESERVES							
Capital Adjustment Account		(25,140)	(24,990)	(24,840)	(24,690)	(24,540)	(24,390)
Revaluation Reserve		(16,946)	(16,946)	(16,946)	(16,946)	(16,946)	(16,946)
Accumulated Absences Account		152	152	152	152	152	152
Pensions Reserve	2,3	82,473	80,983	79,493	78,003	76,513	75,023
Collection Fund Adj Account		(196)	(196)	(196)	(196)	(196)	(196)
NNDR Collection Fund Revenue Account		(132)	(132)	(132)	(132)	(132)	(132)
Deferred Capital receipts		(143)	(139)	(135)	(131)	(127)	(123)
		40,068	38,732	37,396	36,060	34,724	33,388
TOTAL RESERVES		24,278	23,590	22,680	21,512	20,418	19,397

Summary of the Council's Agreed Savings and Growth Items **Appendix C**

SCIA Year	SCIA No.	Description	2011/12 - 2018/19 £000	2019/20 £000	Later Years £000	Total £000
		Direct and Trading Advisory Committee				
2016/17	8	Playgrounds: reduction in asset maintenance (reversal of temporary saving item)			7	
2016/17	9	Public Conveniences: reduction in asset maintenance (reversal of temporary saving item)			8	
		Economic and Community Development Advisory Committee				
		No savings or growth agreed from 2019/20 onwards				
		Finance Advisory Committee				
2011/12	62,63	Staff terms and conditions - savings agreed by Council 18/10/11		(186)	(187)	
2018/19	11	Members Allowances: increase following JIRP review		15		
		Housing and Health Advisory Committee				
		No savings or growth agreed from 2019/20 onwards				
		Legal and Democratic Services Advisory Committee				
		No savings or growth agreed from 2019/20 onwards				
		Planning Advisory Committee				
		No savings or growth agreed from 2019/20 onwards				
		Policy and Performance Advisory Committee				
2017/18	10	Apprenticeship Levy (reversal of temporary growth item)			(45)	
2018/19	3	Swanley Local Office contract		(10)	(15)	
2018/19	13	IT Developers: funding for two years (reversal of temporary growth item)			(51)	
		Minor movements between years			(1)	
		Total Savings	**(7,051)**	**(196)**	**(188)**	**(7,435)**
		Total Growth	**1,930**	**15**	**(96)**	**1,849**
		Net Savings	**(5,121)**	**(181)**	**(284)**	**(5,586)**

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Summary of Changes to the 10-year Budget **Appendix D**

SCIA Year	SCIA No.	Advisory Committee	Description	Year	Ongoing	2019/20 Impact £000	10-year Budget Impact £000
Growth proposals supported by Cabinet 06/12/18 (detailed SCIAs were included in the previous report)							
2019/20	2	DTAC	Direct Services - Reduced recycling income	2019/20	Yes	40	400
2019/20	3	DTAC	Bradbourne Lakes - Consultancy	2019/20	No	60	60
2019/20	4	DTAC	Public Conveniences - Reduced income	2019/20	Yes	5	50
2019/20	5	DTAC	Environmental Protection - Reduced income	2019/20	Yes	10	100
2019/20	6	DTAC	CCTV - Reduced income	2019/20	Yes	10	100
2019/20	11	FAC	Facilities Management - loss of income	2019/20	Yes	22	220
2019/20	15	HHAC	Travellers site - loss of Kent County Council grant	2019/20	Yes	9	90
2019/20	16	FAC	Preventative asset maintenance	2019/20	Yes	100	1,096
Savings proposals supported by Cabinet 06/12/18 (detailed SCIAs were included in the previous report)							
2019/20	7	DTAC	Car Parking - Enforcement for Tandridge DC	2019/20	No	(30)	(60)
2019/20	8	DTAC	Car Parking - Rental income	2019/20	Yes	(15)	(150)
2019/20	9	DTAC	Markets - Additional income	2019/20	Yes	(5)	(50)
2019/20	10	DTAC	Environmental Health - change in shared service split	2019/20	Yes	(40)	(400)
2019/20	12	FAC	Sevenoaks Bus Station - reduced expenditure	2019/20	Yes	(5)	(50)
2019/20	13	FAC	Facilities Management - reduced expenditure	2019/20	Yes	(10)	(100)
2019/20	14	FAC	Property Management - reduced Business Rates	2019/20	Yes	(14)	(140)
			Sub Total			**137**	**1,166**
			Remove 2019/20 new savings target			**100**	**1,000**
Base Changes:							
			Rolled on to 2028/29 and base figures updated to 2018/19 budget			1	475
			2017/18 outturn surplus transferred to Budget Stabilisation Reserve			0	(856)
			Sub Total			**1**	**(381)**
Assumption Changes:							
			Other costs inflation: reduced to actual amount required			(12)	(140)
			Pay award: higher increase for lower paid staff			60	652
			Interest Receipts: 2019/20 reduction only			50	50
			Property Investment Strategy: additional income from current assets			(73)	(1,207)
			Council Tax Base updated			3	26
			Council Tax 2019/20: increase from 2% to 2.97%			(104)	(1,188)
			Business Rates Retention safety-net updated			(36)	(45)

Summary of Changes to the 10-year Budget **Appendix D**

SCIA Year	SCIA No.	Advisory Committee	Description	Year	Ongoing	2019/20 Impact £000	10-year Budget Impact £000
			Net savings target 2020/21: reduced by £7,000 due to 2019/20 savings target being exceeded			0	63
			Sub Total			**(112)**	**(1,789)**
			Total 10-year Budget change gap/(surplus)			**126**	**(4)**

Appendix E

Summary of Council Expenditure & Council Tax

	2018/19 Budget Net Expenditure £000	**2019/20** Budget Net Expenditure £000
Service expenditure before Support Services and Capital Charges including trading accounts (see Appendix F)	*14,930*	*15,483*
Capital Charges and Support Services charged outside the General Fund	(243)	(232)
Sub Total	14,687	15,251
Non allocated expenditure:		
Collection Fund adjustment	0	0
Net Service Expenditure excluding capital charges	14,687	15,251
Revenue Support Grant inc CTS	0	0
Retained Business Rates	(2,700)	(2,132)
New Homes Bonus	0	0
Council Tax Requirement - Sevenoaks DC	(10,420)	(10,917)
Collection Fund Surplus	(255)	0
Grant & Council Tax income	(13,375)	(13,049)
Net Expenditure after Grant & Council Tax, before interest	1,312	2,202
Less: Interest and Investment income	(130)	(200)
Less: Property Investment Strategy Income	(735)	(1,258)
Amount to be met from Reserves	447	744
Contributions (to) / from reserves		
Earmarked Reserves		
Capital	(148)	(148)
Budget Stabilisation	94	391
New Homes Bonus Reserve	0	0
Financial Plan	501	501
Corporate Project Support	0	0
Planned contribution from General Fund Reserve	0	0
	447	744

	2017/18	**2018/19**	**2019/20**
Taxbase	49,382	49,903	50,772
	£	£	£
Council Tax @ Band D	202.77	208.80	215.01

Council Tax Summary

Band D charge

			% Change	% Share		% Change	% Share
Kent County	1,178.82	1,237.68	4.99	*69.7*	1,299.42	4.99	*69.4*
Kent Fire	73.35	75.51	2.94	*4.3*	77.76	2.98	*4.2*
Kent Police	157.15	169.15	7.64	*9.5*	193.15	14.19	*10.3*
	1,409.32	1,482.34	5.18	*83.5*	1,570.33	5.94	83.9
Sevenoaks District	202.77	208.8	2.97	*11.8*	215.01	2.97	*11.4*
Average Town/Parish	81.13	84.71	4.41	*4.8*	86.96	2.66	*4.6*
	1,693.22	**1,775.85**	4.88	*100.0*	**1,872.30**	5.43	*100.0*

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Appendix F

Net Service Expenditure analysed by Chief Officer

Summary	**Actuals 17/18** £'000	**Budget 18/19** £'000	**Budget 19/20** £'000
Communities & Business	1,464	1,532	1,599
Corporate Services	2,914	2,967	3,138
Environmental & Operational Services	4,796	4,811	5,089
Financial Services	4,371	4,481	4,488
Planning Services	1,181	1,284	1,313
	14,726	15,074	15,627
Direct Services		(144)	(144)
Items outside General Fund		(243)	(232)
		14,687	**15,251**

Summary	**Actuals 17/18** £'000	**Budget 18/19** £'000	**Budget 19/20** £'000
Pay Costs	11,103	12,339	12,903
Premises and Grounds	1,905	1,685	1,849
Transport	79	62	63
Supplies & Services	2,425	2,264	2,294
Supplies & Services IT	1,044	977	979
Agency & Contracted	4,449	3,659	3,580
Agency & Contracted - Partnerships	3,180	3,128	3,013
Agency & Contracted - Direct Services	4,029	4,150	4,274
Transfer Payments - Benefits	26,750	28,090	28,090
Transfer Payments - Other	117	39	139
Support Services	52	52	52
Funds drawn to/from Reserves	214	(393)	(344)
Minimum Revenue Provision	0	0	124
Income - Other	(29,973)	(30,656)	(30,762)
Income - Fees and Charges	(7,773)	(6,678)	(7,099)
Recharges	(260)	(282)	(262)
Recharges - Partnerships	(2,615)	(3,359)	(3,267)
and Capital charges	**14,726**	**15,074**	**15,627**
Direct Services (net)		(144)	(144)
Items outside General Fund		(243)	(232)
		14,687	15,251

Analysis of budget changes between 18/19 and 19/20

Base Budget 2018/19	14,687
Inflation	608
Net Savings agreed previous years	(181)
New Growth	256
New savings/income	(119)
Propsed Budget 2019/20	15,251

Appendix F

Net Service Expenditure analysed by Chief Officer

	Actuals 17/18 £'000	Budget 18/19 £'000	Budget 19/20 £'000
Communities & Business			
All Weather Pitch	(6)	(5)	(5)
Community Safety	187	187	201
Community Development Service Provisions	(5)	(6)	(6)
The Community Plan	52	55	57
Dunton Green Projects - S106	0	0	0
Dunton Green Projects	0	0	0
Economic Development	52	57	59
Economic Development Property	315	277	291
Grants to Organisations	183	183	183
Health Improvements	45	44	53
Healthy Lifestyles (SDC)	0	0	0
Homeless	129	143	253
Housing	165	214	118
Housing Initiatives	44	53	48
Homelessness Prevention	0	0	0
Housing Energy Retraining Options (HERO)	35	36	45
Leisure Contract	162	175	183
Leisure Development	20	20	20
Partnership - Home Office	0	0	0
Private Sector Housing	0	0	0
Administrative Expenses - Communities & Business	27	26	27
Tourism	24	31	33
One You - Your Home Project	0	0	0
Choosing Health WK PCT	0	0	0
Community Sports Activation Fund	0	0	0
Dementia Area Project - Run Walk Push	0	0	0
Falls Prevention	0	0	0
Repair & Renew Flood Support Scheme	0	0	0
PCT Health Checks	0	0	0
Homelessness Funding	0	0	0
Leader Programme	5	5	5
New Ash Green	0	0	0
PCT Initiatives	0	0	0
Sportivate Inclusive Archery Project	0	0	0
Sportivate Cycling Club	0	0	0
Sport Satellite Clubs	0	0	0
Troubled Families Project	0	0	0
West Kent Enterprise Advisor Network	0	0	0
West Kent Kick Start	0	0	0
West Kent Partnership	0	0	0
West Kent Partnership Business Support	0	0	0
Youth	31	36	35
Total Service Expenditure	1,464	1,532	1,599

Appendix F

Net Service Expenditure analysed by Chief Officer

	Actuals 17/18 £'000	Budget 18/19 £'000	Budget 19/20 £'000
Communities & Business			
Pay Costs	1,217	1,399	1,545
Premises and Grounds	18	0	0
Transport	19	13	13
Supplies & Services	148	163	155
Supplies & Services IT	3	0	0
Agency & Contracted	630	449	460
Transfer Payments - Other	84	39	139
Funds drawn to/from Reserves	78	(136)	(76)
Income - Other	(505)	(255)	(404)
Income - Fees and Charges	(219)	(141)	(234)
Recharges	(11)	0	0
Total Service Expenditure	1,464	1,532	1,599

Analysis of budget changes between 18/19 and 19/20

Base Budget 2018/19	1,532
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	36
Planned savings agreed previous years	0
SCIAs 2019/20	0
Other Adjustments	31
Proposed Budget 2019/20	**1,599**

Appendix F

Net Service Expenditure analysed by Chief Officer

	Actuals 17/18 £'000	Budget 18/19 £'000	Budget 19/20 £'000
Corporate Services			
Asset Maintenance IT	275	277	283
Civic Expenses	16	16	17
Corporate Projects	81	95	102
Democratic Services	122	143	156
Elections	112	129	146
Land Charges	(53)	(99)	(105)
Register of Electors	211	234	227
Administrative Expenses - Corporate Services	27	25	26
Administrative Expenses - Legal and Democratic	60	51	71
Administrative Expenses - Human Resources	65	5	5
Street Naming	(11)	5	6
Support - Contact Centre	431	445	531
Support - General Admin	28	33	28
Support - IT	997	1,069	1,093
Support - Legal Function	196	226	241
Support - Local Offices	54	31	19
Support - Nursery	2	0	0
Support - Human Resources	299	282	295
Website	2	0	0
Total Service Expenditure	2,914	2,967	3,138

Appendix F

Net Service Expenditure analysed by Chief Officer

	Actuals 17/18 £'000	Budget 18/19 £'000	Budget 19/20 £'000
Corporate Services			
Pay Costs	1,922	2,115	2,384
Premises and Grounds	47	3	0
Transport	10	1	1
Supplies & Services	462	249	269
Supplies & Services IT	641	767	778
Agency & Contracted	461	202	80
Agency & Contracted - Direct Services	5	12	12
Transfer Payments - Other	2	0	0
Funds drawn to/from Reserves	78	(37)	(37)
Income - Other	(387)	0	0
Income - Fees and Charges	(238)	(259)	(263)
Recharges	(35)	(31)	(31)
Recharges - Partnerships	(54)	(54)	(54)
Total Service Expenditure	2,914	2,967	3,138

Analysis of budget changes between 18/19 and 19/20

Appendix F

Net Service Expenditure analysed by Chief Officer

Environmental & Operational Services	**Actuals 17/18** £'000	**Budget 18/19** £'000	**Budget 19/20** £'000
Environmental & Operational Services			
Asset Maintenance Argyle Road	78	108	110
Asset Maintenance Car Parks	0	0	0
Asset Maintenance CCTV	36	17	18
Asset Maintenance Countryside	8	8	9
Asset Maintenance Other Corporate Properties	41	48	49
Asset Maintenance Direct Services	34	39	40
Asset Maintenance Hever Road	36	38	38
Asset Maintenance Leisure	163	178	182
Asset Maintenance Playgrounds	3	8	8
Asset Maintenance Support & Salaries	89	83	178
Asset Maintenance Sewage Treatment Plants	3	9	9
Asset Maintenance Public Toilets	0	7	7
Bus Station	12	17	13
Car Parks	(1,652)	(1,911)	(1,974)
CCTV	278	258	266
Civil Protection	43	47	71
Dartford Environmental Hub (SDC Costs)	0	0	0
Car Parking - On Street	(464)	(492)	(490)
EH Commercial	291	279	260
EH Animal Control	10	1	1
EH Environmental Protection	375	391	401
Emergency	63	66	68
Parking Enforcement - Tandridge DC	(16)	0	(29)
Energy Efficiency	22	29	26
Estates Management - Buildings	15	(18)	(11)
Estates Management - Grounds	128	116	119
Gypsy Sites	(11)	(26)	(6)
Disabled Facilities Grant Administration	(22)	(20)	(20)
Housing Premises	(6)	1	1
Kent Resource Partnership	0	0	0
Licensing Partnership Hub (Trading)	0	0	0
Licensing Regime	(30)	3	9
Markets	(184)	(182)	(184)
Parks - Greensand Commons Project	0	0	0
Parks and Recreation Grounds	112	120	183
Parks - Rural	141	121	135
Private Sector Housing	173	198	207
Public Transport Support	0	0	0

Appendix F

Net Service Expenditure analysed by Chief Officer

Environmental & Operational Services	**Actuals 17/18** £'000	**Budget 18/19** £'000	**Budget 19/20** £'000
Refuse Collection	2,648	2,684	2,779
Administrative Expenses - Direct Services	1	0	0
Administrative Expenses - Health	9	12	12
Administrative Expenses - Licensing	2	10	10
Administrative Expenses - Property	4	5	5
Administrative Expenses - Transport	7	8	8
Street Cleansing	1,367	1,415	1,464
Support - Central Offices	410	450	473
Support - Central Offices - Facilities	257	290	273
Support - General Admin	196	234	189
Support - Health and Safety	14	17	18
Support - Direct Services	48	58	60
Support - Procurement	6	6	6
Support - Property Function	45	48	49
Taxis	(36)	(11)	2
Public Conveniences	50	46	49
Total Service Expenditure	4,796	4,811	5,089

Pay Costs	2,636	3,030	3,109
Premises and Grounds	1,823	1,665	1,831
Transport	45	41	42
Supplies & Services	791	722	728
Supplies & Services IT	25	6	6
Agency & Contracted	890	670	787
Agency & Contracted - Partnerships	742	763	728
Agency & Contracted - Direct Services	4,025	4,138	4,263
Support Services	52	52	52
Funds drawn to/from Reserves	9	0	0
Capital Charges	0	0	124
Income - Other	(1,050)	(1,290)	(1,312)
Income - Fees and Charges	(4,897)	(4,127)	(4,407)
Recharges	(29)	(38)	(38)
Recharges - Partnerships	(264)	(822)	(824)
Total Service Expenditure	4,796	4,811	5,089

Appendix F

Analysis of budget changes between 18/19 and 19/20

Base Budget 2018/19	4,811
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	114
Planned savings agreed previous years	0
SCIAs 2019/20	
SCIA 02 Refuse - reduced recycling income	40
SCIA 03 - Bradbourne Lakes consultancy	60
SCIA 04 Public Conveniences - reduced income	5
SCIA 05 Environmental Protection - reduced income	10
SCIA 06 CCTV - reduced income	10
SCIA 07 - Car Parking - enforcemnt for Tandridge DC	(30)
SCIA 08 Car Parking - rental income	(15)
SCIA 09 - Markets - additional income	(5)
SCIA 10 Envinromental Health - partnership saving	(40)
SCIA 11 Facilities Management - loss of income	22
SCIA 12 Sevenoaks Bus Station - reduced expenditure	(5)
SCIA 13 Facilities Management - reduced expenditure	(10)
SCIA 14 Property Management - reduced business rates	(14)
SCIA 15 Travellers Site - loss of Kent County Council grant	9
SCIA 16 Asset Maintenance - preventative asset maintenance	100
Other Adjustments	27
Proposed Budget 2019/20	**5,089**

Appendix F

Net Service Expenditure analysed by Chief Officer

	Actuals 17/18 £'000	Budget 18/19 £'000	Approved Budget 19/20 £'000
Financial Services			
Action and Development	0	7	8
Benefits Admin	212	174	180
Benefits Grants	(25)	(25)	(25)
Consultation and Surveys	0	4	4
Corporate Management	932	995	1,075
Corporate - Other	178	134	(23)
Dartford Partnership Hub (SDC costs)	0	0	0
Equalities Legislation	0	19	20
External Communications	167	192	201
Housing Advances	1	1	1
Local Tax	68	(21)	(52)
Members	413	428	455
Misc. Finance	1,690	1,734	1,763
Performance Improvement	(2)	(1)	(1)
Administrative Expenses - Chief Executive	13	30	24
Administrative Expenses - Finance	47	33	37
Administrative Expenses - Transformation and Strategy	7	5	5
Support - Counter Fraud	33	52	55
Support - Audit Function	153	177	185
Support - Exchequer and Procurement	103	103	127
Support - Finance Function	145	218	198
Support - General Admin	117	111	124
Treasury Management	120	114	126
Total Service Expenditure	4,371	4,481	4,488

Appendix F

Net Service Expenditure analysed by Chief Officer

	Actuals 17/18 £'000	Budget 18/19 £'000	Approved Budget 19/20 £'000
Financial Services			
Pay Costs	3,147	3,263	3,295
Premises and Grounds	17	17	17
Transport	5	5	6
Supplies & Services	904	1,040	1,041
Supplies & Services IT	345	201	192
Agency & Contracted	2,044	2,230	2,138
Agency & Contracted - Partnerships	2,116	2,026	1,953
Transfer Payments - Benefits	26,750	28,090	28,090
Funds drawn to/from Reserves	4	(258)	(269)
Income - Other	(27,995)	(29,111)	(29,047)
Income - Fees and Charges	(588)	(692)	(707)
Recharges	(186)	(192)	(192)
Recharges - Partnerships	(2,193)	(2,138)	(2,029)
Total Service Expenditure	4,371	4,481	4,488

Analysis of budget changes between 18/19 and 19/20

Base Budget 2018/19	4,481
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	115
Planned Savings agreed previous years	
SCIA 11 Members Allowances	15
SCIAs 2019/20	0
Other Adjustments	(123)
Approved Budget 2019/20	**4,488**

Appendix F

Net Service Expenditure analysed by Chief Officer

	Actuals 17/18 £'000	Budget 18/19 £'000	Budget 19/20 £'000
Planning Services			
Building Control Discretionary Work	0	0	0
Building Control Partnership Hub (SDC Costs)	0	0	0
Building Control	(142)	(112)	(129)
Community Housing Fund	0	0	0
Conservation	89	91	92
Dangerous Structures	0	3	3
Needs and Stock Surveys	0	0	0
Planning Policy	575	598	610
LDF Expenditure	0	0	0
Planning - Appeals	226	202	209
Planning - CIL Administration	(50)	(49)	(68)
Planning - Counter	(0)	0	0
Planning - Development Management	168	214	243
Planning - Enforcement	225	283	290
Planning Performance Agreement	0	0	0
Administrative Expenses - Building Control	5	11	12
Administrative Expenses - Planning Services	86	44	52
Total Service Expenditure	1,181	1,284	1,313

Net Service Expenditure analysed by Chief Officer

	Actuals 17/18 £'000	Budget 18/19 £'000	Budget 19/20 £'000
Planning Services			
Pay Costs	2,182	2,531	2,570
Premises and Grounds	0	1	1
Transport	0	1	1
Supplies & Services	121	91	102
Supplies & Services IT	30	2	2
Agency & Contracted	423	108	116
Agency & Contracted - Partnerships	321	338	332
Transfer Payments - Other	30	0	0
Funds drawn to/from Reserves	44	38	38
Income - Other	(36)	0	0
Income - Fees and Charges	(1,831)	(1,460)	(1,489)
Recharges	0	(21)	0
Recharges - Partnerships	(103)	(346)	(360)
not budget lines	0	0	0
Total Service Expenditure	1,181	1,284	1,313

Analysis of budget changes between 18/19 and 19/20

Base Budget 2018/19	1,284
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	17
Planned Savings agreed previous years	0
SCIAs 2019/20	0
Other Adjustments	12
Proposed Budget 2019/20	**1,313**

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PAY COST ESTIMATES SUMMARY 2019/2020

Line No.		2018/19 BUDGET	2019/20 BUDGET	2018/19 FTE	2019/20 FTE
1	Communities and Business	1,001,641	1,031,375	20.35	19.42
2	Corporate Services	2,364,524	2,642,128	60.88	65.67
3a	Environmental Health	649,555	667,950	12.57	12.57
3b	Licensing	373,898	390,689	10.81	10.67
3c	Operational Services	695,186	705,956	14.99	16.09
3d	Operational Services (TASK)	3,108,338	3,123,950	97.17	96.07
3e	Parking & Amenity Services	428,899	475,097	12.00	13.00
3f	Property Services	775,276	777,553	20.48	20.48
4	Finance	2,923,603	2,920,771	69.81	67.92
5a	Planning	2,234,793	2,264,159	51.98	50.21
5b	Building Control	321,890	335,816	7.00	7.00
		14,877,604	**15,335,444**	**378.04**	**379.10**
	Other Salary Costs				
6	Vacancy Savings	(144,420)	(147,308)	0.00	0.00
	SUB-TOTAL	**14,733,184**	**15,188,136**	**378.04**	**379.10**
7	Communities & Business (Ext Funded)	514,477	667,272	14.50	18.70
8	Environmental & Operational Services (Ext Funded)	111,684	117,902	2.00	2.00
9	Property Services (Ext Funded)	57,014	55,405	1.50	1.50
	GRAND TOTAL	**15,416,358**	**16,028,715**	**396.04**	**401.30**

NOTES

1) Externally funded posts (lines 7 to 9) have been excluded from earlier lines. The income will show elsewhere in the 2019/20 budget

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Appendix H i

Capital Programme 2018-21

ief Officer/Scheme	Funding Source	Total approved scheme £000	Previous year spend £000	2018/19 Forecast £000	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23	Total over programme period £000
mmunities and Business									
Parish projects	Capital Receipts	-	-	51	-	-	-	-	51
White Oak Leisure Centre	Capital Receipts	-	-	-	550	-	-	-	550
vironmental and Operational Services									
Commercial vehicle replacements	Vehicle Renewal Res.	-	-	548	548	549	563	563	2,208
Disabled Facilities Grants (gross)	Better Care Fund	-	-	1,463	1,100	1,100	1,100	1,100	4,763
Sennocke Hotel	Fin Plan Reserve & Capital Receipts	7,530	4,761	2,571	-	-	-	-	7,332
Buckhurst 2 Car Park	External Borrowing & Capital Receipts	10,960	3,703	7,257	-	-	-	-	10,960
Buckhurst 2 Residential	Capital Receipts			611	5,861	-	-	-	6,472
CCTV		70		50	20	-	-	-	70
ance									
Property Investment Strategy	Prop. Inv. Reserve	43,000	17,476	429	5,000	5,000	15,095	-	43,000
TAL				12,980	13,079	6,649	16,758	1,663	75,406

nding Sources	2018/19	2019/20	2020/21	2021/22	2022/23
Capital Receipts	789	4,030	6,592		
Financial Plan Reserve & Cap Receipts	3,269				
Vehicle Renewal Reserve	548	548	549	563	563
Property Investment Strategy ***	429	5,000	5,000	15,095	
Better Care Fund (KCC)	1,463	1,100	1,100	1,100	1,100
Internal Borrowing	4,487	2,253	-6,740		
Capital Reserve (from Revenue)	445	148	148		
External Borrowing	1,550				
	12,980	13,079	6,649	16,758	1,663

*** Part will be funded from Capital Receipts, Reserves, Internal Borrowing and External Borrowing.

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Capital Programme 2019/22

Scheme Bid Document - Scheme: Vehicle Replacement Programme

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

Service : **Environmental and Operational Services**

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

Financials :

CAPITAL COSTS	TOTAL £000	2019/20 £000	2020/21 £000	2021/22 £000
Gross scheme cost	1660	548	549	563
External Contributions (list)				
Net scheme cost	1660	548	549	563
ONGOING REVENUE IMPLICATIONS (excluding loss of interest)				
Contribution to Vehicle replacement Reserve		47	47	47
Income streams				
Net cost		47	47	47

Funding Source: Funding is via the vehicle replacement fund which is financed by fixed transport charges, the sale of old vehicles and by an annual revenue contribution. Fixed transport charges include an annual replacement fund contribution as well as individual depreciation charges levied on each fleet purchase over predetermined periods.

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

Justification: Key Infrastructure

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

Appendix Hii

Capital Programme 2019/22

Scheme Bid Document - Scheme: Disabled Facility Grant

Description: Money provided by the Better Care Fund for the provision of both mandatory and discretionary activities to ensure those eligible for assistance remain residing in their own home along with the new requirement to fund initiatives to better integrate housing with social care and Health Services, through preventive and responsive services.

Service : Private Sector Housing

Portfolio Holder/Chief Officer : Cllr Lowe/Richard Wilson

Financials :

CAPITAL COSTS	Period TOTAL	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Gross scheme cost	3,300	1,100	1,100	1,100
External Contributions (list)				
Better Care Fund, via KCC	(3,300)	(1,100)	(1,100)	(1,100)
Net scheme cost	0	0	0	0

ONGOING REVENUE IMPLICATIONS (excluding loss of interest)			
Running costs			
Income streams			
Net cost	0	0	0

Funding Source : Scheme will be fulling funded from the Better Care Fund.

Other Resource Implications :	
Staffing	Managed with existing staffing establishment
Asset Values	Assets not in Council ownership

Justification: Statutory Duty

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

From 2015 the DCLG total budget for Kent has been administered by KCC (ring fenced for each Council so should not be an issue).

Capital Programme 2018/21

Scheme Bid Document - Scheme: White Oak Leisure Centre

Description: Pre-construction to the stage of Cost Certainty (RIBA Stage 4) – see breakdown at the end of this form.

Service : Communities & Business

Portfolio Holder/Chief Officer : Cllr Fleming/Lesley Bowles

Financials :

CAPITAL COSTS	TOTAL £000	2018/19 £000	2019/20 £000	2020/21 £000
Gross scheme cost	550	0	550	
External Contributions (list)				
Net scheme cost	550	0	550	0

ONGOING REVENUE IMPLICATIONS* (excluding loss of interest)			
Running costs			
Income streams			
Net cost	0	0	0

Funding Source : Capital Receipts

* : Revenue implications dependent on individual projects.

Other Resource Implications :	
Staffing	The Council's ED & Property Team and Finance teams will be involved in working with the specialist contractor. The council's Project Management Team will be involved to facilitate reporting through the Council's Strategic Programme Board.
Asset Values	The carrying value in the Financial Statement of Accounts is £466,000 however the like for like valuation for insurance purposes may differ.

Appendix Hii

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

Key infrastructure for Swanley with links to Community Plan, Housing and Health Strategy

Breakdown of costs:	£000
Pre-construction surveys/works: design to RIBA Stage 4 and Principal Designer role	395
Additional specialist design input for TAG active, soft play, café & kitchen and Parkour	8
Quantity Surveyor	56
Project Management and delivery fee	71
Client contingency	20

These costs take us up to the point of commencing construction

Statement of Reserves and Provisions

1. This appendix sets out details of the reserves and provisions held by the council. These balances have been subject to a detailed review as part of the budget process. **The items in bold show the changes that are being recommended.**

2. One of the requirements of the Financial Planning Strategy is to have flexible use of the Budget Stabilisation Reserve. The fund incorporates any annual under-spends and absorbs any annual over-spends. **It is recommended that any variance in the 2019/20 budget is put into this reserve or absorbed by this reserve.**

3. **Change the name of the First Time Sewerage Reserve to the Sewerage Reserve.** This can then be used to contribute to the costs of other sewerage systems as well as potential liabilities for earlier sewerage installations.

4. **Set up an Electoral Registration Reserve.** This would help to balance out the different annual demands in the electoral cycle.

The table below sets out the reserves and provisions held at 1 April 2018

	01/04/18	Purpose (some further details are included in the Statement of Accounts 2017/18)
Provisions	**£000**	
Business Rates Appeals	2,232	The Council has to provide for its share of the costs arising from successful appeals by business ratepayers.
Accumulated Absences	152	Absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences (e.g. annual leave) earned but not taken in the year. Opposite entry in Unusable Reserves.
Municipal Mutual Insurance (MMI)	257	A solvent run-off of MMI is now unlikely which may result in Councils being liable to clawback of monies paid out.
Sub Total	**2,641**	
Capital Receipts		
Capital Receipts	**49**	Balance from previous asset sales and mortgage repayments. Can be used to fund future capital expenditure.
Earmarked Reserves		
Action and Development	396	To fund ad hoc and unplanned expenditure (including emergencies and flooding).
Asset Maintenance	1,000	To fund emergency works to assets.
Budget Stabilisation	5,610	To support decisions required to continue to produce a balanced budget in future years.
Business Rates Retention	809	To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.
Capital Financing	445	Annual contributions from revenue to fund some capital projects.
Carry Forward Items	508	For specific items agreed by Cabinet, e.g. if a project has slipped between years.
Community and Business	274	External funding received for ongoing and future projects.
Community Infrastructure Levy Administration	107	To be spent on the administration of the levy.
Corporate Project Support	713	To fund invest to save projects and external expertise required to investigate proposed projects.
Financial Plan	4,020	To support the 10-year budget and Property Investment Strategy.

First Time Sewerage	206	Potential liabilities relating to earlier sewerage installations.
Flood Support	144	To help provide assistance in the case of severe flooding.
Homelessness Prevention	231	To assist in the delivery of the Homelessness Reduction Act.
Housing Benefit Subsidy	611	Provides a cushion against large movements in reclaimable sums in any year.
IT Asset Maintenance	590	To fund future IT asset maintenance costs.
Local Plan/LDF	559	To help support the Local Plan and Local Development Framework.
New Homes Bonus (NHB)	469	NHB is being kept separate and used to fund the Property Investment strategy.
Pension Fund Valuation	500	To contribute towards downturns in future pension fund actuarial valuations.
Re-organisation	423	To fund actions taken to achieve annual budget savings.
Vehicle Insurance	309	Own vehicle damage for the commercial vehicle fleet. Contributions are made from the trading accounts.
Vehicle Renewal	697	Vehicle replacement for the commercial vehicle fleet. Contributions are made from the revenue trading accounts each year
Others	563	Includes Rent Deposit Guarantee, Local Strategic Partnership, District Elections etc.
Sub Total	**19,184**	
General Fund	**1,500**	Acts as a working balance to meet unexpected issues during the year, for which a minimum of 10% of net service expenditure recommended. It also meets any planned deficits on the revenue account.
TOTAL	**23,374**	

Appendix J

Definitions:

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

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

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

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

Risk Factors 2018/19

Issue	£ Scale	Likelihood 1 (low) - 5 (high)	Impact 1 (low) - 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place	Cash impact of 1% change in budgeted expenditure or income
Pay Costs	£14m total costs	3	4	12	1% pay increase = £146k. Budget assumptions: 2% pay award in all years.	Largest single item of cost. Complex drivers across the organisation. Staff recruitment and retention.	Strict monitoring of both financials and staff numbers. New salary bands introduced from 1 April 2012 which reduced the costs of annual increments. Formal sickness & overtime monitoring. Separate control on agency staff. Part of National Agreement. Bands have been revised again for 2019/20 in line with agreement	£146k
Pensions Funding	£22m deficit	1	3	3	1% change in employers contribs = £100k.	Deficit on County Fund. Future actuarial results. Government review.	£100k included in 10-year budget in 2020/21 to contribute towards any additional pensions costs when the next valuation takes place	£100k
Major Service Income areas					See below by income type	Income subject to local economic	Strict monitoring, with trend analysis.	

Issue	£ Scale	Likelihood 1 (low) - 5 (high)	Impact 1 (low) - 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place	Cash impact of 1% change in budgeted expenditure or income
						conditions. Some very large single-source income targets (see below).		
- Development Management	£0.9m	3	3	9	10% reduction would be £90k.	Volatile activity levels in the housing market and general economic conditions. Fluctuations in income with major applications	Current year income is below target. Continue to monitor.	£9k
- Building Control	£0.4m	3	3	9	10% reduction would be £40k	Volatile activity levels in the housing market and general economic conditions. Competition from commercial organisations	Current year income is above target. Continue to monitor.	£4k
- Car Parks	£2.3m	1	4	4	10% reduction would be £230k	General economic conditions;	Current year income is above target incorporating the	£23k

Issue	£ Scale	Likelihood 1 (low) - 5 (high)	Impact 1 (low) - 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place	Cash impact of 1% change in budgeted expenditure or income
						central government directives	Buckhurst 2 development. Continue to monitor.	
- On-Street Parking	£0.9m	1	3	3	10% reduction would be £90k	General economic conditions. Legislative constraints on spending surpluses. Reverts to KCC control	Current year is above target. Continue to monitor and review.	£9k
Partnership working and partner contributions	£0.6m	3	2	6	Impact on individual projects is high. (As reported to Legal and Democratic AC on 04/10/18, we save over £700k pa by working in Partnerships)	Partner actions delayed. Agreed funding not received by SDC. Partnerships ending.	Separate accounting arrangements. Active liaison with partners on service arrangements Written partnership agreements.	£6k

Issue	£ Scale	Likelihood 1 (low) - 5 (high)	Impact 1 (low) - 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place	Cash impact of 1% change in budgeted expenditure or income
External Funding Awards including Leader project	£0.1m	3	2	6	Up to £104k Impact on individual projects is high	Time limited to Dec 20. Potential risk from uncertainty over replacement of project funds from UK government and other funding providers	Exit strategies in place.	£1k
Changes in service demand		3	3	9	Impacts will vary depending on service.		Service planning in place Continue to lobby Government where changes are due to new Gov't requirements.	
Interest Rates	£0.20m 19/20 budget	3	3	9	£200k per 0.5%.	Large cash variance from small rate changes. Reducing availability of suitable counter parties	Use of professional advisers. If internal borrowing is used for capital investment projects in 2019/20 there will be less cash earning bank interest. Realistic budget proposed for 2019/20	£2k

Issue	£ Scale	Likelihood 1 (low) - 5 (high)	Impact 1 (low) - 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place	Cash impact of 1% change in budgeted expenditure or income
Investments	£34.76m balance at Nov 2018	1	5	5		Financial institutions going into administration.	Investment strategy regularly reviewed by FAC. Use of professional advisers.	n/a
Asset base maintenance	£0.6m	2	2	4	Annual budget is based on historic expenditure.	Unexpected problems occurring with financial implications. Reducing budget levels. Ageing assets particularly for leisure	A growth SCIA is included in the budget process to increase budgeted expenditure by £50k. Reserve funds set aside. Policy of reducing asset liabilities wherever possible.	n/a
Capital Investment resources (Capital receipts, Capital Financing Reserve, Financial Plan Reserve, Internal Borrowing, External Borrowing)	Capital Receipts £4.8m, Capital Financing reserve £0.18m. (balances at Nov 2018).	2	2	4	Risks taken into account in the Capital Programme report.	Capital receipt levels modest.	External funding sought wherever possible. Capital Investment priorities in place. Property Review being pursued to secure asset sales. External Borrowing approved as an option for future investments	n/a

Issue	£ Scale	Likelihood 1 (low) - 5 (high)	Impact 1 (low) - 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place	Cash impact of 1% change in budgeted expenditure or income
Property Investment Strategy	£17.8m invested at January 2018 £1.258m rental income in 19/20	3	3	9		Market value of property may reduce below price at acquisition	External property investment advisors retained for each acquisition; due diligence undertaken pre-purchase. Purchases only made within strategy, which is kept under review.	£12.6k
Rental income from Investment Property (non-Property Investment Strategy)	£0.1m in 2019/20 budget	1	2	4	Dependant on financial strength of tenants + good management to reduce impact of void periods.	Property tenants unable to pay rents/length of void premises/ability to source new tenants	Due diligence prior to letting to new tenants; tight control on rent payments	£1k
Disposal of surplus assets	£17.5m forecast in 18-19 – 20/21)	2	4	8	Risks taken into account in the Capital Programme and Asset Maintenance report.	Planning conflict. Resources required to bring sites forward.	Land Owner/Planning protocols in place. In-house property team. Planned Property Review disposal programme.	n/a

Issue	£ Scale	Likelihood 1 (low) - 5 (high)	Impact 1 (low) - 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place	Cash impact of 1% change in budgeted expenditure or income
Government Support: Revenue Support Grant	£0 in 2019/20 revenue budget				n/a	n/a	Excluded grant from budget from 16/17 onwards so SDC became self-sufficient from govt. funding; Adequate level of General Reserve held.	n/a
Government Support: Retained Business Rates	£2.1m in 2019/20	5	4	20	£20k per 1% change	Government changing baseline and therefore safety net levels. Time delays in decisions on appeals. High volume of successful valuation appeals. Central government intends to introduce business rate retention by 20/21.	10-year budget strategy gives ability to gradually adjust for changes. Adequate level of General Reserve held. Successful Business Rates Retention pilot bid for 19/20.	£20k

Issue	£ Scale	Likelihood 1 (low) - 5 (high)	Impact 1 (low) - 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place	Cash impact of 1% change in budgeted expenditure or income
Council tax Referendum limits	£10m Council Tax income in 18/19	4	3	12	£100k per 1% Government controls on changes in council tax rates	Council tax increases limited budgeted at 2% in 19/20 but subject to change dependant on Government announcement.	Draft 10-year budget includes council tax increase assumptions for future years.	£100k
Future service changes by Government		4	4	16		Additional services without consequent resources, e.g. previous examples of Maint. of trees on common land. Government directives on income charging e.g. Personal searches. Potential changes on health responsibilities.	Monitor proposals. Respond to consultations with local view.	
Fuel cost increases for Direct Services	£0.5m	5	2	10	10% increase would be £50k	Changes in global oil prices.	Continue to monitor fuel usage and efficiency. Vehicle replacement	£5k

Issue	£ Scale	Likelihood 1 (low) - 5 (high)	Impact 1 (low) - 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place	Cash impact of 1% change in budgeted expenditure or income
							programme.	

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Item 6 – Local Land Charges - Review of Fees

The attached report was considered by the Legal & Democratic Services Advisory Committee on 22 January 2019. The relevant Minute extract is below.

Legal & Democratic Services Advisory Committee (22 January 2019, Minute 34)

Members considered a report which sought an increase in the current Land Charges fees schedule.

It was confirmed that historical costs could not be accounted for within the new fee structure, and that the proposed fees were set on a cost recovery basis only in line with current legislation and benchmark data. It was thought useful if the fees could automatically rise annually in line with inflation.

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

Resolved: That it be recommended to Cabinet that

a) the proposed Land Charges fees set out below be agreed to take effect on 1 April 2019;

Search Type	Current Fee (£)	Proposed Fee (£)
Full Search (LLC1 & CON29)	122	165
LLC1	20	33
CON29	102	135
Additional Parcel of Land	18	27
CON29O Printed Enquiry (Each) Q4 - Q22	18	20

b) the fee schedule above be increased annually in line with the Council's standard inflationary measure and rounded to the nearest £1.00.

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LOCAL LAND CHARGES – REVIEW OF FEES

Cabinet – 14 February 2019

Report of:	Chief Officer Corporate Services
Status:	For decision
Also considered by:	Legal & Democratic Services Advisory Committee – 22 January 2019
Key Decision:	Yes

Executive Summary: This report outlines background and current fees for the Local Land Charges Service and proposes a new scale of fees to take effect from 1 April 2019

This report supports the Key Aim of Effective management of resources

Portfolio Holder Cllr. Firth

Contact Officers Matt Mitchell, Ext. 7156

Jim Carrington-West, Ext. 7286

Recommendation to Legal and Democratic Services Advisory Committee: That the proposed Land Charges fees as set out in Appendix A be recommended to Cabinet to take effect from 1 April 2019.

Recommendation to Cabinet: That the proposed Land Charges fees as set out in Appendix A are agreed to take effect from 1 April 2019.

Introduction and Background

1 When a property or parcel of land is bought, leased, mortgaged or a valuation carried out, a request for a search is sent to the Local Land Charges (LLC) team, the search is usually submitted by a solicitor or licensed conveyancer, either electronically or by a paper application form.

2 Local Land Charges inform potential buyers of property or land whether they will inherit any obligations or restrictions such as a tree preservation order or enforcement notice.

3 A search consists of three parts:

Part one - LLC1 - the Official Certificate of Search Form, which covers obligations and restrictions on the property imposed by the Local Authority which will be inherited by any subsequent owner - for example financial charges (registered against the property by the local authority), improvement grants, tree preservation orders or listed building status.

Part two - CON29R - the Enquiries of Local Authorities Form covers things like planning history of the property, whether the road is publicly or privately maintained and whether there are any major road or rail proposals in the vicinity

Part three - CON29O - includes further (optional) enquiries which covers information about public paths or byways, houses in multiple occupation, hazardous substance consents and common land.

4 For the above searches, Sevenoaks District Council charges a fee. The fees should be set to fully recover the costs of the service provided but no more. The service must run on a cost neutral basis and all local authorities have to operate under this model.

Personal Searches

5 A personal search is legally defined as a search of the Local Land Charges Register (LLCR) carried out by a member of the public. CON29 Information is not included or provided by Local Land Charge Departments as part of a personal search.

6 Over recent years and as a result of the legal settlement reached between the LGA and APPS (Amalgamated Personal Property Searches) local authorities are mandated to provide personal search information without charge.

Team Structure and Performance and Budget

7 The team currently consists of 2.85 FTE, a Senior Local Land Charges Officer (0.6 FTE), two Local Land Charges Officers (2.0 FTE) and a shared administration resource (0.25FTE).

8 Based on a target of responding to Land Charges search requests within 10 working days, this level of resource has been shown to be appropriate. Reductions in this resource due to sickness or other absence have been shown to have an adverse impact on turn around times.

9 The annual income budget for 2018/19 for the service is £205,000, expenditure is mainly salaries, and support service costs in terms of IT provision to support databases.

10 During 2017/18, the team received 1573 Searches and 1287 Personal Searches. The average time to process searches in this period was 9 working days.

11 This compares with year to date figures for 2018/19 to 4 December 2018 of 1051 Searches and 946 Personal Searches. The average time to process Searches in this period was 10 working days.

Current and Proposed Fees

12 The current scheme of fees for the service are set out in Appendix A and are supposed to be set to recover the costs of providing the service but not to create a surplus. These fees have remained unchanged for at least ten years.

13 Based on current and projected volumes of searches and their associated income from charges it is forecast there will be around a £60,000 adverse variance when compared to expenditure. The service is therefore no longer operating on a cost recovery basis.

14 Over recent years, expenditure budgets within the Land Charges Service have increased in line with inflationary increases as part of the annual budget process. Whilst the budgeted income figure has also increased in line with inflation, the fees have not been reviewed and levels charged have remained constant whilst volumes have not increased. This has resulted in an increasing deficit when considered on a cost recovery basis.

15 It is therefore proposed that fees are increased to bring the service back to a cost recovery positional and reflect inflationary increases which have not been applied. The proposed new fee levels are also outlined in Appendix A.

Land Registry Proposals

16 In 2010, HM Land Registry (HMLR) proposed that a single, standardised point of contact should be created for the provision of LLC information siting *"an issue with the lack of standardisation with the current provision system of LLC and CON29 searches"*.

17 Since that time, legislation has been passed which will enable HMLR to assume responsibility and payment for the provision of LLC data from all Local Authorities including Sevenoaks District Council. SDC will be required to provide this data at no cost.

18 In 2010 migration was expected to be phased throughout 2015, the latest understanding is that migration will be phased through 2017-2022. When the service is migrated to HMLR, Sevenoaks District Council will be required to provide data, by a means not yet known but presumably electronically, on a daily basis to HMLR. From this date, SDC will no longer be able to charge a fee for information provided.

19 SDC have engaged with the HMLR and are actively working on how data is stored, the digitising of data and how this could most efficiently be achieved and discussions are ongoing.

Key Implications

Financial

If fees are not increased in line with those proposed in Appendix A, the service will not operate on a cost recovery basis and will generate a deficit.

If HMLR proposals come into force, in the relevant future years a significant proportion of associated income will no longer be generated. Once clearer information is forthcoming it is proposed that the provision of the service will be further reviewed.

Legal Implications and Risk Assessment Statement.

Local Land Charges is a statutory service.

Equality Assessment

There are no equalities impacts arising from this report.

Appendices Appendix A – Current and Proposed Fees

Background Papers: None

Jim Carrington-West
Chief Officer Corporate Services

Appendix A – Current Land Charges Current and Proposed Fees

Search Type	Current Fee (£)	Proposed Fee (£)
Full Search (LLC1 & CON29)	122	165
LLC1	20	33
CON29	102	135
Additional Parcel of Land	18	27
CON29O Printed Enquiry (Each) Q4 - Q22	18	20

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Item 7 – Discretionary Rate Relief

The attached report was considered by the Finance Advisory Committee on 29 January 2019. The relevant Minute extract is below.

Finance Advisory Committee (29 January 2019, Minute 43)

The Business Rates Manager presented the report which set out the proposals for awarding discretionary rate relief for 2019/2020 to ratepayers who had made applications or who were expected to make an application before 1 March 2019, which was an already extended deadline from 15 November 2018. Should applications not be received by 1 March 2019 then annual bills for those organisations would be sent without relief, but they would have until 30 September 2019 to contact the Council and request that their case be re-considered.

The report also provided an update on the local discretionary rate relief scheme which would be in its third year of operation in 2019/2020. It was noted that some existing recipients of discretionary rate relief, the cost of which was solely borne by the Council, would be entitled to Retail Discount and/or revaluation relief. Government guidance was that any government funded reliefs should be applied before un-funded relief. Therefore the recommendations had been amended so that the ratepayer received relief of an equivalent percentage to that given in previous years, albeit via one or more types of relief. The report also set out the proposed approach for the implementation of the Retail Discount Scheme for 2019/2020 and 2020/2021. In response to a question, the Business Rates Manager undertook to look into and advise a local member whether Weald Community Hub CIC was in receipt of business rate relief.

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

Resolved: That

a) it be recommended to Cabinet that the proposals for granting relief from business rates for 2019/20 set out in Appendix B to the report, be approved;

b) the estimated level of local discretionary rate relief to be awarded in 2019/20 as set out in paragraph 24 of the report, be noted; and

c) it be recommended to Cabinet that the proposed approach for implementation of the Retail Discount for 2019/20 and 2020/21, be approved.

(Cllr. Eyre was not present during consideration of this item, due to a disclosable pecuniary interest.)

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DISCRETIONARY RATE RELIEF

Cabinet - 14 February 2019

Report of	Chief Finance Officer
Status	For Decision
Also considered by	Finance Advisory Committee – 29 January 2019
Key Decision:	No

Executive Summary:

The Council requires potential recipients of discretionary rate relief to submit a formal application every two years. This report sets out the proposals for awarding discretionary rate relief for 2019/2020 to ratepayers who have made applications or who are expected to make an application before 1 March 2019.

The report also provides an update on the local discretionary rate relief scheme which will be in its third year of operation in 2019/2020 and sets out the proposed approach for the implementation of the Retail Discount Scheme for 2019/2020 and 2020/2021.

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

Portfolio Holder	Cllr. John Scholey
Contact Officers	Sue Cressall Ext. 7041
	Paula Porter Ext. 7277

Recommendations to Finance Advisory Committee: That

a) it be recommended to Cabinet that the proposals for granting relief from business rates for 2019/2020 set out in Appendix B to the report, be approved;

b) the estimated level of local discretionary rate relief to be awarded in 2019/2020 as set out in paragraph 24 of the report, be noted; and

c) it be recommended to Cabinet that the proposed approach for implementation of the Retail Discount for 2019/2020 and 2020/2021, be approved.

Recommendation to Cabinet: Resolved: That

a) the proposals for granting relief from business rates for 2019/2020 set out in Appendix B to the report, be approved;

b) the estimated level of local discretionary rate relief to be awarded in 2019/2020 as set out in paragraph 24 of the report, be noted; and

c) the proposed approach for implementation of the Retail Discount for 2019/2020 and 2020/2021, be approved.

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

Introduction and Background

1 Charities and sports organisations that have charitable status currently receive 80% mandatory relief. In order to qualify for the mandatory relief the organisation must be established for charitable purposes only and the premises must be wholly or mainly used for charitable purposes. Sports clubs registered with HMRC as community amateur sports clubs are also entitled to 80% mandatory relief.

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

2 Section 47 of the Local Government Finance Act 1988 (as amended by s69 of the Localism Act 2011) provides local authorities with powers to grant discretionary rate relief of up to 100% to any ratepayer.

3 Discretionary rate relief can be awarded in isolation or given to 'top-up' a mandatory award.

4 However, unless one of the following apply, authorities may only grant discretionary rate relief if satisfied that it would be reasonable to do so, having regard to the interests of the council tax payers:

- The ratepayer is a charity or trustees for a charity, and the property is wholly or mainly used for charitable purposes; or
- The ratepayer is a community amateur sports club and the property is wholly or mainly used for the purpose of the club and other such clubs; or
- The ratepayer is entitled to mandatory rural rate relief; or
- All or part of the property is occupied by non-profit making organisations whose main objects are charitable or are otherwise philanthropic or

religious or concerned with education, social welfare, science, literature or the fine arts; or

- The property is occupied by a club, society or other non-profit making organisation and it is wholly or mainly used for purposes of recreation.

5 Authorities should have easily understood guidelines for deciding whether or not to grant relief and for determining the amount of relief which should be based on the consideration of the merits of each individual case. However, as the range of bodies that may be eligible for discretionary rate relief is wide, not all the suggested criteria will be applicable in each case.

Introduction

6 The Council currently grants discretionary rate relief over the following categories:

- Discretionary rate relief up to 100% of rates bill (but usual award is 80%);
- Village Shop rate relief at 50% of rates bill;
- Hardship relief up to 80% of rates bill; and
- Discretionary 'top-up' relief to take total relief up to 100% of the rates bill.

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

8 The Government announced the intention to double mandatory rural rate relief to 100% from 1 April 2018 onwards. However, this still requires an amendment to primary legislation which cannot be implemented by 1 April 2019. Local Authorities are advised to use discretionary powers to award the additional 50% relief which will be reimbursed by way of a section 31 grant.

9 Officers also recommend the award of discretionary rural rate relief to those businesses offering some or all of the service of a Post Office or General Store which is essential to the community but which don't qualify for mandatory rural rate relief because of the rateable value. These businesses will be entitled to an element of Retail Discount and the recommendation is to award discretionary rural rate relief after application of the Retail Discount so as to give the ratepayers 100% relief from business rates.

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

Approach taken to reviewing applications

11 The full list of applications, together with officer recommendations, is attached at Appendix B. Each application has been considered on its own

merits, however in reviewing applications against the criteria, similar organisations were considered together, to ensure consistency of approach.

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

- Links to Council priorities – the extent to which the activities supported the Council's priorities was assessed, including support/activities for vulnerable or socially excluded groups.

- Evidence of financial need including reserve levels and assets – all organisations were requested to provide financial information and reserve levels were compared to annual expenditure, to assess financial need. The ability to generate income was also considered. In addition, for sports clubs, consideration was given to whether they had applied to become community amateur sports clubs (CASCs).

- Membership within the District – where it appeared that a substantial proportion of the membership was from outside the District, this was taken into account in putting forward a recommendation.

- Membership open to all – where membership is restricted to a particular group or locations, or is dependent on recommendations from existing members this has been taken into account, as not all residents would be able to benefit from the relief granted.

- Membership fee levels – fee levels were assessed to consider whether they were so high that they could exclude some in the local community.

- Bar activity and profits – if the bar is the main activity an organisation was unlikely to be recommended for relief. Any profits are expected to be used to fund club expenses.

13 For discretionary village shop relief, officers considered the benefits of the shop/business to the local community when compared with the cost of the relief. It is recommended that the village shops receive relief due to the benefit they provide to local communities.

14 Where a ratepayer receives 100% small business rate relief the recommendation is for no discretionary rate relief or village shop relief to be granted, since the businesses already receive maximum support.

15 There is no formal appeals process against the Council's decisions on the discretionary reliefs referred to in this report. The current approach is however to re-consider decisions in the light of any representations made by the ratepayers.

Applications for 2019/2020

16 Appendix B contains the details of each applicant to be considered for relief for 2019/2020 and detailed recommendations of the level of relief to be

applied. The deadline for applications was 15 November 2018 but many expected applications had not been received by this date. The report therefore recommends relief for ratepayers who have or will have submitted an application by 1 March 2019. Officers are continuing to press for completed applications.

17 All applicants fall to be considered under the criteria set out in Appendix A.

18 The level of relief is based upon the provisional multipliers announced on 2 November 2018 which are subject to confirmation. In the unlikely event that the multipliers change, a further report setting out the revised relief awards will be submitted.

19 If applications are approved, the estimated total gross relief granted would be £198,219.

20 Members should be aware that the requirement for relief can change during the financial year as a result of rateable value changes, vacations etc. Therefore, some of these awards may not ultimately require full funding.

Other Options Considered and/or Rejected

21 Members have discretion not to grant rate relief or to vary the amount of relief awarded. No recommendation is being made to reduce or remove relief because relief from business rates provides organisations with valuable support and contributes to the Council's commitment to supporting and developing the local economy.

Discretionary Local Business Rate Relief Scheme (Revaluation Relief)

22 In the Budget on 8 March 2017, the government announced that £300m in funding over the period 2017/18 to 2020/21 would be provided to support those businesses most affected by the revaluation of business rates from 1 April 2017.

23 On 14 September 2017 Cabinet approved Sevenoaks' Discretionary Local Business Rates Relief Scheme (Minute. 29) and on 6 February 2018 Cabinet approved changes to the scheme (Minute 72). The changes included provision for delegated authority to be given to the S151 officer to amend the scheme for future years to ensure relief was properly targeted and fully utilised for the benefit of the affected ratepayers.

24 The S151 officer has exercised that delegated power to increase the maximum percentage relief for 2019/2020 from 10% to 12% to ensure that as much of Sevenoaks' funding allocation of £57,000 is passed on to affected ratepayers. On that basis the projected relief for 2019/2020 stands at £45,010.

25 The projected underspend is because some ratepayers who fell within the scheme are no longer liable for business rates on the affected properties and/or rateable values have been reduced.

Retail Discount

26 In the Budget on 29 October 2018, the government announced a new relief scheme for retail properties that have a rateable value of below £51,000. Under the scheme, eligible ratepayers will receive a one third discount of their daily chargeable amount. Relief will have effect for 2019/2020 and 2020/21 and is to be applied from the start of the billing cycle.

27 Local authorities are required to use discretionary powers to grant this new relief in line with the relevant eligibility criteria. Appendix C contains government guidance on the Retail Discount scheme which is broadly similar to the previous Retail Relief scheme in operation for 2014/2015 and 2015/2016.

28 Appendix D contains the Retail Discount Guidelines which set out how Sevenoaks intends to implement and administer this new relief.

29 At this stage indications are that around 450 ratepayers will potentially be eligible for this relief, although some are major chains and relief may be refused due to State Aid restrictions. Potential awards vary from a minimum of £220.00 to a maximum of £8,183.00.

Key Implications

Financial

30 Since 1 April 2013 all discretionary relief granted has come under the provisions of the business rate retention scheme.

31 The cost of relief is initially shared between central government (50%) and local authorities (50%). Of this Sevenoaks District Council is required to fund 40%. However, due to the complexities of business rates retention, the actual impact is likely to be significantly lower.

32 Appendix B only refers to the gross discretionary rate relief proposed.

33 S31 grants will be made to compensate for the top-up to mandatory rural rate relief, revaluation relief and retail discount.

Legal Implications and Risk Assessment Statement

34 There are no legal issues.

Risk Assessment Statement

35 New organisations may request relief after the deadline for receipt of applications and so would not be able to receive discretionary relief until the next annual review. In order to address urgent cases the Chief Finance

Officer determines any relief to be awarded under delegated authority. These organisations would then apply in the usual way for the next round.

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

Equality Assessment

37 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

38 There are clear benefits to the business community of awarding discretionary rate relief and therefore the proposals are submitted for endorsement as per Appendix B.

Appendices

Appendix A – Policy for considering applications for Discretionary Rate Relief

Appendix B – List of organisations proposed to receive relief

Appendix C – Retail Discount – Government Guidelines

Appendix D – Retail Discount – Sevenoaks District Council guidelines

Background Papers: None

Mr Adrian Rowbotham
Chief Officer for Finance

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Policy for considering applications for Discretionary Rate Relief

Charitable and not for profit organisations

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

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

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

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

The process for considering applications is as follows:

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

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

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

Discretionary rural rate relief

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

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

Hardship Relief

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

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

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

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

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Appendix B

Ref	Organisation name and property description/address	Parish	% for 2019/20	Estimated Relief for 2019/20	Recommendation/comments
	DISCRETIONARY RELIEF				
30559572	**Army Cadet Force** Hall Argyle Road, Sevenoaks	Sevenoaks	80	£5,302.80	**Recommended**
30561773	**Army Cadet Force** Hall Swanley Lane, Swanley	Swanley	80	£2,435.36	**Recommended**
30562325	**Army Cadet Force** Hall 8 High Street, Westerham	Westerham	80	£2,553.20	**Recommended**
30578788	**New Ash Green Village Association Ltd** Offices Centre Road, New Ash Green	Ash Cum Ridley	80	£4,615.40	**Recommended**
30553475	**New Ash Green Village Association Ltd** Workshop Ash Road, New Ash Green	Ash Cum Ridley	80	£5,401.00	**Recommended**

Ref	Organisation name and property description/address	Parish	% for 2019/20	Relief for 2019/20	Recommendation/comments
30570319	**New Ash Green Village Association Ltd** Hall Ash Road, New Ash Green	Ash Cum Ridley	80	£3,181.68	**Recommended**
30557491	**New Ash Green Village Association Ltd** Sports Ground Punch Croft, New Ash Green	Ash Cum Ridley	80	£6,579.40	**Recommended**
30709346	**RACDV Sales Ltd** Shop 36 Swanley Centre, Swanley	Swanley	46.57	£3,315.70	**Recommended -** entitled to £10.10 revaluation relief and £2369.80 retail discount, discretionary relief to make up to 80% Charity Shop
30710445	**Target Your Potential Ltd** Office Unit 1 Norton House, Edenbridge	Edenbridge	79.85	£6,567.44	**Recommended -** entitled to £11.96 revaluation relief, discretionary relief to make up to 80%
30556849	**Hospices of Hope Trading Ltd** Shop 11-13 High Street, Otford	Otford	46.67	£6,243.88	**Recommended -** entitled to £4,459.92 retail discount, discretionary relief to make up to 80% Charity shop
30731480	**Doctrina Education Ltd** Office 69C London Road, Sevenoaks	Sevenoaks	80%	£6,383.00	**Recommended**

Ref	Organisation name and property description/address	Parish	% for 2019/20	Relief for 2019/20	Recommendation/comments
	TOP-UP RELIEF				
30550568	**10th Sevenoaks (Weald's own) Scout Group** Hall Glebe Road, Sevenoaks	Sevenoaks Weald	20	£327.60	**Recommended**
30562165	**15th Sevenoaks (Otford) Scouts** Hall Station Road, Otford	Otford	20	£307.44	**Recommended**
30565195	**17th Sevenoaks (Westerham) Scout Group** Hall Hortons Way, Westerham	Westerham	20	£231.84	**Recommended**
30557095	**1st Crockenhill Scouts Group** Hall Stones Cross Road, Swanley	Swanley	20	£181.44	**Recommended**
30561414	**Edenbridge Scout Group** Hall Station Road, Edenbridge	Edenbridge	20	£224.28	**Recommended**
30558593	**1st Eynsford & Farningham Scout Group** Hall Priory Lane, Eynsford	Eynsford	20	£246.96	**Recommended**

Ref	Organisation name and property description/address	Parish	% for 2019/20	Relief for 2019/20	Recommendation/comments
30565812	**1st Horton Kirby Scout Group** Hall Horton Road, Horton Kirby	Horton Kirby	20	£252.00	**Recommended**
30558555	**1st Sevenoaks Scout Group** Hall 57 Oakhill Road, Sevenoaks	Sevenoaks	20	£367.92	**Recommended**
30562080	**3rd Sevenoaks (Riverhead & Dunton Green) Scouts** Hall Bradbourne Vale Road	Sevenoaks	20	£322.56	**Recommended**
30573417	**6th Sevenoaks (Kemsing) Scout Group** Hall Heaverham Road, Kemsing	Kemsing	20	£201.60	**Recommended**
30566792	**7th Sevenoaks (Halstead) Scout Group** Hall Shoreham Lane, Halstead	Halstead	20	£110.88	**Recommended**
30556245	**7th Tonbridge (Eden Valley) Scout Group** Hall Kiln Lane, Leigh	Leigh	20	£262.08	**Recommended**

Ref	Organisation name and property description/address	Parish	% for 2019/20	Relief for 2019/20	Recommendation/comments
30631306	**Rural Age Concern Darent Valley** Community Centre Scratchers Lane, Fawkham	West Kingsdown	20	£277.20	**Recommended**
30638543	**Age Concern Sevenoaks & District** Offices St John's Road, Sevenoaks	Sevenoaks	20	£1,940.40	**Recommended**
30612176	**Badgers Mount Memorial Hall** Hall Highlands Rd, Badgers Mount	Badgers Mount	20	£403.20	**Recommended**
30574069	**Sevenoaks Citizens Advice Bureau** Offices Buckhurst Lane, Sevenoaks	Sevenoaks	20	£897.12	**Recommended**
30569890	**Farningham Village Hall** Hall High Street, Farningham	Farningham	20	£403.20	**Recommended**
30604373	**Eden Valley Museum Trust** Museum High Street, Edenbridge	Edenbridge	20	£924.46	**Recommended**

Ref	Organisation name and property description/address	Parish	% for 2019/20	Relief for 2019/20	Recommendation/comments
30693953	**Edenbridge & Westerham Citizens Advice Bureau** Office The Eden Centre, Edenbridge	Edenbridge	20	£1,612.80	**Recommended**
30558982	**Fawkham Village Hall** Hall Valley Road, Fawkham	Fawkham	20	£614.88	**Recommended**
30675078	**Hartley Village Hall** Hall Ash Road, Hartley	Hartley	20	£302.40	**Recommended**
30555785	**Ide Hill Village Hall Management Committee** Store Ide Hill Village Hall	Sundridge	20	£224.28	**Recommended**
30570296	**Ide Hill Village Hall Management Committee** Hall Ide Hill Village Hall	Sundridge	20	£287.28	**Recommended**
30658332	**Longfield & Hartley Scout Grp** Club House Larkwell Lane, Hartley	Hartley	20	£514.08	**Recommended**
30643088	**Riverside Players** Store Furlong Farm, Eynsford	Eynsford	20	£229.32	**Recommended**

Ref	Organisation name and property description/address	Parish	% for 2019/20	Relief for 2019/20	Recommendation/comments
30554812	**Sevenoaks Area Mind** Day Centre St John's Road, Sevenoaks	Sevenoaks	20	£493.92	**Recommended**
30569944	**Ide Hill Scout Group** Hall Ide Hill	Sundridge	20	£123.48	**Recommended**
30575161	**Sevenoaks District Scout Council** Hall School Lane, Seal	Seal	20	£282.24	**Recommended**
30607563	**Sevenoaks Leisure Ltd** Leisure Centre Edenbridge Leisure Centre	Edenbridge	20	£22,176.00	**Recommended**
30605970	**Sevenoaks Leisure Ltd** Leisure Centre White Oak Leisure Centre	Swanley	20	£41,594.78	**Recommended**
30607556	**Sevenoaks Leisure Ltd** Leisure Centre Sevenoaks Leisure Centre	Sevenoaks	20	£25,452.00	**Recommended**
30607570	**Sevenoaks Leisure Ltd** Shop Lullingstone Golf Club	Crockenhill	20	£986.53	**Recommended**

Ref	Organisation name and property description/address	Parish	% for 2019/20	Relief for 2019/20	Recommendation/comments
30734694	Sevenoaks Leisure Ltd Office Edenbridge Local Office	Edenbridge	20	£635.04	**Recommended**
30671342	**Stag Community Arts Centre** Theatre & Cinema London Road, Sevenoaks	Sevenoaks	20	£5,846.40	**Recommended**
30568910	**Swanley Youth & Community Centre** Hall St Mary's Road, Swanley	Swanley	20	£1,335.60	**Recommended**
30567641	**4th Sevenoaks (St John's) Scout Group** Hall Mill Lane, Sevenoaks	Sevenoaks	20	£766.08	**Recommended**
30554416	**Halstead Village Hall** Hall Knockholt Road, Halstead	Halstead	20	£322.56	**Recommended**
30557156	**Otford Village Memorial Hall** Hall High Street, Otford	Otford	20	£715.68	**Recommended**
30735406	**Citizens Advice in North & West Kent** Shop 38 Swanley Centre	Swanley	20	£1,108.80	**Recommended**

Ref	Organisation name and property description/address	Parish	% for 2019/20	Relief for 2019/20	Recommendation/comments
30610552	**Remap 2010** Unit D9 Chaucer Business Park Kemsing	Kemsing	20	£1,058.40	**Recommended**
30556078	**St Johns Ambulance Brigade** Hall Horton Way, Farningham	Farningham	20	£337.68	**Recommended**
30556276	**Sundridge Village Hall** Hall Main Road, Sundridge	Sundridge	20	£302.40	**Recommended**
30569487	**Ash Village Hall** Hall The Street, Ash	Ash Cum Ridley	20	£272.16	**Recommended**
30721865	**Hextable Community Collective** School and premises 39 Egerton Avenue Hextable	Hextable	20	£2,822.40	**Recommended**
30722288	**Rainbow Pre-School** Coolings Green & Pleasant Knockholt	Knockholt	20	£809.29	**Recommended**
30720022	**Swanley & District Foodbank** Shop 11 Lynden Way, Swanleuy	Swanley	20	£524.16	**Recommended**

Ref	Organisation name and property description/address	Parish	% for 2019/20	Relief for 2019/20	Recommendation/comments
30702369	**Kingsdown Village Hall** Hall London Road, West Kingsdown	West Kingsdown	20	£1,814.40	**Recommended**

	RURAL RATE RELIEF DISCRETIONARY				
30602841	**Seal Supermarket Ltd** General Store 21 High Street, Seal	Seal	66.6666667	£3,955.28	**Recommended - entitled to £1,186.58 SBRR and £1,977.64 retail discount, discretionary relief to make up to 100%**
30729951	**Jay Balaji Ltd** General Store 35 High Street, Shoreham	Shoreham	66.6666667	£3,142.40	**Recommended - entitled to £1,571.20 retail** discount, discretionary relief to make up to 100%
30725010	**Jay Balaji Ltd** General Store 19-21 West End, Kemsing	Kemsing	66.6666667	£3,928.00	**Recommended - entitled to £1,964.00 retail** discount, discretionary relief to make up to 100%

	RURAL RATE RELIEF MANDATORY TOP-UP				
30697481	**Ide Hill Community Shop CIC** Village Store Ide Hill	Sundridge	50	£1,764.00	**Recommended**
30551899	**Mr Alan Johnson** Shop Park View, High Street, Leigh	Leigh	50	£1,562.40	**Recommended**
30599426	**Mr C G Martin** Shop 27 High Street, Seal	Seal	50	£2,142.00	**Recommended**
30590368	**Mr Gary Belcher & Ms Julie Fuller** Petrol Filling Station (used as a general store) Four Elms Road, Edenbridge	Hever	50	£1,020.60	**Recommended**
30572421	**Mr N Stokes** Shop Essington House, Eynsford	Eynsford	50	£1,738.80	**Recommended**
30651812	**Mrs Patricia Bye** Post Office Chiddingstone Causeway	Chiddingstone	50	£957.60	**Recommended**
30556207	**Penshurst Place** Petrol Filling Station High Street, Penshurst	Penshurst	50	£1,512.00	**Recommended**
30669516	**Rafferty Investments Ltd** Darenth House, Eynsford	Eynsford	50	£2,469.60	**Recommended**

Discretionary Rate Relief	Number		Relief 2019/20
Total Officer Recommended	11		£52,578.86
Total Officer Rejected	0		£0.00
Top-Up Relief	**Number**		**Amount**
Total Officer Recommended	50		£121,447.22
Total Officer Rejected	0		£0.00
Rural Rate Relief - Discretionary	**Number**		**Amount**
Total Officer Recommended	3		£11,025.68
Total Officer Rejected	0		£0.00

Rural Rate Relief - Mandatory Top-up	Number		Amount
Total Officer Recommended	8		£13,167.00
Total Officer Rejected	0		£0.00

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Ministry of Housing,
Communities &
Local Government

Business Rates

Retail Discount – Guidance

November 2018
Ministry of Housing, Communities and Local Government

This document/publication is also available on our website at www.gov.uk/mhclg

If you have any enquiries regarding this document/publication, complete the form at http://forms.communities.gov.uk/ or write to us at:

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November 2018

ISBN: 978-1-4098-5378-7

Contents

About this guidance

1. This guidance is intended to support local authorities in administering the "Retail Discount" announced in the Budget on 29 October 2018. This Guidance applies to England only.

2. This guidance sets out the criteria which central Government considers for this purpose to be retail and eligible for this discount. The guidance does not replace existing legislation.

3. Enquiries on this measure should be addressed to: ndr@communities.gov.uk

Introduction

4. The Government recognises that changing consumer behaviour presents a significant challenge for retailers in our town centres and is taking action to help the high street evolve.

5. The Government announced in the Budget on 29 October 2018 that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019-20 and 2020-21. The value of discount should be one third of the bill, and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied. Where an authority applies a locally funded relief, for instance a hardship fund, under section 47 this is must be applied after the Retail Discount.

6. This document provides guidance to authorities about the operation and delivery of the policy. The Government anticipates that local authorities will include details of the relief to be provided to eligible ratepayers for 2019-20 in their bills for the beginning of that year.

Retail Discount

How will the relief be provided?

7. As this is a measure for 2019-20 and 2020-21 only, the Government is not changing the legislation around the reliefs available to properties. Instead the Government will, in line with the eligibility criteria set out in this guidance, reimburse local authorities that use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief. It will be for individual local billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance, to grant relief under section 47. Central government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003). The Government expects local government to apply and grant relief to qualifying ratepayers from the start of the 2019/20 billing cycle.

8. Central government will reimburse billing authorities and those major precepting authorities for the actual cost to them under the rates retention scheme of the relief that falls within the definitions in this guidance. Local authorities will be asked to provide an estimate of their likely total cost for providing the relief in their National Non-Domestic Rate Return 1 (NNDR1) for 2019-20 and 2020-21. Central government will provide payments to authorities to cover the local share, as per the usual process.

9. Local authorities will also be asked to provide outturn data on the actual total cost for providing the relief, as per the usual process via the National Non-Domestic Rate 3 (NNDR3) forms for 2019-20 and 2020-21. Any required reconciliations will then be conducted at these points.[1]

Which properties will benefit from relief?

10. Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

11. We consider shops, restaurants, cafes and drinking establishments to mean:

i. Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/ caravan show rooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

ii. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hair dressers, nail bars, beauty salons, tanning shops, etc)

[1] As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the retail discount.

- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- Tool hire
- Car hire

iii. Hereditaments that are being used for the sale of food and/ or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

12. To qualify for the relief the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

13. The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied retail uses that exist. There will also be mixed uses. However, it is intended to be a guide for authorities as to the types of uses that Government considers for this purpose to be retail. Authorities should determine for themselves whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.

14. The list below sets out the types of uses that the Government does not consider to be retail use for the purpose of this relief. Again, it is for local authorities to determine for themselves whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the relief under their local scheme.

i. Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)

- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
- Post office sorting offices

ii. Hereditaments that are not reasonably accessible to visiting members of the public

15. Generally speaking, the government also does not consider other assembly or leisure uses beyond those listed at paragraph 11 to be retail uses for the purpose of the discount. For example, cinemas, theatres and museums are outside the scope of the scheme, as are nightclubs and music venues which are not similar in nature to the hereditaments described at paragraph 11(iii) above. Hereditaments used for sport or physical recreation (e.g. gyms) are also outside the scope of the discount. Where there is doubt, the local authority should exercise their discretion with reference to the above and knowledge of their local tax base.

How much relief will be available?

16. The total amount of government-funded relief available for each property for 2019-20 and 2020/21 under this scheme is one third of the bill, after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where local authorities have used their discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants[2]. There is no relief available under this scheme for properties with a rateable value of £51,000 or more. Of course, councils may use their discretionary powers to offer further discounts outside this scheme. However, where an authority applies a locally funded relief, sometimes referred to as a hardship fund, under section 47 this is must be applied after the Retail Discount.

17. The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a chargeable day for particular hereditament in the financial year 2019-20:

Amount of relief to be granted =

$$\frac{V}{3} \quad \text{where}$$

V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs, excluding those where local authorities have used their discretionary relief

[2] As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the retail discount.

powers introduced by the Localism Act which are not funded by section 31 grants[3].

18. This should be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.

19. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid De Minimis limits.

State Aid

20. State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to amount to State Aid. However Retail Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)[4].

21. The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years). Local authorities should familiarise themselves with the terms of this State Aid exemption, in particular the types of undertaking that are excluded from receiving De Minimis aid (Article 1), the relevant definition of undertaking (Article 2(2)[5]) and the requirement to convert the aid into Euros[6].

22. To administer De Minimis it is necessary for the local authority to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. Note that the threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation). Annex B of this guidance contains a sample De Minimis declaration which local authorities may wish to use, to discharge this responsibility. Where local authorities have further questions about De Minimis or other aspects of State Aid law, they should seek advice from their legal department in the first instance[7].

23. The UK is scheduled to leave the EU on 29 March 2019. If there is an Implementation Period, the State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. If the UK leaves the EU without a negotiated Withdrawal Agreement, the Government has announced its intention to transpose EU State Aid rules into UK domestic legislation, with only technical modifications to correct deficiencies with the transposed EU law to ensure

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[3] As required in the NNDR3 guidance notes, the former categories of discretionary relief prior to the localism act (i.e. charitable/CASC/rural etc. top up and not for profit) should be applied first in the sequence of discretionary reliefs and, therefore, before the retail discount.
[4] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF
[5] The 'New SME Definition user guide and model declaration' provides further guidance: http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf
[6] http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm
[7] Detailed State Aid guidance can also be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15277/National_State_Aid_Law_Requirements.pdf

the regime operates effectively in a domestic context[8]. Local authorities should therefore continue to apply State Aid rules, including De Minimis, to the relief for 2019/20 and 2020/21.

Splits, mergers, and changes to existing hereditaments

24. The relief should be applied on a day to day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the relief on that day.

[8] https://www.gov.uk/government/publications/state-aid-if-theres-no-brexit-deal/state-aid-if-theres-no-brexit-deal

Annex A: Calculation examples for 2019/20

The retail discount (one third) is always calculated after mandatory relief and other discretionary reliefs funded by section 31 grant.

Example 1: An occupied shop with a rateable value of £40,000

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Retail discount (1/3):	= -£6,547
Rates due (after retail discount):	= £13,093

Example 2: An occupied charity shop with a rateable value of £40,000

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Net rates after charity relief:	= £3,928
Retail discount (1/3):	= -£1,309
Rates due (after charity relief and retail discount):	= £2,619

Example 3: An occupied shop with a rateable value of £13,500 eligible for Small Business Rate Relief (SBRR)

Gross rates (before any reliefs) = £13,500 x 0.491	= £6,629
Net rates after SBRR (50%):	= £3,314
Retail discount (1/3):	= -£1,105
Rates due (after SBRR and retail discount):	= £2,210

Example 4: An occupied shop with a rateable value of £10,000 eligible for Small Business Rate Relief (SBRR)

Gross rates (before any reliefs) = £10,000 x 0.491	= £4,910
Net rates after SBRR (100%):	= £nil

Rates bill is nil and, therefore, no retail discount applies

Example 5: An occupied shop with a rateable value of £40,000 eligible for Transitional Relief (TR) and receiving Revaluation Discretionary Relief

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Transitional Relief (say):	= -£1,500
Net rates after Transitional Relief:	= £18,140
Net rates after Revaluation Discretionary Relief (say):	= £15,140
Retail discount (1/3):	= -£5,047
Rates due (after TR, revaluation relief and retail discount):	= £10,093

Example 6: An occupied shop with a rateable value of £18,000 previously paying nothing prior to revaluation 2017 and eligible for Supporting Small Businesses Relief (SSB)

Gross rates (before any reliefs) = £18,000 x 0.491	= £8,838
Supporting Small Businesses Relief (say):	= -£7,038

Net rates after SSB:	= £1,800
Retail discount (1/3):	= -£600
Rates due (after SSB and retail discount):	= £1,200

Example 7: A shop with a rateable value of £40,000 (example 1) but only occupied until 30 September 2019

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Retail discount (1/3):	= -£6,547
Rates due p.a. (after retail discount):	= £13,093
Daily charge while occupied (leap year):	= £35.77 per day
Occupied charge 1/4/19 to 30/9/19 (183 days):	= £6,547
Unoccupied property relief (1/10/19 to 1/1/20):	= £nil
Unoccupied property rates (1/1/20 to 31/3/20),	
£19,640 x 91/366	= £4,883
Rates due for the year (after retail relief):	= £11,430

Example 8: A shop with a rateable value of £40,000 (example 1) with a rateable value increase to £60,000 with effect from 1 October 2019

Gross rates (before any reliefs) = £40,000 x 0.491	= £19,640
Retail discount (1/3):	= -£6,547
Rates due p.a. (after retail discount):	= £13,093
Daily charge while occupied (leap year):	= £35.77 per day
Charge 1/4/19 to 30/9/19 (183 days):	= £6,547
Daily charge on standard multiplier (1/10/19 to 1/1/20):	
(£60,000 x 0.504)/366	= £82.62 per day
Charge 1/10/19 to 31/3/20 (183 days):	= £15,120
Rates due for the year (after retail relief):	= £21,667

Annex B: Sample paragraphs that could be included in letters to ratepayers about Retail Discount for 2019/20 and 2020/21

At Autumn Budget 2018, the Chancellor announced that eligible retailers will receive a one third discount on their business rates bills for two years from April 2019.

Relief will be provided to eligible occupied retail properties with a rateable value of less than £51,000 in 2019/20 and 2020/21. Your current rates bill includes this Retail Discount.

Awards such as Retail Discount are required to comply with the EU law on State Aid[9]. In this case, this involves returning the attached declaration to this authority if you have received any other *de minimis* State Aid, including any other Retail Discount you are being granted for premises other than the one to which this bill and letter relates, and confirming that the award of Retail Discount does not exceed the €200,000 an undertaking[10] can receive under the *de minimis* Regulations EC 1407/2013.

Please complete the declaration and return it to the address above. In terms of declaring previous *de minimis* aid, we are only interested in public support which is *de minimis* aid (State Aid received under other exemptions or public support which is not State Aid does not need to be declared).

If you have not received any other *de minimis* State Aid, including any other Retail Discount you are being granted for premises other than the one to which this bill and letter relates, you do not need to complete or return the declaration.

If you wish to refuse to receive the Retail Discount granted in relation to the premises to which this bill and letter relates, please complete the attached form and return it to the address above. You do not need to complete the declaration. This may be particularly relevant to those premises that are part of a large retail chain, where the cumulative total of Retail Discount received could exceed €200,000.

Under the European Commission rules, you must retain this letter for three years from the date on this letter and produce it on any request by the UK public authorities or the European Commission. (You may need to keep this letter longer than three years for other purposes). Furthermore, information on this aid must be supplied to any other public authority or agency asking for information on '*de minimis*' aid for the next three years.

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[9].Further information on State Aid law can be found at https://www.gov.uk/state-aid

[10] An undertaking is an entity which is engaged in economic activity. This means that it puts goods or services on a given market. The important thing is what the entity does, not its status. Therefore, a charity or not for profit company can be undertakings if they are involved in economic activities. A single undertaking will normally encompass the business group rather than a single company within a group. Article 2.2 of the de minimis Regulations (Commission Regulation EC/ 1407/2013) defines the meaning of 'single undertaking'.

'*De minimis*' declaration

Dear [ ]

NON-DOMESTIC RATES ACCOUNT NUMBER:_____

The value of the non-domestic rates Retail Discount to be provided to [name of undertaking] by [name of local authority] is £ [ ] (Euros [ ]).

This award shall comply with the EU law on State Aid on the basis that, including this award, [name of undertaking] shall not receive more than €200,000 in total of *De minimis* aid within the current financial year or the previous two financial years). The *de minimis* Regulations 1407/2013 (as published in the Official Journal of the European Union L352 24.12.2013) can be found at:
http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF .

Amount of *de minimis* aid	**Date of aid**	**Organisation providing aid**	**Nature of aid**

I confirm that:

1) I am authorised to sign on behalf of _____[name of undertaking]; and

2) _____[name of undertaking] shall not exceed its *De minimis* threshold by accepting this Retail Discount.

SIGNATURE:
NAME:
POSITION:
BUSINESS:
ADDRESS:
DATE:

Refusal of Retail Discount form

Name and address of premises	Non-domestic rates account number	Amount of Retail Discount

I confirm that I wish to refuse Retail Discount in relation to the above premises.

I confirm that I am authorised to sign on behalf of _____ [name of undertaking].

SIGNATURE:
NAME:
POSITION:
BUSINESS:
ADDRESS:
DATE:

Appendix D

SEVENOAKS DISTRICT COUNCIL

BUSINESS RATES RETAIL DISCOUNT GUIDELINES

1. Introduction and purpose of the guidelines

1.1 The Government announced in the Budget on 29 October 2018 that it would provide a business rates Retail Discount scheme for **occupied** retail properties with a rateable value of less than £51,000 in each of the years 2019/20 and 2020/21. The value of the discount will be one third of the net bill (see para 2.8 for details of interaction between reliefs).

1.2 On 30 November 2018 the Government produced detailed guidance which confirms that **occupied** properties below the rateable value threshold that are **wholly or mainly** used as shops, restaurants, cafes and drinking establishments will benefit from the Retail Discount.

1.3 The guidance states that it will be for each billing authority to adopt a local scheme for Retail Discount and decide in each individual case when to grant relief under Section 47 of the Local Government Finance Act 1988 (as amended).

The application and award criteria rules are set out below.

1.4 These guidelines:

- set out the criteria that will be used when making a decision to award or refuse Retail Discount;
- set out the delegated authority to award discount in appropriate circumstances as provided for in the Council's constitution;
- establish a review process for customers dissatisfied with the Council's decision.

1.5 These guidelines will apply to all decisions made on awards of Retail Discount in respect of 2019/20 and 2020/21.

2. General principles

1.6 All decisions in respect of awards of Retail Discount will be taken by the Council in accordance with statutory requirements and with due regard to any guidance issued by the Secretary of State.

Requirement for Applications

1.7 The Council will not require a formal application but in the first instance will identify all ratepayers who appear to fit the qualifying criteria, as the intention is to make as many automatic awards as possible.

1.8 These guidelines will be published on the Council's website and any ratepayer that believes they may qualify for the Retail Discount can apply to be considered.

1.9 In cases where eligibility for the Retail Discount is in question, the Council will request such supporting evidence as it considers necessary to enable the application to be properly assessed (including a visit to the property).

Financial impact of awards of retail relief

1.10 The business rates retention systems requires the Council fund 40% of any discretionary relief granted with the remainder being shared between the Government and the major preceptors (excluding the Police).

1.11 The Government has committed to reimbursing billing authorities and those major precepting authorities within the rates retention system for the actual cost to them of any Retail Discount awarded that falls within the definitions given in the guidance referred to in paragraph 1.2.

Relationship to other forms of rate relief

1.12 Retail Discount will be applied after all other mandatory reliefs and Government funded discretionary reliefs have been accounted for. Locally funded reliefs such as Hardship Relief and Town Centre Discretionary Relief will be applied after the Retail Discount.

Authority to award Retail Discount

1.13 Decisions on the award or otherwise of Retail Discount will be taken by Officers under delegated authority (see paragraph 3.12)

Publication of decisions and Data Protection

1.14 To ensure there is a fair and consistent approach to the award of Retail Discount, all cases will be considered with reference to these guidelines and the award of Retail Discount to will be published on the Council's website www.sevenoaks.gov.uk

The Council publishes the following details:

- in the case of sole traders, property address, rateable value, type of relief, period of relief and amounts;
- in the case of companies, charities, LLP and other incorporated bodies, names, billing address, property address, rateable value, type of relief, period of relief and amounts.

The Council's Privacy Notice and General Data Protection Policy at www.sevenoaks.gov.uk/info/20044/transparency_and_freedom_of_information/383/privacy_notice_and_general_data_protection_policy/4 explains how it processes personal information.

Reviews and Appeals

1.15 These guidelines provide applicants who are refused Retail Discount with a review mechanism.

A decision may only be reviewed on one or more of the following grounds:

- an inconsistent or inappropriately harsh decision;
- extenuating circumstances;
- significant procedural flaw(s) in the decision making process (it is incumbent on an unsuccessful applicant to specify precisely what the significant procedural flaw(s) consists of);
- new evidence subsequently coming to light.

1.16 A request for the review of a decision must be made in writing to the Business Rates Manager within four weeks of the date of the Council's decision letter. Reasons supporting each ground for review (see paragraph 2.10) must be fully set out. Any request for a review received outside of the four-week period, will only be considered if the Council is satisfied that exceptional circumstances led to the delay in submitting the request.

Where the unsuccessful applicant is a company, charity or other incorporated body, the request for the review must be submitted by a person authorised to do so on their behalf.

1.17 The reviewing officer (not involved in the original decision and senior to the officer who made the original decision) will:

- consider the decision afresh having regard to the original information submitted by the applicant;
- check that the decision has been made in accordance with the relevant sections in these guidelines;
- consider any new evidence submitted;
- consider whether an interview with the applicant is necessary;
- make a determination either:
    - upholding the original decision
    - substituting a revised decision
- prepare a written response for the applicant setting out the review decision and reasons.

1.18 The review decision will be issued within four weeks of the date of receipt by the Council of the review request. The review decision will be final.

1.19 Any challenge to the Council's decision is by way of judicial review in the High Court.

Requirement to make payment of amounts falling due

1.20 Business rate payments remain legally due and payable in accordance with the most recent bill, until such time as any relief is awarded. Applicants must therefore continue to pay any business rates that fall due whilst a decision on their Retail Discount application is pending. If payments are not kept up to date, the Council may continue with its normal recovery procedures to secure payment.

State Aid

1.21 European Union competition rules restrict Government subsidies to businesses. Relief from taxes, including business rates, may be considered as State Aid.

Retail Discounts will be provided to eligible occupied retail properties with a rateable value of less than £51,000 in 2019/20 and 2020/21. Current rates bills include the Retail Discount.

Awards such as Retail Discount are required to comply with the EU law on State Aid. In this case, this involves returning a 'de minimis declaration' to the Council where any other de minimis State Aid has been received, including any other Retail Discount being granted for premises other than the one to which the rates bill relates, confirming that the award of Retail Discount does not exceed the €200,000 that can be received under the de minimis Regulations EC 1407/2013.

In declaring previous de minimis State Aid, the Council is only interested in public support, which is de minimis aid (State Aid received under other exemptions or public support, which is not State Aid, does not need to be declared).

If any other de minimis State Aid has not been received, including any other Retail Discount being granted for premises other than the one to which the rates bill relates, the 'de minimis declaration' does not need to be completed.

If the Retail Discount granted in relation to the premises to which the rates bill relates, is being refused (particularly relevant to those premises that are part of a large retail chain, where the cumulative total of Retail Discount received could exceed €200,000) the 'Refusal of Retail Discount' form is to be completed and returned to the Council. The 'de minimis declaration' does not need to be completed.

Where Retail Discount is refused, reference to Retail Discount will be removed from the business rate account.

Information on State Aid must be supplied to any other public authority, the European Commission or agency asking for information on 'de minimis' aid for the next three years.

1.22 Retail Discount for charities and non-profit making bodies is not normally considered State Aid because the recipients are not in market competition with other businesses. However, if they are engaged in commercial activities, compete with commercial bodies or have a commercial partner, Retail Discount could constitute State Aid.

3. Properties intended to benefit from Retail Discount

1.23 Properties that benefit from the Retail Discount will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly i.e. where more than 50% of the property is being used as shops, restaurants, cafes and drinking establishments.

1.24 The Government considers shops, restaurants, cafes and drinking establishments to mean:

i) Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as florist, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licence, chemists, newsagents, hardware stores, supermarkets, etc.)
- Charity shops
- Opticians
- Post Offices
- Furnishing shops/display rooms (such as carpet shops, double glazing, garage doors)
- Car/caravan show rooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

ii) Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as hairdressers, nail bars, beauty salons, tanning shops, etc.)
- Shoe repairs/key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/TV domestic appliance repair
- Funeral directors
- Photo processing
- DVD/video rentals
- Tool hire
- Car hire

iii) Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

1.25 The list below sets out the types of uses that the Government does not consider to be retail use for the purpose of Retail Discount:

i) Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops and pawnbrokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/financial advisers, tutors)
- Post Office sorting office

ii) Hereditaments that are not reasonably accessible to visiting members of the public

iii) The following are also considered by Government to be outside of the scope of Retail Discount

- Cinemas
- Theatres
- Museums
- Nightclubs
- Music Venues
- Hereditaments used for sport or physical recreation (e.g.gyms)

1.26 The lists set out in paragraphs 3.2 and 3.3 are not exhaustive. Where the use of properties is not listed but is broadly similar in nature to those listed, Retail Discount will be awarded or refused as appropriate.

The decision making process

1.27 Each case will be considered on an individual basis and on its merits.

1.28 The Council will notify the applicant of the award and where Retail Discount is refused an explanation of the reasons for refusal will be given.

Period of discount

1.29 Retail Discount will be automatically awarded initially for 2019/20 only. For 2020/21, the Council will follow the same process to consider eligibility. All applicants must make the 'de minimis declaration' as they will be in receipt of some form of State Aid (see paragraph 2.16 above).

Calculation of Retail Discount

1.30 The maximum Retail Discount is one third of the net business rates for each financial year, after the award of mandatory and Government funded discretionary reliefs (see para 2.7). Where the net rate liability after the application of all other reliefs is zero (e.g. full Small Business Rates Relief has been applied), no Retail Discount applies.

1.31 Where the rates bill reduces within the period of an award of discretionary retail rate relief, the relief will be reduced proportionately.

1.32 If the rates bill increases during the period of an award of discretionary retail rate relief, the relief will be increased proportionately. If the rateable value increases beyond the qualifying threshold of £51,000, full rates will be due from the date the rateable value exceeds the threshold.

1.33 If the property becomes empty, full empty rates will be due after any appropriate period of exemption.

Authority to award relief

1.34 The Business Rates Manager and Business Rates Team Leader are authorised to award or refuse Retail Discount in the following circumstances:

- Where the **use** of the property is clearly eligible for Retail Discount and there is no reason to believe that State Aid De Minimis limits are likely to be exceeded

- Where the **use** of the property is clearly not eligible for Retail Discount

- Where the **use** of the property was initially in doubt (due to the need to be wholly or mainly used for a qualifying purpose) but investigations have indicated that the use is eligible and there is no reason to believe that State Aid De Minimis limits are likely to be exceeded

- Where the applicant has returned a 'Refusal of Retail Discount' form or a 'de minimis declaration'.

In all other cases, the authority to determine an application is delegated to the Chief Finance Officer.

4. Promotion of the availability of relief

4.1 The Council will proactively promote the availability of Retail Discount in the following ways:

- Council staff will be made aware of these guidelines and will actively promote the availability of Retail Discount when responding to enquiries;

- Information regarding the availability of reliefs will be published on the Council's website www.sevenoaks.gov.uk;

  A copy of these guidelines will be made available on request by contacting revenues@sevenoaks.gov.uk or by calling the Business Rates team on 01732 227000. Calls via Typetalk are welcomed.

  If required the guidelines can be made available in large print, audio, Braille, alternative format or in a different language.

5. Complaints

1.1 Applicants who are dissatisfied with the standard of service are encouraged to initially raise their complaint directly and informally with the Business Rates team via revenues@sevenoaks.gov.uk or by calling on 01732 227000.

Applicants, who remain dissatisfied, may make a formal complaint under the Council's Corporate Complaints Procedure.

Guidance on how to complain can be found at www.sevenoaks.gov.uk/info/20043/complaints_and_compliments/110/complaints

6. Review of these guidelines

1.1 These guidelines will be reviewed periodically in order to ensure they remain valid, effective and relevant.

Item 8 – Council Tax Discounts for Empty and Uninhabitable Dwellings and Empty Premium

The attached report was considered by the Finance Advisory Committee on 29 January 2019. The relevant Minute extract is below.

Finance Advisory Committee (29 January 2019, Minute 44)

The Council Tax and Recovery Manager presented the report which recommended amendments to the level of Council Tax discount for unoccupied and unfurnished dwellings, and dwellings undergoing or requiring major structural repair. It also asked Members to consider: increasing the premium on properties that were long term empty (unoccupied and unfurnished for more than 2 years); reducing the Class C discount to 100% for 2 months and the Class D discount to 0% for 12 months; and increasing the long term empty charge from 50% to 100%, which would support the Council's Empty Homes Action Plan and encourage empty dwellings to be brought back into use more quickly.

Members discussed reducing the Council Tax discount for unoccupied and unfurnished dwellings from 100% for up to 3 months to 100% for up to 1 month rather than the recommended 2 months but this was generally thought to be too restrictive.

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

Resolved: That it be recommended to Cabinet that with effect from 1 April 2019

a) the Council Tax discount for unoccupied and unfurnished dwellings be reduced from 100% for up to 3 months to 100% for up to 2 months (Class C of the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012);

b) the Council Tax discount for unoccupied dwellings undergoing or requiring major structural repair be reduced from 100% for 12 months to 0% for 12 months (Class D of the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012); and

c) in accordance with Section 11B of the Local Government Finance Act 1992 and Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 the additional amount payable for Council Tax be increased from 50% to 100% for dwellings that were unoccupied and substantially unfurnished for more than two years.

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COUNCIL TAX DISCOUNTS FOR EMPTY AND UNINHABITABLE DWELLINGS AND EMPTY PREMIUM

Cabinet – 14 February 2019

Report of	Chief Finance Officer
Status	For Decision
Also considered by	Finance Advisory Committee – 29 January 2019
	Council – 26 February 2019
Key Decision	No

Executive Summary:

The purpose of this report is to recommend amendments to the level of Council Tax discount for unoccupied and unfurnished dwellings, and dwellings undergoing or requiring major structural repair. Also to consider increasing the premium on properties that are long term empty (unoccupied and unfurnished for more than 2 years).

Members' are asked to consider the information detailed and make recommendations to amend the respective discounts and premium from 1 April 2019.

Portfolio Holder	Cllr. John Scholey
Contact Officers	Adrian Rowbotham, Chief Finance Officer Ext. 7153
	Tim Dennington, Council Tax & Recovery Manager Ext. 7207

Recommendation to Finance Advisory Committee: To recommend for approval by Cabinet the amended discounts and premium detailed in this report.

Recommendation to Cabinet: To consider and agree to recommend to Council the recommendations set out below.

Recommendation to Council: That with effect from 1 April 2019

(a) the Council Tax discount for unoccupied and unfurnished dwellings is reduced from 100% for up to 3 months to 100% for up to 2 months (Class C of the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012)

(b) the Council Tax discount for unoccupied dwellings undergoing or requiring major structural repair is reduced from 100% for 12 months to 0% for 12 months (Class D of the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012)

(c) In accordance with Section 11B of the Local Government Finance Act 1992 and

Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 increase the additional amount payable for Council Tax from 50% to 100% for dwellings that are unoccupied and substantially unfurnished for more than two years.

Reason for recommendations: By reducing the Class C discount to 100% for 2 months, the Class D discount to 0% for 12 months and increasing the long term empty charge from 50% to 100%, it will support the Council's Empty Homes Action Plan and encourage empty dwellings to be brought back into use more quickly.

In addition, there is also the potential to derive additional Council Tax revenue and benefit from an annual income as part of the Kent County Council (KCC) Council Tax sharing agreement.

Introduction and Background

1 Local Authorities were given the powers and flexibility to amend certain Council Tax discounts under the Local Government Finance Act 2012, which were enacted by the Council Tax (Prescribed Classes of Dwellings (England) (Amendment) Regulations 2012 and the Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012.

2 Section 12 of the Local Government Finance Act 2012 added section 11B to the Local Government Finance Act 1992 enabling Local Authorities to increase the charge on long term empty dwellings (unoccupied and substantially unfurnished for at least 2 years) by up to 50%. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 increased the amount local authorities can charge on long term empty dwellings up to 100%.

3 On 7 February 2013, Cabinet were presented with proposals to amend the level of Council Tax discount for prescribed classes of dwellings and long term empty premium with effect from 1st April 2013. These proposals were agreed and approval was given by Full Council on 19 February 2013 to implement the respective changes.

4 The table below details the effect of that decision and it also summarises the position across other Kent authorities – some of which are reviewing the discounts with effect from 1 April 2019.

Council	**Class C discount** Unoccupied/unfurnished	**Class D discount** Uninhabitable/major repair
Ashford	100% up to 6 weeks	100% for 12 months
Canterbury	0%	100% for 12 months
Dartford	100% up to 3 months	100% for 12 months
Dover	0%	100% for 12 months
Gravesham	100% up to 1 month	100% for 12 months
Maidstone	0%	0%
Medway	100% up to 3 months	100% for 12 months
Sevenoaks	100% up to 3 months	100% for 12 months

Shepway	0%	0%
Thanet	0%	100% for 12 months
Tonbridge & Malling	100% up to 1 month	100% for 12 months
Tunbridge Wells	0%	0%

Proposed Changes

5 There was an announcement in the Government's 2017 autumn budget regarding giving Council's the ability to reduce empty property discounts from 2019/20. The 10-year budget approved by Council on 20 February 2018 included an assumption that an additional £65,000 of Council Tax would be received from 2019/20 for this reason.

6 The legislation relating to this announcement has only recently been published and the changes proposed should deliver the additional Council Tax included in the 2019/20 budget.

7 The estimated additional Council Tax that can potentially be raised as a result of implementing the recommendations is as follows:

a. Discount for unoccupied and unfurnished dwellings (Class C) – reducing the discount from 100% for up to 3 months to 100% for up to 2 months will raise an estimated £198,000 in additional Council Tax. The current total of accounts that are either currently within the 3 month period or after the 3 months period is 649.

b. Discount for unoccupied dwellings undergoing or requiring major structural repair (Class D) – reducing the discount from 100% to 0% for 12 months will raise an estimated £303,000 in additional Council Tax. The current total of accounts with a discount is 92.

c. The estimated additional Council Tax of £501,000 would be shared between the Council and the major precepting authorities. The Council's share would be £60,000 and the preceptors share would be £441,000.

d. Across the county discussions are continuing with Kent County Council for a financial incentive for Billing Authorities as the county is the main beneficiaries to any additional income.

8 Long Term Empty Dwellings – increasing the premium to 100% will raise an estimated £63,000 in additional Council Tax. The Council's share would be £7,000. The current total of accounts with a discount is 64.

9 Administration of Class D discount involves visiting every application (331 in 2017/18); this is a substantial administration task but would be removed if the discount is reduced to 0% from April 2019.

Key Implications

Financial

If the revised discounts are approved there is the potential to derive additional Council Tax revenue of £67,000 for the Council. There may also be further benefit following discussions with Kent County Council.

Legal Implications and Risk Assessment Statement

There is no legal requirement to consult on the recommended changes but there is a legal requirement to publish any changes to the Council Tax regime in at least one newspaper circulating in the Billing Authority's area. This must be done within 21 days of the resolution being agreed by the Council.

Making changes to the existing level of discounts means that, as the Billing Authority, the Council will incur the additional costs associated with implementing and administering the changes.

There is also a risk to the collection of debts resulting from any changes. The recommended levels are based on the considered implications on collection whilst, at the same time, maximising the potential income opportunity for the Council.

The revised discounts may lead to some complaints and appeals.

Section 13A of the Local Government Finance Act 1992 allows for the Council to reduce or remit any amount of council tax (at the full cost of the Council). These powers can be considered in certain circumstances where a dwelling can not be occupied, such as fire or flood damage.

Equality Impact Assessment

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

Any amendments made to Council Tax discounts for empty, uninhabitable or long term empty dwellings are not based on individual circumstances or family characteristics. The recommendations will therefore apply equally to everyone.

Background Papers	Minutes from Cabinet meeting held on 7 February 2013 Minutes of the Council meeting held on 19 February 2013

Adrian Rowbotham
Chief Finance Officer

Item 9 – Treasury Management Strategy 2019/20

The attached report was considered by the Finance Advisory Committee on 29 January 2019. The relevant Minute extract is below.

Finance Advisory Committee (29 January 2019, Minute 46)

The Principal Accountant presented the report which sought a recommendation to approve the Treasury Management Strategy 2019/20. The Local Government Act 2003 (the Act) and supporting regulations required the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. The Act therefore required the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment guidance issued subsequent to the Act) which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

Revised reporting was required for the 2019/20 reporting cycle due to revisions of the Ministry of Housing Communities and Local Government (MHCLG) Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.

In response to questions the Principal Accountant advised that Property Trusts should be regarded as long term investments as returns in the first couple of years were usually below par due to entry fees to the Funds. Although it was an available option within the Strategy, the Council did not usually invest in these as it was deemed that having its own property portfolio the Council would then be too exposed to property as a class of investment. He advised that further to previous concerns with regards to Newcastle Building Society, once the investment with them had matured a better opportunity had presented itself and the money placed elsewhere.

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

> Resolved: That it be recommended to Cabinet to recommend to Council that the Treasury Management Strategy for 2019/20, be approved.

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TREASURY MANAGEMENT STRATEGY 2019/20

Cabinet – 14 February 2019

Report of the:	Chief Finance Officer
Status:	For Decision
Also considered by:	Finance Advisory Committee – 29 January 2019
	Council – 26 February 2019
Key Decision:	No

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

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

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

Portfolio Holder	Cllr. John Scholey
Contact Officer	Roy Parsons, Principal Accountant, Ext. 7204

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

Recommendation to Cabinet: That, subject to the comments of the Finance Advisory Committee, Cabinet recommend that Council approve the Treasury Management Strategy for 2019/20.

Recommendation to Council: That the Treasury Management Strategy for 2019/20 be approved.

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

Background

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

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

3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure),and are separate from the day to day treasury management activities.

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

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

6 Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

Introduction

Reporting requirements – Capital Strategy

7 The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

8 The aim of this capital strategy is to ensure that Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

9 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- the corporate governance arrangements for these types of activities;
- any service objectives relating to the investments;
- the expected income, costs and resulting contribution;
- the debt related to the activity and the associated interest costs;
- the payback period (MRP policy);
- for non-loan type investments, the cost against the current market value; and
- the risks associated with each activity.

10 Where a physical asset is being bought, details of market research, advisers used (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

11 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

12 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

13 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

Reporting requirements – Treasury Management

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

a) Prudential and treasury indicators and treasury strategy (this report) –

The first, and most important report covers:

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

b) A mid-year treasury management report –

This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) An annual treasury report –

This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Treasury Management Strategy for 2019/20

15 The strategy for 2019/20 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators; and
- the minimum revenue provision (MRP) policy.

Treasury management issues

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

16 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Ministry of Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

Training

17 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was last undertaken on 14 November 2018 and further training will be arranged as required.

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

Treasury management consultants

19 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

20 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury management advisors.

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

22 The scope of investments within the Council's operations now includes both conventional treasury investments (the placing of residual cash from the Council's functions) and more commercial type investments, such as investment properties. The commercial type investments require specialist property advisers.

The Capital Prudential Indicators 2019/20 – 2021/22

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

Capital Expenditure

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

Capital expenditure	**2017/18 Actual £000**	**2018/19 Estimate £000**	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**
Capital expenditure	9,922	12,980	12,549	6,649	16,758
Commercial activities/non-financial investments*	0	0	0	0	0
Total	9,922	12,980	12,549	6,649	16,758

* Commercial activities/non-financial investments relate to areas such as capital expenditure on investment properties etc

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

26 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing) although this may be funded through internal borrowing initially.

Financing of capital expenditure	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Capital expenditure	9,922	12,980	12,549	6,649	16,758
Financed by:					
Capital receipts	371	789	4,030	6,042	0
Capital grants	647	1,463	1,100	1,100	1,100
Capital Reserves	4,442	4,543	5,568	-1,100	15,658
Internal borrowing	615	4,487	1,703	-6,190	0
Revenue – contribution to capital reserve	148	148	148	148	0
Net financing need for the year	**3,699**	**1,550**	**0**	**0**	**0**

27 The net financing need for commercial activities/non-financial investments included in the above table against expenditure is shown below.

Commercial activities/non-financial investments	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Capital expenditure	0	0	0	0	0
Financing costs	0	0	0	0	0
Net financing need for the year	0	0	0	0	0
Percentage of total net financing need	0%	0%	0%	0%	0%

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

28 The second prudential indicator is the Council's capital financing requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

29 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

30 The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes.

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

	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Capital Financing Requirement					
CFR - Services	9,085	10,062	9,641	9,239	8,869
CFR – Commercial activities/non-financial investments	0	0	0	0	0
Total CFR	9,085	10,062	9,641	9,239	8,869
Movement in CFR	(233)	(382)	(422)	(402)	(370)

Movement in CFR represented by:					
Net financing need for the year (above)	3,699	1,550	0	0	0

Less MRP/VRP and other financing movements	(3,466)	(1,168)	(422)	(402)	(370)
Movement in CFR	**(233)**	**(382)**	**(422)**	**(402)**	**(370)**

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

32 A key aspect of the regulatory and professional guidance is that elected Members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown above demonstrate the scope of this activity and, by approving these figures, Members consider the scale proportionate to the Authority's remaining activity.

Core Funds and Expected Investment Balances

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

Year End Resources	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Fund balances / reserves	23,725	23,372	23,019	22,666	22,487
Capital receipts	371	789	4,030	6,042	0
Provisions	409	409	409	409	409
Other	0	0	0	0	0
Total core funds	**24,505**	**24,570**	**27,458**	**29,117**	**22,896**
Working capital*	10,914	11,014	11,114	11,214	11,314
Under/over borrowing	(3,004)	(4,097)	(3,795)	(3,516)	(3,272)
Expected investments	**32,415**	**31,487**	**34,777**	**36,815**	**30,938**

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

Minimum revenue provision (MRP) policy statement

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

35 MHCLG regulations have been issued which require the full Council to approve an MRP statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council can change the method of calculating MRP on an annual basis but once a method has been approved for a particular year, any assets purchased through borrowing that year must continue to have MRP charged in the same way. The Council cannot change the method of calculating MRP on individual assets.

36 The Council is recommended to approve the following MRP statement:

37 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be based on CFR. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

38 From 1 April 2008 for all unsupported borrowing (i.e. not supported by the Revenue Support Grant), including finance leases, the MRP policy will be either:

- Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction); or

- Depreciation method – MRP will follow standard depreciation accounting procedures.

These options provide for a reduction in the borrowing need over approximately the asset's life. Repayments included in finance leases are applied as MRP.

39 It is proposed to use the 'asset life method' in the calculation of the Council's MRP. In choosing to do so, there are two options available:

- Equal instalments – where the principal repayment made is the same in each year; or

- Annuity – where the principal repayments increase over the life of the asset.

40 Of the two options, the annuity method seems to be the most suitable for the Council at this time, particularly for assets that generate income. It matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. it reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years). Interest will be greater at the beginning of the loan, at which time all of the principal is outstanding, so the amount of principal repayment is lower in the initial years. The schedule of charges produced by the annuity method results in a consistent charge of principal and interest over an asset's life, taking into account the real value of the annual charges when they fall due.

41 MRP commences in the financial year following that in which the expenditure is incurred, or in the year following that in which the relevant asset becomes operational. This enables an MRP "holiday" to be taken in relation to assets which take more than one year to be completed before they become operational.

42 MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019 the total VRP overpayments have been nil.

The Borrowing and Repayment Strategy

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

Current portfolio position

44 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt against the underlying capital borrowing need (the CFR), highlighting any over or under borrowing.

	2017/18 Actual £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
External debt					

Debt at 1 April	0	5,250	5,134	5,015	4,892
Expected change in Debt	5,250	-116	-119	-123	-126
Other long-term liabilities (OLTL)	831	831	831	831	831
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	6,081	5,965	5,846	5,723	5,597
The Capital Financing Requirement (CFR)	9,085	10,062	9,641	9,239	8,869
Under / (over) borrowing	3,004	4,097	3,795	3,516	3,272

45 Within the above figures, the level of debt relating to commercial activities/non-financial investments is:

	2017/18 Actual £000	**2018/19 Estimate £000**	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**
External debt for commercial activities/non-financial investments					
Actual debt at 31 March	0	0	0	0	0
Percentage of total external debt	0	0	0	0	0

46 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and

the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

47 The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Treasury Indicators: Limits to Borrowing Activity

The operational boundary

48 This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational boundary	**2018/19 Estimate £000**	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**
Debt	30,000	30,000	30,000	30,000
Other long term liabilities	831	831	831	831
Commercial activities / non-financial investments				
Total	**30,831**	**30,831**	**30,831**	**30,831**

The authorised limit for external debt

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

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

51 The Council is asked to approve the following authorised limit:

Authorised limit	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Debt	35,000	35,000	35,000	35,000
Other long term liabilities	831	831	831	831
Commercial activities / non-financial investments				
Total	**35,831**	**35,831**	**35,831**	**35,831**

Prospects for interest rates

52 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view.

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

53 Appendix A draws together a number of current City forecasts for short term and longer fixed interest rates. Appendix B contains Link Asset Services' latest economic background report.

Borrowing Strategy

54 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement or CFR) has not been fully funded with loan debt as cash supporting the Council's

reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

55 Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast,* perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

56 Any decisions will be reported to the appropriate decision making body at the next available opportunity.

57 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

58 The Chief Finance Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

<u>Policy on borrowing in advance of need</u>

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

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

Debt rescheduling

61 As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

62 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

63 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

64 All rescheduling will be reported to Cabinet at the earliest meeting following its action.

Municipal Bonds Agency

65 It is possible that the Municipal Bonds Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

Income Strip Funding for regeneration schemes

66 A Member Working Group is currently investigating Income Strip Funding as an additional funding source (as requested by Council) and depending on their findings, this may be a more beneficial way of funding some schemes. If recommended by Council, Income Strip Funding may be added to the strategy as an additional funding source.

Affordability prudential indicators

67 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the

Council's overall finances. Members are asked to note the following indicators:

Ratio of financing costs to net revenue stream

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

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Services	0%	-1%	-1%	0%	0%
Commercial activities / non-financial investments	0%	0%	0%	0%	0%
Total	0%	-1%	-1%	0%	0%

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

Maturity structure of borrowing

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

70 Members are asked to note the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2019/20		
	Lower	**Upper**
Under 12 months	0	100
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years and above	0	100

Maturity structure of variable interest rate borrowing 2019/20		
	Lower	**Upper**
Under 12 months	0	100
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years and above	0	100

Annual Investment Strategy

Current investment portfolio position

71 The Council's treasury portfolio position at 31 December 2018 appears in Appendix C.

Loans to other organisations

72 The Council has loaned money to other organisations. Details appear in Appendix C.

Investment policy – management of risk

73 The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, as managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).

74 The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

75 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

76 The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

a) Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

b) Credit ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

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

d) This authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix D under the categories of 'specified' and 'non-specified' investments.
   - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year.
   - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

e) The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio, (see paragraph 81).

f) Lending limits (amounts and maturity), for each counterparty will be set through applying the table in paragraph 83.

g) This authority will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 96).

h) Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see Appendix E and paragraph 90).

i) This authority has engaged external consultants, Link Asset Services, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

j) All investments will be denominated in sterling.

k) As a result of the change in accounting standards for 2018/19 under IFRS 9, this authority will consider the implications of investment

instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the Ministry of Housing, Communities and Local Government (MHCLG) concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1 April 2018.

77 However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance (see paragraph 98). Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

78 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

79 The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

80 Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions

81 The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 (Good credit quality). UK banks having, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):
  i. Short Term – F1
  ii. Long Term – A-
- Banks 2 (Good credit quality). Non-UK banks domiciled in a country which has a minimum sovereign Long Term rating of AA- and having, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where appropriate):
  i. Short Term – F1
  ii. Long Term – A-
- Banks 3 (Part nationalised UK Bank – Royal Bank of Scotland). This bank can be included provided it continues to be part nationalised or it meets the rating requirements in Banks 1 above.
- Banks 4 (The Council's own banker for transactional purposes, if it falls below the above criteria). Balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operation. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies. The Council will use all societies which:
  i. Meet the ratings for banks outlined above; or
  ii. Have assets in excess of £3bn;

  or meet both criteria.

- Money Market Funds (MMFs). Minimum AAA credit rating from at least two of the three rating agencies and with a fund size in excess of £1bn. New EU regulations to be implemented in January 2019 will change fund valuation methodology from Constant Net Asset Valuation (CNAV) to either Low Volatility Net Asset Valuation (LVNAV) or CNAV. As a consequence, the Council approves the use of Money Market Funds that operate under CNAV (those that invest exclusively in government securities) or operate under LVNAV (all other liquidity funds)
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, parish councils etc.

82 A limit of 50% will be applied to the use of non-specified investments.

83 Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

84 The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long Term Rating (or equivalent)	**Money and/or % Limit**	**Time Limit**
Banks 1	A-	£7m	2 years
Banks 2	A-	£5m	2 years
Banks 3	N/A	£7m	2 years
Banks 4	N/A	£7m	1 day
Bank subsidiaries	A-	£7m	2 years
Rated building societies (assets over £3bn)	N/A	£5m	2 years
Unrated building societies (assets over £3bn)	N/A	£3m	1 year
UK Government DMADF	UK sovereign rating	£5m	6 months
Local authorities	N/A	£5m (each)	2 years
Money Market Funds (CNAV)	AAA	£5m (per Fund)	Liquid
Money Market Funds (LVNAV)	AAA	£5m (per Fund)	Liquid

85 The proposed criteria for specified and non-specified investments are shown in Appendix D.

UK banks – ring fencing

86 The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing". Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

87 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

88 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

Other limits

89 Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

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

91 In addition:

- no more than 15% of the total fund will be placed with any non-UK country at any time. The only country, other than the UK, currently approved for investment is Sweden;

- total investment in any single institution , or institutions within a group of companies, is limited to 25% of the total fund at the time an investment is placed;

Investment Strategy

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

93 Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

94 Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1, 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

95 The suggested budgeted investment earnings rates for returns on investments, placed for periods up to about 3 months, during each financial year are as follows:

- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 1.75%
- 2022/23 1.75%
- 2023/24 2.00%
- Later years 2.50%

96 The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside and how quickly the Brexit negotiations move forward positively.

97 Members are asked to note the following treasury indicator and limit. These limits are set with regard to the Council's liquidity requirements and to

reduce the need for an early sale of an investment. They are based on the availability of funds after each year-end.

Upper limit for principal sums invested for longer than 365 days	2019/20 £m	2020/21 £m	2021/22 £m
Limit for principal sums invested for longer than 365 days	£10m	£10m	£10m
Current investments at 31/12/18 in excess of 1 year maturing in each year	-	-	-

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

Investment risk benchmarking

99 The Council will use an investment benchmark to assess the performance of its portfolio. The benchmarks will be 7 day and 3 month LIBID uncompounded.

End of year investment report

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

Scheme of delegation

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

Role of the Section 151 officer

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

Key Implications

Financial

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

Legal Implications and Risk Assessment Statement

Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.

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

Treasury management has two main risks :

- Fluctuations in interest rates can result in a reduction in income from investments; and
- A counterparty to which the Council has lent money fails to repay the loan at the required time.

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

The movement in previous years towards having a restricted lending list of better quality institutions but higher individual limits with those institutions has reduced the chances of a default. But if a default did occur, the potential loss would be greater.

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

Equality Assessment

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

Conclusions

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

In line with the revised CIPFA Code of Practice on Treasury Management, the Annual Treasury Strategy Statement must be considered by Council and this is planned for its meeting on 26 February 2019. Given the current uncertainties in the financial markets and the implications of Brexit, the Council may need to consider amending its strategy during the year.

Appendices: Appendix A – Prospects for interest rates

Appendix B – Economic background report

Appendix C – Investment portfolio at 31 December 2018

Appendix D – Specified and non-specified investments

Appendix E – Approved countries for investments

Appendix F – Treasury management scheme of delegation

Appendix G – The treasury management role of the S151 officer

Background Papers: None

Adrian Rowbotham
Chief Finance Officer

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APPENDIX A: Prospects for interest rates

1 The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the Bank of England's Monetary Policy Committee (MPC) came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

2 The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.25 – 2.50% in December 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We therefore saw US 10 year bond Treasury yields rise above 3.2% during October 2018 and also investors causing a sharp fall in equity prices as they sold out of holding riskier assets. However, by early January 2019, US 10 year bond yields had fallen back considerably on fears that the Fed was being too aggressive in raising interest rates and was going to cause a recession. Equity prices have been very volatile on alternating good and bad news during this period.

3 From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis,

emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

4 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

5 Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

6 Borrowing interest rates have been volatile so far in 2018/19 and while they were on a rising trend during the first half of the year, they have backtracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

7 There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

APPENDIX B: Economic Background

1 **GLOBAL OUTLOOK.** World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the eurozone, overall world growth is likely to weaken.

2 Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation. The US Federal Reserve (Fed) has therefore increased rates nine times and the Bank of England twice. However, the European Central Bank (ECB) is unlikely to start raising rates until late in 2019 at the earliest.

3 **KEY RISKS - central bank monetary policy measures**
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

4 The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we have indeed, seen a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks. At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with

its policy for raising interest rates and was likely to cause a recession in the US economy.

5 The world economy also needs to adjust to a sharp change in liquidity creation over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt, (currently about $50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

6 **UK.** The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

7 At their November quarterly Inflation Report meeting, the Bank of England's Monetary Policy Committee (MPC) repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

8 It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

9 **Inflation.** The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.3% in November. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is

likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

10 As for the labour market figures in October, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.0%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

11 In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

12 **USA.** President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2 % in November. However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued on its series of increases in interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the rate and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles, of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world plunging under the weight of fears around the Fed's actions, the trade war between the US and China, an expectation that world growth will slow, Brexit etc.

13 The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However,

there is a risk of escalation if an agreement is not reached soon between the US and China.

14 **Eurozone.** Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

15 **China.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

16 **Japan** - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

17 **Emerging countries.** Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS

18 The interest rate forecasts provided by Link Asset Services in the main report and Appendix A are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

19 **The balance of risks to the UK.** The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

20 One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- Bank of England monetary policy takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the eurozone sovereign debt crisis, possibly in Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a fudge was subsequently agreed, but only by *delaying* the planned increases in expenditure to a later year. This can has therefore only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some European banks. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.

- German minority government. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD is reviewing whether it can continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018, (a new party leader has now been elected). However, this makes little practical difference as she is still expected to aim to continue for now as the Chancellor. However, there are five more state elections coming up in 2019 and EU parliamentary elections in May/June; these could result in a further loss of electoral support for both the CDU and SPD which could also undermine her leadership.
- Other minority eurozone governments. Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections.
- Austria, the Czech Republic and Hungary now form a strongly anti-immigration bloc within the EU while Italy, in 2018, also elected a strongly anti-immigration government. Elections to the EU parliament are due in May/June 2019.
- Further increases in interest rates in the US could spark a sudden flight of investment funds from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw sharp falls in equity markets interspersed with occasional partial rallies. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.
- There are concerns around the level of US corporate debt which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

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APPENDIX C: CURRENT PORTFOLIO POSITION

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

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms
	Barclays Bank plc (Business Premium A/C)	A+	U.K.		3,834,000	01-Oct-11			0.55000%	Variable
	Svenska Handelsbanken AB (Deposit A/C)	AA	Sweden		0	23-Jul-14			0.40000%	Variable
	Svenska Handelsbanken AB (35 Day Notice A/C)	AA	Sweden		1,000,000	01-Sep-16			0.50000%	Variable
	Aberdeen Standard Liquidity Fund (Money Market Fund)	AAA	U.K.		1,600,000	11-May-12				Variable
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		500,000	11-May-12				Variable
	BlackRock Liquidity Fund (Money Market Fund)	AAA	U.K.		500,000	13-Oct-16				Variable
	CCLA Public Sector Deposit Fund (Money Market Fund)	AAA	U.K.		3,000,000	08-Oct-18				Variable
IP1357	Bank of Scotland plc	A+	U.K.	Lloyds/HBOS	1,000,000	09-Aug-17	0.45000%	31-Mar-19	1.00000%	95 Day Notice
IP1401	Goldman Sachs International Bank	A	U.K.		3,000,000	15-Nov-18	0.92000%	15-May-19		6 Months
IP1400	Kingston upon Hull City Council		U.K.		2,000,000	26-Nov-18	0.90000%	27-May-19		6 Months
IP1374	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	05-Jan-18	0.70000%	31-Mar-19	1.00000%	95 Day Notice
IP1396	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	28-Sep-18	0.77000%	14-Feb-19		4/5 Months
IP1403	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	21-Dec-18	1.00000%	21-Jun-19		6 Months
IP1398	London Borough of Croydon		U.K.		4,000,000	22-Oct-18	1.00000%	22-Jul-19		9 Months
IP1394	Newcastle Building Society		U.K.		2,000,000	09-Jul-18	0.75000%	09-Jan-19		6 Months
IP1395	Nottingham Building Society		U.K.		2,000,000	24-Aug-18	0.86000%	25-Feb-19		6 Months
IP1402	Nottingham Building Society		U.K.		1,000,000	17-Dec-18	0.90000%	17-Jun-19		6 Months
IP1392	Principality Building Society	BBB+	U.K.		1,000,000	11-Jun-18	0.80000%	11-Mar-19		9 Months
IP1383	Thurrock Borough Council		U.K.		2,000,000	16-May-17	0.77000%	31-Jan-19		8 Months
IP1399	Thurrock Borough Council		U.K.		3,000,000	31-Oct-18	0.95000%	30-Apr-19		6 Months
IP1387	West Bromwich Building Society		U.K.		1,000,000	23-May-18	0.79000%	14-Jan-19		8 Months
	Total Invested				35,434,000					
	Other Loans									
	Sevenoaks Leisure Limited				600,000	02-Mar-18	6.00000%	02-Mar-28		10 Years

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APPENDIX D – TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

1 The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

2 The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 23 February 2010 and will apply its principles to all investment activity. In accordance with the Code, the Chief Finance Officer has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

3 **Annual investment strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

4 The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury management strategy statement.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include

sterling investments which would not be defined as capital expenditure with:

a) The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
b) Supranational bonds of less than one year's duration.
c) A local authority, parish council or community council.
d) Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.
e) A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies..

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are contained in the body of the treasury management strategy statement.

Non-specified investments –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	**Limit (£)**
a.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£7m
b.	**Building societies not meeting the basic security requirements under the specified investments**. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £3bn.	£3m
c.	Any **bank or building society** that has a minimum long term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£7m
d.	Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined	£7m

	above.	
e.	**Share capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	£50k

NOTE 1. This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

Within categories a and b, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. These criteria are contained in the body of the treasury management strategy statement.

5 **The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Finance Officer, and if required new counterparties which meet the criteria will be added to the list.

APPENDIX E - Approved countries for investments

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

AAA

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

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- U.K.

AA-

- Belgium
- Qatar

APPENDIX F - Treasury management scheme of delegation

Full Council

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

Cabinet

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

Finance Advisory Committee

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

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

The S151 (responsible) officer is responsible for:

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

Item 10 – Capital Strategy 2019/20

The attached report was considered by the Finance Advisory Committee on 29 January 2019. The relevant Minute extract is below.

Finance Advisory Committee (29 January 2019, Minute 47)

The Principal Accountant presented the report which introduced the reporting of a Capital Strategy for 2019/20 in line with the new CIPFA Prudential Code and the CIPFA Treasury Management Code. The Capital Strategy formed part of the Council's policy and strategy documents, providing guidance on the Council's capital programme and the use of its capital resources, and required approval by Cabinet and Full Council.

Its aim was to ensure that Members fully understood the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The guidance in the strategy complemented and supplemented the Medium Term Financial Plan, the Property Investment Strategy and the Treasury Management Policy and Strategy.

Members noted that this was more a formalisation of current practices, than something completely new. However, they requested a standardised or 'traffic light' reporting format in order to be readily able to examine the information. Members were advised that a draft format was being worked on.

> *Action 1: Updated draft capital bid form to be circulated for all Advisory Committee members to comment on.*

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

> Resolved: That the report be noted.

CAPITAL STRATEGY 2019/20

Cabinet – 14 February 2019

Report of the:	Chief Finance Officer
Status:	For Decision
Also considered by:	Finance Advisory Committee – 29 January 2019
	Council – 26 February 2019
Key Decision:	No

Executive Summary: This report presents the Capital Strategy for 2019/20. The Capital Strategy forms part of the Council's policy and strategy documents, providing guidance on the Council's capital programme and the use of its capital resources. It has to be approved by Cabinet and Full Council.

Its aim is to ensure that Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The guidance in this strategy complements and supplements the Medium Term Financial Plan, the Property Investment Strategy and the Treasury Management Policy and Strategy.

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

Portfolio Holder	Cllr. John Scholey
Contact Officer	Roy Parsons, Principal Accountant, Ext. 7204

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

Recommendation to Cabinet: That, subject to the comments of the Finance Advisory Committee, Cabinet recommend that Council approve the Capital Strategy for 2019/20.

Recommendation to Council: That the Capital Strategy for 2019/20 be approved.

Reason for recommendations: To agree the content of the Capital Strategy for 2019/20.

Background

1 Following a substantial review process during 2017 both the Prudential Code for Capital Finance in Local Authorities (the 'Prudential Code') and the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (the 'Treasury Management Code') were updated and issued by the Chartered Institute of Pulic Finance and Accountancy (CIPFA) in December 2017.

2 The Ministry of Housing, Communities and Local Government (MHCLG) issued its Statutory Guidance on Local Government Investments (3rd Edition) in February 2018. The Statutory Investment Guidance was amended in response to changing practices for local authority investments (for example, for investment in economic regeneration and authorities investing in non-financial assets) and it follows up on the changes to the CIPFA codes.

3 Local authorities in England are required to 'have regard' to the Statutory Investment Guidance as the Guidance was issued by the Secretary of State under Section 15 (1) of the Local Government Act 2003.

Introduction

4 The revised CIPFA Codes require, for 2019/20 onwards, all local authorities to prepare a Capital Strategy report, which will provide the following:

- A high level, long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed; and
- The implications for future financial sustainability.

5 The aim of this Capital Strategy is to ensure that all elected Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance and risk appetite.

6 The Capital Strategy has direct links to other key strategic and policy documents, such as:

- The Ten Year Plan;
- The Local Plan;
- Asset Mangement Plan;
- Treasury Management Policy And Strategy;
- Budget and Medium Term Financial Plan (MTFP);
- Property Investment Strategy; and

- Capital Programme

7 The Capital Strategy complements the above documents by defining the approach, structure and governance for the effective financing and Management of the Council's capital investment needs and ambitions. It outlines how the Council's existing capital resources will be effectively managed to meet the planned needs and opportunities and for meeting the ambitions for future longer term capital investments.

8 It is intended that the Capital Strategy will be updated annually to reflect changes in circumstances.

Purpose of the Capital Strategy

9 The Capital Strategy sets out how the Council will manage the investment and financing of capital resources to contribute towards the achievement of its key objectives and priorities. This includes the appraisal process for determining investment decisions and the process for identifying and prioritising funding requirements.

10 The Capital Strategy is a framework by which capital expenditure decisions are made. It is required under the Prudential Code as a measure of good governance.

11 The objectives of the Capital Strategy are to:

- Prioritise and deploy capital resources in advancement of corporate objectives;
- Support service plans;
- Look for opportunities for cross-cutting and joined up investment;
- Invest in assets that reflect the visions and aspirationsof local people in service delivery; and
- Manage investment and the Council's property and other assets effectively and efficiently.

12 The strategy considers all aspects of the Council's capital expenditure and extends to areas where the Council is able to influence others through the use of its capital resources. It forms part of the Council's integrated revenue, capital and balance sheet planning.

13 The strategy covers capital expenditure, capital financing and asset management and is one of the Council's key strategies. It also gives an overview of how risk is managed and the implications for future financial sustainability. It also provides a set of objectives and a framework, within the CIPFA Codes and statutory legislation, by which new capital projects are evaluated and investment decisions made, whilst ensuring that funding is targeted towards meeting corporate priorities.

14 The Capital Strategy:

- States the Council's processes for project initiation, deciding on the prioritisation of capital projects and monitoring and evaluating schemes;
- Takes account of significant revenue implications;
- Provides a framework for the management and monitoring of the capital programme;
- Identifies funding streams and provides a basis to inform bidding for additional capital resources (e.g. government initiatives); and
- Informs the corporate review of existing properties.

Project Initiation

15 Capital projects are subject to a robust justification process, bringing together a clear business case with suficient detailed costings to ensure that transparent decisions can be taken. Proposals are given independent oversight and review of the project in terms of validation arrangements, estimated figures and project milestones. Business cases are prepared in accordance with good project management principles.

16 A formal process is drawn up to ensure that projects are subject to thorough oversight for the duration of the scheme. Project management sits with the initiating team or department and there are clearly defined areas of responsibility for each task within the project.

17 For larger projects where feasibility is less certain, more robust business cases are prepared before bids for funds are made. This includes undertaking all preparatory work to fully understand the requirements of a project before a budget is sought. There must be a clear link between budgets and service plans.

Prioritisation of capital projects

18 Capital projects will be assessed for:

- Strategic fit – corporate objectives are being met by the expenditure;
- Identified need – e.g. essential repairs and maintenance of existing assets;
- Achievability – this may include alternatives to direct expenditure by the Council such as partnerships with others;
- Affordability – to ensure that total capital expenditure remains within sustainable limits;

- Practicality and deliverability;
- Revenue generation achieved from the investment; and
- Non-monetary impacts such as future economic growth, social well-being or environmental improvement.

Monitoring and evaluating schemes

19 For all capital investment the appropriate level of due diligence will be undertaken, with the extent and depth reflecting the level of risk being considered. Due diligence will include:

- Identification of the risk to both the capital sums invested and the returns;
- Understanding the potential impact on the financial sustainability of the Council if the risks come to fruition;
- Identifying assets being held for security against any potential debt or charges on assets; and
- Seeking independent and expert advice where necessary.

20 The Chief Finance Officer will ensure that Members are adequately informed and understand the risks of capital investment.

21 Project proposals will be put to Council for formal approval together with funding requirements and, if successful, will form the Council's capital programme which is its plan of capital investment for future years. This ensures that the Council's overall capital strategy, governance procedures and risk appetite are fully understood by all Members.

Revenue implications

22 The revenue implications of capital investment must always be considered in investment decisions and the prioritisation of projects. These include costs and savings implications. Costs to consider include:

- Cost of borrowing (including Minimum Revenue Provision);
- Loss of investment income if reserves or useable capital receipts are deployed; and
- Running costs associated with the asset (e.g. employee salaries, heat and light, administrative support costs and future maintenance).

Savings, including benefits, to identify include:

- Any positive impact of investment and economic growth on the Council's council tax base and business rates income; and

- Capital projects that generate income, revenue savings or efficiencies.

Funding the Capital Strategy

23 Proposals for capital projects must identify the funding requirements for the timescale of the project including any revenue implications. Funding must be appropriate for the project and will come from:

- Reserves;
- Capital receipts – from the sale of assets or finance lease receipts;
- Government grants – such as disabled facilities grant funding;
- Third party grants and contributions;
- Community Infrastructure Levy;
- Revenue contributions;
- Other developer contributions; and
- External borrowing.

24 The Secretary of State believes that individual local authorities are best placed to decide which projects will be most effective for their area. The key criteria to use when deciding whether expenditure can be funded by the increased flexible use of capital receipts is that it is forecast to generate ongoing savings.

Borrowing

25 The Council's approach to borrowing is set out in its Treasury Management Strategy Statement. The Council may consider internal or external borrowing. Prior to undertaking any external borrowing, affordability, the maturity profile of existing debt, interest rate and refinancing risk and the borrowing source should be given due consideration.

26 Local authorities are required to set aside some of their revenues as provision for debt each year of an amount considered to be 'prudent' (the Minimum Revenue Provision or MRP). Prudent provision should ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefit.

Commercial activities and investment property

27 CIPFA defines investment property as property held solely to earn rentals or for capital appreciation or both. Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation

of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

28 With reductions in funding that the Council has faced, it is having to look at commercial activities and property investment to supplement its income and support service delivery. However, to minimise risk of potential loss of income in the longer term, it needs to ensure that any investment opportunities are based upon sound decision making that considers the future likelihood of investment income reducing. Property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave properties remaining vacant.

29 The detail is contained in the Council's Property Investment Strategy which documents the Council's requirements, but when making commercial investment decisions the Council will follow the following principles:

- Commercial investments will only be made to enhance the Council's asset portfolio and will be linked to delivery of the Ten Year Plan;
- Consideration will be given to the economic development potential of any investment decision;
- Expert advice will be sought to ensure that any investment decision is based upon sound market intelligence, forecasts for future investment returns and yields that offer sound investment return without risking the capital invested;
- Any borrowing linked to investment opportunities is secured upon the potential guaranteed element of the investment return so that any liability can be met from the activity undertaken; and
- Investment opportunities will always ensure that the Council's investment is protected as far as possible either through increases in capital value or from guaranteed revenue income.

30 The Property Investment Strategy makes it clear that the Council will continue to invest prudently on a commercial basis and to take advantage of opportunities as they present themselves, supported by a robust governance process. However, proportionality in respect of overall resouces will remain an important factor.

Knowledge and skills

31 The Council has professionally qualified staff across a range of disciplines, including finance, legal and property that follow continuous professional development (CPD) and maintain knowledge and skills through attendance on courses and through regular technical updates from appropriate bodies.

32 The Council utilises the knowledge and skills of these officers when considering capital investment decisions and, where necessary, it also relies

on the expert knowledge of specialist external advisors. Some of these advisors are contracted long term or are appointed on an ad-hoc basis where necessary. Link Asset Services, provide treasury management advice, including investments, borrowing and capital financing.

33 External professional advice will always be sought when considering any major commercial property investment decision.

Key Implications

Financial

The report forms part of the Council's Budget and Policy framework.

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.

All capital expenditure carries an element of risk which will be considered as part of the decision-making process for individual capital schemes.

Equality Assessment

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

Conclusions

This Capital Strategy report fulfils the requirements of the CIPFA Prudential Code and the CIPFA Treasury Management Code, which were issued in December 2017.

In line with the revised CIPFA Codes, the Capital Strategy must be considered by Council and this is planned for its meeting on 26 February 2019.

Background Papers: None

Adrian Rowbotham
Chief Finance Officer

Item 11 – Capital Programme and Asset Maintenance 2018/21

The attached report was considered by the Finance Advisory Committee on 29 January 2019. The relevant Minute extract is below.

Finance Advisory Committee (29 January 2019, Minute 48)

The Head of Finance tabled an additional Appendix A and a replacement Appendix B for consideration. The report set out the proposed Capital and Asset Maintenance Programme for 2018/21 together with proposed funding. The Asset Maintenance figures were from the previous 10-year budget and did not assume any additional growth at this stage although SCIA16 proposed an annual increase of £100,000.

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

Resolved: That it be recommended to Cabinet that

a) the Capital Programme 2018/21 and funding set out in Appendix B to the report, be approved; and

b) the proposed Asset Maintenance budget of £561,000 be agreed for 2019/20.

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CAPITAL PROGRAMME & ASSET MAINTENANCE 2018/21

Cabinet – 14 February 2019

Report of	Chief Finance Officer
Status	For Decision
Also considered by	Finance Advisory Committee – 29 January 2019
Key Decision	No

Executive Summary: This report sets out the proposed Capital and Asset maintenance programme for 2018/21 together with proposed funding.

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

Portfolio Holder	Cllr. John Scholey
Contact Officers	Alan Mitchell, Ext.7483
	Adrian Rowbotham, Ext. 7153

Recommendation to Cabinet:

(a) The Capital Programme 2018/21 and funding set out in Appendix B be approved, and

(b) The proposed Asset Maintenance budget of £561,000 be agreed for 2019/20.

Reason for recommendation: To comply with the Councils Procedure rules and to ensure sound financial management.

Introduction and Background

1 The Capital programme is put together following the Council's financial and corporate policies to ensure that the proposed programme satisfies one or more of the Council's corporate plan priorities:

(a) improve efficiency and cost effectiveness of the services we provide;

(b) buy and build new assets that help improve the way we provide services and at the same time generating return on our investments;

(c) providing better customer service;

(d) invest in attracting, generating and supporting business.

Capital Bids

2 The new scheme bids are attached as Appendix A, these are in addition to programmes such as information technology and vehicle replacements.

3 Each scheme bid document details the proposed programme and its purpose as well as the capital and revenue costs for the next 3 years. In addition, details of how the programme is to be funded, justification for the bid and any other resource implications are included in each bid document.

4 Appendix B summaries the overall position if all the schemes are approved and indicates the funding sources proposed.

5 Schemes that have not spent in line with previously reported schedules for 2018/19 may be carried forward to 2019/20, subject to Cabinet approval and the final outturn position.

Capital Receipts

6 In the summary below the available capital receipts have been identified which can be used to fund the capital programme.

Table 1: Capital Receipts estimates

Source	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Shared Ownership Staircasing	268	15	10	10
Land & Property disposal	8	5,645	11,100	-
	276	5,660	11,110	10

7 The capital receipt estimates are the most accurate available at the time the disposal programme is produced but may be subject to change due to market conditions or other planning related changes.

8 Capital receipts will be used to finance the capital programme where possible but other sources of funding such as the Financial Planning Reserve, internal borrowing, external borrowing and the Vehicle Renewal Reserve may be used to fund specific items.

Asset Maintenance

9 The asset maintenance programme seeks to allocate budgets to individual areas and schemes in accordance with the asset management plan and service requirement, reflecting backlog maintenance, health & safety and income generation as priorities.

10 The asset maintenance programme has been increase by £50,000 to reflect the need to increase the maintenance budget to keep Council owned premises in good order. Cabinet approved the bid on 11 January 2018 as SCIA 10.

11 Following the asset maintenance review SCIA16 proposes to increase the annual asset maintenance contribution by £100,000.

12 The table below sets out the asset maintenance programme for the next 4 years.

Table 2: Total asset maintenance programme

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Budget	500	561	572	586

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

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

Equality Assessment

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

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

Conclusion

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

Appendices	Appendix A – Scheme Bid Documents
	Appendix B – Proposed 2018/21 capital programme
Background Papers	None

Adrian Rowbotham
Chief Finance Officer

Capital Programme 2019/22

Scheme Bid Document - Scheme: Disabled Facility Grant

Description: Money provided by the Better Care Fund for the provision of both mandatory and discretionary activities to ensure those eligible for assistance remain residing in their own home along with the new requirement to fund initiatives to better integrate housing with social care and Health Services, through preventive and responsive services.

Service : Private Sector Housing

Portfolio Holder/Chief Officer : Cllr Lowe/Richard Wilson

Financials :

CAPITAL COSTS	Period TOTAL	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Gross scheme cost	3,300	1,100	1,100	1,100
External Contributions (list)				
Better Care Fund, via KCC	(3,300)	(1,100)	(1,100)	(1,100)
Net scheme cost	0	0	0	0

ONGOING REVENUE IMPLICATIONS (excluding loss of interest)			
Running costs			
Income streams			
Net cost	0	0	0

Funding Source : Scheme will be fulling funded from the Better Care Fund.

Other Resource Implications :	
Staffing	Managed with existing staffing establishment
Asset Values	Assets not in Council ownership

Justification: Statutory Duty

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

From 2015 the DCLG total budget for Kent has been administered by KCC (ring fenced for each Council so should not be an issue).

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Capital Programme 2018/21

Scheme Bid Document - Scheme: White Oak Leisure Centre

Description: Pre-construction to the stage of Cost Certainty (RIBA Stage 4) – see breakdown at the end of this form.

Service: Communities & Business

Portfolio Holder/Chief Officer: Cllr Fleming/Lesley Bowles

Financials:

CAPITAL COSTS	TOTAL £000	2018/19 £000	2019/20 £000	2020/21 £000
Gross scheme cost	550	0	550	
External Contributions (list)				
Net scheme cost	550	0	550	0
ONGOING REVENUE IMPLICATIONS* (excluding loss of interest)				
Running costs				
Income streams				
Net cost		0	0	0

Funding Source : Capital Receipts

* : Revenue implications dependent on individual projects.

Other Resource Implications :	
Staffing	The Council's ED & Property Team and Finance teams will be involved in working with the specialist contractor. The council's Project Management Team will be involved to facilitate reporting through the Council's Strategic Programme Board.
Asset Values	The carrying value in the Financial Statement of Accounts is £466,000 however the like for like valuation for insurance purposes is £29m.

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

Key infrastructure for Swanley with links to Community Plan, Housing and Health Strategy

Breakdown of costs:	£000
Pre-construction surveys/works: design to RIBA Stage 4 and Principal Designer role	395
Additional specialist design input for TAG active, soft play, café & kitchen and Parkour	8
Quantity Surveyor	56
Project Management and delivery fee	71
Client contingency	20

These costs take us up to the point of commencing construction

Capital Programme 2019/22

Scheme Bid Document - Scheme: Vehicle Replacement Programme

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

Service : **Environmental and Operational Services**

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

Financials :

CAPITAL COSTS	TOTAL £000	2019/20 £000	2020/21 £000	2021/22 £000
Gross scheme cost	1660	548	549	563
External Contributions (list)				
Net scheme cost	1660	548	549	563
ONGOING REVENUE IMPLICATIONS (excluding loss of interest)				
Contribution to Vehicle replacement Reserve		47	47	47
Income streams				
Net cost		47	47	47

Funding Source: Funding is via the vehicle replacement fund which is financed by fixed transport charges, the sale of old vehicles and by an annual revenue contribution. Fixed transport charges include an annual replacement fund contribution as well as individual depreciation charges levied on each fleet purchase over predetermined periods.

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

Justification: Key Infrastructure

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

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TABLED

Appendix B

Capital Programme 2018-21

Chief Officer/Scheme	Funding Source	Total approved scheme £000	Previous year spend £000	2018/19 Forecast £000	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23	Total over programme period £000
Communities and Business									
Parish projects	Capital Receipts	-	-	51	-	-	-	-	51
White Oak Leisure Centre	Capital Receipts	-	-	-	550	-	-	-	550
Environmental and Operational Services									
Commercial vehicle replacements	Vehicle Renewal Res.	-	-	548	548	549	563	563	2,208
Disabled Facilities Grants (gross)	Better Care Fund	-	-	1,463	1,100	1,100	1,100	1,100	4,763
Sennocke Hotel	Fin Plan Reserve & Capital Receipts	7,530	4,761	2,571	-	-	-	-	7,332
Buckhurst 2 Car Park	External Borrowing & Capit	10,960	3,703	7,257	-	-	-	-	10,960
Buckhurst 2 Residential	Capital Receipts			611	5,861	-	-	-	6,472
CCTV		70		50	20	-	-	-	70
Finance									
Property Investment Strategy	Prop. Inv. Reserve	43,000	17,476	429	5,000	5,000	15,095		43,000
TOTAL				12,980	13,079	6,649	16,758	1,663	75,406

Funding Sources

	2018/19	2019/20	2020/21	2021/22	2022/23
Capital Receipts	789	4,030	6,592		
Financial Plan Reserve & Cap Receipts	3,269				
Vehicle Renewal Reserve	548	548	549	563	563
Property Investment Strategy ***	429	5,000	5,000	15,095	
Better Care Fund (KCC)	1,463	1,100	1,100	1,100	1,100
Internal Borrowing	4,487	2,253	-6,740		
Capital Reserve (from Revenue)	445	148	148		
External Borrowing	1,550				
	12,980	13,079	6,649	16,758	1,663

*** Part will be funded from Capital Receipts, Reserves, Internal Borrowing and External Borrowing.

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Item 12 – Financial Results 2018/19 - to the end of November 2018

The attached report was considered by the Finance Advisory Committee on 29 January 2019. The relevant Minute extract is below.

Finance Advisory Committee (29 January 2019, Minute 50)

The Head of Finance presented a report on the Council's financial results 2018/19 to the end of November 2018, which showed the year end position was currently forecast to be an unfavourable variance of £140,000, which represented 0.95% of net service expenditure budget totalling £14,687,000. In response to a question relating to the unfavourable variance for internal enforcement agents, the Chief Finance Officer advised that the variance was due to the changes starting later than assumed.

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

Resolved: That the report be noted.

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FINANCIAL RESULTS 2018/19 – TO THE END OF NOVEMBER 2018

Cabinet – 14 February 2019

Report of	Chief Finance Officer
Status:	For consideration
Also considered by:	Finance Advisory Committee – 29 January 2019
Key Decision:	No

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

Portfolio Holder	Cllr. John Scholey
Contact Officers	Alan Mitchell, Ext. 7483
	Adrian Rowbotham, Ext. 7153

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.

Overall Financial Position

1 The year-end position is currently forecast to be an unfavourable variance of £140,000; this represents 0.95% of our net service expenditure budget totalling £14,687,000.

Year to Date - Areas of Note

2 Pay costs – the expenditure to date on staff costs is £377,000 below budget. There are currently vacancies within the majority of service areas; the largest salary underspends are being reported within Planning Services and Environmental & Operational Services. The impact of the larger salary variances are included within the Chief Officer commentaries.

3 Income – the Council receives a number of different income streams to help balance the budget; section 8 of the monitoring pack provides details in relation to the main streams. At the end of November, income is ahead of profile in Carparks, On-street Parking and Building Control. The level of on-

street parking income has seen a slight increase, as large scale works are carried out in the car parks. Land Charges, Car Parks and Planning Fee income is currently lower than anticipated; Chief Officers are aware of risks and have provided further details in their commentaries.

4 Investment Returns – the return to date on the investments held by the Council has resulted in a favourable position being reported, with interest received to date totalling £164,000 compared to a budget of £100,000. For noting, we are starting to see some amendments to available rates following the Bank of England base rate increase to 0.75% in August 2018.

5 New Homes Bonus – the Council is due to receive £1,320,000 News Homes Bonus during 2018/19; as per the 10 year financial plan, this income will not be applied to fund the provision of services, instead it will be transferred to the Budget Stabilisation Reserve to be utilised as future needs arise.

6 Retained Business Rates – the Council is part of the 2018/19 Kent 100% Business Rates Retention pilot. An income expectation of £2,700,000 forms part of the 18/19 budget; any receipts over and above this amount will be transferred to the Budget Stabilisation Reserve. Regular monitoring takes place, with any outturn amendments feeding into the outturn forecasts.

Year End Forecast

7 The year-end forecast position is an unfavourable variance of £140,000. Following are details of the larger variances, both favourable and unfavourable.

Net Service Expenditure - Favourable variances

8 The Council is providing Parking Enforcement to Tandridge District Council, as part of a contractual agreement; additional income totalling £30,000 has been forecast in relation to this arrangement.

9 Various underspends across Environmental & Operational Services general admin support functions has resulted in a favourable variance of £72,000 being forecast; this is as a result of salary savings and savings on postage, phones, equipment and other minor expenditure areas.

10 The Council no longer belongs to the West Kent Equalities arrangement, with services being provided in-house; this has resulted in a favourable variance of £19,000.

11 From the savings the Council is able to derive from vacant posts, it is anticipated that the corporate savings target will be exceeded by the year end; this has resulted in a favourable variance of £20,000.

12 Salary savings within the Planning Service as a result of vacancies has resulted in favourable variances of £35,000 being forecast in Planning – Enforcement and £40,000 in Planning Policy.

13 A favourable variance of £24,000 has been forecast in the Audit Function owing to current vacancies within the service, partly offset by the secondment of an interim Audit Manager. As agreed by the Audit Committee members, the future direction of the Audit Service is currently under review.

Net Service Expenditure - Unfavourable variances

14 Business Rates have been paid for properties in Swanley that are being held for future development and this has given rise to an unfavourable variance of £35,000.

15 Anticipated lower levels of income from sale of glass and paper has contributed to an adverse variance forecast within the Refuse Collection service, totalling £72,000.

16 Savings/income from moving to internal enforcement agents for local tax recovery has not fully been realised, as arrangements have not been in place for the full year; this has contributed to an adverse variance of £57,000 being forecast within the Local Tax service.

17 Contractor and consultant costs involved in the feasibility and legal work in the lead up to capital schemes has resulted in Economic Development Property forecasting of unfavourable variance of £36,000.

18 Unrealised income within CCTV has resulted in an unfavourable variance of £22,000.

19 Planning – Appeals are forecasting an unfavourable variance of £29,000 following awards of costs.

20 Underachievement of planning income, partly off-set by salary savings from vacancies within the Planning – Development Management team, has resulted in an unfavourable variance of £86,000.

21 Environmental Protection has forecast a £10,000 underachievement of permitting income, owing to the number of Pollution Prevention and Control permits actually issued.

22 Rates paid for the temporary Morewood Close parking site, whilst Buckhurst 2 is being redeveloped, has contributed to an unfavourable variance of £15,000 being forecast in Car Parks.

23 The costs incurred in relation to Public Rights of Way and CON 29 have contributed to an unfavourable forecast of £60,000 in Land Charges.

Other Variances

24 Retained Business Rates – following the quarter 1 business rates pilot monitoring position, the Council are anticipating additional business rates receipts totalling £250,000. A corresponding transfer to the Budget Stabilisation Reserve has been forecast, to enable funds to be utilised in future years.

25 Interest Receipts – current levels of investment returns and possible rates available going forward has resulted in £111,000 additional income being forecast.

26 Investment Property Income – as agreed as part of the 2018/19 budget setting process any surplus income received from Investment Properties will be transferred to a reserve to assist with any future maintenance or voids costs. It is anticipated that income will exceed budgeted levels this year and some of this will be transferred to a reserve, however some of the income will be utilised to off-set consultancy costs incurred within Economic Development in relation to Property Investment projects. As a result a £20,000 favourable variance has been forecast to reflect this.

Future Issues and Risk areas

27 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:

- Spend on property feasibility studies may be capitalised if the project is feasible and taken forward. This is monitored carefully during the year.
- Land Charges income remains challenging versus the budgeted amount, currently under review.
-
- The full service of Universal Credit, seeing the transfer of new claims to Universal Credit, will commence from November 2018. Migration for existing claims will be phased after this date; however, pensioner cases will be retained. Regular liaison meetings are taking place with DWP partnership managers.
- There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts, and we have received an indication of significant appeal costs in Swanley. Final costs therefore remain uncertain.
- Planning application fee income is uncertain and is currently below budgeted profile. This is being closely monitored.
- Staff turnover, in Planning, remains high and recruiting to vacant posts continues to be difficult.
- Any surplus on the Investment Property budget will be transferred to a reserve as agreed at budget setting to assist with any future maintenance and voids.

28 The impact on financial markets, externally funded projects and rates of inflation following the results of the EU Referendum in June 2016 is being monitored and addressed as part of the Council's risk management process.

Key Implications

Financial

The financial implications are set out elsewhere in this report.

Legal Implications and Risk Assessment Statement.

Under section 151 of the Local Government Act 1972, the Section 151 officer has statutory duties in relation to the financial administration and stewardship of the authority.

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

Equality Assessment

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

Appendices	Appendix 1 – November Budget Monitoring (Commentaries) Appendix 2 – November Budget Monitoring (Tables)
Background Papers:	None

Adrian Rowbotham

Chief Finance Officer

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Budget Monitoring for November 2018

Contents

BUDGET MONITORING - Strategic Commentary - As at 30th November 2018

Overall Financial Position

1. The year-end position is currently forecast to be an unfavourable variance of £140,000; this represents just over 0.95% of our net service expenditure budget totalling £14,687,000.

Year to Date - Areas of Note

2. Pay costs – the expenditure to date on staff costs is £451,000 below budget. There are currently vacancies within the majority of service areas; the largest salary underspends are being reported within Planning Services and Environmental & Operational Services. The impact of the larger salary variances are included within the Chief Officer commentaries.

3. Income – the Council receives a number of different income streams to help balance the budget; section 8 of the monitoring pack provides details in relation to the main streams. At the end of November, income is ahead of profile in Car Parking, On-street Parking and Building Control. The level of on-street parking income has seen a slight increase, as large scale works are carried out in the car parks. Land Charges and Planning Fee income is currently lower than anticipated; Chief Officers are aware of risks and have provided further details in their commentaries.

4. Investment Returns – the return to date on the investments held by the Council has resulted in a favourable position being reported, with interest received to date totalling £164,000 compared to a budget of £100,000. For noting, we are starting to see some amendments to available rates following the Bank of England base rate increase to 0.75% in August 2018.

5. New Homes Bonus – the Council is due to receive £1,320,000 News Homes Bonus during 2018/19; as per the 10 year financial plan, this income will not be applied to fund the provision of services, instead it will be transferred to the Budget Stabilisation Reserve to be utilised as future needs arise.

6. Retained Business Rates – the Council is part of the 18/19 Kent 100% Business Rates Retention pilot. An income expectation of £2,700,000 forms part of the 18/19 budget; any receipts over and above this amount will be transferred to the Budget Stabilisation Reserve. Regular monitoring takes place, with any outturn amendments feeding into the outturn forecasts.

Year End Forecast

7. The year-end forecast position is an unfavourable variance of £140,000. Following are details of the larger variances, both favourable and unfavourable.

Net Service Expenditure - Favourable variances

8. The Council is providing Parking Enforcement to Tandridge District Council, as part of a contractual agreement; a favourable variance totalling £30,000 has been forecast in relation to this arrangement.

9. Various underspends across Environmental & Operational Services support functions has resulted in a favourable variance of £52,000 being forecast; this is as a result of salary savings and savings on postage, phones, equipment and other minor expenditure areas.

10. The Council no longer belongs to the West Kent Equalities arrangement, with services being provided in-house; this has resulted in a favourable variance of £19,000.

11. From the savings the Council is able to derive from vacant posts, it is anticipated that the corporate savings target will be exceeded by the year end; this has resulted in a favourable variance of £20,000.

12. Salary savings within the Planning Service as a result of vacancies has resulted in favourable variances of £35,000 being forecast in Planning – Enforcement, £30,000 in CIL Administration and £40,000 in Planning Policy.

13. A favourable variance of £24,000 has been forecast in the Audit Function owing to current vacancies within the service, partly offset by the secondment of an interim Audit Manager. As agreed by the Audit Committee members, the future direction of the Audit Service is currently under review.

14. The fee received for administrating the Community Infrastructure Levy is projected to exceed budget expectations; this has resulted in a favourable variance of £30,000 being forecast.

15. Street naming and numbering are forecasting a favourable outturn variance of £14,000; this is as a result of higher than anticipated income levels and also reduced expenditure.

Net Service Expenditure - Unfavourable variances

16. Business Rates have been paid for properties in Swanley that are being held for future development and this has given rise to an unfavourable variance of £35,000.

17. Anticipated lower levels of income from sale of glass and paper has contributed to an adverse variance forecast within the Refuse Collection service, totalling £72,000.

18. Savings/income from moving to internal enforcement agents for local tax recovery has not fully been realised, as arrangements have not been in place for the full year; this has contributed to an adverse variance of £53,000 being forecast within the Local Tax service.

19. Contractor and consultant costs involved in the feasibility and legal work in the lead up to capital schemes has resulted in Economic Development Property forecasting of unfavourable variance of £35,000.

20. Unrealised income expectations with CCTV has resulted in an unfavourable variance of £22,000.

21. Planning – Appeals are forecasting an unfavourable variance of £29,000 following awards of costs.

22. Underachievement of planning income, partly off-set by salary savings from vacancies within the Planning – Development Management team, has resulted in an unfavourable variance of £76,000.

23. The underachievement of income and costs incurred in relation to Public Rights of Way and CON 29 have contributed to an unfavourable forecast of £60,000 in Land Charges.

24. Community Safety have forecast an adverse variance of £21,000 following legal fees and charges for regularising activity at the former Convent of Mercy building.

25. Office maintenance, recruitment costs and investment in new staff training has resulted in an unfavourable variance of £27,000 being forecast within Planning Services - Administrative Expenses.

26. Additional agency staff costs to cover maternity leave and other staff absence within the Support – Exchequer and Procurement service has resulted in an unfavourable variance of £34,000.

27. Although income is above profile, rent for Bligh's car park and business rates paid, including for the temporary site of Morewood Close for temporary parking whilst Buckhurst 2 being developed, have contributed to an unfavourable variance of £71,000 being forecast within Car Parks.

Other Variances

28. Retained Business Rates – following the qtr 1 business rates pilot monitoring position, the Council are anticipating additional business rates receipts totalling £250,000. A corresponding transfer to the Budget Stabilisation Reserve has been forecast, to enable funds to be utilised in future years.

29. Interest Receipts – current levels of investment returns and possible rates available going forward has resulted in £111,000 additional income being forecast.

30. Investment Property Income – as agreed as part of the 18/19 budget setting process any surplus income received from Investment Properties will be transferred to a reserve to assist with any future maintenance or voids costs. It is anticipated that income will exceed budgeted levels this year and some of this will be transferred to a reserve, however some of the income will be utilised to off-set consultancy costs incurred within Economic Development in relation to Property Investment projects. As a result a £20,000 favourable variance has been forecast to reflect this.

Future Issues and Risk areas

31. 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:

- Spend on property feasibility studies may be capitalised if the project is feasible and taken forward. This is monitored carefully during the year.
- All legal fees and charges for regularising activity at the former Convent of Mercy building in Swanley, including planning enforcement, will be charged to the Community Development budget which will result in an overspend. The amount of legal fees will not be known until later in the financial year.

- The full service of Universal Credit, seeing the transfer of new claims to Universal Credit, commenced from 21st November 2018. Migration for existing claims will be phased after this date; however, pensioner cases will be retained. Regular liaison meetings are taking place with DWP partnership managers.
- There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts. The risk is ongoing and associated costs remain uncertain.
- Planning application fee income is uncertain and is currently below budgeted profile. This is being closely monitored.
- Staff turnover, in Planning, remains high and recruiting to vacant posts continues to be difficult.
- Any surplus on the Investment Property budget will be transferred to a reserve as agreed at budget setting to assist with any future maintenance and voids.

Contacts:

Adrian Rowbotham	Chief Finance Officer	ext 7153
Alan Mitchell	Head of Finance	ext 7483

Communities and Business – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Community Safety	21	21	Spend ahead of profile relating to beginning of year expenditure and costs including Lizzie Yarnold victory bus tour and other projects. Additional expenditure has been necessary to bring the Convent of Mercy in Swanley under control including legal costs, physical costs of closing the building and other expenses. There will be an attempt to recover some costs from the landowner early in the new year. Further court hearings may be required. The budget will be carefully monitored during the remainder of the year but there may be an overspend, currently predicted at £21k.
Economic Development Property	5	35	This is mainly due to contractor/consultants costs involved in feasibility and legal work in the lead up to capital schemes. These costs are allocated to projects and where possible will be capitalised. An adjustment has been estimated in November, however there is still likely to be an overspend. The overspend includes feasibility for Bevan Place, High Street Swanley, small sites in Swanley, leisure centre and small sites in Edenbridge. During October the next phase of the Leisure Centre feasibility work was commissioned.
Homeless	63	0	Additional expenditure for nightly paid emergency accommodation for homeless customers will be offset to an extent by Housing Benefit reclaim. This current overspend against profile is likely to grow due to the national increase in the use of Bed and Breakfast. However, any overspend on this cost centre will be 100% offset at the year-end by income from the Flexible Homelessness Fund.
Housing	15		Choice Based lettings annual subscription, private sector lettings post salary and laptops for new HERO Officers – all funded from the Government's Flexible Homelessness Grant aimed at helping to reduce homelessness. Funding held in earmarked reserve and to be transferred.
Housing Energy Retraining Options (HERO)	31	0	All HERO Officers currently being charged to this code but some of the income is in the Flexible Homelessness Support Fund and will be drawn down. Some partner contributions to be invoiced before the year end and the cost centre will be at zero at the year end.
West Kent Partnership	10		Spending on West Kent Partnership. Funding held in earmarked reserve to be transferred and some staff cost to be reallocated. Will be zero at year end.

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Choosing Health WK PCT	(14)	0	External funding for health initiatives received in advance. Will be zero at year end.
Dunton Green Projects - S106	13	0	External funding received in advance – to be transferred to this code to balance expenditure. Will be zero at year end.
One You – Your Home Project	(18)	0	External funding for housing & health initiatives received in advance. Will be zero at year end.
PCT Initiatives	(23)	0	This is external funding for health initiatives received in advance. Will be zero at year end.
West Kent Enterprise Advisor Network	(14)	0	External funding for the enterprise network received in advance. Will be zero at year end.
West Kent Kick Start	(10)	0	This is external funding received in advance for business support. Will be zero at year end.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

All legal fees and charges for regularising activity at the former Convent of Mercy building in Swanley, including planning enforcement, will be charged to the Community Development budget which will result in an overspend. The amount of legal fees will not be known until later in the financial year.
Spend on property feasibility studies may be capitalised if the project is feasible and taken forward. This is monitored carefully during the year. Feasibility studies on potential investments and development on Council owned land are charged to this budget as is feasibility work on Whiteoak Leisure Centre.

Lesley Bowles
Chief Officer - Communities and Business
December 2018

Corporate Services – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Asset Maintenance IT	(39)		Spend as per 10-year asset maintenance plan – surplus to IT Asset Maintenance reserve at year end as agreed
Register of Electors	(15)		Spend expected to be as per budget allocation by year end.
Land Charges	40	60	Current variance due to difference in cost vs income for the provision of the Land Charges Service. Proposed to be addressed through a review of Land Charges Fees
Street Naming	(12)	(14)	Income to be offset by related staff costs which are reported elsewhere.
Administrative Expenses – Human Resources	40		Current overspend due to external legal costs.
Support – Human Resources	46		Current overspend partially due to external legal costs .This figure also includes training costs which when taken with budgets currently allocated to service areas is in line with allocated budgets.

For noting, figures in brackets represent a favourable variance

Jim Carrington-West
Chief Officer – Corporate Services
December 2018

Environmental and Operational Services – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Asset Maintenance Argyle Road	(12)		Expenditure currently below profile. It is anticipated that full budget will be needed in this year. Includes £35,000 for Planned Preventative Maintenance Surveys carried out in October.
Asset Maintenance CCTV	(11)		Capital works underway in Control Room. Asset Maintenance budget will be utilised to support these works.
Asset Maintenance Hever Road	35		Replacement of utility block following fire to be recovered through insurance.
Car Parks	104	71	Although income £15,000 above profile, rent for new Bligh's car park paid up to December and rates paid for temporary site of Morewood Close for temporary parking whilst Buckhurst 2 being developed. NNDR bills over budget.
Car Parking – On Street	(33)		Income £116,000 above profile. Expenditure to support parking schemes, including temporary shuttle bus service from Morewood Close.
Estates Management Buildings	20	35	NNDR paid for meeting point building in Swanley. Rates will continue to be due on this empty building until it is demolished. Rental income received ahead of profile.
Disabled Facilities Grant Administration	(12)	(10)	Income generated above profile due to high level of DFG grants awarded.
Markets	(33)	(5)	Rent not paid yet for Swanley Market site. Increased income, following re tendering for Sevenoaks' markets.
Parking Enforcement – Tandridge DC	(17)	(30)	Income received from contract for enforcement activity on Tandridge DC's car parks.

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Private Sector Housing	(13)	(10)	Savings on salaries due to vacancy.
Refuse Collection	50	72	Income less than profile on recycled material, particularly glass. Transition grant from KCC for Sainsbury's recycling banks credits now ended. Recycling credits profiled for 2nd quarter. Not yet invoiced.
Support - Central Offices - Facilities	(16)	(20)	Savings on salaries and increased income from sale of garden sacks.
Support - General Admin	(36)	(32)	Savings on salaries due to vacancy and on postage, and scanning equipment.
Support – Direct Services	(17)	(10)	Savings on internal printing, mobile phones and training (to be delivered later in the year).
Direct Services – Trading Accounts	5		Income £92,000 above profile. Expenditure £97,000 above profile. Surplus £177,000 against a profiled surplus of £182,000.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

Expenditure incurred in replacing a utility block at Hever Road Travellers Site following a fire. To be recovered from Insurance (confirmed by Loss Adjuster). Diesel prices increasing.

Richard Wilson
Chief Officer - Environmental & Operational Services
December 2018

Finance – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Corporate Management	23		External advice and support costs incurred in relation to a number of projects.
Corporate – Other	(68)	(20)	From the savings the Council is able to derive from vacant posts, it is anticipated that the corporate savings target will be exceeded by the year end.
Dartford Partnership Hub (SDC costs)	(68)		DWP grants received during the year; unspent grants will be carried forward to utilise in future years. Salary underspends due to a number of vacant posts within the Partnership.
Equalities Legislation	(19)	(19)	The Council no longer belongs to the West Kent Equalities arrangement, as services are provided in-house.
Local Tax	56	53	New enforcement arrangements have not been in place for the full year, impacting on income expectations.
Misc. Finance	(15)		Underspends across various cost codes.
Support - Exchequer and Procurement	28	34	Additional agency staff to cover maternity leave and other staff absence.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

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

Adrian Rowbotham
Chief Finance Officer
December 2018

Planning – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Administrative Expenses – Planning Services	47	27	This is the result of office maintenance, recruitment costs and investment in new staff training.
Community Housing Fund	10		This will be funded from reserve.
Conservation	9	10	This is the cost of expert consultants preparing conservation area appraisals, in the main offset by salary underspend.
Enforcement	(9)	(35)	This is an underspend on salary which in part is likely to cover legal costs arising from more active planning enforcement work in the Courts.
Planning Policy	(41)	(40)	This relates to an underspend on Salaries due to vacancies, including the Strategic Planning Manager post. The new post holder started in September and any underspend can form part of the Local Plan reserve.
Planning - Development Management	51	86	The forecast is mainly due to underachievement of planning application fee income partly offset by staffing vacancies, the fee income is kept under continuous review
Building Control	(25)	(2)	This is the net position of additional fees, offset by additional partnership costs.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts. A cost award at Broom Hill has been settled, incorporated above. The risk is ongoing and associated costs remain uncertain. Application fee income is also uncertain and is currently below budgeted profile. This is being closely monitored. Staff turnover remains high and recruiting to vacant posts continues to be difficult.

Richard Morris
Chief Planning Officer
December 2018

Investment Property – November 2018 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned
Investment Properties	(12)	(20)	Mainly due to the expected savings on rates for 96 High Street & Suffolk House as now tenanted.

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

Any surplus on this budget will be transferred to a reserve as agreed at budget setting to assist with any future maintenance and voids

Lesley Bowles
Chief Officer - Communities and Business
December 2018

Appendix B

Position as at the end of November 18
(Period 201908)

	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	Annual Variance %
Communities & Business	1,242	1,497	1,553	56	3.7
Corporate Services	2,009	2,936	2,982	46	1.6
Environmental & Operational Services	2,784	4,798	4,900	102	2.1
Financial Services	3,328	4,632	4,654	23	0.5
Planning Services	835	1,228	1,272	44	3.6
	10,197	**15,091**	**15,362**	**271**	**1.8**
Adjustments to Reconcile to amount to be met from reserves					
Direct Services Trading Account	(177)	(144)	(144)	0	0.0
Capital Charges outside the General Fund	(40)	(60)	(60)	0	0.0
Support Services outside the General Fund	(122)	(183)	(183)	0	0.0
NET SERVICE EXPENDITURE	**9,858**	**14,704**	**14,975**	**271**	**1.8**
Revenue Support Grant and New Homes Bonus	(880)	(1,320)	(1,320)	0	0.0
Retained Business Rates	(1,800)	(2,700)	(2,950)	(250)	(9.3)
Council Tax	(6,947)	(10,420)	(10,420)	0	(0.0)
Contribution from Collection Fund	(170)	(255)	(255)	0	0.0
Summary excluding Investment Income	**61**	**9**	**29**	**21**	237.3
Investment Property Income	(608)	(735)	(755)	(20)	0.0
Interest Receipts	(164)	(130)	(241)	(111)	0.0
OVERALL TOTAL	**(711)**	**(856)**	**(967)**	**(110)**	12.8
Planned Appropriation to/(from) Reserves	582	873	873	0	
Other Reserve Movements	0	0	250	250	
Supplementary Estimates	0	(17)	(17)	0	
(Surplus)/Deficit	**(129)**	**0**	**140**	**140**	

3. Services by Chief Officer

Position as at the end of November 18 (Period 201908)

Communities and Business SDC Funded	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Administrative Expenses - Communities & Business	23	26	26	-
Administrative Expenses - Housing	1	-	-	-
All Weather Pitch	(4)	(5)	(5)	-
Community Development Service Provisions	(4)	(6)	(6)	-
Community Safety	142	183	204	21
Economic Development	34	57	57	-
Economic Development Property	224	277	312	35
Grants to Organisations	165	183	183	-
Health Improvements	32	44	44	-
Housing Initiatives	40	53	53	-
Homeless	149	130	130	-
Homelessness Funding	29	-	-	-
Housing	176	204	204	-
Homelessness Prevention	5	-	-	-
Housing Energy Retraining Options (HERO)	80	36	36	-
Leader Programme	3	5	5	-
Leisure Contract	40	168	168	-
Leisure Development	15	20	20	-
The Community Plan	33	55	55	-
Tourism	22	31	31	-
West Kent Partnership	(0)	-	-	-
Youth	25	36	36	-
Total Communities & Business (SDC Funded)	1,230	1,497	1,553	56

Position as at the end of November 18 (Period 201908)

Communities and Business Externally Funded	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Choosing Health WK PCT	5	-	-	-
Community Sports Activation Fund	9	-	-	-
Dementia Area Project - Run Walk Push	(3)	-	-	-
Dunton Green Projects - S106	38	-	-	-
Dunton Green Projects	(0)	-	-	-
One You - Your Home Project	(16)	-	-	-
Partnership - Home Office	(11)	-	-	-
PCT Health Checks	(0)	-	-	-
PCT Initiatives	(7)	-	-	-
Repair & Renew Flood Support Scheme	-	-	-	-
Sport Satellite Clubs	(1)	-	-	-
Sportivate Inclusive Archery Project	(0)	-	-	-
Troubled Families Project	(2)	-	-	-
West Kent Enterprise Advisor Network	15	-	-	-
West Kent Kick Start	(10)	-	-	-
West Kent Partnership Business Support	(3)	-	-	-
Total Communities & Business (Ext Funded)	12	-	-	-
Total Communities & Business	**1,242**	**1,497**	**1,553**	**56**

Position as at the end of November 18 (Period 201908)

Corporate Services	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Asset Maintenance IT	145	277	277	-
Civic Expenses	16	16	16	-
Democratic Services	101	143	143	-
Elections	65	129	129	-
Register of Electors	118	234	234	-
Administrative Expenses - Corporate Services	9	25	25	-
Land Charges	(33)	(103)	(43)	60
Street Naming	(9)	5	(9)	(14)
Administrative Expenses - Legal and Democratic	49	51	51	-
Administrative Expenses - Human Resources	43	5	5	-
Support - Contact Centre	294	471	471	-
Support - General Admin	37	33	33	-
Support - IT	732	1,046	1,046	-
Support - Legal Function	128	206	206	-
Support - Local Offices	25	31	31	-
Support - Nursery	2	-	-	-
Support - Human Resources	222	270	270	-
Corporate Projects	65	95	95	-
Total Corporate Services	**2,008**	**2,936**	**2,982**	**46**

Position as at the end of November 18 (Period 201908)

Environment and Operational	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Air Quality (Ext Funded)	-	-	-	-
Asset Maintenance Argyle Road	60	108	108	-
Asset Maintenance CCTV	0	17	17	-
Asset Maintenance Countryside	0	8	8	-
Asset Maintenance Other Corporate Properties	33	48	48	-
Asset Maintenance Direct Services	18	39	39	-
Asset Maintenance Hever Road	60	38	38	-
Asset Maintenance Leisure	112	178	178	-
Asset Maintenance Playgrounds	7	8	8	-
Asset Maintenance Support & Salaries	30	83	83	-
Asset Maintenance Sewage Treatment Plants	0	8	8	-
Asset Maintenance Public Toilets	-	7	2	(5)
Bus Station	10	17	17	-
Car Parks	(1,076)	(1,899)	(1,828)	71
Car Parking - On Street	(364)	(495)	(495)	-
CCTV	194	258	280	22
Civil Protection	33	47	47	-
Dartford Environmental Hub (SDC Costs)	(0)	-	-	-
EH Commercial	2	279	279	-
EH Animal Control	6	1	1	-
EH Environmental Protection	15	386	396	10

Position as at the end of November 18 (Period 201908)

Environment and Operational cont.	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Emergency	44	66	66	-
Energy Efficiency	15	29	29	-
Estates Management - Buildings	33	(18)	17	35
Estates Management - Grounds	81	113	113	-
Gypsy Sites	(10)	(26)	(17)	9
Disabled Facilities Grant Administration	(22)	(20)	(30)	(10)
Housing Premises	(1)	1	1	-
Kent Resource Partnership	(117)	-	-	-
Licensing Partnership Hub (Trading)	(28)	-	-	-
Licensing Partnership Members	-	-	-	-
Licensing Regime	(33)	(0)	(0)	-
Markets	(161)	(182)	(187)	(5)
Parking Enforcement - Tandridge DC	(12)	-	(30)	(30)
Parks and Recreation Grounds	84	116	116	-
Parks - Greensand Commons Project	(3)	-	-	-
Parks - Rural	73	114	114	-
Private Sector Housing	146	198	188	(10)
Private Sector Housing Maintenance Operatives	8	-	10	10
Public Transport Support	-	0	0	-
Refuse Collection	1,842	2,683	2,755	72
Administrative Expenses - Direct Services	0	-	-	-
Administrative Expenses - Health	1	12	12	-
Administrative Expenses - Licensing	0	10	10	-
Administrative Expenses - Property	3	4	4	-
Administrative Expenses - Transport	4	8	8	-
Street Cleansing	935	1,415	1,415	-

Position as at the end of November 18 (Period 201908)

Environment and Operational cont.	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Support - Central Offices	367	450	440	(10)
Support - Central Offices - Facilities	167	290	270	(20)
Support - General Admin	120	234	202	(32)
Support - Health and Safety	9	17	17	-
Support - Direct Services	19	58	48	(10)
Support - Procurement	7	6	6	-
Support - Property Function	37	48	48	-
Sevenoaks Switch and Save	(1)	-	-	-
Taxis	(5)	(11)	(11)	-
Public Conveniences	39	46	51	5
Total Environmental and Operational Services	**2,784**	**4,798**	**4,900**	**102**

Position as at the end of November 18 (Period 201908)

Finance	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Action and Development	-	7	7	-
Benefits Admin	(369)	167	170	3
Benefits Grants	317	(25)	(25)	-
Consultation and Surveys	-	4	4	-
Corporate Management	630	995	998	3
Corporate - Other	-	298	278	(20)
Dartford Partnership Hub (SDC costs)	1,412	-	-	-
Equalities Legislation	-	19	-	(19)
External Communications	138	192	192	-
Housing Advances	1	1	1	0
Local Tax	(488)	(21)	32	53
Members	287	428	428	-
Misc. Finance	1,150	1,734	1,734	-
Performance Improvement	7	(1)	(1)	-
Administrative Expenses - Chief Executive	7	30	22	(8)
Administrative Expenses - Finance	18	33	34	2
Administrative Expenses - Transformation and Strategy	2	5	5	-
Support - Counter Fraud	(63)	52	52	-
Support - Audit Function	(16)	170	146	(24)
Support - Exchequer and Procurement	92	103	135	33
Support - Finance Function	142	218	218	-
Support - General Admin	(6)	111	118	7
Treasury Management	69	114	107	(7)
Total Finance	**3,328**	**4,632**	**4,654**	**23**

Position as at the end of November 18 (Period 201908)

Planning Services	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Administrative Expenses - Planning Services	70	44	71	27
Community Housing Fund	10	-	-	-
Conservation	69	91	101	10
Planning Performance Agreement	-	-	-	-
LDF Expenditure	2	-	-	-
Planning - Appeals	123	196	225	29
Planning - CIL Administration	(22)	(49)	(79)	(30)
Planning - Counter	(0)	-	-	-
Planning - Development Management	171	169	255	86
Planning - Enforcement	175	279	244	(35)
Planning Policy	332	598	558	(40)
Building Control Discretionary Work	-	-	-	-
Building Control Partnership Members	0	-	-	-
Building Control Partnership Hub (SDC Costs)	0	-	-	-
Building Control	(101)	(113)	(116)	(2)
Dangerous Structures	1	3	3	-
Administrative Expenses - Building Control	4	11	11	-
Total Planning Services	**835**	**1,228**	**1,272**	**44**

4. Cumulative Salary Monitoring

Position as at the end of November 18 (Period 201908)

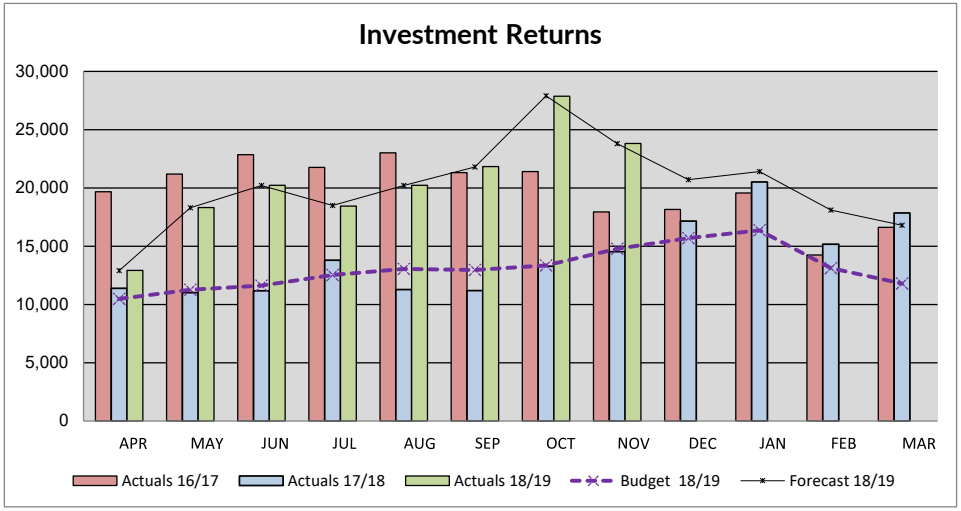
	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast £'000	Annual Variance £'000	Annual Variance %
Communities and Business	618	967	967	0	-
Corporate Services	1,579	2,333	2,323	(10)	(0)
Environmental & Operational Services:	3,802	6,002	5,914	(88)	(1)
- Emergency Planning & Property	*493*	*775*	*755*	*(20)*	(3)
- Environmental Health	*404*	*645*	*645*	*0*	-
- Licensing	*221*	*370*	*370*	*0*	-
- Operational Services	*2,415*	*3,790*	*3,722*	*(68)*	(2)
- Parking	*269*	*421*	*421*	*0*	-
Financial Services	1,789	2,769	2,755	(14)	(1)
Planning Services	**1,487**	2,501	2,256	(245)	(10)
- Planning	*1,269*	*2,180*	*1,935*	*(245)*	(11)
- Building Control	*218*	*321*	*321*	*0*	-
Sub Total	9,274	14,572	14,215	(357)	(2)
Council Wide - Vacant Posts	0	20	0	(20)	-
Staff Recruitment and Retention	0	71	71	0	-
TOTAL SDC Funded Salary Costs	9,274	14,664	14,286	(377)	(3)
Externally Funded & Funded from other sources (gross figures). *Overspendings here are matched by external funding and represent additional resources secured for the Council since the budget was set.*					
Communities and Business Ext. Funded	345	514	514	0	-
Environmental & Operational Services Ext Funded	114	169	169	0	-
	459	683	683	0	-
TOTAL All Salary Costs	9,733	15,347	14,969	(377)	(2)

5 Direct Services
Nov-18

	PERIOD				YEAR-TO-DATE				ANNUAL			Y-T-D NET VARIANCE			ANNUAL NET VARIANCE		
2018-19 **Nov-18**	Budget	Actual	Actual / Budget	Variance	Budget	Actual	Actual / Budget	Variance	Budget	Forecast	Variance	Net Budget by Service	Net Actual by Service	Variance by Service	Net Budget by Service	Net Actual by Service	Variance by Service
	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income																	
Refuse	(212)	(212)	(0.1)	()	(1703)	(1711)	(0.4)	(7)	(2558)	(2558)	0	2	63	62	(1)	(1)	0
CDSU	(9)	(8)	3.6		(67)	(68)	(1.2)	(1)	(101)	(101)	0	13	13		19	19	0
Street & Toilet Cleaning	(110)	(111)	(0.9)	(1)	(894)	(904)	(1.1)	(10)	(1347)	(1347)	0	(20)	24	44	(36)	(36)	0
Trade	(32)	(30)	5.4	2	(336)	(316)	6.1	20	(465)	(465)	0	(59)	(59)		(49)	(49)	0
Workshop	(55)	(76)	(38.6)	(21)	(441)	(502)	(13.8)	(61)	(662)	(662)	0	(1)	(3)	(3)	(1)	(1)	0
Green Waste	(38)	(42)	(9.8)	(4)	(412)	(450)	(9.3)	(38)	(535)	(535)	0	(75)	(135)	(61)	(19)	(19)	0
Cesspools	(20)	(19)	4.1	1	(157)	(154)	1.5	2	(235)	(235)	0	(19)	(36)	(16)	(29)	(29)	0
Pest Control	(3)	(3)	10.8		(70)	(49)	29.3	21	(88)	(88)	0	(11)	8	19	0	0	0
Grounds	(15)	(16)	(8.6)	(1)	(119)	(122)	(2.3)	(3)	(180)	(180)	0	(11)	(24)	(13)	(18)	(18)	0
Fleet	(76)	(77)	(0.2)	()	(611)	(625)	(2.2)	(13)	(917)	(917)	0	0	(16)	(16)	0	0	0
Depot	(22)	(19)	14.4	3	(184)	(187)	(1.3)	(2)	(292)	(292)	0	6	(1)	(7)	0	0	0
Emergency	(5)	(5)	0.0	0	(37)	(37)	0.0	0	(55)	(55)	0	(6)	(12)	(5)	(9)	(9)	0
Total Income	**(597)**	**(618)**	**(3.6)**	**(21)**	**(5031)**	**(5124)**	**(1.8)**	**(92)**	**(7436)**	**(7436)**		**(182)**	**(177)**	**5**	**(145)**	**(145)**	
Expenditure																	
Refuse	213	222	4.2	9	1,705	1,774	4.0	69	2,557	2,557	0						
CDSU	10	9	(13.2)	(1)	80	80	1.2	1	119	119	0						
Street & Toilet Cleaning	109	126	15.7	17	874	928	6.2	54	1,311	1,311	0						
Trade	35	36	3.9	1	277	257	(7.3)	(20)	415	415	0						
Workshop	55	75	35.9	20	440	499	13.2	58	661	661	0						
Green Waste	39	32	(18.8)	(7)	337	315	(6.6)	(22)	516	516	0						
Cesspools	17	14	(18.1)	(3)	137	119	(13.5)	(19)	206	206	0						
Pest Control	7	6	(14.5)	(1)	59	58	(2.5)	(2)	88	88	0						
Grounds	13	12	(10.7)	(1)	108	98	(9.2)	(10)	162	162	0						
Fleet	76	78	1.5	1	611	609	(0.4)	(2)	917	917	0						
Depot	22	20	(8.6)	(2)	190	186	(2.3)	(4)	292	292	0						
Emergency	4	3	(13.7)	(1)	30	25	(17.8)	(5)	46	46	0						
Total Expenditure	**602**	**633**	**5.2**	**32**	**4849**	**4947**	**2.0**	**97**	**7291**	**7291**	**0**						
Net	5	15	1.7	10	(182)	(177)	0.2	5	(145)	(145)							

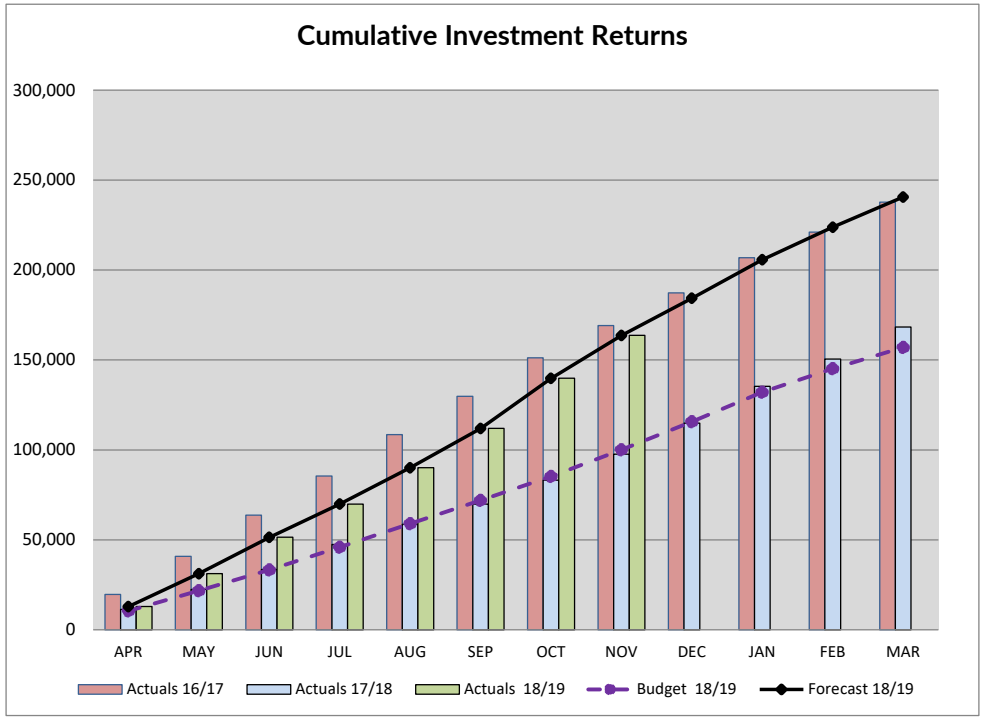
6 Investment Returns

	Actuals 16/17	Actuals 17/18	Actuals 18/19	Budget 18/19	Variance	Forecast 18/19
APR	19,679	11,389	12927	10,480	2,447	12,900
MAY	21,188	11,020	18323	11,259	7,064	18,300
JUN	22,859	11,182	20233	11,622	8,611	20,200
JUL	21,769	13,806	18443	12,530	5,913	18,500
AUG	23,005	11,280	20224	13,050	7,174	20,200
SEP	21,312	11,190	21831	12,963	8,868	21,800
OCT	21,399	13,282	27864	13,361	14,503	27,900
NOV	17,942	14,533	23808	14,782	9,026	23,800
DEC	18,150	17,148		15,683		20,700
JAN	19,573	20,510		16,362		21,400
FEB	14,244	15,173		13,113		18,100
MAR	16,626	17,852		11,795		16,800
	237,746	168,365	163,653	157,000	63,606	240,600



INVESTMENT RETURNS (CUMULATIVE)

	Actuals 16/17	Actuals 17/18	Actuals 18/19	Budget 18/19	Variance	Forecast 18/19
APR	19,679	11,389	12927	10,480	2,447	12,900
MAY	40,867	22,409	31250	21,739	9,511	31,200
JUN	63,726	33,591	51483	33,361	18,122	51,400
JUL	85,495	47,397	69926	45,891	24,035	69,900
AUG	108,500	58,677	90150	58,941	31,209	90,100
SEP	129,812	69,867	111981	71,904	40,077	111,900
OCT	151,211	83,149	139845	85,265	54,580	139,800
NOV	169,153	97,682	163653	100,047	63,606	163,600
DEC	187,303	114,830		115,730		184,300
JAN	206,876	135,340		132,092		205,700
FEB	221,120	150,513		145,205		223,800
MAR	237,746	168,365		157,000		240,600



BUDGET FOR 2018/19 157,000
FORECAST OUTTURN 240,600

CODE:- **YHAA** **96900**

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

Fund Average 0.6561%
7 Day LIBID 0.4725%
3 Month LIBID 0.6338%

STAFFING STATISTICS NOVEMBER 2018

	BUDGET FTE	STAFF FTE	AGENCY STAFF	CASUAL FTE	TOTAL	COMMENTS	OCTOBER TOTALS
1. Communities and Business	20.35	25.58	1.75	0.40	27.73	This includes Housing Advice	24.34
2. Corporate Services Contact Centre, HR, Secretarial, Legal, Democratic Service, Elections	60.88	59.76	0.25	0.40	60.41		59.01
3. Environmental & Operational Services	168.02	162.86	18.65	1.94	183.45		183.82
3a. Enviromental Health	12.57	12.00	1.00	0.00	13.00	This includes BC, HS, & FM	13.14
3b. Licensing	10.81	8.18	0.00	0.19	8.37		8.83
3c & 3d Operational Services + CCTV	112.16	110.77	17.65	0.91	129.33		130.18
3e. Parking & Amenity Services	12.00	12.00	0.00	0.00	12.00		11.00
3f. Property Services	20.48	19.91	0.00	0.84	20.75		20.67
4. Finance Finance, Revenues & Benefits, Transformation & Strategy, & Chief Executive	69.81	58.12	3.50	0.18	61.80		63.44
5a. Planning	51.98	44.66	0.00	0.00	44.66		44.66
5b. Building Control	7.00	6.00	0.00	0.00	6.00		7.00
SUB TOTAL	**378.04**	**356.98**	**24.15**	**2.92**	**384.05**		**382.27**
EXTERNALLY FUNDED POSTS							
7. Communities and Business	14.5	8.51	0.00	0	8.51		8.51
8. Operational Services	2	2	0.00	0	2		2
9. Property Services	1.50	1.50	0.00	0.00	1.50		1.50
SUB TOTAL	**18.00**	**12.01**	**0.00**	**0.00**	**12.01**		12.01
TOTAL	**396.04**	**368.99**	**24.15**	**2.92**	**396.06**		**394.28**

Number of staff paid in November 2018:
397 permanent, 11 casuals

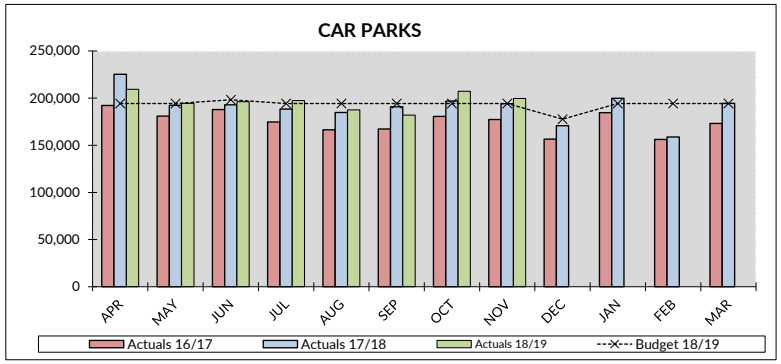
8 Income Graphs Summary

	ACTUAL	Comparison of 17/18 and 18/19, where brackets show increased income	MANAGER'S PROFILED BUDGET	Variance, where brackets are favourable	ANNUAL BUDGET 2018/19	Annual Forecast
CAR PARKS	**1,573,646**	*(8,470)*	**1,557,629**	*(16,017)*	2,317,943	2,317,943
ON-STREET PARKING	**773,542**	*(31,472)*	**657,313**	*(116,228)*	985,970	985,970
LAND CHARGES	**101,396**	*15,340*	**136,673**	*35,278*	205,010	165,010
BUILDING CONTROL	**329,129**	*(626)*	**303,811**	*(25,318)*	455,717	466,717
DEVELOPMENT MANAGEMENT	**519,923**	*42,621*	**616,172**	*96,249*	945,275	845,275
	3,297,635	**17,393**	**3,271,599**	**(26,037)**	**4,909,915**	**4,780,915**

CAR PARKS (HWCARPK)

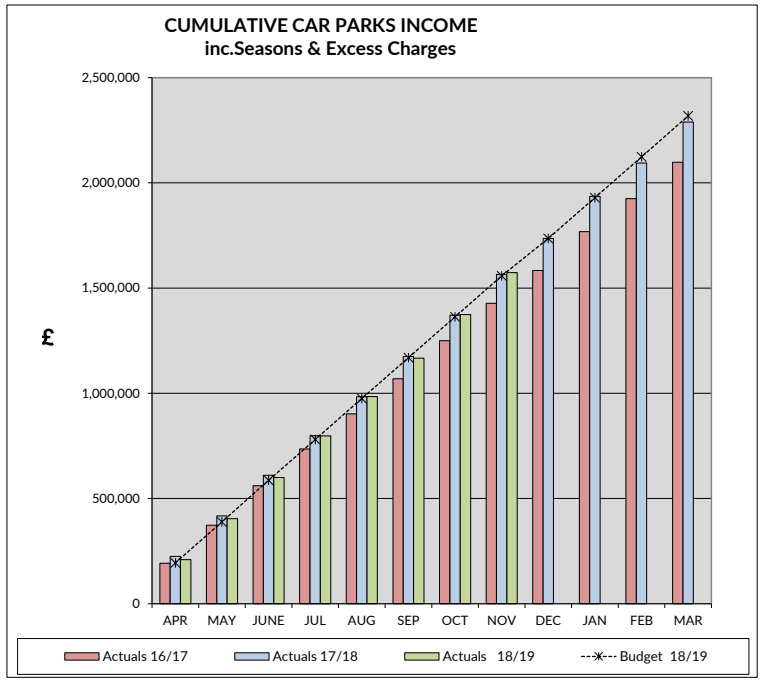
		Actuals 16/17	Actuals 17/18	Actuals 18/19	Increase / decrease from 17/18 to 18/19	Budget 18/19	Variance (Budget-Actuals)	Manager's Forecast
1	APR	192,138	225,193	209,387	15,805	194,204	(15,183)	
2	MAY	180,922	192,331	194,451	(2,120)	194,204	(247)	
3	JUN	187,891	192,806	196,119	(3,314)	198,204	2,084	
4	JUL	174,736	188,319	197,332	(9,013)	194,204	(3,128)	
5	AUG	166,394	184,778	187,490	(2,712)	194,204	6,714	
6	SEP	167,317	190,794	181,917	8,877	194,204	12,286	
7	OCT	180,519	196,832	207,316	(10,484)	194,204	(13,112)	
8	NOV	177,353	194,124	199,634	(5,510)	194,204	(5,430)	
9	DEC	156,462	170,661			177,704		
10	JAN	184,609	199,732			194,204		
11	FEB	156,173	158,761			194,204		
12	MAR	173,095	194,523			194,204		
		2,097,610	2,288,853	1,573,646	(8,470)	2,317,943	(16,017)	2,317,943

NOTE: Budget Profiles to be reviewed



CAR PARKS (CUMULATIVE)

	Actuals 16/17	Actuals 17/18	Actuals 18/19	Cumulative increase / decrease from 17/18 to 18/19	Budget 18/19	Variance (Budget-Actuals)	Manager's Forecast
APR	192,138	225,193	209,387	15,805	194,204	(15,183)	
MAY	373,060	417,523	403,838	13,685	388,407	(15,431)	
JUNE	560,951	610,329	599,957	10,372	586,611	(13,347)	
JUL	735,687	798,648	797,289	1,359	780,814	(16,475)	
AUG	902,081	983,426	984,779	(1,353)	975,018	(9,761)	
SEP	1,069,398	1,174,220	1,166,696	7,524	1,169,221	2,526	
OCT	1,249,917	1,371,052	1,374,012	(2,960)	1,363,425	(10,587)	
NOV	1,427,271	1,565,176	1,573,646	(8,470)	1,557,629	(16,017)	
DEC	1,583,733	1,735,836			1,735,332		
JAN	1,768,342	1,935,568			1,929,536		
FEB	1,924,515	2,094,330			2,123,739		
MAR	2,097,610	2,288,853			2,317,943		2,317,943



Nov-18

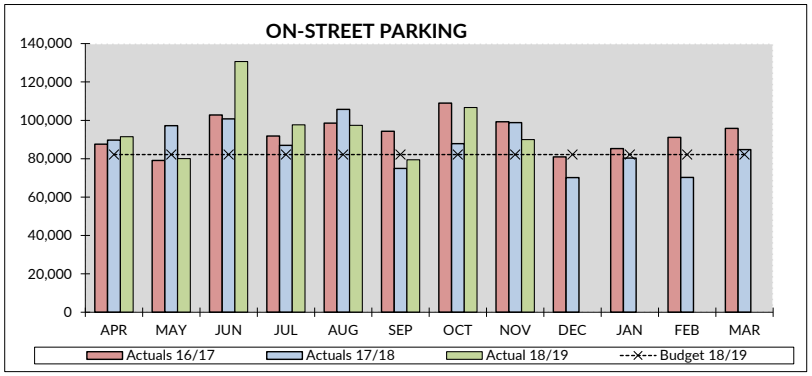
CUMULATIVE BREAKDOWN

HWCARPK		Actual (Cumulative)	Budget	(Monthly)
DAY TICKETS	3300	1,349,708	1,306,373	175,292
EXCESS / PENALTY CHARGES	***1/***3	39		-
SEASON TICKETS	***2	(742)	(0)	(701)
SEASON TICKET CAR PARK	3310	217,332	242,948	24,973
OTHER (inc.Res.Pkg)	***9	26	4,308	-
WAIVERS	3404	2,430		70
RENT	94500	4,854	4,000	
Business Permits	3406 /3408			
		1,573,646	1,557,629	199,634
		-	0	-

ON-STREET PARKING (HWDCRIM / HWENFORC)

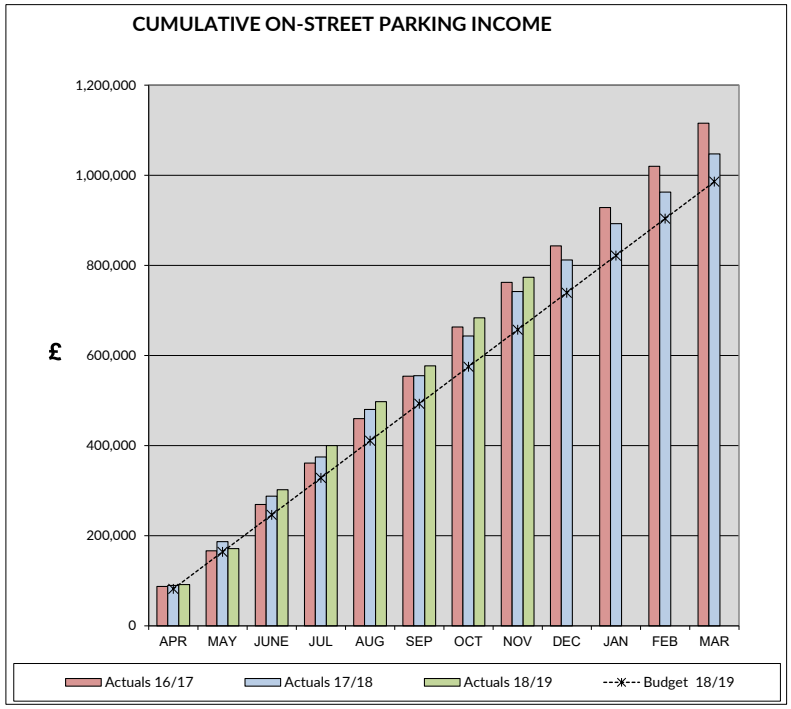
		Actuals 16/17	Actuals 17/18	Actual 18/19	Increase / decrease from 17/18 to 18/19	Budget 18/19	Variance (Budget-Actuals)	Manager's Forecast
1	APR	87,604	89,694	91,515	(1,821)	82,164	(9,351)	
2	MAY	79,069	97,250	80,099	17,151	82,164	2,066	
3	JUN	102,773	100,738	130,688	(29,950)	82,164	(48,524)	
4	JUL	91,824	86,987	97,678	(10,691)	82,164	(15,514)	
5	AUG	98,529	105,737	97,434	8,303	82,164	(15,270)	
6	SEP	94,326	74,972	79,445	(4,473)	82,164	2,720	
7	OCT	109,009	87,843	106,690	(18,847)	82,164	(24,526)	
8	NOV	99,267	98,849	89,993	8,856	82,164	(7,829)	
9	DEC	80,925	70,137			82,164		
10	JAN	85,252	80,326			82,164		
11	FEB	91,161	70,259			82,164		
12	MAR	95,761	84,739			82,164		
		1,115,500	1,047,530	773,542	(31,472)	985,970	(116,228)	985,970

Note: Budget profiles still subject to review



ON-STREET PARKING (CUMULATIVE)

	Actuals 16/17	Actuals 17/18	Actuals 18/19	Cumulative increase / decrease from 17/18 to 18/19	Budget 18/19	Variance (Budget-Actuals)	Manager's Forecast
APR	87,604	89,694	91,515	(1,821)	82,164	(9,351)	
MAY	166,673	186,944	171,613	15,330	164,328	(7,285)	
JUNE	269,446	287,681	302,302	(14,620)	246,493	(55,809)	
JUL	361,270	374,669	399,980	(25,311)	328,657	(71,323)	
AUG	459,799	480,406	497,414	(17,008)	410,821	(86,593)	
SEP	554,125	555,378	576,859	(21,481)	492,985	(83,874)	
OCT	663,134	643,221	683,549	(40,328)	575,149	(108,400)	
NOV	762,401	742,070	773,542	(31,472)	657,313	(116,228)	
DEC	843,326	812,207			739,478		
JAN	928,579	892,532			821,642		
FEB	1,019,739	962,791			903,806		
MAR	1,115,500	1,047,530			985,970		985,970



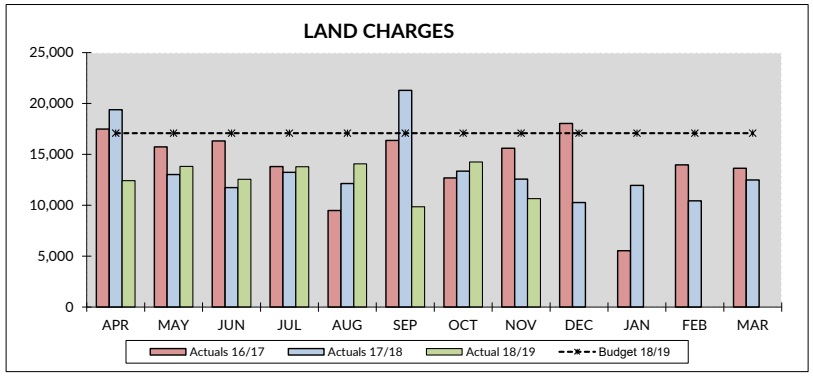
Nov-18

CUMULATIVE BREAKDOWN

HWDCRIM / HWENFORC		Actual (Cumulative)	Budget	(Monthly)
PENALTY NOTICES & EXCESS CH/	3403/***1	226,499	219,615	28,753
WAIVERS	3404	58,987	7,179	902
RESIDENTS PERMITS	3406	50,265	34,461	5,982
ON STREET PARKING	3300	404,784	336,471	50,351
BUSINESS PERMITS	3408	32,325	59,588	3,862
Driveway Access Protection Lines	3405	683		143
OTHER	9999			
		773,542	657,313	89,993
		0	(0)	0

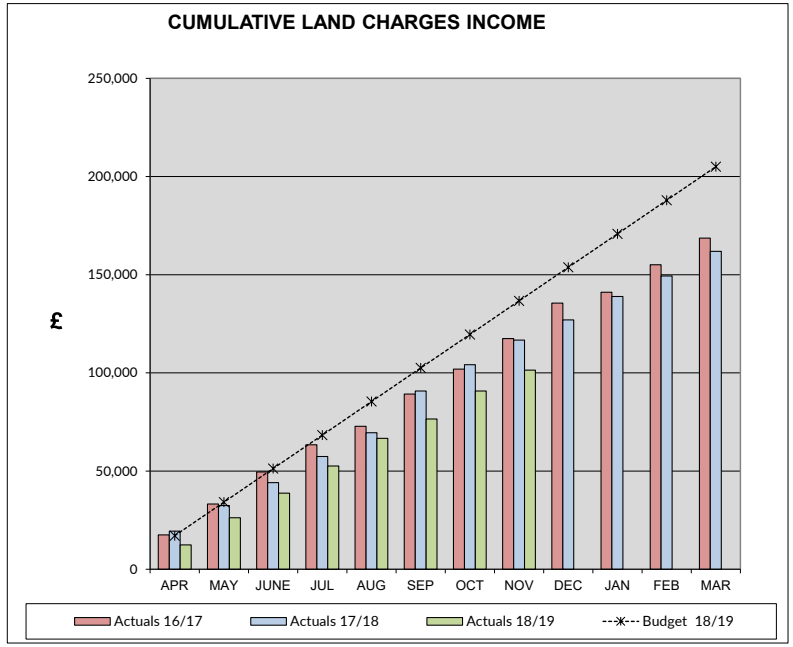
LAND CHARGES (LPLNDCH)

		Actuals 16/17	Actuals 17/18	Actual 18/19	Increase / decrease from 17/18	Budget 18/19	Variance (Budget-Actuals)	Manager's Forecast
1	APR	17,492	19,382	12,416	6,966	17,084	4,668	
2	MAY	15,735	13,025	13,827	(802)	17,084	3,257	
3	JUN	16,316	11,742	12,546	(804)	17,084	4,538	
4	JUL	13,810	13,243	13,782	(539)	17,084	3,302	
5	AUG	9,491	12,132	14,070	(1,938)	17,084	3,014	
6	SEP	16,375	21,283	9,855	11,428	17,084	7,229	
7	OCT	12,685	13,360	14,249	(889)	17,084	2,835	
8	NOV	15,606	12,568	10,650	1,918	17,084	6,434	
9	DEC	18,035	10,270			17,084		
10	JAN	5,530	11,950			17,084		
11	FEB	13,966	10,438			17,084		
12	MAR	13,637	12,485			17,084		
		168,677	161,879	101,396	15,340	205,010	35,278	165,010



LAND CHARGES (CUMULATIVE)

	Actuals 16/17	Actuals 17/18	Actuals 18/19	Cumulative increase / decrease from 17/18	Budget 18/19	Variance (Budget-Actuals)	Manager's Forecast
APR	17,492	19,382	12,416	6,966	17,084	4,668	
MAY	33,227	32,408	26,244	6,164	34,168	7,925	
JUNE	49,543	44,149	38,789	5,360	51,253	12,463	
JUL	63,353	57,393	52,572	4,821	68,337	15,765	
AUG	72,844	69,525	66,641	2,883	85,421	18,779	
SEP	89,219	90,808	76,497	14,311	102,505	26,008	
OCT	101,904	104,167	90,746	13,422	119,589	28,843	
NOV	117,510	116,735	101,396	15,340	136,673	35,278	
DEC	135,545	127,005			153,758		
JAN	141,074	138,955			170,842		
FEB	155,040	149,394			187,926		
MAR	168,677	161,879			205,010		165,010



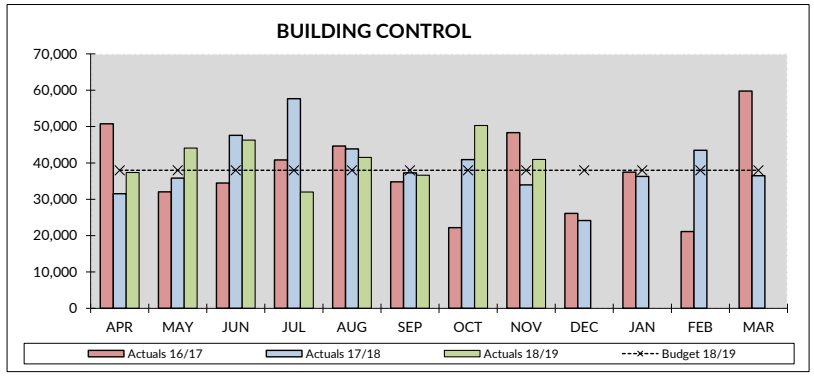
Nov-18

CUMULATIVE BREAKDOWN

LPLNDCH		Received (Month)	Percentage (Month)	Percentage (Month 18/19)	(Cumulative)
Searches Received - Paper	£105	23	10%	14%	287
Searches Received - Electronic	£86	84	38%	39%	814
Searches Received - Personal	£0	117	52%	47%	967
		224	100%	100.%	2,068

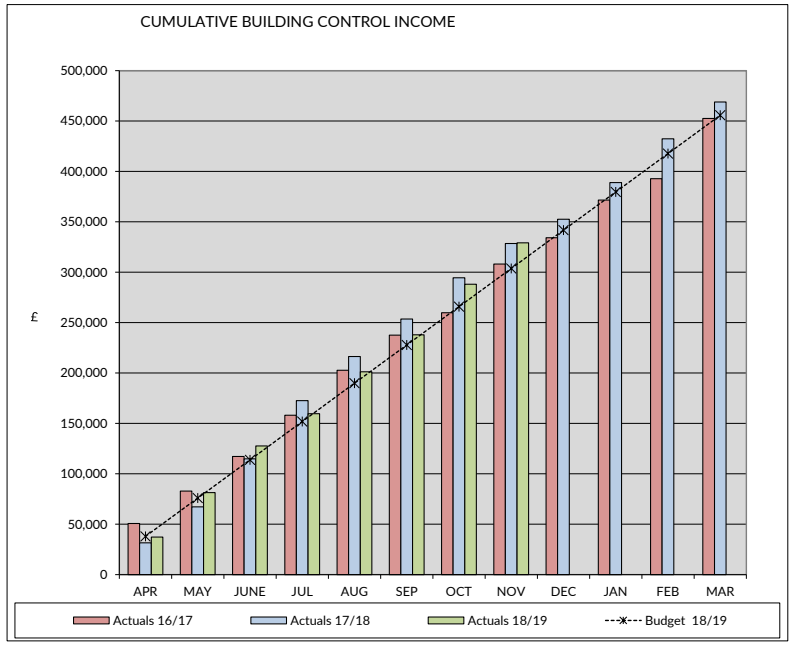
BUILDING CONTROL (DVBCFEE)

		Actuals 16/17	Actuals 17/18	Actuals 18/19	Increase / decrease from 17/18 to 18/19	Budget 18/19	Variance (Budget-Actuals)	Manager's Forecast
1	APR	50,783	31,511	37,342	(5,831)	37,976	634	
2	MAY	32,063	35,809	44,099	(8,289)	37,976	(6,122)	
3	JUN	34,453	47,602	46,293	1,309	37,976	(8,317)	
4	JUL	40,829	57,651	32,009	25,642	37,976	5,968	
5	AUG	44,666	43,832	41,516	2,316	37,976	(3,540)	
6	SEP	34,775	37,255	36,624	631	37,976	1,352	
7	OCT	22,194	40,902	50,302	(9,400)	37,976	(12,326)	
8	NOV	48,342	33,940	40,944	(7,004)	37,976	(2,968)	
9	DEC	26,113	24,156			37,976		
10	JAN	37,436	36,291			37,976		
11	FEB	21,118	43,486			37,976		
12	MAR	59,778	36,473			37,976		
		452,549	468,910	329,129	(626)	455,717	(25,318)	466,717



BUILDING CONTROL (CUMULATIVE)

	Actuals 16/17	Actuals 17/18	Actuals 18/19	Cumulative increase / decrease from 17/18 to 18/19	Budget 18/19	Variance (Budget-Actuals)	Manager's Forecast
APR	50,783	31,511	37,342	(5,831)	37,976	634	
MAY	82,846	67,320	81,441	(14,121)	75,953	(5,488)	
JUNE	117,299	114,923	127,734	(12,812)	113,929	(13,805)	
JUL	158,128	172,574	159,743	12,831	151,906	(7,837)	
AUG	202,794	216,406	201,259	15,147	189,882	(11,377)	
SEP	237,569	253,661	237,883	15,778	227,859	(10,024)	
OCT	259,763	294,563	288,185	6,378	265,835	(22,350)	
NOV	308,105	328,503	329,129	(626)	303,811	(25,318)	
DEC	334,218	352,660			341,788		
JAN	371,654	388,951			379,764		
FEB	392,772	432,437			417,741		
MAR	452,549	468,910			455,717		466,717



Nov-18

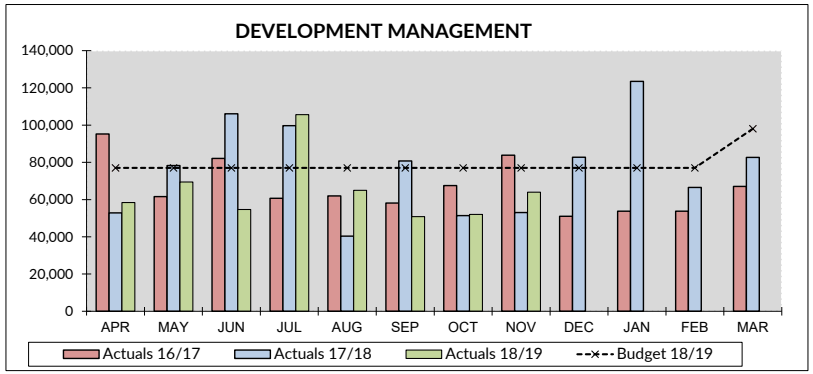
CUMULATIVE BREAKDOWN

DVBCFEE

		Actual (Cumulative)	Budget	(Monthly)
Plan Fee	3066	197,370	185,681	23,792
Inspection Fee	3067	130,734	118,130	17,152
Other	9999	1,025		
		329,129	303,811	40,944
		-	(0)	-

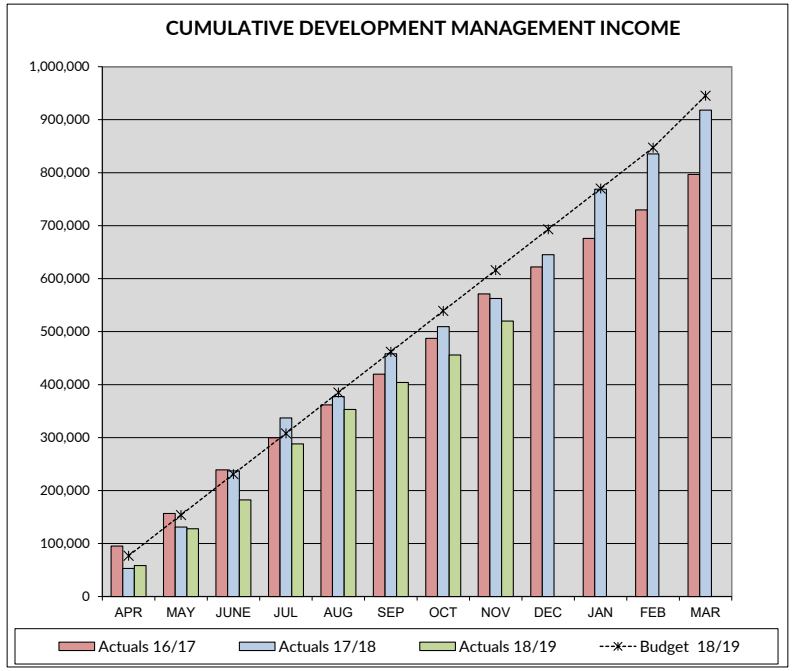
DEVELOPMENT MANAGEMENT (DVDEVCT)

		Actuals 16/17	**Actuals 17/18**	Actuals 18/19	Increase / decrease from 17/18 to 18/19	**Budget 18/19**	Variance (Budget-Actuals)	Manager's Forecast
1	**APR**	**95,276**	**52,884**	**58,404**	-5,521	**77,022**	18,618	
2	**MAY**	**61,633**	**78,250**	**69,455**	8,796	**77,022**	7,567	
3	**JUN**	**82,100**	**106,124**	**54,668**	51,456	**77,022**	22,354	
4	**JUL**	**60,712**	**99,681**	**105,667**	-5,985	**77,022**	(28,645)	
5	**AUG**	**61,967**	**40,402**	**64,977**	-24,575	**77,022**	12,045	
6	**SEP**	**58,088**	**80,747**	**50,827**	29,919	**77,022**	26,194	
7	**OCT**	**67,514**	**51,400**	**51,985**	-585	**77,022**	25,037	
8	**NOV**	**83,870**	**53,057**	**63,941**	-10,884	**77,022**	13,080	
9	**DEC**	**51,041**	**82,753**			**77,022**		
10	**JAN**	**53,719**	**123,499**			**77,022**		
11	**FEB**	**53,755**	**66,539**			**77,022**		
12	**MAR**	**67,084**	**82,682**			**98,039**		
		796,759	**918,017**	**519,923**	**42,621**	**945,275**	**96,249**	**845,275**



DEVELOPMENT MANAGEMENT (CUMULATIVE)

	Actuals 16/17	**Actuals 17/18**	**Actuals** 18/19	Cumulative increase / decrease from 17/18 to 18/19	**Budget 18/19**	Variance (Budget-Actuals)	Manager's Forecast
APR	95,276	**52,884**	**58404**	42,393	**77,022**	18,618	
MAY	156,909	**131,134**	**127,859**	25,775	**154,043**	26,184	
JUNE	239,009	**237,257**	**182,526**	1,752	**231,065**	48,538	
JUL	299,721	**336,939**	**288,193**	(37,218)	**308,086**	19,893	
AUG	361,688	**377,340**	**353,170**	(15,652)	**385,108**	31,938	
SEP	419,776	**458,087**	**403,997**	(38,311)	**462,129**	58,132	
OCT	487,290	**509,487**	**455,982**	(22,197)	**539,151**	83,169	
NOV	571,160	**562,544**	**519,923**	8,615	**616,172**	96,249	
DEC	622,201	**645,297**			**693,194**		
JAN	675,919	**768,796**			**770,215**		
FEB	729,675	**835,335**			**847,237**		
MAR	796,759	**918,017**			**945,275**		845,275



Nov-18

CUMULATIVE BREAKDOWN

DVDEVCT		**Actual (Cumulative)**	**Budget**	(Monthly)
Planning Application Fees	3009	**455,986**	**545545**	57071
Other	9999	**5,098**	**5479**	1,020
Pre-application Fees	94301	**56,140**	**57741**	5850
Monitoring Fees	94302	**2,700**	**7409**	0
RECH-Other A/C'S	98100	**-**	**-3**	0
		519,923	**616,172**	63,941
		-	-	0

Reserves

	18/19 Opening Balance	18/19 Cumulative Movement to Date	Balance as at end October 2018	18/19 Closing Balance (Budget)	18/19 Closing Balance (Forecast)
	£000	£000	£000	£000	£000
Provisions					
NNDR Appeals	(2,232)	-	(2,232)	(2,232)	(2,232)
Municipal Mutual Insurance (MMI)	(257)	-	(257)	(257)	(257)
Accumulated Absences	(152)	-	(152)	(152)	(152)
	(2,641)	-	(2,641)	(2,641)	(2,641)
Capital Receipts(Gross)	(49)	(493)	(542)	(49)	(542)
Earmarked Reserves					
Budget Stabilisation	(5,610)	94	(5,516)	(5,516)	(5,766)
Financial Plan	(4,020)	501	(3,519)	(4,839)	(4,839)
Asset Maintenance Reserve	(1,000)	-	(1,000)	(1,000)	(1,000)
Business Rates Retention Reserve	(809)	-	(809)	(809)	(809)
Vehicle Renewal	(697)	-	(697)	(697)	(697)
DWP Hsg Benefit Subsidy	(611)	-	(611)	(361)	(361)
IT Asset Maintenance	(590)	-	(590)	(590)	(590)
Corporate Project Support Reserve	(572)	(94)	(666)	(634)	(587)
Local Plan/LDF	(559)	18	(541)	(597)	(578)
Carry Forward Items	(508)	-	(508)	(501)	(501)
Pension Fund Valuation Adj.	(500)	-	(500)	(500)	(500)
New Homes Bonus Reserve	(469)	-	(469)	(439)	(406)
Capital Financing Reserve	(445)	(148)	(593)	(593)	(593)
Re-organisation	(423)	-	(423)	(423)	(398)
Action and Development	(396)	-	(396)	(396)	(396)
Vehicle Insurance	(309)	-	(309)	(309)	(309)
Community Development Reserve	(274)	-	(274)	(225)	(225)
First Time Sewerage	(266)	60	(206)	(206)	(206)
Homelessness Prevention	(231)	(241)	(472)	(203)	(412)
Flood Support Scheme	(144)	10	(134)	(144)	(134)
Community Infrastructure Levy (CIL)	(107)	(90)	(197)	(107)	(228)
Other Earmarked Reserves (balances <£100k)	(644)	120	(524)	(576)	(528)
	(19,184)	230	(18,954)	(19,665)	(20,063)
General Fund					
Required Minimum	(1,500)	-	(1,500)	(1,500)	(1,500)
	(1,500)	-	(1,500)	(1,500)	(1,500)
TOTAL	**(23,374)**	(263)	**(23,637)**	**(23,855)**	**(24,746)**

10. Capital

Position as at the end of November 18 (Period 201908)

	Y-T-D Actual	Annual (18/19) Budget	Annual (18/19) Forecast (including Accruals)
	£'000	£'000	£'000
Property Investment Strategy	-	25,198	25,198
PIS - 3rd Floor, Suffolk House - Extension & Refurbishment	9	-	-
PIS Ground Floor (part), Suffolk House - Refurbishment	-	-	-
PIS 2nd Floor, Suffolk House - Refurbishment	5	-	-
PIS 1st Floor Suffolk House - Refurbishment	98	-	-
PIS 16 & 18 High Street, Swanley WMC/CAB	-	-	-
Big Community Fund - Capital	-	-	-
Local Strategic Partnership - Capital Delivery	-	-	-
Swanley Wayfinding	-	-	-
Parish Projects - Citizens Advice North and West Kent	-	-	-
Environmental & Operational Services			
Vehicle Purchases	475	548	548
Dunbrik Vehicle Workshop	-	-	-
CCTV	-	50	50
RHPCG - Energy Conservation	-	-	-
RHPCG 10-11 SDC	12	-	-
SDC - HMO Grants	-	-	-
Bradbourne Car Park	-	-	-
Buckhurst 2 Multi-Storey Car Park	5,865	5,931	5,931
Junction Works - Suffolk Way/High Street	639	-	-
Buckhurst 2 - Housing	-	-	-
Sennocke Hotel	2,570	2,928	2,928
Better Care Fund			
WKHA Adaps for Disab Financing Costs Advances	46	-	-
Improvement Grants	260	889	889
Improvement Grants HIA (DFG) - Capital	506	-	-
Planning Services			
Affordable Housing	49	-	-
S106 Capital	10	-	-
CIL Other	1,030	-	-
CIL Parish Councils	1,110	-	-
Total Capital	12,685	35,544	35,544

This table shows the position for 2018/19 only; some projects may involve expenditure over more than one year.

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Item 13 – Property Investment Strategy Update

The attached report was considered by the Finance Advisory Committee on 29 January 2019. The relevant Minute extract is below.

Finance Advisory Committee (29 January 2019, Minute 51)

The Chief Finance Officer presented the report which provided an update on the progress of the Property Investment Strategy to date including acquisitions, and provided the opportunity to review the criteria of the strategy.

Members took the opportunity to ask questions of clarification concerning acquisitions and considered the suggested amendments to the Strategy as outlined in paragraph 43 of the report. Each recommended amendment was discussed. In principle the suggested amendment to 'iii. Individual Properties or Portfolios / Lot size of £1m - £5m' was welcomed but there was concern around the drafting/interpretation of a 'portfolio of properties' and the potential abuse or restrictiveness of the suggested amendment. Members requested that Officers draft wording for Members to consider and feedback to Cabinet as an update report from the Chairman. The 50 mile radius rule was further explored with a suggestion of different investment strategies and returns within or outside of the District, and whether the 50 mile rule was required.

Action 2: Officers circulate new draft wording for criteria (iii) to Advisory Committee members for comment.

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

Resolved: That

a) the report be noted; and

b) it forward the following comments to Cabinet regarding the potential amendments to the Property Investment Strategy as outlined in paragraph 43

   i. Support amending the income yield to 3%+ above the Council's average treasury management return (currently 0.7%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 2.6% for 30 years) when externally borrowing, based on an average over 10 years. (Flexibility may be applied to those opportunities that show an acceptable social return on investment);

   ii. Support amending the lot size to £1m - £10m subject to some suggested alternative wording;

iii. Not support changing the lot size limit to individual properties within a portfolio as this would be partly accounted for by ii above; and

iv. Support keeping investment opportunities restricted to those within a 50 mile radius of the Council's Argyle Road offices however, recognising that this may need to be changed in future if legislation is amended.

PROPERTY INVESTMENT STRATEGY UPDATE

Cabinet – 14 February 2019

Report of	Chief Finance Officer's
Status	For Decision
Also considered by	Finance Advisory Committee – 29 January 2019
	Council – 26 February 2019
Key Decision	No

Executive Summary: This report provides an update on the progress of the Property Investment Strategy to date and looks at the future direction of the strategy.

The Property Investment Strategy was approved by Council on 22 July 2014 to support the aim of the council becoming more financially self-sufficient as Government Support continued to reduce.

The acquisitions to date have helped the council achieve this aim and are currently overachieving the income budgets previously agreed by Members. This report provides an update on those acquisitions.

In a changing property market it is important to review the criteria of the strategy on a regular basis.

Portfolio Holder	Cllr. Peter Fleming, Cllr. John Scholey
Contact Officers	Adrian Rowbotham, Ext. 7153
	Andrew Stirling, Ext. 7099
	Alan Mitchell, Ext. 7483

Recommendation to Finance Advisory Committee:

a) That the report be noted.

b) Forward comments to Cabinet including recommended changes to the Property Investment Strategy criteria.

Recommendation to Cabinet:

a) Cabinet considers any comments from Finance Advisory Committee and notes the report.

b) Any changes to the Property Investment Strategy criteria be recommended to Council

Recommendation to Council:

Council agrees the updated Property Investment Strategy criteria recommended by Cabinet.

Introduction and Background

1 In recent years Sevenoaks District Council has been faced with ongoing reductions in Government Support culminating in it no longer receiving Revenue Support Grant from 2017/18. This has led to a number of decisions that have been taken through the 10-year budget process to try and ensure that the council remains in a financially sustainable position going forwards.

2 On 7 November 2013, Cabinet approved the Corporate Plan which set out key focus areas for the organisation including the need to become more financially self-sufficient. The agreed plan articulated an approach of investing in assets that will generate revenue income to allow less reliance on diminishing Government Support. It goes on to state that this could be done either through the review of use of reserves or through borrowing at low interest rates.

3 On 22 July 2014, Council agreed the Property Investment Strategy with specific criteria. The criteria were updated at Council on 25 April 2017 and the current criteria are included at Appendix A.

Funding Agreed to Date

4 A total of £50.3m of funding for the Property Investment Strategy (including the Sennocke Hotel) has been agreed to date as follows:

- £5m Council 22 July 2014
- £3m Council 17 February 2015
- £10m Council 21 July 2015
- £7.3m (total spend) Sennocke Hotel Council 3 November 2015
- £25m Council 25 April 2017

Activity to Date

5 A summary of the expenditure to date is included in the following table:

Date	Activity	Total Cost £000	Average Annual Income Yield %
Activities achieving the required return			
Apr 2015	Suffolk House, Sevenoaks (including refurb.) (office)	4,837	9.1% (7.1% before refurb.)
May 2015	Swanley Petrol Station and Supermarket	2,566	7.2%
Mar 2017	26-28 Pembroke Road, Sevenoaks (office)	4,673	6.0%
Aug 2018	Sennocke Hotel, Sevenoaks	7,332	6.3%
Other Activities			
Feb 2015	Swanley Working Men's Club (including demolition)	1,393	-
2016/17	Quercus 7 set up costs	13	-
Feb 2017	96 High Street, Sevenoaks (retail, office)	4,336	Currently 2.7% Basic option 7% Other options 7%+
May 2017	Croft Road, Westerham (housing option)	100	
	Total	25,250	

6 £25m of the £50.3m approved is therefore unspent.

7 **Swanley Working Men's Club** (February 2015) – The premises were demolished in July 2016. This site will be part of the gateway to Swanley. Feasibility studies are being undertaken to establish viable redevelopment options for this site which take into account its location in the Town Centre and requirement to meet the Property Investment Strategy return on investment criteria. This work is linked to the sites at 27-37 High Street and White Oak in Swanley that are referred to later in the report.

8 **Suffolk House, Sevenoaks** (April 2015) – This office building is in a town centre location with diminishing levels of office stock in the area. It consists of a total of 16,699 sq ft of office space over four floors with 84 parking spaces. It is managed by a property management company with costs recoverable under a service charge. All floors have now been refurbished to grade A standard office space and the price per square foot is now significantly higher than when the building was purchased. All space is currently let and a return of over 9% is being achieved.

9 **Swanley Petrol Station and Supermarket** (May 2015) – The property comprises a 2,789 sq ft convenience store building with 15 car parking spaces, 8 multi-fuel pump forecourt with jet wash and car wash on a 0.589acre site. The property is let on a lease expiring in August 2030.

10 **Quercus 7 set up costs** – expenditure was approved by Council on 31 March 2015 to be funded from the Property Investment Strategy Reserve.

11 **96 High Street, Sevenoaks (February 2017)** – This premises consists of ground floor retail space, 1st and 2nd floor office space with residential potential and development opportunity to rear. The most basic option of refurbishing the office space and selling the land to the rear will give a 7% annual return. The land at the rear is next to a council car park which in turn is next to the bus station and therefore has the potential to be a catalyst for wider development. Initial feasibility work is underway on the options for the site which will take into account its location in the Town Centre and requirement to meet the Investment Strategy return on investment criteria. A 'meanwhile use' has been found for the remainder of the property. The first and second floors have been let to the Second Floor Studios CIC, which has converted the space into 19 artists studios and this agreement lasts until 2021.

12 **26-28 Pembroke Road, Sevenoaks (March 2017)** – This is a modern freehold office investment in Sevenoaks town centre. The 10,499 sq ft building over three floors has 56 car parking spaces is currently fully let on a ten year lease.

13 **Croft Road, Westerham** – This land has been sold to a developer to build 18 residential units. The council has taken up an option to acquire two houses at a discount (based on an agreed price formula). It is proposed to sell the properties and the first property was completed in August 2018. In the light of current market conditions consideration is being given to holding the property in Quercus 7 Ltd and letting it until market conditions improve

14 All acquisitions have been supported by a thorough business case and approved by the Policy & Performance Portfolio Holder in consultation with the Finance Portfolio Holder as required by Council.

15 **Sennocke Hotel (August 2018)** – The 83 bed Premier Inn was completed in July 2018 and opened for trading on 4th August 2018. The hotel scheme and the funding method were separately approved by Council but it is recognised as a Property Investment Strategy asset with the income being included in

the figures below. Following an initial rent free period, income is due to be received from May 2019 and is reflected in the increased budget from 2019/20.

Property Investment Strategy Income

16 The 10-year budget approved by Council on 20 February 2018 included net Property Investment Strategy income of £735,000 in 2018/19 and £1.185m in 2019/20.

17 Net income of £755,000 is forecast in 2018/19, therefore £20,000 above the budget. £30,000 is also proposed to be transferred to the Property Investment Strategy Maintenance Reserve to help cover future liabilities.

18 It is proposed that the budget for 2019/20 be increased from £1.185m to £1.258m to reflect the income expected from the current portfolio. This is after transferring £100,000 into the Property Investment Strategy Maintenance Reserve.

19 It is proposed that the budget for 2020/21 – 2022/23 be increased from £1.185m to £1.311m per annum again with £100,000 per annum being transferred into the Property Investment Strategy Maintenance Reserve.

Funding Sources

20 The £25.3m spent to date has been funded by:

- Property Reserve and Financial Plan Reserve £11.5m. Funds put aside for the Property Investment Strategy agreed as part of the annual budget setting process including New Homes Bonus.

- Capital receipts £9.5m. Proceeds from the sale of council assets.

- Internal borrowing £4.3m. From council balances. No interest is paid but Minimum Revenue Provision (MRP) is charged. MRP is the minimum amount which must be charged to the revenue account each year and set aside as provision for repaying loans and meeting other credit liabilities. This is a requirement for any form of borrowing so that an amount is set aside to repay the loan. An MRP charge of £150,000 is forecast in 2018/19.

- External borrowing £nil. This funding method incurs interest and MRP costs each year.

21 Funding options will be considered on a case by case basis and may be funded by reserves, capital receipts, internal borrowing or external borrowing. Due to current commitments it is likely that a significant proportion will come from external borrowing (PWLB 30 year annuity loan interest rate at 02/01/19 is 2.63%).

22 A Member Working Group is currently investigating Income Strip Funding as an additional funding source (as requested by Council) and depending on their findings, this may be a more beneficial way of funding some schemes.

23 Each scheme will also be analysed to decide whether it is preferable to proceed as the council or via Quercus 7. £5m of the approved Property Investment Strategy funding has been earmarked for Quercus 7.

24 As investment in the Property Investment Strategy continues to increase and the requirement to obtain external borrowing becomes more prominent, the Finance Portfolio Holder is keen that the 'gearing' of funding of the council's investment properties remains below 30%.

25 Gearing refers to the level of an organisations debt related to capital and expressed in percentage terms. For this council's purposes it is taken as the amount of external borrowing used to fund investment properties (including those outside of the Property Investment Strategy) as a percentage of the value of investment properties.

26 As no external borrowing has been used to fund the current investment properties, the gearing ratio is 0%. If the remaining £25m approved for the Property Investment Strategy was spent, up to £15m could be funded from external borrowing to keep the gearing ratio below 30%.

Future Opportunities

27 Due to the number of developments planned for the next few years it is recommended that the emphasis for any further acquisitions are for sites where no further work is required rather than those with development potential.

28 Current developments being investigated include industrial units as the portfolio does not currently include any assets in this category.

29 Work on current property holdings in Swanley and Sevenoaks High Street are continuing.

30 **Small sites development** (including Stangrove Estate and Spitals Cross, Edenbridge). Following a consultation with the local community on improvements to parking, management of open space and trees together with a new local shop and some new homes on the Stangrove Estate, further work has been carried out on the proposals. It is likely that they will be progressed in 2019.

Feasibility schemes have been prepared for a site in Church Road, Kemsing and two sites in Swanley. A planning application for three accessible bungalows on land owned by the Council at Church Road, Kemsing will be submitted in the summer of 2019. Scheme designs are being finalised prior to a public information event for two sites Russett Way and Alder Way, Swanley.

31 **Otford Road Park and Ride site** – This site has been included within the draft Local Plan as an employment site. There is a considerable shortage of modern light industrial units in the District and it is proposed to undertake a feasibility study for the development of employment units on this site to generate further income for the Council.

Risks

32 The risks of the Property Investment Strategy are included in Appendix B. The risks are reviewed each year and were initially analysed by the Audit Committee on 9 September 2014.

33 The Council's Strategic Risk Register was also agreed by the Audit Committee on 16 October 2018 and the relevant category for the Property Investment Strategy is also included in Appendix B.

34 Property Investment is inherently more risky than leaving reserves in the bank but this has been taken to account when approving the Property Investment Strategy and setting the investment criteria.

35 The risks of each potential investment are considered by carrying out due diligence to include the following:

- Valuation.
- Market conditions.
- Covenant strength of tenants.
- Terms of leases.
- Structural surveys.
- Funding options.
- Future costs.

36 It should be recognised that there is likely to be a time when there are business reasons to dispose of assets currently owned and invest elsewhere instead.

37 The Scrutiny Committee set up a Property Investment Strategy Member Working Group at their meeting on 5 July 2016 and reported their findings at the Scrutiny Committee on 30 March 2017.

38 The Member Working Group concluded that the benefits of the Property Investment Strategy do outweigh the risks, provided that the council remains constantly aware of changes in the market and financial risks.

39 Internal Audit completed an audit report on the Property Investment Strategy in 2017/18. The audit opinion given in the report was of full assurance.

40 The audit report conclusion was as follows: "Audit fieldwork confirmed effective governance and financial arrangements are in place for the delivery of the Property Investment Strategy. The attainment of set objectives is being achieved. Existing arrangements are fit for purpose for the delivery of the Strategy and comply with Council procedures."

41 CIPFA are currently looking to amend the Prudential Framework of Capital Finance. This may affect the ability to borrow for investments outside of the district and also to borrow in advance of need. Officers will continue to monitor this situation and report to Members if any changes are likely to affect the ability for future investments to meet the Property Investment Strategy criteria.

Property Investment Strategy Criteria

42 The annual update report gives Members the opportunity to review the Property Investment Strategy criteria previously agreed. The current criteria are included in Appendix A.

43 Areas Members may wish to consider include:

i. Income Yield of 5%+ when not borrowing or in excess of 3% for schemes that include some external borrowing, based on an average over 10 years. (Flexibility may be applied to those opportunities that show an acceptable social return on investment).

It may be more appropriate to set the two elements at a consistent % above different bases such as 'Income Yield of 3%+ above the Council's current average treasury management return (currently 0.7%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 2.6% for 30 years) when externally borrowing, based on an average over 10 years. (Flexibility may be applied to those opportunities that show an acceptable social return on investment).'

ii. Lot size of £1m - £5m

The lot size has remained unchanged since the strategy started in 2014. It was originally set at this level because at the time it was viewed that this range was above that of small investors but below that of institutional investors.

The view of Allsop (independent property consultancy) is that it has been a rising market in recent years and therefore smaller investors are now interested in the £1-5m range making it a more competitive market. The current view is that there is a natural cut off at £5m and a further one at £10m. Therefore it may be beneficial to amend the lot size to £1m - £10m.

iii. Individual Properties or Portfolios / Lot size of £1m - £5m

If buying a portfolio of properties or a number of flats/units in a building, the current criteria limits the total size of each scheme to £5m. It may be more appropriate to apply the limit to individual properties within a portfolio or individual flats/units in a building.

iv. Investment opportunities are restricted to those within a 50 mile radius of the Council's Argyle Road offices.

This may need to be changed in future as CIPFA are reviewing whether council's should be able to borrow for investments outside of their area.

44 The Property Investment Strategy criteria also applies to Quercus 7 for private sector residential acquisitions.

Key Implications

Financial

As previously stated in this report, the Property Investment Strategy is a major contributor to deliver the aim of the council remaining financially self-sufficient.

It is expected that a significant proportion of future Property Investment Strategy funding will be provided by external borrowing. Each acquisition will be looked at on a case by case basis to ensure that the most appropriate funding method is used.

Legal Implications and Risk Assessment Statement.

Legal resources would be required to undertake legal pre-purchase due diligence for any future acquisitions. This would be undertaken either internally by the Council's Legal Team or externally and a decision would be made on a case by case basis.

A full risk analysis is included at Appendix B to this report.

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.

Value for Money and Asset Maintenance

Value for money derived from available finances when looked at in conjunction with the Treasury Management Strategy has the ability to be increased via the Property Investment Strategy.

Conclusions

In acknowledgement of the position with Government Support and the continued low returns on investment of reserves, further investment in the Property Investment Strategy will continue to ensure that the Council remains financially self-sufficient.

Appendices

Appendix A – Property Investment Strategy

Appendix B – Property Investment Strategy – Risk Analysis

Background Papers

Report to Council 22 July 2014 – Investment Strategy

Report to Audit Committee 9 September 2014 – Investment Strategy Risk Register

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

Report to Council – 21 July 2015 – Property Investment Strategy

Report to Council - 25 April 2017 – Property Investment Strategy Update

Adrian Rowbotham

Chief Finance Officer

Property Investment Strategy Criteria

1 The strategy will consist of a diversified and balanced portfolio of investment assets with regard to the following considerations.

2 Established property investment practice has evolved based on long standing markets for assets in main stream sectors such as Offices, Retail, Industrial and Residential. Investing in these traditional asset categories in a balanced fashion, allows for a lower risk investment when compared to emerging markets such as Student Accommodation, Nursing Homes and Medical Centres.

3 When considering the tenure of an asset, freehold would be preferable to leasehold. Freehold provides for greater levels of security against a leasehold asset that would effectively decrease in value over time. However assets on long leasehold basis may still be suitable for consideration.

4 Whilst properties let to only one tenant may offer an acceptable level of risk, multi-tenanted properties would be favourable as they offer the opportunity to minimise the impact of any one part of the asset being vacant due to tenant default or lease expiry. If assets are occupied by a single tenant, then detailed financial due diligence would be undertaken to ascertain their financial stability.

5 Investment opportunities are restricted to those within a 50 mile radius of the Council's Argyle Road offices.

6 Based on the above considerations and taking into account local market conditions, a suggested lot size of between £1m and £5m is recommended. This is to avoid the lower part of the local market where private high net worth individuals would be seeking to invest and also the high end, where Pension Funds and Life Assurance Funds tend to dominate.

7 Given the likely risk profile of an asset meeting the above considerations, it is suggested that an income yield of in excess of 5%* (based on advice from Savills) when not borrowing or in excess of 3% for schemes that include some external borrowing is appropriate. Opportunities should be sought that lend themselves to a potential to increase rental income than is currently being realised. (*The income yield is calculated as an average return over 10 years).

8 A limited number of opportunities that include the potential for development should also be considered. This approach may have the potential to deliver an additional 20-30% return on investment could be realised.

9 Where sites that are already in the ownership of the Council could be redeveloped in partnership with neighbouring sites, added value can be derived from 'marriage' of the sites. Consideration should be given to Joint Venture (JV) projects that maximise value, with priority given to those which would result in the delivery of assets meeting the investment criteria.

10 It is proposed that external specialist property investment advisors be retained on each transaction, advising on suitability having undertaken detailed pre purchase due diligence, including valuation, risk analysis and lease / title reviews.

11 Taking all of the above considerations into account, the following specific criteria are proposed:

i. Income Yield of 5%+ when not borrowing or in excess of 3% for schemes that include some external borrowing, based on an average over 10 years. (Flexibility may be applied to those opportunities that show an acceptable social return on investment)

ii. Individual Properties or Portfolios

iii. Lot size of £1m - £5m

iv. Freehold / Long Leasehold

v. Single or Multi Tenanted

vi. Asset categories: Industrial, Office, Retail, Trade Counter and Private Residential

vii. Potential to increase rental income, through pro-active Asset Management

12 It is proposed that initially, the Strategic Asset Management and Operational Property Management of the portfolio be delivered from existing resource within the Council's Economic Development and Property Team. There will however be times when specialist external advice is needed and this work will be commissioned on an 'as required' basis, funded from the income from the assets. This approach is to be reviewed regularly, including ongoing resource requirements, as the portfolio grows.

13 Funding for the acquisition of assets should be reviewed on a case by case basis but could be derived from a number of sources:

- Receipts from previous property disposals.
- Receipts from proposed land / property disposals in future years.
- Reallocation of some of the funds currently held in reserves.
- Borrowing from the Public Works Loan Board.
- Borrowing from the Municipal Bonds Agency.

14 Each scheme will also be analysed to decide whether it is preferable to proceed as the council or via Quercus 7.

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Property Investment Strategy – Risk Analysis

Risk	Risk Areas	Likelihood 1(low)-5(High)	Impact 1(low)-5(High)	Total Score	Controls
Downturn in property market	Capital value and income potential reduce for purchased assets	4	3	12	Continued monitoring of markets. Sale of Assets at a benchmarked threshold. Red Book Valuation undertaken as part of acquisition process.
Upturn in property market	Purchase cost of potential assets increases	2	4	16	Continued monitoring of markets. Adjusting purchase criteria to reflect market movement. Consider sales of assets for capital gain. Red Book Valuation undertaken as part of acquisition process.
Increase in interest rates (borrowing)	Cost of borrowing increases with detrimental impact on income	4	3	12	Ensure most competitive rate achieved if borrowing, fixed term if possible. Consider increased use of reserves to ensure loan to value ratios are acceptable.
Increase in interest rates (investment)	Lower rate of return when compared to other potential treasury management income	4	1	4	Consider revising income return criteria upwards. Consider disposal of assets for re-investment
Restrictions on borrowing	Potential changes to the Prudential Code regarding what borrowing can be used for	4	3	12	Variety of funding sources. Amend property search criteria.

Available opportunities	Market opportunities meeting investment criteria not available.	4	4	16	Identify opportunities early and move swiftly to acquire. Review Property Investment Strategy criteria annually.
Changes in Tenant Demand	Certain types of property may become less favourable with tenants.	3	3	9	Construct a varied portfolio by use, i.e. mixture of shops, offices, industrial, residential etc.
Obsolescence of Asset	Physical obsolesce in terms of building fabric and fit out	3	4	12	Ensure Full Repairing and Insuring Leases are in place via pre-purchase due diligence. Have building surveys undertaken to establish condition of building. Establish Property Investment Strategy Maintenance Reserve.
Tenant default	Loss of rental income, increased costs incurred	3	4	12	Undertake financial due diligence of tenants pre-purchase, obtain the best possible tenant covenants. Look for guarantors or cash deposits where covenants are considered weak. Consider multi-tenanted properties in order to diversify risk. Ensure robust credit control procedures in place. Monitor tenant company performance.
Void periods	Loss of rental income, holding costs incurred – rates, utilities etc. Costs of re-letting	3	4	12	Monitoring tenancies as described above. Move quickly to appoint letting agents should a void period appear likely. Act expediently in concluding legal process of letting.

Illiquidity of Property Assets	Asset identified for disposal to raise capital receipt or for reinvestment	2	4	8	Ensure that assets are kept “sale ready” in terms of documentation and information.
Staff Resources	Lack of suitably professionally qualified staff	2	3	6	Ensure that appropriately professionally qualified staff, with experience in Property Investment, are available to act on the Council’s behalf.
Residential Properties – generally all of the above plus greater landlord input, more management intensive	Residential Properties generally require a more active landlord involvement, maintaining the structure and services of a property – maintenance costs and management costs are therefore higher.	3	3	9	Ensure that increased holding costs are factored into purchase valuations Appoint external professionals to manage landlord and tenant processes Ensure that tenant deposits are taken

Strategic Risk Register Item – Agreed by Audit Committee 16 October 2018

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR02: **Property Investment Strategy** – *Failure to identify opportunities to meet the Property Investment Strategy* Lead Officer: **Adrian Rowbotham**								
• Ability to seek appropriate investment opportunities • Appetite for risk within investment strategy to enable the Council to generate target returns • Ability to deliver sufficient funds to maximise the opportunities presented through the Property Investment Strategy • Appetite to prudentially borrow over the medium to long term • The cost of interest payments • Lack of capacity or skilled professionals to advise on investment and borrowing strategies • Ineffective governance processes that could result in opportunities being missed or being ineffectively scrutinised • Ineffective use of Quercus 7 to support the Council's investment strategy • Ability to borrow funds	• Lack of diversity in investments • Cost of interest payments • Negative impact on budgets, reserves and the ability to deliver Council projects • Poor financial health • Unable to maintain low increases in council tax levels • Reputational damage • Poor outcome for the Audit of Accounts or Value for Money assessment and potential for increased intervention	4	4	16	• Council approved Property Investment Strategy, with defined rates of return demonstrating risk appetite • Governance arrangements defined with appropriate delegations agreed • Qualified and experienced officers in post • Professional, external advisers engaged to support the development of strategies and fill skills gaps • Effective budget setting and financial monitoring processes embedded • Effective financial governance including reports to FAC, Cabinet, Audit Committee and Scrutiny Committee • Regular Quercus 7 Board and Trading Board meetings – including regular review of investment parameters to monitor market fluctuations	3	3	9

Assessing and quantifying threats and opportunities

How likely is it to happen?

What would the impact be?

Likelihood x Impact = Risk Rating

Low Risk: Risk rating of 1 to 6

Medium Risk: Risk rating of 8 to 12

High Risk: Risk rating of 15 to 25

Likelihood					
Very Likely (5)	Low (5)	Medium (10)	High (15)	High (20)	High (25)
Likely (4)	Low (4)	Medium (8)	Medium (12)	High (16)	High (20)
Possible (3)	Low (4)	Low (6)	Medium (9)	Medium (12)	High (15)
Unlikely (2)	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
Very Unlikely (1)	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
	No Impact (1)	**Minor (2)**	**Significant (3)**	**Serious (4)**	**Breakdown of Services (5)**

Impact

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