

04 February 2020 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 27.01.20




Cabinet

Membership:

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

Agenda

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


	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Committee held on 9 January 2020, as a correct record.	(Pages 1 - 8)	
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		
REPORT TO CABINET		
5. Bradbourne Lakes - Sevenoaks - Update	(Pages 9 - 14)	Ashley Walmsley Tel: 01732227175
6. Annual Review of Parking Management 2020/21	(Pages 15 - 28)	John Strachan Tel: 01732227310
		
REPORTS ALSO CONSIDERED BY THE CABINET ADVISORY COMMITTEES		
7. Discretionary Rate Relief	(Pages 29 - 54)	Sue Cressall Tel: 01732 227041

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|-----|--|-------------------|---------------------------------------|
| 8. | Financial Results 2019/20 - to the end of November 2019 | (Pages 55 - 94) | Alan Mitchell
Tel: 01732227483 |
| 9. | Treasury Management Strategy 2020/21 | (Pages 95 - 146) | Roy Parsons
Tel: 01732 227204 |
| 10. | Capital Strategy 2020/21 | (Pages 147 - 158) | Roy Parsons
Tel: 01732 227204 |
| 11. | Capital Programme & Asset Maintenance 2019/22 | (Pages 159 - 168) | Alan Mitchell
Tel: 01732227483 |
| 12. | Property Investment Strategy Update | (Pages 169 - 190) | Adrian Rowbotham
Tel: 01732 227153 |

REPORT TO CABINET

- | | | | |
|-----|---------------------------------------|-------------------|---------------------------------------|
| 13. | Budget and Council Tax Setting | (Pages 191 - 262) | Adrian Rowbotham
Tel: 01732 227153 |
|-----|---------------------------------------|-------------------|---------------------------------------|

 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 9 January 2020 commencing at 7.00 pm

Present: Cllr. Fleming (Chairman)

Cllr. Dickins (Vice Chairman)

Cllrs. Piper, Dyball and Thornton

Apologies for absence were received from Cllr. McArthur

Cllrs. Esler, Mrs Hunter and Maskell were also present.

ALISON COOK

A minute's silence was held for former Leader and Chairman of the Council Alison Cook, who had recently passed away.

44. Minutes

Resolved: That the Minutes of the meeting of Cabinet held on 5 December 2019 be approved and signed as a correct record.

45. Declarations of interest

There were no additional declarations of interest.

46. Questions from Members

There were none.

47. 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 the Board addressed Cabinet on this item and explained the decisions made in respect of each application.

Resolved: That

- a) subject to planning permission in accordance with the terms of the CIL application being granted within 5 years of the decision date, the £900,000.00 funding applied for, as set out in the report for the scheme "Re-provision of White Oak Leisure Centre" be approved on the following grounds

- strong economic, social and environmental benefits to the community;
- the project was identified in an adopted strategy/plan;
- sufficient evidence had been submitted to demonstrate a strong link between new development and the scheme; and
- there was strong community support of the scheme

if planning permission was not granted in accordance with the above then funding applied for would be refused.

- b) subject to planning permission in accordance with the terms of the CIL application being granted within 5 years of the decision date, the £252,400.00 funding applied for, as set out in the report for the scheme “Bradbourne Lakes Landscape Improvement” be approved on the following grounds

- strong social and environmental benefits to the community; and
- strong community support of the scheme

if planning permission was not granted in accordance with the above then funding applied for would be refused.

- c) the £1,000,000.00 funding applied for, as set out in the report for scheme “Swanley Transport Interventions” be refused on the following grounds

- the scheme had not clearly demonstrated whether it had maximised funding sources / CIL funding from the relevant town or parish council(s); and
- insufficient evidence of community benefit.

- d) i) subject to a legal agreement being signed within 6 months of the decision date, the £49,975.00 funding applied for, as set out in the report for scheme “Westerham Parking Project” be approved on the following grounds

- strong economic, social and environmental benefits to the community;
- the project was identified in an adopted plan; and
- there was strong community support of the scheme.

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

- e) the £114,646.00 funding applied for, as set out in the report for scheme “Extension to Kemsing Surgery” be refused on the following grounds

Cabinet - 9 January 2020

- funding for the scheme was not approved on the basis that other proposed schemes have been given greater priority;
 - the requirement for working in partnership had not been clearly demonstrated in the application;
 - the scheme had not clearly demonstrated whether it had maximised funding sources / CIL funding from the relevant town or parish council(s).
- f) subject to a legal agreement being signed within 6 months of the decision date and a clause added ringfencing the money to be returned if the pilot failed within 5 years, the £71,961.98 funding applied for, as set out in the report for scheme “go 2 - A Demand Responsive Bus Service” be approved on the following grounds
- strong economic, social and environmental benefits to the community;
 - the project was identified in an adopted strategy/plan; and
 - there was strong community support of the scheme

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

CHANGE IN AGENDA ORDER

It was agreed that Agenda Items 7 and 8 be considered before any further items (minutes 48 and 49) and that Agenda Item 6 be considered immediately thereafter (minute 50).

48. Sevenoaks District Community Safety Strategy & Action Plan

The People & Places Portfolio Holder presented the report which was a 6 month review of the 2019-20 Sevenoaks District Community Safety Strategy and Action Plan (1 April - 30 September). The Community Safety Manager went through the plan highlighting the successes and updating on amber or red targets. The People & Places Advisory Committee had considered the same report.

Public Sector Equality Duty

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

Resolved: That the Community Safety Strategy and Action Plan for 2019-20 be approved.

49. Statement of Community Involvement

The Development & Conservation Portfolio Holder presented the report which advised Members of the background to the production of a new Statement of

Community Involvement (SCI). The Strategic Planning Officer explained the document in greater detail. The Development & Conservation Advisory Committee had considered the same report and had agreed to recommend it to Cabinet.

Public Sector Equality Duty

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

Resolved: That the Statement of Community Involvement in Planning be adopted.

50. Calculation of Council Tax Base

The Finance and Investment Portfolio Holder presented the report which set out details of the calculation of the District's tax base for council tax setting purposes. These figures are used to determine tax rates for each of the council tax bands once the Council's budget requirement is known. The report set out that the tax base for 2020/21 would be 51,207.88, an increase of 0.86%. A collection rate of 99.4% had been included which was the same as the rate used in 2019/20.

The Principal Accountant set out the report and also advised Members of the timetable for setting the 2020/21 council tax. He explained that the major precepting authorities' Council Taxes should be known in advance of Council setting the tax for the whole District on 25 February 2020.

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 Officer Finance & Trading for the calculation of the Council's tax base for the year 2020/21 be approved;
- b) pursuant to the report of the Chief Officer Finance & Trading 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 2020/21 shall be 51,207.88;
- c) pursuant to the report of the Chief Officer Finance & Trading 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 2020/21 for the calculation of local precepts shall be:

<u>Parish</u>	<u>Tax Base</u>
Ash-cum-Ridley	2,459.75

Cabinet - 9 January 2020

Badgers Mount	334.98
Brasted	778.10
Chevening	1,456.01
Chiddingstone	604.75
Cowden	449.88
Crockenhill	659.12
Dunton Green	1,321.92
Edenbridge	3,697.28
Eynsford	948.87
Farningham	666.28
Fawkham	292.04
Halstead	778.40
Hartley	2,556.57
Hever	620.75
Hextable	1,698.15
Horton Kirby & South Darent	1,302.24
Kemsing	1,853.31
Knockholt	634.27
Leigh	961.50
Otford	1,720.71
Penshurst	837.74
Riverhead	1,247.77
Seal	1,303.53
Sevenoaks Town	9,690.61
Sevenoaks Weald	617.77
Shoreham	683.97
Sundridge	937.54
Swanley	5,663.91
Westerham	2,066.03
West Kingsdown	2,364.13

- 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.

51. Budget Update

The Finance and Investment Portfolio Holder presented the report which set out progress made in preparing the 2020/21 budget and updates Members on key financial information. Based on the changes to the budget made so far in the process and the further changes proposed in this report, the Council could once again have a self-sufficient balanced 10-year budget.

He set out that the current assumption in the budget was a 2% increase in Council Tax for 2020/21 as that was the expected referendum limit. In the Provisional Local Government Finance Settlement, the referendum limit was increased to the higher of 2% of £5 for districts. By implementing the maximum increase for SDC of £5 per annum (2.3%) for a Band D property, an additional £34,000 of Council Tax income could be raised in 2020/21. He suggested that the Band D Council Tax for 2020/21 be increased by the referendum limit with the excess above 2% put into a new 'Net Zero Transition Fund'.

The Chief Officer Finance and Trading explained that the Provisional Local Government Finance Settlement was published on 20 December and further detail had been announced since. He explained that the report contained a number of changes since the report to Cabinet in December including a lower Council Tax base, increased assumptions in the Property Investment Strategy, four further SCIAs and more income being assumed under the Treasury Management Strategy.

The Final Local Government Finance Settlement had not yet been announced so there could be further changes to the position later in the budget process.

Resolved: That

- a) the growth and savings/additional income proposals as set out in in Appendix D to the report be included in the budget;
- b) a Council Tax increase of £5 or the referendum limit, whichever is the greater, for 2020/21 be recommended to Council with the excess above 2% put into a new 'Net Zero Transition Fund'.

THE MEETING WAS CONCLUDED AT 8.14 PM

CHAIRMAN

IMPLEMENTATION OF DECISIONS

This notice was published on 13 January 2020. The decisions contained in Minutes 48, 49 and 51(a) take effect immediately. The decision contained in Minute 47

Cabinet - 9 January 2020

takes effect on 21 January 2020. The decisions contained in minutes 50 and 51(b) are references to Council.

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BRADBOURNE LAKES - SEVENOAKS - UPDATE

Cabinet - 4 February 2020

Report of Chief Officer Finance and Trading

Status For Consideration

Key Decision No

Executive Summary: This report updates Cleaner & Greener Committee Members on the progress to date in implementing the ‘Vision for Bradbourne Lakes’.

This report supports the Key Aim of a green and healthy environment

Portfolio Holder Cllr. Margot McArthur

Contact Officers Adrian Rowbotham, Ext. 7153

Trevor Kennett, Ext. 7407

Ashley Walmsley, Ext. 7175

Recommendation to Cleaner & Greener Advisory Committee: To consider and note the recommendation to Cabinet.

Recommendation to Cabinet: To consider the update on the progress of the Bradbourne Lakes vision implementation. To attract and apply for external funding. To prioritise works based on the outcomes of the external funding bids.

Reason for recommendation: The ‘vision’ produced by LUC (Land Use Consultants) has produced a design that will cost £1,262,000 to implement. This is outside the Council’s 10-year budget and therefore requires a range of external funding sources to be delivered. The vision was agreed by the Cleaner and Greener Advisory Committee on 29 October 2019. A bid to the Council’s CIL Board was presented on 9 December 2019 for £252,400.

Introduction and Background

- 1 At the meeting of the Direct and Trading Advisory Committee on 9 October 2018 (and agreed by Cabinet on 11 October 2018), it was agreed that:-
 - a) The results of the public consultation be noted and that Land Use Consultants (LUC) be commissioned to develop a full vision costed plan and to explore funding opportunities and to submit various grant

Agenda Item 5

applications to fund the proposed improvement and restoration works, and

- b) To fund this consultancy works, a 'one-off', 'Invest to Save', growth item for the 2019/20 budget be considered as part of the 2019/20 budget setting process.
- 2 A £60,000 budget was agreed, available from 1 April 2019, and LUC were commissioned.
- 3 The priorities identified from the consultation were; de-silting of the lakes; repair of lake edges; repair of broken structures; repair/improvement of eroded paths; removal of overgrown vegetation, ecological enhancements and biodiversity improvements.
- 4 In order to prepare a fully costed plan various surveys have been undertaken, by LUC. These are:-
- Tree survey - (446 trees surveyed, 25 trees identified for removal)
 - Ecology survey - (Tree reductions, marginal and aquatic planting, connectivity planting of hedges and trees, which will improve bats, birds, invertebrates populations and to dissuade populations of water fowl causing damage)
 - Sediment (Silt) survey - (It is calculated that there is currently 5627m³ of in-situ sediment in the 5 lakes, with approximately 5080 tonnes for removal and disposal. Permits are needed to remove silt and some material is contaminated by road run off requiring disposal at a suitable licenced site.
 - Structure survey - (High priority works include sidewall repairs for Lake 4 and overflow pond, steel supported concrete bridge repairs, and sidewalls of the overflow stream.

Please refer to the Cleaner and Greener Advisory Committee on 29 October 2019 for each full survey.

<https://cds.sevenoaks.gov.uk/ieListDocuments.aspx?CId=357&MId=2469&Ver=4&J=3>

- 5 It should be noted that many of the structures within the park require general repairs to ensure the longevity of the lake banks and improve the general aesthetics of the park.
- 6 The following actions have been identified as being required to develop the required repair details:
- The draining and dredging of Lake 4 and its overflow pond facilitating further investigation and remedial works.

- Trial pits dug at key locations to determine the current construction and condition of the sidewalls and base of Lake 4, and the sidewalls of the overflow stream.
- Developing solutions in areas where trees add to the complexity of repair details.
- Repair costs are optimised in regard to cost, aesthetics, robustness and longevity.

Landscape Proposals

- 7 From these surveys LUC produced a 'Vision' and can be seen in 'Bradbourne Lakes Outline Specification' and also included:
 - Nature play. (Trim trail type) utilising wooden equipment.
 - Improvement to existing paths and edges.
 - Improvement to park threshold
 - Creation of circular walking path with deck bridge and stream stepping stones.
- 8 This 'Vision' is estimated to cost £1,262,000 to implement
- 9 The vision and cost was taken to the Cleaner and Greener Committee on the 29 October 2019 and support was given in proceeding to source external funding.
- 10 LUC have submitted an 'Expression of Interest' letter to the HLF requesting £535,500, although this figure might increase depending on the HLF's response.
- 11 £252,400 of the Council's CIL fund was applied for and will be presented on 9 December 2019.
- 12 CIL fund was agreed by the CIL Spending Board subject to external funding and relevant planning permission.

Next Steps

- 13 Await decisions from HLF and source further external funding opportunities.
- 14 Agree priorities depending on financial resources.
- 15 Apply for permits and planning applications where required.
- 16 Continued liaison with Bradbourne Residents Association.

Agenda Item 5

Key Implications

Financial

The funding for the priority works identified in the vision for Bradbourne Lakes is outside the Council's ten-year budget and therefore external funding will need to be applied for to wholly or partially fund the required works to implement the vision.

This has included an application to the Council's CIL Spending Board and other external organisations who may give financial support to this project, this will include the HLF and Enover. An Expression of Interest (EOI) letter has been sent to the HLF requesting an initial sum of £537,500. This can be increased at a later date if HLF accept the EOI.

On-going maintenance liabilities for the Council also need to be fully taken into account in any improvement programme.

Legal Implications and Risk Assessment Statement.

Without assistance from external funding the vision cannot be implemented for the lakes, however, priority works, such as de-silting, will be essential in the near future, to ensure the correct functioning of the lakes, and again, the estimated cost of these works are outside the Council's ten-year budget.

There is no guarantee, however, that any application for funding will be successful, and this is a significant risk to the implementation of the vision.

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

Securing funding to wholly or partially carry out the improvement and restoration works identified in the vision will be the greatest opportunity to deliver the desired outcomes. LUC have started to apply to different organisations to provide the necessary funding to deliver the desired outcomes identified through the vision consultation. There is no guarantee of success.

Appendices

Background Papers

Bradbourne Lakes - A Vision for the Future -
prepared by LUC - August 2018
https://cds.sevenoaks.gov.uk/documents/s35579/06%2010270%20Bradbourne%20Lakes%20-%20Masterplan_5.0_Public%20-%20Appendix%20A.pdf?J=4
Tree Survey, Ecology Survey, Sediment Survey
Structural Survey

<https://cds.sevenoaks.gov.uk/ieListDocuments.aspx?CId=357&MId=2469&Ver=4&J=3>

Adrian Rowbotham

Chief Officer Finance & Trading

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ANNUAL REVIEW OF PARKING MANAGEMENT 2020/21

Cabinet - 4 February 2020

Report of Chief Officer Finance and Trading

Status: For decision

Key Decision: Yes

Executive Summary: This report informs Members of the outcome of the public consultation on the annual review of parking management arrangements for 2020/21.

The review proposed moderate increases in:

- half hourly and 1-3 hourly charges in Blighs car park
- daily and resident and season ticket charges in Sevenoaks Town car park
- hourly and daily parking charges on street in Morewood Close (East), St Botolphs Road area, Morewood Close (West) and Holly Bush Lane and Plymouth Drive areas

It is important to mention that many of the charge increases within these proposals have not seen any increase since 2014 or 2015. The car parks and on-street parking affected represent a small minority of car parks and on-street parking facilities that the Council operates across the District. A majority of our parking charges have been frozen for the 2020/21 period.

This report supports the Key Aim of: The effective management of Council resources and supporting the local economy.

Portfolio Holder Councillor Margot McArthur

Contact Officer John Strachan, Ext. 7310

Recommendation to Cabinet:

That following consideration of the responses to the public consultation, the revised parking management arrangements for 2020-21 be agreed by Cabinet.

Reason for recommendation:

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

Agenda Item 6

Introduction and Background

- 1 This report considers the response to proposals for revised parking management arrangements in the Council's car parks for 2020/21, intended to help regulate demand for parking.
- 2 Following a careful review of both on and off street parking management arrangements, the proposals taken forward for consultation were moderate increases in:
 - a) half hourly and 1-3 hour charges in Blighs car park, to encourage more turnover in this "premium" car park and greater use of the town's Buckhurst 1, South Park and Suffolk Way car parks.
 - b) daily and season ticket charges in the new Sevenoaks Town multi-decked car park, which provides long stay parking for business workers in Sevenoaks town.
 - c) on-street pay and display parking in Morewood Close (West) close to Sevenoaks Magistrates Court.
 - d) on-street pay and display commuter parking in Ashley Close, Ashley Road, Chestnut Lane, Morewood Close (East) and St Botolphs Road. Bringing these charges more in line with the off-street commuter charges by Sevenoaks Station.
 - e) on-street pay and display parking in Holly Bush Lane and Plymouth Drive. Bringing these charges more in line with off-street town centre charges.
- 3 The proposals revoke the £35 Sevenoaks Town car park off-street resident permit. Moving a very small number of "historic" permit holders to the new £300 annual resident season ticket.
- 4 The scope of these proposals relate to a minor proportion of charged on and off-street parking spaces that the Council provided across the district.
- 5 Revenue income helps to meet the increased cost of operating public car parks following the recent Government valuation review of car parks and the subsequent increases in Business Rates for car parks.
- 6 Following the review, charges in a majority of on and off-street parking places both in Sevenoaks town and across Sevenoaks District remain frozen for the 2020/21 period.
- 7 Revised parking management proposals were considered by Cabinet on 7 November 2019, which resolved that the revised 2020/21 proposals be agreed for public consultation.
- 8 Signs erected in car parks, on street and on the Council's website promoted the public consultation that took place over November and December 2019. Over this period, the public were encouraged to contact the Council in writing, by email or by completing an online questionnaire.

9 Appendix C provides a table summary of consultation responses.

Consultation

10 A majority of respondents objected to the proposals.

11 Objections fell under 4 main themes:

- Charges were too expensive
- Increased charges would be detrimental to the town and the local economy
- Visitors and shoppers would be deterred from visiting the town
- Parking was cheaper or free elsewhere

Blighs car park

12 Most respondents who identified themselves as residents or shoppers felt that the proposals made parking too expensive and would be detrimental to the vibrancy and success of the town's local businesses.

13 There are strong parking management reasons for adjusting parking charges in Blighs car park.

14 Blighs car park is busy throughout the day. On most if not all days it becomes overfull at peak times. At times in the day it operates beyond capacity, with vehicles either queuing and circulating waiting for a parking space to become free.

15 Parking congestion deters visitors and it is a cause of increased levels of pollution from idling and queuing vehicles.

16 The revised charges in Blighs encourage the use of keenly priced more outlying town centre car parks, particularly for longer parking stays. Increasing parking "capacity" and footfall in the town centre. Easing traffic congestion and reducing pollution from idling and circulating vehicles.

17 Evening parking charges support the evening economy through provision of well-lit, secure, managed parking facilities.

18 An added convenience will be the ability to pay for the first half hour parking with a single coin.

Sevenoaks Town car park

19 Feedback on the proposed charges came in the main from local workers and businesses. A majority of those who objected said that the proposed increases were excessive and detrimental to town workers and businesses.

20 A total of 57 survey responses represents around 12% of the daily user capacity of the car park. A clear majority of customers did not participate

Agenda Item 6

in the survey, possibly reflecting a wider degree of acceptance of the proposals.

- 21 The development of this new “state of the art” car park represents a major development and investment on the part of the Council, addressing the chronic shortage of long-stay parking in Sevenoaks town.
- 22 It is appropriate that users benefitting directly from the car park help to fund its development through these moderate charge increases. The burden of which would otherwise fall wholly on general taxpayers.
- 23 In terms of history, the daily charge at this car park has changed little since 2011, when a day’s parking cost £4. The current fee of £4.60 has remained unchanged since 2015.

St Botolphs and Morewood Close areas on-street parking charges

- 24 On-street parking in this area currently serves, in the main, commuters using Sevenoaks Station. The £5.50 daily fee has remained unchanged since 2014. In comparison, there is an all-day parking fee of £8 in the Council’s Bradbourne car park.
- 25 The proposal to increase parking charges here aims to provide greater parity with off-street parking charges around the station and to make parking more accessible for visitors to this area of the town during the day.

Holly Bush Lane and Plymouth Drive on-street parking charges

- 26 On-street parking in this area currently serves, in the main, all-day parkers working in the town. The £3 daily fee has remained unchanged since 2014. In comparison, the current all day parking fee in the new town car park is £4.60 and is due to increase to £5.50 under these proposals.
- 27 The proposal to increase parking charges here aims to provide greater parity with off-street parking charges in the town and to make parking more accessible for visitors to this area of the town during the day.
- 28 The consultation on revised parking management arrangements has taken place concurrent with a wider public consultation seeking the public’s views on on-street parking arrangements across the whole of Sevenoaks Town.
- 29 It is hoped that the outcome of this consultation will identify opportunities to help improve on-street parking provision, in particular long-stay parking for low-paid town centre workers.

Key Implications

Financial

The Council continues to focus on achieving a balanced budget and efficiencies while taking in to account the needs of local economies, our customers and the wider community.

Development of the new Sevenoaks Town Car Park represented a significant and a major financial investment on the part of the council, it is fair to recoup the investment in part through revised car park charges.

Legal Implications and Risk Assessment Statement

Changes to the charges will require Notices of Variation in respect of the off-street Parking Order governing the management of off-street parking arrangements.

Equality Impacts

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

Community Impact and Outcomes

Measured and reasonable parking charges can encourage the use of more sustainable transport options and healthier lifestyles for journeys to school, work, and visits to shops and other amenities in towns and villages.

Human Rights

There are no human rights issues or implications.

Appendices

Appendix A - Levels of charge in neighbouring Authorities

Appendix B - Proposed parking management charges

Appendix C - Analysis of responses

Background papers None

Adrian Rowbotham,

Chief Officer Finance and Trading

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Parking Charges Comparison - Neighbouring Towns and Southeastern Car Parks 2019						
	Southeastern Car Parks 1 ¹ and 4 ² , Sevenoaks	Tonbridge & Malling	Tunbridge Wells	Sevenoaks		
				Town Centre	Blighs	Bradbourne
Up to 30 minutes		70p			70p	
Up to 1 hour		£1.30	£1.60	£1	£1.50	
Up to 2 hours		£2.30	£2.80	£2	£3	
Up to 3 hours		£3.10	£3.80	£3	£5	
Up to 4 hours		£3.80	£4.80	£4	£10	
Up to 5 hours			£5.60	£4.50		
All day	£7.80	£5.90	£6.30 - £10.40	£4.60		£8
Quarterly Season Ticket	£497.10 ¹ and £394.60 ²					£335
Annual Season Ticket	£1723.10 ¹ and £1367.60 ²	£950				£1300

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Areas for consideration: Review of Fees and Charges 2020-21			
Off Street			
		2019-20	Revised
Blighs	Up to 30 mins	70p	£1
	Up to 1 hr	£1.50	£2
	Up to 2 hours	£3	£4
	Up to 3 hours	£5	£6
	Up to 4 hours	£10	No change since 2016
Buckhurst 1 South Park Suffolk Way	Up to 1 hr	£1	No change since 2015
	Up to 2 hours	£2	
	Up to 3 hours	£3	
	Up to 4 hours	£4	
Sevenoaks Town (Buckhurst 2) Weekdays	Up to 1 hr	na	No change since 2015
	Up to 2 hours	na	
	Up to 3 hours	na	
	Up to 4 hours	na	
	Up to 5 hours	£4.50	
	Over 5 hours and all day	£4.60	
Sevenoaks Town (Buckhurst 2) Saturdays	Up to 1 hr	£1	No change since 2015
	Up to 2 hours	£2	
	Up to 3 hours	£3	
	Up to 4 hours	£4	
	Up to 5 hours	£4.50	
	Over 5 hours and all day	£4.60	
Sevenoaks Town (Buckhurst 2) Season Tickets	Annual Season Ticket	£859	£990
	Quarterly Season Ticket	£224.75	£250
	Monthly Season Ticket	£92	£100
	Weekly Season Ticket	£23	£25
	Resident Permit (historic)	£35	Revoked
	Resident Permit	£300	No Change
	Resi Overnight	£50	No Change
Council Offices	Saturdays & Sundays	Free	No Change
St Johns St James	Up to 30 mins	20p	No change since 2014
	Up to 1 hr	40p	
	Up to 2 hours	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	
Bradbourne	Up to 1 hr	£1	Changed in 2019
	Up to 2 hours	£2	
	Up to 3 hours	£3	
	Up to 4 hours	£4	
	Up to 5 hours (weekdays)	£5	
	All day (weekdays)	£8	
	All day (weekends)	£5	
Bradbourne Season Tickets	Premium Bay	£2,500	Changed in 2019
	Annual	£1,300	
	6 Monthly	£660	
	Quarterly	£335	
	Monthly	£160	
	Weekly	£40	

Areas for consideration: Review of Fees and Charges 2020-21 Off Street (continued)			
		2019-20	Revised
Bevan Place Park Road Station Road	Up to 30 mins	30p	No change since 2015
	Up to 1 hour	50p	
	Up to 2 hours	70p	
	Up to 4 hours	£1.10	
	Over 4 hours and all day	£4	
Bevan Place Season Tickets	Annual	£396	No change since 2015
	Quarterly	£109	
Darent	Up to 30 mins	Free	No change since 2016
	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	
Quebec Avenue	Up to 15 mins	10p	No change since 2014
	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	
Vicarage Hill	Up to 15 mins	10p	No change since 2014
	Up to 30 mins	20p	
	Up to 1 hr	60p	
	Up to 2 hours	£1.50	

Areas for consideration: Review of Fees and Charges 2020-21
On Street

		2019-20	Revised
High Street London Road South Park	Up to 30 mins	50p	No change since 2016
	Up to 1 hour	£1	
	Up to 2 hours	£2	
	Sunday	2 hours max stay	
Sevenoaks Town Holly Bush Lane Plymouth Drive	Up to 30 mins	20p	50p
	Up to 1 hour	60p	£1
	Up to 2 hours	£1.30	£2
	Over 2 hours and all day	£3	£5
Sevenoaks Station Morewood Close (West)	Up to 30 mins	20p	50p
	Up to 1 hour	60p	£1
	Up to 2 hours	£1.30	£2
	Up to 4 hours	£2.40	£3
Sevenoaks Station St Botolphs Ashley Close Morewood Close (East)	Up to 30 mins	20p	50p
	Up to 1 hour	60p	£1
	Up to 2 hours	£1.30	£2
	Up to 4 hours	£2.40	£4
	Over 4 hours and all day	£5.50	£7
Sevenoaks District Resident Parking Permits	First	£35	No Change
	Second	£70	
	Third	£125	
	Fourth	£250	
Resident Vistors	Book of 5	£6	No Change
Non-Resident Parking Permits	Town Annual	£270	No Change
	Town Half Yearly	£135	
	Town Quarterly	£67.50	
	Station (West) Annual	£765	
	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		
Knockholt	All Day	£3.50	No change since 2014
	After 2pm up to 6pm	£2.40	
Godsel Rd/Azalia Dr	Up to 30 mins	20p	No change since 2014
	Up to 1 hour	60p	
	Up to 2 hours	£1.30	
	Up to 4 hours	£2.40	
	Over 4 hours and all day	£3.50	
The Green The Grange Market Square	15 minutes	10p	No change since 2014
	30 minutes	20p	
	1 hour	60p	
	2 hours	£1.50	
Fullers Hill Croydon Road	15 minutes	10p	No change since 2014
	30 minutes	20p	
	1 hour	60p	
	2 hours	£1.50	
	3 hours	£2.50	

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Parking Location	Number of Respondents	Business/Worker	Resident
Blighs Car Park	220	12	112
Sevenoaks Town Car Park	57	45	9
St Botolphs Road	9	0	5
Plymouth Drive	14	13	1
Holly Bush Lane	5	4	1

Agenda Item 6

Shopper	Visitor	Other
82	11	3
2	0	1
0	2	2
0	0	0
0	0	0

Item 7 - Discretionary Rate Relief

The attached report was considered by the Finance & Investment Advisory Committee on 23 January 2020. The relevant Minute extract was not available prior to the printing of this agenda and will follow when available.

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DISCRETIONARY RATE RELIEF

Cabinet 4 February 2020

Report of Chief Officer Customer and Resources

Status: For Decision

Also considered by: Finance & Investment Advisory Committee - 23 January 2020

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 2020/2021 to ratepayers covered by applications made in 2019/2020.

The report also provides an update on the local discretionary rate relief scheme which will be in its final year of operation in 2020/2021 and on the retail discount scheme in operation 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. Dickins

Contact Officers Sue Cressall Ext. 7041

Paula Porter Ext. 7277

Recommendations to Finance & Investment Advisory Committee: members are asked to recommend that Cabinet approve the proposals for granting relief from business rates for 2020/2021 set out in Appendix B.

Members are asked to note the estimated level of local discretionary rate relief to be awarded in 2020/2021 as set out in paragraph (26).

Members are asked to note the level of retail discount granted for 2019/2020 as set out in paragraph (29) and note the approach for implementing the retail discount for 2020/2021.

Recommendation to Cabinet: members are asked to approve the proposals for granting relief from business rates for 2020/2021 set out in Appendix B.

Members are asked to note the estimated level of local discretionary rate relief to be awarded in 2020/2021 as set out in paragraph (26)

Members are asked to note the level of retail discount granted for 2019/2020 as set out in paragraph (29) and note the approach for implementation of the retail discount for 2020/2021.

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 2020. 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 do not 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

Agenda Item 7

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 2020/2021

- 16 Appendix B contains the details of each applicant to be considered for relief for 2020/2021 and detailed recommendations of the level of relief to be

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

- 17 The small business non-domestic rating multiplier is calculated in accordance with paragraph 3 of Schedule 7 to the Local Government Finance Act 1988 for each financial year when new rating lists are not being compiled. One element of those calculations will be the retail price index for September of the preceding financial year, unless the Treasury by order specify a lower amount.
- 18 The Local Government Finance Act 1988 (Non-Domestic Rating Multipliers) (England) Order 2019 was laid before Parliament on 4 November 2019. The order specified the figure to be used in the calculation of the small business non-domestic rating multiplier as being 288.7.
- 19 The calculation gives a small business non-domestic rating multiplier of 49.9p and assuming a small business supplement of 1.3p, a standard non-domestic rating multiplier of 51.2p. These figures have been verified by CIPFA and the Institute of Revenues, Rating and Valuation.
- 20 The level of relief is based upon the above calculations which are subject to final confirmation. In the unlikely event that the multipliers change, a further report setting out the revised relief awards will be submitted.
- 21 If applications are approved, the estimated total gross relief granted would be £199,107.
- 22 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

- 23 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)

- 24 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.
- 25 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

Agenda Item 7

the scheme for future years to ensure relief was properly targeted and fully utilised for the benefit of the affected ratepayers.

- 26 The S151 officer has exercised that delegated power to increase the maximum percentage relief for 2020/2021 from 1.5% to 1.7% to ensure that as much of Sevenoaks' funding allocation of £8,000 is passed on to affected ratepayers. On that basis the projected relief for 2020/2021 stands at £6,028.00.
- 27 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 2020/2021

- 28 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.
- 29 On 14 February 2019 Cabinet approved Sevenoaks' Retail Discount Scheme (Minute. 71). As at 25 November 2019 Sevenoaks' businesses have benefitted from £988,251 of retail discount.
- 30 For 2020/2021 all existing recipients of Retail Discount will be invited to apply for the discount to be continued.
- 31 Awards of retail discount are required to comply with the EU law on State Aid. Applicants will be required to return a 'de minimis declaration' setting out the total amount of aid that has been received from public bodies and confirming that a further award of retail discount will not cause them to exceed the €200,000 that can be received in any three year period under the de minimis Regulations EC 1407/2013.
- 32 Retail discount will not be applied at the point of annual billing if a ratepayer does not supply the application/declaration. However, it is not anticipated that ratepayers genuinely entitled to the discount will lose out since they will have until 30 September 2020 to make a retrospective application and supply the required declaration.

Key Implications

Financial

- 33 Since 1 April 2013 all discretionary relief granted has come under the provisions of the business rate retention scheme.
- 34 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.

- 35 Appendix B only refers to the gross discretionary rate relief proposed.
- 36 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

- 37 There are no legal issues.

Risk Assessment Statement

- 38 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.
- 39 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

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

Conclusions

- 41 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

Background Papers:

None

Jim Carrington-West
Chief Officer for Customer and Resources

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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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Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Estimated Relief for 2020/21	Recommendation/comments
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	DISCRETIONARY RELIEF					
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30744431	Business Innovation Zone Ltd Unit 1 Norton House, Fircroft Way, Edenbridge, TN8 6EL	Office	Edenbridge	80	£6,686.60	Recommended
30731480	Doctrina Education Ltd 69c London Road, Sevenoaks TN13 1AX	Office	Sevenoaks	80	£6,487.00	Recommended
30556849	Hospices of Hope Trading Ltd 11-13 High Street, Otford TN14 5PG	Shop	Otford	80	£10,878.20	Recommended
30570319	New Ash Green Village Assoc Ltd Ash Road, New Ash Green DA3 8HH	Hall	Ash	80	£3,233.52	Recommended
30557491	New Ash Green Village Assoc Ltd Punch Croft, New Ash Green DA3 8HR	Sports Ground	Ash	80	£6,686.60	Recommended
30578788	New Ash Green Village Assoc Ltd Centre Road, New Ash Green DA3 8HH	Office	Ash	80	£4,690.60	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
30553475	New Ash Green Village Assoc Ltd Ash Road, New Ash Green DA3 8JY	Workshop	Ash	80	£6,861.25	Recommended
30709346	RACDV Sales Ltd 36 Swanley Centre, Swanley BR8 7TL	Shop	Swanley	80	£5,788.40	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
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	TOP-UP RELIEF					
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30550568	10th Sevenoaks (Weald's Own) Scout Group R/O 13-16 Glebe Road, Weald TN14 6PB	Hall	Weald	20	£332.80	Recommended
30562165	15th Sevenoaks (Otford) Scout Group Station Road, Otford TN14 5QU	Hall	Otford	20	£312.32	Recommended
30569944	16th Sevenoaks (Ide Hill) Scout Group Camberwell Lane, Ide Hill TN14 6JL	Hall	Sundridge	20	£125.44	Recommended
30565195	17th Sevenoaks (Westerham) Scout Group Hortons Way, Westerham TN16 1BT	Hall	Westerham	20	£235.52	Recommended
30557095	1st Crockenhill Scout Group Stones Cross Road, Swanley BR8 8LT	Hall	Swanley	20	£184.32	Recommended

Ref	Organisation name and property description/address	Property type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
30561414	1st Edenbridge Scout Group Station Road, Edenbridge TN8 5HP	Hall	Edenbridge	20	£227.84	Recommended
30558593	1st Eynsford & Farningham Scout Group Priory Lane, Eynsford DA4 0AY	Hall	Eynsford	20	£250.88	Recommended
30565812	1st Horton Kirby Scout Group Horton Road, Horton Kirby DA4 9BN	Hall	Horton Kirby	20	£256.00	Recommended
30558555	1st Sevenoaks Scout Group 57 Oakhill Road, Sevenoaks TN13 1NT	Hall	Sevenoaks	20	£373.76	Recommended
30562080	3rd Sevenoaks (Riverhead) Scout Group Bradbourne Vale Road, Sevenoaks TN13 3QQ	Hall	Sevenoaks	20	£327.68	Recommended
30567641	4th Sevenoaks (St Johns) Scout Group Mill Lane, Sevenoaks TN14 5BU	Hall	Sevenoaks	20	£778.24	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
30573417	6th Sevenoaks (Kemsing) Scout Group Heaverhad Road, Kemsing TN15 6NE	Hall	Kemsing	20	£204.80	Recommended
30566792	7th Sevenoaks (Halstead) Scout Group Shoreham Lane, Halstead TN14 7BY	Hall	Halstead	20	£110.88	Recommended
30556245	7th Tonbridge (Eden Valley) Scout Group Kiln Lane, Leigh TN11 8RT	Hall	Leigh	20	£266.24	Recommended
30638543	Age UK Sevenoaks & Tonbridge The Old Meeting House, St Johns Road, Sevenoaks TN13 3LR	Hall	Sevenoaks	20	£1,971.20	Recommended
30612176	Badgers Mount Memorial Hall Highland Road, Badgers Mount TN14 7BA	Hall	Badgers Mount	20	£409.60	Recommended
30741845	Chiddingstone Nursery School Hill Hoath Road, Chiddingstone TN8 7AD	Day Nursery	Chiddingstone	20	£880.64	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
30735406	Citizens Advice in North & West Kent 38 Swanley Centre, Swanley BR8 7TQ	Shop	Swanley	20	£1,126.40	Recommended
30574069	Citizens Advice in North & West Kent Buckhurst Lane, Sevenoaks TN13 1HW	Offices	Sevenoaks	20	£911.36	Recommended
30604373	Eden Valley Museum Trust Church House, R/O 72 High Street Edenbridge TN8 5AR	Museum	Edenbridge	20	£1,041.40	Recommended
30693953	Edenbridge & Westerham Citizens Advice Bureau The Eden Centre, Edenbridge TN8 6BY	Office	Edenbridge	20	£1,638.40	Recommended
30569890	Farningham Village Hall High Street, Farningha DA4 0DH	Hall	Farningham	20	£409.60	Recommended
30558982	Fawkham Village Hall Valley Road, Fawkham DA3 8NA	Hall	Fawkham	20	£624.64	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
30554416	Halstead Village Hall Knockholt Road, Halstead TN14 7EX	Hall	Halstead	20	£327.68	Recommended
30675078	Hartley Village Hall Ash Road, Hartley DA3 8EL	Hall	Hartley	20	£307.20	Recommended
30721865	Hextable Community Collective 39 Egerton Avenue, Hextable BR8 7LG	School	Hextable	20	£2,867.20	Recommended
30555785	Ide Hill Village Hall Management Ide Hill, Sevenoaks TN14 6JG	Store	Sundridge	20	£227.84	Recommended
30570296	Ide Hill Village Hall Management Ide Hill, Sevenoaks TN14 6JG	Hall	Sundridge	20	£291.84	Recommended
30702369	Kingsdown Village Hall Gamecock Meadow, London Road West Kingsdown TN15 6BZ	Hall	West Kingsdown	20	£1,843.20	Recommended
30658332	Longfield & Hartley Scout Group Larkwell Lane, Hartley DA3 7EQ	Club House	Hartley	20	£522.24	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
30557156	Oxford Village Memorial Hall High Street, Oxford TN14 5PQ	Hall	Oxford	20	£727.04	Recommended
30722288	Rainbow Pre-School Coolings Green & Pleasant Main Road, Knockholt TN14 7LJ	Day Nursery	Knockholt	20	£839.68	Recommended
30610552	Remap 2010 Unit D9 Chaucer Business Park, Kemsing TN15 6YU	Office	Kemsing	20	£1,075.20	Recommended
30643088	Riverside Players Unit 11 Furlongs Farm, Riverside Eynsford DA4 0AE	Store	Eynsford	20	£232.96	Recommended
30631306	Rural Age Concern Darent Valley Cottage Day Centre, 100 Brands Hatch Park, Fawkham DA3 8PU	Community Centre	West Kingsdown	20	£281.60	Recommended
30744370	Second Chance Animal Rescue Bournewoods, Stones Cross Road Swanley BR8 8LT	Animal Sanctuary	Swanley	20	£1,280.00	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
30575161	Sevenoaks District Scout Council School Lane, Seal TN15 0BE	Hall	Seal	20	£286.72	Recommended
30605970	Sevenoaks Leisure Ltd White Oak Leisure Centre, Swanley BR8 7BT	Leisure Centre	Swanley	20	£41,984.00	Recommended
30607556	Sevenoaks Leisure Ltd Buckhurst Lane, Sevenoaks TN13 1LW	Leisure Centre	Sevenoaks	20	£25,856.00	Recommended
30607570	Sevenoaks Leisure Ltd Lullingstone Golf Club, Orpington BR6 7PX	Restaurant	Shoreham	20	£1,145.33	Recommended
30607563	Sevenoaks Leisure Ltd Edenbridge Leisure Centre TN8 5LU	Leisure Centre	Edenbridge	20	£22,528.00	Recommended
30734694	Sevenoaks Leisure Ltd Edenbridge Local Office TN8 5LU	Office	Edenbridge	20	£645.12	Recommended
30550339	Shoreham Village Hall 25 High Street, Shoreham TN14 7TB	Hall	Shoreham	20	£404.48	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
30671342	Stag Community Arts Centre Stag Theatre, Sevenoaks TN13 1ZZ	Theatre & Cinema	Sevenoaks	20	£5,939.20	Recommended
30556276	Sundridge Village Hall Main Road, Sundridge TN14 6EJ	Hall	Sundridge	20	£307.20	Recommended
30720022	Swanley & District Foodbank 11 Lynden Way, Swanley BR8 7DN	Shop	Swanley	20	£532.48	Recommended
30719305	The Kent Firefighting Museum Woodlands Nurseries, Ash TN15 7EG	Museum	Ash	20	£404.48	Recommended
30569487	Ash Village Hall The Street, Ash TN15 7HA	Hall	Ash	20	£277.56	Recommended
30554812	West Kent Mind Day Centre, Glen Dunlop House St Johns Road, Sevenoaks TN13 3LW	Day Centre	Sevenoaks	20	£501.76	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
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	RURAL RATE RELIEF					
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30729951	Jay Balaji Ltd 35 High Street, Shoreham TN14 7TB	Post Office	Shoreham	100	£4,790.40	Recommended
30602841	Seal Supermarket Ltd 21 High Street, Seal TN15 0AN	Shop	Seal	100	£6,029.63	Recommended
30697481	Ide Hill Community Shop CIC Ide Hill Village Hall, Ide Hill TN14 6JG	Shop	Sundridge	50	£1,792.00	Recommended
30551899	Mr Alan Johnson Park View, High Street, Leigh TN11 8RL	Shop	Leigh	50	£1,587.20	Recommended
30599426	Mr C G Martin 27 High Street, Seal TN15 0AN	Shop	Seal	50	£2,176.00	Recommended
30572421	Mr N Stokes Essington House, Eynsford DA4 0AB	Shop	Eynsford	50	£1,766.40	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2020/21	Relief for 2020/21	Recommendation/comments
30651812	Mrs Patricia M L Bye Chiddingstone Causeway Post Office, TN11 8JP	Shop	Chiddingstone	50	£972.80	Recommended
30556207	Penshurst Place Forge Garage, High Street Penshurst, TN11 8BU	Petrol Filling Station	Penshurst	50	£1,536.00	Recommended
30669516	Rafferty Investments Ltd Darenth House, Eynsford DA4 0AA	Shop	Eynsford	50	£2,508.80	Recommended

<u>Discretionary Rate Relief</u>		Number	Relief 2020/21
Total Officer Recommended		8	£51,312.17
Total Officer Rejected		0	£0.00
<u>Top-Up Relief</u>		Number	Amount
Total Officer Recommended		49	£124,635.97
Total Officer Rejected		0	£0.00
<u>Rural Rate Relief</u>		Number	Amount
Total Officer Recommended		9	£23,159.23
Total Officer Rejected		0	£0.00

Item 8 - Financial Results 2019/20 - to the end of November 2019

The attached report was considered by the Finance & Investment Advisory Committee on 23 January 2020. The relevant Minute extract was not available prior to the printing of this agenda and will follow when available.

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FINANCIAL RESULTS 2019/20 - TO THE END OF NOVEMBER 2019

Cabinet - 4 February 2020

Report of Chief Officer Finance and Trading

Status: For consideration

Also considered by: Finance & Investment Advisory Committee - 23 January 2020

Key Decision: No

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

Portfolio Holder Cllr. Matthew Dickins

Contact Officers Alan Mitchell Ext. 7483

Adrian Rowbotham Ext. 7153

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

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

Reason for recommendation: Sound financial governance of the Council.

Overall Financial Position

- 1 The year-end position is currently forecast to be a favourable variance of £40,000; this represents just under 0.3% of our net service expenditure budget totalling £15,627,000. This favourable variance includes £90,000 of interest from loans to Quercus 7 for property investments. If this was excluded there would be an unfavourable variance forecast of £50,000.

Year to Date - Areas of Note

- 2 Pay costs - the expenditure to date on staff costs is £263,000 below budget. There are currently vacancies within Corporate Services and Planning and Building Control. The impact of the larger salary variances are included within the Chief Officer commentaries.

Agenda Item 8

- 3 Income - the Council receives a number of different income streams to help balance the budget; section 10 of the monitoring pack provides details in relation to the main streams. At the end of November, income was ahead of profile for On-Street Parking and Building Control and Development Management. The level of On-Street Parking income remained at an increased level as during large scale works customers park in different locations and are slowly moving back to carparks. We have seen an increase in the use of season tickets and proposed changes to implement short term parking management are anticipated to result in an increase in car park income. Land Charges and Planning Fee income is currently lower due to a reduced volume of search requests; Chief Officers are aware of risks and have provided further details in their commentaries.
- 4 Investment Returns - the return to date on the investments held by the Council has resulted in a favourable position being reported, with interest received to date totalling £166,000 compared to a budget of £136,000.
- 5 New Homes Bonus - the Council is due to receive £1,220,000 New Homes Bonus during 2019/20; as per the 10-year budget, this income will not be applied to fund the provision of services, instead it will be transferred to the Financial Plan Reserve to be utilised as per the Council's Financial plan.
- 6 Retained Business Rates - Income expectation of £2,132,000 forms part of the 2019/20 budget; any receipts over and above this amount, including those that result from being a beneficiary of the Kent Business Rates Pool, will be transferred to the Budget Stabilisation Reserve. From the 2nd quarter pool data some £450,000 of additional income is being forecasted. Regular monitoring takes place, with any amendments feeding into the outturn forecasts.

Year End Forecast

- 7 The year-end forecast position is a favourable variance of £18,000. Following are details of the larger variances, both favourable and unfavourable.

Net Service Expenditure - Favourable variances

- 8 Vacancies within the Internal Audit team have resulted in a favourable variance of £15,000
- 9 Income from Swanley Markets is ahead of profile leading to a favourable variance of £30,000.
- 10 Within Corporate Management is the grant received from the Government to help local authorities with any necessary preparations for the UK exiting the EU. Until further information about the nature of the UK's exit is known the grant funding will not be committed. The annual forecast , currently £38,000 favourable will be continually reviewed and adjusted once any necessary spending commitments are known.

Net Service Expenditure - Unfavourable variances

- 11 Land charges fees were revised for 2019/20 but the number of searches is down on previous years leading to a £30,000 unfavourable forecast.
- 12 Car Parks income is £55,000 below target, with day ticket income down although season ticket income is up. The Business Rates bills for 2019/20 are higher than budgeted leading to an overall unfavourable variance of £150,000.
- 13 A new Council Tax enforcement service is being trialled for a year and is currently not expected to achieve the full £100,000 in the year. The future service provision will be reviewed during the year. £95,000 is due to be received from Kent County Council following SDC's decision at Council on 26/02/19 to amend the Council Tax Empty Property discounts.
- 14 Within Local Tax £50,000 has been spent with business rates valuation experts and is shown as a cost here. A corresponding amount of additional income is shown on the Business Rates line.
- 15 Income from refuse collection is lower compared to budget due to income from glass and paper credits leading to an unfavourable variance of £50,000.
- 16 Estate Management for Buildings are forecasting an unfavourable variance of £40,000 due to Business Rates bills being higher than budgeted and includes Meeting Point in Swanley which will continue to be incurred until the building is demolished.

Other Variances

- 17 Retained Business Rates - Additional income of £50,000 has been forecast to reflect an increase in Rateable Values following works undertaken by Analyse Local; the cost of these works is reflected in Local Tax.
- 18 Interest Receipts - current levels of investment returns and possible rates available going forward has resulted in £52,000 additional income being forecast.
- 19 Investment Property Income - The properties held within the Property Investment Strategy continue to achieve the income levels predicted. During this year the council has loaned funds to Quercus 7 to enable property purchases. This will result in the council receiving an additional £90,000 interest compared to what would have been earned via treasury management interest receipts.

Future Issues and Risk areas

- 20 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:

Agenda Item 8

- Feasibility costs for property investments and development of council owned assets.
- Recovery of Housing Benefits is lower than the cost of Nightly Paid Accommodation leading to an overspend in the Homelessness Budget. However, this will be offset using the Flexible Homelessness Grant. This is being carefully monitored with action taken to minimise the Nightly Paid Accommodation costs
- The full service of Universal Credit, seeing the transfer of new claims to Universal Credit, commenced in November 2018. Migration for existing claims is being phased after this date; however, pensioner cases will be retained. Regular liaison meetings are taking place between DBC/SDC managers and DWP partnership managers.
- NNDR bills higher than budget figures. NNDR bill not yet received for new Sevenoaks Town Car Park.
- Risk of higher diesel prices due to attacks on Saudi oil supplies resulting in increase in crude oil prices.
- There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts. The U+I Public Inquiry has now taken place and a cost award was successful. The effect of that will be reported in future months.
- Staff turnover remains high with planning and recruiting to vacant posts continues to be difficult.

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

Key Implications

Financial

The financial implications are set out elsewhere in this report.

Legal Implications and Risk Assessment Statement.

Under section 151 of the Local Government Act 1972, the Section 151 officer has statutory duties in relation to the financial administration and stewardship of the authority.

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

Equality Assessment

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

Appendices

Appendix A - November Budget Monitoring

Commentary

Appendix B - November Financial Information

Background Papers

None

Adrian Rowbotham

Chief Officer Finance and Trading

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Appendix A

Budget Monitoring for November 2019

Contents

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

People and Places - November 2019 Commentary

Service	Variance to date £000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Administrative Expenses - Communities & Business	9	10	This is due to advertisements for staff including the Chief Officer for People and Places and the Strategic Head Commercial and Property.
Community Safety	13	15	Additional expenditure has been necessary to bring the Convent of Mercy in Swanley under control. It was agreed that all corporate costs relating to the Convent of Mercy including legal and planning enforcement costs are being charged to this budget. There will be an attempt to recover some costs from the landowner.
Community Sports Activation Fund	(14)		External funding received in advance. Will be zero at year end.
Dunton Green Projects - S106	20		External funding received in advance and held in an earmarked reserve. Finance will be drawing this down to offset the expenditure and this will be on target at year end.
West Kent Kick Start	(10)		External funding received in advance

Future Issues/Risk Areas

Lesley Bowles
Chief Officer - People & Places
December 2019

Housing and Health - November 2019 Commentary

Service	Variance to date £000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Housing Energy Retraining Options (HERO)	18		To be drawn down from earmarked reserve at year end.
Gypsy Sites	11		Overspend due to rent arrears which are actively being pursued
Private Sector Housing	(47)		Mainly due to savings on salaries due to vacancies which are now filled. In addition, income is ahead of profile. The salaries variance will offset other additional housing salaries costs and should be on budget at year end.
Choosing Health WK PCT	(19)		External funding received in advance. Will be zero at year end.
Dunton Green Projects - S106	20		External funding received in advance and held in an earmarked reserve. Finance will be drawing this down to offset the expenditure and this will be on target at year end.
PCT Health Checks	(14)		External funding received in advance
PCT Initiatives	(22)		External funding received in advance

Future Issues/Risk Areas

The Homelessness budget is under pressure because of additional responsibilities under the Homelessness Reduction Act, resulting in additional demand for emergency accommodation. The Government's Flexible Homelessness Grant is made annually and is sufficient to cover the projected additional expenditure for the year. This is held in an earmarked reserve and transferred into the Homelessness budget at intervals during the year. This is being carefully monitored with action taken to minimise the Nightly Paid Accommodation costs.

Finance & Investment - November 2019 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Misc. Finance	17		Check transactions in Nov as profile may need to change and therefore remove this line
Administrative Expenses - Finance	39	20	Works carried out to improve the Finance IT system.
Support - Exchequer and Procurement	18	5	Temporary staffing to cover vacancies
Dartford Audit Partnership Hub (SDC Costs)	(63)		This is aggregated with the Dartford Hub costs and the Sevenoaks share of any total underspend is shown in the 'Support - Audit Function' line
Support - Audit Function	7	(15)	Vacant posts due to the staffing restructure that is taking place.
Dartford Rev&Ben Partnership Hub (SDC costs)	(32)		Current underspend due to staff turnover but likely to be offset by new staff and backfilling of resources.
Local Tax	36	50	A new enforcement service is being trialled for a year and is currently not expected to achieve the full £100,000 in the year. The future service provision will be reviewed during the year. £50,000 has been spent with business rates valuation experts and is shown as a cost here. A corresponding amount of additional income is shown on the Business Rates line.
Support - Legal Function	(32)	(11)	Underspend due to staff turnover. Underspend likely to cover external advice required.

For noting, figures in brackets represent a favourable variance

Appendix A

Future Issues/Risk Areas

**Adrian Rowbotham
Chief Officer - Finance & Trading
December 2019**

Improvement and Innovation - November 2019 Commentary

Service	Variance to Date £000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Members	(21)	(13)	<i>This is due to the gap between the election and appointment to roles. Members are only paid one Special Responsibility Allowance.</i>
Economic Development Property	98	10	<i>This relates to feasibility and other work in the lead up to a number of property investments. Most of this will be capitalised as projects proceed and start to attract an income. This is an ongoing situation. Finance undertake the capitalisation work towards the end of the financial year. This also includes additional salaries costs to fill Head of Service post with interim staff, pending permanent appointment and the advert costs for the Strategic Head of Service for Commercial and Property.</i>
Asset Maintenance IT	(75)		Spend as per 10-year asset maintenance plan - surplus to IT Asset Maintenance reserve at year end as agreed
Elections	46		Current overspend due to income outstanding relating to the EU Parliamentary and local Elections. The remaining 25% of the fees will be recovered once accounts are signed off by the Electoral Claims Unit (ECU)
Land Charges	26	30	Current underachievement in income is due to a reduced volume of search requests received. This will be monitored monthly and potentially offset by increased volumes in later periods.
Support - Contact Centre	(10)		Underspend due to staff turnover, end of year position expected on target.
Support - IT	34		Includes payment in advance for 2020/21 Agresso maintenance - to be adjusted accordingly
Corporate Management	(9)	38	Government provided additional funding to support the Council to meet any costs that may arise as a result of leaving the EU. It is currently projected that this funding will not be committed in full during this financial year.
Corporate - Other	(29)		The savings made from vacant posts are currently ahead of profile for the year to date.

Appendix A

For noting, figures in brackets represent a favourable variance

Future Issues/Risk Areas

Jim Carrington-West
Chief Officer - Customer & Resources
December 2019

Feasibility costs for property investments and development of council owned assets increase with the number of projects worked on and it is possible that this will exceed the budget at the year end. This is carefully monitored.

Lesley Bowles
Chief Officer - People & Places
December 2019

Cleaner and Greener - November 2019 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Car Parks	210	179	Business Rates increases (growth SCIA included in 2020/21 budget process) and increased Electricity Costs are causing overspends. Additionally parking income is below target.
CCTV	1	15	Full income budget will not be realised (growth SCIA to reduce income budget included in 2020/21 budget process).
Asset Maintenance Argyle Road	11		Expenditure ahead of profiled budget.
Asset Maintenance Direct Services	(15)		Works due to be completed at Mill Pond and Mildmay Depot, Shoreham.
Asset Maintenance Support & Salaries	(13)		Budget includes the additional £150,000 towards asset maintenance agreed as part of the 2019/20 budget setting process. Part of this amount has been spent on a new emergency generator and on works required at depots and car parks.
Estates Management - Buildings	40	40	Business Rates bills paid including for Meeting Point building in Swanley. This will continue to be paid until the building is demolished - £50,000. Additional rental income has been received for SDC owned buildings.
Estates Management - Grounds	20	15	Essential tree work undertaken. Legal fees paid for transferring land to Swanley Town Council.
Markets	(11)	(30)	Increased income, following re-tendering for Sevenoaks and Swanley markets.

Appendix A

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Parks - Rural	(15)		Income received for coppiced timber. Additional works in woodlands is being carried out.
Support - Central Offices	(12)	(10)	Reduced energy costs.
Support - Central Offices - Facilities	16	28	Facilities Management relies heavily on overtime to maintain building opening times and also manage the asset maintenance service. Levels do fluctuate but overtime for cover will continue to be required. At the current rate and in view of the general election in December, it is forecast that there will be a further £12,000 overspend for the rest of the financial year.
Support - General Admin (Post/Scanning)	(24)	(15)	Savings on Salaries and postage costs
Support - Direct Services	14	14	Additional staff training.
Direct Services - Trading Accounts	27	44	Income £29,000 below profile. Expenditure £15,000 above profile. Profiled surplus £179,000. Actual surplus £135,000.
EH Environmental Protection	(27)	(10)	Expenditure is below profile on air quality monitoring, but will be required later in the year. This also reflects a reduction in the payment of hub costs, agreed with DBC.
Licensing Partnership Hub (Trading)	(20)		This is the result of an overachievement in fee income that will be reinvested in the recent service restructure.
Licensing Regime	(17)	(17)	This is the result of exceeding income targets for premises licensing.

Appendix A

Future Issues/Risk Areas

Risk of higher diesel prices.

Adrian Rowbotham
Chief Officer - Finance & Trading
December 2019

Appendix A

Development and Conservation - November 2019 Commentary

Service	Variance to date £'000	Forecast Annual Variance £000	Explanation of variance and action planned (including changes from previous month)
Administrative Expenses - Planning Services	42	36	This is a result of staff training and development, including university fees.
Planning Performance Agreement (PPA)	35	42	This is our Urban Designer post costs, which will be offset by an underspend on salaries due to vacant posts in the department.
Conservation	(9)	(13)	This results from an underspend on salaries due to vacant posts
LDF Expenditure	79		The funds to cover the expenditure will be drawdown from the Local Plan reserve.
Planning Policy	(33)		This relates to a vacant post. Any underspend can form part of the Local Plan reserve.
Planning - Appeals	28	37	This is the result of an award of costs at Fircroft Way, Edenbridge. Additional costs will be forthcoming following the U+I appeal in Swanley.
Planning - CIL Administration	(14)	(11)	This results from an underspend on salaries due to the temporary staff being on a lower grade than provided in the budget
Planning - Development Management	(298)	(287)	This results from an underspend on salaries due to vacant posts, which are proving difficult to fill, and an overachievement on fee income due to a small number of high fee applications.
Planning - Enforcement	52	84	This is due to increased enforcement activity, including the successful serving of Injunctions, associated costs and the salary cost of our temporary officers.
Building Control	(63)	3	Overachievement on fee income is planned to be reinvested in future periods and to offset an increased staff costs of the partnership.

Appendix A

Future Issues/Risk Areas

There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts.

The U+I Public Inquiry has taken place and a cost award was successful. The effect of that will be reported in future months as we are still awaiting final costs.

Staff turnover remains high and recruiting to vacant posts continues to be difficult.

The Local Plan process has generated the submission of a small number of high fee applications. The effect of the emerging Plan on Development Management will be closely monitored.

Richard Morris

Chief Officer Planning & Regulatory Services

December 2019

Agenda Item 8

Appendix B

*Position as at the end of November 2019
(Period 202008)*

People and Places
Housing and Health
Finance and Investments
Improvement and Innovation
Cleaner and Greener
Development and Conservation

Adjustments to Reconcile to amount to be met from reserves

Direct Services Trading Account

Capital Charges outside the General Fund
Support Services outside the General Fund

NET SERVICE EXPENDITURE

Revenue Support Grant and New Homes Bonus
Retained Business Rates
Council Tax
Contribution from Collection Fund
Summary excluding Investment Income

Investment Property Income
Interest Receipts

OVERALL TOTAL

Planned Appropriation to/(from) Reserves
Other Reserve Movements

Supplementary Estimates

(Surplus)/Deficit

Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	Annual Variance %
520	720	745	25	3.5
590	723	723	0	0.0
1,960	2,808	2,857	49	1.8
3,464	5,219	5,196	(23)	(0.4)
2,937	4,890	5,123	233	4.8
557	1,267	1,151	(116)	(9.2)
10,028	15,627	15,795	168	1.1
(107)	(144)	(159)	(15)	(10.4)
(40)	(60)	(60)	0	0.0
(115)	(172)	(172)	0	0.0
9,767	15,251	15,404	153	1.0
0		0	0	-
(1,421)	(2,132)	(2,632)	(500)	(23.5)
(7,278)	(10,917)	(10,917)	0	(0.0)
0	0	0	0	-
1,067	2,202	1,854	(347)	(15.8)
(1,101)	(1,258)	(1,348)	(90)	0.0
(166)	(200)	(252)	(52)	0.0
(200)	744	254	(489)	(65.7)
(496)	(744)	(744)	0	
0	0	450	450	
0	0	0	0	
(696)	0	(40)	(40)	

3. Services by Chief Officer

Position as at the end of November 2019 (Period 202008)

People & Places SDC Funded

- Administrative Expenses - Communities & Business	23	13	10	22	32	10
- All Weather Pitch	(4)	(3)	(0)	(5)	(5)	-
- Community Development Service Provisions	(6)	(6)	-	(6)	(6)	-
- Community Safety	148	133	15	199	214	15
- Community Housing Fund	4	-		-	-	-
- Grants to Organisations	176	173	3	181	181	-
- Leader Programme	3	3	0	4	4	-
- Leisure Contract	55	58	(3)	182	182	-
- Leisure Development	15	16	(1)	20	20	-
- The Community Plan	35	38	(2)	55	55	-
- Tourism	22	26	(4)	33	33	-
- Youth	31	23	8	34	34	-
- West Kent Partnership	(18)	(11)	(8)	-	-	-
Total People & Places (SDC Funded)	484	462	18	720	745	25

Y-T-D Actual £'000	Y-T-D Budget £'000	Y-T-D Variance as at y-t-d £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
23	13	10	22	32	10
(4)	(3)	(0)	(5)	(5)	-
(6)	(6)	-	(6)	(6)	-
148	133	15	199	214	15
4	-		-	-	-
176	173	3	181	181	-
3	3	0	4	4	-
55	58	(3)	182	182	-
15	16	(1)	20	20	-
35	38	(2)	55	55	-
22	26	(4)	33	33	-
31	23	8	34	34	-
(18)	(11)	(8)	-	-	-
484	462	18	720	745	25

Agenda Item 8

**Position as at the end of November 2019
(Period 202008)**

People & Places Externally Funded

- Community Sports Activation Fund
- Dunton Green Projects - S106
- Dunton Green Projects
- Partnership - Home Office
- Sport Satellite Clubs
- Sportivate Inclusive Archery Project
- Troubled Families Project
- West Kent Enterprise Advisor Network
- West Kent Kick Start
- West Kent Business Rates Retention
- West Kent Partnership Business Support

Total People & Places (Ext Funded)

Total People & Places

Y-T-D Actual £'000	Y-T-D Budget £'000	Y-T-D Variance as at y-t-d £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
0	14	(14)	-	-	-
41	21	20	-	-	-
(0)	-	(0)	-	-	-
(10)	(11)	2	-	-	-
(1)	-	(1)	-	-	-
(0)	-	(0)	-	-	-
(2)	-	(2)	-	-	-
20	26	(6)	-	-	-
(10)	-	(10)	-	-	-
-	-	-	-	-	-
(2)	-	(2)	-	-	-
36	50	(14)	-	-	-
520	512	5	720	745	25

**Position as at the end of November 2019
(Period 202008)**

Housing and Health

- Administrative Expenses - Housing	2	-	2	-	-	-
- Health Improvements	34	35	(1)	51	51	-
- Housing Initiatives	31	32	(1)	48	48	-
- Homeless	162	162	(0)	253	253	-
- Homelessness Funding	76	72	4	-	-	-
- Housing	104	107	(3)	118	118	-
- Homelessness Prevention	5	-	5	-	-	-
- Housing Energy Retraining Options (HERO)	96	78	18	45	45	-
- Energy Efficiency	-	4	(4)	5	5	-
- Gypsy Sites	7	(4)	11	(6)	(6)	-
- Disabled Facilities Grant Administration	0	-	0	(20)	(20)	-
- Private Sector Housing	131	178	(47)	228	228	-
- Sevenoaks Switch and Save	1	-	1	-	-	-
Total Housing & Health (SDC Funded)	649	665	(16)	723	723	-

Y-T-D Actual £'000	Y-T-D Budget £'000	Y-T-D Variance as at y-t-d £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
2	-	2	-	-	-
34	35	(1)	51	51	-
31	32	(1)	48	48	-
162	162	(0)	253	253	-
76	72	4	-	-	-
104	107	(3)	118	118	-
5	-	5	-	-	-
96	78	18	45	45	-
-	4	(4)	5	5	-
7	(4)	11	(6)	(6)	-
0	-	0	(20)	(20)	-
131	178	(47)	228	228	-
1	-	1	-	-	-
649	665	(16)	723	723	-

**Position as at the end of November 2019
(Period 202008)**

Housing & Health Externally Funded

- Choosing Health WK PCT	(26)	(7)	(19)	-	-	-
- Dementia Area Project - Run Walk Push	(4)	-	(4)	-	-	-
- One You - Your Home Project	(9)	-	(9)	-	-	-
- PCT Health Checks	(14)	-	(14)	-	-	-
- PCT Initiatives	(6)	16	(22)	-	-	-
Total Housing & Health (Ext Funded)	(58)	10	(68)	-	-	-

Y-T-D Actual £'000	Y-T-D Budget £'000	Y-T-D Variance as at y-t-d £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
(26)	(7)	(19)	-	-	-
(4)	-	(4)	-	-	-
(9)	-	(9)	-	-	-
(14)	-	(14)	-	-	-
(6)	16	(22)	-	-	-
(58)	10	(68)	-	-	-

Total Housing & Health

590	675	(84)	723	723	-
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**Position as at the end of November 2019
(Period 202008)**

Finance & Investments

- Housing Advances	1	1	(0)	1	1	-
Benefits Admin	(483)	(484)	0	4	4	-
Benefits Grants	317	317	(0)	(25)	(25)	-
- Misc. Finance	1,061	1,031	30	1,763	1,763	-
- Administrative Expenses - Chief Executive	4	11	(7)	22	22	-
- Administrative Expenses - Finance	47	21	26	32	51	20
- Support - Audit Function	(12)	(19)	7	185	170	(15)
- Support - Exchequer and Procurement	86	68	18	116	121	5
Support - Rev & Ben Control	-	-	-	239	239	-
- Support - Finance Function	122	117	5	183	183	-
Support - Counter Fraud	(63)	(63)	-	55	55	-
Support - Legal Function	126	159	(33)	241	230	(11)
- Treasury Management	75	83	(8)	126	126	-
Local Tax	(529)	(566)	36	(118)	(68)	50
Administrative Expenses - Revenues and Benefits	0	-	0	-	-	-
- Housing Other Income	(13)	(9)	(4)	(14)	(14)	-
Dartford Rev&Ben Partnership Hub (SDC costs)	1,146	1,175	-	-	-	-
- Dartford Audit Partnership Hub (SDC Costs)	77	140	(63)	-	-	-
Total Finance & Investments	1,960	1,981	8	2,808	2,857	49

Y-T-D Actual £'000	Y-T-D Budget £'000	Y-T-D Variance as at y-t-d £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
1	1	(0)	1	1	-
(483)	(484)	0	4	4	-
317	317	(0)	(25)	(25)	-
1,061	1,031	30	1,763	1,763	-
4	11	(7)	22	22	-
47	21	26	32	51	20
(12)	(19)	7	185	170	(15)
86	68	18	116	121	5
-	-	-	239	239	-
122	117	5	183	183	-
(63)	(63)	-	55	55	-
126	159	(33)	241	230	(11)
75	83	(8)	126	126	-
(529)	(566)	36	(118)	(68)	50
0	-	0	-	-	-
(13)	(9)	(4)	(14)	(14)	-
1,146	1,175	-	-	-	-
77	140	(63)	-	-	-
1,960	1,981	8	2,808	2,857	49

**Position as at the end of November 2019
(Period 202008)**

Cleaner & Greener	Y-T-D Actual £'000	Y-T-D Budget £'000	Y-T-D Variance as at y-t-d £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
- Car Parks	(1,103)	(1,291)	188	(1,951)	(1,780)	171
- Asset Maintenance Argyle Road	105	94	11	141	141	-
- Asset Maintenance CCTV	15	12	3	18	18	-
- Asset Maintenance Countryside	0	6	(6)	8	8	-
- Asset Maintenance Other Corporate Properties	21	22	(1)	33	33	-
- Asset Maintenance Direct Services	38	53	(15)	80	80	-
- Asset Maintenance Hever Road	34	28	6	38	38	-
- Asset Maintenance Leisure	114	121	(7)	182	182	-
- Asset Maintenance Playgrounds	6	6	0	8	8	-
- Asset Maintenance Support & Salaries	28	41	(13)	104	104	-
- Asset Maintenance Sewage Treatment Plants	0	6	(6)	9	9	-
- Asset Maintenance Public Toilets	-	5	(5)	7	7	-
Refuse Collection	1,813	1,806		2,781	2,831	50
- Bus Station	16	10	6	13	13	-
- Car Parking - On Street	(321)	(325)	4	(494)	(494)	-
- CCTV	181	180	1	264	279	15
- Civil Protection	49	48	1	71	71	-
- Dartford Environmental Hub (SDC Costs)	0	-	0	-	-	-
- EH Commercial	7	(1)	8	263	260	(3)
- EH Animal Control	10	5	5	1	6	5
- EH Environmental Protection	22	48	(27)	405	395	(10)
- Emergency	45	45	0	68	68	-
Parking Enforcement - Tandridge DC	(16)	(15)	(1)	(29)	(29)	
- Estates Management - Buildings	55	13	41	(11)	29	40
- Estates Management - Grounds	98	78	20	118	133	15
- Housing Premises	(4)	4	(8)	15	5	(10)
- Kent Resource Partnership	(144)	(109)	(35)	(0)	(0)	-
- Licensing Partnership Hub (Trading)	(26)	(7)	(20)	-	-	-
- Licensing Partnership Members	-	-	-	-	-	-
- Licensing Regime	(36)	(19)	(17)	10	(7)	(17)
- Markets	(141)	(130)	(11)	(185)	(215)	(30)

- Parks and Recreation Grounds	115	122	(7)	185	185	-
- Parks - Greensand Commons Project	96	-	96	-	-	-
- Parks - Rural	69	84	(15)	130	130	-
- Asset Maintenance Operatives	4	-	4	-	-	-
- Public Transport Support	-	0	(0)	0	0	-
- Administrative Expenses - Direct Services	0	-	0	-	-	-
- Administrative Expenses - Health	2	6	(4)	10	5	(5)
- Administrative Expenses - Transport	5	4	1	7	7	-
- Administrative Expenses - Licensing	1	5	(4)	8	3	(5)
- Administrative Expenses - Property	3	2	1	3	3	-
- Street Cleansing	973	977	(4)	1,467	1,467	-
- Support - Central Offices	378	390	(11)	473	463	(10)
- Support - Central Offices - Facilities	181	165	16	271	299	28
- Support - General Admin (Post/Scanning)	99	123	(24)	184	169	(15)
Support - General Admin	1	3	(3)	5	5	-
- Support - Health and Safety	16	13	3	22	22	-
- Support - Direct Services	46	32	15	51	65	14
- Support - Procurement	7	4	3	6	6	-
- Support - Property Function	40	32	7	48	48	-
- Taxis	(1)	2	(3)	4	4	-
- Public Conveniences	36	32	4	49	49	-
Total Cleaner and Greener	2,937	2,730	199	4,890	5,123	233

**Position as at the end of November 2019
(Period 202008)**

Improvement & Innovation	Y-T-D Actual £'000	Y-T-D Budget £'000	Y-T-D Variance as at y-t-d £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
- Economic Development	39	42	(2)	59	59	-
- Economic Development Property	302	204	97	268	278	10
Corporate Management	637	646	(9)	1,056	1,018	(38)
Asset Maintenance IT	113	189	(75)	283	283	-
- Action and Development	2	5	(3)	7	7	-
Corporate Projects	51	56	(5)	101	101	-
- Consultation and Surveys	-	-	-	4	(0)	(4)
Democratic Services	102	96	7	148	155	7
Land Charges	(47)	(73)	26	(105)	(75)	30
Street Naming	(6)	4	(9)	6	6	-
Civic Expenses	16	16	(0)	17	17	-
Elections	59	104	(45)	136	136	-
Register of Electors	151	156	(5)	223	223	-
- Corporate - Other	-	29	(29)	115	115	-
Support - Local Offices	14	19	(4)	19	29	10
Support - IT	958	924	34	1,117	1,117	-
Support - Nursery	1	-	1	-	-	-
Support - Human Resources	225	225	0	338	338	-
- Equalities Legislation	-	-	-	20	(0)	(20)
- External Communications	139	140	(1)	201	192	(9)
- Members	281	302	(21)	455	442	(13)
- Performance Improvement	6	6	(0)	(1)	(1)	-
Support - Contact Centre	342	355	(13)	536	536	-
Support - General Admin (Print Shop)	(11)	(14)	2	(37)	(37)	-
Support - General Admin	12	16	(4)	161	161	-
Administrative Expenses - Human Resources	13	4	9	4	4	-
Administrative Expenses - Corporate Services	11	10	2	17	17	-
Administrative Expenses - Legal and Democratic	48	53	(5)	69	73	4
- Administrative Expenses - Transformation and Strategy	4	3	1	5	5	-
Total Improvement & Innovation	3,464	3,514	(50)	5,219	5,196	(23)

Agenda Item 8

**Position as at the end of November 2019
(Period 202008)**

Development & Conservation

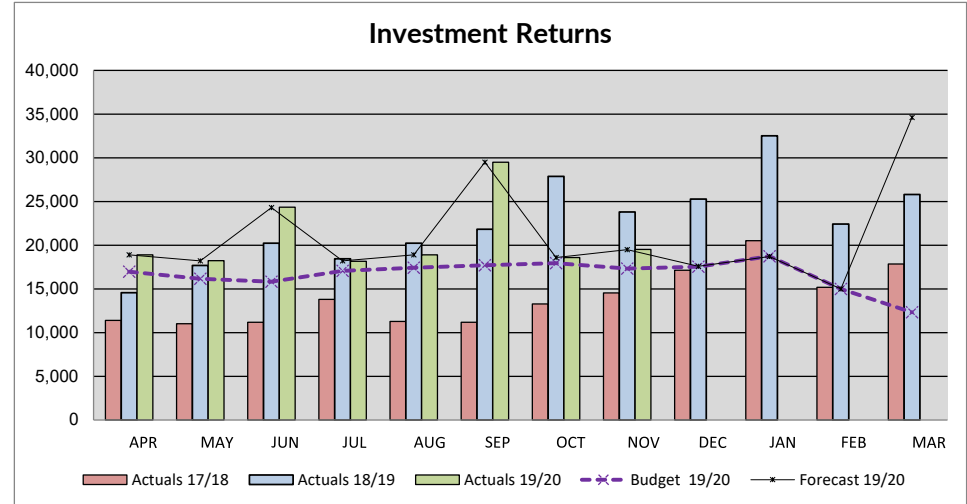
- Administrative Expenses - Planning Services
- Conservation
- Planning Performance Agreement
- LDF Expenditure
- Planning - Appeals
- Planning - CIL Administration
- Planning - Counter
- Planning - Development Management
- Planning - Enforcement
- Planning Policy
- Building Control Partnership Members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

Y-T-D Actual £'000	Y-T-D Budget £'000	Y-T-D Variance as at y-t-d £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
65	22	43	46	82	36
53	62	(9)	92	80	(13)
35	-	35	-	42	42
0	-	0	-	-	-
163	135	28	203	240	37
(43)	(29)	(14)	(68)	(79)	(11)
(0)	-	(0)	-	-	-
(165)	133	(298)	223	(64)	(287)
249	183	66	280	364	84
345	378	(33)	605	605	-
(0)	-	(0)	-	-	-
(0)	(0)	0	-	-	-
(148)	(86)	(63)	(129)	(126)	3
-	2	(2)	3	3	-
1	8	(7)	12	4	(8)
557	808	(251)	1,267	1,151	(116)

2019-20	PERIOD				YEAR-TO-DATE				ANNUAL			Y-T-D NET VARIANCE			ANNUAL NET VARIANCE		
	Budget	Actual	Actual / Budget	Variance	Budget	Actual	Actual / Budget	Variance	Budget	Forecast	Variance	Net Budget by Service	Net Actual by Service	Variance by Service	Net Budget by Service	Net Actual by Service	Variance by Service
Nov-19	£'000	£'000	%	£'000	£'000	£'000	%	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income																	
Refuse	(219)	(220)	(0.3)	(1)	(1758)	(1767)	(0.5)	(9)	(2640)	(2640)	0	9	15	7	10	10	(0)
CDSU	(9)	(9)	(3.7)	0	(69)	(68)	1.1	1	(103)	(103)	0	14	14	(0)	20	20	0
Street & Toilet Cleaning	(114)	(115)	(0.8)	(1)	(927)	(933)	(0.6)	(6)	(1400)	(1400)	0	(3)	(27)	(24)	(13)	(13)	0
Trade	(31)	(26)	16.5	5	(321)	(298)	7.4	24	(447)	(428)	19	(54)	(6)	48	(46)	(12)	34
Workshop	(62)	(64)	(2.9)	(2)	(496)	(476)	4.0	20	(744)	(744)	0	(0)	(4)	(4)	(1)	(1)	0
Green Waste	(40)	(34)	13.9	6	(451)	(486)	(7.8)	(35)	(596)	(616)	(20)	(94)	(106)	(13)	(66)	(86)	(20)
															0	0	0
Cesspools	(20)	(18)	12.9	3	(162)	(153)	5.9	9	(243)	(236)	7	(21)	(4)	17	(31)	(24)	7
Pest Control	(4)	(4)	0.4		(72)	(49)	32.0	23	(90)	(67)	23	(12)	16	28	0	23	23
Grounds	(15)	(15)	1.1		(124)	(123)	0.7	1	(185)	(185)	0	1	(23)	(24)	(2)	(2)	0
Fleet	(80)	(86)	(8.0)	(6)	(639)	(648)	(1.4)	(9)	(958)	(958)	0	0	15	15	0	0	0
Depot	(25)	(24)	0.3		(204)	(176)	13.6	28	(302)	(302)	0	4	17	13	(0)	(0)	0
Emergency	(5)	(5)	0.0	0	(38)	(38)	0.0	0	(57)	(57)	0	(10)	(14)	(3)	(15)	(15)	0
Total Income	(623)	(620)	0.6	4	(5261)	(5214)	0.9	47	(7766)	(7737)	29	(166)	(107)	59	(145)	(101)	44
Expenditure																	
Refuse	221	227	2.8	6	1,767	1,782	0.9	15	2,650	2,650	(0)						
CDSU	10	10	0.3		82	82	(1.0)	(1)	124	124	0						
Street & Toilet Cleaning	116	115	(0.8)	(1)	925	906	(2.0)	(18)	1,387	1,387	0						
Trade	33	41	22.0	7	268	291	8.9	24	401	416	15						
Workshop	62	68	9.0	6	496	472	(4.8)	(24)	743	743	0						
Green Waste	51	51	0.2		357	380	6.3	22	530	530	0						
															0	0	0
Cesspools	18	16	(8.5)	(1)	141	149	5.3	7	212	212	0						
Pest Control	7	7	(3.1)	(0)	60	65	8.6	5	90	90	0						
Grounds	15	11	(26.6)	(4)	125	100	(20.2)	(25)	183	183	0						
Fleet	80	83	4.2	3	639	663	3.8	25	958	958	0						
Depot	23	20	(11.2)	(3)	208	193	(7.3)	(15)	301	301	0						
Emergency	3	3	(16.1)	(1)	27	24	(12.3)	(3)	41	41	0						
Total Expenditure	639	652	2.0	13	5094	5107	0.2	12	7621	7636	15						
Net	16	32	2.6	17	(166)	(107)	1.1	59	145	(101)	44						

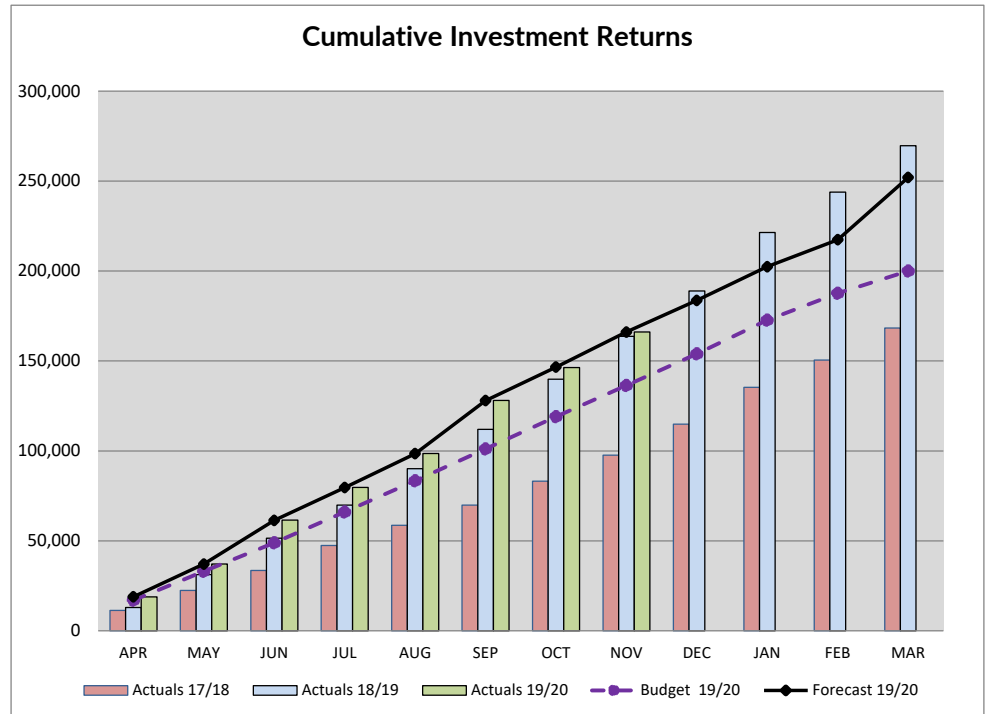
6 Investment Returns

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Budget 19/20	Variance	Forecast 19/20
APR	11,389	14,566	18,908	16,960	1,948	18,900
MAY	11,020	17,690	18,243	16,166	2,077	18,200
JUN	11,182	20,233	24,341	15,834	8,507	24,300
JUL	13,806	18,443	18,166	17,056	1,110	18,200
AUG	11,280	20,224	18,891	17,417	1,474	18,900
SEP	11,190	21,831	29,495	17,702	11,793	29,500
OCT	13,282	27,864	18,586	17,934	652	18,600
NOV	14,533	23,808	19,520	17,332	2,188	19,500
DEC	17,148	25,281		17,550		17,600
JAN	20,510	32,513		18,738		18,700
FEB	15,173	22,411		14,983		15,000
MAR	17,852	25,803		12,328		34,600
TOTAL	168,365	270,667	166,150	200,000	29,749	252,000



INVESTMENT RETURNS (CUMULATIVE)

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Budget 19/20	Variance	Forecast 19/20
APR	11,389	12,927	18,908	16,960	1,948	18,900
MAY	22,409	31,250	37,151	33,126	4,025	37,100
JUN	33,591	51,483	61,492	48,960	12,532	61,400
JUL	47,397	69,926	79,658	66,016	13,642	79,600
AUG	58,677	90,150	98,549	83,433	15,116	98,500
SEP	69,867	111,981	128,044	101,135	26,909	128,000
OCT	83,149	139,845	146,360	119,069	27,561	146,600
NOV	97,682	163,653	166,150	136,401	29,749	166,100
DEC	114,830	188,934		153,951		183,700
JAN	135,340	221,447		172,689		202,400
FEB	150,513	243,858		187,672		217,400
MAR	168,365	269,661		200,000		252,000



BUDGET FOR 2019/20 200,000
 FORECAST OUTTURN 252,000

CODE:- YHAA 96900

N.B.

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

Fund Average 0.9073%
 7 Day LIBID 0.5671%
 3 Month LIBID 0.6629%

STAFFING STATISTICS NOV 2019

	BUDGET FTE	STAFF FTE	AGENCY STAFF	CASUAL FTE	TOTAL	COMMENTS	NOVEMBER TOTALS
1. People and Places (Communities and Busir	19.42	32.18	0.00	1.16	33.34	This includes Housing Advice	35.38
2. Customers and Resources Customer Solutions, HR, PAs, Legal, Democratic Service, Election, <i>Revenues and Benefits</i>	65.67	93.34	1.00	0.75	95.09		97.74
3. Finance and Trading	168.88	147.37	21.19	1.60	170.16		174.43
3a. Environmental Health	12.57	0.00	1.00		1.00		0.00
3b. Licensing	10.67	0.00			0.00		0.00
3c & 3d Operational Services + CCTV	112.16	108.39	19.19	1.60	129.18		133.23
3e. Parking & Amenity Services	13.00	13.00			13.00		13.00
3f. Property Services (Em P&Property and FM)	20.48	15.79			15.79		15.79
Finance & Audit		10.19	1.00		11.19		12.41
4. Transformation and Strategy	67.92	13.17	0.00		13.17		13.17
Services, Development Management,	50.21	65.26	2.00		67.26		66.51
5b. Building Control	7.00	7.00	0.00		7.00		7.00
SUB TOTAL	379.10	358.32	24.19	3.51	386.02		394.23
<u>EXTERNALLY FUNDED POSTS</u>							
7. Communities and Business	18.7	7.7	0.00		7.70		5.70
8. Operational Services	2	2	0.00		2.00		2.00
9. Property Services	1.50	1.00	0.00		1.00		1.00
SUB TOTAL	22.20	10.70	0.00		10.70		8.70
TOTAL	401.30	369.02	24.19	3.51	396.72		402.93
Number of staff paid in Nov 2019: 416 permanent, 13 casuals							

**Position as at the end of November 2019
(Period 202008)**

	Opening Balance	Latest Balance	Movement
	19/20 Opening Balance	Balance as at end November 2019	19/20 Cumulative Movement to Date
BS360 E Earmarked Reserve - Budget Stabilisation	(7,938)	(7,330)	(608)
BS380 E Earmarked Reserve - Financial Plan	(1,364)	(1,364)	-
BS035 E Earmarked Reserve - Capital Expenditure Reserve	(1,000)	(1,000)	-
BS460 E Earmarked Reserve - Swanley Station Improvements	(750)	(750)	-
BS030 E Earmarked Reserve - Carry Forward Items (DAC)	(707)	(707)	-
BS045 E Earmarked Reserve - IT Asset Maintenance	(682)	(682)	-
BS330 E Earmarked Reserve - Capital Financing	(592)	(592)	-
BS520 E Earmarked Reserve - Corporate Project Support Reserve	(586)	(586)	-
BS510 E Earmarked Reserve - NNDR Safety Net Deficit Reserve	(565)	(565)	-
BS010 E Earmarked Reserve - Vehicle Renewal (DAA)	(532)	(532)	-
BS500 E Earmarked Reserve - Pension Fund Valuation Adj.	(500)	(500)	-
BS260 E Earmarked Reserve - Local Plan/LDF	(491)	(320)	(172)
BS250 E Earmarked Reserve - DWP Hsg Benefit Subsidy	(444)	(444)	-
BS320 E Earmarked Reserve - Re-organisation	(423)	(423)	-
BS470 E Earmarked Reserve - New Homes Bonus Reserve	(406)	(406)	-
BS300 E Earmarked Reserve - Action and Development	(396)	(396)	-
BS400 E Earmarked Reserve - Community Development Reserve	(351)	(381)	30
BS120 E Earmarked Reserve - Vehicle Insurance (DAZ)	(299)	(299)	-
BS065 E Earmarked Reserve - Homelessness Prevention	(255)	(444)	189
BS020 E Earmarked Reserve - FTS (DAB)	(206)	(206)	-
BS570 E Earmarked Reserve - Community Infrastructure Levy Administration (CIL)	(185)	(185)	-
BS130 E Earmarked Reserve - District Elections (DAZ)	(104)	(42)	(62)
	(18,778)	(18,155)	(624)
Other Earmarked Reserves (balances <£100k)	(594)	(1,272)	678
	(19,372)	(19,426)	54
General Fund			
BW020 Required Minimum	(1,500)	(1,500)	-
Total	(20,873)	(20,926)	54

10. Capital

Position as at the end of November 2019 (Period 202008)

People & Places

RHPCG 10-11 SDC

WKHA Adaps for Disab Financing Costs Advances

Affordable Housing

Improvement Grants

Improvement Grants HIA (DFG) - Capital

Property Investment Strategy

PIS 1st Floor Suffolk House - Refurbishment

Whiteoak Leisure Centre

Finance & Trading

Vehicle Purchases

CCTV

Buckhurst 2 Multi-Storey Car Park

Buckhurst 2 - Housing

Bradbourne Car Park

Junction Works - Suffolk Way/High Street

Planning & Regulatory

S106 Capital

CIL Other

CIL Parish Councils

Y-T-D Actual	Annual (19/20) Budget	Annual For Var	Annual (19/20) Forecast (including Accruals)
£'000	£'000	£'000	£'000
3	-	-	-
69	-	-	-
2,582	-	-	-
261	1,100	-	-
349	-	-	-
191	5,000	-	5,000
16	-	-	-
442	550	-	-
427	548	-	548
1	20	-	20
3	-	-	-
2,275	5,861	-	5,861
-	-	-	-
(274)	-	-	-
122	-	-	-
1,448	-	-	-
529	-	-	-
8,444	13,079	-	11,429

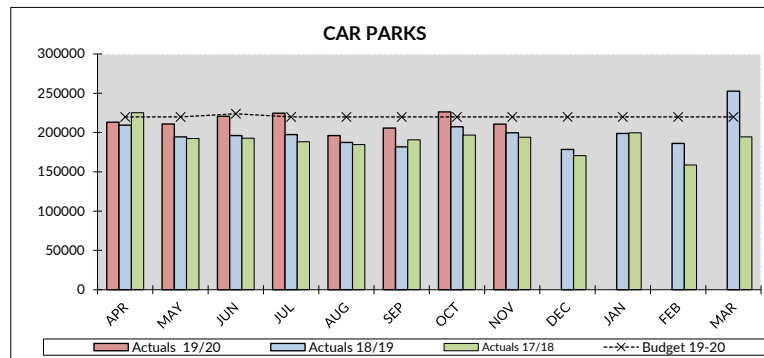
8 Income Graphs Summary

		Comparison of 18/19 and 19/20, where brackets show increased income	MANAGER'S PROFILED BUDGET	Variance, where brackets are favourable	ANNUAL BUDGET 2019/20	Annual Forecast
	ACTUAL					
CAR PARKS	1,708,009	(134,363)	1,543,245	(164,764)	2,642,705	2,642,705
ON-STREET PARKING	726,492	47,050	600,913	(125,579)	1,030,136	1,030,136
LAND CHARGES	122,828	(21,433)	122,579	(250)	210,135	210,135
BUILDING CONTROL	374,954	(45,825)	272,481	(102,474)	467,110	467,110
DEVELOPMENT MANAGEMENT	879,656	(359,733)	537,671	(341,985)	921,722	921,722
	3,811,940	(514,304)	3,076,888	(735,052)	5,271,808	5,271,808

CAR PARKS (HWCARPK)

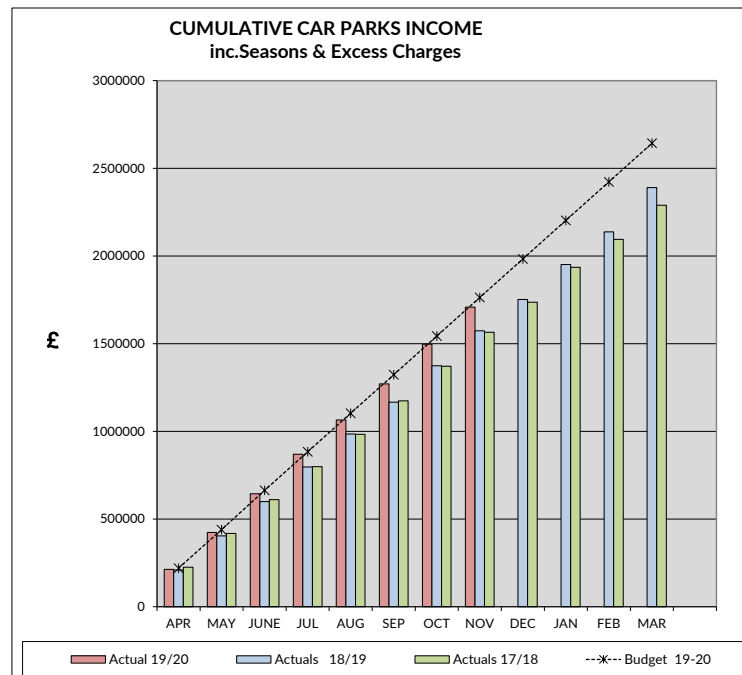
	Actuals 17/18	Actuals 18/19	Actuals 19/20	Increase / decrease from 18/19 to 19/20	Budget 19-20	Variance (Budget-Actuals)	Manager's Forecast
1 APR	225,193	209,387	213,119	(3,732)	219,892	6,773	
2 MAY	192,331	194,451	210,813	(16,362)	219,892	9,079	
3 JUN	192,806	196,119	220,637	(24,518)	223,892	3,255	
4 JUL	188,319	197,332	224,678	(27,346)	219,892	(4,786)	
5 AUG	184,778	187,490	196,164	(8,674)	219,892	23,729	
6 SEP	190,794	181,917	205,737	(23,820)	219,892	14,155	
7 OCT	196,832	207,316	226,210	(18,894)	219,892	(6,318)	
8 NOV	194,124	199,634	210,651	(11,017)	219,892	9,241	
9 DEC	170,661	178,551			219,892		
10 JAN	199,732	198,858			219,892		
11 FEB	158,761	186,163			219,892		
12 MAR	194,523	252,653			219,892		
TOTAL	2,288,853	2,389,870	1,708,009	-134,363	2,642,705	55,128	2,642,705

NOTE: Budget Profiles to be reviewed



CAR PARKS (CUMULATIVE)

	Actuals 17/18	Actuals 18/19	Actual 19/20	Cumulative increase / decrease from 18/19 to 19/20	Budget 19-20	Variance (Budget-Actuals)	Manager's Forecast
APR	225,193	209,387	213,119	(3,732)	219,892	6,773	
MAY	417,523	403,838	423,932	(20,094)	439,784	15,852	
JUNE	610,329	599,957	644,570	(44,612)	663,676	19,107	
JUL	798,648	797,289	869,247	(71,959)	883,568	14,321	
AUG	983,426	984,779	1,065,411	(80,632)	1,103,460	38,049	
SEP	1,174,220	1,166,696	1,271,148	(104,452)	1,323,352	52,205	
OCT	1,371,052	1,374,012	1,497,358	(123,346)	1,543,245	45,887	
NOV	1,565,176	1,573,646	1,708,009	(134,363)	1,763,137	55,128	
DEC	1,735,836	1,752,197			1,983,029		
JAN	1,935,568	1,951,055			2,202,921		
FEB	2,094,330	2,137,218			2,422,813		
MAR	2,288,853	2,389,870			2,642,705		
TOTAL	2,288,853	2,389,870	1,708,009	-134,363	2,642,705	55,128	2,642,705



Nov-19

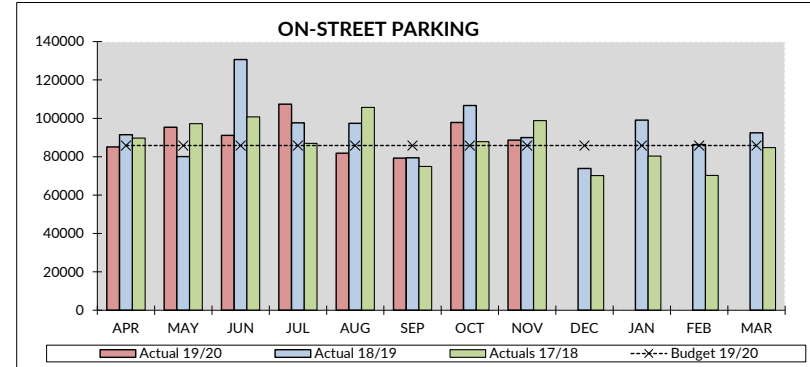
HWCARPK

	Actual (Cumulative)	Budget	(Monthly)
DAY TICKETS	3300	1,446,269	1,495,699
EXCESS / PENALTY CHARGES	****1/****3	-	-
SEASON TICKETS	***2	(597)	(0)
SEASON TICKET CAR PARK	3310	253,323	249,022
OTHER (inc.Res.Pkg)	****9	-	4,416
WAIVERS	3404	-	-
RENT	94500	9,107	14,000
Business Permits	3406 /3408	(94)	-
TOTAL	1,708,009	1,763,137	210,651

ON-STREET PARKING (HWDCRIM / HWENFORC)

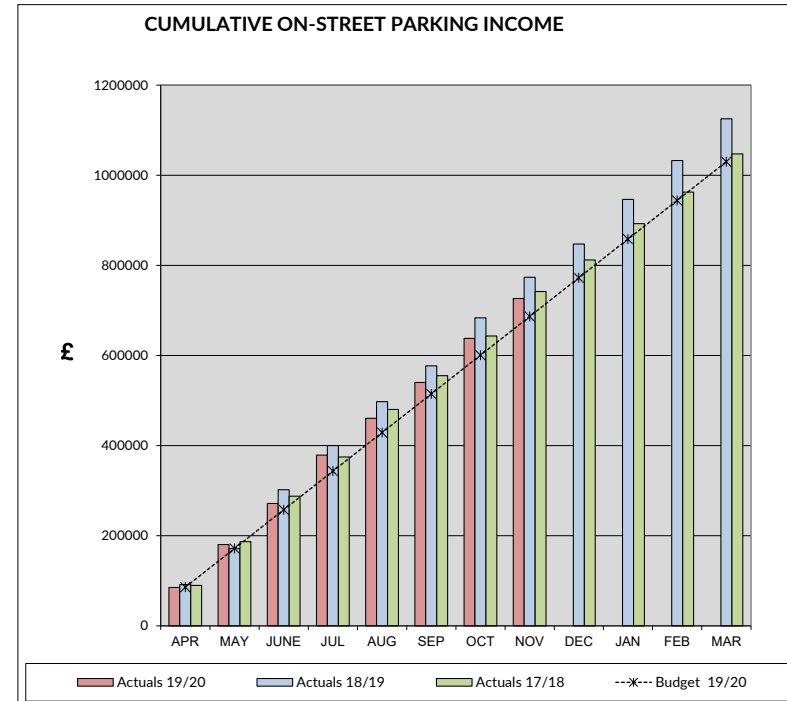
	Actuals 17/18	Actual 18/19	Actual 19/20	Increase / decrease from 18/19 to 19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
1 APR	89,694	91,515	85115	6,400	85,845	730	
2 MAY	97,250	80,099	95338	(15,240)	85,845	(9,494)	
3 JUN	100,738	130,688	91102	39,586	85,845	(5,257)	
4 JUL	86,987	97,678	107391	(9,713)	85,845	(21,547)	
5 AUG	105,737	97,434	81797	15,637	85,845	4,048	
6 SEP	74,972	79,445	79308	137	85,845	6,537	
7 OCT	87,843	106,690	97818	8,872	85,845	(11,973)	
8 NOV	98,849	89,993	88623	1,370	85,845	(2,778)	
9 DEC	70,137	73,861			85,845		
10 JAN	80,326	99,112			85,845		
11 FEB	70,259	86,373			85,845		
12 MAR	84,739	92,426			85,845		
TOTAL	1,047,530	1,125,314	726,492	47,050	1,030,136	-39,735	1,030,136

Note: Budget profiles still subject to review



ON-STREET PARKING (CUMULATIVE)

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Cumulative increase / decrease from 18/19 to 19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
APR	89,694	91,515	85115	6,400	85,845	730	
MAY	186,944	171,613	180,453	(8,840)	171,689	(8,764)	
JUNE	287,681	302,302	271,555	30,746	257,534	(14,021)	
JUL	374,669	399,980	378,947	21,033	343,379	(35,568)	
AUG	480,406	497,414	460,744	36,671	429,223	(31,520)	
SEP	555,378	576,859	540,052	36,807	515,068	(24,984)	
OCT	643,221	683,549	637,870	45,679	600,913	(36,957)	
NOV	742,070	773,542	726,492	47,050	686,757	(39,735)	
DEC	812,207	847,403			772,602		
JAN	892,532	946,515			858,447		
FEB	962,791	1,032,888			944,291		
MAR	1,047,530	1,125,314			1,030,136		1,030,136



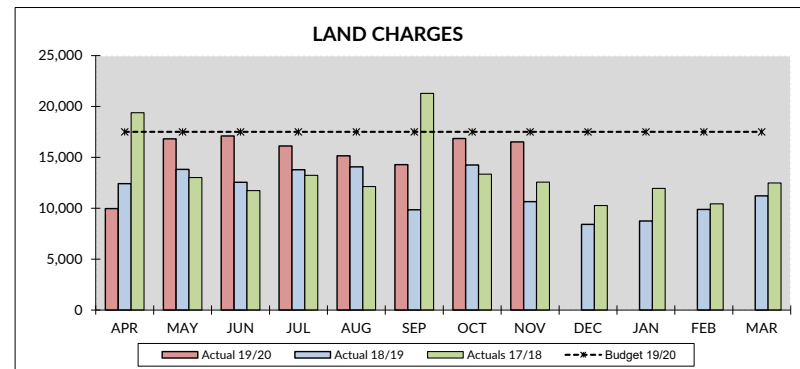
Nov-19

HWDCRIM / HWENFORC

	Actual (Cumulative)	Budget	(Monthly)
PENALTY NOTICES & EXCESS CH/ 3403/****1	235,469	238,116	29,107
WAIVERS	3404	12,732	7,359
RESIDENTS PERMITS	3406	57,405	35,322
ON STREET PARKING	3300	399,152	344,883
BUSINESS PERMITS	3408	18,440	61,078
Driveway Access Protection Lines	3405	1,429	225
OTHER	9999	1,865	-
TOTAL	726,492	686,757	88,623

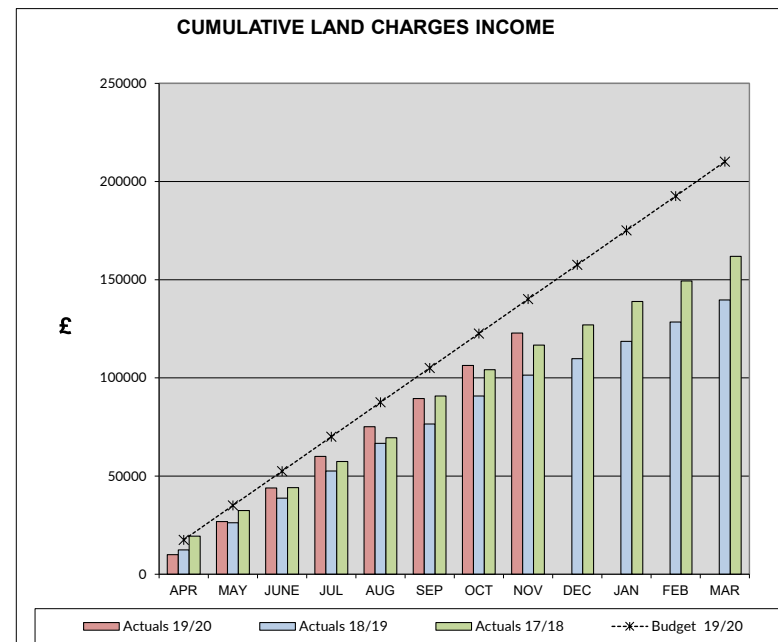
LAND CHARGES (LPLNDCH)

	Actuals 17/18	Actual 18/19	Actual 19/20	Increase / decrease from 18/19	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
1 APR	19,382	12,416	9,967	2,449	17,511	7,544	
2 MAY	13,025	13,827	16,828	(3,001)	17,511	683	
3 JUN	11,742	12,546	17,112	(4,566)	17,511	399	
4 JUL	13,243	13,782	16,113	(2,331)	17,511	1,398	
5 AUG	12,132	14,070	15,149	(1,079)	17,511	2,363	
6 SEP	21,283	9,855	14,286	(4,431)	17,511	3,225	
7 OCT	13,360	14,249	16,854	(2,605)	17,511	657	
8 NOV	12,568	10,650	16,519	(5,869)	17,511	992	
9 DEC	10,270	8,425			17,511		
10 JAN	11,950	8,755			17,511		
11 FEB	10,438	9,882			17,511		
12 MAR	12,485	11,220			17,511		
TOTAL	161,879	139,678	122,828	-21,433	210,135	17,262	210,135



LAND CHARGES (CUMULATIVE)

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Cumulative increase / decrease from 18/19	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
APR	19,382	12,416	9,967.29	2,449	17,511	7,544	
MAY	32,408	26,244	26,795	(552)	35,023	8,227	
JUNE	44,149	38,789	43,907	(5,118)	52,534	8,626	
JUL	57,393	52,572	60,020	(7,449)	70,045	10,025	
AUG	69,525	66,641	75,169	(8,528)	87,556	12,387	
SEP	90,808	76,497	89,455	(12,958)	105,068	15,612	
OCT	104,167	90,746	106,309	(15,564)	122,579	16,269	
NOV	116,735	101,396	122,828	(21,433)	140,090	17,262	
DEC	127,005	109,821			157,601		
JAN	138,955	118,576			175,113		
FEB	149,394	128,457			192,624		
MAR	161,879	139,678			210,135		210,135



Page 92

Nov-19

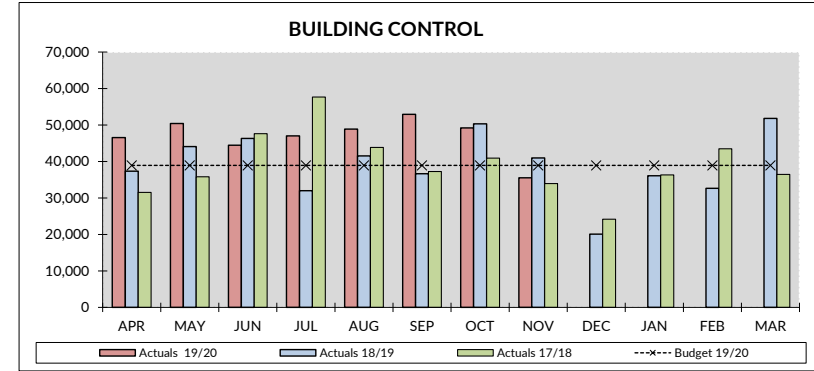
LPLNDCH

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

	Received (Month)	Percentage (Month)	Percentage (Month 18/19)	(Cumulative)
£105	10	5%	7%	121
£86	119	58%	43%	746
£0	75	37%	50%	852
TOTAL	204	100%	100%	1,719

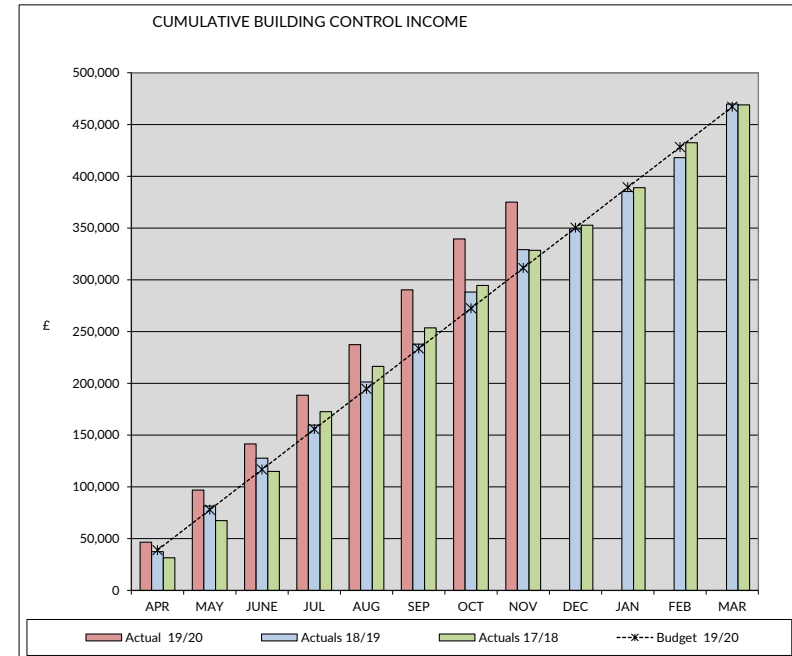
BUILDING CONTROL (DVBCFEE)

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Increase / decrease from 18/19 to 19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
1 APR	31,511	37,342	46,552	(9,210)	38,926	(7,626)	
2 MAY	35,809	44,099	50,427	(6,328)	38,926	(11,501)	
3 JUN	47,602	46,293	44,461	1,833	38,926	(5,535)	
4 JUL	57,651	32,009	47,025	(15,017)	38,926	(8,100)	
5 AUG	43,832	41,516	48,869	(7,353)	38,926	(9,943)	
6 SEP	37,255	36,624	52,900	(16,276)	38,926	(13,975)	
7 OCT	40,902	50,302	49,220	1,082	38,926	(10,294)	
8 NOV	33,940	40,944	35,500	5,444	38,926	3,426	
9 DEC	24,156	20,059			38,926		
10 JAN	36,291	36,097			38,926		
11 FEB	43,486	32,648			38,926		
12 MAR	36,473	51,799			38,926		
TOTAL	468,910	469,732	374,954	(45,825)	467,110	(63,548)	467,110



BUILDING CONTROL (CUMULATIVE)

	Actuals 17/18	Actuals 18/19	Actual 19/20	Cumulative increase / decrease from 18/19-19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
APR	31,511	37,342	46,552	(9,210)	38,926	(7,626)	
MAY	67,320	81,441	96,978	(15,537)	77,852	(19,127)	
JUNE	114,923	127,734	141,439	(13,705)	116,777	(24,661)	
JUL	172,574	159,743	188,464	(28,722)	155,703	(32,761)	
AUG	216,406	201,259	237,334	(36,075)	194,629	(42,704)	
SEP	253,661	237,883	290,234	(52,351)	233,555	(56,679)	
OCT	294,563	288,185	339,454	(51,269)	272,481	(66,973)	
NOV	328,503	329,129	374,954	(45,825)	311,407	(63,548)	
DEC	352,660	349,188			350,332		
JAN	388,951	385,285			389,258		
FEB	432,437	417,933			428,184		
MAR	468,910	469,732			467,110		467,110



Page 93

Nov-19

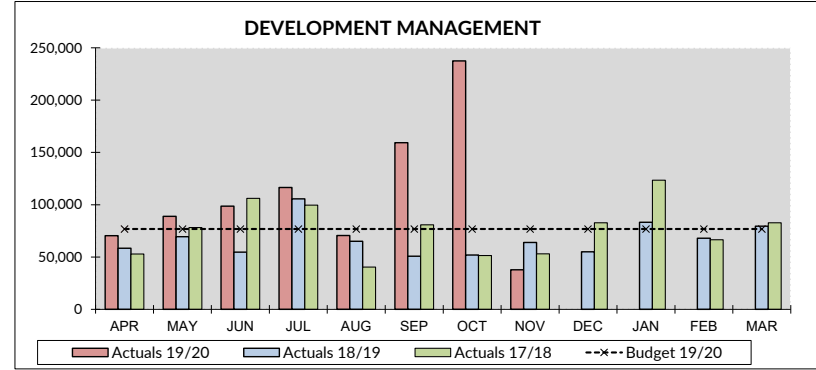
DVBCFEE

	Actual (Cumulative)	Budget	(Monthly)	
Plan Fee	3066	237,818	190,323	25,850
Inspection Fee	3067	132,614	121,083	8,922
Other	9999	3,455		(340)
New Burdens Grant	3905	1,068		1,068
TOTAL	373,886	311,407		35,500

Agenda Item 8

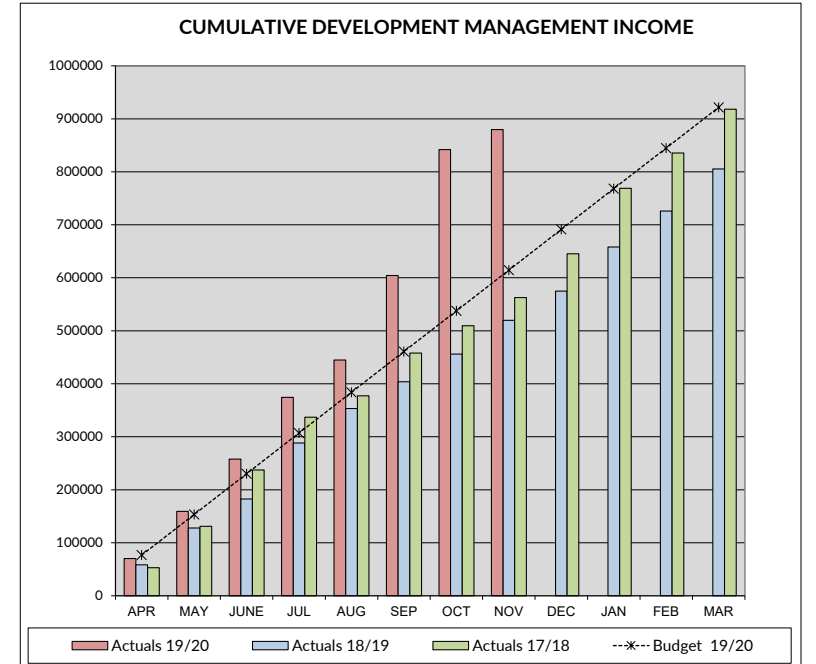
DEVELOPMENT MANAGEMENT (DVDEVCT/DVDEVRND)

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Increase / decrease from 18/19 -19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
1 APR	52,884	58,404	70,363	(11,959)	76,810	6,447	
2 MAY	78,250	69,455	88,827	(19,372)	76,810	(12,017)	
3 JUN	106,124	54,668	98,710	(44,043)	76,810	(21,900)	
4 JUL	99,681	105,667	116,501	(10,834)	76,810	(39,690)	
5 AUG	40,402	64,977	70,614	(5,637)	76,810	6,196	
6 SEP	80,747	50,827	159,361	(108,534)	76,810	(82,551)	
7 OCT	51,400	51,985	237,506	(185,522)	76,810	(160,696)	
8 NOV	53,057	63,941	37,774	26,167	76,810	39,036	
9 DEC	82,753	54,926			76,810		
10 JAN	123,499	83,258			76,810		
11 FEB	66,539	67,922			76,810		
12 MAR	82,682	79,480			76,810		
TOTAL	918,017	805,509	879,656	(359,733)	921,722	(265,175)	921,722



DEVELOPMENT MANAGEMENT (CUMULATIVE)

	Actuals 17/18	Actuals 18/19	Actuals 19/20	Cumulative increase / decrease from 18/19 to 19/20	Budget 19/20	Variance (Budget-Actuals)	Manager's Forecast
APR	52,884	58,404	70,363	(11,959)	76,810	6,447	
MAY	131,134	127,859	159,190	(31,331)	153,620	(5,570)	
JUNE	237,257	182,526	257,900	(75,374)	230,431	(27,469)	
JUL	336,939	288,193	374,400	(86,208)	307,241	(67,160)	
AUG	377,340	353,170	445,014	(91,844)	384,051	(60,963)	
SEP	458,087	403,997	604,376	(200,378)	460,861	(143,515)	
OCT	509,487	455,982	841,882	(385,900)	537,671	(304,211)	
NOV	562,544	519,923	879,656	(359,733)	614,481	(265,175)	
DEC	645,297	574,849			691,292		
JAN	768,796	658,107			768,102		
FEB	835,335	726,029			844,912		
MAR	918,017	805,509			921,722		921,722



Page 94

Nov-19

CUMULATIVE BREAKDOWN

DVDEVCT/DVDEVRND

	Actual (Cumulative)	Budget (Monthly)
Planning Application Fees	94300/3009 819,226	542086 28494
Other	94300/9999 53	0 1,760
Pre-application Fees	94301 60,377	64801 7520
Monitoring Fees	94302 7595	
RECH-Other A/C'S	98100	
TOTAL	879,656	614,481
Variance		37,774

Item 9 - Treasury Management Strategy 2020/21

The attached report was considered by the Finance & Investment Advisory Committee on 23 January 2020. The relevant Minute extract was not available prior to the printing of this agenda and will follow when available.

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TREASURY MANAGEMENT STRATEGY 2020/21

Cabinet - 4 February 2020

Report of the: Chief Officer Finance & Trading

Status: For Decision

Also considered by: Finance & Investment Advisory Committee - 23 January 2020
Council - 25 February 2020

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.

The Annual Investment Strategy remains largely the same as for 2019/20 with the addition of Bond, Property, Equity and Multi-Asset Funds as an alternative investment option.

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

Portfolio Holder Cllr. Matthew Dickins

Contact Officer Roy Parsons, Principal Accountant - Ext 7204

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

Recommendation to Cabinet: That, subject to the comments of the Finance & Investment Advisory Committee, Cabinet recommend that Council approve the Treasury Management Strategy for 2020/21.

Recommendation to Council: That the Treasury Management Strategy for 2020/21 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.”

Introduction

Reporting requirements - Capital Strategy

- 6 The CIPFA 2017 Prudential and Treasury Management Codes require 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.
- 7 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.
- 8 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.
- 9 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.
- 10 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.
- 11 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.

Agenda Item 9

- 12 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

- 13 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 & Investment 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 2020/21

- 14 The strategy for 2020/21 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.
- 15 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

- 16 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.
- 17 The training needs of treasury management officers are reviewed periodically.

Treasury management consultants

- 18 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.
- 19 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.
- 20 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

Agenda Item 9

and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

- 21 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 2020/21 - 2022/23

- 22 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

- 23 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	2018/19 Actual £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Capital expenditure	12,980	11,197	6,699	6,663	12,470
Commercial activities/non-financial investments*	0	0	0	0	0
Total	12,980	11,197	6,699	6,663	12,470

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

- 24 The above financing need excludes other long term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.
- 25 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	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Capital expenditure	12,980	11,197	6,699	6,663	12,470
Financed by:					
Capital receipts	789	5,819	51	0	0
Capital grants	1,463	1,100	1,100	1,100	1,100
Capital Reserves	4,246	4,278	5,548	5,563	11,370
Internal borrowing	4,487	0	0	0	0
Revenue - contribution to capital reserve	445	0	0	0	
Net financing need for the year	1,550	0	0	0	0

26 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	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£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%

Agenda Item 9

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

- 27 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.
- 28 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.
- 29 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.
- 30 The Council is asked to approve the CFR projections below:

	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Capital Financing Requirement					
CFR - Services	10,062	9,641	9,239	8,869	8,514
CFR - Commercial activities/non-financial investments	0	0	0	0	0
Total CFR	10,062	9,641	9,239	8,869	8,514
Movement in CFR	(382)	(422)	(402)	(370)	(355)

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

<u>Less</u> MRP/VRP and other financing movements	1,168	0	0	0	0
Movement in CFR	(382)	(422)	(402)	(370)	(355)

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

- 31 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

- 32 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	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
Fund balances / reserves	25,059	21,310	19,882	18,972	18,813
Capital receipts	789	412	14,595	10	10
Provisions	409	409	409	409	409
Other	0	0	0	0	0
Total core funds	26,257	22,131	34,886	19,391	19,232
Working capital*	10,071	10,171	10,271	10,371	10,471
Under/(over) borrowing	4,408	4,106	3,827	3,583	3,357
Expected investments	31,920	28,196	41,330	26,179	26,346

Agenda Item 9

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

Minimum revenue provision (MRP) policy statement

- 33 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).
- 34 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.
- 35 The Council is recommended to approve the following MRP statement:
- 36 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.
- 37 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.

- 38 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.

- 39 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.
- 40 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.
- 41 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

- 42 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

- 43 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.

	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
External debt					

Agenda Item 9

Debt at 1 April	5,250	5,134	5,015	4,892	4,766
Expected change in Debt	-116	-119	-123	-126	-129
Other long-term liabilities (OLTL)	520	520	520	520	520
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	5,654	5,535	5,412	5,286	5,157
The Capital Financing Requirement (CFR)	10,062	9,641	9,239	8,869	8,514
Under / (over) borrowing	4,408	4,106	3,827	3,583	3,357

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

	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£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

- 45 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 2020/21 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.

- 46 The Chief Officer Finance & Trading 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

- 47 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	2019/20	2020/21	2021/22	2022/23
	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000
Debt	30,000	30,000	30,000	30,000
Other long term liabilities	520	520	520	520
Commercial activities / non-financial investments				
Total	30,520	30,520	30,520	30,520

The authorised limit for external debt

- 48 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.
- 49 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.
- 50 The Council is asked to approve the following authorised limit:

Agenda Item 9

Authorised limit	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Debt	35,000	35,000	35,000	35,000
Other long term liabilities	520	520	520	520
Commercial activities / non-financial investments				
Total	35,520	35,520	35,520	35,520

Prospects for interest rates

- 51 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														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

- 52 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

- 53 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.

54 Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Chief Officer Finance & Trading 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.*
- *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.*

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

Policy on borrowing in advance of need

56 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.

57 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

58 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in Public Works Loan Board (PWL) rates only applied to new borrowing rates and not to premature debt repayment rates.

59 If rescheduling were to be carried out, it will be reported to Cabinet at the earliest meeting following its action.

Agenda Item 9

New financial institutions as a source of borrowing

- 60 Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:
- Local authorities (primarily shorter dated maturities)
 - Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
 - Municipal Bonds Agency (no issuance at present but there is potential)
- 61 The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed.

Affordability prudential indicators

- 62 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

- 63 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.

	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
Services	0%	1%	1%	1%	1%
Commercial activities / non-financial investments	0%	0%	0%	0%	0%
Total	0%	1%	1%	1%	1%

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

Maturity structure of borrowing

64 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.

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

Maturity structure of fixed interest rate borrowing 2020/21		
	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 2020/21		
	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

66 The Council’s treasury portfolio position at 1 December 2019 appears in Appendix C.

Agenda Item 9

Loans to other organisations

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

Investment policy - management of risk

- 68 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).
- 69 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
- 70 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).
- 71 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 financial 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. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.
- 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 77).
- f) Lending limits (amounts and maturity) for each counterparty will be set through applying the table in paragraph 79.
- g) This authority will set a limit for the amount of its investments which are invested for longer than 365 days (see paragraph 92).
- h) Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see Appendix E and paragraph 85).
- 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 2019/20 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.

72 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 94). Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

73 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is

Agenda Item 9

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.

74 The Chief Officer Finance & Trading 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.

75 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

76 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 implemented in January 2019 changed 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)
- Bond, Property, Equity or Multi-Asset Funds.
- UK Government (including gilts, Treasury Bills and the DMADF)
- Local authorities, housing associations, parish councils etc.

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

78 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.

79 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):

Agenda Item 9

	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
Money Market Funds (CNAV)	AAA	£5m (per Fund)	Liquid
Money Market Funds (LVNAV)	AAA	£5m (per Fund)	Liquid
Bond, Property, Equity & Multi-Asset Funds	N/A	£5m (per Fund)	Liquid
UK Government DMADF	UK sovereign rating	£5m	6 months
Local authorities, housing associations etc	N/A	£5m (each)	2 years

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

UK banks - ring fencing

81 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.

- 82 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.
- 83 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

- 84 Due care will be taken to consider the exposure of the Council’s total investment portfolio to non-specified investments, countries, groups and sectors.
- 85 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.
- 86 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

- 87 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).
- 88 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

Agenda Item 9

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.

89 On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.00%

90 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:

- 2019/20 0.75%
- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.25%
- 2023/24 1.50%
- 2024/25 1.75%
- Later years 2.25%

91 The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture. The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside. In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

92 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	2020/21 £m	2021/22 £m	2022/23 £m
Limit for principal sums invested for longer than 365 days	£10m	£10m	£10m
Current investments at 1/12/19 in excess of 1 year maturing in each year	-	-	-

- 93 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

- 94 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

- 95 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

- 96 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

- 97 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

Agenda Item 9

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 25 February 2020. 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 1 December 2019

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 Officer Finance & Trading

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APPENDIX A: Prospects for interest rates

- 1 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														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

- 2 The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.
- 3 It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

Bond yields / PWLB rates.

- 4 There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.
- 5 During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels, but this trend was reversed on 9 October 2019 (see below). There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this and how strong the correlation is likely to be is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.
- 6 One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.
- 7 Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial

banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds - which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

- 8 The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geopolitical, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.
- 9 In addition, PWLB rates are subject to ad hoc decisions by H.M. Treasury to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9 October 2019.
- 10 Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. 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

- 11 Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.
- 12 Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9 October 2019. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management.

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APPENDIX B: Economic Background

- 1 **UK.** 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the general election on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or a no deal Brexit in December 2020.

- 2 GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

- 3 While the Bank of England went through the routine of producing another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that is worth taking note of from the Monetary Policy Report, was an increase in concerns among Monetary Policy Committee (MPC) members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down - to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence the MPC views inflation as causing little concern in the near future.

- 4 The MPC meeting of 19 December repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies

Agenda Item 9

and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that domestic "unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

- 5 If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.
- 6 As for inflation itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of to 1.5%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.
- 7 With regard to the labour market, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000 which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44 year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.
- 8 **USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in

the rate of growth to a robust 2.9% y/y. Growth in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated; it is expected to fall further. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

- 9 The Federal Reserve (Fed) finished its series of increases in rates to 2.25 - 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 - 1.75%. At its September meeting it also said it was going to start buying Treasuries again, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy \$60bn, whereas it had been reducing its balance sheet by \$50bn per month during 2019. As it will be buying only short-term (less than 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.
- 10 Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China. However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.
- 11 **EUROZONE.** Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a

Agenda Item 9

no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

- 12 The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a third round of Targeted Longer Term Refinancing Options (TLTROs); this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a resumption of quantitative easing purchases of debt for an unlimited period; (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by ‘growth friendly’ fiscal policy.
- 13 There were no policy changes in the December meeting which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.
- 14 On the political front, Austria, Spain and Italy have been in the throes of forming coalition governments with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.
- 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 shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

- 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.
- 17 **WORLD GROWTH.** Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.
- 18 The trade war between the US and China is a major concern to financial markets due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in government bond yields in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by

Agenda Item 9

central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

- 19 The interest rate forecasts provided by Link Asset Services are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.
- 20 In the event of an orderly non-agreement exit in December 2020, 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.
- 21 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. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- 22 The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- 23 The balance of risks to increases in Bank Rate and shorter term PwLB rates are broadly similarly to the downside.
- 24 In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.
- 25 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 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 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. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some European banks, particularly Italian banks.
- 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. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- Other minority EU governments. Austria, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- Austria, the Czech Republic, Poland and Hungary now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was potential for a rerun of the 2008 financial crisis, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on some \$19trn of corporate debt in major western economies, if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is \$15trn of corporate and government debt now yielding negative interest rates,

Agenda Item 9

have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.

- Geopolitical risks, for example in 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 agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary 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.

APPENDIX C: CURRENT PORTFOLIO POSITION

List of Investments as at:- 1-Dec-19

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.		335,000	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		0	01-Sep-16			0.50000%	Variable
	Aberdeen Standard Liquidity Fund (Money Market Fund)	AAA	U.K.		3,500,000	11-May-12				Variable
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		100,000	11-May-12				Variable
	BlackRock Liquidity Fund (Money Market Fund)	AAA	U.K.		1,500,000	13-Oct-16				Variable
	CCLA Public Sector Deposit Fund (Money Market Fund)	AAA	U.K.		3,300,000	08-Oct-18				Variable
IP1357	Bank of Scotland plc	A+	U.K.	Lloyds/HBOS	1,000,000	09-Aug-17	0.45000%		1.10000%	95 Day Notice
IP1414	Goldman Sachs International Bank	A	U.K.		3,000,000	15-Nov-19	0.93000%	15-May-20		6 Months
IP1374	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	05-Jan-18	0.70000%		1.10000%	95 Day Notice
IP1410	Newcastle Building Society		U.K.		2,000,000	22-Jul-19	1.27000%	20-Jul-20		1 Year
IP1409	Newcastle Building Society		U.K.		1,000,000	31-Jul-19	1.30000%	31-Jul-20		1 Year
IP1408	Nottingham Building Society		U.K.		1,000,000	31-Jul-19	1.02000%	31-Jan-20		6 Months
IP1412	Principality Building Society	BBB-	U.K.		2,000,000	31-Jul-19	0.97000%	31-Jan-20		6 Months
IP1415	Santander UK plc	A+	U.K.		2,000,000	28-Nov-19	0.76000%	23-Mar-20		4 Months
IP1413	Thurrock Borough Council		U.K.		2,000,000	24-Oct-19	0.82000%	23-Mar-20		5 Months
IP1411	West Bromwich Building Society		U.K.		2,000,000	22-Jul-19	0.98000%	19-Feb-20		7 Months
	Total Invested				<u>25,735,000</u>					
	Other Loans									
	Sevenoaks Leisure Limited				529,648	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 MHCLG issued Investment Guidance in 2018, 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 and will apply its principles to all investment activity. In accordance with the Code, the Chief Officer Finance & Trading 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

Agenda Item 9

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. 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). 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
f.	Bond Funds. A pooled investment vehicle with a mix of corporate and government grade bonds. See note 1 below.	£5m
g.	Other Funds - including Property, Equity and Multi-Asset Funds. These are pooled investment vehicles specialising in property, equities or a mixture of assets. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. See note 1 below. This Authority will seek guidance on the status of any fund it may consider using.	£5m

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 Officer Finance & Trading, and if required, new counterparties which meet the criteria will be added to the list.

Agenda Item 9

APPENDIX E - Approved countries for investments

This list is based on those countries which have sovereign ratings of AA- or higher and also (except for Luxembourg, Norway & Hong Kong) 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
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- 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 & Investment 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.

The above list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments (which CIPFA has defined as being part of treasury management). Examples are as follows:-

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;

- ensuring that Members are adequately informed and understand the risk exposures taken on by an authority;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above; and
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
 - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
 - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
 - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
 - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken; and
 - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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Item 10 - Capital Strategy 2020/21

The attached report was considered by the Finance & Investment Advisory Committee on 23 January 2020. The relevant Minute extract was not available prior to the printing of this agenda and will follow when available.

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CAPITAL STRATEGY 2020/21

Cabinet - 4 February 2020

Report of the: Chief Officer Finance & Trading

Status: For Decision

Also considered by: Finance & Investment Advisory Committee - 23 January 2020
Council - 25 February 2020

Key Decision: No

Executive Summary: This report presents the Capital Strategy for 2020/21. 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. Matthew Dickins

Contact Officer Roy Parsons, Principal Accountant - Ext 7204

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

Recommendation to Cabinet: That, subject to the comments of the Finance & Investment Advisory Committee, Cabinet recommend that Council approve the Capital Strategy for 2020/21 as shown in the Appendix.

Recommendation to Council: That the Capital Strategy for 2020/21, as shown in the Appendix, be approved.

Reason for recommendations: To agree the Capital Strategy for 2020/21.

Agenda Item 10

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 Public 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 This Council's Capital Strategy for 2020/21 is presented in the Appendix. It has not changed from the 2019/20 version.
- 6 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.
- 7 The Capital Strategy has direct links to other key strategic and policy documents, such as:
 - The Council Plan;
 - The Ten Year Budget and Budget Strategy;
 - The Local Plan;
 - Asset Management Plan;

- Treasury Management Policy And Strategy;
 - Property Investment Strategy; and
 - Capital Programme
- 8 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.
- 9 It is intended that the Capital Strategy will be reviewed annually to reflect changes in circumstances.

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 25 February 2020.

Background Papers: None

Adrian Rowbotham
Chief Officer Finance & Trading

The Capital Strategy 2020/21

Purpose of the Capital Strategy

- 1 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.
- 2 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.
- 3 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 aspirations of local people in service delivery; and
 - Manage investment and the Council's property and other assets effectively and efficiently.
- 4 The strategy considers all aspects of the Council's capital expenditure and forms part of the Council's integrated revenue, capital and balance sheet planning.
- 5 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.
- 6 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

- 7 Capital projects are subject to a robust justification process, bringing together a clear business case with sufficient 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.
- 8 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.
- 9 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

- 10 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

- 11 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.
- 12 The Chief Officer Finance & Trading will ensure that Members are adequately informed and understand the risks of capital investment.
- 13 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

- 14 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

- 15 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.
- 16 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

- 17 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.
- 18 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

- 19 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.

Agenda Item 10

- 20 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.
- 21 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 Budget;
 - 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.
- 22 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 resources will remain an important factor.

Knowledge and skills

- 23 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.
- 24 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.

- 25 External professional advice will always be sought when considering any major commercial property investment decision.

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Item 11 - Capital Programme & Asset Maintenance 2019/20

The attached report was considered by the Finance & Investment Advisory Committee on 23 January 2020. The relevant Minute extract was not available prior to the printing of this agenda and will follow when available.

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CAPITAL PROGRAMME & ASSET MAINTENANCE 2020/23

Cabinet - 4 February 2020

Report of	Chief Officer Finance and Trading
Status	For Decision
Also considered by	Finance and Investment Advisory Committee - 23 January 2020 Council - 25 February 2020
Key Decision	No

Executive Summary: This report sets out the proposed Capital and Asset maintenance programmes for 2020/23 together with proposed funding.

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

Portfolio Holder	Cllr. Matthew Dickins
Contact Officers	Alan Mitchell, Ext.7483 Adrian Rowbotham Ext. 7153

Recommendation to Cabinet:

- (a) Recommend to Council that the Capital Programme 2020/23 and funding set out in Appendix B be approved, and
- (b) The proposed Asset Maintenance budget of £687,000 be noted for 2020/21.

Recommendation to Council:

- (a) To approve the Capital Programme 2020/23 and funding set out in Appendix B, and
- (b) The proposed Asset Maintenance budget of £687,000 be noted for 2020/21.

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

Agenda Item 11

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.
- 3 Each scheme bid document details the proposed programme and its purpose as well as the capital 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 summarises the overall position of existing and proposed schemes and indicates the funding sources proposed.
- 5 Schemes that have not spent in line with previously reported schedules for 2019/20 may be carried forward to 2020/21, subject to Cabinet approval and the final outturn position.
- 6 The White Oak Leisure Centre pre-construction project is progressing with the proposed design now being submitted seeking planning permission at the Development Control Committee in February. A separate report on the proposed scheme will be submitted to the appropriate committees to seek member approval.
- 7 The Buckhurst 2 residential project (Burlington Mews) is proceeding to schedule with the show home due to complete in early January. This will allow potential buyers to view the development and full marketing to commence. The development is due to be completed in June.
- 8 The Property Investment Strategy cover multiple years. In total, £50.3m has been approved by Council. During 2019/20 £3.7m has been spent to date which will provide future revenue in line with strategy criteria. A separate report on the Property Investment Strategy is also being presented at this meeting.

Capital Receipts

- 9 In the summary in table 1 below the available capital receipts have been identified which can be used to fund the capital programme.

Table 1: Capital Receipts estimates

Source	Forecasted	Budget	Budget	Budget
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Shared Ownership Staircasing	-	10	10	10
Land & Property disposal	412	14,585	-	-
	412	14,595	10	10

- 10 The capital receipt estimates are based on the current disposal programme but may be subject to change.
- 11 Capital receipts will be used to finance the capital programme where possible but other sources of funding such as the Financial Plan Reserve, internal borrowing, external borrowing and the Vehicle Renewal Reserve may be used to fund specific items.

Asset Maintenance

- 12 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.
- 13 The asset maintenance programme was increased by £100,000 from 2019/20 to reflect the need to increase the maintenance budget to keep Council owned premises in good order. This resulted in the average yearly liability covered increasing from 54% to 67%. The increase was approved in the 2019/20 budget process as SCIA 16. A report on planned preventative asset maintenance was presented to the Finance Advisory Committee on the 15 November 2018 and Cabinet on 6 December 2018 which set out the work that has been undertaken to assess the next 20 years asset maintenance requirements.
- 14 The table below sets out the asset maintenance programme for the next 3 years.

Table 2: Total asset maintenance programme

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Budget	687	700	712

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.

Conclusions

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 2020/23 capital programme

Background Papers

None

**Adrian Rowbotham,
Chief Officer Finance and Trading**

Capital Programme 2020/23

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 Piper/Lesley

Bowles Financials :

CAPITAL COSTS	Period TOTAL	2020/21	2021/22	2022/23
	£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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

ONGOING REVENUE IMPLICATIONS

(excluding loss of interest)

Running costs

Income streams

Net cost	<u>0</u>	<u>0</u>	<u>0</u>
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Funding Source : Scheme will be fully 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 DFGs to older and or disabled residents. The Council's DFG service is eligible for MHCLG funding. Larger grants are managed by Home Improvement Agency (HIA).

From 2015 the MHCLG total budget for Kent has been administered by KCC (ring fenced for and passed onto each District).

Capital Programme 2020/23

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 Margot McArthur/Adrian Rowbotham

Financials :

CAPITAL COSTS	TOTAL	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Gross scheme cost	1686	548	563	575
External Contributions (list)				
 Net scheme cost	<u>1686</u>	<u>548</u>	<u>563</u>	<u>575</u>
 ONGOING REVENUE IMPLICATIONS (excluding loss of interest)				
Contribution to Vehicle replacement Reserve		47	47	47
Income streams				
Net cost		<u>47</u>	<u>47</u>	<u>47</u>

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 £4 million

Justification: Key Infrastructure

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

Capital Programme 2019-23

Chief Officer/Scheme	Funding Source							Total over 3 year programme period £000
		2019/20	2020/21	2021/22	2022/23			
		Total approved scheme £000	Previous year spend £000	Forecast £000	Budget £000	Budget £000	Budget £000	
People & Places								
Parish projects	Capital Receipts	51	-	-	51	-	-	51
White Oak Leisure Centre - pre construction	Capital Receipts	550	-	550	-	-	-	0
Disabled Facilities Grants (gross)	Better Care Fund	-	-	1,100	1,100	1,100	1,100	3,300
Finance & Trading								
Property Investment Strategy	Prop. Inv. Reserve	50,300	25,775	3,730	5,000	5,000	10,795	20,795
Commercial vehicle replacements	Vehicle Renewal Res.	-	-	548	548	563	575	1,686
Buckhurst 2- Residential	Capital Receipts	6,472	1,727	5,249	-	-	-	0
CCTV	Capital Receipts	70	50	20	-	-	-	0
TOTAL				11,197	6,699	6,663	12,470	25,832

Funding Sources

Capital Receipts	-5,819	-51	-	-
Financial Plan Reserve & Cap Receipts				
Vehicle Renewal Reserve	-548	-548	-563	-575
Property Investment Strategy ***	-3,730	-5,000	-5,000	-10,795
Better Care Fund (KCC)	-1,100	-1,100	-1,100	-1,100
Internal Borrowing				
Capital Reserve (from Revenue)				
External Borrowing				
	<u>-11,197</u>	<u>-6,699</u>	<u>-6,663</u>	<u>-12,470</u>

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

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Item 12 - Property Investment Strategy Update

The attached report was considered by the Finance & Investment Advisory Committee on 23 January 2020. The relevant Minute extract was not available prior to the printing of this agenda and will follow when available.

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PROPERTY INVESTMENT STRATEGY UPDATE REPORT

Cabinet - 4 February 2020

Report of	Chief Officer Finance and Trading
Status	For Decision
Also considered by	Finance and Investment Advisory Committee - 23 January 2020 Council - 25 February 2020
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.

The report proposes changes to the Property Investment Strategy net income assumptions included in the 10-year budget which will result in an increase of £300,000 from 2019/20 to 2022/23.

In a changing property market, it is important to review the criteria of the strategy on a regular basis.

Portfolio Holder	Cllr. Matthew Dickins
Contact Officers	Adrian Rowbotham, Ext. 7153 Alan Mitchell, Ext 7483

Recommendation to Finance and Investment 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 and Investment 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 last updated at Council on 26 February 2019 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	Annual Income Yield %
Activities achieving the required return			
Apr 2015	Suffolk House, Sevenoaks (including refurb.) (office)	4,892	9.6% (7.1% before refurb.)
May 2015	Swanley Petrol Station and Supermarket	2,566	7.4%
Mar 2017	26-28 Pembroke Road, Sevenoaks (office)	4,673	5.9%
Aug 2018	Premier Inn Hotel, Sevenoaks	7,332	5.7%
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) and associated site	4,525	Currently 3.5% Basic option 7% Other options 7%+
May 2017	Croft Road, Westerham (housing option)	50	
2018/19 onwards	Quercus 7 investments (debt 60%, equity 40%)	4,061	
	Total	29,505	

6 £20.8m of the £50.3m approved is therefore unspent.

Agenda Item 12

- 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. Work is continuing 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 Leisure Centre in Swanley.
- 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 yield 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 0.589 acre 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. Work on the options for the site are continuing, which 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 formally in the Council's ownership was sold to a developer to build 18 residential units which are being built in two phases. The council took up an option to acquire two houses at a discount (based on an agreed price formula), one house in each phase. Construction of the first phase has been completed and the option to acquire one house was exercised on behalf of Quercus 7, and it has since been let on an Assured Shorthold Tenancy providing regular monthly income. Consideration

of exercising the second option will be given once construction is close to completion of the second phase.

- 14 All of the Council’s acquisitions have been supported by a thorough business case and approved by the Improvement & Innovation Portfolio Holder in consultation with the Finance & Investment Portfolio Holder as required by Council.
- 15 **Premier Inn Hotel, Sevenoaks (August 2018)** - The 83 bed Premier Inn was completed in July 2018 and opened for trading on 4 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 has been received from May 2019 and is reflected in the budget from 2019/20.

Property Investment Strategy Income

- 16 The 10-year budget approved by Council on 26 February 2019 included net Property Investment Strategy income of £1.258m in 2019/20 and £1.311m in 2020/21.
- 17 Net income of £1.348m is forecast in 2019/20, therefore £90,000 above the budget. This is due to interest from loans the Council has issued to Quercus 7.
- 18 It is proposed that the budget for 2020/21 be increased from £1.311m to £1.428m to reflect the income expected from the current portfolio.
- 19 It is proposed that the budget for 2021/22 be increased from £1.311m to £1.468m per annum, 2022/23 be increased from £1.311m to £1.508m and 2023/24 be increased from £1.411m to £1.558m.
- 20 Therefore, the income assumptions are proposed to be updated as follows:

Property Investment Strategy Income		
	Previous Assumption	Proposed Assumption
2019/20	£1.258m	£1.258m
2020/21	£1.311m	£1.428m
2021/22	£1.311m	£1.468m
2022/23	£1.311m	£1.508m
2023/24	£1.411m	£1.558m
2024/25 - 2025/26	£1.455m	£1.558m
2026/27 - 2028/29	£1.655m	£1.655m
2029/30	£1.696m	£1.696m

- 21 These changes will result in an increase of £300,000 from 2019/20 to 2023/24.

Agenda Item 12

- 22 All of the net income budgets proposed are after transferring £100,000 per annum into the Property Investment Strategy Maintenance Reserve.

Funding Sources

- 23 The £29.5m spent to date has been funded by:
- Property Reserve and Financial Plan Reserve £11.7m. 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 2019/20.
 - Internal borrowing £4.0m. From council balances for Quercus 7 investments.
 - External borrowing £nil. This funding method would incur interest and MRP costs each year.
- 24 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. The Public Works Loan Board rates increased by 100 basis points (1%) on 9 October 2019 which has made this funding option less attractive (PWLB 30-year annuity loan interest rate at 03/01/20 is 2.86%).
- 25 During 2019, a Member Working Group investigated Income Strip Funding as an additional funding source (as requested by Council) and recommended that this should be considered for funding suitable future schemes.
- 26 Each scheme will also be analysed to decide whether it is preferable to proceed as the council or via Quercus 7.

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.

Risks

- 28 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.
- 29 The Council's Strategic Risk Register was also agreed by the Audit Committee on 17 September 2019 and the relevant category for the Property Investment Strategy is also included in Appendix B.
- 30 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. Treasury investment returns remain below inflation levels resulting the gradual erosion of funds. A separate report on the Treasury Management Strategy 2020/21 is also being presented at this meeting.
- 31 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.
- 32 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.
- 33 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.
- 34 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.
- 35 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.
- 36 The audit report conclusion was as follows: "Audit fieldwork confirmed effective governance and financial arrangements are in place for the

Agenda Item 12

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.”

- 37 CIPFA continue to issue guidance on commercial property investments which may affect the ability to borrow for certain investments 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

- 38 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.
- 39 The Property Investment Strategy criteria also applies to Quercus 7.

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 Officer Finance and Trading

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Property Investment Strategy (agreed by Council 26/02/19)

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 or within Kent and Medway, however recognising that this may need to be changed in future if legislation is amended.
6. Based on the above considerations and taking into account local market conditions, a lot size of between £1m and £10m has been set. 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, the following has been set. The income yield be 3%+ above the Council's average treasury management return (currently 0.9%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 3.1% 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).
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.
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 expected that external specialist property investment advisors will 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 current criteria are:
 - i. Income yield of 3%+ above the Council's average treasury management return (currently 0.9%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 3.1% 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. Individual Properties or Portfolios
 - iii. Lot size of £1m - £10m subject to multiple tenants for lots over £5m
 - iv. Freehold / Long Leasehold
 - v. Single or Multi Tenanted
 - vi. Asset categories: Industrial, Office, Retail, Trade Counter and Private Residential
 - vii. Investment opportunities be restricted to those within a 50-mile radius of the Council's Argyle Road offices or within Kent and Medway, however recognising that this may need to be changed in future if legislation is amended.
 - viii. 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.
 - Internal borrowing.
 - Borrowing from the Public Works Loan Board.
 - Borrowing from the Municipal Bonds Agency.
 - Income strip funding.
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. 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 17 September 2019								
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 & Andrew Stirling								
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 H	<ul style="list-style-type: none"> 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 M

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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BUDGET AND COUNCIL TAX SETTING 2020/21

Cabinet - 4 February 2020

Report of Chief Officer Finance and Trading

Status For Decision

Also considered by Council - 25 February 2020

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 nine 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 tenth 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 2020/21.

Based on the changes detailed in this report, **this Council will once again have a balanced 10-year budget.**

The report proposes a net expenditure budget of £15.581m in 2020/21 (£15.251m in 2019/20). Subject to any further changes this would result in a **Council Tax increase of 2.3% in 2020/21, with the District's Council Tax being £219.96 for a Band D property for the year (£215.01 in 2019/20), an increase of £4.95.**

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. Matthew Dickins

Contact Officer(s) Adrian Rowbotham, Ext. 7153

Alan Mitchell, Ext. 7483

Recommendation to Cabinet:

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

Recommendation to Council:

- (a) The Summary of Council Expenditure and Council Tax for 2020/21 set out in Appendix E be approved.
- (b) Approve the 10-year budget 2020/21 to 2029/30 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 2020/23 and funding method set out in Appendix H.
- (d) Approve the changes to reserves and provisions set out in Appendix J.
- (e) That the Local Council Tax Reduction Scheme 2019/20, be rolled forward to 2020/21, with effect from 1 April 2020 (Appendix L).

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

Introduction and Background

- 1 The Council's financial strategy over the past fifteen years has worked towards increasing financial sustainability and it has been successful through the use of a number of strategies including:
 - implementing efficiency initiatives;
 - significantly reducing the back-office function;
 - 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.
- 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 Revenue Support Grant provided by Government ceasing from 2017/18 it is important that the council remains financially self-sufficient by

having 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 12 September 2019, Members considered a report setting out the Council's financial prospects for 2020/21 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 2020/21 and beyond.

6 As part of the budget process officers put forward their Service Dashboards to the Advisory Committees between October and November, which set out a summary of current and future challenges and risks. The Advisory Committees recommended new growth and savings items which were considered at the Cabinet meeting on 5 December 2019.

7 The report to Cabinet on 5 December 2019 also contained updates to the Financial Prospects report. Another update report was presented to Cabinet on 9 January 2020 when further growth and savings items were considered.

8 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 2020-23;
- Appendix J - Reserves;
- Appendix K - Risk analysis;
- Appendix L - Local Council Tax Reduction Scheme 2020/21;
- Appendix M - Latest information on precepting authorities (only in Council report);

Agenda Item 13

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

Financial Self-Sufficiency

- 9 The Council's Corporate Plan 2013-2018 set out an ambition for the Council to become financially self-sufficient which was achieved in 2016/17. The current Council Plan aims to continue with this approach. This means that the Council no longer requires direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 10 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.
- 11 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.
- 12 The Council's decision to seek to become financially self-sufficient was subject to scrutiny by the Local Government Associations Peer Challenge of the District Council during December 2013. In their closing letter to the Council they concluded that they 'fully support that aspiration and given the existing and anticipated squeeze upon public finances this makes much sense'.
- 13 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. One of the aims of the Property Investment Strategy is to achieve an income yield of 3%+ above the Council's average treasury management return (currently 0.9%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 2.8% for 30 years). Therefore, using funding for this purpose will result in additional year on year income that is not impacted by Government decisions.
- 14 Cabinet are keen to remain financially self-sufficient and be ahead of the game. This will include a new target to replace reliance on Business Rates income over the coming years. This will allow this Council to move ahead in

the knowledge that this council has the financial resources to provide the services that the district's residents need into the future.

Local Government Finance Settlement

- 15 ***The Provisional Local Government Finance Settlement*** for 2020/21 was announced on 20 December 2019. The most relevant elements for this Council were as follows:
- The Council Tax increase referendum limit for district councils for 2020/21 has been increased from 2% to the higher of 2% or £5 for a Band D property.
 - The settlement relates to 2020/21 only.
 - Negative Revenue Support Grant (RSG) has been removed for 2020/21. There was previously an expectation this could have a £1m negative impact on this council.
 - The basis of Business Rates Retention has not changed.
 - New Homes Bonus will continue for 2020/21 and is then expected to reduce to nil in 2023/24.
- 16 ***The Final Local Government Finance Settlement*** for 2020/21 had not been released at the time of writing this report. Members will be updated of any relevant differences in the final settlement compared to the provisional settlement.

Updates on Assumptions

- 17 ***Government Support: Revenue Support Grant (RSG)*** (£nil received in 2019/20) - This formula-based grant has significantly reduced since 2010/11 as the emphasis of Government Support has changed, in fact this council received no RSG in 2017/18 and is not expected to receive any in future years. The attached 10-year budget assumes no RSG, if any amounts are received in future years, they will be put into the Financial Plan Reserve to support the 10-year budget including 'invest to save' initiatives and support for the Property Investment Strategy.
- 18 Negative RSG (i.e. where councils pay government) has previously been proposed by government. It was announced in the Spending Round that there would not be negative RSG in 2020/21 but this remains a threat going forward.
- 19 ***New Homes Bonus (NHB)*** (£1.2m received in 2019/20 but not used to fund the revenue budget) - the Government started this new funding stream in 2011/12 from funds top sliced from RSG with the intention that local authorities would be rewarded for new homes being built over a six-year period. The basis of NHB was changed with effect from 2017/18. Previously it was based on cumulative figures for 6 years, but this was reduced to 5

Agenda Item 13

years from 2017/18 and 4 years from 2018/19. In addition, NHB is only received on tax base growth above 0.4% instead of on all growth (known as the deadweight).

- 20 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 will be put into the Financial Plan Reserve for the same purpose as noted above.
- 21 It is likely that NHB will soon be replaced by a different method to incentivise housing growth.
- 22 **Council Tax** (£10.9m) - in the Provisional Local Government Finance Settlement it was announced that the referendum limit for 2020/21 was an increase of 2% (or £5 for a Band D property if higher). The Final Local Government Finance Settlement had not been announced at the time of writing this report so the referendum limit may change. At the Cabinet meeting on 9 January 2020 Members recommended to change the Council Tax increase assumption for 2020/21 to £5 for a Band D property (2.3%) or the referendum limit, whichever is the greater, with the excess above 2% put into a new 'Net Zero Transition Fund'.
- 23 This recommendation would result in Band D Council Tax increasing from £215.01 in 2019/20 to £208.80 to £219.96 in 2020/21 (unless the final referendum limit is higher).

2020/21 Council Tax	Original Assumptions	Proposed Assumptions
% increase	2.00%	2.30%
£ increase (Band D pa)	£4.30	£4.95
£ (Band D pa)	£219.31	£219.96

- 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 50,772.3 to 51,207.9 Band D equivalent properties. That is an increase of 435.6 (0.86%) which is below the previously assumed increase of 580 (1.14%).
- 26 The tax base increases each year due to the general increase in the number of residential properties and future developments as well as the continuing work to check the validity of Council Tax discounts awarded. The assumption going forward reflects the increases achieved in recent years and the ongoing work. The increased tax base results in additional Council Tax income which is assumed to be greater than the incremental cost of servicing the additional properties although it should be recognised that there are likely to be step changes in costs for some services in the future

such as refuse collection. The Local Plan may also affect future Council Tax assumptions.

- 27 **Business Rates Retention** (£2.1m) - The basis for allocating Government Support from 2013/14 changed to the Business Rates Retention Scheme. This scheme initially allows billing authorities, such as this council, to keep 40% of Business Rates received. However, tariffs and top-ups are applied to ensure that the funding received by each local authority is not significantly different to pre 2013/14 amounts. This Council is due to collect £37m of Business Rates in 2019/20.
- 28 A Business Rates Pool operates in Kent and Medway which generally results in councils retaining more Business Rates than if they were not in the pool. This council and Dover Borough Council were not part of the pool in previous years, but it has been agreed that Sevenoaks and Dover will benefit as if they were in the pool going forward.
- 29 Due to the large number of business rates appeals being outstanding with the Valuation Office Agency (VOA) and the limited opportunities to increase the number of businesses in the district, the assumption in the 10-year budget remains at the safety-net level, which is the amount of business rates the council is assured of retaining in the current scheme if it were not in a pool.
- 30 With the outcome of the Spending Review and the results of the 'Fair Funding Review' and 'Business Rates Retention Reform' remaining unknown, there is a risk that this council may no longer retain any Business Rates in the future. This would result in a funding gap that would need to be replaced by additional income or further savings.
- 31 **Interest receipts** (£0.25m) - Returns are continuing to be significantly lower than they were a few years ago due to low interest rates and the Council's Investment Strategy taking a low risk approach. Whilst returns exceeded Budget last year, inflation continues to outpace investment returns, leading to the gradual erosion of capital in real terms.
- 32 The Treasury Management Strategy is currently being reviewed with a different risk approach anticipated. The interest receipt assumption has therefore been increased from £250,000 to £300,000 per annum.
- 33 **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.
- 34 To date six assets have been purchased or built by the Council and three by Quercus 7 at a cost of £29.2m. Therefore £21.1m of the £50.3m approved by Council remains unspent.
- 35 The income assumptions have been updated as follows:

Agenda Item 13

Property Investment Strategy Income	Previous Assumption	Proposed Assumption
2019/20	£1.258m	£1.258m
2020/21	£1.311m	£1.428m
2021/22	£1.311m	£1.468m
2022/23	£1.311m	£1.508m
2023/24	£1.411m	£1.558m
2024/25 - 2025/26	£1.455m	£1.558m
2026/27 - 2028/29	£1.655m	£1.655m
2029/30	£1.696m	£1.696m

- 36 These assumptions result in an increase of £300,000 from 2019/20 to 2023/24.
- 37 A Property Investment Strategy Update report is being presented to the Finance and Investment Advisory Committee on 23 January 2020 and Cabinet on 4 February 2020.
- 38 **Pay costs** (£15.2m) - Discussions between the National Employers for Local Government Services and the unions regarding the national pay award for 2020/21 are ongoing.
- 39 The assumption in the attached 10-year budget is a 2% increase in all years. Work on a new workforce strategy may have an impact on assumptions and will be monitored as it progresses.
- 40 The Council's latest Council Plan was launched in 2018. In order to ensure the effective delivery of the Council Plan, some services are being redesigned so that they are better aligned to customer needs and with a much stronger emphasis on wrapping services around the customer.
- 41 In order to achieve this, the Customer Solutions Centre is in operation. The Customer Solutions Centre is resourced with a wider skill set in order to deal with more interactions at first point of contact and in parallel more effective processing is being investigated. It is anticipated that the cost of these changes will continue to be met within approved budgets and therefore a SCIA has not been proposed.
- 42 **Superannuation fund** - the last pension fund triennial valuation, which was the fourth by the actuaries Barnett Waddingham, took place in November 2019.
- 43 The funding level has increased from 75.5% to 86.6% since the previous valuation in 2016 and the deficit recovery period for the fund has reduced from 17 years to 13 years. The 10-year budget includes the contribution amounts set by the actuaries for 2020/21 to 2022/23 and includes an

additional £100,000 from 2023/24 when the next triennial valuation will come in to effect. The contributions for the primary rate (current staff) have increased and reduced for the secondary rate (funding deficit). There is a nil overall impact on the 10-year budget.

- 44 **Non-pay costs** - The budget assumes non-pay costs will increase by an average of 2.25% in all years. In practice, items such as rates and energy costs often rise at a higher rate, so other non-pay items have been allowed a much lower inflation increase. Inflation is currently at 1.4% (CPI) and 2.2% RPI (as at December 2019).
- 45 **Annual Savings** - an annual Net Savings/Additional Income assumption of £100,000 is included for all years in the 10-year budget.
- 46 **Exiting the EU** - 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.

Collection Fund Surplus/Deficit Calculation

- 47 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.
- 48 The estimated surplus/deficit at 15 January 2019 was zero, whilst the actual surplus balance at 31 March 2019 was £43,700. The balance is relatively small in the context of the gross council tax collectible during 2018/19 of approximately £89.5m.
- 49 The purpose of the calculation at 15 January 2020 is to estimate the likely surplus or deficit balance on the collection fund at 31 March 2020. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.
- 50 The overall estimated balance at 31 March 2020 is again zero, meaning that there is no apportionment required between District, County, Fire and Police.

Current Budget Position

- 51 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.
- 52 **Appendix D** shows the changes in the 10-year Budget since it was last approved by Council in February 2019.

Agenda Item 13

- 53 ***Progress on the savings plan*** - 2020/21 is the tenth year of using the 10-year budget. Prior to the current budget setting process, 164 savings items have been identified totalling £7.6m. The majority of these savings have already been achieved and Portfolio Holders, Chief Officers, Heads of Service and Service Managers have worked closely to deliver these savings.
- 54 ***Changes since the 10-year budget started*** - The table below shows how the Net Service Expenditure has changed since 2010/11. This shows that the budget has reduced by £4.7m (28%) in real terms.

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

2020/21 Budget and Council Tax

- 55 After allowing for the growth and savings agreed and the key changes made during this budget process, the resulting net expenditure for 2020/21 is £15.581m. As shown in **Appendix E** this results in Council Tax income of £11.264m, meaning that the District element of the Band D charge will be £219.96.
- 56 When the other preceptors announce their increases, details will be included in **Appendix M**.

Capital Programme

- 57 A report setting out the proposed 2020/23 Capital Programme, with supporting documentation in a standard format for individual scheme bids was presented to the Finance and Investment Advisory Committee on 23 January 2020 and Cabinet on 4 February 2020.
- 58 Scheme bid documents were received for all new schemes which included the proposed funding methods.
- 59 Unspent budgets in the current year's programme (2019/20) can be carried forward to 2020/21, subject to Cabinet approval, when the outturn is known.

- 60 **Appendix Hi** summarises the position if all schemes are approved and indicates the funding method proposed. **Appendix Hii** contains the bids for each capital scheme.
- 61 Council will be informed at the meeting of any changes recommended by Cabinet.

Integration with other budget reports on the Cabinet Agenda

- 62 Separate reports on the Treasury Management Strategy, Capital Strategy and Property Investment Strategy are being presented to Cabinet and Council. The attached revenue budgets take into account the recommendations and revenue implications set out in those reports as well as the Capital Programme.

Opinion under Section 25 of the Local Government Act 2003 (LGA 2003)

- 63 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.
- 64 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 2020/21 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 and Investment 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.

Agenda Item 13

- 65 The budget complies with the principles and standards within the CIPFA (Chartered Institute of Public Finance and Accountancy) Financial Management Code.
- 66 As is the case every year, inevitably there are a number of risk factors within the 2020/21 budget proposals; these are set out in some detail in **Appendix K**. This Appendix was also considered by the Finance and Investment Advisory Committee on 23 January 2020. 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 in 2020/21 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. However, the national pay award for 2020/21 has not yet been agreed.

b) Income

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

c) Pensions funding

The next actuarial valuation will take effect from 2023/24 and an increase assumption has been included in the 10-year budget from then.

d) Investment receipts

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 2020/21 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 until 2027/28 as it is anticipated that where possible this will be met through additional savings or the Budget Stabilisation Reserve.

- 67 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

- 68 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.
- 69 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies.
- 70 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 2020/21 this equates to £1.5m).

Referendums relating to council tax increases

- 71 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.
- 72 The Secretary of State has published draft thresholds in relation to 2020/21 council tax levels. District councils will be allowed a Band D council tax increase of the higher of 2% or £5 (for a Band D property). This council is therefore able to increase Band D council tax by up to 2.3% (£5 for a Band D property) 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.

Local Council Tax Reduction Scheme 2020/21

- 73 The Council Tax Reduction scheme replaced Council Tax Benefit with effect from 1 April 2013.
- 74 Under the Council Tax Reduction provisions, the scheme for pensioners is determined by Central Government and the scheme for working age

Agenda Item 13

applicants is determined by the Council. Pensioners broadly receive the same level of support that was previously available under the Council Tax Benefit scheme.

- 75 Schedule 1A (5) of the Local Government Finance Act 1992 as amended requires local authorities to consider the following:
- For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.
 - The authority must make any revision to its scheme, or any replacement scheme, no later than 11th March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 76 The 2019/20 Local Council Tax Reduction Scheme was approved by Council on 15 November 2018 after a consultation with residents.
- 77 Further details can be found in **Appendix L** and a copy of the full scheme is available upon request.
- 78 It is recommended that the Local Council Tax Reduction Scheme 2019/20, be rolled forward to 2020/21, with effect from 1 April 2020.

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 level of shortfall and the timing of key announcements such as future changes

to Business Rates Retention. 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 2020/21 reports to Cabinet on 5 December 2019 and 9 January 2020.

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 P** is approved, the Sevenoaks District Council element of the band D council tax will be £219.96.

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 2020-23 (also being considered by Finance and Investment Advisory Committee on 23 January 2020)

Appendix H (ii) - Capital Programme bids

Appendix J - Reserves

Appendix K - Risk analysis (also being considered by Finance and Investment Advisory Committee on 23 January 2020)

Appendix L - Local Council Tax Reduction Scheme 2020/21

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

Appendix N - Town and Parish Council precepts and council tax rates (only in Council report)

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

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

Background Papers

[Report to Cabinet 14 February 2019 - Budget and Council Tax Setting 2019/20](#)

[Report to Cabinet 12 September 2019 - Financial Prospects and Budget Strategy 2020/21 and Beyond](#)

[Report to People and Places Advisory Committee 1 October 2019, Improvement and Innovation Advisory Committee 3 October 2019, Housing and](#)

[Health Advisory Committee 8 October 2019, Development and Conservation Advisory Committee 15 October 2019, Cleaner and Greener Advisory Committee 29 October 2019, Finance and Investment Advisory Committee 21 November 2019 - Budget 2020/21: Service Dashboards and Service Change Impact Assessments \(SCIAs\)](#)

[Report to Cabinet 5 December 2019 - Budget Update 2020/21](#)

[Report to Cabinet 9 January 2020 - Budget Update 2020/21](#)

Adrian Rowbotham

Chief Officer Finance and Trading

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2020/21 Budget Setting Timetable

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

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

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Ten Year Budget - Revenue

Appendix Bi

	Budget 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Plan 2023/24	Plan 2024/25	Plan 2025/26	Plan 2026/27	Plan 2027/28	Plan 2028/29	Plan 2029/30
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	14,687	15,251	15,581	15,947	16,328	16,852	17,245	17,643	18,098	18,612	19,133
Inflation	608	666	472	481	487	493	499	505	513	521	530
Superannuation Fund deficit and staff recruitment & retention	0	0	0	0	100	0	0	50	0	0	0
Net savings (approved in previous years)	(181)	(358)	44	0	0	0	(1)	0	1	0	(1)
New growth	256	160	(5)	0	(50)	0	0	0	100	100	100
New savings/Income	(119)	(138)	(145)	(100)	(13)	(100)	(100)	(100)	(100)	(100)	(100)
Net Service Expenditure b/f	15,251	15,581	15,947	16,328	16,852	17,245	17,643	18,098	18,612	19,133	19,662
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	(10,917)	(11,264)	(11,618)	(11,983)	(12,357)	(12,741)	(13,136)	(13,542)	(13,933)	(14,335)	(14,747)
Business Rates Retention	(2,132)	(2,139)	(2,182)	(2,226)	(2,271)	(2,316)	(2,362)	(2,409)	(2,457)	(2,506)	(2,556)
Collection Fund Surplus	0	0	0	0	0	0	0	0	0	0	0
Interest Receipts	(200)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Property Investment Strategy Income	(1,258)	(1,428)	(1,468)	(1,508)	(1,558)	(1,558)	(1,558)	(1,655)	(1,655)	(1,655)	(1,696)
Contributions to/(from) Reserves	(353)	(378)	(365)	(175)	(161)	(604)	194	208	221	236	249
Total Financing	(14,860)	(15,509)	(15,933)	(16,192)	(16,647)	(17,519)	(17,162)	(17,698)	(18,124)	(18,560)	(19,050)
Budget Gap (surplus)/deficit	391	72	14	136	205	(274)	481	400	488	573	612
Contribution to/(from) Stabilisation Reserve	(391)	(72)	(14)	(136)	(205)	274	(481)	(400)	(488)	(573)	(612)
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:	2.3% in 20/21, 2% in later years
Council Tax Base:	Increase of 438 Band D equivalent properties in 20/21, 580 from 21/22, 480 from 27/28
Interest Receipts:	£300,000 in 20/21 onwards
Property Investment Strategy:	£1.428m in 20/21, £1.468m in 21/22, £1.508m in 22/23, £1.558m from 23/24, £1.655m from 26/27, £1.696m from 29/30
Pay award:	2% in all years
Other costs:	2.25% in all years
Income:	2.5% in all years except for off-street car parks which are an average of 3.5% per annum from 19/20 - 23/24

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Ten Year Budget - Revenue

Appendix Bi

	Budget 2019/20	Plan 2020/21	Plan 2021/22	Plan 2022/23	Plan 2023/24	Plan 2024/25	Plan 2025/26	Plan 2026/27	Plan 2027/28	Plan 2028/29	Plan 2029/30
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	14,687	15,251	15,581	15,947	16,328	16,852	17,245	17,643	18,098	18,612	19,133
Inflation	608	666	472	481	487	493	499	505	513	521	530
Superannuation Fund deficit and staff recruitment & retention	0	0	0	0	100	0	0	50	0	0	0
Net savings (approved in previous years)	(181)	(358)	44	0	0	0	(1)	0	1	0	(1)
New growth	256	160	(5)	0	(50)	0	0	0	100	100	100
New savings/Income	(119)	(138)	(145)	(100)	(13)	(100)	(100)	(100)	(100)	(100)	(100)
Net Service Expenditure b/f	15,251	15,581	15,947	16,328	16,852	17,245	17,643	18,098	18,612	19,133	19,662
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	(10,917)	(11,264)	(11,618)	(11,983)	(12,357)	(12,741)	(13,136)	(13,542)	(13,933)	(14,335)	(14,747)
Business Rates Retention	(2,132)	(2,139)	(2,182)	(2,226)	(2,271)	(2,316)	(2,362)	(2,409)	(2,457)	(2,506)	(2,556)
Collection Fund Surplus	0	0	0	0	0	0	0	0	0	0	0
Interest Receipts	(200)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Property Investment Strategy Income	(1,258)	(1,428)	(1,468)	(1,508)	(1,558)	(1,558)	(1,558)	(1,655)	(1,655)	(1,655)	(1,696)
Contributions to/(from) Reserves	(353)	(378)	(365)	(175)	(161)	(604)	194	208	221	236	249
Total Financing	(14,860)	(15,509)	(15,933)	(16,192)	(16,647)	(17,519)	(17,162)	(17,698)	(18,124)	(18,560)	(19,050)
Budget Gap (surplus)/deficit	391	72	14	136	205	(274)	481	400	488	573	612
Contribution to/(from) Stabilisation Reserve	(391)	(72)	(14)	(136)	(205)	274	(481)	(400)	(488)	(573)	(612)
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:	2.3% in 20/21, 2% in later years
Council Tax Base:	Increase of 438 Band D equivalent properties in 20/21, 580 from 21/22, 480 from 27/28
Interest Receipts:	£300,000 in 20/21 onwards
Property Investment Strategy:	£1.428m in 20/21, £1.468m in 21/22, £1.508m in 22/23, £1.558m from 23/24, £1.655m from 26/27, £1.696m from 29/30
Pav award:	2% in all years
Other costs:	2.25% in all years
Income:	2.5% in all years except for off-street car parks which are an average of 3.5% per annum from 19/20 - 23/24

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Ten Year Budget - Balance Sheet

Balance Sheet		31/3/19	31/3/20	31/3/21	31/3/22	31/3/23	31/3/24
		Actual	Plan	Plan	Plan	Plan	Plan
		£000	£000	£000	£000	£000	£000
Long Term Assets							
Property, Plant and Equipment	1	39,671	39,521	39,371	39,221	39,071	38,921
Investment Property		30,917	30,917	30,917	30,917	30,917	30,917
Long Term Investments		50	50	50	50	50	50
Long Term Debtors		1,442	1,356	1,270	1,184	1,180	1,176
		<u>72,080</u>	<u>71,844</u>	<u>71,608</u>	<u>71,372</u>	<u>71,218</u>	<u>71,064</u>
Current Assets							
Short-term Investments		18,078	14,553	13,595	13,094	12,683	12,077
Cash and Cash Equivalents		2,774	2,774	2,774	2,774	2,774	2,774
Inventories		69	69	69	69	69	69
Short Term Debtors		6,545	6,545	6,545	6,545	6,545	6,545
Assets held for Sale		181	181	181	181	181	181
Payments in Advance		0	0	0	0	0	0
		<u>27,647</u>	<u>24,122</u>	<u>23,164</u>	<u>22,663</u>	<u>22,252</u>	<u>21,646</u>
Current Liabilities							
Receipts in Advance		(8,320)	(8,320)	(8,320)	(8,320)	(8,320)	(8,320)
Short Term PWLB Loan		(176)	(176)	(176)	(176)	(176)	(176)
Short Term Creditors		(8,467)	(8,468)	(8,469)	(8,470)	(8,471)	(8,472)
Short Term Provisions		(2,699)	(2,699)	(2,699)	(2,699)	(2,699)	(2,699)
		<u>(19,662)</u>	<u>(19,663)</u>	<u>(19,664)</u>	<u>(19,665)</u>	<u>(19,666)</u>	<u>(19,667)</u>
NET CURRENT ASSETS		7,985	4,459	3,500	2,998	2,586	1,979
Long Term Liabilities							
Long Term Creditors		(351)	(350)	(349)	(348)	(347)	(346)
Long Term PWLB Loan		(5,014)	(4,840)	(4,666)	(4,492)	(4,318)	(4,144)
Long Term Provisions		(256)	(256)	(256)	(256)	(256)	(256)
Net Pensions Liability	2,3	(87,574)	(86,084)	(84,594)	(83,104)	(81,614)	(80,124)
Capital Grants Receipts in Advance		(126)	(443)	(504)	(504)	(504)	(504)
		<u>(93,321)</u>	<u>(91,973)</u>	<u>(90,369)</u>	<u>(88,704)</u>	<u>(87,039)</u>	<u>(85,374)</u>
TOTAL NET ASSETS		<u>(13,256)</u>	<u>(15,670)</u>	<u>(15,261)</u>	<u>(14,334)</u>	<u>(13,235)</u>	<u>(12,331)</u>
USABLE RESERVES							
Usable Capital Receipts Reserve		(4,186)	(2,242)	(2,242)	(2,242)	(2,242)	(2,242)
Earmarked Reserves		(19,374)	(17,568)	(16,641)	(16,232)	(15,995)	(15,563)
General Fund		(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
		<u>(25,060)</u>	<u>(21,310)</u>	<u>(20,383)</u>	<u>(19,974)</u>	<u>(19,737)</u>	<u>(19,305)</u>
UNUSABLE RESERVES							
Capital Adjustment Account		(30,058)	(29,908)	(29,758)	(29,608)	(29,458)	(29,308)
Revaluation Reserve		(18,812)	(18,812)	(18,812)	(18,812)	(18,812)	(18,812)
Accumulated Absences Account		152	152	152	152	152	152
Pensions Reserve	2,3	87,574	86,084	84,594	83,104	81,614	80,124
Collection Fund Adj Account		(7)	(7)	(7)	(7)	(7)	(7)
NNDR Collection Fund Revenue Account		(375)	(375)	(375)	(375)	(375)	(375)
Deferred Capital receipts		(158)	(154)	(150)	(146)	(142)	(138)
		<u>38,316</u>	<u>36,980</u>	<u>35,644</u>	<u>34,308</u>	<u>32,972</u>	<u>31,636</u>
TOTAL RESERVES		<u>13,256</u>	<u>15,670</u>	<u>15,261</u>	<u>14,334</u>	<u>13,235</u>	<u>12,331</u>

Notes to Balance Sheet

- Property will depreciate and will not be replaced, vehicles will depreciate and be replaced.
- Pensions figures are based on the actual FRS17 figures required to be included in the statutory accounts. An actuarial revaluation is completed every three years which is used to calculate the true position of the pension scheme.
- Pensions liability decrease due to payments being made to reduce the deficit.

Ten Year Budget - Balance Sheet

Balance Sheet continued		31/3/25	31/3/26	31/3/27	31/3/28	31/3/29	31/3/30
		Plan	Plan	Plan	Plan	Plan	Plan
		£000	£000	£000	£000	£001	£002
Long Term Assets							
Property, Plant and Equipment	1	38,771	38,621	38,471	38,321	38,171	38,021
Investment Property		30,917	30,917	30,917	30,917	30,917	30,917
Long Term Investments		50	50	50	50	50	50
Long Term Debtors		1,172	1,168	1,164	1,160	1,156	1,152
		<u>70,910</u>	<u>70,756</u>	<u>70,602</u>	<u>70,448</u>	<u>70,294</u>	<u>70,140</u>
Current Assets							
Short-term Investments		11,318	11,459	10,870	10,529	10,112	9,623
Cash and Cash Equivalents		2,774	2,774	2,774	2,774	2,774	2,774
Inventories		69	69	69	69	69	69
Short Term Debtors		6,545	6,545	6,545	6,545	6,545	6,545
Assets held for Sale		181	181	181	181	181	181
Payments in Advance		0	0	0	0	0	0
		<u>20,887</u>	<u>21,028</u>	<u>20,439</u>	<u>20,098</u>	<u>19,681</u>	<u>19,192</u>
Current Liabilities							
Receipts in Advance		(8,320)	(8,320)	(8,320)	(8,320)	(8,320)	(8,320)
Short Term PWLB Loan		(176)	(176)	(176)	(176)	(176)	(176)
Short Term Creditors		(8,473)	(8,474)	(8,475)	(8,476)	(8,477)	(8,478)
Short Term Provisions		(2,699)	(2,699)	(2,699)	(2,699)	(2,699)	(2,699)
		<u>(19,668)</u>	<u>(19,669)</u>	<u>(19,670)</u>	<u>(19,671)</u>	<u>(19,672)</u>	<u>(19,673)</u>
NET CURRENT ASSETS		1,219	1,359	769	427	9	(481)
Long Term Liabilities							
Long Term Creditors		(345)	(344)	(343)	(342)	(341)	(340)
Long Term PWLB Loan		(3,970)	(3,796)	(3,622)	(3,448)	(3,274)	(3,100)
Long Term Provisions		(256)	(256)	(256)	(256)	(256)	(256)
Net Pensions Liability	2,3	(78,634)	(77,144)	(75,654)	(74,164)	(72,674)	(71,184)
Capital Grants Receipts in Advance		(504)	(504)	(504)	(504)	(504)	(504)
		<u>(83,709)</u>	<u>(82,044)</u>	<u>(80,379)</u>	<u>(78,714)</u>	<u>(77,049)</u>	<u>(75,384)</u>
TOTAL NET ASSETS		<u>(11,580)</u>	<u>(9,929)</u>	<u>(9,008)</u>	<u>(7,839)</u>	<u>(6,746)</u>	<u>(5,725)</u>
USABLE RESERVES							
Usable Capital Receipts Reserve		(2,242)	(2,242)	(2,242)	(2,242)	(2,242)	(2,242)
Earmarked Reserves		(14,978)	(15,293)	(14,878)	(14,711)	(14,468)	(14,153)
General Fund		(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
		<u>(18,720)</u>	<u>(19,035)</u>	<u>(18,620)</u>	<u>(18,453)</u>	<u>(18,210)</u>	<u>(17,895)</u>
UNUSABLE RESERVES							
Capital Adjustment Account		(29,158)	(29,008)	(28,858)	(28,708)	(28,558)	(28,408)
Revaluation Reserve		(18,812)	(18,812)	(18,812)	(18,812)	(18,812)	(18,812)
Accumulated Absences Account		152	152	152	152	152	152
Pensions Reserve	2,3	78,634	77,144	75,654	74,164	72,674	71,184
Collection Fund Adj Account		(7)	(7)	(7)	(7)	(7)	(7)
NNDR Collection Fund Revenue Account		(375)	(375)	(375)	(375)	(375)	(375)
Deferred Capital receipts		(134)	(130)	(126)	(122)	(118)	(114)
		<u>30,300</u>	<u>28,964</u>	<u>27,628</u>	<u>26,292</u>	<u>24,956</u>	<u>23,620</u>
TOTAL RESERVES		<u>11,580</u>	<u>9,929</u>	<u>9,008</u>	<u>7,839</u>	<u>6,746</u>	<u>5,725</u>

Ten Year Budget - Balance Sheet

Balance Sheet		31/3/19	31/3/20	31/3/21	31/3/22	31/3/23	31/3/24
		Actual	Plan	Plan	Plan	Plan	Plan
		£000	£000	£000	£000	£000	£000
Long Term Assets							
Property, Plant and Equipment	1	39,671	39,521	39,371	39,221	39,071	38,921
Investment Property		30,917	30,917	30,917	30,917	30,917	30,917
Long Term Investments		50	50	50	50	50	50
Long Term Debtors		1,442	1,356	1,270	1,184	1,180	1,176
		<u>72,080</u>	<u>71,844</u>	<u>71,608</u>	<u>71,372</u>	<u>71,218</u>	<u>71,064</u>
Current Assets							
Short-term Investments		18,078	14,553	13,595	13,094	12,683	12,077
Cash and Cash Equivalents		2,774	2,774	2,774	2,774	2,774	2,774
Inventories		69	69	69	69	69	69
Short Term Debtors		6,545	6,545	6,545	6,545	6,545	6,545
Assets held for Sale		181	181	181	181	181	181
Payments in Advance		0	0	0	0	0	0
		<u>27,647</u>	<u>24,122</u>	<u>23,164</u>	<u>22,663</u>	<u>22,252</u>	<u>21,646</u>
Current Liabilities							
Receipts in Advance		(8,320)	(8,320)	(8,320)	(8,320)	(8,320)	(8,320)
Short Term PWLB Loan		(176)	(176)	(176)	(176)	(176)	(176)
Short Term Creditors		(8,467)	(8,468)	(8,469)	(8,470)	(8,471)	(8,472)
Short Term Provisions		(2,699)	(2,699)	(2,699)	(2,699)	(2,699)	(2,699)
		<u>(19,662)</u>	<u>(19,663)</u>	<u>(19,664)</u>	<u>(19,665)</u>	<u>(19,666)</u>	<u>(19,667)</u>
NET CURRENT ASSETS		7,985	4,459	3,500	2,998	2,586	1,979
Long Term Liabilities							
Long Term Creditors		(351)	(350)	(349)	(348)	(347)	(346)
Long Term PWLB Loan		(5,014)	(4,840)	(4,666)	(4,492)	(4,318)	(4,144)
Long Term Provisions		(256)	(256)	(256)	(256)	(256)	(256)
Net Pensions Liability	2,3	(87,574)	(86,084)	(84,594)	(83,104)	(81,614)	(80,124)
Capital Grants Receipts in Advance		(126)	(443)	(504)	(504)	(504)	(504)
		<u>(93,321)</u>	<u>(91,973)</u>	<u>(90,369)</u>	<u>(88,704)</u>	<u>(87,039)</u>	<u>(85,374)</u>
TOTAL NET ASSETS		(13,256)	(15,670)	(15,261)	(14,334)	(13,235)	(12,331)
USABLE RESERVES							
Usable Capital Receipts Reserve		(4,186)	(2,242)	(2,242)	(2,242)	(2,242)	(2,242)
Earmarked Reserves		(19,374)	(17,568)	(16,641)	(16,232)	(15,995)	(15,563)
General Fund		(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
		<u>(25,060)</u>	<u>(21,310)</u>	<u>(20,383)</u>	<u>(19,974)</u>	<u>(19,737)</u>	<u>(19,305)</u>
UNUSABLE RESERVES							
Capital Adjustment Account		(30,058)	(29,908)	(29,758)	(29,608)	(29,458)	(29,308)
Revaluation Reserve		(18,812)	(18,812)	(18,812)	(18,812)	(18,812)	(18,812)
Accumulated Absences Account		152	152	152	152	152	152
Pensions Reserve	2,3	87,574	86,084	84,594	83,104	81,614	80,124
Collection Fund Adj Account		(7)	(7)	(7)	(7)	(7)	(7)
NNDR Collection Fund Revenue Account		(375)	(375)	(375)	(375)	(375)	(375)
Deferred Capital receipts		(158)	(154)	(150)	(146)	(142)	(138)
		<u>38,316</u>	<u>36,980</u>	<u>35,644</u>	<u>34,308</u>	<u>32,972</u>	<u>31,636</u>
TOTAL RESERVES		13,256	15,670	15,261	14,334	13,235	12,331

Notes to Balance Sheet

- Property will depreciate and will not be replaced, vehicles will depreciate and be replaced.
- Pensions figures are based on the actual FRS17 figures required to be included in the statutory accounts. An actuarial revaluation is completed every three years which is used to calculate the true position of the pension scheme.
- Pensions liability decrease due to payments being made to reduce the deficit.

Ten Year Budget - Balance Sheet

Balance Sheet continued		31/3/25	31/3/26	31/3/27	31/3/28	31/3/29	31/3/30
		Plan	Plan	Plan	Plan	Plan	Plan
		£000	£000	£000	£000	£001	£002
Long Term Assets							
Property, Plant and Equipment	1	38,771	38,621	38,471	38,321	38,171	38,021
Investment Property		30,917	30,917	30,917	30,917	30,917	30,917
Long Term Investments		50	50	50	50	50	50
Long Term Debtors		1,172	1,168	1,164	1,160	1,156	1,152
		<u>70,910</u>	<u>70,756</u>	<u>70,602</u>	<u>70,448</u>	<u>70,294</u>	<u>70,140</u>
Current Assets							
Short-term Investments		11,318	11,459	10,870	10,529	10,112	9,623
Cash and Cash Equivalents		2,774	2,774	2,774	2,774	2,774	2,774
Inventories		69	69	69	69	69	69
Short Term Debtors		6,545	6,545	6,545	6,545	6,545	6,545
Assets held for Sale		181	181	181	181	181	181
Payments in Advance		0	0	0	0	0	0
		<u>20,887</u>	<u>21,028</u>	<u>20,439</u>	<u>20,098</u>	<u>19,681</u>	<u>19,192</u>
Current Liabilities							
Receipts in Advance		(8,320)	(8,320)	(8,320)	(8,320)	(8,320)	(8,320)
Short Term PWLB Loan		(176)	(176)	(176)	(176)	(176)	(176)
Short Term Creditors		(8,473)	(8,474)	(8,475)	(8,476)	(8,477)	(8,478)
Short Term Provisions		(2,699)	(2,699)	(2,699)	(2,699)	(2,699)	(2,699)
		<u>(19,668)</u>	<u>(19,669)</u>	<u>(19,670)</u>	<u>(19,671)</u>	<u>(19,672)</u>	<u>(19,673)</u>
NET CURRENT ASSETS		1,219	1,359	769	427	9	(481)
Long Term Liabilities							
Long Term Creditors		(345)	(344)	(343)	(342)	(341)	(340)
Long Term PWLB Loan		(3,970)	(3,796)	(3,622)	(3,448)	(3,274)	(3,100)
Long Term Provisions		(256)	(256)	(256)	(256)	(256)	(256)
Net Pensions Liability	2,3	(78,634)	(77,144)	(75,654)	(74,164)	(72,674)	(71,184)
Capital Grants Receipts in Advance		(504)	(504)	(504)	(504)	(504)	(504)
		<u>(83,709)</u>	<u>(82,044)</u>	<u>(80,379)</u>	<u>(78,714)</u>	<u>(77,049)</u>	<u>(75,384)</u>
TOTAL NET ASSETS		<u>(11,580)</u>	<u>(9,929)</u>	<u>(9,008)</u>	<u>(7,839)</u>	<u>(6,746)</u>	<u>(5,725)</u>
USABLE RESERVES							
Usable Capital Receipts Reserve		(2,242)	(2,242)	(2,242)	(2,242)	(2,242)	(2,242)
Earmarked Reserves		(14,978)	(15,293)	(14,878)	(14,711)	(14,468)	(14,153)
General Fund		(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
		<u>(18,720)</u>	<u>(19,035)</u>	<u>(18,620)</u>	<u>(18,453)</u>	<u>(18,210)</u>	<u>(17,895)</u>
UNUSABLE RESERVES							
Capital Adjustment Account		(29,158)	(29,008)	(28,858)	(28,708)	(28,558)	(28,408)
Revaluation Reserve		(18,812)	(18,812)	(18,812)	(18,812)	(18,812)	(18,812)
Accumulated Absences Account		152	152	152	152	152	152
Pensions Reserve	2,3	78,634	77,144	75,654	74,164	72,674	71,184
Collection Fund Adj Account		(7)	(7)	(7)	(7)	(7)	(7)
NNDR Collection Fund Revenue Account		(375)	(375)	(375)	(375)	(375)	(375)
Deferred Capital receipts		(134)	(130)	(126)	(122)	(118)	(114)
		<u>30,300</u>	<u>28,964</u>	<u>27,628</u>	<u>26,292</u>	<u>24,956</u>	<u>23,620</u>
TOTAL RESERVES		<u>11,580</u>	<u>9,929</u>	<u>9,008</u>	<u>7,839</u>	<u>6,746</u>	<u>5,725</u>

Agenda Item 13

Summary of the Council's Agreed Savings and Growth Items

Appendix C

SCIA Year	No.	Description	2011/12 - 2019/20 £000	2020/21 £000	Later Years £000	Total £000
		Cleaner and Greener 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	
2019/20	3	Bradbourne Lakes - Consultancy (reversal of temporary growth item)		(60)		
2019/20	7	Car Parking - Enforcement for Tandridge DC (reversal of temporary saving item)			30	
		Development and Conservation Advisory Committee				
		No savings or growth agreed from 2020/21 onwards				
		Finance and Investment Advisory Committee				
2011/12	62,63	Staff terms and conditions - savings agreed by Council 18/10/11		(187)		
		Housing and Health Advisory Committee				
		No savings or growth agreed from 2020/21 onwards				
		Improvement and Innovation Advisory Committee				
2017/18	10	Apprenticeship Levy (reversal of temporary growth item)		(45)		
2018/19	3	Swanley Local Office contract		(15)		
2018/19	13	IT Developers: funding for two years (reversal of temporary growth item)		(51)		
		People and Places Advisory Committee				
		No savings or growth agreed from 2020/21 onwards				
		Minor movements between years			(1)	
		Total Savings	(7,366)	(202)	44	(7,524)
		Total Growth	2,201	(156)	0	2,045
		Net Savings	(5,165)	(358)	44	(5,479)

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Summary of the Council's Agreed Savings and Growth Items

Appendix C

SCIA Year	No.	Description	2011/12 - 2019/20 £000	2020/21 £000	Later Years £000	Total £000
		Cleaner and Greener 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	
2019/20	3	Bradbourne Lakes - Consultancy (reversal of temporary growth item)		(60)		
2019/20	7	Car Parking - Enforcement for Tandridge DC (reversal of temporary saving item)			30	
		Development and Conservation Advisory Committee				
		No savings or growth agreed from 2020/21 onwards				
		Finance and Investment Advisory Committee				
2011/12	62.63	Staff terms and conditions - savings agreed by Council 18/10/11		(187)		
		Housing and Health Advisory Committee				
		No savings or growth agreed from 2020/21 onwards				
		Improvement and Innovation Advisory Committee				
2017/18	10	Apprenticeship Levy (reversal of temporary growth item)		(45)		
2018/19	3	Swanley Local Office contract		(15)		
2018/19	13	IT Developers: funding for two years (reversal of temporary growth item)		(51)		
		People and Places Advisory Committee				
		No savings or growth agreed from 2020/21 onwards				
		Minor movements between years			(1)	
		Total Savings	(7,366)	(202)	44	(7,524)
		Total Growth	2,201	(156)	0	2,045
		Net Savings	(5,165)	(358)	44	(5,479)

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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 05/12/19 and 09/01/20 (detailed SCIA's were included in previous Cabinet reports)							
2020/21	1	IIAC	Apprenticeship Levy	2020/21	3 yrs	50	150
2020/21	4	CGAC	Parks - Rural: increased tree surgery/retting costs to meet health and safety obligations	2020/21	Yes	10	100
2020/21	5	CGAC	CCTV: reduction in income	2020/21	Yes	10	100
2020/21	6	CGAC	Car Parks: business rates	2020/21	Yes	45	450
2020/21	9	FIAC	Finance Team restructure	2020/21	Yes	35	350
2020/21	11	CGAC	Parks - Rural: Establish a programme of suitable tree planting	2020/21	Yes	5	50
2020/21	13	IIAC	Electric car project	2020/21	No	5	5
Savings/additional income proposals supported by Cabinet 05/12/19 and 09/01/20 (detailed SCIA's were included in previous Cabinet reports)							
2020/21	2	IIAC	Mobile phone charges and mileage costs reduction	2020/21	Yes	(10)	(100)
2020/21	3	DCAC	Additional Development Management income and cost recovery in Strategic Planning	2020/21	Yes	(11)	(335)
2020/21	7	CGAC	Environmental Health: Change in apportionment of costs with Dartford BC	2020/21	Yes	(20)	(200)
2020/21	8	CGAC	Postal costs: changes to postal arrangements	2021/22	Yes	0	(180)
2020/21	10	FIAC	Insurance contract renewal	2020/21	3 yrs	(87)	(261)
2020/21	12	IIAC	Print: reduction in print/paper usage	2020/21	Yes	(5)	(50)
2020/21	14	IIAC	Advertising income	2020/21	Yes	(5)	(50)
Sub Total						22	29
Remove 2020/21 new savings target						93	930
Base Changes:							
Rolled on to 2029/30 and base figures updated to 2019/20 budget						0	(11)
Sub Total						0	(11)
Assumption Changes:							
Interest Receipts: increase from £250,000 to £300,000 per year						(50)	(500)
Property Investment Strategy: revised assumptions						(117)	(824)
Council Tax Base updated						31	337
Council Tax 2020/21: increase from 2% to 2.3%						(34)	(385)
Transfer Council Tax increase above 2% to 'Net Zero Transition Fund'						34	385
Sub Total						(136)	(987)
Total 10-year Budget change gap/(surplus)						(21)	(39)

i.e: (£3,900) per annum

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Summary of Changes to the 10-year Budget

Appendix D

SCIA Year	Advisory Committee No.	Description	Year	Ongoing	2019/20 Impact £000	10-year Budget Impact £000
Growth proposals supported by Cabinet 05/12/19 and 09/01/20 (detailed SCIA's were included in previous Cabinet reports)						
2020/21	1	IIAC Apprenticeship Levy	2020/21	3 yrs	50	150
2020/21	4	CGAC Parks - Rural: Increased tree surgery/felling costs to meet health and safety obligations	2020/21	Yes	10	100
2020/21	5	CGAC CCTV: reduction in income	2020/21	Yes	10	100
2020/21	6	CGAC Car Parks: business rates	2020/21	Yes	45	450
2020/21	9	FIAC Finance Team restructure	2020/21	Yes	35	350
2020/21	11	CGAC Parks - Rural: Establish a programme of suitable tree planting	2020/21	Yes	5	50
2020/21	13	IIAC Electric car project	2020/21	No	5	5
Savings/additional income proposals supported by Cabinet 05/12/19 and 09/01/20 (detailed SCIA's were included in previous Cabinet reports)						
2020/21	2	IIAC Mobile phone charges and mileage costs reduction	2020/21	Yes	(10)	(100)
2020/21	3	DCAC Additional Development Management income and cost recovery in Strategic Planning	2020/21	Yes	(11)	(335)
2020/21	7	CGAC Environmental Health: Change in apportionment of costs with Dartford BC	2020/21	Yes	(20)	(200)
2020/21	8	CGAC Postal costs: changes to postal arrangements	2021/22	Yes	0	(180)
2020/21	10	FIAC Insurance contract renewal	2020/21	3 yrs	(87)	(261)
2020/21	12	IIAC Print: reduction in print/paper usage	2020/21	Yes	(5)	(50)
2020/21	14	IIAC Advertising income	2020/21	Yes	(5)	(50)
Sub Total					22	29
Remove 2020/21 new savings target					93	930
Base Changes:						
Rolled on to 2029/30 and base figures updated to 2019/20 budget					0	(11)
Sub Total					0	(11)
Assumption Changes:						
Interest Receipts: increase from £250,000 to £300,000 per year					(50)	(500)
Property Investment Strategy: revised assumptions					(117)	(824)
Council Tax Base updated					31	337
Council Tax 2020/21: increase from 2% to 2.3%					(34)	(385)
Transfer Council Tax increase above 2% to 'Net Zero Transition Fund'					34	385
Sub Total					(136)	(987)
Total 10-year Budget change gap/(surplus)					(21)	(39)

i.e: (£3,900) per annum

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Summary of Council Expenditure & Council Tax

	2019/20 Budget Net Expenditure £000	2020/21 Budget Net Expenditure £000
Service expenditure before Support Services and Capital Charges including trading accounts (see Appendix F)	15,483	15,813
Capital Charges and Support Services charged outside the General Fund	(232)	(232)
Sub Total	15,251	15,581
Non allocated expenditure: Collection Fund adjustment	0	0
Net Service Expenditure excluding capital charges	15,251	15,581
Revenue Support Grant inc CTS	0	0
Retained Business Rates	(2,132)	(2,139)
New Homes Bonus	0	0
Council Tax Requirement - Sevenoaks DC	(10,917)	(11,264)
Collection Fund Surplus	0	0
Grant & Council Tax income	(13,049)	(13,403)
Net Expenditure after Grant & Council Tax, before interest	2,202	2,178
Less: Interest and Investment income	(200)	(300)
Less: Property Investment Strategy Income	(1,258)	(1,428)
Amount to be met from Reserves	744	450
Contributions (to) / from reserves		
Earmarked Reserves		
Capital	(148)	(148)
Budget Stabilisation	391	72
Pension fund valuation	0	59
Financial Plan	501	501
Net Zero Transition Reserve	0	(34)
Planned contribution from General Fund Reserve	0	0
	744	450

	2018/19	2019/20	2020/21
Taxbase	49,903	50,772	51,208
	£	£	£
Council Tax @ Band D	208.80	215.01	219.96

Council Tax Summary

Band D charge

% Change % Share

% Change % Share

Kent County
Kent Fire
Kent Police

Sevenoaks District
Average Town/Parish

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Net Service Expenditure analysed by Chief Officer

	Actuals 18/19	Budget 19/20	Budget 20/21
Summary	£'000	£'000	£'000
Customer & Resources	3,301	3,300	3,468
Finance & Trading	8,277	8,591	8,464
People & Places	1,723	1,805	1,967
Planning & Regulatory Services	1,904	1,931	2,006
	<u>15,205</u>	<u>15,627</u>	<u>15,904</u>
Direct Services		(144)	(91)
Items outside General Fund		(232)	(232)

	Actuals 18/19	Budget 19/20	Budget 20/21
Summary	£'000	£'000	£'000
Pay Costs	11,589	12,803	13,768
Premises and Grounds	2,118	1,923	2,020
Transport	94	63	63
Supplies & Services	2,447	2,294	2,258
Supplies & Services IT	900	979	991
Agency & Contracted	4,421	3,747	3,315
Agency & Contracted - Partnerships	3,103	3,049	3,239
Agency & Contracted - Direct Services	4,148	4,274	4,344
Transfer Payments - Benefits	25,699	28,090	25,641
Transfer Payments - Other	344	139	139
Support Services	0	52	52
Funds drawn to/from Reserves	133	(344)	(451)
Capital Charges	0	124	379
Income - Other	(2,372)	(2,765)	(2,521)
Income - Gov Gnts	(26,502)	(28,037)	(26,033)
Income - Fees and Charges	(8,285)	(7,173)	(7,530)
Recharges	(244)	(324)	(324)
Recharges - Partnerships	(2,389)	(3,267)	(3,445)
Service expenditure before re-allocation of Support	<u>15,205</u>	<u>15,627</u>	<u>15,904</u>
Direct Services (net)		(144)	(91)
Items outside General Fund		(232)	(232)
		<u>15,251</u>	<u>15,581</u>

Analysis of budget changes between 19/20 and 20/21

Base Budget 2019/20	15,251
Inflation	666
Net Savings agreed previous years	(358)
New Growth	160
New savings/income	(138)
Proposed Budget 2020/21	<u>15,581</u>

Agenda Item 13

Appendix F

Net Service Expenditure analysed by Chief Officer

	Actuals 18/19 £'000	Budget 19/20 £'000	Budget 20/21 £'000
People & Places			
All Weather Pitch	(5)	(5)	(5)
Community Safety	235	199	209
Community Development Service Provisions	(5)	(6)	(6)
Community Housing Fund	0	0	0
The Community Plan	57	55	60
Dunton Green Projects - S106	0	0	0
Dunton Green Projects	0	0	0
Economic Development	48	59	37
Economic Development Property	315	268	415
Energy Efficiency	20	5	0
Grants to Organisations	174	181	180
Gypsy Sites	(15)	(6)	(1)
Health Improvements	46	51	52
Homeless	134	253	247
Housing Register	4	6	0
Disabled Facilities Grant Administration	(20)	(20)	(50)
Housing	211	148	204
Housing Initiatives	56	48	49
Homelessness Prevention	0	0	0
Housing Energy Retraining Options (HERO)	37	45	48
Leisure Contract	144	182	108
Leisure Development	20	20	20
Partnership - Home Office	0	0	0
Private Sector Housing	168	228	294
Administrative Expenses - Communities & Business	31	22	22
Administrative Expenses - Housing	0	0	0
Sevenoaks Switch and Save	0	0	0
Tourism	26	33	27
One You - Your Home Project	0	0	0
Choosing Health WK PCT	1	0	0
Community Sports Activation Fund	0	0	0
Dementia Area Project - Run Walk Push	0	0	0
PCT Health Checks	0	0	0
Homelessness Funding	0	0	0
Leader Programme	5	5	5
PCT Initiatives	0	0	0
Sportivate Inclusive Archery Project	0	0	0
Sport Satellite Clubs	0	0	0
Troubled Families Project	0	0	0
West Kent Business Rates Retention	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	36	34	51
Total Service Expenditure	1,723	1,805	1,967

Net Service Expenditure analysed by Chief Officer

	Actuals 18/19 £'000	Budget 19/20 £'000	Budget 20/21 £'000
People & Places			
Pay Costs	1,585	1,849	2,119
Premises and Grounds	27	10	10
Transport	19	13	14
Supplies & Services	187	153	83
Supplies & Services IT	0	0	0
Agency & Contracted	776	474	479
Transfer Payments - Other	333	139	139
Funds drawn to/from Reserves	56	(76)	(70)
Income - Other	(346)	(461)	(548)
Income - Gov Gnts	(338)	(39)	0
Income - Fees and Charges	(569)	(257)	(257)
Recharges	(8)	0	0
Total Service Expenditure	1,723	1,805	1,967

Analysis of budget changes between 19/20 and 20/21

Base Budget 2019/20	1,805
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	48
Planned savings agreed previous years	0
<u>SCIA 2020/21</u>	
SCIA 02 - Mobile Phones and Mileage	(1)
SCIA 10 - Insurance	(71)
Other Adjustments	186
Proposed Budget 2020/21	1,967

Net Service Expenditure analysed by Chief Officer

	Actuals 18/19 £'000	Budget 19/20 £'000	Budget 20/21 £'000
Customer & Resources			
Asset Maintenance IT	277	283	289
Benefits Admin	222	4	52
Benefits Grants	(26)	(25)	(25)
Civic Expenses	17	17	17
Corporate Projects	92	102	102
Democratic Services	146	148	161
Dartford Rev&Ben Partnership Hub (SDC costs)	0	0	0
Elections	142	136	145
Land Charges	(26)	(105)	(108)
Local Tax	69	(119)	(90)
Register of Electors	227	223	237
Administrative Expenses - Corporate Services	20	17	23
Administrative Expenses - Legal and Democratic	68	69	70
Administrative Expenses - Human Resources	15	4	9
Administrative Expenses - Revenues and Benefits	0	0	0
Street Naming	(10)	6	2
Support - Rev & Ben Control	0	239	217
Support - Counter Fraud	35	55	56
Support - Contact Centre	457	536	574
Support - IT	1,024	1,117	1,116
Support - Legal Function	196	241	255
Support - Local Offices	28	19	0
Support - Nursery	2	0	0
Support - Human Resources	326	338	367
Total Service Expenditure	3,301	3,300	3,468

Net Service Expenditure analysed by Chief Officer

	Actuals 18/19 £'000	Budget 19/20 £'000	Budget 20/21 £'000
Customer & Resources			
Pay Costs	3,657	3,889	4,177
Premises and Grounds	70	0	0
Transport	4	3	4
Supplies & Services	505	483	490
Supplies & Services IT	801	898	909
Agency & Contracted	416	223	206
Agency & Contracted - Partnerships	1,897	1,778	1,902
Agency & Contracted - Direct Services	8	12	12
Transfer Payments - Benefits	25,699	28,090	25,641
Transfer Payments - Other	2	0	0
Support Services	0	0	0
Funds drawn to/from Reserves	(51)	(306)	(337)
Income - Other	(895)	(1,055)	(663)
Income - Gov Gnts	(26,135)	(27,991)	(26,026)
Income - Fees and Charges	(527)	(726)	(746)
Recharges	(199)	(202)	(202)
Recharges - Partnerships	(1,951)	(1,797)	(1,899)
Total Service Expenditure	3,301	3,300	3,468

Analysis of budget changes between 19/20 and 20/21

Base Budget 2019/20	3,300
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	110
Planned Savings agreed previous years	(66)
<u>SCIA 2020/21</u>	
SCIA 02 - Mobile Phones and Mileage	(5)
SCIA 10 - Insurance	(8)
SCIA 12 - Print	(5)
Other Adjustments	141
Proposed Budget 2020/21	3,468

Net Service Expenditure analysed by Chief Officer

	Actuals 18/19 £'000	Budget 19/20 £'000	Budget 20/21 £'000
Finance & Trading			
Action and Development	0	8	8
Asset Maintenance Argyle Road	120	141	77
Asset Maintenance CCTV	15	18	18
Asset Maintenance Countryside	2	9	9
Asset Maintenance Other Corporate Properties	40	33	34
Asset Maintenance Direct Services	19	80	41
Asset Maintenance Hever Road	38	38	39
Asset Maintenance Leisure	189	182	186
Asset Maintenance Playgrounds	7	8	9
Asset Maintenance Support & Salaries	49	104	236
Asset Maintenance Sewage Treatment Plants	2	9	9
Asset Maintenance Public Toilets	2	7	7
Bus Station	12	13	7
Car Parks	(1,770)	(1,951)	(1,985)
CCTV	268	264	277
Civil Protection	61	71	69
Consultation and Surveys	0	4	4
Corporate Management	996	1,056	1,083
Corporate - Other	127	116	(23)
Dartford Audit Partnership Hub (SDC Costs)	0	0	0
Car Parking - On Street	(495)	(494)	(480)
Emergency	65	68	69
Parking Enforcement - Tandridge DC	(18)	(29)	(29)
Equalities Legislation	0	20	20
Estates Management - Buildings	1	(11)	(2)
Estates Management - Grounds	121	118	125
External Communications	185	201	216
Housing Advances	1	1	1
Housing Other Income	(16)	(14)	(14)
Housing Premises	18	15	16
Kent Resource Partnership	0	0	0
Asset Maintenance Operatives	(5)	0	4
Markets	(191)	(185)	(192)
Members	428	455	464
Misc. Finance	1,700	1,763	1,494
Parks - Greensand Commons Project	2	0	0
Parks and Recreation Grounds	126	185	132
Parks - Rural	152	130	163

Finance & Trading (Continued)	Actuals	Budget	Budget
	18/19	19/20	20/21
	£'000	£'000	£'000
Performance Improvement	(0)	(1)	(0)
Public Transport Support	0	0	0
Refuse Collection	2,710	2,781	2,826
Administrative Expenses - Chief Executive	15	22	22
Administrative Expenses - Direct Services	0	0	0
Administrative Expenses - Finance	46	32	32
Administrative Expenses - Transformation and Strategy	3	5	5
Administrative Expenses - Property	5	3	3
Administrative Expenses - Transport	9	7	7
Street Cleansing	1,404	1,467	1,495
Support - Audit Function	169	185	196
Support - Central Offices	449	473	488
Support - Exchequer and Procurement	127	116	151
Support - Central Offices - Facilities	276	271	276
Support - Finance Function	214	183	234
Support - General Admin	150	166	184
Support - General Admin (Print Shop)	(12)	(37)	(34)
Support - General Admin (Post/Scanning)	171	184	189
Support - Health and Safety	15	22	19
Support - Direct Services	45	51	49
Support - Procurement	7	6	6
Support - Property Function	56	49	53
Public Conveniences	61	49	47
Treasury Management	106	126	125
Total Service Expenditure	8,276	8,591	8,464

Net Service Expenditure analysed by Chief Officer

	Actuals 18/19 £'000	Budget 19/20 £'000	Budget 20/21 £'000
Finance & Trading			
Pay Costs	3,195	3,484	3,695
Premises and Grounds	2,014	1,908	2,006
Transport	65	34	35
Supplies & Services	1,564	1,524	1,555
Supplies & Services IT	88	78	80
Agency & Contracted	2,505	2,679	2,278
Agency & Contracted - Partnerships	138	211	221
Agency & Contracted - Direct Services	4,104	4,225	4,294
Support Services	0	41	41
Funds drawn to/from Reserves	143	0	(82)
Capital Charges	0	124	379
Income - Other	(686)	(887)	(892)
Income - Gov Gnts	(26)	(7)	(7)
Income - Fees and Charges	(4,586)	(4,395)	(4,700)
Recharges	(34)	(122)	(123)
Recharges - Partnerships	(208)	(306)	(316)
Total Service Expenditure	8,277	8,591	8,464

Analysis of budget changes between 19/20 and 20/21

Base Budget 2019/20	8,591
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	256
Planned Savings agreed previous years	(105)
SCIAs 2020/21	
SCIA 01 - Apprenticeship Levy	50
SCIA 02 - Mobile Phones and Mileage	(3)
SCIA 04 - Tree Maintenance	10
SCIA 05 - CCTV Income	10
SCIA 06 - Car Parks Business Rates	45
SCIA 09 - Finance Team Restructure	35
SCIA 10 - Insurance	(8)
SCIA 11 - Tree Planting	5
SCIA 13 - Electric Car Project	5
SCIA 14 - Advertising Income	(5)
Other Adjustments	(422)
Proposed Budget 2020/21	8,464

Net Service Expenditure analysed by Chief Officer

	Actuals	Budget	Budget
	18/19	19/20	20/21
	£'000	£'000	£'000
Planning & Regulatory Services			
Building Control Discretionary Work	0	0	0
Building Control Partnership Members	0	0	0
Building Control Partnership Hub (SDC Costs)	0	0	0
Building Control	(155)	(129)	(127)
Conservation	97	92	118
Dangerous Structures	2	3	3
Dartford Environmental Hub (SDC Costs)	0	0	0
EH Commercial	303	263	281
EH Animal Control	7	1	4
EH Environmental Protection	353	405	387
Licensing Partnership Hub (Trading)	0	0	0
Licensing Partnership Members	0	0	0
Licensing Regime	(16)	10	(7)
Planning Policy	581	569	535
LDF Expenditure	0	0	0
Planning - Appeals	215	203	212
Planning - CIL Administration	(49)	(68)	(67)
Planning - Counter	0	0	(6)
Planning - Development Management	217	222	252
Planning - Enforcement	264	280	308
Planning Performance Agreement	0	0	0
Administrative Expenses - Building Control	5	12	12
Administrative Expenses - Health	1	10	9
Administrative Expenses - Licensing	2	8	8
Administrative Expenses - Planning Services	86	46	48
Taxis	(8)	4	35
Air Quality (Ext Funded)	0	0	0
Total Service Expenditure	1,905	1,931	2,005

Net Service Expenditure analysed by Chief Officer

	Actuals 18/19 £'000	Budget 19/20 £'000	Budget 20/21 £'000
Planning & Regulatory Services			
Pay Costs	3,153	3,582	3,777
Premises and Grounds	7	5	5
Transport	6	11	11
Supplies & Services	191	135	131
Supplies & Services IT	10	2	2
Agency & Contracted	724	370	351
Agency & Contracted - Partnerships	1,068	1,060	1,116
Agency & Contracted - Direct Services	36	37	38
Transfer Payments - Other	9	0	0
Support Services	0	11	11
Funds drawn to/from Reserves	(15)	38	38
Income - Other	(445)	(362)	(418)
Income - Gov Gnts	(4)	0	0
Income - Fees and Charges	(2,603)	(1,796)	(1,826)
Recharges	(3)	0	0
Recharges - Partnerships	(230)	(1,165)	(1,231)
not budget lines	0	0	0
Total Service Expenditure	1,904	1,930	2,005

Analysis of budget changes between 19/20 and 20/21

Base Budget 2019/20	1,930
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	68
Planned Savings agreed previous years	0
<u>SCIAs 2020/21</u>	
SCIA 02 - Mobile Phones and Mileage	(1)
SCIA 03 - Planning Income	(11)
SCIA 07 - EH Partnership Split	(20)
SCIA 10 - Insurance	1
Other Adjustments	38
Proposed Budget 2020/21	2,005

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PAY COST ESTIMATES SUMMARY 2020/21

Line No.		2019/20 BUDGET	2020/21 BUDGET	2019/20 FTE	2020/21 FTE
1a	People & Places	752,441	774,782	15.73	13.69
1b	People & Places - Housing	291,728	348,255	6.20	7.60
1c	Strategic Properties	278,934	446,784	5.00	7.00
2a	Corporate Services	2,642,128	2,608,032	69.55	58.69
2b	Revenues & Benefits	1,527,266	1,617,683	43.28	43.14
3a	Finance	1,393,506	1,720,346	24.64	30.41
3b	Operational Services	535,185	637,087	14.99	16.04
3c	Operational Services (TASK)	3,294,721	3,660,515	97.17	111.12
3d	Parking & Amenity Services	475,097	500,703	13.00	13.00
3e	Property Services	571,492	605,575	15.98	15.98
4a	Planning	2,178,491	2,263,813	48.51	49.50
4b	Building Control	335,816	372,577	7.00	8.00
4c	Environmental Health	667,950	696,339	12.57	12.57
4d	Licensing	390,689	463,066	10.67	10.59
		15,335,444	16,715,557	384.29	397.33
	Other Salary Costs				
5	Vacancy Savings	(147,380)	(150,328)	0.00	0.00
	SUB-TOTAL	15,188,064	16,565,230	384.29	397.33
6	People & Places (Ext)	667,272	683,413	18.70	17.35
7	People & Places - Housing (Ext)	55,405	0	1.50	0.00
8	KRP (Ext)	117,902	122,818	2.00	2.00
	GRAND TOTAL	16,028,644	17,371,460	406.49	416.68

NOTES

1) Externally funded posts (lines 6 to 8) have been excluded from earlier lines. The income will show elsewhere in the 2020/21 budget

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Capital Programme 2020-23

Chief Officer/Scheme	Funding Source							Total over 3 year programme period £000
				2019/20	2020/21	2021/22	2022/23	
		Total approved scheme £000	Previous year spend £000	Forecast £000	Budget £000	Budget £000	Budget £000	
People & Places								
Parish projects	Capital Receipts	51	-	-	51	-	-	51
White Oak Leisure Centre - pre construction	Capital Receipts	550	-	550	-	-	-	0
Disabled Facilities Grants (gross)	Better Care Fund	-	-	1,100	1,100	1,100	1,100	3,300
Finance & Trading								
Property Investment Strategy	Prop. Inv. Reserve	50,300	25,775	3,730	5,000	5,000	10,795	20,795
Commercial vehicle replacements	Vehicle Renewal Res.	-	-	548	548	563	575	1,686
Buckhurst 2- Residential	Capital Receipts	6,472	1,727	5,249	-	-	-	0
CCTV	Capital Receipts	70	50	20	-	-	-	0
TOTAL				11,197	6,699	6,663	12,470	25,832

Funding Sources

Capital Receipts	-5,819	-51	-	-
Financial Plan Reserve & Cap Receipts				
Vehicle Renewal Reserve	-548	-548	-563	-575
Property Investment Strategy ***	-3,730	-5,000	-5,000	-10,795
Better Care Fund (KCC)	-1,100	-1,100	-1,100	-1,100
Internal Borrowing				
Capital Reserve (from Revenue)				
External Borrowing				
	-11,197	-6,699	-6,663	-12,470

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

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Capital Programme 2020-23

Chief Officer/Scheme	Funding Source							Total over 3 year programme period £000
				2019/20	2020/21	2021/22	2022/23	
		Total approved scheme £000	Previous year spend £000	Forecast £000	Budget £000	Budget £000	Budget £000	
People & Places								
Parish projects	Capital Receipts	51	-	-	51	-	-	51
White Oak Leisure Centre - pre construction	Capital Receipts	550	-	550	-	-	-	0
Disabled Facilities Grants (gross)	Better Care Fund	-	-	1,100	1,100	1,100	1,100	3,300
Finance & Trading								
Property Investment Strategy	Prop. Inv. Reserve	50,300	25,775	3,730	5,000	5,000	10,795	20,795
Commercial vehicle replacements	Vehicle Renewal Res.	-	-	548	548	563	575	1,686
Buckhurst 2- Residential	Capital Receipts	6,472	1,727	5,249	-	-	-	0
CCTV	Capital Receipts	70	50	20	-	-	-	0
TOTAL				11,197	6,699	6,663	12,470	25,832

Funding Sources

Capital Receipts	-5,819	-51	-	-
Financial Plan Reserve & Cap Receipts				
Vehicle Renewal Reserve	-548	-548	-563	-575
Property Investment Strategy ***	-3,730	-5,000	-5,000	-10,795
Better Care Fund (KCC)	-1,100	-1,100	-1,100	-1,100
Internal Borrowing				
Capital Reserve (from Revenue)				
External Borrowing				
	<u>-11,197</u>	<u>-6,699</u>	<u>-6,663</u>	<u>-12,470</u>

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

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Capital Programme 2020/23

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 Piper/Lesley Bowles

Financials :

CAPITAL COSTS	Period	2020/21	2021/22	2022/23
	TOTAL			
	£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
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Funding Source : Scheme will be fully 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 DFGs to older and or disabled residents. The Council's DFG service is eligible for Ministry of Housing, Communities and Local Government (MHCLG) funding. Larger grants are managed by Home Improvement Agency (HIA).

From 2015 the Better Care Fund for Kent has been administered by KCC (ring fenced for and passed onto each District).

Capital Programme 2020/23

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 : Direct Services

Portfolio Holder/Chief Officer : Councillor Margot McArthur/Adrian Rowbotham

Financials :

CAPITAL COSTS	TOTAL	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Gross scheme cost	1,686	548	563	575
External Contributions (list)				

Net scheme cost	1,686	548	563	575
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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 Direct Services fleet management.
Asset Values	Approximately £4 million

Justification: Key Infrastructure

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

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 2020/21 budget is put into this reserve or absorbed by this reserve.**
3. **Set up a Net Zero Carbon Emissions Reserve.** This would help to fund the schemes that result from the Net Zero report presented to Council on 19 November 2019.

The table below sets out the reserves and provisions held at 1 April 2019

	01/04/19	Purpose (some further details are included in the Statement of Accounts 2018/19)
Provisions	£000	
Business Rates Appeals	2,547	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	2,956	
Capital Receipts		
Capital Receipts	559	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	7,938	To support decisions required to continue to produce a balanced budget in future years.
Business Rates Retention	565	To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.
Capital Financing	592	Annual contributions from revenue to fund some capital projects.
Carry Forward Items	707	For specific items agreed by Cabinet, e.g. if a project has slipped between years.
Communities and Business	351	External funding received for ongoing and future projects.
Community Infrastructure Levy Administration	185	To be spent on the administration of the levy.
Corporate Project Support	586	To fund invest to save projects and external expertise required to investigate proposed projects.
District Elections	104	To fund future District Elections.

Financial Plan	1,364	To support the 10-year budget and Property Investment Strategy.
Sewerage	206	Potential liabilities relating to earlier sewerage installations and contribute to the costs of other sewerage systems.
Homelessness Prevention	255	To assist in the delivery of the Homelessness Reduction Act.
Housing Benefit Subsidy	444	Provides a cushion against large movements in reclaimable sums in any year.
IT Asset Maintenance	682	To fund future IT asset maintenance costs.
Local Plan	491	To help support the Local Plan.
New Homes Bonus (NHB)	406	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.
Swanley Station Improvements	750	Community Infrastructure Levy spending board funding.
Vehicle Insurance	299	Own vehicle damage for the commercial vehicle fleet. Contributions are made from the trading accounts.
Vehicle Renewal	532	Vehicle replacement for the commercial vehicle fleet. Contributions are made from the trading accounts each year
Others	594	Includes Rent Deposit Guarantee, Local Strategic Partnership, Electoral Registration etc.
Sub Total	19,372	
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	24,388	

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 2020/21

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	£15.2m total costs	3	4	12	2% pay increase = £304k. Budget assumptions: 2% pay award in all years.	Largest single item of cost. Complex drivers across the organisation. Staff recruitment and retention.	New salary bands introduced from 1 April 2019 which reduced the costs of annual increments. Formal sickness & overtime monitoring. Separate control on agency staff. Part of National Agreement.	£152k
Pensions Funding	£15m 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 2023/24 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 conditions. Some very large single-source income targets (see below).	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
- 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 above 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	£2.6m	1	4	4	10% reduction would be £260k	General economic conditions; central government directives	Current year income is below. Continue to monitor.	£26k
- On-Street Parking	£1.0m	1	3	3	10% reduction would be £90k	General economic	Current year is above target. Continue to	£10k

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. Legislative constraints on spending surpluses. Reverts to KCC control	monitor and review.	
Partnership working and partner contributions	£0.7m	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.	£7k
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

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
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	£0.25m 20/21 budget	3	3	9	£250k 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 2020/21 there will be less cash earning bank interest.	£2.5k
Investments	£25.7m balance at Nov 2019	1	5	5		Financial institutions going into administration.	Investment strategy regularly reviewed by FIAC. Use of professional advisers.	n/a
Asset base maintenance	£0.7m	2	2	4	Annual budget is based on historic expenditure.	Unexpected problems occurring with financial implications. Reducing budget levels. Ageing assets particularly for leisure	20-year maintenance programme developed to manage budgeted expenditure. Reserve funds set aside. Policy of reducing asset liabilities wherever possible.	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
Capital Investment resources (Capital receipts, Capital Financing Reserve, Financial Plan Reserve, Internal Borrowing, External Borrowing)	Capital Receipts 20/21 £14.6m, Capital Financing reserve £0.59m. (balances at Nov 2019).	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
Property Investment Strategy	£29.5m invested at November 2019 £1.428m rental income in 20/21	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.	£14k

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
Rental Income from Investment Property (non- Property Investment Strategy)	£0.1m in 2020/21 budget	1	2	2	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	£15.0m forecast in 19/20 - 22/23)	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
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

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: Retained Business Rates	£2.1m in 2020/21	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 but timeline uncertain.	10-year budget strategy gives ability to gradually adjust for changes. Adequate level of General Reserve held.	£20k
Council tax Referendum limits	£11.2m Council Tax income in 20/21	4	3	12	£100k per 1% Government controls on changes in council tax rates	Council tax increases limited budgeted at 2% or £5 in 20/21 per draft announcement but subject to change dependant on final Government announcement.	Draft 10-year budget includes council tax increase assumptions for future years.	£112k

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
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 programme.	£5k

Local Council Tax Reduction Scheme 2020/21

1. Summary
 - 1.1 To recommend the rolling forward of the Local Council Tax Reduction Scheme 2019/20, effective from 1 April 2020.

2. Background and discussions
 - 2.1 The Council is required to approve a local scheme of support for council tax each year and this must have been done by 11 March of the preceding financial year. The local scheme was therefore updated for 2019/20 on 20 November 2018. It is now recommended that the scheme approved for 2019/20 be rolled forward to 2020/21, with effect from 1 April 2020.
 - 2.2 This scheme provides protection for pensioners in line with the Government's decision that pensioners would see no reduction in their entitlement from that under the old council tax benefit rules. It also reduces the entitlement of working age claimants by 20%.
 - 2.3 The award of council tax reduction is by way of a discount which reduces the amount of council tax collected. Most of this reduction is borne by the major preceptors, with the Council suffering a reduction of approximately 12% of the total.

3. Financial Implications
 - 3.1 The annual cost of the current CTRS is £5.888m of which £2.966m relates to working-age claimants. A large proportion of this cost is borne by the major preceptors.

4. Legal Implications
 - 4.1 The scheme is governed by the Local Government Act 2013.

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