Public Document Pack

TONBRIDGE & MALLING BOROUGH COUNCIL

EXECUTIVE SERVICES

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15 February 2019

COUNCIL - TUESDAY, 19TH FEBRUARY, 2019

I am now able to enclose, for consideration at the Tuesday, 19th February, 2019 meeting of the Council, the following reports that were unavailable when the agenda was printed.

Agenda No Item

23. **Risk Management Strategy (Pages 3 - 30)**

Item CB 19/3 referred from Cabinet minutes of 14 February 2019

24. **Treasury Management and Annual Investment Strategy (Pages 31 - 72)**

Item CB 19/4 referred from Cabinet minutes of 14 February 2019

25. **Setting the Budget 2019/20 (Pages 73 - 178)**

Item CB 19/5 referred from Cabinet minutes of 14 February 2019

26. **Setting the Council Tax for 2019/20 (Pages 179 - 190)**

Item CB 19/6 referred from Cabinet minutes of 14 February 2019

27. **Brexit Preparedness (Pages 191 - 194)**

Item CB 19/7 referred from Cabinet minutes of 14 February 2019

28. **Cherry Orchard/Brampton Field, Ditton (Pages 195 - 208)**

Item CB 19/8 referred from Cabinet minutes of 14 February 2019

29. **Revenues and Benefits Update Report** **(Pages 209 - 228)**

Item CB 19/9 referred from Cabinet minutes of 14 February 2019

J E BEILBY
Chief Executive

Item CB 19/3 referred from Cabinet minutes of 14 February 2019

CB 19/3 RISK MANAGEMENT STRATEGY

The report of the Management Team invited Members to review the Risk Management Strategy and accompanying Risk Management Guidance which set out the Council's risk management objectives and detailed the roles and responsibilities of officers, Members and partners in the identification, evaluation and cost-effective control of risks. The report also provided an update on the risk management process and the Strategic Risk Register.

It was noted that the Audit Committee at its meeting on 21 January 2019 had endorsed the strategy and commended it for adoption by the Council.

RECOMMENDED: That the Risk Management Strategy and accompanying Risk Management Guidance be adopted by the Council.
***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

14 February 2019

Report of the Management Team

Part 1- Public

Matters for Recommendation to Council

1 RISK MANAGEMENT

The report asks Members to review the Risk Management Strategy and accompanying Risk Management Guidance and to recommend to Cabinet its adoption by Full Council.
The report also provides an update on the risk management process and the Strategic Risk Register.

1.1 Introduction

1.1.1 The Risk Management Strategy sets out the Council's risk management objectives and details the roles and responsibilities of officers, Members and the Council's partners in the identification, evaluation and cost-effective control of risks.

1.1.2 The Council's risk management arrangements are designed to ensure that risks are reduced to an acceptable level or, where reasonable, eliminated thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community. Examples of risk include budget deficit, cyber/data loss, environmental and reputational.

1.1.3 The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.

1.2 Review of the Risk Management Strategy

1.2.1 As part of arrangements in place to ensure risk management maintains a high profile within the Council, the Strategy and accompanying Guidance is subject to annual review and endorsement through the Audit Committee, Cabinet and Council.

1.2.2 This latest review of the Risk Management Strategy and the accompanying Risk Management Guidance, found that no changes were required to either the Strategy or Guidance.

1.2.3 A copy of the current Risk Management Strategy and accompanying Risk Management Guidance is attached at **[Annex 1]** and **[Annex 2]** respectively.

1.2.4 The Audit Committee at its meeting in January endorsed the Risk Management Strategy and accompanying Risk Management Guidance as presented.

1.3 Risk Management Escalation Process

1.3.1 To give Members some reassurance as to the effectiveness of the regime outcomes from the risk management escalation process are reported bi-annually to the July and January meetings of the Audit Committee. Effectively risks are assessed/scored in terms of their likelihood/impact and those being assessed as potentially "High" will feature on the Strategic Risk Register (SRR).

1.3.2 Risks which are scored as "Low" in terms of their potential likelihood or impact are managed by Senior Managers within the Service.

1.3.3 Should the risk score increase, these risks are escalated to Service Management Team with a "Medium" categorisation.

1.3.4 Service Management Teams will escalate the risk via the Management Team for corporate attention if it is felt that the likelihood or impact of the risk now carries a categorisation of "High". As mentioned at paragraph 1.3.1 risks with a "High" categorisation will find their way onto the SRR. By way of example, Members might recall that the new waste services contract had been escalated to Management Team as a "High" risk and added to the SRR.

1.4 Strategic Risk Register (SRR)

1.4.1 A "snapshot" of the SRR as at the time of writing is appended at **[Annex 3]**.

1.4.2 Members will note the updates in red font since the last iteration of the Register, including the risk relating to 'Brexit impact and economic stability'. At the time of writing this report it is not known whether we are likely to have a 'deal' or a 'No deal' Brexit. As Members will appreciate, the prospect of a 'No deal' Brexit could have a significant impact on service delivery.

1.4.3 Unless there is something significant that needs to be brought to Members' attention in the interim, we will present the SRR to the Audit Committee in July 2019 in accordance with the agreed process of bi-annual reports.

1.5 Legal Implications

1.5.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.

1.5.2 There is also a requirement in the Accounts and Audit Regulations that accounting control systems must include measures to ensure that risk is appropriately managed.

1.6 Financial and Value for Money Considerations

1.6.1 Effective risk management arrangements make a positive contribution to ensuring value for money is provided in the delivery of services.

1.7 Risk Assessment

1.7.1 Sound risk management arrangements aid the Council in effective strategic decision-making. The Council's approach to risk should be reviewed on a regular basis to ensure it is up to date and operating effectively.

1.8 Equality Impact Assessment

1.8.1 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.

1.9 Recommendations

1.9.1 Cabinet are asked to review the Risk Management strategy and accompanying Risk Management Guidance and, subject to any amendments required, to recommend to Council it be adopted.

Background papers: contact: Sharon Shelton

Nil

Sharon Shelton
Director of Finance and Transformation on behalf of the Management Team

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RISK MANAGEMENT STRATEGY

TONBRIDGE & MALLING BOROUGH COUNCIL

January 2019

1. Introduction

1.1. The risk management strategy of Tonbridge and Malling Borough Council (the Council) is to adopt best practices in the identification, evaluation, and cost-effective control of risks. This is intended to ensure that risks are reduced to an acceptable level or, where reasonable eliminated, thereby safeguarding the Council's assets, employees and customers and the delivery of services to the local community.

1.2. The Council endeavours to pursue a forward-looking and dynamic approach to delivering services to the local community and will not be averse to taking a degree of commercial risk. However, it will always exercise a prudent approach to risk taking and decisions will be made within the parameters of the Council's internal control arrangements, i.e. Constitution, Procedural Rules, etc. These arrangements will serve to ensure that the Council does not expose itself to risks above an acceptable level.

2. Mandate and commitment

2.1. This strategy is supported and endorsed by the Management Team and Members of the Audit Committee who will ensure that:

- The risk management objectives are aligned with the objectives and strategies of the Council
- The Council's culture and risk management strategy are aligned
- The necessary resources are allocated to risk management
- There is a commitment to embedding risk management throughout the organisation, making it a part of everyday service delivery and decision making
- The framework for managing risk continues to remain appropriate

3. Applicability

3.1. This strategy applies to the whole of the Council's core functions. Where the Council enters into partnerships the principles of risk management established by this strategy and supporting guidance should be considered as best practice and applied where possible. We would also expect that our significant contractors have risk management arrangements at a similar level, and this should be established and monitored through procurement processes and contract management arrangements.

4. Objectives

4.1. The risk management objectives of the Council are to:

- Embed risk management into the culture of the Council
- Apply best practice to manage risk using a balanced, practical and effective approach
- Manage risks in line with its risk appetite, and thereby enable it to achieve its objectives more effectively

- Integrate the identification and management of risk into policy and operational decisions, anticipating and responding proactively to social, environmental and legislative changes and directives that may impact on delivery of our objectives
- Eliminate or reduce the impact, disruption and loss from current and emerging events
- Harness risk management to identify opportunities that current and emerging events may present and maximise benefits and outcomes
- Ensure effective intelligence sharing and collaboration between risk management disciplines across all Council activities
- Ensure fraud risks are proactively considered and embedded into the organisation's risk management arrangements
- Benefit from consolidating ongoing learning and experience through the collation and sharing of risk knowledge; demonstrate a consistent approach to the management of risks when embarking on significant change activity
- Ensure sound and transparent risk management arrangements are operated in partnership and commissioner / provider situations, underpinned by a culture that supports collaboration and the development of trust, ensuring clear effective lines of communication and the management of relationships.

4.2. The Council shall delegate responsibility to an appropriate officer who shall maintain a programme that sets out the delivery of this strategy, with delivery being assured by the Management Team.

5. Roles and responsibilities

5.1. Responsibility for risk management runs throughout the Council; everyone has a role to play. Managers and staff that are accountable for achieving an objective are accountable for managing the risks to achieving it. To ensure that risk management is successful, the roles and responsibilities of key groups and individuals must be clearly identified, see table at 5.3 below.

5.2. Other officer groups' deal with related risk specialisms such as Health and Safety; Treasury Management; Emergency Resilience and Business Continuity; Insurance; Information Security; Anti-fraud and corruption etc. These groups are linked into the governance arrangements of the Council so that their work is co-ordinated within the Council's overall risk management framework.

5.3. In order to support Members and Officers with their responsibilities, risk management guidance is available.

Group or Individual	**Responsibilities**
Full Council / Cabinet	Approval of the Risk Management Strategy will be witnessed by the signature of the Leader of the Council.
Audit Committee	The Chairman of the Audit Committee will take a lead role in promoting the application of sound risk management practices across the Council. Training will be provided periodically for all Audit Committee members.

	The Audit Committee will consider the Risk Management process as part of the assurance evidence in support of any Corporate Governance Statement. The Audit Committee will provide independent assurance of the adequacy of the risk management framework and will monitor the effective development and operation of risk management in the Council.
Committees	Responsibility for considering risk when making decisions on behalf of the Council. Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
Advisory Boards	Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required.
Chief Executive	Responsibility for the overall monitoring of strategic risks across the Council, including the endorsement of priorities and management action. Responsible for ensuring that risk management resources are appropriate. Also responsible for counter-signing the Risk Strategy.
Section 151 Officer	Active involvement in all material business decisions to ensure immediate and longer term financial implications, opportunities and risks are fully considered.
Management Team (MT)	To ensure the Council manages risks effectively and actively consider, own and manage key strategic risks affecting the Council through the Corporate Risk Register. Keep the Council's risk management framework under regular review and approve and monitor delivery of the annual risk work programme. Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability. Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required. Delegate the development and delivery of appropriate training to support the implementation of this policy for Members and Officers.
Service Management Teams (SMT)	Responsibility for the effective management of risk within the directorate, including risk escalation and reporting to the Management Team as appropriate. Briefing sessions will be provided on an as and when basis to senior management.
Internal Audit	Assesses the effectiveness of the risk management framework and the control environment in mitigating risk. Review and challenge risk management arrangements through its audit and fraud prevention activities.
All elected	Identify risks and contribute to their management as appropriate.

Members and staff members	Report inefficient, unnecessary or unworkable controls. Report loss events or near-miss incidents to management.

6. Review of this strategy

6.1. It is the responsibility of the Audit Committee to: 'On behalf of the Council ensure that Risk Management and Internal Control systems are in place that are adequate for purpose, and are effectively and efficiently operated.' Internal Audit will support their role in assuring its effectiveness and adequacy.

6.2. Information from Internal Audit and from other sources will be used to inform recommended changes to the strategy and framework at least annually. Any changes will be presented to the Audit Committee for approval before publication. The Strategy was last reviewed in January 2019 and will be reviewed next in January 2020.

7. Approval

Signed: Print Name: Nicolas Heslop

Date: 19 February 2019 Position: Leader of the Council

Signed: Print Name: Julie Beilby

Date: 19 February 2019 Position: Chief Executive

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TONBRIDGE AND MALLING BOROUGH COUNCIL

RISK MANAGEMENT GUIDANCE

CONTENTS **PAGE NUMBER**

1. Introduction

1.1. Tonbridge and Malling Borough Council (the Council) has an approved Risk Management Strategy (the Strategy) and this guidance should be read in conjunction with this Strategy. The aim of the this guidance is two-fold; to specify how the Council will deliver its objectives as outlined in the Strategy, and provide guidance on how to effectively manage risk.

2. Achieving strategy objectives

2.1. The Council shall achieve its objectives, as outlined in the Strategy, through:

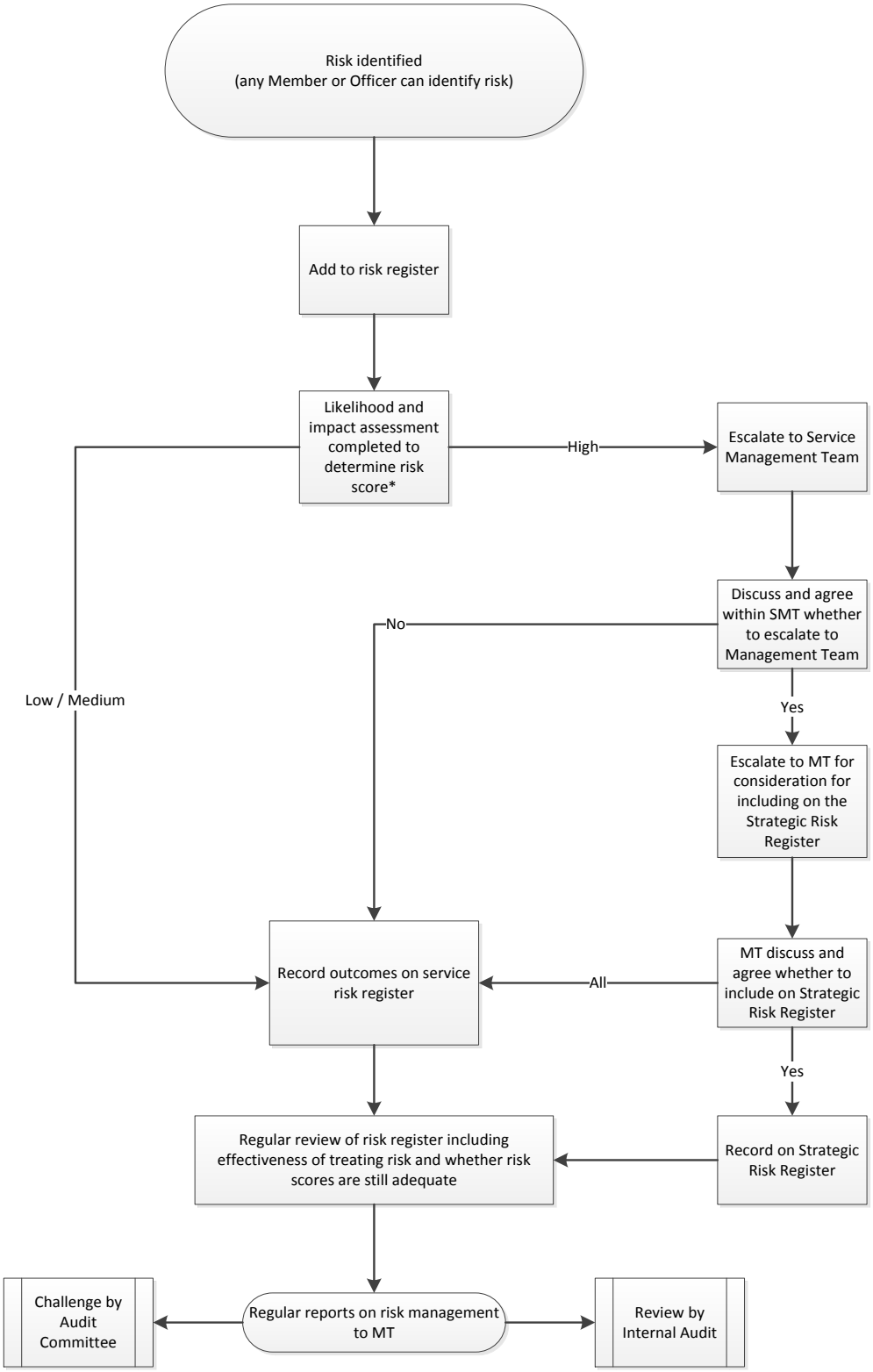
- Integrating effective risk management practices into the Council's management, decision making and planning activities.
- Maintaining common links between business planning, performance and risk management.
- Maintaining the frequency and effectiveness of monitoring of key risks.
- Providing a mix of risk management training, awareness sessions and support for both Officers and Members of the Council.
- Ensuring links between audit planning and risk management processes to enable assurance on the effectiveness of risk management across the Council.
- Subjecting the Council's risk framework and practice to annual review to determine the effectiveness of arrangements and level of risk maturity.
- Ensuring risk management arrangements are embedded within transformation activity.
- Providing continuous challenge and quality assurance to all elements of the risk management process.
- Focusing on robust monitoring of mitigating actions to ensure that risks, once identified and assessed, are appropriately managed.
- Working collaboratively with partners and providers (both internal and external) to develop effective risk ownership and risk sharing arrangements; striking a proportionate balance of oversight of risks of providers / partners without being over-constrictive.
- Providing guidance on identifying, assessing, managing and reporting on risk, including escalation of risks.

3. Risk management at a glance

3.1. The following process flow visually demonstrates the risk management process.

TONBRIDGE AND MALLING BOROUGH COUNCIL

RISK MANAGEMENT GUIDANCE



* A risk assessment form is available at appendix B which can be used to help this part of the process

4. Identifying risks

4.1. Risk is something that might happen, which if it materialises will affect us in some way or other. A risk is a combination of 'likelihood' and 'impact', that is; how likely the risk is to happen and if it did how much would it affect us. As soon as a risk is identified it should be recorded on the Risk Register, see Appendix A. This Register should be continually updated to demonstrate assessment, evaluation, treatment and ongoing review.

4.2. Before we can evaluate the level of risk associated with an activity we have to determine what is most likely to trigger the risk or initiate its occurrence and assess what the consequences may be if it did occur i.e. identify the risk event.

4.3. Risk assessment looks to determine the key triggers and causes and the likely consequences and impact. Once these are established we can use the assessment to gauge the likelihood of occurrence and impact of the consequences to determine the severity or level of risk.

5. Assessing risks

5.1. Identified risks need to be assessed so that they may be evaluated to determine their severity and to present an overall picture of the extent of the combined risks on the achievement of the objectives. The Council recognises 3 levels of risk:

LOW	MEDIUM	HIGH
1 – 4	**5 – 12**	**15 – 24**

5.2. The scoring of risks will be carried out using a Likelihood & Impact matrix, see table below with accompanying definitions.

Likelihood ☞	Almost inevitable	**6**	6 Medium	12 Medium	18 High	24 High
	Very likely	**5**	5 Medium	10 medium	15 High	20 High
	Likely	**4**	4 Low	8 Medium	12 Medium	16 High
	Unlikely	**3**	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	**2**	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	**1**	1 Low	2 Low	3 Low	4 Low
			1	2	3	4
Impact ☞			Negligible	Marginal	Significant	Critical

5.3. Each risk identified and recorded may be broken down into its component parts using a Risk Assessment Form – see Appendix B.

5.4. The source/cause, risk event and consequences should be listed, together with any controls or actions and their owners. Such controls and actions are used to mitigate the risk level and should be described in a clear and specific manner to enable stakeholders to gain sufficient understanding of them.

5.5. Risk assessments should be used to assess the level of risk associated with the objective and inform the process for refreshing risk registers. In some cases, where the details of risks are clear, key risk information can be entered straight onto risk registers.

5.6. Key project and partnership risks should be included within this process as they will have their sources of origin in business objectives.

6. Evaluating risks

6.1. From the information collated and recorded when assessing the risk it should be possible to estimate and distinguish how likely the risk is to happen – Almost inevitable, very likely, likely, very unlikely, almost impossible. Similarly, from the information collated and recorded it should be possible to distinguish the level of impact the risk would have if the risk occurred now – Negligible, Marginal, Significant or Critical.

For example:

- A risk with an “unlikely” likelihood (3) and “critical” impact (4) would equate to a “Medium” risk level with a score of 12 (3 x 4).
- A risk that is judged to be “likely” (4) and have a “negligible” impact (1) would equate to a “Low” risk level with a score of 4 (4 x 1).

6.2. When determining the risk rating, bear in mind that it is not an exact science. Without significant historical data or mathematical prediction it is, for the most part, a subjective but important estimate. Appendix C provides a couple of guides to help you to estimate likelihood and impact.

6.3. For reference, the initial result of an evaluation is known as the ‘inherent risk’, which refers to the exposure arising from a specific risk *before* any action has been taken to manage it. Due to the fact that determining the inherent risk can seem a rather theoretical exercise, there is not a requirement to include this as part of the risk assessment process. The focus is instead on assessing the current level of risk, taking controls in place into account, and setting a realistic target level of risk that you would wish to manage the risk down to.

7. Escalating risks

7.1. It is not uncommon for risks to have knock-on effects for other activities across a risk perspective or in another risk perspective, for example a risk in one operational (perspective) area may be a source of risk to another; similarly a high level risk in a project perspective may need to be highlighted and considered at a strategic perspective.

7.2. It is essential that we understand risks and their potential to have knock-on effects. It is equally important that we set out clear rules for escalation of risks.

7.3. Any risk evaluated as 'High Risk' (score of 15 or above) will be deemed by the Council to be beyond 'risk tolerance' and to have exceeded its 'risk appetite' and will be escalated immediately. Such risks should be added to the service's risk register and discussed at the earliest opportunity within the Service Management Team (SMT) to inform a decision as to whether this should be escalated to Management Team (MT) by the respective Service Director. Management Team should then consider whether the risk is significant enough for inclusion in the Strategic Risk Register and action this if relevant. A record should be maintained of all 'High' risks discussed at SMTs and MT and the outcome of those discussions.

7.4. Similarly risks identified as "Medium Risk" may be escalated to the appropriate Service Management for advice and to ensure they are kept fully aware of the current risks being faced. Risks determined as "Low Risk" should be managed within the service team. It is recommended that SMTs consider periodic review or moderation processes for Service Risk Registers to ensure they are happy with the scores risks have been given and confirm whether there are 'Medium' or 'Low' risks they wish to consider further.

7.5. Where 'High' risks are identified in Project and Programme Risk Registers the Project / Programme Manager must check its impact on the relevant division or directorate risk registers.

7.6. The target residual rating for a risk is expected to be 'Medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the escalation process, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.

7.7. There may be rare occasions where a risk is deemed to be well within risk appetite and therefore could be seen as over-controlled. In this instance a target level of risk could be set that is higher than the current level, as long as it remains within risk appetite.

8. Proximity of risk

8.1. Some risks identified may pose an immediate risk whereas others may not be a risk for several months or even years. Establishing risk 'proximity' adds an additional dimension especially when planning and prioritising resources to deal with risk actions.

8.2. Proximity may be categorised as follows:

- Immediate – Risk likely to occur / most severe within the next 6 months
- Medium Term - Risk likely to occur / most severe between 6 to 12 months
- Long Term - Risk likely to occur / most severe 12 months plus

9. Summary risk profile

9.1. A summary risk profile is a simple mechanism to increase the visibility of risks. It is a graphical representation of information normally found on an existing risk register.

9.2. It provides a powerful visual snapshot of the collective risk associated with the activity. The summary risk profile makes use of the chart in figure 1 above to plot each of the risks identified. The example below gives an example of a completed Summary Risk Profile.

9.3. Example - Completed Summary Risk Profile

Likelihood ☞					
Almost inevitable	6		7	1	5
Very likely	5		8	2 6	3
Likely	4	8	1		
Unlikely	3	7	2 6	4	
Very Unlikely	2			3	
Almost impossible	1	4		5	
		1	2	3	4
Impact ☞		Negligible	Marginal	Significant	Critical

○ Current Risk Level ■ Target Risk Level

9.4. In the example, the risk numbers (in white circles) are plotted to show their current risk levels for a series of 8 risks. It suggests that the activity is fairly high risk overall.

9.5. Again, in the example, the risk numbers (in grey squares) are plotted to show the target risk levels for the series of 8 risks. These show the effect that the risk controls and actions should have on the risks if they were successfully applied and completed.

9.6. Overall it demonstrates how an activity that carries a degree of high risk and potential failure could be made more acceptable. On a cautionary note, the effort

and resources to be expended on managing the risk need to be re-factored into plans to ensure the activity in question remains a viable one.

10. Allocating risks and determining actions

10.1. All risks, no matter how they are assessed, should be allocated an owner. The owner shall be responsible for managing the risk to ensure it is appropriately treated. The level of risk will determine who the owner should be:

- High Risk – Management Team
- Medium Risk – Service Management Team
- Low Risk – Head of Service

10.2. Once a risk has been identified, assessed and evaluated, it's important that actions are determined to treat the risk. The extent of any actions will be driven by a number of factors including the overall risk score, risk appetite and desired risk score. All actions should be documented on the Risk Assessment Form.

11. Monitoring Risks

11.1. Risks should be continuously monitored, as unmanaged risks can prevent the Council from achieving its objectives. The extent of monitoring will be driven by the risk rating. For example a risk assessed as High would require more frequent monitoring than a risk assessed as Low.

11.2. As a minimum it is good practice to monitor risks formally on a quarterly basis and record sufficient evidence of this.

Appendix A - Risk Register

Area _____

No	Risk Title	Consequences	Date identified	Likelihood Score	Impact score	Overall inherent risk score	Risk Assessment form completed?	Desired risk score	Mitigating actions to achieve desired risk score	Links to Corporate Objectives / Directorate Business Plans	Risk Owner	Review Date

Appendix B - Risk Assessment Form

SECTION 1 – RISK		
Risk Owner:	**Service:**	**Directorate**:
Risk Event:	**Source/ cause:**	**Consequences**:

Likelihood F	Almost inevitable	**6**	6 Medium	12 Medium	18 High	24 High
	Very likely	**5**	5 Medium	10 medium	15 High	20 High
	Likely	**4**	4 Low	8 Medium	12 Medium	16 High
	Unlikely	**3**	3 Low	6 Medium	9 Medium	12 Medium
	Very Unlikely	**2**	2 Low	4 Low	6 Medium	8 Medium
	Almost impossible	**1**	1 Low	2 Low	3 Low	4 Low
			1	2	3	4
Impact			Negligible	Marginal	Significant	Critical

Likelihood score:

Impact score:

Overall risk score:

Accepted?*

* If yes, provide rationale.
* If no, go to Section 2.

SECTION 2 – CONTROLS/ MITIGATING ACTIONS (copy this section for each control/ action)		
Control/ Action Owner:	**Service:**	**Directorate**:
Control/ Action:	**Dependencies**:	**Key Dates**: • Implementation: • Review date: • Reporting intervals:

Appendix C - Determining Likelihood and Impact

	Likelihood	Example – winter weather
Almost Inevitable	• Is expected to happen	• Rain
Very Likely	• More likely to happen than not	• Strong winds
Likely	• Strong possibility it will happen	• Snow
Unlikely	• This could happen	• Flooding
Very Unlikely	• There is a remote possibility this could happen	• Hurricane
Almost Impossible	• Once in a lifetime occurrence	• Thames freezes over

	Impact*	Example
Critical	• Unacceptable level of loss or damage	• Significant material financial loss e.g. impacts statutory service delivery/going concern status • Loss or life or permanent/ debilitating damage • National media coverage, judicial review, government intervention
Significant	• Considerable level of loss or damage	• Material financial loss e.g. impacts non-statutory service delivery, risk of redundancies • Major injury • Local media coverage, government interest
Marginal	• Limited loss or damage	• Some financial loss but manageable impact on service delivery • Minor injury • Limited social media interest
Negligible	• Tolerable level of loss or damage	• No or very minimal financial loss • Minor ‘trips and slips’ • No media interest

*Impact should always be considered in terms of financial loss, harm to a person or people and the Council’s reputation and should link to Tonbridge and Malling Borough Council’s risk appetite.

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STRATEGIC RISK REGISTER

No	Risk Title	Risk Type	Consequences	Date identified	Current Mitigation	Likelihood Score	Impact score	Overall risk score	Desired risk score	Actions required	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Risk Assessment form completed?	Review Date
1	Safeguarding and PREVENT	S, R	Significant impact should a child, young person or vulnerable adult come to harm, including radicalisation and child sex exploitation, and TMBC are unable to demonstrate appropriate processes were in place.	01/04/17	The responsibility for safeguarding has recently moved to the Chief Executive, rather than an individual service and a review implemented. An Audit review was commissioned which identified progress to date. Positive direction of travel noted in majority of areas (policy, training, engagement with other agencies). Areas of weakness identified and an action plan is being developed to address areas/necessary actions. Corporate Safeguarding Policy, DBS checking, Staffing/Member training. PREVENT training for staff. Attendance at K&M Adults Safeguarding Board, Local Children's Partnership Group. Training delivered to all Hackney Carriage and Private Hire drivers. UPDATE: The majority of actions identified from the Audit review have now been completed and signed off. A secure database with secure access for recording details of all safeguarding concerns and referrals has been developed and is currently in the testing phase. The database is now live.	3	4	12	12	Posts eligible for DBS checks being reviewed by Legal Services and a Central recording system being commissioned. A revised implementation date of 30/5/18 was agreed to create a single TMBC DBS register and complete any necessary DBS checks . UPDATE Dec 18 MT has agreed revised list of posts requiring DBS checks. Safeguarding Audit review is currently underway for completion in 18/19 financial year	Safeguarding Policy	Chief Executive		Jul-19
2	Financial position/budget deficit	F, R	Financially unstable organisation. Failure to deliver a balanced budget, detrimental impact on quality of service, increased intervention. Failure to maximise New Homes Bonus.	01/04/17	Medium Term Financial Strategy (MTFS) in place and reviewed regularly . Annual review of Treasury Management and Investments strategies. Effective budget setting process and financial monitoring in place; Robustness tested and adequacy of reserves. External Audit review MTFS. Savings & Transformation Strategy (S&TS). External audit of Accounts. Financial Procedure Rules. Monitor tax base. UPDATE: Refreshed version of MTFS to be considered by Cabinet in Feb 2019. Following receipt of provisional LG Finance Settlement, funding gap anticipated to be circa £500-£600k. Negative RSG removed for 19/20. Tax base updated Dec 2018 showing growth. NHB figures received and exceed initial expectations as parameters unchanged. With Kent and Medway authorities, bid for Business Rate Retention Pilot 19/20 unsuccessful. Business rates RVs and appeals reviewed. Now above Business Rate Baseline.	4	3	12	9	Areas of potential savings to be formally identified and prioritised, with commitment to delivery of those selected. Commissioning of in service reviews via MT to identify potential areas of transformation and savings. Strategic asset management review. O&S Committee Jan 18 identified programme of work to identify potential savings. Tendering of Waste contract has delivered savings to contribute. UPDATE: Cabinet Oct 2018 advised that review of MTFS expected to show savings to be circa £500-£600k. Cabinet and Council to commit to an update to STS. O&S reviews to continue as planned. Fair Funding Review currently underway and need to await results to see wider impact on finances into medium term.	Vision- to be a financially sustainable Council. Taking a business like approach.	Director of Finance and Transformation		Oct-19
3	Brexit Impact and Economic Stability	F	Financial impact and effect on the economy as well as uncertainty around current EU legislation, i.e. what replaces it, could have a significant financial impact and lead to legislative changes impacting on finance and resources. A number of key threats to business continuity including: border delays and congestion impacts on the Kent road network creating difficulties for local businesses, TMBC staff and potential air quality issues; loss of KCC staff e.g. welfare/social services support; potential loss of TMBC waste contract workforce, general increase in costs as imports become restricted.	01/04/17	Regular review of MTFS. Kent-wide working to understand, plan for and react to pressures. Regular review of Treasury Management and Investment strategies. Economic factors reflected in MTFS. UPDATE: The potential for No Deal BREXIT could have far wider and more impactful implications that has been factored into MTFS. Bid being considered for government funding to assist with wider impacts.	4	4	16	12	UPDATE: Bid for government funding Jan 2019, particularly in view of potential No Deal BREXIT. Work with partner organisations via KRF. O&S Committee report Jan 2019 to update Members.	N/A - external risk.	Chief Executive / Director of Finance and Transformation/ Management Team		Mar-19
4	Corporate Strategy and Savings and Transformation Strategy	F, R, S	Failure to meet objectives and/or make savings, including those arising from the planned West Kent Waste Partnership. Impact on quality of service, budget overspends, salami slicing, etc. staff motivation impacted and increased risk of fraud or error.	01/04/17	Savings and Transformation Strategy reviewed and updated. Corporate Strategy reviewed and updated. Regular update reports to MT and Members Annual review of Savings & Transformation Strategy. Remaining funding gap now assessed as £500-£600k following local govt finance settlement.	3	4	12	9	Areas of potential savings to be formally identified and prioritised, with commitment to delivery of those selected. Commissioning of in service reviews via MT to identify potential areas of transformation and savings. Strategic asset management review to deliver new income . O&S programme to be supported in order to deliver savings to contribute to STS. UPDATE: New targets to be recommended for STS in Feb 2019	Vision- to be a financially sustainable Council focusing on ensuring good value for money, continuously reviewing how our services are provided and funded, focusing our available resources where they will have most beneficial impact, and maximising commercial opportunities. Taking a business like approach.	Chief Executive / Director of Finance and Transformation/ Management Team		Mar-19

STRATEGIC RISK REGISTER

No	Risk Title	Risk Type	Consequences	Date identified	Current Mitigation	Likelihood Score	Impact score	Overall risk score	Desired risk score	Actions required	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Risk Assessment form completed?	Review Date
5	Local Plan	F, R	Lack of sound legal footing for Plan leading to risk of failure at Examination. Risk of challenge from not meeting identified development needs. Reputational risk and widespread public concern arising from decision making on strategic development. Lack of infrastructure to support future development.	01/04/17	Audit of Local Plan process completed. Update and review of evidence base nearing completion. Specialist consultants engaged where appropriate and counsel briefed. Duty to Cooperate discussions and audit in hand. Clear explanation of local plan process and requirement to Members and through consultation with communities. Liaison with service and infrastructure providers.	4	3	12	9	Final refinement of evidence and narrowing down of sites to address development needs. Response to issues raised by Members at PTAB in June. Liaison with adjoining authorities and other agencies. UPDATE JAN 19: Local Plan approved by full Council in September 2018, Reg 19 consultation concluded in November 2018 with a view to submitting plan to Sec of State by 23 Jan 2019.	Local Plan assists in economic growth, delivering the supply of future housing and addressing affordability. Procedures set by National Government	Director of Planning, Housing and Environmental Health		Feb-19
6	Organisational development inc staff recruitment and retention/skills mix	F, R, S	Lack of resources or the right skills to deliver required outcomes, loss of key professionals/senior officers due to pay constraints and pressures, reduced staff morale and quality of work, leading to financial loss, reputational damage and detrimental impact on staff wellbeing.	01/04/17	Review of staff resources and skills via service reviews. Organisational structure review as part of S&TS to achieve efficiency, coordinated service delivery and reflect changing legislative and policy requirements and priorities.	4	4	16	12	Succession planning Develop further skills and expertise through strategies such as shared services and specialist Commissioning. Engagement of external consultants and specialists. Resilience and rationalisation of existing structures. Further discussions to be undertaken by MT to agree strategies and resultant actions for recruitment and retention. 2% pay award was agreed by Members in line with National Offer. Structural reviews agreed by GP on 26/6/17, 20/11/17, and 29/1/18. Responses to any recruitment advertisements are carefully monitored for trends. UPDATE: A new member of personnel staff has been recruited with specialist experience in recruitment. We continue to have a mixed response to job adverts. Further reports to GP on 25/6/18. Update Dec 18. revised methodology for recruitment into DPEHH post successful.	HR Strategy Savings and Transformation Strategy	Chief Executive		Jul-19
7	Health and Safety	F, R, S	Significant reputational impact should a service user, officer, member or contractor come to harm and TMBC are unable to demonstrate appropriate processes were in place (could be merged with safeguarding although arguably a different thing).	01/04/17	Health and Safety Policy review. Lone working policy and service based practices to be continuously monitored. Item on SMT agendas Staff involved in JECC (supported by Members) Ongoing review undertaken to react to potential key risk areas Organisational learning and response to national	3	4	12	12	Further embedding and dissemination of good practice through staff briefing. UPDATE: Newly formed corporate Health and Safety Group picking up cross organisational issues and feeding back to Management Team and H&S Officer.	Staff wellbeing and customer care underpin the Council's fundamental service and corporate objectives	Director of Planning, Housing and Environmental Health		Jun-19
8	Compliance with legislation inc new GDPR requirements	F, R	Failure to meet legislative requirements or statutory obligations may result in loss of personal data, financial penalties and/or damage to the Council's reputation.	01/04/17	Nominated Senior Information Risk Officer, and Data Protection Officer Compliance/legal assessment of decisions included in all Board reports Constitution General Data Protection Regulation requirements are being addressed by Information Governance Group & Procurement OSG CPD and professional monitoring Corporate Governance and GDPR audits Legal involvement and sign-off of key projects and involvement in governance groups	3	4	12	8	Continued dissemination of new legislative requirements to Officers & Members. Officers to ensure maintenance of professional training requirements. GDPR training for Members provided July 2018. All Officers were required to complete e-learning GDPR module prior to implementation of GDPR in May 2018.	Need to ensure that all 7 key themes of the Corporate Strategy are delivered in lawful manner.	Director of Central Services and Monitoring Officer		Jun-19
9	Cyber security	F, R	Loss of data and legislative breach, leading to financial penalties and reputational impact.	01/04/17	IT Security Policy. Network Security measures (firewall, access level controls). Consideration of cyber insurance. Information Governance Group work underway. Data held by the Council being reviewed and cleansed. Work underway to mitigate global processor flaw issues leading to Spectre and Meltdown attacks. Cyber awareness training rolled out to all staff. UPDATE: Results of national LGA cyber stocktake being reviewed.	4	4	16	12	Procurement of cyber security "recovery" contract via Kent Connects. Prioritisation of resources (financial and human) to ensure that priority is given to relevant updates etc. TMBC have been involved in developing specification for Kent Connects cyber security "recovery" contract. Continued rollout of mitigation for processor flaw issues dealt with as priority and in line with guidance. Varonis software procured , installed and being utilised to better control the risk of access to confidential unstructured data on shared drives. UPDATE: Bid for Funding made following Cyber Stocktake. Cyber security now being built into disaster recovery/business continuity plans. Report to FIPAB Jan 2019 - Member cyber champion to be appointed.	IT Strategy	Director of Finance and Transformation		Jun-19

STRATEGIC RISK REGISTER

No	Risk Title	Risk Type	Consequences	Date identified	Current Mitigation	Likelihood Score	Impact score	Overall risk score	Desired risk score	Actions required	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Risk Assessment form completed?	Review Date
10	IT Infrastructure	F, R	Failure to adequately invest resulting in inability to keep pace with technological change, leading to systems that are not fit for purpose to meet organisational need.	01/04/17	IT Strategy and Action plans reviewed and updated. Invest to Save opportunities and funding.	4	4	16	12	New IT Strategy for period 2018-22 . Linkage with MTFS and Savings and Transformation Strategy. Development of virtualisation project to enable efficient and effective ways of working. Review and upgrade of data quality within systems to ensure that improvements and efficiencies can be achieved. iPads for Members have been deployed. iPads and citrix being rolled out to MT. New IT Strategy approved by Members in May 2018 who placed a specific emphasis on website improvements. UPDATE: Website work commissioned by SDS and report to FIPAB Jan 2019.	IT Strategy	Director of Finance and Transformation		Jun-19
11	Elections	R	Failure to comply with legislation, miscounts and significant reputational impact.	01/04/17	Ensure experienced staff are in place, corporate team reviewing activity and monitoring progress.	2	4	8	8	Broadening of staff skills and experience to build resilience. Update: New elections Manager appointed.	Statutory requirement	Chief Executive		Feb-19
12	Business Continuity and Emergency Planning	F, R, S	Failure to provide statutory service or meet residents' needs resulting in additional costs, risk of harm and reputational impact. Impact/pressures on services and resources. Failure to ensure proper safeguards to prevent or to respond adequately to a significant disaster/event e.g. terrorist attack at a large scale public event or fire.	01/04/17	Business Continuity Plan inc Corporate (BC) Risk Register, Disaster Recovery Plan, Inter-Authority Agreement, Mutual Aid Agreement and Partnership Agreement with Kent Resilience Team (Please see Business Continuity Plan and Corporate Risk Register for more detail). Emergency Planning Support Officer in post and new Duty Emergency Coordinator system introduced to provide greater resilience.	3	4	12	12	Emergency planning documentation undergoing constant review and key aspects exercised on an annual basis. Members of Management Team and Duty Emergency Coordinators undertaking advanced training organised by Kent Resilience Team training. Business Continuity working group established to review and update existing Plan. Updated plan to be considered by Management Team and tested by a training exercise. New positions of Emergency Duty Officer to be introduced, following training of staff in 2019/20.	Business continuity underpins the delivery of the Council's essential services	Director of Street Scene, Leisure & Technical Services		Jun-19
13	Devolution	F, R, S	Uncertainty about future operating models and changes / opportunities in responsibilities or service provision leading to financial pressures, impact on quality of services, reputational damage.	01/04/17	Continual scanning of national / regional and Kent wide agenda by CE / Corporate Services manager. Participation in county wide debate via Joint Kent Chief Execs and Kent Leaders meetings. Update DEC 18 - County wide devolution discussions have been formally ceased. Horizon scanning and continued participation in Kent Leaders and CE meetings is ongoing.	3	3	9	9	N/A	External risk/national issue	Chief Executive		As required
14	Partnerships inc shared services	F, R, S	Reliance on partners to deliver key services, including private sector companies. Could include specific partnership or shared service models such as the Leisure Trust and risks around service delivery and impact on staff morale / retention if base moves from TMBC . Potential resistance to shared services / partnerships impacting on ability to deliver Savings & Transformation Strategy. Private sector partnerships failing having consequences for service delivery.	01/04/17	Regular liaison meetings with partners. Partnership Agreements in place and reviewed as appropriate. Good communication with staff. In the light of the Carillion situation (which does not affect TMBC directly) maintain awareness of issues relating to private sector partners and plans formulated for service delivery in the event of failure via business continuity.	3	3	9	9	FIPAB Jan 2018 updated on GBC's decision to pull out of progressing shared service for Revs and Bens. Review of Revs and Bens being conducted to ensure service continuity.	Savings and Transformation Strategy	Chief Executive		As required
15	Welfare reform inc Housing need	F, R, S	Safeguarding impact on TMBC residents due to reduction in benefits, introduction of UC and increase in applications for DHP, etc. Failure to adequately understand and meet housing needs and return unsuitable properties to use leading to increase in homelessness or occupation of unsuitable homes. Financial impact of increased emergency accommodation and failure to maximise new homes bonus.	01/04/17	Cross sector working (e.g. welfare reform group) to identify issues and solution. Providing advice to residents on welfare and housing issues, or signposting to relevant providers. Working with partners to identify land and funding opportunities. Working with Registered Provider Partners to ensure needs of residents are being met. Working with owners to bring long term empty properties back into use. New initiatives for Temporary Accommodation, including purchase of flats. Review implications for new Homeless Reduction Act requirements. Concessionary charges for key services. EQIA assessment of key decisions included in all Board reports. HRA implications assessed and GPC agreed new posts to deliver service which have been recruited to. Universal Credit rolled out Nov 18 for Tonbridge & Maidstone Job Centres. Signposting now to UC rather than HB for new working age claimants.	4	3	12	9	Prepare for impact of further roll our of Universal Credit by learning from other areas earlier in the programme. Consideration of review of housing service to meet the needs following Housing legislative changes. Flats purchased. UPDATE: Member training from DWP provided re UC Nov 2018. Continue to facilitate Welfare Reform group and widen participation from external partners so as to ensure best support for those affected by welfare reforms in T&M.	Promoting Fairness - acting transparently at all times and being accountable for what we do, and promoting equality of opportunities. Embracing Effective Partnership Working - achieving more by working and engaging effectively with a wide range of local partners from the private, public, voluntary and community sectors.	Director of Finance and Transformation/ Director of Planning, Housing and Environmental Health		Jun-19
16	Political factors including stability of political leadership and decision making	F, R	Decisions required to achieve objectives including corporate strategy and savings and transformation may not be made and therefore required savings not achieved.	01/04/17	Close liaison with Leader, Deputy Leader and Cabinet in developing the Savings & Transformation Strategy. Clear and comprehensive reports to support Members in making appropriate decisions to support the S&TS.	3	3	9	9	Member briefings and training sessions.	Underpins delivery of overall strategy and Savings and Transformation.	Chief Executive		As required

STRATEGIC RISK REGISTER

No	Risk Title	Risk Type	Consequences	Date identified	Current Mitigation	Likelihood Score	Impact score	Overall risk score	Desired risk score	Actions required	Links to Corporate Objectives / Strategies	Lead on behalf of Management Team	Risk Assessment form completed?	Review Date
17	Flooding	F, R, S	Impact on resources to support emergency planning, financial impact due to damage, loss of resources, etc. Residents and staff put at risk of harm. Impact on key flood risk areas - Tonbridge, Hildenborough, East Peckham and Aylesford.	01/04/17	Working with partners (EA/KCC/LEP) to secure funding and implement flood defence schemes which will reduce risk of future flooding. Assistance provided to Parish/Town Council's to help develop local Flood Plans. Team of Volunteer Flood Wardens in place.	3	4	12	12	Funding committed to assist in implementation of flood defence works including increasing capacity of Leigh Flood Storage. Council represented on Strategic and Operational Working Groups led by Environmental Agency. Scheme for East Peckham has funding gap and is dependent on partnership funding contributions. Ongoing support of Leigh and Hildenborough and East Peckham scheme. Involvement in the Medway Flood Partnership. Reduction of risk dependent on funding, design and implementation. Leigh and Hildenborough now programmed for construction 2020 - 2023. UPDATE: Scheme for East Peckham has funding gap and is dependent on partnership funding contributions. Leigh and Hildenborough design and works in progress. Signed off by SELEP accountability Board as green for these elements. Scheme at EP still has funding gaps. Options being sought by EA / KCC.	Emergency Plan Civil Contingencies Act 2004 Kent Emergency Response Framework West Kent Partnership and Medway Catchment Partnership	Director of Street Scene, Leisure & Technical Services		Mar-19
18	Contaminated Land	F, R, S	Impact on homes, public health. Residents put at risk of harm.	01/01/18	Working with partners (EA and other) and specialist consultants to monitor potential sites and assess risk to inform action as is needed	3	4	12	9	Potential issue identified at Joco Pit, Borough Green. Residents engaged. Public sessions held Jan 2018. Report to Members Feb 2018. Additional boreholes secured and monitoring in place until May 2018. UPDATE: Results indicate low risk and insufficient levels to be 'part 2 contaminated land. Briefing of Members and letters/drop-in session for residents planned for June/July. Ongoing monitoring required for 12 month period before further review. Initial investigations underway in respect of Priory Wood site.	Contaminated Land Strategy	Director of Planning Housing and Environmental Health		May-19
19	Procurement and Implementation of Waste/ Recycling Contract	F, R, S	Failure to provide new service and deliver described outcomes in accordance with contract timescales. Significant reputational risk. Risk of challenge from tenderers. Failure to achieve financial targets for garden waste scheme.	01/07/18	Partnership arrangement with TWBC, with allocation of key tasks. Internal Project Group reports regularly to MT. Regular update reports to Members including separate Member Working Group. External advice sought from specialists on key decisions. Detailed project plan and risk register. Operational Marketing Plan in place. Inter Authority Agreement with KCC encourages improved recycling performance and shares financial risks. 3 crucial work streams have been identified (IT, Communications and Operations) and individual sub-working groups have been established to monitor and implement these work areas.	3	4	12	9	New contractor appointed and due to commence 1/3/19. New service delivery arrangements to be introduced later in the year, including opt-in garden waste scheme. No formal challenges received from unsuccessful tenderers. SS&EAB 11/2/19 to approve Operational Marketing Plan and Mobilisation arrangements. Contractor to produce Annual Service Plan, monitored by Partnership Manager. Garden waste charges set to encourage take up.	Delivery of cost effective service to meet customer needs.	Director of Street Scene, Leisure & Technical Services		Mar-19

Item CB 19/4 referred from Cabinet minutes of 14 February 2019

CB 19/4 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY

The report of the Director of Finance and Transformation provided details of investments undertaken and return achieved in the first nine months of the current financial year and an introduction to the 2019/20 Treasury Management and Annual Investment Strategy. Members were invited to recommend adoption of the Strategy by the Council.

It was noted that the Audit Committee at its meeting on 21 January 2019 had reviewed and endorsed the matters covered by the report.

The Cabinet acknowledged the work of officers involved in the Council's treasury management.

RECOMMENDED: That

(1) the treasury management position as at 31 December 2018 and the higher level of income incorporated in the 2018/19 revised estimates be noted; and

(2) the Treasury Management and Annual Investment Strategy for 2019/20, as set out at Annex 4 to the report, be adopted.
***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

14 February 2019

Report of the Director of Finance &Transformation

Part 1- Public

Matters for Recommendation to Council

1 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2019/20

1.1 The report provides details of investments undertaken and return achieved in the first nine months of the current financial year and an introduction to the 2019/20 Treasury Management and Annual Investment Strategy. Members are invited to recommend adoption of the Strategy to Council.

1.1.1 The Local Government Act 2003 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'.

1.1.2 The Act also requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. The latter sets out the Council's policies for managing its investments and for giving priority to the **security** and **liquidity** of those investments.

1.1.3 The Strategies are set out in a single document at **[Annex 4]** to this report.

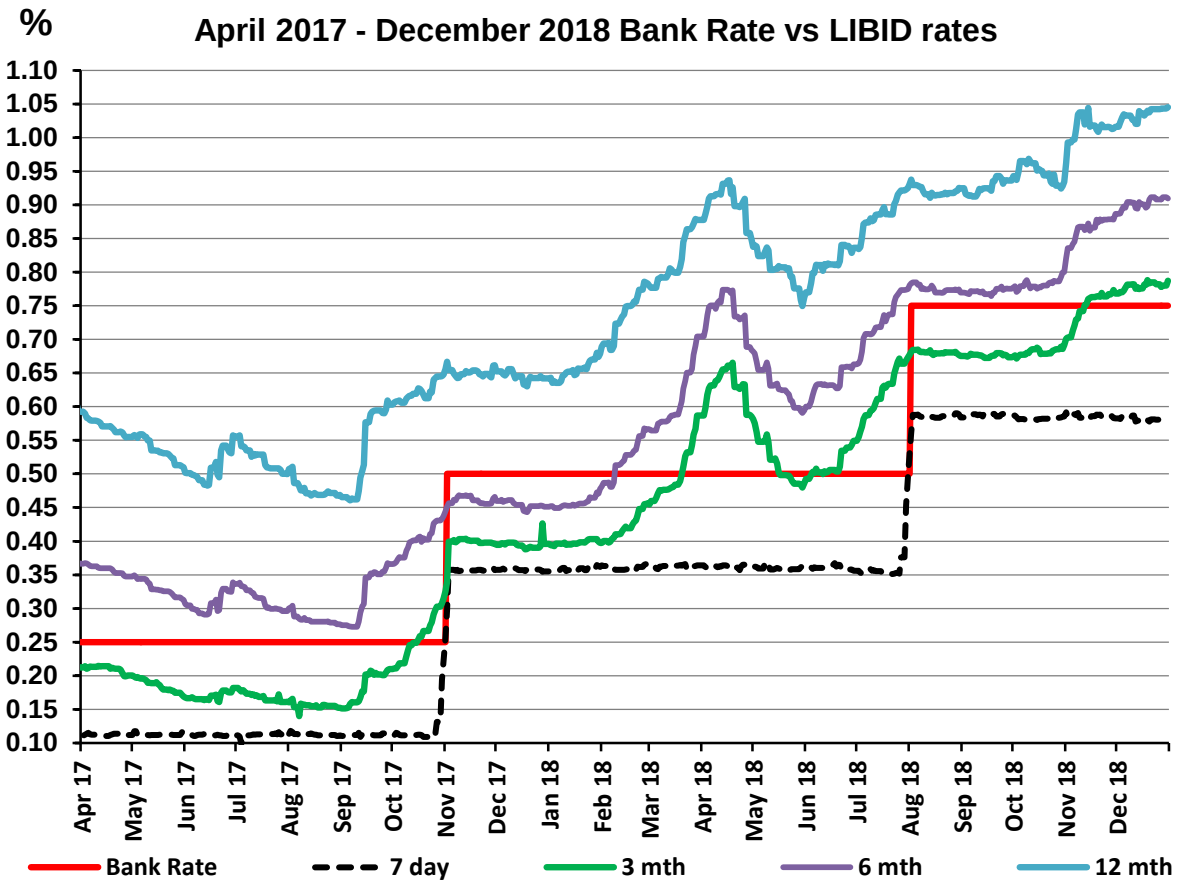
1.1.4 The portfolio of the Audit Committee includes the review of treasury management activities. Accordingly, that Committee reviewed and endorsed the matters covered by this report and **[Annex 4]** at its meeting on 21 January 2019.

1.1.5 The Strategy is a complex technical document and is a specialist area of work**, I should be grateful if Members could raise any queries with the author of this report (Michael Withey ext. 6103) in advance of the meeting** as Michael will not be present on 14 February.

1.2 Treasury Management Update

1.2.1 Having satisfied security and liquidity requirements, the Council aims to optimise the yield on its investments. Since the 2008 financial crisis yields have been low reflecting the 0.5% Bank Rate introduced in March 2009. The Bank Rate having remained at 0.5% for seven years was reduced to 0.25% in August 2016. The reduction by the Bank of England was accompanied by other initiatives to help bolster economic activity which included 'Term Funding' for banks. In November 2017, the Bank of England returned the Bank Rate to 0.5%. Bank Rate was

increased to 0.75% in August 2018. Link's current forecast (November 2018), which assumes an orderly Brexit, anticipates Bank Rate rising to 1.0% by June 2019 and to 1.25% by March 2020. The impact these measures have had on investment rates is demonstrated in the chart below.



Source: Link Asset Services

1.2.2 The Council's investments are derived from cash flow surpluses, core cash balances and other long term cash balances.

1.2.3 Cash flow surpluses are available on a temporary basis and the amount mainly dependent on the timing of council tax and business rates collected and their payment to precept authorities and government. Less significant cash flows relate to receipt of grants, payments to housing benefit recipients, suppliers and staff. Cash flow surpluses build up during the course of a financial year and are spent by financial year end. Thus far in 2018/19 cash flow surpluses have averaged £14m.

1.2.4 The Authority also has £24m of core cash balances. These funds are for the most part available to invest for more than one year, albeit a proportion is usually transferred to cash flow towards the end of the financial year to top-up daily cash balances. Core cash includes the Council's capital and revenue reserves which are being consumed over time to meet capital expenditure and 'buy time' to

enable the authority to deliver its revenue savings targets. The core cash balance also includes some £6m to meet business rate appeals which are expected to be resolved during 2019/20 and beyond.

1.2.5 Long term investment comprises £5m in property fund investments.

1.2.6 A full list of investments held on 31 December 2018 is provided at **[Annex 1]** and a copy of our lending list of the same date is provided at **[Annex 2]**. The table below provides a summary of funds invested and income earned at the end of December.

	Funds invested at 31 Dec 2018 £m	Average duration to maturity Days	Weighted average rate of return %	Interest / dividends earned to 31 Dec 2018 £	Annualised return %	LIBID benchmark (average from 1 April) %
Cash flow	18.7	29	0.83	75,400	0.70	0.48 (7 Day)
Core cash	24.0	144	0.97	149,200	0.88	0.65 (3 Mth)
Sub-total	**42.7**	**93**	**0.91**	**224,600**	**0.81**	**0.58 (Ave)**
Long term	5.0			118,050	3.54	
Total	47.7					

Property funds pay dividends quarterly. The return quoted above is based on dividends due April to December 2018.

1.2.7 **Cash flow and core cash investments**. Interest earned of £224,600 from cash flow surpluses and core cash balances to the end of December is £87,500 better than the original estimate for the same period. The authority also outperformed the LIBID benchmark by 23 basis points. The additional income is due in part to higher core fund balances (unspent business rate appeals provisions) and in part due to an improvement in investment rates banks offered in the lead-up to and are now offering following the August Bank Rate rise. Investment income from cash flow surpluses and core cash balances is expected to exceed the original estimate for the year as a whole by some £98,000 and this increase is reflected in the revised estimates.

1.2.8 The Council takes advantage of Link's benchmarking service which enables performance to be gauged against Link's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. At 30 September 2018 our return at 0.89% (purple diamond) was above the local authority average of 0.79%. Based on the Council's exposure to credit / duration risk that return was also above Link's predicted return (above the upper boundary

indicated by the green diagonal line). The Council's risk exposure was broadly in-line with the local authority average.

1.2.9 **Long term investment**. The availability of cash balances over the longer term (10 years) and the suitability of different types of long term investment (equities, bonds and property) was explored in the report to Audit Committee, January 2017. Of the alternatives, investment in property funds was considered best suited to meet the Council's more immediate funding need (a sustainable, stable income stream). The use of property funds for both existing cash balances and any new money, including that derived from the sale of assets, was subsequently approved by Council in February 2017 and reaffirmed in February 2018.

1.2.10 £2m of the Council's existing cash balances was identified for long term investment. This, in combination with £1m anticipated from the sale of surplus property, was applied in 2017/18 bringing the total investment in property funds in that financial year to £3m. Investment was spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time. More recently a further £2m has been invested in property funds. This has been financed from the 2018/19 business rates pilot grant (£0.5m), the better than expected 2017/18 outturn (£0.5m), disposal proceeds from the Teen & Twenty site, Tonbridge (£0.75m) and a further £0.25m in anticipated sale proceeds. Further investments are envisaged though timing will be dependent on the progress of planned disposals (River Walk Offices).

Property fund (Primary = units in the fund purchased from the fund manager, Secondary = units purchased from another investor at a discount, Date = first month investment attracted dividends)	**Purchase price** **(a)** **£**	**Sale value at date of purchase** **(b)** **£**	**Current sale value December 2018** **(c)** **£**	**Current sale value above (below) purchase price** **(c-a)** **£**
LAPF (Primary, July 2017)	1,000,000	922,200	979,100	(20,900)
Lothbury (Primary, July 2017)	1,000,000	927,700	993,900	(6,100)
Hermes (Secondary, October 2017)	1,000,000	939,000	1,011,100	11,100
LAPF (Primary, June 2018)	1,000,000	922,200	938,800	(61,200)
Lothbury (Secondary, July 2018)	1,000,000	973,000	974,700	(25,300)
Total	**5,000,000**	**4,684,100**	**4,897,600**	**(102,400)**

1.2.11 Property funds issue and redeem primary units at a buy and sell price with the difference between the two prices reflecting the costs associated with buying and selling property (legal and other fees, stamp duty etc.). The price spread varies from fund to fund but is typically in the region of 8% (6% on entry to a fund and 2% on exit). Where units are traded on a secondary market the impact of the

spread can be reduced and delays in the purchase or redemption of units avoided. The table above compares the current sale value of each investment if sold to the fund manager with the initial purchase price.

1.2.12 Income from property funds of £118,050 is due thus far in 2018/19 (quarter ending December 2018) which represents an annualised return of 3.54%.

1.3 Annual Investment Strategy for 2019/20

1.3.1 **Long term balances**. Property fund investment was introduced in the 2017/18 investment strategy to mitigate the impact of the August 2017 bank rate cut (to 0.25%) and provided diversification into other asset classes. At that time the Council's long term balances were assessed at some £10m of which £2m (20%) was considered an appropriate amount to set aside for long term investment. That figure also matched the medium term financial strategy requirement that a minimum of £2m be retained in the General Revenue Reserve by the end of the 10 year strategy period providing some assurance over the availability of funds. Excluding proceeds from the sale of assets the Council's long term balances are currently expected to be some £15m. The 2019/20 investment strategy allows up to **£3m of existing resources to be invested in property funds**. £3m (20% of long term balances) may also be invested in diversified income funds used for medium term investment should that option be taken-up.

1.3.2 **UK sovereign rating**. The rating agencies have signalled that in the event of a disorderly Brexit the UK sovereign's current rating AA (very high) is likely to be downgraded. Whilst the Council doesn't usually invest in sovereign bonds it does use sovereign ratings as a starting point in its selection of appropriate financial institutions. The current strategy draws on those institutions who's sovereign is rated AA- or higher. The 2019/20 strategy maintains the minimum AA- requirement for all other sovereigns but introduces some flexibility by lowering the **minimum requirement for the UK to A-** (high).

1.3.3 **UK nationalised banks**. The economic consequences of a disorderly Brexit may also result in some UK centric financial institutions being downgraded. The current minimum credit requirement (Fitch long term A-, short term F1) is retained for all institutions including UK ones. The only exception in the 2019/20 investment strategy relates to **UK nationalised / part nationalised banks where a lesser requirement of Fitch BBB** (good), **F2** (good) **will be tolerated**.

1.3.4 **Risk parameters**. The strategy sets out the parameters that limit the Council's exposure to investment risks by requiring investments to be placed with highly credit rated institutions and that those investments are diversified across a range of counterparties. Except where indicated by ***bold italic*** text, the 2019/20 Annual Investment Strategy **[Annex 4]** adopts the same risk parameters as currently approved. In summary these are :

- 100% of funds can be invested in the UK. Exposure to non-UK financial institutions is restricted to no more than 20% of funds per sovereign.

- Non-UK counterparties must be regulated by a sovereign rated AA- or higher as recognised by each of the three main rating agencies (Fitch, Moody's or Standard & Poor's).

- ***Investment in UK institutions is subject to the UK sovereign being rated A- or higher by each of the three main rating agencies.*** The UK's current rating is AA.

- Exposure to individual counterparties / groups of related counterparty must not exceed 20% of funds.

- In selecting suitable counterparties for overnight deposits and deposits up to 2 years in duration, the Council has adopted Link's credit worthiness methodology. The methodology combines the output from all three credit rating agencies including credit watches / outlooks and credit default swap data to assign a durational band to a financial institution (100 days, 6 months, 1 year, 5 years, etc.). At the time of placing an investment the financial institution must be assigned a durational band of at least 100 days (based on credit ratings alone). Other than for UK nationalised / part nationalised institutions this broadly equates to a minimum long term credit rating of Fitch A- (high) and a short term credit rating of Fitch F1 (highest).

- ***Investment in UK nationalised and part nationalised banks is subject to the bank having a minimum long term credit rating of Fitch BBB*** *(good)* ***and a short term credit rating of Fitch F2*** *(good).* The Royal Bank of Scotland and National Westminster Bank are currently rated Fitch A+, F1.

- The duration of an investment in a foreign bank must not exceed Link's post CDS recommendation. For UK financial institutions Link's duration recommendation can be enhanced by up to 6 months subject to the combined duration (Link recommendation plus the enhancement) not exceeding 12 months. The Council's Treasury Management Practices have been modified to ensure that: where duration is being enhanced by more than 3 months the bank's CDS must be below the average for all other banks at the time of placing the investment; the discretion is only to be applied to take advantage of an exceptional offer and; counterparty exposure in respect of the additional enhancement (plus 6 months instead of the standard plus 3 months for a UK institution) will be limited to 10% of ***investment balances****.*

- Money Market funds should be AAA rated and exposure limited to no more that 20% per fund. LVNAV (low volatility) or VNAV (variable net asset value) funds may be used as an alternative to CNAV (constant net asset value) funds.

- Enhanced Money Funds should be rated AAA and exposure limited to no more than 10% per fund and 20% to all such funds.

- Exposure to non-credit rated property funds is limited to no more than 20% (***£3m***) of expected long term cash balances. No limit applies where invested funds are derived from or in anticipation of new resources e.g. proceeds from selling existing property.

- Exposure to non-credit rated diversified income (multi-asset) funds is limited to no more than 20% (***£3m***) of expected long term cash balances.

- The strategy also limits the type of instrument (e.g. fixed term deposits, certificates of deposit, commercial paper, floating rate notes, treasury bills, etc.) that can be used and establishes a maximum investment duration for Gilts of 10 years and 2 years for all other types of investment other than in property funds and diversified income funds.

1.3.5 At the present time an appropriate level of diversification is achieve through access, both directly and via brokers, to an adequate number of high credit rated financial institutions. Our cash flow forecasting aims to ensure the Council has sufficient liquidity to meet payment obligations at all times. Excess liquidity is avoided by using term deposits and other instruments to generate additional yield when daily cash surpluses permit. Cash flow surpluses can and are transferred to core cash to enable longer duration investments to be undertaken than would otherwise be the case.

1.3.6 The 2019/20 strategy **[Annex 4]** reflects the current economic environment, Link Asset Services' latest interest rate forecast and incorporates the risk parameters summarised in paragraph **Error! Reference source not found.**.

1.4 Legal Implications

1.4.1 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.

1.4.2 This report fulfils the requirements of the Chartered Institute of Public Finance & Accountancy's Treasury Management and Prudential Codes of Practice 2017.

1.5 Financial and Value for Money Considerations

1.5.1 Investment income from cash flow and core cash at the end of December 2018 (month nine of the financial year) is £87,500 better than budget for the same period. Income for the 2018/19 financial year as a whole is likely to exceed budget by some £98,000.

1.5.2 Property funds are presently performing in-line with budget albeit just below the 4% target return. Income for the year as a whole is expected to be £172,000 some £23,000 below the original estimate for 2018/19. This reflects the delay in the disposal of surplus office accommodation at River Walk, Tonbridge.

1.5.3 The Bank Rate having remained at a historic low of 0.5% for over seven years was cut to 0.25% in August 2016. In November 2017, the Bank of England returned the Bank Rate to 0.5%. Bank rate was increased to 0.75% in August 2018. Link's current forecast (November 2018) anticipates Bank Rate rising to 1.0% by June 2019 and to 1.25% by March 2020.

1.5.4 Performance is monitored against a benchmark return and against other local authorities in Kent and the broader local authority pool via Link's benchmarking service.

1.5.5 Whilst the annual income stream from a property fund exhibits stability (circa 4% per annum net of management fees) capital values rise and fall with the cyclical nature of economic activity. During a downturn in the economy capital values may fall significantly. The duration of a property fund investment may need to be extended to avoid crystalizing a loss and as a consequence the investment's duration cannot be determined with certainty.

1.5.6 Buying and selling property involves significant costs making property unsuitable for short term investment. Buying and selling costs are reflected in the entry fees (circa 6%) and exit fees (circa 2%) a property fund will charge unit holders. These fees are expected to be recouped overtime through capital appreciation.

1.5.7 The money being applied to property fund investment from existing resources is expected to be available in perpetuity. Nevertheless, the Council's cash balances will continue to be monitored and due regard had to the potential for a fund to delay payment of redemption requests by up to 12 months. Funds will seek to minimise their own cash balances in favour of holding property and therefore manage redemption requests for the benefit of all fund participants. The Council is only likely to seek redemption to pursue a higher yielding income opportunity should one be identified.

1.5.8 Diversified income funds aim to limit risk by spreading investment across a broad range of asset classes (equities, bonds, property and cash). Nevertheless, the principal sum invested may fall as a consequence of adverse economic or market events.

1.6 Risk Assessment

1.6.1 Link Asset Services are employed to provide advice on the content of the Treasury Management and Annual Investment Strategy and this, coupled with a regular audit of treasury activities ensures that the requirements of the Strategy and the Treasury Policy Statement adopted by this Council are complied with.

1.6.2 Credit ratings remain a key tool in assessing risk. It is recognised that their use should be supplemented with sovereign ratings and market intelligence. Appropriate sovereign, group and counterparty limits are established to ensure an appropriate level of diversification.

1.6.3 In the light of these safeguards and stringent Treasury Management Procedures it is considered that any risks to the authority implicit in the 2019/20 Strategy have been minimised.

1.7 Equality Impact Assessment

1.7.1 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.

1.8 Recommendations

1.8.1 Members are invited to **RECOMMEND** that Council:

1) Note the treasury management position as at 31 December 2018 and the higher level of income incorporated in the 2018/19 revised estimates;

2) Adopts the Treasury Management and Annual Investment Strategy for 2019/20 set out at **[Annex 4]**.

Background papers: contact: Mike Withey

Link Asset Services Interest Rate Forecast (November 2018) economic commentary and benchmarking data.

Sharon Shelton
Director of Finance & Transformation

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Tonbridge and Malling Borough Council
Investment Summary at 31 December 2018

Counterparty	Sovereign	Fitch credit rating		Link suggested post CDS duration limit	Investment						Instrument type / product	Cash flow surpluses £	Core cash balances £	Long term Investment balances £
		Long term	Short term		Start date	End date	Duration	Amount invested £	Return %	Proportion of total %				
Bank of Scotland	UK	A+	F1	1 year	23/05/2018	23/05/2019	1 year	1,000,000	1.00%		Fixed term		1,000,000	
Bank of Scotland	UK	A+	F1	1 year	03/09/2018	03/09/2019	1 year	1,000,000	1.05%		Fixed term		1,000,000	
Bank of Scotland Total								**2,000,000**		4.20%				
Barclays Bank	UK	A+	F1	6 months	20/06/2018	20/03/2019	9 months	1,000,000	0.73%		Fixed term		1,000,000	
Barclays Bank	UK	A+	F1	6 months	07/08/2018	07/05/2019	9 months	3,000,000	0.89%		Fixed term		3,000,000	
Barclays Bank Total								**4,000,000**		8.39%				
Blackrock MMF	n/a	AAA	mmf (Eq)	5 years	31/12/2018	02/01/2019	Overnight	100,000	0.71%		MMF	100,000		
Blackrock MMF Total								**100,000**		0.21%				
BNP Paribas MMF	n/a	AAA	mmf (Eq)	5 years	31/12/2018	02/01/2019	Overnight	4,460,000	0.77%		MMF	4,460,000		
BNP Paribas MMF Total								**4,460,000**		9.36%				
Deutsche MMF	n/a	AAA	mmf	5 years	31/12/2018	02/01/2019	Overnight	100,000	0.74%		MMF	100,000		
Deutsche MMF Total								**100,000**		0.21%				
Federated MMF	n/a	AAA	mmf	5 years	31/12/2018	02/01/2019	Overnight	1,000,000	0.75%		MMF	1,000,000		
Federated MMF Total								**1,000,000**		2.10%				
Goldman Sachs Int'l Bank	UK	A	F1	6 months	02/05/2018	04/02/2019	9 months	2,000,000	1.00%		Fixed term		2,000,000	
Goldman Sachs Int'l Bank	UK	A	F1	6 months	20/06/2018	20/03/2019	9 months	2,000,000	0.97%		Fixed term		2,000,000	
Goldman Sachs Int'l Bank Total								**4,000,000**		8.39%				
Lloyds Bank	UK	A+	F1	1 year	15/05/2018	15/05/2019	1 year	2,000,000	1.00%		Fixed term		2,000,000	
Lloyds Bank	UK	A+	F1	1 year	03/09/2018	04/03/2019	6 months	2,000,000	0.85%		Fixed term	2,000,000		
Lloyds Bank Total								**4,000,000**		8.39%				
Morgan Stanley MMF	n/a	AAA	mmf	5 years	31/12/2018	02/01/2019	Overnight	1,000,000	0.76%		MMF	1,000,000		
Morgan Stanley MMF Total								**1,000,000**		2.10%				
Hermes Property Unit Trust	n/a	n/a	n/a	n/a	29/09/2017	n/a	n/a	1,000,000	3.50%		Property fund			1,000,000
Hermes Property Unit Trust Total								**1,000,000**		2.10%				
Local Authorities' Property Fund	n/a	n/a	n/a	n/a	29/06/2017	n/a	n/a	1,000,000	4.32%		Property fund			1,000,000
Local Authorities' Property Fund	n/a	n/a	n/a	n/a	30/05/2018	n/a	n/a	1,000,000	3.98%		Property fund			1,000,000
Local Authorities' Property Fund Total								**2,000,000**		4.20%				
Lothbury Property Trust	n/a	n/a	n/a	n/a	06/07/2017	n/a	n/a	1,000,000	3.08%		Property fund			1,000,000
Lothbury Property Trust	n/a	n/a	n/a	n/a	02/07/2018	n/a	n/a	1,000,000	2.97%		Property fund			1,000,000
Lothbury Property Trust Total								**2,000,000**		4.20%				
National Westminster Bank	UK	A+	F1	1 year	20/06/2018	20/03/2019	9 months	2,000,000	0.85%		CD		2,000,000	
National Westminster Bank	UK	A+	F1	1 year	29/06/2018	29/03/2019	9 months	2,000,000	0.88%		CD		2,000,000	
National Westminster Bank	UK	A+	F1	1 year	25/07/2018	25/04/2019	9 months	2,000,000	0.95%		CD		2,000,000	
National Westminster Bank Total								**6,000,000**		12.59%				
Nordea Bank Abp	Finland	AA-	F1+	1 year	08/08/2018	08/02/2019	6 months	2,000,000	0.84%		CD	2,000,000		
Nordea Bank Abp	Finland	AA-	F1+	1 year	14/12/2018	14/03/2019	3 months	2,000,000	0.89%		CD	2,000,000		
Nordea Bank Abp Total								**4,000,000**		8.39%				
Santander Fixed Term	UK	A	F1	6 months	15/11/2018	15/02/2019	3 Months	2,000,000	0.90%		Fixed term	2,000,000		
Santander Fixed Term	UK	A	F1	6 months	23/11/2018	23/08/2019	9 Months	2,000,000	1.13%		Fixed term		2,000,000	
Santander Fixed Term	UK	A	F1	6 months	05/12/2018	05/09/2019	9 Months	2,000,000	1.13%		Fixed term		2,000,000	
Santander UK Plc Total								**6,000,000**		12.59%				
Standard Chartered Bank	UK	A+	F1	6 months	16/07/2018	16/01/2019	6 months	2,000,000	0.83%		CD	2,000,000		
Standard Chartered Bank	UK	A+	F1	6 months	27/07/2018	25/01/2019	6 months	2,000,000	0.90%		CD	2,000,000		
Standard Chartered Bank Total								**4,000,000**		8.39%				
Toronto Dominion Bank	Canada	AA-	F1+	1 year	11/10/2018	11/10/2019	1 year	2,000,000	1.03%		CD		2,000,000	
Toronto Dominion Bank Total								**2,000,000**		4.20%				
					Total invested			**47,660,000**		**100.00%**		**18,660,000**	**24,000,000**	**5,000,000**

Number of investments	29	**Average investment value £**			1,643,000
Number of counter parties	17	**Average counter party investment £**			2,804,000
Group exposures:		**Core £**	**Cash £**	**Combined £**	**%**
Royal Bank of Scotland + National Westminster Bank (20% UK Nationalised)		6,000,000	-	6,000,000	12.59
Bank of Scotland + Lloyds Bank (20%)		4,000,000	2,000,000	6,000,000	12.59
				£	**%**
Property funds Total				5,000,000	10.49

Total non-specified investments should be less than 60% of Investment balances	10.49%

Notes:

CD = Certificate of deposit, MMF = Money market fund

Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update Dec 2018.

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Tonbridge and Malling Borough Council Lending List

Checked against Link's Duration Matrix dated 28/12/18

Minimum investment criteria is Link's Green (100 days) Duration Band
(entry point broadly equates to Fitch A-, F1 unless UK nationalised / semi-nationalised).

Counterparty	Sovereign	Sovereign Rating [1]	Fitch Long Term	Fitch Short Term	UK Classification	Exposure Limit	Link Duration [2]	
							Credit Rating	Post CDS
Bank of Montreal	Canada	AAA	AA-	F1+	n/a	£6m	1 year	1 year
Toronto Dominion Bank	Canada	AAA	AA-	F1+	n/a	£6m	1 year	1 year
Danske Bank	Denmark	AAA	A	F1	n/a	£6m	6 months	6 months
Nordea Bank Abp	Finland	AA+	AA-	F1+	n/a	£6m	1 year	1 year
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	AA-	F1+	n/a	£6m	1 year	1 year
ING Bank	Netherlands	AAA	A+	F1	n/a	£6m	1 year	1 year
Svenska Handelsbanken AB (Group Limit with Handelsbanken Plc)	Sweden	AAA	AA	F1+	n/a	£6m	1 year	1 year
Bank of Scotland (Group limit BOS & Lloyds £6m)	UK	AA	A+	F1	Ring-fenced	£6m	1 year	1 year
Barclays Bank (Group Limit Barclays and Barclays UK £6m)	UK	AA	A+	F1	Non-RF	£6m	6 months	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £6m)	UK	AA	A+	F1	Ring-fenced	£6m	6 months	6 months
Goldman Sachs Int'l Bank	UK	AA	A	F1	Exempt	£6m	6 months	6 months
Handelsbanken Plc (Group Limit with Svenska Handelsbanken AB)	UK	AA	AA	F1+	Exempt	£6m	1 year	1 year
HSBC UK Bank	UK	AA	AA-	F1+	Ring-fenced	£6m	1 year	1 year
Lloyds Bank (Group limit BOS & Lloyds £6m)	UK	AA	A+	F1	Ring-fenced	£6m	1 year	1 year
Santander UK	UK	AA	A	F1	To be determined	£6m	6 months	6 months
Standard Chartered Bank	UK	AA	A+	F1	Exempt	£6m	6 months	6 months
Coventry Building Society	UK	AA	A	F1	Exempt	£6m	6 months	6 months
Nationwide Building Society	UK	AA	A	F1	Exempt	£6m	6 months	6 months
National Westminster Bank (Group limit Nat West and RBS £6m). UK Nationalised.	UK	AA	A+	F1	Ring-fenced	£6m	1 year	1 year
The Royal Bank of Scotland (Group limit Nat West and RBS £6m). UK Nationalised.	UK	AA	A+	F1	Ring-fenced	£6m	1 year	1 year
UK Debt Management Office including Treasury Bills	UK	AA	n/a	n/a	n/a	No limit	5 years	5 years
UK Treasury Sovereign Bonds (Gilts)	UK	AA	n/a	n/a	n/a	£15m (£7.5m	5 years	5 years
UK Local Authority (per authority)	UK	AA	n/a	n/a	n/a	£6m	5 years	5 years

[1] Reflects the lowest of the three rating agencies views (Fitch, Moody's and Standard and Poor's). Strategy requires sovereigns to be rated at least AA-. Non-UK sovereign limit of 20% or £6m.
[2] **All deposits overnight** unless otherwise **approved in advance** by the Director of Finance and Transformation **AND** Chief Financial Services Officer. If other than overnight, duration for non-UK entities must not exceed Link's post CDS duration assessment. For UK entities, duration may be extended by up to three months **based on credit ratings alone** or six months if **CDS is below average** subject to a maximum combined duration of 12 months.

Money Market Funds
Minimum investment criteria AAA

Fund Name	Moody	Fitch	S&P	Exposure Limit
Blackrock	AAA-mf	-	AAAm	£6m
BNP Paribas	-	-	AAAm	£6m
Deutsche Fund	AAA-mf	AAAmmf	AAAm	£6m
Federated	-	AAAmmf	AAAm	£6m
Goldman Sachs	AAA-mf	AAAmmf	AAAm	£6m
Insight Liquidity Group limit IL & ILP of £6m	-	AAAmmf	AAAm	£6m
Morgan Stanley	AAA-mf	AAAmmf	AAAm	£6m

Enhanced Cash Funds
Minimum investment criteria AAA

Fund Name	Moody	Fitch	S&P	Exposure Limit
Insight Liquidity Plus Group limit IL & ILP £6m	-	-	AAAf /S1	£3m

Approved by Director of Finance and Transformation **31st December 2018**	

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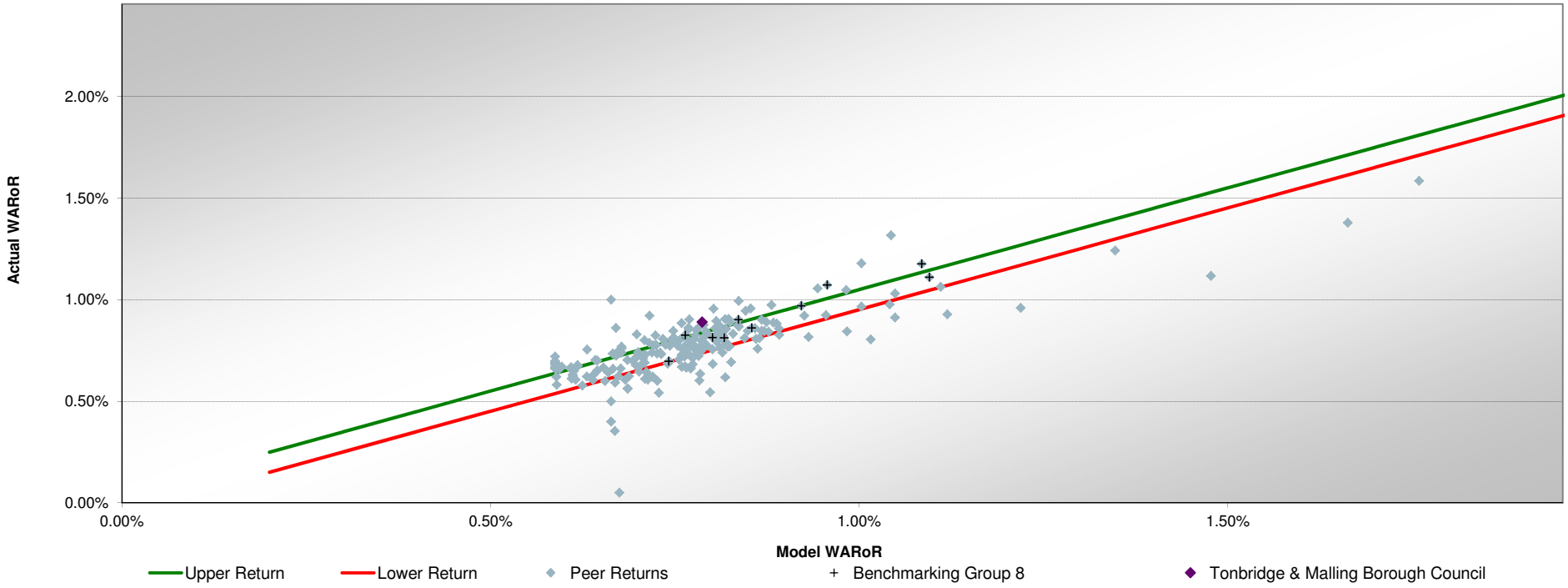
Tonbridge & Malling Borough Council

Population Returns against Model Returns 30 September 2018



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge & Malling Borough Council	0.89%	0.79%	0.10%	0.74%	0.84%	Above

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Treasury Management and Annual Investment Strategy 2019/20

1 Introduction

1.1 Treasury management is defined as:

'The management of the local authority's borrowing, 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'.

1.2 The strategy covers:

- Statutory and regulatory requirements
- Balanced budget requirement
- Prudential and treasury Indicators
- Borrowing requirement
- Current treasury position
- Prospects for interest rates
- Investment policy
- Creditworthiness policy
- Country, counterparty and group exposure limits
- Cash flow and core fund investment
- Medium and long term investment
- Year end investment report
- Policy on use of external service providers.

2 Statutory and regulatory requirements

2.1 The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the Chartered Institute of Public Finance (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

2.2 The Act requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy

which sets out the Council's policies for managing its investments and for giving priority to the **security** and **liquidity** of those investments.

2.3 The Ministry for Housing, Communities and Local Government (MHCLG) issued revised Statutory Guidance on Local Government Investments (2018 Edition). CIPFA also amended the Prudential Code for Capital Finance in Local Authorities (2017 Edition) and the Treasury Management in the Public Services: Code of Practice and Cross Sectorial Guidance Notes (2017 Edition). The MHCLG and CIPFA Codes came into effect on 1st April 2018.

2.4 Historically the scope of the statutory guidance and CIPFA codes was limited to the investment of an authority's cash surpluses and the management of borrowing undertaken to support its capital expenditure plans. The updated statutory guidance and codes broaden that scope to include expenditure on loans and the acquisition of non-financial assets (property) intended to generate a profit. The Council has not engaged in any commercial investments and has no material non-treasury investments.

2.5 The Council formally adopted the revised CIPFA Treasury Management Code of Practice (2017 Edition) on 30 October 2018. The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an Annual Treasury Management Strategy, including the Annual Investment Strategy, for the year ahead; a mid-year Review Report; and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of the Treasury Management Strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

2.6 The scheme of delegation and role of the Section 151 officer that give effect to these requirements are set out at **[Appendix 1]**.

3 Balanced budget requirement

3.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

4 Prudential and treasury indicators

4.1 It is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the 'Affordable Borrowing Limit'. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

4.2 The Council must have regard to the Prudential Code when setting the 'Authorised Limit', which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.

4.3 Whilst termed an 'Affordable Borrowing Limit', the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The 'Authorised Limit' is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

4.4 Prudential and Treasury Indicators relevant to setting an integrated treasury management strategy are set out in **[Appendix 2]**.

5 Borrowing requirement

5.1 Other than for cash flow purposes and then within the limits set out at **[Appendix 2]** borrowing will not be necessary. All capital expenditure in 2019/20 will be funded from the Revenue Reserve for Capital Schemes, grants, developer contributions and capital receipts arising from the sale of assets.

5.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

6 Current treasury position

6.1 The Council is debt free and as such the overall treasury position at 31 December 2018 comprised only investments which totaled £43m generating an average return of 0.91%. The Council also held £5m in externally managed property fund investments at 31 December which are expected to return 3.75% in the 2018/19 financial year and 4% in subsequent years.

6.2 The Council has no material non-treasury investments (e.g. directly owned commercial property, shares in subsidiaries or loans to third parties).

7 Prospects for interest rates

7.1 The Council has appointed Link Asset Services as treasury advisor to the Council and part of their service is to assist the Council to formulate a view on interest rates. **[Appendix 3]** draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. Link's expectation for the Bank Rate for the financial year ends (March) is:

- 2018/ 2019 0.75%
- 2019/ 2020 1.25%
- 2020/ 2021 1.50%
- 2021/ 2022 2.00%

7.2 The flow of generally positive economic data after the quarter ended 30 June 2018 led the Bank of England's Monetary Policy Committee (MPC) on 2 August to make the first increase in Bank Rate above 0.5% since the 2008 financial crash. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate ahead of the March Brexit deadline. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

7.3 The overall long run trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of an increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Federal Reserve (Fed) has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10 year Treasury bond yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

7.4 Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

7.5 From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

7.6 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

7.7 Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

7.8 Link's more detailed view of the current economic background is included at **[Appendix 4]**.

8 Investment policy

8.1 The Council's investment policy has regard to the MHCLG's Guidance on Local Government Investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Council's investment priorities will be security first, liquidity second, and then yield.

8.2 In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

8.3 Ratings are not 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 this end 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.

8.4 Other information sources used will include the financial press, share price and other information relating to the banking sector in order to establish a robust scrutiny process on the suitability of potential investment counterparties.

8.5 Investment instruments identified for use are listed in **[Appendix 5]** under 'specified' and 'non-specified' investment categories. Counterparty limits are detailed in section 10 below.

9 Creditworthiness policy

9.1 The creditworthiness service provided by Link has been progressively enhanced over the last few years and now uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings are supplemented using the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

9.2 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to inform the duration of an investment and are therefore referred to as durational bands. The Council is satisfied that this service now gives a much improved level of security for its investments.

9.3 The selection of counterparties with a high level of creditworthiness is achieved by selecting institutions down to a minimum durational band within Link's weekly credit list of potential counterparties (worldwide). Subject to an appropriate sovereign and counterparty rating the Council uses counterparties within the following durational bands:

Yellow/Pink	5 years
Purple	2 years
Blue	1 year (nationalised or part nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 Days

9.4 The Council does not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. Moody's tends to be more aggressive in giving low ratings than the other two agencies and adopting the CIPFA approach may leave the Council with too few banks on its approved lending list. The Link creditworthiness service uses a wider array of information than just primary ratings and in combination with a risk weighted scoring system undue preponderance is not given to any one agency's ratings.

9.5 All credit ratings are reviewed weekly and monitored on a daily basis. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- If a downgrade results in the counterparty no longer meeting the Council's minimum criteria its use for new investment is withdrawn immediately.

- In addition to the use of credit ratings the Council is advised of movements in Credit Default Swap data against the iTraxx benchmark and other market data on a daily basis. Extreme market movements may result in a scaling back of the duration assessment or removal from the Councils lending list altogether.

9.6 Sole reliance is not placed on the use of the Link service. In addition the Council uses market information including information on any external support for banks to assist the decision making process.

10 Country, counterparty and group exposure limits

10.1 The Council has determined that it will only use approved counterparties from the UK subject to a minimum sovereign credit rating of A- and from other countries subject to a minimum sovereign credit rating of AA-. The minimum will be the lowest rating determined by Fitch, Moody's and Standard and Poor's. The list of countries that qualify using this credit criteria as at the date of this report are shown in **[Appendix 6]**. The list will be amended in accordance with this policy should ratings change.

10.2 Avoidance of a concentration of investments in too few counterparties or countries is a key to effective diversification and in this regard the limits set out below are thought to achieve a prudent balance between risk and practicality.

Country, Counterparty and Group exposure	Maximum Proportion of Portfolio
UK regulated financial institutions subject to UK Sovereign rating of A- or higher and the institution limits detailed below.	100%
Non-UK regulated financial institutions as an amount per sovereign rated AA- or higher and subject to the institution limits detailed below.	20%
Group of related financial institutions.	20%
Each financial institution rated Fitch A-, F1 or higher (green excluding CDS using Link's credit methodology).	20%
Each UK nationalised or part nationalised bank rated Fitch BBB, F2 or higher (green excluding CDS using Link's credit methodology).	20%
Each AAA rated multilateral / supranational bank.	20%
Each AAA rated CNAV, LVNAV or VNAV money market fund.	20%

Each AAA rated enhanced cash fund / government liquidity fund / gilt fund subject to a maximum 20% exposure to all such funds.	10%
Non-specified investments over 1 year duration.	60%
Each non-rated property fund used for long term investment subject to a maximum £3m (20% of expected long term balances) per fund and across all such funds. No limit applies to new resources made available from, or in anticipation of, the sale of existing property assets or other windfalls.	N/A
Each non-rated diversified income (multi-asset) fund used for medium term investment subject to a maximum £3m (20% of expected long term balances) per fund and across all such funds.	N/A

10.3 Cash flow balances vary depending on the timing of receipts and payments during the month and from month to month. The investment limits identified in paragraph 10.2 will be based on an estimate of the expected average daily cash flow balance at the start of the financial year augmented by core cash and other balances.

11 Cash flow and core fund investment

11.1 Funds available for investment are split between cash flow and core cash. Cash flow funds are generated from the collection of council tax, business rates and other income streams. They are consumed during the financial year to meet payments to precepting authorities and government (NNDR contributions) and to meet service delivery costs (benefit payments, staff salaries and suppliers in general). The consumption of cash flow funds during the course of a financial year places a natural limit on the maximum duration of investments (up to one year). Core funds comprise monies set aside in the Council's revenue and capital reserves and are generally available to invest for durations in excess of one year.

11.2 **Cash flow investments**. The average daily cash flow balance throughout 2019/20 is expected to be £12m with a proportion available for longer than three months. Cash flow investments will be made with reference to cash flow requirements (liquidity) and the outlook for short-term interest rates i.e. rates for investments up to 12 months. Liquidity will be maintained by using bank deposit accounts and money markets funds. Where duration can be tolerated, additional yield will be generated by utilising term deposits with banks and building societies and enhanced cash funds. Cash balances available for more than 3

months may be transferred to the core fund portfolio if a better overall return for the Council can be achieved by doing so.

11.3 In compiling the Council's estimates for 2019/20 a return on cash flow investments of 0.93% has been assumed.

11.4 **Core fund investments**. Historically the Council's core funds have been managed by an external fund manager. All core funds were returned to the Council for in-house management during 2014/15. The core fund balance is diminishing as a proportion is consumed each year (approximately £2m per annum) to support the Council's revenue budget and capital expenditure plans. The average core fund balance during 2019/20 is expected to be £14m.

11.5 The Council will avoid locking into longer term deals while investment rates continue their current low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and are within the risk parameters set by the Council.

11.6 In compiling the Council's estimates for 2019/20 a return on core fund investments of 1.23% has been assumed. Subject to the credit quality and exposure limits outlined in paragraph 10.2, liquidity and yield will be achieved by a mix of investments using predominantly fixed term deposits and certificates of deposit. Notice accounts and enhanced cash funds will also be used if these offer favourable returns relative to term deposits.

12 Medium and long term investment.

12.1 The strategy includes provision (paragraph 10.2 and detailed in Appendix 5) to undertake medium term investment in diversified income (cash, bonds, equity and property) through an externally managed collective investment scheme (fund). Investment in such schemes typically implies a 5 year commitment to recoup entry and exit fees and mitigate the impact of a fall in the value of assets under management.

12.2 A detailed evaluation of the funds asset quality, market risk, redemption constraints, management and governance arrangements will be undertaken in advance of any investment taking place. Any sums invested will be reported at regular intervals with income received and changes in capital value separately identified.

12.3 The strategy includes provision (paragraph 10.2 and detailed in Appendix 5) to undertake long term investment in property through an

externally managed collective investment scheme (fund). Investment in such schemes typically implies a 10 year commitment to recoup entry and exit fees. To mitigate the risk that capital values may fall due to changes in economic activity, investment duration cannot be determined with certainty at the time the investment commences. As a consequence any cash balances applied to such an investment must be available for the long term and there must be flexibility over the timing of redemption(s) in the future. Sums invested will be reported at regular intervals with income received and changes in capital value separately identified.

13 Year end investment report

13.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

14 Policy on the use of external service providers

14.1 The Council uses Link Asset Services as its external treasury management advisors.

14.2 The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers.

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

January 2019

Appendices

1. Treasury management scheme of delegation
2. Prudential and treasury indicators
3. Interest rate forecasts
4. Economic background provided by Link Asset Services
5. Credit and counterparty risk management (TMP1)
6. Approved countries for investments

Appendix 1 Treasury management scheme of delegation

Full Council

- Budget approval.
- Approval of treasury management policy.
- Approval of the annual treasury management and investment strategy.
- Approval of amendments to the Council's adopted clauses, treasury management policy and annual treasury management and investment strategy.
- Approval of the treasury management outturn and mid-year reports.

Cabinet

- Budget consideration.
- Approval of the division of responsibilities.
- Approval of the selection of external service providers and agreeing terms of appointment.
- Acting on recommendations in connection with monitoring reports.

Audit Committee

- Reviewing the annual treasury management and investment strategy and making recommendations to Cabinet and Council.
- Receive reports on treasury activity at regular intervals during the year and making recommendations to Cabinet.
- Reviewing treasury management policy, practices and procedures and making recommendations to Cabinet and Council.

Finance, Innovation and Property Advisory Board

- Receiving budgetary control reports at regular intervals that include treasury management performance.

The S151 (responsible) officer

- 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.
- Prepare and maintain effective treasury management practices (TMPs).
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Preparation of a Capital Strategy and for ensuring the strategy is sustainable, affordable and prudent in the long term and that due diligence has been carried out on all investment and is in accordance with the risk appetite of the authority.

Appendix 2 Prudential and treasury indicators

The prudential indicators relating to capital expenditure cannot be set until the capital programme is finally determined and will as a consequence be reported as part of the Setting the Budget for 2019/20 report that is to be submitted to Cabinet on 14 February 2019.

The treasury management indicators are as set out in the table below:

TREASURY MANAGEMENT INDICATORS	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt :					
borrowing	Nil	5,000	5,000	5,000	5,000
other long term liabilities	Nil	Nil	Nil	Nil	Nil
TOTAL	Nil	5,000	5,000	5,000	5,000
Operational Boundary for external debt:-					
borrowing	Nil	2,000	2,000	2,000	2,000
other long term liabilities	Nil	Nil	Nil	Nil	Nil
TOTAL	Nil	2,000	2,000	2,000	2,000
Actual external debt	Nil	Nil	Nil	Nil	Nil
Upper limit for fixed interest rate exposure > 1 year at year end	Nil	It is anticipated that exposure will range between 0% to 60%			
Upper limit for variable rate exposure < 1 year at year end	13,434 (45.6%)	It is anticipated that exposure will range between 40% to 100%			
Upper limit for total principal sums invested for over 365 days at year end	3,000 (10.2%)	60% of funds			

Maturity structure of fixed rate borrowing during 2017/18 - 2021/22	upper limit	lower limit
under 12 months	100 %	0 %
Over 12 months	0 %	0 %

Appendix 3 Interest rate forecasts – December 2018

Bank Rate	Now	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**0.75%**	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%
Capital Economics	**0.75%**	0.75%	0.75%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	-

5yr PWLB Rate	Now	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**1.76%**	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
Capital Economics	**1.76%**	1.95%	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-

10yr PWLB Rate	Now	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**2.18%**	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%
Capital Economics	**2.18%**	2.30%	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-

25yr PWLB Rate	Now	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**2.80%**	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	**2.80%**	2.83%	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-

50yr PWLB Rate	Now	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**2.68%**	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	**2.68%**	2.65%	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-

Link Asset Services Interest Rate View	Now	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Bank Rate	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%
3 Month LIBID	0.68%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%
6 Month LIBID	0.78%	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%
12 Month LIBID	0.95%	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%

Appendix 4 Economic background provided by Link Asset Services

GLOBAL OUTLOOK. World growth has been buoyant aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is expected to follow a similar progression.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period has already started in the US, and more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories are vulnerable to a sharp downward correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, nor, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt. In addition, the European Central Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

UK. The flow of positive economic statistics since the end of the first quarter 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2; quarter 3 is expected to be robust at around +0.6% but quarter 4 is expected to weaken from that level.

At their November meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years' time but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor has held back some spare capacity to provide a further fiscal stimulus if needed.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring next year. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.4% in October. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's inflation report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the **labour market** figures in September**,** unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.2%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 0.8%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. In particular, wage rates were increasing at 3.1% y/y in October and heading higher due to unemployment falling to a 49 year low of 3.7%. With CPI inflation over the target rate of 2% and on a rising trend towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being the fourth increase in 2018. They also indicated that they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to the Fed having to start on cutting rates. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually

increasing the amount of monthly maturing debt that it has not been reinvesting.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation. The results of the mid-term elections are not expected to have a material effect on the economy.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards the end of 2019.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

INTEREST RATE FORECASTS. The interest rate forecasts provided by Link Asset Services in paragraph 7.1 are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU. In the event

of an orderly non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall. If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed for ten years since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- If **Brexit** were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England monetary policy** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.**
- Weak capitalisation of some **European banks**.
- **Political developments** in EU countries.
- Further increases in interest rates in the US could spark a **sudden flight of investment funds** from more risky assets e.g. shares, into bonds yielding a much improved yield. In October 2018, we have seen a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.

- There are concerns around the level of **US corporate debt** which has increased significantly during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to the lower end of investment grade. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected further rating downgrades will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks,** especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates:

- **Brexit** – if both sides were to agree a compromise that removed all threats of economic and political disruption.
- **The Fed causing a sudden shock in financial markets** through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Link Asset Services
December 2018

Appendix 5 Credit and counterparty risk management (TMP1)

All specified and non-specified Investments will be:

Subject to the sovereign, counterparty and group exposure limits identified in the Annual Investment Strategy (Section 10).

Subject to the duration limit suggested by Link (+6 months for UK financial institutions) at the time each investment is placed.

Subject to a maximum of 60% of funds being held in non-specified investments at any one time.

Sterling denominated.

Specified Investments (maturities up to 1 year):

investment	Minimum Credit Criteria
UK Debt Management Agency Deposit Facility	UK Sovereign A-
Term deposits - UK local authorities	UK Sovereign A-
Term deposits - UK nationalised and part nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding CDS
Term deposits – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 or Green excluding CDS
Certificates of deposit - UK nationalised and part nationalised banks	UK Sovereign A- Counterparty BBB, F2 or Green excluding CDS
Certificates of deposit – all other banks and building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1,or Green excluding CDS
UK Treasury Bills	UK Sovereign A-
UK Government Gilts	UK Sovereign A-
Bonds issued by multi-lateral development banks	AAA
Sovereign bond issues (other than the UK govt)	AAA
Money Market Funds (CNAV, LVNAV or VNAV)	AAA
Enhanced Cash and Government Liquidity Funds	AAA

Non-specified Investments (maturities in excess of 1 year and any maturity if not included above):

Investment	Minimum Credit Criteria	Max duration to maturity
Fixed term deposits with variable rate and variable maturities (structured deposits) - UK nationalised and part nationalised banks	UK Sovereign A-	2 years
Fixed term deposits with variable rate and variable maturities (structured deposits) - banks and building societies	UK sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Term deposits - local authorities	UK Sovereign A-	2 years
Term deposits - UK nationalised and part nationalised banks	UK Sovereign A-	2 years
Term deposits – banks, building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Certificates of deposit - UK nationalised and part nationalised banks	UK Sovereign A-	2 years
Certificates of deposit – banks and building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Commercial paper - UK nationalised and part nationalised banks	UK Sovereign A-	2 years
Commercial paper - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA-. Counterparty A-, F1 (Green)	2 years
Floating rate notes issued by multilateral development banks	AAA	5 years
Bonds issued by multilateral development banks	AAA	5 years
Sovereign bond issues (other than the UK Government)	AAA	5 years
UK Government Gilts	UK Sovereign A-	25% 5 years
Property Funds	N/A	N/A
Diversified Income Funds	N/A	N/A

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Appendix 6 Approved countries for investments

Each financial institution must meet the minimum credit criteria specified in the Annual Investment Strategy (Section 10). For non-UK regulated institutions the institutions sovereign must be rated AA- or higher by each of the three rating agencies - Fitch, Moody's and Standard and Poor's.

This list will be reviewed and amended if appropriate on a weekly basis by the Director of Finance and Transformation.

As of 31 December 2018 sovereigns meeting the above requirement which also (except for Hong Kong, Norway and Luxembourg) have banks operating in sterling markets with credit ratings of green or above on the Link Asset Services' Credit Worthiness List were:

AAA	Australia
	Canada
	Denmark
	Germany
	Luxembourg
	Netherlands
	Norway
	Singapore
	Sweden
	Switzerland
AA+	Finland
	USA
AA	Abu Dhabi (UAE)
	France
	Hong Kong
AA-	Belgium
	Qatar

At 31st December 2018 the UK received a credit rating of AA from each of Fitch, Moody's and Standard and Poor's.

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Item CB 19/5 referred from Cabinet minutes of 14 February 2019

CB 19/5 SETTING THE BUDGET 2019/20

Further to the reports to the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee earlier in the cycle, the joint report of the Chief Executive, Director of Finance and Transformation, the Leader and Cabinet Member for Finance, Innovation and Property updated the Cabinet on issues relating to the Medium Term Financial Strategy (MTFS) and gave details of the necessary procedure to be followed in order to set the budget for 2019/20. It also highlighted adjustments made to the Revenue Estimates presented to the Advisory Board and Committee and the suggested reviews of Disabled Facilities Grants, Public Health and Community Safety Partnerships.

The Director of Finance and Transformation explained that the final local government settlement had now been received and did not differ significantly from the multi-year settlement except for removal of the "negative RSG" payment for one year. She indicated that this contributed to the relatively positive position for Tonbridge and Malling together with the fact that the baseline for payment of New Homes Bonus would remain at 0.4%, and the Secretary of State's decision to maintain the threshold for triggering a referendum on council tax increase at the higher of 3% or £5. However, Members were advised that the settlement should be viewed in the context of a lack of information about future years' funding and impact on the funding gap which would have to be revisited in the light of the outcome of the 2019 Spending Review and Fair Funding Review. In addition, the Kent and Medway authorities' bid for the next pilot in respect of 75% business rates retention had failed despite the success of the previous pilot.

The report also suggested a mechanism for responding to two further consultation papers on the review of relative needs and resources and business rates retention reform published alongside the provisional settlement.

Attention was drawn to recommendations from Advisory Boards and the decision of the Licensing and Appeals Committee regarding the levels of fees and charges to be implemented from 1 April 2019 which had been incorporated in the draft estimates. Members were reminded of the approach to preparation of the Capital Plan, an updated summary of which was set out at Annex 7 to the report.

The report then described the remaining procedure to be followed in setting the budget for 2019/20 and calculating the council tax. For the purposes of updating the MTFS a council tax increase of around 3% in 2019/20 had been assumed, followed by an increase of £5 year on year thereafter. The Cabinet deliberated on the most appropriate guidance to offer the Council as to the way forward for updating the MTFS for the next ten year period and setting the council tax for 2019/20. Members were advised of details of special expenses for 2019/20.

An updated copy of the Savings and Transformation Strategy was presented, including revised outline targets and timescales to be revisited and aligned with the latest projected "funding gap". Finally, the Director of Finance and Transformation explained the basis on which the statement as to the Robustness of the Estimates and Adequacy

of the Reserves had been made, including an understanding that the required savings and transformation contributions based on latest projections of £550,000 would be delivered.

RECOMMENDED: That

(1) delegated authority be given to the Director of Finance and Transformation, in liaison with the Leader and Cabinet Member for Finance, Innovation and Property, to respond to the two further papers published alongside the provisional settlement, as supported by the Finance, Innovation and Property Advisory Board and detailed at paragraph 1.2.11 of the report.

(2) the Overview and Scrutiny Committee be asked to review the service areas Disabled Facilities Grants, Public Health and Community Safety Partnership, as detailed at paragraph 1.5.2 of the report;

(3) the fees and charges set out in Annex 2 to the report, as recommended by the appropriate Advisory Boards, be endorsed (see Decision Nos D19005CAB to D190013CAB);

(4) the Capital Plan be updated as set out in paragraph 1.7.15 to the report and adopted accordingly and the Scape Minor Works Framework, Kier Construction Limited, being the framework contractor, be used to procure the planned major programme of works at Larkfield Leisure Centre;

(5) the Capital Strategy as presented to the Finance, Innovation and Property Advisory Board on 9 January and the Overview and Scrutiny Committee on 22 January 2019 be endorsed and adopted by the Council;

(6) the prudential indicators listed in paragraphs 1.8.7 and 1.8.11 of the report be endorsed and adopted;

(7) for the financial year 2019/20 the Council's Minimum Revenue Provision, as set out at paragraph 1.8.14 of the report, be noted as nil;

(8) the proposed increase in the minimum General Revenue Reserve balance from £2.0m to £3.0m, as detailed at paragraph 1.10.5 of the report, be noted and endorsed;

(9) the updated Medium Term Financial Strategy, as set out at Annex 11a to the report, be noted and endorsed;

(10) the Council be recommended to approve a council tax increase of 2.99% or £6.08 per annum as the best way forward in updating the Medium Term Financial Strategy for the next ten-year period and setting the council tax for 2019/20;

(11) the updated Savings and Transformation Strategy detailed at Annex 11c to the report, including the proposed scale and timing of each of the required savings and transformation contributions set out at paragraph 1.11.6 of the report, be noted and endorsed;

(12) the special expenses calculated in accordance with the Special Expenses Scheme set out in Annex 14b to the report be endorsed; and

(13) the Statement provided by the Director of Finance and Transformation as to the Robustness of the Estimates and the Adequacy of the Reserves be noted and endorsed.
***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

14 February 2019

Report of the Chief Executive, Director of Finance and Transformation, Leader of the Council and Cabinet Member for Finance, Innovation and Property

1 SETTING THE BUDGET 2019/20

Further to reports to the meeting of the Finance, Innovation and Property Advisory Board and Overview and Scrutiny Committee earlier in the cycle, this report updates Cabinet on issues relating to the Medium Term Financial Strategy. It also takes Members through the necessary procedures in order to set the Budget for 2019/20.

1.1 Introduction and Foreword

1.1.1 At the Full Council meeting on 19 February, Members will determine both the Budget and the level of council tax for 2019/20. The detailed Estimates for 2019/20 prepared by your Officers have been carefully considered by the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee. Details are set out at paragraph 1.5 below.

1.1.2 Whilst the primary purpose of this report is for Cabinet to recommend the Budget and resultant level of council tax for 2019/20; as ever, this one year cannot be viewed in isolation. This budget sits within the context of our Medium Term Financial Strategy (MTFS) covering a ten-year period. Financial decisions made in respect of the year 2019/20 will have an impact across the MTFS and upon the required savings and transformation contributions the Council will need to achieve in order to 'balance its books' and we must not lose sight of the scale of this particular challenge.

1.1.3 The Localism Act requires a local authority to seek the approval of their electorate via a local referendum if it proposes to raise council tax above the threshold set by the Secretary of State. For the year 2019/20 a referendum will be triggered where council tax is increased by **3%, or more than 3% and more than £5**.

1.1.4 This time last year the MTFS assumed a council tax increase of £5 representing a 2.5% increase in council tax. For the purposes of preparing the budget papers and updating the MTFS an **increase of circa 3% in 2019/20** has been assumed followed by an **increase of £5 year on year** thereafter.

1.1.5 Attached at **[Annex 1a]** for Members' information is a copy of the Referendums Principles setting out the level of council tax increase for 2019/20 above which the local authority would be required to seek approval of their electorate via a local referendum.

1.1.6 Members will recall that when setting the budget for 2018/19 in February 2018 projections at that time suggested a funding gap between expenditure and income of circa £1 million. This 'gap' was translated into three savings and transformation contributions of £350,000, £350,000 and £300,000 to be achieved over three consecutive years commencing 2018/19.

1.1.7 The new waste services contract was expected to make a substantive contribution towards the funding gap which to all intents and purposes it has. However, for the avoidance of doubt and as was acknowledged at the Cabinet meeting in October, a not insignificant funding gap remains to be addressed over the period of the MTFS.

1.1.8 To date the savings and transformation contribution for 2018/19 is £650,000. However, as always, there are other factors that can impact on the MTFS that either takes the funding gap in the right or wrong direction. When these factors are taken into account the savings and transformation contribution is £450,000 and the **latest projected 'outstanding' funding gap £550,000**.

1.1.9 This report necessarily touches on a number of related areas (some of which are complex) that the Director of Finance and Transformation is required to draw to Members' attention in order to provide assurance and advice to aid decision making. The report is, therefore, broken down into sections dealing with the following areas:

- Local Government Finance Settlement
- Business Rates Retention Pilots
- 2019 Spending Review and Fair Funding Review
- Revenue Estimates 2019/20
- Fees and Charges
- Capital Plan
- Treasury Management and Annual Investment Strategy
- Consultation with Non-Domestic (Business) Ratepayers
- Medium Term Financial Strategy Update
- Savings and Transformation Strategy

- Collection Fund Adjustments
- Special Expenses and Parish Council Precepts
- Robustness of Estimates / Adequacy of Reserves
- Calculation of Borough Council's Tax Requirement

1.2 Local Government Finance Settlement

1.2.1 On 13 December 2018, the Secretary of State for the Ministry of Housing, Communities and Local Government, James Brokenshire MP, made a statement to Parliament on the provisional local government finance settlement for 2019/20. The provisional settlement was subsequently confirmed on 29 January 2019.

1.2.2 In 2016 the government offered any council that wished to take it up a multi-year settlement for the four year period 2016/17 to 2019/20. This Council accepted the offer of a multi-year settlement. The Settlement Funding Assessment (SFA) for 2019/20 is not that dissimilar to that set out in the multi-year settlement **except** for the removal of 'negative RSG' which the government is to meet from their share of business rates income. In our case 'negative RSG' in 2019/20 was circa £998,000 which we would otherwise had to pay over and as such is clearly welcome, **albeit it should be remembered this is a "one-off" adjustment**. Funding beyond 2019/20 **dependent** on the outcome of the 2019 Spending Review and the Fair Funding Review.

1.2.3 Our SFA for the year 2019/20 as shown in the table below is £2,264,850 (budget £1,265,000). This represents a cash decrease of £631,546 or 21.8% when compared to the equivalent figure of £2,896,396 in 2016/17.

New Homes Bonus

1.2.4 The baseline below which New Homes Bonus (NHB) will not be paid is to be held at 0.4% for the year 2019/20. The Council's NHB for the year 2019/20 as shown in the table below is £3,457,428 (budget £2,998,000). This represents a cash decrease of £390,452 or 10.1% when compared to the equivalent figure of £3,847,880 in 2016/17.

1.2.5 Beyond 2019/20, NHB will continue to fall as changes made to the scheme work their way through the system and the recent above average housing delivery falls out of the calculation. It is estimated that by 2023/24 NHB could be around £1.8m assuming no further changes are made to the scheme. This is a dramatic change to the sums we have so far enjoyed and where NHB remains at **risk indefinitely**. It is our ambition to restructure the MTFS so it is not as reliant on NHB or its replacement particularly when read in conjunction with the paragraph below.

1.2.6 Recent comments reported in local government press that the Treasury do not see NHB as having worked could well see its demise from 2020/21. However,

this seems to be in sharp contrast to the statement made by the Secretary of State for the Ministry of Housing, Communities and Local Government who said in his statement to the House that he was maintaining the NHB baseline at 0.4% in 2019/20 in order to ensure that the government continues to reward councils for delivering homes. We await developments in this regard.

Overall Grant Funding

1.2.7 Overall, grant funding including NHB for the year 2019/20 as shown in the table below is £5,722,278 (budget £4,263,000). This represents a cash decrease of £1,021,998 or 15.2% when compared to the equivalent figure of £6,744,276 in 2016/17.

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Local Share of Business Rates	2,106,525	2,149,532	2,214,110	2,264,850
Tariff Adjustment ('negative RSG')				
Revenue Support Grant	655,042			
Transition Grant	134,829	117,201		
Settlement Funding Assessment	**2,896,396**	**2,266,733**	**2,214,110**	**2,264,850**
Change over SR Period (£)				(631,546)
Change over SR Period (%)				-21.8%
New Homes Bonus	**3,847,880**	**3,490,134**	**3,334,128**	**3,457,428**
Change over SR Period (£)				(390,452)
Change over SR Period (£)				-10.1%
Overall Grant Funding	**6,744,276**	**5,756,867**	**5,548,238**	**5,722,278**
Change over SR Period (£)				(1,021,998)
Change over SR Period (%)				-15.2%

1.2.8 The government in recent years has referred to the increase / (decrease) in an authority's core spending power. Using 2015/16 as the base year the increase in core spending power over the spending review period calculated by the government in cash terms is £872,149 or 5.6%.

1.2.9 Of the twelve district councils in Kent Tonbridge & Malling Borough Council receives the lowest Settlement Funding Assessment both in total and per head. A comparison of our Settlement Funding Assessment with those of other Kent district councils is provided at **[Annex 1b]**.

1.2.10 Alongside the provisional settlement, the Secretary of State also published two further papers:

- "A review of local authorities' relative needs and resources" seeking views on the approach to measuring the relative needs and resources of local authorities, which will determine new baseline funding allocations for local authorities in England in 2020-21.

- "Business rates retention reform: consultation" seeking views on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system.

1.2.11 The return date for responses to both papers is 21 February 2019. In view of the timescales involved and the programming of meetings it was **recommended** via the Finance, Innovation and Property Advisory Board that delegated authority be given to the Director of Finance and Transformation in liaison with the Cabinet Member for Finance, Innovation and Property to respond as appropriate.

1.3 Business Rates Retention Pilots

1.3.1 Members will recall the Kent and Medway bid for pilot status in respect of 100% business rates retention for the year 2018/19 was successful and based on the estimates prepared during the bidding process the financial benefit for Kent as a whole could be circa £25m with the sum being divided into two discrete 'pots'. One for financial sustainability paid at individual council level, and the second for housing and commercial growth paid on a cluster basis.

1.3.2 Again, based on the estimates prepared during the bidding process, in terms of financial sustainability, a sum of circa £500,000 would come to Tonbridge and Malling in 2018/19 and an allocation of circa £1m to the West Kent Cluster (Sevenoaks, Tunbridge Wells and Tonbridge and Malling areas) towards supporting housing and commercial growth. As reported elsewhere, performance to date would suggest the sums set out above could be exceeded, potentially to around £800,000 in respect of financial sustainability and £1.5m in respect of the West Kent Cluster.

1.3.3 An application to pilot 75% business rates retention in 2019/20 was submitted in September 2018 following an invitation from the Secretary of State. 75% business rates retention pilots in 2019/20 have been approved in 15 areas, but regrettably on this occasion the Kent and Medway bid was unsuccessful. The Kent Finance Officers collectively sent a letter expressing disappointment with this decision, particularly given that the earlier successful bid had been badged as very strong.

1.4 2019 Spending Review and Fair Funding Review

1.4.1 Beyond 2019/20, the 2019 Spending Review will determine the overall funding envelope for local government over the Spending Review period, the Fair Funding Review detailing how that funding is shaken down to individual councils and, in turn, business rates baselines and baseline funding levels. How we will fair at the end of that process is extremely difficult to predict at this stage. As Members can

appreciate this period of 'limbo' does little to aid medium term financial planning and it will be some time before the outcome of the above process is known. As a result the year 2019/20 could be seen as a **holding year**.

1.5 Revenue Estimates 2019/20

1.5.1 As mentioned in the Foreword, the draft Revenue Estimates for 2019/20 were presented to the meetings of the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee earlier in the cycle. The role of the Advisory Board and of the Committee is to assist both the Cabinet and the Council in the development of its budget within the context of the Medium Term Financial Strategy and the Council's priorities. Whilst a number of questions were posed by Members at these meetings, the Revenue Estimates as presented were endorsed.

1.5.2 It was also agreed that the Overview and Scrutiny Committee be asked to review the service areas, Disabled Facilities Grants, Public Health and Community Safety Partnership over the coming months following growing unbudgeted cost pressures in each of these areas.

1.5.3 Adjustments made to the Revenue Estimates presented to the Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee are detailed in the table below. The Business Rates Retention Scheme Reserve adjustment is offset by increased business rates income shown 'below the line'.

	Revised Estimate 2018/19 £	**Original Estimate 2019/20 £**
Summary Total reported to Finance, Innovation and Property Advisory Board on 9 January 2019	13,505,250	13,226,600
Disabled Facilities Grants – Payments	58,000	
Disabled Facilities Grants – Grant Income	(58,000)	
Housing Benefits Administration Grant		13,400
Local Council Tax Support Administration Grant		(2,750)
Upper and Lower Medway Internal Drainage Boards		(11,400)
Community Safety Partnership		100
Salaries and On-costs		(59,750)
Car & Travelling Allowances		3,700
Tonbridge and Malling Leisure Trust Reserve		100,000
Business Rates Retention Scheme Reserve		383,100
Current Summary Total	**13,505,250**	**13,653,000**

1.6 Fees and Charges

1.6.1 During the course of this budget cycle Members have, via the appropriate Advisory Boards, made recommendations regarding the levels of fees and charges to be implemented.

1.6.2 Proposals in respect of fees and charges recommended via the appropriate Advisory Boards have been reflected in the Budget. A summary of these recommendations, together with the resolution of Licensing and Appeals Committee in respect of licensing fees is set out at **[Annex 2]**.

1.6.3 Cabinet is accordingly **RECOMMENDED** to endorse the fees and charges set out in **[Annex 2]** as recommended by the appropriate Advisory Boards.

1.7 Capital Plan

1.7.1 The Capital Plan Review process started at the Finance, Innovation and Property Advisory Board on 9 January followed by the Overview and Scrutiny Committee on 22 January.

1.7.2 Members' attention was drawn to the difficult financial climate and the impact this has on the ability of the Council to invest in capital schemes. It was, however, also acknowledged that some capital projects can have a beneficial effect on the revenue position by either generating additional or new income, or alternatively producing cost savings in due course.

1.7.3 Members were reminded of the criteria established to guide the inclusion of new schemes to List C (holding list of schemes not yet fully worked up) and ultimately the inclusion of schemes on List A (schemes assigned budget provision). The criteria are:

- to meet legislative requirements including health and safety obligations;
- funded from external resources; and
- reduce revenue expenditure and or generate income.

1.7.4 The subsequent recommendations where appropriate have regard to these criteria.

1.7.5 Capital expenditure is currently funded from the revenue reserve for capital schemes, grants from government and other bodies, developer contributions and from capital receipts derived from the sale of assets.

1.7.6 It is important to ensure that the revenue reserve for capital schemes can continue to fund capital expenditure at least until we reach a position where the annual contribution to the reserve matches the funding required for the replacement of existing assets (vehicles, plant and equipment) as well as recurring capital expenditure.

1.7.7 As a result there is an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance. The annual capital allowance is currently set at £200,000. In 2019/20 and for one year only the annual allowance is £525,000 returning to £200,000 over the remainder of the capital plan review period 2020/21 to 2024/25. It should be noted, based on current projections, that from 2025/26 the Council may need to borrow to fund such expenditure.

1.7.8 In addition, the Invest to Save Reserve or Transformation Reserve (made up of specific grants received from government in respect of revenues and benefits functions) could be used to fund in full or in part appropriate capital plan schemes.

1.7.9 The Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee endorsed the recommendations as detailed in the papers. For completeness additional government grant funding of £58,000 in 2018/19 in respect of Disabled Facilities Grants has been added to both the relevant expenditure and income budgets. The recommendations were:

1) Cabinet be asked to endorse the Capital Plan (List A) position as shown in Annex 1 of the Capital Plan Booklet summarised at **[Annex 3]**.

2) The schemes listed in **[Annex 4]** are added to List C or deleted from List C as detailed.

3) The schemes listed in **[Annex 5]** are selected for evaluation over the coming year. On this occasion, two new schemes have been recommended and for Fast-Track evaluation. In addition, there are four schemes selected for evaluation in a previous Review that are either on hold following evaluation, subject to further evaluation or yet to be evaluated as follows: Tonbridge Farm Sportsground – Provision of Toilets, Leybourne Lakes Country Park – Facility Improvements, River Medway – Riverside Lighting, Tonbridge and Financial Services Document Management Software.

4) The evaluated List C schemes are progressed in accordance with the recommendation shown in **[Annex 6]** and to use the Scape Minor Works Framework, Kier Construction Ltd. being the framework contractor, to procure the planned major programme of works at Larkfield Leisure Centre.

5) Cabinet be asked to endorse the Capital Strategy at Annex 4 (FIPAB agenda) for adoption by Council and publication on the Council's website.

1.7.10 The estimated annual revenue costs of the evaluated List C schemes are given in the table below. The amount and timing of any revenue impact depends on the profiling of the capital expenditure and the timing of any changes in activity levels which generate changes to running costs or income. It can be seen that if the schemes are progressed as recommended the estimated revenue consequences is £12,500 in 2019/20 and £25,000 in subsequent years.

Scheme	Capital Cost £	Revenue Impact	
		2019/20 £	2020/21 £
Air Quality Monitoring Equipment	20,000	2,400	4,800
Larkfield Leisure Centre – Pool Hall Roof	450,000	9,000	18,000
Tonbridge Racecourse Sportsground – Swimming Pool Bridge	120,000	1,100	2,200
Total	**590,000**	**12,500**	**25,000**

1.7.11 After taking into account funding available by way of developer contributions, the estimated capital cost exceeds the standard annual capital allowance of £200,000 by £325,000. This can be met from 2019/20 New Homes Bonus funding above that anticipated.

1.7.12 Members are also asked to note that the Larkfield Leisure Centre – Pool Hall Roof, if approved, will form part of a major programme of works in 2019/20 over a six month period at a cost estimate of circa £1.65m comprising the pool hall roof, ventilation refurbishment, boiler replacement and space frame painting. A very early estimate of the associated loss of income claim is circa £1.0m to be funded in large part from the removal of 'negative RSG' in 2019/20. The intention is to procure this work including the design elements through the Scape Minor Works Framework, Kier Construction Ltd. being the framework contractor. This is a national procurement framework which the public sector can utilise to deliver large schemes and which the Council has experience of using.

1.7.13 An updated summary of the Capital Plan incorporating the schemes listed in paragraph 1.7.10 is attached at **[Annex 7]**.

1.7.14 A funding statement based on **[Annex 7]** is attached at **[Annex 8]**. The main source of funding is the Revenue Reserve for Capital Schemes and the impact on the Revenue Reserve for Capital Schemes is illustrated in **[Annex 9]**.

1.7.15 Accordingly, it is **RECOMMENDED** that:

1) Cabinet approves the position of the existing Capital Plan (List A) as summarised at **[Annex 3]**.

2) Cabinet approves that the schemes listed in **[Annex 4]** are added to List C or deleted from List C as detailed.

3) Cabinet approves the selection of those schemes listed in **[Annex 5]** for evaluation over the coming year. On this occasion, two new schemes have been recommended and for Fast-Track evaluation.

4) Cabinet approves the transfer of schemes detailed in **[Annex 6]** to List A and to use the Scape Minor Works Framework, Kier Construction Ltd.

being the framework contractor, to procure the planned major programme of works at Larkfield Leisure Centre.

5) Cabinet approves the updated Capital Plan (List A) as summarised in **[Annex 7]**.

6) Cabinet endorse the Capital Strategy as presented to the Finance, Innovation and Property Advisory Board on 9 January and Overview and Scrutiny Committee on 22 January.

1.8 Treasury Management and Annual Investment Strategy

1.8.1 The Local Government Act 2003 and its subsidiary regulations set out the framework for the system of capital controls which applied from 1 April 2004 whereby local authorities must set their own borrowing limits with regard to affordability, prudence and sustainability. Underpinning this is a requirement to follow the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.8.2 The Prudential Code requires that the CIPFA Treasury Management Code of Practice is adopted and that a number of prudential indicators are set.

1.8.3 An updated Prudential Code and Treasury Management Code were published by CIPFA in December 2017. The focus of both updates is to ensure the risks associated with investment in 'non-financial assets which are held primarily for financial returns' are properly evaluated, reported, subject to scrutiny and managed over time.

1.8.4 Council adopted the December 2017 edition of the Codes in October 2018 and the requirements of the Codes have been taken into account and reflected as appropriate in the annual review and update of both the Capital Strategy and the Treasury Management and Annual Investment Strategy 2019/20.

1.8.5 The approval of the Treasury Management and Annual Investment Strategy and determination of the prudential indicators has to be made by Full Council, as do amendments to either the Strategy or indicators during the year.

1.8.6 The Prudential Code under the auspices of the Local Government Act 2003 and subsidiary regulations requires that a number of treasury management prudential indicators are set. These are set out below along with any discretionary – local (L) indicators used.

1) The capital financing requirement - the extent to which the authority needs to undertake external borrowing to support its capital programme.

2) The operational boundary for external debt.

3) The authorised limit for external debt.

4) The actual external debt.

5) The upper limit for fixed interest rate exposure.

6) The upper limit for variable rate exposure.

7) The upper limit for total principal sums invested for over 365 days.

8) The maturity structure for new fixed rate borrowing during 2019/20.

1.8.7 A summary of the indicators appears in the table below.

Treasury Management Prudential Indicators					
Prudential Indicator	**2017/18 Actual £'000**	**2018/19 Revised Estimate £'000**	**2019/20 Estimate £'000**	**2020/21 Estimate £'000**	**2021/22 Estimate £'000**
The capital financing requirement	NIL	NIL	NIL	NIL	NIL
The operational boundary for external debt	NIL	2,000	2,000	2,000	2,000
The authorised limit for external debt	NIL	5,000	5,000	5,000	5,000
Actual external debt	NIL	NIL	NIL	NIL	NIL
The upper limit for fixed interest rate exposure >1 year at year end	NIL	It is anticipated that the net exposure will range between 0% to 60%			
The upper limit for variable rate exposure < 1 year at year end	13,434 45.6%	It is anticipated that the net exposure will range between 40% to 100%			
The upper limit for total principal sums invested for over 365 days at year end	3,000 10.2%	60% of funds			
The maturity structure for new fixed rate borrowing during 2019/20		Upper Limit		Lower Limit	
Under 12 months		100%		NIL	
Over 12 months		NIL		NIL	

1.8.8 The capital financing requirement measures the amount of external borrowing that the Council expects to have to undertake in support of its capital programme. A nil figure indicates that no borrowing is required. As this Council is debt free and does not expect to have to borrow to support its capital programme over the period covered, this indicator is nil.

1.8.9 The operational boundary is designed to cover all day to day borrowing requirements. As this Council is debt free, borrowing is only undertaken on a short-term basis to cover cash flow management. Experience suggests that an operational boundary of £2.0m will be sufficient to cover all likely contingencies.

1.8.10 The authorised limit is intended to provide a degree of headroom above the operational boundary to cover unexpected and unusual borrowing requirements. A limit of £5.0m is estimated to be sufficient to cover such eventualities.

1.8.11 The other prudential indicators we are required or choose to set are shown in the table below.

Prudential Indicators

1.	Ratio of actual and estimated financing costs to the net revenue stream		(Interest payable with respect to borrowing less interest and investment income) ÷ (government grants plus call on local taxpayers) x 100%.					
2017/18 actual -2.46%	2018/19 estimated -3.31%	2019/20 estimated -3.41%	2020/21 estimated -5.02%	2021/22 estimated -6.27%	2022/23 estimated -6.74%	2023/24 estimated -7.07%	2024/25 estimated -7.41%	
2.	Estimates of the incremental impact of capital investment decisions on the council tax (L)		The revenue impact of capital schemes added to the capital plan on the council tax Band D equivalent. The figures below show the estimated effect on the Borough Council's Band D equivalent of the addition of List B schemes to list A. A more detailed version of this indicator appears in **[Annex 10]**.					
Total		2019/20 estimated £ 0.25	2020/21 estimated £ 0.24	2021/22 estimated £ 0.00	2022/23 estimated £ 0.00	2023/24 estimated £ 0.00	2024/25 estimated £ 0.00	
3.	Actual and estimated capital expenditure		This indicator is based on the updated capital plan position. The figures are based on those shown in **[Annex 8]**.					
2017/18 actual £'000 1,834	2018/19 estimated £'000 4,294	2019/20 estimated £'000 5,366	2020/21 estimated £'000 1,573	2021/22 estimated £'000 1,781	2022/23 estimated £'000 1,760	2023/24 estimated £'000 2,571	2024/25 estimated £'000 1,847	

1.8.12 We, therefore, **RECOMMEND** that for the financial year 2019/20 the prudential indicators listed in paragraphs 1.8.7 and 1.8.11 be recommended to Council for adoption.

1.8.13 A local authority has a statutory duty to *"determine for the current financial year an amount of minimum revenue provision that it considers to be prudent*" in relation to its capital expenditure. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years so as to try and match the years over which such assets benefit the local community through their useful life.

1.8.14 The spreading of these costs is through what is termed an *annual minimum revenue provision*. As the Council is debt free and, at least in the short term, does not expect to borrow to support its capital programme the minimum revenue

provision is nil. Guidance issued by the Government also recommends that a Minimum Revenue Provision Policy Statement be prepared. We propose to prepare such a Statement at a time when our capital expenditure plans cannot be met without recourse to borrowing. Based on current estimates, this is not anticipated to be before 2025/26.

1.8.15 Members are asked to **Note** that for the financial year 2019/20 our Minimum Revenue Provision is nil.

1.9 Consultation with Non-Domestic (Business) Ratepayers

1.9.1 Representatives of the Council's Non-Domestic Ratepayers have been consulted in respect of the draft revenue budget and capital plan. The consultees, who include the local Chambers of Commerce as well as a group of the larger ratepayers in the Borough receive on request information and copies of the draft budgets and are invited to make written representations if they deem it appropriate. The deadline given for responses was 18 January 2019. ***Cabinet is advised that no comments have been received***.

1.10 Medium Term Financial Strategy Update

1.10.1 To recap, the Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets over a rolling ten-year period, and it is this Strategy that underpins the budget setting process for the forthcoming year and over the strategy period. The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities.

1.10.2 The Strategy also sets out, based on current financial information, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans. Underneath the Strategy for the budget setting year sits detailed estimates formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures.

1.10.3 Members are fully aware of the significant financial challenge faced by the Council as a result of the Government's ongoing budget deficit reduction programme which has resulted in reductions in the financial support it can offer to local government. We believe, however, that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but this is becoming progressively more difficult.

1.10.4 The MTFS sets out the high level objectives the Council wishes to fulfil over the agreed time span and are currently:

- To achieve a **balanced revenue budget** that delivers the Council's priorities by the end of the strategy period.

- To retain a **minimum of £2.0m** in the General Revenue Reserve by the end of the strategy period.

- Seek to set future increases in council tax having regard to the **guidelines** issued by the Secretary of State.

- Continue to **identify efficiency savings and opportunities for new or additional income sources** and to **seek appropriate reductions in service costs** in delivery of the Savings and Transformation Strategy (STS) approved by Members.

- Subject to there being sufficient resources within the capital reserve, set a **maximum 'annual capital allowance'** each year as part of the budget setting process for all new capital schemes (currently set at £200,000 from the Council's own resources) and give priority to those schemes that generate income or reduce costs.

1.10.5 As mentioned in the report to Cabinet on 10 October 2018, it is proposed that the minimum General Revenue Reserve balance **be increased from £2.0m to £3.0m** to recognise the continuing uncertainty and volatility surrounding local government finances with the increased risk of significant variances compared to projections; and the consequent implications on the level of reserves held.

1.10.6 The budget for 2019/20 is, naturally, the starting point for updating the MTFS. Referring to paragraph 1.5.3, Members will note that the Summary Total for the 2018/19 Revised Estimates is £13,505,250; and for the 2019/20 Estimates is £13,653,000 and is used in the budget projections in the Medium Term Financial Strategy at **[Annex 11a]**.

1.10.7 When updating the MTFS we need to take into account the following (not exclusive) factors:

Local Government Finance Settlement plus New Homes Bonus

1.10.8 The Local Government Finance Settlement for 2019/20 is not that dissimilar to that set out in the multi-year settlement **except** for the removal of 'negative RSG' which the government is to meet from their share of business rates income. In our case 'negative RSG' in 2019/20 was circa £998,000 which we would otherwise had to pay over and as such is clearly welcome, **albeit it should be remembered this is a one-off adjustment**. Funding beyond 2019/20 **dependent** on the outcome of the 2019 Spending Review and the Fair Funding Review.

1.10.9 The baseline below which New Homes Bonus (NHB) will not be paid is to be held at 0.4% for the year 2019/20 giving NHB of circa £3,457,000 (budget £2,998,000). Beyond 2019/20, NHB will continue to fall as changes made to the scheme work their way through the system and the recent above average housing delivery falls out of the calculation. It is estimated that by 2023/24 NHB could be around £1.8m assuming no further changes are made to the scheme. This is a dramatic change

to the sums we have so far enjoyed and where NHB remains at **risk indefinitely**. It is our ambition to restructure the MTFS so it is not as reliant on NHB or its replacement particularly when read in conjunction with the paragraph below.

1.10.10 As mentioned at paragraph 1.2.6, recent comments reported in local government press that the Treasury do not see NHB as having worked could well see its demise from 2020/21; although in contrast the Secretary of State has sought to 'protect' NHB in 2019/20.

1.10.11 For medium term financial planning purposes we have assumed there will continue to be some form of performance funding if NHB was withdrawn, but on a much reduced scale than that received in recent years via NHB.

Business Rates Retention Scheme

1.10.12 The ongoing impact of the Business Rates Retention Scheme and the proposal to move to an 'interim' 75% Retention Scheme in 2020/21 and an 'eventual' 100% Retention Scheme.

1.10.13 Members will recall the Kent and Medway bid for **pilot status** in respect of 100% business rates retention for the year 2018/19 was successful. Based on the estimates prepared during the bidding process, in terms of financial sustainability, a sum of circa £500,000 would come to Tonbridge and Malling in 2018/19 and an allocation of circa £1m to the West Kent Cluster (Sevenoaks, Tunbridge Wells and Tonbridge and Malling areas) towards supporting housing and commercial growth. Performance to date would suggest the sums set out above should be received, if not exceeded.

1.10.14 Beyond 2019/20, however, the **question remains** as to what will our business rates baseline and baseline funding level be under an 'interim' 75% and 'eventual' 100% Business Rates Retention Scheme and how this then compares to that reflected in the MTFS taking into account transfer of any new responsibilities?

Council Tax Referendum Principles

1.10.15 The MTFS sets out, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans.

1.10.16 For the year 2019/20, a referendum will be triggered where council tax is increased by **3%, or more than 3% and more than £5**. This time last year the MTFS assumed a council tax increase of £5 representing a 2.5% increase in council tax.

1.10.17 For the purposes of preparing the budget papers and updating the MTFS an **increase of circa 3% in 2019/20** has been assumed followed by an **increase of £5 year on year** thereafter.

2019 Spending Review and Fair Funding Review

1.10.18 Beyond 2019/20, the 2019 Spending Review will determine the overall funding envelope for local government over the Spending Review period, the Fair Funding Review detailing how that funding is shaken down to individual councils and, in turn, business rates baselines and baseline funding levels How we will fair at the end of that process is extremely difficult to predict at this stage. As Members can appreciate this period of 'limbo' does little to aid medium term financial planning and it will be some time before the outcome of the above process is known. As a result the year 2019/20 could be seen as a **holding year**.

1.10.19 Notwithstanding that, we still need to plan ahead as best we can.

1.10.20 For medium term financial planning purposes, from 2020/21, it is assumed that **overall grant funding** whether that be baseline funding level, some element of growth performance, NHB or its replacement **will add up to around £2.4m**. For comparative purposes in 2010/11 overall grant funding was on or around £6.6m.

1.10.21 This is different to the £2.6m reported to Cabinet in October – Why? Despite statements regarding an end in sight for austerity, the Chancellor's Budget in late October did nothing to suggest an 'easing' in the financial pressures to be faced over the medium term by district councils.

1.10.22 Clearly, if our overall grant funding is less than we had hoped (impact of 'negative RSG' remains, NHB is withdrawn and not replaced) the funding gap will be higher than that assumed. On the other hand, if our overall grant funding is more than we had hoped the funding gap will be lower than that assumed. To put this into context an outcome could be a funding gap of say £2.0m or no funding gap further underlining the risk of significant variances compared to projections.

1.10.23 If overall grant funding is in excess of £2.4m which at least in the early years we hope it could be, sums over and above this amount could be used to establish a **'stabilisation reserve'** going forward to assist in meeting future saving and transformation contributions and or help manage risk. This will need to be revisited following the outcome of the 2019 Spending Review and Fair Funding Review.

Waste Services Contract

1.10.24 The outcome of the recent retendering of the waste services contract has caused us to consider the approach to take during and beyond the initial 8 year contract period.

1.10.25 For medium term financial planning purposes it is assumed the inflationary increase in the contract sum over and above CPI is negated by a gradual increase in both the charge and the take-up of the garden waste service; and any potential above inflationary uplift in year 9 is no more than 10%. It should also be noted that the inter-authority agreement with Kent County Council is subject to review

beyond the initial 8 year contract period and it is assumed that this will continue in its current form beyond that date.

1.10.26 **[Annex 11a]** sets out the picture for the MTFS.

1.11 Savings and Transformation Strategy

1.11.1 Alongside the MTFS sits a Savings and Transformation Strategy (STS). The purpose of the Strategy is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale.

1.11.2 A number of key themes have been identified, together with outline targets and timescales which need to be revisited and aligned with the latest projected funding gap.

Savings and Transformation Contributions

1.11.3 To recap, this year's savings and transformation contribution was set at £350,000 and the sum identified to date is **in the order of £650,000** when looking across the ten-year period of the MTFS. **However**, as always there are other factors that can impact on the MTFS which either take the funding gap in the right or wrong direction. When these factors are taken into account the net savings and transformation contribution is **in the order of £450,000** as summarised in the table below.

1.11.4 Factors that have contributed towards meeting this year's contribution most notably includes the new waste services contract (including introducing a charge for garden waste) and assumed uplift in the increase in the tax base year on year. Factors that have taken the funding gap in the 'wrong' direction include extending an increase in council tax of £5 each year to the end of the MTFS period, government grant support and widening shortfall between housing benefit payments and subsidy in the case of supported accommodation.

	£'000
Savings and Transformation Contributions Identified to Date	650
Other Factors Impacting on MTFS	(200)
Net Savings and Transformation Contribution	**450**

1.11.5 This time last year the projected funding gap was circa £1m and a year on, all other things being equal, was expected to be £650,000. **The latest projected**

'outstanding' funding gap is £550,000 (£1,000,000 - £450,000) which is to be commended.

1.11.6 As in previous iterations of the MTFS the latest projected 'outstanding' funding gap can be broken down into tranches. The proposed scale and timing of each of the required savings and transformation contributions is given below.

1) Tranche 1 - £100,000 to be achieved by April 2020.

2) Tranche 2 - £400,000 to be achieved by April 2024.

3) Tranche 3 - £50,000 to be achieved by April 2028.

1.11.7 Before turning to the updated STS, it is worth reflecting on the cumulative savings that have been achieved since the inception of the Strategy in 2016. **[Annex 11b]** sets out the individual savings achieved in each year, by theme and summarised below.

Theme	**Savings and Transformation Contributions**				
	By April 2016	**By April 2017**	**By April 2018**	**By April 2019**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Income Generation & Cost Recovery	60	146	88	0	294
In-Service Efficiencies	200	77	50	0	327
Service Change & Reduction	0	100	3	65	168
Contracts	0	0	200	585	785
Organisation Structure Change	15	129	119	0	263
Partnership Funding	0	431	0	0	431
Asset Management	0	0	186	0	186
Total	**275**	**883**	**646**	**650**	**2,454**

1.11.8 An updated copy of the STS, recommended by Management Team, including revised outline targets and timescales for each of the themes totalling £550,000 can be found at **[Annex 11c]**.

It is probably worth reiterating that 2019/20 could be seen as a **'holding'** year as we await the outcome of the 2019 Spending Review and Fair Funding Review. How we will fair at the end of that process compared to that assumed an important piece of the jigsaw. The Director of Finance and Transformation is keen to stress (as mentioned at paragraph 1.10.22) that depending on the outcome and what happens to NHB further (potentially significant) savings could be required.

1.11.9 Cabinet is **RECOMMENDED** to:

1) Note and endorse the proposed increase in the minimum General Revenue Reserve balance from £2.0m to £3.0m as detailed at paragraph 1.10.5.

2) Note and endorse the updated MTFS **[Annex 11a]**.

3) Give guidance to Full Council as to the best way forward in updating the MTFS for the next ten-year period, and setting the council tax for 2019/20.

4) Note and endorse the updated STS **[Annex 11c]** including the proposed scale and timing of each of the required savings and transformation contributions set out at paragraph 1.11.6.

1.11.10 Turning back to the specific budget year 2019/20. The budget for 2019/20 includes a contribution **to** the general revenue reserve of £450,600 and a Summary of the Revenue Estimates Booklet is attached at **[Annex 12]**.

1.12 Collection Fund Adjustments

1.12.1 As the billing authority for the area, this Council has responsibility for maintaining the 'collection fund' accounts into which council tax and business rates are paid.

1.12.2 Each year before we can finalise our calculations in respect of the tax requirements, we have to:

- Estimate the surplus / deficit on the collection fund for 2018/19 in respect of council tax and then share this between the major precepting authorities (including ourselves).

- Estimate the surplus / deficit on the collection fund for 2018/19 in respect of business rates and then share this between the relevant parties in accordance with the business rates retention scheme.

1.12.3 These are known as collection fund adjustments:

- The **surplus** on the collection fund for 2018/19 in respect of council tax is estimated to be £1,048,521. Our share, to be reflected in the 2019/20 Estimates is £156,020 **[Annex 13a]**.

- The **surplus** on the collection fund for 2018/19 in respect of business rates is estimated to be £2,172,722. Our share, to be reflected in the 2019/20 Estimates is £869,089 **[Annex 13b]**. The surplus is largely attributable to a reduction in the appeals provision following a reassessment of the sum required to be set aside for this purpose. This is separate to the sums to be received in 2018/19 under the Kent and Medway 100% Business Rates Retention Pilot and reflected in that year.

1.13 Special Expenses and Parish Council Precepts

1.13.1 A Special Expenses Scheme was introduced on the 1 April 2017 **[Annex 14a]**.

1.13.2 Details of the Special Expenses for 2019/20 are set out at **[Annex 14b]**. The basic amount of council tax of £192.75 plus the special expenses Band D charge, where applicable, gives the total Borough Council Band D charge for that area.

1.13.3 When publishing the Borough Council's level of council tax at Band D for "official" purposes in accordance with the prescribed methodology from the Ministry for Housing, Communities and Local Government (MHCLG), we are required to aggregate all expenditure (as if special expenses did not exist) and calculate a ***notional*** Band D figure. (This is so that the MHCLG can see that the referendum principles have been adhered to).

1.13.4 The resultant published (notional) council tax at Band D for 2019/20 is £209.50, being £6.08 or 2.99% higher than the published Band D council tax for 2018/19. As Members will note, no resident will actually pay this exact amount as the Borough Council's Band D – unless it is by coincidence.

1.13.5 Cabinet is requested to **ENDORSE** the special expenses calculated in accordance with the Special Expenses Scheme and set out in **[Annex 14b]**.

1.13.6 Details of Parish Council precepts notified to the Borough Council are given at **[Annex 15]**.

1.14 Robustness of Estimates / Adequacy of Reserves

1.14.1 The Council is required to have regard to the level of its balances and reserves before determining its council tax requirement. **[Annex 16]** sets out the projected general fund and general revenue reserve balances based on an increase of £6.08 to the notional council tax level.

1.14.2 The Local Government Act 2003 requires the Chief Financial Officer (in our case the Director of Finance and Transformation) to report to an authority, when making the statutory calculations required to determine its council tax, on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

1.14.3 What is required is the professional advice of the Director of Finance and Transformation on these two questions. This responsibility is discharged by way of a certified Statement.

1.14.4 The Director of Finance and Transformation advises that she is satisfied as to the Robustness of the Estimates and the Adequacy of Reserves on the understanding that the **required savings and transformation contributions based on latest projections of £550,000 is delivered in the timeframe assumed in the Medium Term Financial Strategy**.

1.14.5 The Statement referred to above is appended at **[Annex 17a]**. Members will note that overall the Director of Finance and Transformation signifies that, in her professional opinion, the estimates are robust and the level of reserves adequate.

1.14.6 A schedule of the reserves held by the Council at 1 April 2018 and proposed utilisation of those reserves to 31 March 2020 is provided at **[Annex 17b]**. As this Council's Chief Finance Officer, the Director of Finance and Transformation has undertaken a review of the earmarked reserves held and is satisfied as to the position depicted and will revisit the position as part of the closedown process for 2018/19.

1.14.7 In addition, the Financial Resilience Index 2018 produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) aims to provide a tool with a group of indicators able to illustrate the trajectory of an authority's financial position within the context of each authority's own comparator tier or nearest neighbours group. CIPFA has designed the index to provide reassurance and prompt challenge where it may be needed.

1.14.8 There are no particular concerns from a review of the Financial Resilience Index 2018 for this Council to draw to Members attention at this time. A copy of the Index (tier comparator) is attached at **[Annex 17c]** for information.

1.14.9 Members are **RECOMMENDED** to note and endorse the Statement provided by the Director of Finance and Transformation.

1.15 Calculation of Borough Council's Tax Requirement

1.15.1 The Council is required to calculate:

- Its aggregate expenditure which, for this purpose, includes our share of any Collection Fund deficit and the Parish Council precepts.
- Its aggregate income which, for this purpose, includes our share of any Collection Fund surplus and the Local Government Finance Settlement (see paragraph 1.2).
- The amount by which the aggregate expenditure exceeds the aggregate income is to be its council tax requirement for the year.

1.15.2 Assuming Cabinet's concurrence with the recommendations set out in paragraph 1.11.9, the calculation is set out at **[Annex 18]**. It should be noted that, for this purpose, the Borough Council's council tax requirement includes the Parish Council precepts.

1.16 Legal Implications

1.16.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.

1.16.2 The Localism Act gives local communities the power to veto excessive council tax increases. The Secretary of State will determine a limit for council tax increases which has to be approved by the House of Commons. If an authority proposes to

raise council tax above this limit they will have to hold a referendum to get approval for this from local voters who will be asked to approve or veto the rise.

1.17 Financial and Value for Money Considerations

1.17.1 The 2019/20 local government finance settlement is relatively positive for TMBC, which is welcome news. However, as I have said, this is a standalone "holding year" and two key questions remain. Firstly, what will our business rates baseline and baseline funding level be under an 'interim' 75% and 'eventual' 100% Business Rates Retention scheme, and how will this compare to that reflected in the MTFS taking into account transfer of any new responsibilities? Secondly, what is the extent to which NHB will feature in future government grant funding and if replaced what level of funding would we receive in its place?

1.17.2 Beyond 2019/20, the 2019 Spending Review will determine the overall funding envelope for local government, the Fair Funding Review detailing how that funding is shaken down to individual councils and, in turn, business rates baselines and baseline funding levels. How we will fair at the end of that process is extremely difficult to predict at this stage. It is worth repeating that this does little to aid medium term financial planning and it will be some time before the outcome of the above process is known.

1.17.3 Furthermore, the impact of current economic conditions on Council finances / financial assumptions in respect of inflation, interest rates, income levels, etc. and the scale of the impact over the medium term is uncertain and difficult to determine.

1.17.4 The Capital Strategy outlines a capital plan process which follows the CIPFA Prudential Code and in addition to supporting the achievement of the Council's priorities and corporate objectives, focuses on value for money.

1.18 Risk Assessment

1.18.1 The Local Government Act 2003 requires the Chief Financial Officer, when calculating the Council Tax Requirement, to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. Consideration will and is given to the risks associated with any budget setting process where various financial and other assumptions have to be made. To mitigate the risks detailed estimates are formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures and external advice on assumptions obtained where appropriate.

1.18.2 The Medium Term Financial Strategy sets out the high level financial objectives the Council wishes to fulfil and underpins the budget setting process for the forthcoming year and over the Strategy period. As the Council's high level financial planning tool the Strategy needs to be reviewed and updated at least annually and in the current climate the Savings and Transformation Strategy

regularly reviewed by Management Team. In addition, not identifying and implementing the requisite savings and transformation contributions will put at risk the integrity of the MTFS.

1.18.3 The continuing uncertainty and volatility surrounding local government finances and more recently Brexit make financial planning that more difficult with the increased risk of significant variances compared to projections; and the consequent implications on the level of reserves held.

1.18.4 The projected figures for New Homes Bonus or its replacement are at risk of further revision downwards which would, in turn, increase the required savings and transformation contributions.

1.18.5 The Inter Authority Agreement with KCC as part of the Waste Services Contract may not be extended beyond the initial 8 year period of the contract, albeit this is considered unlikely. The Waste Services Contract also may not be extended beyond the initial 8 year contract period which could then have an adverse financial impact in years 9 and 10 of the Medium Term Financial Strategy dependent on the resulting financial consequences.

1.18.6 Members are reminded that there are factors not reflected in the MTFS, e.g. the cost of borrowing for new capital plan schemes when and if required.

1.18.7 Failure to endorse a satisfactory Capital Strategy may lead to a capital programme which does not fully support the Council's priorities and corporate objectives.

1.18.8 Any increase in council tax above the relevant threshold, even by a fraction of a percentage point, would require a referendum to be held.

1.19 Equality Impact Assessment

1.19.1 Where there is a perceived impact on end users an equality impact assessment has been carried out and as further savings and transformation options emerge, further equality impact assessments will need to be carried out as appropriate.

1.20 Summary of Recommendations

1.20.1 Cabinet is **RECOMMENDED** to:

1) Endorse that delegated authority be given to the Director of Finance and Transformation in liaison with the Cabinet Member for Finance, Innovation and Property to respond to the two further papers published alongside the provisional settlement as supported by the Finance, Innovation and Property Advisory Board and detailed at paragraph 1.2.11.

2) Endorse that the Overview and Scrutiny Committee be asked to review the service areas, Disabled Facilities Grants, Public Health and Community Safety Partnership, as detailed at paragraph 1.5.2.

3) Endorse the fees and charges set out in **[Annex 2]** as recommended by the appropriate Advisory Boards.

4) Update the Capital Plan as set out in paragraph 1.7.15 and recommend that Council adopt the Capital Plan accordingly and to use the Scape Minor Works Framework, Kier Construction Ltd. being the framework contractor, to procure the planned major programme of works at Larkfield Leisure Centre.

5) Endorse the Capital Strategy as presented to the Finance, Innovation and Property Advisory Board on 9 January and the Overview and Scrutiny Committee on 22 January and recommend to Council it be adopted.

6) Endorse the prudential indicators listed in paragraphs 1.8.7 and 1.8.11 and recommend to Council that they be adopted.

7) Note that for the financial year 2019/20 the Council's Minimum Revenue Provision as set out at paragraph 1.8.14 is nil.

8) Note and endorse the proposed increase in the minimum General Revenue Reserve balance from £2.0m to £3.0m as detailed at paragraph 1.10.5.

9) Note and endorse the updated MTFS **[Annex 11a]**.

10) Give guidance to Full Council as to the best way forward in updating the MTFS for the next ten-year period, and setting the council tax for 2019/20.

11) Note and endorse the updated STS **[Annex 11c]** including the proposed scale and timing of each of the required savings and transformation contributions set out at paragraph 1.11.6.

12) Endorse the special expenses calculated in accordance with the Special Expenses Scheme and set out in **[Annex 14b]**.

13) Note and endorse the Statement provided by the Director of Finance and Transformation as to the Robustness of the Estimates and the Adequacy of the Reserves.

contact: Sharon Shelton
Neil Lawley

Nil

Julie Beilby Chief Executive	Sharon Shelton Director of Finance and Transformation
Nicolas Heslop Leader of the Council	Martin Coffin Cabinet Member for Finance, Innovation and Property and Deputy Executive Leader

The Referendums Relating to Council Tax Increases (Principles) (England) Report 2019/20

HC 1918

The Referendums Relating to Council Tax Increases (Principles) (England) Report 2019/20

Presented to the House of Commons pursuant to section 52ZD(1) of the Local Government Finance Act 1992 as inserted by Schedule 5 to the Localism Act 2011

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The Referendums Relating to Council Tax Increases (Principles) (England) Report 2019/20

Legislative background

General

1. Under section 52ZB(**a**) of the Local Government Finance Act 1992 ("the 1992 Act") each billing authority and precepting authority must determine whether its relevant basic amount of council tax(**b**) for a financial year ("the year under consideration") is excessive. In essence, the relevant basic amount of council tax for an authority is that authority's average band D council tax, excluding local precepts. If an authority's relevant basic amount of council tax is excessive a referendum must be held in relation to that amount.

2. Under section 52ZC(**c**) of the 1992 Act the question of whether an authority's relevant basic amount of council tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State. A set of principles —

    - may contain one principle or two or more principles, and

    - must constitute or include a comparison between the authority's relevant basic amount of council tax for the year under consideration and its relevant basic amount of council tax for the financial year immediately preceding the year under consideration(**d**).

3. In setting principles for the year under consideration the Secretary of State may determine categories of authority. If the Secretary of State does so the same principles must be determined for all authorities falling within the same category and if an authority does not fall within any of the categories its relevant basic amount of council tax is not capable of being excessive for the year under consideration(**e**).

4. If the Secretary of State does not determine categories of authority for the year under consideration, any principles determined for the year must be such that the same set is determined for all authorities(**f**).

5. The principles for a financial year must be set out in a report which must be laid before and approved by the House of Commons. If the report for a financial year is not approved on or before the date on

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a Section 52ZB was inserted into the 1992 Act by Schedule 5 to the Localism Act 2011.
b The term "relevant basic amount of council tax" is defined in section 52ZX of the 1992 Act (inserted as above and amended by section 41(1) and (9) to (13) of the Local Audit and Accountability Act 2014 and is modified by S.I. 2017/611).
c Section 52ZC was inserted into the 1992 Act by Schedule 5 to the Localism Act 2011 and is modified by S.I 2017/611.
d Section 52ZC(2) and (3) of the 1992 Act.
e Section 52ZC(4) of the 1992 Act.
f Section 52ZC(5) of the 1992 Act.

which the local government finance report for the same year is approved by the House of Commons, no principles have effect for that year and accordingly no authority's relevant basic amount of council tax is capable of being excessive for that year(**a**).

The Greater London Authority

6. The Greater London Authority ("the GLA") calculates two different basic amounts of council tax for a financial year —

(a) an amount which applies to the City of London and which does not include any amount in respect of the Mayor's Office for Policing and Crime, and

(b) an amount which applies to all parts of Greater London other than the City of London and which includes an amount in respect of the Mayor's Office for Policing and Crime(**b**).

7. The GLA's relevant basic amount of council tax is defined by reference to these two amounts. In particular —

- the relevant basic amount derived from the amount mentioned in paragraph 6(a) above is referred to in the 1992 Act as the GLA's unadjusted relevant basic amount of council tax, and

- the relevant basic amount derived from the amount mentioned in paragraph 6(b) above is referred to in the 1992 Act as the GLA's adjusted relevant basic amount of council tax(**c**).

8. A principle that applies to the GLA, and that constitutes or includes a comparison between the GLA's relevant basic amount of council tax for the year under consideration and the financial year immediately preceding that year, may only provide for —

- a comparison between unadjusted relevant basic amounts of council tax,

- a comparison between adjusted relevant basic amounts of council tax, or

- both(**d**).

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a See generally section 52ZD of the 1992 Act, inserted as above.

b Sections 88(2) and 89(3) of the Greater London Authority Act 1999. Section 88(2) was substituted by section 77(1) and (3) of the Localism Act 2011 and section 89(4) (which is mentioned in section 89(3)) was substituted by section 77(1) and (7) of that Act. The Mayor's Office for Policing and Crime was established by section 3 of the Police Reform and Social Responsibility Act 2011.

c Section 52ZX(4) of the 1992 Act.

d Section 52ZC(6) of the 1992 Act.

An authority which has power to calculate its council tax under the Local Government (Structural Changes) (Finance) Regulations 2008

9. Where structural change occurs under the Local Government and Public Involvement in Health Act 2007, in order to equalise more equitably the council tax payable in the predecessor areas an authority is able to calculate its council tax under Part 4 (equalisation of council tax) of the Local Government (Structural Changes) (Finance) Regulations 2008 ("the 2008 regulations")(**a**) for a transitional period.

10. If an authority has the power to calculate its council tax for a financial year under Part 4 of the 2008 Regulations, those Regulations modify the operation of the council tax referendums provisions in the 1992 Act in relation to that year. In particular, section 52ZC of the 1992 Act is modified to allow the authority to use different methods of comparison to determine whether its council tax increase is excessive in accordance with its preferred approach to equalisation. The modifications which apply also depend on how the financial year for which principles are being set relates to the date of the structural change(**b**).

11. In relation to the financial year 2019-20, East Suffolk District Council, West Suffolk District Council, Somerset West and Taunton District Council, Bournemouth, Christchurch and Poole Council, and Dorset Council have power to calculate their council tax under Part 4 of the 2008 Regulations. In relation to each of those authorities the modifications in Part 1 of Schedule 3 to the 2008 Regulations apply for 2019-20(**c**).

The Report

12. This Report is made by the Secretary of State for Housing, Communities and Local Government and laid before the House of Commons under section 52ZD(1) of the 1992 Act.

13. The Report applies to all billing authorities, major precepting authorities falling within section 39(1)(a), (aa) and (b) to (db) of the 1992 Act and the Greater Manchester Combined Authority(**d**). No principles are specified for local precepting authorities or other mayoral combined authorities.

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a S.I. 2008/3022, as amended by the Local Government (Structural Changes) (Finance) (Amendment) Regulations 2012 (S.I. 2012/20) and the Local Government (Structural Changes) (Finance) (Amendment) Regulations 2018 (S.I. 2018/1296)

b See regulation 15A of, and Schedule 3 to, the 2008 Regulations, as amended by S.I. 2018/1296. Different modifications apply for the first, second to seventh, and eighth years following the date of the structural change.

c See paragraphs 1 to 8 of that Schedule, as amended by S.I. 2018/1296.

d The Greater Manchester Combined Authority was created by the Greater Manchester Combined Authority Order 2011, S.I. 2011/908.

Principles for the financial year beginning on 1st April 2019

14. The principles which apply for 2019-20 are set out in Annex A to this Report. If this Report is approved by resolution of the House of Commons the principles will have effect for that financial year.

Signed by authority of the Secretary of State for Housing, Communities and Local Government

Rishi Sunak
Parliamentary Under Secretary of State
29 January 2019 *Ministry of Housing, Communities and Local Government*

Principles for the financial year beginning on 1st April 2019

The set of principles determined by the Secretary of State under section 52ZC(1) of the Local Government Finance Act 1992 for the financial year beginning on 1st April 2019 is as follows:

Interpretation

1.—(1) In this set of principles—

"2017-18" means the financial year beginning on 1st April 2017;

"2018-19" means the financial year beginning on 1st April 2018;

"2019-20" means the financial year beginning on 1st April 2019;

"the 1992 Act" means the Local Government Finance Act 1992(**a**);

"the 2008 Regulations" means the Local Government (Structural Changes) (Finance) Regulations 2008(**b**);

"A%" means the lesser of—

(a) 6% minus the aggregate of—

(i) the percentage increase in the relevant local authority's relevant basic amount of council tax for expenditure on adult social care for 2017-18; and

(ii) the percentage increase in the relevant local authority's relevant basic amount of council tax for expenditure on adult social care for 2018-19; and

(b) 2%;

"the GLA" means the Greater London Authority;

"a merging authority" means a shire district council which has power in relation to 2019-20 to calculate relevant basic amounts of council tax for its predecessor areas under Part 4 of the 2008 Regulations;

"predecessor area" has the same meaning as in regulation 12(1) of the 2008 Regulations;

"a relevant local authority" means—

(a) an authority falling within section 1(4) of the Care Act 2014(**c**) other than –

(i) Northamptonshire County Council;

(ii) a unitarising authority; and

(b) the Council of the Isles of Scilly;

"a shire district council" means a district council for an area for which there is a county council;

(**a**) 1992 c.14.
(**b**) S.I. 2008/3022, as amended by S.I. 2012/20 and 2018/1296.
(**c**) 2014 c.23. The definition in section 1(4) of the Act covers (a) county councils in England; (b) district councils for an area in England for which there is no county council; (c) London borough councils, and (d) the Common Council of the City of London.

"a unitarising authority" means—

(a) Bournemouth, Christchurch and Poole Council; and

(b) Dorset Council.

(2) In this set of principles any reference to an authority is a reference to a billing authority, a major precepting authority falling within section 39(1)(a), (aa) and (b) to (db) of the 1992 Act, and the Greater Manchester Combined Authority.

(3) Terms used in this set of principles which are also used in the 1992 Act have the same meanings as in that Act.

Categories of authority for 2019-20

2. For 2019-20, the Secretary of State determines that the following are categories of authority for the purposes of section 52ZC of the 1992 Act—

(a) any relevant local authority([a]);

(b) Northamptonshire County Council;

(c) the GLA;

(d) any shire district council which is not a merging authority;

(e) any police and crime commissioner;

(f) the Greater Manchester Combined Authority([b]);

(g) any merging authority;

(h) any unitarising authority; and

(i) any other authority.

Principles for 2019-20 for authorities belonging to the category mentioned in paragraph 2(a)

3. For 2019-20, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(a) is excessive if the authority's relevant basic amount of council tax for 2019-20 is 3%+A% (comprising A% for expenditure on adult social care, and 3% for other expenditure), or more than 3%+A%, greater than its relevant basic amount of council tax for 2018-19.

Principles for 2019-20 for Northamptonshire County Council

4. For 2019-20, the relevant basic amount of council tax of Northamptonshire County Council is excessive if the authority's relevant basic amount of council tax for 2019-20 is 5% or more than 5% greater than its relevant basic amount of council tax for 2018-19.

Principles for 2019-20 for the Greater London Authority

5. For 2019-20, the GLA's relevant basic amount of council tax is excessive if—

([a]) The bodies that are within this category are set out, for information, in Annex B to this Report.

([b]) Where the mayor of a combined authority exercises PCC functions Chapter 4ZA of Part 1 of the Local Government Finance Act 1992 is modified by paragraphs 7 to 10 of the Schedule to the Combined Authorities (Finance) Order 2017, S.I. 2017/611.

(a) the GLA's unadjusted relevant basic amount of council tax for 2019-20 is 3%, or more than 3%, greater than its unadjusted relevant basic amount of council tax for 2018-19; or

(b) the GLA's adjusted relevant basic amount of council tax for 2019-20 is more than £26.28 greater than its adjusted relevant basic amount of council tax for 2018-19.

Principles for 2019-20 for authorities belonging to the category mentioned in paragraph 2(d)

6. For 2019-20, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(d) is excessive if the authority's relevant basic amount of council tax for 2019-20 is—

(a) 3%, or more than 3%, greater than its relevant basic amount of council tax for 2018-19; and

(b) more than £5 greater than its relevant basic amount of council tax for 2018-19.

Principles for 2019-20 for authorities belonging to the category mentioned in paragraph 2(e)

7. For 2019-20, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(e) is excessive if the authority's relevant basic amount of council tax for 2019-20 is more than £24 greater than its relevant basic amount of council tax for 2018-19.

Principles for 2019-20 for authorities belonging to the category mentioned in paragraph 2(f)

8. For 2019-20, the PCC component relevant basic amount of council tax of the Greater Manchester Combined Authority is excessive if the authority's PCC component relevant basic amount of council tax for 2019-20 is more than £24 greater than its PCC component relevant basic amount of council tax for 2018-19.

Principles for 2019-20 for authorities belonging to the category mentioned in paragraph 2(g)

9.—(1) If an authority which belongs to the category mentioned in paragraph 2(g) calculates its basic amount of council tax for 2019-20 under section 31B(1) of the 1992 Act, the authority's relevant basic amount of council tax for 2019-20 is excessive if the amount mentioned in section 52ZC(3A)(a)(**a**) of the 1992 Act is—

(a) 3%, or more that 3%, greater than the amount mentioned in section 52ZC(3A)(b) of that Act; and

(b) more than £5 greater than the amount mentioned in section 52ZC(3A)(b) of that Act.

(**a**) For 2019-20, the modifications in paragraphs 1 to 8 of Schedule 3 to the 2008 Regulations (as amended by S.I. 2018/1296) apply to the 1992 Act in relation to an authority which belongs to the category mentioned in paragraph 2(g). See paragraph 1A for modifications to section 52ZC of the 1992 Act.

(2) If such an authority calculates basic amounts of council tax for its predecessor areas for 2019-20 under Part 4 of the 2008 Regulations, the authority's relevant basic amount of council tax for that year is excessive if —

(a) for any of the authority's predecessor areas, the amount mentioned in section 52ZC(3C)(a) in the 1992 Act is—

(i) 3%, or more that 3%, greater than the amount mentioned in section 52ZC(3C)(b) of that Act; and

(ii) more than £5 greater than the amount mentioned in section 52ZC(3C)(b) of that Act; and

(b) the amount mentioned in section 52ZC(3D)(a) of the 1992 Act is—

(i) 3%, or more than 3%, greater than the amount mentioned in section 52ZC(3D)(b) of that Act; and

(ii) more than £5 greater than the amount mentioned in section 52ZC(3D)(b) of that Act.

Principles for 2019-20 for authorities belonging to the category mentioned in paragraph 2(h)

10.—(1) If an authority which belongs to the category mentioned in paragraph 2(h) calculates its basic amount of council tax for 2019-20 under section 31B(1) of the 1992 Act, the authority's relevant basic amount of council tax for 2019-20 is excessive if the amount mentioned in section 52ZC(3A)(a)(**a**) of the 1992 Act is 3%+A% (comprising A% for expenditure on adult social care and 3% for other expenditure), or more than 3%+A%, greater than the amount mentioned in section 52ZC(3A)(b) of that Act.

(2) If such an authority calculates basic amounts of council tax for its predecessor areas for 2019-20 under Part 4 of the 2008 Regulations, the authority's relevant basic amount of council tax for that year is excessive if—

(a) for any of the authority's predecessor areas, the amount mentioned in section 52ZC(3C)(a) in the 1992 Act is 3%+A% (comprising A% for expenditure on adult social care, and 3% for other expenditure), or more than 3%+A%, greater than the amount mentioned in section 52ZC(3C)(b); and

(b) the amount mentioned in section 52ZC(3D)(a) of the 1992 Act is 3+A% (comprising A% for expenditure on adult social care, and 3% for other expenditure), or more than 3%+A%, greater than the amount mentioned in section 52ZC(3D)(b);

Principles for 2019-20 for authorities belonging to the category mentioned in paragraph 2(i)

11. For 2019-20, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(i) is excessive if the authority's relevant basic amount of council tax for 2019-20 is 3%, or more than 3%, greater than its relevant basic amount of council tax for 2018-19.

(**a**) For 2019-20, the modifications in paragraphs 1 to 8 of Schedule 3 to the 2008 Regulations (as amended by S.I. 2018/1296) apply to the 1992 Act in relation to an authority which belongs to the category mentioned in paragraph 2(h). See paragraph 1 for modifications to section 52ZC of the 1992 Act.

Local authorities for the following areas fall within the definition of "relevant local authority" in the *Principles for the financial year beginning on 1st April 2019*

(INNER LONDON)
City of London
Camden
Greenwich
Hackney
Hammersmith & Fulham

Islington
Kensington & Chelsea
Lambeth
Lewisham
Southwark

Tower Hamlets
Wandsworth
Westminster

(OUTER LONDON)
Barking & Dagenham
Barnet
Bexley
Brent
Bromley

Croydon
Ealing
Enfield
Haringey
Harrow

Havering
Hillingdon
Hounslow
Kingston-upon-Thames
Merton

Newham
Redbridge
Richmond-upon-Thames
Sutton
Waltham Forest

(GREATER MANCHESTER)
Bolton
Bury
Manchester
Oldham
Rochdale
Salford
Stockport
Tameside
Trafford

Wigan

(MERSEYSIDE)
Knowsley
Liverpool
St Helens
Sefton
Wirral

(SOUTH YORKSHIRE)
Barnsley
Doncaster
Rotherham
Sheffield

(TYNE AND WEAR)
Gateshead
Newcastle-upon-Tyne
North Tyneside
South Tyneside
Sunderland

(WEST MIDLANDS)
Birmingham
Coventry
Dudley
Sandwell
Solihull
Walsall
Wolverhampton

(WEST YORKSHIRE)
Bradford
Calderdale
Kirklees
Leeds
Wakefield

(COUNTY COUNCILS)
Buckinghamshire
Cambridgeshire
Cumbria
Derbyshire
Devon

East Sussex
Essex
Gloucestershire
Hampshire
Hertfordshire

Kent
Lancashire
Leicestershire
Lincolnshire
Norfolk

North Yorkshire
Nottinghamshire

Oxfordshire
Somerset

Staffordshire
Suffolk
Surrey
Warwickshire
West Sussex
Worcestershire

(UNITARY AUTHORITIES)
Bath & North East Somerset
Bedford
Blackburn with Darwen
Blackpool

Bracknell Forest
Brighton & Hove
Bristol
Central Bedfordshire
Cheshire East

Cheshire West and Chester
Cornwall
Darlington
Derby

Durham
East Riding of Yorkshire
Halton
Hartlepool
Herefordshire

Isle of Wight Council
Isles of Scilly
Kingston-upon-Hull
Leicester
Luton

Medway
Middlesbrough
Milton Keynes
North East Lincolnshire
North Lincolnshire

North Somerset
Northumberland
Nottingham
Peterborough
Plymouth

Portsmouth
Reading
Redcar & Cleveland
Rutland
Shropshire

Slough
South Gloucestershire
Southampton
Southend-on-Sea
Stockton-on-Tees

Stoke-on-Trent
Swindon
Telford & Wrekin
Thurrock
Torbay

Warrington
West Berkshire
Wiltshire
Windsor & Maidenhead
Wokingham
York

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Annex 1b

Local Government Finance Settlement 2019/20

	2019/20				
	Revenue Support Grant £	Business Rates Baseline £	Settlement Funding Assessment £	Estimated Population mid-2018	Per Head £
Ashford	-	2,831,494	2,831,494	128,600	22.02
Canterbury	-	4,612,201	4,612,201	165,700	27.83
Dartford	-	2,672,366	2,672,366	108,000	24.74
Dover	56,538	3,645,617	3,702,155	115,600	32.03
Folkestone and Hythe	-	3,672,709	3,672,709	112,200	32.73
Gravesham	-	2,917,280	2,917,280	107,800	27.06
Maidstone	-	3,207,567	3,207,567	169,200	18.96
Sevenoaks	-	2,267,303	2,267,303	120,200	18.86
Swale	113,144	4,221,528	4,334,672	148,100	29.27
Thanet	97,453	4,972,832	5,070,285	143,300	35.38
Tonbridge and Malling	**-**	**2,264,850**	**2,264,850**	**129,300**	**17.52**
Tunbridge Wells	-	2,336,613	2,336,613	117,800	19.84

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Item SSE 18/21 referred from Street Scene and Environment Services Advisory Board minutes of 5 November 2018

SSE 18/21 REVIEW OF FEES AND CHARGES

The joint report of the Director of Street Scene, Leisure and Technical Services, the Director of Central Services and the Director of Finance and Transformation set out proposed fees and charges for the provision of services in respect of household bulky refuse and fridge/freezer collections, "missed" refuse collections, stray dog redemption fees, pest control, food certificates, contaminated land monitoring, private water supplies and the Council's car parks from April 2019.

In bringing forward the proposals for 2019/20, it was noted that consideration had been given to a range of factors including the Council's overall financial position, market position, trading patterns, the current rate of inflation and customer feedback.

RECOMMENDED: That

(1) the scale of charges for household bulky refuse and fridge/freezer collection, "missed" refuse collection, stray dog redemption fees, pest control, food certificates, contaminated land monitoring and private water supplies be approved;

(2) no changes be made to the Council's existing car parking charges;

(3) the new charges be implemented from 1 April 2019; and

(4) the option for new waste and recycling bins/containers for new housing developments to be funded by developers be investigated further and a report submitted to a future meeting of the Street Scene and Environment Services Advisory Board.
***Referred to Cabinet**

Item CH 18/26 referred from Communities and Housing Advisory Board minutes of 12 November 2018

CH 18/26 REVIEW OF CEMETERY CHARGES 2019/20

The joint report of the Director of Street Scene, Leisure and Technical Services and the Director of Finance and Transformation outlined the proposed charges for 2019/20 with regard to Tonbridge Cemetery.

RECOMMENDED: That the proposed charges for Tonbridge Cemetery, as detailed at Annex 2 to the report, be agreed and implemented with effect from 1 April 2019.
***Referred to Cabinet**

Item CH 18/28 referred from Communities and Housing Advisory Board minutes of 12 November 2018

CH 18/28 REVIEW OF HOUSES IN MULTIPLE OCCUPATION AND CARAVAN SITE LICENSING FEES FOR 2019/20

The report of the Director of Central Services provided an update on the existing fees charged to license a house in multiple occupation or caravan site and outlined the proposed charge to be applied following a review of the administrative costs of processing applications for Houses in Multiple Occupation (HMOs) and for residential mobile (park) home sites.

RECOMMENDED: That the charges for the following be agreed with effect from 1 April 2019:

(1) £524 for a new mandatory HMO licence application;

(2) £483 for the renewal of a mandatory HMO licence application;

(3) £380 for a new caravan site licence where the use of the site is for permanent residential use; and

(4) £180 for the transfer of a caravan site licence for a permanent residential use site.

***Referred to Cabinet**

Item PE 18/17 referred from Planning and Transportation Advisory Board minutes of 13 November 2018

PE 18/17 REVIEW OF THE PLANNING APPLICATION CHARGING REGIME

The report of the Director of Central Services and Monitoring Officer provided a review of the pre-application charging regime and set out proposed new charges for 2019/20. It was noted that the Pre-Application Protocol had been effective in delivering technical planning advice in a timely way since its introduction in 2016 and no changes were proposed although further monitoring would be carried out to ensure that it remained up to date and met the needs of customers. However, it was considered appropriate to adjust the fees to recover the full costs of providing advice, including an increase of 3% to the hourly rate, and a revised Charging Schedule was set out at Annex 1 to the report.

RECOMMENDED: That the updated Pre-application Charging Schedule 2019/20 set out at Annex 1 to the report be approved with effect from 1 April 2019 subject to the correction of the fee for written advice for medium development to £186.

***Referred to Cabinet**

Item FIP 19/3 referred from Finance, Innovation and Property Advisory Board minutes of 9 January 2019

FIP 19/3 REVIEW OF FEES AND CHARGES 2019/20

The report of the Management Team brought forward for consideration as part of the Budget setting process for 2019/20 proposals in respect of those fees and charges that were the responsibility of the Cabinet Member for Finance, Innovation and Property or not reported elsewhere.

RECOMMENDED: That

(1) in respect of the recovery of legal fees payable by third parties, the Council's fees continue to follow the Supreme Court guideline hourly rates as set out at paragraph 1.2.1 of the report;

(2) the proposed scale of fees for local land charges searches and enquiries set out at Annex 1 to the report be adopted with effect from 1 April 2019;

(3) the current photocopying charges of 10p (inclusive of VAT) for each page of the same document or additional copies of the same page plus postage as appropriate be retained;

(4) the fee schedule for street naming and numbering set out in section 1.6 of the report be adopted with effect from 1 April 2019; and

(5) the amount of council tax and business rate Court costs recharged remain as set out at paragraph 1.7.2 of the report for the 2019/20 financial year.
***Referred to Cabinet**

Item FIP 19/4 referred from Finance, Innovation and Property Advisory Board minutes of 9 January 2019

FIP 19/4 TONBRIDGE CASTLE - REVIEW OF FEES AND CHARGES

The report of the Director of Central Services and Monitoring Officer presented a review of fees and charges in respect of the variety of services and functions delivered at Tonbridge Castle and made recommendations to increase revenue streams from a number of different areas. It was noted that the fee model for wedding bookings had been approved in 2018 for the period to 2020/21 and that fees for concessionary users of the Council Chamber would be reviewed by the Overview and Scrutiny Committee in June 2019.

RECOMMENDED: That

(1) the new pricing model for the Castle Tour at Tonbridge Castle be approved as set out at paragraph 1.5.4 of the report;

(2) the new pricing model for Schoolchildren Educational Workshops at Tonbridge Castle be approved as set out at paragraph 1.6.1 of the report;

(3) authority be delegated to the Director of Central Services to depart from the fixed fee structure for wedding bookings where he considers it is in the financial interests of the Council to do so in a particular case; and

(4) the pricing model for hiring out the Council Chamber at Tonbridge Castle be approved as set out at paragraph 2.3.3 of the report.
***Referred to Cabinet**

Item FIP 19/5 referred from Finance, Innovation and Property Advisory Board minutes of 9 January 2019

FIP 19/5 PROPOSED 3% SURCHARGE ON BUILDING CONTROL STANDARD CHARGES

The report of the Director of Central Services and Monitoring Officer referred to the partnership arrangement with Sevenoaks District Council for provision of the Building Control Service, overseen by a Management Board. Consideration was given to a proposed overall fee increase of 3% for the standard charges which would reflect the current cost of the works supervised by the Building Control Partnership.

In the interests of transparency, Members were advised that the increase in charges approved in 2018 on the recommendation of the Planning and Transportation Advisory Board (Decision No D180011CAB) had unfortunately not been implemented. Hence the proposed scale of charges represented a 3% increase over the 2017/18 scale shown at Appendix B to the report.

RECOMMENDED: That the proposed fees scales for 2019/20, as set out at Appendix A to the report and representing an overall increase of 3%, be approved.
***Referred to Cabinet**

Decision taken by Licensing and Appeals Committee of 27 November 2018

LA 18/110 REVIEW OF LICENSING FEES AND CHARGES 2019/20

The report of the Director of Central Services and Monitoring Officer presented proposed fees and charges for 2019/20 in respect of hackney carriage and private hire licences, pleasure boats and boatmen, scrap metal dealers, animal welfare licences, street trading consents, sex establishments and acupuncture/tattooing.

It was noted that the provisions of the European Union Services Directive had been taken into account in setting the fees, together with a recent judgment of the Supreme Court which clarified the type of costs that could properly be

covered. Whilst taxi licensing was exempt from this ruling, Annex 2 to the report set out details of the fee model showing officer cost and time in validating, processing, issuing and enforcement cost where applicable.

It was noted that animal welfare licence applications were being monitored and an update would be presented to the next meeting.

RESOLVED: That the proposed scale of fees for licences, consents and registrations, as set out in Annex 1 to the report, be adopted with effect from 1 April 2019.

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Capital Plan: List A
Service Summary

	Expenditure To 31/03/18	2018/19 Estimate inc Prior Year Slippage	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	Scheme Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Plan Schemes									
Planning, Housing & Environmental Health	0	30	30	155	155	155	155	155	835
Street Scene, Leisure & Technical Services	912	418	1,673	129	636	143	1,263	159	5,333
Corporate	224	258	106	30	30	30	30	30	738
Sub-total	1,136	706	1,809	314	821	328	1,448	344	6,906
Capital Renewals									
Planning, Housing & Environmental Health	n/a	0	24	0	0	0	13	0	37
Street Scene, Leisure & Technical Services	n/a	498	935	382	211	594	408	481	3,509
Corporate	n/a	303	481	307	179	268	132	452	2,122
Sub-total	n/a	801	1,440	689	390	862	553	933	5,668
Total	1,136	1,507	3,249	1,003	1,211	1,190	2,001	1,277	12,574

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Annex 4

Capital Plan Review 2018/19

Recommendations in respect of List C

	Booklet Annex 2 Page No
Schemes to be added to List C	
Planning, Housing and Environmental Health	
Air Quality Monitoring Equipment	CP 27

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Annex 5

Capital Plan Review 2018/19

Schemes selected for evaluation from List C

	Booklet Annex 2 Page No
Planning, Housing and Environmental Health	
Air Quality Monitoring Equipment (Fast-Track)	CP 27
Street Scene, Leisure and Technical Services	
Larkfield Leisure Centre: Pool Hall Roof (Fast-Track)	CP 28

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Capital Plan Review 2018/19

Recommendations in respect of evaluated schemes

	Capital Cost	Estimated Annual Revenue/ Renewals Cost		Booklet Annex 3 Page No
	£'000	£'000		
Planning, Housing and Environmental Health				
Air Quality Monitoring Equipment	20	5	Transfer from List C to List B	CP 35
Street Scene, Leisure and Technical Services				
Larkfield Leisure Centre: Pool Hall Roof	450	18	Transfer from List C to List B	CP 37
Tonbridge Racecourse Sportsground: Swimming Pool Bridge	120	2	Transfer from List C to List B	CP 39
Total	**590**	**25**		

After taking into account funding available by way of developer contributions, the estimated capital cost exceeds the standard annual capital allowance of £200,000 by £325,000. This can be met from 2019/20 New Homes Bonus funding above that anticipated.

Members are also asked to note that the Larkfield Leisure Centre: Pool Hall Roof, if approved, will form part of a major programme of works in 2019/20 over a six month period at a cost estimate of circa £1.65m comprising the pool hall roof, ventilation refurbishment, boiler replacement and space frame painting. A very early estimate of the associated loss of income claim is circa £1.0m to be funded in large part from the removal of 'negative RSG' in 2019/20. The intention is to procure this work including the design elements through the Scape Minor Works Framework, Kier Construction Ltd. being the framework contractor. This is a national procurement framework which the public sector can utilise to deliver large schemes and which the Council has experience of using.

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Annex 7

Capital Plan: List A
Service Summary

	Expenditure To 31/03/18	2018/19 Estimate inc Prior Year Slippage	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	Scheme Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Plan Schemes									
Planning, Housing & Environmental Health	0	30	50	155	155	155	155	155	855
Street Scene, Leisure & Technical Services	912	418	2,178	129	636	143	1,263	159	5,838
Corporate	224	258	106	30	30	30	30	30	738
Sub-total	1,136	706	2,334	314	821	328	1,448	344	7,431
Capital Renewals									
Planning, Housing & Environmental Health	n/a	0	24	0	0	0	13	0	37
Street Scene, Leisure & Technical Services	n/a	498	935	382	211	594	408	481	3,509
Corporate	n/a	303	481	307	179	268	132	452	2,122
Sub-total	n/a	801	1,440	689	390	862	553	933	5,668
Total	1,136	1,507	3,774	1,003	1,211	1,190	2,001	1,277	13,099

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Annex 8

Capital Plan Review 2018/19 : Funding the Draft Capital Plan

	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Capital Plan Schemes							
Capital Renewals	801	1,440	689	390	862	553	933
Other Recurring Expenditure (net of grants)	198	182	314	321	328	335	344
One-Off Schemes (net of grants & contributions)	508	2,152		500		1,113	
Capital Plan Totals	**1,507**	**3,774**	**1,003**	**1,211**	**1,190**	**2,001**	**1,277**
Add back grants / contributions	2,787	1,592	570	570	570	570	570
Total to be funded	4,294	5,366	1,573	1,781	1,760	2,571	1,847
Funded from:							
Grants							
BCF (Disabled Facilities Grant)	1,399	959	530	530	530	530	530
TRSG Revetment	19	9					
Developer Contributions Attributed to							
Homeless Accommodation	1,088	447					
Tonbridge School Athletics Track	161						
Racecourse SG Rugby Pitch Drainage	1	7					
Open Spaces Site Improvements Phase 2	12						
Haysden Country Park Car Park Extension	23						
Haysden Country Park Sewage Treatment Facility		75					
Tonbridge Cemetery Path Works	17						
Tonbridge to Penshurst Cycle Route Refurbishment	37						
Tonbridge Racecourse SG Swimming Pool Bridge		65					
Capital and Other Receipts							
DFG Grant Repayments			10	10	10	10	10
Housing Assistance Grant Repayments	30	30	30	30	30	30	30
Repayment of Mortgages	1	1	1				
Teen & Twenty Capital Receipt	750						
Balance met from Revenue Reserve for Capital Schemes	**756**	**3,773**	**1,002**	**1,211**	**1,190**	**2,001**	**1,277**
Total funding	4,294	5,366	1,573	1,781	1,760	2,571	1,847

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Annex 9

Capital Plan Review 2018/19 :Revenue Reserve for Capital Schemes

	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Balance at 1st April	6,812	7,409	5,523	4,553	4,469	4,429	3,601
Contribution from Revenue to meet Capital Renewals and other Annually Recurring Expenditure	500	630		1,095	1,118	1,141	1,166
Revenue contribution for new Capital Plan Schemes	232	232	232	232	232	232	232
Less assumed spend			(200)	(200)	(200)	(200)	(200)
Other Revenue & Earmarked Reserve Contributions							
Wouldham River Wall Earmarked Reserve	700						
Waste Contract Earmarked Reserve		700					
Invest to Save Reserve (Virtual Desktop Infrastructure)	80						
Invest to Save Reserve (GDPR Software)	66						
Transformation Reserve (Revenues & Benfits Digital Solution)	65						
Revenue Contibution (LLC Ventilation / Boiler Scheme)	450						
Revenue Contibution (TSP/TRSG Bridge)		55					
Revenue Contibution (LLC Barrel Roof)		250					
Revenue Contibution (Air Quality Monitoring Equip)		20					
Revenue Contibution (LLCP Car Park Extension)	10						
Teen & Twenty (Transfer to Property Investment Fund Reserve)	(750)						
Available for application	8,165	9,296	5,555	5,680	5,619	5,602	4,799
Amount applied to fund capital	(756)	(3,773)	(1,002)	(1,211)	(1,190)	(2,001)	(1,277)
Balance at 31st March	7,409	5,523	4,553	4,469	4,429	3,601	3,522

Borrowing for new Capital Plan Schemes is not anticipated before 2025/26.

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Estimates of the incremental impact of capital investment on Band D equivalent Council Tax	2019/20 est. £	2020/21 est. £	2021/22 est. £	2022/23 est. £	2023/24 est. £	2024/25 est. £
Air Quality Monitoring Equipment	0.05	0.05				
Larkfield Leisure Centre: Pool Hall Roof	0.18	0.17				
Tonbridge Racecourse Sportsground: Swimming Pool Bridge	0.02	0.02				
Total: (Increase in Band D equivalent Council Tax attributable to new capital schemes)	**0.25**	**0.24**				

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Medium Term Financial Strategy

	Estimate	Projection								
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
EXPENDITURE										
Employees	11,484	11,726	11,989	12,257	12,533	12,746	13,023	13,300	13,574	13,844
Transfer Payments	32,598	33,250	33,914	34,593	15,154	15,457	15,766	16,082	16,403	16,731
Other Expenditure	13,365	11,012	11,262	11,599	11,937	12,290	12,660	13,042	13,888	14,324
Capital Charges	3,012	3,072	3,134	3,196	3,260	3,325	3,392	3,460	3,529	3,600
Total Expenditure	**60,459**	**59,060**	**60,299**	**61,645**	**42,884**	**43,818**	**44,841**	**45,884**	**47,394**	**48,499**
INCOME										
Fees & Charges	(8,166)	(8,440)	(8,742)	(9,037)	(9,172)	(9,341)	(9,460)	(9,831)	(10,001)	(10,277)
Other Specific Grants & Misc	(33,393)	(33,844)	(34,494)	(35,156)	(15,591)	(15,901)	(16,218)	(16,541)	(16,870)	(17,207)
Investment Income	(483)	(668)	(862)	(955)	(1,033)	(1,115)	(1,140)	(1,159)	(1,180)	(1,168)
Total Income	**(42,042)**	**(42,952)**	**(44,098)**	**(45,148)**	**(25,796)**	**(26,357)**	**(26,818)**	**(27,531)**	**(28,051)**	**(28,652)**
Appropriations										
Capital Renewals	630	0	1,095	1,118	1,141	1,166	1,182	1,199	1,216	1,233
Provision for new Capital Schemes	557	232	232	232	232	232	0	0	0	0
Other Appropriations	(2,420)	(3,169)	(3,159)	(3,219)	(3,195)	(3,260)	(3,327)	(3,395)	(3,464)	(3,535)
SAVINGS & TRANSFORMATION TARGET	**0**	**(100)**	**(102)**	**(104)**	**(106)**	**(108)**	**(110)**	**(113)**	**(115)**	**(117)**
SAVINGS & TRANSFORMATION TARGET	**0**	**0**	**0**	**0**	**0**	**(400)**	**(408)**	**(416)**	**(424)**	**(433)**
SAVINGS & TRANSFORMATION TARGET	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(50)**
NET BUDGETED SPEND	**17,184**	**13,071**	**14,267**	**14,524**	**15,160**	**15,091**	**15,360**	**15,628**	**16,556**	**16,945**
FUNDING										
Revenue Reserves	(451)	(328)	444	271	471	(41)	(221)	(409)	56	(24)
Government Grant	5,963	2,380	2,426	2,473	2,521	2,570	2,619	2,670	2,722	2,775
Council Tax	10,647	11,019	11,397	11,780	12,168	12,562	12,962	13,367	13,778	14,194
Collection Fund Adjustment	1,025	0	0	0	0	0	0	0	0	0
Total Funding	**17,184**	**13,071**	**14,267**	**14,524**	**15,160**	**15,091**	**15,360**	**15,628**	**16,556**	**16,945**
Council Tax Level at Band D	£209.50	£214.50	£219.50	£224.50	£229.50	£234.50	£239.50	£244.50	£249.50	£254.50
Increase on Previous Year	2.99%	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00	£5.00
RESERVES BALANCE CARRIED FORWARD	**7,209**	**7,537**	**7,093**	**6,822**	**6,351**	**6,392**	**6,613**	**7,022**	**6,966**	**6,990**

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Annex 11b

Savings Monitoring

Savings identified since introduction of Savings & Transformation Strategy in February 2016

Theme	Savings and Transformation Contributions Identified				
	by April 2016 £000	by April 2017 £000	by April 2018 £000	by April 2019 £000	Total £000
Income Generation & Cost Recovery	**60**	**146**	**88**	**0**	**294**
Review of Car Parking Fees and Charges (net) [PTAB 12/01/16]	45	85			
Review of Pre-application Planning Procedures and Charging Regime [PTAB 12/01/16]	15				
Bulky Household Waste and Fridge/Freezer Collection Charges [HESAB 22/02/16]		40			
Tonbridge Racecourse Sports Ground Catering Concession		6			
Licensing Income		15			
Property Investment Fund - Core Funds [AC 23/01/17]			13		
Car Parking Options [SSESAB 06/11/17]			75		
In-Service Efficiencies	**200**	**77**	**50**	**0**	**327**
Service Efficiency Savings [MT 15/12/15]	200				
Leisure Services Efficiency Savings		4			
Kent Resilience Forum Partnership		3			
Budget Savings Exercise		60			
Mayor's Transport Allowance [OSC 13/09/2016]		10			
Disabled Facilities Grants [FIPAB 3/01/2018]			50		
Service Change & Reduction	**0**	**100**	**3**	**65**	**168**
Review of Holiday Activity Programmes (includes £16k staff saving) [OSC 26/01/16]		57			
Discretionary Housing Assistance [CHAB 25/07/16]		30			
TMLT IT Infrastructure		13			
Visit Kent / Tourism South East [ERAB 06/07/17]			3		
Temporary Accommodation [Cabinet 20/03/18]				50	
Youth Engagement, Sports & Events Development [OSC 21/06/18]				15	
Contracts	**0**	**0**	**200**	**585**	**785**
Tonbridge and Malling Leisure Trust Service Fee [CHAB 24/07/17]			145		
Insurance Contract [FIPAB 21/06/17]			55		
Banking and Merchant Acquirer Services [FIPAB 03/01/18]				11	
Waste Services [SSESAB 04/09/18]				574	
Organisation Structure Change	**15**	**129**	**119**	**0**	**263**
Establishment Changes - DSSLTS (Leisure) [GPC 01/02/16]	16				
Establishment Changes - DSSLTS (Waste & Street Scene) [GPC 01/02/16]	(1)				
Establishment Changes - CE & DCS (Election, Admin, Personnel & Legal) [GPC 27/06/16]		27			
Establishment Changes - DCS (Licensing & Community Safety) [GPC 27/06/16]		(15)			
Establishment Changes - DCS (Media & Communications) [GPC 27/06/16]		8			
Establishment Changes - DPHEH (Housing Needs) [GPC 27/06/16]		44			
Establishment Changes - DSSLTS (Technical Services) [GPC 27/06/16]		20			
Establishment Changes - DPEH & DSSLTS (Administration) [GPC 27/06/16]		7			
Establishment Changes - DSSLTS (Outdoor Leisure) [GPC 27/06/16]		(2)			
Establishment Changes - DFT (Exchequer) [GPC 06/03/17]		40			
Establishment Changes - DSSLTS (Waste & Street Scene) [GPC 26/06/17]			23		
Establishment Changes - DPHEH (Planning) [GPC 26/06/17]			1		
Establishment Changes - DPHEH (Planning) [GPC 20/11/17]			(38)		
Establishment Changes - DPHEH (Housing) [GPC 20/11/17]			50		
Establishment Changes - DCS (Customer Services & Licensing) [GPC 20/11/17]			50		
Establishment Changes - DFT (Information Technology) [GPC 20/11/17]			5		
Members Allowances [Council 11/04/17]			28		
Partnership Funding	**0**	**431**	**0**	**0**	**431**
Key Voluntary Sector Bodies - Grant Support [CAB 01/03/16]		23			
Fairer Charging - Introduction of Local Charges (Special Expenses) [Cabinet 28/07/16]		230			
Fairer Charging - Cessation of Council Tax Support Grant [Cabinet 28/07/16]		178			
Asset Management	**0**	**0**	**186**	**0**	**186**
Property Investment Fund - potential returns on sale proceeds [Cabinet 24/03/15]			30		
Property Investment Fund - potential returns on sale proceeds [Cabinet 09/02/17]			76		
Property Investment Fund - potential returns on sale proceeds [Cabinet 09/02/17]			80		
TOTAL	**275**	**883**	**646**	**650**	**2,454**
Savings Target	**200**	**625**	**650**	**350**	**1,825**
(Below) / Over Target	**75**	**258**	**(4)**	**300**	**629**

These savings are measured against the targets set each year within the Savings and Transformation Strategy.
It should be remembered that overall targets change each year having regard to all the factors that impact on the Council's finances.

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(Updated) Savings & Transformation Strategy 2019/20 – 2028/29

INTRODUCTION

By way of context, since 2010/11 the Council has seen its local government finance settlement (core funding) decrease by some 65% or £4.3m (from £6.6m in 2010/11 to £2.3m in 2019/20).

The fall in core funding is, in part, negated by the grant award under the New Homes Bonus (NHB) scheme which in 2019/20 is around £3.5m. However, NHB funding is expected to fall sharply in future years as the changes made to the scheme work their way through the system, and the high levels of housing growth seen in recent years fall out of the calculation. In due course, assuming no further changes are made to the scheme, it is estimated that NHB could be in the order of £1.8m and remains at risk indefinitely.

We are fortunate that we do not have to make all the required savings and transformation contributions in one year and can spread the challenge into 'tranches' as set out within the Council's Medium Term Financial Strategy (MTFS). Nevertheless, the Council have acknowledged that we need to balance customer expectations with the need to make these savings and transformation contributions and achieve as much as possible in the earlier years to provide the best long-term financial sustainability.

The ongoing reduction in government grant funding has and continues to place ever increasing pressure on the Council's finances where latest projections point to a funding gap between expenditure and income of circa £550,000; and the Strategy 'refreshed' to ensure that the new target can be delivered as required. In updating this Strategy, it is noted that the 'tranches' assumed within the MTFS are: *Tranche 1* - £100,000 to be achieved by April 2020; *Tranche 2* - £400,000 to be achieved by April 2024; and *Tranche 3* - £50,000 to be achieved by April 2028.

OBJECTIVES

In developing this Strategy, the Council has set the following objectives:

1. To deliver sufficient savings and transformation contributions in order to bridge the funding gap identified in the Council's MTFS, and to deliver as much as possible in the earlier years in order to minimise risk to the Council's finances.

2. To direct resources in line with the principles of the Council's Corporate Strategy.

3. To maintain the Council's reputation of good front line service provision.

4. To adopt a ‘mixed’ approach to addressing the funding gap through a series of ‘themes’.

5. To be open to accept ‘cultural’ change/transformation in the ways we work and offer services to the public in order to release efficiencies and savings.

6. To engage, as appropriate, with stakeholders when determining how savings and transformation contributions will be achieved.

THE STRATEGY

It is recognised that there is no one simple solution to addressing the financial challenges faced. The Council will need to embrace transformation in a multitude of ways in order to deliver the savings and transformation contributions within an agreed timescale.

This Strategy sets out a measured structure and framework for delivering the necessary savings and transformation contributions through a series of ‘themes’. Each theme has a deliverable target within a timeframe.

Whilst the framework includes some major areas where savings can be made without direct effect on services, by adopting this Strategy the Council has recognised that it may need to decide that some service areas should change/transform to accommodate saving requirements. That might mean doing things differently, with even greater efficiency – for example, with the help of new technology – and with increased income opportunities where circumstances allow this. It might also mean that services will simply need to be run with fewer resources. All these approaches will require a shift in culture for the organisation so that we can be focused and flexible in the way in which we deliver services to our communities.

The Themes, Targets, and Timeframes for the Strategy are set out in the table below, and will be the subject of review at least annually.

Progress on identifying and implementing savings and transformational opportunities across the various themes will be regularly reported to and reviewed by Management Team and in-year update reports presented to Members as appropriate. The Council is committed to engagement with relevant stakeholders as proposals are brought forward.

Julie Beilby
Chief Executive

Sharon Shelton
Director of Finance & Transformation

Nicolas Heslop
Leader of the Council

Martin Coffin
Cabinet Member for Finance, Innovation & Property and Deputy Executive Leader

February 2019

Savings & Transformation Strategy 2019/20 - 2028/29

Savings and Transformation Contributions in Previous Years of STS £000	Theme	Indicative Years	Target £000	Savings and Transformation Contributions Identified after Setting of 2019/20 Budget £000	Balance of Target to be Achieved £000
294	Income Generation & Cost Recovery	2019 - 2024	100	0	100
327	In-Service Efficiencies	2019 - 2024	80	0	80
168	Service Change & Reduction	2019 - 2024	200	0	200
785	Contracts	2019 - 2028	30	0	30
263	Organisation Structure Change	2019 - 2028	20	0	20
431	Partnership Funding	2019 - 2028	20	0	20
186	Asset Management	2019 - 2028	100	0	100
2,454	TOTAL		550	0	550

Note: This Strategy will be updated on at least an annual basis to reflect challenges set out in the Medium Term Financial Strategy.

Savings & Transformation Strategy updated February 2019

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Cabinet 14 February 2019
General Fund Revenue Estimates 2019/20
SUMMARY

	2018/19 ESTIMATE		2019/20
	ORIGINAL	REVISED	ESTIMATE
	£	£	£
Corporate Services	3,841,800	3,580,750	3,700,900
Chief Executive	695,450	709,350	1,064,350
Director of Central Services	35,850	98,200	133,600
Director of Finance & Transformation	1,612,300	1,438,400	1,372,600
Director of Planning, Housing & Environmental Health	3,321,500	3,223,200	3,830,550
Director of Street Scene, Leisure & Technical Services	7,742,600	8,075,000	8,315,650
Sub Total	17,249,500	17,124,900	18,417,650
Capital Accounting Reversals			
Non-Current Asset Depreciation	(2,824,800)	(2,769,250)	(2,942,350)
Contributions to / (from) Reserves			
Building Repairs Reserve			
Withdrawals to fund expenditure	(860,950)	(1,011,700)	(1,014,700)
Contribution to Reserve	600,000	1,000,000	650,000
Earmarked Reserves (see page S 2)			
Contributions from Reserves	(1,190,050)	(1,600,750)	(1,595,250)
Contributions to Reserves	1,164,300	1,769,400	1,351,900
Property Investment Fund Reserve			
Contribution to Reserve	500,000	1,250,000	500,000
Revenue Reserve for Capital Schemes			
Withdrawals to fund expenditure			
Non-Current Assets	(3,112,000)	(703,000)	(3,703,000)
Revenue Expenditure Funded from Capital	(38,000)	(53,000)	(70,000)
Withdrawals to Adjust for Capital Receipts	-	(750,000)	-
Other contributions to / (from) Reserve (net)	1,432,000	2,103,000	1,887,000
Capital Expenditure Charged to General Fund	3,112,000	703,000	3,703,000
Government Grants			
New Homes Bonus	(3,334,150)	(3,334,150)	(3,457,450)
Under-indexing Business Rates Multiplier	(46,150)	(49,150)	(73,800)
Contributions from KCC	(85,000)	(174,050)	-
Sub Total	12,566,700	13,505,250	13,653,000
National Non-Domestic Rates			
Share of National Non-Domestic Rates	(21,713,049)	(21,713,049)	(22,514,582)
Tariff / (Top Up)	20,429,168	20,498,843	20,968,608
Levy / (Safety Net)	-	25,996	3,350
Business Rates Pool	-	-	44,200
Small Business Rate Relief Grant	(835,100)	(879,200)	(896,000)
Supporting Small Business Grant	(11,035)	(8,000)	(10,150)
Public House Relief Grant	(18,494)	(20,000)	-
Discretionary Relief Grant	(65,600)	(49,000)	(27,000)
Levy Account Surplus	-	(34,750)	-
Kent & Medway Business Rates Pilot			
Sustainability Fund	(500,000)	(800,000)	-
Housing & Commercial Growth Fund	-	(351,650)	-
Collection Fund Adjustments			
Council Tax (Surplus) / Deficit	(124,226)	(124,226)	(156,020)
National Non-Domestic Rates (Surplus) / Deficit	(6,123)	(6,123)	(869,089)
Sub Total	9,722,241	10,044,091	10,196,317
Contribution to / (from) General Revenue Reserve	433,400	111,550	450,600
Balance to be met from Council Tax Payers	**10,155,641**	**10,155,641**	**10,646,917**

Cabinet 14 February 2019
General Fund Revenue Estimates 2019/20
EARMARKED RESERVES

	2018/19 ESTIMATE		2019/20
	ORIGINAL	REVISED	ESTIMATE
	£	£	£
Contributions from Earmarked Reserves			
Asset Review Reserve	-	(16,000)	-
Business Rates Retention Scheme Reserve	-	(192,000)	(178,650)
Community Safety Partnership Reserve	-	(16,650)	(6,900)
Community Housing Fund Reserve	(3,000)	(17,700)	-
Economic Development Reserve	(25,900)	(28,300)	-
Election Expenses Reserve	-	-	(160,000)
Homelessness Reserve	(122,950)	(113,700)	(114,200)
Housing Assistance Reserve	(10,000)	(10,000)	(112,000)
Housing Survey Reserve	-	(26,100)	(36,000)
Housing & Welfare Reform Reserve	(8,000)	-	(15,000)
Invest to Save Reserve	(10,000)	(236,000)	(65,000)
Local Development Framework Reserve	(30,000)	(90,000)	(195,000)
Public Health Reserve	(9,700)	(11,600)	(10,500)
Repossessions Prevention Fund Reserve	(2,000)	(2,000)	(2,000)
River Wall at Wouldham Reserve	(700,000)	(700,000)	-
Social Housing Fraud Initiative Reserve	(1,900)	(4,350)	-
Tonbridge & Malling Leisure Trust Reserve	(250,000)	-	-
Transformation Reserve	-	(99,250)	-
Waste Services Contract Reserve	-	-	(700,000)
Waste & Street Scene Initiatives Reserve	(16,600)	(37,100)	-
	(1,190,050)	**(1,600,750)**	**(1,595,250)**
Contributions to Earmarked Reserves			
Business Rates Retention Scheme Reserve	-	351,650	983,100
Election Expenses Reserve	25,000	25,000	25,000
Homelessness Reserve	199,300	199,750	188,800
Local Development Framework Reserve	40,000	290,000	55,000
Tonbridge & Malling Leisure Trust Reserve	200,000	100,000	100,000
Transformation Reserve	-	76,000	-
Waste Services Contract Reserve	700,000	700,000	-
Waste & Street Scene Initiatives Reserve	-	27,000	-
	1,164,300	**1,769,400**	**1,351,900**

Tonbridge and Malling Borough Council
Estimate of Collection Fund Surplus / (Deficit) 2018/19 - Council Tax

	Estimate	
Income	**£**	**£**
Surplus / (Deficit) Brought Forward		945,944
Income from Council Tax Payers (Net of Discounts, CTR and Exemptions)		88,001,847
Total Income for the Year		88,947,791
Expenditure		
Precepts and Demands for 2018/19		
Kent County Council	61,790,568	
Police & Crime Commissioner for Kent	8,444,731	
Kent & Medway Fire & Rescue Authority	3,769,800	
Parishes	2,779,637	
Tonbridge & Malling Borough Council	10,155,641	86,940,377
Provision for Council Tax Non-Collection		140,000
Payments of Estimated Surplus for 2017/18		
Kent County Council	581,005	
Police & Crime Commissioner for Kent	77,467	
Kent & Medway Fire & Rescue Authority	36,195	
Tonbridge & Malling Borough Council	124,226	818,893
Total Expenditure for the Year		87,899,270
Estimated Surplus / (Deficit) for 2018/19		**1,048,521**

Allocation of Estimated Surplus / (Deficit) for 2018/19

	Precepts 2018/19		Surplus / (Deficit)
	£	**%**	**£**
Kent County Council	61,790,568	71.07	745,184
Police & Crime Commissioner for Kent	8,444,731	9.71	101,811
Kent & Medway Fire & Rescue Authority	3,769,800	4.34	45,506
Tonbridge & Malling Borough Council	12,935,278	14.88	156,020
Total	86,940,377	100.00	**1,048,521**

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Tonbridge and Malling Borough Council
Estimate of Collection Fund Surplus / (Deficit) 2018/19 - Business Rates

	Estimate	
Income	**£**	**£**
Surplus / (Deficit) Brought Forward		109,518
Income from Business Rate Payers		57,565,390
Total Income for the Year		57,674,908
Expenditure		
Demands for 2018/19 based upon NNDR 1 2018/19		
Kent County Council	32,026,747	
Kent & Medway Fire & Rescue Authority	542,826	
Tonbridge & Malling Borough Council	21,713,049	
Central Government	0	54,282,622
Allowance for Losses - Bad Debts		400,000
Allowance for Losses - Appeals		986,000
Cost of Collection Allowance		162,166
Transitional Protection Payments		(343,910)
Payments of Estimated Surplus for 2017/18		
Kent County Council	1,378	
Kent & Medway Fire & Rescue Authority	153	
Tonbridge & Malling Borough Council	6,123	
Central Government	7,654	15,308
Total Expenditure for the Year		55,502,186
Estimated Surplus / (Deficit) for 2018/19		**2,172,722**

Allocation of Estimated Surplus / (Deficit) for 2018/19

	Allocation	Surplus / (Deficit)
	%	£
Kent County Council	9 / 59	1,234,793
Kent & Medway Fire & Rescue Authority	1	21,727
Tonbridge & Malling Borough Council	40	869,089
Central Government	50 / 0	47,113
Total		**2,172,722**

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TONBRIDGE & MALLING BOROUGH COUNCIL

SPECIAL EXPENSES ('LOCAL CHARGE') SCHEME

1. Introduction

1.1 The Provisions relating to "special expenses" are contained in the Local Government Finance Act 1992 at sections 34 and 35. These sections allow different amounts of council tax to be calculated for different parts of the district, depending on what if any "special items" relate to those parts. The legal background is set out in the Appendix.

1.2 In resolving to implement a Special Expenses Scheme, the Council revokes the Financial Arrangements with Parish Councils Scheme which was effective from 1 April 1992 made under s136 Local Government Act 1972 with effect from the same date (1 April 2017).

2. Objectives of the Scheme

2.1 The borough consists of 27 parished areas, and one unparished area. Parish councils exercise certain functions in their respective areas, which the Borough Council must exercise directly in the unparished area. These are known as concurrent functions.

2.2 The Council has historically awarded grants under s136 Local Government Act 1972 to parish councils in order to contribute towards the cost of concurrent functions. Due to significant financial pressures, the Council finds that it is unable to continue providing this level of financial support and must make savings.

2.3 The Council has resolved to adopt a Scheme of Special Expenses in order to provide a fairer system in terms of financial equity for taxpayers across the borough.

3. Function to be included in Scheme

3.1 Cabinet, at its meeting on 28 July 2016, recommended that the following concurrent functions are included in the Scheme:

- Closed churchyards
- Open spaces, parks and play areas maintained by TMBC in parished areas; excluding Leybourne Lakes Country Park (strategic site)
- Open spaces, play areas, parks and sportsgrounds in Tonbridge; excluding Castle Grounds and Haysden Country Park (strategic sites)
- Support given to 'Local' Events
- Allotments

4. Calculation of Special Expenses

4.1 TMBC will calculate an average council tax across the whole of its area under section 31B of the Local Government Finance Act 1992. Included in that will be the amounts payable to parish councils under their precepts, plus the amounts TMBC will spend on performing functions which are performed in parts of its area by parish councils.

4.2 Under section 34 of the Local Government Finance Act 1992, TMBC must then deduct the total of any special items. For each part of its area, TMBC must then add back amounts for any relevant special items for that part of its area. The amount added back is calculated by dividing the special item (i.e. the authority's estimated cost of performing the function in that part of its area) by the tax base for the part of the area in which the authority performs the function.

4.3 Treating expenses as special expenses does not affect the overall amount that TMBC needs to raise through council tax, and does not, therefore, affect the average amount of council tax across the whole of the borough. It simply means that, compared with what would happen if the expenses were not treated by TMBC as special expenses, the council tax is:

- relatively lower for areas where the parish council performs the concurrent function, as it includes the parish's costs but not TMBC's costs of performing the function elsewhere; and

- relatively higher for areas where TMBC performs the concurrent function, as all TMBC’s costs of performing the concurrent function must be met by taxpayers in the area where TMBC performs it.

5. Implementation

5.1 This Scheme is effective from 1 April 2017, following resolution of Full Council on 1 November 2016.

5.2 The list of concurrent functions included within the Scheme will be reviewed from time to time and the Scheme updated as necessary.

November 2016

Appendix

TONBRIDGE & MALLING BOROUGH COUNCIL

SPECIAL EXPENSES ('LOCAL CHARGE') SCHEME

LEGAL BACKGROUND

Section 34 of the Local Government Finance Act 1992, as amended by the Localism Act 2011, requires that certain items, which are referred to as 'special items', and which relate to a part only of a billing authority's area, be removed from the calculation of the overall basic amount of tax and added to that for the area concerned.

Section 35(1) defines these items as:

- Any precept issued to or anticipated by the authority which is, or is believed to be, applicable to a part of its area and was taken into account by it in making the calculation (or last calculation) in relation to the year under Section 31A(2) above (i.e. the parish precepts, as included in the calculation of the budget requirement).
- Any expenses which are its (the Council's) special expenses and were taken into account by it in making that calculation.

Section 35(2)(d) defines further 'Special Expenses' as:

> "any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by the sub-treasurer of the Inner Temple, the under-treasurer of the Middle Temple, a parish or community council or the chairman of a parish meeting are the authority's special expenses unless a resolution of the authority to the contrary effect is in force"

In order for expenses incurred in performing any function of a district council to be special expenses the function must be carried out by the district in only part of its area, and the same function must be carried out in another part of the district by one or more parish councils. The detailed identification of concurrent functions is therefore essential for using this special expenses provision.

One of the reasons behind the special expenses regime is to allow a more equitable division of council expenses for council taxpayer funded services so that those receiving the benefit of certain services in a particular area are those who pay for them through their precept and do not pay twice for similar services carried out in any areas where there is not a parish or town council so as to avoid "double taxation" for the relevant services.

The power to charge special expenses is discretionary and in order for it to apply there must be a resolution of the billing authority in force. As the resolution has to refer to the matters which will be special expenses for these purposes the resolution will need to identify which function related activities will be included within the calculation.

Special Expenses must be applied consistently throughout a billing authority's area. There is no discretion to make selective application to some parts of the borough only.

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Special Expenses 2019/20

Special Expenses for 2018/19 £	Local Area	Closed Church-yards £	Open Spaces, Parks & Play Areas £	Sports Grounds £	Local Events £	Allotments £	Special Expenses for 2019/20 £	Tax Base	Amount Per Band D Property £
689,872	Tonbridge	10,400	186,806	505,100	44,525	9,400	756,231	13,774.19	54.90
1,692	Addington		1,716				1,716	417.35	4.11
8,728	Aylesford		8,840				8,840	4,344.26	2.03
967	Birling		981				981	200.87	4.88
1,194	Borough Green		1,554				1,554	1,675.76	0.93
0	Burham						0	449.89	0.00
520	Ditton		527				527	1,796.93	0.29
22,396	E. Malling & Larkfield		22,794				22,794	5,022.68	4.54
592	East Peckham		601				601	1,290.12	0.47
0	Hadlow						0	1,509.52	0.00
0	Hildenborough						0	2,193.06	0.00
0	Ightham						0	1,111.90	0.00
0	Kings Hill						0	4,029.94	0.00
27,209	Leybourne		27,600				27,600	1,961.37	14.07
29	Mereworth		29				29	436.54	0.07
0	Offham						0	386.46	0.00
1,205	Platt		1,222				1,222	892.91	1.37
0	Plaxtol						0	595.33	0.00
0	Ryarsh						0	392.08	0.00
0	Shipbourne						0	263.98	0.00
18,847	Snodland		19,118				19,118	3,720.03	5.14
0	Stansted						0	265.47	0.00
0	Trottiscliffe						0	269.31	0.00
1,879	Wateringbury		1,906				1,906	896.65	2.13
2,779	West Malling		353		2,369		2,722	1,125.37	2.42
0	West Peckham						0	179.03	0.00
3,456	Wouldham		3,505				3,505	699.02	5.01
1,805	Wrotham		1,817				1,817	920.59	1.97
783,170	**Total**	**10,400**	**279,369**	**505,100**	**46,894**	**9,400**	**851,163**	**50,820.61**	

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Parish Council Precepts 2019/20

Precept for 2018/19 £	Parish Council	Precept for 2019/20 £	Tax Base	Amount Per Band D Property £	Per Band D Variation %
23,000.00	Addington	23,000.00	417.35	55.11	(3.1)
235,100.00	Aylesford	250,700.00	4,344.26	57.71	4.9
9,957.74	Birling	10,324.00	200.87	51.40	4.5
169,570.00	Borough Green	177,470.00	1,675.76	105.90	3.0
25,813.68	Burham	26,588.09	449.89	59.10	4.0
267,880.00	Ditton	269,287.00	1,796.93	149.86	0.0
294,577.00	E. Malling & Larkfield	312,127.00	5,022.68	62.14	4.6
140,000.00	East Peckham	142,000.00	1,290.12	110.07	1.9
111,385.00	Hadlow	117,759.00	1,509.52	78.01	6.2
67,644.00	Hildenborough	69,742.00	2,193.06	31.80	2.8
123,360.00	Ightham	122,467.00	1,111.90	110.14	0.0
292,896.75	Kings Hill	327,018.00	4,029.94	81.15	10.0
152,567.00	Leybourne	163,950.00	1,961.37	83.59	0.0
31,120.00	Mereworth	32,500.00	436.54	74.45	4.8
20,415.00	Offham	21,415.00	386.46	55.41	3.1
70,000.00	Platt	75,000.00	892.91	84.00	6.1
38,229.00	Plaxtol	42,052.00	595.33	70.64	9.4
19,305.00	Ryarsh	25,769.00	392.08	65.72	24.2
10,195.00	Shipbourne	11,215.00	263.98	42.48	7.3
293,053.00	Snodland	303,121.00	3,720.03	81.48	0.8
32,260.00	Stansted	17,260.00	265.47	65.02	(46.4)
16,500.00	Trottiscliffe	16,500.00	269.31	61.27	0.6
84,625.39	Wateringbury	97,852.42	896.65	109.13	15.0
118,410.00	West Malling	120,778.00	1,125.37	107.32	0.9
5,400.00	West Peckham	5,400.00	179.03	30.16	(0.2)
39,423.00	Wouldham	47,533.00	699.02	68.00	3.0
86,950.00	Wrotham	94,294.00	920.59	102.43	5.0
2,779,636.56	**Total**	**2,923,121.51**	**37,046.42**		

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GENERAL FUND WORKING BALANCE

	£
Balance at 1.4.2018	1,250,000
Balance at 31.3.2020	1,250,000

GENERAL REVENUE RESERVE

	£	£
Balance 1.4.2018		6,646,693
Budgeted to be transferred to the Reserve	433,400	
Increase on Original Estimate	321,850	
		111,550
Estimated Balance at 1.4.2019		6,758,243
Contribution to the Reserve 2019/20		450,600
Estimated Balance at 31.3.2020		7,208,843

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STATEMENT ON THE ROBUSTNESS OF THE ESTIMATES AND THE ADEQUACY OF THE RESERVES

Introduction

This statement is given in respect of the 2019/20 Budget Setting Process for Tonbridge and Malling Borough Council. I acknowledge my responsibility for ensuring the robustness of the estimates and the adequacy of the reserves as part of this process. The budget has been prepared within the context of a Medium Term Financial Strategy (MTFS) spanning a ten-year period.

The MTFS sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. This includes achieving a balanced revenue budget by the end of the strategy period and to retain a minimum of £3.0m (was £2.0m) in the General Revenue Reserve by the end of the strategy period. The MTFS also sets out, based on current financial information, not only the projected budgets for the period, but also the levels of council tax that are projected to be required to meet the Council's spending plans.

By way of context, since 2010/11 the Council has seen its local government finance settlement (core funding) decrease by some 65% or £4.3m (from £6.6m to £2.3m in 2019/20). The fall in core funding is, in part, negated by the grant award under the New Homes Bonus (NHB) scheme which in 2019/20 is around £3.5m. However, NHB funding is expected to fall sharply in future years as the changes made to the scheme work their way through the system, and the high levels of housing growth seen in recent years fall out of the calculation. In due course, assuming no further changes are made to the scheme, it is estimated that NHB could be in the order of £1.8m and where NHB remains at risk indefinitely. It is our ambition to restructure the MTFS so it is not as reliant on NHB or its replacement.

It can be seen from the above that the ongoing reduction in government grant funding has and continues to place ever increasing pressure on the Council's finances where latest projections point to a 'funding gap' between expenditure and income of £550,000 to be addressed over the period of the MTFS.

Funding beyond 2019/20 dependent on the outcome of the 2019 Spending Review and the Fair Funding Review and what happens to NHB. How we will fair at the end of that process is extremely difficult to predict at this stage. As a result the year 2019/20 could be seen as a holding year. We do believe that our MTFS is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but this is becoming progressively more difficult.

Alongside the MTFS sits a Savings and Transformation Strategy. The purpose of the Strategy is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to

adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale.

Robustness of Estimates

The aim of the Medium Term Financial Strategy is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. It is a Strategy that is adopted by Members of the Council alongside the Budget to provide a forward looking context for the consideration of the budget year ahead. It also provides the Council's Corporate Management Team with a tool for strategic financial planning and decision making.

Underneath the Strategy sits detailed estimates formulated in conjunction with Service Managers who carry responsibility of delivering their area of service within budget provision. The estimates take into account past outturn, current spending plans and likely future demand levels / pressures.

Factors taken into account for the 2019/20 Budget Setting Process and in developing the Strategy are:

Corporate Strategy	The Council's financial plans should be in support of its strategic priorities and objectives set out in overview in the Corporate Strategy. The Strategy sets out Our Vision: *To be a financially sustainable Council that delivers good value services, provides strong and clear leadership and, with our partners, addresses the needs of our Borough* guided by the following core values: Taking a business-like approach; Promoting fairness; Embracing effective partnership working; and Valuing our environment and encouraging sustainable growth.
Consultation with Non-Domestic Ratepayers	The Council consults representatives of its non-domestic ratepayers about its expenditure proposals who may make written representations if they deem it appropriate. No such representations have been received.
The level of funding likely from Central Government towards the costs of local services	Our Settlement Funding Assessment (SFA) for 2019/20 is £2,264,850. This represents a cash decrease of £631,546 or 21.8% when compared to the equivalent figure in 2016/17 (year 1 of a 4-year settlement).
New Homes Bonus	Our New Homes Bonus (NHB) for 2019/20 is £3,457,428. NHB funding is expected to fall sharply in future years as the changes made to the scheme work their way through the system, and the high levels of housing growth seen in recent years fall out of the calculation. In due course, assuming no further changes are made to the scheme, it is estimated that NHB could be in the order of £1.8m. It is our ambition to restructure the MTFS so it is not as reliant on NHB or its

	replacement. For medium term financial planning purposes we have assumed there will continue to be some form of performance funding, but at a much reduced level.
Business Rates	For medium term financial planning purposes beyond 2019/20 we assume that the business rates baseline attributed to Tonbridge and Malling under the Business Rates Retention Scheme is not notably different to the actual business rates income. If our actual income is less than the baseline set the authority may have to meet a share of that shortfall.
Overall Grant Funding	For medium term financial planning purposes, from 2020/21, it is assumed that overall grant funding whether that be baseline funding level, some element of growth performance, NHB or its replacement will add up to around £2.4m. If overall grant funding is in excess of £2.4m which at least in the early years we hope it could be, sums over and above this amount could be used to establish a 'stabilisation reserve' going forward to assist in meeting future saving and transformation contributions and or help manage risk. This will need to be revisited following the outcome of the 2019 Spending Review and Fair Funding Review.
Council Tax Base	The Council Tax Base for 2019/20 is 50,820.61 band D equivalents with an expectation that this will increase by 4,950 over the strategy period, or 550 per year.
Local Referendums to Veto Excessive Council Tax Increases	The Secretary of State will determine a limit for council tax increases which for 2019/20 has been set at 3%, or more than 3% and more than £5. If an authority proposes to raise council tax above this limit they will have to hold a referendum to get approval for this from local voters who will be asked to approve or veto the rise. Due regard has been taken of the guidelines issued by the Secretary of State. The MTFS reflects an increase in council tax of 2.99% in 2019/20 followed by an increase of £5 year on year thereafter.
The Prudential Code and its impact on Capital Planning	Tonbridge and Malling is a debt-free authority and projections suggest that recourse to borrowing to fund capital expenditure is unlikely before 2025/26. A key objective of the Prudential Code is to ensure, within a clear framework, the capital investment plans of local authorities are affordable, prudent and sustainable.
The Council's Capital Strategy and Capital Plan	Other than funding for the replacement of our assets which deliver services as well as recurring capital expenditure, there is now an annual capital allowance for all other capital expenditure. In 2019/20 and for one year only the annual allowance is £525,000 returning to £200,000 over the remainder of the capital plan review period 2020/21 to 2024/25.

Treasury Management	A Treasury Management and Annual Investment Strategy is adopted by the Council each year as required by the Local Government Act 2003 as part of the budget setting process. The Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. Council in October 2018 adopted the updated Treasury Management and Prudential Codes of Practice published by the Chartered Institute of Public Finance and Accountancy in December 2017. The focus of both updates is to ensure the risks associated with investment in 'non-financial assets which are held primarily for financial returns' are properly evaluated, reported, subject to scrutiny and managed over time. The requirements of the updated Codes of Practice have been taken into account and reflected as appropriate in the annual review and update of the Capital Strategy and in preparing the Treasury Management and Annual Investment Strategy for 2019/20.
Interest Rates	Interest returns on the Council's 'core funds' have been set at 1.23% in 2019/20 rising gradually to 3.75% over the medium term. In setting these rates due regard has been taken of the interest rate forecasts of the Council's independent Treasury Adviser, Link Asset Services. To put this into context, 0.25 of a percentage point would currently generate investment income on our 'core funds' of about £43,000. Conversely, a dip in investment returns would have a negative impact on the Council's budget. The Council has chosen to retain a minimum of £3m in its General Revenue Reserve in order to deal with, amongst other things, interest rate volatility.
Property Investment Fund/s	The Council has recently taken the decision to invest in one or more property investment funds with further investment of proceeds from the sale of certain Council owned assets expected in the near future. In order to guard against downward fluctuations in property values a Property Investment Fund Reserve is to be established.
Adequacy of Reserves	At the beginning of 2019/20, we anticipate that the General Revenue Reserve balance will be £6.75m. The Adequacy of Reserves is discussed in more detail below.
Pay and Price Inflation	The estimates provide for a 2.5% pay award in 2019/20 and again in 2020/21 followed by 2% year on year thereafter and price inflation of up to 3% in 2019/20 followed by 2% in subsequent years. Except the new waste services contract where price inflation is set at 4%.
Fees and Charges	As has been the practice for a number of years now the objective has been to maximise income, subject to market conditions, opportunities and comparable charges elsewhere.

Emerging Growth Pressures and Priorities	The projections within the MTFS include all known and quantified priorities and growth pressures that we are aware of at the present time. New priorities and growth pressures will undoubtedly emerge over the period and in consequence, the Strategy will be updated at least annually.
Financial Management	The Council's financial information and reporting arrangements are sound and its end of year procedures in relation to budget under / overspends clear. Collection rates for council tax and NNDR remain good. Our external auditor (Grant Thornton UK LLP) following the 2018 audit concluded that although the Council faces significant pressures it continues to have a robust financial planning framework.
Insurance Arrangements and Business Continuity	Risks identified via the preparation of Service / Section Risk Registers have wherever possible been reduced to an acceptable level. Any remaining risk has been transferred to an external insurance provider. In addition, specific arrangements are in place to ensure the continuity of business in the event of both major and minor disruptions to services. As insurance premiums are reactive to the external perception of the risks faced by local authorities and to market pressures, both risks and excess levels are kept under constant review. The Council recognises that not all risks are financial; and takes into account all risks when making decisions.
Corporate Governance and Risk Management	The Council has adopted a Local Code of Corporate Governance based upon the requirements of the CIPFA/SOLACE Corporate Governance framework. This incorporates Risk Management and the Council is committed to a Risk Management Strategy involving the preparation of Risk Registers at both strategic and operational levels.
Equality Impact Assessments	Where there are deemed to be equality issues as a result of adjustments to revenue budgets a separate equality impact assessment has or will be undertaken at the appropriate time. In addition, an equality impact assessment is undertaken and reported to Members prior to commencement of a new capital plan scheme.
Partnership Working	The Council is working in partnership with its neighbouring councils with the aim of not only delivering savings through joint working, but also to improve resilience and performance.
Government Led Issues	Brexit; the 2019 Spending Review and Fair Funding Review; the sustainability of the NHB scheme and what will follow; proposed move to 100% Business Rates Retention scheme; Welfare Reform and cessation of the administration of housing benefits for working age claimants in the lead up to the introduction of Universal Credit; the ongoing impact of the localisation of council

	tax support; and proposals to transfer the Land Charges function to HM Land Registry and to devolve the setting of planning fees will impact on the Council's finances in-year and over the medium to longer term. The increased volatility and uncertainty attached to a number of these issues is such that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections. As a result we will need to closely monitor the impact of these issues on the Council's finances.
Savings and Transformation Contributions	Latest projections point to a 'funding gap' between expenditure and income of £550,000 to be addressed over the period of the MTFS. It should also be noted dependent on the outcome of the 2019 Spending Review and the Fair Funding Review and what happens to NHB further savings and transformation contributions could be required. The Council is able to break the required savings and transformation contributions into "tranches" to enable more measured steps to be taken and give time for the 2019 Spending Review and the Fair Funding Review to be concluded. In the coming months, options to deliver a further tranche of the required savings and transformation contributions will need to be considered, agreed and actioned under the framework set out in the Savings and Transformation Strategy. In addition, the Management Team will continue to seek efficiency savings in the delivery of existing services.

These assumptions and changing circumstances will require the Strategy to be reviewed and updated at least annually.

Two key questions remain to be answered.

What will our business rates baseline and baseline funding level be under an 'interim' 75% and 'eventual' 100% Business Rates Retention scheme, and how will this compare to that reflected in the MTFS taking into account transfer of any new responsibilities?

What is the extent to which NHB will feature in future government grant funding and if replaced what level of funding would we receive in its place?

The answers to these questions are fundamental for the ongoing financial planning for this Council.

Adequacy of Reserves

The minimum prudent level of reserves that the Council should maintain is a matter of judgement. It is the Council's safety net for unseen or other circumstances. The minimum level cannot be judged merely against the current risks facing the Council as these can and will change over time. The objective is to retain a minimum of £3.0m (was £2.0m) in the General Revenue Reserve by the end of the strategy period and given below are areas of operational and financial risk (not exhaustive) considered in determining the appropriate minimum level.

- Brexit
- Interest Rate volatility
- Income volatility
- Change to Government Grant including New Homes Bonus
- Identified savings not being delivered in the required timescales
- Localisation of council tax support
- Business rates retention scheme and associated volatility of income
- Planning Inquiries
- Partnership Working
- Emergencies
- Economic and world recession
- Poor performance on Superannuation Fund
- Bankruptcy / liquidation of a major service partner
- Closure of a major trading area, e.g. leisure centre for uninsured works
- Cyber/data loss
- Problems with computer systems causing shortfall or halt in collection performance
- Government Legislation
- Ability to take advantage of opportunities
- Uninsured risks

Clearly, the minimum General Revenue Reserve balance needs to and will be kept under regular review. The General Revenue Reserve balance at 31 March 2029 is estimated to be £6.99m based on an increase in council tax of 2.99% for 2019/20 with the Council working to a balanced budget.

In addition, a number of Earmarked Reserves exist to cover items that will require short-term revenue expenditure in the near future.

The Revenue Reserve for Capital Schemes is established to finance future capital expenditure. A funding statement illustrates that recourse to borrowing to fund capital expenditure is unlikely before 2025/26. The Revenue Reserve for Capital Schemes balance at 31 March 2025 is estimated to be £3.522m.

A schedule of the reserves held as at 1 April 2018 and proposed utilisation of those reserves to 31 March 2020 is provided in Annex 17b.

Balances held generate interest receipts which support, underpin and contribute towards meeting the objectives of the Strategy.

Financial Resilience Index 2018

The Financial Resilience Index 2018 produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) aims to provide a tool with a group of indicators able to illustrate the trajectory of an authority's financial position within the context of each authority's own comparator tier or nearest neighbours group. CIPFA has designed the index to provide reassurance and prompt challenge where it may be needed.

There are no particular concerns from a review of the Financial Resilience Index 2018 for this Council at this time. A copy of the Index (tier comparator) is attached at Annex 17c.

Opinion

I am of the opinion that the approach taken in developing the 2019/20 budget meets the requirements contained in the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of the reserves.

Signed: _____ Date: 14 February 2019

Director of Finance and Transformation, BSc (Hons) FCPFA

RESERVES ESTIMATE 2019/20

Description	Balance as at 1 April 2018 £	Estimated Contribution From £	Estimated Contribution To £	Estimated Balance as at 31 March 2019 £	Estimated Contribution From £	Estimated Contribution To £	Estimated Balance as at 31 March 2020 £
General Revenue Reserve	6,646,693		111,550	6,758,243		450,600	7,208,843
Revenue Reserve for Capital Schemes	6,812,341	(1,506,000)	2,103,000	7,409,341	(3,773,000)	1,887,000	5,523,341
Building Repairs Reserve	491,998	(1,011,700)	1,000,000	480,298	(1,014,700)	650,000	115,598
Property Investment Fund Reserve	500,000		1,250,000	1,750,000		500,000	2,250,000
Earmarked Reserves							
Democratic Representation	20,145			20,145			20,145
Special Projects	891,063	(803,900)	727,000	814,163	(744,900)	0	69,263
Local Development Framework	226,628	(90,000)	290,000	426,628	(195,000)	55,000	286,628
Homelessness Reduction	179,576	(113,700)	199,750	265,626	(114,200)	188,800	340,226
Election	185,721		25,000	210,721	(160,000)	25,000	75,721
Asset Review	45,565	(16,000)		29,565			29,565
Training & IiP Accreditation	22,813			22,813			22,813
Road Closures	7,362			7,362			7,362
Community Development	10,359			10,359			10,359
Invest to Save	492,483	(236,000)		256,483	(65,000)		191,483
Economic Development	28,315	(28,300)		15			15
Housing & Welfare Reform	53,200			53,200	(15,000)		38,200
Tonbridge and Malling Leisure Trust	401,470		100,000	501,470		100,000	601,470
Housing Assistance	200,000	(10,000)		190,000	(112,000)		78,000
Business Rates Retention Scheme	554,249	(192,000)	351,650	713,899	(178,650)	983,100	1,518,349
Public Health	64,492	(11,600)		52,892	(10,500)		42,392
Transformation	208,000	(99,250)	76,000	184,750			184,750
	3,591,441	(1,600,750)	1,769,400	3,760,091	(1,595,250)	1,351,900	3,516,741
Total	**18,042,473**	**(4,118,450)**	**6,233,950**	**20,157,973**	**(6,382,950)**	**4,839,500**	**18,614,523**

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CIPFA\ Financial Resilience Index

Tier Group

UPPER | ✓ LOWER

Authority Tonbridge & Malling

Comparator Group Non Metropolitan Districts

Methodology Ranked

Year 2017-18

EXPORT

Results Breakdown

Indicators of Financial Stress

← Higher risk — Lower risk →

	Min	Authority	Max
Reserves Depletion Time	0.00	100.00	100.00
Level of Reserves	16.6%	144.5%	300.0%
Change in Reserves	-100.0%	7.2%	360.8%
Unallocated Reserves	0.0%	59.3%	300.0%
Earmarked Reserves	6.4%	85.2%	300.0%
Change in Unallocated Reserves	-84.5%	33.4%	400.5%
Change in Earmarked Reserves	-63.2%	-5.7%	1946.3%
Grants to Expenditure Ratio	0.0%	0.0%	24.8%
Council Tax Requirement / Net Revenue Expenditure	37.0%	92.5%	100.0%
Retained Income from Rate Retention / Net Expenditure	2.1%	17.7%	100.0%

Auditors VfM Assessment — **Unqualified**

Indicator	Description	Relationship to risk and interpretation
Reserves Burn Rate	This indicator is the ratio between the current level of reserves and the average change in reserves in each of the past three years. A negative value (which implies reserves have increased) or one greater than 100 is recoded to 100.	The indicator provides a measure of how long (in years) it will take for a council to completely denude its reserves, if they continue to use reserves at the same rate as in the previous three years. A low value suggests that there is a risk that the authority will run out of reserves. A high value says, that on current trends, they are unlikely to deplete their reserves.
Level of Reserves	This is the ratio of the current level of reserves (total useable excluding public health & schools) to the council's net revenue expenditure. We have set the figure at 100% for a small number of district councils to remove the impact of extreme outliers.	A low level of reserves may indicate that a council has low capacity to cope with financial shocks. It will also face a risk should expenditure exceed income.
Change in Reserves	This indicator shows the average percentage change in reserves (total useable excluding public health and schools) over the past three years	A council that is using up its reserves may be at risk if they do not move to a more balanced budget.
Unallocated Reserves	This indicator is calculated as the ratio of unallocated reserves to net revenue expenditure	This indicator provides some further information on the reserves indicator. A low level of unallocated reserves may be a sign that a council will struggle with financial shocks.
Earmarked Reserves	This indicator is calculated as the ratio of earmarked reserves (excluding public health and schools) to net revenue expenditure	This indicator provides some further information on the reserves indicator. A low level of earmarked reserves could mean that a council will struggle with financial shocks or that they have not planned effectively for their use of reserves.
Change in Unallocated Reserves	This indicator is the average percentage change in unallocated reserves over the past three years	This indicator provides some further information on the reserves indicator. A council that is using up its reserves may be at risk if they do not move to a more balanced budget.
Change in Earmarked Reserves	This indicator is the average percentage change in unallocated reserves over the past three years	This indicator provides some further information on the reserves indicator. A council that is using up its reserves may be at risk if they do not move to a balanced budget.
Social Care & Interest payments ratio	This indicator is the ratio of total spending on adults' social care, children's social care and debt interest to net revenue expenditure.	This indicator provides a measure of the degree of flexibility within a council's budget. Spending on these items is less likely to be reduced compared to other categories. A high ratio suggests that the council has little flexibility to make further savings, potentially leading to risk
Children's Social Care Ratio	This indicator is the ratio of spending on children's social care to net revenue expenditure	This indicator provides a breakdown of the total ratio to allow councils to understand their relative position for this component
Adult Social Care Ratio	This indicator is the ratio of spending on adult social care to net revenue expenditure	This indicator provides a breakdown of the total ratio to allow councils to understand their relative position for this component
Grants to Expenditure Ratio	This indicator shows the proportion of net revenue expenditure funded by central government grants.	Grants are a diminishing source of funding. However, a relatively high level of grants may suggest that a council may experience financial difficulties in the future as grants continue to be a declining source of income.
Council Tax Requirement / RSG	This indicator shows the ratio of council tax to RSG	This indicator provides a measure of the relative importance of council tax and grants. A low ratio suggest higher dependency on grants which may suggest that a council may experience financial difficulties as grants diminish further
Retained Income from business Rates/ Net Expenditure	This indicator shows the ratio of retained income from business rates as a proportion of net expenditure	As locally raised business rates become more important, a lower ratio may be associated with difficulties in raising the income necessary to support spending.
Children's Social Care Judgement	This indicator shows the latest OFSTED judgement on the quality of children's social care	A rating of inadequate or requires improvement may be associated with future higher spending on children's social care adding to council funding pressures
Auditors VfM Assessment	This indicator shows whether auditors have produce a non-standard conclusion on a council's accounts	A non-standard judgement may indicate some concern over the financial management and decisions within a council.

Tonbridge & Malling Borough Council

Calculation of Council Tax Requirement for the year 2019/20 including sums required to meet Special Expenses and Parish Council Precepts

That the following amounts be now calculated by the Council for the year 2019/20 in accordance with Section 31A of the Local Government Finance Act 1992:-

		£
(a)	Aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) N.B. Includes Special Expenses and Parish Council Precepts	91,505,630
(b)	Aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) N.B. Includes Local Government Finance Settlement	77,935,591
(c)	Calculation under Section 31A (4), being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above	13,570,039

Memorandum:-

	£
Borough Council	9,795,754
Special Expenses	851,163
Parish Council Precepts	2,923,122
Total	13,570,039

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Item CB 19/6 referred from Cabinet minutes of 14 February 2019

CB 19/6 SETTING THE COUNCIL TAX FOR 2019/20

The joint report of the Chief Executive, Director of Finance and Transformation, Leader of the Council and Cabinet Member for Finance, Innovation and Property set out the requirements under the Local Government Finance Act 1992 for a billing authority to set an amount of council tax for each category of dwelling in its area. Members were advised of the position concerning the determination of their respective precepts for 2019/20 by the major precepting authorities.

Consideration was given to a draft resolution identifying the processes to be undertaken in arriving at the levels of council tax applicable to each part of the Borough to which any charges under the special expenses scheme would be added. The resolution and further information regarding the precepts of the other authorities would be reported to the full Council on 19 February 2019.

RECOMMENDED: That the resolution be noted and the Council be recommended to approve a 2.99% or £6.08 per annum increase in the Borough Council's element of the council tax for 2019/20, representing a notional "average" charge at Band D of £209.50.
***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

14 February 2019

Report of the Chief Executive, Director of Finance and Transformation, Leader of the Council and Cabinet Member for Finance, Innovation and Property

Part 1- Public

Matters for Recommendation to Council

1 SETTING THE COUNCIL TAX 2019/20

This report takes Cabinet through the process of setting the level of Council Tax for the financial year 2019/20 and seeks Cabinet's recommendations.

1.1 Introduction

1.1.1 The legislative framework for the setting of Council Tax is Chapter III of the Local Government Finance Act 1992. Section 30 requires that for each financial year and for each category of dwelling in its area, a billing authority shall set an amount of Council Tax.

1.1.2 The amount set will be the aggregate of the amount set by the billing authority under Sections 31A and 36 of the Act and the amounts set by major precepting authorities under Sections 42A, 42B and 45 to 47 of the Act.

1.2 Council Tax Base for 2019/20

1.2.1 The Council is required to set its tax base for the forthcoming financial year, and notify it to the major precepting authorities, during the period 1 December to 31 January.

1.2.2 Attached at **[Annex 1]** is the council tax base for the financial year 2019/20 which has been determined by the Director of Finance and Transformation in accordance with her delegated authority. This shows that there are 50,820.61 Band D equivalent properties within the Borough compared to 49,924.51 in the year 2018/19 (an increase of 1.79%).

1.2.3 All precepting authorities have been notified of the tax base for 2019/20.

1.3 Amounts of Council Tax to be set by the Billing Authority

1.3.1 The process is that, having determined the billing authority's tax requirement, this sum is initially divided by the tax base to determine the overall level of tax, inclusive of special expenses and parish precepts.

1.3.2 The resultant figure represents an average charge within the Borough for both Borough and Parish Council requirements. As part of the statutory process, this average is recorded on the Council's council tax resolution, which we refer to later. As Cabinet is aware, however, the average charge does not apply to any of the areas within the Borough other than by coincidence. In order to calculate the levels of tax for each of the areas within the Borough, it is necessary to determine the basic level of Council Tax that will apply to the whole of the Borough, and then calculate the additional charges relating to particular areas. This process determines the tax for Band D properties in each of those areas.

1.3.3 The tax for the full range of Band A to H properties is then established by using the ratios for each of the Bands as they relate to Band D. The relevant statutory ratios are as follows:

Table 1 - Band Ratio Relative to Band D

Band	Ratio to Band D
A	6/9
B	7/9
C	8/9
D	9/9
E	11/9
F	13/9
G	15/9
H	18/9

1.3.4 The level of tax set by the major precepting authorities, Kent County Council, The Police & Crime Commissioner for Kent and the Kent & Medway Fire & Rescue Authority, is then added to establish the overall tax for each band in each part of the area.

1.4 Kent County Council / The Police & Crime Commissioner for Kent / Kent & Medway Fire & Rescue Precepts

1.4.1 The Police & Crime Commissioner for Kent's precept and level of Council Tax is due to be considered at a meeting on 6 February and we await confirmation of the outcome.

1.4.2 Kent County Council's Cabinet meeting is due to take place on 28 January, at which a recommendation concerning its precept will be made. The County Council's full Council meeting to confirm the precept is to be held on 14 February.

1.4.3 The Kent & Medway Fire & Rescue Authority's precept and level of Council Tax is due to be agreed on 12 February.

1.5 Draft Resolution

1.5.1 Attached at **[Annex 2]** is a draft resolution which seeks to identify for Cabinet the processes which have to be undertaken to arrive at the levels of Council Tax applicable to each part of the Borough. The parts in bold type seek to explain each calculation.

1.5.2 The resolution itself, incorporating the Borough Council's budget and Parish Council precept information and council tax levels for all major precepting authorities, will be presented to the meeting of the Council on 19 February 2019.

1.6 Legal Implications

1.6.1 There are a number of legislative requirements to consider in setting the Budget which will be addressed as we move through the budget cycle.

1.6.2 The Localism Act introduced a requirement for council tax referendums to be held if an authority increases its relevant basic amount of council tax in excess of principles determined by the Secretary of State and approved by the House of Commons.

1.7 Financial and Value for Money Considerations

1.7.1 As set out above.

1.8 Risk Assessment

1.8.1 The Local Government Act 2003 requires the Chief Financial Officer, when calculating the Council Tax Requirement, to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. Consideration will and is given to the risks associated with any budget setting process where various financial and other assumptions have to be made. To mitigate the risks detailed estimates are formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures and external guidance on assumptions obtained where appropriate.

1.8.2 Under the provisions of the Localism Act, any increase in the relevant basic amount of council tax above the principles, however small, will require a referendum to be held which is a risk in itself.

1.9 Equality Impact Assessment

1.9.1 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.

1.10 Recommendations

1.10.1 Cabinet is asked to **note** the resolution, and **make recommendations to** Council as appropriate.

Background papers:

Nil

contact: Sharon Shelton
Neil Lawley

Julie Beilby
Chief Executive

Sharon Shelton
Director of Finance and Transformation

Nicolas Heslop
Leader of the Council

Martin Coffin
Cabinet Member for Finance, Innovation and Property and Deputy Executive Leader

COUNCIL TAX - TAX BASE FOR 2019/20

Parish	Tax Base
	Band D Equivalents
ADDINGTON	417.35
AYLESFORD	4,344.26
BIRLING	200.87
BOROUGH GREEN	1,675.76
BURHAM	449.89
DITTON	1,796.93
EAST MALLING & LARKFIELD	5,022.68
EAST PECKHAM	1,290.12
HADLOW	1,509.52
HILDENBOROUGH	2,193.06
IGHTHAM	1,111.90
KINGS HILL	4,029.94
LEYBOURNE	1,961.37
MEREWORTH	436.54
OFFHAM	386.46
PLATT	892.91
PLAXTOL	595.33
RYARSH	392.08
SHIPBOURNE	263.98
SNODLAND	3,720.03
STANSTED	265.47
TROTTISCLIFFE	269.31
WATERINGBURY	896.65
WEST MALLING	1,125.37
WEST PECKHAM	179.03
WOULDHAM	699.02
WROTHAM	920.59
TONBRIDGE	13,774.19
TOTAL	**50,820.61**

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Annex 2

COUNCIL TAX

DRAFT RESOLUTION

Blank version of the Council Tax Resolution (except for Band D equivalents). Explanatory text is provided in Bold Italics.

1. It be noted that on 19th February 2019 the Council calculated:

(a) the Council Tax Base 2019/20 for the whole Council area as 50,820.61 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")] and,

(b) for dwellings in those parts of its area to which one or more special items (Special expenses and or a Parish precept) relates as follows:

Tonbridge	13,774.19
Addington	417.35
Aylesford	4,344.26
Birling	200.87
Borough Green	1,675.76
Burham	449.89
Ditton	1,796.93
East Malling & Larkfield	5,022.68
East Peckham	1,290.12
Hadlow	1,509.52
Hildenborough	2,193.06
Ightham	1,111.90
Kings Hill	4,029.94
Leybourne	1,961.37
Mereworth	436.54
Offham	386.46
Platt	892.91
Plaxtol	595.33
Ryarsh	392.08
Shipbourne	263.98
Snodland	3,720.03
Stansted	265.47
Trottiscliffe	269.31
Wateringbury	896.65
West Malling	1,125.37
West Peckham	179.03
Wouldham	699.02
Wrotham	920.59

2. £ X,XXX,XXX being the Council Tax requirement for the Council's own purposes for 2019/20 (excluding Parish precepts).

Explanatory Notes

1(a) This figure represents the council tax base expressed in Band D equivalents for the whole Tonbridge and Malling area.

1(b) These figures represent the tax base expressed in Band D equivalents for Tonbridge and each Parish.

The tax base for the whole borough, Tonbridge and for each area (Parish) as determined by the Council's Chief Financial Officer.

2 This figure represents the amount of council tax required to support the Council's revenue budget for the year.

3. That the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:

(a) £ XX,XXX,XXX being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

(b) £ XX,XXX,XXX being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

(c) £ XX,XXX,XXX being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

(d) £ XXX.XX being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year including Parish precepts.

(e) £ X,XXX,XXX being the aggregate amount of all special items (Special expenses and Parish precepts) referred to in Section 34(1) of the Act.

(f) £ XXX.XX being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special items relate (this is the Council Tax for General Expenses to which Special expenses and Parish precepts are added as applicable).

(g)

Part of the Council's area	Band D £
Tonbridge	XXX.XX
Addington	XXX.XX
Aylesford	XXX.XX
Birling	XXX.XX
Borough Green	XXX.XX
Burham	XXX.XX
Ditton	XXX.XX
East Malling & Larkfield	XXX.XX
East Peckham	XXX.XX
Hadlow	XXX.XX
Hildenborough	XXX.XX
Ightham	XXX.XX
Kings Hill	XXX.XX
Leybourne	XXX.XX
Mereworth	XXX.XX
Offham	XXX.XX
Platt	XXX.XX
Plaxtol	XXX.XX
Ryarsh	XXX.XX
Shipbourne	XXX.XX
Snodland	XXX.XX
Stansted	XXX.XX
Trottiscliffe	XXX.XX
Wateringbury	XXX.XX
West Malling	XXX.XX
West Peckham	XXX.XX
Wouldham	XXX.XX
Wrotham	XXX.XX

being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items (Special expenses and Parish precepts) relate.

Explanatory Notes

3(a) The Council's gross expenditure including special expenses, parish precepts and any deficit on the Collection Funds brought forward.

3(b) The Council's gross income including the amount of NNDR and Revenue Support Grant the Council will receive, plus any surplus on the Collection Funds brought forward.

3(c) The council tax requirement including special expenses and parish precepts.

3(d) The council tax requirement including special expenses and parish precepts divided by the tax base from 1(a) to give the basic amount of Council Tax. (N.B. This is an average inclusive of special expenses and parish precepts for each part of the borough).

3(e) The total amount of all parish precepts and special expenses.

3(f) The amount of Council Tax excluding parish precepts and special expenses that applies to each part of the borough.

3(g) The amounts of Council Tax which are set for each part of the borough to meet both borough and parish requirements including special expenses.

(h) **Valuation Bands**

Part of the Council's area	**A** £	**B** £	**C** £	**D** £	**E** £	**F** £	**G** £	**H** £
Tonbridge	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Addington	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Aylesford	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Birling	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Borough Green	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Burham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Ditton	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
East Malling & Larkfield	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
East Peckham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Hadlow	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Hildenborough	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Ightham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Kings Hill	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Leybourne	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Mereworth	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Offham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Platt	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Plaxtol	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Ryarsh	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Shipbourne	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Snodland	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Stansted	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Trottiscliffe	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Wateringbury	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
West Malling	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
West Peckham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Wouldham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Wrotham	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX

being the amounts given by multiplying the amounts at 3(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

Explanatory Notes

3(h) The amounts of Council Tax set for each part of the borough, to meet both borough and parish requirements including special expenses.

4. That it be noted that for the year 2019/20 The Police & Crime Commissioner for Kent, the Kent & Medway Fire & Rescue Authority and the Kent County Council have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

	Valuation Bands							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Precepting Authority	£	£	£	£	£	£	£	£
The Police & Crime Commissioner for Kent	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Kent & Medway Fire & Rescue Authority	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX
Kent County Council	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX	XXX.XX

5. That, having calculated the aggregate in each case of the amounts at 3(h) and 4. above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2019/20, for each of the categories of dwellings shown below:

	Valuation Bands							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Part of the Council's area	£	£	£	£	£	£	£	£
Tonbridge	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Addington	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Aylesford	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Birling	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Borough Green	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Burham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Ditton	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
East Malling & Larkfield	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
East Peckham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Hadlow	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Hildenborough	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Ightham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Kings Hill	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Leybourne	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Mereworth	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Offham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Platt	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Plaxtol	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Ryarsh	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Shipbourne	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Snodland	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Stansted	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Trottiscliffe	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Wateringbury	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
West Malling	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
West Peckham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Wouldham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX
Wrotham	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX	X,XXX.XX

Explanatory Notes

4 The Council Tax set by The Police & Crime Commissioner for Kent, Fire Authority and KCC for each band.

5 The total Council Tax the Borough Council sets for each band in each part of the borough, inclusive of the KCC, KMFRA, The Police & Crime Commissioner for Kent, borough and parish requirement.

Item CB 19/7 referred from Cabinet minutes of 14 February 2019

CB 19/7 BREXIT PREPAREDNESS

The Cabinet received the recommendations of the Overview and Scrutiny Committee at its meeting of 22 January 2019 following consideration of a report on a range of initiatives being pursued to ensure that the Borough Council was prepared to maintain business continuity in response to the possible impact of Brexit.

RECOMMENDED: That

(1) the report be noted and further updates be provided as more information becomes available; and

(2) the current urgency provisions in the Council's Constitution and Policy Framework be extended to include "arrangements for decision making during a period of serious and/or unexpected disruption".
***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

14 February 2019

Report of the Chief Executive

Part 1- Public

Matters for Recommendation to Council

1 BREXIT PREPAREDNESS – RECOMMENDATIONS OF THE OVERVIEW AND SCRUTINY COMMITTEE

1.1 The Overview and Scrutiny Committee, at its meeting held on 22nd January 2019, received a report from the Chief Executive regarding Brexit preparedness. The following recommendations were agreed:

(1) the report be noted and further updates be provided as more information becomes available;

(2) the current urgency provisions in the Council's Constitution and Policy Framework be extended to include "arrangements for decision making during a period of serious and/or unexpected disruption".

1.2 **RECOMMENDATIONS**

1.2.1 That the above recommendations **BE APPROVED.**

1.2 **Legal Implications**

1.3 **Financial and Value for Money Considerations**

1.4 **Risk Assessment**

1.5 **Equality Impact Assessment**

1.6 **[Select one from Add-Ins >> All Entries >> Equality Impact]**

1.7 **Policy Considerations**

1.8 **[Select those that apply from Add-Ins >> All Entries >> Policy Considerations, or remove section]**

1.9 **RecommendationsBackground Papers**
contact: Mark Raymond

None
Background papers:

Nil

Julie Beilby
Chief Executive

Item CB 19/8 referred from Cabinet minutes of 14 February 2019

CB 19/8 CHERRY ORCHARD/BRAMPTON FIELD, DITTON

Item SSE 18/20 referred from Street Scene and Environment Services Advisory Board minutes of 5 November 2018

The Cabinet received the recommendations of the Street Scene and Environment Services Advisory Board at its meeting of 5 November 2018 regarding concerns about the condition and excessive height of a row of conifer trees on Council owned land between Cherry Orchard and Brampton Field, Ditton.

RECOMMENDED: That

(1) the existing row of conifers on Council owned land between Cherry Orchard and Brampton Field be removed as soon as is practicable;

(2) suitable replacement trees be planted on the Council's open space, in liaison with the local Members; and

(3) urgency proceedings be invoked to secure the required budget to progress the works, in accordance with Financial Rules 15.1 and 15.2, with reports from the Chief Executive submitted to future meetings of the Executive and the Overview and Scrutiny Committee.
***Referred to Council**

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Item SSE 18/20 referred from Street Scene and Environment Services Advisory Board minutes of 5 November 2018

SSE 18/20 CHERRY ORCHARD/BRAMPTON FIELD, DITTON

The report of the Director of Street Scene, Leisure and Technical Services set out details of an investigation undertaken following receipt of a letter from a resident raising concern about the condition and excessive height of a row of conifer trees on Council owned land between Cherry Orchard and houses in Brampton Field, Ditton. The resident had requested that the trees be trimmed and topped and had sought guidance from the Government website in relation to the High Hedges Legislation. Members were advised that a petition had been received from residents of Cherry Orchard requesting that the trees not be removed.

The Advisory Board noted that advice had been sought from an external specialist tree contractor on the current condition and future management options for the trees who had advised that due to health and safety concerns, the trees should be felled, the stumps ground out and some replacement trees be planted on the public open space of a more suitable species and in a more appropriate location. The report set out details of the process for funding the removal of the trees as a matter of urgency.

RECOMMENDED: That

(1) the existing row of conifers on Council owned land between Cherry Orchard and Brampton Field be removed as soon as is practicable;

(2) suitable replacement trees be planted on the Council's open space, in liaison with the local Members; and

(3) urgency proceedings be invoked to secure the required budget to progress the works, in accordance with Financial Rules 15.1 and 15.2, with reports from the Chief Executive submitted to future meetings of the Executive and the Overview and Scrutiny Committee.
***Referred to Cabinet**

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TONBRIDGE & MALLING BOROUGH COUNCIL

STREET SCENE and ENVIRONMENT SERVICES ADVISORY BOARD

05 November 2018

Report of the Director of Street Scene, Leisure & Technical Services

Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision

1 CHERRY ORCHARD/BRAMPTON FIELD, DITTON

Summary

This report recommends the removal of a row of conifer trees on Council owned land between Cherry Orchard and the houses in Brampton Field, Ditton.

1.1 Introduction

1.1.1 The Council has recently received a letter from a resident of Brampton Field raising concerns over the row of conifers located to the rear of their property. The resident highlights a number of issues including branches hitting their property, concern the trees may fail and fall, falling debris blocking gutters, falling dead branches, pollen from the trees and lack of light due to their excess height. The resident requested that the trees be trimmed and topped. The resident has also sought guidance from the Government website in relation to the High Hedges legislation highlighting that the trees conform to all the requirements for action as shown below:

- Two or more mostly trees or shrubs.
- Over two meters tall
- Affecting your enjoyment of your home or garden because it's too tall

1.1.2 It has been confirmed that the trees are located on a public open space between Cherry Orchard Road and Brampton Field, Ditton in the Council's ownership and responsibility for the trees is therefore this Council's. A location map is attached at **Annex 1**.

1.2 Outcome of Investigations

1.2.1 The trees have been viewed by Council Officers and photographs of the trees are attached at **Annex 2**. The trees exceed the height of the adjacent houses and run along the boundaries of 10 properties in Brampton Fields. On average the trunks of the trees are located 6/7 metres away from the houses, and one resident's

property is within 3/4 metres of the trunk of the trees. The trees are immediately adjacent to all property boundaries.

1.2.2 The Council has sought the views of an external specialist tree contractor on both the current condition and future management options for the trees. The contractor has advised that the maximum growth that could be cut from the top of the trees is 3 metres, due to the species and current condition. An estimated cost of £5,600 has been given for this work. The contractor has, however, advised that a reduction of this height is highly unlikely to solve the complaints issue from the houses to the rear of the trees, neither will it address the dead and dying material within the hedge or the potential for failure. The trees are still growing fast, are beginning to fall apart and have dieback (Serotinia fungus). Dieback will result in the continual decline of the line of trees, leading to dead branches and branch/stem failure. Severe weather (heavy snow or rain and winds) will increasingly bring the potential for failure as the tree height continues to increase. The option to fell and stump grind the trees is estimated at around £17,000.

1.2.3 In assessing the best way forward consideration also needs to be given to the High Hedges legislation. The Head of Planning has assessed the trees against this legislation and offered the following comments…. *"Having reviewed this matter it seems likely that in the event of a High Hedges application the Council would be serving a notice to require the hedge to be reduced to a height of around 3m. In that case, what you would really be left with given the condition of the hedge are the stumps meaning that from a visual amenity perspective the removal would be the preferred option (although such a notice wouldn't require wholescale removal as it wouldn't take appearance into account)."*

1.3 Proposed Way Forward

1.3.1 Taking all factors into consideration, it is proposed that the trees be felled and stumps ground out. Whilst the estimated cost of the works is £17,000, it is also suggested that some replacement trees are planted on the public open space. These replacement trees will be of a more suitable species, be fewer in number and be located further from the boundary of the fence. The replacement trees would be of a more mature nature (standards or heavy standards) with an estimated cost for purchase and planting of £3,000. An overall budget of £20,000 is therefore required for all the works to be completed.

1.4 Local Views

1.4.1 It is worthy of note that this issue has been raised with the Council previously and at that time generated significant local interest. In particular, residents of Cherry Orchard were against any potential removal of the trees as these currently provide a visual screen between Cherry Orchard and the houses in Brampton Field.

1.4.2 The local Members have been consulted and a response has been received from Councillor Cannon. A summary of the response is as follows:-

"I am very glad to hear that these trees are being removed and are to be replaced with more suitable trees that are more sensibly spaced. I am aware that there has been differing views with some residents wanting them to remain and others removed, but these trees are seriously impacting the quality of life of residents in Brampton and also present a danger if not dealt with. I support this recommendation and I feel it will greatly enhance the area and the quality of life of local residents, improving access to light and discouraging fly tipping".

1.4.3 Councillor Cannon also suggested that semi-mature trees be used as replacements so local residents do not have to wait too long for them to be established. This is accepted as a sensible approach and it is proposed that local Members be involved in the selection and positioning of the replacement trees.

1.5 Legal Implications

1.5.1 The row of conifers are on Council owned land and are therefore the responsibility of this authority. High Hedges legislation has been considered in identifying the most appropriate way forward.

1.6 Financial and Value for Money Considerations

1.6.1 The estimated cost of the proposed works is £20,000 and at present there is no identified budget to meet this expenditure. It is apparent from the views of the specialist tree contractor that the works need to be progressed in advance of the winter season and if Members are in agreement to the proposed way forward an order for the removal needs to be placed immediately after this meeting. Following liaison with the Director of Finance & Transformation, in order to secure the required budget it is necessary to invoke urgency proceedings in accordance with Financial Rules 15.1 and 15.2. If Members are minded to support this approach approval will be sought by the Chief Executive from the Leader and Chairman of Overview & Scrutiny Committee in liaison with the Director of Finance & Transformation. The Chief Executive will then report approval and the circumstances that made it necessary to the Executive and the Overview & Scrutiny Committee. The Executive will recommend approval to Full Council of a supplementary estimate.

1.7 Risk Assessment

1.7.1 If the works are not progressed as soon as is practicable there is a clear risk that damage could be caused to the houses in Brampton Walk and the quality of life for the residents will worsen. The evidence provided by the specialist tree contractor of dieback identifies the need for immediate action to be taken by this Council.

1.8 Equality Impact Assessment

1.8.1 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.

1.9 Policy Considerations

1.9.1 Asset Management

1.9.2 Community

1.9.3 Customer Contact

1.9.4 Health and Safety

1.10 Recommendations

1.10.1 It is **RECOMMENDED to CABINET** that:-

i) the existing row of confiers on Council owned land between Cherry Orchard and Brampton Field be removed as soon as is practicable;

ii) suitable replacement trees be planted on the Council's open space, in liaison with the local Members; and

iii) urgency proceedings be invoked to secure the required budget to progress the works, in accordance with Financial Rules 15.1 and 15.2, with reports from the Chief Executive submitted to future meetings of the Executive and the Overview & Scrutiny Committee.

Background papers: contact: Darren Lanes

Nil

Robert Styles
Director of Street Scene, Leisure & Technical Services

ANNEX 1


Find address or place
Brampton Field
Cherry
94
69
67
102
90
110
75
81
2
23
25
1
13
10m
570,992.891 157,833.711 Meters
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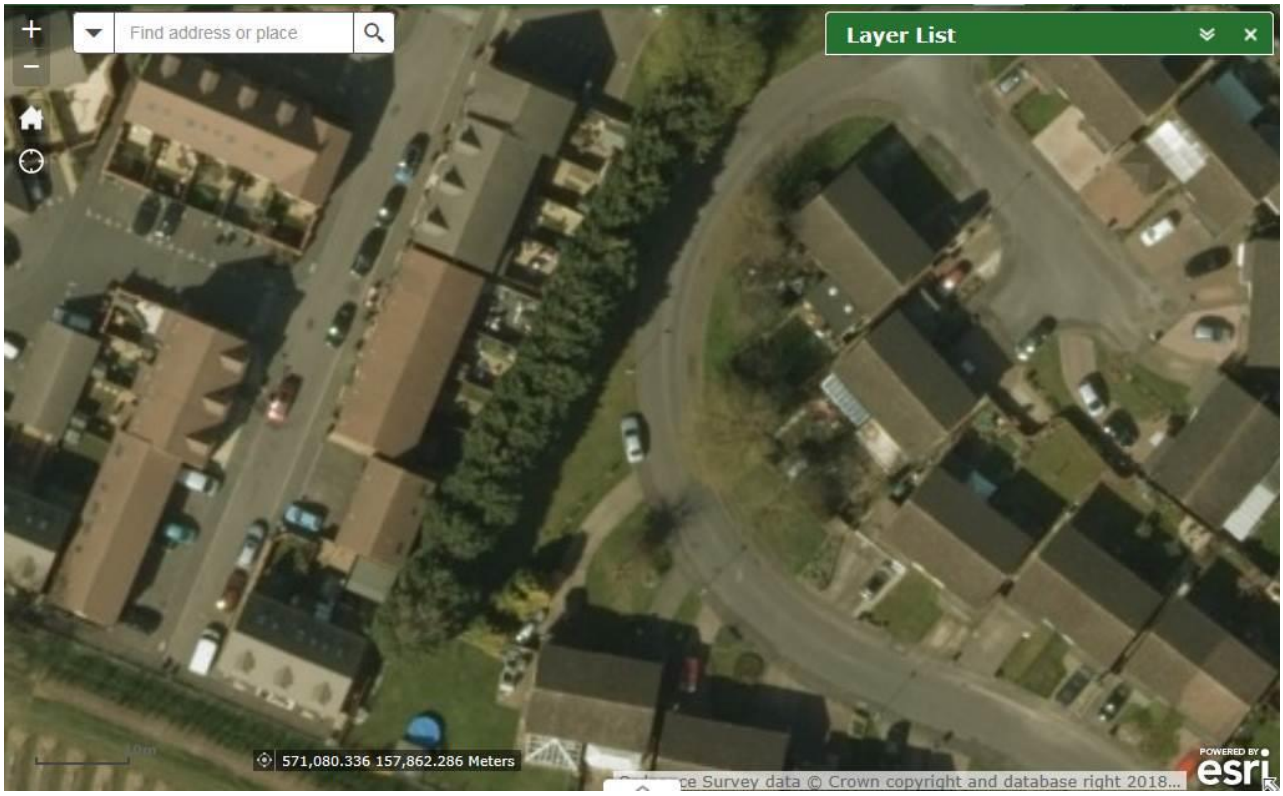
ANNEX 1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571,080.336 157,862.286 Meters
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ANNEX 2

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Item CB 19/9 referred from Cabinet minutes of 14 February 2019

CB 19/9 REVENUES AND BENEFITS UPDATE REPORT

Item FIP 19/10 referred from Finance, Innovation and Property Advisory Board minutes of 9 January 2019

The Cabinet received the recommendations of the Finance, Innovation and Property Advisory Board at its meeting of 9 January 2019 regarding the adoption of schemes for Retail Discount and Council Tax Reduction for 2019/20, removal of Class C empty property discount and adoption of the long term empty homes premium of 100%.

RECOMMENDED: That

(1) the change to the Class C discount be implemented from 1 April 2019 and a report be submitted during 2019/20 regarding any implications;

(2) the long term empty homes premium of 100% be applied from 1 April 2019;

(3) a local scheme be adopted for the retail discount to be awarded in line with the discretionary relief policy and MHCLG guidance from 1 April 2019 and the scheme be made available at the full Council meeting;

(4) delegated authority be given to the Director of Finance and Transformation to grant relief in accordance with the adopted retail discount scheme, subject to any disputed entitlement to relief being referred to the Advisory Board; and

(5) the Tonbridge and Malling Borough Council Local Council Tax Reduction Scheme 2019/20 (to be made available at the full Council meeting) be effective from 1 April 2019.
***Referred to Council**

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Item FIP 19/10 referred from Finance, Innovation and Property Advisory Board minutes of 9 January 2019

FIP 19/10 REVENUES AND BENEFITS UPDATE REPORT

The report of the Director of Finance and Transformation gave details of recent developments in respect of council tax, business rates, council tax reduction and housing benefits. Comparative collection rates as at 31 December 2018 were updated at the meeting in respect of council tax at 83.77% (83.82% 17/18) and business rates 84.28% (84.20% 17/18). Details were given of measures announced in the 2018 Autumn Budget, the setting of the council tax base for 2019/20, the performance of the Benefits Service and roll out of Universal Credit. Members congratulated the team on achieving a ranking of third out of 391 councils in processing benefits claims with no other authority in Kent appearing in the top 20.

Further to Decision No D180061CAB, consideration was given to recommendations to the full Council that schemes for Retail Discount and Council Tax Reduction for 2019/20 be adopted, the "Class C" council tax discount be amended from 1 April 2019 and the long term empty homes premium of 100% be adopted from 1 April 2019.

RECOMMENDED: That

1) the change to the Class C discount be implemented from 1 April 2019 and a report be submitted during 2019/20 regarding any implications;

2) the long term empty homes premium of 100% be applied from 1 April 2019;

3) a local scheme be adopted for the retail discount to be awarded in line with the discretionary relief policy and MHCLG guidance from 1 April 2019 and the scheme be made available at the full Council meeting;

4) delegated authority be given to the Director of Finance and Transformation to grant relief in accordance with the adopted retail discount scheme, subject to any disputed entitlement to relief being referred to the Advisory Board; and

5) the Tonbridge and Malling Borough Council Local Council Tax Reduction Scheme 2019/20 (to be made available at the full Council meeting) be effective from 1 April 2019.
***Referred to Cabinet**

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TONBRIDGE & MALLING BOROUGH COUNCIL

FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

09 January 2019

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Cabinet - Council Decision

1 REVENUES AND BENEFITS UPDATE REPORT

A report detailing recent developments in respect of council tax, business rates, council tax reduction and housing benefits. The report further makes recommendations to Full Council that schemes for Retail Discount and Council Tax Reduction for 2019/20 be adopted, that the 'Class C' council tax discount is amended from 1 April 2019 and finally that the long term empty premium of 100% is adopted from 1 April 2019.

1.1 Class C Empty Property Discount and Long Term Empty Homes Premium

1.1.1 At the 17 September 2018 meeting of this Board it was recommended (and subsequently agreed by Cabinet on 10 October 2018) that:

- the Class C empty property discount be removed with effect from 1 April 2019 for a trial period of one year with a report back on any implications; and,
- delegated authority be granted to the Director of Finance and Transformation in liaison with the Cabinet Member for Finance, Innovation and Property to apply a long term empty homes premium of 100% from April 2019 if Regulations allow.

1.1.2 The Regulations have now achieved Royal Assent and the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 came into force on 1 November 2018.

1.1.3 Cabinet's decision has been taken on board, with the agreement of the Cabinet Member for Finance, Innovation and Property, when setting the taxbase for 2019/20.

1.1.4 Members are now asked to **recommend** to Full Council that:

1) the change to the Class C discount is implemented from 1 April 2019; and a report is submitted during 2019/20 regarding any implications;

2) The long term empty homes premium of 100% is applied from 1 April 2019.

1.2 Collection of council tax and business rates

1.2.1 As at 30 November 2018, the collection rate for council tax stood at 74.44%. For the same period in the year 2017/18, the collection rate was 74.39%.

1.2.2 As at 30 November 2018, the collection rate for business rates stood at 75.95%. For the same period in the year 2017/18, the collection rate was 76.07%.

1.2.3 I shall update Members, as to the collection rates for 2018/19, as at 31 December 2018, for both council tax and business rates, on the evening of the meeting.

1.2.4 In respect of the working age customers receiving a council tax reduction (CTR), approximately 97% of the council tax due for 2013/14 has been paid, with 95% for 2014/15, 94% for 2015/16, 91% for 2016/17 and 86% for 2017/18.

1.2.5 For the current financial year, approximately 60% has been paid compared to 59% for the comparative period in the previous financial year. We are continuing to monitor this closely as collection rates can fluctuate throughout the year.

1.2.6 I am also pleased to advise that the number of recovery notices issued this financial year is still lower than last year, with approximately 25% fewer notices being sent compared to 2017/18 - see **[ANNEX 1]**.

1.3 2018 Autumn Budget

1.3.1 A package of business rates measures were announced to recognise that changing consumer behaviour presents a significant challenge for retailers in our town centres:

- A one third discount for retail property with a rateable value below £51,000 for two years;
- Intention to legislate to grant a 100% relief from business rates for all standalone public toilets;
- Extension of the £1,500 business rates discount for local newspapers' office space in 2019/20.

1.3.2 The definition of retail properties will follow that adopted from the previous retail relief scheme in 2014/15 and 2015/16. At the time of writing this report, MHCLG guidance on the operation of the new relief scheme had just been issued and work was under way to identify the eligible businesses.

1.3.3 The relief will have effect for 2019/20 and 2020/21 with State aid rules applying in the normal way.

1.3.4 The council is required to adopt a local scheme and determine in each individual case, when having regard to the guidance, to grant relief under section 47 of the Local Government Finance Act 1988.

1.3.5 The Council will be compensated for the cost of granting the relief through a Section 31 grant from Government and in accordance with the New Burdens doctrine, MHCLG will conduct an assessment of the expected reasonable additional costs of new software and staffing/administration with relevant stakeholders shortly. Full details of funding for these costs will be released following this assessment.

1.3.6 Members are asked to recommend to Full Council to adopt a local scheme for the retail discount to be awarded in line with the discretionary relief policy and MHCLG guidance. The scheme will be made available to Members at Full Council. Members are also asked to recommend that delegated authority be given to myself to grant relief in accordance with the adopted scheme, subject to any disputed entitlement to relief being referred to this Advisory Board.

1.4 Council Tax Base for the year 2019/20

1.4.1 I attach, at **[ANNEXES 2 and 3]**, the council tax base for the financial year 2019/20. This shows that there are 50,820.61 Band D equivalent properties within the Borough.

1.4.2 Members should note that, compared to the tax base for the year 2018/19 (49,924.51 Band D equivalent properties), there has been an increase of approx. 1.8% in the overall tax base for the Borough.

1.4.3 This increase is a combination of fewer taxpayers claiming Council Tax Reduction, growth in the number of new properties and the forthcoming changes to the empty property discount/premium.

1.4.4 The Council is required to set its tax base for the forthcoming financial year, and notify it to the major precepting authorities, during the period 1 December to 31 January. Members will recall that, at the time of reporting the tax base for the year 2005/06, they agreed to give me delegated authority to calculate the tax base for subsequent years.

1.5 Performance and Workload of the Benefits Service

1.5.1 The average number of days to assess new benefit claims between April and December was 12.3, while it has taken an average of 2.2 days to deal with changes in circumstances.

1.5.2 At the recent national AGM of the Northgate revenues & benefits software user group, a director of Northgate Public Services gave a presentation which included a slide listing the top 20 performing Councils across the UK, based on data from the DWP over the last year. I am pleased to report that Tonbridge & Malling

Borough Council ranked third out of the 391 councils. There were no other Kent councils in the top 20.

1.5.3 The number of households assisted by housing benefit has dropped slightly to 6,187. Of these, 65% are working age. The number claiming a council tax reduction remains at around 6,689, 58% being working age.

1.5.4 The balance in the discretionary housing payment (DHP) fund stands at £32,000 at the time of writing my report. The annual budget is £236,000 for the financial year. This year has seen a reduction of £48,000 in Government grant and a higher demand placed on the fund by our residents as welfare reform measures take greater hold. The normal judicious use of the fund has been further strained this year, with many awards being made to resolve acute and immediate issues rather than alleviating ongoing financial difficulties. So far, we have made 133 single payments to clear rent arrears or assist with rent in advance to enable households to move.

1.5.5 All of these payments have been made with the purpose of preventing homelessness either through securing new homes or removing the threat of eviction. Several payments have been made the same day as an application to prevent enforcement agents continuing with evictions. Applications for DHP may come directly from residents, via the Council's housing service or identified through our benefits service.

1.5.6 In total 320 awards have been made so far and 100 applications refused. Ongoing, weekly awards are generally made with conditions stipulating that continued payments rely on the applicant engaging with services such as debt counselling, money advice, housing advice, engagement with jobcentres etc.to encourage applicants to help themselves. It is made clear that, in all but a very few cases, reliance on DHP is not a sustainable solution.

1.6 Universal Credit

1.6.1 On 21 November 2018, universal credit (UC) was rolled out across the Borough. It is now in operation throughout the whole of England under the management of the DWP.

1.6.2 UC replaces housing benefit, jobseekers allowance, income support, employment & support allowance, working tax credits and child tax credits, all known as legacy benefits. It is a working age benefit, meaning pensioners will continue to get state pensions and benefits, including housing benefit, when they reach pension age.

1.6.3 Residents in temporary 'homeless' accommodation and supported accommodation will not have housing costs paid through UC but will need to apply for housing benefit for help.

1.6.4 Families with more than two children will not be able to claim UC but continue to claim legacy benefits. This anomaly is due to be removed from 1 February 2019.

1.6.5 At this point in time, the easiest way to explain who claims UC is, with the exceptions above, ‘anyone who would previously have made a new claim for one or more of the legacy benefits’. However, some changes in circumstances for claimants receiving legacy benefits will trigger the need to make a new claim for UC. **[ANNEX 4]** is a briefing sheet to help our staff with advice.

1.6.6 The expectation, based on experience from other Councils, is that the number of households receiving housing benefit in the Borough will fall by around 400 over the next year, with most of those relying on UC as a replacement for financial support.

1.6.7 Discretionary housing payments can be awarded to top up and assist residents receiving UC providing the award includes an element for housing costs.

1.6.8 Citizens Advice operate a drop-in support service at the Gateway in Tonbridge, Monday to Friday, 1pm - 4pm to assist anyone with UC difficulties.

1.6.9 Claims for UC do not automatically constitute a claim for council tax reduction. When claiming housing benefit, a claimant could use a single form as a joint claim for housing benefit and council tax reduction. When claiming UC, it is necessary to make a separate claim to the Council for council tax reduction. This has potential to cause delays in administration and duplication for the claimant.

1.7 Local Council Tax Reduction Scheme

1.7.1 The Council’s local council tax reduction scheme (LCTRS), which replaced council tax benefit from 1 April 2013, has been uprated and aligned with national benefit rates each year in accordance with prescribed requirements from Government and in line with benefit rates and allowances provided in the annual uprating circular published by the DWP. It is proposed that the Council’s local council tax reduction scheme for 2019/20 will be based on the 2018/19 scheme with amendments for prescribed requirements and uprating.

1.7.2 In addition to the above amendments, to simplify claiming and administration of LCTRS, it is proposed that the scheme be amended to allow a claim for UC to be treated as the intention to claim council tax reduction from the date of the UC claim. That information can be obtained via the Department for Work and Pensions (DWP) Data Hub. A claim made in this way would of course be subject to all other rules around entitlement as a claim made directly to the Council.

1.7.3 At the time of writing this report full details are not available from Government to update our scheme for 2019/20 however, amendments will be contained to those outlined above and the scheme will be presented to Full Council in February 2019.

1.7.4 Members are asked to recommend to Full Council the approval of the Tonbridge & Malling Borough Council Local Council Tax Reduction Scheme 2019/20 to be effective from 1 April 2019.

1.7.5 The local council tax reduction scheme for 2020/21 is currently being reviewed by a group of officers acting on behalf of Kent. The aim is to simplify and reduce the cost of administration of the scheme by moving away from a means tested reduction to a banded scheme more aligned to council tax than benefits. Further details will follow when more information is available, but it is expected that we will need to go out to public consultation during Summer 2019 with proposals for a new scheme.

1.8 Legal Implications

1.8.1 The local council tax reduction scheme for 2019/20 must be approved by Full Council by 11 March 2019.

1.9 Financial and Value for Money Considerations

1.9.1 The percentage of council tax and business rates collected during the year impacts on the Council's finances and, consequently, on the level of council tax for future years.

1.10 Risk Assessment

1.10.1 Nil.

1.11 Equality Impact Assessment

1.11.1 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 at this point.

1.12 Policy Considerations

1.12.1 Community

1.12.2 Customer Contact

1.13 Summary of Recommendations

1.13.1 Members are now asked to **RECOMMEND** to Full Council:

1) That the change to the Class C discount is implemented from 1 April 2019; and a report is submitted during 2019/20 regarding any implications;

2) That the long term empty homes premium of 100% is applied from 1 April 2019;

3) To adopt a local scheme for the retail discount to be awarded in line with the discretionary relief policy and MHCLG guidance from 1 April 2019 and for the scheme to be made available at the Full Council meeting;

4) That delegated authority be given to the Director of Finance and Transformation to grant relief in accordance with the adopted retail discount scheme, subject to any disputed entitlement to relief being referred to this Advisory Board; and

5) The Tonbridge & Malling Borough Council Local Council Tax Reduction Scheme 2019/20, to be made available at the Full Council meeting, to be effective from 1 April 2019.

Background papers:

1. In respect of the collection of council tax and business rates, data held within Financial Services.

contact: Glen Pritchard
01732 876146
Andrew Rosevear
01732 876143

Sharon Shelton
Director of Finance and Transformation

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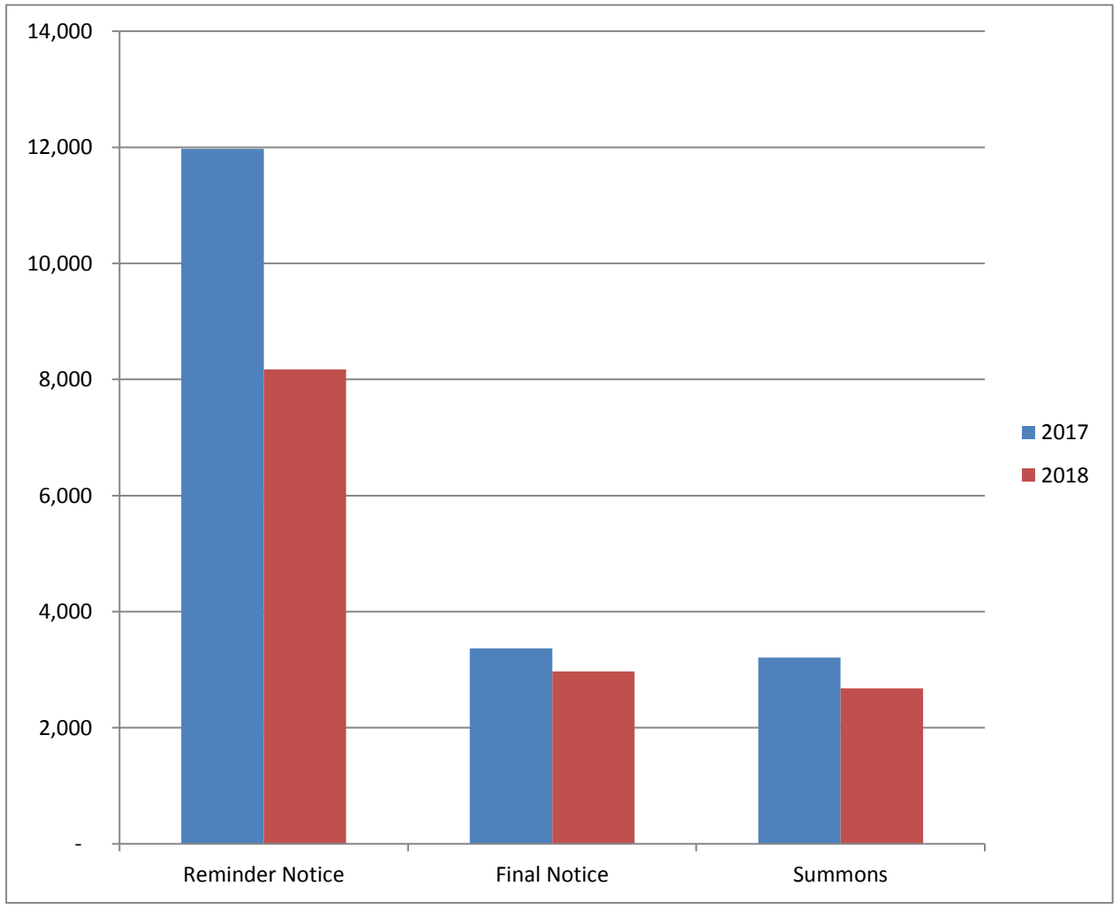
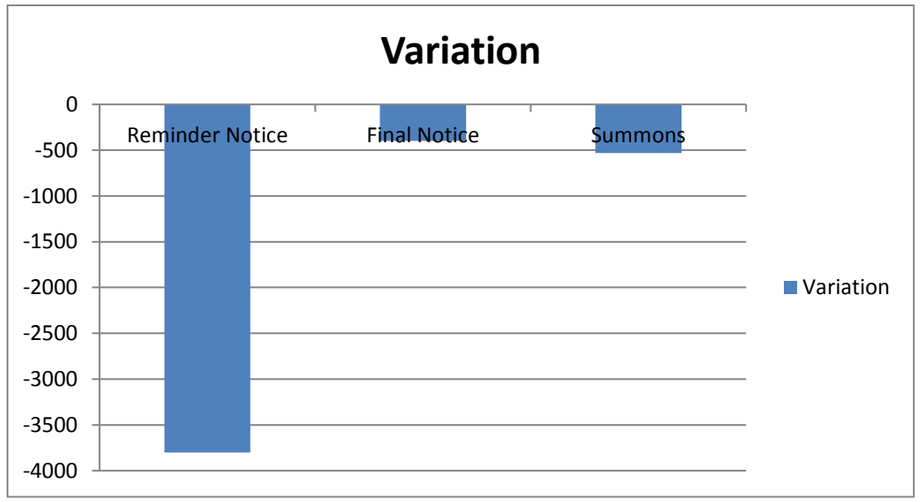
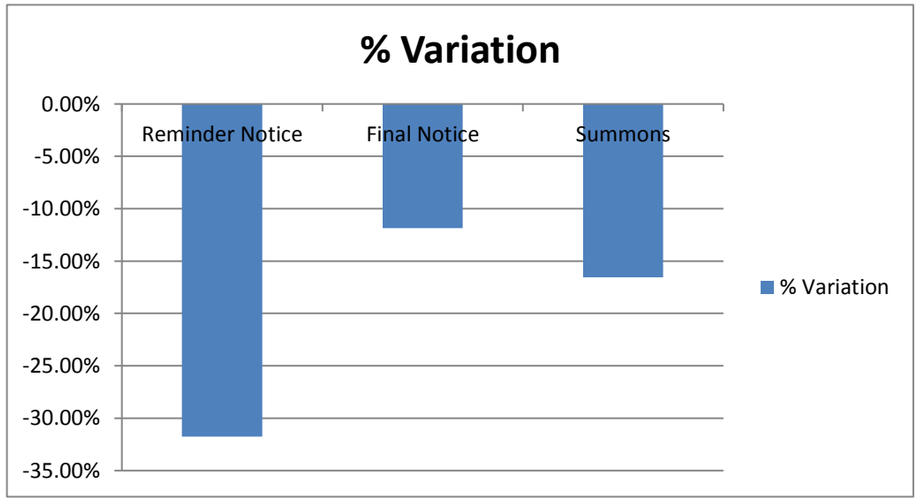
ANNEX 1

	Reminder Notice	Final Notice	Summons	Total
2017	11,973	3,367	3,207	18,547
2018	8,172	2,968	2,676	13,816
Variation	**-3801**	**-399**	**-531**	**-4731**
% Variation	**-31.75%**	**-11.85%**	**-16.56%**	**-25.51%**







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Tax Base 2019/2020 - Analysis of Properties

ANNEX 2

BAND	Disab A	A	B	C	D	E	F	G	H	Total
Total Properties	-	1,737	3,950	15,624	13,607	9,176	5,198	4,751	424	54,467
Exempt Properties	-	97	70	133	130	91	44	25	8	598
PCLC100 (Empty)	-	11	22	47	29	10	7	3	-	129
PCLD100 (Uninhabitable)	-	3	-	15	13	18	11	6	1	67
Disabled Relief Additions	4	9	47	91	58	25	39	8	-	281
Disabled Relief Reductions	-	4	9	47	91	58	25	39	8	281
PCLB0 2nd Homes	-	35	29	46	51	30	20	28	8	247
PCLC0 LTE	-	47	70	253	134	75	41	32	2	654
Premium	-	10	42	41	14	9	10	9	1	136
25% Discounts	1	1,112	2,150	5,514	3,608	1,980	799	549	24	15,737
50% Discounts	-	7	4	7	7	8	7	13	3	56
CTR discounts	-	459.29	816.96	1,797.92	784.80	201.95	55.02	18.96	0.72	4,135.62
Properties with full charge	3	420	1,601	9,612	9,588	6,922	4,273	4,055	369	36,843
Total properties (adjusted)	3.75	911.21	2,603.54	12,381.08	11,754.70	8,342.05	4,908.73	4,535.29	399.78	45,840.13
Growth adjustment	-	25.00	113.00	127.00	162.00	115.00	21.00	3.00	-	566.00
Net Total	3.75	936.21	2,716.54	12,508.08	11,916.70	8,457.05	4,929.73	4,538.29	399.78	46,406.13
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	-
Band D Equivalents	2.08	624.14	2,112.86	11,118.29	11,916.70	10,336.39	7,120.72	7,563.82	799.56	51,594.56
Less 1.5% Losses	0.04	9.37	31.67	166.79	178.72	155.04	106.83	113.48	12.01	773.95
Tax Base	**2.04**	**614.77**	**2,081.19**	**10,951.50**	**11,737.98**	**10,181.35**	**7,013.89**	**7,450.34**	**787.55**	**50,820.61**

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PARISH	TOTAL TAXBASE
HADLOW	1,509.52
HILDENBOROUGH	2,193.06
ADDINGTON	417.35
AYLESFORD	4,344.26
BIRLING	200.87
BOROUGH GREEN	1,675.76
BURHAM	449.89
DITTON	1,796.93
IGHTHAM	1,111.90
LEYBOURNE	1,961.37
EAST MALLING & LARKFIELD	5,022.68
WEST MALLING	1,125.37
MEREWORTH	436.54
OFFHAM	386.46
EAST PECKHAM	1,290.12
WEST PECKHAM	179.03
PLATT	892.91
PLAXTOL	595.33
RYARSH	392.08
SHIPBOURNE	263.98
SNODLAND	3,720.03
STANSTED	265.47
TROTTISCLIFFE	269.31
WATERINGBURY	896.65
WOULDHAM	699.02
WROTHAM	920.59
KINGS HILL	4,029.94
TONBRIDGE	13,774.19
TOTAL	**50,820.61**

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Universal Credit and Housing Benefit - Which benefit to claim?

Is the person / couple pension age?

As of 21 November 2018 when Universal Credit is fully rolled out in our Borough, a man or woman is pension age if their birthday is before 6 December 1953. If it falls on or after this date then check table below

Couples who are mixed pension age and working age have a choice to claim UC or Pension Credit until January 2019. From a date in January 2019 a mixed age couple will be treated as working age and claim UC until both become pension age

YES – claim housing benefit and pension credits

No – claim universal credit unless

The household has more than 2 children (this will not apply from a date in 2019 to be announced)

(Child benefit paid to claimant/partner for more than 2 children)

YES – claim housing benefit and legacy benefits (ie IS/JSA/ESA/tax credits)

and/or

The person/household lives in supported accommodation

The landlord will be a registered charity or housing association and the tenancy will include some degree of support for the tenant or family.

YES – claim housing benefit for housing costs and universal credit for living costs

The person/household lives in 'homeless' temporary accommodation

The person/household will have been placed in the accommodation by the Council's housing team and the Council will be the landlord.

YES – claim housing benefit for housing costs and universal credit for living costs

Increase in State Pension age from 65 to 66 for men and women

Date of birth	Date State Pension age reached
6 December 1953 – 5 January 1954	6 March 2019
6 January 1954 – 5 February 1954	6 May 2019
6 February 1954 – 5 March 1954	6 July 2019
6 March 1954 – 5 April 1954	6 September 2019
6 April 1954 – 5 May 1954	6 November 2019
6 May 1954 – 5 June 1954	6 January 2020
6 June 1954 – 5 July 1954	6 March 2020
6 July 1954 – 5 August 1954	6 May 2020
6 August 1954 – 5 September 1954	6 July 2020
6 September 1954 – 5 October 1954	6 September 2020
6 October 1954 – 5 April 1960	66th birthday

REMEMBER – If the household pays council tax then council tax reduction still needs to be claimed from the Council

If assistance is required in claiming UC then personal support is available by 'drop-in' at the Maidstone Jobcentre or with Citizens Advice at the Council's Gateway Office in Tonbridge

Changes in Circumstances, already on Benefits

Some changes trigger a need to claim Universal Credit

Change in employment status	
On IB-JSA/IS/IR-ESA and start or increase hours to satisfy WTC amount (to 16,24 or 30 hours)	Claim UC
Start work but not enough to satisfy WTC	Choice to stay on existing benefit or claim UC
On WTC and hours fall below 16	Claim UC
On IR-ESA doing permitted work and work becomes permanent, hours increase over 16 or other reason for not satisfying permitted work rules	Claim UC
On CTC only and start work to satisfy WTC rules	Remain on CTC and claim WTC
On WTC and increase hours	Choice to stay on existing benefit or claim UC
On WTC and becomes sick	Claim UC
Change in family circumstances	
On IS/IR-ESA/ IB-JSA/HB and household become responsible for a first child	Claim UC
On WTC only and household become responsible for a first child	Choice to stay on existing benefit or claim UC
Lone parent on IS and youngest child turns 5	Claim UC unless another reason to stay on IS
On IB-JSA and baby due within 11 weeks	Claim UC
Partner leaving / joining household	
New couple claiming TC separately	Claim UC
Lone parent on IS becomes couple	Claim UC
Single person under pension age on benefit becomes a couple with person of pension age	Claim UC
Carers	
Satisfies carer's allowance rules which means a new 'legacy benefit' claim	Claim UC
On IS and stops being a carer	Claim UC
Tax Credits (see also Change in employment status above)	
TC renewal	Choice to stay on existing benefit or claim UC
On TC and change does not lead to a claim for a new 'legacy benefit' eg lower income	Choice to stay on existing benefit or claim UC
Sickness	
On IR-ESA and fails Work Capability Assessment	Claim UC
On IB-JSA and becomes sick	Claim UC
Moving	
HB claimant moves into Borough from outside	Claim UC
HB claimant moves within Borough	Choice to stay on existing benefit or claim UC
Other	
On IB-JSA and attends jury service	Claim UC
On IS and ceases full time education	Claim UC
On contribution based JSA or ESA and ends	Claim UC

When moving from HB to UC, HB will continue to be paid or 'run-on' for 2 weeks

Abbreviations

CTC	Child Tax Credit	IB-JSA	Income Based Jobseekers Allowance
ESA	Employment Support Allowance	UC	Universal Credit
HB	Housing Benefit	IR-ESA	Income Related ESA
TC	Tax Credits	WTC	Work Tax Credits