

TONBRIDGE & MALLING BOROUGH COUNCIL



EXECUTIVE SERVICES

Chief Executive

Julie Beilby BSc (Hons) MBA

Gibson Building
Gibson Drive
Kings Hill, West Malling
Kent ME19 4LZ
West Malling (01732) 844522

To: MEMBERS OF THE COUNCIL

Dear Sir/Madam

I hereby summon you to attend a meeting of the Tonbridge and Malling Borough Council which will be held in the Civic Suite, Gibson Building, Kings Hill, West Malling on Tuesday, 20th February, 2018 at 7.30 pm, when the following business is proposed to be transacted:-.

NB Background reports to items referred from Cabinet and Committees have been omitted from printed agenda packs

PART 1 - PUBLIC

- | | | |
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| 1. | Apologies for absence | 5 - 6 |
| 2. | Declarations of interest | 7 - 8 |
| | To declare any interests in respect of recommended items | |
| 3. | Minutes | 9 - 16 |
| | To confirm as a correct record the Minutes of the meeting of Council held on 31 October 2017 | |
| 4. | Mayor's Announcements | 17 - 18 |
| 5. | Questions from the public pursuant to Council Procedure Rule No 5.6 | 19 - 20 |
| 6. | Questions from Members pursuant to Council Procedure Rule No 5.5 | 21 - 22 |
| 7. | Leader's Announcements | 23 - 24 |

8. Reports, Minutes and Recommendations 25 - 26

To receive and consider reports, minutes and recommendations from the meetings of the Cabinet and Committees set out in the Minute Book and officers' reports on any matters arising from them, and to receive questions and answers on any of those reports.

Matters for recommendation to the Council are indicated below at items 9 to 15.

9. Implications for Tonbridge and Malling Borough Council of the Trade Union Act 2016 27 - 32

Item GP 17/20 referred from General Purposes Committee minutes of 20 November 2017

10. Localism Act - Pay Policy 33 - 44

Item GP 18/3 referred from General Purposes Committee minutes of 29 January 2018

11. Risk Management Strategy 45 - 68

Item CB 18/13 referred from Cabinet minutes of 8 February 2018

12. Treasury Management and Annual Investment Strategy 2018/19 69 - 112

Item CB 18/4 referred from Cabinet minutes of 8 February 2018

13. Setting the Budget 2018/19 113 - 210

Item CB 18/5 referred from Cabinet minutes of 8 February 2018

14. Setting the Council Tax 2018/19 211 - 222

Item CB 18/6 referred from Cabinet minutes of 8 February 2018

15. Local Council Tax Reduction Scheme 2018/19 223 - 226

Item CB 18/7 referred from Cabinet minutes of 8 February 2018

16. Sealing of Documents 227 - 228

To authorise the Common Seal of the Council to be affixed to any Contract, Minute, Notice or other document requiring the same.

JULIE BEILBY
Chief Executive
Monday, 12 February 2018

MEMBERSHIP

Councillor Roger Dalton
Councillor Mrs Pam Bates

Councillor Mrs Jill Anderson
Councillor Owen Baldock
Councillor Matthew Balfour
Councillor Mrs Sarah Barker
Councillor Michael Base
Councillor Mrs Sue Bell
Councillor Robin Betts
Councillor Timothy Bishop
Councillor Peter Bolt
Councillor Jon Botten
Councillor Vivian Branson
Councillor Mrs Barbara Brown
Councillor Tom Cannon
Councillor Martin Coffin
Councillor David Cure
Councillor Dave Davis
Councillor Mark Davis
Councillor Mrs Trudy Dean
Councillor Tom Edmondston-Low
Councillor Benjamin Elks
Councillor Steve Hammond
Councillor Mrs Maria Heslop
Councillor Nicolas Heslop
Councillor Simon Jessel
Councillor David Keeley

Councillor Des Keers
Councillor Mrs Ann Kemp
Councillor Steven King
Councillor Russell Lancaster
Councillor David Lettington
Councillor Mrs Sasha Luck
Councillor Brian Luker
Councillor Daniel Markham
Councillor Piers Montague
Councillor Mrs Anita Oakley
Councillor Lee O'Toole
Councillor Mike Parry-Waller
Councillor Steve Perry
Councillor Mark Rhodes
Councillor Howard Rogers
Councillor Roger Roud
Councillor Miss Janet Sergison
Councillor Tim Shaw
Councillor Miss Sophie Shrubsole
Councillor Christopher Smith
Councillor Sarah Spence
Councillor Allan Sullivan
Councillor Mike Taylor
Councillor Georgina Thomas
Councillor Frixos Tombolis
Councillor Ben Walker
Councillor Trevor Walker

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Apologies for absence

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Agenda Item 2

Declarations of interest

To declare any interests in respect of recommended items.

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TONBRIDGE AND MALLING BOROUGH COUNCIL

COUNCIL MEETING

Tuesday, 31st October, 2017

At the meeting of the Tonbridge and Malling Borough Council held at Civic Suite, Gibson Building, Kings Hill, West Malling on Tuesday, 31st October, 2017

Present: His Worship the Mayor (Councillor R W Dalton), the Deputy Mayor (Councillor Mrs P A Bates), Cllr Mrs J A Anderson, Cllr O C Baldock, Cllr M A C Balfour, Cllr Mrs S M Barker, Cllr M C Base, Cllr Mrs S Bell, Cllr R P Betts, Cllr T Bishop, Cllr P F Bolt, Cllr J L Botten, Cllr V M C Branson, Cllr Mrs B A Brown, Cllr M A Coffin, Cllr D J Cure, Cllr D A S Davis, Cllr M O Davis, Cllr B T M Elks, Cllr Mrs M F Heslop, Cllr N J Heslop, Cllr S R J Jessel, Cllr D Keeley, Cllr D Keers, Cllr Mrs F A Kemp, Cllr D Lettington, Cllr Mrs S L Luck, Cllr B J Luker, Cllr P J Montague, Cllr Mrs A S Oakley, Cllr L J O'Toole, Cllr M Parry-Waller, Cllr S C Perry, Cllr M R Rhodes, Cllr H S Rogers, Cllr R V Roud, Cllr Miss J L Sergison, Cllr T B Shaw, Cllr C P Smith, Cllr Ms S V Spence, Cllr A K Sullivan, Cllr M Taylor, Cllr Miss G E Thomas, Cllr B W Walker and Cllr T C Walker

Apologies for absence were received from Councillors T I B Cannon, Mrs T Dean, S M Hammond, S M King, R D Lancaster, Miss S O Shrubsole and F G Tombolis

PART 1 - PUBLIC

C 17/63 DECLARATIONS OF INTEREST

Councillors R Betts and M Davis declared an Other Significant Interest in the item on Leisure Trust – Review of Service Fee/Business Plan on the grounds that they were members of the Board of the Tonbridge and Malling Leisure Trust. They withdrew from the meeting during its consideration.

C 17/64 MINUTES

RESOLVED: That the Minutes of the proceedings of the meeting of the Council held on 11 July 2017 be approved as a correct record and signed by the Mayor.

C 17/65 MAYOR'S ANNOUNCEMENTS

The Mayor reported that since May, he and the Deputy Mayor had attended 120 engagements including school fetes, plays and award presentations. He mentioned a range of events and highlighted the

Young Cricket Leaders Presentation at Lords Cricket Ground, the Disability Sports Day at the Angel Centre and the launch of Music at Malling. Members were advised of the successful Mayor's Garden Party where over £600 had been raised. Future events included a debate for 14 schools across the Borough at the Council Offices on 3 November and the Mayor's Quiz on 4 November. In relation to the latter, the Mayor said that 90 people had indicated that they would be attending and tickets for the raffle would be available after the meeting.

C 17/66 QUESTIONS FROM THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 5.6

No questions were received from members of the public pursuant to Council Procedure Rule No 5.6.

C 17/67 QUESTIONS FROM MEMBERS PURSUANT TO COUNCIL PROCEDURE RULE NO 5.5

No questions were received from Members pursuant to Council Procedure Rule No 5.5.

C 17/68 LEADER'S ANNOUNCEMENTS

Emergency planning

Further to his report to the last meeting on the Council's involvement in Kent-wide strategic briefings led by the Police following the bombing attacks in Manchester and London and the Grenfell Tower fire, the Leader advised that in recent months the authority had been directly involved in responding to two serious incidents within the Borough and one in London. The first related to a major gas leak in central Tonbridge on 24 August, requiring the evacuation of the local residents, in response to which an incident liaison officer was sent on site to establish any action by the Borough Council.

On Friday 15 September, after a failed terrorist attack at Parsons Green, the Council again found itself taking part in a Kent-wide strategic response. Events of that weekend took a dramatic turn on the Saturday when 24 flats within the Holborough Lakes development caught fire in the early hours of the morning, the Leader becoming aware of the unfolding events at 7.30 am. He advised that again officers were on the scene very rapidly and throughout the day staff from housing services and building control and an Incident Liaison Officer were on site, with staff from other services manning the emergency control centre at Kings Hill. The Council's involvement continued on the Sunday and to date.

The Leader expressed gratitude on behalf of Members to the Chief Executive and Management Team for their direct involvement but also to the staff who demonstrated the highest levels of professional judgement in ensuring the best possible service for the residents affected.

Business Rate Retention

The Leader reported that the Government had invited bids for the piloting of business growth rate retention in the financial year 2018/19, particularly encouraging two tier authorities to work together. In response, Kent Council leaders and Medway Council had joined forces to put forward a bid and the Leader provided the following update to Members.

The totality of the Kent and Medway financial bid at circa £25 million was significant due in part to the sheer size of the area. Were the bid to be successful, the funding would be divided into two streams – one going directly to individual councils to assist with financial sustainability and the second being pooled for economic growth on a ‘cluster’ basis.

The Leader reminded Members that the Borough Council no longer received revenue support grant and, as part of the move towards full business rate retention (part of a four year settlement), the Treasury was clawing back £1 million from the current business rate income. Furthermore, the closure of Aylesford Newsprint (formerly the Council’s largest business ratepayer) had taken the Borough Council below the baseline for business rate retention purposes with the consequence that it would lose out on this potential source of funding but, worse, had to pay its share of the safety net from its own resources under the risk/reward model.

As the bid was in two parts and if awarded in full, Tonbridge and Malling would secure £560k as a windfall sum to assist with financial stability which would be most welcome. In addition, the Kent and Medway bid had a second allocation of funding for each of the three cluster areas. So for the West Kent cluster (Tonbridge Wells, Sevenoaks and Tonbridge and Malling) there was a potential further £1.055 million to support future housing and commercial growth in the region.

Consultation on standardised methodology for assessing housing needs

The Leader referred to the Government’s consultation on a standardised methodology for assessing housing needs, a robust response having been prepared by Ian Bailey (Planning Policy Manager), in consultation with the Cabinet Members for Strategic Planning and Infrastructure and Finance, Innovation and Property and the Leader, and submitted by the consultation deadline of 9 November 2017. A copy would be sent to all Members the following morning and the subject reported to the next meeting of the Planning and Transportation Advisory Board with any further observations made by Members being sent to the department. The response would be shared with the Parish Councils in view of their local interest and reported to the Parish Partnership Panel at its next meeting.

The Leader stated that Tonbridge and Malling had a good track record of housing delivery despite being heavily constrained (77% Metropolitan Green Belt and AoNB designations), consistently delivering over and above the targets set by the former South East Plan to address the housing needs of the Borough and being able to demonstrate a five year housing land supply.

The authority also had a good track record for getting development plans in place, the Tonbridge and Malling Local Development Framework, adopted between 2007 and 2010, being one of the first in the country to comprise a complete set of documents. Preparation of the new Local Plan started soon after the publication of the NPPF in 2012 and much time and resources had been committed to preparing the evidence base, particularly the Strategic Housing Market Assessment, working closely with neighbouring authorities and using the same consultants G L Hearn and Partners. This had been updated regularly to take account of revised sub-national population and household projections and to take on board on-going national planning reforms, providing satisfaction that the methodology used was robust and fit for purpose.

Members were advised that over the last 15 years, a complete economic cycle, the Council had delivered an average of 605 new dwellings per year, the South East Plan housing target being 450 per year. The latest Objectively Assessed Need (OAN) for new homes was 696. The Council had now prepared complementary evidence for new infrastructure and for mitigating the potential impacts of this level of growth and consulted on a proposed development strategy for its new Local Plan that could potentially meet the OAN across two housing market areas, one of which was almost entirely designated as Metropolitan Green Belt.

The Leader drew attention to the current Local Plan timetable which anticipated carrying out a Regulation 19 consultation in respect of a draft Local Plan early in 2018 with submission of the Plan following later in the year, but after 31 March which was the date on which the new methodology was expected to come into force. He indicated that the proposed standardised methodology would result in the OAN increasing from 696 to 859 per year, an increase of 23%. Over the 20 year Local Plan period this equated to an additional 3,260 dwellings. To deliver this level of housing growth would require a growth rate of 1.6%, which had never been achieved in Tonbridge and Malling or indeed by any Local Authority in England over the period 2001-16. It was simply undeliverable unless there were to be intervention in the housing and construction market unprecedented in recent times.

If this level of increase was maintained as proposed in the consultation paper, the Leader stated that it would require the Council to revisit its evidence, revisit the sites already included within the call for sites and re-consult, resulting in an unavoidable delay in preparing the Local Plan at a time when sound progress was being made. He highlighted that if

the standardised OAN was accepted as a given and that there would be unmet need, it would be necessary to turn to the duty to cooperate and negotiate with neighbouring authorities within the two housing market areas to agree where the unmet need could be accommodated. However, it was already known that the Council's neighbours to the west (Sevenoaks and Tunbridge Wells) were unable to meet their current OAN let alone the need generated by the standardised methodology which would see further increases.

Leisure Trust

The Leader indicated that the Council's partnership with the Leisure Trust had entered its fifth year and had enabled the Council to secure a further saving of £150k per annum and reduce the management fee to zero. He advised that the Trust had also commenced a £750k investment scheme in the facilities at Larkfield Leisure Centre without requesting a penny from the Council and commented that just as important was the level of service being delivered to residents.

The Leader was therefore delighted to learn that Tonbridge Swimming Pool had recently been awarded Quest Outstanding for the second time. Further investigation revealed that of the 706 leisure centres in the UK being independently inspected by Quest only 12 had achieved this rating, two of those 12 facilities being Tonbridge Swimming Pool and Larkfield Leisure Centre. This placed the Council's facilities in the top 2%. Members were advised that Quest had now started to include the inspection of golf courses and Poulton Wood Golf Course had already achieved Quest entry level status.

It was noted that in the Quest assessment of Tonbridge Swimming Pool, the inspectors made specific reference to the quality of the engagement by the Borough Council, both by the Cabinet Member and senior officers.

Remembrance Sunday and Poppy carpet

The Leader informed Members that on Friday 27 October hundreds of people gathered on the lawn at Tonbridge Castle as a magnificent carpet of knitted and crocheted poppies and a unique sculpture representing 'Women in War' were revealed to mark the launch of this year's Royal British Legion Poppy Appeal. The poppy carpet was the result of a project launched by the Borough Council with support from the Royal British Legion and Kent County Council which captured the interest of local residents and community groups who produced and donated thousands of knitted and crocheted poppies for the campaign.

The 'Women in War' sculpture was created by pupils at Hillview School for Girls as part of their after-school art club project with the help of local artist Guy Portelli. Hillview teachers Cavan Pledge and Sarah Pledge and Deputy RBL Poppy Appeal Co-ordinator Pam Mills led the project,

which aimed to reflect on the part women had played in war particularly in the approach to the centenary of the end of WW1 next year. The sculpture was dedicated to Margaret Waite, from Postern Farm, who joined the First Aid Nursing Yeomanry and left for France and Belgium to serve her country in 1914. She was awarded the Order of Leopold II for bravery in the field, giving first aid to those on the front line trenches.

The Leader expressed thanks to all those who contributed to these projects. He concluded by passing to the Mayor the framed display of poppies presented to the Council at the launch event by Pilot Officer Tim Bristow (Tonbridge Squadron Royal Air Force Air Cadets) and suggested that it be displayed at Tonbridge Castle.

C 17/69 STRATEGIC RISK REGISTER

Item CB 17/54 referred from Cabinet minutes of 11 October 2017

RESOLVED: That the recommendations at Minute CB 17/54 be approved.

C 17/70 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW

Item CB 17/55 referred from Cabinet minutes of 11 October 2017

RESOLVED: That the recommendations at Minute CB 17/55 be approved.

C 17/71 APPOINTMENT OF CABINET

The Leader presented details of an amendment to the composition of the Cabinet.

RESOLVED: That it be noted that the Cabinet will comprise five Members (in addition to the Leader) with the responsibilities indicated:

Councillor M Coffin - Finance, Innovation and Property and Deputy Executive Leader

Councillor Mrs M Heslop – Community Services

Councillor D Lettington – Street Scene and Environment Services

Councillor P Montague - Housing

Councillor H Rogers – Strategic Planning and Infrastructure

The Economic Regeneration portfolio to be held by the Leader

C 17/72 APPOINTMENT OF COMMITTEES, ADVISORY PANELS AND BOARDS AND OTHER MEMBER GROUPS

Consideration was given to the report of the Director of Central Services on appointments to a number of committees, advisory boards and panels and other Member groups as a consequence of the change to the composition of the Cabinet.

It was noted that there was no change to political balance and details were given of proposed changes to membership notified by the Conservative Group.

RESOLVED: That the appointments set out at paragraph 1.1.1 of the report be approved as follows:

Councillor Miss S Shrubsole to replace Councillor P Montague on the Overview and Scrutiny Committee, the Joint Standards Committee and the Communities and Housing Advisory Board (in the latter case as Chairman)

Councillor P Montague to replace Councillor Miss S Shrubsole on the Housing Associations Liaison Panel (as Chairman).

C 17/73 APPOINTMENTS TO OUTSIDE BODIES

Consideration was given to the report of the Director of Central Services regarding the reappointment of Councillor A Sullivan as a nominated trustee of the Hospital of the Holy Trinity, Aylesford for a further four year term to November 2021.

Details were also given of an invitation from Medway Council for the Borough Council to appoint a representative to the Delivery Board established to progress the development of the Enterprise Zone at Rochester Airport.

RESOLVED: That

- (1) Councillor A Sullivan be reappointed as a trustee of the Hospital of the Holy Trinity, Aylesford for a further four year term; and
- (2) Councillor B Luker, as Chairman of the Economic Regeneration Advisory Board, be appointed as a representative on the Rochester Airport Delivery Board.

C 17/74 SEALING OF DOCUMENTS

RESOLVED: That authority be given for the Common Seal of the Council to be affixed to any instrument to give effect to a decision of the Council incorporated into these Minutes and proceedings.

PART 2 - PRIVATE

C 17/75 LEISURE TRUST - REVIEW OF SERVICE FEE/BUSINESS PLAN

(LGA 1972 Sch 12A Paragraph 3 – Financial or business affairs of any particular person)

Item CB 17/64 referred from Cabinet minutes of 11 October 2017

RESOLVED: That the recommendations at Minute CB 17/64 be approved.

The meeting ended at 8.02 pm

Mayor's Announcements

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Agenda Item 5

Questions from the public pursuant to Council Procedure Rule No 5.6

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Agenda Item 6

Questions from Members pursuant to Council Procedure Rule No 5.5

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Leader's Announcements

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Agenda Item 8

| Meeting | Page Nos in Minute Book | Recommendations to Council |
|--|--------------------------------|-----------------------------------|
| 26 October: Licensing and Appeals Panels (2) - Minute Numbers: LA 17/62 – 67 | 3 – 10 | |
| 31 October: Council - Minute Numbers: C 17/63 – 75 | 11 – 18 | |
| 8 November: Area 2 Planning Committee - Minute Numbers: AP2 17/47 – 52 | 19 – 22 | |
| 17 November: Licensing and Appeals Panels (2) - Minute Numbers: LA 17/68 – 73 | 23 – 26 | |
| 20 November: General Purposes Committee - Minute Numbers: GP 17/18 – 25 | 27 – 32 | GP 17/20 |
| 28 November: Licensing and Appeals Committee - Minute Numbers: LA 17/74 – 79 | 33 – 34 | |
| 7 December: Licensing and Appeals Panels (2) - Minute Numbers: LA 17/80 – 85 | 35 – 38 | |
| 13 December: Area 2 Planning Committee - Minute Numbers: AP2 17/53 – 58 | 39 – 42 | |
| 4 January: Area 3 Planning Committee - Minute Numbers: AP3 18/1 – 7 | 43 – 46 | |
| 22 January: Audit Committee - Minute Numbers: AU 18/1 – 14 | 47 – 52 | |
| 23 January: Overview and Scrutiny Committee - Minute Numbers: OS 18/1 – 7 | 53 – 56 | |
| 29 January: General Purposes Committee - Minute Numbers: GP 18/1 – 8 | 57 – 62 | GP 18/3 |
| 1 February: Area 3 Planning Committee - Minute Numbers: AP3 18/ 8 – 12 | 63 – 66 | |
| 5 February: Licensing and Appeals Panel - Minute Numbers: LA 18/1 – 3 | 67 – 70 | |

| | | |
|--|----------|--------------------|
| 8 February: Cabinet - Minute Numbers: CB 18/1 – 21 | 71 – 78 | CB 18/3 to CB 18/7 |
| Cabinet Decision Notices - D170071MEM - D170072MEM – D170075MEM - D170076MEM - D170077MEM – D170078MEM - D180001MEM – D180006MEM - D180007CAB – D180015CAB | 79 - 112 | |

NOTE: These minutes include the following proposals from the Cabinet in relation to the Council's budget and policy framework:

Risk Management Strategy (Minute CB 18/3)

Treasury Management and Annual Investment Strategy (Minute CB 18/4)

Setting the Budget for 2018/19 (Minute CB 18/5)

Setting the Council Tax 2018/19 (Minute CB 18/6)

Local Council Tax Reduction Scheme 2018/19 (Minute CB 18/7)

Item GP 17/20 referred from General Purposes Committee minutes of 20 November 2017

GP 17/20 IMPLICATIONS FOR TONBRIDGE AND MALLING BOROUGH COUNCIL OF THE TRADE UNION ACT 2016

The report of the Director of Central Services set out the actions that the Borough Council was required to take in response to the Trade Union Act 2016. It was recommended that the statutory tables reporting on Trade Union 'Facility Time' be incorporated in future HR Strategy Update reports.

In relation to the public sector, the Act introduced a requirement for unions to make a reasonable payment to employers for deducting union subscriptions from salaries and making them over to unions. This was referred to as DOCAS – deduction of contribution at source – and the Borough Council was currently in negotiation with Unison concerning the level of payment.

The Act also required the Borough Council to publish certain information relating to time taken off by trade union officials employed by the authority for trade union duties and activities, referred to as 'Facility Time'.

RECOMMENDED: That:

- (1) the implications of the Trade Union Act 2016 be noted; and
- (2) the Facility Time Monitoring Tables be included in the annual HR Strategy Update.

***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

GENERAL PURPOSES COMMITTEE

20 November 2017

Report of the Director of Central Services

Part 1- Public

Matters for Recommendation to Council

1 IMPLICATIONS FOR TONBRIDGE & MALLING BOROUGH COUNCIL OF THE TRADE UNION ACT 2016

This report advises Members of the actions that the Council is required to take in response to the Trade Union Act 2016, and recommends that the statutory tables reporting on Trade Union “Facility Time” are incorporated in future “HR Strategy Update” reports.

1.1 Introduction

1.1.1 The Trade Union Act 2016 amends the Trade Union and Labour Relations (Consolidation) Act 1992. The amendments increase ballot thresholds, introduce new information and timing requirements in relation to industrial action and impose legal requirements on unions for the supervision of picketing. In relation to the public sector, the Act introduces a requirement for unions to make a reasonable payment to employers for deducting union subscriptions from salaries and making them over to unions (referred to as DOCAS – deduction of contributions at source). The Act also requires the Council to publish certain information relating to time taken off by trade union officials employed by the Council for trade union duties and activities (referred to as Facility Time).

1.1.2 This report advises Members of the arrangements that the Council intends to put in place in response to the new requirements for DOCAS and Facility Time.

1.2 DOCAS

1.2.1 The legislation enables the Council to continue operating a check off system providing arrangements have been made for the union to make a reasonable payment to the employer in respect of its operation of the check off system.

1.2.2 The Council is currently in negotiation with Unison concerning the level of payment, and is confident that it will have reached agreement by 10 March 2018 when the Trade Union (Deduction of Union Subscriptions from Wages in the Public Sector) Regulations 2017 are due to come into force.

- 1.2.3 The anticipated payment received for DOCAS will generate a small income of approximately £300 per year.

1.3 Facility Time

- 1.3.1 The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017 and require the Council to publish certain information for the 12 month period beginning 1 April 2017.
- 1.3.2 Facility time is time that is taken off by a trade union official to carry out a range of trade union activities including, the duties of a learning representative, accompanying a worker to a disciplinary, capability or grievance hearing, and carrying out the duties of a safety representative.
- 1.3.3 The information must be published in the form of tables. Table 1 – “Relevant union officials” will specify the number of employees who were union officials during the relevant reporting period, with a full time equivalent employee number also provided. Table 2 – “Percentage of time spent on facility time” will specify the percentage of their working hours spent by employees who were union officials on facility time in multiples of 0%, 1 – 50%, 51 – 99% and 100%. Table 3 – “Percentage of pay bill spent on facility time” requires the Council to provide the figures for the total cost of facility time, and, its total pay bill. Table 4 – will stipulate “the number of hours spent by union officials on paid trade union activities as a percentage of total paid facility time hours”.
- 1.3.4 It is **RECOMMENDED** that the tables containing the statutory information are included in the annual HR Strategy update report, which will next be considered by the June 2018 meeting of this Committee. This will allow sufficient time for the information to be published on the Council’s website before the required date of 31 July 2018. The information must also be included in the annual report.

1.4 Legal Implications

- 1.4.1 The steps outlined above will ensure that the Council is compliant with the Trade Union Act 2016, the Trade Union Act 2016 (Commencement No 3 and Transitional) Regulations 2017, and the Trade Union (Deduction of Union subscriptions from Wages in the Public Sector) Regulations 2017.

1.5 Financial and Value for Money Considerations

- 1.5.1 The Council is seeking to reach a check off arrangement whereby the cost of deducting union subscriptions is in the region of 2.5% of union deductions, which would be in line with the industry standard for such payments.

1.6 Risk Assessment

- 1.6.1 The Council is seeking to mitigate risk by complying with the relevant legislation.

1.7 Equality Impact Assessment

1.7.1 The recommendation in Section 1:3:2 of this report has no relevance to the substance of the Equality Act 2010.

1.8 Policy Considerations

1.8.1 HR

1.9 Recommendations

1.9.1 The Committee is commended to note the implications of the Trade Union Act 2016, and to recommend to Council the inclusion of the Facility Time Monitoring Tables in the annual HR Strategy Update.

Background papers:

contact: Delia Gordon

Nil

Adrian Stanfield
Director of Central Services

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Item GP 18/3 referred from General Purposes Committee minutes of 29 January 2018

GP 18/3 LOCALISM ACT - PAY POLICY

The report of the Director of Central Services advised that the Localism Act 2011 required local authorities to review their pay policy statements for each financial year. The report summarised the requirements of the Act and presented an updated Pay Policy Statement for 2018/19. It was noted that there had been no changes in the Council's remuneration policy and the substantive content of the updated statement was identical to that adopted by the Council in February 2012.

RECOMMENDED: That the Pay Policy Statement 2018/19 set out in Annex 1 to the report be commended for adoption by the Council.

*** Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

GENERAL PURPOSES COMMITTEE

29 January 2018

Report of the Director of Central Services

Part 1- Public

Matters for Recommendation to Council

1 LOCALISM ACT – PAY POLICY

Section 38(1) of the Localism Act 2011 requires English and Welsh local authorities to review their pay policy statement for each financial year. This report summarises the requirements of the Act and presents an updated Pay Policy Statement for 2018/19 in Annex 1. Members will note that as there have not been any changes in the Council’s remuneration policy, the substantive content of the updated Pay Policy Statement in Annex 1 is identical to the Council’s first Pay Policy Statement (adopted by the Council on 16 February 2012).

1.1 Contents of the Pay Policy

- 1.1.1 As members may recall, the Act requires the pay policy statement to include the level and elements of remuneration for each chief officer, a definition of the “lowest paid employees” and their remuneration, the policy on the relationship between the remuneration of its chief officers and other officers, the policy on pay on recruitment, and, the policy on re-employing someone who has been made redundant..
- 1.1.2 The title “chief officer” includes both statutory and non-statutory chief officers and their deputies. Therefore, within the Pay Policy Statement set out in Annex 1, the information about the remuneration of chief officers pertains to the current Establishment and therefore includes the posts of the Chief Executive, the Council’s four Service Directors, the Head of Planning, the Chief Financial Services Officer and the Head of Housing and Health, as well as the senior officers that are directly accountable to these “chief officers”.
- 1.1.3 The Act’s definition of remuneration includes pay, charges, fees, allowances, benefits in kind, enhancement of pension entitlements and termination payments. All of these elements have been covered in the pay policy statement attached in Annex 1.

- 1.1.4 In order to provide a holistic and transparent context for the remuneration of chief officers and their deputies, the pay policy in Annex 1 provides an overview of the pay elements for all Council employees.

1.2 Legal Implications

- 1.2.1 The policy set out in Annex 1 contains all of the elements of a statutory pay policy as stipulated in section 38 (1) of the Localism Act 2011.
- 1.2.2 The attached pay policy is also compliant with Regulation 7 of the Local Government (Early Termination of Employment)(Discretionary Compensation) (England & Wales) Regulations 2006 and the Local Government Pension Scheme (Administration) Regulations 2008 & 2014.
- 1.2.3 The definition of the terms “chief officer” and “deputy chief officer” is in accordance with section 2 of the Local Government and Housing Act 1989.

1.3 Financial and Value for Money Considerations

- 1.3.1 As set out in Section A of the attached Pay Policy, the Council’s approach to setting a pay multiple is broadly calculated on a base salary multiple of 8 being the gap between the remuneration of the lowest and the most highly paid employees and is enshrined within the Council’s locally determined job benchmarking evaluation scheme. Such an approach places an emphasis on cash reward as the corner stone of the Council’s pay policy, and ensures that pay is based on job requirements.

1.4 Risk Assessment

- 1.4.1 Given current media scrutiny of public sector remuneration it would be imprudent for the Council not to comply with the Localism Act’s requirement to have reviewed the Pay Policy Statement by 31 March 2018.

1.5 Equality Impact Assessment

- 1.5.1 The recommendation to adopt the Pay Policy Statement in Annex 1 has a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.6 Policy Considerations

- 1.6.1 HR Policy

1.7 Recommendations

- 1.7.1 It is recommended that this committee commends the pay policy in Annex 1 to this report for adoption at the Council meeting on 20 February 2018.

Background papers:

contact: Delia Gordon

Nil

Adrian Stanfield
Director of Central Services

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Pay Policy Statement 2018/19

Introduction

When determining remuneration levels the Council is mindful of the requirement to balance the needs of managing scarce public resources with the need to secure and retain high-quality employees. The Council aligns its reward strategy with organisational needs by an emphasis on cash rewards, and ensuring that pay is determined by job requirements. The Council aims to operate a consistent and equitable organisation-wide reward system by placing the responsibility for remuneration decisions with a committee of elected councillors, the General Purposes Committee, and the responsibility for administering the pay policy within the Council's Personnel team.

Section 38 (1) of the Localism Act 2011 requires the council to prepare an annual pay policy statement for 2018/19. The Act specifies that the following must be included in the pay policy statement:

- the level and elements of remuneration for each chief officer
- the policy on the remuneration of chief officers on recruitment
- increases and additions to their remuneration including performance related pay, bonuses, charges, fees, allowances, benefits in kind and termination payments
- a definition of the "lowest paid employees" and the policy on the remuneration of this group
- the policy on the relationship between the remuneration of its chief officers and other officers
- policy on re-employing someone who has been made redundant.

This statement will be published on the Council's website.

Section 1 – Remuneration of statutory and non-statutory Chief Officers and Deputy Chief Officers

The term "chief officer" within The Localism Act includes both statutory and non-statutory chief officers, and their deputies. The actual remuneration for these roles is available on the Council's website

<http://www.tmbc.gov.uk/services/council-and-democracy/councillors,-democracy-and-elections/transparency-senior-salaries>

The salary scales for the statutory and non-statutory Chief Officers and Deputy Chief Officers in post in January 2018 is set out below.

| No of chief officers | Grade | % of M2 benchmark | Pay Point Range |
|-------------------------------------|--------------|--------------------------|------------------------|
| 12 (6 of whom work part time hours) | M6 | 56.0% | 141- 144 |

| | | | |
|------------------------------------|-----|--------|-----------|
| 9 (2 of whom work part time hours) | M5 | 61.0% | 147 - 150 |
| 3 | M4 | 70.0% | 151- 154 |
| 4 | M2a | 97.5% | 181- 184 |
| 1 | M1 | 125.0% | 191- 194 |

Fee for acting as the Returning Officer

Tonbridge & Malling Borough Council is required to appoint a Returning Officer by virtue of section 35 of the Representation of the People Act 1983. In Tonbridge & Malling, the Chief Executive has been appointed as the Returning Officer. This is a personal appointment, separate from their other duties. In this capacity they are the Returning Officer for UK Parliamentary elections and elections to the Borough Council and to Parish Councils within this Borough. The Returning Officer fee is payable for the substantial additional duties undertaken, and leadership required of the Returning Officer in planning, delivering and undertaking the elections, and recognises the personal nature and personal responsibility of the role of the Returning Officer.

For Borough and Parish Council elections, the Returning Officer fee is calculated in accordance with an agreed Kent Scale of Fees. For National, European and Police & Crime Commissioner elections the fee rate is set by central government.

Section 2 – Remuneration of the lowest paid employees

In compliance with Section 38 of the Localism Act, for the purposes of this statement the “lowest paid employee” has been defined as those who are engaged as cleaners. In 2018/19 it is anticipated that such posts will receive a full time annual salary equivalent of approximately £15,600.

Section 3 – Decision on pay

The pay of all council employees (including chief officers) is determined by the evaluated grade of the post. The pay band for most jobs within the council (including chief officers) is very narrow, based on 3 or 4 incremental points. Progression through the pay band is based on length of service, subject to the achievement of expected performance standards, and thus recognises development in a role over time based on the accumulation of experience and knowledge. It is anticipated that during 2018/19 the total number of permanent and fixed term contract staff on the Council’s payroll will be approximately 270 in any one month.

The Council has not adopted the national local government job evaluation or grading schemes but has developed a locally negotiated framework that more closely reflects its own particular requirements. Within this framework there are two remuneration “families”. The first has been developed for the Council’s professional and senior managerial cohorts, and includes chief officers. The second is for supervisory, technical and clerical staff.

All staff (including chief officers) are appointed to the organisation at the bottom of the grade, unless there are exceptional circumstances based on business need.

Annual Pay Award

The salary of all council employees (including chief officers) may increase annually by an annual pay award which is locally determined taking into consideration:

- “caps” on public sector pay rates set by the Government
- the council’s ability to pay
- inflation levels
- the “going rate” of pay awards in neighbouring authorities and nationally
- recruitment and retention levels.

Section 4 – Pay structure and pay relationships.

The Code of Recommended Practice for Local Authorities on Data Transparency September 2011 requires that there is a process established to monitor the rate of growth of senior earnings compared to all other employees in the organisation. During 2018/19 there will be a multiple of approximately 8 between the base level salary of the Chief Executive and a cleaner, reflecting the differences in skill sets, complexity and span of control from the lowest to the highest paid employees of the Council.

The total salary for the post of Chief Executive is in the region of £120,000. The median full time equivalent salary for all other employees in Tonbridge & Malling Borough Council is in the region of £25,750, the mean full time equivalent salary is in the region of £30,000. The pay multiple is therefore approximately 4.70 against the median and 4 against the mean.

The Council’s bespoke grading structure for employees with professional and specialised high level skill sets is entitled the “M” grade framework. All those referred to as chief officers within this pay policy statement fall within the “M grade” framework.

A feature of the M grade framework is that the remuneration levels for all M grade posts (including those of chief officers), are fixed as a percentage of a notional benchmark grade M2. Therefore, the grading structure specifies the pay multiples attached to each grade as a percentage of the lowest incremental point of a notional benchmark M2. Posts are positioned within the

M grade framework on the basis of the required specialist knowledge, professional skills, depth of professional and managerial judgement, and managerial span of control. Broadly speaking the range of capabilities required for junior M grade posts (M9 – M7 inclusive) equate to professional and/or managerial capability equivalent to Level 6 of the National Qualifications Framework (NQF). Those occupying senior managerial posts graded M6 to M2 are required to possess **both** professional and managerial skill sets equivalent to Level 7 of the NQF. All four director level chief officer posts are graded as M2a. The professional and managerial capabilities **and** span of control required at director level broadly equate to level 8 of the NQF. A Level 8 degree of professional and managerial expertise is also required for the post of the Chief Executive. This, alongside the extensive span of control intrinsic to the role of paid head of service for the entire Council workforce, merits the grade of M1.

Supervisory, technical and clerical grades

The council has developed a bespoke grading structure for its supervisory, technical and clerical staff that ranges from the grade of senior officer to clerical scale 1. Broadly speaking the managerial, professional and skill set required for posts graded Senior Officer equate to Level 5 of the NQF, posts graded scale 5-6 equate to Level 4 of the NQF, posts graded scale 3-4 to Level 3 of the NQF, posts graded scale 1-2 require a Level 2 skill set.

The Council considers that the relationship between the base salaries of its highest and lowest paid employees, as well as the relationship between the highest paid and the mean and medial salaries of the entire workforce, represents an appropriate, fair and equitable internal pay relationship.

Section 5 – Policies common to all employees

The following elements of remuneration are determined by corporate policies or arrangements which apply to all permanent employees of the Council (including its chief officers and deputy chief officers), regardless of their pay level, status or grading. Full details on any of the policies listed below can be provided on request.

The Council aims to have a streamlined and transparent pay structure and therefore it does not pay performance related or total contribution bonuses, market premiums, location allowances, or subsidy towards child care costs. Pension contributions for all employees opting to join the Local Government Pension Scheme are nationally determined.

Payments on termination of employment

According to the Local Government (Early Termination of Employment)(Discretionary Compensation)(England and Wales) Regulations

2006 the Council has the power to make discretionary payments on early termination of employment. The Council has determined that it will calculate payments made to any eligible employee (including chief officers) who are made redundant or who depart on the grounds of the efficiency of the service by using the Government's statutory redundancy payment calculator formula and the employee's actual weekly pay. For those who depart on the grounds of redundancy or efficiency of the service, or who chose to retire "early", the Council does not increase the employee's total pension scheme membership or award additional pension. This response to the Local Government Pension Scheme (Administration) Regulations 2008 applies to all employees, including chief and deputy chief officers.

The Council's policy is that it does not re-employ anyone (including chief or deputy chief officers) who has left with a severance or redundancy payment, nor does it re-engage them on a self-employed basis with a contract for services.

Car allowances

For those posts where it is deemed that there is an essential requirement for the post holder to use a car to perform their job, and they are normally expected to travel in excess of 2,500 miles per annum in the course of their duties, the post holder either receives a lump sum allowance to contribute towards the associated running costs of the car in accordance with the rates previously set by the National Joint Council or they are allocated a lease car, or they receive a cash equivalent payment as an alternative to a lease car. Those who drive leased cars are required to make their leased car available for the use of all Council employees possessing a suitable driving licence, if so required, (the Council has the appropriate insurance cover).

Telephone allowances

Those employees who are deemed to be essential users of mobile telephones receive a mobile telephone allowance

Professional fees

Annual professional subscription fees to one relevant professional body are reimbursed to those employees where it is deemed an essential requirement for the post holder to belong to a professional institute.

Reimbursement of removal/relocation costs on appointment and mortgage subsidy scheme

The Council's relocation and mortgage subsidy schemes provide financial assistance (within pre-defined limits) to employees who re-locate from outside a reasonable travel area to the Borough to take up an appointment with the Council.

Subsistence Allowance

The Council reimburses expenditure on meals, accommodation, and any other expenses necessarily (within pre-defined limits) incurred by employees who have to be away from home on Council business.

Standby and call out allowances

Any employee who is required to undertake standby and call-out duties will be recompensed at the appropriate rate in accordance with the negotiated policy and payment rate for their role.

Item CB 18/3 referred from Cabinet minutes of 8 February 2018

CB 18/3 RISK MANAGEMENT STRATEGY

The report of the Management Team invited Members to review the Risk Management Strategy 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. Attention was drawn to the resourcing pressures in respect of 'Emergency Planning' and the addition of a new strategic risk in relation to potentially contaminated land.

It was noted that the Audit Committee at its meeting on 22 January 2018 had endorsed the updated strategy.

The Director of Finance and Transformation referred to the recent collapse of Carillion which, whilst not directly affecting the Borough Council, highlighted the risk associated with the failure of major partners. The Strategic Risk Register had been updated to reflect this situation and would be reported back to the Audit Committee in due course.

RECOMMENDED: That

- (1) the updated Risk Management Strategy be adopted by the Council;
- (2) the impact of ongoing resourcing pressures to respond in respect of the identified risk 'Emergency Planning' and the subsequent report to the 29 January meeting of the General Purposes Committee on resourcing requirements be noted; and
- (3) the emergence of a new strategic risk in respect of the monitoring of potentially contaminated land, which is being added to the Strategic Risk Register, be noted.

***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

08 February 2018

Report of the Management Team

Part 1- Public

Matters for Recommendation to Council

1 RISK MANAGEMENT STRATEGY

This report asks Members to review the Risk Management Strategy and to recommend its endorsement by the Council.

Further, it asks Members to note the resourcing pressures in respect of the risk 'Emergency Planning' and adds a new strategic risk in relation to potentially contaminated land.

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 is subject to annual review and endorsement through the Audit Committee, Cabinet and Council.

- 1.2.2 The Risk Management Strategy, together with the Risk Management Guidance, was reviewed and substantially updated this time last year and this latest review found that no changes were required to the Strategy. The Guidance required minor changes to the Risk Management flow chart at Section 3 and to paragraphs 7.3 and 7.4 to better reflect the current escalation process.
- 1.2.3 A copy of the current Risk Management Strategy and Risk Management Guidance is attached at **[Annex 1]** and **[Annex 2]** respectively.
- 1.2.4 The Audit Committee at its meeting in January endorsed, subject to a few minor amendments, the updated Risk Management Strategy.

1.3 Risk Management Process

- 1.3.1 The risk management escalation process referred to at 1.2.2 has been implemented following approval of the Strategic Risk Register by the Cabinet and Council in October 2017. It is proposed that the Audit Committee receive reports on outcomes from the process bi-annually in July and January. Reporting to commence from July 2018 as the process is at a relatively early stage at this time.
- 1.3.2 With regard to the Strategic Risk Register, however, there are two matters to draw to Members' attention at this stage.
- 1.3.3 Firstly, the identified risk 'Emergency Planning', which is presently coloured 'amber' in the Risk Register, is the subject of particular focus at this time. As Members will be aware, there are ongoing, and indeed increasing, resourcing pressures for the Council to respond to emergency situations within the context of the Civil Contingencies Act. Management Team are of the view that the risk of not being able to respond appropriately may increase if those resourcing pressures are not addressed in the near future. Members are advised of a subsequent report to the General Purposes Committee meeting in January in respect of resourcing requirements.
- 1.3.4 Secondly, a new strategic risk has been identified relating to the monitoring of potentially contaminated land in respect of the Council's duties and responsibilities under the Environmental Protection Act 1990 which is being added to the Strategic Risk Register. A report on this particular issue will be brought to the Street Scene and Environment Advisory Board.

1.4 Legal Implications

- 1.4.1 There is a Health and Safety requirement for effective risk management to be in place and the Strategy supports this requirement.
- 1.4.2 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.

1.5 Financial and Value for Money Considerations

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

1.6 Risk Assessment

1.6.1 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.

1.7 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 asked to:

- 1) **Review** the Risk Management Strategy and subject to any amendment required **recommend** to Council it be adopted;
- 2) **Note** the impact of ongoing resourcing pressures to respond in respect of the identified risk, Emergency Planning and the subsequent report to the General Purposes Committee meeting in January as to resourcing requirements; and
- 3) **Note** the emergence of a new strategic risk in respect of the monitoring of potentially contaminated land which is being added to the Strategic Risk Register.

Background papers:

contact: Samantha Buckland

Nil

Julie Beilby
Chief Executive

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

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RISK MANAGEMENT STRATEGY



January 2018

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. |

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

| | |
|---------------------------|--|
| 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 2018 and will be reviewed next in January 2019.

7. Approval

Signed: _____ Print Name: Nicolas Heslop

Date: _____ Position: Leader of the Council

Signed: _____ Print Name: Julie Beilby

Date: _____ Position: Chief Executive

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TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

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TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

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 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:

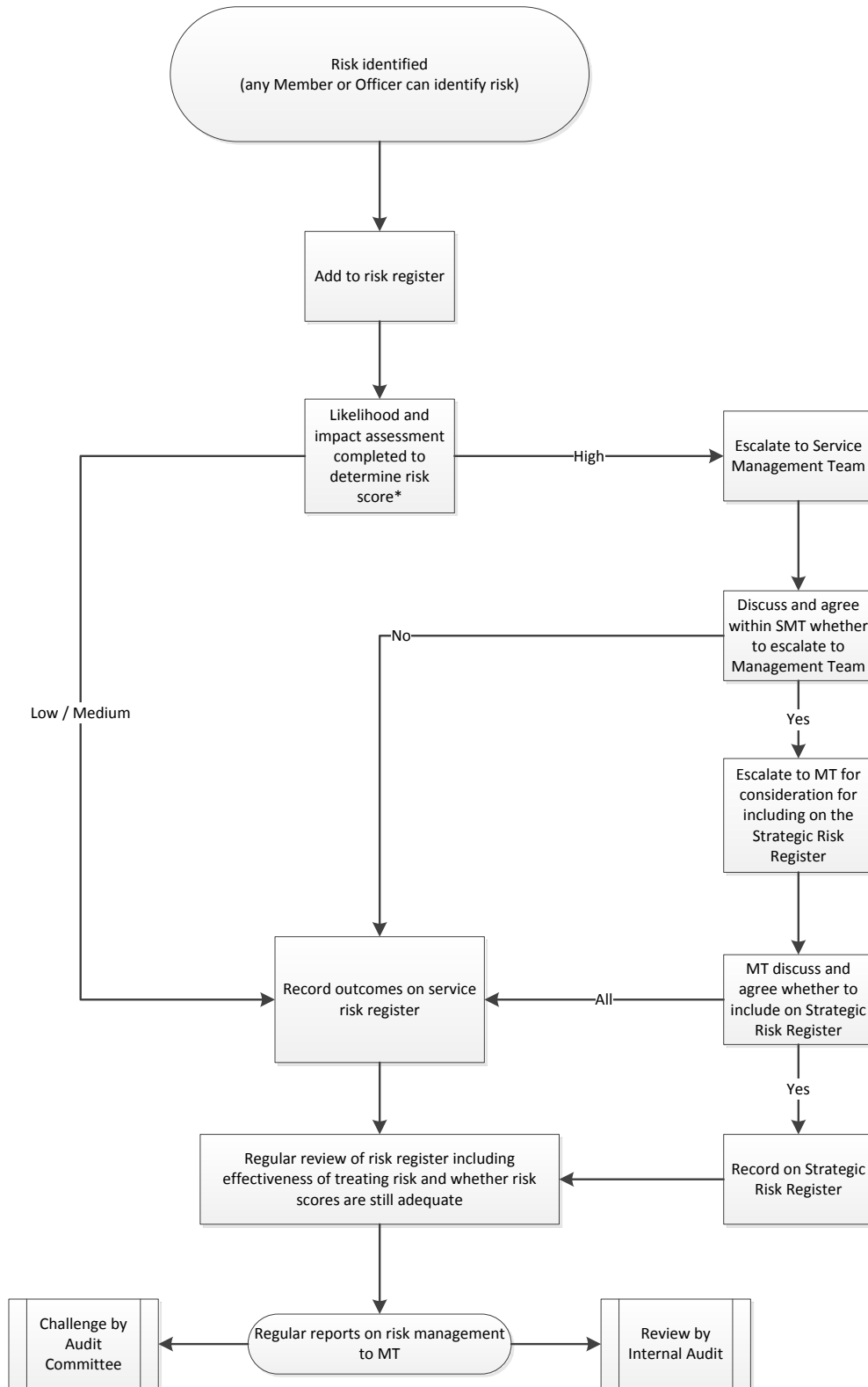
- Integrating effective risk management practices into the Council's management, decision making and planning activities.
- Maintaining common links between business planning, performance and risk management.
- Maintaining the frequency and effectiveness of monitoring of key risks.
- Providing a mix 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

TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

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 |

TONBRIDGE AND MALLING BOROUGH COUNCIL
RISK MANAGEMENT GUIDANCE

- 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; one in the form of a cross reference table and the second a decision chart.
 - 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.

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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

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additional dimension especially when planning and prioritising resources to deal with risk actions.

8.2. Proximity may be categorised as follows:

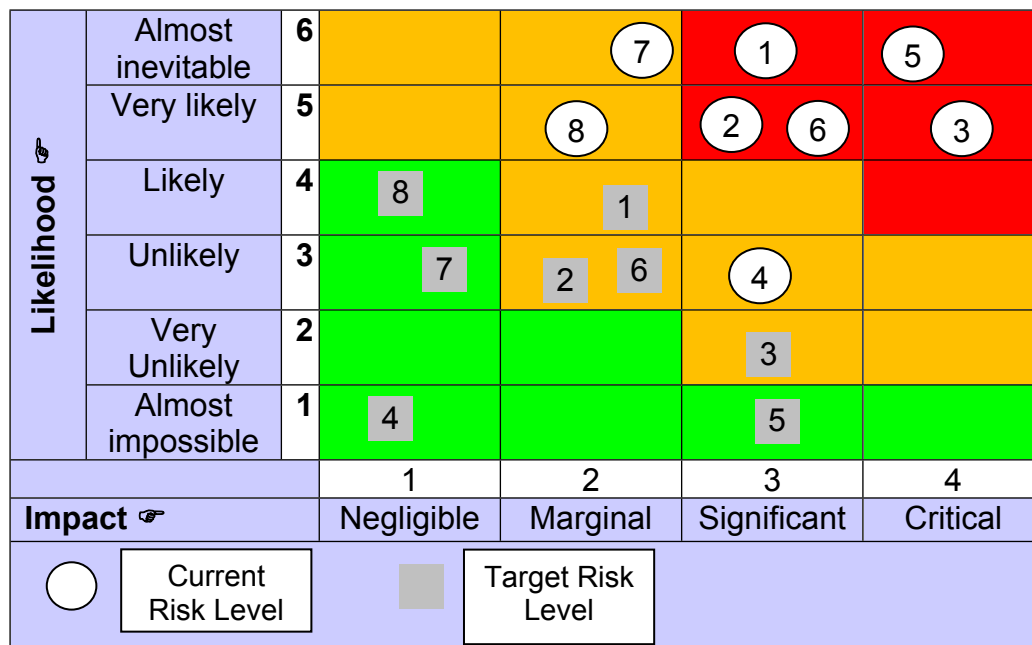
- Immediate – Risk likely to occur / most severe within the next 6 months
- Medium Term - Risk likely to occur / most severe between 6 to 12 months
- Long Term - Risk likely to occur / most severe 12 months plus

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



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.

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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.

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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 |
|----|------------|--------------|-----------------|------------------|--------------|-----------------------------|---------------------------------|--------------------|--|--|------------|-------------|
| | | | | | | | | | | | | |
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Appendix B - Risk Assessment Form

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| SECTION 1 – RISK | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|------------|-----------------------|---------------------|-------------------|---|---|--------------|--------------|--------------|----------|-------------|--------------|------------|------------|--------|----------|----------|-------------|--------------|------------|----------|----------|----------|-------------|-------------|--------------|---------------|----------|----------|----------|-------------|-------------|-------------------|----------|----------|----------|----------|----------|--|--|--|---|---|---|---|--|--|--|------------|----------|-------------|----------|---|--|--|
| Risk Owner: | | | | Service: | | | | Directorate: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Risk Event: | | | | Source/ cause: | | | | Consequences: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td rowspan="6" style="background-color: #d9ead3; writing-mode: vertical-rl; transform: rotate(180deg);">Likelihood F</td> <td>Almost inevitable</td> <td>6</td> <td style="background-color: #fff2cc;">6 Medium</td> <td style="background-color: #fff2cc;">12 Medium</td> <td style="background-color: #f4cccc;">18 High</td> <td style="background-color: #f4cccc;">24 High</td> </tr> <tr> <td>Very likely</td> <td>5</td> <td style="background-color: #fff2cc;">5 Medium</td> <td style="background-color: #fff2cc;">10 medium</td> <td style="background-color: #f4cccc;">15 High</td> <td style="background-color: #f4cccc;">20 High</td> </tr> <tr> <td>Likely</td> <td>4</td> <td style="background-color: #d9ead3;">4 Low</td> <td style="background-color: #fff2cc;">8 Medium</td> <td style="background-color: #fff2cc;">12 Medium</td> <td style="background-color: #f4cccc;">16 High</td> </tr> <tr> <td>Unlikely</td> <td>3</td> <td style="background-color: #d9ead3;">3 Low</td> <td style="background-color: #fff2cc;">6 Medium</td> <td style="background-color: #fff2cc;">9 Medium</td> <td style="background-color: #fff2cc;">12 Medium</td> </tr> <tr> <td>Very Unlikely</td> <td>2</td> <td style="background-color: #d9ead3;">2 Low</td> <td style="background-color: #d9ead3;">4 Low</td> <td style="background-color: #fff2cc;">6 Medium</td> <td style="background-color: #fff2cc;">8 Medium</td> </tr> <tr> <td>Almost impossible</td> <td>1</td> <td style="background-color: #d9ead3;">1 Low</td> <td style="background-color: #d9ead3;">2 Low</td> <td style="background-color: #d9ead3;">3 Low</td> <td style="background-color: #d9ead3;">4 Low</td> </tr> <tr> <td colspan="2"></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> </tr> <tr> <td colspan="2">Impact <input type="checkbox"/></td> <td></td> <td>Negligible</td> <td>Marginal</td> <td>Significant</td> <td>Critical</td> </tr> </table> | | | | 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 <input type="checkbox"/> | | | Negligible | Marginal | Significant | Critical | Likelihood score: Impact score: Overall risk score: Accepted?* | | |
| | | | | | 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 <input type="checkbox"/> | | | Negligible | Marginal | Significant | Critical | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | * 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: <ul style="list-style-type: none"> Implementation: Review date: Reporting intervals: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

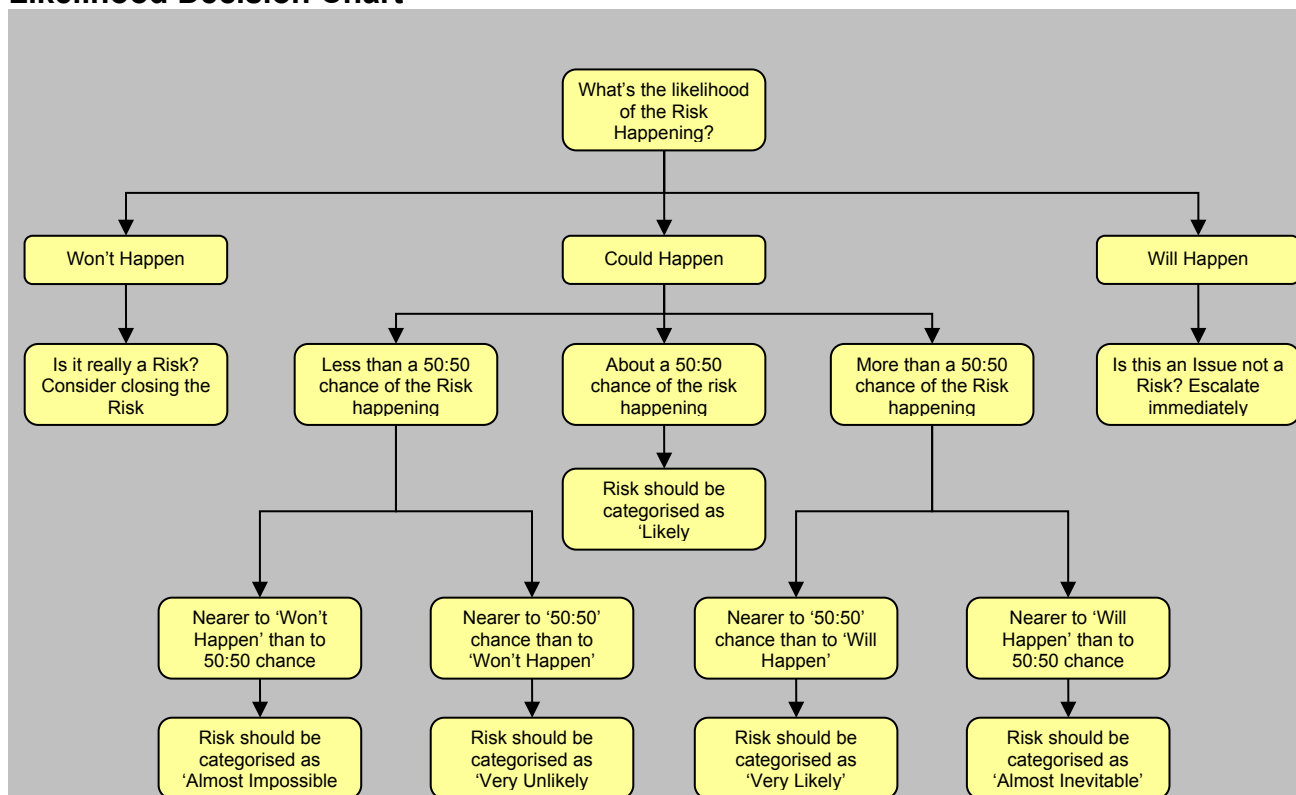
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Appendix C - Determining Likelihood

Likelihood Cross Reference Table

| | Likelihood | Indicators |
|--------------------------|--|---|
| Almost Inevitable | <ul style="list-style-type: none"> Almost certainly will occur | <ul style="list-style-type: none"> Regular occurrence Circumstances frequently encountered i.e. daily/weekly/monthly The risk is current & is almost certain to happen within the next twelve months |
| Very Likely | <ul style="list-style-type: none"> More likely to occur than not | <ul style="list-style-type: none"> Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (once or twice a year) |
| Likely | <ul style="list-style-type: none"> Fairly likely to occur | <ul style="list-style-type: none"> Has happened in past Reasonable possibility it will happen within next 3 years |
| Very Unlikely | <ul style="list-style-type: none"> Unlikely to occur | <ul style="list-style-type: none"> May have happened in the past Unlikely to happen in 3+ years |
| Almost Impossible | <ul style="list-style-type: none"> Extremely unlikely or virtually impossible | <ul style="list-style-type: none"> Has happened rarely or never before |

Likelihood Decision Chart



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Item CB 18/4 referred from Cabinet minutes of 8 February 2018

CB 18/4 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. The report explored the use of diversified income funds for medium term investment and recommended their inclusion in the 2018/19 Annual Investment Strategy.

It was noted that the Audit Committee had reviewed the matters covered by the report at its meeting on 22 January 2018 and commended the strategy for adoption.

The Cabinet requested that its appreciation be conveyed to the Principal Accountant for his work in treasury management during the year.

RECOMMENDED: That

- (1) the treasury management position as at 31 December 2017 and the higher level of income incorporated in the 2017/18 revised estimates be noted;
- (2) the Council's exposure to property funds in 2018/19 be increased as additional long term funds become available, for example from selling property;
- (3) the limited use of diversified income funds for medium term investment be endorsed; and
- (4) the Annual Investment Strategy for 2018/19, as set out at Annex 4 to the report, be adopted.

***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

08 February 2018

Report of the Director of Finance & Transformation

Part 1- Public

Matters for Recommendation to Council

1 TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2018/19

1.1 The report provides details of investments undertaken and return achieved in the first nine months of the current financial year. The report explores the use of diversified income funds for medium term investment and recommends their inclusion in the 2018/19 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.

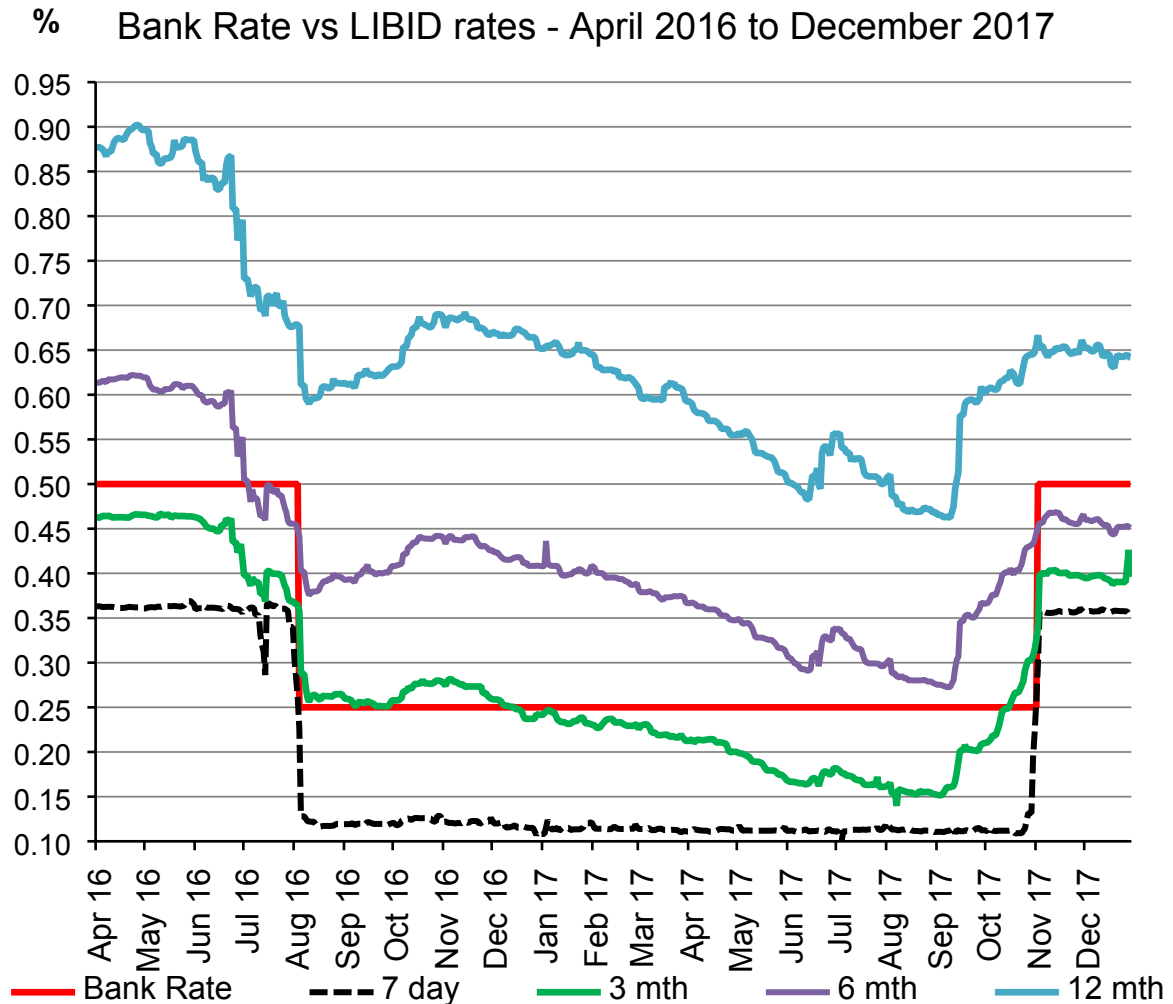
1.1.4 The portfolio of the Audit Committee includes the review of treasury management activities. Accordingly, that Committee reviewed and endorsed the matters covered by this report and **[Annex 4]** at its meeting on 22 January 2018.

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 8 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%. The next rise in Bank Rate is not anticipated until the fourth quarter of 2018. 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 2017/18 cash flow surpluses have averaged £13.5m.
- 1.2.4 The Authority also has £22m 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 (down from £8m at the start of the financial year) to meet business rate appeals which are expected to be resolved in the latter part of 2017/18 and during 2018/19.

1.2.5 Long term investment comprises £3m in property fund investments.

1.2.6 A full list of investments held on 31 December 2017 is provided at **[Annex 1]** and a copy of our lending list of 2 January 2018 is provided at **[Annex 2]**. The table below provides a summary of funds invested and interest earned at the end of December.

| | Funds invested at 31 Dec 2017 £m | Average duration to maturity Days | Weighted average rate of return % | Interest earned April to December 2017 | Gross annualised return % | LIBID benchmark (average since 1 April) % |
|------------------|---|--|--|---|--------------------------------------|--|
| Cash flow | 16.0 | 27 | 0.56 | 45,000 | 0.44 | 0.11 (7 Day) |
| Core cash | 22.0 | 109 | 0.69 | 113,600 | 0.67 | 0.19 (3 Month) |
| Sub-total | 38.0 | 75 | 0.63 | 158,600 | 0.58 | 0.16 (Average) |
| Long term | 3.0 | | | 38,000 | 3.81 | |
| Total | 41.0 | | | | | |

Interest on long term investments is based on dividends declared by the Local Authorities' Property Fund and the Lothbury Property Trust to end of December 2017. The Hermes Property Unit Trust dividend for the quarter October to December is not due to be declared until mid-February 2018.

1.2.7 **Cash flow and Core Cash investments.** Interest earned of £158,600 from cash flow surpluses and core cash balances to the end of December is £63,900 better than the original estimate for the same period. The authority also outperformed the LIBID benchmark by 42 basis points. The additional income is due primarily to the higher core cash balance attributed to business rate appeal provisions.

1.2.8 Following the Bank Rate rise in November there has been a noticeable improvement in money market fund returns mirroring the improvement in short duration (sub six month) deposits with banks and building societies. Returns on six to twelve month deposits, where the bulk of the Council's investment income is achieved, has shown little improvement. Nevertheless, 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 £70,000 and this increase is reflected in the revised estimates.

- 1.2.9 The Council takes advantage of Link Asset Services' (formerly Capita) benchmarking facility 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 2017, our return at 0.64% (purple diamond) was above the local authority average of 0.46% and relative to the Council's exposure to credit / duration risk that return was above Link's predicted return (above the upper boundary indicated by the green diagonal line). The Council's risk exposure was slightly above the local authority average but not excessive by comparison.
- 1.2.10 **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 derived from the sale of assets was subsequently approved by Council in February 2017.
- 1.2.11 Link Asset Services were engaged to assist with the detailed analysis required to identify the most appropriate fund(s). The analysis produced a shortlist of four funds who were invited to attend an interview at the Council's offices in late May. The process culminated in three funds being selected for immediate investment.
- 1.2.12 Of the Council's existing cash balances, £2m was identified for long term investment and has been applied to investment in property funds. A further £1m anticipated from the disposal of existing property assets has also been applied now, bringing the total investment in property funds to £3m. Applications were submitted and accepted by each of the: Local Authorities' Property Fund; Hermes Property Unit Trust and the Lothbury Property Trust. Investment was spread equally across the three funds to ensure, as far as is possible, stability of annual income and capital growth over time.
- 1.2.13 From the January Audit Committee report Members will recall that funds issue / redeem primary units at a buy / sell price with the difference between the two prices reflecting the costs associated with buying and selling a 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. Secondary market activity in 'quality' funds is currently both limited and when it does arise, units are traded close to the standard entry price.
- 1.2.14 Primary units in the Local Authorities' Property Fund (LAPF) and Lothbury Property Trust (LPT) were acquired at the end of June from the fund managers at

the standard entry price. The sale value of the units acquired was valued below the £1m cash sum paid to each manager by £77,750 for LAPF and £72,300 for LPT. Units in the Hermes Property Unit Trust (HPUT) were acquired at the end of September through an auction of secondary units arranged by the fund manager. The Council's participation in the auction delivered a saving of £7,000 against the standard entry price. At the end of September the sale value of HPUT units was £61,000 below the £1m cash sum paid.

- 1.2.15 The sale value of units in each fund has increased at a steady rate each month since they were acquired. Provided the economy / demand for commercial property continues at its current pace the sale value of units in each fund will exceed the cash sum paid sometime during next financial year (some 12 to 18 months from the start of each investment).
- 1.2.16 In setting the budget for the current financial year no income from property funds was anticipated. Based on recent performance and the timing of each property fund investment, £80,000 (4% return excluding capital appreciation) has been included in this year's revised estimates.

1.3 Annual Investment Strategy for 2018/19

- 1.3.1 In response to actual and anticipated reductions in revenue support from Government, the Council is progressing a Savings and Transformation Strategy. Part of that strategy includes identifying new income streams and enhancing existing ones where feasible. A review in 2016 of the Council's cash balances identified the opportunity to invest up to £2m (circa 20% of expected long term balances) in a higher yield investment. The Council's treasury advisor supported diversification into property as an asset class. Whilst further property fund investment isn't feasible from existing balances the **2018/19 investment strategy includes scope to undertake additional property fund investment** from any 'new money' that may become available. This 'new money' is likely to be derived from the sale of existing property assets but may also arise from other 'windfalls' like the £0.5m funding attributable to the Kent Business Rates Retention pilot.
- 1.3.2 **Medium term investment.** Property investment is considered a long term commitment (10 years) and stems from the high entry and exit costs which need to be recouped and to mitigate the impact of a fall in commercial property values should the economy enter recession. Other investment opportunities are being explored that offer higher returns than our conventional term deposits with banks and building societies but aren't subject to the same time constraints as property. One such opportunity is investment in a diversified income (multi-asset) fund which typically implies a 5 year commitment.
- 1.3.3 Diversified income (multi-asset) funds are pooled vehicles investing in a broad range of asset classes including cash, bonds, property and equity. Risk is diversified via the spread of investments across the different asset classes and portfolios actively managed to reflect the changing economic environment. Funds

typically achieve a return of 3% to 4% per annum and combine this with the potential for capital growth over time. Purchase and redemption of units is generally effected within 3 days. Buy / sell prices are subject to a spread, similar to property funds, but the spread is much lower are circa 1.5%. Dividends are paid quarterly and annual management fees range for 0.75% to 1.5% per annum.

- 1.3.4 The Council's treasury advisor, Link Asset Services, comment 'that where long term cash is concerned the diversification into multi-asset income funds is appropriate if the risk factors identified are acceptable to the Authority and due diligence is evidenced in the fund manager appointment process'.
- 1.3.5 As with the recent property fund selection process our treasury advisor would be engaged to assist with the detailed work required to ensure a suitable fund was selected that struck the right balance between risk and return. **The 2018/19 annual investment strategy allows up to £2m (circa 20% of expected long term balances) to be invested in a diversified Income (multi-asset) fund or funds.**
- 1.3.6 **Term deposit duration.** Link Asset Services provide a weekly credit update for all banks and building societies whom they deem suitable for local authority investment. That update includes a suggested investment duration. Since 2014 our annual investment strategies have allowed discretion to add 3 months to that suggested duration limit for UK institutions. In approving the 2017/18 investment strategy Members extended that discretion to plus 6 months subject to a number of constraints. Those constraints are: the extended duration is only used to take advantage of an exceptional offer; the standard exposure limit of 20% of funds per institution is reduced to 10% for any deposits in the extended (plus 6 months) duration; the institutions' CDS (credit default swop – market view of risk) at the time of placing the deposit must be below the average CDS for all institutions; and the overall duration of the deposit must not exceed 12 months.
- 1.3.7 Since taking back responsibility for the investment of all core funds from the Council's external fund manager in 2014, performance has always bettered the local authority average. In the quarterly benchmarking exercises undertaken last June and September (the latest two results available) the Council's performance was elevated to top quartile. Those same benchmarking exercise showed the risks (duration / credit quality) associated with our portfolio whilst slightly above the local authority average was not excessive by comparison. **The 2018/19 investment strategy replicates the plus 6 months duration discretion for UK institutions subject to the constraints detailed above.**
- 1.3.8 **Money market fund reform.** A press release (November 2016) announced the European Parliament, Commission and Council, after lengthy negotiation, had agreed regulatory changes to Money Market Funds (MMFs) operating in the European Union (which include those used by this Council). MMFs form a critical component in our daily cash flow management. They provide the same day access to cash as a traditional bank deposit account; allow surplus cash to be

placed in a AAA credit rated product and; ensure our peak monthly cash balances are distributed across a broad range of counterparties.

1.3.9 The regulatory changes include provision for a new class of LNAV (low volatility) fund to be created which will most likely be used by fund providers to replace the existing CNAV (constant net asset value) funds used by the Council. The new funds will be subject to redemption fees and or restrict redemptions at times of heightened market stress. It is expected that the LNAV funds will continue to be credit rated by the rating agencies. Some fund providers may opt to use existing VNAV (variable net asset value) funds as an alternative. Fund providers will need to comply with the regulatory changes during the second half of 2018. **The 2018/19 investment strategy allows LNAV and VNAV funds to be used as a substitute for our existing CNAV money market funds.**

1.3.10 **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 2018/19 Annual Investment Strategy [**Annex 4**] adopts the same risk parameters as currently approved. In summary these are :

- Counterparties must be regulated by a Sovereign rated AA- or better as recognised by each of the three main rating agencies (Fitch, Moody's or Standard & Poor's).
- Whilst 100% of funds can be invested in the UK, exposure to non-UK banks is restricted to no more than 20% of funds per Sovereign.
- 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, 12 months, 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). This broadly equates to a minimum long term credit rating of Fitch A- (high) and a short term credit rating of Fitch F1 (strong).
- 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 six 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 three 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 three months for a UK institution) will be limited to 10% of cash flow/core cash.

- Money Market funds should be AAA rated and exposure limited to no more than 20% per fund. ***LNAV (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% (£2m) 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% (£2m) 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.***

1.3.11 At the present time an appropriate level of diversification is achieved 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.

1.3.12 The 2018/19 strategy [**Annex 4**] reflects the current economic environment, Link Asset Services' latest interest rate forecast and incorporates the risk parameters summarised in paragraph 1.3.10.

1.4 MiFID II.

1.4.1 The Financial Conduct Authority (FCA) implementation of the European Union's second Markets in Financial Instruments Directive (MiFID II) commenced on 3 January 2018. The directive impacts on the way local authorities access financial services provided by banks, advisors, brokers and fund managers.

1.4.2 Under MiFID II, all local authorities are by default classified as 'retail clients' i.e. the same as a private individual. Those authorities that meet certain quantitative and qualitative criteria are able to opt-up to professional status. Professional

status is considered vital to ensure the Council is able maintain adequate market access to ensure diversification, liquidity and yield can continue to be managed effectively.

- 1.4.3 Thirteen opt-up applications were submitted (autumn 2017) to the Council's money market funds, property funds, brokers and some banks. I'm happy to report that thus far nine institutions have responded and all respondents have classified the Council's treasury operation as 'elective professional'.

1.5 Treasury and Prudential Codes of Practice

- 1.5.1 Updated Treasury Management and Prudential codes of practice were published by CIPFA on 21 December 2017. Whilst the codes apply to the 2018/19 financial year, given the timing of their release, CIPFA's Treasury and Capital Management Panel recommend the requirements of both Codes be 'implemented as soon as possible' and acknowledge that they may not be 'fully implemented until' the '2019/20 financial year'.
- 1.5.2 The Codes have been updated to address concerns arising from the Localism Act 2011 (commercialism agenda). 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. Non-financial assets will include the purchase of property to rent, shares and loans in subsidiaries or other outsourcing structures such as IT or building services providers.
- 1.5.3 The updated Codes will require amendment to the Council's Treasury Management Practices and Capital Strategy. Progress to ensure full compliance will be reported to Audit Committee during 2018.

1.6 Legal Implications

- 1.6.1 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.
- 1.6.2 This report fulfils the requirements of The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2009 and the 2011 update. Any changes to ensure compliance with the Treasury Management and Prudential Codes of practice issued December 2017 will be put in place at the earliest opportunity.

1.7 Financial and Value for Money Considerations

- 1.7.1 Investment income from cash flow and core cash at the end of December 2017 (month nine of the financial year) is £63,900 better than budget for the same period. Additional income for the 2017/18 financial year as a whole of £70,000 has been incorporated in the revised estimates.

- 1.7.2 No provision was included in the current year budget for income from property funds. Reflecting the timing of those investments and based on recent performance, income of £80,000 has been incorporated in the revised estimates.
- 1.7.3 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%. The next rise in Bank Rate is not anticipated until the fourth quarter of 2018.
- 1.7.4 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.
- 1.7.5 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, duration cannot be determined with certainty.
- 1.7.6 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.
- 1.7.7 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.

1.8 Risk Assessment

- 1.8.1 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.
- 1.8.2 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.

1.8.3 In the light of these safeguards and stringent Treasury Management Procedures it is considered that any risks to the authority implicit in the 2018/19 Strategy have been minimised.

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

- 1) note the treasury management position as at 31 December 2017 and the higher level of income incorporated in the 2017/18 revised estimates;
- 2) increase the Council's exposure to property funds in 2018/19 as additional long term funds become available e.g. from selling existing property;
- 3) endorse the limited use of diversified income funds for medium term investment;
- 4) adopts the Annual Investment Strategy for 2018/19 set out at **[Annex 4]**.

Background papers:

contact: Mike Withey

Link Asset Services Interest Rate Forecast (November 2017) and Economic Commentary

Sharon Shelton
Director of Finance & Transformation

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Tonbridge and Malling Borough Council
Investment Summary as at 31 December 2017

| 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 | 12 months | 23/03/2017 | 23/03/2018 | 12 months | 500,000 | 0.80% | 6.10% | Fixed Term | 1,000,000 | 500,000 | | |
| Bank of Scotland | UK | A+ | F1 | 12 months | 25/07/2017 | 25/07/2018 | 12 months | 1,000,000 | 0.65% | | Fixed Term | | 1,000,000 | | |
| Bank of Scotland | UK | A+ | F1 | 12 months | 01/09/2017 | 31/08/2018 | 12 months | 1,000,000 | 0.65% | | Fixed Term | | 1,000,000 | | |
| Bank of Scotland Total | | | | | | | | 2,500,000 | | | | | | | |
| Barclays Bank | UK | A | F1 | 6 months | 30/03/2017 | 21/03/2018 | 12 months | 1,000,000 | 0.86% | 14.63% | CD | 1,000,000 | | | |
| Barclays Bank | UK | A | F1 | 6 months | 11/05/2017 | 27/04/2018 | 12 months | 1,000,000 | 0.81% | | CD | | 1,000,000 | | |
| Barclays Bank | UK | A | F1 | 6 months | 12/05/2017 | 12/02/2018 | 9 months | 2,000,000 | 0.51% | | Fixed Term | | 2,000,000 | | |
| Barclays Bank | UK | A | F1 | 6 months | 25/07/2017 | 25/05/2018 | 10 months | 1,000,000 | 0.51% | | Fixed Term | | 1,000,000 | | |
| Barclays Bank | UK | A | F1 | 6 months | 01/09/2017 | 17/08/2018 | 12 months | 1,000,000 | 0.60% | | CD | | 1,000,000 | | |
| Barclays Bank Total | | | | | | | | 6,000,000 | | | | | | | |
| BNP Paribas MMF | n/a | AAA | mmf (Eq) | 5 years | 29/12/2017 | 02/01/2018 | Overnight | 5,853,000 | 0.40% | 14.27% | MMF | 5,853,000 | | | |
| BNP Paribas MMF Total | | | | | | | | 5,853,000 | | | | | | | |
| Danske Bank | Denmark | A | F1 | 6 months | 31/10/2017 | 05/03/2018 | 4 months | 1,000,000 | 0.49% | 4.88% | CD | 1,000,000 | | | |
| Danske Bank | Denmark | A | F1 | 6 months | 23/11/2017 | 05/03/2018 | 3 months | 1,000,000 | 0.47% | | CD | 1,000,000 | | | |
| Danske Bank Total | | | | | | | | 2,000,000 | | | | | | | |
| Goldman Sachs Int'l Bank | UK | A | F1 | 6 months | 01/06/2017 | 01/03/2018 | 9 months | 2,000,000 | 0.73% | 14.63% | Fixed Term | 2,000,000 | | | |
| Goldman Sachs Int'l Bank | UK | A | F1 | 6 months | 21/06/2017 | 21/03/2018 | 9 months | 2,000,000 | 0.79% | | Fixed Term | | 2,000,000 | | |
| Goldman Sachs Int'l Bank | UK | A | F1 | 6 months | 20/09/2017 | 20/06/2018 | 9 months | 2,000,000 | 0.83% | | Fixed Term | | 2,000,000 | | |
| Goldman Sachs Int'l Bank Total | | | | | | | | 6,000,000 | | | | | | | |
| Lloyds Bank | UK | A+ | F1 | 12 months | 23/03/2017 | 23/03/2018 | 12 months | 500,000 | 0.80% | 3.66% | Fixed Term | | 500,000 | | |
| Lloyds Bank | UK | A+ | F1 | 12 months | 25/07/2017 | 25/07/2018 | 12 months | 1,000,000 | 0.65% | | Fixed Term | | 1,000,000 | | |
| Lloyds Bank Total | | | | | | | | 1,500,000 | | | | | | | |
| Morgan Stanley MMF | n/a | AAA | mmf | 5 years | 29/12/2017 | 02/01/2018 | Overnight | 144,000 | 0.37% | 0.35% | MMF | 144,000 | | | |
| Morgan Stanley MMF Total | | | | | | | | 144,000 | | | | | | | |
| Hermes Property Unit Trust | n/a | n/a | n/a | n/a | 29/09/2017 | n/a | n/a | 1,000,000 | To Follow | 2.44% | Property Fund | | | 1,000,000 | |
| Hermes Property Unit Trust Total | | | | | | | | 1,000,000 | | | | | | | |
| Local Authorities' Property Fund | n/a | n/a | n/a | n/a | 29/06/2017 | n/a | n/a | 1,000,000 | 4.56% | | Property Fund | | | | 1,000,000 |
| Local Authorities' Property Fund Total | | | | | | | | 1,000,000 | | | | | | | |
| Lothbury Property Trust | n/a | n/a | n/a | n/a | 06/07/2017 | n/a | n/a | 1,000,000 | 3.05% | 2.44% | Property Fund | | | 1,000,000 | |
| Lothbury Property Trust Total | | | | | | | | 1,000,000 | | | | | | | |
| NatWest Deposit Account | UK | BBB+ | F2 | 12 months | 29/12/2017 | 02/01/2018 | Overnight | 10,000 | 0.05% | 0.02% | Call | 10,000 | | | |
| National Westminster Bank Total | | | | | | | | 10,000 | | | | | | | |
| Royal Bank of Scotland | UK | BBB+ | F2 | 12 months | 28/03/2017 | 27/03/2018 | 12 months | 2,000,000 | 0.73% | 9.75% | CD | | 2,000,000 | | |
| Royal Bank of Scotland | UK | BBB+ | F2 | 12 months | 28/06/2017 | 27/06/2018 | 12 months | 1,000,000 | 0.66% | | CD | | 1,000,000 | | |
| Royal Bank of Scotland | UK | BBB+ | F2 | 12 months | 25/07/2017 | 29/06/2018 | 11 months | 1,000,000 | 0.61% | | CD | | 1,000,000 | | |
| Royal Bank of Scotland Total | | | | | | | | 4,000,000 | | | | | | | |
| Santander Deposit Account | UK | A | F1 | 6 months | 29/12/2017 | 02/01/2018 | Overnight | 6,000,000 | 0.80% | 14.63% | Call | 3,000,000 | 3,000,000 | | |
| Santander UK Plc Total | | | | | | | | 6,000,000 | | | | | | | |
| Standard Chartered Bank | UK | A+ | F1 | 6 months | 27/04/2017 | 26/01/2018 | 9 months | 2,000,000 | 0.54% | 9.75% | Fixed Term | | 2,000,000 | | |
| Standard Chartered Bank | UK | A+ | F1 | 6 months | 15/11/2017 | 15/02/2018 | 3 months | 2,000,000 | 0.46% | | CD | 2,000,000 | | | |
| Standard Chartered Bank Total | | | | | | | | 4,000,000 | | | | | | | |
| Total invested | | | | | 41,007,000 | | | | | 100.00% | | 16,007,000 | 22,000,000 | 3,000,000 | |

| | | | | | |
|--|----|------------------------------------|---------------|-------------------|-----------|
| Number of investments | 28 | Average investment value £ | | | 1,465,000 |
| Number of counterparties | 14 | Average counter party investment £ | | | 2,929,000 |
| Group exposures: | | Core £ | Cash £ | Combined £ | % |
| RBS + National Westminster (UK Nationalised 25%) | | 4,000,000 | 10,000 | 4,010,000 | 9.78 |
| Bank of Scotland + Lloyds (20%) | | 4,000,000 | - | 4,000,000 | 9.75 |
| | | | | £ | % |
| Property Funds Total | | | | 3,000,000 | 7.32 |

Total non-specified investments should be less than 60% of Core Cash and Long Term Investment balances 12.00%

Notes:

CD = Certificate of Deposit, MMF = Money Market Fund

Property Fund returns are indicative only and based on income distributed since the commencement of the investment. Capital appreciation / depreciation is recorded elsewhere.

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Tonbridge and Malling Borough Council Lending List

| Checked against Link's Duration Matrix dated 29/12/17 | | | | | | | | | |
|---|-------------|----------------------|-----------------|------------------|-----------------|------------|------------|-------------------|-----------|
| 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 | Exposure Limits | | | Link Duration [2] | |
| | | | | | Cash Flow | Core Fund | Combined | Credit Rating | Post CDS |
| Bank of Montreal | Canada | AAA | AA- | F1+ | £3m | £3m | £6m | 12 months | 12 months |
| Toronto Dominion Bank | Canada | AAA | AA- | F1+ | £3m | £3m | £6m | 12 months | 12 months |
| Danske Bank | Denmark | AAA | A | F1 | £3m | £3m | £6m | 6 months | 6 months |
| Rabobank (Cooperatieve Rabobank U.A.) | Netherlands | AAA | AA- | F1+ | £3m | £3m | £6m | 12 months | 12 months |
| ING Bank | Netherlands | AAA | A+ | F1 | £3m | £3m | £6m | 12 months | 12 months |
| Nordea Bank AB | Sweden | AAA | AA- | F1+ | £3m | £3m | £6m | 12 months | 12 months |
| Svenska Handelsbanken AB | Sweden | AAA | AA | F1+ | £3m | £3m | £6m | 12 months | 12 months |
| Bank of Scotland (Group limit with BOS and Lloyds of £6m) | UK | AA | A+ | F1 | £1m | £5m | £6m | 12 months | 12 months |
| Barclays Bank | UK | AA | A | F1 | £1m | £5m | £6m | 6 months | 6 months |
| Goldman Sachs Int'l Bank | UK | AA | A | F1 | £2m | £4m | £6m | 6 months | 6 months |
| HSBC Bank | UK | AA | AA- | F1+ | £3m | £3m | £6m | 12 months | 12 months |
| Lloyds Bank (Group limit with BOS and Lloyds of £6m) | UK | AA | A+ | F1 | £1m | £5m | £6m | 12 months | 12 months |
| Santander UK | UK | AA | A | F1 | £3m | £3m | £6m | 6 months | 6 months |
| Standard Chartered Bank | UK | AA | A+ | F1 | £2m | £4m | £6m | 6 months | 6 months |
| Coventry Building Society | UK | AA | A | F1 | £3m | £3m | £6m | 6 months | 6 months |
| Nationwide Building Society | UK | AA | A+ | F1 | £3m | £3m | £6m | 6 months | 6 months |
| National Westminster Bank [3] (Group limit with Nat West and RBS of £7.6m) | UK | AA | BBB+ | F2 | £2.6m | £5m | £7.6m | 12 Months | 12 Months |
| The Royal Bank of Scotland [3] (Group limit with Nat West and RBS of £7.6m) | UK | AA | BBB+ | F2 | £2.6m | £5m | £7.6m | 12 Months | 12 Months |
| UK Debt Management Office including Treasury Bills | UK | AA | N/A | N/A | No limit | No limit | No limit | N/A | N/A |
| UK Treasury (Sovereign Bonds-Gilts) | UK | AA | N/A | N/A | No limit | £7.5 / 15m | £7.5 / 15m | N/A | N/A |
| UK Local Authorities | UK | AA | N/A | N/A | £3m | £3m | £6m | N/A | N/A |

[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 20% sovereign limit equals combined limit quoted above (£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.

[3] UK nationalised / semi-nationalised.

| Money Market Funds | | | | | | |
|--|--------|-------|------|----------------|-----------|----------|
| Minimum investment criteria one of AAA-mf, AAmmf or AAAm | | | | | | |
| Fund Name | Moody | Fitch | S&P | Exposure Limit | | |
| | | | | Cash Flow | Core Fund | Combined |
| Blackrock | AAA-mf | - | AAAm | £6m | - | £6m |
| BNP Paribas | - | - | AAAm | £6m | - | £6m |
| Goldman Sachs | AAA-mf | AAmmf | AAAm | £6m | - | £6m |
| Deutsche Fund | AAA-mf | AAmmf | AAAm | £6m | - | £6m |
| Standard Life (Ignis) | - | AAmmf | AAAm | £6m | - | £6m |
| Morgan Stanley | AAA-mf | AAmmf | AAAm | £6m | - | £6m |
| Prime Rate | - | AAmmf | AAAm | £6m | - | £6m |
| Insight Liquidity Group limit for IL and ILP of £6m | - | AAmmf | AAAm | £6m | - | £6m |

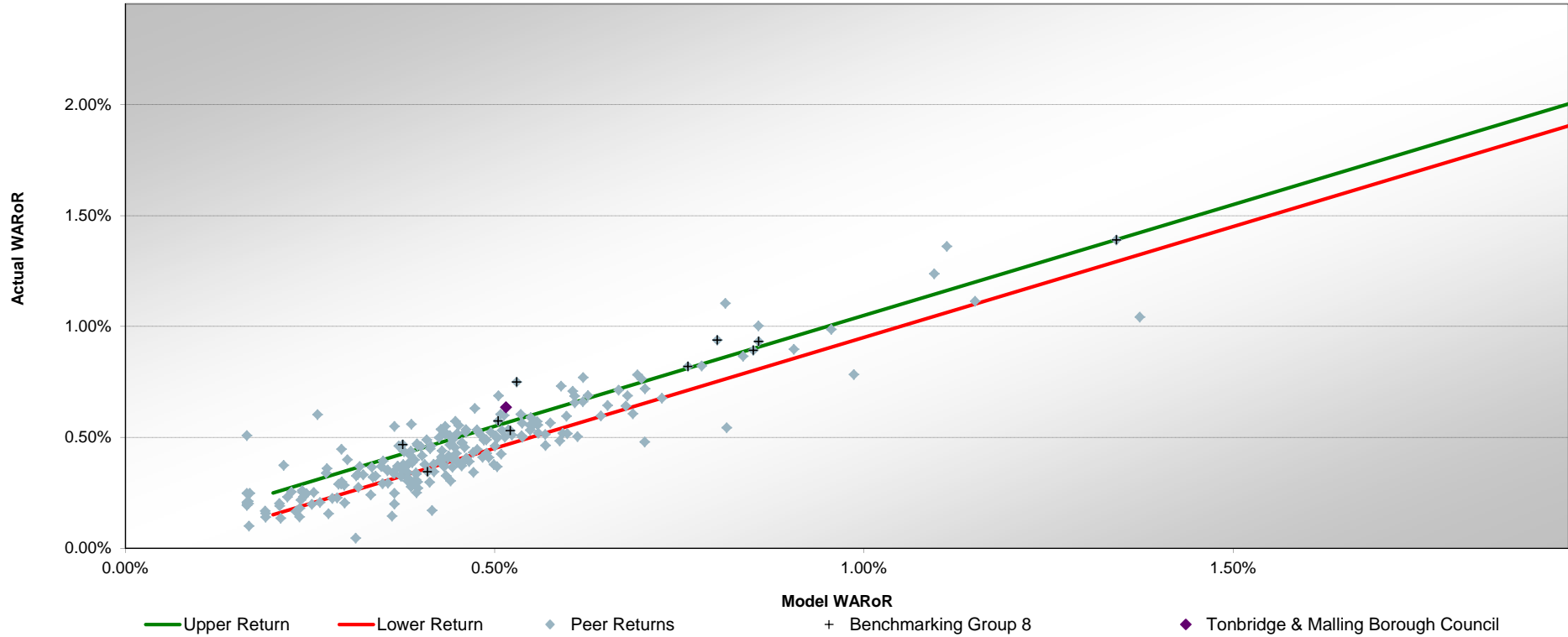
| Enhanced Cash Funds | | | | | | |
|--|-------|-------|----------|----------------|-----------|----------|
| Minimum investment criteria AAA | | | | | | |
| Fund Name | Moody | Fitch | S&P | Exposure Limit | | |
| | | | | Cash Flow | Core Fund | Combined |
| Insight Liquidity Plus Group limit for IL and ILP of £6m | - | - | AAAf /S1 | £1.5m | £1.5m | £3m |

Approved by Director of Finance & Transformation
2nd January 2018

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Tonbridge & Malling Borough Council

Population Returns against Model Returns



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| | Actual WARoR | Model WARoR | Difference | Lower Bound | Upper Bound | Performance |
|--|--------------|-------------|------------|-------------|-------------|-------------|
| Tonbridge & Malling Borough Council | 0.64% | 0.52% | 0.12% | 0.47% | 0.56% | Above |

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Treasury Management and Annual Investment Strategy 2018/19

1 Introduction

1.1 Treasury management is defined as:

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

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 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 Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009 (The Code of Practice).
- 2.4 The Code of Practice was adopted by this Council on 18 February 2010. In preparing this strategy due regard has also been given to the Code's 2011 revision.
- 2.5 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 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management. The original 2001 Code was adopted on 30 September 2003 and the revised 2009 Code was adopted by the full Council on 18 February 2010. Subsequent Code amendments are also complied with.
- 4.5 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 2018/19 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 2017 comprised only investments which totaled £41m generating an average return of 0.63% excluding property funds.

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:

- 2017/ 2018 0.50%
- 2018/ 2019 0.75%
- 2019/ 2020 1.00%
- 2020/ 2021 1.25%

- 7.2 As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

- 7.3 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Federal Reserve has taken the lead in reversing

monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

- 7.4 Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be 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 and emerging market developments. 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 The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.
- 7.8 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
- Bank of England monetary policy takes action too quickly 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.
 - Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

- A resurgence of the Eurozone sovereign debt crisis.
- Weak capitalisation of some European banks.
- Political developments in Austria and Czech Republic could provide impetus to other, particularly former Communist bloc countries, to coalesce to create a block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump.
- A sharp Chinese downturn and its impact on emerging market countries.

7.9 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- 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 returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Federal Reserve 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 Quantitative Easing, 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.

7.10 A more detailed view of the current economic background, provided by Link, is contained in **[Appendix 4]**.

8 Investment policy

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

- 8.2 In accordance with the above guidance from the CLG 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 will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To 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 countries with a minimum sovereign credit rating of AA- as determined by all three rating agencies - 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 Sovereign subject to a minimum rating of AA- . | 100% |
| Each non-UK Sovereign rated AA- or better. | 20% |
| Group limit excluding UK nationalised / part nationalised banks | 20% |
| Each counterparty rated Fitch A-, F1 (green excluding CDS using Link's credit methodology) or better. | 20% |
| Each UK nationalised or part nationalised bank / group. | 20% |
| Each AAA multilateral / supranational bank. | 20% |
| Each AAA rated CNAV, LNAV or VNAV money market fund. | 20% |
| Each AAA rated enhanced cash fund / government liquidity fund / gilt fund subject to 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 £2m (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 £2m (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 2018/19 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 2018/19 a return on cash flow investments of 0.55% 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 2018/19 is expected to be £15m.

- 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 2018/19 a return on core fund investments of 0.80% 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 a 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 a 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 2018

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. Specified and Non-specified Investments
- 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 Strategy and Annual Investment Strategy.
- Approval of amendments to the Council's adopted clauses, Treasury Management Policy and the Annual Treasury Management Strategy and Annual Investment Strategy.
- Approval of the treasury management outturn and mid-year reports.

Cabinet

- Budget consideration.
- Approval of Treasury Management Practices.
- 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 Strategy and Annual 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.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.

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 2018/19 report that is to be submitted to Cabinet on 8 February 2018.

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

| TREASURY MANAGEMENT INDICATORS | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|----------------|--|----------|----------|----------|
| | 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 | 13,098 (43.5%) | It is anticipated that exposure will range between 40% to 100% | | | |
| Upper limit for total principal sums invested for over 364 days at year end | Nil (0%) | 60% of funds | | | |

| Maturity structure of fixed rate borrowing during 2016/17 - 2020/21 | upper limit | lower limit |
|---|-------------|-------------|
| under 12 months | 100 % | 0 % |
| Over 12 months | 0 % | 0 % |

Appendix 3 Interest Rate Forecasts – December 2017

| Link Asset Services Interest Rate View | | | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 |
| Bank Rate View | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% |
| 3 Month LIBID | 0.40% | 0.40% | 0.40% | 0.40% | 0.60% | 0.60% | 0.60% | 0.70% | 0.90% | 0.90% | 1.00% | 1.20% | 1.20% | 1.20% |
| 6 Month LIBID | 0.50% | 0.50% | 0.50% | 0.60% | 0.80% | 0.80% | 0.80% | 0.90% | 1.00% | 1.00% | 1.10% | 1.30% | 1.30% | 1.40% |
| 12 Month LIBID | 0.70% | 0.80% | 0.80% | 0.90% | 1.00% | 1.00% | 1.10% | 1.10% | 1.30% | 1.30% | 1.40% | 1.50% | 1.50% | 1.60% |
| 5yr PWLB Rate | 1.50% | 1.60% | 1.60% | 1.70% | 1.80% | 1.80% | 1.90% | 1.90% | 2.00% | 2.10% | 2.10% | 2.20% | 2.30% | 2.30% |
| 10yr PWLB Rate | 2.10% | 2.20% | 2.30% | 2.40% | 2.40% | 2.50% | 2.60% | 2.60% | 2.70% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% |
| 25yr PWLB Rate | 2.80% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.40% | 3.50% | 3.50% | 3.60% | 3.60% |
| 50yr PWLB Rate | 2.50% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% |
| Bank Rate | | | | | | | | | | | | | | |
| Link Asset Services | 0.50% | 0.50% | 0.50% | 0.50% | 0.50% | 0.75% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% |
| Capital Economics | 0.50% | 0.50% | 0.75% | 1.00% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | - | - | - | - | - |
| 5yr PWLB Rate | | | | | | | | | | | | | | |
| Link Asset Services | 1.50% | 1.60% | 1.60% | 1.70% | 1.80% | 1.80% | 1.90% | 1.90% | 2.00% | 2.10% | 2.10% | 2.20% | 2.30% | 2.30% |
| Capital Economics | 1.70% | 1.90% | 2.30% | 2.60% | 2.90% | 2.90% | 2.90% | 2.90% | 2.90% | - | - | - | - | - |
| 10yr PWLB Rate | | | | | | | | | | | | | | |
| Link Asset Services | 2.10% | 2.20% | 2.30% | 2.40% | 2.40% | 2.50% | 2.60% | 2.60% | 2.70% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% |
| Capital Economics | 2.30% | 2.60% | 2.80% | 3.10% | 3.30% | 3.30% | 3.30% | 3.30% | 3.30% | - | - | - | - | - |
| 25yr PWLB Rate | | | | | | | | | | | | | | |
| Link Asset Services | 2.80% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.40% | 3.50% | 3.50% | 3.60% | 3.60% |
| Capital Economics | 2.95% | 3.15% | 3.45% | 3.65% | 3.90% | 3.90% | 3.90% | 3.90% | 3.90% | - | - | - | - | - |
| 50yr PWLB Rate | | | | | | | | | | | | | | |
| Link Asset Services | 2.50% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% |
| Capital Economics | 2.80% | 3.10% | 3.30% | 3.60% | 3.80% | 3.80% | 3.80% | 3.80% | 3.80% | - | - | - | - | - |

Appendix 4 Economic Background Provided by Link Asset Services

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this. The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution**.

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 and a new period has already started in the US, and more recently, in the UK, on 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 an on-going 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 then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp 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 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.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income**, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift UP in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action.

On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.

- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.0% in both September and October so that might prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare**

capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017

warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually unfold.

EZ. Economic growth in the Eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.0% y/y), 0.7% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed. has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed. said it would start in October to gradually

unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

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.

JAPAN has been struggling to stimulate consistent significant 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.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50.
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

Appendix 5 Specified and Non-specified Investments

All specified and non-specified Investments will be:

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

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 AA- |
| Term deposits - UK local authorities | UK Sovereign AA- |
| Term deposits - UK nationalised and part nationalised banks | UK Sovereign AA- |
| Term deposits - banks and building societies | UK / Non-UK Sovereign AA-. Counterparty A-, F1 or Green excluding CDS |
| Certificates of deposit - UK nationalised and part nationalised banks | UK Sovereign AA- |
| Certificates of deposit - banks and building societies | UK / Non-UK Sovereign AA-. Counterparty A-, F1, or Green excluding CDS |
| UK Treasury Bills | UK Sovereign AA- |
| UK Government Gilts | UK Sovereign AA- |
| Bonds issued by multi-lateral development banks | AAA |
| Sovereign bond issues (other than the UK govt) | AAA |
| Money Market Funds (CNAV, LNAV 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 AA- | 2 years |
| Fixed term deposits with variable rate and variable maturities (structured deposits) - banks and building societies | UK / Non-UK Sovereign AA-. Counterparty A-, F1 (Green) | 2 years |
| Term deposits - local authorities | UK Sovereign AA- | 2 years |
| Term deposits - UK nationalised and part nationalised banks | UK Sovereign AA- | 2 years |
| Term deposits – banks, building societies | UK / Non-UK Sovereign AA-. Counterparty A-, F1(Green) | 2 years |
| Certificates of deposit - UK nationalised and part nationalised banks | UK Sovereign AA- | 2 years |
| Certificates of deposit – banks and building societies | UK / Non-UK Sovereign AA-. Counterparty A-, F1 (Green) | 2 years |
| Commercial paper - UK nationalised and part nationalised banks | UK Sovereign AA- | 2 years |
| Commercial paper - banks and building societies | UK / 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 AA- | 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

All counterparties in addition to meeting the minimum credit criteria specified in the Annual Investment Strategy must be regulated by a sovereign rated as a minimum AA- 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 2017 sovereigns meeting the above requirement which also 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 Hong Kong USA |
| AA | Abu Dhabi (UAE) France UK |
| AA- | Belgium Qatar |

Item CB 18/5 referred from Cabinet minutes of 8 February 2018

CB 18/5 SETTING THE BUDGET FOR 2018/19

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 2018/19. It also highlighted adjustments made to the Revenue Estimates presented to the Advisory Board and Committee.

The Director of Finance and Transformation explained that the final local government settlement had now been received and did not differ significantly from the provisional settlement so the figures within the report would stand. Reference was made to the Council's previous decision to accept the four year funding settlement to 2019/20 offered by the Government and to the referendum threshold for 2018/19 which had been set at the higher of 3% or £5.

The favourable position regarding New Homes Bonus funding in 2018/19 was explained and reference made to the successful outcome of the Kent and Medway authorities' bid for pilot status in respect of 100% business rates retention. However, illustrative allocations up to 2019/20 were presented and a comparison of the Council's Settlement Funding Assessment for the period 2018/19 to 2019/20 with those of the other Kent district councils demonstrated that Tonbridge and Malling continued to receive the lowest or one of the lowest Assessments both in total and per head.

The report also suggested a mechanism for responding to the technical consultation on the Fair Funding Review and referred to a forthcoming consultation on "Negative RSG" announced by the Secretary of State.

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 2018 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 2018/19 and calculating the council tax. For the purposes of updating the MTFS a council tax increase of around 3% in 2018/19 had been assumed, followed by an increase of £5 each year up to 2026/27 and 3% in 2027/28. 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 2018/19. Members were advised of details of special expenses for 2018/19.

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 savings target based on latest projections of £1.0m would be delivered. A revised calculation of the council tax requirement for 2018/19 (Annex 18) was circulated in advance of the meeting.

RECOMMENDED: That

- (1) the fees and charges set out in Annex 2 to the report, as recommended by the appropriate Advisory Boards, be endorsed (see Decision Nos D18007CAB to D180013CAB);
- (2) the Capital Plan be updated as set out in paragraph 1.6.14 to the report as follows and adopted accordingly:
 - (i) the position of the existing Capital Plan (List A) as summarised in Annex 3 to the report be approved and the contribution to the savings target as a result of the reassessment of Disabled Facilities Grant funding be noted;
 - (ii) the schemes as detailed in Annex 4 to the report be added to List C or deleted from List C;
 - (iii) the selection of the scheme at Annex 5 to the report for fast-track evaluation over the coming year be approved;
 - (iv) the transfer of the schemes detailed in Annex 6 to the report to List A be approved;
 - (v) the updated Capital Plan (List A) as summarised in Annex 7 to the report be approved;
- (3) the Capital Strategy as presented to the Finance, Innovation and Property Advisory Board on 3 January and the Overview and Scrutiny Committee on 23 January 2018 be endorsed and adopted by the Council;
- (4) the prudential indicators listed in paragraphs 1.7.5 and 1.7.9 of the report be endorsed and adopted;
- (5) for the financial year 2018/19 the Council's Minimum Revenue Provision, as set out at paragraph 1.7.12 of the report, be noted as nil;
- (6) the high level objectives of the Medium Term Financial Strategy be reaffirmed as set out in paragraph 1.9.4 of the report;
- (7) the updated Medium Term Financial Strategy, as set out at Annex 11a to the report, including the proposed scale and timing of each of the savings tranches indicated in paragraph 1.9.10 of the report, be noted and endorsed;

- (8) the Council be recommended to approve a council tax increase of 2.99% or £5.91 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 2018/19;
- (9) the updates made to the Savings and Transformation Strategy, as set out at Annex 11c to the report, be endorsed and adopted by the Council as part of the Budget setting process;
- (10) the special expenses calculated in accordance with the Special Expenses Scheme set out in Annex 14b to the report be endorsed;
- (11) 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; and
- (12) 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 technical consultation entitled "Fair funding review: a review of relative needs and resources".

***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

08 February 2018

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 BUDGET

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 2018/19.

1.1 Introduction and Foreword

- 1.1.1 At the Full Council meeting on 20 February, Members will determine both the Budget and the level of council tax for 2018/19. The detailed Estimates for 2018/19 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 1.4 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 2018/19; 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 2018/19 will have an impact across the MTFS and upon the savings targets 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 2018/19 a referendum will be triggered where council tax is increased by **3%, or more than 3% and more than £5**. The Secretary of State advised that he had increased the threshold to 3% (from 2%) as this was the current level of inflation.
- 1.1.4 Members are aware that our MTFS assumes council tax increases to the higher of the thresholds. Until now, an increase of £5 is the higher threshold for TMBC representing a 2.53% increase in council tax. Increasing council tax by 3% in line

with inflation in 2018/19 generates just shy of a further 0.5% increase over and above our original forecast in the MTFS. For the purposes of preparing the budget papers and updating the MTFS an increase of circa 3% in 2018/19 has been assumed followed by an increase of £5 each year up to 2026/27 and 3% in 2027/28. To put this into context, 1% currently equates to about £100,000.

- 1.1.5 Undoubtedly the Council continues to face a significant financial challenge in respect of identifying and implementing savings over the coming years. When setting the budget for 2017/18 in February 2017 projections at that time suggested a 'funding gap' between expenditure and income of circa £1.6m and set a target of achieving savings of £650,000 this financial year, and this to all intents and purposes has been achieved.
- 1.1.6 However, as Members are aware, there are always 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 **latest projected 'outstanding' funding gap is £1.0m.**
- 1.1.7 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
 - Fair Funding Review and 'Negative RSG' Consultation
 - Revenue Estimates 2018/19
 - 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 19 December 2017, the Secretary of State for the, then, Department for Communities and Local Government, Sajid Javid MP, made a statement to Parliament on the provisional local government finance settlement for 2018/19. At the time of finalising this report for agenda publication, we have not received the final local government finance settlement. **Figures contained within this report are, therefore, based on the provisional settlement.** We do not anticipate there being any significant difference in the 'final' figures. Members will, of course, be updated as appropriate.
- 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 and as a result provided illustrative allocations up to 2019/20. This Council accepted the offer of a multi-year settlement and as you might expect the provisional Settlement Funding Assessment (SFA) for 2018/19 and illustrative allocation for 2019/20 are not that dissimilar to the indicative figures set out in the multi-year settlement.
- 1.2.3 Our SFA for the year 2018/19 and illustrative allocation for 2019/20 can be seen in the table below. In 2019/20 our SFA is projected to be £1,264,921. This represents a cash decrease of £1,631,475 or 56.3% when compared to the equivalent figure of £2,896,396 in 2016/17.
- 1.2.4 In addition, Members are reminded of the changes made this time last year in respect of New Homes Bonus (NHB) which saw:
- 1) The length of NHB payments reduced in length from 6 years to 5 years in 2017/18 and to 4 years from 2018/19.
 - 2) The introduction of a national baseline for housing growth of 0.4% below which NHB will not be paid.
- 1.2.5 The Council's NHB for the year 2018/19 and illustrative figure for 2019/20 under the revised scheme can also be seen in the table below.

| | 2016/17 £ | 2017/18 £ | 2018/19 £ | 2019/20 £ |
|--------------------------------------|------------------|------------------|------------------|------------------|
| Local Share of Business Rates | 2,106,525 | 2,149,532 | 2,214,110 | 2,263,217 |
| Tariff Adjustment ('Negative RSG') | | | | (998,296) |
| Revenue Support Grant | 655,042 | | | |
| Transition Grant | 134,829 | 117,201 | | |
| Settlement Funding Assessment | 2,896,396 | 2,266,733 | 2,214,110 | 1,264,921 |
| Change over SR Period (£) | | | | (1,631,475) |
| Change over SR Period (%) | | | | -56.3% |

| | | | | |
|----------------------------|------------------|------------------|------------------|------------------|
| New Homes Bonus ## | 3,847,880 | 3,490,134 | 3,334,128 | 3,401,545 |
| Total Grant Funding | 6,744,276 | 5,756,867 | 5,548,238 | 4,666,466 |
| Change over SR Period (£) | | | | (2,077,810) |
| Change over SR Period (%) | | | | -30.8% |

Note: Figures as set out in the settlement consultation which we believe are simply projections based on previous growth levels, and should be read in conjunction with paragraph 1.2.7 below.

- 1.2.6 The scale of housing delivery in the 12 month period used to determine NHB allocations for the year 2018/19 was exceptional at around 1,000. To put this into context the historic annual average is between 500 and 600 properties. As a result the Council's NHB for 2018/19 is £3,334,128 compared to £2,666,000 estimated this time last year. On the assumption there are no retrospective changes to the scheme this is a welcome windfall affording the opportunity to set aside monies to fund in part (or in full) particular initiatives – for example capital investment required in respect of the tender of the refuse, recycling and street cleansing contract. However, herein lies the dilemma – the phrase 'subject to no further changes' is very important. The period over which payments are made can be reduced, the baseline increased or both at any time; and worse, the scheme can be withdrawn and the associated funding redistributed in some other way. In other words, NHB is at risk indefinitely and which, unsurprisingly, is of particular concern.
- 1.2.7 That said, in 2019/20 NHB is projected to be £3,401,545 (dependent on growth – a more conservative estimate would be £3.0 million) representing a cash decrease of £446,335 or 11.6% when compared to £3,847,880 in 2016/17. However, NHB will continue to fall beyond 2019/20 as the changes made this time last year work their way through the system and this year's exceptional housing delivery falls out of the calculation such that, by 2022/23, it is estimated that NHB could be in the order of £1.5m based on the current scheme.
- 1.2.8 **Members are asked to note that for medium term financial planning purposes it is assumed that from 2020/21 the scheme will reduce in length to three years and from 2021/22 the Council will receive via NHB and or alternative funding source in the order of £1.3m rising steadily thereafter to around £1.4m by 2027/28.** An alternative 'strategy' would be to remove NHB as a funding source within our MTFs. However, the consequential savings targets would be so extreme that it would make achievement of them virtually out of reach.
- 1.2.9 In 2019/20 the government project total grant funding to be £4,666,466 representing a cash decrease of £2,077,810 or 30.8% when compared to the equivalent figure of £6,744,276 in 2016/17. The government in recent years has referred to the increase / (decrease) in an authority's core spending power and this is what tends to be quoted in media coverage. Using 2015/16 as the base

year the decrease in core spending power over the spending review period calculated by the government in cash terms is £200,000 or 1.2% (based on what are considered to be optimistic council tax income projections and NHB allocations).

1.2.10 **Of the twelve district councils in Kent, Tonbridge & Malling Borough Council receives either the lowest or one of the lowest Settlement Funding Assessments both in total and per head.** A comparison of our Settlement Funding Assessments for 2018/19 and 2019/20 with those of other Kent district councils is provided at **[Annex 1a]**.

1.2.11 Attached at **[Annex 1b]** for Members' information is a copy of the Referendums Principles setting out the level of council tax increase for 2018/19 above which the local authority would be required to seek the approval of their electorate via a local referendum.

1.2.12 Announced alongside the provisional settlement was the outcome of the **bids for pilot status** in respect of 100% business rates retention. Members may recall a proposal for Kent and Medway authorities to put in a bid. A bid was subsequently submitted and I am very pleased to advise Members that the Secretary of State announced in his speech that the Kent and Medway bid has been successful.

1.2.13 In all, 10 pilots were successful. Based on the estimates prepared during the bidding process, it is expected that circa £25 million will come to the Kent and Medway pilot with the sum being divided into two discrete 'pots'. One for financial sustainability paid at individual council level, and the second for economic growth paid on a cluster basis.

1.2.14 In terms of financial stability, and based on the estimates prepared during the bidding process, a sum of circa £500,000 would come to TMBC in 2018/19. The intention is to invest this sum in a property investment fund. Furthermore, an allocation of circa £1.0 million to the West Kent Cluster (Sevenoaks, Tunbridge Wells and Tonbridge & Malling areas) towards supporting housing and commercial growth is anticipated.

1.2.15 This is clearly very good news for Kent and Medway as a whole.

1.3 Fair Funding Review and 'Negative RSG' Consultation

1.3.1 Alongside the provisional settlement, the Secretary of State also announced a technical consultation entitled "*Fair funding review: a review of relative needs and resources*". The paper can be found at the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669440/Fair_funding_review_consultation.pdf

1.3.2 The consultation will assist the newly named Ministry for Housing, Communities and Local Government (MHCLG) with the development of a new funding allocation mechanism for local government, intended to be in place for 2020/21.

1.3.3 According to the MHCLG's document, the review will:

- **“set new baseline funding allocations** for local authorities;
- deliver an **up-to-date assessment of the relative needs of local authorities**. The Government has been clear that there will continue to be redistribution of business rates between local authorities to take account of relative needs; the review will determine what the redistribution should be;
- **examine the relative resources of local authorities**. The Government will take a fresh look at how council tax income should be taken into account when redistributing business rates at local government finance settlements, and will also consider other potential sources of income available to councils;
- focus initially on the **services currently funded through the local government finance settlement**; and
- be **developed through close collaboration with local government** to seek views on the right approach.”

1.3.4 The consultation commenced on 19 December and will end on 12 March. In view of the timescales involved and the programming of meetings, it is **recommended that 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 consultation.

1.3.5 In addition, the Secretary of State announced that there will be a consultation taking place in Spring 2018 on the Negative RSG (tariff) adjustments, with the outcome feeding into the 2019/20 local government finance settlement. The Secretary of State stated *“I can confirm that my department will be looking at fair and affordable options for dealing with Negative RSG”*. However, for now, the negative RSG amounts remain within the 2019/20 individual authority figures as can be seen in the table at paragraph 1.2.5.

1.4 Revenue Estimates 2018/19

1.4.1 As mentioned in the Foreword, the draft Revenue Estimates for 2018/19 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.

- 1.4.2 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. Adjustments include the investment of the estimated additional income from the Kent and Medway business rates pilot and the estimated loss of income claim in respect of the works to be carried out at Larkfield Leisure Centre funded from the Tonbridge and Malling Leisure Trust Reserve.

| | Revised Estimate 2017/18 £ | Original Estimate 2018/19 £ |
|---|---|--|
| Summary Total reported to Finance, Innovation and Property Advisory Board on 3 January 2018 | 11,366,200 | 12,096,750 |
| Property Investment Fund Reserve | | 500,000 |
| Larkfield Leisure Centre Ventilation and Boiler Replacement – Loss of Income Claim | | 250,000 |
| Establishment Changes | | 34,100 |
| New Homes Bonus | | 9,850 |
| Kent Safeguarding Children Board | | 1,500 |
| Kent Resilience Forum | | 900 |
| Tonbridge and Malling Leisure Trust Reserve | | (250,000) |
| Management Savings | (116,650) | |
| Under-indexing Business Rates Multiplier | (27,700) | (46,150) |
| Investment Income | | (15,000) |
| Grounds Maintenance Contract | | (10,000) |
| Audit Fees | | (4,000) |
| Wayleave Agreement | (1,250) | (1,250) |
| | | |
| Current Summary Total | 11,220,600 | 12,566,700 |

1.5 Fees and Charges

- 1.5.1 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.
- 1.5.2 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]**.

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

1.6 Capital Plan

1.6.1 The Capital Plan Review process started at the Finance, Innovation and Property Advisory Board on 3 January followed by the Overview and Scrutiny Committee on 23 January.

1.6.2 Members' attention was drawn to the financial challenge faced by the Council 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.

1.6.3 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.

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

1.6.5 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.

1.6.6 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.

1.6.7 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. It should be noted, based on current projections, that from 2021/22 the Council may need to borrow to fund such expenditure. The annual capital allowance is set at £200,000 and it is proposed that the annual allowance continue to be set at that level.

1.6.8 In addition, the Invest to Save Reserve or Transformation Reserve, subject to there being sufficient funds available and where deemed appropriate, could be used to fund in part or in full capital plan schemes.

1.6.9 The Finance, Innovation and Property Advisory Board and the Overview and Scrutiny Committee endorsed the recommendations as detailed in the papers. The recommendations were:

- 1) Cabinet be asked to endorse the Capital Plan (List A) position as shown in Annex 2 of the Capital Plan Booklet summarised at **[Annex 3]** and note the contribution to the savings target as a result of the reassessment of Disabled Facilities Grant funding.
- 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, one new scheme has been recommended and for Fast-Track evaluation. In addition, there are five 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, Tonbridge Racecourse Sportsground – Swimming Pool Bridge, 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]**.
- 5) Cabinet be asked to endorse the Capital Strategy at Annex 5 for adoption by Council and publication on the Council's website.

1.6.10 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 £10,100 in 2018/19 and £20,200 in subsequent years.

| Scheme | Capital Cost £ | Revenue Impact | |
|--|-------------------|----------------|--------------|
| | | 2018/19 £ | 2019/20 £ |
| Larkfield Leisure Centre – Ventilation System and Boiler Replacement | 505,000 | 10,100 | 20,200 |
| Racecourse Sportsground – Rugby Pitch Drainage Improvements | 25,000 | | |
| Haysden Country Park – Car Park Extension | 30,000 | | |
| Haysden Country Park – Sewage Treatment Facility | 75,000 | | |
| Tonbridge Cemetery – Path Works | 15,000 | | |

| | | | |
|--|----------------|---------------|---------------|
| Tonbridge to Penshurst Cycle Route Refurbishment | 60,000 | | |
| Total | 710,000 | 10,100 | 20,200 |

- 1.6.11 The schemes detailed above, other than the ventilation system and boiler replacement, are to be funded by way of developer contributions. The ventilation system and boiler replacement is to be met in part from the annual capital allowance. The balance is to be met by increasing the contribution to the revenue reserve for capital schemes in 2017/18 funded from the better than budgeted performance reflected in the 2017/18 revised estimates. The revenue consequences exclude an estimated loss of income claim in the sum of £250,000 to be funded from the Tonbridge and Malling Leisure Trust reserve.
- 1.6.12 An updated summary of the Capital Plan incorporating the schemes listed in paragraph 1.6.10 is attached at **[Annex 7]**.
- 1.6.13 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]**.
- 1.6.14 Accordingly, it is **RECOMMENDED** that:
- 1) Cabinet approves the position of the existing Capital Plan (List A) as summarised at **[Annex 3]** and note the contribution to the savings target as a result of the reassessment of Disabled Facilities Grant funding.
 - 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, one new scheme has been recommended and for Fast-Track evaluation.
 - 4) Cabinet approves the transfer of schemes detailed in **[Annex 6]** to List A.
 - 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 3 January and Overview and Scrutiny Committee on 23 January.

1.7 Treasury Management and Annual Investment Strategy

- 1.7.1 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).

1.7.2 The Prudential Code requires that the CIPFA Treasury Management Code of Practice (the Code) is adopted and that a number of prudential indicators are set. Council adopted the December 2009 edition of the Code on 18 February 2010 and due regard has also been given to subsequent revisions in preparing the Treasury Management and Annual Investment Strategy for 2018/19.

1.7.3 The approval of the 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.

1.7.4 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 as follows:

- 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 364 days.
- 8) The maturity structure for new fixed rate borrowing during 2018/19.

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

| Treasury Management Prudential Indicators | | | | | |
|--|---------------------------|--|-----------------------------|-----------------------------|-----------------------------|
| Prudential Indicator | 2016/17 Actual | 2017/18 Revised Estimate | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate |
| | £'000 | £'000 | £'000 | £'000 | £'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 | 13,098 43.5% | It is anticipated that the net exposure will range between 40% to 100% | |
| The upper limit for total principal sums invested for over 364 days at year end | NIL 0% | 60% of funds | |
| The maturity structure for new fixed rate borrowing during 2018/19 | | Upper Limit | Lower Limit |
| Under 12 months | | 100% | NIL |
| Over 12 months | | NIL | NIL |

- 1.7.6 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.
- 1.7.7 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.
- 1.7.8 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.
- 1.7.9 The other prudential indicators which we are required 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%. | | | | | | |
| | 2016/17 actual | 2017/18 estimated | 2018/19 estimated | 2019/20 estimated | 2020/21 estimated | 2021/22 estimated | 2022/23 estimated | 2023/24 estimated |
| | -2.33% | -2.34% | -2.89% | -4.32% | -4.83% | -5.08% | -5.72% | -6.24% |
| 2. | Estimates of the incremental impact of capital investment decisions on the council tax | 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] . | | | | | | |
| | | 2018/19 estimated | 2019/20 estimated | 2020/21 estimated | 2021/22 estimated | 2022/23 estimated | 2023/24 estimated | |
| | Total | £ 0.20 | £ 0.20 | £ 0.00 | £ 0.00 | £ 0.00 | £ 0.00 | |
| 3. | Actual and | This indicator is based on the updated capital plan | | | | | | |

| estimated capital expenditure | | | position. The figures are based on those shown in [Annex 8]. | | | | |
|-------------------------------|-------------------------------|-------------------------------|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| 2016/17 actual £'000 | 2017/18 estimated £'000 | 2018/19 estimated £'000 | 2019/20 estimated £'000 | 2020/21 estimated £'000 | 2021/22 estimated £'000 | 2022/23 estimated £'000 | 2023/24 estimated £'000 |
| 1,632 | 2,669 | 4,336 | 1,740 | 2,127 | 1,364 | 2,144 | 1,421 |

- 1.7.10 We, therefore, **RECOMMEND** that for the financial year 2018/19 the prudential indicators listed in paragraphs 1.7.5 and 1.7.9 be recommended to Council for adoption.
- 1.7.11 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.
- 1.7.12 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 2021/22.
- 1.7.13 Members are asked to NOTE that for the financial year 2018/19 our Minimum Revenue Provision is nil.

1.8 Consultation with Non-Domestic (Business) Ratepayers

- 1.8.1 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 19 January 2018. ***Cabinet is advised that no comments have been received.***

1.9 Medium Term Financial Strategy Update

- 1.9.1 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.

- 1.9.2 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.
- 1.9.3 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 continuing 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 with ever increasing pressure this is becoming progressively more difficult.
- 1.9.4 The MTFs sets out the high level objectives the Council wishes to fulfil over the agreed time span and which are:
- 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.
- 1.9.5 The budget for 2018/19 is, naturally, the starting point for updating the MTFs. Referring to paragraph 1.4.2, Members will note that the Summary Total for the 2017/18 Revised Estimates is £11,220,600; and for the 2018/19 Estimates is £12,566,700 and is used in the budget projections in the Medium Term Financial Strategy at **[Annex 11a]**.
- 1.9.6 When updating the MTFs we need to take into account the following (not exclusive) factors:
- The Local Government Finance Settlement announcement.

- Those factors that have contributed towards addressing the ‘funding gap’ including the renegotiation of the Tonbridge and Malling Leisure Trust service fee, investment return on proceeds from the pending sale of Council owned assets and establishment changes.
- Those factors that have taken matters in the ‘wrong’ direction including pay inflation, resource pressures as a result of legislative changes and extending a council tax increase of £5 each year further into the future than this time last year.
- The level of council tax increase for 2018/19 above which the local authority would be required to seek the approval of their electorate via a local referendum. For the year 2018/19 a referendum will be triggered where council tax is increased by 3%, or more than 3% and more than £5. For the purposes of updating the MTFS an increase of circa 3% in 2018/19 has been assumed followed by an increase of £5 each year up to 2026/27 and 3% in 2027/28. To put this into context, 1% currently equates to about £100,000.
- The ongoing impact of the Business Rates Retention scheme and the proposal to move to a 100% Business Rates Retention scheme. The Council’s actual business rates income has, thus far, been below the baseline set under the scheme and the Council has to meet a share of that shortfall up to a maximum of circa £166,000 in 2018/19 (or would do if we were not part of the 2018/19 Kent and Medway pilot referred to earlier). Current projections suggest we are getting ever closer to the baseline set and at the time of writing assuming all things remain equal, we could find ourselves above baseline at the year-end for 2017/18. Were this to be the case, any achievement above baseline would be reflected in the 2018/19 surplus/deficit calculation. For medium term financial planning purposes it is assumed that from 2021/22 the Council will be above the baseline set and benefitting as a result from additional business rates income. The question remains as to what will our baseline funding level be under an ‘eventual’ 100% Business Rates Retention scheme – (noting that the Secretary of State announced a plan to move to a 75% retention scheme in 2020/21) – and how this then compares to that reflected in the MTFS taking into account transfer of any new responsibilities?
- The award of New Homes Bonus (NHB) and continuing uncertainty over its future. NHB is a critical component of our overall government grant funding and what happens to this funding stream is, therefore, of particular interest and concern. For medium term financial planning purposes it is assumed that from 2020/21 the scheme will reduce in length to three years (reduced from six years to four years previously) and from 2021/22 the Council will receive via NHB and or alternative funding source in the order of £1.3m rising steadily thereafter to around £1.4m by the end of the period. Changes over and above that assumed will only add to what is already a

very difficult financial outlook and at worse put financial sustainability at risk. The question remains as to 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?

- 1.9.7 Members will recall we set ourselves a **savings target for this year of £650,000** and from the Finance Update in September that at that time around half of that sum had been identified. Since then further savings have been identified (e.g. potential investment return on the proceeds of land sales approved by Council; reduction in Council's own contribution to Disabled Facilities Grants; and establishment changes reported to General Purposes Committee in November) and to date **savings in the order of £646,000 have been achieved** (a fraction shy of the target set for the year). This is clearly excellent news given the position we were in in September.
- 1.9.8 **However**, as Members are aware, there are always 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 (most of which are outside our control) **net savings in the order of £600,000 have been achieved** when compiling the Revenue Estimates for 2018/19 and the difference of £50,000 will need to be reflected in the MTFs and the revised savings targets this generates.
- 1.9.9 This time last year the projected 'funding gap' was put at £1.6m and a year on, all other things being equal, was expected to be £950,000. **The latest projected 'outstanding' funding gap is £1,000,000** (£1,600,000 - £600,000).
- 1.9.10 As in previous iterations of the MTFs the updated savings target can be broken down into tranches. The proposed scale and timing of each of the savings tranches is given below.
- 1) Tranche 1 - £350,000 to be achieved by April 2019 (previously £700,000).
 - 2) Tranche 2 - £350,000 to be achieved by April 2020 (previously nil).
 - 3) Tranche 3 - £300,000 to be achieved by April 2021 (previously £250,000).
- 1.9.11 One thing is clear – a significant financial challenge remains to be addressed over the medium term.
- 1.9.12 **[Annex 11a]** sets out the picture for the MTFs.

Members will appreciate that there is so much uncertainty that financial planning is becoming increasingly difficult with the increased risk of significant variances compared to projections. The Director of Finance and Transformation is keen to stress (as mentioned at paragraph 1.9.6) that **depending on what happens not least to NHB in the future, further savings could be required.**

- 1.9.13 Cabinet is **RECOMMENDED** to:

- 1) Reaffirm the high level objectives of the MTFS set out at paragraph 1.9.4 above.
- 2) Note and endorse the updated MTFS **[Annex 11a]** including the proposed scale and timing of each of the savings tranches set out at paragraph 1.9.10.
- 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 2018/19.

1.10 Savings and Transformation Strategy

1.10.1 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 significant financial challenge faced by the Council and, in so doing, recognise there is no one simple solution and as a result we will need to adopt a number of ways to deliver the savings within an agreed timetable.

1.10.2 When the STS was adopted by Full Council in February 2016, a number of key themes were identified, together with outline targets and timescales which need to be revisited and aligned with the latest projected 'funding gap'.

1.10.3 Before turning to the update of the STS leading us into the period 2018/19 to 2020/21, 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. In summary form, this is as follows:

| Theme | Savings Identified by April 2016 £000 | Savings Identified by April 2017 £000 | Savings Identified by April 2018 £000 | Total Savings Identified £000 |
|-----------------------------------|--|--|--|----------------------------------|
| Income Generation & Cost Recovery | 60 | 146 | 88 | 294 |
| In-Service Efficiencies | 200 | 77 | 50 | 327 |
| Service Change & Reduction | 0 | 100 | 3 | 103 |
| Contracts | 0 | 0 | 200 | 200 |
| Organisation Structure Change | 15 | 129 | 119 | 263 |
| Partnership Funding | 0 | 431 | 0 | 431 |
| Asset Management | 0 | 0 | 186 | 186 |
| Total | 275 | 883 | 646 | 1804 |

- 1.10.4 Members will note that just over £1.8m in savings or new income has been identified since inception, averaging £600,000 per year. The most significant items contributing to that total are the outcome of the 'Fairer Charging' project which resulted in the introduction of a Special Expenses Scheme (shown in the summary table above within the 'Partnership' theme) and the significant savings made through service and staffing reviews.
- 1.10.5 The theme that has achieved the least amount of savings is, not surprisingly, 'Service Change & Reduction', given that it has been Members' clear objective to protect services for as long as possible. However, with other areas now perhaps reaching a level of 'exhaustion', Management Team is of the view that this area now needs greater emphasis and challenge, including through the Overview and Scrutiny programme.
- 1.10.6 An updated copy of the STS, recommended by Management Team, including revised outline targets and timescales for each of the themes totalling £1.0m can be found at **[Annex 11c]**. As mentioned in paragraph 1.10.5, greater emphasis has been put on the theme 'Service Change & Reduction' as we move forward. In addition, a significant allocation has been made against the theme 'Contracts' given that we are now in the throes of retendering the Refuse and Recycling contract and that Members have already agreed in principle to introduce a charging system for green waste.
- 1.10.7 Cabinet is requested to endorse the updates made to the STS, and **RECOMMEND** its adoption by Full Council as part of the Budget setting process.
- 1.10.8 Turning back to the specific budget year 2018/19. The budget for 2018/19 includes a contribution to the general revenue reserve of £433,400 and a Summary of the Revenue Estimates Booklet is attached at **[Annex 12]**.

1.11 Collection Fund Adjustments

- 1.11.1 As the billing authority for the area, this Council has responsibility for maintaining the 'collection fund' accounts into which business rates and council tax are paid.
- 1.11.2 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 2017/18 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 2017/18 in respect of business rates and then share this between the relevant parties in accordance with the business rates retention scheme.
- 1.11.3 These are known as collection fund adjustments:

- The **surplus** on the collection fund in respect of council tax is estimated to be £818,893, of which our share is £124,226 [**Annex 13a**].
- The **surplus** on the collection fund in respect of business rates is estimated to be £15,308 of which our share is £6,123 [**Annex 13b**].

1.12 Special Expenses and Parish Council Precepts

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

1.12.2 Details of the Special Expenses for 2018/19 are set out at [**Annex 14b**]. The basic amount of council tax of £187.73 plus the special expenses Band D charge, where applicable, gives the total Borough Council Band D charge for that area.

1.12.3 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).

1.12.4 The resultant published (notional) council tax at Band D for 2018/19 is £203.42, being £5.91 or 2.99% higher than the published Band D council tax for 2017/18. As Members will note, no resident will actually pay this exact amount as the Borough Council's Band D – unless it is by coincidence.

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

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

1.13 Robustness of Estimates / Adequacy of Reserves

1.13.1 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 £5.91 to the notional council tax level.

1.13.2 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.

1.13.3 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.

1.13.4 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 savings target based on latest projections of £1.0m is delivered.**

1.13.5 A Statement covering the points above is appended at **[Annex 17]**. 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.

1.13.6 A schedule of the reserves held by the Council at 1 April 2017 and proposed utilisation of those reserves to 31 March 2019 is provided at **[Annex 17]** Table A. 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 2017/18.

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

1.14 Calculation of Borough Council's Tax Requirement

1.14.1 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.

1.14.2 Assuming Cabinet's concurrence with the recommendations set out in paragraph 1.9.14, 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.

1.15 Legal Implications

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

1.15.2 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.

1.16 Financial and Value for Money Considerations

- 1.16.1 Two key questions remain. What will our business rates baseline be under an '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; and 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?
- 1.16.2 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 are uncertain and difficult to determine.

1.17 Risk Assessment

- 1.17.1 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.
- 1.17.2 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 will put at risk the integrity of the MTFs.
- 1.17.3 The increased uncertainty and volatility particularly in some of our major sources of income (business rates and New Homes Bonus) and more recently Brexit make financial planning that more difficult with increased risk of significant variances compared to projections.
- 1.17.4 The projected figures for NHB are at risk of further revision downwards which would further add to the savings target.
- 1.17.5 Members are reminded that there are factors not reflected in or throughout the duration of the MTFs, e.g. the impact of Welfare Reform changes (Universal Credit). In addition, beyond 2026/27, the MTFs assumes a 3% increase in council tax.
- 1.17.6 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.

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

1.17.8 At the time of finalising this report for agenda publication, we have not received the final local government finance settlement. **Figures contained within this report are, therefore, based on the provisional settlement.** We do not anticipate there being any significant difference in the 'final' figures. Members will, of course, be updated as appropriate.

1.18 Equality Impact Assessment

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

1.19 Summary of Recommendations

1.19.1 Cabinet is **RECOMMENDED** to:

- 1) Endorse the fees and charges set out in **[Annex 2]** as recommended by the appropriate Advisory Boards.
- 2) Update the Capital Plan as set out in paragraph 1.6.14 and recommend that Council adopt the Capital Plan accordingly.
- 3) Endorse the Capital Strategy as presented to the Finance, Innovation and Property Advisory Board on 3 January and the Overview and Scrutiny Committee on 23 January and recommend to Council it be adopted.
- 4) Endorse the prudential indicators listed in paragraphs 1.7.5 and 1.7.9 and recommend to Council that they be adopted.
- 5) Note that for the financial year 2018/19 the Council's Minimum Revenue Provision as set out at paragraph 1.7.12 is nil.
- 6) Reaffirm the high level objectives of the MTFS (paragraph 1.9.4. refers).
- 7) Note and endorse the updated MTFS **[Annex 11a]** including the proposed scale and timing of each of the savings tranches set out at paragraph 1.9.10.
- 8) 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 2018/19.
- 9) Endorse the updates made to the Savings and Transformation Strategy, and recommend its adoption by Full Council as part of the Budget setting process **[Annex 11c]**.

- 10) Endorse the special expenses calculated in accordance with the Special Expenses Scheme and set out in **[Annex 14b]**.
- 11) 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.
- 12) Endorse that 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 technical consultation entitled "*Fair funding review: a review of relative needs and resources*".

Background papers:

contact: Sharon Shelton

Nil

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

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Local Government Finance Settlement 2018/19 to 2019/20

| | 2018/19 | | | | |
|------------------------------|-----------------------|-------------------------|-------------------|-------------------------------|--------------|
| | Revenue Support Grant | Business Rates Baseline | Tariff Adjustment | Settlement Funding Assessment | Per Head |
| | £ | £ | £ | £ | £ |
| Ashford | - | 3,047,605 | - | 3,047,605 | 24.16 |
| Canterbury | - | 4,889,054 | - | 4,889,054 | 30.10 |
| Dartford | - | 2,927,325 | - | 2,927,325 | 27.74 |
| Dover | - | 4,132,436 | - | 4,132,436 | 36.18 |
| Gravesham | - | 3,048,188 | - | 3,048,188 | 28.54 |
| Maidstone | - | 3,135,707 | - | 3,135,707 | 18.85 |
| Sevenoaks | - | 2,216,508 | - | 2,216,508 | 18.60 |
| Shepway | - | 3,895,563 | - | 3,895,563 | 35.04 |
| Swale | - | 4,833,661 | - | 4,833,661 | 33.33 |
| Thanet | - | 5,670,296 | - | 5,670,296 | 40.31 |
| Tonbridge and Malling | - | 2,214,110 | - | 2,214,110 | 17.39 |
| Tunbridge Wells | - | 2,284,265 | - | 2,284,265 | 19.51 |

| | 2019/20 | | | | |
|------------------------------|-----------------------|-------------------------|-------------------|-------------------------------|-------------|
| | Revenue Support Grant | Business Rates Baseline | Tariff Adjustment | Settlement Funding Assessment | Per Head |
| | £ | £ | £ | £ | £ |
| Ashford | - | 2,829,453 | (236,720) | 2,592,733 | 20.55 |
| Canterbury | - | 4,608,877 | (310,101) | 4,298,776 | 26.47 |
| Dartford | - | 2,670,440 | (98,083) | 2,572,357 | 24.37 |
| Dover | 56,538 | 3,642,989 | - | 3,699,527 | 32.39 |
| Gravesham | - | 2,915,178 | (243,714) | 2,671,464 | 25.01 |
| Maidstone | - | 3,205,255 | (1,588,624) | 1,616,631 | 9.72 |
| Sevenoaks | - | 2,265,669 | (1,082,611) | 1,183,058 | 9.93 |
| Shepway | - | 3,670,062 | (301,434) | 3,368,628 | 30.30 |
| Swale | 113,144 | 4,218,485 | - | 4,331,629 | 29.86 |
| Thanet | 97,453 | 4,969,247 | - | 5,066,700 | 36.02 |
| Tonbridge and Malling | - | 2,263,217 | (998,296) | 1,264,921 | 9.94 |
| Tunbridge Wells | - | 2,334,928 | (606,086) | 1,728,842 | 14.77 |

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The Referendums Relating to Council Tax Increases (Principles) (England) Report 2018/19

Legislative background

General

1. Under section 52ZBa 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. 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 52ZCc 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 which the local government finance report for the same year is

^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).

^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.

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 —
 - 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
 - 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 first of the amounts mentioned in paragraph 6 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 second of the amounts mentioned in paragraph 6 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.

^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.

The Report

9. This Report is made by the Secretary of State for Communities and Local Government and laid before the House of Commons under section 52ZD(1) of the 1992 Act.
10. 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^a. Accordingly no principles are specified for local precepting authorities for that year.

Principles for the financial year beginning on 1st April 2018

11. The principles which apply for 2018-19 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 Communities and Local Government

[] 2018

Name
Parliamentary Under Secretary of State
Department for Communities and Local Government

^a 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 2018

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 2018 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;

“the 1992 Act” means the Local Government Finance Act 1992(a);

“the GLA” means the Greater London Authority;

“a relevant local authority” means-

(a) an authority falling within section 1(4) of the Care Act 2014(b); 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.

(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 2018-19

2. For 2018-19, 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(c);

(b) the GLA;

(c) any shire district council;

(d) any police and crime commissioner;

(e) the Greater Manchester combined authority;(d) and

(f) any other authority.

(a) 1992 c.14.

(b) 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.

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

(d) 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 Combined Authorities (Finance) Order 2017, S.I. 2017/611.

Principles for 2018-19 for authorities belonging to the category mentioned in paragraph 2(a)

3. For 2018-19, 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 2018-19 is 6% (comprising 3% for expenditure on adult social care and 3% for other expenditure), or more than 6%, greater than its relevant basic amount of council tax for 2017-18.

Principles for 2018-19 for the Greater London Authority in paragraph 2(b)

4. For 2018-19, the GLA's relevant basic amount of council tax is excessive if—

- (a) the GLA's unadjusted relevant basic amount of council tax for 2018-19 is 3%, or more than 3%, greater than its unadjusted relevant basic amount of council tax for 2017-18; or
- (b) the GLA's adjusted relevant basic amount of council tax for 2018-19 is more than £12 greater than its adjusted relevant basic amount of council tax for 2017-18.

Principles for 2018-19 for authorities belonging to the category mentioned in paragraph 2(c)

5. For 2018-19, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(c) is excessive if the authority's relevant basic amount of council tax for 2018-19 is—

- (a) 3%, or more than 3%, greater than its relevant basic amount of council tax for 2017-18; and
- (b) more than £5 greater than its relevant basic amount of council tax for 2017-18.

Principles for 2018-19 for authorities belonging to the category mentioned in paragraph 2(d)

6. For 2018-19, 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 2018-19 is more than £12 greater than its relevant basic amount of council tax for 2017-18.

Principles for 2018-19 for authorities belonging to the category mentioned in paragraph 2(e)

7. For 2018-19, 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 2018-19 is more

than £12 greater than its PCC component relevant basic amount of council tax for 2017-18.

Principles for 2018-19 for authorities belonging to the category mentioned in paragraph 2(f)

8. For 2018-19, 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 2018-19 is 3%, or more than 3%, greater than its relevant basic amount of council tax for 2017-18.

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 2018*

(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

Dorset
East Sussex
Essex
Gloucestershire
Hampshire

Hertfordshire
Kent
Lancashire
Leicestershire
Lincolnshire

Norfolk
North Yorkshire
Northamptonshire
Nottinghamshire
Oxfordshire

Somerset
Staffordshire
Suffolk
Surrey
Warwickshire

West Sussex
Worcestershire

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

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
Poole

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

**Item SSE 17/16 referred from Street Scene and Environment Services
Advisory Board minutes of 6 November 2017**

SSE 17/16 REVIEW OF CAR PARKING FEES AND CHARGES

The joint report of the Director of Street Scene, Leisure and Technical Services and the Director of Finance and Transformation set out recommendations for car parking fees and charges for implementation from 1 April 2018.

Careful consideration was given to the options set out in the report and Members noted that, whilst the Council regularly reviewed its fees and charges for services provided for the local community, the last review of car parking charges in 2016 had not recommended any increases. Consequently, there had been no increase in any parking charges in the Borough for the last two years.

Additionally, Members were provided with details of the set of guiding principles established by the Council for the setting of fees and charges together with a summary of the level of investment and cost to the Authority of providing the parking service.

RECOMMENDED: That the following proposals be approved by Cabinet with effect from 1 April 2018:

- (1) the schedule of charges for short and long stay parking in Tonbridge, shown in Table 1 to the report, be introduced;
- (2) week day short day parking charges to the car parking bays in the Tonbridge Castle grounds, including the purchase of a new car parking ticket machine, be introduced;
- (3) the schedules of Peak and Off-Peak Season ticket charges in Tonbridge, shown in Tables 2 and 3 to the report, be adopted;
- (4) the Ryarsh Lane, West Malling Annual Season ticket charges be increased to £175;
- (5) the schedule of charges for short stay parking in West Malling, shown in Table 5 to the report, be introduced with the new 4 hour tariff amended to £3.20;
- (6) the schedule of charges for Blue Bell Hill car park, shown in Table 6 to the report, be introduced;
- (7) the schedule of charges for Borough Green Western Road car park, shown in Table 7 to the report, be introduced;
- (8) Residents Permits (Residential Preferential Parking Scheme) be retained at £40 per year;

- (9) the schedule of charges for Business Permits and Dispensations, shown in Table 8 to the report, be introduced;
- (10) Visitor Permits be retained at £12 for a book of 10 permits, the current offer of 10 free Visitor Permits be limited to new applicants for a Residents Permit and the offer of 10 free Visitor Permits on renewal of a Residents Permit be discontinued;
- (11) the schedule of charges for Haysden and Leybourne Lakes country parks, shown in Table 9 to the report, be introduced;
- (12) the schedule of charges for On-Street Pay and Display parking in Tonbridge, shown in Table 10 to the report, be introduced; and
- (13) the potential introduction of On-Street Permit and Pay and Display parking in designated areas of North Tonbridge be investigated.

***Referred to Cabinet**

**Item SSE 17/17 referred from Street Scene and Environment Services
Advisory Board minutes of 6 November 2017**

SSE 17/17 REVIEW OF FEES AND CHARGES

The joint report of the Director of Street Scene, Leisure and Technical Services, the Director of Planning, Housing and Environmental Health 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, condemned food certificates, exported food certificates, contaminated land monitoring and private water supplies from April 2018.

In bringing forward the proposals for 2018/19, it was noted that consideration had been given to a range of factors including the Council’s overall financial position, trading patterns, the current rate of inflation, competing facilities and customer demand.

RECOMMENDED: That Cabinet approve the scale of charges for household bulky refuse and fridge/freezer collection, “missed” refuse collection, stray dog redemption fees, pest control, condemned food certificates, exported food certificates, contaminated land monitoring and sampling private water supplies with effect from April 2018, as detailed in the report to the Advisory Board.

***Referred to Cabinet**

Item CH 17/31 referred from Communities and Housing Advisory Board minutes of 13 November 2017

CH 17/31 REVIEW OF CEMETERY CHARGES 2018/19

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 2018/19 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 2018.

***Referred to Cabinet**

Item PE 17/17 referred from Planning and Transportation Advisory Board minutes of 5 December 2017

PE 17/17 PRE-APPLICATION PLANNING ADVICE CHARGING REGIME AND BUILDING CONTROL APPLICATION FEES

Consideration was given to the report of the Director of Planning, Housing and Environmental Health regarding proposed changes to the Pre-application Planning Advice Charging Regime and an overall approach to Building Control Fees. It was noted that detailed monitoring between 1 April and 1 November 2017 indicated that no changes to the Pre-application Protocol were necessary but the fees should be adjusted in order to recover costs of providing advice, as set out at Annex 1 to the report.

Reference was made to the partnership arrangement with Sevenoaks District Council for provision of building control services, overseen by a Management Board, and to an approach aiming at a fee increase of approximately 3% across the range of application types. Since further detailed work was required to set the precise fee scales, it was suggested that the Director of Planning, Housing and Environmental Health be authorised to agree them within the overall context in liaison with Sevenoaks through the Management Board.

RECOMMENDED: That

- (1) the updated pre-application charging regime for planning, set out at Annex 1 to the report, be approved; and
- (2) the Director of Planning, Housing and Environmental Health be given delegated authority to set the detailed building control application fee scales within a general guide of a 3% increase.

***Referred to Cabinet**

Item FIP 18/5 referred from Finance, Innovation and Property Advisory Board minutes of 3 January 2018

FIP 18/5 REVIEW OF FEES AND CHARGES 2018/2019

The report of the Management Team brought forward for consideration as part of the Budget setting process for 2018/19 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 January 2018;
- (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 2018; 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 2018/19 financial year.

***Referred to Cabinet**

Item FIP 18/6 referred from Finance, Innovation and Property Advisory Board minutes of 3 January 2018

FIP 18/6 TONBRIDGE CASTLE - REVIEW OF FEES AND CHARGES

The report of the Director of Central Services and Monitoring Officer presented a comprehensive 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.

RECOMMENDED: That

- (1) the new pricing model for the Castle Tour at Tonbridge Castle be approved as set out at paragraph 1.4.10 of the report;

- (2) the new pricing model for Schoolchildren Educational Workshops at Tonbridge Castle be approved as set out at paragraph 1.5 of the report;
- (3) the new pricing model for Weddings at Tonbridge Castle be approved as set out at paragraph 1.6.2 of the report;
- (4) authority be delegated to the Director of Central Services and Monitoring Officer for a 12 month trial period to depart from the fixed fee structure at paragraph 1.6.2 of the report where he considers that it is in the financial interests of the Council to do so in a particular case;
- (5) the new pricing model for entries into the Wedding Diary at Tonbridge Castle be approved as set out at paragraph 1.6.6 of the report;
- (6) the list of concessionary users of the Tonbridge Castle Council Chamber set out at Annex 2 to the report and the rate of discount, if any, to be given to any booking by an approved concessionary user be reviewed by the Overview and Scrutiny Committee;
- (7) the new model for hiring out the Council Chamber at Tonbridge Castle be approved as set out at paragraph 1.8.3 of the report;
- (8) the Director of Central Services and Monitoring Officer be authorised to agree Gate House fee charges for special events; and
- (9) authority be delegated to the Director of Central Services and Monitoring Officer to negotiate and agree fees with parties wishing to use Tonbridge Castle for filming purposes.

***Referred to Cabinet**

LA 17/77 REVIEW OF FEES AND CHARGES 2018/19 - LICENSING FEES

The report of the Director of Central Services and Monitoring Officer set out details of the proposed scale of fees and charges for 2018/19 in respect of Hackney Carriage and Private Hire Licences, Pleasure Boats and Boatmen, Scrap Metal Dealers, Animal Licensing, Street Trading Consents and Sex Establishments.

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 2018.

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| Capital Plan: List A Service Summary | | | | | | | | | |
|---|----------------------------|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| | Expenditure To 31/03/17 | 2017/18 Estimate inc Prior Year Slippage | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate | Scheme Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Capital Plan Schemes | | | | | | | | | |
| Planning, Housing & Environmental Health | 0 | 30 | 30 | 30 | 155 | 155 | 155 | 155 | 710 |
| Street Scene, Leisure & Technical Services | 906 | 329 | 1,203 | 130 | 630 | 130 | 130 | 130 | 3,588 |
| Corporate | 27 | 405 | 90 | 30 | 30 | 30 | 30 | 30 | 672 |
| Sub-total | 933 | 764 | 1,323 | 190 | 815 | 315 | 315 | 315 | 4,970 |
| Capital Renewals | | | | | | | | | |
| Planning, Housing & Environmental Health | n/a | 1 | 0 | 16 | 0 | 0 | 0 | 13 | 30 |
| Street Scene, Leisure & Technical Services | n/a | 935 | 725 | 475 | 377 | 229 | 825 | 321 | 3,887 |
| Corporate | n/a | 185 | 598 | 229 | 230 | 165 | 389 | 202 | 1,998 |
| Sub-total | n/a | 1,121 | 1,323 | 720 | 607 | 394 | 1,214 | 536 | 5,915 |
| Total | 933 | 1,885 | 2,646 | 910 | 1,422 | 709 | 1,529 | 851 | 10,885 |

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Capital Plan Review 2017/18

Recommendations in respect of List C

| | Booklet Annex 3 Page No |
|--|--|
| Schemes to be added to List C | |
| Street Scene, Leisure and Technical | |
| Haysden Country Park – Sewage Treatment Facility | CP 41 |
| Schemes to be deleted from List C | |
| Street Scene, Leisure and Technical | |
| Larkfield Leisure Centre: Gym Extension / New Studio | CP 36 |
| Corporate Services | |
| IT Initiatives: Revenues and Benefits Citizen's Access | CP 46 |
| IT Initiatives: Upgrade to Payment Facilities Software | CP 46 |

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Capital Plan Review 2017/18

Schemes selected for evaluation from List C

**Booklet
Annex 3
Page No**

Street Scene, Leisure and Technical

Hayden Country Park – Sewage Treatment Facility (Fast-Track)

CP 41

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Capital Plan Review 2017/18

Recommendations in respect of evaluated schemes

| | Capital Cost £'000 | Estimated Annual Revenue/ Renewals Cost £'000 | | Booklet Annex 4 Page No |
|---|------------------------------|--|--------------------------------|----------------------------------|
| Street Scene, Leisure and Technical | | | | |
| Larkfield Leisure Centre – Ventilation & Boiler Replacement | 505 | 20 | Transfer from List C to List B | CP 49 |
| Racecourse Sportsground – Rugby Pitch Drainage Improv's | 25 | | Transfer from List C to List B | CP 52 |
| Haysden Country Park – Car Park Extension | 30 | | Transfer from List C to List B | CP 54 |
| Haysden Country Park – Sewage Treatment Facility | 75 | | Transfer from List C to List B | CP 56 |
| Tonbridge Cemetery – Path Works | 15 | | Transfer from List C to List B | CP 58 |
| Tonbridge to Penshurst Cycle Route Refurbishment | 60 | | Transfer from List C to List B | CP 60 |
| Total | 710 | 20 | | |

The schemes detailed above, other than the ventilation system and boiler replacement, are to be funded by way of developer contributions. The ventilation system and boiler replacement is to be met in part from the annual capital allowance. The balance is to be met by increasing the contribution to the revenue reserve for capital schemes in 2017/18 funded from the better than budgeted performance reflected in the 2017/18 revised estimates. The revenue consequences exclude an estimated loss of income claim in the sum of £250,000 to be funded from the Tonbridge and Malling Leisure Trust reserve.

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| Capital Plan: List A Service Summary | | | | | | | | | |
|---|----------------------------|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| | Expenditure To 31/03/17 | 2017/18 Estimate inc Prior Year Slippage | 2018/19 Estimate | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate | Scheme Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Capital Plan Schemes | | | | | | | | | |
| Planning, Housing & Environmental Health | 0 | 30 | 30 | 30 | 155 | 155 | 155 | 155 | 710 |
| Street Scene, Leisure & Technical Services | 906 | 329 | 1,708 | 130 | 630 | 130 | 130 | 130 | 4,093 |
| Corporate | 27 | 405 | 90 | 30 | 30 | 30 | 30 | 30 | 672 |
| Sub-total | 933 | 764 | 1,828 | 190 | 815 | 315 | 315 | 315 | 5,475 |
| Capital Renewals | | | | | | | | | |
| Planning, Housing & Environmental Health | n/a | 1 | 0 | 16 | 0 | 0 | 0 | 13 | 30 |
| Street Scene, Leisure & Technical Services | n/a | 935 | 725 | 475 | 377 | 229 | 825 | 321 | 3,887 |
| Corporate | n/a | 185 | 598 | 229 | 230 | 165 | 389 | 202 | 1,998 |
| Sub-total | n/a | 1,121 | 1,323 | 720 | 607 | 394 | 1,214 | 536 | 5,915 |
| Total | 933 | 1,885 | 3,151 | 910 | 1,422 | 709 | 1,529 | 851 | 11,390 |

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| Capital Plan Review 2017/18 : Funding the Draft Capital Plan | | | | | | | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2017/18 Estimate £'000 | 2018/19 Estimate £'000 | 2019/20 Estimate £'000 | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 |
| Capital Plan Schemes | | | | | | | |
| Capital Renewals | 1,121 | 1,323 | 720 | 607 | 394 | 1,214 | 536 |
| Other Recurring Expenditure (net of grants) | 236 | 165 | 165 | 290 | 315 | 315 | 315 |
| One-Off Schemes (net of grants & contributions) | 528 | 1,663 | 25 | 525 | | | |
| | | | | | | | |
| Capital Plan Totals | 1,885 | 3,151 | 910 | 1,422 | 709 | 1,529 | 851 |
| Add back grants / contributions | 784 | 1,185 | 830 | 705 | 655 | 615 | 570 |
| | | | | | | | |
| Total to be funded | 2,669 | 4,336 | 1,740 | 2,127 | 1,364 | 2,144 | 1,421 |
| | | | | | | | |
| Funded from: | | | | | | | |
| Grants | | | | | | | |
| BCF (Disabled Facilities Grant) | 695 | 800 | 800 | 665 | 615 | 575 | 530 |
| EA (Castle River Bank) | 2 | | | | | | |
| DCLG (Revenues & Benefits DIP Grant) | 3 | | | | | | |
| TRCSG - River Bank (Excess EA Castle River Bank) | 28 | | | | | | |
| Developer Contributions Attributed to | | | | | | | |
| Tonbridge School Athletics Track | 11 | 150 | | | | | |
| Open Spaces Site Improvements Phase 2 | 12 | | | | | | |
| Memorial Garden Improvement including Trust contrib'n | 3 | | | | | | |
| Racecourse SG Rugby Pitch Drainage | | 25 | | | | | |
| Haysden Country Park Car Park Extension | | 30 | | | | | |
| Haysden Country Park Sewage Treatment Facility | | 75 | | | | | |
| Tonbridge Cemetery Path Works | | 15 | | | | | |
| Tonbridge to Penshurst Cyle Route Refurbishment | | 60 | | | | | |
| Capital and Other Receipts | | | | | | | |
| DFG Grant Repayments | | | | 10 | 10 | 10 | 10 |
| Housing Assistance Grant Repayments | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| Repayment of Mortgages | 1 | 1 | 1 | 1 | | | |
| | | | | | | | |
| Balance met from Revenue Reserve for Capital Schemes | 1,884 | 3,150 | 909 | 1,421 | 709 | 1,529 | 851 |
| | | | | | | | |
| Total funding | 2,669 | 4,336 | 1,740 | 2,127 | 1,364 | 2,144 | 1,421 |

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| Capital Plan Review 2017/18 :Revenue Reserve for Capital Schemes | | | | | | | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2017/18 Estimate £'000 | 2018/19 Estimate £'000 | 2019/20 Estimate £'000 | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 |
| Balance at 1st April | 6,748 | 6,170 | 4,452 | 4,205 | 2,816 | 3,229 | 2,838 |
| Contribution from Revenue to meet Capital Renewals and other Annually Recurring Expenditure | 500 | 500 | 630 | | 1,122 | 1,138 | 1,154 |
| Revenue contribution for new Capital Plan Schemes | 350 | 350 | 350 | 350 | | | |
| Less assumed spend | | | (200) | (200) | | | |
| Recycling Bank Revenue Adjustment | (23) | (23) | (23) | (23) | | | |
| MS Office Licences to Revenue | (36) | (36) | (36) | (36) | | | |
| Revenue element of new IT Storage | (4) | (4) | (4) | (4) | | | |
| Green /recycling bin replacement | (12) | (12) | (12) | (12) | | | |
| Housing Assistance | (30) | (30) | (30) | (30) | | | |
| TMLT (Capital renewals adjustment) | (13) | (13) | (13) | (13) | | | |
| South East Water (LLCP Car Park Extension) | 10 | | | | | | |
| Drainage virement | (6) | | | | | | |
| Wouldham River Wall Earmarked Reserve | | 700 | | | | | |
| Invest to Save Reserve (Virtual Desktop Infrastructure) | 200 | | | | | | |
| Transformation Reserve (Revenues & Benefits Digital Solution) | 65 | | | | | | |
| Additional contribution for LLC Ventilation / Boiler Scheme | 305 | | | | | | |
| Available for application | 8,054 | 7,602 | 5,114 | 4,237 | 3,938 | 4,367 | 3,992 |
| Amount applied to fund capital | (1,884) | (3,150) | (909) | (1,421) | (709) | (1,529) | (851) |
| Balance at 31st March | 6,170 | 4,452 | 4,205 | 2,816 | 3,229 | 2,838 | 3,141 |

Borrowing for new Capital Plan Schemes is not anticipated before 2021/22.

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| <u>Estimates of the incremental impact of capital investment on Band D equivalent Council Tax</u> | 2018/19 est. £ | 2019/20 est. £ | 2020/21 est. £ | 2021/22 est. £ | 2022/23 est. £ | 2023/24 est. £ |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Larkfield Leisure Centre: Ventilation System & Boiler Replacement | 0.20 | 0.20 | | | | |
| Racecourse Sportsground: Rugby Pitch Drainage Improvements | 0.00 | | | | | |
| Haysden Country Park: Car Park Extension | 0.00 | | | | | |
| Haysden Country Park: Sewage Treatment Facility | 0.00 | | | | | |
| Tonbridge Cemetery: Path Works | 0.00 | | | | | |
| Tonbridge to Penshurst Cycle Route Refurbishment | 0.00 | | | | | |
| | | | | | | |
| Total: (Increase in Band D equivalent Council Tax attributable to new capital schemes) | 0.20 | 0.20 | | | | |

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Medium Term Financial Strategy

Annex 11a

| | Estimate | Projection | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 |
| EXPENDITURE | | | | | | | | | | |
| Employees | 11,280 | 11,511 | 11,747 | 12,010 | 12,280 | 12,476 | 12,739 | 13,008 | 13,285 | 13,563 |
| Transfer Payments | 34,590 | 35,282 | 35,988 | 36,708 | 37,442 | 19,649 | 20,042 | 20,443 | 20,852 | 21,269 |
| Other Expenditure | 11,999 | 11,638 | 11,893 | 12,155 | 12,372 | 12,647 | 12,930 | 13,218 | 13,512 | 13,813 |
| Capital Charges | 2,863 | 2,949 | 3,008 | 3,068 | 3,129 | 3,192 | 3,256 | 3,321 | 3,387 | 3,455 |
| Total Expenditure | 60,732 | 61,380 | 62,636 | 63,941 | 65,223 | 47,964 | 48,967 | 49,990 | 51,036 | 52,100 |
| INCOME | | | | | | | | | | |
| Fees & Charges | (7,818) | (7,898) | (8,125) | (8,253) | (8,522) | (8,614) | (8,734) | (8,805) | (9,084) | (9,224) |
| Other Specific Grants & Misc | (35,371) | (35,947) | (36,537) | (37,242) | (37,963) | (20,335) | (20,739) | (21,151) | (21,572) | (22,000) |
| Investment Income | (378) | (513) | (592) | (642) | (745) | (838) | (931) | (956) | (954) | (954) |
| Total Income | (43,567) | (44,358) | (45,254) | (46,137) | (47,230) | (29,787) | (30,404) | (30,912) | (31,610) | (32,178) |
| Appropriations | | | | | | | | | | |
| Capital Renewals | 500 | 630 | 0 | 1,122 | 1,138 | 1,154 | 1,171 | 1,188 | 1,206 | 1,223 |
| Provision for new Capital Schemes | 232 | 232 | 232 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Appropriations | (1,950) | (2,908) | (3,069) | (3,088) | (3,064) | (3,127) | (3,191) | (3,256) | (3,322) | (3,390) |
| SAVINGS TARGET | 0 | (350) | (357) | (364) | (371) | (378) | (386) | (394) | (402) | (410) |
| SAVINGS TARGET | 0 | 0 | (350) | (357) | (364) | (371) | (378) | (386) | (394) | (402) |
| SAVINGS TARGET | 0 | 0 | 0 | (300) | (306) | (312) | (318) | (324) | (330) | (337) |
| NET BUDGETED SPEND | 15,947 | 14,626 | 13,838 | 14,817 | 15,026 | 15,143 | 15,461 | 15,906 | 16,184 | 16,606 |
| FUNDING | | | | | | | | | | |
| Revenue Reserves | (433) | (216) | (152) | 880 | 678 | 379 | 276 | 293 | 139 | (3) |
| Government Grant | 5,594 | 4,332 | 3,122 | 2,705 | 2,747 | 2,789 | 2,831 | 2,875 | 2,919 | 2,964 |
| Kent & Medway Business Rates Pilot | 500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Council Tax | 10,156 | 10,510 | 10,868 | 11,232 | 11,601 | 11,975 | 12,354 | 12,738 | 13,126 | 13,645 |
| Collection Fund Adjustment | 130 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Funding | 15,947 | 14,626 | 13,838 | 14,817 | 15,026 | 15,143 | 15,461 | 15,906 | 16,184 | 16,606 |
| Council Tax Level at Band D | £203.42 | £208.42 | £213.42 | £218.42 | £223.42 | £228.42 | £233.42 | £238.42 | £243.42 | £250.72 |
| Increase on Previous Year | 2.99% | £5.00 | £5.00 | £5.00 | £5.00 | £5.00 | £5.00 | £5.00 | £5.00 | 3.00% |
| RESERVES BALANCE CARRIED FORWARD | 6,940 | 7,156 | 7,308 | 6,428 | 5,750 | 5,371 | 5,095 | 4,802 | 4,663 | 4,666 |

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Savings Monitoring

Annex 11b

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

| Theme | Savings Identified by April 2016 £000 | Savings Identified by April 2017 £000 | Savings Identified by April 2018 £000 | Total Savings Identified £000 |
|--|--|--|--|----------------------------------|
| Income Generation & Cost Recovery | 60 | 146 | 88 | 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 | 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 | 103 |
| 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 | |
| Contracts | 0 | 0 | 200 | 200 |
| Tonbridge and Malling Leisure Trust Service Fee [CHAB 24/07/17] | | | 145 | |
| Insurance Contract [FIPAB 21/06/2017] | | | 55 | |
| Organisation Structure Change | 15 | 129 | 119 | 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 | 431 |
| Key Voluntary Sector Bodies - Grant Support [CAB 01/03/16] | | 23 | | |
| Fairer Charging - Introduction of Local Charges (Special Expenses) [Cab 28/07/16] | | 230 | | |
| Fairer Charging - Cessation of Council Tax Support Grant [Cab 28/07/16] | | 178 | | |
| Asset Management | 0 | 0 | 186 | 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 | 1,804 |
| Savings Target | 200 | 625 | 650 | 1,475 |
| (Below) / Over Target | 75 | 258 | (4) | 329 |

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 2018/19 – 2020/21

INTRODUCTION & CONTEXT

By way of context, since 2010/11 the Council has seen its local government finance settlement (core funding) decrease by some 67% or £4.4m (from £6.6m in 2010/11 to £2.2m in 2018/19). Indeed there are further cuts planned in future years, with the indicative settlement figure for 2019/20 being some £1.3m.

The fall in core funding is, in part, negated by the grant award under the New Homes Bonus (NHB) scheme which in 2018/19 is around £3.3m. However, NHB funding is expected to fall sharply in future years as the changes made to the scheme in 2017 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 £1.5m.

We are fortunate that we do not have to make all the savings required in one year and can spread the challenge in ‘tranches’ over a few years, 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 achieve as much as possible in the earlier years to provide the best long-term financial sustainability.

Based on the indicative funding figures provided by the government over the multi-year settlement period 2016/17 to 2019/20 and the impact of the recent changes to the NHB scheme, amongst other things, latest projections point to a ‘funding gap’ between expenditure and income of about £1.0m; and the Strategy ‘refreshed’ to ensure that the new target can be delivered as required.

OBJECTIVES

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

1. To deliver sufficient savings in order to bridge the funding gap identified in the Council’s MTFS, and to deliver those savings as quickly as possible 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 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 within an agreed timetable.

This Strategy sets out a measured structure and framework for delivering the necessary savings 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 2018

Savings & Transformation Strategy 2018/19 - 2020/21

| Savings Made in Previous Years of STS £000 | Theme | Indicative Years | Target £000 | Savings Identified after Setting of 2018/19 Budget £000 | Balance of Target to be Achieved £000 |
|--|--|--------------------|----------------|--|---|
| 294 | Income Generation & Cost Recovery | 2018 - 2021 | 75 | 0 | 75 |
| | | | | | |
| 327 | In-Service Efficiencies | 2018 - 2021 | 50 | 0 | 50 |
| | | | | | |
| 103 | Service Change & Reduction | 2018 - 2021 | 250 | 0 | 250 |
| | | | | | |
| 200 | Contracts | 2018 - 2021 | 500 | 0 | 500 |
| | | | | | |
| 263 | Organisation Structure Change | 2018 - 2021 | 75 | 0 | 75 |
| | | | | | |
| 431 | Partnership Funding | 2018 - 2021 | 25 | 0 | 25 |
| | | | | | |
| 186 | Asset Management | 2018 - 2021 | 25 | 0 | 25 |
| | | | | | |
| 1,804 | TOTAL | | 1,000 | 0 | 1,000 |

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

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Cabinet 8 February 2018
General Fund Revenue Estimates 2018/19
SUMMARY

| | 2017/18 ESTIMATE | | 2018/19 |
|---|------------------|------------------|-------------------|
| | ORIGINAL £ | REVISED £ | ESTIMATE £ |
| Corporate Services | 3,721,600 | 3,531,500 | 3,841,800 |
| Chief Executive | 680,200 | 701,950 | 695,450 |
| Director of Central Services | 15,150 | 105,050 | 35,850 |
| Director of Finance & Transformation | 1,659,750 | 1,557,200 | 1,612,300 |
| Director of Planning, Housing & Environmental Health | 3,478,250 | 3,181,650 | 3,321,500 |
| Director of Street Scene, Leisure & Technical Services | 7,590,900 | 7,469,400 | 7,742,600 |
| Sub Total | 17,145,850 | 16,546,750 | 17,249,500 |
| Capital Accounting Reversals | | | |
| Non-Current Asset Depreciation | (2,619,000) | (2,721,400) | (2,824,800) |
| Non-Current Asset Impairment | - | (3,900) | - |
| Contributions to / (from) Reserves | | | |
| Building Repairs Reserve | | | |
| Withdrawals to fund expenditure | (758,350) | (775,650) | (860,950) |
| Contribution to Reserve | 575,000 | 900,000 | 600,000 |
| Earmarked Reserves (see page S 2) | | | |
| Contributions from Reserves | (261,050) | (660,400) | (1,190,050) |
| Contributions to Reserves | 70,000 | 490,350 | 1,164,300 |
| Property Investment Fund Reserve | | | |
| Contribution to Reserve | - | - | 500,000 |
| Revenue Reserve for Capital Schemes | | | |
| Withdrawals to fund expenditure | | | |
| Non-Current Assets | (2,076,000) | (1,793,000) | (3,112,000) |
| Revenue Expenditure Funded from Capital | (53,000) | (91,000) | (38,000) |
| Other contributions to / (from) Reserve (net) | 932,000 | 1,306,000 | 1,432,000 |
| Capital Expenditure Charged to General Fund | 2,076,000 | 1,793,000 | 3,112,000 |
| Government Grants | | | |
| New Homes Bonus | (3,485,050) | (3,485,050) | (3,334,150) |
| New Homes Bonus Returned In-Year | - | (5,100) | - |
| Transition Grant | (117,200) | (117,200) | - |
| Under-indexing Business Rates Multiplier | - | (27,700) | (46,150) |
| Contributions from KCC | (85,000) | (135,100) | (85,000) |
| Sub Total | 11,344,200 | 11,220,600 | 12,566,700 |
| National Non-Domestic Rates | | | |
| Share of National Non-Domestic Rates | (21,348,238) | (21,348,238) | (21,713,049) |
| Tariff / (Top Up) | 19,970,635 | 19,970,635 | 20,429,168 |
| Levy / (Safety Net) | (88,877) | - | - |
| Small Business Rate Relief Grant | (521,837) | (563,474) | (835,100) |
| Other Business Rates Relief & Adjustments | - | (47,240) | (95,129) |
| Kent & Medway Business Rates Pilot | - | - | (500,000) |
| Collection Fund Adjustments | | | |
| Council Tax (Surplus) / Deficit | (148,267) | (148,267) | (124,226) |
| National Non-Domestic Rates (Surplus) / Deficit | 11,914 | 11,914 | (6,123) |
| Sub Total | 9,219,530 | 9,095,930 | 9,722,241 |
| Contribution to / (from) General Revenue Reserve | 434,500 | 558,100 | 433,400 |
| Balance to be met from Council Tax Payers | 9,654,030 | 9,654,030 | 10,155,641 |

Cabinet 8 February 2018
General Fund Revenue Estimates 2018/19
EARMARKED RESERVES

| | 2017/18 ESTIMATE | | 2018/19 |
|--|-------------------------|------------------|--------------------|
| | ORIGINAL | REVISED | ESTIMATE |
| | £ | £ | £ |
| Contributions from Earmarked Reserves | | | |
| Borough Signage Reserve | - | (2,050) | - |
| Business Rates Retention Scheme Reserve | - | (200,000) | - |
| Community Housing Fund Reserve | - | (6,000) | (3,000) |
| Economic Development Reserve | - | (17,600) | (25,900) |
| Homelessness Reserve | - | (16,850) | (122,950) |
| Housing Assistance Reserve | (10,000) | (10,000) | (10,000) |
| Housing Survey Reserve | - | (24,000) | - |
| Housing & Welfare Reform Reserve | - | - | (8,000) |
| Invest to Save Reserve | (200,000) | (218,400) | (10,000) |
| Local Development Framework Reserve | (30,000) | (30,000) | (30,000) |
| Planning Inquiries Reserve | (7,150) | (6,950) | - |
| Public Health Reserve | - | (6,450) | (9,700) |
| Repossessions Prevention Fund Reserve | (2,000) | (2,000) | (2,000) |
| River Wall at Wouldham Reserve | - | - | (700,000) |
| Social Housing Fraud Initiative Reserve | (1,900) | (1,900) | (1,900) |
| Supporting People Reserve | - | (53,200) | - |
| Tonbridge & Malling Leisure Trust Reserve | - | - | (250,000) |
| Transformation Reserve | - | (65,000) | - |
| Waste & Street Scene Initiatives Reserve | (10,000) | - | (16,600) |
| | (261,050) | (660,400) | (1,190,050) |
| Contributions to Earmarked Reserves | | | |
| Community Housing Fund Reserve | - | 23,650 | - |
| Election Expenses Reserve | 25,000 | 25,000 | 25,000 |
| Homelessness Reserve | - | 176,000 | 199,300 |
| Housing & Welfare Reform Reserve | - | 53,200 | - |
| Local Development Framework Reserve | 45,000 | 45,000 | 40,000 |
| Tonbridge & Malling Leisure Trust Reserve | - | 100,000 | 200,000 |
| Transformation Reserve | - | 55,000 | - |
| Waste Services Contract Reserve | - | - | 700,000 |
| Waste & Street Scene Initiatives Reserve | - | 12,500 | - |
| | 70,000 | 490,350 | 1,164,300 |

| Tonbridge and Malling Borough Council | | | |
|--|-------------------|---------------|---------------------|
| Estimate of Collection Fund Surplus / (Deficit) 2017/18 - Council Tax | | | |
| | Estimate | | |
| | £ | | £ |
| Income | | | |
| Surplus / (Deficit) Brought Forward | | | 1,108,189 |
| Income from Council Tax Payers (Net of Discounts, CTR and Exemptions) | | | 82,351,113 |
| Total Income for the Year | | | 83,459,302 |
| Expenditure | | | |
| Precepts and Demands for 2017/18 | | | |
| Kent County Council | 57,619,401 | | |
| Police & Crime Commissioner for Kent | 7,681,316 | | |
| Kent & Medway Fire & Rescue Authority | 3,585,266 | | |
| Parishes | 2,665,633 | | |
| Tonbridge & Malling Borough Council | 9,654,030 | | 81,205,646 |
| Provision for Council Tax Non-Collection | | | 445,000 |
| Payments of Estimated Surplus for 2016/17 | | | |
| Kent County Council | 702,534 | | |
| Police & Crime Commissioner for Kent | 94,324 | | |
| Kent & Medway Fire & Rescue Authority | 44,638 | | |
| Tonbridge & Malling Borough Council | 148,267 | | 989,763 |
| Total Expenditure for the Year | | | 82,640,409 |
| Estimated Surplus / (Deficit) for 2017/18 | | | 818,893 |
| <u>Allocation of Estimated Surplus / (Deficit) for 2017/18</u> | | | |
| | Precepts 2017/18 | | Surplus / (Deficit) |
| | £ | % | £ |
| Kent County Council | 57,619,401 | 70.95 | 581,005 |
| Police & Crime Commissioner for Kent | 7,681,316 | 9.46 | 77,467 |
| Kent & Medway Fire & Rescue Authority | 3,585,266 | 4.42 | 36,195 |
| Tonbridge & Malling Borough Council | 12,319,663 | 15.17 | 124,226 |
| Total | 81,205,646 | 100.00 | 818,893 |

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Tonbridge and Malling Borough Council
Estimate of Collection Fund Surplus / (Deficit) 2017/18 - Business Rates

| | Estimate | |
|---|-------------------|----------------------------|
| | £ | £ |
| Income | | |
| Surplus / (Deficit) Brought Forward | | (649,649) |
| Income from Business Rate Payers | | 55,214,618 |
| Recovery of Estimated Deficit for 2016/17 | | |
| Kent County Council | 2,681 | |
| Kent & Medway Fire & Rescue Authority | 298 | |
| Tonbridge & Malling Borough Council | 11,914 | |
| Central Government | 14,892 | 29,785 |
| Total Income for the Year | | 54,594,754 |
| Expenditure | | |
| Demands for 2017/18 based upon NNDR 1 2017/18 | | |
| Kent County Council | 4,803,354 | |
| Kent & Medway Fire & Rescue Authority | 533,706 | |
| Tonbridge & Malling Borough Council | 21,348,238 | |
| Central Government | 26,685,297 | 53,370,595 |
| Allowance for Losses - Bad Debts | | 500,000 |
| Allowance for Losses - Appeals | | 442,000 |
| Cost of Collection Allowance | | 162,575 |
| Transitional Protection Payments | | 104,276 |
| Total Expenditure for the Year | | 54,579,446 |
| Estimated Surplus / (Deficit) for 2017/18 | | 15,308 |
| <u>Allocation of Estimated Surplus / (Deficit) for 2017/18</u> | | |
| | Allocation | Surplus / (Deficit) |
| | % | £ |
| Kent County Council | 9 | 1,378 |
| Kent & Medway Fire & Rescue Authority | 1 | 153 |
| Tonbridge & Malling Borough Council | 40 | 6,123 |
| Central Government | 50 | 7,654 |
| Total | 100 | 15,308 |

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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

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 2018/19

| Special Expenses for 2017/18 £ | Local Area | Closed Churchyards £ | Open Spaces, Parks & Play Areas £ | Sports Grounds £ | Local Events £ | Allotments £ | Special Expenses for 2018/19 £ | Tax Base | Amount Per Band D Property £ |
|-----------------------------------|------------------------|-------------------------|--------------------------------------|---------------------|-------------------|-----------------|-----------------------------------|------------------|---------------------------------|
| 676,448 | Tonbridge | 10,450 | 172,586 | 452,450 | 46,086 | 8,300 | 689,872 | 13,531.87 | 50.98 |
| 1,752 | Addington | | 1,692 | | | | 1,692 | 404.26 | 4.19 |
| 9,173 | Aylesford | | 8,728 | | | | 8,728 | 4,272.98 | 2.04 |
| 1,004 | Birling | | 967 | | | | 967 | 202.38 | 4.78 |
| 1,240 | Borough Green | | 1,194 | | | | 1,194 | 1,649.69 | 0.72 |
| 0 | Burham | | | | | | 0 | 454.19 | 0.00 |
| 1,646 | Ditton | | 520 | | | | 520 | 1,787.48 | 0.29 |
| 26,363 | E. Malling & Larkfield | | 22,396 | | | | 22,396 | 4,957.54 | 4.52 |
| 610 | East Peckham | | 592 | | | | 592 | 1,295.73 | 0.46 |
| 0 | Hadlow | | | | | | 0 | 1,516.67 | 0.00 |
| 0 | Hildenborough | | | | | | 0 | 2,187.02 | 0.00 |
| 0 | Ightham | | | | | | 0 | 1,120.09 | 0.00 |
| 0 | Kings Hill | | | | | | 0 | 3,970.48 | 0.00 |
| 27,970 | Leybourne | | 27,209 | | | | 27,209 | 1,825.18 | 14.91 |
| 30 | Mereworth | | 29 | | | | 29 | 437.88 | 0.07 |
| 0 | Offham | | | | | | 0 | 379.71 | 0.00 |
| 1,237 | Platt | | 1,205 | | | | 1,205 | 884.07 | 1.36 |
| 0 | Plaxtol | | | | | | 0 | 592.24 | 0.00 |
| 0 | Ryarsh | | | | | | 0 | 364.80 | 0.00 |
| 0 | Shipbourne | | | | | | 0 | 257.52 | 0.00 |
| 19,417 | Snodland | | 18,847 | | | | 18,847 | 3,624.13 | 5.20 |
| 0 | Stansted | | | | | | 0 | 266.01 | 0.00 |
| 0 | Trottiscliffe | | | | | | 0 | 270.86 | 0.00 |
| 1,938 | Wateringbury | | 1,879 | | | | 1,879 | 891.53 | 2.11 |
| 2,828 | West Malling | | 348 | | 2,431 | | 2,779 | 1,113.20 | 2.50 |
| 0 | West Peckham | | | | | | 0 | 178.63 | 0.00 |
| 3,552 | Wouldham | | 3,456 | | | | 3,456 | 597.05 | 5.79 |
| 1,801 | Wrotham | | 1,805 | | | | 1,805 | 891.32 | 2.03 |
| 777,009 | Total | 10,450 | 263,453 | 452,450 | 48,517 | 8,300 | 783,170 | 49,924.51 | |

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Parish Council Precepts 2018/19

| Precept for 2017/18 £ | Parish Council | Precept for 2018/19 £ | Tax Base | Amount Per Band D Property £ | Per Band D Variation % |
|-----------------------------|------------------------|-----------------------------|------------------|--|---------------------------------|
| 23,000.00 | Addington | 23,000.00 | 404.26 | 56.89 | (4.4) |
| 223,000.00 | Aylesford | 235,100.00 | 4,272.98 | 55.02 | 1.1 |
| 9,262.00 | Birling | 9,957.74 | 202.38 | 49.20 | 5.3 |
| 165,125.00 | Borough Green | 169,570.00 | 1,649.69 | 102.79 | 0.6 |
| 25,061.82 | Burham | 25,813.68 | 454.19 | 56.83 | 2.0 |
| 264,923.00 | Ditton | 267,880.00 | 1,787.48 | 149.86 | 0.0 |
| 282,000.00 | E. Malling & Larkfield | 294,577.00 | 4,957.54 | 59.42 | 3.9 |
| 139,950.00 | East Peckham | 140,000.00 | 1,295.73 | 108.05 | (1.2) |
| 110,475.00 | Hadlow | 111,385.00 | 1,516.67 | 73.44 | (0.4) |
| 66,441.00 | Hildenborough | 67,644.00 | 2,187.02 | 30.93 | 1.8 |
| 116,949.00 | Ightham | 123,360.00 | 1,120.09 | 110.13 | 3.0 |
| 279,138.00 | Kings Hill | 292,896.75 | 3,970.48 | 73.77 | 3.2 |
| 136,903.00 | Leybourne | 152,567.00 | 1,825.18 | 83.59 | 0.0 |
| 27,520.00 | Mereworth | 31,120.00 | 437.88 | 71.07 | 11.0 |
| 20,415.00 | Offham | 20,415.00 | 379.71 | 53.76 | (1.7) |
| 70,000.00 | Platt | 70,000.00 | 884.07 | 79.18 | (0.2) |
| 38,229.00 | Plaxtol | 38,229.00 | 592.24 | 64.55 | (1.4) |
| 18,926.00 | Ryarsh | 19,305.00 | 364.80 | 52.92 | (13.0) |
| 10,195.00 | Shipbourne | 10,195.00 | 257.52 | 39.59 | (2.2) |
| 286,535.00 | Snodland | 293,053.00 | 3,624.13 | 80.86 | 0.0 |
| 22,260.00 | Stansted | 32,260.00 | 266.01 | 121.27 | 40.8 |
| 16,500.00 | Trottiscliffe | 16,500.00 | 270.86 | 60.92 | (1.5) |
| 77,441.78 | Wateringbury | 84,625.39 | 891.53 | 94.92 | 8.2 |
| 116,089.76 | West Malling | 118,410.00 | 1,113.20 | 106.37 | 1.8 |
| 5,400.00 | West Peckham | 5,400.00 | 178.63 | 30.23 | (1.3) |
| 32,154.00 | Wouldham | 39,423.00 | 597.05 | 66.03 | (0.0) |
| 81,740.00 | Wrotham | 86,950.00 | 891.32 | 97.55 | 3.0 |
| 2,665,633.36 | Total | 2,779,636.56 | 36,392.64 | | |

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GENERAL FUND WORKING BALANCE

| | £ |
|----------------------|-----------|
| Balance at 1.4.2017 | 1,250,000 |
| | <hr/> |
| Balance at 31.3.2019 | 1,250,000 |
| | <hr/> |

GENERAL REVENUE RESERVE

| | £ | £ |
|---|---------|-----------|
| Balance 1.4.2017 | | 5,948,858 |
| Budgeted to be transferred to the Reserve | 434,500 | |
| Decrease on Original Estimate | 123,600 | |
| | <hr/> | 558,100 |
| | | <hr/> |
| Estimated Balance at 1.4.2018 | | 6,506,958 |
| Contribution to the Reserve 2018/19 | | 433,400 |
| | | <hr/> |
| Estimated Balance at 31.3.2019 | | 6,940,358 |

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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 2018/19 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 £2m 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 67% or £4.4m (from £6.6m to £2.2m in 2018/19). Indeed, there are further cuts planned in future years, with the indicative settlement figure for 2019/20 being some £1.3m. The fall in core funding is, in part, negated by the grant award under the New Homes Bonus (NHB) scheme which in 2018/19 is around £3.3m. However, NHB funding is expected to fall sharply in future years as the changes made to the scheme in 2017 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 £1.5m.

This gives overall grant funding of circa £2.8m compared to the £6.6m received back in 2010/11.

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 and, in turn, financial sustainability. Based on the indicative funding figures provided by the government and the impact of recent changes to the NHB scheme, amongst other things, latest projections point to a 'funding gap' between expenditure and income of about £1.0m to be addressed over the short to medium term. 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 with ever increasing pressure this is becoming progressively more difficult.

It is clear from what is undoubtedly a significant financial challenge some difficult choices will have to be made. Alongside the MTFS sits a Savings and

Transformation Strategy. Its purpose, to provide structure, focus and direction in addressing the significant financial challenge that lies ahead and, in so doing, recognise there is no one simple solution and we will need to adopt a number of ways to deliver the savings within an agreed timetable.

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 for 2018/19 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 2018/19 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 recently updated Corporate Strategy . The Strategy sets out Our Vision: <i>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</i> 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 2018/19 is £2,214,110. Indicative figures have also been provided for 2019/20 where our SFA in that year is projected to be £1,264,921, a cash decrease of £1,631,475 or 56.3% compared to 2016/17 (year one of a four-year settlement) . Beyond 2019/20 it is assumed that our SFA will increase by 2% year on year. |
| New Homes Bonus | Our New Homes Bonus (NHB) for 2018/19 is £3,334,128. NHB funding is expected to fall sharply in future years as the changes made in 2017 work their |

| | |
|---|---|
| | <p>way through the system, and the high levels of housing growth seen in recent years fall out of the calculation such that by 2022/23 it is estimated that NHB could be in the order of £1.5m. For financial planning purposes it is assumed that from 2020/21 the scheme will reduce in length to three years and from 2021/22 the Council will receive either via NHB and or alternative funding source in the order of £1.3m rising steadily thereafter to around £1.4m by 2027/28.</p> <p>Changes over and above that assumed will only add to what is already a very difficult financial outlook.</p> |
| Business Rates | <p>For financial planning purposes beyond 2018/19 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 will have to meet a share of that shortfall up to a maximum of circa £166,000 in 2018/19 (or would do if we were not part of the 2018/19 Kent and Medway business rates pilot).</p> |
| Council Tax Base | <p>The Council Tax Base for 2018/19 is 49,924.51 band D equivalents with an expectation that this will increase by 4,500 over the strategy period, or 500 per year.</p> |
| Local Referendums to Veto Excessive Council Tax Increases | <p>The Secretary of State will determine a limit for council tax increases which for 2018/19 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 2018/19 followed by an increase of £5 up to 2026/27 and 3% in 2027/28.</p> |
| The Prudential Code and its impact on Capital Planning | <p>Tonbridge and Malling is a debt-free authority and projections suggest that recourse to borrowing to fund capital expenditure is unlikely before 2021/22. 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.</p> |
| The Council's Capital Strategy and Capital Plan | <p>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. That allowance is set at £200,000 (maximum) whilst the Council has sufficient funding in its capital reserves.</p> |
| Treasury Management | <p>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</p> |

| | |
|--|--|
| | <p>priority to the security and liquidity of those investments. Council adopted the December 2009 edition of the CIPFA Treasury Management Code of Practice and Cross-Sectoral Guidance Notes on 18 February 2010 and due regard has also been given to subsequent revisions in preparing the Treasury Management and Annual Investment Strategy for 2018/19.</p> |
| Interest Rates | <p>Interest returns on the Council's 'core funds' have been set at 0.8% in 2018/19 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 £55,000. 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 £2m in its General Revenue Reserve in order to deal with, amongst other things, interest rate volatility.</p> |
| Property Investment Fund/s | <p>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.</p> |
| Adequacy of Reserves | <p>At the beginning of 2018/19, we anticipate that the General Revenue Reserve balance will be £6.5m. The Adequacy of Reserves is discussed in more detail below.</p> |
| Pay and Price Inflation | <p>The estimates provide for a 2% pay award in 2018/19 and each year thereafter. Estimates reflect price inflation of 3% in 2019/20 and 2% in subsequent years.</p> |
| Fees and Charges | <p>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.</p> |
| Emerging Growth Pressures and Priorities | <p>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.</p> |
| Financial Management | <p>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 2017 audit concluded that you have proper arrangements to plan finances effectively to manage the medium term financial position of the Council.</p> |
| Insurance | <p>Risks identified via the preparation of Service / Section</p> |

| | |
|--|---|
| Arrangements and Business Continuity | 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 Code 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 | Continued public sector finance cuts; 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 sustainability of the NHB scheme and what will follow; the ongoing impact of the localisation of council tax support; the Fair Funding Review and proposed move to 100% Business Rates Retention scheme; Brexit; 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 at regular intervals. |
| Savings Initiatives | The Council has a significant challenge ahead in respect of delivering savings over the short to medium term with a current projected funding gap of circa £1.0m. It should also be noted depending on what happens to NHB |

| | |
|--|--|
| | <p>further savings could be required. The Council is able to break these savings down into “tranches” to enable more measured steps to be taken in securing these savings. In the coming months, options to deliver a further tranche/s of the required savings 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.</p> |
|--|--|

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 baseline funding level be under an ‘eventual’ 100% Business Rates Retention scheme and how that then compares to that reflected in the MTFs taking into account transfer of any new responsibilities; and

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 £2 million 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
- 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 2028 is estimated to be £4.666m based on an increase in council tax of 2.99% for 2018/19 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 2021/22. The Revenue Reserve for Capital Schemes balance at 31 March 2024 is estimated to be £3.141m.

A schedule of the reserves held as at 1 April 2017 and proposed utilisation of those reserves to 31 March 2019 is provided in Annex 17 Table A.

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

Opinion

I am of the opinion that the approach taken in developing the 2018/19 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: 8 February 2018

Director of Finance and Transformation, BSc (Hons) FCPFA

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RESERVES ESTIMATE 2018/19

Annex 17 - Table A

| Description | Balance as at | Estimated Contribution | | Estimated | Estimated Contribution | | Estimated |
|--|-------------------|------------------------|------------------|-------------------|------------------------|------------------|-------------------|
| | 1 April 2017 | From | To | Balance as at | From | To | Balance as at |
| | £ | £ | £ | £ | £ | £ | £ |
| General Revenue Reserve | 5,948,858 | | 558,100 | 6,506,958 | | 433,400 | 6,940,358 |
| Revenue Reserve for Capital Schemes | 6,748,236 | 1,884,000 | 1,306,000 | 6,170,236 | 3,150,000 | 1,432,000 | 4,452,236 |
| Building Repairs Reserve | 318,414 | 775,650 | 900,000 | 442,764 | 860,950 | 600,000 | 181,814 |
| Property Investment Fund Reserve | 0 | | | 0 | | 500,000 | 500,000 |
| Earmarked Reserves | | | | | | | |
| Democratic Representation | 20,145 | | | 20,145 | | | 20,145 |
| Special Projects | 911,463 | 35,950 | 36,150 | 911,663 | 723,500 | 700,000 | 888,163 |
| Local Development Framework | 224,731 | 30,000 | 45,000 | 239,731 | 30,000 | 40,000 | 249,731 |
| Homelessness Reduction | 0 | 16,850 | 176,000 | 159,150 | 122,950 | 199,300 | 235,500 |
| Election | 149,740 | | 25,000 | 174,740 | | 25,000 | 199,740 |
| Planning Inquiries | 6,953 | 6,950 | | 3 | | | 3 |
| Asset Review | 58,981 | | | 58,981 | | | 58,981 |
| Training & IIP Accreditation | 22,813 | | | 22,813 | | | 22,813 |
| Road Closures | 7,362 | | | 7,362 | | | 7,362 |
| Supporting People | 53,200 | 53,200 | | 0 | | | 0 |
| Community Development | 4,410 | | | 4,410 | | | 4,410 |
| Invest to Save | 630,709 | 218,400 | | 412,309 | 10,000 | | 402,309 |
| Economic Development | 43,964 | 17,600 | | 26,364 | 25,900 | | 464 |
| Housing & Welfare Reform | 0 | | 53,200 | 53,200 | 8,000 | | 45,200 |
| Tonbridge and Malling Leisure Trust | 301,470 | | 100,000 | 401,470 | 250,000 | 200,000 | 351,470 |
| Housing Assistance | 200,000 | 10,000 | | 190,000 | 10,000 | | 180,000 |
| Business Rates Retention Scheme | 693,706 | 200,000 | | 493,706 | | | 493,706 |
| Public Health | 49,738 | 6,450 | | 43,288 | 9,700 | | 33,588 |
| Transformation | 148,000 | 65,000 | 55,000 | 138,000 | | | 138,000 |
| | 3,527,385 | 660,400 | 490,350 | 3,357,335 | 1,190,050 | 1,164,300 | 3,331,585 |
| Total | 16,542,893 | 3,320,050 | 3,254,450 | 16,477,293 | 5,201,000 | 4,129,700 | 15,405,993 |

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Tonbridge & Malling Borough Council**Calculation of Council Tax Requirement for the year 2018/19 including sums required to meet Special Expenses and Parish Council Precepts**

That the following amounts be now calculated by the Council for the year 2018/19 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 | 89,872,455 |
| (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 | 76,937,177 |
| (c) Calculation under Section 31A (4), being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above | ----- 12,935,278 ----- |

| <u>Memorandum:-</u> | |
|-------------------------|------------------------------|
| | £ |
| Borough Council | 9,372,471 |
| Special Expenses | 783,170 |
| Parish Council Precepts | 2,779,637 |
| Total | ----- 12,935,278 ----- |

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Item CB 18/6 referred from Cabinet minutes of 8 February 2018

CB 18/6 SETTING THE COUNCIL TAX 2018/19

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 2018/19 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 20 February 2018.

RECOMMENDED: That the resolution be noted and the Council be recommended to approve a 2.99% or £5.91 per annum increase in the Borough Council's element of the council tax for 2018/19, representing a notional "average" charge at Band D of £203.42.

***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

08 February 2018

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 2018/19

This report takes Cabinet through the process of setting the level of Council Tax for the financial year 2018/19 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 2018/19

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 2018/19 which has been determined by the Director of Finance & Transformation in accordance with her delegated authority. This shows that there are 49,924.51 Band D equivalent properties within the Borough compared to 48,878.88 in the year 2017/18 (an increase of 2.14%).

1.2.3 All precepting authorities have been notified of the tax base for 2018/19.

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 8 February and we await confirmation of the outcome.

- 1.4.2 Kent County Council's Cabinet meeting is due to take place on 5 February, 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 20 February.
- 1.4.3 The Kent & Medway Fire & Rescue Authority's precept and level of Council Tax is due to be agreed on 13 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 20 February 2018.

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:

contact: Sharon Shelton

Nil

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 2018/19

| Parish | Tax Base |
|--------------------------|---------------------------|
| | Band D Equivalents |
| | |
| | |
| ADDINGTON | 404.26 |
| AYLESFORD | 4,272.98 |
| BIRLING | 202.38 |
| BOROUGH GREEN | 1,649.69 |
| BURHAM | 454.19 |
| DITTON | 1,787.48 |
| EAST MALLING & LARKFIELD | 4,957.54 |
| EAST PECKHAM | 1,295.73 |
| HADLOW | 1,516.67 |
| HILDENBOROUGH | 2,187.02 |
| IGHTHAM | 1,120.09 |
| KINGS HILL | 3,970.48 |
| LEYBOURNE | 1,825.18 |
| MEREWORTH | 437.88 |
| OFFHAM | 379.71 |
| PLATT | 884.07 |
| PLAXTOL | 592.24 |
| RYARSH | 364.80 |
| SHIPBOURNE | 257.52 |
| SNODLAND | 3,624.13 |
| STANSTED | 266.01 |
| TROTTISCLIFFE | 270.86 |
| WATERINGBURY | 891.53 |
| WEST MALLING | 1,113.20 |
| WEST PECKHAM | 178.63 |
| WOULDHAM | 597.05 |
| WROTHAM | 891.32 |
| | |
| TONBRIDGE | 13,531.87 |
| | |
| TOTAL | 49,924.51 |

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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 20th February 2018 the Council calculated:
- (a) the Council Tax Base 2018/19 for the whole Council area as 49,924.51 [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 | 13,531.87 |
| Addington | 404.26 |
| Aylesford | 4,272.98 |
| Birling | 202.38 |
| Borough Green | 1,649.69 |
| Burham | 454.19 |
| Ditton | 1,787.48 |
| East Malling & Larkfield | 4,957.54 |
| East Peckham | 1,295.73 |
| Hadlow | 1,516.67 |
| Hildenborough | 2,187.02 |
| Ightham | 1,120.09 |
| Kings Hill | 3,970.48 |
| Leybourne | 1,825.18 |
| Mereworth | 437.88 |
| Offham | 379.71 |
| Platt | 884.07 |
| Plaxtol | 592.24 |
| Ryarsh | 364.80 |
| Shipbourne | 257.52 |
| Snodland | 3,624.13 |
| Stansted | 266.01 |
| Trottscliffe | 270.86 |
| Wateringbury | 891.53 |
| West Malling | 1,113.20 |
| West Peckham | 178.63 |
| Wouldham | 597.05 |
| Wrotham | 891.32 |

2. £ X,XXX,XXX being the Council Tax requirement for the Council's own purposes for 2018/19 (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 2018/19 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) <u>Part of the Council's area</u> | 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 |
| Trottscliffe | 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

| <u>Part of the Council's area</u> | 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 |
| Trottscliffe | 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 2018/19 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:

| <u>Precepting Authority</u> | <u>Valuation Bands</u> | | | | | | | |
|--|------------------------|--------|--------|--------|--------|--------|--------|--------|
| | A £ | B £ | C £ | D £ | E £ | F £ | G £ | H £ |
| 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 2018/19, for each of the categories of dwellings shown below:

| <u>Part of the Council's area</u> | <u>Valuation Bands</u> | | | | | | | |
|-----------------------------------|------------------------|----------|----------|----------|----------|----------|----------|----------|
| | A £ | B £ | C £ | D £ | E £ | F £ | G £ | H £ |
| 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 |
| Trottscliffe | 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, KMFR, The Police & Crime Commissioner for Kent, borough and parish requirement.**

Item CB 18/7 referred from Cabinet minutes of 8 February 2018

CB 18/7 COUNCIL TAX REDUCTION SCHEME 2018/19

Consideration was given to the report of the Director of Finance and Transformation regarding the draft Local Council Tax Reduction Scheme for 2018/19. It was noted that several changes had been made to the 2017/18 Scheme following public consultation and the draft Scheme for 2018/19 showed little change from the previous year.

RECOMMENDED: That the draft Scheme for 2018/19 be approved and adopted from 1 April 2018 as the Tonbridge and Malling Borough Council Local Council Tax Reduction Scheme 2018/19.

***Referred to Council**

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TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

08 February 2018

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Recommendation to Council

1 LOCAL COUNCIL TAX REDUCTION SCHEME 2018/19

A report for Members to approve and recommend to Full Council the draft Local Council Tax Reduction Scheme for 2018/19.

1.1 Background

- 1.1.1 Since the abolition of the national council tax benefit scheme on 31 March 2013, Councils have had a duty to provide local council tax reduction schemes each year to assist households in financial need, by the award of a reduction in their council tax liability. The Government prescribed that the reduction given to pensioners cannot be any less than under previous council tax benefit provisions.
- 1.1.2 Councils have previously been duty bound to agree schemes by 31 January preceding the relevant financial year. For the coming financial year, the Government has amended the date to 11 March, allowing a better fit to councils' budget setting timetables.

1.2 Local Council Tax Reduction Scheme 2018/19

- 1.2.1 As the document runs to over 150 pages, rather than attach to the agenda the draft Tonbridge and Malling Borough Council Local Council Tax Reduction Scheme 2018/19 can be viewed [here](#)
- 1.2.2 Members will be recall that several changes were agreed for the 2017/18 Scheme following public consultation. The draft Scheme for 2018/19 sees little change on that of the previous year. Some minor updates have been made to other benefit rates contained in the Scheme, although most remain frozen, and Government prescribed amendments have been written into the pensioner related regulations.

1.3 Legal Implications

- 1.3.1 The Council has a statutory duty to agree a local council tax reduction scheme effective from 1 April 2018 by 11 March 2018.
- 1.3.2 The finally approved Scheme will be available on the Council's website.

1.4 Financial and Value for Money Considerations

1.4.1 Changes within the Scheme and external factors have been considered in line with relevant budgets.

1.5 Risk Assessment

1.5.1 Changes incorporated into the Scheme pose minimal risks to the Council and residents.

1.5.2 Failure to agree a scheme by the prescribed date may lead to Government intervention.

1.6 Equality Impact Assessment

1.6.1 Changes within the Scheme cause no significant adverse impacts

1.7 Recommendations

1.7.1 Members are asked to

- 1) **APPROVE** the draft local council tax reduction scheme for 2018/19; and
- 2) **RECOMMEND** to Full Council that it is adopted from 1 April 2018 as the Tonbridge and Malling Borough Council Local Council Tax Reduction Scheme 2018/19.

Background papers:

contact: Andrew Rosevear

Nil

Sharon Shelton
Director of Finance and Transformation

Sealing of Documents

To authorise the Common Seal of the Council to be affixed to any Contract, Minute, Notice or other document requiring the same.

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