



# 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 online via Microsoft Teams on Tuesday, 27th October, 2020 at 7.30pm. Information on how to observe the meeting will be published on the Council's website. The following business is proposed to be transacted:-

### **PART 1 - PUBLIC**

- |    |   |         |
|----|---|---------|
| 1. | Apologies for absence   | 5 - 6   |
| 2. | Declarations of interest  |         |
|    | To declare any interests in respect of recommended items                                  |         |
| 3. | Minutes   | 7 - 14  |
|    | To confirm as a correct record the Minutes of the meeting of Council held on 14 July 2020 |         |
| 4. | Mayor's Announcements   | 15 - 16 |
| 5. | Questions from the public pursuant to Council Procedure Rule No 5.6                       | 17 - 18 |
| 6. | Questions from Members pursuant to Council Procedure Rule No 5.5                          | 19 - 20 |
| 7. | Leader's Announcements  | 21 - 22 |

8. Reports, Minutes and Recommendations 23 - 24

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 agenda items 9 to 15.**

9. Audit Committee Annual Report 25 - 34

*Item AU 20/13 referred from Audit Committee of 27 July 2020*

10. Local Code of Corporate Governance 35 - 58

*Item number AU 20/14 referred from Audit Committee of 27 July 2020*

11. Treasury Management Update and Annual Report for 2019/20 59 - 86

*Item AU 20/15 referred from Audit Committee of 27 July 2020*

12. Sex Establishments and Sexual Entertainment Venues - Policy 87 - 132  
2020-23

*Item LA 20/09 referred from Licensing and Appeals Committee of 15 September 2020*

13. Leybourne Lakes Country Park - Facilities Improvements 133 - 142

*Item CB 20/65 referred from Cabinet of 14 October*

14. IT Strategy Update and Enterprise Document Management System 143 - 154

*Item CB 20/66 referred from Cabinet of 14 October 2020*

15. Treasury Management Update and Mid-Year Review 155 - 180

*Item CB 20/67 referred from Cabinet of 14 October 2020*

16. 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.

## **Part 2 - Private**

### **Matters for Decision**

17. Update on Properties at Pembury Road, Tonbridge 181 - 192

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

*The report provides an update on the properties purchased for use as temporary accommodation.*

18. Purchase of Additional Ground Floor Unit, High Street, 193 - 198  
Tonbridge

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

*The report sets out the business case for the purchase of an additional unit.*

JULIE BEILBY  
Chief Executive  
Monday, 19 October 2020

This page is intentionally left blank

Apologies for absence

This page is intentionally left blank

## **TONBRIDGE AND MALLING BOROUGH COUNCIL**

### **COUNCIL MEETING**

**Tuesday, 14th July, 2020**

At the meeting of the Tonbridge and Malling Borough Council held via video-conferencing on Tuesday, 14th July, 2020

**Present:** Her Worship the Mayor (Councillor Mrs J A Anderson), the Deputy Mayor (Councillor R V Roud), Cllr M C Base, Cllr Mrs P A Bates, Cllr Mrs S Bell, Cllr R P Betts, Cllr T Bishop, Cllr J L Botten, Cllr M D Boughton, Cllr V M C Branson, Cllr G C Bridge, Cllr R I B Cannon, Cllr A E Clark, Cllr M A Coffin, Cllr D J Cooper, Cllr R W Dalton, Cllr D A S Davis, Cllr M O Davis, Cllr Mrs T Dean, Cllr N Foyle, Cllr N J Heslop, Cllr P M Hickmott, Cllr M A J Hood, Cllr F A Hoskins, Cllr S A Hudson, Cllr A P J Keeley, Cllr D Keers, Cllr Mrs F A Kemp, Cllr A Kennedy, Cllr D W King, Cllr K King, Cllr J R S Lark, Cllr D Lettington, Cllr Mrs R F Lettington, Cllr B J Luker, Cllr P J Montague, Cllr Mrs A S Oakley, Cllr L J O'Toole, Cllr W E Palmer, Cllr M R Rhodes, Cllr H S Rogers, Cllr J L Sergison, Cllr T B Shaw, Cllr N G Stapleton, Cllr K B Tanner, Cllr Mrs M Tatton, Cllr M Taylor, Cllr Miss G E Thomas and Cllr C J Williams

Apologies for absence were received from Councillors C Brown, S M Hammond and D Thornevell

### **PART 1 - PUBLIC**

#### **C 20/20 DECLARATIONS OF INTEREST**

Councillors T Bishop and M Davis each declared an Other Significant Interest in the item on the Tonbridge and Malling Leisure Trust on the grounds that they were members of the Trust's Board. Councillor M Davis declared an Other Significant Interest in the item on Appointments to Outside Bodies on the grounds that his father was one of the nominees. They withdrew from the meeting during consideration of these items.

#### **C 20/21 MINUTES**

**RESOLVED:** That the Minutes of the proceedings of the meeting of the Council held on 18 February 2020 be approved as a correct record and signed by the Mayor.

**C 20/22 MAYOR'S ANNOUNCEMENTS**

The Mayor advised of the recent death of former Councillor and Mayor, Honorary Alderman Terry Barton and expressed her personal sadness and deepest sympathy to his family and friends.

The Mayor thanked Members and officers of the Council, Parish Councils, community groups and local businesses for the support provided to residents across the Borough during the Covid-19 emergency.

**C 20/23 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 20/24 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 20/25 MOTION SUBMITTED UNDER COUNCIL PROCEDURE RULE NO 5.27**

Consideration was given to a Notice of Motion pursuant to Council Procedure Rule No. 5.27 submitted by Councillor A Clark on behalf of the Green Party in the following terms:

***Transparency and Accountability Motion***

*Since the onset of the COVID-19 pandemic, the Council has stepped up to the challenge of continuing to perform our duties and serve our community - including rapidly identifying, testing and executing a new system of meeting and voting online that meets current regulatory and constitutional requirements. It is a great credit to the Officers and all the Members who have demonstrated flexibility and versatility in order to ensure the success of this new way of working together.*

*We therefore propose that we amend the way that this Council records the business of its meetings beyond the pandemic response period, in order to continue to:*

- encourage and enable the greatest possible participation in meetings and local democracy by Members and Residents alike,*
- build trust between Residents and Members who represent them, and*



- enable greater understanding of how the Council conducts its business and makes decisions.

*The measures proposed are all designed to complement the Council's Digital Strategy, and to bring the meeting practices of the Council in line with many other local authorities that have already put such measures in place successfully. At such time as we find ourselves able to meet again in person, the investment already made in the microphone system in the Council Chamber at King's Hill, as well as a portable system available for meetings held in the Angel Centre, to provide a hearing loop, mean that only a small estimated additional investment will be required, if any, in order to put these measures in place. Electronic voting has also recently been tested by Members with positive feedback on the functionality and security of the system proposed.*

*We believe these measures will also ensure that we respond to the potential equality impact on residents who would like to observe and participate in meetings by asking questions, as well as Members. This especially applies to those with caring responsibilities, short- and long-term disabilities, pregnancy and post-natal care, unavoidable work commitments, illness or who are on low incomes without access to affordable transport in the evenings.*

*To ensure that the objectives above are addressed, this motion proposes that:*

- (1) Every Council Meeting, Cabinet, Advisory Board and Committee Meeting be live streamed on a secure internet connection, as well as recorded, beyond the pandemic period. Recordings should be made available on the Council's website for members of the public to access within 2 working days of the meeting having taken place.*
- (2) Electronic voting be introduced for every Council Meeting, Cabinet Meeting, Advisory Board and Committee Meeting.*
- (3) Recorded votes be extended to every Council Meeting, Advisory Board and Committee Meeting on Member request.*
- (4) As long as government regulation continues to allow (especially in the instance that the current concession introduced during the pandemic response period be made permanent), that the option for full remote participation in meetings, including remote voting for Members of Council, Cabinet and Advisory Boards, be continued.*

Councillor M Coffin proposed, seconded by Councillor N Heslop, an amendment to the Motion as follows:

*The Conservative Group has long argued that it is essential for Tonbridge and Malling Borough Council to make its proceedings as accessible as possible to all members of the council and members of the public, and has taken action to ensure this is the case.*

*We note the suggestions made by Green Party Councillors. However, all of these suggestions are already under consideration or have been implemented. Borough Councillors had the option to attend a trial for an electronic voting system in October 2019, and any member can request their vote be recorded in minutes and on any item under Part 4, Section 1, Paragraph 8.6 of the constitution when voting at Council.*

*At present, regulations made by the government under Section 78 of the Coronavirus Act 2020 enable the council to allow remote participation in meetings until 7 May 2021. We will await further guidance from the Government about whether it is able to extend this. In the interim, a review of virtual meetings is included in the work programme for the Overview and Scrutiny Committee, as part of our recovery phase from the pandemic.*

*On 30 June 2020, Decision Notice D200039CAB was taken by Cabinet which resolved that Management Team be asked to conduct a review of all the Borough Council's assets, including use of the Gibson Building, to cover all areas as well as the need, function and capability of the Council Chamber and Committee Room for Council, Cabinet, Advisory Board and Committee meetings, in line with the Digital and Climate Change Strategies.*

*Any decision on recording meetings should only be agreed following the outcome of this review, considering the likely costs of installing a system in all locations where Council, Cabinet, Advisory Board and Committee meetings take place. This must consider the full costs of installation at all venues (currently the Gibson Building and Angel Centre), and our commitments in the Digital Strategy and Climate Change Strategy.*

*We therefore move that the motion be referred to the Overview and Scrutiny Committee to consider further.*

Members signified consent to this amendment and it was

**RESOLVED:** That the Notice of Motion (as amended) proposed by Councillor M Coffin and seconded by Councillor N Heslop be referred to the Overview and Scrutiny Committee to consider further.

**C 20/26 LEADER'S ANNOUNCEMENTS**

The Leader welcomed the opportunity to hold a meeting of the full Council since the emergence of the pandemic and the cancellation of all meetings in recognition of the concerns of many members and those wishing to attend meetings about potential exposure to the virus. In light of Government guidance and officer advice about holding face to face meetings he supported the ability to hold virtual meetings.

The Leader stated that the immediate response to the pandemic had been rapid, with local communities, including parish councils, churches, community groups, families, friends and neighbours, providing assistance to the most vulnerable within the Borough's communities. The Borough Council had opened a Community Hub to help get supplies to the most vulnerable, and had worked alongside the Kent Growth Hub, run by the County Council, to provide business support.

He commented that, due to previous investment in IT, the Council had been able to react quickly, with a majority of staff working from home and the ability to hold virtual Council meetings, which had ensured the delivery of services and democratic decision making process. He recognised the enormous amount of work undertaken by all officers and thanked the Chief Executive, Management Team and all the Council's staff for their responses to these challenging and unique circumstances.

He reminded Members that, as with every emergency situation, the Council would review the response to the pandemic. The review and reorientation process would include the possibility of adjusting how to make best use of buildings in future, further investment in technology and support of the climate change strategy aimed at making the Borough carbon neutral by 2030. He recognised that these were complex areas and that any decisions would be determined on the grounds of practicality, efficiency and delivering value for money for local taxpayers.

He commented that the Government's support for businesses had involved eye-watering sums of money with just over £19 million of grants awarded to 1,300 businesses in the retail, hospitality and leisure sectors. He was delighted to announce that, in June, NIAB EMR had secured £18 million 'Strength in Places' funding through a consortium-bid which was only 1 of seven in the UK (and one of only 3 successful projects in England). The total project would see £33 million invested into the horticultural sector in Kent and Medway, with East Malling Research Station as the focal point of research activity into emerging technologies such as Artificial Intelligence, automation and smart-packaging for food production to help improve efficiencies and reduce waste. In addition, NIAB EMR had, with the Council's support, managed to secure £1.7 million of Local Growth Fund investment into state-of-the-art greenhouses and energy centre to ensure that they have the required facilities to continue the world-class research which takes place on site.

The Leader reported that a further example of investor confidence in the Borough was evident at the Colas site in Tonbridge, where Chancerygate, the UK's largest privately-owned, multi-unit industrial developer and asset manager will develop the site with 15 units of between 5-15,000 sq. ft. and 2 units between 40,000 and 50,000 sq. ft. He advised that the Trade Park had been designed to high environmental standards and fitted within the Council's strategy of working with the private sector to deliver sustainable development on brownfield sites.

He outlined work undertaken with Kent County Council to make travel more sustainable and reported that the Government's Emergency Active Travel Fund would allow Kent Highways to trial schemes across Kent.

He advised that helping residents and businesses in need had come at a significant cost to the Council which, fortunately, had been cushioned by a prudent approach in previous years. The financial losses were significant and it had been necessary to limit immediate future expenditure to protect core services and the most vulnerable.

Finally, he commented that, while no-one could predict the future and how life would look, it would not be 'business as usual' for the Borough Council. The Council would need to adjust the way it served the citizens of the Borough, with a measured and pragmatic response to a profound and long-lasting change.

**C 20/27      TONBRIDGE AND MALLING LEISURE TRUST**

Item CB 20/52 referred from Cabinet minutes of 30 June 2020

**RESOLVED:** That the recommendation at Minute CB 20/52 be approved.

**C 20/28      APPOINTMENTS TO OUTSIDE BODIES**

Consideration was given to the report of the Director of Central Services regarding a request received from the Clerk of the Town Wardens for the re-appointment of Mr David Davis and Dr Gordon Court to the Tonbridge Town Lands and Richard Mylls Charity for a further four-year term.

**RESOLVED:** That Mr David Davis and Dr Gordon Court be re-appointed for a further four-year term of office to the Tonbridge Town Lands and Richard Mylls Charity.

**C 20/29      AMENDMENT TO SCHEME OF DELEGATION - PROTOCOL FOR MEETINGS HELD BY VIDEO CONFERENCING FACILITIES**

The report of the Chief Executive provided confirmation of action taken to amend the Scheme of Delegation, as agreed with the Leader of the

Council on 7 May 2020, to include a protocol for the use of video-conferencing facilities to enable the Council to hold virtual meetings.

**RESOLVED:** That the report be received and noted.

**C 20/30     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.

The meeting ended at 8.43 pm

This page is intentionally left blank

Mayor's Announcements

This page is intentionally left blank



# Agenda Item 5

Questions from the public pursuant to Council Procedure Rule No 5.6

This page is intentionally left blank

# Agenda Item 6

Questions from Members pursuant to Council Procedure Rule No 5.5

This page is intentionally left blank

Leader's Announcements

This page is intentionally left blank

## Schedule July – October

Minutes and recommendations from meetings of the Cabinet and Committees are set out in the Minute Book. Any recommendations for Council are identified by an arrow and for ease of reference the relevant page numbers are identified in the Schedule set out below:

Meeting	Page Nos in Minute Book	Recs to Council/ Chairman
9 July: Area 3 Planning Committee - Minute Numbers: AP3 20/12 - 19	3 - 6	Cllr D Davis
14 July: Council - Minute Numbers: C 20/20 - 30	7 - 14	N/A
27 July: Audit Committee - Minute Numbers: AU 20/11 – 28	15 - 24	Cllr V Branson <b>AU 20/13; AU 20/14; AU 20/15</b>
6 August: Area 1 Planning Committee - Minute Numbers: AP1 20/12 - 19	25 - 30	Cllr V Branson
20 August: Area 3 Planning Committee - Minute Numbers: AP3 20/20 - 28	31 - 36	Cllr D Davis
27 August: Overview and Scrutiny Committee - Minute Numbers: OS 20/14 - 18	37 - 40	Cllr J Sergison
10 September: Area 1 Planning Committee - Minute Numbers: AP1 20/20 - 24	41 - 44	Cllr V Branson
15 September: Licensing & Appeals Committee - Minute Numbers: LA 20/6 - 10	45 - 46	Cllr C Brown <b>LA 20/9</b>
28 September: Audit Committee - Minute Numbers: AU 20/29 - 37	47 - 50	Cllr V Branson
1 October: Area 3 Planning Committee - Minute Numbers: AP3 20/29 - 33	51 - 54	Cllr D Davis
6 October: General Purposes Committee - Minute Numbers: GP 20/15 - 19	55 - 60	Cllr A Kemp

<b>Meeting</b>	<b>Page Nos in Minute Book</b>	<b>Recs to Council/ Chairman</b>
8 October: Overview and Scrutiny Committee - Minute Numbers: OS 20/19 - 23	61 - 64	Cllr J Sergison
12 September: Joint Standards Committee - Minute Numbers: ST 20/1 – 5	65 - 66	Cllr J Sergison
14 October: Cabinet - Minute Numbers: C20/61 - 80	67 – 76	Cllr N Heslop <b>CB 20/65; CB 20/66; CB 20/67</b>
Cabinet Member Decisions: - D200042MEM – 47MEM - D200048MEM – 54MEM - D200055MEM - D200056MEM – 58MEM - D200059MEM – 63MEM - D200064MEM – 65MEM	77 - 110	N/A
Cabinet Decisions: - D200066CAB – 76CAB	111 - 122	N/A
Decision(s) Taken Under Emergency Provision: - D200011EM - D200012EM	123 – 126	N/A




## AUDIT COMMITTEE ANNUAL REPORT

### Item AU 20/13 referred from Audit Committee of 27 July 2020

The report of the Chairman of the Audit Committee aimed to inform the Council of the means by which the Committee had provided independent assurance to those charged with governance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance processes. The report summarised the work carried out by the Committee during 2019/20 and concluded that the required assurance set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance had been provided by the Audit Committee to those charged with governance.

Members referred to counter fraud measures in relation to the misuse of blue badges and it was confirmed that further enforcement work was planned for Tonbridge and Malling early in 2021 or when the coronavirus pandemic had improved sufficiently to allow work to progress.

**RECOMMENDED:** That the Annual Report be presented to the Council as independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. 

**\*Referred to Council**

This page is intentionally left blank

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

27 July 2020

### Report of the Chair of the Audit Committee

#### Part 1- Public

#### Matters for Recommendation to Council

#### 1 AUDIT COMMITTEE ANNUAL REPORT

This report is produced to inform Council on how the Audit Committee has provided independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. It is recommended that the Audit Committee agree that this report is presented to Council to support this assurance.

##### 1.1 Introduction

- 1.1.1 The Accounts & Audit (England) Regulations impose a responsibility on a local authority “for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”
- 1.1.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) sets out the role of Audit Committees in their Practical Guidance for Local Authorities 2018. This states that “*the purpose of the Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.*”
- 1.1.3 The Audit Committee comprises nine Members. The Committee has four meetings each year at which reports submitted by Officers and the External Auditor are considered. By consideration of these reports and matters raised within them it is considered that the Audit Committee fulfils the core functions of an Audit Committee as set out in the CIPFA Guidance and is able to give independent assurance to the Council to meet the requirements of the Accounts & Audit (England) Regulations.
- 1.1.4 The core functions of the Audit Committee are dealt with in the following paragraphs.

## **1.2 Assurance Statements**

- 1.2.1 In April 2019 the Committee endorsed the revised Local Code of Corporate Governance that sets out how the Council will comply with the principles of the 2016 CIPFA/SOLACE (Society of Local Authority Chief Executives) “Delivering Good Governance in Local Government Framework 2016”.
- 1.2.2 The Committee is required to consider and approve the contents of the Annual Governance Statement (AGS), which took place in July 2019. The AGS explains how the Council complies with the Local Code of Corporate Governance and the Accounts & Audit Regulations.
- 1.2.3 The AGS is supported by signed Assurance Statements provided by members of the core Management Team and the three statutory officers and is prepared by way of a self-assessment questionnaire and supporting evidence. No significant concerns were raised as a result of this exercise.
- 1.2.4 At the April 2019 Audit Committee meeting there was confirmation from both Management Team and Audit Committee that the Council had complied with International Standards on Auditing.

## **1.3 Internal Audit Function**

- 1.3.1 The Audit Committee has a role in relation to the Council’s Internal Audit function to: -
- Oversee its independence, objectivity, performance and professionalism.
  - Support the effectiveness of the Internal Audit process.
  - Promote the effective use of Internal Audit within the assurance framework.
- 1.3.2 The Audit Committee received a number of reports to oversee the role of the Internal Audit function.
- 1.3.3 The Annual Internal Audit and Fraud Plan for 2019/20 was presented to the Audit Committee in April 2019 and they were able to consider the content prior to recommending approval.
- 1.3.4 In July 2019 the Audit Committee was presented with a report from the Chief Audit Executive as a summary of supporting evidence to the AGS. This report gave the Chief Audit Executive’s opinion that the Council had maintained an adequate and effective internal control environment.
- 1.3.5 The Audit Committee is required to consider the effectiveness of Internal Audit on an annual basis. This review was based upon evidence produced and the view of Management Team. A report was submitted to the Audit Committee in July 2019 which reported that Management Team opinion on the effectiveness of Internal

Audit was "Satisfactory". Members considered the findings of this review and endorsed the opinion that the effectiveness of Internal Audit was "Satisfactory".

- 1.3.6 It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that periodic self-assessments are conducted to evaluate conformance with the PSIAS Code of Ethics and Standards. A self-assessment was undertaken in 2019 which identified some areas for improvement. These were included in an action plan which was reported to Audit Committee in January 2020. An update on this action plan will be reported to Audit Committee in July 2020 alongside an assessment of compliance.
- 1.3.7 The Audit Committee was given a report in July 2019 on the work completed by Internal Audit and Fraud in the previous year that detailed how resources had been used. The report also covered a number of performance measures to assist the Audit Committee to assess the performance and effectiveness of the function.
- 1.3.8 The Internal Audit Charter is a key document in the delivery of Internal Audit setting out the purpose, authority and responsibilities of the service which was subject to review at the January 2019 meeting of the Audit Committee.
- 1.3.9 The Internal Audit Charter gives the Audit and Assurance Manager (as Chief Audit Executive) the right to raise issues directly with the Chair of the Audit Committee if considered necessary. This would only occur in circumstances where the Audit and Assurance Manager considered that the Chair of the Audit Committee needed to be made aware of significant assurance concerns. There have not been any instances where this has been considered necessary.
- 1.3.10 Throughout the year the Audit Committee received a number of reports updating Members of the progress of work carried out by Internal Audit and Fraud against the Annual Plan. These reports informed the Audit Committee of Internal Audit's opinion on the audits undertaken and gave additional information where a limited or no assurance was given.

## **1.4 Audit Committee Responsibilities**

- 1.4.1 The responsibilities of the Audit Committee are set out in the Constitution of the Council.

## **1.5 Risk Management Arrangements and Control Environment**

- 1.5.1 The Audit Committee is required to consider the effectiveness of the council's risk management arrangements and the control environment. The Members are required to review the risk profile for the Council and seek assurances that action is being taken on risk-related issues, including partnerships with other organisations.
- 1.5.2 The risk profile for the Council is undertaken as part of the audit needs assessment to identify those areas where Internal Audit is most effective.

- 1.5.3 The Risk Management Strategy is the framework for setting out the responsibilities for ensuring that a sound risk management process is in place. The strategy is reviewed by the Audit Committee on an annual basis and this review took place in January 2020.
- 1.5.4 The Risk Management Strategy requires Management Team to escalate any relevant risks to the Strategic Risk Register (SRR) for reporting to this Committee with changes highlighted. The SRR is considered to be a 'live' document and is updated, as often as is required, by the Management Team. An update of the current strategic risks and how they are being managed is reported to each meeting of the Committee.
- 1.5.5 The strategy states that Audit Committee Members will receive risk management training during their term of office. This training was delivered by Zurich Municipal (the Council's Insurers) in October 2019 following the May Local Elections.
- 1.5.6 The Insurance Officer maintains a record of all claims made against the Council which are reported to the Audit Committee half-yearly. These reports also inform Members of the steps being taken to minimise similar claims being made.
- 1.5.7 All reports to Council require a risk assessment of the issues involved to be reported as part of the consideration of the report.

## **1.6 Assurance Framework and Planning**

- 1.6.1 The assurance framework is the overall process that provides evidence to support the AGS. The Audit Committee has a responsibility to understand what assurance is available to support the AGS.
- 1.6.2 The AGS was presented to Members at the meeting of July 2019. The supporting evidence to the AGS consisted of a document setting out the areas of the assurance framework to be considered with an explanation of evidence that supported the conclusions of the AGS.

## **1.7 Value for Money and Best Value**

- 1.7.1 One specific area for the Audit Committee should be consideration of the external auditor opinion on value for money as set out in the codes of audit practice. In addition, the Audit Committee should consider what other assurances are available in relation to identified value for money risks and highlight areas for improvement. (CIPFA Audit Committee Guidance).
- 1.7.2 The External Auditor, Grant Thornton, produced their Annual Audit Letter relating to the year ended 31 March 2019 which was presented to the Audit Committee at their meeting of October 2019.
- 1.7.3 The report concluded that the external auditor was satisfied that in all significant respects the Council put in place proper arrangements to secure economy,

efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

- 1.7.4 As part of the embedded system for achieving value for money all Council reports contain a section where value for money is considered.

## **1.8 Countering Fraud, Bribery and Corruption**

- 1.8.1 The Audit Committee role is defined as having an oversight of the strategy to counter fraud and to assess whether or not it meets recommended practice and standards. The outcome and action plan following the independent review of the fraud team was reported to the January 2020 Committee and updates on progress against the plan will be provided to subsequent meetings.
- 1.8.2 The Audit Committee is responsible for the review of the policies relating to countering fraud, bribery and corruption and anti-money laundering. In January 2020 it reviewed the Whistleblowing Policy and recommended that it was endorsed by the General Purposes Committee. In the same meeting the Anti-Fraud, Bribery and Corruption Policy and the merger of the specific anti-fraud policies in respect of housing benefits and council tax discounts and exemptions into the Policy was approved, together with the Anti-Money Laundering Policy.
- 1.8.3 The Audit Committee also receives updates on the progress of the National Fraud Initiative results and other work undertaken by the Fraud Team as part of the audit and fraud updates to every meeting. The work of the Fraud Team reported to the Committee in 2019/20 include amounts to be repaid to the Council due to fraud and error of £93,840.57 with an increased annual liability of £96,579.36; and 29 civil penalties issued to the sum of £2,030.
- 1.8.4 The Whistleblowing Policy requires the Audit Committee to be informed of the outcome of any investigations arising from concerns raised under it. No such matters have been drawn to the attention of the Committee in the period covered by the report.

## **1.9 External Audit**

- 1.9.1 The Audit Committee should receive all reports from the external auditor and monitor action to be taken that arises from them.
- 1.9.2 The Audit Committee has received copies of all external auditor reports during the year and has been able to consider the content. The external auditor provides a representative to all Audit Committee meetings where the Audit Committee is able to raise questions regarding the content of reports.

## **1.10 Financial Reporting**

- 1.10.1 Local Authority accounts are produced in line with guidance set out by CIPFA. The role of the Audit Committee with regard to these financial statements is not

one of detailed knowledge of this guidance but is more aligned to focus on financial reporting and financial governance rather than on the wider issues of spending and performance.

1.10.2 The CIPFA Guidance identifies areas that the Audit Committee should be concerned with as follows: -

- reviewing the narrative report to ensure consistency with the statements and the financial challenges and risks facing the Council in the future
- reviewing whether the narrative report is readable and understandable by a lay person
- identifying the key messages from each of the financial statements and evaluating what that means for the Council in future years
- monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year
- reviewing the suitability of accounting policies and treatments
- seeking explanations for changes in accounting policies and treatments
- reviewing major judgemental areas, e.g. provisions
- seeking assurances that preparations are in place to facilitate the external audit.

1.10.3 The Audit Committee received the Statement of Accounts 2018/19 at the meeting of July 2019. This report gave the Audit Committee assurance that the accounts were presented in compliance with required legislation and best practice guidance. Following consideration of the accounts and a detailed report giving evidence of how compliance is achieved the Audit Committee agreed to endorse the Statement of Accounts and supporting documents. This was accompanied by the Audit Findings Report from the external auditor on the outcome of the audit of the accounts, and subsequently they issued an unqualified audit opinion on the financial statements and value for money conclusion.

## **1.11 Partnership Governance**

1.11.1 The latest CIPFA Guidance identifies that the Audit Committee should review assurances over partnerships to ensure that arrangements are satisfactorily established and are operating effectively.

1.11.2 The arrangements for significant partnerships are covered as part of the audit planning process and covered within individual audits as appropriate.



## **1.12 Treasury Management**

- 1.12.1 Although it is not included as a core objective of the Audit Committee, the CIPFA Guidance recognises that Treasury Management scrutiny may be a function of some Audit Committees to meet the requirements of the CIPFA Treasury Management Code of Practice.
- 1.12.2 The Committee receive regular updates on Treasury Management including the treasury management mid-year review and annual report. At the meeting of January 2020 Members of the Audit Committee reviewed the Treasury Management Strategy Statement and Investment Strategy for 2020/21 and recommended it be adopted by the Cabinet and full Council.

## **1.13 Training**

- 1.13.1 The Chair and Members of the Audit Committee receive in-house and or external training at varying intervals to assist with the understanding of the issues considered.
- 1.13.2 Training on the Statement of Accounts, Risk Management and Treasury Management was provided following the May 2019 Local Elections. Further training needs identified are addressed as and when required.

## **1.14 Conclusion**

- 1.14.1 The evidence in the preceding paragraphs explains how the Audit Committee has overseen the core functions of an Audit Committee as defined in the CIPFA Guidance.
- 1.14.2 As stated at 1.1.2 the CIPFA Guidance identifies that the purpose of the Audit Committee 'is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.' This report acts to provide that independent assurance to Council.

## **1.15 Legal Implications**

- 1.15.1 The Audit Committee role is based upon the CIPFA Guidance and meets the requirements of the Accounts & Audit (England) Regulations.

## **1.16 Financial and Value for Money Considerations**

- 1.16.1 The Audit Committee has a role considering the external opinion on value for money. This has been undertaken as outlined in section 1.7 of this report.

## **1.17 Risk Assessment**

- 1.17.1 The Audit Committee consideration of risk assessment is covered in section 1.5 of this report.

## **1.18 Equality Impact Assessment**

- 1.18.1 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.

## **1.19 Recommendations**

- 1.19.1 That Members of the Audit Committee consider this report and recommend that it is presented to Council to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

Background papers:

contact: Vivian Branson

Nil

Councillor Vivian Branson  
Chair of the Audit Committee

## LOCAL CODE OF CORPORATE GOVERNANCE

### Item AU 20/14 referred from Audit Committee of 27 July 2020

The joint report of the Chief Executive and Director of Central Services informed Members of the outcome of the annual review of the Local Code of Corporate Governance. Members were advised that the introduction of the General Data Protection Regulation (GDPR) in May 2018 and the Data Protection Act 2018 required the adoption of new procedures and some minor updates to the Local Code in 2019.

In addition, the adoption by the Council of a Corporate Enforcement Policy, to guide the authority's enforcement activities in all of its statutory functions, in 2019 and an updated Corporate Strategy for 2020-2023 required further minor updates to the Local Code to reflect those documents.

Members discussed the training provided to newly elected councillors in relation to regulatory functions and noted that training continued to be offered on both an ad-hoc and programmed basis. The measures that could be taken if Members failed to attend training events without reasonable excuse or dispensation were set out in Protocol A: Members Attendance at Training in Part 5 (Codes) of the Constitution. Sanctions included the non-participation *'in the determination of planning applications or the business of the licensing authority until such time as they have attended alternative training approved by the General Purposes Committee.'* The importance of attending appropriate training when provided was recognised.

There was also discussion regarding Member attendance at meetings as set out in Section 85 (i) of the LGA 1972 which *'required a Member of a Local Authority to attend at least one meeting of that Authority within a 6 month consecutive period in order to avoid being disqualified'* and consideration would be given to ensuring this was included in the Constitution as part of its next review.

Finally, reference was made to the ongoing commitment to provide committee reports written in a public facing and non-technical manner (as set out in Annex 1 to the report) and for these to be available on the Borough Councils website in support of transparency and effective accountability.

**RECOMMENDED:** That the amendments to the Local Code of Corporate Governance, as set out in Annex 1 to the report and summarised above, be commended to Council for adoption. ◀

**\*Referred to Council**

This page is intentionally left blank

# **TONBRIDGE & MALLING BOROUGH COUNCIL**

## **AUDIT COMMITTEE**

**27 July 2020**

### **Report of the Chief Executive and Director of Central Services**

#### **Part 1- Public**

#### **Matters for Recommendation to Council**

#### **1 LOCAL CODE OF CORPORATE GOVERNANCE**

**This report informs Members of the outcome of the annual review of the Local Code of Corporate Governance.**

##### **1.1 Introduction**

- 1.1.1 In April 2017 the Local Code of Corporate Governance was heavily amended, and the Council's Constitution was comprehensively re-written, and adopted by Full Council on 31 July 2018. The Local Code was revisited at that time to ensure no further amendments were necessary as a result of adoption of the new Constitution.
- 1.1.2 The coming into force of the General Data Protection Regulation (GDPR) in May 2018, and the Data Protection Act 2018 subsequently, required the adoption of new procedures and some minor updates to the Local Code in 2019.
- 1.1.3 The adoption by the Council of a Corporate Enforcement Policy (to guide the Council's enforcement activities in all of its regulatory functions) in 2019, and updated Corporate Strategy for 2020-2023 requires some minor updates to the Local Code to reflect these documents.
- 1.1.4 Audit Committee may also be aware of the central government review of Ethical Standards in Local Government in January 2019. Whilst the report has made a number of recommendations, these will require implementation through primary legislation before they take effect, if Government decides to adopt any or all of them. At the time of writing, no action had been taken by central government in this regard and therefore no changes are proposed on these matters.
- 1.1.5 The Council is due to adopt a Climate Change Strategy in 2020 and this may result in the need for further changes to the Local Code for 2021/22.

##### **1.2 Legal Implications**

- 1.2.1 Whilst there is no legal requirement for Council's to develop a Local Code of Corporate Governance, such a Code provides a public document that

demonstrates how the Council ensures it operates in a proper way and in accordance with the law.

### **1.3 Financial and Value for Money Considerations**

- 1.3.1 There are no financial and value for money considerations arising from the Code.

### **1.4 Risk Assessment**

- 1.4.1 Adoption of a Local Code of Corporate Governance is seen as good practice in that it demonstrates how the Council ensures it operates in a proper way and in accordance with the law and as such is subject to annual review to ensure it remains fit for purpose. Not to do so may attract unwelcome criticism.

### **1.5 Equality Impact Assessment**

- 1.5.1 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.

### **1.6 Recommendations**

- 1.6.1 Members are asked to **approve** the amendments to the Local Code of Corporate Governance set out at **Annex 1** and **commend** it to Council for adoption.

Background papers:

contact: Kevin Toogood

CIPFA/SOLACE – “Delivering Good Governance in Local Government Framework 2016”

Julie Beilby  
Chief Executive

Adrian Stanfield  
Director of Central Services

Local Code of Corporate Governance	Supporting Evidence
<b>1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</b>	
<b>1.1 Behaving with Integrity</b>	
<p>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organization</p>	<p>The Council has Codes of Conduct for both Members and Officers. The Member code is founded upon the seven Principles of Public Life (the Nolan Principles). This is enforced (where necessary) through the Council's Joint Standards Committee. The Officer code is enforced (where necessary) through disciplinary procedures.</p> <p>In addition the Council has:</p> <ul style="list-style-type: none"> <li>• An Equalities Policy</li> <li>• a protocol for member/ officer relations</li> <li>• A Declaration of Interest Register for Members and for staff</li> <li>• A Register of Gifts and Hospitality offered to Members and staff</li> <li>• Financial Procedure Rules</li> <li>• Contracts Procedure Rules</li> <li>• A publicised complaints procedure</li> <li>• A fraud-aware culture, and an anti-fraud and corruption policy which is reviewed and updated annually.</li> </ul>
<p>Ensuring members take the lead in establishing specific standard operating principles or values for the organization and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life</p>	<p>The Council's constitution sets out clearly the standard operating procedures, and any delegation of responsibility from Council (and Cabinet) and the decision making powers of the Council, cabinet and its committees and boards.</p> <p>The Seven Principles of Public Life are embedded within the Constitution and form part of the Members' Code of Conduct.</p>
<p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<p>The Council's constitution clearly sets out the process for holding the executive to account through the debate of items at committees, and a system of reporting to the Council's Overview &amp; Scrutiny committee.</p> <p>The Council has a Corporate Strategy for 2020-2023 which sets out an overarching vision for the Council.</p>

<b>1.2 Demonstrating Strong Commitment to Ethical Values</b>	
Seeking to establish, monitor and maintain the organisation's ethical standards and performance	<p>The Council has a number of policies and Codes which officers and members are expected to adhere to:</p> <ul style="list-style-type: none"> <li>• A Code of Conduct for Members and Officers</li> <li>• An Equalities Policy</li> <li>• A Declaration of Interest Register for Members and for staff</li> <li>• A Register of Gifts and Hospitality offered to Members and staff</li> <li>• Financial Procedure Rules</li> <li>• Contracts Procedure Rules</li> <li>• an anti-fraud and corruption policy</li> <li>• a Standards Committee to promote and maintain high standards of conduct by Members</li> </ul>
Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	The Code of Conduct for Members is enforced through the Standards process. Where members of staff depart from the officer Code of Conduct or other policies, these may be enforced through disciplinary measures.
Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	<p>The Council has robust arrangements in place to ensure that it does the right things, for the right people in a timely, inclusive, open, honest and accountable manner. These are monitored and publicized through:</p> <ul style="list-style-type: none"> <li>• The Council's performance reporting arrangements</li> <li>• Procedures for recruitment and training</li> <li>• Decision making practices</li> <li>• Data transparency arrangements, such as</li> <li>• publication of decisions and committee meeting minutes</li> <li>• Partnership governance arrangements</li> </ul>
Ensuring that external providers of services on behalf of the organization are required to act with integrity and in compliance with ethical standards expected by the organisation	The Council's Contracts Procedure Rules require standard terms to be included in all contracts, including provisions relating to bribery, equalities and fraud.



<b>1.3 Respecting the Rule of Law</b>	
Ensuring members of staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations	<p>The Council actively recognises the requirements and responsibilities placed on it by law and will act to observe all specific legal requirements placed upon it when taking decisions. Training is provided to new members of staff appropriate to their roles, and ongoing training (in particular in relation to regulatory functions) is also provided on both an ad hoc and programmed basis.</p> <p>This is underpinned by a series of policies and processes to ensure that staff adhere to legal requirements including:</p> <ul style="list-style-type: none"> <li>• a Code of Conduct for Members and Officers</li> <li>• A Declaration of Interest Register for Members and for staff</li> <li>• A Register of Gifts and Hospitality offered to Members and staff</li> <li>• Financial Procedure Rules</li> <li>• Contracts Procedure Rules</li> <li>• an anti-fraud and corruption policy</li> </ul>
Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	<p>Training is provided to new members upon election, and ongoing training (in particular in relation to regulatory functions) is also provided on both an ad hoc and programmed basis.</p> <p>The Council's Monitoring Officer and Deputy Monitoring Officers are responsible for ensuring that the Council acts in accordance with the law and that decisions made by the Council, however made, are made lawfully.</p>
Striving to optimize the use of the full powers available for the benefit of citizens, communities and other stakeholders	<p>All departments are encouraged to work closely with the Council's legal team and where necessary to consult the Monitoring Officer to ensure that the most effective use is made of the Council's powers.</p> <p>Legal staff receive regular training and updates when new powers become available to the Council.</p> <p>The Council also strives to utilise its statutory powers to work in the public interest and to the full benefit of its citizens, particularly in relation to regulatory activity.</p> <p>All committee reports include a section to ensure any legal implications are fully analysed when making decisions.</p>

	<p>In addition, many committees (in particular where the Council is carrying out regulatory functions) sit with a legal advisor.</p>
Dealing with breaches of legal and regulatory provisions effectively	<p>Staff in enforcement roles are appropriately trained and (where necessary) professionally qualified in the relevant field.</p> <p>The Council has individual service enforcement policies which set out how breaches are to be investigated and enforced. The Council has also adopted a Corporate Enforcement Policy. Investigations are carried out with the assistance of legal advice where needed. Any prospective prosecution is assessed in accordance with the Code for Crown Prosecutors and considered by a senior lawyer before a decision is made.</p> <p>Enforcement staff are encouraged to work closely with the Council's legal team to ensure that the most effective use is made of the enforcement powers available to the Council.</p> <p>In committees where the Council is carrying out a regulatory function, the committee usually sits with a legal advisor.</p> <p>The Council has appointed a Data Protection Officer, in accordance with GDPR, to ensure that following an internal investigation data breaches are reported to the ICO where necessary.</p>
Ensuring corruption and misuse of power are dealt with effectively	<p>The Council takes corruption and misuse of power very seriously. The Council has an anti-fraud and corruption strategy and a whistleblowing policy in place.</p> <p>In addition, the Council has a Joint Standards Committee and Code of Conduct for Members which investigates complaints against members.</p> <p>The Council's Monitoring Officer and Deputy Monitoring Officers are responsible for ensuring that the Council acts in accordance with the law.</p> <p>All staff are required to confirm their acceptance of all policies, including the anti-fraud and corruption and whistleblowing policies through netConsent. Such policies are ultimately enforceable through disciplinary measures. Internal audit also carry out programmed audits on matters such as corporate crime.</p>

<b>2. Ensuring openness and comprehensive stakeholder engagement</b>	
<b>2.1 Openness</b>	
Ensuring an open culture through demonstrating, documenting and communicating the organization's commitment to openness	<p>The Council follows both the mandatory and (where cost effective) recommended provisions of the Local Government Transparency Code for publication of information held by the Council, and has a detailed scheme of publication under the Freedom of Information Act. In addition, in relation to certain decisions made at officer level, the Council has implemented the requirements of the Openness in Local Government Regulations 2014.</p>
<p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</p>	<p>The Council has an adopted and published Corporate Strategy for 2020-2023 which sets out the Council's vision for a 3-year period.</p> <p>The Council has established arrangements to communicate and consult with Members of the public on the Council's work and key policy changes and this consultation allows the development of strategic priorities and the Corporate Strategy.</p> <p>The Council's Constitution sets out clearly the decision-making powers of:</p> <ul style="list-style-type: none"> <li>• The Council</li> <li>• The Cabinet (including the Executive Leader and delegated decision-making to the Cabinet Portfolio Holders),</li> <li>• Other Council committees; and</li> <li>• powers delegated to officers and the limits of such delegation</li> </ul> <p>The Overview and Scrutiny Committee is responsible for reviewing and scrutinizing decisions made by and performance of the cabinet, committees and officers. Decisions made by cabinet, committee or a cabinet member can be subjected to scrutiny via a call-in procedure allowing challenge within five working days of the decision being taken. Feedback from the Overview and Scrutiny Committee, Cabinet, Committees and Advisory Boards is taken into account and given due consideration in the decision-making process.</p> <p>Forthcoming key decisions are published in advance at regular intervals. All Member meetings held by the Council are open to the</p>

	public, unless the items being discussed are considered to be private under the Local Government Act 1972; these may include staffing and legal matters and those of a contractual nature. Where such an exemption applies, it is recorded in the relevant report and minute.
Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.	Reports to members set out all relevant considerations in order to ensure that any decision taken is rational and lawful. In addition, reports of certain officer level decisions are required to be published under the Openness in Local Government Regulations 2014.
Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.	The Council carries out consultation where this is a legal requirement.
<b>2.2. Engaging comprehensively with institutional stakeholders</b>	
Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are successfully achieved and sustainably.	<p>The Council's Corporate Strategy 2020/23 outlines the means by which local stakeholders (including institutional stakeholders) will be engaged and how constructive, challenging relationships will be built.</p> <p>The Council has put in place Committees / Boards with cross-party representation to ensure effective and robust discussion of issues.</p> <p>The Council also has an Overview and Scrutiny Committee to scrutinise decisions made by Cabinet.</p>
Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	The Council has a number of partnerships, such as Shared Service and Joint Working arrangements which are intended to share resources with neighbouring authorities to improve efficiency and economic sustainability.
Ensuring that partnerships are built on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	The Council is in the process of developing a partnership policy to guide these principles and ensure that any partnership adheres to these values.

<b>2.3 Engaging with individual citizens and services users effectively.</b>	
<p>Establishing a clear policy on the type of issues that the organization will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</p>	<p>The Council is clear that it is ultimately accountable to the citizens of Tonbridge &amp; Malling. The Council has a good understanding of who lives, works and plays in the borough and has mechanisms to listen to and respond to their needs, aspirations and concerns.</p> <p>All consultations are published on the Council's website. When considering consultation responses, the Council's decision considers the merit of the responses being made, regardless of the nature of the stakeholder group. The Council carries out consultation when legally required to do so.</p> <p>All reports and decisions include an equalities impact assessment which takes into account whether a decision would have a disproportionate impact on a certain section of society.</p>
<p>Ensuring communication methods are effective and that members and officers are clear about their roles with regard to community engagement</p>	<p>All consultations are published on the Council's website, and where legally required, are advertised in a relevant newspaper.</p> <p>The Council's constitution sets out the roles of members, and (in particular) cabinet members and their roles with regard to community engagement.</p> <p>Public-facing staff receive training relevant to their roles to ensure that their community engagement roles are clear.</p>
<p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p>	<p>The Council has taken action to develop and support effective engagement opportunities with all groups of the local community:-</p> <ul style="list-style-type: none"> <li>• The Council engages with the Parishes and unparished areas through the Parish Partnership Panel and Tonbridge Forum</li> <li>• The Council promotes the TM Youth Forum that represents the views of young people living in Tonbridge and Malling</li> <li>• The Council supports the Tonbridge &amp; Malling Seniors' Forum (TAMS) which promotes and the needs of the older resident.</li> <li>• The Council engages with other key stakeholders through a number of partnerships that the Council has embarked upon.</li> </ul>

	<ul style="list-style-type: none"> <li>The Council actively uses complaints received to learn and improve services, whether through the internal complaints system or via the Ombudsman.</li> <li>The Council operates a petition scheme whereby matters of significant local interest can be raised for discussion at full Council.</li> </ul>
Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.	<p>Consultation responses are reported upon to the relevant committee or board where Members have an opportunity to consider feedback received and how best to respond to such feedback.</p> <p>The Council also has in place a complaints procedure.</p>
Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	When considering consultation responses, the Council's decision considers the merit of the responses being made, regardless of the nature of the stakeholder group.
Taking account of the impact of decisions on future generations of tax payers and service users.	All reports and decisions include an equalities impact assessment which takes into account whether a decision would have a disproportionate impact on a certain section of society.
<b>3. Defining outcomes in terms of sustainable economic, social and environmental benefits.</b>	
<b>3.1 Defining Outcomes</b>	
Having a clear vision, which is a clear formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy planning and other decisions	There is a clear statement of the organisation's purpose in the Tonbridge & Malling Borough Council Corporate Strategy 2020-23. This document sets out the key priorities for the authority and how the Council will work with a range of partners and the local communities towards achieving the objectives.
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	<p>Committee reports all contain an assessment of risk of the options being presented for a decision. Additionally, the Audit Committee has a role in scrutinizing corporate risk.</p> <p>Where any decision is recommended, reports contain an analysis of the intended impact or changes for stakeholders and the timescale on which that is anticipated to happen. Decisions which may have a disproportionate impact on a certain section of society are subject to an Equalities Impact Assessment.</p>
Delivering defined outcomes on a sustainable basis within the resources that will be available	The Council's Medium Term Financial Strategy covers both revenue and capital budgets, and it is this strategy that underpins the budget setting

	<p>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 and takes us into the future. 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.</p>
Identifying and managing risks to the achievement of outcomes	<p>The Council has arrangements in place to effectively monitor and manage risks to its business through the risk management strategy and strategic and service risk registers.</p> <p>Committee reports all contain an assessment of risk of the options being presented for a decision. Additionally, the Audit Committee has a role in scrutinizing corporate risk.</p>
Managing service users' expectations effectively with regard to determining priorities and making the best use of the available resources	<p>The Council is accountable to the citizens of Tonbridge and Malling in delivering its duties and responsibilities. The Council manages relationships with partners and consults the public through a number of mechanisms, including regular reporting to members, partnership arrangements (supported by partnership agreements) and the provisions of the Council's constitution.</p>
<b>3.2. Sustainable economic, social and environmental benefits.</b>	
Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision	<p>Value for money considerations are set out in all committee reports, and the Council's external auditors have consistently found that the Council does give value for money. The social impact of decisions is considered throughout the decision-making process, including the carrying out of an Equalities Impact Assessment where it is considered that a recommendation may have a disproportionate impact on a particular section of society.</p> <p>Where relevant, policies are subject to Strategic Environmental Impact Assessment prior to adoption.</p> <p>The Council intends to adopt a Climate Change Strategy in 2020 which will also set out the Council's aims for achieving carbon neutrality.</p>
Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-	<p>The Corporate Strategy, together with the Medium Term Financial Strategy and supported by the Savings and Transformation Strategy set out the long term high level objectives of the Council.</p>

term factors such as the political cycle or financial constraints.	
Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	Council, Committee and advisory board reports set out all relevant considerations to enable members to make decisions which are appropriate and lawful.
Ensuring fair access to services	The Council has an equalities policy which seeks to ensure fair access to the Council's services by all sections of society.
<b>4. Determining the interventions necessary to optimize the achievement of the intended outcomes</b>	
<b>4.1. Determining interventions.</b>	
Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks, therefore ensuring best value is achieved however services are provided.	<p>Decision making mechanisms are set out in detail in the Council's constitution. Whether a decision is at council, cabinet or committee level it is informed by a report encompassing advice from relevant services across the Council.</p> <p>Where relevant, alternative options are presented within committee reports, with an assessment of the benefits and disadvantages of those options.</p> <p>The Council's enforcement policies will inform a decision where legal or regulatory action is an option and reports will detail the legal implications of such action.</p>
Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	<p>Where appropriate, the Council carries out consultation with stakeholders, which is taken into account in the decision-making process. Consultations are published on the Council's website, or where statutory rules apply to such consultation those rules are followed.</p> <p>In addition, the Council uses its complaints procedure to understand where services can be improved.</p>
<b>4.2 Planning Interventions</b>	
Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	<p>Strategic and operational plans (such as the Corporate Plan) are reviewed on a regular basis.</p> <p>Feedback from consultations is taken into account in the decision making process and</p>



	<p>reported to the relevant committee, cabinet or Council meeting.</p> <p>The Savings &amp; Transformation Strategy (STS) has been prepared in order to support the achievement of the Council's Medium-Term Financial Strategy and direct resources in line with the Council's Corporate Strategy. The STS recognizes that there is no one simple solution to addressing the financial challenges, and that the Council needs to embrace transformation in a multitude of ways in order to deliver savings within an agreed timetable. The STS sets out a measured structure and framework for delivering the necessary savings through a series of themes; each theme having a deliverable target.</p>
Engaging with internal and external stakeholders in determining how services and other courses of action should be delivered	The Corporate Strategy, medium term financial strategy and other key policies are set by cabinet or the Council following input from all service directors and the Chief Executive.
Considering and monitoring risks facing each partner when working collaboratively, including shared risks	Reports on proposals for shared services contain a risk assessment, and risks are mitigated through the shared service agreements.
Ensuring arrangements are flexible and agile so that mechanisms for delivering goods and services can be adapted to changing circumstances	The Council's Contract Procedure Rules and standard contract terms are reviewed regularly to ensure they are up to date with current best practice.
Establishing appropriate Key Performance Indicators as part of the planning process in order to identify how the performance of services and projects is to be measured.	Performance indicators are monitored within each service and reported to Management Team where appropriate.
Ensuring capacity exists to generate the information required to review service quality regularly	It is the responsibility of service directors and Management Team to ensure sufficient capacity exists.
Preparing budgets in accordance with objectives, strategies and the medium-term financial plan	<p>The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets, and it is this Strategy that underpins the budget-setting process for the forthcoming year and over the strategy period.</p> <p>Budgetary control is undertaken on a monthly basis by services, who report known variations to Financial Services. These variations along with detailed monitoring of the Council's Salary Budget and Major Income Streams are reported to the Corporate Management Team and then onto</p>

	Members via the Finance, Innovation and Property Advisory Board as part of the cycle of Councils meetings programme.
Informing medium and long-term resource planning by drawing up realistic estimates for revenue and capital expenditure aimed at developing a sustainable funding strategy	<p>The Council's Medium Term Financial Strategy (MTFS) covers both revenue and capital budgets, and it is this Strategy that underpins the budget setting process for the forthcoming year and over the strategy period.</p> <p>The Strategy sets out the high level financial objectives the Council wishes to fulfil over the agreed time span. 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.</p> <p>The aim of the MTFS is to give us a realistic and sustainable plan that reflects the Council's priorities and takes us into the future. Underneath the Strategy sits detailed estimates formulated in conjunction with Services taking into account past outturn, current spending plans and likely future demand levels / pressures. It is acknowledged that circumstances will change and for this reason the Strategy needs to, and will, be kept under regular review.</p>
<b>4.3 Optimising achievement of intended outcomes</b>	
Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	The medium-term financial strategy is aligned with the Corporate Strategy. Service priorities are aligned to the Corporate Strategy.
Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	<p>The budget monitoring process considers both revenue and capital budgets.</p> <p>Budget for the following financial year and longer term financial planning through the MTFS takes account of the impacts for service delivery through potential changes in client base, housing need and levels.</p> <p>The MTFS takes into account changes in Government Funding where these are known. Where these factors are unknown these are judged by officers and shared and confirmed with Members.</p>

Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimizing resource usage	In considering the preparation of the Budget for the current and future financial years, Chief Officers are asked to identify potential growth issues and savings for future years that can be assessed and included with the MTFS. This may include changes in demand for services, including the growth in property, and proposed changes in fees and charges.
Ensuring the achievement of “social value” through service planning and commissioning	The Council has a Social Value Policy Statement. Whilst the issues of cost and quality remain of key concern, the concept of social value means that where appropriate, the Council can seek to achieve added social benefits in its procurement processes that may otherwise not have been achieved by other means.
<b>5. Developing the entity’s capacity, including the capability of its leadership and the individuals within it</b>	
<b>5.1. Developing the entity’s capacity</b>	
Improving resource use through appropriate application of techniques such as benchmarking and other options to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently	<p>The Council works towards improving value for money through:</p> <ul style="list-style-type: none"> <li>• Exploration of innovative ways of working including potential for joint-working and shared services</li> <li>• Robust budgeting and financial monitoring arrangements including detailed reviews of budgets and potential savings opportunities</li> <li>• Internal and external audit</li> <li>• Publication of annual budget and accounts information</li> </ul>
Recognizing the benefits of partnerships and collaborative working where added value can be achieved	The Council works in partnerships with other authorities in Kent. A commitment to working in partnership is one of the Council’s stated Corporate Objectives.
Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	<p>The Council has an extensive training programme for council officers including mandatory and voluntary training.</p> <p>The Council actively engages with its staff through:</p> <ul style="list-style-type: none"> <li>• Team meetings</li> <li>• Regular performance management meetings</li> <li>• The Joint Employee Consultative Committee</li> </ul> <p>The HR Strategy incorporates the Council’s Workforce Development Plan which is reviewed and updated annually.</p>

<b>5.2. Developing the capability of the entity's leadership and other individuals.</b>	
Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	The Council examines the capability of its people with governance responsibilities through appraisals, identifying any training gaps – the relevant training programmes are updated accordingly.
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	The Council's constitution sets out clearly the decision-making powers of the Council and its bodies and officers.
Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for the other's authority	The roles of the Leader of the Council and Chief Executive are clearly defined in the Council's Constitution.
Developing the capabilities of members and senior management to achieve effective leadership and to enable the organization to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.	<p>The Council has undertaken steps through the "Peer Review Challenge" to review the effectiveness of the organization.</p> <p>The Council has a training programme for Members and holds regular training sessions (both on a programmed and ad hoc basis) for Members on a variety of topics:</p> <ul style="list-style-type: none"> <li>• Induction training for all new members</li> <li>• Service-specific training, e.g. Community Safety</li> <li>• Committee-specific training, e.g. Audit Committee, Planning Committee</li> </ul>
Ensuring that there are structures in place to encourage public participation	Consultations are published on the Council's websites. In relation to decisions taken by the Council on planning matters, and certain matters under the Licensing Act 2003, members of the public are able to make both written and oral representations to the committee. The Council also operates a petition scheme.
Holding staff to account through regular performance reviews which take account of training or development needs	<p>Staff have access to appropriate induction training, and ongoing training on both an ad hoc and programmed basis relevant to their roles.</p> <p>The annual appraisal process reviews staff performance and also identifies training needs.</p> <p>Staff training takes place both through internal and external provision as appropriate.</p>

Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	The council has a Health and Wellbeing statement of intent recognizing that the Council's staff are its most valuable asset. The HR Strategy also recognizes the same. The Council has a Joint Employee Consultative Committee which enables employees to raise matters of concern, including health and wellbeing.
<b>6. Managing risks and performance through robust internal control and strong public financial management</b>	
<b>6.1. Managing risk</b>	
Recognizing that risk management is an integral part of all activities and must be considered in all aspects of decision making	Risk management practices are embedded within the organisation through the annual service and strategic planning processes, which is used to develop the Council's vision and objectives. This ensures that risks to the achievement of the Council's objectives are identified and managed appropriately. Risks identified are scored on the basis of their likelihood and impact and existing controls and required actions to further mitigate risks are captured in risk registers. The framework sets out the responsibility of Officers leading on areas with partnership arrangements to ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council.
Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	<p>The Council has arrangements in place to effectively monitor and manage risks to its business through the:</p> <ul style="list-style-type: none"> <li>• Risk Management Strategy</li> <li>• Strategic Risk Register</li> <li>• Service Risk Registers</li> <li>• Audit Committee role in scrutinising corporate risk</li> <li>• Consideration of risk in all Committee reports</li> <li>• Annual Governance Statement</li> </ul> <p>The strategic and service risk registers are updated regularly.</p> <p>Risks associated with decisions are set out on relevant committee, cabinet or council reports.</p> <p>The Council's standard report template requires Officers and Members to carry out a risk assessment of the action recommended in the report ensuring risk is considered in all decision-making of the authority. This assessment also covers legal, financial and value for money considerations and equality issues where relevant.</p>

Ensuring that responsibilities for managing individual risks are clearly allocated.	The service risk registers clearly identify responsibilities for managing individual risks.
<b>6.2. Managing performance.</b>	
Making decisions based on relevant, clear and objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	The performance of the Council and its partners in achieving its objectives is monitored and measured by services and their respective Service Management Teams and subsequently Management Team and Members. Individual services are accountable to the Corporate Management Team for operational performance monitoring and measurement and are responsible for taking action to correct any adverse performance, in the first instance, as appropriate.
Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organization for which it is responsible (or for a committee system) encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	The overview and scrutiny committee is responsible for reviewing and scrutinizing the decisions made by and performance of the Cabinet and/ or Committees/ Advisory Boards and Council Officers. Decisions made by Cabinet, a Committee or by a Cabinet Member acting on the recommendation of an Advisory Board can be subjected to scrutiny via a call-in procedure allowing challenge within 5 working days of the decision being taken.
Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	The Council has in place committees & boards with cross-party representation to ensure effective and robust discussion of issues. Relevant boards, committees and the executive are provided with information reports on a regular basis to provide progress reports on service delivery and outcomes.
Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements)	<p>The medium-term financial strategy is aligned with the Corporate Strategy. Service priorities are aligned to the Corporate Strategy, which ensures consistency between budget-setting and service delivery.</p> <p>Capital schemes are subject to evaluation prior to the approval for implementation; the criteria of the evaluations are set by Council.</p> <p>Following the scheme's completion a post implementation review will be prepared and shared with members in order to determine the accuracy of the initial evaluation and identify lessons to be learned and considered in future evaluations.</p>

<b>6.3 Robust internal control</b>	
Ensuring effective counter-fraud and anti-corruption measures are in place	The Council has an effective Internal Audit service and Anti-Fraud service in place. The Council also has an Anti-Fraud and Corruption Policy and Whistleblowing Policy.
Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	<p>The Council has in place arrangements to effectively monitor and manage risks to its business through the:</p> <ul style="list-style-type: none"> <li>• Risk management strategy</li> <li>• Strategic risk register</li> <li>• Service risk registers</li> </ul>
Establishing an audit committee or equivalent group/function which is independent of the executive and accountable to the governing body	The core functions of an audit committee as defined by <i>CIPFA's Audit Committees: Practical Guidance for Local Authorities</i> are fulfilled by the Council's Audit Committee. The Council's Constitution sets out the responsibility of the Audit Committee to provide independent assurance of the adequacy of the risk management framework and associated control environment. To do so, the Audit Committee has adopted a Risk Management Strategy that sets out the roles of Officers and Members in the identification and minimisation of risk. The Risk Register is a standing item at every Audit Committee meeting
<b>6.4 Managing Data</b>	
Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<p>The Council maintains a number of local policies which support and embed information processes. These include</p> <ul style="list-style-type: none"> <li>• Data Protection policy</li> <li>• Information Security policy</li> <li>• Records Management policy</li> <li>• Use of removable media policy</li> <li>• Remote access policy</li> <li>• Social media policy</li> <li>• Information Asset register</li> <li>• Information Governance Policy</li> </ul> <p>The Council has a Data Protection Officer, appointed in accordance with GDPR, with overall responsibility for ensuring the Council follows proper data protection practices. The DPO chairs the Council's Information Governance Group ("IGG") which meets regularly to discuss data protection and related matters within the Council, including data breaches.</p> <p>Individual services have representatives appointed to sit on the IGG and feed back into their services to raise and maintain awareness of the requirements of GDPR.</p>

Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	The Council is a signatory to the Kent & Medway Information Sharing Agreement, which prescribes the procedures that are to be followed when sharing data with other public sector bodies in Kent. The Data Protection Officer, or his appointed Deputies, attend the Kent & Medway Information Sharing Partnership, which seeks to share best practice under GDPR across all Kent authorities.
Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	An annual risk-based Internal Audit Plan is prepared to determine the priorities of the internal audit activity, consistent with the organisation's goals. The Plan aims to ensure that sufficient audit assurance work is carried out to enable the Chief Audit Executive to deliver an opinion regarding the adequacy and effectiveness of the internal control arrangements within the Council. Each audit review will cover data quality and accuracy relevant to the subject area.
<b>6.5 Strong public financial management</b>	
Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance	<p>The Council's Financial Procedure Rules support the provision of high quality financial advice. The Council also acts in consultation with stakeholders. The Council's Internal Audit Service provides assurance on the quality of financial and performance data reported.</p> <p>The ongoing budget-setting and monitoring process together with the Medium Term Financial Strategy supports the long-term achievement of outcomes and short-term financial and operational performance.</p>
Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Annual budgets are set with involvement from budget holders across all council services. The MTFS is set considering longer-term risks.
<b>7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>	
<b>7.1 Implementing good practice in transparency</b>	
Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.	<p>The Council has implemented the mandatory and (where cost effective) recommended principles set out in the Local Government Transparency Code. The Council has set up a steering group which meets to discuss changes to the code and its ongoing implementation.</p> <p>Reports for both historic and prospective meetings of the Council and its committees</p>



	<p>and boards are made available to the public through the Council's website.</p> <p>Where possible, reports are written in a public-facing and non-technical manner. All reports (save those which are exempt from publication for reasons set out in the Local Government Act 1972) are made public and can be accessed through the Council's website.</p>
Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	Where possible, reports are written in a public-facing and non-technical manner. All reports (save those which are exempt as discussed above) are made public and can be accessed through the Council's website.
<b>7.2 Implementing good practice in reporting</b>	
Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	<p>Annual Statement of Accounts report the Council's financial performance against the original estimate set for that financial year. The statement is prepared in accordance with the CIPFA Code for Local Authority Accounting.</p> <p>Included within the financial statements will be a judgement from the Council's external auditors on value for money and adequate use of resources.</p> <p>Included within the financial statements is the Annual Governance Statement. This is approved by Members and signed by the Chief Executive and Leader of the Council and provides evidence on the Council's adherence to the Code of Corporate Governance.</p>
Ensuring members and senior management own the results reported	The Annual Governance Statement is approved by the leader and Chief Executive, and the financial statements are considered and approved by Management Team and the Audit Committee.
Ensuring robust arrangements for assessing the extent to which the principles contained in the framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)	Compliance is reviewed on an annual basis and reported to Audit Committee.

Ensuring that the framework is applied to jointly managed or shared service organisations as appropriate	Where appropriate, the principles will be applied to jointly managed or shared services.
Ensuring that performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparisons with other, similar, organisations.	Performance information is included as part of the budget-setting process.
<b>7.3 Assurance and effective accountability</b>	
Ensuring that recommendations for corrective action made by external audit are acted upon	Responsibility for acting upon recommendations from external audit rests with the relevant service, and is monitored through individual service management teams and the corporate management team.
Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	The Council has an effective internal audit service, and an Audit Committee.
Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	The Council takes an active part in Peer Reviews.
Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	Risks are picked up through the contract monitoring process and reported through Audit Committee or a relevant advisory board
Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognized and met	Such arrangements are subject to public reports to each authority in the partnership. The Contracts Procedure Rules also ensure that standard contract terms are imposed ensuring proper accountability.

## **TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2019/20**

### **Item AU 20/15 referred from Audit Committee of 27 July 2020**

The report of the Director of Finance and Transformation provided an update on treasury management activity undertaken during April to June of the current financial year within the context of the national economic climate. The treasury management outturn position for 2019/20 was also set out.

The report provided a commentary on investments derived from cash flow surpluses, core cash balances and other long term cash balances and it was noted that long term investment at the end of June 2020 comprised £5m in property fund investment. A full list of investments held on 30 June 2020 was set out at Annex 2 to the report.

Particular reference was made to the significant financial consequences arising from the coronavirus pandemic which had resulted in a fall in UK economic growth in April of -24.5%. There remained huge uncertainties as to how quickly the economy would recover to what was formerly regarded as normality. In addition, the Government measures to support jobs and businesses would result in a substantial increase in the nation's annual budget deficit and overall level of debt.

Member's attention was drawn to the financial and value for money considerations and it was reported that investment income for the year as a whole was expected to underperform against budget by some £237,000. Dividends from property funds of £35,800 (2.87%) had been generated during the period 1 April to 30 June 2020. This return was expected to increase as rents deferred in June were collected later in the year

The Committee remained supportive of property investments in general as it was recognised that the current recession was a result of a health and not a financial crisis. Recent falls in property values were expected to be reversed as the economy recovered from the impact of Covid-19. Opportunities for additional property fund investments would be considered in the future as resources become available from asset disposals and other windfalls as these managed funds provided a stable income stream.

Investment income for the 2019/20 financial year as a whole exceeded the revised estimate by £25,158 and the original estimate by £117,158.

Finally, reference was made to the funding of £18.7m provided by Government on 1 April for redistribution to eligible businesses in the Tonbridge and Malling Area. At the end of May, 91% had been spent. It was reported that the additional cash flow had generated £4,500 of interest.

**RECOMMENDED:** That the following be commended to Council:

- (1) The action taken in respect of treasury management activity for April to June 2020 be endorsed; and



(2) The 2019/20 outturn position be noted.  
**\*Referred to Council**

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

27 July 2020

### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Matters for Recommendation to Council

#### 1 TREASURY MANAGEMENT UPDATE AND ANNUAL REPORT FOR 2019/20

The report provides an update on treasury management activity undertaken during April to June of the current financial year. The treasury management outturn position for 2019/20 is also included in this report.

##### 1.1 Introduction

- 1.1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised Code of Practice for Treasury Management in December 2017. The revised Code was adopted by Council on 30 October 2018 and suggests that Members should be informed of treasury management activity at least twice a year, but preferably quarterly. This report, therefore, ensures this Council is embracing best practice in accordance with CIPFA's revised Code of Practice.

##### 1.2 Economic Background

- 1.2.1 In the UK 2020 started with optimistic business surveys pointing to an upswing in economic **growth** following the general election in December which settled the Brexit issue. Since then, the whole world has changed as a result of the coronavirus outbreak. The overall growth rate in quarter 1 was -2.2% (-1.7% y/y). However, the main fall in growth did not occur until April when it came in at -24.5% y/y after whole sections of the economy were closed down to limit the spread of the virus. Going forward there is uncertainty over the extent of the damage that will have been done to businesses, how consumer confidence and behaviour has been impacted, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover to what was formerly regarded as normality.
- 1.2.2 The Monetary Policy Committee (MPC) left **Bank Rate** unchanged at 0.75% in January 2020. The onset of the coronavirus epidemic in March forced the MPC to make two emergency cuts in Bank Rate first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE - purchase of gilts by the Bank of England) of £200bn to maintain liquidity in financial markets. In June, the MPC added a further £100bn of QE purchases of gilts raising the total

stock of QE purchases to £745bn. It is not currently thought likely that the MPC would go as far as to cut Bank Rate into negative territory, although the Governor of the Bank of England has said all policy measures will be considered. The Governor also recently commented about an eventual tightening in monetary policy – namely that he favours unwinding QE before raising interest rates. This has prompted some forecaster to suggest Bank Rate will remain low for a number of years.

- 1.2.3 To avoid people losing their **jobs** during the lockdown period the Government introduced various schemes to subsidise both employed and self-employed jobs. Government also put in place a raft of other measures to help businesses access loans from their banks. Despite these measures the Bank of England expects the unemployment rate to increase from 4% in January to 8% over the coming months.
- 1.2.4 The Government measures to support jobs and businesses will result in a substantial increase in the annual budget deficit for the current year, from about 2% to nearly 17% of national income. The ratio of **debt** to GDP is also expected to increase from 80% to around 105% of GDP. In the March Budget Government also announced increases in infrastructure spending to aid economic recovery. Economic statistics during June pointed to a rapid recovery. However, it may be a considerable time before activity recovers to its previous level.
- 1.2.5 The annual CPI **inflation** rate dropped to 0.5% in May from 1.8% in January and could reach zero by the end of the year. Inflation rising over 2% is unlikely to be an issue for the MPC over the next two years as the world economy is expected to succumb to recession. The early months of 2020 saw a sharp fall in oil prices. Other UK domestic prices will also be under downward pressure; wage inflation already on a downward path over the last six months is likely to continue that trend in the current environment where unemployment will be rising significantly. In May's Monetary Policy Report, the Bank of England predicted that inflation would be below their 2% target until 2022. This was in the context of their forecast that GDP would recover during 2021 and rise by 3% in 2022.

### 1.3 Interest Rate Forecast

- 1.3.1 Following the financial crisis in 2008, Bank Rate was cut to an emergency level of 0.5% where it remained for over seven years. The outcome of the 2016 EU referendum prompted Bank Rate to be cut to 0.25% in August 2016. Since then Bank Rate has risen in 0.25% steps, peaking at 0.75% from August 2018. Link's forecast used in the 2020/21 investment strategy assumed economic conditions would continue to improve requiring a gradual rise in Bank Rate over the next three years.

Link - Nov 2019	June-20 %	Sep-20 %	Dec-20 %	Mar-21 %	Jun-21 %	Sep-21 %	Dec-21 %	Mar-22 %	Jun-22 %	Sep-22 %	Dec-22 %	Mar-23 %
Bank Rate	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 mth LIBID	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 mth LIBID	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 mth LIBID	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
25yr PWLB	3.40	3.40	3.50	3.60	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

1.3.2 The world has changed since the 2020/21 strategy was published in February 2020. Interest rate forecasting is now much more problematic and tentative than it is in normal circumstances. The scale of both Government and Central Bank intervention in recent months is historic in magnitude. Most governments have implemented lockdowns to limit the spread of Covid-19. Whilst lockdown measures are now being relaxed the full extent of the economic impacts is still uncertain.

1.3.3 Link updated their forecast in July 2020 as follows:

Link – July 2020	June-20 %	Sep-20 %	Dec-20 %	Mar-21 %	Jun-21 %	Sep-21 %	Dec-21 %	Mar-22 %	Jun-22 %	Sep-22 %	Dec-22 %	Mar-23 %
Bank Rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 mth LIBID	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	-	-	-
6 mth LIBID	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	-	-	-	-
12 mth LIBID	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	-	-	-	-
25yr PWLB	2.50	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70

1.3.4 The forecast is based on the assumption that Covid-19 will be defeated in the UK over the next six to twelve months through localised lockdowns and or the use of a vaccine. In addition:

- On-going market volatility may necessitate further Government and Central Bank intervention.
- MPC will aim for very loose monetary policy, primarily through the use of quantitative easing, in order to maintain low yields and funding costs to help support businesses and to maintain appropriate levels of liquidity.
- The result is expected to be a very flat yield curve for at least a year and only marginal increases over the following year.
- Bank Rate will stay at 0.1% for the next two years.
- Inflation is likely to be well below 2% and wage increases will be limited in the face of economic uncertainty coupled with a steady rise in unemployment.

- The economy is likely to take a considerable time to recover lost momentum.
- There will be a recession in world growth in 2020; growth is unlikely to recover quickly.

## 1.4 Investment Performance

- 1.4.1 In accordance with the CIPFA Code the Council's priorities, in order of importance, are: to ensure security of capital; liquidity; and having satisfied both, to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 1.4.2 The Council's investments are derived from cash flow surpluses, core cash balances and other long term cash balances.
- 1.4.3 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 2020/21 cash flow surpluses have averaged £29m.
- 1.4.4 The Authority also has £13m 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.
- 1.4.5 Cash flow and core cash balances also include some £10m to meet business rate appeals of which £3m are expected to be resolved in 2020/21 and the remainder in future years.
- 1.4.6 Long term investment at the end of June 2020 comprised £5m in property fund investments.
- 1.4.7 A full list of investments held on 30 June 2020 is provided at **[Annex 1]** and a copy of our lending list of 29 June 2020 is provided at **[Annex 2]**. The table below provides a summary of funds invested and interest / dividends earned at the end of June.



	Funds invested on 30 June 2020	Weighted average duration to maturity	Weighted average rate of return	Interest / dividends earned 1 April to 30 June 2020	Annualised weighted rate of return	LIBID benchmark (average from 1 April 2020)
	£m	Days	%	£		%
Cash flow	28.0	4	0.22	21,200	0.29	-0.05 (7 Day)
Core cash	13.0	153	0.55	31,200	0.78	0.26 (3 Mth)
Sub-total	<b>41.0</b>	<b>51</b>	<b>0.33</b>	<b>52,400</b>	<b>0.46</b>	<b>0.06 (Ave)</b>
Long term	5.0		3.45	35,800	2.87	
Total	46.0		0.67	88,200	0.70	

**1.4.8 Cash flow and Core cash Investments.** Whilst the authority outperformed the LIBID benchmark by 40 basis points, Interest earned of £52,400 to the end of June is £25,950 below the original estimate for the same period. The fall in income is due to the impact the emergency cuts in Bank Rate in March 2020 have had on investment opportunities. During March 2020 Bank Rate fell from 0.75% to 0.1%.

**1.4.9** If bank offers remain at their current ultra-low levels throughout 2020/21 cash flow and core cash investment is likely to underperform against budget for the year as a whole by some £182,000. Opportunities to mitigate some of that impact will be explored with the Council's Treasury Advisor and reported to Audit Committee in October 2020. Impacts in 2021/22 and beyond will be addressed through updates to the Council's Medium Term Financial Strategy and in next financial years Annual Investment Strategy (due to be reported to Audit Committee in January 2021).

**1.4.10** Members will be aware from the media in general and committee reports (Cabinet, FIPAB amongst others) of the pressures that the pandemic has and is having on the Council's finances. To ensure sufficient liquidity to meet payment obligations all core fund maturities arising in February, March and April were transferred to cash flow balances rather than being reinvested in new fixed term deposits. Following that action no payment issues arose and none are expected to during the remainder the 2020 calendar year. There remains a question mark over the proportion of council tax and business rates which will be collected in 2020/21. The lion's share of that collection is being paid to government and precept authorities spread over twelve monthly instalments. The current payment schedules predate Covid-19.

- 1.4.11 The recession is born out of a health crisis not a financial crisis. Whilst the UK sovereign credit rating has been downgraded from AA to AA- by Fitch, individual UK bank long-term and short-term credit ratings, for those banks on the Council's lending list, have not thus far been downgraded by the credit rating agencies. Whilst there have been a number of changes to rating watch and outlooks these have not resulted in a reduction in the investment duration assessment provided by Link (i.e. banks considered good for 12 month investment last January carry the same assessment today). Credit default swap data (CDS – a measure of risk) remains substantially below the levels noted during the sovereign debt crisis of 2012.
- 1.4.12 The Council takes advantage of Link's benchmarking service which enables performance to be gauged against Link's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. As at 31 March 2020 the Council's return at 0.69% (purple diamond) compared well with the local authority average of 0.71%. Based on the Council's exposure to credit / duration risk that return was in-line with Link's predicted return (between the upper and lower boundary indicated by the diagonal lines). The Council's risk exposure was also consistent with the local authority average.
- 1.4.13 **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 commercial 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.
- 1.4.14 £3m was invested in property investment funds during 2017/18 and a further £2m invested during 2018/19. Investment was spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time. Additional property fund investments are expected in the future as resources become available from asset disposals and other windfalls.
- 1.4.15 During the period 1 April 2020 to 30 June 2020 the £5m investment in property funds generated dividends (income) of £35,800 which represents an annualised return of 2.87% (3.48% in 2019/20). Covid-19 has resulted in a proportion of rents due to be collected in June being deferred. These deferred rents are expected to be collected at some point during the current financial year. However, income from property funds is expected to underperform against budget by some £55,000 for the financial year as a whole. The majority of this figure relates to anticipated delays in the disposal of River Walk offices rather than being attributed to Covid-19.
- 1.4.16 Property funds issue and redeem primary units at a buy and sell price with the difference between the two prices reflecting the costs associated with buying and

selling property (legal and other fees, stamp duty etc.). The price spread varies from fund to fund but is typically in the region of 8% (6% on entry to a fund and 2% on exit). Where units are traded on a secondary market the impact of the spread can be reduced and delays in the purchase or redemption of units avoided.

1.4.17 Economic growth in the UK slowed in 2018/19 as did the rate at which fund sale values appreciated. A fall in sale values was recorded at some month ends especially during the second half of 2018/19 and throughout 2019/20. More recently, the Covid-19 impact on the economy is expected to see commercial property values continue to decline in 2020/21 before commencing a recovery in 2021/22.

1.4.18 Although each property is unique, its value is informed by the sale of similar properties. During recession property transaction volumes diminish making valuation less certain. Each of our property fund managers have attributed “uncertainty” to their most recent monthly valuations. At the same time, and by regulation, when valuation is uncertain fund managers are required to suspend the purchase and redemption units by investors. The suspension is intended to protect the interests of purchasers, sellers and continuing investors such as ourselves and is welcomed.

1.4.19 Current qualified sale values vs initial purchase price are as follows:

<b>Property fund</b> (Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	<b>Purchase price</b>  a £	<b>Sale value at date of purchase</b>  b £	<b>Sale value 30 June 2020</b>  c £	<b>30 June 20 sale value above (below) purchase price (c-a) £</b>
LAPF (Primary, July 2017)	1,000,000	922,200	901,200	(98,800)
Lothbury (Primary, July 2017)	1,000,000	927,700	916,900	(83,100)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	964,400	(35,600)
LAPF (Primary, June 2018)	1,000,000	922,200	864,050	(135,950)
Lothbury (Secondary, July 2018)	1,000,000	973,000	899,200	(100,800)
<b>Total change in principal</b>	<b>5,000,000</b>	<b>4,684,100</b>	<b>4,545,750</b>	<b>(454,250)</b>
<b>Total dividends received</b>				<b>448,450</b>
<b>Net loss since inception</b>				<b>5,800</b>

1.4.20 Since inception, the Council has received dividends from its property fund investments totalling £448,450. Taking the current £454,250 deficit on sale values into account the net loss to the Council is £5,800 (was a net gain of £173,800 to the end of December 2019). Fund values have fallen £258,300 in the six months

to June 2020 due to the Covid-19 impact on the economy and commercial property values. The deficit in sales value is expected to be recouped overtime as the economy recovers.

- 1.4.21 Members are reminded that higher yielding investments (e.g. property, equities) have the potential to fluctuate in value, both up and down. It is this feature which makes them unsuitable for short term investment where certainty over value at maturity is a key criteria. The Council's property fund investments are not required to meet day to day spending commitments and will only be realised should a higher yielding opportunity be identified.

## 1.5 Compliance with the Annual Investment Strategy

- 1.5.1 Throughout April to June 2020 all of the requirements contained in the 2020/21 Annual Investment Strategy intended to limit the Council's exposure to investment risks (minimum sovereign and counterparty credit rating; durational limits; exposure limits in respect of counterparties, groups of related counterparty and sovereigns; and specified and non-specified investment limits) have been complied with. No borrowing was undertaken during April, May or June 2020.

- 1.5.2 The Council has also operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy. The 2020/21 Prudential and Treasury Indicators will be included for review as part of the treasury management report to the October 2020 meeting of Audit Committee.

## 1.6 2019/20 Treasury Management Outturn

- 1.6.1 A detailed report covering treasury management activity for the last financial year was submitted to Cabinet on 3 June 2020 as an annex to the Revenue and Capital Outturn report for 2019/20. That annex is replicated in full and provided at **[Annex 4]** to this report. The role of this Committee is to act as scrutineer on behalf of full Council.
- 1.6.2 A summary of the investment performance included in Annex 4 is as follows:

	2019/20 Average balance  £m	Return  %	2019/20 Interest/ dividends earned £	2019/20 Revised Estimate  £	Variance Better (worse)  £
Cash flow surpluses	19.9	0.76	150,734	125,000	25,734
Core cash	25.1	1.10	275,447	275,000	447
Long term investment	5.0	3.48	173,977	175,000	(1,023)
Total	50.0	1.20	600,158	452,000	25,158

- 1.6.3 The combined performance of the Authority's investments exceeded the revised estimate by £25,158 and by £117,158 when compared to the 2019/20 original estimate.
- 1.6.4 Income and expenditure attributed to the Treasury Management function for 2019/20 is provided at **[Annex 5]**. This shows the aggregate staff resource applied to treasury management is less than one full time equivalent and that income exceeds costs by a significant margin. Income in future years forms part of the Council's medium term financial strategy and is subject to changes in the level of reserves and changes in Bank Rate. Expenditure in future years is expected to rise in-line with inflation.

## **1.7 Legal Implications**

- 1.7.1 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. In addition, Link are employed to provide independent advice on legislative and professional changes that impact on the treasury management function.

## **1.8 Financial and Value for Money Considerations**

- 1.8.1 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 (BoE) returned the Bank Rate to 0.5%. Bank rate was increased to 0.75% in August 2018. In response to the anticipated impact of Covid-19 on the economy, BoE cut Bank Rate to 0.1% in March 2020. Link's current forecast (July 2020) anticipates Bank Rate remaining at 0.1% for at least the next two years.
- 1.8.2 Following the March 2020 cuts in Bank Rate investment income at the end of June 2020 (month three of the financial year) from cash flow surpluses and core cash investments is £25,950 below budget for the same period. Income from property funds at the end of June is below budget by £9,200. Investment income for the year as a whole is expected to underperform against budget by some £237,000.
- 1.8.3 Investment income for the 2019/20 financial year as a whole exceeded the revised estimate by £25,158 and the original estimate by £117,158.
- 1.8.4 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.
- 1.8.5 Whilst the annual income stream from a property fund exhibits stability (circa 4% per annum net of management fees) capital values rise and fall with the cyclical nature of economic activity. During a downturn in the economy capital values may fall significantly. The duration of a property fund investment may need to be

extended to avoid crystalizing a loss and as a consequence, the investment's duration cannot be determined with certainty.

- 1.8.6 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.
- 1.8.7 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 twelve 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.

## 1.9 Risk Assessment

- 1.9.1 The application of best practice, including the regular reporting and scrutiny of treasury management activity, as identified by the CIPFA Code is considered to be an effective way of mitigating the risks associated with treasury management.

## 1.10 Equality Impact Assessment

- 1.10.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act.

## 1.11 Recommendations

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

- 1) Endorse the action taken by officers in respect of treasury management activity for April to June 2020.
- 2) Note the 2019/20 outturn position.

Background papers:

contact: Mike Withey

Link interest rate forecast (July 2020)

Link benchmarking data (March 2020)

Sharon Shelton

Director of Finance and Transformation

Tonbridge and Malling Borough Council - Investment summary 30 June 2020

Counterparty / type of investment	Sovereign	Fitch long term	Fitch short term	Link suggested post CDS duration limit	Investment						Cash Flow surpluses £	Core Cash balances £	Long term investment balances £
					Start date	End date	Duration at start	Amount invested £	Return %	Proportion of total %			
<b>Banks, Building Societies &amp; Other Financials</b>													
<b>Barclays Bank :</b>	UK	A+	F1	6 months				<b>4,000,000</b>		8.70%			
95 day notice account					20/06/2019	TBD	95 Days	1,000,000	0.30			1,000,000	
95 day notice account					23/07/2019	TBD	95 Days	3,000,000	0.30			3,000,000	
<b>Goldman Sachs International Bank :</b>	UK	A+	F1	6 months				<b>2,000,000</b>		4.35%			
Fixed term deposit					15/10/2019	15/07/2020	9 months	2,000,000	0.99			2,000,000	
<b>HSBC Bank :</b>	UK	AA-	F1+	1 year				<b>3,000,000</b>		6.53%	3,000,000		
31 day notice account					02/12/2019	TBD	31 Days	3,000,000	0.25				
<b>Lloyds Bank :</b>	UK	A+	F1	1 year				<b>1,000,000</b>		2.18%		1,000,000	
Fixed term deposit					14/11/2019	13/11/2020	1 year	1,000,000	1.10				
<b>National Westminster Bank :</b>	UK	A+	F1	1 year				<b>502,000</b>		1.09%	502,000		
Deposit account					30/06/2020	01/07/2020	Overnight	502,000	0.01				
<b>Santander UK Bank :</b>	UK	A+	F1	6 months				<b>4,000,000</b>		8.70%			
Fixed term deposit					05/06/2020	05/03/2021	9 Months	2,000,000	0.48			2,000,000	
Fixed term deposit					22/05/2020	22/02/2021	9 Months	2,000,000	0.48			2,000,000	
<b>Standard Chartered :</b>	UK	A+	F1	6 months				<b>2,000,000</b>		4.35%			2,000,000
Fixed term deposit					21/05/2020	22/02/2021	9 Months	2,000,000	0.48				
<b>Money Market Funds</b>													
<b>Blackrock MMF</b> - shares/units held	N/A	AAA	mmf (Eq)	5 years	30/06/2020	01/07/2020	Overnight	<b>200,000</b>	0.19	0.44%	200,000		
<b>BNP Paribas MMF</b> - shares/units held	N/A	AAA	mmf (Eq)	5 years	30/06/2020	01/07/2020	Overnight	<b>250,000</b>	0.12	0.54%	250,000		
<b>DWS Deutsche MMF</b> - shares/units held	N/A	AAA	mmf	5 years	30/06/2020	01/07/2020	Overnight	<b>8,000,000</b>	0.23	17.41%	8,000,000		
<b>Federated MMF</b> - shares/units held	N/A	AAA	mmf	5 years	30/06/2020	01/07/2020	Overnight	<b>8,000,000</b>	0.24	17.41%	8,000,000		
<b>Morgan Stanley MMF</b> - shares/units held	N/A	AAA	mmf	5 years	30/06/2020	01/07/2020	Overnight	<b>8,000,000</b>	0.20	17.41%	8,000,000		
<b>Property Funds</b>													
<b>Hermes Property Unit Trust :</b>	N/A	N/A	N/A	N/A				<b>1,000,000</b>		2.18%			1,000,000
Property fund units					29/09/2017	N/A	N/A	1,000,000	3.29				
<b>Local Authorities' Property Fund :</b>	N/A	N/A	N/A	N/A				<b>2,000,000</b>		4.35%			
Property fund units					29/06/2017	N/A	N/A	1,000,000	4.22				1,000,000
Property fund units					30/05/2018	N/A	N/A	1,000,000	3.96				1,000,000
<b>Lothbury Property Trust :</b>	N/A	N/A	N/A	N/A				<b>2,000,000</b>		4.35%			
Property fund units					06/07/2017	N/A	N/A	1,000,000	3.02				1,000,000
Property fund units					02/07/2018	N/A	N/A	1,000,000	2.91				1,000,000
<b>Total invested</b>					<b>45,952,000</b>					<b>100.00%</b>	<b>27,952,000</b>	<b>13,000,000</b>	<b>5,000,000</b>

<b>Number of investments</b>	19	<b>Average investment value £</b>				2,419,000
<b>Number of counter parties</b>	15	<b>Average counter party investment £</b>				3,063,000
<b>Group exposures:</b>		<b>Core £</b>	<b>Cash £</b>	<b>Combined £</b>	<b>%</b>	
<b>Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)</b>		-	502,000	502,000	1.09	
<b>Bank of Scotland + Lloyds (MAX 20%)</b>		1,000,000	-	1,000,000	2.18	
<b>Property Funds Total</b>		<b>£</b>			<b>%</b>	
		5,000,000			10.88	

<b>Total non-specified investments should be less than 60% of Investment balances</b>	10.88%
---	--------

**Notes:**  
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update July 2020.  
End date for notice accounts to be determined (TBD)

This page is intentionally left blank



Tonbridge and Malling Borough Council Lending List

Checked against Link's "Suggested Credit List" dated 26/06/20								
Minimum investment criteria is Link's green duration band (100 days). Entry point broadly equates to Fitch A-, F1 unless UK nationalised.								
Counterparty	Sovereign	Sovereign rating [1]	Fitch long term	Fitch short term	UK classification	Exposure limit	Link duration based on [2]	
							Credit ratings	Post CDS
UK Banks, Building Societies and other Financial Institutions :								
Bank of Scotland (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
Barclays Bank (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Non-RF	£7m	6 months	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Goldman Sachs International Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 Months
Handelsbanken Plc (Group Limit with Svenska Handelsbanken AB £7m)	UK	AA-	AA	F1+	Exempt	£7m	1 year	1 year
HSBC UK Bank	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year	1 year
Lloyds Bank (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
Santander UK	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Standard Chartered Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 months
Coventry Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
Nationwide Building Society	UK	AA-	A	F1	Exempt	£7m	6 months	6 months
National Westminster Bank (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
The Royal Bank of Scotland (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
UK Debt Management Office including Treasury Bills	UK	AA-	n/a	n/a	n/a	No limit	5 years	5 years
UK Treasury Sovereign Bonds (Gilts)	UK	AA-	n/a	n/a	n/a	£16m/£8m	5 years	5 years
UK Local Authority (per authority)	UK	AA-	n/a	n/a	n/a	£7m	5 years	5 years
Non-UK Banks :								
Bank of Montreal	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Toronto Dominion Bank	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Nordea Bank Abp	Finland	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	AA-	F1+	n/a	£7m	1 year	1 year
ING Bank	Netherlands	AAA	AA-	F1+	n/a	£7m	1 year	1 year
Svenska Handelsbanken AB (Group Limit with Handelsbanken Plc £7m)	Sweden	AAA	AA	F1+	n/a	£7m	1 year	1 year
<div>[1] Reflects the lowest of the three rating agencies views (Fitch, Moody's and Standard and Poor's). Strategy requires sovereigns to be rated at least AA-. Non-UK sovereign limit of 20% or £7m per sovereign.</div> <div>[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 suggestion. 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.</div>								

Money Market Funds (Minimum investment criteria AAA) :					
Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Blackrock Institutional Cash Series - Sterling Liquidity	AAA	-	AAA	£8m	5 years
BNP Paribas InstiCash - GBP	-	-	AAA	£8m	5 years
DWS Deutsche Global Liquidity - Deutsche Managed Sterling	AAA	AAA	AAA	£8m	5 years
Federated Cash Management - Short Term Sterling Prime	-	AAA	AAA	£8m	5 years
Insight - Sterling Liquidity (Group limit IL & ILP of £7m)	-	AAA	AAA	£8m	5 years
Morgan Stanley Liquidity - Sterling	AAA	AAA	AAA	£8m	5 years

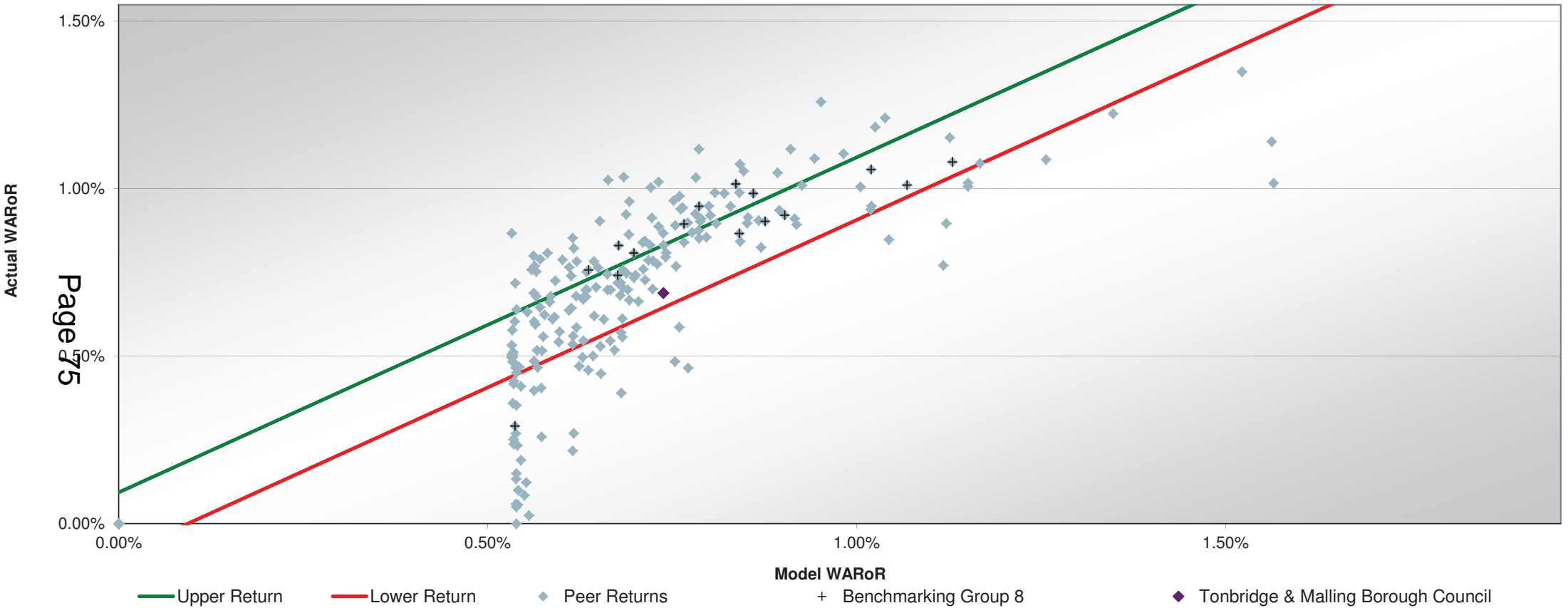
Enhanced Cash Funds (Minimum investment criteria AAA) :					
Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Insight - Sterling Liquidity Plus (Group limit IL & ILP £7m)	-	AAA	AA+	£3.5m	5 years

Approved by Director of Finance and Transformation 29 June 2020	Canadian sovereign rating downgraded from AAA to AA+
--	--

This page is intentionally left blank

Tonbridge & Malling Borough Council

Population Returns against Model Returns March 2020



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge & Malling Borough Council	0.69%	0.74%	-0.05%	0.64%	0.83%	Inline

This page is intentionally left blank

**Tonbridge and Malling Borough Council**

**Treasury Management Annual Report 2019/20**

**1.1 Introduction**

1.1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activity and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.1.2 During 2019/20 the minimum reporting requirements were that full Council should receive the following treasury reports:

- an annual strategy in advance of the year;
- a mid-year review; and
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, treasury management updates have been presented to each meeting of the Audit Committee throughout the 2019/20 financial year. Treasury performance was also considered at the Finance, Innovation and Property Advisory Board through the regular Financial Planning and Control reports.

1.1.3 Changes in the regulatory environment place a much greater onus on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

1.1.4 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to full Council.

**1.2 Treasury Position at 31 March 2020**

1.2.1 At the beginning and the end of 2019/20 the Council's debt and investment position was as follows:

	31 March 2019 £m	Rate / Return %	Average duration Days	31 March 2020 £m	Rate / Return %	Average duration Days
Variable rate debt:						
Overdraft	0.0	-	-	0.0	-	-
<b>Total debt</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>-</b>
Fixed rate investments:						
Cash flow surpluses	-	-	-	2.0	0.20	13
Core cash	16.0	1.06	155	13.0	1.09	75
Variable rate investments:						
Cash flow surpluses	7.4	0.78	1	13.6	0.36	9
Core cash	8.0	1.06	219	6.0	0.56	76
Sub-total	31.4	0.99	134	34.6	0.66	46
Long term investments:						
Property Funds	5.0	3.55	-	5.0	3.54	-
<b>Total investments</b>	<b>36.4</b>	<b>2.04</b>	<b>-</b>	<b>39.6</b>	<b>1.02</b>	<b>-</b>

- 1.2.2 The rise in investment balances reflects: surpluses on business rates and council tax collection funds due to be distributed in 2020/21; unspent provisions for business rate appeals which have yet to be determined by the Valuation Office; and changes in the level of year-end debtor and creditor provisions.

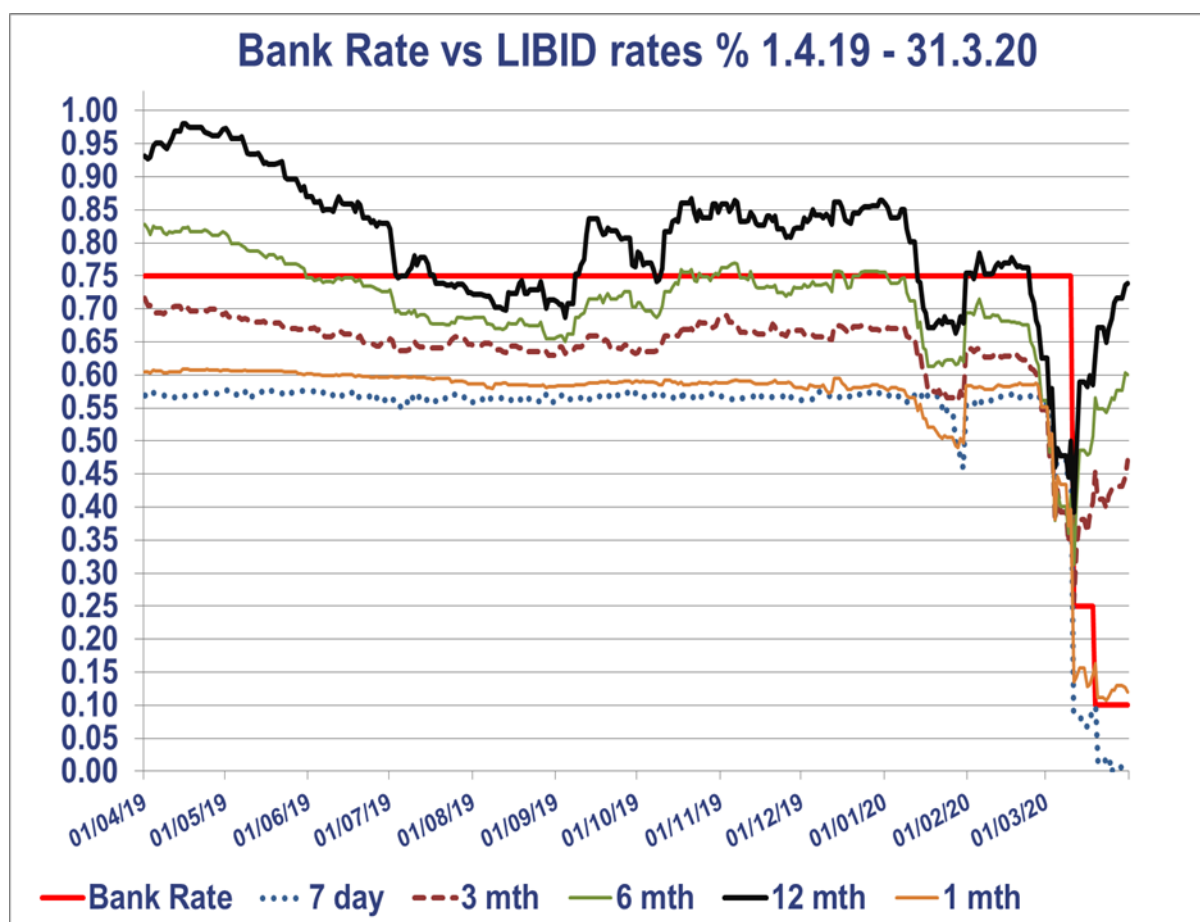
### 1.3 The Strategy for 2019/20

- 1.3.1 Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was resolved, but would only rise to 1.0% during 2020
- 1.3.2 Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly higher than shorter term rates during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.
- 1.3.3 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the

financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme market stress and economic conditions.

#### 1.4 Investment Rates in 2019/20

- 1.4.1 Bank rate and investment returns across durations up to 12 months are depicted in the graph below. The Bank Rate cut to 0.25% and then again to 0.1% during March 2020 to support the economy in response to Covid-19 is clearly visible.



#### 1.5 Investment Outturn for 2019/20

- 1.5.1 The Council's investment policy sets out the approach for choosing investment counter-parties and is based on credit ratings provided by the three main credit rating agencies. This is supplemented by additional market information including credit rating outlooks and credit default swap data (CDS). The 2019/20 Annual Investment Strategy was approved by Council in February 2019 and was subjected to a mid-year review in October 2019. In undertaking the review, no changes were made to the Council's minimum counter-party credit requirement (Fitch A-, F1 unless UK state owned) or counter-party exposure limits (maximum of 20% of funds per financial institution). Subject to a number

of constraints, discretion to extend investment duration by up to six months over the Council's external treasury advisor's suggested duration was also retained.

- 1.5.2 **Cash flow investment.** In 2019/20 cash flow surpluses averaged £19.9m and earned an average rate of return of 0.76%. The average 7-day LIBID rate, used to compare performance, was 0.53%. Cash flow surpluses arise from the timing difference between the receipt of monies (from council tax, business rates, grants, etc.) and its subsequent payment (to precepting authorities, housing benefit recipients, suppliers, staff, etc.). Cash flow surpluses are required to meet regular payment obligations and as a consequence are invested in bank deposit accounts and money market funds which allow next day access. The opportunity to invest for longer durations and generate additional yield is taken when cash flow surpluses permit.
- 1.5.3 **Core cash investment.** In 2019/20 core cash averaged £25.1m and earned an average rate of return of 1.10%. The 3-month LIBID rate used as a comparator was 0.64%. Core cash comprises the authority's revenue and capital reserves. Unlike cash flow, core cash is not required to meet regular payment obligations and is available to invest for longer durations including durations exceeding one year. This added flexibility allows core cash to generate a better return relative to cash flow surpluses.
- 1.5.4 **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 commercial 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.
- 1.5.5 This does not however, preclude consideration of an alternative investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return commensurate with the Council's risk appetite. Each such opportunity to be considered on a case by case basis as appropriate.
- 1.5.6 At the start of the year £5m was invested in property investment funds and no further sums were invested during the year. Investment was spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time. Additional property fund investments may be made in the future as resources become available from asset disposals and other windfalls.
- 1.5.7 In 2019/20 investment in property funds averaged £5.0m and income of £173,977 was received which represents an annualised return of 3.48%.
- 1.5.8 Property funds issue and redeem primary units at a buy and sell price with the difference between the two prices reflecting the costs associated with buying and selling property (legal and other fees, stamp duty etc.). The price spread varies from fund to fund but is typically in the region of 8% (6% on entry to a fund and 2% on exit). Where units are traded on a secondary market the impact of the spread can be reduced and delays in the purchase or redemption of units



avoided. The table below compares the sale value of each investment if sold to the fund manager with the initial purchase price.

<b>Property fund</b> (Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	Purchase price  (a) £	Sale value at date of purchase  (b) £	Sale value March 2020  (c) £	March sale value above (below) purchase price (c-a) £
LAPF (Primary, July 2017)	1,000,000	922,200	938,500	(61,500)
Lothbury (Primary, July 2017)	1,000,000	927,700	939,700	(60,300)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	994,900	(5,100)
LAPF (Primary, June 2018)	1,000,000	922,200	899,900	(100,100)
Lothbury (Secondary, July 2018)	1,000,000	973,000	921,600	(78,400)
Total	5,000,000	4,684,100	4,694,600	(305,400)

1.5.9 Fund capital values rose in 2017/18, were broadly static in 2018/19 and have fallen in 2019/20. The rise and fall mirrors the UK's GDP growth in those years. As a consequence of Covid-19 the UK economy is expected to falter in 2020/21 and further falls in capital values can be expected. Members are reminded that our property fund investments are long term (10 years) and the funds applied to them are not required to meet day to day spending commitments. Capital values are expected to rise over the long term as economic conditions improve.

1.5.10 **Summary.** Investment performance for the year 2019/20 is summarised in the table below:

	2019/20 Average balance  £m	Return  %	2019/20 Interest/ dividends earned £	2019/20 Revised Estimate  £	Variance Better (worse)  £
Cash flow surpluses	19.9	0.76	150,734	125,000	25,734
Core cash	25.1	1.10	275,447	275,000	447
Long term investment	5.0	3.48	173,977	175,000	(1,023)
Total	50.0	1.20	600,158	575,000	25,158

- 1.5.11 The overall performance of the Authority's investments bettered the revised estimates by £25,158 (£117,158 when compared to the 2019/20 original estimates).
- 1.5.12 In finalising the Council's revised estimates the income estimate for cash flow was increased from £114,000 to £125,000; the return from core cash was increased from £169,000 to 275,000; and income from property funds reduced from £200,000 to £175,000.
- 1.5.13 The higher income from core cash, in particular, reflects higher than expected balances due to Valuation Office delays in processing business rate appeals.

## 1.6 Compliance with the Annual Investment Strategy

- 1.6.1 The Annual Investment Strategy aims to limit the Council's exposure to investment risks by prescribing: minimum counter-party credit criteria; maximum exposure limits in respect of sovereigns, counter-parties and group of related counter-party; the type of investment instrument that can be used; and investment duration limits. Throughout the period April 2019 to March 2020 the requirements set out in the Annual Investment Strategy for 2019/20, as approved by Council in February 2019, were complied with. No liquidity issues were experienced resulting in nil borrowing throughout 2019/20.

## 1.7 Treasury and Prudential Codes of Practice

- 1.7.1 Updated Treasury Management and Prudential codes of practice were published by CIPFA on 21 December 2017.
- 1.7.2 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.
- 1.7.3 Council adopted the December 2017 edition of the Codes in October 2018 and the requirements of the Codes have been taken into account and reflected as appropriate in this annual review.
- 1.7.4 The Council has no material non-financial investments. Property funds, as opposed to directly owned property, are used as part of the Council's treasury management activity.

Financial Services  
May 2020

**Prudential and Treasury Indicators**

<b>1 Prudential Indicators</b>	2018/19 Actual £'000	2019/20 Original £'000	2019/20 Actual £'000
Capital expenditure	3,587	5,366	6,407
Ratio of financing costs to net revenue stream	-3.51%	-3.41%	-4.24%
Net borrowing requirement:			
Brought forward 1 April	nil	nil	nil
Carried forward 31 March	nil	nil	nil
In year borrowing requirement	nil	nil	nil
Capital financing requirement as at 31 March	nil	nil	nil
Annual change in capital financing requirement	nil	nil	nil
Incremental impact of capital investment decisions:			
Increase in Council Tax (Band D) per Annum	£0.20	£0.25	£0.25

<b>2 Treasury Management Indicators</b>	2018/19 Actual £'000	2019/20 Original £'000	2019/20 Actual £'000
Authorised limit for external debt:			
Borrowing	nil	5,000	nil
Other long term liabilities	nil	nil	nil
Total	nil	5,000	nil
Operational boundary for external debt:			
Borrowing	nil	2,000	nil
Other long term liabilities	nil	nil	nil
Total	nil	2,000	nil
Actual external debt	nil	nil	nil
Upper limit for fixed rate exposure over one year at year end	nil	0 – 60%	nil
Upper limit for variable rate exposure under one year at the year end	15,411 (42.3%)	40 – 100%	19,610 (49.5%)
Upper limit for total principal sums invested for over 365 days	5,000 (13.7%)	60%	5,000 (12.6%)

<b>3 Maturity structure of new fixed rate borrowing during 2019/20</b>	Upper limit %	Lower limit %
Under 12 months	100	nil
Over 12 months	nil	nil

This page is intentionally left blank

Extract from Revenue & Capital Outturn Booklet presented to Cabinet - 3 June 2020. Costs attributed to banking arrangements and transfers in lieu of interest are excluded.

**DIRECTOR OF FINANCE & TRANSFORMATION**

	ORIGINAL ESTIMATE £	2019/20 REVISED ESTIMATE £	PROVISIONAL OUTTURN £
<b>4 TREASURY MANAGEMENT</b>			
<b>Employees</b>			
Salaries	30,000	29,500	28,564
<b>Supplies &amp; Services</b>			
Treasury Advisor & Dealing Fees	10,700	10,700	10,071
	<hr/>	<hr/>	<hr/>
	40,700	40,200	38,635
<b>Less Income</b>	<hr/>	<hr/>	<hr/>
Interest on:			
Cash Flow Investments	(114,000)	(125,000)	(150,734) a)
Core Cash Investments	(169,000)	(275,000)	(275,447)
Long Term Investments	(200,000)	(175,000)	(173,977)
Other Miscellaneous Interest	(150)	(150)	(85)
	<hr/>	<hr/>	<hr/>
	(483,150)	(575,150)	(600,243)
	<hr/>	<hr/>	<hr/>
<b><u>Sub-total</u></b>	(442,450)	(534,950)	(561,608)
<b>Central, Departmental &amp; Technical Support Services</b>			
Central Salaries & Administration	2,550	2,550	2,400
Information Technology Expenses	300	350	313
Departmental Administrative Expenses	14,050	13,950	14,047
	<hr/>	<hr/>	<hr/>
<b><u>TO SUMMARY</u></b>	(425,550)	(518,100)	(544,848)
	<hr/>	<hr/>	<hr/>
<b>Full Time Equivalent Number of Staff</b> (including Support Service Staff)	0.89	0.85	

a) Reflects higher cash balances due to Valuation Office delays in resolving business rates appeals.

This page is intentionally left blank

## **SEX ESTABLISHMENTS AND SEXUAL ENTERTAINMENT VENUES – POLICY FOR 2020/23**

### **Item LA 20/9 referred from Licensing and Appeals Committee of 15 September 2020**

Further to Minute LA 20/3 of the meeting held on 10 March 2020, the report of the Director of Central Services reminded Members that the sexual entertainment licensing provisions contained in Schedule 3 of the Local Government (Miscellaneous Provisions) Act 1982 had been adopted by the Council in February 2012. A public consultation had been undertaken on the proposed draft Policy on Licensing Sex Shops, Sex Cinemas and Sexual Entertainment Venues for 2020-2023 (set out at Appendix A to the report) and Model Pool of Conditions (Appendix B) but no responses had been received.

**RECOMMENDED:** That the draft Policy on Licensing Sex Shops, Sex Cinemas and Sexual Entertainment Venues 2020-2023 be commended to Council for adoption with effect from 4 January 2021.



**\*Referred to Council**

This page is intentionally left blank



# **TONBRIDGE & MALLING BOROUGH COUNCIL**

## **LICENSING & APPEALS COMMITTEE**

**15 September 2020**

**Report of the Director of Central Services and Monitoring Officer**

### **Part 1- Public**

#### **Matters for Recommendation to Council**

#### **1 SEX ESTABLISHMENTS AND SEXUAL ENTERTAINMENT VENUES - POLICY FOR 2020 - 2023**

##### **1.1 Background**

- 1.1.1 The current Policy on Licensing Sex Shops, Sex Cinemas and Sexual Entertainment Venues was published in 2017 and has a life span of three years.
- 1.1.2 Tonbridge & Malling Borough Council currently has one licensed Sex Shop called Vibez, trading in Aylesford. There are no sexual entertainment venues currently operating within the Borough.
- 1.1.3 Since November 2005, the Licensing Act 2003 has required a wide range of regulated entertainment to be licensed by the Council acting as the Licensing Authority. This includes live and recorded music as well as dancing and dance performances.
- 1.1.4 Members will be familiar with the restrictions in the 2003 Act, which mean that any representation against a Premises licence and Club Premises Certificate can only be based on the four licensing objectives namely:
- The prevention of crime and disorder
  - The prevention of public nuisance
  - The protection of public safety
  - The protection of children from harm
- 1.1.5 Whilst licences can be subject to review procedures, they otherwise continue in force for the life of the business concerned
- 1.1.6 Sex shops and sex cinemas, in contrast, are licensed under the Local Government (Miscellaneous Provisions) Act 1982. This regime gives the Licensing Authority a wider discretion in determining whether to grant or refuse licences (including the statutory grounds for refusal), a power to set a limit on the number of premises that may be suitable for a particular locality, greater flexibility

on applying licence conditions and the ability to accept representations from a wider scope of the community. Sex shop licences are only valid for a year at a time, meaning there is scope for regular review.

- 1.1.7 These concerns were addressed by amending Schedule 3 to the 1982 Act through Section 27 of the Policing and Crime Act 2009. A new class of licensed sex establishment – Sexual Entertainment Venues – was created which required lap dancing venues and similar premises to be licensed under the more flexible 1982 Act rather than under the Licensing Act 2003.
- 1.1.8 In 2011 Tonbridge and Malling Borough Council consulted local residents and businesses on whether the Council should adopt the new powers to regulate sexual entertainment venues contained in Schedule 3 to the Local Government (Miscellaneous Provisions) Act 1982.
- 1.1.9 The overwhelming view of respondents was that the Council should adopt the new provisions. Accordingly, on 23 February 2012 Council resolved to adopt the sexual entertainment licensing provisions contained in Schedule 3 to the Local Government (Miscellaneous Provisions) Act 1982. These adopted provisions came into effect on 1 June 2012.
- 1.1.10 The decision to adopt the new provision only related to relevant adult entertainment. Any other licensable activity at a venue such as alcohol sales and late night refreshment remains licensable under the Licensing Act 2003.
- 1.1.11 The provisions of Schedule 3 to the 1982 Act allow -
  - Local people to oppose an application for a sexual entertainment venue if they have legitimate concerns that it would be inappropriate given the character of an area, for example, if the area was primarily a residential area. An objection cannot however be made on purely moral or religious grounds.
  - Local authorities to decide whether or not to set a limit on the number of sex establishments of a particular type in a locality, as well as the number of sex establishment generally. The limit for a particular locality may be set as nil, but it is however unlikely that a local authority could set the limit as nil for the whole of its area without running the risk of judicial review.

## **1.2 Development of the Statement of Licensing Policy**

- 1.2.1 The Tonbridge and Malling Borough Council's Statement of Licensing Policy was developed in close conjunction with the other local authorities in Kent. This was achieved via the mechanism of the Kent and Medway Regulatory Licensing Steering Group.

- 1.2.2 The current policy has been developed taking full account of the requirements of the legislation and guidance so as to minimise the prospect of future judicial review.
- 1.2.3 The aim of the joint working group was to promote consistency to the benefit of Licensees, potential licensees, businesses, residents and to regulatory agencies such as the police.
- 1.2.4 The draft policy is attached as **Appendix A** to this report. Members will note that the policy includes a Model Pool of Conditions (**Appendix B**) which, whilst not exhaustive, will, it is hoped, guide both applicants and the public regarding what would generally be expected from anyone seeking a sex establishment licence from this authority.
- 1.2.5 The policy provides that each application will be judged on its own merits but taking into account the various criteria laid out within the policy document. In this way each application will be considered as to whether it is suitable given the nature of the particular locality in question.

### **Consultation**

The proposed timetable for consultation in respect of the policy was:

- Licensing and Appeals Committee – 10<sup>th</sup> March 2020
- Public Consultation – 23<sup>rd</sup> March 2020 – 21<sup>st</sup> June 2020
- Licensing and Appeals Committee 15<sup>th</sup> September 2020
- Full Council – 27<sup>th</sup> October 2020
- New policy comes into force – 4 January 2021

- 1.2.6 We have received no return from the consultation.

### **1.3 Legal Implications**

- 1.3.1 There is no statutory requirement to have a licensing policy for sex establishments. However, it is considered best practice and also a modern, effective policy document will ensure that the trade and public alike will have a document that fully explains the elements of the regulatory process. This will include the principles to be applied when considering applications for sex establishments, the application process itself and the grounds for objection, refusal, the hearings procedure and the grounds for appeal.
- 1.3.2 Any criteria applicable to applications for sex establishments must meet the requirements of the Provision of Services Regulations 2009. It is considered that the draft policy complies with these regulations.

## **1.4 Financial and Value for Money Considerations**

- 1.4.1 There are no statutory fees for sex establishments or sexual entertainment venues. The level of fee is therefore at the discretion of the Licensing Authority, subject of course to the general principle that the income generated should not exceed the costs of providing the service.
- 1.4.2 The current licence fee for a sexual entertainment venue is £2,000.

## **1.5 Risk Assessment**

- 1.5.1 The introduction of a policy should provide a transparent and consistent basis for decision making. This in turn should reduce the risks of decisions being challenged in the Courts.

## **1.6 Equality Impact Assessment**

- 1.6.1 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.

## **1.7 Recommendations**

- 1.7.1 Members are **RECOMMENDED:**

That the draft Statement of consultation, attached as **Annex A** be commended to Council for adoption.

Background papers:

contact: Anthony Garnett

Schedule 3 of the Local Government (Miscellaneous Provisions) Act 1982  
Licensing Act 2003

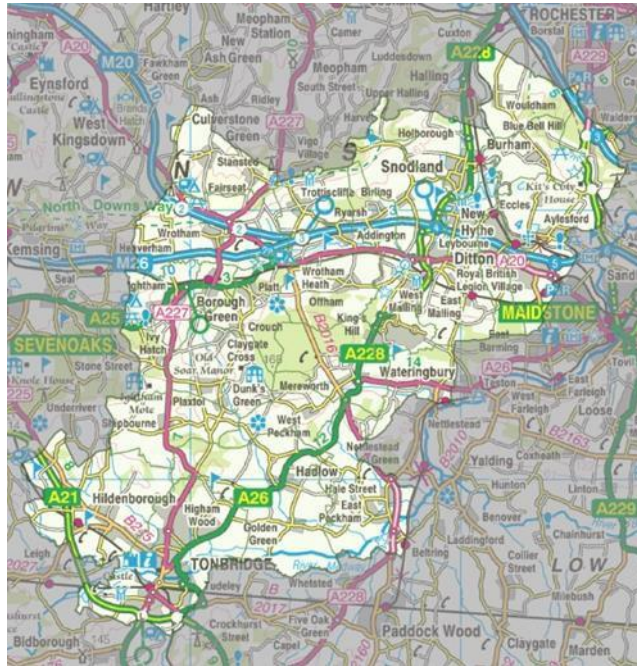
Adrian Stanfield  
Director of Central Services and Monitoring Officer

Draft

Tonbridge & Malling Borough Council's Policy on  
Licensing Sex Shops, Sex Cinemas and Sexual  
Entertainment Venues  
2017 - 2020

## 1. Introduction

- 1.1. Tonbridge and Malling Borough Council lies in the heart of Kent and is an area of variety and historical interest. The Council is made up of 54 borough councillors (members) representing the 26 wards in the borough.



The borough of Tonbridge and Malling lies in the heart of Kent and is an area of variety and historical interest. The borough is largely rural with few large settlements; Tonbridge in the south being the largest. The remainder of the borough is dotted with villages and smaller towns.

Industry and commerce are concentrated around Tonbridge, Aylesford, Ditton, Larkfield and Snodland. Mineral extraction has been carried out in the area for many years. Paper and packaging mills, distribution, general and light industry and many small

businesses make up the industrial scene. The borough is a popular area for office location and high tech development, particularly at the Kings Hill business and residential community

## 2. Overview

- 2.1. Tonbridge and Malling Borough Council consulted local residents and businesses on whether the Council should adopt the new powers to regulate sexual entertainment venues contained in Schedule 3 of the Local Government (Miscellaneous Provisions) Act 1982 ('the 1982 Act') between the 1 September 2011 and 14 October 2011.
- 2.2. The overwhelming view expressed by respondents was that the Borough Council should adopt the new provisions. Accordingly, the sexual entertainment licensing provisions contained in the 1982 Act were adopted at Full Council on Thursday 23 February 2012. These provisions came into effect on 1 July 2012.
- 2.3. Premises for which a sexual entertainment venue licence is required or held (or for which the requirement has been waived under paragraph 7 of Schedule 3 to the

1982 Act do not also require a premises licence, club premises certificate or temporary event notice in order to provide relevant entertainment. This is because such entertainment is expressly excluded from the definition of regulated entertainment found in the Licensing Act 2003. However, if the premises also carries on other licensable activities (e.g. the sale of alcohol or the provision of regulated entertainment then this is not a provision of relevant entertainment), they will nevertheless continue to require a premises licence, club premises certificate or temporary events notice under the Licensing Act 2003 for those other activities, subject to any exceptions contained in that Act.

- 2.4. In practice this will mean that the vast majority of lap dancing clubs and similar venues will require both a sexual entertainment venue licence for the provision of relevant entertainment and a premises licence or club premises certificate for the sale of alcohol or provision of other types of regulated entertainment not covered by the definition of relevant entertainment.
- 2.5. Live music or the playing of recorded music which is integral to the provision of relevant entertainment, such as lap dancing, for which a sexual entertainment licence is required, is specifically excluded from the definition of regulated entertainment in the Licensing Act 2003. Therefore, a sexual entertainment venue will not require a premises licence or club premises certificate just because it plays recorded music for a performer to dance nor will providing entertainment facilities for the purposes of the provisions of relevant entertainment be regulated entertainment under the Licensing Act 2003.

### **3. Policy**

- 3.1. The purpose of this policy is to:
  - Set out the expectations of Tonbridge and Malling Borough Council in relation to the licensing of sexual entertainment venues, sex shops and sex cinemas
  - The process for making an application
  - The process the Council will follow in considering and determining an application.
  - Assist any persons making representations in respect of an application to make a properly directed and evidenced representation.
- 3.2. Notwithstanding this policy, each application will be assessed on its individual merit. Whilst this policy will set out the broad scope of the Council's expectations, it should not be seen as restricting or predetermining the outcome of any application or representation in respect of the licensing of any premises.

#### **4. Definitions**

4.1. For the purpose of this policy the following definitions (as set out in the 1982 Act) will apply:-

##### **4.2. Sex Shop**

Any premises, vehicle, vessel or stall used for a business which consists to a significant degree of selling, hiring, exchanging, lending, displaying or demonstrating sex articles (anything for use in connection with or for stimulating or encouraging sexual activity or acts of force or restraint which are associated with sexual activity) or other things intended for use in connection with, or for the purpose of stimulating or encouraging sexual activity or acts of force or restraint which are associated with sexual activity.

##### **4.3. Sex Cinema**

Any premises, vehicle, vessel or stall used to a significant degree for the exhibition of moving pictures, by whatever means produced which are concerned primarily with the portrayal of, or primarily deal with or relate to, or are intended to stimulate or encourage sexual activity, acts of force or restraint which are associated with sexual activity or are concerned primarily with the portrayal of or primarily deal with or relate to, genital organs or urinary or excretory functions but does not include a dwelling to which the public is not admitted.

##### **4.4. Sexual Entertainment Venue**

Any premises at which relevant entertainment is provided before a live audience for the financial gain of the organiser or the entertainer.



## **5. Relevant Entertainment**

- 5.1. Any live performance or any live display of nudity which is of such a nature that, ignoring financial gain, it must reasonably be assumed to be provided solely or principally for the purpose of sexually stimulating any member of the audience (whether by verbal or other means).
- 5.2. The following forms of entertainment will therefore fall within the definition of 'regulated entertainment',:-
- Lap Dancing
  - Pole Dancing
  - Table Dancing
  - Strip Shows
  - Peep Shows
  - Live Sex Shows
- 5.3. However, this list is not exhaustive and Tonbridge and Malling Borough Council will judge each case on its merits. Decisions will be based on the content of the entertainment provided and not the name given to it.

## **6. Exemptions from being a sexual entertainment venue**

- 6.1. The following are not sexual entertainment venues for the purposes of this policy:-
- (a) sex cinemas and sex shops
  - (b) premises at which the provision of relevant entertainment is such that, at the time in question and including any relevant entertainment which is being so provided at that time
    - (i) there have not been more than eleven occasions on which relevant entertainment has been provided which fall (wholly or partly) within the period of 12 months ending with that time
    - (ii) no such occasions has lasted for more than 24 hours and
    - (iii) no such occasion has begun within the period of one month beginning with the end of any previous occasion on which relevant entertainment has been so provided (whether or not that previous occasions falls within the 12 month period mentioned in subparagraph (i)).
- 6.2. Premises which fall under this exemption created for infrequent entertainment do not require a sexual entertainment licence but will instead need an appropriate authorisation under the Licensing Act 2003. For example, to cover the performance of dance.

- 6.3. Operators are encouraged to maintain written records of any relevant entertainment that falls within the exemption. This will enable the Licensing Authority to verify whether the venue falls within the permitted exemption.
- 6.4. Any records should contain information of the date, times of the event and those persons who have participated in the relevant entertainment, which includes performers, security, management and bar staff. If tickets are sold then details should be recorded of the number of tickets sold at each event.

## **7. Nudity**

- 7.1. Schedule 3 of the 1982 Act sets out the definition of a display of nudity:
- In the case of a woman, it means exposure of her nipples, pubic area, genitals or anus and
  - in the case of a man it means exposure of his pubic area, genitals or anus

## **8. Spontaneous Entertainment**

- 8.1. Where activities that would otherwise be considered to involve the provision of relevant entertainment take place, but are not provided for the financial gain of the organiser or entertainer, such as a spontaneous display of nudity or a lap dance by a customer or guest, the premises will not be considered a sexual entertainment venue by virtue of those circumstances alone. This is because the relevant entertainment must be provided for the financial gain of the organiser or entertainer. However, it should be noted that an organiser might be considered to have provided the entertainment where he has permitted the activity to take place, whether expressly or impliedly.

## **9. The Organiser**

- 9.1. Any person who is responsible for the organisation or management of the relevant entertainment at a premises at which relevant entertainment is provided. In most circumstances, this will refer to the manager of the premises, but could also refer to someone who is responsible for organising the relevant entertainment on behalf of the persons responsible for the management of the premises.
- 9.2. The organiser must be someone who is in a position of responsibility over the provision of the relevant entertainment and should not be interpreted to mean a member of staff who is merely employed to work during the provision of relevant entertainment. It is only necessary for one person to hold a sexual entertainment venue licence for premises, even if there is more than one person who is responsible for the organisation or management of the relevant entertainment or the premises.

## **10. Planning**

- 10.1. Applicants are encouraged to ensure that the proposed activity will constitute a lawful planning use and the hours sought do not exceed those authorised by any planning permission. Where the hours authorised by the relevant planning permission are different to the licensing hours for those premises, the applicant must observe the earlier closing time. Premises operating in breach of their planning permission would be liable to enforcement action under planning law.
- 10.2. Failure to obtain planning permission (where required) is not a ground for refusal of the grant of an application under the 1982 Act and such a failure to obtain planning permission will be dealt with as part of the planning process.
- 10.3. The Borough Council will not normally consider planning matters such as 'need' in determining a licence application as this is more appropriately dealt with by the planning process.

## **11. European Convention on Human Rights**

- 11.1. The Human Rights Act 1998 incorporates the European Convention on Human Rights (ECHR) and makes it unlawful for a local authority to act in a way which is incompatible with a convention right. The Council will have regard to the Human Rights Act when exercising its licensing functions, with particular reference to the following relevant provisions of the European Convention on Human Rights.

**Article 6** – in the determination of civil rights and obligations every person is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal established by law

**Article 10** – freedom of expression

**Article 1 of the First Protocol** – every person is entitled to the peaceful enjoyment of his or her possessions

## **12. Locality, Character and Layout**

- 12.1. Paragraphs 12 (3) (c) and 12 (3) (d) of Schedule 3 allow appropriate authorities to refuse applications on grounds related to an assessment of the relevant locality. A licence can be refused if either, at the time the application is determined the number of sex establishments or sex establishments of a particular kind, in the relevant locality is equal to or exceeds the number that the authority considers appropriate for that locality; or that a sex establishment would be inappropriate having regard to the character of the relevant locality, the use to which any premises in the vicinity are put or to the layout, character or condition of the premises in respect of which the application is made.

12.2. Schedule 3 to the 1982 Act defines 'relevant locality' as follows:

- In relation to premises the locality where they are situated
- In relation to a vehicle, vessel or stall, any locality where it is desired to use it as a sex establishment.

12.3. Once the Borough Council has determined the relevant locality, it will seek to make an assessment of the 'character' of the relevant locality and how many, if any, sex establishments, or sex establishments of a particular kind, it considers appropriate for that relevant locality. The Council may consider a particular locality is suitable for a sex shop but is not suitable for a sexual entertainment venue or vice versa.

12.4. The Borough Council has determined not to set specific relevant localities in respect of each type of sex establishment, instead judging each application it receives on its own individual merits.

12.5. In licensing of sexual entertainment venues the Borough Council will consider the impact of such premises and their operation on the vicinity. This will include:

- The likely effects of any increased footfall or vehicular traffic
- Any advertising or displays of an erotic or pseudo-erotic nature
- The type of location (residential, commercial, industrial)
- The vicinity of establishments whose patrons are likely to be effected by the operation of the premises
- The proximity of residential premises, including any sheltered housing and accommodation for vulnerable people
- The proximity of educational establishments to the premises
- The proximity of places of worship to the premises
- Access routes to and from schools, play areas, nurseries, children's centres or similar premises in proximity to the premises
- The proximity to shopping centres
- The proximity to community facilities/halls and public buildings such as swimming pools, leisure centres, public parks, youth centres/clubs (this list is not exhaustive)
- The proximity to historic buildings and tourist attractions
- Localities where the cumulative impact of the venue, taken with other licensed premises or commercial interests, is likely to have an adverse effect on crime and disorder and public nuisance
- The nature and concerns of any objections received from residents or businesses
- Any evidence of complaints about noise and/or disturbance caused by the premises
- The proximity of other sex establishments

- 12.6. When considering an application for the grant, renewal, variation or transfer of a licence the Council will also take into account the following
- The type of activity to which the application relates
  - The duration of the proposed licence
  - The days and hours of operation of the activity
  - The layout and condition of the premises
  - The use to which other premises in the vicinity are put
  - The levels of crime and disorder in the area.
- 12.7. Sex establishments should not be functionally visible to passersby on retail thoroughfares or pedestrian routes. In more sensitive locations applicants should consider whether it would be appropriate to locate such premises at basement level or locate entrances away from retail thoroughfares or busy pedestrian routes.

### **13. Waivers**

- 13.1. The Borough Council may waive the need for a sex entertainment venue licence under certain circumstances.
- 13.2. An applicant can apply for a waiver either as part of the application for a licence or separately. The Borough Council may grant a waiver if they consider that to require a licence would be unreasonable or inappropriate. . The waiver may last for such a period that the Borough Council think fit, but can be terminated by the Council at any time with 28 days notice.
- 13.3 The Borough Council will consider waiver applications on an individual basis.

### **14. Application Process**

- 14.1. The Borough Council may impose restrictions on the licence or to place conditions on the licence. Where such restrictions or conditions are applied, the Borough Council will ensure that they are necessary, reasonable and proportionate to achieve the objectives of any primary legislation, in particular the 1982 Act and any subsequent, relevant legislation.
- 14.2. The Borough Council will consider
- The locality, character and layout of the premises including access
  - The times of operation
  - The suitability of the applicant
  - The cumulative impact of the premises when taken together with other licensed premises in the locality.
  - The management procedure in place to ensure the premises is operated in a way conducive to the area.

The above list is not exclusive, and the Borough Council may consider other factors where relevant to the particular application

- 14.3. Applications for licences for sex shops, sex cinemas and sex entertainment venues must be made on the prescribed form and accompanied by
- (i) the relevant fee;
  - (ii) A site plan of radius of  $\frac{1}{4}$  of a mile (scale 1:500) clearly showing the locality in which the proposed sexual entertainment venue will be situated. The plan should clearly identify the proposed sexual entertainment venue marking the site/premises boundary with a red line and define other types of businesses and residential properties around the site as listed at 12.5;
  - (iii) A plan of the premises (scale 1:100) showing the part(s) of the premises that it is proposed to licence as a sexual entertainment venue. All areas requiring to be licensed should be outlined in red on the plan. If a part of the premises is within a licensed premises under the Licensing Act 2003 which will have a dual purpose then the plan should show the site where facilities for the public are shared such as toilets and bar
- 14.4. The plan of the premises must show the position of all CCTV cameras. All such cameras must be approved by Kent Police and be operated in accordance with the CCTV code of practice.
- 14.5. Plans may be considered in other scales with prior agreement with the Borough Council.
- 14.6. Applicants must give public notice of the application by publishing an advertisement in a local newspaper that is circulated in the area of Tonbridge and Malling no later than 7 days after the date the application is made.
- 14.7. Applicants must display a notice of the application on or near the premises in a place where it can be conveniently read by members of the public. The notice must be displayed for a period of 21 days beginning with the date the application was made.
- 14.8. All notices should be in the form prescribed (**Appendix B**) and identify the premises or, if the application relates to a vehicle, vessel or stall, specify where it will be used as a sex establishment.
- 14.9. The applicant must serve the application on Chief Officer of Police at Tonbridge Station no later than 7 days after the date of application.

14.10. In determining an application the Borough Council shall have regard to all relevant considerations, including any comments made by:

- Police
- Fire Authority
- Planning and Building Control
- KCC Safeguarding Children Board
- UK Border Agency
- Environmental Health (Environmental Protection and Food and Safety)
- Councillors
- Interested Parties (local residents/businesses)

14.11. Officers from any of these authorities may inspect the premises to ensure that the required technical standards are met.

14.12. The Borough Council will not determine an application for the grant of a licence, unless, the applicant allows an authorised officer a reasonable opportunity to enter the proposed sex establishment to make such examination and enquiries as may be necessary to determine the suitability of the applicant and the premises.

## **15. Objections**

15.1. Any person can object to an application.

15.2. Objections cannot be based on purely moral grounds/values or religious grounds as the legislation specifically prohibits this. Any objections on this basis will be refused or disregarded if presented with other reasons for objection.

15.3. Objections to the application must be made in writing and be received by the Borough Council within 28 days of the application being made. The objection must state in general terms the grounds of the objection.

15.4. The general terms of any objection will be provided to the applicant prior to the determination of the application. However, the Council will not without the consent of the objector reveal his/ her name or address to the applicant.

## **16. Conditions**

16.1. The Borough Council may attach conditions to a licence. To assist applicants the Licensing Authority has formulated a pool of conditions (**appendix A**) in respect of each type of licensed premises. However this list is not exhaustive and is merely to give an indication of what may be considered in respect of a n y individual application.

- 16.2. Some of the conditions will be placed on the particular type of establishment as mandatory conditions and others may be applied only where a perceived necessity exists and in a manner that is both proportionate and reasonable to promote a safe and well managed venue. Each case will be dealt with on its individual merits.
- 16.3. Whilst conditions or restrictions may be imposed in relation to any matter (other than any matter in relation to which requirements or prohibitions are or could be imposed by or under the Regulatory Reform (Fire Safety) Order 2005) it is likely that the conditions or restrictions will be attached in respect of the following areas:
- Hours of opening and closing
  - Visibility of the interior of the premises
  - Displays or advertisements
  - Any change to the type of premises
  - Minimum distance between audience and performers
  - The control of access to changing room facilities
  - The control of private viewings

## **17. Hearings**

- 17.1. Under paragraph 10 (19) of Schedule 3, before refusing an application, renewal or application to transfer a licence all applicants will be given the opportunity to appear before and be heard by the Licensing & Appeals Panel that is responsible for determining the application.
- 17.2. Whilst Schedule 3 does not make explicit provision for objectors to be heard, the Council believes it right to offer an oral hearing to objectors. This does, however remain within their discretionary powers. Although a local authority is under a duty to consider any objection made within 28 days of the application, it has discretion to hear later objections provided the applicant is given the opportunity to deal with those objections.
- 17.3. Persons making written objections will also be informed of the date and time of the Licensing & Appeals Panel hearing where they will be invited to address the committee and ask questions relating to the application.
- 17.4. All objectors and applicants are reminded that they can if they wish be legally represented at their own expense at the hearing. Alternatively they may if they wish ask a Councillor to represent them.
- 17.5. All parties may use witnesses and supporting documentation however, copies of documents and details of witnesses must be submitted to the Borough Council for



consideration prior to the hearing and in exceptional circumstances with approval of all parties at the hearing.

- 17.6. The Licensing & Appeals Panel will consider all the evidence presented to it during the hearing and members may ask questions of officers, applicant and objectors. After the evidence has been presented all parties will be asked to leave to allow for the Licensing Sub-Committee to come to a decision on the application.
- 17.7. When a decision is reached the Licensing & Appeals Panel will inform the applicant and relevant parties of their decision and the reasons for coming to that particular decision.
- 17.8. The decision of the Licensing & Appeals Panel will be confirmed, in writing, to the parties within 5 working days of the meeting at which the application was considered giving reasons for the decision.

## **18. Refusal of a Licence**

- 18.1. Paragraph 12 of Schedule 3 sets out the grounds for refusing an application for the grant, renewal or transfer of a licence. A licence **must not** be granted:
  - To a person under the age of 18
  - To a person who is for the time being disqualified due to the person having had a previous licence revoked in the area of the appropriate authority within the last 12 months
  - To a person other than a body corporate who is not resident in an European Economic Area (EEA) State or was not so resident throughout the period of six months immediately preceding the date when the application was made or
  - To a body corporate which is not incorporated in an EEA State or
  - To a person who has within a period of 12 months immediately preceding the date when the application was made, been refused the grant or renewal of a licence for the premises, vehicle, vessel or stall in respect of which the application is made, unless the refusal has been reversed on appeal.
- 18.2. A licence may be refused where
  - The applicant is unsuitable to hold the licence by reason of having been convicted of an offence or for any other reason
  - If the licence were to be granted, renewed or transferred the business to which it relates would be managed by or carried on for the benefit of a person, other than the applicant, who would be refused the grant, renewal or transfer of such a licence if he made the application himself

- The number of sex establishments or of sex establishments of a particular kind, in the relevant locality at the time the application is determined is or exceeds the number which the authority considers is appropriate for that locality
- That the grant or renewal of the licence would be inappropriate, having regard to the character of the relevant locality or to the use to which any premises in the vicinity are put or to the layout, character of the premises, vehicle, vessel or stall in respect of which the application is made.

18.3. In making any determination to refuse an application, renewal or transfer the local authority will give consideration to:

**a) Unsuitability of applicant**

In determining the suitability or otherwise of an applicant the local authority may consider

- previous experience of the applicant
- any evidence of the operation of any existing/previous licence held by the applicant, including any licence held in any other local authority area
- any report about the applicant and management of the premises received from objectors
- any previous convictions and in particular those that have been imposed in respect of offences involving violence, dishonesty, or a breach of the requirements of the legislation covering the type of establishment in respect of which the application is made.

**b) Business carried out on behalf of a person who would be refused**

The Borough Council takes a serious view of any application that seeks to subvert the underlying principals of the Act. Where it is considered that the applicant is effectively operating the business on behalf of a person who would, for whatever reason be refused or disqualified from the grant of a licence due to the mandatory or discretionary grounds for refusal there will be a presumption towards refusal unless overwhelming reasons are accepted for the contrary decision to be made.

**c) The application exceeds the limit set on the number of the specific type sex establishment in an area**

Tonbridge and Malling Borough Council has not set a limit on the number of establishments of a specific type that will be permitted within any particular locality. In deciding whether to allow the application the authority will have consideration to:

- Any nuisance associated with the premises or the activities undertaken thereon

- The possibility of children or other vulnerable persons being harmed or exploited by the provision of sexual entertainment or the operation of sex shops or sex cinemas
- The potential of the activities associated with the operation of the premises being a source of crime and disorder, being associated with crime or being used to support crime.
- Any other reason including the existence of a police caution, representations from the police or by other enforcement agencies in relation to crime and disorder.

This list is not exhaustive

**d) The grant of the licence would be inappropriate**

In deciding whether the grant of a licence is appropriate the Borough Council will consider the type of area in which it is intended to site the premises and the hours during which it is intended to operate. The Council is also likely to consider:

- The proximity to other premises/ establishments (please see list at 12.5)
- Whether the area is predominantly residential rather than commercial in nature and premises may cause disturbance to local community.
- Whether management systems are suitable to ensure the safety of performers, customers and staff.

Again, this list is not exhaustive

## **19. Duration of Licences**

19.1. Licences for sex establishments will be granted for up to one year.

## **20. Renewal of Licence**

It will be the applicant's responsibility to apply for the renewal of the licence in good time (not less than 6 weeks) prior to the expiry of the existing licence. In the event that no application is made prior to the expiry of the existing licence the licence shall cease to remain in force, and a new application will be required.

## **21. Appeals**

- 21.1. Section 27 of Schedule 3 to the 1982 Act permits appeals against the decision of the Council in relation to sexual entertainment venues. Appeals will be heard in the first instance by the Magistrates Court. An appeal must be made to the Magistrates Court within 21 days of notification of the decision of the Licensing & Appeals Panel.
- 21.2. An appeal can be made in the following circumstances:-
- By an applicant for the grant, renewal or transfer of a licence whose application is refused
  - By an applicant for the variation of terms, conditions or restrictions on or subject to which the licence is held whose application is refused
  - The holder of any such licence who is aggrieved by any term, condition or restriction on or subject to which the licence is held
  - The holder of any such licence whose licence is revoked
- 21.3. There is no right of appeal for objectors.
- 21.4. There is no right of appeal against refusal on the ground that there are sufficient sex establishments in the locality or that to grant would be inappropriate having regard to the character of the locality, use of premises in the vicinity and the layout, character, condition and location of the premises.

**TONBRIDGE AND MALLING BOROUGH COUNCIL**

**STANDARD TERMS, CONDITIONS & RESTRICTIONS RELATING TO SEX ESTABLISHMENTS**

These terms, conditions and restrictions apply to the licences for sex establishments granted, renewed or transferred by the Council under the provisions of Schedule 3 to the Local Government (Miscellaneous Provisions) Act 1982.

**Definitions**

Save where the context otherwise requires, the following expressions shall have the following meanings:-

- i) “Sex Establishments”, “Sex Cinema”, “Sex Shop”, “Sex Article”, “Sexual Entertainment Venues” and “relevant entertainment and nudity” shall have the meanings ascribed to them in the Third Schedule of the Local Government (Miscellaneous Provisions) 1982 as amended.
- ii) “Premises” means a building or part of a building and any forecourt, yard or place of storage used in connection with a building or part of building, which is subject of a licence for a sex establishment granted under the Third Schedule.
- iii) “Approval of the Council” or “Consent of the Council” means the approval or consent of the Council in writing.
- iv) “Approved” means approved by the Council in writing.
- v) “The Council” means the Tonbridge and Malling Borough Council.

**General**

The following terms, conditions and restrictions are applicable to all sex establishment licences. In the event of a conflict between these and any special conditions contained in a licence relating to a sex establishment the special condition shall apply.

The grant of a licence for a sex establishment shall not be deemed to convey any approval or consent which may be required under any other enactment by law or regulation other than the Third Schedule to the Local Government (Miscellaneous Provisions) Act 1982 as amended.

## **Sex Shops**

### **Times of Opening**

#### **Condition 1**

Except with the previous consent of the Council the premises shall not open to the public before 9.00am and shall not be kept open after 6.00pm

Except with the previous consent of the Council, the sex establishment shall not open on Sundays or any other Bank Holidays or any Public Holidays.

A notice displaying the times when the premises are open or closed shall be displayed on the entrance to the premises in a form and manner approved by the Council.

### **Conduct and Management of Premises**

#### **Condition 2**

Where the Licensee is a body corporate or an unincorporated body, any change of director, company secretary or other person responsible for the management of the body is to be notified in writing to the Council within 14 days of such change and such written details as the Council may require in respect of any new director, secretary or manager, are to be furnished within 14 days of a request in writing from the Council.

#### **Condition 3**

The Licensee or some responsible person nominated by him in writing for the purpose of managing a sex establishment in his absence and whom details (including photographs) have been supplied to and approved in writing by the Council, shall be in charge of and upon the premises during the whole time they are open to the public.

#### **Condition 4**

The holder of the licence shall keep exhibited in a suitable place within the shop premises, so that it can be easily seen by premises users, a copy of the licence and any conditions and regulations made and they shall be readily available for inspection by any of the following officers:-

- a) Duly authorised officer of the Tonbridge and Malling Borough Council
- b) Police Officer, and
- c) Officer of the Fire Authority

#### Condition 5

The name of the person responsible for the management of the sex establishment being either the Licensee or a manager approved by the Council, shall be prominently displayed within the sex establishment throughout the period during which he is responsible for its conduct.

#### Condition 6

The Licensee shall retain control over all portions of the premises and shall not let, licence or part with possession of any part of the premises.

#### Condition 7

The Licensee shall maintain good order in the premises at all times and shall ensure that persons entering or leaving the licensed premises conduct themselves in an orderly manner and do not in any way cause annoyance to residents and persons passing by.

#### Condition 8

No person under the age of 25 shall be permitted entry to the premises and no person under the age of 18 or be employed in the business of sex establishments.

#### Condition 9

The Licensee shall ensure that the public are not admitted to any part or parts of the premises other than those which have been approved by the Council.

#### Condition 10

The Licensee shall ensure that no part of the premises shall be used by prostitutes (Male or Female) for soliciting or for any immoral purpose.

#### Condition 11

Neither the Licensee nor any employee or other person shall seek to obtain custom for the sex establishment by means of the personal solicitation outside or in the vicinity of the premises.

#### Condition 12

The Licensee shall ensure that during the hours the sex establishment is open for business, every employee wears an identifying badge, of a type approved by the Council, indicating his name and that he is an employee.

### Condition 13

No refreshment of any kind shall be provided nor any consumed on the licensed premises other than for any bona fide staff in a part of the premises not open to the public.

### **Use of the Premises**

### Condition 14

The sex shop shall be conducted primarily for the purpose of the sale of goods for retail and change of use of any portion of the premises from that licensed by the Council, shall not be made until the consent of the Council has been obtained thereto.

### Condition 15

No change from a sex cinema or sexual entertainment venue to a sex shop or from a sex shop to a sex cinema or sexual entertainment venue shall be effected without the consent of the Council and neither sex articles nor other things intended for use in connection with, or for the purpose of stimulating or encouraging sexual activity or acts of force or restraint which are associated with sexual activity shall be sold, hired, exchanged, loaned or demonstrated in a sex cinema or sexual entertainment venue.

### **Goods available in sex establishments**

### Condition 16

All sex articles and other things displayed for sale, hire, exchange or loan within the sex shop, shall be clearly marked to be shown to the persons who are inside the sex shop the respective charge being charged.

### Condition 17

All printed matter for sale, hire, exchange or loan shall be available for inspection prior to purchase, and a notice to this effect is to be prominently displayed within the sex establishment.



### Condition 18

No film or video shall be exhibited, sold or supplied unless it has been passed by the British Board of Film Classification or such other authority performing a similar scrutinising function as may be notified to the licensee by the Council and bears a certificate to that effect and is a reproduction authorised by the owner of the copyright of the film or video so certified.

- a) The screen of any equipment used should be no more than 12 inches and placed in such a position so as not to be visible to the public outside the premises.
- b) The screen shall be placed in such a position approved by the Council.
- c) Only videos of clips of other videos for advertising purposes shall be shown and no individual clip shall be shown for longer than three minutes.
- d) No film or video will be shown in its entirety.
- e) Films will not be shown at the customer's request.
- f) All trailers shown are to be approved by the British Board of Film Classification
- g) A warning notice will be placed on the screen stating "For staff use only" or "No customers allowed to operate".

### **External Appearances**

#### Condition 19

No advertisement, words, letter, model, sign, placard, board, notice, device, representation, drawing, writing or any other matter or thing (whether illuminated or not) shall be exhibited so as to be visible from the outside of the premises except:- (i) Any notice of a size and in the form approved by the Council which is required to be displayed so as to be visible from outside the premises by law, or by any condition of a licence by a Council.

Such display, advertisement, word, letter, model, sign, placard, notice, device, representation, drawing, writing or any matter or thing as shall have been approved by the Council.

No merchandise shall be displayed in any window which can be seen by any person walking pass the external parameter of the building.

#### Condition 20

A prominent clear notice shall be displayed at each entrance to the premises advising customers that no person under 25 will be admitted and they may be asked to produce evidence of their age.

Suggested notice 'PERSONS UNDER 25 CANNOT BE ADMITTED TO THESE PREMISES'

#### Condition 21

The entrance doors to the premises shall be obscured, screened or arranged so as to effectively prevent the interior of the premises being seen by passers by.

The obscuration, screening or other arrangements shall be to the satisfaction of and approved by the Council.

#### Condition 22

- (a) The windows of the licensed premises fronting the pavement shall not be as obscured other than with the consent of the Council, but shall have suspended behind them, in a position and attitude approved by the Council, such opaque blinds or screen or such other arrangements as approved by the Council.
- (b) This condition shall not be construed as lessening any obligation of the Licensee under Licence Condition 21.
- (c) Any such special precautions as may be necessary shall be taken to maintain the screening of the shop window during any cleaning process.

### **State, Condition and Layout of the Premises**

#### Condition 23

The premises shall be maintained in good repair and condition throughout, including the front fascia of the shop and entrance to the satisfaction of the Council.

#### Condition 24

Lighting in all parts of the premises shall be to a level approved by the Council and shall be in operation continuously during the hours when the sex establishment is open to the public.

#### Condition 25

The number, size and position of all doors or openings provided for the purpose of the ingress and egress of the public shall be approved by the Council and shall comply with the following requirements:-

- (i) All such doors or openings approved by the Council shall be clearly indicated on the inside by the word "Exit" or "Fire Exit".
- (ii) Doors and openings that lead to parts of the premises to which the public are not permitted to have access, shall have notices placed over them marked "Private – no access to the public".
- (iii) Save in the case of emergency no access shall be permitted through the premises adjoining or adjacent.

#### Condition 26

The external door/doors to the sex establishment shall be fitted with a device to provide for their automatic closure and such device shall be maintained in good working order.

#### Condition 27

Alterations or additions either internal or external, whether permanent or temporary to the structure, lighting or layout of the premises, shall be made except with the prior approval of the Council.

#### Condition 28

All parts of the premises shall be kept in a clean and wholesome condition to the complete satisfaction of the Council.

### **Safety**

#### Condition 29

The Licensee shall take all reasonable precautions for the safety of the public and employees.

#### Condition 31

The Council reserves the right after grant, renewal or transfer of this licence at any time to dispense with or modify or relax any of these terms, conditions and restrictions and to make such additional terms, conditions and restrictions as they may deem requisite to meet the circumstances of any particular case

### Condition 32

The licence may be revoked by the Council if at any time the holder is convicted of any offence of using the licensed premises, or other premises for which a similar licence has been granted other than in accordance with the terms, conditions or restrictions of the licence or is convicted of any offence under any enactment defined in Paragraph 1 of Schedule 3 to the Local Government (Miscellaneous Provisions) Act 1982.

## **Sex Cinemas**

### **Film Categories**

#### Condition 1

The categories U, PG, 12, 15, 18 and restricted 18 have the following effect:

- U—Universal - suitable for all
- PG — Parental Guidance — some scenes may be unsuitable for young children
- 12 — Passed only for persons of 12 years and over
- 15 — Passed only for persons of 15 years and over
- 18 — Passed only for persons of 18 years and over
- Restricted 18 - Passed only for persons of 18 or over who are members (or their guests) of a properly constituted club.

### **Unclassified Films**

#### Condition 2

The licensee must notify the Council in writing no later than twenty-eight days prior to exhibiting any other film that has not been classified as specified in the film categories. Such a film may only be exhibited if the Council's gives written consent prior to the event and must comply in accordance with the terms of any such consent given.

### **Restricted Films**

#### Condition 3

Films restricted 18 (R18) may be shown at the premises only with the Council's prior written consent and in accordance with the terms of any such consent.

## **Persons Under 18**

### Condition 4

No person appearing to be under the age of 18 shall be admitted to any part of the programme and the licensee shall display in a conspicuous position at each entrance to the premises a notice in clear letters in the following terms:

**PERSONS UNDER 18 CANNOT BE ADMITTED TO THIS CINEMA FOR ANY PART OF THE PROGRAMME**

### Condition 5

No persons under 18 years of age shall be employed in any capacity at the premises in an area operating as sex cinema club.

## **Advertising**

### Condition 6

No advertisement displayed at the premises where a film is to be exhibited shall depict any scene or incident from a film that has been classified by the British Board of Film Classification, Board of Film Censors or approved for exhibition by the Licensing Authority.

### Condition 7

The licensee shall display in a conspicuous position, to the satisfaction of the Council at each entrance to the premises, during the whole time the public are admitted to the premises and so as to be easily seen and read by the public, a timetable of the films on exhibition.

### Condition 8

When the programme includes a film restricted 18, the licensee shall display in a conspicuous position at each entrance to the premises a notice in clear letters in the following terms:

**CINEMA CLUB — MEMBERS AND GUESTS ONLY. PERSONS UNDER 18 CANNOT BE ADMITTED TO THIS CINEMA FOR ANY PART OF THE PROGRAMME.**

#### Condition 9

The entrance doors to the premises shall be obscured, screened or arranged so as to effectively prevent the interior of the premises being seen by passers by.

The obscuration, screening or other arrangements shall be to the satisfaction of and approved by the Council.

#### **Restricted 18**

#### Condition 10

A register of all members and all visitors books of their guests shall be available for immediate inspection by authorised officer of the Council during any performance or at any other reasonable time.

#### Condition 11

Tickets shall in no circumstances be sold to persons other than to members.

#### **Membership**

#### Condition 12

The club rules must be submitted to the Council 14 days before the club commences operation and notice of all rule changes shall be given to the Council within 14 days of the change.

#### Condition 13

Membership shall be open to persons of both sexes of not less than 18 years of age

#### Condition 14

Applications for membership, including both name and address, shall be in writing, signed by the applicant and if deemed necessary such applicant shall provide satisfactory references and proof of age.

#### Condition 15

No persons shall be admitted to membership until the expiration of at least 24 hours after such written application has been approved by the management of the club.

#### Condition 16

New members shall be supplied with a personal copy of the club rules before being admitted to membership and be given a copy of any rule changes within 14 days of the change.

#### Condition 17

An annual subscription shall be fixed for the club and shall run for 12 months from the date of registration. Membership may be renewed annually at the subscription for the time being in force, but the management may refuse to renew any membership without assigning reason for such refusal.

#### Condition 18

Members shall be entitled on any day to bring no more than one guest to accompany the member, and the name of the guest shall be entered in the visitors book and counter signed by the member.

#### Condition 19

Tickets shall be sold only to members on the production of a membership card, and members shall if required sign and acknowledgement for the ticket or tickets issued.

#### Condition 20

Membership cards shall be personal to the member and carry a photograph of the holder.

#### Condition 21

Neither membership tickets nor guest tickets shall be transferable.

#### Condition 22

Guests may be asked for proof of identity, or of age, or any particulars of any guest shall be produced by any member of guest if demanded by the management.

#### Condition 23

Members shall undertake to behave in a proper and orderly manner. Any member or guest acting in a manner which is offensive, or a nuisance or annoyance to others may be refused admission or expelled from the premises. A member may also be deprived of membership.

## **Sale of Sex Articles**

### Condition 24

Neither sex articles nor other things intended for use in connection with, or for the purpose of stimulating or encouraging sexual activity or acts of force or restraint which are associated with sexual activity shall be displayed, sold, hired, exchanged, loaned or demonstrated in a sex cinema.

## **Display of Tariff and Charges**

### Condition 25

There shall be prominently and legibly displayed a comprehensive tariff of all charges and prices which shall be illuminated and placed in such a position that it can easily and conveniently be read by persons before entering the premises. No employee shall stand in such a position as to obscure the notice.

## **Conduct and Management of Premises**

### Condition 26

The name of the person responsible for the management of the sex establishment being either the Licensee or a manager approved by the Council, shall be prominently displayed within the sex establishment throughout the period during which he is responsible for its conduct.

### Condition 27

A notice showing the name of the person responsible for the management of the sex cinema on that day to be prominently displayed within the sex cinema throughout the period during which he is responsible for its conduct.

### Condition 28

The Licensee shall ensure that no part of the premises shall be used by prostitutes (Male or Female) for soliciting or for any immoral purpose.

### Condition 29

Neither the Licensee nor any employee or other person shall seek to obtain custom for the sex establishment by means of the personal solicitation outside or in the vicinity of the premises.



#### Condition 30

The Licensee shall ensure that during the hours the sex establishment is open for business, every employee wears an identifying badge, of a type approved by the Council, indicating his name and that he is an employee.

#### Condition 31

The Licensee or some responsible person nominated by him in writing for the purpose of managing a sex establishment in his absence and whom details (including photographs) have been supplied to and approved in writing by the Council, shall be in charge of and upon the premises during the whole time they are open to the public.

#### Condition 32

All parts of the premises shall be kept in a clean and wholesome condition to the complete satisfaction of the Council.

### **Internal access to cinema**

#### Condition 33

Windows and openings within the premises where films are shown should have blinds of a type and size that covers windows and openings which render the interior of the cinema where films are being shown invisible to passers by and/or other areas within the building that are open to the public for other activities.

#### Condition 34

The licensee shall ensure that no noise shall emanate from the cinema that can be heard from within another area of the building or from outside.

### **Security**

#### Condition 35

A member of staff to remain in the vicinity of the entrance to the cinema to prevent under 18's or non-members from illegal entry.

## **Use of Premises**

### **Condition 36**

No change from a sex shop or sexual entertainment venue to a sex cinema or from a sex cinema to a sex shop or sexual entertainment venue shall be effected without the consent of the Council.

## **Safety**

### **Condition 37**

The Licensee shall take all reasonable precautions for the safety of the public and employees.

## **Sexual Entertainment Venue**

### **Times of Opening**

#### **Condition 1**

The premises shall not open unless otherwise permitted:

[TIMES WILL BE SPECIFIED FOR EACH LICENCE]

### **Conduct and Management of Premises**

#### **Condition 2**

The name of the person responsible for the management of the sex establishment being either the Licensee or a manager approved by the Council, shall be prominently displayed within the sex establishment throughout the period during which he is responsible for its conduct.

#### **Condition 3**

The licensee or the responsible person shall maintain a daily register to be kept on the premises and produced to an authorised officer on request. The register to be completed each day within 30 minutes of the Sex Entertainment Venue opening for business and will record the name and contact details of any person who is to be responsible for managing the Sex Entertainment Venue in the absence of the licensee and details of all staff employed at the premises including performers.

#### **Condition 4**

A notice showing the name of the person responsible for the management of the sex entertainment venue on that day to be prominently displayed within the sex establishment throughout the period during which he is responsible for its conduct.

#### **Condition 5**

Where the licensee is a body corporate or an unincorporated body any change of director, company secretary or other person responsible for the management of the body is to be notified in writing to the Council within 14 days of such change.

#### **Condition 6**

The licensee shall ensure that no part of the building or its boundary is used by prostitutes (male or female) for the purposes of soliciting or any other immoral

purposes. Neither the licensee nor any employee or other person shall seek to obtain custom by means of personal solicitation outside or in the vicinity of the premises.

#### Condition 7

The licensee shall ensure that the public are not admitted to any part or parts of the premises other than those that have been approved by the Council.

#### Condition 8

Licensee shall maintain good order on the premises and in particular shall ensure that no

- lewd conduct
- indecent behaviour
- unlawful possession and/or supply of controlled drugs
- conduct likely to cause a breach of the peace on the premises
- offers of any sexual or indecent service for reward
- any acts of violence against person or property and/or the attempt or threat of such acts

takes place on the premises or in its immediate vicinity

#### Condition 9

A management operation manual detailing all aspects of procedure when the premises is operating relevant entertainment shall be produced and approved by the Licensing Authority. This document shall be on going and under constant review.

#### Condition 10

All members of staff (except performers) shall be easily identifiable. If required by the Council or Kent Police in writing the licensee shall ensure that during the hours the premises are open for relevant entertainment staff will wear a badge of a type/format approved by the Council indicating their name and that they are an employee or person working in the premises.

### **Age Restriction**

#### Condition 11

No person under the age of 18 shall be admitted to the premises or employed in the business of the sex establishment.

#### Condition 12

A prominent clear notice shall be displayed at each entrance to the premises advising customers that no person under 18 will be admitted and they may be asked to produce evidence of their age.

**PERSONS UNDER 18 CANNOT BE ADMITTED TO THESE PREMISES**

#### **Advertising**

#### Condition 13

No display, advertisement, word, letter, model, sign, light, placard, board, notice, device, representation, drawing, writing or any matter or thing (where illuminated or not) shall be exhibited so as to be visible from outside the premises without approval by the Council.

#### Condition 14

The licence holder shall not display outside the premises, or on any advertising material, photographs or other images that indicate and suggest striptease or similar dancing takes place on the premises and which may be offensive.

#### Condition 15

The premises should not advertise by means of cruising vehicles or use of any other form of solicitation to invite people into the premises.

#### **External and Internal access to an area holding relevant entertainment**

#### Condition 16

The entrances to the premises shall be of a material or covered with a material that will render the interior of the premises invisible to passers by.

#### Condition 17

Windows and openings within the premises other than entrances will have curtains / blinds of a type and size that covers windows and openings which render the interior of the premises where relevant entertainment is taking place invisible to passers by and/or other areas within the building that are open to the public for other activities.

#### Condition 18

Windows will remain closed whilst the premises or part of that premises is being used for relevant entertainment.

#### **Layout of the premises**

#### Condition 19

No fastening of any description shall be fitted upon any booth or cubicle within the premises.

#### Condition 20

All dance booths or cubicles are to be equipped with a panic alarm for safety.

#### Condition 21

Any changes to layout of the premises must be informed to the licensing authority in writing submitting plans. Alteration must not take place without prior written consent by the Licensing Authority

#### Condition 22

The licensee shall ensure that noise from the premises or vibration be transmitted through the structure of the premises does not give rise to a nuisance to the occupiers of premises in the vicinity of the venue.

#### Condition 23

The external doors to the premises shall be fitted with a device to provide for their automatic closure and such devices shall be maintained in good working order.

#### Condition 24

Doors and openings which lead to parts of the premises to which the public are not permitted to have access shall have notices placed over them marked 'private' and remain closed other than for the purposes of the ingress and egress of management, staff and performers.

## **Entertainers/Performers**

### Condition 25

An appropriate room shall be set aside to provide a changing and rest area for entertainers. Arrangements shall be made to ensure that there is restricted public access to this room which shall be maintained at all times whilst the licensable activities are taking place and until such time as all performers using the dressing room have finished.

### Condition 26

At all times during the performance, performers shall have direct access to a dressing room without passing through or in close proximity to the audience.

### Condition 27

On leaving the premises performers, who wish to be, shall be escorted by a staff member to their vehicle or other safe location

### Condition 28

Performers shall be aged not less than 18 years old.

### Condition 29

Only the performers shall provide the entertainment, no audience participation shall be permitted.

### Condition 30

No performance shall include a sex act with any other performer, persons in the audience or with the use of any object or animal.

### Condition 31

In the event of the relevant entertainment being performed for private viewing, the patron shall be informed of the duration and price of the relevant entertainment and the details shall be specified in a clearly visible notice in each area designed for private relevant entertainment.

### Condition 32

Any person who can be observed from the outside of the premises must be properly and decently dressed. Scantily clad individuals shall not exhibit in the entranceway or in an area of the premises open to the public that is not designated area for relevant entertainment.

### Condition 33

All performers shall be aware of the management operation that will include a written policy on the conduct of performers.

### Condition 34

Photography or videoing of performances should not be allowed.

### Condition 35

There shall be routine checking of employment records and evidence that all prospective staff and performers have the right to work in the UK.

### Condition 36

Performers should not be permitted to arrange contacts or liaisons, exchange telephone numbers or other means of making contact while on the premises  
Staffing

### Condition 37

During any lap dancing performance, or private dance, performers may not:

- Touch customers in any way
- Performer must not be within 30cms (12") from any part of a patron
- Climb onto furniture provided for patrons
- Simulate sex acts
- Use sex articles

### **Sale of Goods**

### Condition 38

Neither sex articles nor other things intended for use in connection with, or for the purpose of stimulating or encouraging sexual activity or acts of force or restraint which are associated with sexual activity shall be displayed, sold, hired, exchanged, loaned or demonstrated in a Sex Entertainment Venue.



## **Display of Tariff and Charges**

### **Condition 39**

There shall be prominently and legibly displayed a comprehensive tariff of all charges and prices which shall be illuminated and placed in such a position that it can easily and conveniently be read by persons before entering the premises. No employee shall stand in such a position as to obscure the notice.

### **Condition 40**

Where a charge is to be made for the company of a hostess or other companion this shall be identified on the tariff of charges to the satisfaction of the Council.

### **Condition 41**

No order shall be accepted unless the customer has been provided with a copy of the said tariff and has been given sufficient time and opportunity to read it.

### **Condition 42**

No charge shall be made to the customer for any drink provided for the hostess or companion unless that customer has specifically ordered it having first been made aware of the cost.

## **Use of Premises**

### **Condition 43**

No change from a sex shop or sexual entertainment venue to a sex cinema or from a sex cinema to a sex shop or sexual entertainment venue shall be effected without the consent of the Council.

## **Pool of Possible Additional Conditions**

### **Age Restriction**

#### **Condition a**

All members of staff at the premises shall seek credible photographic proof of age evidence from any person who appears to be under the age of 25 years and who is seeking access to the premises. Such credible evidence, which shall include a photograph of the customer, will either be a passport, photographic driving licence, or proof of age card carrying a 'PASS' logo.

### **Security**

#### **Condition b**

Door supervisors, registered in accordance with the Security Industry Authority (SIA) shall be on duty at all times when relevant entertainment is taking place.

#### **Condition c**

An adequate number of door supervisors shall be on duty on the premises whilst relevant entertainment takes place. There shall be at least one door supervisor on each entrance, in each separate part of the premises and on the door to the dressing room.

#### **Condition d**

CCTV to be installed to a standard agreed by police to cover all public areas, including all access and egress points in accordance with CCTV Code of Practice. Maintained and serviced on a regular basis and records to be kept. The system to have an incorporated recording facility and recordings to be stored for one calendar month. The CCTV system to be fully operational throughout the hours that the premises are open for licensable activity. Access of the recordings to be made available at any reasonable time to Police and Local Authority officers upon request. Staff will be fully trained in the CCTV system and there will be at least one member of staff on duty during trading hours who is able to provide a recording of any incident in a format that can be taken away to be viewed.

## **Entertainers/Performers**

### Condition e

Whilst dancers are performing there shall be a minimum distance of one metre between the dancer and the seated customers and prominent, clear notices shall be displayed at each table stating this requirement

### Condition f

There shall be no physical contact between customers and the dancers at any time except for the placing of money or tokens in a garter or into the hands of the dancer at the beginning or conclusion of a performance.

## **Staffing**

### Condition g

All staff employed to work at any premises licensed as a sex establishment shall be required to provide an enhanced criminal records bureau disclosure to the Licensing Authority in which the premises is located.

This page is intentionally left blank

## LEYBOURNE LAKES COUNTRY PARK – FACILITIES IMPROVEMENTS

**Item CB 20/65 referred from Cabinet of 14 October**

Consideration was given to the recommendations (FIP 20/36) from the Finance, Innovation and Property Advisory Board of 16 September 2020.

**RECOMMENDED:** That



- (1) the project to develop a lakeside purpose built facility at Leybourne Lakes Country Park be transferred from List C to List A of the Council's Capital Plan;
- (2) a report on the design, procurement and timescale of the project be reported to a future meeting of the Communities and Housing Advisory Board;
- (3) a further report be brought to the Communities and Housing Advisory Board on the potential transfer of the Management of Leybourne Lakes Country Park to the Tonbridge and Malling Leisure Trust including any new facility; and
- (4) (subject to further investigation) the Denbighshire County Council UK Leisure Framework be utilised to progress the project.

**\*Referred to Council**

This page is intentionally left blank

## **Leybourne Lakes Country Park - Facilities Improvements**

### **Item FIP 20/36 referred from Finance, Innovation and Property Advisory Board of 16 September 2020**

The joint report of the Director of Street Scene, Leisure and Technical Services and the Director of Central Services and Deputy Chief Executive reminded Members of the Council's long held aspiration to provide a purpose built lakeside facility at Leybourne Lakes Country Park (LLCP) to provide year round catering and a centre for water sports. A List C Capital Plan Evaluation for Facility Improvements at LLCP was set out at Annex 1 to the report which recommended a fast track transfer to List A to enable the commencement on the design and procurement of the project. The report outlined a proposed framework to be used for the scoping, design and construction of the project.

#### **RECOMMENDED:** That



- (1) the project to develop a lakeside purpose built facility at Leybourne Lakes Country Park be transferred from List C to List A of the Council's Capital Plan;
- (2) a report on the design, procurement and timescale of the project be reported to a future meeting of the Communities and Housing Advisory Board;
- (3) a further report be brought to the Communities and Housing Advisory Board on the potential transfer of the Management of Leybourne Lakes Country Park to the Tonbridge and Malling Leisure Trust including any new facility; and
- (4) subject to further investigation, the Denbighshire County Council UK Leisure Framework be utilised to progress the project.

**\*Referred to Cabinet**

This page is intentionally left blank



**TONBRIDGE & MALLING BOROUGH COUNCIL**  
**FINANCE, INNOVATION and PROPERTY ADVISORY BOARD**

**16 September 2020**

**Joint Report of the Director of Street Scene, Leisure & Technical Services and the  
Director of Central Services and Deputy Chief Executive**

**Part 1- Public**

**Matters for Recommendation to Cabinet - Council Decision**

**1     LEYBOURNE LAKES COUNTRY PARK – FACILITY IMPROVEMENTS**

**Summary**

**A report seeking fast track approval to Cabinet and subsequently Full Council to include a project to build a purpose built lakeside facility at Leybourne Lakes Country Park in List A of the Council's Capital Plan.**

**1.1     Leybourne Lakes Country Park**

- 1.1.1     The Council owns and manages Leybourne Lakes Country Park (LLCP) to provide outdoor formal and informal leisure activities to residents in the north of the Borough, and visitors to the area.
- 1.1.2     It has been a long held aspiration of the Council to provide a purpose built lakeside facility at the site to provide year round catering and a centre for water sports. This is in response to identified customer needs and to generate additional income from the Park.
- 1.1.3     In the 1<sup>st</sup> Year Addendum to the Council's Corporate Strategy it was agreed to "Ensure the financial sustainability of the Leisure Trust" and "Give consideration to the potential transfer of the management of Leybourne Lakes Country Park to the Leisure Trust".
- 1.1.4     A report will be presented to the next meeting of the Communities & Housing Advisory Board on the potential transfer of the management of LLCP to the Leisure Trust, which it is hoped to be achieved by 1<sup>st</sup> April 2021. A key part of the future financial viability of the management transfer will be the development of a lakeside facility to be operated by the Trust. It is therefore essential to progress the capital project as soon as possible to start to generate an income stream from the new facility.

**1.2     Lakeside Facility**

- 1.2.1     Attached at **Annex 1** to this report is a Fast Track List C Capital Plan Evaluation for Facility Improvements at LLCP. The evaluation provides a description of the

project and considers issues such as design, risks, consultation and capital/revenue funding implications.

- 1.2.2 The evaluation recommends a fast track transfer from List C to List A of the Capital Plan to enable work to commence on the design and procurement of the project. The project will be subject to regular reports to Members of the Communities & Housing Advisory Board.

### **1.3 Procurement**

- 1.3.1 Denbighshire County Council has procured a Framework under EU Regulations which is open to all UK local authorities for the UK Leisure market. It covers scoping, design and construction of Leisure projects. The approach allows potential projects to be explored with progress only made should affordability be acceptable.
- 1.3.2 It is intended to use this Framework subject to further investigation.

### **1.4 Legal Implications**

- 1.4.1 The procurement of the project will be undertaken in full compliance with the Council's Contracts Procedural Rules and Financial Regulations.

### **1.5 Financial and Value for Money Considerations**

- 1.5.1 As detailed in **Annex 1** to the report the construction of the new facility will be funded in full from developer contributions. No additional external funding will be available and the budget will therefore be a key factor in the scale and design of the new building. Revenue costs and income generation will be included within future reports to this Board, based on the final design, the operating model and liaison with the Leisure Trust.

### **1.6 Risk Assessment**

- 1.6.1 As detailed in **Annex 1** to the report. The project will need to be delivered within the budget available which may limit the extent of the facility provided. The design may need to allow for future phases to be added if further external funding becomes available.

### **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 Policy Considerations**

- 1.8.1 Asset Management
- 1.8.2 Business Continuity/Resilience

1.8.3 Climate Change

1.8.4 Community

1.8.5 Healthy Lifestyles

1.8.6 Procurement

## 1.9 Recommendations

1.9.1 It is **RECOMMENDED** to Cabinet and Council that:-

- i) the project to develop a lakeside purpose built facility at Leybourne Lakes Country Park be transferred from List C to List A of the Council's Capital Plan;
- ii) a report on the design , procurement and timescale of the project be reported to a future meeting of the Communities & Housing Advisory Board;
- iii) a further report be brought to the Communities and Housing Advisory Board on the potential transfer of the Management of Leybourne Lakes County Park to the Leisure Trust including any new facility; and
- iv) The Denbighshire County Council UK Leisure Framework be utilised to progress the Project subject to further investigation.

Background papers:

contact: Darren Lanes

Nil

Robert Styles

Director of Street Scene, Leisure & Technical Services

Adrian Stansfield

Director of Central Services and Deputy Chief Executive

This page is intentionally left blank

## CAPITAL PLAN LIST C – EVALUATIONS

Project		Street Scene, Leisure & Technical Services: Leybourne Lakes Country Park – Facility Improvements		
1	Specification:			
	(i)	Purpose of the scheme	To build a purpose built lakeside facility to provide year round catering, educational/flexible space and a centre for watersports. The facility would meet an identified customer need and would be income generating. The project will help support the long term sustainability of the Leisure Trust.	
	(ii)	Relevance to National / Council's Objectives	(a) National: None (b) Council: Savings and Transformation Income Generation Asset Management	
	(iii)	Targets for judging success	(a) Saving in cost of facility (b) Improvement to existing service (c) User feedback (d) Project delivered within budget	
2	<b>Description of Project / Design Issues:</b> At the present time the site offers a limited mobile catering service in the summer months and the watersports are operated out of old shipping containers. Toilet provision is located in the car park away from the areas of most public use. The project would provide a purpose built facility to provide the quality of facility to meet customer expectations and to offer a year round service. Usage of the site continues to grow year on year and the opportunity exists to meet customer demand and generate additional income. The project will be designed in liaison with external architects and will need to be sympathetic to the location, meet requirements for planning and be in accordance with the Council's Climate change strategy. The operation of the new facility will be managed by the Leisure Trust which will be fully involved in the design to ensure future operational considerations are taken into account. The management of the project will involve a cross service project management group with draft design proposals reported to Members of the Communities and Housing Advisory Board.			
3	<b>Milestones / Risks:</b> A detailed project plan will outline key milestones relating to issues such as design, planning approval, procurement, construction and timescales. Each stage of the project plan represents its own risks together with the need to complete the construction within budget and the agreed timescale.			
4	<b>Consultation:</b> Early discussions will take place with Planning Services and Building Control. The provision of the facility was identified as the most requested improvement to the site in the last customer survey, and is supported by the customer panel. Local Members and Parish Councils have expressed their support for such a project in the past and will be consulted further over the design. Cabinet has recognized the project in the first year Addendum to the Council's Corporate Strategy. The Council's Management Team are supportive of the project.			

### CAPITAL PLAN LIST C – EVALUATIONS

	5	<b>Capital Cost:</b> <ul style="list-style-type: none"><li>The capital cost of the project will need to be within the developer contributions currently held by the Council specifically for on site improvements at the Country Park which is £741,000.</li></ul>					
	6	<b>Profiling of Expenditure</b>					
		<b>2019/20 (£'000)</b>	<b>2020/21 (£'000)</b>	<b>2021/22 (£'000)</b>	<b>2022/23 (£'000)</b>	<b>2023/24 (£'000)</b>	<b>2024/25 (£'000)</b>
				741			
	7	<b>Capital Renewals Impact:</b> Capital renewals will reflect the nature of the financial agreement reached with the Leisure Trust.					
	8	<b>Revenue Impact:</b> The developer contributions that will be allocated to the project generate investment income (£6,550 in the 2020/21 estimates) that is used to contribute towards day to day maintenance costs associated with the Country Park. This and other revenue impacts will be reflected in the financial agreement reached with the Leisure Trust and aims to deliver a saving to the Council.					
	9	<b>Partnership Funding:</b> None.					
	10	<b>Project Monitoring / Post Implementation Review:</b> Project will be monitored by project management group and will be subject to a post implementation review 12 months after completion.					
	11	<b>Screening for equality impacts:</b>					
		<b>Question</b>	<b>Answer</b>	<b>Explanation of impacts</b>			
		<b>a.</b> Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	n/a				
		<b>b.</b> Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	n/a				
		<b>c.</b> What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?	n/a				
	12	<b>Recommendation:</b> Transfer from List C to List A.					

## **IT STRATEGY UPDATE ENTERPRISE DOCUMENT MANAGEMENT SYSTEM**

### **Item CB 20/66 referred from Cabinet of 14 October**

Consideration was given to the recommendations (FIP 20/37) from the Finance, Innovation and Property Advisory Board of 16 September 2020.

**RECOMMENDED:** That



- (1) the progress in respect of the IT Strategy be noted;
- (2) any technology training which might be helpful for elected Members be identified; and
- (3) the List C project 'Enterprise Document Management Solution' be transferred to List A of the Council's Capital Plan and funded from the Invest to Save Reserve.

**\*Referred to Council**

This page is intentionally left blank



## **IT Strategy Update and Enterprise Document Management System**

### **Item FIP 20/37 referred from Finance, Innovation and Property Advisory Board of 16 September 2020**

The report provided details of progress towards the delivery of the IT Strategy adopted in June 2018. Members were invited to note the progress made and to identify any relevant technology training which would assist them in discharging their roles as Councillors. Consideration was given to a capital plan evaluation for an enterprise document management system and the proposal that this be transferred to List A of the Council's Capital Plan and funded from the Invest to Save Reserve.

#### **RECOMMENDED:** That



- (1) the progress in respect of the IT Strategy be noted;
- (2) any technology training which might be helpful for elected Members be identified; and
- (3) the List C project "Enterprise Document Management Solution" be transferred to List A of the Council's Capital Plan and funded from the Invest to Save Reserve.

**\*Referred to Cabinet**

This page is intentionally left blank

**TONBRIDGE & MALLING BOROUGH COUNCIL**  
**FINANCE, INNOVATION and PROPERTY ADVISORY BOARD**

**16 September 2020**

**Report of the Director of Finance and Transformation**

**Part 1- Public**

**Matters for Recommendation to Cabinet - Council Decision**

**1     IT STRATEGY UPDATE AND ENTERPRISE DOCUMENT MANAGEMENT SYSTEM**

**An update on progress towards delivering the IT Strategy which was adopted in June 2018. Members are requested to note the progress made, and are asked to identify/suggest any relevant technology training that would assist Members in discharging their roles. In addition, Members are asked to consider a capital plan evaluation for an enterprise document management system and recommend to Full Council that this be transferred to List A and funded from the Invest to Save Reserve.**

**1.1   Introduction**

1.1.1   At the last meeting of this Advisory Board in July, I updated Members with regard to a number of digital project and initiatives that are underway. The work on digital projects continues and I will update Members again in January with regard to progress.

1.1.2   For this meeting, I want to update on some aspects set out in our overarching IT Strategy which was approved in June 2018.

1.1.3   As a reminder, the strategic objective areas were agreed as:

- **Customers** – improved use of the website by customers. Greater use of “end-to-end” digital services in order to deliver efficiencies in back office processes.
- **Staff** – ensure officers are provided with up to date and efficient tools and systems for the tasks they are performing. Officers will also be involved in all areas of the projects delivered under the strategy and provided with any support and training that is necessary.
- **Members** – provide regular technology training sessions for members so they are fully briefed on the latest developments.

- **Partners** – continue to participate on shared projects with other organisations where there is mutual benefit.
- **IT Infrastructure** – challenge our current use of legacy business systems and evaluate cloud hosted alternatives.
- **Information Security** – ensure that risks around information security are managed effectively and is understood at both Member and Management Team level.
- **Business Continuity and Disaster Recovery** – make sure that changes which arise from projects in the strategy are fully reflected in our Business Continuity and Disaster Recovery plans.

## 1.2 Progress

- 1.2.1 In terms of **Customers**, I have reported on progress in respect of the replacement website. At the time of writing, the implementation work has commenced and the completion of the technical cloud infrastructure is expected to be ready for software installation by Northgate and JADU on the 10<sup>th</sup> September 2020. One of the key priorities we have is to ensure the new website facilitates the digital end to end processes which provides not only a better experience for customers but also delivers efficiencies. Members may be aware from earlier reports that the new website provider is Northgate, in partnership with JADU. Northgate is also the provider of our current Revenue & Benefits system and the Citizen Access online customer interface. The new website, through its fully integrated JADU CMS platform, will enable our residents to access the relevant services through ‘Single Sign-On’, starting with Council Tax and Housing benefits services. Further updates will be provided as work progresses.
- 1.2.2 Aligned to this we have also been trialling the concept of a centralised call centre. Initially the call centre has dealt primarily with revenues and benefits, housing and community hub queries. During the pandemic, this concept proved to be invaluable in supporting our Services and customers, through the economy of scale in terms resources consisting of multi-skilled call centre agents, who were able assist customers with queries relating to our varying disciplines of services. Management Team are in the process of considering whether this should be widened based on the positive experience to date.
- 1.2.3 Regarding **Staff**, Members are already aware through the COVID “experience”, that staff have been provided with efficient tools to undertake their roles. Naturally, keeping the equipment and systems up to date will be a challenge as technological changes occur, but this is managed carefully.
- 1.2.4 Although at an early stage, Management Team has agreed that a feasibility study should be commenced in terms of the potential to create a centralised “*Digital Post-room*”. This would cover the issues of opening, scanning and indexing incoming mail and dealing with external correspondence. Whilst the feasibility

needs to be properly explored, the expectation is that this would help to achieve efficiencies across the Council. This concept will be considered by the in-house digital group at its next meeting in October. This will also help sustain the COVID19 health & safety requirements in terms of our staff travelling to and from the offices to collect and deal with posts.

- 1.2.5 Alongside this is a long held aspiration to adopt an Enterprise Document Management System for the whole Council. Members are referred to paragraph 1.3 for recommendations in this respect.
- 1.2.6 **Members** have received regular updates on progress with our digital strategy, and have been invited to undertake cyber security training. Generally, I think it is fair to say that the majority of Members have adapted well and embraced the virtual environment that has been thrust upon us via the COVID pandemic. I do appreciate that there are still challenges that we need to address. If Members have suggestions of technological training sessions that would be helpful, I will be happy to consider these.
- 1.2.7 The Council continues to work with other **Partners** in developing and obtaining best value for technological solutions. Kent Connects based at Kent County Council is a key partner, and we also subscribe to Smarter Digital Services based within Tunbridge Wells Borough Council. Members are aware that we are working with all Kent councils and public sector partners on the Smart Kent & Medway project leading on the 'Smart city' agenda for Kent.
- 1.2.8 We continue to challenge our current use of legacy business systems and evaluate and implement cloud hosted alternatives within our **IT Infrastructure**. Given our Digital Strategy and the business demand for online services, making our IT infrastructure highly available (i.e. 24/7) has become a fundamental requirement. Hence, we are currently in the process of reviewing our line of business systems for 'Cloud' readiness. We have already migrated our Parking permit system and our Backup and Disaster Recovery systems to Cloud.
- 1.2.9 **Information Security** is clearly a fundamental priority. We have a duty to ensure that all IT systems, software and services are appropriately configured to reduce the level of inherent vulnerability. The Council commissions health checks on a regular basis to test compliance. Members will understand that this is an ever changing situation. New vulnerabilities arise every day given the fast pace of change in IT. One of the key tasks of the Technical Support team is to keep on top of vulnerabilities, mitigating them wherever possible. Members should however be aware that there will never be the perfect situation whereby there are no vulnerabilities in existence and we can never be complacent. Thus far along with KPSN, we have been proactive in our infrastructure and data.
- 1.2.10 A health check by Surecloud took place in early August and I am pleased to report that the feedback was generally good. *"Overall the security posture of the Tonbridge and Malling Borough Council's external network was found to be good"*

*with most of the issues raised in previous tests having been resolved. There was one high severity issue discovered which exposed a couple of sensitive ports to the public internet, however, most other finds were medium to low in severity..... Generally, the network was found to be very well configured, and factors such as the strong password policy and patch management made exploiting the network very hard"*

- 1.2.11 Members may be aware that any organisation taking receipts digitally must comply with the Payment Card Industry Data Security Standard (PCI DSS), which sets out a series of requirements to protect both customers and the organisation when taking payments. IT services are currently in the process of resolving the last vulnerability identified within the IT health check impacting the PCI-DSS compliance. We are hoping to have PCI-DSS certification test completed by October 2020.
- 1.2.12 Members will be aware that our **Business Continuity and Disaster Recovery** plans have been tested since COVID due to unplanned power outages and also breakdowns in air conditioning units. Members are referred to a report to the July meeting of this Advisory Board. Due to the business continuity impact of these events, Management Team has asked Internal Audit staff to review the incidents to allow a better understanding of our resilience and to provide a level of assurance.

### **1.3 Enterprise Document Management System**

- 1.3.1 The Council presently has 80 licences for the document management solution (DMS) Information@work used by primarily Revenues & Benefits, Customer Services and some teams in Housing.
- 1.3.2 Some Members may recall that it has been a long held aspiration to adopt an Enterprise DMS solution for the whole Council. To date, for a variety of reasons this has not moved forward but following discussion with Management Team and the supplier, it has been agreed that adoption of the existing DMS will achieve the holistic solution we have aspired to.
- 1.3.3 The advantage of this approach is that the infrastructure and knowledge is already in place and therefore the additional costs relate only to the purchase of additional licences. The provision of a Council-wide DMS will open opportunities for efficiencies in management of digital records and in the reduction in paper records, as well as enable the Council to comply with GDPR guidelines on electronic document storage, access and retention periods. In turn this initiative will improve the online service experience for our residents and businesses.
- 1.3.4 A corporate DMS will be the critical foundation for many digital initiatives and will facilitate the delivery of efficiency savings through associated projects. The cost of an additional 120 licences is £17,000 (capital cost) and there will be annual support and maintenance costs of £6,000 per annum. The capital cost can be met from the Invest to Save Reserve.

- 1.3.5 A List C capital Plan evaluation is attached at **[Annex 1]** for Members' consideration and recommendation to Council via Cabinet. This is a cost effective solution which will be the foundation for future digital projects and will enable the Council to meet its GDPR responsibilities. The sooner this can be put in place, the sooner other projects can be escalated to achieve efficiencies.
- 1.3.6 Members are asked to recommend to Council via Cabinet that the project be transferred to List A to be funded from the Invest to Save Reserve.

## **1.4 Legal Implications**

- 1.4.1 Procurement policy should be followed for all projects arising from the IT Strategy.
- 1.4.2 The IT Strategy takes into account the requirements of the General Data Protection Regulation implemented on 25/05/2018.

## **1.5 Financial and Value for Money Considerations**

- 1.5.1 A revenue budget and capital renewals programme for IT is approved annually by Members. Funding for new capital projects is a decision for Members and requests are brought forward as appropriate.

## **1.6 Risk Assessment**

- 1.6.1 Corporate strategies, goals and priorities need to align and support each other. The IT Strategy will support the activities and goals set by the Council. Without a clearly defined strategy we may not be able to prioritise our resources correctly, leading to missed opportunities to improve service delivery and reduce costs.
- 1.6.2 Reliance on digital services can also bring risks. If services are down for prolonged periods, productivity of staff is compromised as are services to the public. Disaster Recovery measures are therefore imperative.
- 1.6.3 As the reliance on IT systems becomes even greater, opportunities are being explored to mitigate risks further – for example by assessing greater use of cloud services in line with the IT and Digital Strategy. Consideration will also be given to the resource base within IT Services to ensure that there is adequate resilience and if appropriate proposals will be brought to the General Purposes Committee.

## **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 Policy Considerations**

- 1.8.1 Business Continuity/Resilience
- 1.8.2 Customer Contact

1.8.3 Communications

1.8.4 Community

1.8.5 Procurement

## 1.9 Recommendations

1.9.1 The Advisory Board is **REQUESTED** to:

- 1) **NOTE** the progress in respect of the IT strategy; and
- 2) **IDENTIFY** any technology training that might be helpful for elected Members;

and in addition, the Advisory Board is **REQUESTED** to:

- 3) **RECOMMEND** to Full Council that the List C project “Enterprise Document Management Solution” be transferred to List A to be funded from the Invest to Save Reserve.

Background papers:

contact: Sharon Shelton  
Ganesh Thangarajah

Sharon Shelton  
Director of Finance & Transformation



## CAPITAL PLAN LIST C – EVALUATIONS

	Project Enterprise Document Management Solution			
	1	Specification:		
		(i)	Purpose of the scheme	The Council presently has 80 licences for the document management solution Information@work used primarily by Revenues & Benefits, Customer Services and some teams in Housing. Purpose of the project is to purchase 120 additional licences to adopt this as the enterprise solution for the whole Council. The provision of a Council-wide DMS will open opportunities for efficiencies in management of digital records and in the reduction in paper records, as well as enabling the Council to comply with GDPR guidelines on electronic document storage, access and retention periods.
		(ii)	Relevance to National / Council's Objectives	(a) National: GDPR (b) Council: Delivery of Digital strategy and Climate Change objectives through reduced use of paper records. Reduction in physical storage needs freeing up office accommodation for more efficient usage. Improvement in operational efficiency and customer experience of online services
		(iii)	Targets for judging success	(a) Facilitation of further digital projects reducing reliance on paper records (b) Facilitation of physical storage capacity
	2	Description of Project / Design Issues: The Council already operates Information@work within some areas of the Council's Services as set out above. The 'infrastructure' and knowledge is therefore already in place and to expand it to the enterprise solution simply requires the purchase of additional licences. The DMS provides a comprehensive repository that can be used to manage scanned images, electronic documents, emails and other content. Having a corporate DMS is the foundation for many digital initiatives and will facilitate the delivery of efficiency savings through associated projects. Purchase of the additional licences to make this an 'enterprise' solution also brings additional benefits (for no additional cost). Workflow automation through the 'Generic Import Module' which imports documents submitted/produced by third party applications/customers into I@W will produce operational efficiencies, removing the need for manual intervention. Staff in Services not already using I@W will need to be trained appropriately.		
	3	Milestones / Risks To be completed by end of 2020/21		
	4	Consultation: MT have considered this proposal and support the purchase. The in-house digital group will be considering how this is taken forward at its next meeting.		
	5	Capital Cost: £17,000 for cost of 120 additional licences. This can be funded from the Invest to Save Reserve		

## CAPITAL PLAN LIST C – EVALUATIONS

	6	Profiling of Expenditure				
		2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)
		17				
	7	Capital Renewals Impact: N/A				
	8	Revenue Impact: £6k pa support and maintenance				
	9	Partnership Funding: N/A				
	10	Project Monitoring / Post Implementation Review: Head of IT/Director of Finance & Transformation in liaison with internal digital group				
Page 154	11	Screening for equality impacts:				
		Question			Answer	Explanation of impacts
		a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?			N/A	
		b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?			N/A	
		c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?			N/A	
	12	Recommendation: Transfer from List C to List A and fund from Invest to Save Reserve				

## **TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW**

### **Item CB 20/67 referred from Cabinet of 14 October**

The report of the Director of Finance and Transformation set out the recommendations arising from the Audit Committee of 28 September 2020.

#### **RECOMMENDED:** That

- (1) the action taken by officers in respect of treasury management activity for the period April to August 2020 be endorsed; and
- (2) the existing parameters intended to limit the Council's exposure to investment risks be retained.

**\*Referred to Council**

This page is intentionally left blank

# **TONBRIDGE & MALLING BOROUGH COUNCIL**

## **CABINET**

**14 October 2020**

### **Report of the Director of Finance and Transformation**

#### **Part 1- Public**

#### **Matters for Recommendation to Council**

#### **1 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW**

**A report detailing treasury management activity undertaken during the period April to August of the current financial year was considered by Audit Committee on 28 September. Following review by the Audit Committee, Cabinet are invited to recommend that Council endorse the action taken by officers in respect of treasury management activity to date and retain the current risk parameters.**

##### **1.1 Introduction**

- 1.1.1 At its meeting on 28 September 2020, the Audit Committee considered a report on treasury management activity from April to August 2020 and reviewed the risk parameters contained in the Council's 2020/21 Treasury Management and Annual Investment Strategy.
- 1.1.2 The report to the Audit Committee can be found at **[Appendix 1]**.
- 1.1.3 After full consideration of the report, Audit Committee endorsed the action taken by officers in respect of treasury management activity for April to August 2020 and recommended that the existing parameters intended to limit the Council's exposure to investment risks contained in the 2020/21 Strategy should be retained.

##### **1.2 Legal Implications**

- 1.2.1 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. In addition, Link are employed to provide independent advice on legislative and professional changes that impact on the treasury management function.

##### **1.3 Financial and Value for Money Considerations**

- 1.3.1 As set out in the report to Audit Committee.

- 1.3.2 To support businesses and consumers respond to the Covid-19 pandemic, the Bank of England cut Bank Rate from 0.75% to 0.10% in March 2020. The adverse impact across the Council's investments is expected to see income in 2020/21 fall from £525,000 to £288,000.
- 1.3.3 Investment income is also expected to be lower than anticipated over the next few years. Limited action is available in the short term to address the shortfall in 2020/21. However, alternative investment options are being considered to negate some of the impact over the medium term and these options will be presented to Audit Committee for review in January 2021. Investment will be subject to an acceptance of the risks and the availability of sufficient cash balances to undertake such an investment.

## 1.4 Risk Assessment

- 1.4.1 The application of best practice, including the regular reporting and scrutiny of treasury management activity, as identified by the CIPFA Code is considered to be an effective way of mitigating the risks associated with treasury management.

## 1.5 Equality Impact Assessment

- 1.5.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act

## 1.6 Recommendations

- 1.6.1 Cabinet is invited to **RECOMMEND** that Council:
- 1) Endorse the action taken by officers in respect of treasury management activity for the period April to August 2020.
  - 2) Retain the existing parameters intended to limit the Council's exposure to investment risks.

Background papers:

contact: Michael Withey

Link interest rate forecast (August 2020)

Link Benchmarking data (June 2020)

Sharon Shelton  
Director of Finance & Transformation

**TONBRIDGE & MALLING BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**28 September 2020**

**Report of the Director of Finance and Transformation**

**Part 1- Public**

**Matters for Recommendation to Cabinet – Council Decision**

**1 TREASURY MANAGEMENT UPDATE AND MID-YEAR REVIEW**

**The report provides an update on treasury management activity undertaken during April to August of the current financial year. A mid-year review of the Treasury Management and Annual Investment Strategy for 2020/21 is also included in this report.**

**1.1 Introduction**

1.1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management was revised December 2017 and adopted by Council on 30 October 2018.

1.1.2 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 Statement, including the Annual Investment Strategy, for the year ahead; a mid-year Review Report (this 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 treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

1.1.3 This mid-year report has been prepared in compliance with the Code and covers the following:

- An economic update and interest rate forecast.

- Investment performance for April to August of the 2020/21 financial year including recent benchmarking data.
- Compliance with Treasury and Prudential Limits for 2020/21.
- A review of the risk parameters contained in the 2020/21 Treasury Management and Annual Investment Strategy.

## **1.2 Economic Background**

- 1.2.1 As expected, the Bank of England's Monetary Policy Committee (MPC) kept Bank Rate unchanged at their meeting on 6 August at 0.1%. The MPC also maintained the level of quantitative easing (QE) at £745bn. The Bank's forecasts were adjusted in three key areas:
- The fall in GDP in the first half of 2020 was revised down from 28% to 23%. This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to lockdown.
  - The peak in the unemployment rate was revised down from 9% to 7.5% in the second half of 2020.
  - The Bank anticipates there will be excess demand in the economy towards the end of 2022 causing CPI inflation to rise above the 2% target and remain above target in 2023.
- 1.2.2 The MPC also dismissed the use of negative interest rates, at least in the short term, suggesting that while negative rates can work in some circumstances it would be “less effective as a tool to stimulate the economy” at this time when banks have concerns about future loan losses. The MPC also has “other instruments available”, including QE and the use of forward guidance.
- 1.2.3 The MPC still expects the £300bn of QE purchases announced between its March and June meetings to continue until the “turn of the year”.
- 1.2.4 Whilst the economy is recovering better than previously forecast by the Bank, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to downside risks, which were judged to persist both in the short and medium term including the potential for a second wave of the virus. However, rather than a national lockdown, as in March, any spikes in virus infections are now expected to be addressed through localised measures which should limit economic impacts. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down in the furlough scheme through to the end of October is another development that could cause the Bank to review the need for additional support later in the year. Recovery is also expected to be more prolonged than the rapid V shape initially anticipated and longer term adjustment in areas like office space and travel which may take a number of years to recover



to their pre lockdown levels. There is also likely to be a reversal of globalisation as the pandemic has shown how vulnerable long-distance supply chains are. Digital services, however, is one area that has seen significant growth.

- 1.2.5 One key addition to forward guidance was a new phrase in the policy statement, namely that the Bank “does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably”. Given the expectations for inflation, some economist conclude that the current ultra-low Bank Rate will remain in place for a number years.

### 1.3 Interest Rate Forecast

- 1.3.1 Following the financial crisis in 2008, Bank Rate was cut to an emergency level of 0.5% where it remained for over seven years. The outcome of the 2016 EU referendum prompted Bank Rate to be cut to 0.25% in August 2016. Since then Bank Rate has risen in 0.25% steps, peaking at 0.75% from August 2018. Link’s forecast used in the 2020/21 Investment Strategy assumed economic conditions would continue to improve requiring a gradual rise in Bank Rate over the next three years.

Link - Nov 2019	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 mth LIBID	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 mth LIBID	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 mth LIBID	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
25yr PWLB	3.40	3.50	3.60	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

- 1.3.2 The world has changed since the 2020/21 Strategy was published last February. Interest rate forecasting is now much more problematic and tentative than it is in normal circumstances. The scale of both Government and Central Bank intervention in recent months is historic in magnitude. Most governments have implemented lockdowns to limit the spread of Covid-19. Whilst lockdown measures are now being relaxed, the full extent of the economic impacts is still uncertain.

- 1.3.3 Link updated their forecast in August 2020 as follows:

Rate	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-23	Mar-23
	%	%	%	%	%	%	%	%	%	%	%
Bank Rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 mth LIBID	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	-	-	-
6 mth LIBID	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
12 mth LIBID	0.20	0.20	0.20	0.20	0.20	0.20	0.20	-	-	-	-
25yr PWLB	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.00

1.3.4 The forecast is based on the assumption that Covid-19 will be defeated in the UK over the next six to twelve months through localised lockdowns and or the use of a vaccine. In addition:

- On-going market volatility may necessitate further Government and Central Bank intervention.
- MPC will aim for very loose monetary policy, primarily through the use of quantitative easing, in order to maintain low yields and funding costs to help support businesses and to maintain appropriate levels of liquidity.
- The result is expected to be a very flat yield curve for at least a year and only marginal increases over the following year.
- Bank Rate will stay at 0.1% for the next two years.
- Inflation is likely to be below 2% throughout 2020 and wage increases will be limited in the face of economic uncertainty coupled with a steady rise in unemployment.
- The economy is likely to take a considerable time to recover lost momentum.
- There will be a recession in world growth in 2020; growth is unlikely to recover quickly.

## **1.4 Investment Performance**

1.4.1 In accordance with the CIPFA Code the Council's priorities, in order of importance, are: to ensure security of capital; liquidity; and having satisfied both, to obtain an appropriate level of return which is consistent with the Council's risk appetite.

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

1.4.3 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 2020/21 cash flow surpluses have averaged £29m.

1.4.4 The Authority also has £18m 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.

- 1.4.5 Cash flow and core cash balances also include some £10m to meet business rate appeals of which £3m are expected to be resolved in 2020/21 and the remainder in future years.
- 1.4.6 Long term investment at the end of August 2020 comprised £5m in property fund investments.
- 1.4.7 A full list of investments held on 31 August 2020 is provided at **[Annex 1]** and a copy of our lending list of 1 September 2020 at **[Annex 2]**. The table below provides a summary of funds invested and interest / dividends earned at the end of August.

	Funds invested on 31 August 2020	Average duration to maturity	Weighted average rate of return	Interest / dividends earned 1 April to 31 August 2020	Gross annualised return	LIBID benchmark (average 1 April to 31 August 2020)
	£m	Days	%	£	%	
Cash flow	22.2	8	0.11	28,000	0.23	-0.05(7 Day)
Core cash	18.0	186	0.47	44,600	0.66	0.14 (3 Mth)
Sub-total	<b>40.2</b>	<b>88</b>	<b>0.27</b>	<b>72,600</b>	<b>0.38</b>	<b>0.02 (Ave)</b>
Long term	5.0			35,400	2.83	
Total	45.2			108,000	0.65	

*Property funds pay dividends quarterly. The return quoted above is based on dividends received for the quarter April to June 2020.*

- 1.4.8 **Cash flow and Core cash Investments.** Whilst the authority outperformed the LIBID benchmark by 36 basis points, Interest earned of £72,600 to the end of August is £59,000 below the original estimate for the same period. The fall in income is due to the impact the emergency cuts in Bank Rate in March 2020 have had on investment opportunities. During March 2020 Bank Rate fell from 0.75% to 0.1%.
- 1.4.9 If bank offers remain at their current ultra-low levels throughout 2020/21, cash flow and core cash investment is likely to underperform against budget for the year as a whole by some £182,000. The potential to mitigate some of that impact is considered in Section 1.6 below.
- 1.4.10 Members will be aware from the media in general and committee reports (Cabinet, FIPAB amongst others) of the pressures that the pandemic has and is having on the Council's finances. To ensure sufficient liquidity to meet payment obligations all core fund maturities arising in February, March and April were transferred to

cash flow balances rather than being reinvested in new fixed term deposits. Following that action no payment issues arose and none are expected to arise during the remainder the 2020 calendar year. There remains a question mark over the proportion of council tax and business rates which will be collected in 2020/21. The lion's share of that collection is being paid to government and precept authorities spread over twelve monthly instalments. The current payment schedule for council tax predates Covid-19.

- 1.4.11 The recession is born out of a health crisis not a financial crisis. Whilst the UK sovereign credit rating has been downgraded from AA to AA- by Fitch, individual UK bank long-term and short-term credit ratings, for those banks on the Council's lending list, have not thus far been downgraded by the credit rating agencies. Whilst there have been a number of changes to rating watch and outlooks these have not resulted in a reduction in the investment duration assessment provided by Link (i.e. banks considered good for 12 month investment last January carry the same assessment today). Credit Default Swap data (a measure of risk) remains substantially below levels noted during the sovereign debt crisis of 2012.
- 1.4.12 The Council takes advantage of Link's benchmarking service which enables performance to be gauged against Link's other local authority clients. An extract from the latest benchmarking data is provided in the form of a scatter graph at **[Annex 3]**. The graph shows the return (vertical scale) vs. the credit / duration risk (horizontal scale) associated with an authority's investments. As at 30 June 2020 the Council's return at 0.34% (purple diamond) was below the local authority average of 0.49%. Based on the Council's exposure to credit / duration risk that return was in-line with Link's predicted return (between the upper and lower boundary indicated by the diagonal lines). The Council's risk exposure was consistent with the local authority average.
- 1.4.13 **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 commercial 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.
- 1.4.14 £3m was invested in property investment funds during 2017/18 and a further £2m invested during 2018/19. Investment was spread across three funds to ensure, as far as is possible, stability of annual income and capital growth over time. Additional property fund investments are expected in the future as resources become available from asset disposals and other windfalls.
- 1.4.15 During the period 1 April 2020 to 30 June 2020 the £5m investment in property funds generated dividends of £35,400 which represents an annualised return of 2.83% (3.48% in 2019/20). Covid-19 has resulted in a proportion of rents due to be collected in June being deferred. These deferred rents are expected to be collected at some point during the current financial year. However, income from

property funds is expected to underperform against budget by some £55,000 for the financial year as a whole primarily due to a delay in the receipt of proceeds from sale of the River Walk offices.

- 1.4.16 Property funds issue and redeem primary units at a buy and sell price with the difference between the two prices reflecting the costs associated with buying and selling property (legal and other fees, stamp duty etc.). The price spread varies from fund to fund but is typically in the region of 8% (6% on entry to a fund and 2% on exit). Where units are traded on a secondary market the impact of the spread can be reduced and delays in the purchase / redemption of units avoided.
- 1.4.17 Economic growth in the UK slowed in 2018/19 as did the rate at which fund sale values appreciated. A fall in sale values was recorded at some month ends especially during the second half of 2018/19 and throughout 2019/20. More recently, the Covid-19 impact on the economy is expected to see commercial property values continue to decline in 2020/21 before commencing a recovery.
- 1.4.18 Although each property is unique, its value is informed by the sale of similar properties. During recession property transaction volumes diminish making valuation less certain. Each of our property fund managers have attributed “uncertainty” to their most recent monthly valuations. At the same time, and by regulation, when valuation is uncertain fund managers are required to suspend the purchase and redemption of units by investors. The suspension is intended to protect the interests of purchasers, sellers and continuing investors such as ourselves and is welcomed.
- 1.4.19 Current qualified sale values vs initial purchase price are as follows:

<b>Property fund</b> (Primary = units in the fund purchased from the fund manager. Secondary = units purchased from another investor at a discount. Date = first month the investment attracted dividends)	<b>Purchase price</b>  a £	<b>Sale value at date of purchase</b>  b £	<b>Sale value 30 June 2020</b>  C £	<b>30 June 20 sale value above (below) purchase price (c-a) £</b>
LAPF (Primary, July 2017)	1,000,000	922,200	901,200	(98,800)
Lothbury (Primary, July 2017)	1,000,000	927,700	916,900	(83,100)
Hermes (Secondary, Oct 2017)	1,000,000	939,000	964,400	(35,600)
LAPF (Primary, June 2018)	1,000,000	922,200	864,050	(135,950)
Lothbury (Secondary, July 2018)	1,000,000	973,000	899,200	(100,800)
<b>Total change in principal</b>	<b>5,000,000</b>	<b>4,684,100</b>	<b>4,545,750</b>	<b>(454,250)</b>
<b>Total dividends received</b>				<b>448,050</b>
<b>Net loss since inception</b>				<b>6,200</b>

- 1.4.20 Since inception, the Council has received dividends from its property fund investments totalling £448,050. Taking the current £454,250 deficit on sale values into account the net loss to the Council is £6,200 (was a net gain of £173,800 to the end of December 2019). Fund values have fallen £258,300 in the six months to June 2020 due to the Covid-19 impact on the economy and commercial property values. The deficit in sales value is expected to be recouped overtime as the economy recovers.
- 1.4.21 Members are reminded that higher yielding investments (e.g. property, equities) have the potential to fluctuate in value, both up and down. It is this feature which makes them unsuitable for short term investment where certainty over value at maturity is a key criteria. The Council's property fund investments are not required to meet day to day spending commitments and will only be realised should a higher yielding opportunity be identified.

## 1.5 Compliance with the Treasury Management and Annual Investment Strategy

- 1.5.1 Throughout the period April to August 2020 all of the requirements contained in the 2020/21 Annual Investment Strategy intended to limit the Council's exposure to investment risks (minimum sovereign and counterparty credit ratings; duration limits; exposure limits in respect of counterparties, groups of related counterparty and sovereigns; and specified and non-specified investment limits) have been complied with. No borrowing was undertaken during April to August 2020.
- 1.5.2 The Council has also operated within the treasury limits and prudential indicators set out in the Annual Investment Strategy and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators can be found in **[Annex 4]** to this report.

## 1.6 Review of Risk Parameters

- 1.6.1 Members will recall the detailed consideration that was given to the 2020/21 Treasury Management and Annual Investment Strategy at Audit Committee in January. For ease of reference the parameters included in the Strategy that aim to limit the Council's exposure to investment risks are summarised in **[Annex 5]**.
- 1.6.2 In undertaking this review **no changes to the current approved risk parameters are proposed at this time**. The Strategy ensures that the Council is investing in high credit quality counterparties and there are an adequate number of counterparties available to maintain a well-diversified portfolio. However, Officers are mindful that investment returns offered by banks and building societies that feature on the Council's lending list have dropped to a fraction of the levels experienced in recent years and that this situation may persist for some time. Having reviewed options with our Treasury Advisor there is little added return to be had from either reducing our minimum credit criteria (Fitch A-, F1) or from extending investment duration beyond current constraints (Link suggested duration plus up to six months for UK institutions). However, we will be looking to expand the Council's lending list to include any UK banks and building societies

that don't currently feature on our lending list but nevertheless meet our minimum credit criteria (potentially one UK bank and two building societies). This will ensure that we can take advantage of all available opportunities as they arise.

- 1.6.3 We will also be exploring alternative investment options including the use of bond funds and multi-asset income funds. Whilst multi-asset income funds are provided for in our current Strategy, bond funds would be a new addition. Unlike our current bank and building society investments capital values in these types of fund will fluctuate overtime. Investment in these types of product is regarded as medium term typically spanning some three to five years and is therefore dependent on cash balances being sufficient over the medium term to ensure liquidity issues don't arise. Subject to an understanding and acceptance of the risks, bond funds as an alternative type of investment, may be offered for inclusion in next year's Annual Investment Strategy. Any investment in either type of fund will of course be dependent on the level of reserves and other balances available for such an investment.

## **1.7 Legal Implications**

- 1.7.1 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. In addition, Link are employed to provide independent advice on legislative and professional changes that impact on the treasury management function.

## **1.8 Financial and Value for Money Considerations**

- 1.8.1 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 (BoE) returned the Bank Rate to 0.5%. Bank rate was increased to 0.75% in August 2018. In response to the anticipated impact of Covid-19 on the economy, BoE cut Bank Rate to 0.1% in March 2020. Link's current forecast (August 2020) anticipates Bank Rate remaining at 0.1% for at least the next two years.
- 1.8.2 Following the March 2020 cuts in Bank Rate investment income at the end of August 2020 (month five of the financial year) from cash flow surpluses and core cash investments is £59,000 below budget for the same period. Income from property funds at the end of June is below budget by £9,600. Investment income for the year as a whole is expected to underperform against budget by some £237,000. No better and no worse than the figure reported to Audit Committee in July 2020.
- 1.8.3 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.
- 1.8.4 Whilst the annual income stream from a property fund exhibits stability (circa 4% per annum net of management fees) capital values rise and fall with the cyclical

nature of economic activity. During a downturn in the economy capital values may fall significantly. The duration of a property fund investment may need to be extended to avoid crystalizing a loss and as a consequence, the investment's duration cannot be determined with certainty.

- 1.8.5 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.
- 1.8.6 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 twelve 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.

## 1.9 Risk Assessment

- 1.9.1 The application of best practice, including the regular reporting and scrutiny of treasury management activity, as identified by the CIPFA Code is considered to be an effective way of mitigating the risks associated with treasury management.

## 1.10 Equality Impact Assessment

- 1.10.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act.

## 1.11 Recommendations

- 1.11.1 Members are invited to **RECOMMEND** that Cabinet:

- 1) Endorse the action taken by officers in respect of treasury management activity for April to August 2020.
- 2) Retain the existing parameters intended to limit the Council's exposure to investment risks.

Background papers:

contact: Mike Withey

[Link interest rate forecast \(August 2020\)](#)

[Link benchmarking data \(June 2020\)](#)

Sharon Shelton

Director of Finance and Transformation



## Tonbridge and Malling Borough Council - Investment summary 31 August 2020

Counterparty / type of investment	Sovereign	Fitch long term	Fitch short term	Link suggested post CDS duration limit	Investment						Cash Flow surpluses £	Core Cash balances £	Long term investment balances £
					Start date	End date	Duration at start	Amount invested £	Return %	Proportion of total %			
<b>Banks, Building Societies &amp; Other Financials</b>													
<b>Barclays Bank :</b>	UK	A+	F1	6 months	20/06/2019	TBD	95 Days	<b>6,000,000</b>		13.28%			
95 day notice account					23/07/2019	TBD	95 Days	1,000,000	0.30			1,000,000	
95 day notice account					28/07/2020	11/06/2021	11 months	3,000,000	0.30			3,000,000	
Certificate of deposit								2,000,000	0.61			2,000,000	
<b>HSBC Bank :</b>	UK	AA-	F1+	1 year	02/12/2019	TBD	31 Days	<b>5,000,000</b>		11.06%			
31 day notice account					03/08/2020	TBD	31 Days	3,000,000	0.25		3,000,000		
31 day notice account								2,000,000	0.25		2,000,000		
<b>Lloyds Bank :</b>	UK	A+	F1	1 year	14/11/2019	13/11/2020	1 year	<b>1,000,000</b>		2.21%			
Fixed term deposit								1,000,000	1.10			1,000,000	
<b>National Westminster Bank :</b>	UK	A+	F1	1 year	06/07/2020	05/07/2021	1 year	<b>2,100,000</b>		4.65%			
Certificate of deposit					28/08/2020	01/09/2020	Overnight	2,000,000	0.42			2,000,000	
Deposit account								100,000	0.01		100,000		
<b>Santander UK Bank :</b>	UK	A+	F1	6 months	05/06/2020	05/03/2021	9 Months	<b>7,000,000</b>		15.49%			
Fixed term deposit					22/05/2020	22/02/2021	9 Months	2,000,000	0.48			2,000,000	
Fixed term deposit					23/07/2020	22/04/2021	9 Months	2,000,000	0.48			2,000,000	
Fixed term deposit					07/08/2020	08/02/2021	6 Months	2,000,000	0.45			2,000,000	
Fixed term deposit								1,000,000	0.40			1,000,000	
<b>Standard Chartered :</b>	UK	A+	F1	6 months	21/05/2020	22/02/2021	9 Months	<b>2,000,000</b>		4.43%			
Fixed term deposit								2,000,000	0.48			2,000,000	
<b>Money Market Funds</b>													
<b>Blackrock MMF</b> - shares/units held	N/A	AAA	mmf (Eq)	5 years	28/08/2020	01/09/2020	Overnight	<b>250,000</b>	0.02	0.55%	250,000		
<b>BNP Paribas MMF</b> - shares/units held	N/A	AAA	mmf (Eq)	5 years	28/08/2020	01/09/2020	Overnight	<b>250,000</b>	0.05	0.55%	250,000		
<b>DWS Deutsche MMF</b> - shares/units held	N/A	AAA	mmf	5 years	28/08/2020	01/09/2020	Overnight	<b>897,000</b>	0.05	1.98%	897,000		
<b>Federated MMF</b> - shares/units held	N/A	AAA	mmf	5 years	28/08/2020	01/09/2020	Overnight	<b>8,000,000</b>	0.08	17.70%	8,000,000		
<b>Morgan Stanley MMF</b> - shares/units held	N/A	AAA	mmf	5 years	28/08/2020	01/09/2020	Overnight	<b>7,696,000</b>	0.07	17.03%	7,696,000		
<b>Property Funds</b>													
<b>Hermes Property Unit Trust :</b>	N/A	N/A	N/A	N/A	29/09/2017	N/A	N/A	<b>1,000,000</b>		2.21%			
Property fund units								1,000,000	3.28				1,000,000
<b>Local Authorities' Property Fund :</b>	N/A	N/A	N/A	N/A	29/06/2017	N/A	N/A	<b>2,000,000</b>		4.43%			
Property fund units					30/05/2018	N/A	N/A	1,000,000	4.22				1,000,000
Property fund units								1,000,000	3.96				1,000,000
<b>Lothbury Property Trust :</b>	N/A	N/A	N/A	N/A	06/07/2017	N/A	N/A	<b>2,000,000</b>		4.43%			
Property fund units					02/07/2018	N/A	N/A	1,000,000	3.02				1,000,000
Property fund units								1,000,000	2.91				1,000,000
<b>Total invested</b>								<b>45,193,000</b>		<b>100.00%</b>	<b>22,193,000</b>	<b>18,000,000</b>	<b>5,000,000</b>

<b>Number of investments</b>	23	<b>Average investment value £</b>			1,965,000
<b>Number of counter parties</b>	14	<b>Average counter party investment £</b>			3,228,000
<b>Group exposures:</b>		<b>Core £</b>	<b>Cash £</b>	<b>Combined £</b>	<b>%</b>
<b>Royal Bank of Scotland + National Westminster (UK Nationalised MAX 20%)</b>		2,000,000	100,000	2,100,000	4.65
<b>Bank of Scotland + Lloyds (MAX 20%)</b>		1,000,000	-	1,000,000	2.21
<b>Property Funds Total</b>		<b>£</b>			<b>%</b>
		5,000,000			11.06

**Total non-specified investments should be less than 60% of Investment balances** 11.06%

**Notes:**  
Property fund returns are based on dividends distributed from the start of each investment. Capital appreciation / depreciation is recorded elsewhere. Last update August 2020.  
End date for notice accounts to be determined (TBD)

This page is intentionally left blank

Tonbridge and Malling Borough Council Lending List

Checked against Link's "Suggested Credit List" dated 28/08/20								
Minimum investment criteria is Link's green duration band (100 days). Entry point broadly equates to Fitch A-, F1 unless UK nationalised.								
Counterparty	Sovereign	Sovereign rating [1]	Fitch long term	Fitch short term	UK classification	Exposure limit	Link duration based on [2]	
							Credit ratings	Post CDS
UK Banks, Building Societies and other Financial Institutions :								
Bank of Scotland (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
Barclays Bank (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Non-RF	£7m	6 months	6 months
Barclays Bank UK (Group Limit Barclays and Barclays UK £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Goldman Sachs International Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 Months
Handelsbanken Plc (Group Limit with Svenska Handelsbanken AB £7m)	UK	AA-	AA	F1+	Exempt	£7m	1 year	1 year
HSBC UK Bank	UK	AA-	AA-	F1+	Ring-fenced	£7m	1 year	1 year
Lloyds Bank (Group limit BOS & Lloyds £7m)	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
Santander UK	UK	AA-	A+	F1	Ring-fenced	£7m	6 months	6 months
Standard Chartered Bank	UK	AA-	A+	F1	Exempt	£7m	6 months	6 months
Coventry Building Society	UK	AA-	A-	F1	Exempt	£7m	6 months	6 months
Nationwide Building Society	UK	AA-	A	F1	Exempt	£7m	6 months	6 months
National Westminster Bank (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
The Royal Bank of Scotland (Group limit Nat West and RBS £7m). UK Nationalised.	UK	AA-	A+	F1	Ring-fenced	£7m	1 year	1 year
UK Debt Management Office including Treasury Bills	UK	AA-	n/a	n/a	n/a	No limit	5 years	5 years
UK Treasury Sovereign Bonds (Gilts)	UK	AA-	n/a	n/a	n/a	£16m/£8m	5 years	5 years
UK Local Authority (per authority)	UK	AA-	n/a	n/a	n/a	£7m	5 years	5 years
Non-UK Banks :								
Bank of Montreal	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Toronto Dominion Bank	Canada	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Nordea Bank Abp	Finland	AA+	AA-	F1+	n/a	£7m	1 year	1 year
Rabobank (Cooperatieve Rabobank U.A.)	Netherlands	AAA	AA-	F1+	n/a	£7m	1 year	1 year
ING Bank	Netherlands	AAA	AA-	F1+	n/a	£7m	1 year	1 year
Svenska Handelsbanken AB (Group Limit with Handelsbanken Plc £7m)	Sweden	AAA	AA	F1+	n/a	£7m	1 year	1 year
[1] Reflects the lowest of the three rating agencies views (Fitch, Moody's and Standard and Poor's). Strategy requires sovereigns to be rated at least AA-. Non-UK sovereign limit of 20% or £7m per sovereign.								
[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 suggestion. For UK entities duration may be extended by up to three months based on credit ratings alone or six months if CDS is below average, subject to a maximum combined duration of 12 months.								

Money Market Funds (Minimum investment criteria AAA) :					
Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Blackrock Institutional Cash Series - Sterling Liquidity	AAA	-	AAA	£8m	5 years
BNP Paribas InstiCash - GBP	-	-	AAA	£8m	5 years
DWS Deutsche Global Liquidity - Deutsche Managed Sterling	AAA	AAA	AAA	£8m	5 years
Federated Cash Management - Short Term Sterling Prime	-	AAA	AAA	£8m	5 years
Insight - Sterling Liquidity (Group limit IL & ILP of £7m)	-	AAA	AAA	£8m	5 years
Morgan Stanley Liquidity - Sterling	AAA	AAA	AAA	£8m	5 years

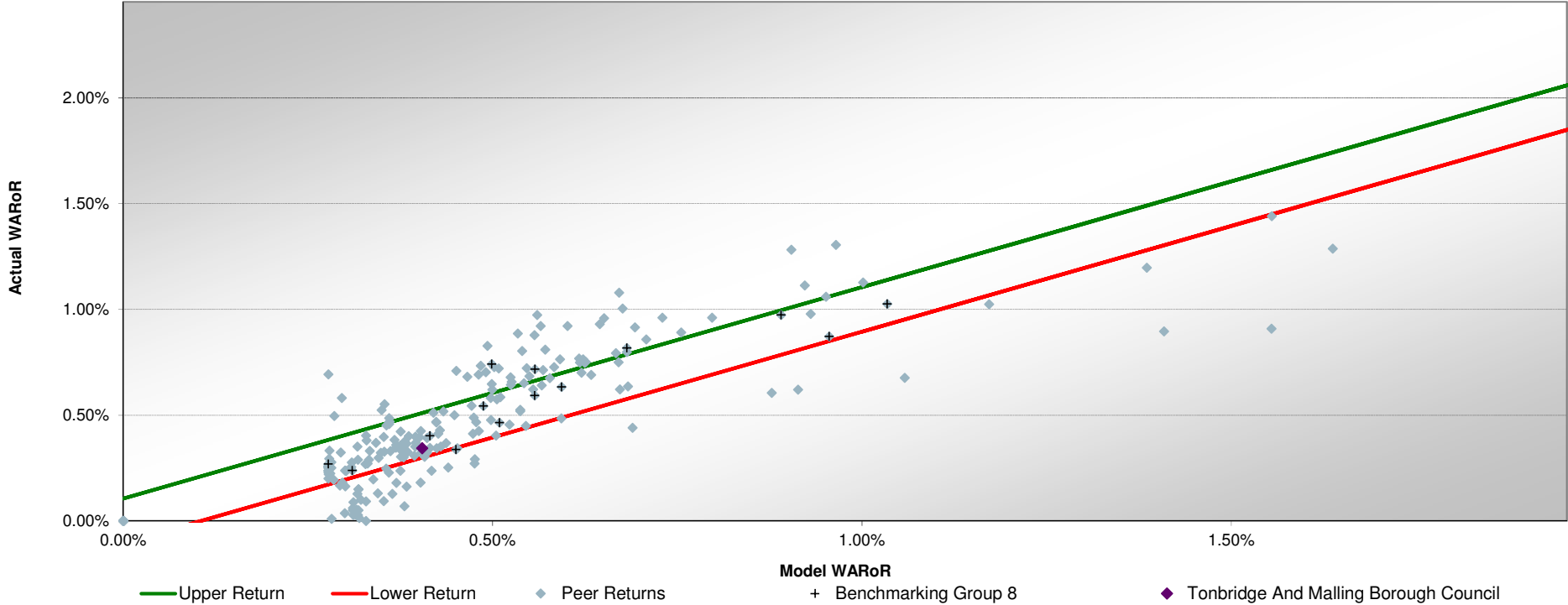
Enhanced Cash Funds (Minimum investment criteria AAA) :					
Fund Name	Moody	Fitch	S&P	Exposure Limit	Link credit worthiness
Insight - Sterling Liquidity Plus (Group limit IL & ILP £7m)	-	AAA	AA+	£3.5m	5 years

Approved by Director of Finance and Transformation	No change
01 September 2020	

This page is intentionally left blank

Tonbridge And Malling Borough Council

Population Returns against Model Returns June 2020



	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
Tonbridge And Malling Borough Council	0.34%	0.40%	-0.06%	0.30%	0.51%	Inline

This page is intentionally left blank

### Prudential and Treasury Indicators

<b>1 Prudential Indicators</b>	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Capital expenditure	6,407	3,876	2,416
Ratio of financing costs to net revenue stream	-4.24%	-3.56%	-6.07%
Net borrowing requirement:			
Brought forward 1 April	nil	nil	nil
Carried forward 31 March	nil	nil	nil
In year borrowing requirement	nil	nil	nil
Capital financing requirement as at 31 March	nil	nil	Nil
Annual change in capital financing requirement	nil	nil	Nil
Incremental impact of capital investment decisions:			
Increase in Council Tax (Band D) per annum	£0.25	£1.03	£2.06

<b>2 Treasury Management Indicators</b>	2019/20 Actual £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Authorised limit for external debt:			
Borrowing	nil	7,000	7,000
Other long term liabilities	nil	nil	nil
Total	nil	7,000	7,000
Operational boundary for external debt:			
Borrowing	nil	4,000	4,000
Other long term liabilities	nil	nil	nil
Total	nil	4,000	4,000
Actual external debt	nil	nil	nil
Upper limit for fixed rate exposure over one year at year end	nil	0 – 60%	0 – 60%
Upper limit for variable rate exposure under one year at the year end	19,610 (49.5%)	40 – 100%	40 – 100%
Upper limit for total principal sums invested for over 365 days	5,000 (12.6%)	60%	60%

<b>3 Maturity structure of new fixed rate borrowing during 2020/21</b>	Upper limit %	Lower limit %
Under 12 months	100	nil
Over 12 months	nil	nil

This page is intentionally left blank



### 2020/21 Annual Investment Strategy Risk Parameters

The strategy includes parameters that aim to limit the Council's exposure to investment risks by requiring investments to be placed with high credit rated financial institutions and that those investments are diversified across a range of counterparties. More specifically the 2020/21 Strategy requires:

- Counterparties must be regulated by a Sovereign rated AA- (UK minimum of A-) or better as recognised by each of the three main rating agencies (Fitch, Moody's and 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 and groups of related counterparty must not exceed 20% of funds.
- In selecting suitable counterparties the Council has adopted Link's credit worthiness methodology. The methodology combines the output from all three credit rating agencies including credit watches / outlooks and credit default swap data to assign a durational band to a financial institution (100 days, 6 months, 1 year, 5 years, etc.). At the time of placing an investment the financial institution must be assigned a durational band of at least 100 days. This broadly equates to a minimum long term credit rating of Fitch A- (high) and a short term credit rating of Fitch F1 (strong). A minimum of Fitch BBB (good), F2 (good) applies to UK nationalised banks.
- The duration of an investment in a foreign bank must not exceed Link's 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. Where duration exceeds Link's recommendation by more than three months, the institution's CDS must be below average at the time the investment is placed and exposure in the extended duration (3 to 6 months) limited to 10% of investment balances.
- Money Market funds should be rated AAA and exposure limited to no more than 20% per fund. LNAV and VNAV funds may be used as a substitute for CNAV funds.
- Enhanced Cash Funds / Government Liquidity Funds / Gilt Funds should be rated AAA and exposure limited to no more than 10% per fund and 20% to all such funds.
- Exposure to each non-rated property fund used for long term investment is subject to a maximum £3m (20% of expected long term balances) per fund and across all such funds. No limits applies to new resources made available from, or in anticipation of, the sale of existing property assets or other windfalls.

- Each non-rated diversified income (multi-asset) fund used for medium term investment is subject to a maximum £3m (20% of expected long term balances) per fund and across all such funds.

All specified and non-specified Investments will be:

Subject to the sovereign, counterparty and group exposure limits identified above.

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

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

Sterling denominated.

**Specified Investments** (maturities up to 1 year):

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

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

Investment	Minimum Credit Criteria	Max duration to maturity
Fixed term deposits with variable rate and variable maturities (structured deposits) - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Fixed term deposits with variable rate and variable maturities (structured deposits) - banks and building societies	UK sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Term deposits - local authorities	UK Sovereign A-	3 years
Term deposits - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Term deposits - banks, building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Certificates of deposit - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Certificates of deposit - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Commercial paper - UK nationalised banks	UK Sovereign A- Counterparty BBB,F2 (Green)	2 years
Commercial paper - banks and building societies	UK Sovereign A- / Non-UK Sovereign AA- Counterparty A-, F1 (Green)	2 years
Floating rate notes issued by multilateral development banks	AAA	2 years
Bonds issued by multilateral development banks	AAA	2 years
Sovereign bonds (other than the UK Government)	AAA	2 years
UK Government Gilts	UK Sovereign A-	5 years
Property Funds	N/A	N/A
Diversified Income Funds	N/A	N/A

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank