

Sevenoaks Town Council
Minutes of the Finance & General Purposes Committee
held on 20th January 2020 in the Council Chamber

Meeting Commenced: 7.10 p.m.

Meeting Concluded: 8.00 p.m.

Present:

Cllr Keith Bonin	Present		Cllr Roderick Hogarth	Present
Cllr Nicholas Busvine OBE	Present		Cllr Tom Morris Brown	Apologies
Cllr Sue Camp	Present		Cllr Robert Piper	Present
Cllr Dr Merilyn Canet	Present		Cllr Simon Raikes, Chairman	Present
Cllr Tony Clayton, Vice Chairman	Present		Cllr Edward Waite	Present
Cllr Andrew Eyre	Apologies			

Substitute	For
Cllr Richard Parry	Cllr Andrew Eyre
Cllr Victoria Granville-Baxter	Cllr Tom Morris-Brown

In Attendance: Cllr Shea, Town Clerk and Senior Committee Clerk.

Public Question Time: There were no members of the public present.

The meeting was recorded.

441. Apologies for Absence

RESOLVED: To note as above.

442. Requests for Dispensations

There were no requests for dispensations.

443. Declaration of Interests

There were no Declarations of Interests.

444. Minutes of the Finance & General Purposes Committee held on 25th November 2019.

RESOLVED: To receive and sign the Minutes of 25th November 2019 as a true record of the previous meeting.

445. Finance Reports

i) Management Accounts

The Committee received and noted, for the period 1st to 30th November 2019, the Finance Officer's Report with Variance Analysis, Working Capital Summary and Statement of Fund Balances, together with the:

- Suppliers Accounts, balance as at 30th November £181, 631.47
- Payroll Account, balance as at 30th November £80,641.87
- Petty Cash Account, balance as at 30th November £768.83

Unfortunately, the Cost Centre analysis had been omitted from the papers circulated: it was confirmed that the report would not impact the figures under consideration for the Revenue Estimates item (see Minute 448 below) and agreed that any queries be raised with the Town Clerk outside the meeting.

It was agreed that the reserves held for the Bat and Ball station be shown on a separate line in the Earmarked/Designated Funds section of the Working Capital Summary.

RESOLVED: That the presented and reviewed financial reports be accepted;

ii) Internal Audit Report

RESOLVED: That the Internal Audit Visit 2 report be received and noted.

iii) Hospitality and Gift Register report

RESOLVED: That the following hospitality and gifts received by Councillors or Staff for the period 31st October 2019 to 15th January 2020 be noted:

Date	Event	Nature of Hospitality	Approximate value
02.11.19	Fireworks event (Round Table)	5 x meals for STC staff from Wagamama	£50
29.11.19	Christmas Lights Switch On	5 x meals for STC staff from Wagamama	£50
29.11.19	Christmas Lights Switch On	Tin of Heroes chocolates & 2 bottles of wine from Shaw's Leisure (Fairground Rides)	£20

iv) Bat and Ball Station Bookings

RESOLVED: To note the bookings for the Bat and Ball Station Booking Hall and Luggage Room from April 2019 to December 2019, and the forthcoming bookings to end of March 2020.

446. Review of Internal Controls

The Town Clerk presented the following internal policies for review:

i. Risk Assessment 2020/21

The Committee reviewed the annual risk assessment and the identified actions to minimise those risks.

It was suggested that the staffing and revenue income of new operations such as the Café on the Vine and Bat and Ball Station Café be added to the Risk Management Register.

RESOLVED: That the Risk Management Register 2020/21 (attached as **Appendix A**) be approved and adopted.

ii. Investment Strategy 2020/21

The Committee considered current guidance and the Town Council's cash flow and investment requirements. It was noted that investment had been made in the CCLA Public Sector Deposit fund for the first time in 2019/20 and would continue into 2020/21.

RESOLVED: That the Investment Strategy, Policy and Risk Management for 2020/21 (attached as **Appendix B**) be approved and adopted.

iii. Reserves Policy 2020/21

The Committee reviewed the Reserves Policy 2020/21 with an emphasis on building reserves as part of the Town Council's medium-term strategy review.

RESOLVED: That the Reserves Policy 2020/21 (Attached as **Appendix C**) be approved and adopted.

447. Review of Charges 2020/21

RESOLVED: That an increase of 3% be applied to charges for 2020/21, and reports indicating final fees and charges be circulated to Councillors, in respect of:

- a) Hire of the Council Chamber, with effect from April 2020
- b) Charges for the Community Centre, with effect from April 2020
- c) Charges for the Bat & Ball Station, with effect from April 2020
- d) Open Spaces – General Charges, Sports Fees and Cemetery Charges
[Minute 301 OS&L 30.09.19 refers]

448. Revenue Estimates and Precept Proposal 2020/21

The Committee received and considered the final Revenue Estimates and the proposed Precept for the financial year 2020/21.

RESOLVED:

- 1) That the Town Council set a Precept of £1,215,276 for 2020/2021, which is a 5.89% increase on the previous year, and a Band D equivalent household rate of £125.41, approximately £2.41 per week.
- 2) That a 5-year financial plan be produced, to include:
 - i. 5-year maintenance and management earmarked reserve to underpin Heritage Lottery Fund Bat & Ball Station project
 - ii. Programme to increase general reserves
 - iii. Costs relating to Climate Change priority
 - iv. Future Town Council priorities
 - v. Review of Salaries against market rates
 - vi. Review of Fees and Charges (in particular, the cemetery)
 - vii. Business Plan for the new Community Centre to work towards meeting repayments of the Public Works Loan Board loan
 - viii. Review of the funding of Rolling Capital Projects

449. Renewal of Sevenoaks Rugby Football Club Lease

The Committee considered the proposal to renew the Sevenoaks Rugby Football Club lease on the same terms and conditions for a period of 25 years.

RESOLVED: To renew the Sevenoaks Rugby Football Club Lease for a period of 25 years at the rent recommended by the valuer of £3,750 per annum and on the same terms and conditions as the previous lease, subject to rent review every five years.

450. Current Matters and Priorities

RESOLVED: To note the contents of the reports relating to:

- a. Current Matters; and
- b. Town Council Priorities

451. Press Release

Press Release to be issued regarding the Precept for 2020/21.

There being no further business the Chairman of the Committee closed the Meeting.

Signed
Chairman

Dated



Risk Assessment 2020/21

Dear Councillors,

The Council is expected to carry out an annual risk assessment of financial risks it is exposed to and identify any actions it considers necessary to minimise those risks.

A risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and/or to successfully execute its strategies.

Risk assessment is a systematic general examination of working conditions, workplace activities and environmental factors that will enable the Parish Council to identify any and all potential inherent risks.

This document has been produced to enable Sevenoaks Town Council to assess the risks that it faces and satisfy itself that it has taken adequate steps to minimise or eliminate them insofar as is possible.

The risk management register assesses the risk factors that have been identified for Sevenoaks Town Council under the following headings:

Governance

Operations

Financial

Environment or external factors

Compliance (law and regulation)

The assessment considers the key triggers and causes, evaluates the risk as detailed below to determine the severity or level of risk, determines the likelihood of it occurring, likely consequences and impact and assigns a risk rating. It is not an exact science and the below serves as a guide based on common practice.

Management/Control on steps taken or to be taken to control the risk appropriately are also inserted for each identified risk.

	Level of risk	Likelihood	Likelihood Indicators	Impact on service and reputation	Risk Rating
1	Insignificant	Very Unlikely	May only occur in exceptional circumstances	<ul style="list-style-type: none"> • No impact on the service • No impact on reputation • Complaint unlikely • Litigation risk remote 	• Low (L)
2	Minor	Unlikely	Expected to occur in a few circumstances	<ul style="list-style-type: none"> • Slight impact on service • Slight impact on reputation • Complaint possible • Litigation possible 	• Low (L)
3	Moderate	Possible	Expected to occur in some circumstances	<ul style="list-style-type: none"> • Some service disruption • Potential for adverse publicity-avoidable with careful handling • Complaint probable • Litigation probable 	• Medium (M)
4	Major	Likely	Expected to occur in many circumstances	<ul style="list-style-type: none"> • Service disrupted • Adverse publicity in local media not avoidable • Complaint probable • Litigation probable 	• High (H)
5	Extreme/Catastrophic	Very Likely	Expected to occur frequently and in most circumstances	<ul style="list-style-type: none"> • Service interrupted for significant time • Major adverse publicity in regional / national press not avoidable • Major litigation expected • Resignation of senior management and board • Loss of public confidence 	• High (H)

There are 3 levels of risk:

LOW	MEDIUM	HIGH
1 – 6	7 – 15	16 - 25

For example: A risk that is judged to be 'likely' (4) and have an 'insignificant' impact (1) would equate to a 'Low' risk level of 4 (4 x 1). A risk with a 'possible' likelihood (3) and 'extreme/catastrophic' impact (5) would equate to a 'Medium' risk level of 15 (3 x 5).

This document was approved by Council at the meeting held on(Minute.....)

**Sevenoaks Town Council
Risk Management Register**

Governance risks

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
1	<p>Ineffective Organisational Structure Lack of communication, uncertainty as to roles and duties.</p>	4	1	4(L)	<p>Organisational chart is in operation providing a clear understanding of roles and duties. Each member of staff has a contract of employment clearly specifying what their role and duties are. Staff appraisals are undertaken at least annually where any uncertainties can be discussed and rectified. Future aims and objectives are also discussed. Regular staff and manager meetings are held throughout the year to update staff on events happening within the organisation. Sevenoaks Town Council holds Investor in People status.</p>	Town Clerk	Existing procedure adequate
2	<p>Loss of Key staff Operational impact on key projects and priorities. Loss of contact base and knowledge. Loss of experience/skills</p>	4	3	12 (M)	<p>Systems, plans and projects are documented where feasible. Training is given to all members of staff with consideration given to ensuring more than one member of staff is trained in a particular area to provide cover during staff sickness or holiday. Formal notice periods are written into employee contracts to ensure a smooth handover when/if a member of staff is in the process of leaving the council.</p>	Town Clerk	Existing procedure adequate
3	<p>Councillors lack relevant skills or commitment The Council is unable to achieve its purpose. Poor decision making.</p>	4	1	4 (L)	<p>Councillors' skills are reviewed upon election. Appointments within the Council are made drawing upon Councillor's individual strengths</p>	<p>1. Town Clerk 2. Members</p>	Existing procedure adequate

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
4	<p>Conflicts of interest Decisions may not be based upon relevant considerations. Pursuit of personal agenda. Impact on reputation</p>	4	2	8 (M)	<p>The Standing Orders provide for instances when there is a conflict of interest. Councillors are asked to declare any conflict or interests relevant to Agenda items at the beginning of each meeting. Such councillors do not partake in the ultimate decision. Records of members' interests are kept and are publicly available.</p>	<p>1. Town Clerk 2. Members</p>	<p>Existing procedure adequate Reviewed annually</p>
5	<p>Lack of direction, strategy and forward planning The Council drifts with no clear objectives, priorities or plans.</p>	5	2	10 (M)	<p>The Council has a strategy which sets out the key aims, objectives and policies. A list of current matters and priorities are considered at each Finance & General Purposes Committee meeting. These are also reviewed following the election of a new council. Financial and operational performance is monitored by the Officers and reported at relevant Committee or Sub Committee meetings which are then subsequently reviewed at Council meetings held on a regular basis throughout the year. Relevant qualified staff are in post. A Blue Skies Day (review of plans) is normally held at a minimum of two yearly intervals</p>	<p>1. Town Clerk 2. RFO</p>	<p>Existing procedure adequate Reviewed annually</p>

Operational risks

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
6	<p>Disaster Recovery and planning Computer system failures or loss of electronic data</p> <p>Loss of paper documents.</p> <p>Destruction of property, equipment, records through fire, flood or similar damage</p>	4	3	12 (M)	<p>All data on the servers are backed up on a cloud base on a daily basis. Two servers are maintained, so that if one fails the Council can continue to function using the operational server during repair. A disaster recovery plan is in place for such an eventuality.</p> <p>Ongoing review of electronic archiving options for paper</p> <p>Adequate insurance cover is in place.</p>	Town Clerk	<p>Existing procedure adequate</p> <p>Ongoing review</p>
7	<p>Best Value Accountability Dependency on key suppliers Lack of competitive pricing/quotes Work awarded incorrectly</p>	3	2	6 (L)	<p>STC operates under Financial Regulations relevant for its sector and set down by statute. Competitive tendering is used for all large contracts. At least 3 independent quotations are sought for all contracts undertaken. Alternative suppliers are regularly reviewed to ensure goods and services supplied are competitively priced.</p>	Managers	Existing procedure adequate
8	<p>Health and Safety Risk of staff injury Risk of injury to the public</p>	3	2	6 (L)	<p>Annual Health and Safety inspections are carried out by qualified inspectors who provide written reports with prioritised action plans. Any recommendations are discussed and implemented where appropriate. The recommendations include advice relating to appropriate training for Council staff. An external Health and Safety advisory service is employed on all matters, this includes an indemnity.</p>	<p>1. Town Clerk 2. Managers</p>	Existing procedure adequate

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
					Risk assessment of events is undertaken as per policy. Parks and play area equipment are inspected as part of an annual maintenance programme and remedial work is budgeted for within the precept.		
9	Employment issues Employment disputes. Claims for unfair dismissal. Inadequate staff training. Child protection issues.	3	1	3 (L)	An external employer advisory service is used to advise on all employer related matters, this also provides an indemnity. All staff are offered training specific to their needs and this is also assessed annually at staff appraisals. All staff have been made aware of the Council's Child Protection Policy, and the contents of the Employee Handbook and Health and Safety Policy.	1. Town Clerk 2. Deputy Town Clerk	Existing procedure adequate
10	Information Technology Systems fail to meet operational need. Failure to innovate or update systems.	3	1	3 (L)	General IT support is contracted out to a third party, who advise with respect to server capacity and necessary upgrades. Licences are renewed annually and kept up to date. Computers are updated and replaced as required. All data protection laws are complied with.	1. Town Clerk 2. Deputy Town Clerk	Existing procedure adequate
11	Security of assets Loss or damage/theft of assets.	3	3	9 (M)	A central fixed asset register is maintained. Suitable security arrangements are in place for the Council's assets Safe custody arrangements for title documents and land registration are in place, normally at the bank or lawyers. Adequate insurance cover is in place and annually reviewed.	RFO Town Clerk	Existing procedure adequate Annually reviewed
12	Lack of Service provision - Customer satisfaction Loss of fee income. Negligence claims. Reputational risks.	2	3	6 (L)	Council operates a complaints procedure that is followed should a complaint be received. All complaints are taken seriously, fully investigated and attempts made to bring about a satisfactory resolution	Town Clerk	Existing procedure adequate
13	Procedural and systems documentation	2	2	4 (L)	All policies and procedures are adequately documented and staff are made aware of them. Policies and	Town Clerk	Existing procedure adequate

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
	Lack of awareness of procedures and policies. Actions taken without proper authority				procedures are reviewed and presented to Finance & General Purposes Committee. The Council uses the services of an independent internal auditor to review the systems and procedures in place to ensure they are fit for purpose.		
14	Project development Not compatible with original object or plan. Funding and financial viability in question. Financial and time over-runs	2	2	4 (L)	Projects are continually appraised to ensure compliance with original objective and plan. Actual costs are compared to budget and reported to Council at regular meetings. Funding is constantly under review. External grants/funding are sought to cover any budgeted shortfalls to ensure the continued viability of a project. Where a risk of funding shortfalls for a capital project is identified, cashflow projections are made and alternative solutions considered, including the potential for back-up borrowing arrangements investigated if considered appropriate.	Town Clerk	Existing procedure adequate
15	Capacity and use of resources including fixed assets Under-utilised or lack of building/office space. Obsolete plant and equipment being used impacting operational performance. Spare capacity not being utilised.	2	2	4 (L)	A rolling capital and maintenance work programme is in operation to ensure that assets are replaced or repaired as required. Managers review their department's fixed assets at least annually and any unutilised fixed assets are transferred to other departments as appropriate The future of the Council's assets and operational facilities are normally discussed at biennial Blue Skies Days	RFO	Existing procedure adequate

Financial risks

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
16	Precept Inadequacy Requirements not submitted to District Council Amount received late	4	1	4 (L)	Precept setting is an annual agenda item. RFO examines the actual financial accounts along with the projected year end accounts. The Council considers expenditure requirements for the following financial year along with expected income. The RFO recommends a draft precept amount which is reviewed and approved by Council only after it is deemed fit for the objectives and responsibilities for the financial year ahead. The precept is advertised on the agenda and members of the public are invited to attend the meeting. Town clerk submits the approved precept figure to the District Council in writing immediately after it is agreed by Council. Precept request dates are also communicated at the same time. Precept is confirmed by minute when received	RFO	Existing procedure adequate
17	Financial Reporting Insufficient	4	1	4 (L)	Management accounts are submitted at each committee meeting with details of receipts and payment	RFO	Existing procedure adequate
18	Budgetary control Budgets are not realistic Spending exceeds budgets Slack built into budget Lack of substantial review	3	2	6 (L)	Annual budgets are usually prepared in discussion with departmental managers and approved at Finance and General Purposes Committee in January from which the following year's precept is agreed. The Council operates an accounting software package that produces monthly management accounts with comparison of actual to budget. These are presented to the Finance and General Purposes Committee regularly throughout the year. All significant variances are investigated and reported. The management accounts are distributed to departmental managers each month for comment.	RFO	Existing procedure adequate

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
19	Pension Commitments The Council's duty to fund any shortfall in the Local Government Pension Scheme cannot be met.	3	3	9 (M)	The Council's exposure to any shortfall in the Local Government Pension Scheme has been limited by the withdrawal from the Scheme for any new employees. Precept includes additional contributions required in line with actuarial valuation. Funding shortfall continues to be monitored. The Council meets its statutory requirements for auto enrolment.	RFO	Existing procedure adequate
20	Dependency on income sources Impact on finances if Council Band D tax base is reduced.	3	1	3 (L)	Changes in legislation can have an impact on the Council's finances. The Council's policy is to maintain reserves at a level of the equivalent of 6 months of the External grants/funding are sought wherever possible	RFO	Existing procedure adequate
21	Bank accounts and Banking Inadequate checks Banking errors Loss Charges	3	1	3 (L)	Financial Regulations set out requirements for bank accounts and banking. All bank accounts are reconciled on a monthly basis by the finance department. The reconciliations are reviewed by both the Responsible Finance Officer and the Town Clerk. The bank account balances are submitted to the Finance and General Purposes Committee on a regular basis for approval. The opening of any new bank account requires the approval of the Finance and General Purposes Committee. Account balances and transactions are reviewed by internal and external auditors.	RFO	Existing procedure adequate

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
22	Payroll Staff are paid at incorrect rates. Fictitious employees are added to the payroll	2	2	4 (L)	<p>Policy laid out in staff handbook as approved by the Personnel Committee.</p> <p>All payroll payments are handled by the finance department.</p> <p>Sage payroll software is used to process the payroll.</p> <p>Timesheets are completed by all part time staff and are authorised by the departmental manager before onward submission to the finance department. All timesheets are approved by either the Town Clerk or Deputy Town Clerk.</p> <p>Sage payroll produces a number of reports, these and copy payslips are reviewed by the Responsible Finance Officer each month on a random basis.</p> <p>The Council maintains a separate payroll bank account through which all payments are processed. All payments are authorised by two Councillors one of whom is the chair or vice chair of committee.</p> <p>Payroll processes are also reviewed periodically by the internal auditor.</p>	RFO	Existing procedure adequate
23	Ordering procedures Payment made for goods not ordered. Goods or services ordered which are not authorised.	4	1	4 (L)	<p>The Financial Regulations deal with the ordering processes and set the limits for when the Council is required to obtain competitive bids.</p> <p>Managers of departments are authorised to order goods and services within the limits of departmental or capital budgets. Some members of staff have delegated authority to place orders for specific supplies (e.g. stationery). Each departmental manager has a sequentially numbered purchase order book.</p> <p>All delivered goods are checked and signed against delivery note.</p> <p>All invoices are signed by the departmental manager and two officers including the RFO before the payment is processed.</p> <p>Delivery notes are matched and attached to the purchase order and invoice.</p> <p>Invoices over £5,000 are approved by two Councillors prior to processing for payment.</p>	RFO	Existing procedure adequate

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
24	<p>Fraud and misrepresentation Understating income Inflating expenditure Inadequate internal financial controls and procedures</p>	4	1	4 (L)	<p>All known income are captured on the accounting package and accounting records as communicated to Finance. Expected income is noted in minutes and communicated to the Finance and General Purposes Committee.</p> <p>A grant register is maintained which details grant applications, payment date and other relevant information.</p> <p>Internal Control procedures are covered within the Financial Regulations which are reviewed and updated on an annual basis. The Responsible Finance Officer oversees the financial systems and procedures. An independent internal auditor reviews transactions and the Council's internal procedures at least 3 times per financial year. There is a defined system of budgetary control, regular management reporting including variance analysis.</p>	RFO	Existing procedure adequate
25	<p>Compliance with donor imposed restrictions Grants or donation funds received are applied outside the restrictions. Non-compliance resulting in repayment of the funds. Future relationship with donor damaged Potential regulatory action against the Council.</p>	2	2	4 (L)	<p>Controls are in place to ensure that any restricted funds received are identified upon receipt and separately accounted for.</p> <p>Controls are also in place to ensure the funds are only used for their intended purpose.</p> <p>Regular contact with the donor is maintained to update them on how the grant or donation is spent.</p> <p>The Town Clerk and the Responsible Finance Officer ensure all the terms and conditions of the funding are met.</p>	1. RFO 2. Town Clerk	Existing procedure adequate

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
26	Cash handling Sales income in the form of cash and cheques received direct to the department either misappropriated or not recorded properly	2	2	4 (L)	<p>Financial Regulations set out requirements and adequate cash handling procedures are in place specific to the relevant department.</p> <p>Daily takings are banked on a regular basis into the Town Council's general bank account by a member of staff from the department or brought to the finance department to bank on their behalf.</p> <p>All cash banking are reconciled by the finance department to the bank statements in accordance with the Financial Regulations.</p>	RFO	Existing procedure adequate
27	Petty Cash Money is stolen or cash receipts not recorded properly	3	2	6 (L)	<p>Petty cash and expenses claims are only given against specific agreed receipts. All cash is held in a locked container in a locked cupboard/safe under the supervision of the departmental manager.</p> <p>Petty Cash is reconciled against the float by the departmental manager. Reimbursement of the petty cash is undertaken by the finance department upon receipt of satisfactory reconciliation and supporting receipts which in turn is authorised per financial regulations. A summary of petty cash expenditure is reconciled monthly and submitted to the Finance and General Purposes Committee on a regular basis for approval</p>	RFO	Existing procedure adequate
28	Stock losses Protection of physical stocks and stock losses	2	2	4 (L)	<p>A stock rotation policy is in place under the responsibility of the relevant manager. Levels of stock held are minimal.</p> <p>Stocks of consumables (stationery, cleaning materials etc.) are kept in designated areas under the responsibility of the relevant manager. Stock expenditure and income are included in monthly management accounts and unusual fluctuations in profit margins would be identified in finance reports reviewed at Finance & General Purposes Committee Meetings.</p>	RFO	Existing procedure adequate

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
29	<p>Credit Control Credit is given to customers whose credit rating has not been checked.</p> <p>Too much credit is given to a customer.</p> <p>Customers who have not complied with the Council's payment terms are allowed to continue incurring more debt.</p>	2	2	4 (L)	<p>For regular users of the Council's facilities a 30 day payment term is in force. If problems arise, the customer is contacted by the departmental manager in the first instance and then the finance department, and an attempt made to resolve the problem by mutual agreement. In extreme circumstances, credit terms are suspended and customers are then required to pay in advance.</p> <p>Exceptions to the above relate to tenants of the Council's residential properties, where any new lettings are undertaken by a local letting agency who vet potential tenants on the Council's behalf. Rental income is usually paid for in advance.</p> <p>For all new hirers of the community centre, payment in advance is required and a refundable damage deposit is taken when deemed necessary</p> <p>Sports and leisure course fees for regular bookings are invoiced termly in advance.</p> <p>Any bad debts are reported to the Finance and General Purposes Committee promptly in accordance with the Financial Regulations.</p>	RFO	Existing procedure adequate
30	<p>Investment of Surplus funds Investment in areas of unacceptably high level of risk.</p> <p>Investing in areas not permitted by statute.</p> <p>Commercial failure of deposit taking institution resulting in loss of deposited funds.</p>	2	1	2 (L)	<p>The investment strategy is reviewed on an annual basis by the Finance and General Purposes Committee to limit the Council's exposure to high level risk.</p> <p>The Council uses Credit Ratings and other market intelligence to access the credit quality of any potential counterparty.</p> <p>The Council sets limits as to the minimum level of credit rating that will be acceptable as part of the Investment Strategy.</p> <p>Liquidity is managed such that investment durations are aligned with cash flow needs</p>	RFO	Existing procedure adequate

					All investment deposits are undertaken for a fixed-term which determines interest rate and duration at the time the transaction is being considered		
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	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
31	Reserves policies Lack of funds to respond to new needs or requirements. Inability to meet commitments or planned objectives.	4	1	4 (L)	A general contingency fund forms part of the annual budget to cope with any unexpected costs arising. Earmarked reserves are being maintained and added to on an annual basis where future known expenditure is expected. General reserves are being maintained in accordance with External Auditors recommendations.	RFO	Existing procedure adequate
32	Borrowing Inability to meet repayment schedule. Breaching regulatory requirements.	1	1	1 (L)	All requirements to borrow funds must be carried out in accordance with the Finance Regulations and approved by the Finance & General Purposes Committee in advance. Ministry of Housing, Communities and local governments (MHCLG) approval must be obtained prior to proceeding.	RFO	Existing procedure adequate
33	Asset management Misappropriation of Council assets.	1	2	2 (L)	The Council maintains a fixed asset register held centrally. The departmental managers are provided with an asset schedule annually for review and updating. All capital items purchased must be in accordance with the Financial Regulations. All assets are insured under the Council's general insurance policy.	RFO	Existing procedure adequate
34	Insurance Inadequate cover Excessive cost Compliance	3	1	3 (L)	Annual review of all insurance requirements prior to renewing the policy. This ensures adequacy. Property asset values are updated every 5 years via a valuation and maintenance review carried out by a qualified surveyor. Changes are communicated to the Insurers as required. Quotations are sought tri-annually from other insurer providers to ensure competitiveness.	RFO	Existing procedure adequate

					Public and Employer liability and Fidelity Guarantee cover are all reviewed and deemed appropriate for the Council's needs.		
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Environmental or external factors

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
35	Government Policy Any changes in legislation on local authority activities could adversely impact the Council.	4	4	16 (H)	All proposed legal and regulatory changes affecting local authorities are monitored and reviewed by the Council. Membership to NALC and KALC ensures the Council is fully informed of any proposed future regulatory changes.	RFO	Existing procedure adequate
36	Public Perception Adverse publicity and the impact on the services and facilities offered to the public.	3	2	6 (L)	The Council has a good working relationship with the local media to ensure that the public are informed of any future projects or events. All agendas and minutes to Council meetings are available to the public to review. The Council promotes full disclosure and transparency. All meetings of the Council and its sub-committees are recorded and the Council supports the rights of the public and press to attend and record such meetings subject to the Council's protocol being followed. Written records of decisions delegated to an officer relating to the granting of a permission or license, affecting the rights of an individual or awarding a contract or incurring material expenditure are made available for viewing by the public and retained by the Council for 6 years	Town Clerk	Existing procedure adequate

Compliance risk (law and regulation)

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
37	<p>Compliance with legislation and regulations</p> <p>Loss of licence to undertake particular activity.</p> <p>Loss of reputation through qualified audit reports</p> <p>Penalties or fines from regulators or HMRC due to non-compliance.</p> <p>Employee or consumer action for negligence.</p>	4	1	4 (L)	<p>All key legal and regulatory requirements are identified. Responsibility for ensuring key compliance procedures are followed are allocated to relevant members of staff. Any compliance reports from regulators are obtained and reviewed and any recommendations for improvement discussed and implemented.</p> <p>Internal and external auditors review the Council's compliance with financial and governance regulatory requirements.</p> <p>External/professional advice always sought where deemed appropriate including from SLCC where appropriate.</p> <p>STC employs HR and Health & Safety consultants to assist with mitigating risks.</p> <p>GDPR requirements are monitored External DPO was appointed to monitor compliance.</p> <p>Insurance cover is reviewed annually.</p>	<p>1. Town Clerk</p> <p>2. RFO</p>	Existing procedure adequate
38	<p>Freedom of Information Act</p> <p>Policy</p> <p>Provision of information</p>	3	3	9 (L)	<p>Council adheres to model publication scheme for Local Authorities.</p> <p>The Town Clerk is made aware of requests for information and manages the process of responding including making the decision about payment of a fee.</p>	Town Clerk	Existing procedure adequate

Compliance risk (law and regulation) contd.

	Risk Factor	Impact	Likelihood	Risk Rating	Management/Control	Owner	status
	Data Protection	4	3	12 (M)	The Council is registered with the Data Protection Agency. GDPR (General Data Protection Regulation) compliant as at May 2018. External DPO was appointed to monitor compliance	Town Clerk	Existing procedure adequate
40	Annual Return Failure to submit within time limits	4	1	4 (L)	Set as an annual meeting item. Processes are aligned to ensure compliance including applying for extensions as required. Internal Audit visit is scheduled annually in April/May ready for a Finance and General Purposes committee meeting and Council meeting to sign off the annual return.	RFO	



FINANCE AND GENERAL PURPOSES COMMITTEE

INVESTMENT STRATEGY, POLICY AND RISK MANAGEMENT for the 2020/21 financial year

1. Introduction:

- Sevenoaks Town Council (the Council) acknowledges the importance of prudently investing surplus funds held on behalf of the community.
- Statutory Powers: The Council's Investment Strategy complies with the revisions set out in:
 - the Statutory Guidance on Local Government Investments (3rd Edition) for financial years commencing 1 April 2018.
 - The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes

2. Reporting, Approval, Review and Amendment

- 2.1. The Council is required to approve an annual Investment Strategy and Prudential Indicators so that borrowing and investments remain prudent, affordable and sustainable. The policy in line with CLG Guidance Note, will be reviewed by the Responsible Finance Officer for consideration and approval annually
- 2.2. The Annual Strategy for the coming financial year will be prepared by the RFO and presented for approval to the Finance and General Purposes Committee before the start of the financial year
- 2.3. The Council reserves the right to make variation to the Strategy at any time subject to the approval of Full Council. Any variations will be made available to the public.
- 2.4. Fund balances and Investment activity is to be reported at every Finance and General Purposes Committee.

3. Investment Objectives

- 3.1. Guidance on local government investments issued by the Department for Communities and Local Government (CLG) currently suggests that investment strategy should have regard to the informal policy: **Security – Liquidity – Yield** – in that order.

The Council's investment priorities are as follows:

- Security of reserves i.e. protecting the capital sums invested from loss,
- Liquidity of its investments i.e. ensuring that funds invested are available for expenditure when needed. Cash available from the current account should be judged as adequate to cover the Council's commitments during the period of the investment(s).
- Yield i.e. the return on investment is considered once the first two objectives are satisfied.
- All investments will be made in sterling.
- The Council will carry out quarterly cash flow forecasts to ascertain expenditure commitments for the coming financial year.

3.2. The Guidance Note makes a distinction between investments that are:

- high security and high liquidity (specified investments); and,
- those with potentially greater risks and lower liquidity (non-specified investments)

The strategy should determine which categories of investment may be prudently used during the financial year and state the upper limits for the amounts which, at any time during the financial year, may be held in each category.

A 'Specified Investment' is one which is made in sterling, is not long term (less than 12 months) not defined as capital expenditure and is

- I. placed with a body which has a high credit rating or made with the UK Government,
- II. a UK Local Authority or a parish or community council.

Any other type of investment is considered 'Non Specified Investment' to which there can be greater risk and where professional investment advice might be required.

4. Policy

- 4.1. The Council's strategy requires investment in Bodies with high credit ratings i.e. ratings of UK clearing banks and building societies should be at least A- or equivalent.
- 4.2. The Council will only invest in 'Specified' investments as per the criteria defined above.
- 4.3. The Council's policy is to retain not less than 3 months estimated working capital and capital requirements in current and deposit accounts giving immediate access.
- 4.4. Amounts representing the balance on Revenue Reserves at the beginning of the financial year to be placed on deposit of up to one year's duration, depending on the prevailing interest rates and forecast cash flow requirements;
- 4.5. Other funds to be placed on deposit of up to one year's duration, depending on the prevailing interest rates and forecast cash flow requirements.
- 4.6. The Council policy is to invest for the best income return having regard to the Statutory Guidance and the absolute requirement to avoid a capital loss.

5. Investment Risk

5.1. Risk Management:

Limits

As a rule, not more than 40% of the funds are to be placed with any one institution, however authorised officers may use their discretion to increase this to 50%.

Categories

Funds only to be deposited or invested in the following categories of specified investments (as defined by the 2003 Act)¹:

- a) UK clearing banks or their subsidiaries, together with those former major building societies now banks;

- b) The Treasury Departments of building societies which are members of BSA with assets over £2bn;
- c) Non-UK financial institutions approved by the Finance and General Purposes Committee;
- d) UK Government stocks;
- e) UK local authority stocks or bonds;
- f) The money-market management operations of a UK public body or authority², where the council's funds are pooled and invested on the money markets under the name of such UK public body or authority.

Monitoring of Investment Counterparties

In the case of (a) and (b) above, for investments with maturity of 6 months or less the receiving body of investment scheme should generally have a short term credit rating of not less than A2 or equivalent as indicated by Standard and Poors, Moody's Investors Services or Fitch Ratings.

For investments with maturities over 6 months, the long-term credit rating should be A- or equivalent. The Committee may take other information into account in assessing the creditworthiness (e.g. sovereign support).

In the case of (c) and (f) above, where ratings are available, such credit ratings should be equivalent to A or above, and subject to prior approval by the Finance and General Purposes Committee.

Ratings are to be monitored not less than quarterly and if the rating of any Council investment has fallen below the appropriate rating, the Council will take the earliest opportunity to withdraw the investment and re-invest the proceeds appropriately depending on the best rates of return on offer at the time.

Category (f) should include any investment via Sevenoaks District Council of deferred payment of the half-yearly precept.

5.2. Treasury Management Advice

Within the limited range of potential investments identified it is not considered necessary to engage the services of a treasury management adviser. Independent research including internet research has been considered adequate.

5.3. Investment Training

The Guidance recommends that the Strategy should state the process adopted for reviewing and addressing the needs of the authority's treasury management staff for training in investment management.

² For example the Public Works Loans Board, or the treasury departments of a county or district local authority.

5.4. Investment of money borrowed in advance of need

- The Guidance maintains that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrows.

6. Investment strategy review

6.1. Specified Investments

The Council currently has 5 approved institutions, which are sufficient for it to keep within the 40-50% maximum investment limit for any one institution. Short term investments will be with any of the following, depending on the interest yield at the time of the investment.

Most of STC's investments currently fall within the 'specified investments' category.

Credit ratings are from all three rating agencies but Standard and Poor ratings are listed. Ratings are assessed at least on a quarterly basis. The last review listed was as at December 2019.

Name of Institution	Investment Period	Short Term Credit Rating	Long Term Credit Rating	Yield
Bank of Scotland	1 month rolling	A1	A+	0.80%
Handelsbanken	35 Day notice	A1+	AA-	0.25%
Nationwide	Instant access	A1	A	0.60%
HSBC Business Money Manager	Instant access	A1+	AA-	0.20%
CCLA-Public Sector Deposit Fund (PSDF)		AAA (Fitch)		0.71%

As at 1st April 2020, the Council will continue to hold its money in a current account with the NatWest bank (A1, A) and receive interest at the current applicable rate.

The Council has an existing account with Clydesdale (rating BBB+), which remains open with a £1 balance in case Councillors choose to invest with the bank in the future.

CCLA Fund - Public Sector Deposit Fund

It is an FCA regulated qualified money market fund with an AAA Fitch rating. The fund is instant access (although access does involve the selling of income shares) with interest paid at the end of each month. It aims to maximise net asset value of the Fund by investing in deposits with a range of highly rated sterling denominated deposits and instruments. The PSDF is a "Qualifying Money Market Fund" (QMMF) which is classed as a "low volatility net asset value" (LVNAV) short-term money market fund under the EU Money Market Funds Regulation. The weighted average maturity of the PSDF's investments will not exceed 60 days. The weighted average life of the PSDF's investments will not exceed 120 days.

It offered a dividend yield of 0.7267% net of fees (0.08%) as at December 2019.

Investment was made for the first time in September 2019 to ensure that the Council does not invest more than 40% in any one investment fund.

Owing to capital projects and related spending, funds will continue to be invested at maturities of no more than one year. Quarterly cashflow predictions will be used to ensure that funds required for projects anticipated to occur in the next quarter are held at appropriate maturities.

Overall, funds invested will be reviewed continually and aligned with both cashflow and projects. Maturities of a longer duration will only be considered after consideration of security and the absolute requirement to avoid capital loss.

6.2. Consideration of alternative investments

The Council may wish to introduce additional investments as requirements change so that funds can be spread more widely (but within reason) in order to minimise financial risk.

Consideration may be given to unspecified investments, CCLA funds and investing through a broker.

CCLA Funds - Local Authorities Property Fund

Aims to provide investors with a high level of income and long-term capital appreciation. Fund invests in UK commercial properties. Capital growth is achieved while property prices continue to increase – but fund values would decrease in the event that property prices fall (e.g. in the event of a significant rise in interest rates).

It offered a dividend yield of 4.35% at the end of September 2019. Fund size is £1.181bn at 1/7/19 – 247 authorities, including 95 parish and town councils.

The investment is regarded as for the long term. Councillors should bear in mind the Council's current investment strategy which has an absolute requirement to avoid capital loss.

Investments through a broker

Investing through a broker would allow access to building society and money market funds which may not be accessible directly. Brokers furnish an introduction to available funds, and provide information and facilitate the administration of opening accounts. No funds are provided to them, and there are no charges associated with their services – they charge the borrower.

Minimum investments are generally £1m for money market funds, but building societies will accept investments down to £500,000. While this would not be appropriate in normal circumstances for STC, information may be sought should the opportunity arise.

Recommendations

Having carefully considered the current guidance and the council's cash flow and investment requirements, it is recommended that:

Members adopt the existing strategy document and policy noting investment in the CCLA Public Sector Deposit fund for the first time in 2019/20 which will continue into 2020/21.

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Reserves Policy 2020/21

Background

Sevenoaks Town Council (STC) is required, under statute, to maintain adequate financial reserves in order to meet the needs of the organisation. Section 50 of the Local Government Finance Act 1992 requires local precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum or maximum level of reserves that an authority should hold.

In an Audit Commission document 'Interpreting the accounts' published in September 2014, the Audit Commission defined the useable reserves of a council as 'the money it is retaining to fund future spending commitments and to meet unpredictable variations in spending'.

The Commission defined useable reserves as including:

- the balance of the council's general fund;
- earmarked general fund reserves; and
- useable capital receipts.

With regard to the levels of reserves which a council decides to hold, the Commission states that the following issues should be considered:

Elected members are responsible for ensuring that their council's reserves are appropriate for local circumstances, and are accountable to taxpayers for the decisions they make.'

'Councils face ongoing financial challenges as they adapt to deliver services at lower cost in response to rising demand, in some cases, and reductions in funding. As we have reported previously, the cost and risks associated with service transformation, and uncertainty about future funding, have resulted in some councils increasing reserves, while others have been using reserves to make up shortfalls between their funding and spending plans.

All councils should continue to ensure that their reserves remain adequate for planned future needs and contingencies without placing undue constraints on current expenditure. Councils with very high levels of reserves relative to their spending should review the purposes for which these are held to ensure they are still required. The purposes for holding reserves, particularly where these are increasing, should be clearly communicated through the annual accounts.'



Reserves Policy 2020/21

Sevenoaks Town Council Policy

The current policy of Sevenoaks Town Council is to work towards a general reserves fund equal to at least 6 months of the current precept.

Any decision to set up reserves or spend from reserves must be made by Council

Reserves must not be held for on-going expenditure because this would be unsustainable.

To the extent that reserves are used to meet short term funding gaps, the aim should be to replenish in the following year or as soon as possible thereafter

Earmarked reserves that have been used to meet specific liability would not need to be replenished having served the purpose for which they were established.

Reviewing the Council's Financial Risk Assessment forms part of the budgeting and year end accounting procedures and identifies planned expenditure (and an allocation for contingency towards unplanned expenditure) thereby indicating the appropriate level of Reserves required for the coming financial year.

General reserves fund

The general reserves are funds which do not have any restrictions as to their use. These reserves cushion the impact of uneven cashflows, offset budget requirements (if necessary), fund short-term financial risks (see below), and unexpected or exceptional events. The reserve also enables the Town Council to act in an agile manner as opportunities occur.

The primary means of building general reserves will be through an allocation from the annual budget. This will be in addition to any amounts needed to replenish reserves that have been used up in the previous year.

Earmarked reserves

Earmarked reserves are created and held for specific ring-fenced purposes or to help smooth out medium and long term financial risks and spending plans.

They can also be held as carry forward of underspend. As is the case where the Council commits expenditure to specific projects but is unable to spend the budget in the year. Reserves in this instance are used as a mechanism to carry forward budgeted resources e.g. Rolling Capital Projects, Youth activities reserves, Markets, STP.

Consideration of Short-term Financial Risks

In order to assess the adequacy of the general reserve, the Council must take account of the strategic, operational and financial risks faced. The level of the reserve for the forthcoming year must be based upon a risk assessment of the Council's income and expenditure and take into account any contingencies that may be required.

The short-term risks that the Town Council faces, with particular reference to its current plans include:

Lower than expected income



Reserves Policy 2020/21

- Grant income - In previous years the net expenditure of the Town Council has been slightly lower than the precept, with the result that the Council has been able to boost the level of the general reserve fund. Since net expenditure is stated after deducting revenue grants received from third parties, the savings partly reflect unbudgeted grant. Conversely if budgeted grant income were not received for any reason then a surplus of net expenditure over precept could result, with the balance being funded by the general reserves fund.
- Other income - the revenue estimates forming the basis of the precept includes predicted income from a range of sources, such as cemetery income, letting and hiring income, new facilities such as Bat & Ball station café and room hires. It is difficult to predict with accuracy (particularly, for new venues such as the Bat & Ball station). If income received were to fall below the budgeted level, then the balance could be funded from general reserves.

Higher than expected costs

Due to:

- Inflation increases;
- capital overspend. The general reserves fund can be used to fund capital costs as well as to cover short term revenue funding requirements. It would therefore cover any unexpected costs associated with the Council's Community Investment Plan in the unlikely event that alternative sources of funding do not meet requirements or that the timing of receipts do not match expenditure.
- uninsured events which are not adequately provided for such as major streetlighting repairs, conversion, replacement and removal on certain streets;
- unexpected professional fees (although these will be mainly charged against the capital receipts fund);
- increased costs of running properties and facilities. For example, under the Council's current capital commitments, any excess running costs for new facilities that cannot be funded out of the precept or grants will be charged against revenue reserves;
- shortage of staff resources. The costs of additional staff recruited to cope with increased workload could be treated as capital transaction costs insofar as they are deemed to relate to additional work created by significant capital plans, otherwise additional costs not covered by the precept would be charged against revenue reserves;

Consideration of Longer-term Financial Risks

Longer term financial risks faced by the Council include:

- Funding the Council's capital projects and the uncertainties therein;
- Funding the deficit in the Local Government Pension Scheme;
- Funding for expenditure that arises once every 2-5 years e.g elections
- Funding the repairs or replacement of assets;
- Changes to legislation e.g. uncertainties created by the income to be generated from CIL



Reserves Policy 2020/21

Current Level of Financial Reserves

As at November 2019, the level of earmarked reserves was £4.381m and the level of revenue reserves was £232K. The council in 2019/20 borrowed £1.4m to enable it deliver on the refurbishment of the Bat & Bat Community Centre as promised to the community. This is in addition to allocating earmarked reserves as required for planned expenditure on various projects.

The Council should consider the opportunity cost of holding reserves which enables it to manage unforeseen pressures against current strategic plans. Given the increase in operational activity, the current level of general reserves will need to be built up as part of the Council's medium-term strategy review from 2020-21. The budget recommendation includes a transfer of £20,000 to revenue reserves however this is offset by a transfer of £26,000 from revenue reserves to balance the 2020-21 budget being to offset the financial impact of the loss of Community Centre income once refurbishment of the centre. The overall impact is a net transfer from revenue reserves of £6,000.

Sevenoaks Town Council				
Earmarked and Designated Funds as at 30th November 2019				
Represented by:				
Pension Reserve				2,814
Rolling Capital Prog Revenue Reserve				40,419
Street Lighting Reserve				7,737
Community Centre Reserve				16,398
Stag Winding Up Reserve				7,000
Planning Fees Reserve				12,500
Youth Activities Reserve				1,500
Contingency Provision Reserve				120,196
Pension Deficit Reserve				-
Capital Receipts Reserve				961,000
CIL Earmarked Reserve				1,745,593
No 8 bus Reserve				48,660
QH Allotments Key Reserves				4,715
BV Allotments Key Reserves				100
PWLB Loan Repayable				1,399,510
Mayor's Charity Reserve				13,800
Revenue Reserve				232,431
				4,614,374

Recommendation:

1. That Members consider and adopt the Reserves Policy for financial year 2020/21 with the emphasis on building revenue reserves as part of the medium term strategy review