

04 November 2021 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks

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# Finance & Investment Advisory Committee

## Membership:

Chairman, Cllr. Grint; Vice-Chairman, Cllr. Dickins  
Cllrs. Abraham, Bayley, Carroll, Clack, Clayton, Penny Cole, Griffiths, Harrison, Hogarth and Reay

## Agenda

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

	Pages	Contact
Apologies for Absence		
1. <b>Minutes</b> To agree the minutes of the meeting of the Committee held on 7 September 2021, as a correct record.	(Pages 1 - 4)	
2. <b>Declarations of Interest</b> Any interests not already registered.		
3. <b>Actions from Previous Meeting (if any)</b>		
4. <b>Update from Portfolio Holder</b>		
5. <b>Referral from Cabinet or the Audit Committee (if any)</b>		
6. <b>Treasury Management Mid-Year Update 2021/22</b>	(Pages 5 - 38)	Roy Parsons Tel: 01732 227204
7. <b>Budget 2022/23: Review of Service Dashboards and Service Change Impact Assessments (SCIAS)</b>	(Pages 39 - 62)	Alan Mitchell Tel: 01732227483

- |     |  |                   |                                   |
|-----|--|-------------------|-----------------------------------|
| 8.  | <b>Financial Performance Indicators 2021/22 - to the end of September 2021</b>                   | (Pages 63 - 68)   | Alan Mitchell<br>Tel: 01732227483 |
| 9.  | <b>Financial Results 2021/22 - to the end of September 2021</b>                                  | (Pages 69 - 104)  | Alan Mitchell<br>Tel: 01732227483 |
| 10. | <b>Work Plan</b>   | (Pages 105 - 106) |                                   |
| 11. | <b>Quercus Housing - Increasing the Delivery of Affordable Housing in the Sevenoaks District</b> | (Pages 107 - 122) | Sarah Robson<br>Tel: 01732227129  |

#### EXEMPT INFORMATION

Recommendation: That, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting when considering Appendix B of Agenda Item 11 above, on the grounds like likely disclosure of exempt information is involved as defined by Schedule 12A, paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)).

If you wish to obtain further factual information on any of the agenda items listed above, please contact the named officer prior to the day of the meeting.

Should you need this agenda or any of the reports in a different format, or have any other queries concerning this agenda or the meeting please contact Democratic Services on 01732 227000 or [democratic.services@sevenoaks.gov.uk](mailto:democratic.services@sevenoaks.gov.uk).

**FINANCE & INVESTMENT ADVISORY COMMITTEE**

Minutes of the meeting held on 7 September 2021 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Dickins (Vice Chairman)

Cllrs. Abraham, Bayley, Clack, Clayton and Reay

Apologies for absence were received from Cllrs. Carroll, Penny Cole, Harrison and Hogarth

Cllr. Griffiths was also present via a virtual media platform, which does not constitute attendance as recognised by the Local Government Act 1972.

12. Minutes

Resolved: That the minutes of the meeting of the committee held on 15 June 2021 be approved and signed by the Chairman as a correct record.

13. Declarations of Interest

No additional declarations of interest were made.

14. Actions from Previous Meeting

The Head of Finance updated Members on the action and it was noted that the Council Tax and Business Rate collection rates were recovering and was expected to be at budgeted levels for the year.

15. Update from Portfolio Holder

The Finance and Investments Portfolio Holder advised that the areas that gave members the greatest concern currently were homelessness, the anticipated change to the Prudential Code and Covid 19. The streamlined budget process would be adopted next year.

16. Referral from Cabinet or the Audit Committee

There were none.

17. Treasury Management Annual Report 2020/21

## Agenda Item 1

### Finance & Investment Advisory Committee - 7 September 2021

The Head of Finance presented the report which provided the customary review of investment and borrowing activity during 2020/21 as required by the Council's Financial Procedure Rules. The report outlined the strategy adopted during the year, showed the position of the investment and debt portfolios at the beginning and the end of the year and gave details of how the investment fund had performed in comparison with previous years and against various benchmarks.

Whilst the overall return on the Council's investment exceeded the recognised benchmarks, interest receipts were substantially below budget. In response to a question, the Head of Finance advised that a more demanding style of investment to obtain better results was being investigated.

#### Public Sector Equality Duty

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

Resolved: That it be recommend to Cabinet that the Treasury Management Annual Report for 2020/2021, be approved.

#### 18. Financial Performance Indicators 2021/22 - to the end of June 2021

The Head of Finance presented nine key internally set performance indicators, as at the end of June 2021, which Members considered. It was explained that the performance indicator for internal audit was showing as red because audit recommendations deferred, were now classed as being late. He also confirmed they were looking at investing over periods longer than 21 months, and were also examining other possible forms of investment, in order to achieve better returns. Interest rates were unlikely to rise much this year.

#### Public Sector Equality Duty

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

Resolved: That the report be noted.

#### 19. Financial Results 2021/22 - to the end of June 2021

The Head of Finance presented the report on the Council's 2020/21 financial results to the end of June 2021 which showed the year-end position was currently forecast to be an unfavorable variance of £0.246m which was largely due to COVID-19; and represented 1.4% of the Council's net service expenditure budget totaling £17.015m.

In response to questions, Members were advised that income for Land Charges were below budget as there were a lower number of enquiries and there was a loss of income to Kent County Council. There were a number of reasons why

homelessness was forecast with an adverse variance of £300,000, in particular the Council only recovered a proportion of its spending on homelessness from Government.

Public Sector equality duty

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

Resolved: That it be recommended to Cabinet that the report be noted.

20. Financial Prospects and Budget Strategy 2022/23

The Deputy Chief Executive and Chief Officer Finance & Trading presented the report which was the first report of the Council's budget setting process for 2022/23 onwards. It set out the financial pressures the Council was likely to face in the coming years and suggested an appropriate strategy, utilising the 10-year budget framework, which had proved successful to date and put the Council in a much stronger financial position than most other Councils.

To achieve this and ensure a balanced budget position over the next 10-year period would continue to be challenging largely due to the uncertainties and ongoing financial impacts of the Covid-19 pandemic.

The budget process would be the same as two years ago as opposed to the shortened process last year, however it was planned to shorten the process in future years to run from November to February.

The annual budget gap included in the report was £100,000, which related to the annual savings target. However, it was expected that the gap would increase due to the impacts of homelessness, ongoing Covid-19 impacts and inflationary pressures. Growth and savings proposals were to be presented to the Advisory Committees and Cabinet, and their recommendations would be considered as part of the process to remove the gap.

Members discussed the report and took the opportunity to ask questions of clarification. It was clarified that the Asset Maintenance budget was looked at every year and the figure given of 64% was currently proving adequate. With regard to inflation, it was explained there were various inflation assumptions built into the Council's budget however if inflation went higher than the assumption, then the service area it affected would have to find the extra cost in other ways. It was noted that the staffing pay increase for 2021 had not yet been agreed and that there was expected to be a cap set by Government on any rise in Council Tax.

Public Sector Equality Duty

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

Agenda Item 1

Finance & Investment Advisory Committee - 7 September 2021

Resolved: That Cabinet be advised that the Finance & Investment Advisory Committee endorsed the ten-year financial planning approach, and principles as set out within the report.

21. Work Plan

The work plan was noted.

THE MEETING WAS CONCLUDED AT 7.33 PM

CHAIRMAN

**TREASURY MANAGEMENT MID-YEAR UPDATE 2021/22**

**Finance & Investment Advisory Committee - 4 November 2021**

**Report of:** Deputy Chief Executive and Chief Officer - Finance & Trading

**Status:** For Decision

**Also considered by:**

- Cabinet - 11 November 2021

**Key Decision:** No

**Executive Summary:** This report gives details of treasury activity in the first half of the current financial year, recent developments in the financial markets and fulfils the reporting requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.

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

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer:** Roy Parsons, Ext. 7204

**Recommendations to Finance & Investment Advisory Committee:**

- a) that Cabinet be asked to approve the Treasury Management Mid-Year Update for 2021/22; and
- b) provide comments to Cabinet regarding investment in Multi-Asset Funds in line with the approach laid out in Appendix C.

**Recommendations to Cabinet:**

- a) that the Treasury Management Mid-Year Update for 2021/22 be approved.
- b) that investment in Multi-Asset Funds be commenced in line with the approach laid out in Appendix C.

**Reason for recommendations:** As required by both the Council's Financial Procedure Rules and the CIPFA Code, a mid-year report of treasury management activity is to be presented to Members for approval.

# Agenda Item 6

## Background

### Capital Strategy

- 1 In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following:
  - a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
  - an overview of how the associated risk is managed; and
  - the implications for future financial sustainability
- 2 This Council's capital strategy for 2021/22 was considered by Members at the meeting of the Finance & Investment Advisory Committee on 21 October 2020 (Capital Programme & Asset Maintenance 2021/24 report) and by Cabinet on 5 November 2020 (Budget Setting 2021/22 report).

### Treasury management

- 3 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 4 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 5 Accordingly, treasury management is defined as:

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

### Introduction

- 6 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017). 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 and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report), covering activities during the previous year;
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions; and
- 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 Finance & Investment Advisory Committee.

In addition, monthly reports from our treasury management advisors, Link Asset Services, are emailed to Members of the Finance & Investment Advisory Committee.

- 7 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the first part of the 2021/22 financial year;
  - Interest rate forecasts;
  - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
  - A review of the Council's investment portfolio for 2021/22;
  - A review of the Council's borrowing strategy for 2021/22; and
  - Any recent treasury management developments.

### **Economic update (as at 6 October 2021)**

- 8 **UK.** At its meeting on 24 September 2021, the Bank of England's Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.

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- 9 There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, the MPC had been prepared to look through a temporary spike in inflation.
- 10 So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement; this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- 11 Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its

May meeting, it will also have a clearer understanding of the likely peak of inflation.

- 12 The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
  - Placing the focus on raising Bank Rate as “the active instrument in most circumstances”.
  - Raising Bank Rate to 0.50% before starting on reducing its holdings.
  - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  - Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- 13 **Covid-19 vaccines.** These have been the game changer which has enormously boosted confidence that life in the UK could largely return to normal during the summer after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes implemented to contain their spread.
- 8 **USA.** The economic position is dealt with in the interest rate forecasts section of this report.
- 9 **Eurozone.** The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.
- 10 Following the German general election in September, the CDU/CSU and SPD both having won around 24-26% of the vote, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SPD-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

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- 11 **China.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- 12 **Japan.** 2021 has been a patchy year in combating Covid-19. However, after a slow start, nearly 50% of the population are now vaccinated and Covid-19 case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election - which his party is likely to win.
- 13 **World growth.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.
- 14 **Supply shortages.** The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

Interest rate forecasts (as at 6 October 2021)

- 15 The Council’s treasury advisor, Link Asset Services, provided the following forecast on 29 September 2021. Public Works Loan Board (PWLB) rates are the certainty rates, gilt yields plus 180 bps):

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

- 16 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.
- 17 As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 2023/24 and a third one to 0.75% in quarter 4 of 2023/24.

Significant risks to the forecasts

- 18 Significant risks to the forecasts include:-
- Covid-19 vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
  - The pandemic causes major long-term scarring of the economy.
  - The Government implements an austerity programme that suppresses GDP growth.
  - The MPC tightens monetary policy too early - by raising Bank Rate or unwinding QE.
  - The MPC tightens monetary policy too late to ward off building inflationary pressures.
  - Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
  - Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

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### The balance of risks to the UK economy

- 19 The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid-19 and its variants - both domestically and their potential effects worldwide.

### Forecasts for Bank Rate

- 20 Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons:-

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1 October 2021 and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.

- There is a risk that there could be further nasty surprises on the Covid-19 front, on top of the flu season this winter, which could depress economic activity.
- 21 In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.
- 22 It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid-19 crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

- 23 As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.
- 24 There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates due to the following factors: -
- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
  - Will the US Federal Reserve (Fed) take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
  - Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
  - How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
  - How will central banks implement their new average or sustainable level inflation monetary policies?
  - How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?

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- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

25 The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China/North Korea and Iran, which have a major impact on international trade and world GDP growth.

### Gilt and treasury yields

26 Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PwLB rates. During the first part of the year, US President Biden's, and the Democratic party's determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid-19 pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat/Republican haggling. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when:-

- A fast vaccination programme has enabled a rapid opening up of the economy.
- The economy had already been growing strongly during 2021.
- It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour and supply bottle necks is likely to stoke inflationary pressures more in the US than in other countries.
- The Fed was still providing monetary stimulus through monthly QE purchases.

27 These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries. This could then force the Fed to take much earlier action to start tapering monthly QE purchases and/or increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that some Fed members have moved forward their expectation of when the first increases in the Fed rate will occur in recent



Fed meetings. In addition, more recently, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of strong monthly jobs growth figures could be enough to meet the threshold set by the Fed of “substantial further progress towards the goal of reaching full employment”. However, the weak growth in August, (announced 3 September 2021), has spiked anticipation that tapering of monthly QE purchases could start by the end of 2021. These purchases are currently acting as downward pressure on treasury yields. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards in the US will invariably impact and influence financial markets in other countries. However, during June and July, longer term yields fell sharply; even the large non-farm payroll increase in the first week of August seemed to cause the markets little concern, which is somewhat puzzling, particularly in the context of the concerns of many commentators that inflation may not be as transitory as the Fed is expecting it to be. Indeed, inflation pressures and erosion of surplus economic capacity look much stronger in the US than in the UK. As an average since 2011, there has been a 75% correlation between movements in 10 year treasury yields and 10 year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

- 28 There are also possible downside risks from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

### The balance of risks to medium to long term PWLB rates

- 29 There is a balance of upside risks to forecasts for medium to long term PWLB rates.

### A new era - a fundamental shift in central bank monetary policy

- 30 One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the European Central Bank (ECB), to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum”

## Agenda Item 6

employment in its entirety' in the US before consideration would be given to increasing rates.

- 31 The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time. The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
- 32 For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.
- 33 Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes will all help to lower inflationary pressures.
- 34 Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

### **Treasury Management Strategy and Annual Investment Strategy update**

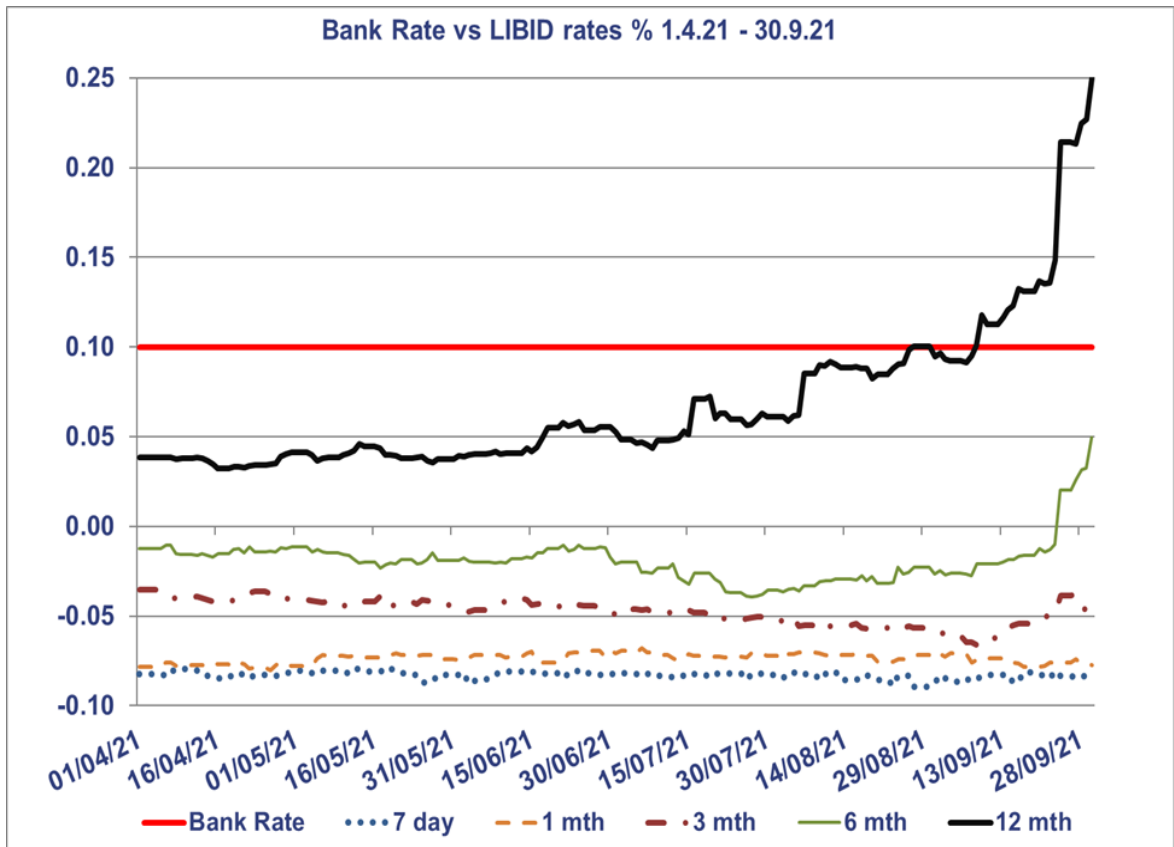
- 35 The Treasury Management Strategy Statement (TMSS) and Prudential Indicators for 2021/22 were approved by the Council on 23 February 2021. There are no policy changes to the TMSS thus far and the details in this report merely update the position in the light of the updated economic position.

### **Investment portfolio 2021/22**

- 36 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the suggested creditworthiness approach supplied by Link Asset Services, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information. As shown by the interest rate forecasts above, it is now impossible to earn the level of interest rates commonly seen in previous decades as all short-term money market investment rates have only risen

weakly since Bank Rate was cut to 0.10% in March 2020 until the MPC meeting on 24 September 2021 when 6 and 12 month rates rose in anticipation of Bank Rate going up in 2022. Given this environment and the fact that Bank Rate may only rise marginally, or not at all, before mid-2023, investment returns are expected to remain low.

- 37 The Council held £27.6m of investments as at 30 September 2021 (£11.050m at 31 March 2021) and the investment portfolio yield for the first six months of the year is 0.11% against 7 Day and 3 Month LIBID benchmarks of -0.08% and -0.05% respectively. A full list of investments held as at 30 September 2021 appears in Appendix A.
- 38 A large proportion of these funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.
- 39 A comparison of Bank Rate and LIBID rates appears in the graph and table below.



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
<b>High</b>	0.10	-0.08	-0.07	-0.04	0.05	0.25
<b>High Date</b>	01/04/2021	09/04/2021	06/07/2021	01/04/2021	30/09/2021	30/09/2021
<b>Low</b>	0.10	-0.09	-0.08	-0.07	-0.04	0.03
<b>Low Date</b>	01/04/2021	27/08/2021	26/04/2021	08/09/2021	27/07/2021	16/04/2021
<b>Average</b>	0.10	-0.08	-0.07	-0.05	-0.02	0.07
<b>Spread</b>	0.00	0.01	0.01	0.03	0.09	0.22

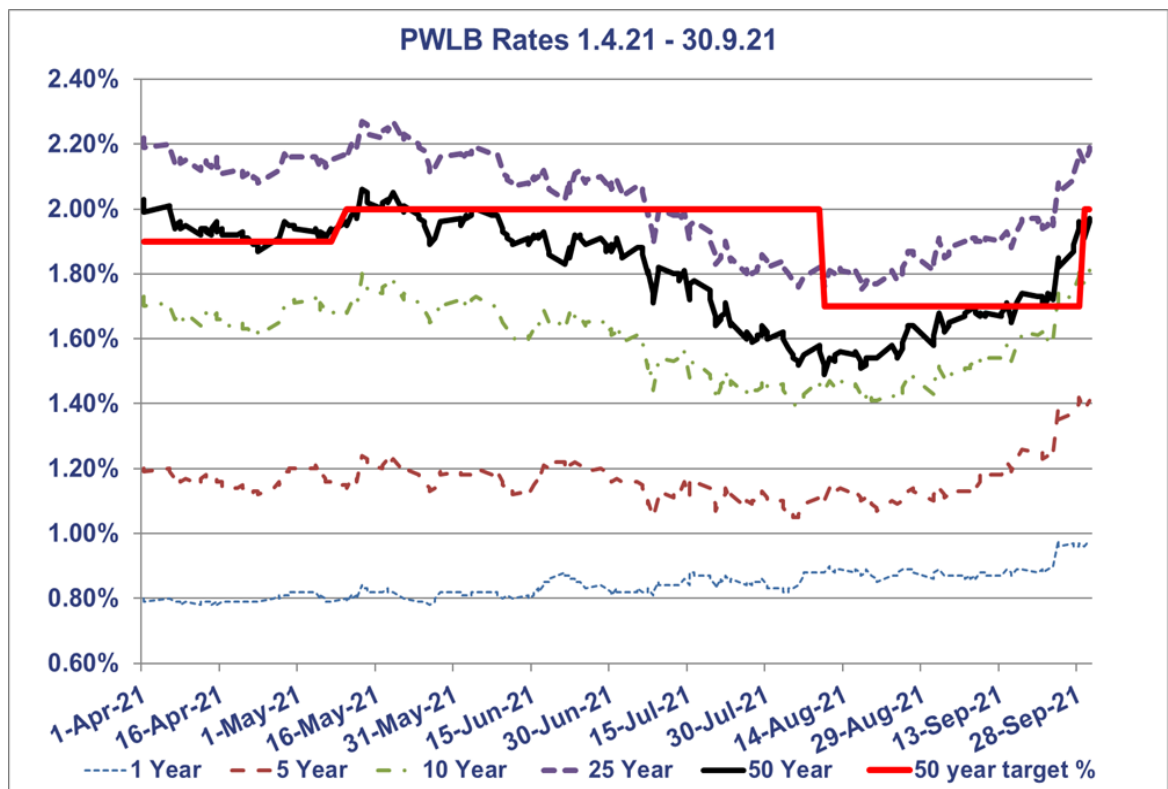
## Agenda Item 6

The levels shown above use the traditional market method for calculating LIBID rates i.e. LIBOR-0.125%. Given the ultra-low LIBOR levels this year, this produces negative rates across some periods.

- 40 The approved limits within the Annual Investment Strategy were not breached during the first six months of 2021/22. The current investment counterparty criteria approved in the Treasury Management Strategy Statement is currently meeting the requirements of the treasury management function.
- 41 The Council's budgeted investment return for 2021/22 is £188,000 and performance for the year to 30 September 2021 is approximately £81,000 below budget. This trend is likely to be maintained for the remainder of the financial year in the light of much reduced interest rates resulting from the coronavirus pandemic and lower than anticipated investment balances. The estimated shortfall at year-end is likely to be in the order of £166,000.
- 42 Members have previously expressed their desire to achieve returns closer to or exceeding the rate of inflation and investigations were commenced as to how this can best be realised within the context of the overarching treasury management tenet of "Security, Liquidity and then Yield". Appendix B shows our investment return compared with RPI & CPI in the current financial year.
- 43 The current Treasury Management Strategy allows for the use of alternative investment instruments such as Property, Bond, Equity or Multi-Asset Funds. These appear to achieve returns in excess of inflation, but are intended to be of a long-term nature (5 years or longer) due to large swings in returns from month to month plus the question of entry and exit fees.
- 44 The budgeted investment return for 2021/22 also had an uplift built into it in anticipation of the use of the alternative investment instruments mentioned above.
- 45 Research has been undertaken in consultation with Link Asset Services and specific options have been assessed, as detailed in Appendix C. Members views on a preferred approach are now being sought. The recommendation is that investment into one or more Multi-Asset Funds up to a maximum of £5m in total is undertaken. In order to select the provider most closely aligned to the Council's requirements, it is also recommended that Link Asset Services be engaged to carry out an assessment of Funds available.
- 46 The overriding principle when entering into such investments is that they will be of a long term nature. There is potential for negative returns during the life of the investments but, in the longer term, positive returns are more likely.

### **Borrowing strategy 2021/22**

- 47 As at the end of September 2021 the Council had £4.829m of borrowing, comprising one loan from the Public Works Loan Board (PWLB) for 30 years at 2.66%.
- 48 It is anticipated that further borrowing may be undertaken during this financial year pending Member approval of additional capital schemes.
- 49 The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date. Gilt yields and PWLB rates were on a falling trend between May and August. However, they rose sharply towards the end of September.
- 50 The 50 year PWLB target certainty rate for new long-term borrowing started 2021/22 at 1.90%, rose to 2.00% in May, fell to 1.70% in August and returned to 2.00% at the end of September after the MPC meeting of 24 September.



	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	0.78%	1.05%	1.39%	1.75%	1.49%
<b>Date</b>	08/04/2021	08/07/2021	05/08/2021	17/08/2021	10/08/2021
<b>High</b>	0.98%	1.42%	1.81%	2.27%	2.06%
<b>Date</b>	24/09/2021	28/09/2021	28/09/2021	13/05/2021	13/05/2021
<b>Average</b>	0.84%	1.16%	1.60%	2.02%	1.81%
<b>Spread</b>	0.20%	0.37%	0.42%	0.52%	0.57%

## Agenda Item 6

### Recent treasury management developments

- 51 As shown by the interest rate forecasts above, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%. Given this risk environment and the fact that any significant increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31 March 2023, investment returns are expected to remain low.
- 52 As for money market funds (MMFs), yields continue to remain low. Some managers have trimmed fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.
- 53 Officers have engaged with the Municipal Bonds Agency with a view to having a borrowing facility in place should the need arise in the future.

### Key Implications

#### Financial

The management of the Council's investment portfolio and cash-flow generated balances plays an important part in the financial planning of the authority. The security of its capital and liquidity of its investments is of paramount importance.

#### Legal Implications and Risk Assessment Statement

Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.

This annual review report fulfils the requirements of The Chartered Institute of Public Finance & Accountancy's Code of Practice on Treasury Management 2017.

Treasury management has two main risks:

- Fluctuations in interest rates can result in a reduction in income from investments; and
- A counterparty to which the Council has lent money fails to repay the loan at the required time.

Consideration of risk is integral in our approach to treasury management. However, this particular report has no specific risk implications as it is not proposing any new actions, but merely reporting performance over the last six months.

### Equality Assessment

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

### **Conclusions**

The overall return on the Council's investments up to the end of September 2021 is significantly below budget and the shortfall is forecast to increase further by the end of the financial year.

The reductions in Bank Rate during the coronavirus pandemic have had a consequent effect on the level of returns that can be achieved in the market.

The percentage yield on the portfolio is 0.11%, however, as previously noted, inflation has historically outpaced investment returns and attempts are being made to address this.

The economic situation both globally and within the Eurozone remains volatile, and this will have consequences for the UK economy. Treasury management in the current and recent financial years has been conducted against this background and with a cautious investment approach.

#### **Appendices:**

Appendix A - Investment portfolio at 30 September 2021

Appendix B - Investment returns vs RPI/CPI

Appendix C - Proposal for future investment strategy

#### **Background Papers:**

[Treasury Management Strategy for 2021/22 - Council 23 February 2021](#)

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**

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**SEVENOAKS DISTRICT COUNCIL**

List of Investments as at:- 30-Sep-21

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	Broker
	Barclays Bank plc (Business Premium A/C)	A+	U.K.		3,400,000	01-Oct-11			0.01000%	Variable	Direct
	Svenska Handelsbanken AB (Deposit A/C)	AA	Sweden		0	23-Jul-14			0.00000%	Variable	Direct
	Svenska Handelsbanken AB (35 Day Notice A/C)	AA	Sweden		0	01-Sep-16			0.05000%	Variable	Direct
	Aberdeen Standard Liquidity Fund (Money Market Fund)	AAA	U.K.		5,000,000	11-May-12				Variable	Direct
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		200,000	11-May-12				Variable	Direct
	BlackRock Liquidity Fund (Money Market Fund)	AAA	U.K.		1,000,000	13-Oct-16				Variable	Direct
	CCLA Public Sector Deposit Fund (Money Market Fund)	AAA	U.K.		5,000,000	08-Oct-18				Variable	Direct
IP1428	Close Brothers Ltd	A-	U.K.		3,000,000	30-Jun-21	0.15000%	29-Oct-21		4 Months	Tradition
IP1431	Close Brothers Ltd	A-	U.K.		2,000,000	07-Sep-21	0.27000%	21-Mar-22		6 Months	Tradition
IP1429	Newcastle Building Society		U.K.		3,000,000	22-Jul-21	0.11000%	24-Jan-22		6 Months	Tradition
IP1430	Thurrock Borough Council		U.K.		2,000,000	09-Aug-21	0.07000%	10-Jan-22		5 Months	RP Martin
IP1432	Thurrock Borough Council		U.K.		3,000,000	09-Sep-21	0.08000%	22-Mar-22		6 Months	RP Martin
Total Invested					<u>27,600,000</u>						

**Other Loans**

	Sevenoaks Leisure Limited				571,135	02-Mar-18	6.00000%	02-Mar-28		10 Years	Direct
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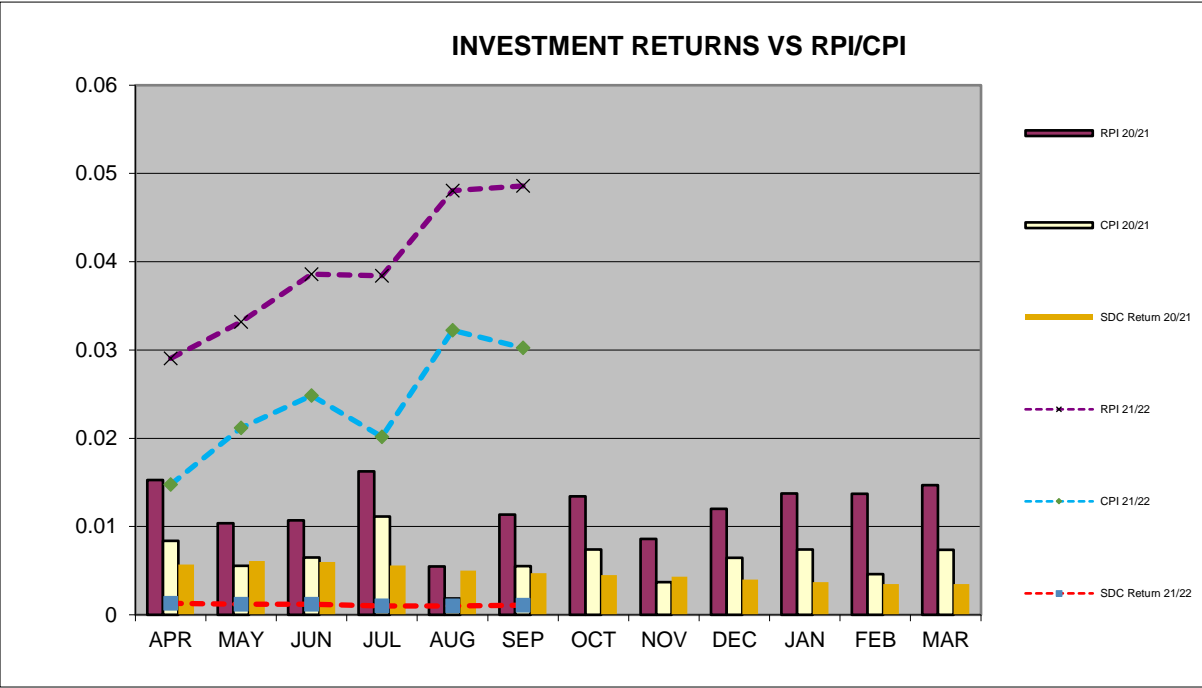
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**INVESTMENT RETURNS VS RPI/CPI**

	<b>RPI</b>	<b>CPI</b>	<b>SDC Return</b>	<b>RPI</b>	<b>CPI</b>	<b>SDC Return</b>
	<b>20/21</b>	<b>20/21</b>	<b>20/21</b>	<b>21/22</b>	<b>21/22</b>	<b>21/22</b>
<b>APR</b>	<b>1.5%</b>	<b>0.8%</b>	<b>0.6%</b>	2.9%	1.5%	0.1%
<b>MAY</b>	<b>1.0%</b>	<b>0.6%</b>	<b>0.6%</b>	3.3%	2.1%	0.1%
<b>JUN</b>	<b>1.1%</b>	<b>0.6%</b>	<b>0.6%</b>	3.9%	2.5%	0.1%
<b>JUL</b>	<b>1.6%</b>	<b>1.1%</b>	<b>0.6%</b>	3.8%	2.0%	0.1%
<b>AUG</b>	<b>0.5%</b>	<b>0.2%</b>	<b>0.5%</b>	4.8%	3.2%	0.1%
<b>SEP</b>	<b>1.1%</b>	<b>0.6%</b>	<b>0.5%</b>	4.9%	3.0%	0.1%
<b>OCT</b>	<b>1.3%</b>	<b>0.7%</b>	<b>0.5%</b>			
<b>NOV</b>	<b>0.9%</b>	<b>0.4%</b>	<b>0.4%</b>			
<b>DEC</b>	<b>1.2%</b>	<b>0.6%</b>	<b>0.4%</b>			
<b>JAN</b>	<b>1.4%</b>	<b>0.7%</b>	<b>0.4%</b>			
<b>FEB</b>	<b>1.4%</b>	<b>0.5%</b>	<b>0.4%</b>			
<b>MAR</b>	<b>1.5%</b>	<b>0.7%</b>	<b>0.4%</b>			

*N.B. RPI/CPI data is not available until around the 20th of the following month*

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## Appendix C

**Proposal for Future investment strategy.****Introduction and Background**

The Financial landscape in relation to Investment Income has changed significantly in the past 2 years with interest rates falling to record lows and the available level of resources being impacted by wider Council decisions.

This paper seeks to provide members with information on the current position and possible future investment opportunities it may wish to invest in.

- 1 The Council's financial strategy in the past seventeen years has worked towards increasing financial sustainability and it has been successful through the use of a number of strategies such as the 10-year revenue budget.
- 2 The investment income has played a significant role in helping to reach a balance budget position in the 10-year budget increasing from £192,000 in 2010/11 to £300,000 in 2020/21.
- 3 However, the Financial landscape in relation to Investment Income has changed significantly in the past 2 years with interest rates falling to record lows and the available level of resources being impacted by wider Council decisions.
- 4 It is now necessary to refresh our investment strategy to maximise returns and more closely align our approach with the risk appetite of the authority.

**Current Position**

- 5 Table 1 below sets out both the income budget and actual figures for income from investments for the last 3 years together with the average rate of return

Table 1

	19/20 £	20/21 £	Forecast 21/22 £
Investment Income Budget	200,000	300,000	188,000
Investment Income -Actual	254,295	79,277	22,000

## Agenda Item 6

Average % return	0.89%	0.35%	0.11%
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- 6 The table above just shows the interest earned on cash placed with counterparties but that is only part of the picture when looking globally at how our cash has been utilised.
- 7 Sevenoaks DC has provided financing by way of loans and equity to Quercus 7 to facilitate its acquisition of a number of investment opportunities. To date loans of £5.9m have been made to Quercus 7 earning an average of 4.61%. These are reported within the Property Investment Strategy income.
- 8 In addition, as part of the approved capital programme, agreed by members, it was projected that we would borrow £8m externally to part fund the White Oak Leisure Centre construction. To date we have not borrowed but rather funded this capital expenditure through internal borrowing and therefore saved £190,000 a year based on the rate of borrowing when it had initially been planned that the loan would be taken.
- 9 If this information is then reapplied to Table 1 we see a more accurate reflection of the financial impact of the global decisions.

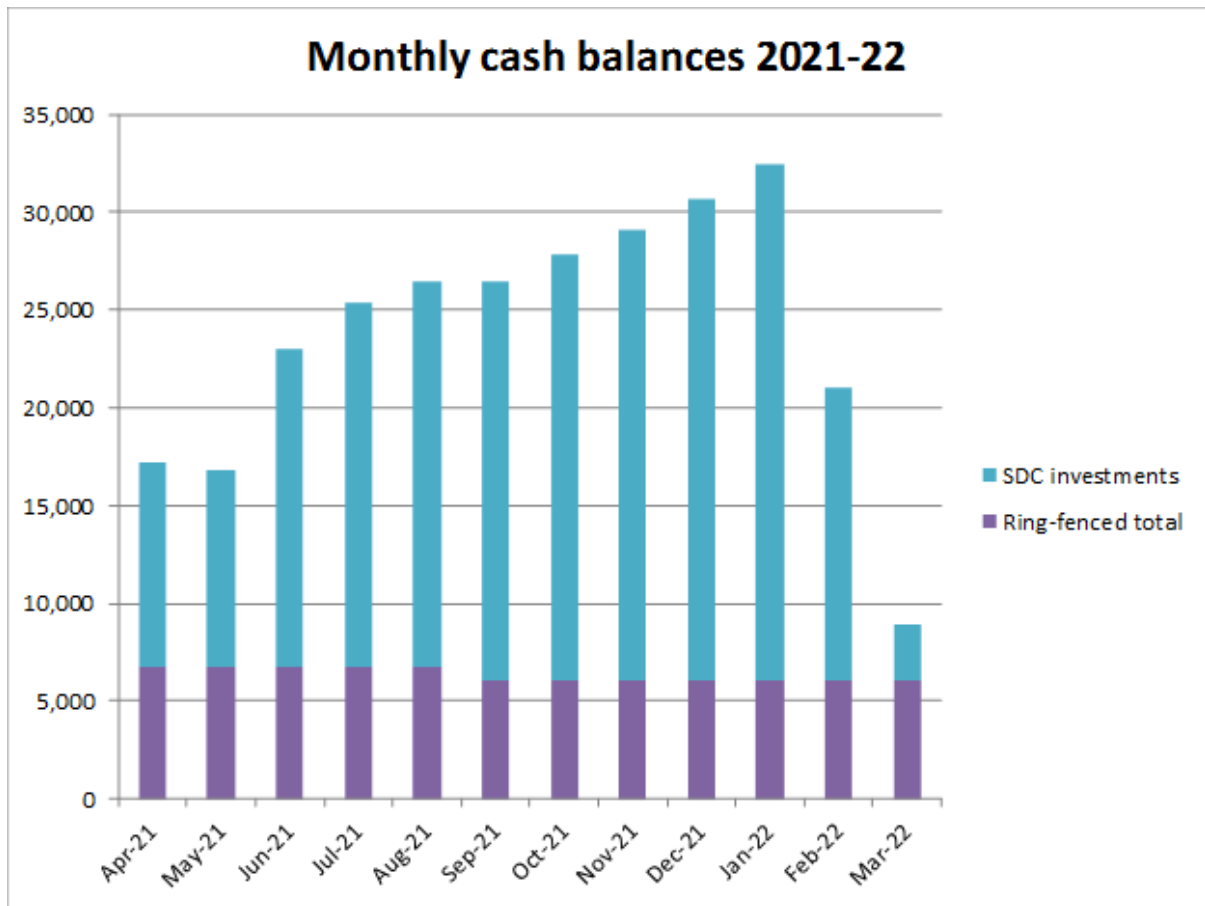
Table 2

	19/20 £	Average percentage	20/21 £	Average percentage	Forecast 21/22 £	Average percentage
Income Budget	200,000		300,000		188,000	
Investment Income	254,295	0.89%	79,277	0.35%	22,000	0.11%
Interest from Loans	138,895	3.34%	224,068	4.93%	307,807	4.76%
Interest saved on not borrowing externally	96,658	2.36%	290,258	2.39%	290,258	2.39%
Total	489,848		593,603		620,065	
Average cash balance	24.9m		22.6m		20.0m	
Average Loan	4.1m		4.5m		6.5m	
Average % return		1.48%		1.51%		1.61%



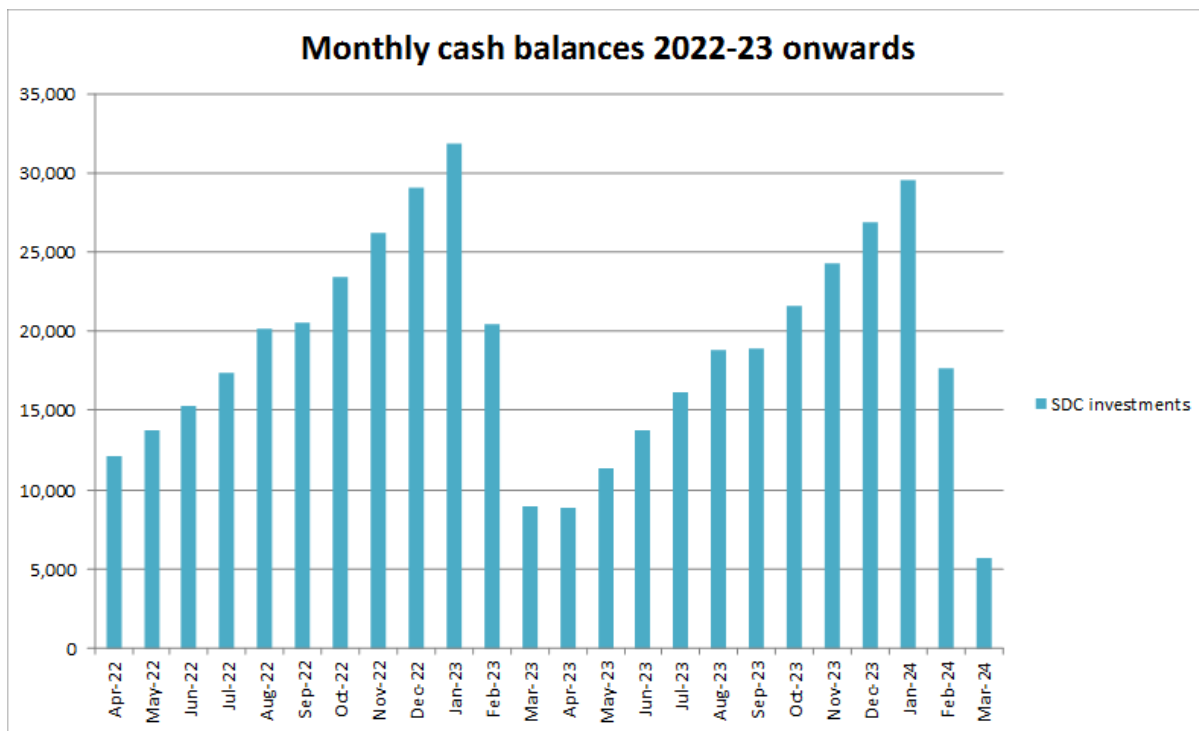
- 10 From the information in Table 2 it can be seen that as the sums invested in cash-based investments drop, those funds are utilised in property-based investment where it achieves higher returns.
- 11 The ability to accurately forecast our cash needs and therefore the ability to either fund acquisitions, capital expenditure or invest for an investment return is central to making sure that we maximise the real return on our available resources.
- 12 Graph 1 below shows the expected cash balances for 21/22 and Graph 2 shows the expected cash balances for 23/23 & 23/24. The data feeding into these graphs is very detailed and includes the current approved capital schemes, NDR & Council Tax receipts, Precept payments as well as receipts from capital disposals and grant funding. The forecasts are updated on a monthly basis to ensure the most accurate and up to date information is used.

Graph 1



- 13 This graph shows that in March 22 we would be carrying very low cash balances and would be the most likely time that we would need to borrow externally. February and March are months of low cash inflow as Council Tax payments are taken from April to January, but the precept payments are paid in 12 instalments.

Graph 2



- 14 Graph 2 again shows the cash balances recovering from April as the Council Tax payments are received but again these dip in February & March.
- 15 Neither Graph currently shows any external borrowing but this position will change as capital schemes continue in their development.

Future options

- 16 With returns on conventional money markets and inter-authority lending at an all-time low, as well as the requirement for investment returns to perform well in order to help fund the net revenue budget, it is time to look at other investment opportunities.
- 17 Multi-Asset Income Funds (MAIF) are not new to the market and were approved as part of the Treasury Strategy for the last 2 years. The next 3 pages give a summary of MAIF's, including details of fundamentals of MAIF's, the potential returns and volatility of returns over both the short and long term

## Fundamentals – Multi-Asset Income Funds (MAIF)

### Security

- Pooled Investment vehicle with low entry level.
- Investing in a mixture of assets, such as cash, bonds, property, equity and various other income producing products. Most funds will include non-sterling investments, hedged back to sterling, in portfolio.
- Unrated - look to the quality and process for selecting the underlying assets.
- Risk is diversified via the spread of investments, with 'risk-return efficiency' above average.

### Liquidity

- Can be sold on a daily basis, with settlement typically T+3.
- Funds hold variety of extremely liquid assets to meet investor liquidity requirements and dividend payments.

### Cost

- Annual management fees typically 75-150bps.

### Yield

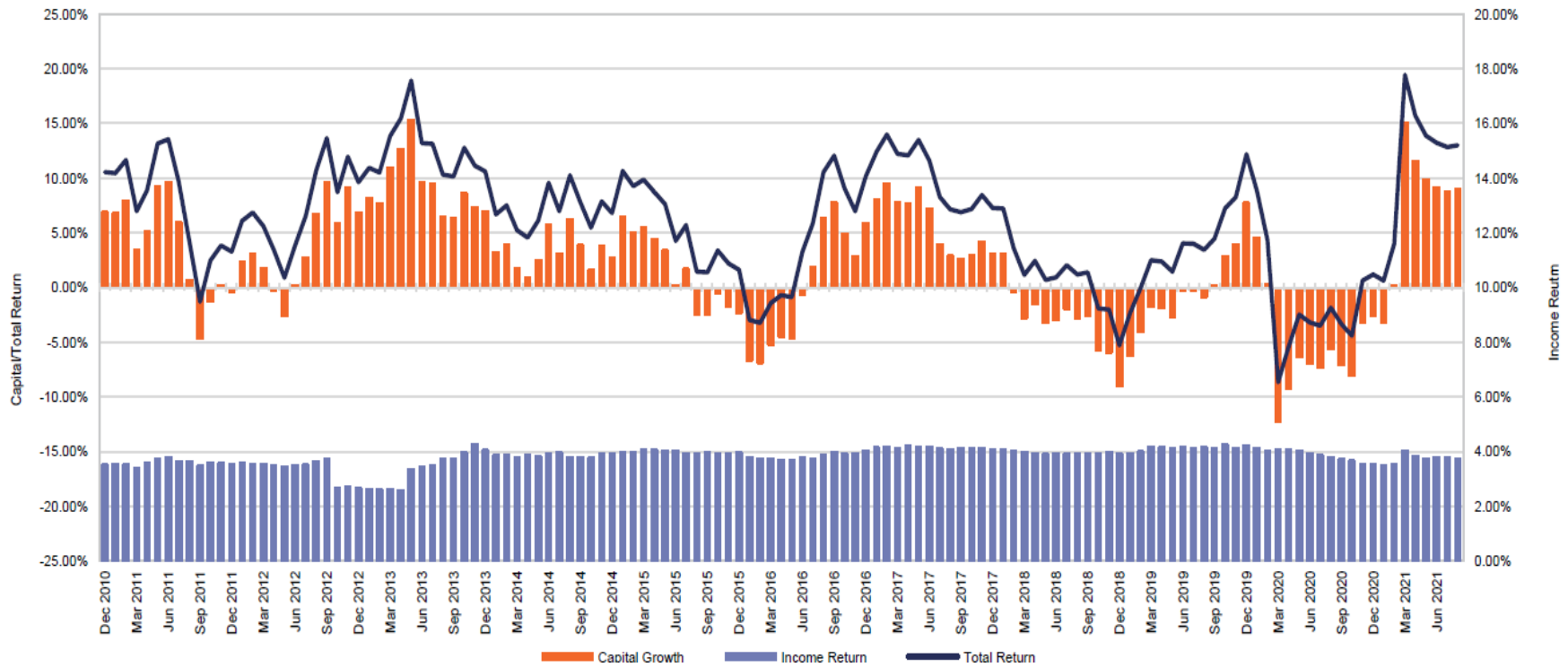
- Variable returns, although diversity in assets aim to give stability to income payments.
- Managers typically aim for 4-6% in yield, but current environment providing lower range.

### Consideration

- Increased volatility of performance.
- Lack of council control of underlying investments within the fund.
- Unrated credit, derivatives and other complex instruments are regularly used.
- We would always suggest undertaking a selection process to ensure that the most suitable fund is selected.
- Relatively 'new' products, most fund 5-10 years old.

# Performance Split – Income Vs Capital (Average for MAIF)

Rolling Periods	Income Return			Income - Standard Deviation			Capital Growth			Capital - Standard Deviation		
	Average	Max	Min	Average	Max	Min	Average	Max	Min	Average	Max	Min
1 year	3.99%	5.88%	0.52%	0.44%	0.86%	0.14%	1.13%	29.30%	-23.88%	6.16%	9.77%	3.04%
3 years*	4.02%	5.60%	1.48%	0.30%	0.91%	0.03%	0.51%	11.71%	-13.57%	2.24%	5.84%	0.49%
5 years*	4.04%	5.51%	2.27%	0.23%	0.64%	0.03%	0.85%	9.68%	-7.67%	1.42%	4.12%	0.29%



## Volatility & Investment Horizons (MAIF)

- Your investment time horizon is key to suitability
- These are suited to long-term investing only
- Typically, 5yrs+ due to higher-risk investments providing high volatility
- Mismatches could produce negative returns, with longer investment periods more likely to produce positive returns
- See below for example of how these perform over a range of rolling time periods

Rolling Periods	Number of Funds	Positive Periods			Total Return			Standard Deviation		
		Average	Max	Min	Average	Max	Min	Average	Max	Min
1 month	16.00	66.91%	78.05%	58.00%	0.47%	15.65%	-15.47%	2.17%	3.33%	1.27%
3 months	16.00	74.56%	92.94%	55.88%	1.41%	16.00%	-23.40%	3.59%	5.17%	2.10%
6 months	16.00	74.90%	87.88%	46.15%	2.77%	25.70%	-19.70%	4.74%	7.13%	2.70%
1 year	16.00	77.70%	95.70%	44.07%	5.22%	35.13%	-20.91%	6.33%	10.00%	3.16%
3 years	16.00	91.40%	100.00%	45.71%	4.53%	16.16%	-9.89%	2.38%	5.93%	1.06%
5 years	15.00	91.93%	100.00%	9.09%	4.86%	14.17%	-2.92%	1.43%	4.20%	0.30%

- 18 Current projection, in line with the capital programme it is anticipated that £10m of external borrowing will be taken in April 2022 as per the cashflow (Graph 2) the year-end cash available for investment never drops below £5m and therefore it is suggested that we should be relatively comfortable tying that amount up over the long term in a Multi-Asset Fund type of investment.
- 19 The average return over the past 9 years the MAIF have been in the mainstream market has been 4.75% but it is important to point out that some showed returns close to 0% and other came out at 9%. This average return is also net of annual fees which are commonly 1% but can be lower. There are also in some cases entry & exit fees dependant on the fund and on average are 1% of the amount invested.
- 20 Using this average of 3.75% the return would be:

Amount Invested	Average annual return 5 years	average annual return 10 years
£5,000,000	£937,500	£1,875,000

Conclusion

- 21 It is clear from the information within this report that if Sevenoaks should wish to invest in a MAIF then this is probably the right time to do so with the current returns from other market options low.
- 22 Members need to be entirely happy with the volatility of this type of investment and the need to commit to the full length of the investment.
- 23 Furthermore members need to satisfy themselves that the initial amount invested is available to be committed for either 5 or 10 years.
- 24 This should be considered to be a pilot with returns being compared to the global investment, i.e investments for traditional funds, loan interest etc.

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**BUDGET 2022/23: SERVICE DASHBOARDS AND SERVICE CHANGE IMPACT ASSESSMENTS (SCIAs)**

**Finance and Investment Advisory Committee - 4 November 2021**

**Report of:** Deputy Chief Executive and Chief Officer - Finance and Trading

**Status:** For Comment

**Also considered by:**

- Housing and Health Advisory Committee - 28 September 2021
- People and Places Advisory Committee - 6 October 2021
- Improvement and Innovation Advisory Committee - 7 October 2021
- Cleaner and Greener Advisory Committee - 12 October 2021
- Development and Conservation Advisory Committee - 19 October 2021

**Key Decision:** No

**Executive Summary:**

This report sets out updates to the 2022/23 budget within the existing framework of the 10-year budget and savings plan. The report presents growth and savings/additional income proposals that have been identified which need to be considered (if applicable to this Committee), and requests further suggestions from the Advisory Committees, before finalising the budget for 2022/23.

Informed by the latest information from Government and discussions with Cabinet, it is proposed that the Council continues to set a revenue budget that assumes no direct funding from Government through the Revenue Support Grant or New Homes Bonus. This will result in the Council continuing to be financially self-sufficient.

To achieve this aim and to ensure a balanced budget position over the next 10-year period will continue to be challenging largely due to the uncertainties and ongoing financial impacts of the Covid-19 pandemic.

The budget process will be the same as two years ago as opposed to the shortened process last year. However, we are looking to streamline the process in future years to run from November to February, but this will require changes to the committee meetings schedule.

## Agenda Item 7

No changes have been made to the assumptions at the stage, so the annual budget gap included in this report is £100,000 which relates to the annual savings target. However, it is expected that the gap will increase due to the impacts of homelessness, ongoing Covid-19 impacts and inflationary pressures.

The Advisory Committees will comment on the growth and savings/additional income proposals included in the reports, and their recommendations will be considered by Cabinet as part of the process to remove this gap. By addressing these issues, this Council will once again be in a strong financial position that other councils would aspire to.

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer(s):** Adrian Rowbotham, Ext. 7153

Alan Mitchell, Ext. 7483

**Recommendation to each Advisory Committee:**

- (a) Advise Cabinet with views on the growth and savings/additional income proposals identified in Appendix E applicable to this Advisory Committee.
- (b) Advise Cabinet with further suggestions for growth and savings/additional income applicable to this Advisory Committee.

**Reason for recommendation:** It is important that the views of the Advisory Committees are taken into account in the budget process to ensure that the Council's resources are used in the most suitable manner.

### Introduction and Background

- 1 The Council's financial strategy over the past seventeen years has worked towards increasing financial sustainability and it has been successful through the use of a number of strategies including:
  - implementing efficiency initiatives.
  - significantly reducing the back-office function.
  - improved value for money.
  - maximising external income.
  - the movement of resources away from low priority services.
  - an emphasis on statutory rather than non-statutory services.
- 2 Over this period, the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders.

- 3 Using the data sources available to the Council, this report sets out a budget over the 10-year period but recognises that it is likely that more accurate data will become available in future months and current assumptions may need to be updated.
- 4 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the immediate reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, that ensured the Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.
- 5 With the Revenue Support Grant provided by Government ceasing from 2017/18 it is important that the council remains financially self-sufficient by having a financial strategy that is focused on local solutions. These solutions include:
  - continuing to deliver financial savings and service efficiencies.
  - growing the council tax base.
  - generating more income.
- 6 The intention of this report is to provide Members of each Advisory Committee an opportunity to give their views on potential growth and savings/additional income items that could be included in the updated 10-year budget that will be presented to Council on 22 February 2022.
- 7 The 'Financial Prospects and Budget Strategy 2021/22 and Beyond' report has been presented to Cabinet to start the budget setting process for 2022/23.

### **Financial Strategy**

- 8 In order to maintain a viable Council that continues to deliver on its main priorities and the services it provides to its residents, the Council continues to adopt a Financial Strategy that embraces the following principles:
  - Remain financially self-sufficient.
  - Be clear about the Council's future financial prospects, with a ten-year budget as an integral part.
  - Ensure a strategic approach is taken to the management of the Council's finances, Council Tax, and budget setting.
  - Make effective use of reserves and capital receipts.
  - Manage our money carefully, monitor monthly and constantly strive for better value from our spending.
- 9 A two-page summary of the Financial Strategy can be found at **Appendix H**.

## Agenda Item 7

### Review of the 10-year Budget Process

- 10 An audit of the 10-year budget process has recently been completed by Mazars (working for Internal Audit) and their findings were that the Council has adequate, effective and reliable controls in place over budget setting and long-term financial planning.

### Financial Self-Sufficiency

- 11 The Council's Corporate Plan 2013-2018 set out an ambition for the Council to become financially self-sufficient which was achieved in 2016/17. The current Council Plan aims to continue with this approach. This means that the Council no longer requires direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 12 This approach was adopted in response to the financial challenges the Country was faced with in bringing its public spending down to ensure it was able to live within its means. In practice this has seen Government funding to local authorities dramatically reduced since 2010/11 with Sevenoaks District Council receiving no Revenue Support Grant from 2017/18.
- 13 The decision to become financially self-sufficient is intended to give the Council greater control over its services, reducing the potential for decision making to be influenced by the level of funding provided by government to local authorities.
- 14 The Council's decision to seek to become financially self-sufficient was subject to scrutiny by the Local Government Associations Peer Challenge of the District Council during December 2013. In their closing letter to the Council, they concluded that they 'fully support that aspiration and given the existing and anticipated squeeze upon public finances this makes much sense'.
- 15 With the Council receiving no Revenue Support Grant from 2017/18 and New Homes Bonus reducing from 2018/19, this approach remains appropriate. The attached 10-year budget assumes no Revenue Support Grant or New Homes Bonus. Any funding received from these sources will be put into the Financial Plan Reserve which can be used to support the 10-year budget by funding invest to save initiatives and support for the Property Investment Strategy. One of the aims of the Property Investment Strategy is to achieve an income yield of 3%+ above the Council's average treasury management return (currently 0.1%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 1.7% for 30 years) when externally borrowing, based on an average over ten years. Therefore, using funding for this purpose will result in additional year on year income that is not impacted by Government decisions.
- 16 Cabinet are keen to remain financially self-sufficient which has served the Council well and ensured it is one of the most financially stable local authorities in the country. In the 2020/21 budget, a new target was set to replace reliance on Business Rates income over the coming years. However,

due to the impact of Covid-19 and the greater uncertainty as Government reviews have been deferred, this was not addressed during the 2021/22 budget process but remains a future aim. This ambition will allow this Council to move ahead in the knowledge that this council has the financial resources to provide the services that the district's residents need into the future.

### Service Dashboards

- 17 The intention of service dashboards is to provide Members with improved information during the budget setting process to provide context and inform any growth and savings/additional income ideas that Members may put forward.
- 18 The Service Dashboards cover a summary of the services provided, objectives, achievements and opportunities, challenges and risks and performance.
- 19 **Appendix A** contains the Service Dashboard for this Advisory Committee and **Appendix B** contains the budget for those services.

### Savings Plan

- 20 **Appendix C** to this report sets out a summary of the savings/additional income and growth items approved by Council since the 10-year budget strategy was first used in 2011/12, which have allowed the Council to deliver a 10-year balanced budget.
- 21 The savings plan requires a total of over £8.2 million to be saved between 2011/12 and 2021/2 which is an average saving of £745,000 per annum.

### Current 10-year Budget Position

- 22 The 10-year budget set out in **Appendix D** has been updated from the version agreed by Council on 23 February 2021 by rolling it forward one year
- 23 No changes to assumptions have been made at this stage so the annual budget gap is currently £100,000 which relates to the annual savings target. However, it is expected that the gap will increase due to the impacts of homelessness, ongoing Covid-19 impacts and inflationary pressures.
- 24 The assumptions currently included take into account the latest information available, but a number of assumptions may change before the final budget meeting in February 2022.

### Proposed Growth and Savings/Additional Income Items

- 25 Growth items are items that are in addition to non-service issues and risks, such as grant settlements, impacts of economic change and other pressures highlighted in the 'Financial Prospects and Budget Strategy 2022/23 and Beyond' report considered by Cabinet on 7 September 2021.

## Agenda Item 7

- 26 A number of growth and savings/additional income items will be proposed at the Advisory Committees with the aim of achieving the savings/additional income to bridge the budget gap.
- 27 The proposed growth and savings/additional income items relating to this Advisory Committee are listed in **Appendix E** (if applicable).
- 28 Service Change Impact Assessments (SCIAs) contain further details for all proposed growth and savings/additional income items. SCIAs applicable to this Advisory Committee can be found in **Appendix F** (if applicable).

### **Role of the Advisory Committees**

- 29 A training session on the budget process was provided to Members in 2019. If Members require any further training or require any additional details on the content of this report and appendices, please contact Adrian Rowbotham or Alan Mitchell prior to the meeting.
- 30 Views of the Advisory Committees on the growth and savings/additional income items proposed together with any additional suggestions will be considered by Cabinet at its meeting on 9 December 2021.

### **Process and Timetable**

- 31 This report is the second stage of the budget process as shown in the Budget Setting Timetable (**Appendix G**).
- 32 Members will recognise that this is the same budget process as two years ago as opposed to the shortened process used last year. However, we are looking to streamline the process in future years to run from November to February, but this will require changes to the committee meetings schedule.
- 33 Budget Update report will be presented to Cabinet in December and January to provide details of progress made before the Budget Setting report is presented to Cabinet on 10 February 2022.

### **Key Implications**

#### Financial

All financial implications are covered elsewhere in this report.

#### Legal Implications and Risk Assessment Statement.

There are no legal implications.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered.

Challenges and risks are included in the Service Dashboards and each Service Change Impact Assessment (SCIA) includes the likely impacts including a risk analysis.

A separate Risks and Assumptions report will be presented to the Finance and Investment Advisory Committee and Cabinet.

### Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.

Individual equality impact assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision-making process is fair and transparent.

### **Conclusions**

The Strategic Financial and Business Planning process has ensured that the Council follows a logical and well considered process and approach in dealing with the many difficult challenges that it has faced. The 10-year budget has further improved this process and helped to ensure that the Council is well placed in dealing with more immediate and longer-term financial challenges.

By becoming financially self-sufficient at an early stage, this Council has become much more in control of its own destiny.

The attached 10-year budget shows that this Council is aiming to continue to be financially stable going into the future with a level of assurance that any council would aspire to.

This budget process will once again be a challenge for a Council that already provides value for money services to a high standard; and ensuring that these proposals lead to an achievable 10-year budget, Members will need to consider the impact on service quality, staff and well-being.

Members' consideration and scrutiny of the relevant services is an essential and key element in the business and financial planning process. If the net total of growth and savings/additional income proposals identified by the Advisory Committees and approved by Cabinet does not reach the £100,000 target, additional savings will be required that may result in service changes, to ensure a balanced budget position.

## Agenda Item 7

### **Appendices**

Appendix A - Service Dashboards relating to this Advisory Committee.

Appendix B - 2021/22 Budget by Service relating to this Advisory Committee.

Appendix C - Summary of the Council's agreed savings plan and growth items.

Appendix D - 10-year budget

Appendix E - New growth and savings/additional income items proposed relating to this Advisory Committee (if applicable)

Appendix F - Service Change Impact Assessment forms (SCIAs) for the new growth and savings/additional income items relating to this Advisory Committee (if applicable)

Appendix G - Budget Setting Timetable

Appendix H - Financial Strategy

### **Background Papers**

Financial Prospects and Budget Strategy 2022/23 and Beyond - Cabinet 16  
September 2021

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**

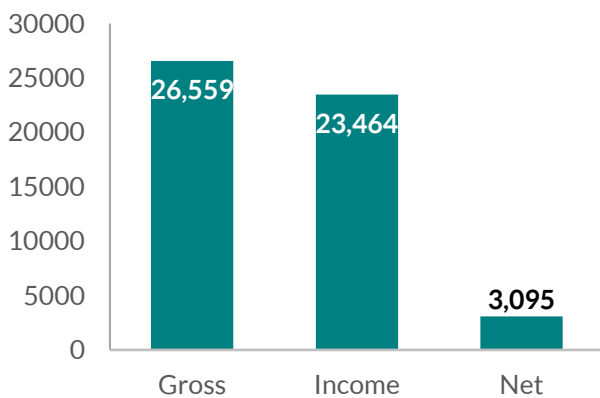


## Service Dashboard Portfolio for Finance & Investment

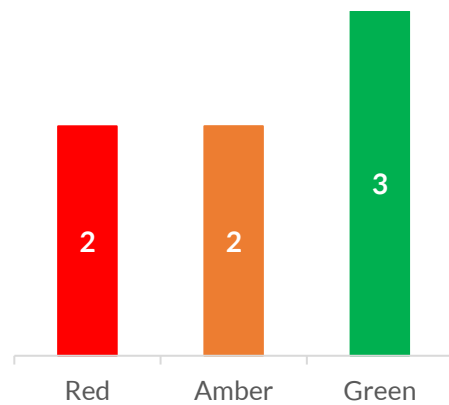
### The services we provide

Corporate governance, financial strategy, local tax, procurement, strategic risk, tax & benefits, fraud prevention, operational assets, business continuity, investments, legal, wellbeing

#### Revenue Budget (£000)



#### Performance



#### Service contribution

Statutory service



Income generating



Working in partnership



#### Council Plan

Wellbeing ✓

Environment ✗

Economy ✓

Housing ✗

Community Safety ✗

Health ✗

#### Achievements & Opportunities

- Continuing to achieve financial self-sufficiency and a balanced 10-year budget
- Property Investment Strategy income continuing to support the budget
- Council tax, benefits and business rates teams managing new demands from Government and providing significant additional support to residents and businesses during Covid-19.
- Successful business continuity arrangements implemented in response to Covid-19.

#### Challenges & Risks

- Managing the financial risk associated with the recovery from Covid-19
- Continuing to find innovative ways to ensure a prosperous financial future
- Government limitations on financing new investments to complement the Council's property portfolio
- Managing ongoing demand and expected increase in customers needing support within the council tax, benefits and business rates services

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<b>Finance and Investment Advisory Committee</b>		<b>Appendix B</b>		
Chief Officer		2021/22 Exp Budget	2021/22 Inc Budget	2021/22 Approved Net Budget
<b>Revenue</b>		£000	£000	£000
Finance & Trading	Administrative Expenses - Chief Executive	236	(216)	20
Finance & Trading	Administrative Expenses - Finance	26	0	26
Finance & Trading	Asset Maintenance CCTV	18	0	18
Finance & Trading	Asset Maintenance Countryside	9	0	9
Finance & Trading	Asset Maintenance Direct Services	42	0	42
Finance & Trading	Asset Maintenance Playgrounds	16	0	16
Finance & Trading	Asset Maintenance Public Toilets	16	0	16
Customer & Resources	Benefits Admin	497	(349)	148
Customer & Resources	Benefits Grants	22,138	(22,163)	(25)
Finance & Trading	Housing Advances	1	0	1
Customer & Resources	Local Tax	567	(652)	(85)
Finance & Trading	Misc. Finance	1,580	0	1,580
Finance & Trading	Support - Audit Function	201	0	201
Customer & Resources	Support - Counter Fraud	52	0	52
Finance & Trading	Support - Exchequer and Procurement	158	0	158
Finance & Trading	Support - Finance Function	332	(76)	256
Customer & Resources	Support - Legal Function	267	(8)	259
Finance & Trading	Support - Procurement	7	0	7
Strategic Head Commercial and Property	Support - Property Function	52	0	52
Customer & Resources	Support - Rev & Ben Control	224	0	224
Finance & Trading	Treasury Management	123	0	123
		<b>26,559</b>	<b>(23,464)</b>	<b>3,095</b>
<b>Capital</b>				
	none			
				<b>0</b>

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SCIA		Description	2011/12 -	2022/23	Later Years	Total
Year	No.		2021/22	£000	£000	£000
		<b>Cleaner and Greener Advisory Committee</b>				
2021/22	2	Car Parking income inflation 21/22: deferred for one year (reversal of temporary growth item)		(118)		
2021/22	10	Direct Services: new commercial services		(100)		
		<b>Development and Conservation Advisory Committee</b>				
		No savings or growth agreed from 2022/23 onwards				
		<b>Finance and Investment Advisory Committee</b>				
2021/22	13	Property Investment Strategy: Tenant in administration (reversal of temporary growth item)		(96)		
2021/22	17	Internal Audit: ongoing impact of 2019 staff restructure		(8)		
2020/21	10	Insurance contract renewal (reversal of temporary savings item)			87	
		<b>Housing and Health Advisory Committee</b>				
		No savings or growth agreed from 2022/23 onwards				
		<b>Improvement and Innovation Advisory Committee</b>				
2021/22	22	Review efficiency of partnerships		(100)		
2020/21	1	Apprenticeship Levy (reversal of temporary growth item)			(50)	
		<b>People and Places Advisory Committee</b>				
		No savings or growth agreed from 2022/23 onwards				
		Minor movements between years				
		<b>Total Savings/additional income</b>	<b>(8,192)</b>	<b>(208)</b>	<b>87</b>	<b>(8,313)</b>
		<b>Total Growth</b>	<b>2,677</b>	<b>(214)</b>	<b>(50)</b>	<b>2,413</b>
		<b>Net Savings</b>	<b>(5,515)</b>	<b>(422)</b>	<b>37</b>	<b>(5,900)</b>

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	Budget 2021/22	Plan 2022/23	Plan 2023/24	Plan 2024/25	Plan 2025/26	Plan 2026/27	Plan 2027/28	Plan 2028/29	Plan 2029/30	Plan 2030/31	Plan 2031/32
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>											
Net Service Expenditure c/f	15,581	16,879	16,633	16,967	17,171	17,380	17,643	18,173	18,712	19,258	19,813
Inflation	616	496	503	509	515	522	529	539	547	556	565
Superannuation Fund deficit	0	0	100	0	0	50	0	0	0	0	0
Net growth/(savings) (approved in previous yrs)	682	(642)	(169)	(206)	(206)	(209)	1	0	(1)	(1)	0
<b>New growth</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>New savings/Income</b>	<b>0</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>	<b>(100)</b>
Net Service Expenditure b/f	16,879	16,633	16,967	17,171	17,380	17,643	18,173	18,712	19,258	19,813	20,378
<b>Financing Sources</b>											
Govt Support: Revenue Support Grant	0	0	0	0	0	0	0	0	0	0	0
: Lower Tier Services Grant	(98)										
: Local Council Tax Support (LCTS)	(245)										
New Homes Bonus	0	0	0	0	0	0	0	0	0	0	0
Council Tax	(11,443)	(11,836)	(12,366)	(12,786)	(13,182)	(13,589)	(13,982)	(14,384)	(14,798)	(15,222)	(15,657)
Business Rates Retention	(2,182)	(2,226)	(2,271)	(2,316)	(2,362)	(2,409)	(2,457)	(2,506)	(2,556)	(2,607)	(2,659)
Collection Fund Deficit/(Surplus)	17	17	17	0	0	0	0	0	0	0	0
Interest Receipts	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)
Property Investment Strategy Income	(1,468)	(1,508)	(1,558)	(1,558)	(1,558)	(1,655)	(1,655)	(1,655)	(1,696)	(1,696)	(1,696)
Contributions to/(from) Reserves	(337)	(146)	(130)	(572)	226	241	255	271	285	185	148
<b>Total Financing</b>	<b>(15,944)</b>	<b>(15,887)</b>	<b>(16,496)</b>	<b>(17,420)</b>	<b>(17,064)</b>	<b>(17,600)</b>	<b>(18,027)</b>	<b>(18,462)</b>	<b>(18,953)</b>	<b>(19,528)</b>	<b>(20,052)</b>
<b>Budget Gap (surplus)/deficit</b>	<b>935</b>	<b>746</b>	<b>471</b>	<b>(250)</b>	<b>316</b>	<b>43</b>	<b>146</b>	<b>250</b>	<b>305</b>	<b>285</b>	<b>326</b>
<b>Contribution to/(from) Stabilisation Reserve</b>	<b>(935)</b>	<b>(746)</b>	<b>(471)</b>	<b>250</b>	<b>(316)</b>	<b>(43)</b>	<b>(146)</b>	<b>(250)</b>	<b>(305)</b>	<b>(285)</b>	<b>(326)</b>
<b>Unfunded Budget Gap (surplus)/deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Assumptions</b>	
Revenue Support Grant:	nil all years
Business Rates Retention:	Business Rates Retention safety-net plus 2% per year
Council Tax:	2% in all years
Council Tax Base:	Increase of 730 Band D equivalent properties p.a. from 22/23, 580 p.a. from 25/26, 480 p.a. from 27/28
Interest Receipts:	£188,000 in all years
Property Investment Strategy:	£1.508m in 22/23, £1.558m from 23/24, £1.655m from 26/27, £1.696m from 29/30
Pay award:	2% in all years
Other costs:	2.25% in all years
Income:	2.5% in all years except for off-street car parks which are an average of 3.5% per annum from 19/20 - 23/24. Note 21/22 Car Parking inflation deferred for one year

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## New Growth and Savings/Additional Income Proposals: Finance and Investment Advisory Committee

SCIA Year	No.	Description	Year	Ongoing	2022/23 Impact £000	10-year Budget Impact £000
<b>Growth</b>						
2022/23	7	Internal Audit: Audit software upgrade	2022/23	N	16	16
Sub Total					16	16
<b>Savings/Additional Income</b>						
none						
Sub Total					0	0
Net (Savings)/Growth Total					16	16

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SERVICE CHANGE IMPACT ASSESSMENT

SCIA 07 (22/23)

Chief Officer: Adrian Rowbotham  
 Service: Internal Audit  
 Activity: Internal Audit  
 No. of Staff: 3.8 FTE (SDC share of total 6.3 FTE)

Activity Budget Change	2022/23 Growth / (Saving) £000	Later Years Comments (ongoing, one-off, etc.)
Audit software upgrade	Up to 16	One-off

**A. Reasons for and explanation of proposed change in service**

The audit software used by Internal Audit (Team Mate) will need to be replaced in 2022 as the current software will no longer be supported by the supplier.

A competitive procurement process will be undertaken, and it is currently estimated that there will be one-off set-up/installation costs of between £15,000 and £30,000.

If we do not award the contract to the existing supplier there will also be an additional cost involved for them to download and hand over the existing data in a useable form. There is not currently an estimate for this cost but an extra £1,000 has been added to the costs for each partner to allow for this.

Internal Audit operate as part of a shared service with Dartford BC and any additional costs will be shared 50:50 between the two partners.

**B. Key Stakeholders Affected:** All council services.

**C. Likely impacts and implications of the change in service  
(include Risk Analysis)**

The Audit management system is an integral part of the team's way of working as it is used for all aspects of the audit process including planning, fieldwork, reporting, follow up and time recording.

If there was no longer audit management software, the team would have to invest significant amounts of time creating and developing manual workarounds using Word and Excel which would not be as effective or professional.

**D. Risk to Service Objectives (High / Medium / Low)** Medium

**SERVICE CHANGE IMPACT ASSESSMENT**

**E. 2021/22 Budget (£'000)**

Operational Cost	201
Income	-
Net Cost	201

**F. Performance Indicators**

n/a

**G. Equality Impacts**

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.

## 2022/23 Budget Setting Timetable

### **Stage 1: Financial Prospects and Budget Strategy 2022/23 and Beyond**

7 September - Finance & Investment AC

16 September - Cabinet

### **Stage 2: Review of Service Dashboards and Service Change Impact Assessments (SCIAs)**

28 September - Housing and Health AC

6 October - People & Places AC

7 October - Improvement & Innovation AC

12 October - Cleaner & Greener AC

19 October - Development & Conservation AC

4 November - Finance & Investment AC

### **Stage 3: Budget Update (incl. Service Change Impact Assessments (SCIAs), feedback from Advisory Committees)**

9 December - Cabinet

### **Stage 4: Budget Update (incl. Government Settlement information)**

13 January - Cabinet

### **Stage 5: Budget Update and further review of Service Change Impact Assessments (if required)**

January to February - Advisory Committees

### **Stage 6: Budget Setting Meeting (Recommendations to Council)**

10 February - Cabinet

### **Stage 7: Budget Setting Meeting (incl. Council Tax setting)**

22 February - Council

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

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# Financial Strategy








## INTRODUCTION

In the years preceding this Strategy Sevenoaks District Council has proven itself to be highly successful in some of the most austere and challenging times faced by local government. This was only possible because of our award winning financial strategy and the achievement of a self-sufficient balanced budget within our unique 10-year budget framework.

The absolute need and desire to support our local businesses and people in our communities during the Covid-19 pandemic placed an unforeseen and difficult challenge on the Council and its finances. Using our previous experience and following our principles, we acted early, bringing forward our budget setting, making incredibly difficult but necessary savings to maximise the opportunity for a much stronger financial position in the medium to long-term.

Our Financial Strategy enables the Council to deliver its services effectively, in accordance with the priorities set out in the Corporate Strategy. At the same time, it ensures that our spending is prioritised to deliver the promises our Members set out in the **Council Plan themes**:

-  Environment
-  Economy
-  Housing
-  Community Safety
-  Health

## OUR FINANCES

### Our Vision

Long-term financial health to deliver exceptional services and achieve the promises set out in the Council Plan.

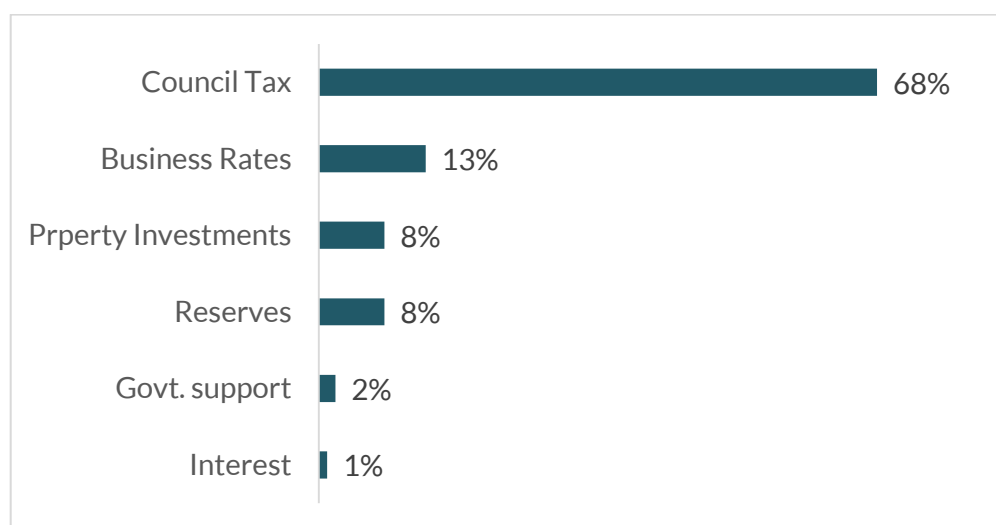
### What's important to us:

- Our budget supports the Council's vision and priorities
- Taxpayers and customers receive quality services and value for money
- Innovation, efficiency and cost-effectiveness
- Maximising income from grants and other funding opportunities
- Taking a commercial approach where it will benefit our budgets and our residents and local businesses
- Good quality, risk managed investments to generate more income for local priorities

### To be successful, we must:

- Remain financially self-sufficient
- Be clear about the Council's future financial prospects, with a ten-year budget as an integral part
- Ensure a strategic approach is taken to the management of the Council's finances, Council Tax, and budget setting
- Make effective use of reserves and capital receipts
- Manage our money carefully, monitor monthly and constantly strive for better value from our spending

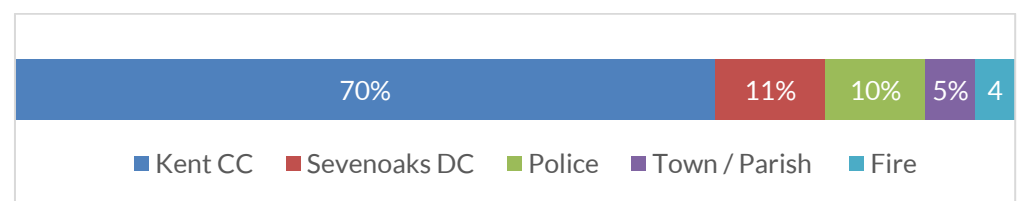
### WHERE OUR MONEY COMES FROM



### COUNCIL TAX

Sevenoaks District Council collects the Council Tax charge for itself but also for Kent County Council, Kent Fire & Rescue Service, Kent Police & Crime Commissioner and all the local town and parish councils. Each authority sets its own charge that contributes to the total.




Sevenoaks District Council's part of the charge at Band D is £224.91, 11% of the total. Council Tax contributes about £11.4million to District Council services.



### WHERE OUR MONEY IS SPENT

In 2021/22 the Council will spend about £16.8million on services for local people

	Cleaner & Greener £5.7m
	Development & Conservation £0.9m
	Housing & Health £1.0m
	People & Places £0.6m

	Finance & Investments £3.1m
	Improvement & Innovation £5.7m
	Other -£0.2m

**OUR PRIORITIES** | By keeping a focus on our priorities we will deliver our vision

**Financial self-sufficiency**



No longer relying on direct government funding gives greater certainty to our financial planning. It allows for long-term plans to be developed over our 10-year budget period.

- We will produce high quality financial reports and monitor our budgets every month
- We will address growth items and service pressures annually through the budget planning process
- We will manage inflationary pressures and prudent assumptions about future pressures and keep them under regular review

**Savings & reserves**



Creating a culture where there is a continuous drive for better value in our spend helps to create savings to balance our budgets. Alongside flexible and effective use of reserves, it allows for sustainable solutions to financial pressures

- We will seek to deliver a minimum of £100,000 in savings annually
- We will regularly review the use of reserves and maintain a minimum balance of 10% of the Net Service Expenditure budget.
- We will make flexible use of the Budget Stabilisation Reserve to increase resilience in the budget setting process

**Income & investments**



Making best use of the Council's reserves and carefully managed borrowing generates 10% of the Council's annual budget. Seeking new opportunities for funding from grants and investments is increasingly essential to the Council's financial sustainability.

- We will bid for external funding
- We will adopt a commercial approach where it will be of benefit to our budgets and support the delivery of Council priorities
- We will make investments in property and banks and institutions to bring in income to support the delivery of Council services

**Delivering our Financial Strategy**

Our Financial Strategy is supported by a number of related strategies and an action plan to help us achieve our vision and to deliver the ambitions set out by Members in the Council Plan.

How we work as a team of officers is critical to the success of the organisation and to help us achieve our aims, the Financial Strategy seeks to unite us all behind the same priorities and approach.

The outcomes we hope to achieve and the measures that will help us to determine whether we have been successful are set out below.



**Outcomes and success measures**

Financial self-sufficiency					
	Financial plans ensure there are no unplanned reductions to Council services		Overall proportion of Council budgets funded by income from council tax does not increase		A balanced 10-year budget is delivered annually
Savings & Reserves					
	Annual savings exceed the £100,000 target whilst continuing to protect services		The General Fund reserves retains at least 10% of the Net Service Expenditure budget		Specific savings agreed as part of the annual budget process are achieved as planned.
Income & Investments					
	Successful bids for external funding generate new income and opportunities for the Council		Income from paid for services is in accordance with budget costs, is comparable to neighbouring authorities and is considered to provide value for money		Treasury Management, Property and commercial investments exceed expected yield



**FINANCIAL PERFORMANCE INDICATORS 2021/22 - TO THE END OF SEPTEMBER 2021**

**Finance & Investment Advisory Committee - 4 November 2021**

**Report of:** Deputy Chief Executive and Chief Officer - Finance and Trading

**Status:** For Consideration

**Key Decision:** No

**Executive Summary:** This report sets out the internally agreed Financial Performance Indicators

**This report support the Key Aim of:** effective management of the Council's resources.

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officers:** Alan Mitchell, Ext.7483

Adrian Rowbotham Ext. 7153

**Recommendation to Finance & Investment Committee:**

- a) That the report be noted

**Reason for recommendation:**

This recommendation supports the sound control of the Councils finances

**Introduction and Background**

- 1 This report presents figures on nine internally set performance indicators covering activities that support information provided in the regular financial monitoring statements.
- 2 Information is provided on targets for the financial year.
- 3 Use of these indicators assists management in highlighting areas where performance has an impact on the financial outturn for the authority.

**Key Implications**

Financial

None.

Legal Implications and Risk Assessment Statement.

There are no legal or human rights issues.

## Agenda Item 8

### Equality Assessment

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

#### **Appendices**


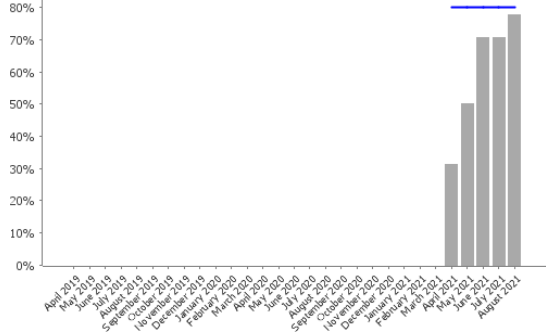


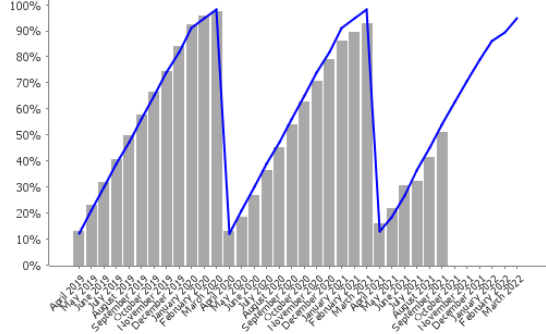

Appendix A - Performance Indicators

#### **Background Papers**

None


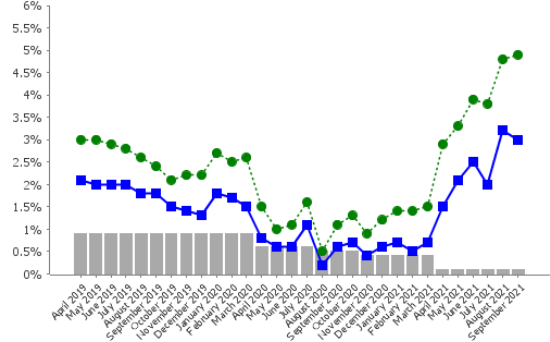




**Adrian Rowbotham, Deputy Chief Executive and Chief Officer - Finance and Trading**

# Finance & Investment Advisory Committee - Performance report

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
LPI_IA 1a	Sevenoaks: Audit actions fully implemented within agreed timescales	63.6%	80%			63.6%	80%		
LPI_BR 04	The percentage of business rates collected in-year (Cumulative)	51.1%	53.7%			51.1%	53.7%		

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
LPI_CT 04	The percentage of council tax collected in-year (cumulative)	57.5%	57%			57.5%	57%		
LPI_FS 001	The percentage of undisputed invoices paid within 30 days or agreed terms	99.01%	99%			95.9%	99%		
LPI_FS 003	Sundry debts outstanding more than 60 days	£105,187	£40,000			£105,187	£40,000		There a of number of large invoices that have moved to over 60 days are currently being actively managed and are due to be reviewed for further action

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
LPI_HB 02	Average number of days to process a new claim for Housing Benefit (Monthly)	13	23	🟢		13	23	🟢	
LPI_HB 03	Average number of days to process a change in circumstances for Housing Benefit (monthly)	9	9	🟢		8	9	🟢	
TM FS 01	Treasury Management - Actual vs Budget + Forecast	£11,855	£93,162	🔴		£11,855	£93,162	🔴	Low rates of return and utilization of cash resource to fund investment acquisitions and capital programme have led to low returns

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
TM FS 02	Treasury Management - Investment returns vs RPI vs CPI	0.1%	3%		 <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;">  <p>Investment Returns</p> </div> <div style="text-align: center;">  <p>RPI</p> </div> <div style="text-align: center;">  <p>CPI</p> </div> </div>	0.1%	3%		Low rates of return and utilization of cash resource to fund investment acquisitions and capital programme have led to low returns

**FINANCIAL RESULTS 2021/22 - TO THE END OF SEPTEMBER 2021**

**Finance & Investment Advisory Committee - 4 November 2021**

**Report of:** Deputy Chief Executive and Chief Officer - Finance & Trading

**Status:** For Consideration

**Also considered by:** Cabinet - 11 November 2021

**Key Decision:** No

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

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officers:** Alan Mitchell, Ext. 7483

Adrian Rowbotham, Ext. 7153

**Recommendation to Finance and Investment Advisory Committee:**

That the report be noted, and any comments forwarded to Cabinet.

**Recommendation to Cabinet:**

Cabinet considers any comments from Finance and Investment Advisory Committee and notes the report.

**Reason for recommendation:** Sound financial governance of the Council.

**Introduction and Background**

- 1 The year-end position at the end of September 21 was forecast to be an unfavourable variance of £0.095m against a net revenue budget of £17.015m.
- 2 During September 2020 the Government issued the first COVID-19 Sales, Fees and Charges Compensation Scheme as part of the Governments COVID-19 support. The scheme was due to be limited to 2020/21 but has been extended to the first quarter for 2021/22. The claim for the first quarter of 2021/22 is due to be submitted by the end of October.

## Agenda Item 9

### Year to Date - Areas of Note

- 3 This being the first quarter of the 2021/22 financial year there are a limited amount of areas of note as budget holders in the main are still anticipating to be within budget.
- 4 The financial impact of pay costs - the expenditure to date on staff costs is £19,000 below budget. There are currently vacancies within Direct Services, Corporate Services and Revenue & Benefits. However, some of these, in particular Direct Services are currently being filled by agency staff and Planning. The impact of salary variances are included within the Chief Officer commentaries.
- 5 The 2021/22 pay award is still under discussion and therefore no increase has yet been paid. The latest offer is 1.75% and the budget assumption is at 2%.
- 6 Income - the Council receives a number of different income streams to help balance the budget; section 8 of the monitoring pack provides details in relation to the main streams. At the end of September, income as detailed within the report is still below budget in some areas such as Car Parks, Taxi licensing and Land charges but other areas such as Planning - Development Management and Building Control are ahead of budget.
- 7 Investment Returns - the return to date on the treasury management investments held by the Council is lower than budget with interest received totalling £12,000 compared to a budget of £93,000 for the year to date. This is due to a number of factors. Firstly, the current interest rate on investments remains very low, secondly the available cash which we can invest is greatly reduced from previous years due to the funding of the capital programme, Quercus 7 acquisitions and also COVID-19. The interest from Quercus 7 is due to be in excess of £275,000 this year.
- 8 Retained Business Rates - Income expectation of £2.182m forms part of the 2021/22 budget; any receipts over and above this amount, including those that result from being a beneficiary of the Kent Business Rates Pool, will be transferred to the Budget Stabilisation Reserve. The full year Forecast for the additional funds is £405,000. Regular monitoring takes place, with any amendments feeding into the outturn forecasts.

### Year End Forecast

- 9 The year-end forecast position is an unfavourable variance of £0.095m (including the Covid-19 Sales, Fees and Charges Compensation Scheme) . In paragraphs 11 to 20 there are details of the larger variances, both favourable and unfavourable.

### Net Service Expenditure - Favourable Variances



- 10 Within Miscellaneous Finance, the forecasted favourable variance of £350,000 is the expected first quarter claim for the Covid-19 Sales, Fees and Charges Compensation Scheme and is offsetting additional costs incurred in other areas.
- 11 Within Benefits Admin, New Burdens grant was received that was not known at the time the budget was set and this is leading for a favourable variance of £166,000.

#### **Net Service Expenditure - Unfavourable Variances**

- 12 Homeless is forecasting an adverse variance of £300,000 which is the additional cost being incurred relating to an increased number of people being put in temporary accommodation and the cost of that accommodation versus the recovery from Government . The homelessness funding is currently being reviewed in order to fund the programme in future years.
- 13 Local Tax is forecasting an unfavourable variance of £190,000 due to enforcement income being lower than budget expectations. In addition, the levels of fee recovery are low as a result of COVID-19.
- 14 Direct Services are forecasting an unfavourable variance of £100,000 due to the additional cost of agency staff and the underachievement of income on trade waste as businesses recover from COVID-19 .

#### **Other Variances**

- 15 Interest Receipts - current levels of investment returns and possible rates going forward, along with reduced cash levels due to ongoing loss of income, have resulted in an unfavourable variance of £166,000 being forecast.
- 16 Investment Property Income - The majority of properties held within the Property Investment Strategy continue to achieve the income levels predicted.

#### **Future Issues and Risk Areas**

- 17 Chief Officers have considered the future issues and risk areas for their services and the impacts these may have on the Council's finances as follows:
  - Ongoing impact of COVID-19 on the leisure industry and Council owned leisure facilities - consultancy review completed.
  - There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts.
  - Within Development & Conservation, recruiting to vacant posts continues to be difficult.

## Agenda Item 9

- The financial impact of proposed changes to the Planning System will need to be carefully considered.
- COVID-19 continues to affect the entire authority and is being closely monitored. As part of the 10-year budget process the expected financial impacts will continue to be reviewed.
- Car parking customer numbers are increasing but it is uncertain what the impact will be for the rest of the year especially if there are further lockdowns. Note that the car parking income budget was reduced by 25% in 2021/22.
- Ongoing Temporary Accommodation (TA) costs within the district due to increases in homelessness. All Covid-19 placements ended on 30 June 2021 and a TA Charging Policy came into effect from 1 August.
- The likely effect of the Government's Income Compensation scheme is included elsewhere in this report.
- IT Asset Maintenance spend as per 10-year plan resulting in draw down from reserves in current year.

### **Key Implications**

#### Financial

The financial implications are set out elsewhere in this report.

#### Legal Implications and Risk Assessment Statement

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

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

#### Equality Assessment

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

**Appendices**

Appendix A - September 2021 Budget Monitoring Commentary

Appendix B - September 2021 Financial Information

**Background Papers**

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**

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People and Places	Budget to Date £'000	Forecast Outturn £'000	Actual to end of September 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)	
Contain Outbreak Management	0	0	-25	-25			0	External funding received in advance from Kent County Council towards COVID-19 recovery projects	
Leisure Contract	41	41	22	-20			0	Waiting for Sencio to sign annual contract in order to release first tranche of funding.	
Local Strategic Partnership	0	0	12	12			0	The LSP Community Wellbeing Fund supports Covid-19 related priorities and will be funded through the relevant reserve.	
Partnership - Home Office	-17	-17	3	20			0	External funding from Kent Police and Crime Commissioner - community safety project spend.	
Tourism	22	22	-172	-194			0	Grants received ahead of spend.	
West Kent Enterprise Advisor Ne	0	0	41	41			0	Spend ahead of grant claim.	
West Kent Kick Start	0	0	-13	-13			0	Grants received ahead of spend.	
Future Issues/Risk Areas	Ongoing impact of COVID-19 on the leisure industry and Council owned leisure facilities - consultancy review completed.								

	Budget to Date £'000	Forecast difference at year end	Forecast Outturn	Actual to end of September 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)
<b>Development and Conservation</b>									
<b>Building Control Partnership Hub (SDC Costs)</b>	203	0	203	154	-49			0	Variances due to extended decoupling of partnership awaiting data transfer Bills Proposed Virements to Rightsize budgets between Partnership Hub and In House Service.
<b>Building Control</b>	-65	-38	-103	-175	-110		-38	-38	Over Recovery of Income in fees, any continual over recovery transferred to reserves at year end. Variances due to extended decoupling of partnership.
<b>Planning - CIL Administration</b>	-33	0	-33	0	33			0	Underspend due to current vacant position. Profiled CIL Admin income (-£50k) awaiting recovery (to be processed during the current period).
<b>Planning - Development Management</b>	-32	-52	-84	-93	-60		-52	-52	Small number of high fee applications in first two quarters in addition to an uplift in general case numbers.
<b>Planning - Enforcement</b>	153	0	153	167	15			0	Additional Investment in the delivery of the service.
<b>Planning Performance Agreement</b>	0	0	0	24	24			0	PPA are reinvested in the delivery of the service.
<b>Administrative Expenses - Planning Services</b>	18	0	18	50	32			0	Education and Training in addition to IT hardware investment to enable remote working costs (All recharged at year end)
<b>Future Issues/Risk Areas</b>	There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts. Recruiting to vacant posts continues to be difficult. The financial impact of proposed changes to the Planning System will need to be carefully considered.								

	Budget to Date £'000	Forecast Outturn	Actual to end of September 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
<b>Finance and Investments</b>								
Asset Maintenance Direct Services	21	74	95	74		53	53	Overspend due to depot refurbishment works to be offset by underspends elsewhere.
Benefits Admin	-15	-181	-210	-196		-166	-166	Additional New Burdens funding received that was un budgeted for.
Dartford Rev&Ben Partnership Hub (SDC costs)	1,017	1,017	1,002	-15			0	Surplus grant income received.
Local Tax	-128	62	-116	11	68	122	190	Annual Variance of £100k due to Enforcement Income not in line with budgetted expectation (Current Effect: £50k) as highlighted in High level Commentary. Current Fee recovery levels are low as a result of COVID impact including court availability. These levels are expected to rise but are likely to remain significantly under normal levels by year end.
Misc. Finance	693	343	-92	-785	-350		-350	Covid-19 grants received at the start of the year. This will offset spend on this and other lines. The £350,000 favourable forecast relates to the Government's Sales, Fees and Charges Compensation scheme for quarter 1. The claim is based on losses compared to 2020/21 budgeted income levels but the car parking income budget for 2021/22 had already been reduced by 25% as part of the last budget process.
Administrative Expenses - Finance	18	18	63	46			0	Additional licence requirement for Agresso following licence audit.
Support - Legal Function	129	129	117	-12			0	Current underspend to be offset by additional resource allocated.
Treaty Management	62	62	86	24			0	Current overspend due to credit card bill to be charged to other codes.
<b>Future Issues/Risk Areas</b>	Covid-19 continues to have a potential impact on income levels and expenditure.							

25/09/22

	Budget to Date £'000	Forecast Outturn £'000	Actual to end of September 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Cleaner and Greener								
Asset Maintenance Argyle Road	39	39	24	-15				0 Spend currently behind profile. Planned works mean there is no variance projected at year end.
Asset Maintenance Other Corporate Properties	17	17	52	35				0 Urgent works to Fircroft residents association hall.
Asset Maintenance Hever Road	20	20	45	25				0 Urgent repair works due to vandalism required pushing spend ahead of profile.
Asset Maintenance Support & Salaries	46	46	32	-14				0 Spend currently behind profile. Planned works mean there is no variance projected at year end.
Car Parks	-755	-755	-485	270				0 Parking income is currently behind profile. As restrictions lift monthly income is improving and it is anticipated it will recover to the level of the budget by year end.
CCTV	138	138	171	33				0 Invoices to partner organisations to be raised to recover costs.
Dartford Environmental Hub (SDC Costs)	359	359	164	-196				0 Proposed Virements to Rightsize budgets between Partnership Hub and In House Service.
Car Parking - On Street	-148	-148	-124	24				0 Parking income is currently behind profile. As restrictions lift monthly income is improving and it is anticipated it will recover to the level of the budget by year end.
EH Commercial	141	146	109	-32		5	5	KCC 28k Test&Trace grant to be spent in line with grant conditions. Potential Carry forward if amounts not fully utilised in year.
EH Animal Control	18	23	-2	-20		5	5	Awaiting Invoicing for Kennel Fees (No bills so far 28k expected for 21/22)
Parking Enforcement - Tandridge DC	-20	-20	-114	-94				0 Income collected on behalf of Tandridge to be paid over.
Estates Management - Buildings	23	23	-6	-30				0 Unbudgeted rates bills for meeting point refunded following demolition.
Estates Management - Grounds	64	64	74	10				0 Spend ahead of profile due to annual charge. No year end variance expected.
Kent Resource Partnership	-164	-164	43	207				0 Funding received ahead of expenditure. The Kent Resource Partnership has transferred to be hosted by Kent County Council. All balances will be transferred leaving no variance at year end.
Licensing Regime	16	16	-25	-41				0 Premises Licences Annual Fees Received earlier than budgetted (In line with prior year levels).
Parks - Greensand Commons Project	0	0	45	45				0 Externally funded project. Spend will be reclaimed.
Parks and Recreation Grounds	67	67	78	11				0 Spend ahead of profile due to works carried out. No year end variance projected.
Refuse Collection	1,482	1,462	1,454	-28		-20	-20	Minor underspend will partially offset depot refurbishment costs.
Street Cleansing	772	739	724	-48		-33	-33	Binfastructure Grant received ahead of spend. Additional income will partially offset depot refurbishment works.
Support - Central Offices	378	378	351	-27				0 Spend currently behind profile. Planned works mean there is no variance projected at year end.
Support - Central Offices - Facilities	134	134	109	-24				0 Underspend due to reduction in staffing and overtime costs offset by office works, forecast under review.
Support - Direct Services	23	23	52	29				0 Overspend against profile on training and staff advertising relating to the restructure.



	Budget to Date £'000	Forecast Outturn £'000	Actual to end of September 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Cleaner and Greener								
Direct Services Trading account	-294	-194	99	393	50	50	100	There is currently an overspend on agency staff in this area, which is partially offset by salary underspends. A project team has now bought forward a recruitment drive to reduce this, which comes into effect from November 2021. Although some agency use is required in order to maintain service levels to cover leave and sickness it is anticipated that the budget can be brought under control and the overspend will be offset by vacancies. There is ongoing work on estimation for commercial income at the depot, initial focus has been undertaken on commercial waste. This will enable a greater focus on building up new customers later in the year. It is currently anticipated with the work carried out by the Commercial Operations and Trading Manager and team that there will be a shortfall in income targets of around £50,000.
Future Issues/Risk Areas	Covid-19 continues to have a potential impact on income levels and expenditure.							

	Budget to Date £'000	Forecast Outturn £'000	Actual to September 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
<b>Housing and Health</b>								
Contain Outbreak Management Fund 2021/22	0	0	-26	-26			0	External funding received in advance from Kent County Council towards COVID-19 recovery projects.
Homeless	209	509	415	206		300	300	Demand for temporary/emergency accommodation saw an increase as a result of eviction ban being lifted and homeless approaches increasing.
Housing Clinically Extremely Vulnerable 21/22	0	0	46	46			0	Expenditure in advance of receiving external grant.
Housing	102	102	25	-77			0	Staff underspend relating to vacant Housing Strategy Manager and Housing Team Leader posts (now recruited to) and as mentioned above, Citizens Advice SLA now signed and funding will be released.
Housing Pathway Co-ordinator	0	0	-58	-58			0	External funding received from MHCLG towards Rough Sleeper Initiative (staffing cost, post currently vacant and being recruited to).
Homelessness Prevention	0	0	24	24			0	Government's Everyone In Policy and the recent lift of the eviction ban has created unplanned expenditure for the year. This is being reviewed on an ongoing basis and the overspend will need to be offset and funded from either Govt grant, other external grants or central reserves.
Housing Energy Retraining Options (HERO)	66	66	53	-12			0	Staff underspend due to vacant HERO Officer post.
Private Sector Housing	142	142	132	-11			0	Underspend on salaries due to Private Sector Housing Officer vacancy, which is now filled.
Rough Sleepers Initiative (4)	0	0	-38	-38			0	External funding received in advance from MHCLG towards Rough Sleeper Initiative.
Choosing Health WK PCT	0	0	-22	-22			0	External funding received in advance from Kent Public Health on a quarterly basis. This will be offset by staff salaries and spent in quarter.
PCT Initiatives	0	0	14	14			0	External funding received in advance towards various One You Projects (e.g. West Kent One Systems for Health). End of year will be as per budget.
Future Issues/Risk Areas	Ongoing temporary Accommodation costs within the district due to increases in homelessness. Recruitment to vacant posts being completed, all Covid-19 placements to end on 30 June 2021 and a TA Charging Policy to come into effect from 1							

	Budget to Date £'000	Forecast Outturn £'000	Actual to September 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)
<b>Improvement and Innovation</b>								
Asset Maintenance IT	148	148	542	394			0	Spend as per Asset Maintenance Plan.
Corporate Management	537	470	469	-67		-67	-67	It is currently forecast that there will be an underspend within the Corporate Management budget for this year, which includes a revised salary budget and less expenditure on bought-in services
Corporate Projects	36	17	25	-11		-19	-19	Current salary underspend to be offset by overspend elsewhere.
Democratic Services	84	84	73	-11			0	Underspend due to staffing turnover.
Economic Development	26	26	42	16			0	Place campaign to be funded from reserves.
Elections	42	42	201	159			0	Current overspend due to income outstanding relating to the PCC, KCC and District Elections. PCC and KCC accounts have not been submitted to the KCC and the government's Elections Claims Unit. All election staff have been paid.
External Communications	115	105	117	2		-10	-10	Year-end variance forecast as expenditure on website support lower than budgeted amount for this year
Land Charges	-58	-38	-58	-1		20	20	Forecast EOY variance based on KCC costs, currently masked by New Burdens funding received for current and future years.
Members	236	223	211	-25		-13	-13	Members allowances lower than budgeted levels due to changes in roles as only one Special Responsibility Allowance is payable.
Register of Electors	124	124	105	-19			0	Delay in the receipt of invoices from suppliers has created the current underspend. The underspend will reduce as these are paid in the coming weeks.
Support - Contact Centre	426	426	374	-53			0	Current underspend due to staffing changes currently under review.
Support - General Admin (Print Shop)	-8	-8	-23	-15			0	Savings in salaries and on expenditure on materials and supplies, accompanied by increased external income from one-off projects has ensured expenditure is better than budget. Internal income remains below profile and is likely to remain a challenge for this financial year.
Support - IT	753	753	770	17			0	Software Licensing renews unevenly throughout the year creating variances to profiled budget.
Support - Human Resources	226	243	240	14		18	18	One off expenditure on South East Employer Annual Membership and upfront Payroll Consultancy Payment. Current overspend offset by underspends elsewhere.
Future Issues/Risk Areas	IT Asset Maintenance spend as per 10 year plan resulting in draw down from reserves in current year. Reduced income on internal Print Charges over the year to date. This will be monitored							

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Appendix B : Summary

Position as at the end of September 2021	Y-T-D Actual £'000	Annual Budget £'000	ACTUAL Variance £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	Annual Variance %
People and Places	134	591	(457)	591	0	0.0
Development and Conservation	506	936	(430)	852	(84)	(9.0)
Finance and Investments	1,524	3,090	(1,566)	2,817	(273)	(8.8)
Cleaner and Greener	3,324	5,685	(2,361)	5,742	58	1.0
Housing and Health	240	988	(748)	1,288	300	30.4
Improvement and Innovation	3,441	5,726	(2,284)	5,669	(57)	(1.0)
<b>Services Total</b>	<b>9,169</b>	<b>17,015</b>	<b>(7,845)</b>	<b>16,958</b>	<b>(57)</b>	<b>(0.3)</b>
Adjustments to Reconcile to amount to be met from reserves: Capital Charges outside the General Fund	(30)	(60)	30	(60)	0	0.0
Adjustments to Reconcile to amount to be met from reserves: Support Services outside the General Fund	(86)	(172)	86	(172)	0	0.0
Redundancy Costs	80	0	80	0		-
<b>NET SERVICE EXPENDITURE</b>	<b>9,134</b>	<b>16,783</b>	<b>(7,649)</b>	<b>16,727</b>	<b>(57)</b>	<b>(0.3)</b>
New Homes Bonus	(578)	(1,155)	578	(1,155)	0	0.0
Retained Business Rates	(1,091)	(2,182)	1,091	(2,182)	0	0.0
Council Tax	(5,722)	(11,443)	5,722	(11,443)	0	(0.0)
Contribution from Collection Fund	9	17	(9)	17	0	0.0
Council Tax	0	(245)	245	(245)	0	
Local Council Tax Support (LCTS)	0	(98)	98	(98)		
<b>Summary excluding Investment Income</b>	<b>1,752</b>	<b>1,677</b>	<b>76</b>	<b>1,620</b>	<b>(57)</b>	<b>(3.4)</b>
Investment Property Income	(761)	(1,372)	611	(1,386)	(14)	(1.0)
Interest Receipts	(12)	(188)	176	(22)	166	(88.3)
<b>OVERALL TOTAL</b>	<b>979</b>	<b>117</b>	<b>863</b>	<b>212</b>	<b>95</b>	<b>81.4</b>
Planned Appropriation to/(from) Reserves	(808)	(1,615)	808	(1,615)	0	
Other Reserve Movements	0	1,498	(1,498)	1,498	0	
Supplementary Estimates	0	0	0	0	0	
<b>(Surplus)/Deficit</b>	<b>172</b>	<b>(0)</b>	<b>173</b>	<b>95</b>	<b>95</b>	

## Appendix B : Summary by Service

Position as at the end of September 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual For Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
<b>People &amp; Places SDC Funded</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
All Weather Pitch	(3)	(3)	(0)	(5)	-	(5)	-
Community Safety	71	80	(9)	160	-	160	-
Community Development Service Provisions	(6)	(6)	-	(6)	-	(6)	-
The Community Plan	9	11	(2)	21	-	21	-
Grants to Organisations	163	171	(8)	185	-	185	-
Leisure Contract	22	41	(20)	112	-	112	-
Leisure Development	10	10	(0)	21	-	21	-
Administrative Expenses - Communities & Business	16	10	6	22	-	22	-
Tourism	(172)	22	(194)	30	-	30	-
West Kent Partnership	(19)	(15)	(4)	-	-	-	-
Youth	24	25	(1)	50	-	50	-
<b>Total People &amp; Places SDC Funded</b>	<b>115</b>	<b>346</b>	<b>(231)</b>	<b>591</b>	<b>-</b>	<b>591</b>	<b>-</b>
<b>People &amp; Places Externally Funded</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Compliance & Enforcement	7	-	7	-	-	-	-
Contain Outbreak Management Fund 2021/22	(25)	-	(25)	-	-	-	-
Local Strategic Partnership	12	-	12	-	-	-	-
Partnership - Home Office	3	(17)	20	-	-	-	-
Police & Crime Commissioners (PCCs)	(2)	-	(2)	-	-	-	-
Community Sports Activation Fund	(3)	-	(3)	-	-	-	-
West Kent Enterprise Advisor Network	41	0	41	-	-	-	-
West Kent Kick Start	(13)	-	(13)	-	-	-	-
West Kent Partnership Business Support	(1)	-	(1)	-	-	-	-
<b>People &amp; Places Externally Funded</b>	<b>19</b>	<b>(17)</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Position as at the end of September 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual For Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
<b>Total People &amp; Places</b>	134	328	(195)	591	-	591	-
<b>Development and Conservation</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Building Control Partnership Members	-	-	-	-	-	-	-
Building Control Partnership Hub (SDC Costs)	154	203	(49)	-	-	-	-
Building Control	(175)	(65)	(110)	(130)	(38)	(168)	(38)
Conservation	69	65	4	130	-	130	-
Dangerous Structures	-	1	(1)	3	-	3	-
Planning Policy	212	216	(5)	483	-	483	-
LDF Expenditure	6	-	6	-	-	-	-
Planning - Appeals	91	83	8	205	6	211	6
Planning - CIL Administration	-	(33)	33	(66)	-	(66)	-
Planning - Counter	-	(3)	3	(6)	-	(6)	-
Planning - Development Management	(93)	(32)	(60)	(50)	(52)	(101)	(52)
Planning - Enforcement	167	153	15	304	-	304	-
Planning Performance Agreement	24	-	24	-	-	-	-
Administrative Expenses - Building Control	0	6	(6)	12	-	12	-
Administrative Expenses - Planning Services	50	18	32	49	-	49	-
<b>Total Development and Conservation</b>	506	613	(107)	936	(84)	852	(84)
<b>Finance and Investments</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Position as at the end of September 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual For Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Asset Maintenance CCTV	-	9	(9)	18	-	18	-
Asset Maintenance Countryside	1	4	(4)	9	-	9	-
Asset Maintenance Direct Services	95	21	74	42	53	95	53
Asset Maintenance Playgrounds	3	8	(5)	16	-	16	-
Asset Maintenance Public Toilets	-	8	(8)	16	-	16	-
Benefits Admin	(210)	(15)	(196)	148	(166)	(18)	(166)
Benefits Grants	(13)	(13)	0	(25)	-	(25)	-
Corporate Management	0	-	0	-	-	-	-
Dartford Rev&Ben Partnership Hub (SDC costs)	1,002	1,017	(15)	-	-	-	-
Dartford Audit Partnership Hub (SDC Costs)	111	113	(2)	-	-	-	-
Housing Advances	-	1	(1)	1	-	1	-
Local Tax	(116)	(128)	11	(85)	190	105	190
Misc. Finance	(92)	693	(785)	1,580	(350)	1,230	(350)
Administrative Expenses - Chief Executive	0	7	(6)	20	-	20	-
Administrative Expenses - Finance	63	18	46	26	-	26	-
Administrative Expenses - Revenues and Benefits	-	-	-	-	-	-	-
Administrative Expenses - Strategic Property	4	-	4	-	-	-	-
Support - Rev & Ben Control	112	112	-	224	-	224	-
Support - Counter Fraud	26	26	0	52	-	52	-
Support - Audit Function	100	96	5	196	-	196	-
Support - Exchequer and Procurement	84	75	9	158	-	158	-
Support - Finance Function	121	128	(6)	256	-	256	-
Support - Legal Function	117	129	(12)	259	-	259	-
Support - Procurement	2	3	(2)	7	-	7	-
Support - Property Function	28	26	2	52	-	52	-
Treasury Management	86	62	24	123	-	123	-
<b>Total Finance and Investments</b>	<b>1,524</b>	<b>2,400</b>	<b>(876)</b>	<b>3,090</b>	<b>(273)</b>	<b>2,817</b>	<b>(273)</b>



Position as at the end of September 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual For Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Cleaner and Greener	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asset Maintenance Argyle Road	24	39	(15)	79	-	79	-
Asset Maintenance Other Corporate Properties	52	17	35	35	-	35	-
Asset Maintenance Hever Road	45	20	25	40	-	40	-
Asset Maintenance Leisure	90	95	(5)	190	-	190	-
Asset Maintenance Support & Salaries	32	46	(14)	138	-	138	-
Asset Maintenance Sewage Treatment Plants	-	5	(5)	9	-	9	-
Bus Station	11	9	2	8	-	8	-
Car Parks	(485)	(755)	270	(1,198)	-	(1,198)	-
CCTV	171	138	33	269	-	269	-
Civil Protection	20	26	(7)	49	-	49	-
Dartford Environmental Hub (SDC Costs)	164	359	(196)	-	-	-	-
Car Parking - On Street	(124)	(148)	24	(245)	-	(245)	-
EH Commercial	109	141	(32)	280	5	285	5
EH Animal Control	(2)	18	(20)	22	5	28	5
EH Environmental Protection	180	173	7	369	1	370	1
Emergency	33	41	(7)	81	-	81	-
Parking Enforcement - Tandridge DC	(114)	(20)	(94)	(39)	-	(39)	-
Estates Management - Buildings	(6)	23	(30)	(16)	-	(16)	-
Estates Management - Grounds	74	64	10	128	-	128	-
Housing Other Income	(8)	(7)	(1)	(14)	-	(14)	-
Housing Premises	(11)	(2)	(10)	16	-	16	-
Kent Resource Partnership	43	(164)	207	-	-	-	-
Licensing Partnership Hub (Trading)	10	12	(2)	-	-	-	-
Licensing Partnership Members	-	-	-	-	-	-	-
Licensing Regime	(25)	16	(41)	44	-	44	-
Asset Maintenance Operatives	2	3	(0)	5	-	5	-
Markets	(107)	(106)	(1)	(217)	-	(217)	-
Parks - Greensand Commons Project	45	-	45	-	-	-	-

<b>Position as at the end of September 2021</b>	<b>Y-T-D Actual £'000</b>	<b>Budget to Date £'000</b>	<b>Variance £'000</b>	<b>Annual Budget £'000</b>	<b>Annual For Var £'000</b>	<b>Annual Forecast (including Accruals) £'000</b>	<b>Forecast Annual Variance £'000</b>
Parks and Recreation Grounds	78	67	11	135	-	135	-

Position as at the end of September 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual For Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Parks - Rural	85	84	1	171	-	171	-
Public Transport Support	-	0	(0)	0	-	0	-
Refuse Collection	1,454	1,482	(28)	2,913	(20)	2,893	(20)
Administrative Expenses - Direct Services	9	-	9	-	-	-	-
Administrative Expenses - Health	2	2	(0)	5	-	5	-
Administrative Expenses - Licensing	0	3	(3)	7	-	7	-
Administrative Expenses - Property	3	2	1	3	-	3	-
Administrative Expenses - Transport	2	3	(0)	7	-	7	-
Street Cleansing	724	772	(48)	1,540	(33)	1,507	(33)
Support - Central Offices	351	378	(27)	483	-	483	-
Support - Central Offices - Facilities	109	134	(24)	279	-	279	-
Support - General Admin	-	2	(2)	5	-	5	-
Support - General Admin (Post/Scanning)	106	107	(1)	219	-	219	-
Support - Health and Safety	0	4	(4)	8	-	8	-
Support - Direct Services	52	23	29	50	-	50	-
Direct Services Trading account	99	(294)	393	(231)	100	(131)	100
Taxis	1	6	(5)	11	-	11	-
Public Conveniences	26	27	(1)	48	-	48	-
<b>Total Cleaner and Greener</b>	<b>3,324</b>	<b>2,845</b>	<b>479</b>	<b>5,685</b>	<b>58</b>	<b>5,742</b>	<b>58</b>

Position as at the end of September 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual For Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Housing and Health	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contain Outbreak Management Fund 2021/22	(26)	-	(26)	-	-	-	-
Domestic Abuse Duty	3	-	3	-	-	-	-
Gypsy Sites	(8)	(6)	(3)	(10)	-	(10)	-
Health Improvements	23	24	(1)	48	-	48	-
Homeless	415	209	206	429	300	729	300
Housing Clinically Extremely Vulnerable 21/22	46	-	46	-	-	-	-
Housing Register	27	18	8	37	-	37	-
Disabled Facilities Grant Administration	-	-	-	(50)	-	(50)	-
Housing	25	102	(77)	186	-	186	-
Housing Initiatives	29	28	2	55	-	55	-
Next Steps Accommodation Programme	(0)	-	(0)	-	-	-	-
Housing Pathway Co-ordinator	(58)	-	(58)	-	-	-	-
Homelessness Prevention	24	-	24	-	-	-	-
Housing Energy Retraining Options (HERO)	53	66	(12)	130	-	130	-
Private Sector Housing	132	142	(11)	284	-	284	-
Rough Sleepers Initiative (4)	(38)	-	(38)	-	-	-	-
Administrative Expenses - Housing	3	-	3	-	-	-	-
One You - Your Home Project	0	-	0	-	-	-	-
Choosing Health WK PCT	(22)	0	(22)	-	-	-	-
PCT Health Checks	11	11	(0)	-	-	-	-
Homelessness Funding	(412)	(421)	9	(122)	-	(122)	-
PCT Initiatives	14	-	14	-	-	-	-
<b>Total Housing and Health</b>	<b>240</b>	<b>174</b>	<b>66</b>	<b>988</b>	<b>300</b>	<b>1,288</b>	<b>300</b>

Position as at the end of September 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual For Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Improvement and Innovation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Action and Development	1	4	(3)	8	-	8	-
Asset Maintenance IT	542	148	394	296	-	296	-
Civic Expenses	16	17	(1)	17	-	17	-
Consultation and Surveys	10	-	10	4	5	9	5
Corporate Management	469	537	(67)	1,146	(67)	1,079	(67)
Corporate Projects	25	36	(11)	71	(19)	52	(19)
Corporate - Other	-	(2)	2	66	-	66	-
Democratic Services	73	84	(11)	167	-	167	-
Economic Development	42	26	16	38	-	38	-
Economic Development Property	241	242	(1)	442	-	442	-
Elections	201	42	159	125	-	125	-
External Communications	117	115	2	222	(10)	212	(10)
Land Charges	(58)	(58)	(1)	(118)	20	(98)	20
Members	211	236	(25)	473	(13)	460	(13)
Performance Improvement	8	7	1	(0)	-	(0)	-
Register of Electors	105	124	(19)	204	-	204	-

Position as at the end of September 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual For Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Administrative Expenses - Corporate Services	3	11	(7)	23	-	23	-
Administrative Expenses - Legal and Democratic	47	53	(6)	72	-	72	-
Administrative Expenses - Transformation and Strategic	2	2	(1)	5	-	5	-
Administrative Expenses - Human Resources	15	6	8	9	10	19	10
Street Naming	1	1	(0)	2	-	2	-
Support - Contact Centre	374	426	(53)	855	-	855	-
Support - General Admin	11	14	(3)	178	-	178	-
Support - General Admin (Print Shop)	(23)	(8)	(15)	(49)	-	(49)	-
Support - IT	770	753	17	1,071	-	1,071	-
Support - Local Offices	0	-	0	-	-	-	-
Support - Nursery	0	-	0	-	-	-	-
Support - Human Resources	240	226	14	397	18	415	18
<b>Total Improvement and Innovation</b>	<b>3,441</b>	<b>3,040</b>	<b>402</b>	<b>5,726</b>	<b>(57)</b>	<b>5,669</b>	<b>(57)</b>
<b>Total SDC</b>	<b>9,169</b>	<b>9,399</b>	<b>(230)</b>	<b>17,015</b>	<b>(57)</b>	<b>16,959</b>	<b>(57)</b>

Appendix B : Salaries

Position as at the end of September 2021	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast £'000	Annual Variance £'000	Annual Variance %
<b>Development and Conservation</b>					
Building Control	190	381	381	0	0%
Planning Services	1,007	1,942	1,942	0	0%
<b>Total</b>	<b>1,198</b>	<b>2,323</b>	<b>2,323</b>	<b>0</b>	<b>0%</b>
<b>Finance and Investments</b>					
Chief Executive	106	216	216	0	0%
Finance	451	946	946	0	0%
Revenues and Benefits	769	1,660	1,660	0	0%
Strategic Property	261	607	607	0	0%
<b>Total</b>	<b>1,588</b>	<b>3,429</b>	<b>3,429</b>	<b>0</b>	<b>0%</b>
<b>Cleaner and Greener</b>					
Direct Services	1,932	4,382	4,382	0	0%
Health	299	681	681	0	0%
Licensing	224	481	481	0	0%
Property	228	481	481	0	0%
Transport	276	500	500	0	0%
<b>Total</b>	<b>2,958</b>	<b>6,525</b>	<b>6,525</b>	<b>0</b>	<b>0%</b>
<b>Housing and Health</b>					
Housing	391	771	771	0	0%
<b>Total</b>	<b>391</b>	<b>771</b>	<b>771</b>	<b>0</b>	<b>0%</b>
<b>Improvement and Innovation</b>					
Corporate Services	862	1,861	1,842	(19)	-1%
Legal and Democratic	300	628	628	0	0%
Transformation and Strategy	299	660	660	0	0%
Human Resources	195	387	387	0	0%
<b>Total</b>	<b>1,655</b>	<b>3,536</b>	<b>3,517</b>	<b>(19)</b>	<b>-1%</b>
<b>People and Places</b>					
Communities & Business	149	390	390	0	0%
<b>Total</b>	<b>149</b>	<b>390</b>	<b>390</b>	<b>0</b>	<b>0%</b>
<b>Sub Total</b>	<b>7,939</b>	<b>16,974</b>	<b>16,955</b>	<b>(19)</b>	<b>0%</b>
Council Wide - Vacant Posts	0	(78)	(78)	0	0%
Staff Recruitment and Retention	0	73	73	0	0%
<b>TOTAL SDC Funded Salary Costs</b>	<b>7,939</b>	<b>16,969</b>	<b>16,950</b>	<b>(19)</b>	<b>0%</b>
Communities & Business*	227	264	264	0	0%
Direct Services*	20	126	126	0	0%
Housing*	112	149	149	0	0%
<b>Externally Funded Total</b>	<b>359</b>	<b>540</b>	<b>540</b>	<b>0</b>	<b>0%</b>
<b>TOTAL Salary Costs</b>	<b>8,298</b>	<b>17,508</b>	<b>17,489</b>	<b>(19)</b>	<b>0%</b>

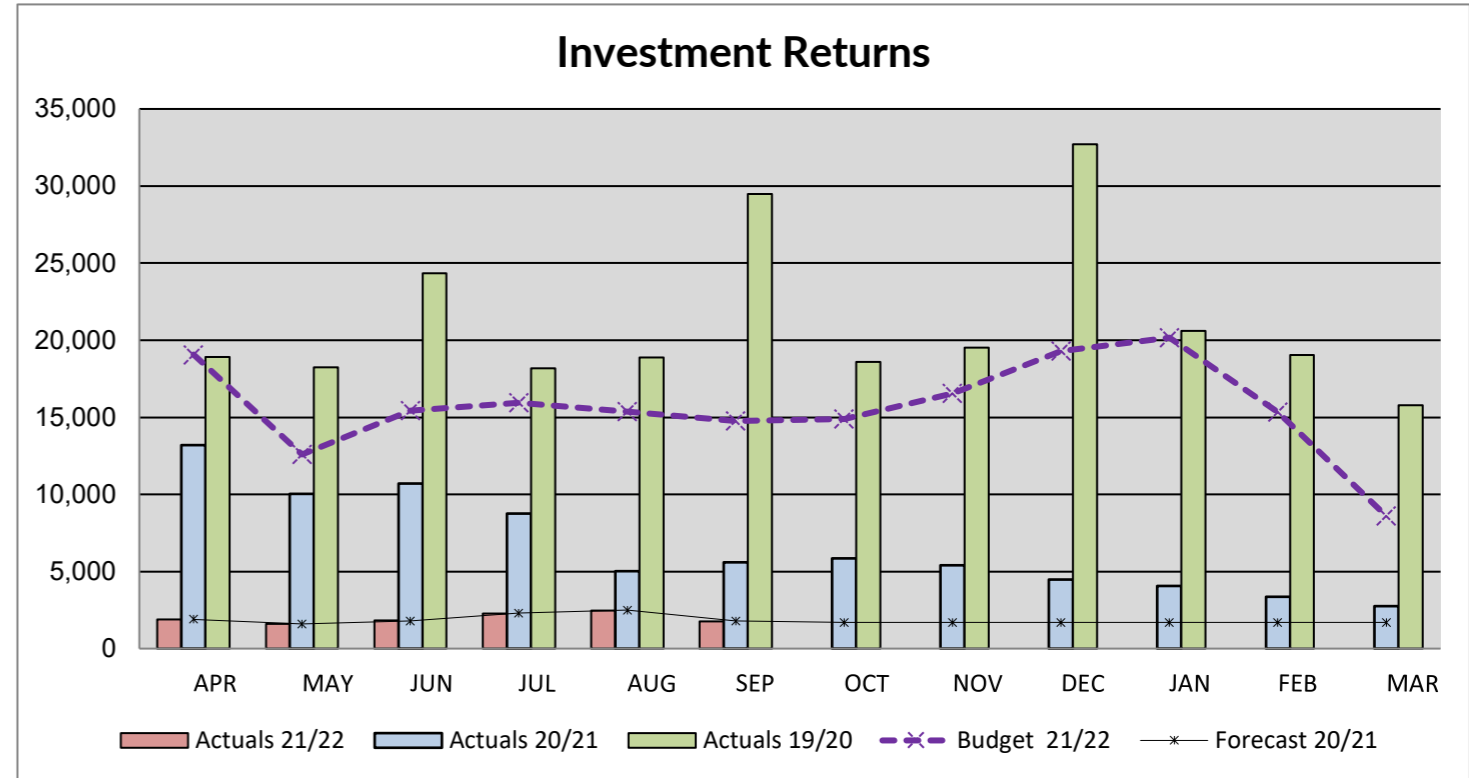
\*Externally Funded & Funded from other sources (gross figures). Overspendings here are matched by external funding and represent additional resources secured for the Council since the budget was set.

<b>Appendix B : Staffing Stats - Position as at the end of September 21</b>	<b>Budget FTE*</b>	<b>Staff FTE</b>	<b>Agency FTE</b>	<b>Casual FTE</b>	<b>Total</b>	<b>August 2021 Total</b>
<b>Development and Conservation</b>						
Building Control	8.00	6.00			6.00	6.00
Planning Services	41.47	37.57			37.57	39.27
<b>Finance and Investments</b>						
Chief Executive	1.00	1.00			1.00	1.00
Finance	16.08	15.81			15.81	16.81
Revenues and Benefits	43.33	39.11		0.48	39.59	39.60
Strategic Property	10.00	13.89	1.00		14.89	14.89
<b>Cleaner and Greener</b>						
Direct Services	125.97	108.36	34.23		142.59	132.02
Health	12.57	9.31	1.00		10.31	10.31
Licensing	10.59	10.19			10.19	10.19
Property	6.65	2.65			2.65	2.65
Transport	14.00	16.59			16.59	15.59
<b>Housing and Health</b>						
Housing	15.20	14.32			14.32	14.33
<b>Improvement and Innovation</b>						
Corporate Services	50.75	47.00		0.43	47.43	47.15
Legal and Democratic	7.50	7.00			7.00	7.00
Transformation and Strategy	20.35	17.16			17.16	17.16
Human Resources	8.00	8.81			8.81	8.81
<b>People and Places</b>						
Communities & Business	5.00	4.00			4.00	4.00
<b>Sub Total</b>	<b>396.46</b>	<b>358.77</b>	<b>36.23</b>	<b>0.91</b>	<b>395.91</b>	<b>386.78</b>
<b>Externally Funded</b>						
People & Places	6.08	9.49		0.05	9.54	7.78
People & Places - Housing	4.00	9.11			9.11	6.50
KRP	2.00	0.00			0.00	0.00
<b>Sub total</b>	<b>12.08</b>	<b>18.60</b>	<b>0.00</b>	<b>0.05</b>	<b>18.65</b>	<b>14.28</b>
<b>Total</b>	<b>408.54</b>	<b>377.37</b>	<b>36.23</b>	<b>0.96</b>	<b>414.56</b>	<b>401.06</b>
<b>Number of staff paid in September 2021: 412 permanent, 3 casuals</b>						



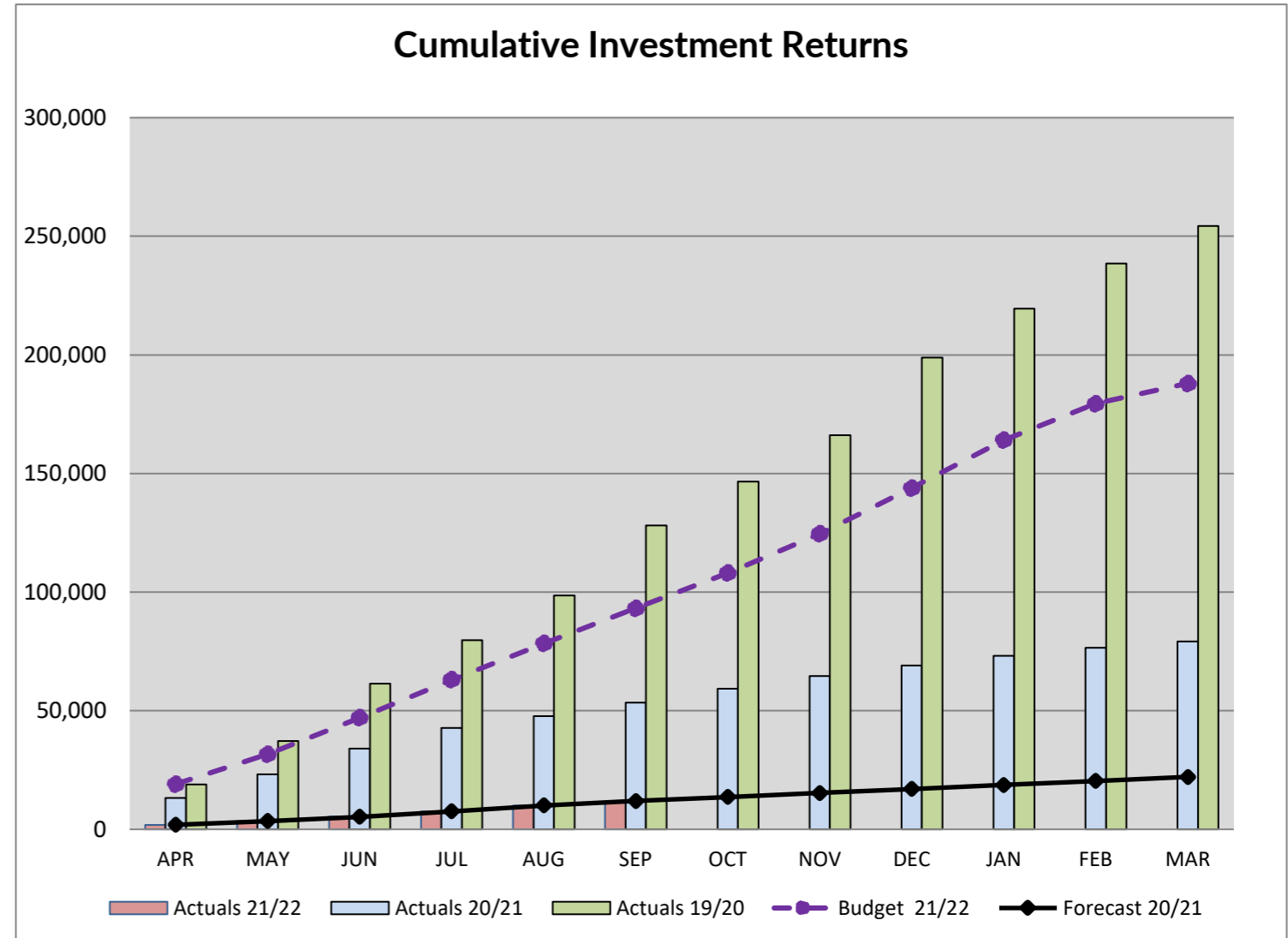
## 6 Investment Returns

	Actuals 19/20	Actuals 20/21	Actuals 21/22	Budget 21/22	Variance	Forecast 20/21
APR	18,908	13,190	1,900	19,058	-17,158	1,900
MAY	18,243	10,041	1,620	12,595	-10,975	1,600
JUN	24,341	10,719	1,829	15,424	-13,595	1,800
JUL	18,166	8,761	2,261	15,947	-13,686	2,300
AUG	18,891	5,010	2,471	15,365	-12,894	2,500
SEP	29,495	5,612	1,774	14,773	-12,999	1,800
OCT	18,586	5,867		14,889		1,700
NOV	19,520	5,397		16,555		1,700
DEC	32,723	4,484		19,286		1,700
JAN	20,620	4,060		20,166		1,700
FEB	19,034	3,367		15,345		1,700
MAR	15,768	2,769		8,597		1,700
<b>TOTAL</b>	<b>254,295</b>	<b>79,277</b>	<b>11,855</b>	<b>188,000</b>	<b>-81,307</b>	<b>22,100</b>



### INVESTMENT RETURNS (CUMULATIVE)

	Actuals 19/20	Actuals 20/21	Actuals 21/22	Budget 21/22	Variance	Forecast 20/21
APR	18,908	13,190	1,900	19,058	-17,158	1,900
MAY	37,151	23,231	3,520	31,653	-28,133	3,500
JUN	61,492	33,950	5,349	47,077	-41,728	5,300
JUL	79,658	42,711	7,610	63,024	-55,414	7,600
AUG	98,549	47,721	10,081	78,389	-68,308	10,100
SEP	128,044	53,333	11,855	93,162	-81,307	11,900
OCT	146,630	59,200		108,051		13,600
NOV	166,150	64,597		124,606		15,300
DEC	198,873	69,081		143,892		17,000
JAN	219,493	73,141		164,058		18,700
FEB	238,527	76,508		179,403		20,400
MAR	254,295	79,277		188,000		22,100



**BUDGET FOR 20/21** 188,000  
**FORECAST OUTTURN** 22,100

**CODE:- YHAA 96900**

#### N.B.

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

**Fund Average** 0.1065%  
**7 Day LIBID** -0.0800%  
**3 Month LIBID** -0.0467%

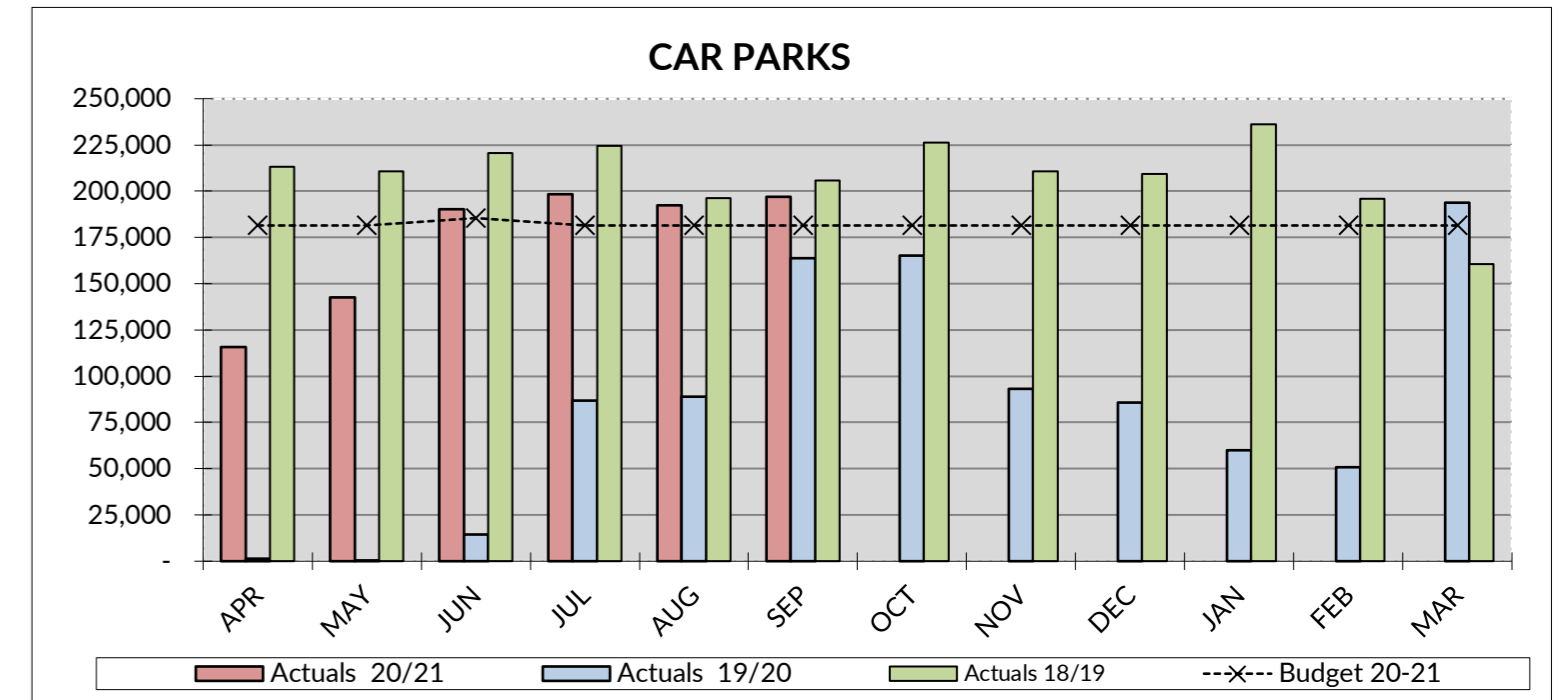
## 7. Reserves

<b>Position as at the end of September 21</b>	<b>21/22 Opening Balance</b>	<b>£'000</b>	<b>21/22 Cumulative Movement to Date</b>	<b>Position as at the end of September 2021 (Period 202206)</b>
E Earmarked Reserve - Budget Stabilisation		(9,056)	-	(9,056)
E Earmarked Reserve - NNDR Safety Net Deficit Reserve		(8,071)	-	(8,071)
E Earmarked Reserve - Financial Plan		(2,653)	-	(2,653)
E Earmarked Reserve - Carry Forward Items (DAC)		(1,250)	-	(1,250)
E Earmarked Reserve - Capital Expenditure Reserve		(1,000)	-	(1,000)
E Earmarked Reserve - IT Asset Maintenance		(879)	-	(879)
E Earmarked Reserve - Vehicle Renewal (DAA)		(696)	-	(696)
E Earmarked Reserve - Housing & Commercial Growth Fund		(566)	-	(566)
E Earmarked Reserve - DWP Hsg Benefit Subsidy		(550)	-	(550)
E Earmarked Reserve - Pension Fund Valuation Adj.		(441)	-	(441)
E Earmarked Reserve - New Homes Bonus Reserve		(406)	-	(406)
E Earmarked Reserve - Action and Development		(396)	-	(396)
E Earmarked Reserve - Local Plan/LDF		(318)	-	(318)
E Earmarked Reserve - Vehicle Insurance (DAZ)		(258)	-	(258)
E Earmarked Reserve - Property Investment Strategy Maintenance Reserve		(233)	-	(233)
E Earmarked Reserve - Capital Financing		(221)	-	(221)
E Earmarked Reserve - Corporate Project Support Reserve		(212)	-	(212)
E Earmarked Reserve - FTS (DAB)		(206)	-	(206)
E Earmarked Reserve - Community Development Reserve		(204)	-	(204)
E Earmarked Reserve - Community Infrastructure Levy Administration (CIL)		(185)	-	(185)
E Earmarked Reserve - Development Services Reserve		(113)	-	(113)
<b>Total</b>		<b>(27,916)</b>	<b>-</b>	<b>(27,916)</b>
Other Earmarked Reserves (balances <£100k)		(698)	(28)	(726)
<b>Total</b>		<b>(28,614)</b>	<b>(28)</b>	<b>(28,642)</b>
<b>General Fund</b>		<b>(1,500)</b>	<b>-</b>	<b>(1,500)</b>
<b>Total</b>		<b>(30,114)</b>	<b>(28)</b>	<b>(30,142)</b>

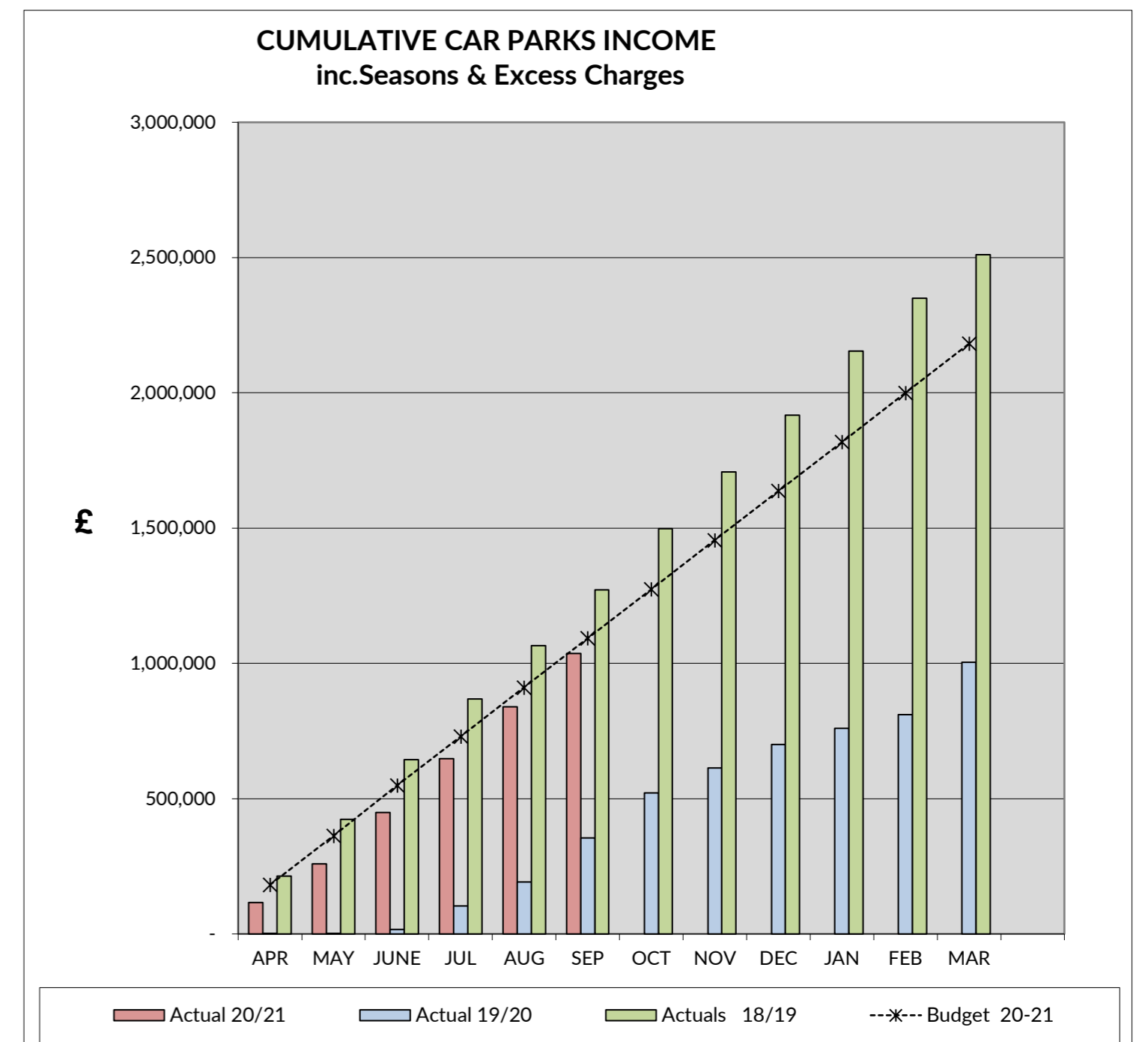
**Appendix B : Income Graphs Summary**

	<b>ACTUAL</b>	<b>Previous Year comparatives</b>	<b>Budget YTD</b>	<b>Variance YTD · brackets show underachieve ment</b>	<b>Annual Budget</b>
Car Parks	1,036,304	355,561	1,092,838	(56,534)	2,181,677
Car Parking - On Street	436,399	170,788	416,310	20,088	832,621
Licensing Regime	88,308	78,197	55,940	32,368	99,148
Taxis	57,787	52,807	72,689	(14,902)	145,377
Land Charges	88,886	70,756	110,387	(21,500)	220,773
Planning - Development Management	562,187	392,121	494,110	68,077	988,220
Building Control	307,603	254,772	251,584	56,019	503,168
<b>Total</b>	<b>2,577,474</b>	<b>1,375,002</b>	<b>2,493,858</b>	<b>83,616</b>	<b>4,970,984</b>

Appendix B: CAR PARKS (HWCARP)	Actuals 19/20	Actuals 20/21	Actuals 21/22	Increase / (decrease) from 20/21 to 21/22	Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
APR	213,119	1,513	115,730	114,217	181,473	(65,743)	-
MAY	210,813	158	142,691	142,533	181,473	(38,782)	-
JUN	220,637	14,588	190,284	175,696	185,473	4,811	-
JUL	224,678	86,759	198,274	111,516	181,473	16,801	-
AUG	196,164	88,754	192,326	103,572	181,473	10,852	-
SEP	205,737	163,789	196,998	33,209	181,473	15,525	-
OCT	226,210	165,320	-	-	181,473	-	-
NOV	210,651	93,081	-	-	181,473	-	-
DEC	209,265	85,779	-	-	181,473	-	-
JAN	236,228	59,945	-	-	181,473	-	-
FEB	195,940	50,624	-	-	181,473	-	-
MAR	160,439	193,889	-	-	181,473	-	-
<b>Total</b>	<b>2,509,881</b>	<b>1,004,200</b>	<b>1,036,303</b>	<b>680,743</b>	<b>2,181,676</b>	<b>(56,536)</b>	<b>-</b>

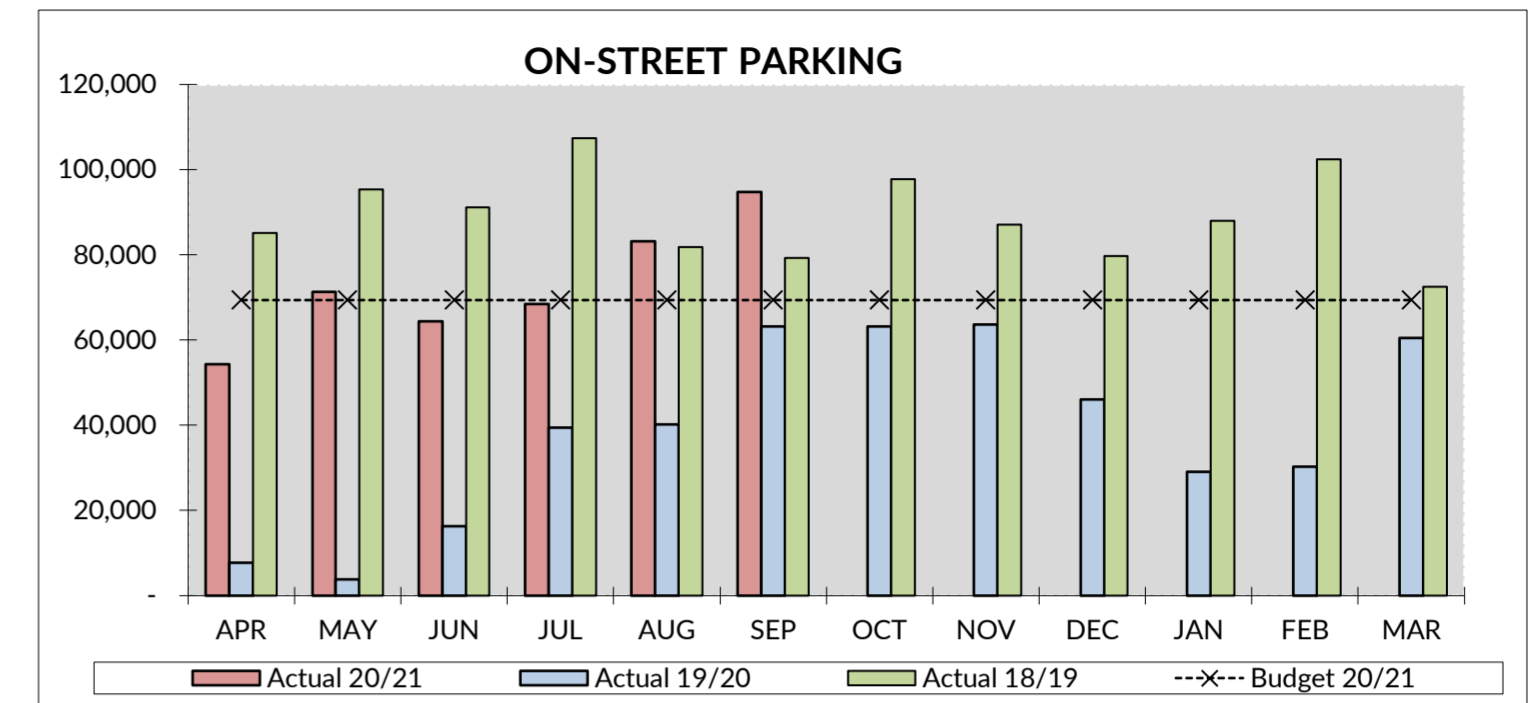


CAR PARKS (CUMULATIVE)	Actuals 19/20	Actuals 20/21	Actuals 21/22	Increase / (decrease) from 20/21 to 21/22	Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
APR	213,119	1,513	115,730	114,217	181,473	(65,743)	-
MAY	423,932	1,671	258,422	256,750	362,946	(104,525)	-
JUNE	644,570	16,260	448,706	432,446	548,419	(99,713)	-
JUL	869,247	103,018	646,980	543,962	729,892	(82,912)	-
AUG	1,065,411	191,772	839,306	647,534	911,365	(72,060)	-
SEP	1,271,148	355,561	1,036,304	680,743	1,092,838	(56,534)	-
OCT	1,497,358	520,882	-	-	1,274,312	-	-
NOV	1,708,009	613,963	-	-	1,455,785	-	-
DEC	1,917,274	699,741	-	-	1,637,258	-	-
JAN	2,153,502	759,687	-	-	1,818,731	-	-
FEB	2,349,442	810,311	-	-	2,000,204	-	-
MAR	2,509,881	1,004,200	-	-	2,181,677	-	-

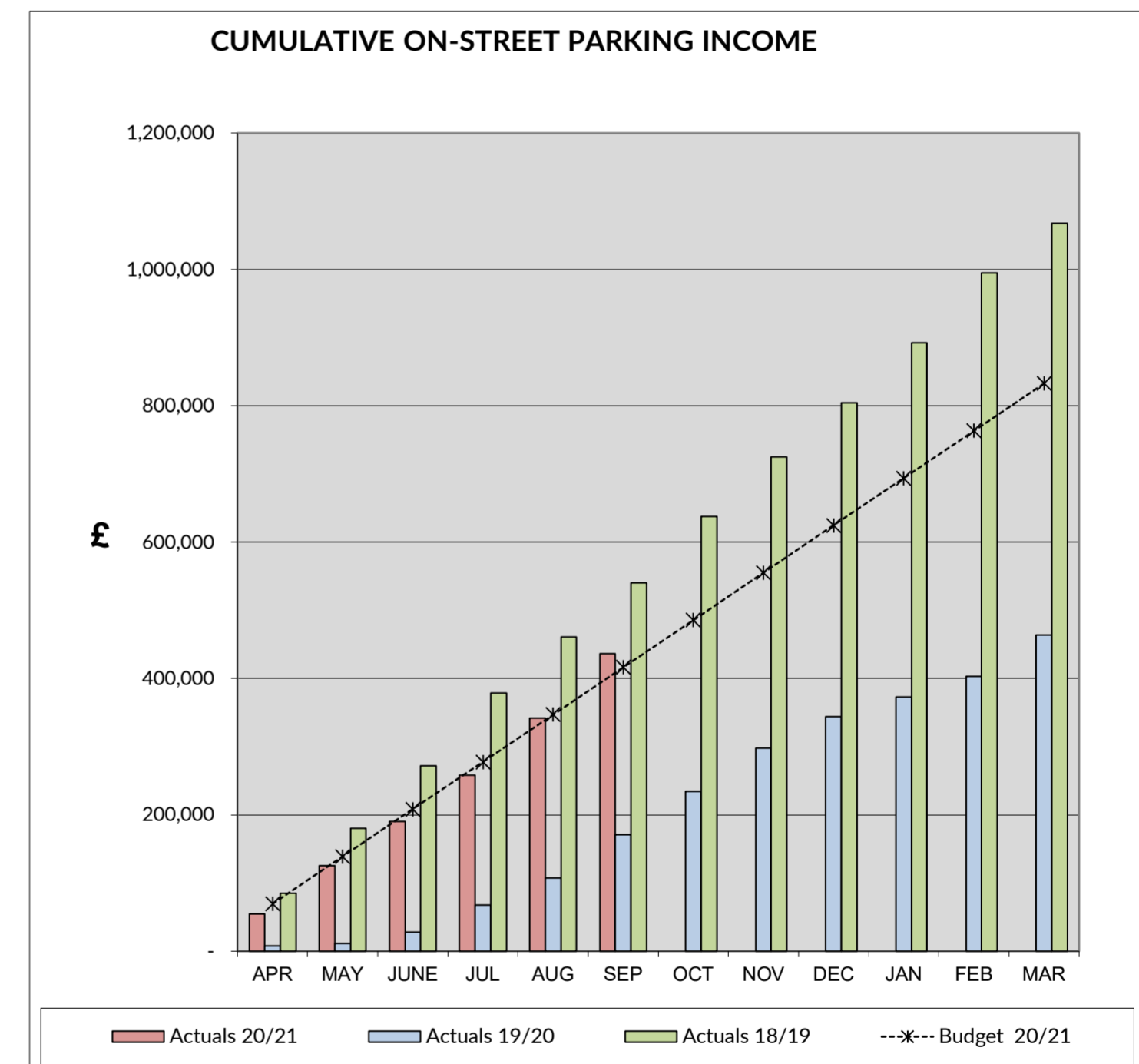


CUMULATIVE BREAKDOWN - HWCARP	Code	Actual (Cumulative)	Budget	(Monthly)
DAY TICKETS	3300	886,433	940,542	173,189
EXCESS / PENALTY CHARGES	***1/**3			
SEASON TICKETS	3310, ***2	139,312	137,432	22,559
SEASON TICKET CAR PARK	3310			
OTHER	9999, 34**	237	3,365	-
WAIVERS	3404			-
RENT	86**	10,322	11,500	1,250
Business Permits	3406 /3408			
<b>Total</b>		<b>1,036,304</b>	<b>1,092,839</b>	<b>196,998</b>

Appendix B: ON-STREET PARKING (HWDCRIM / HWENFORC)	Actuals 19/20	Actuals 20/21	Actuals 21/22	Increase / (decrease) from 20/21 to 21/22	Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
APR	85,115	7,676	54,350	46,674	69,385	(15,035)	-
MAY	95,338	3,884	71,258	67,374	69,385	1,873	-
JUN	91,102	16,355	64,364	48,009	69,385	(5,022)	-
JUL	107,391	39,461	68,471	29,010	69,385	(914)	-
AUG	81,797	40,276	83,237	42,961	69,385	13,852	-
SEP	79,308	63,135	94,718	31,583	69,385	25,333	-
OCT	97,818	63,193	-	-	69,385	-	-
NOV	87,032	63,639	-	-	69,385	-	-
DEC	79,729	46,090	-	-	69,385	-	-
JAN	88,036	29,146	-	-	69,385	-	-
FEB	102,372	30,326	-	-	69,385	-	-
MAR	72,578	60,489	-	-	69,385	-	-
<b>Total</b>	<b>1,067,616</b>	<b>463,670</b>	<b>436,398</b>	<b>265,611</b>	<b>832,620</b>	<b>20,087</b>	<b>-</b>



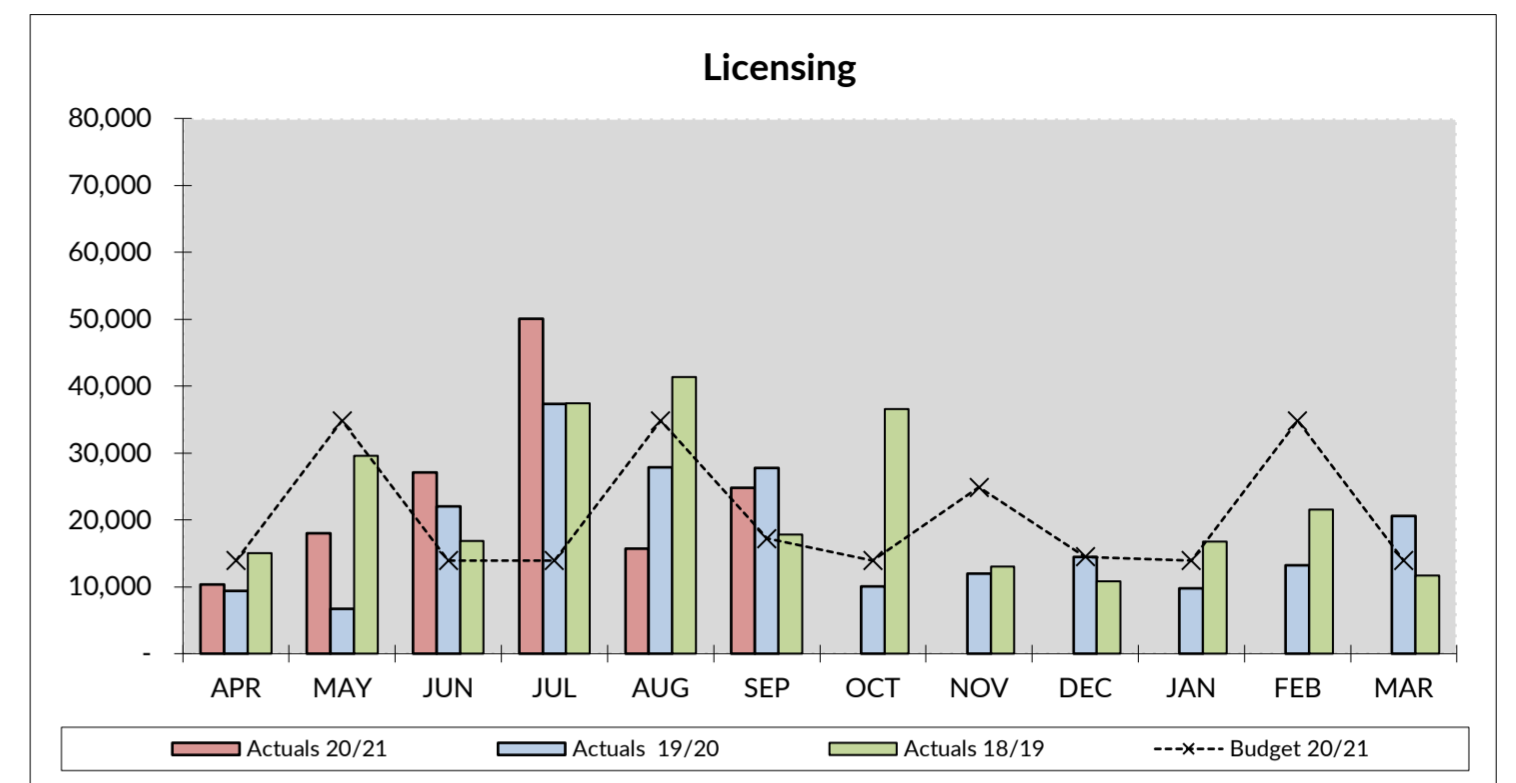
ON-STREET PARKING (CUMULATIVE)	Actuals 19/20	Actuals 20/21	Actuals 21/22	Increase / (decrease) from 20/21 to 21/22	Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
APR	85,115	7,676	54,350	46,674	69,385	(15,035)	-
MAY	180,453	11,560	125,609	114,049	138,770	(13,161)	-
JUNE	271,555	27,915	189,972	162,057	208,155	(18,183)	-
JUL	378,946	67,376	258,443	191,067	277,540	(19,097)	-
AUG	460,743	107,652	341,680	234,028	346,925	(5,245)	-
SEP	540,051	170,787	436,399	265,612	416,310	20,088	-
OCT	637,869	233,980	-	-	485,696	-	-
NOV	724,901	297,619	-	-	555,081	-	-
DEC	804,630	343,709	-	-	624,466	-	-
JAN	892,666	372,855	-	-	693,851	-	-
FEB	995,038	403,181	-	-	763,236	-	-
MAR	1,067,616	463,670	-	-	832,621	-	-



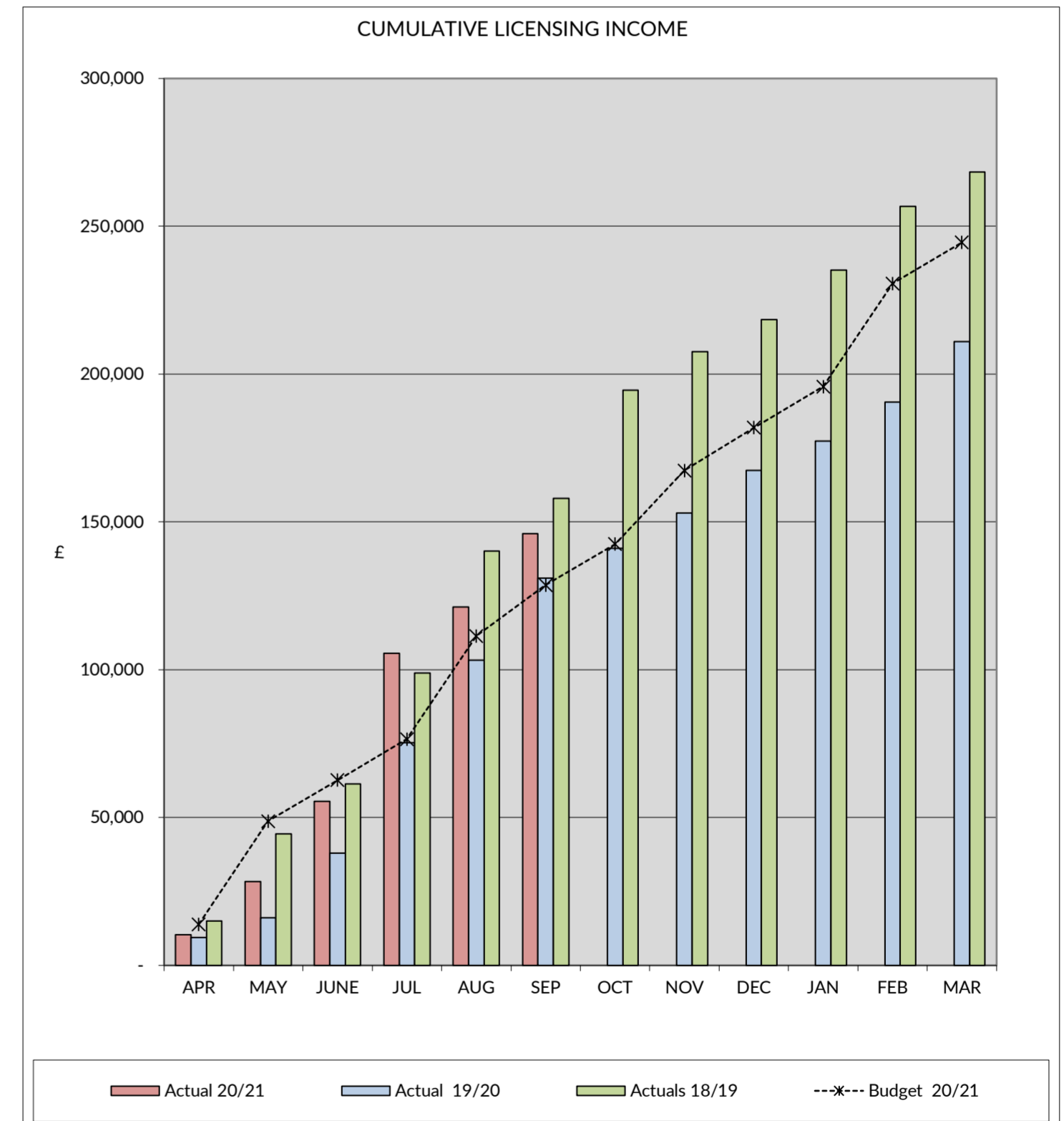
CUMULATIVE BREAKDOWN - HWDCRIM / HWENFORC	Code	Actual (Cumulative)	Budget	(Monthly)
ON STREET PARKING	3300	190,543	214,998	36,566
PENALTY NOTICES	3403	161,598	137,421	47,500
WAIVERS	3404	14,360	5,657	4,233
Driveway Access Protection Lines	3405	990	-	(8)
RESIDENTS PERMITS	3406	45,738	27,154	6,335
BUSINESS PERMITS	3408	2,956	31,080	-
OTHER	9999	20,214	-	92
<b>Total</b>		<b>436,399</b>	<b>416,310</b>	<b>94,718</b>



Appendix B: Licensing (EHLICREG & DSTAXIL)				Increase /	Variance	Manager's	
	Actuals 19/20	Actuals 20/21	Actuals 21/22	(decrease) from 20/21 to 21/22	(Budget- Actuals)	Forecast	
APR	14,991	9,404	10,356	952	13,909	(3,553)	-
MAY	29,570	6,655	18,021	11,366	34,839	(16,818)	-
JUN	16,865	21,969	27,128	5,159	13,909	13,219	-
JUL	37,419	37,346	50,067	12,721	13,909	36,157	-
AUG	41,305	27,847	15,709	(12,138)	34,839	(19,130)	-
SEP	17,814	27,783	24,814	(2,969)	17,221	7,592	-
OCT	36,559	10,099	-	-	13,909	-	-
NOV	13,047	11,939	-	-	24,839	-	-
DEC	10,833	14,460	-	-	14,489	-	-
JAN	16,790	9,782	-	-	13,909	-	-
FEB	21,506	13,232	-	-	34,839	-	-
MAR	11,638	20,550	-	-	13,909	-	-
<b>Total</b>	<b>268,337</b>	<b>211,066</b>	<b>146,095</b>	<b>15,091</b>	<b>244,520</b>	<b>17,467</b>	<b>-</b>

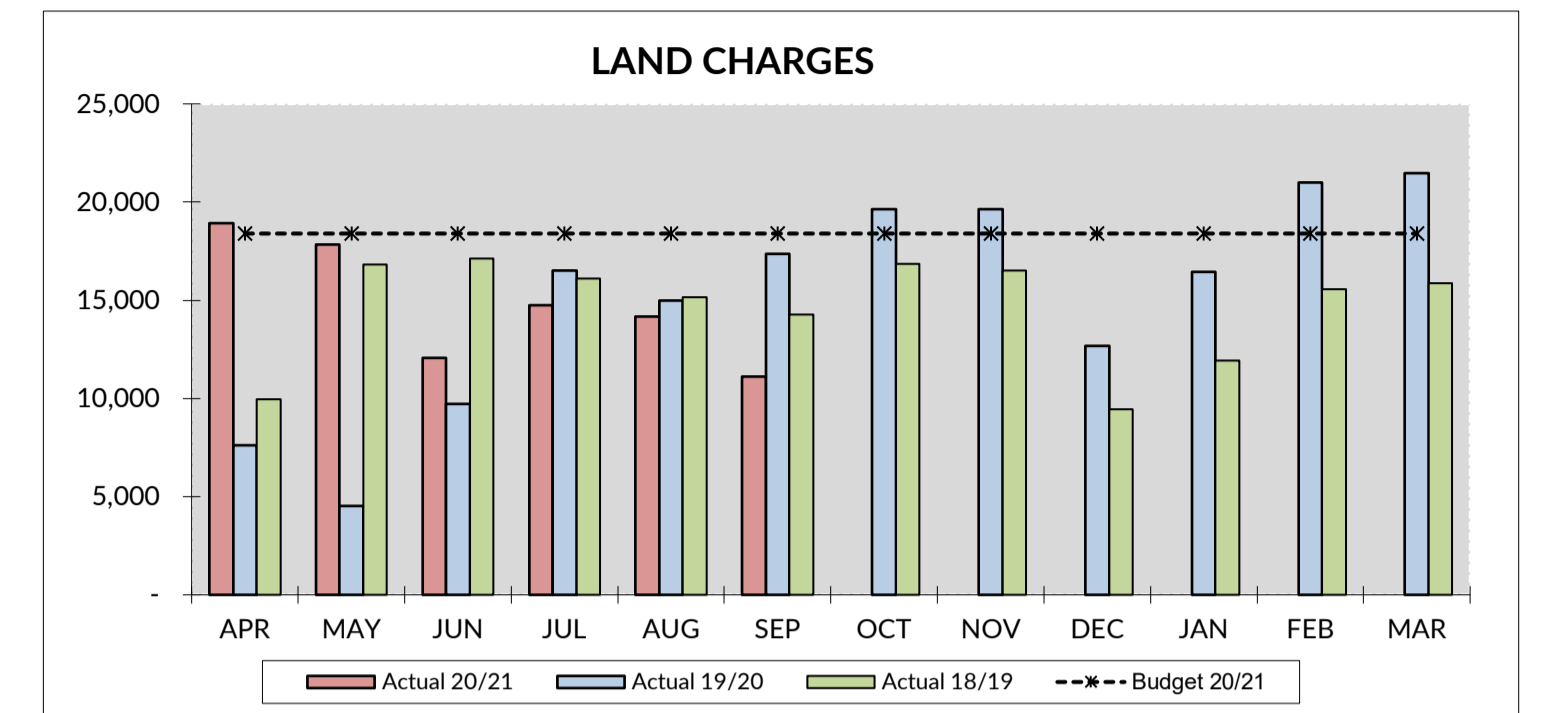


Licensing (CUMULATIVE)				Increase /	Variance	Manager's	
	Actuals 19/20	Actuals 20/21	Actuals 21/22	(decrease) from 20/21 to 21/22	(Budget- Actuals)	Forecast	
APR	14,991	9,404	10,356	952	13,909	(3,553)	-
MAY	44,561	16,059	28,377	12,318	48,749	(20,372)	-
JUNE	61,426	38,028	55,505	17,477	62,658	(7,153)	-
JUL	98,845	75,374	105,572	30,198	76,568	29,004	-
AUG	140,150	103,221	121,281	18,060	111,407	9,874	-
SEP	157,964	131,004	146,095	15,091	128,629	17,466	-
OCT	194,523	141,103	-	-	142,538	-	-
NOV	207,570	153,042	-	-	167,377	-	-
DEC	218,403	167,502	-	-	181,867	-	-
JAN	235,193	177,284	-	-	195,776	-	-
FEB	256,699	190,516	-	-	230,616	-	-
MAR	268,337	211,066	-	-	244,525	-	-

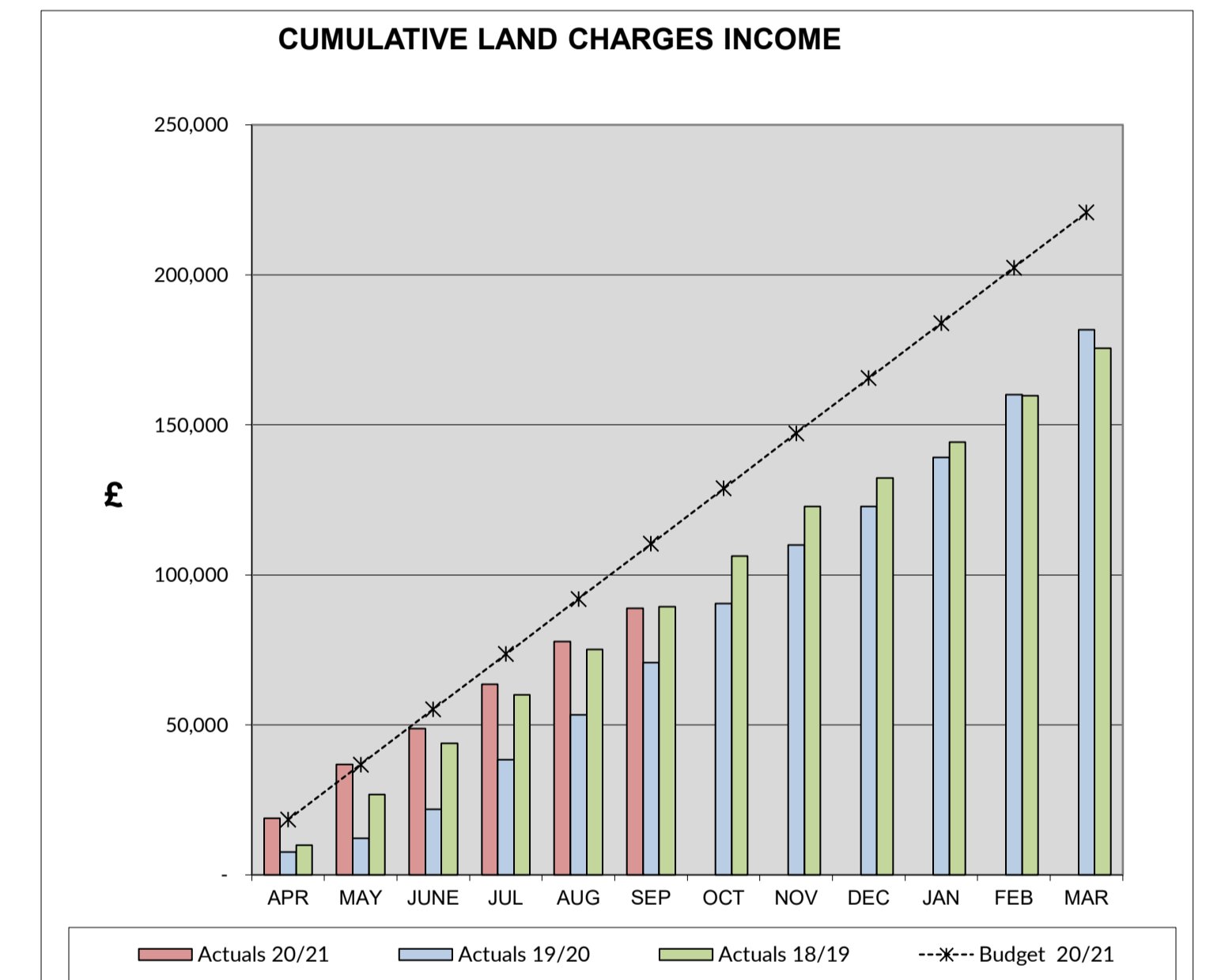


CUMULATIVE BREAKDOWN - EHLICREG/DSTAXIL	Code	Actual (Cumulative)	Budget	(Monthly)
Pre-application advice	EHLICREG/2189	-243	-	-
Personal Licences	EHLICREG/2190	1,320	1,110	201
Premises Licence Annual Fee/Premises New/Premises Variation	EHLICREG/2192/21	78,934	47,360	10,478
Temporary Event Notice	EHLICREG/2193	2,814	2,106	609
Gambling Act Permits/Lottery	EHLICREG/2196/71	3,983	5,365	320
Pavement Licence	EHLICREG/2222	1,500	-	1,000
Scrap Metal Dealers	EHLICREG/2241	0	-	-
Taxi Licensing	94300/DSTAXIL	50,524	72,689	10,568
Other	94300/DSTAXIL/99	7,263	-	1,639
<b>Total</b>		<b>146,095</b>	<b>128,630</b>	<b>24,814</b>

Appendix B: LAND CHARGES (LPLNDCH)				Increase / (decrease)	Variance (Budget- Manager's		
	Actuals 19/20	Actuals 20/21	Actuals 21/22	from 20/21 to 21/22	Budget 21/22	Actuals)	Forecast
APR	9,967	7,630	18,930	11,300	18,398	532	-
MAY	16,828	4,532	17,846	13,314	18,398	(551)	-
JUN	17,112	9,717	12,054	2,337	18,398	(6,344)	-
JUL	16,113	16,500	14,749	(1,751)	18,398	(3,648)	-
AUG	15,149	14,999	14,184	(815)	18,398	(4,213)	-
SEP	14,286	17,377	11,123	(6,254)	18,398	(7,275)	-
OCT	16,854	19,628	-	-	18,398	-	-
NOV	16,519	19,636	-	-	18,398	-	-
DEC	9,444	12,692	-	-	18,398	-	-
JAN	11,917	16,441	-	-	18,398	-	-
FEB	15,554	20,998	-	-	18,398	-	-
MAR	15,857	21,489	-	-	18,398	-	-
Total	175,600	181,639	88,886	18,131	220,776	(21,499)	-

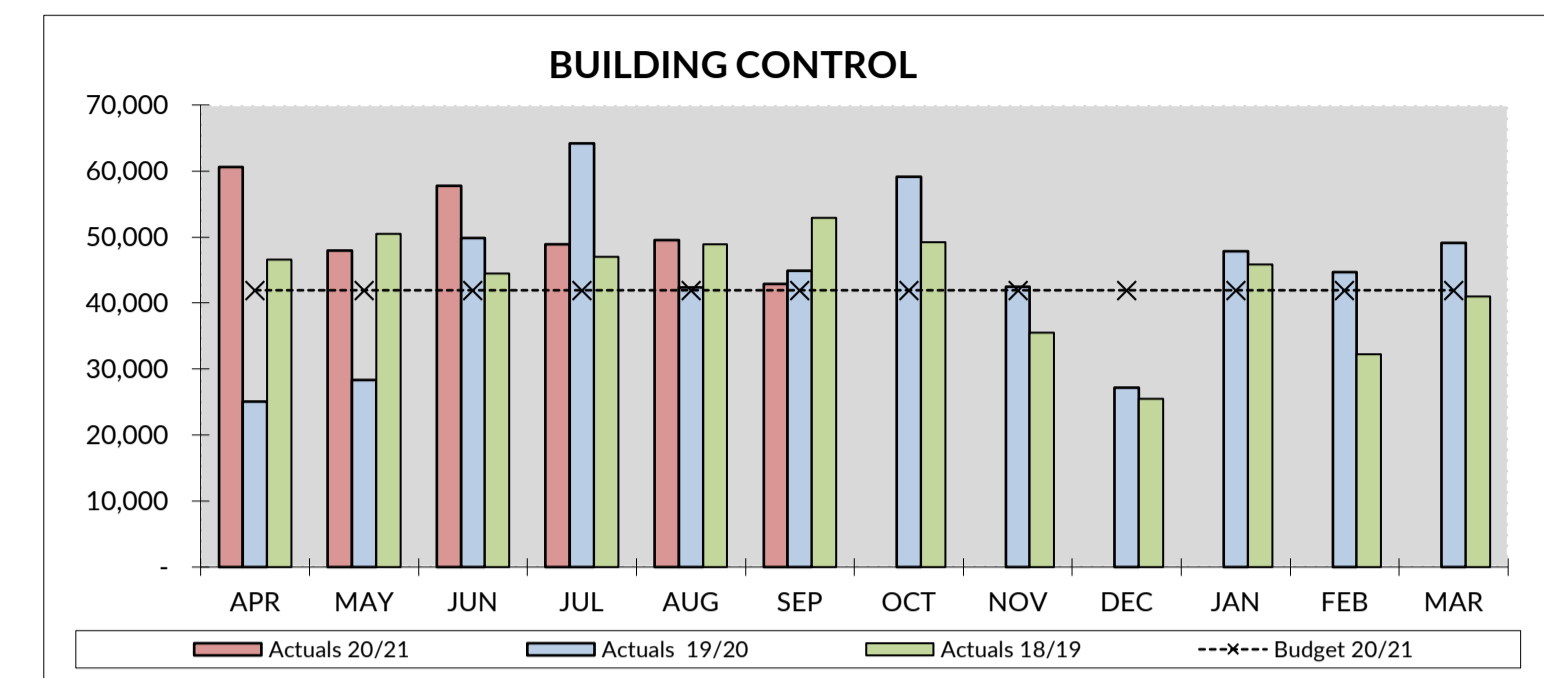


LAND CHARGES (CUMULATIVE)				Increase / (decrease)	Variance (Budget- Manager's		
	Actuals 19/20	Actuals 20/21	Actuals 21/22	from 20/21 to 21/22	Budget 21/22	Actuals)	Forecast
APR	9,967	7,630	18,930	11,300	18,398	532	-
MAY	26,795	12,162	36,776	24,614	36,796	(20)	-
JUNE	43,907	21,879	48,830	26,951	55,193	(6,364)	-
JUL	60,020	38,379	63,579	25,200	73,591	(10,012)	-
AUG	75,169	53,378	77,763	24,385	91,989	(14,225)	-
SEP	89,455	70,755	88,886	18,131	110,387	(21,500)	-
OCT	106,309	90,383	-	-	128,784	-	-
NOV	122,828	110,019	-	-	147,182	-	-
DEC	132,272	122,711	-	-	165,580	-	-
JAN	144,188	139,152	-	-	183,978	-	-
FEB	159,742	160,150	-	-	202,375	-	-
MAR	175,599	181,639	-	-	220,773	-	-

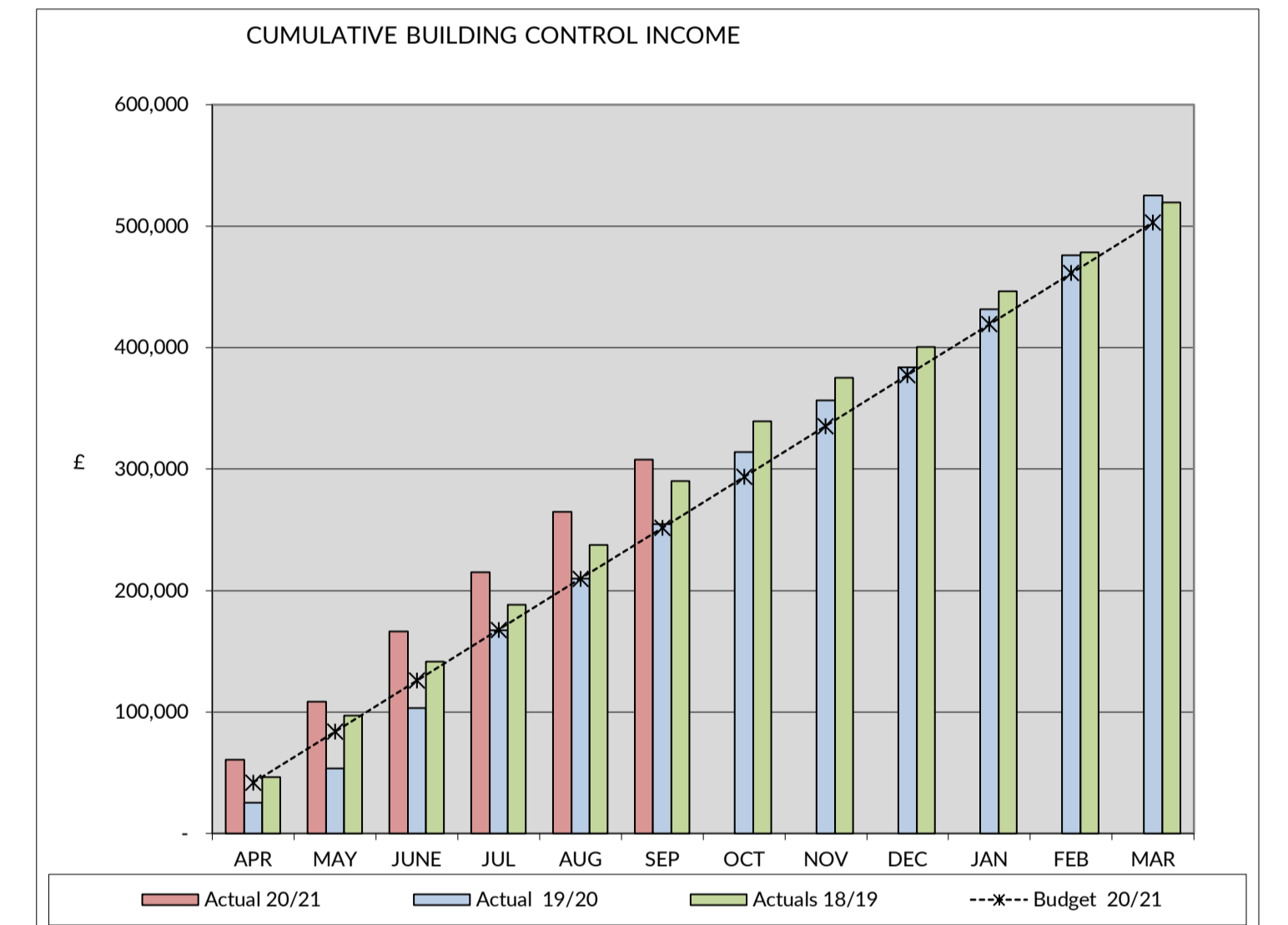


CUMULATIVE BREAKDOWN - LPLNDCH	Received (Month)	Percentage (Month)	Percentage (Month 20/21)	(Cumulative)
Searches Received - Paper	0	%	%	2
Searches Received - Electronic	86	100%	81%	678
Searches Received - Personal	0	%	19%	155
Total	86	100%	100.0%	835

Appendix B: BUILDING CONTROL (DVBCFEE)	Increase / (decrease) from 20/21 to				Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
	Actuals 19/20	Actuals 20/21	Actuals 21/22	21/22			
APR	46,552	25,107	60,545	35,438	41,931	18,614	-
MAY	50,427	28,305	47,988	19,683	41,931	6,057	-
JUN	44,461	49,857	57,741	7,884	41,931	15,811	-
JUL	47,025	64,205	48,928	(15,277)	41,931	6,997	-
AUG	48,869	42,367	49,476	7,109	41,931	7,545	38,000
SEP	52,900	44,930	42,925	(2,005)	41,931	994	-
OCT	49,220	59,144	-	-	41,931	-	-
NOV	35,500	42,429	-	-	41,931	-	-
DEC	25,489	27,203	-	-	41,931	-	-
JAN	45,849	47,838	-	-	41,931	-	-
FEB	32,288	44,709	-	-	41,931	-	-
MAR	40,975	49,136	-	-	41,931	-	-
<b>Total</b>	<b>519,555</b>	<b>525,230</b>	<b>307,603</b>	<b>52,832</b>	<b>503,172</b>	<b>56,018</b>	<b>38,000</b>



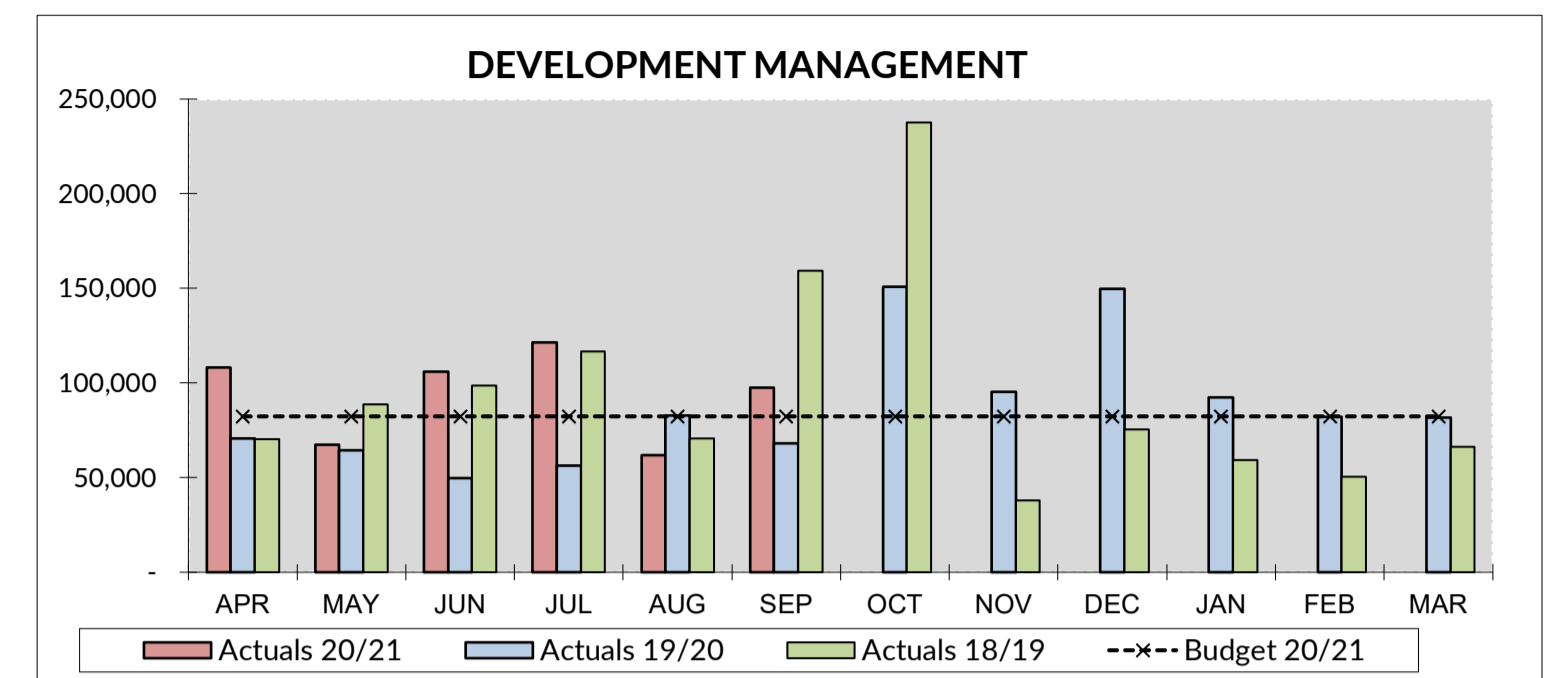
BUILDING CONTROL (CUMULATIVE)	Increase / (decrease) from 20/21 to				Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
	Actuals 19/20	Actuals 20/21	Actuals 21/22	21/22			
APR	46,552	25,107	60,545	35,438	41,931	18,614	-
MAY	96,979	53,412	108,533	55,121	83,861	24,671	-
JUNE	141,440	103,269	166,274	63,005	125,792	40,482	-
JUL	188,465	167,474	215,202	47,728	167,723	47,479	-
AUG	237,334	209,841	264,678	54,837	209,653	55,024	38,000
SEP	290,234	254,771	307,603	52,832	251,584	56,019	-
OCT	339,454	313,915	-	-	293,515	-	-
NOV	374,954	356,344	-	-	335,445	-	-
DEC	400,443	383,547	-	-	377,376	-	-
JAN	446,292	431,385	-	-	419,307	-	-
FEB	478,580	476,094	-	-	461,237	-	-
MAR	519,555	525,230	-	-	503,168	-	-



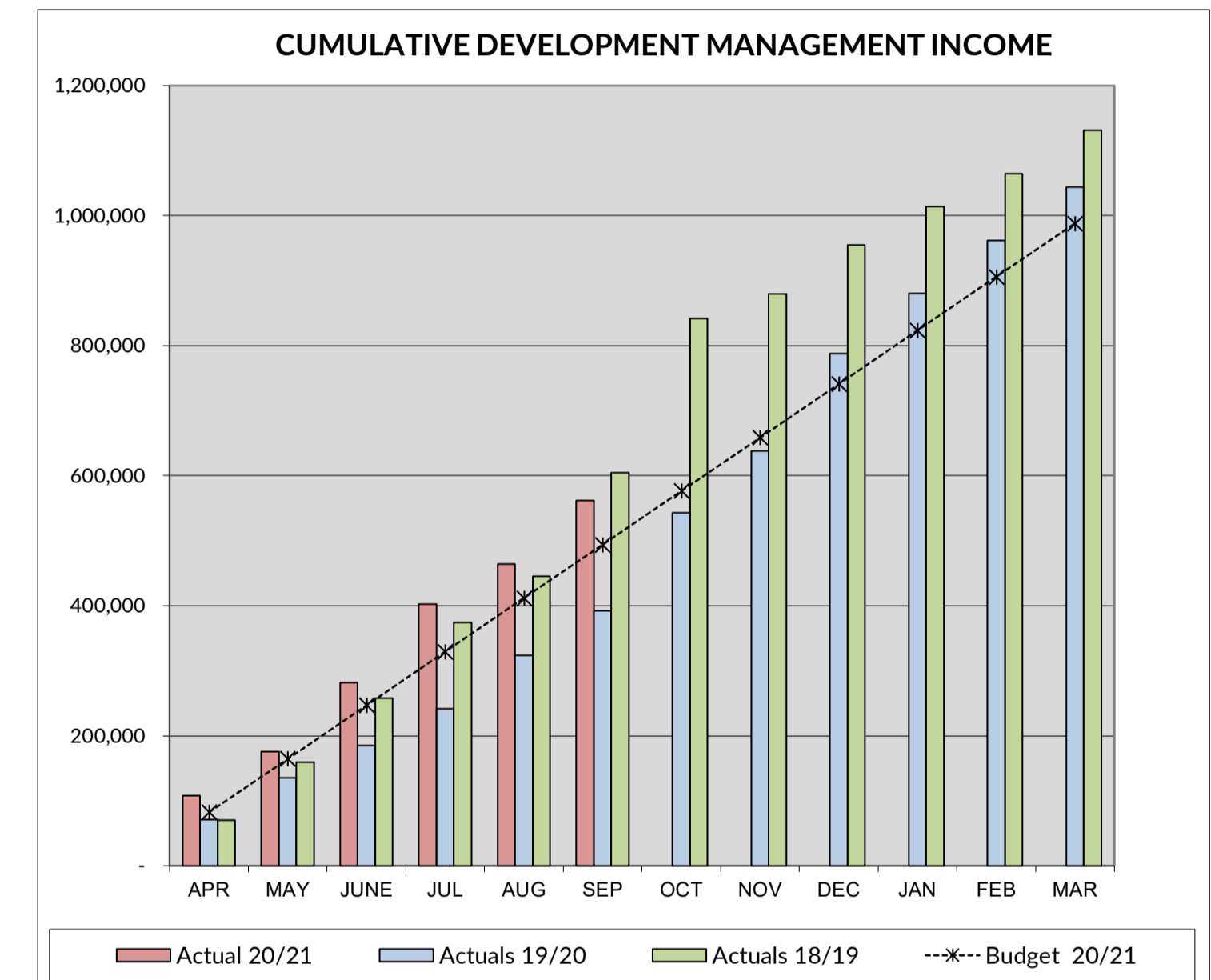
CUMULATIVE BREAKDOWN	Code	Actual (Cumulative)	Budget	(Monthly)
Plan Fee	3066	200,712	156,174	31,988
Inspection Fee	3067	103,741	95,410	9,362
Other	9999	3,150	-	1,575
New Burdens Grant	3905	0	-	-
<b>Total</b>		<b>307,603</b>	<b>251,584</b>	<b>42,925</b>



Appendix B: DEVELOPMENT MANAGEMENT (DVDEVCT/DVDEVRND)	Increase / (decrease) from				Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
	Actuals 19/20	Actuals 20/21	Actuals 21/22	20/21 to 21/22			
APR	70,363	70,765	108,220	37,455	82,352	25,869	-
MAY	88,827	64,358	67,370	3,012	82,352	(14,982)	-
JUN	98,710	49,790	105,814	56,024	82,352	23,462	-
JUL	116,501	56,443	121,474	65,031	82,352	39,122	-
AUG	70,614	82,700	61,771	(20,930)	82,352	(20,581)	51,500
SEP	159,361	68,065	97,539	29,474	82,352	15,187	-
OCT	237,506	150,748	-	-	82,352	-	-
NOV	37,774	95,145	-	-	82,352	-	-
DEC	75,475	149,560	-	-	82,352	-	-
JAN	59,329	92,513	-	-	82,352	-	-
FEB	50,534	81,896	-	-	82,352	-	-
MAR	66,253	81,833	-	-	82,352	-	-
Total	1,131,247	1,043,816	562,188	170,066	988,224	68,077	51,500



DEVELOPMENT MANAGEMENT (CUMULATIVE)	Increase / (decrease) from				Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
	Actuals 19/20	Actuals 20/21	Actuals 21/22	20/21 to 21/22			
APR	70,363	70,765	108,220	37,455	82,352	25,869	-
MAY	159,190	135,123	175,590	40,467	164,703	10,887	-
JUNE	257,900	184,913	281,404	96,491	247,055	34,349	-
JUL	374,401	241,356	402,878	161,522	329,407	73,471	-
AUG	445,015	324,056	464,648	140,592	411,758	52,890	51,500
SEP	604,376	392,121	562,187	170,066	494,110	68,077	-
OCT	841,882	542,869	-	-	576,462	-	-
NOV	879,656	638,014	-	-	658,813	-	-
DEC	955,131	787,574	-	-	741,165	-	-
JAN	1,014,460	880,087	-	-	823,517	-	-
FEB	1,064,994	961,983	-	-	905,868	-	-
MAR	1,131,247	1,043,816	-	-	988,220	-	-



CUMULATIVE BREAKDOWN: DVDEVCT/DVDEVRND				
Code	Actual (Cumulative)	Budget	(Monthly)	
Planning Application Fees	3009	457,560	437,064	88,989
Other	9999	6,303	4,425	-
Planning Performance Agreements	3012	50,000	0	-
Pre-application Fees	8329	2,058	0	800
Pre-application Fees	8330	43,266	46,635	7,750
Monitoring Fees	3106	3,000	5,984	-
RECH-Other A/C'S	98100	-	-	-
Total		562,187	494,108	97,539

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**Finance & Investment Advisory Committee Work Plan 2021/22 (as at 7.10.21)**

**4 November 2021**

- Budget 2022/23: Review of Service Dashboards and Service Change Impact Assessments (SCIAs)
- Treasury Management Mid-Year Update 2021/22
- Financial Performance Indicators 2021/22 - to the end of September 2021
- Financial Results 2021/22 - to the end of September 2021
- Quercus Housing - Increasing the Delivery of Affordable Housing in the Sevenoaks District

**11 January 2022**

- Discretionary Rate Relief
- Treasury Management Strategy 2022/23
- Financial Performance Indicators 2021/22 - to the end of November 2021
- Financial Results 2021/22 - to the end of November 2021
- Property Investment Strategy Update Capital Programme & Asset Maintenance 2022/25
- Risks and Assumptions for Budget 2022/23

**24 March 2022**

- Financial Performance Indicators 2021/22 - to the end of January 2022
- Financial Results 2021/22 - to the end of January 2022
- Carry Forward Requests 2021/22

**Summer 2022**

- Financial Performance Indicators 2021/22 - to the end of March 2022
- Financial Results 2021/22 - to the end of March 2022

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**QUERCUS HOUSING - INCREASING THE DELIVERY OF AFFORDABLE HOUSING IN THE SEVENOAKS DISTRICT**

**Finance & Investment Advisory Committee - 4 November 2021**

**Report of:** Sarah Robson, Deputy Chief Executive, Chief Officer People & Places

**Status:** For Decision

**Also considered by:**

- Cabinet - 11 November 2021
- Council - 16 November 2021
- Housing & Health Advisory Committee - 20 October 2021

**Key Decision:** No

**Executive Summary:** Reliable access to decent housing is fundamental to improving life chances and reducing dependency on wider social support systems. In Sevenoaks District there is a shortfall between the demand for and supply of new affordable homes. This report sets out a proposal to amend the Quercus Housing Business Plan to enable prudential borrowing to take forward the purchase of Abbey Court in West Kingsdown in order to increase the supply of new affordable homes delivered by Quercus Housing, the Council's affordable housing trading company.

**This report supports the Key Aim of:** the Council's Housing and Health Strategy.

**Portfolio Holder:** Cllr. Kevin Maskell

**Contact Officer(s):** Sarah Robson, Ext 7129

**Recommendation to Housing and Health Advisory Committee, and Finance & Investment Advisory Committee:**

That comments on recommendations (a) to (d) below are passed to Cabinet.

**Recommendation to Cabinet:**

That recommendations (a) to (d) below are recommended to Council.

### Recommendation to Council:

- a) To approve a revised 2021/22 Capital Programme (Appendix C) that excludes the Property Investment Strategy scheme which will give SDC access to Public Works Loan Board (PWLB) borrowing to enable this scheme to progress.
- b) To approve the draw down of a loan from prudential borrowing (for example, through PWLB) for up to £1,050,000, which it then loans to Quercus Housing (as the Trading company) in order to progress the capital purchase and refurbishment of Abbey Court (West Kingsdown), subject to due diligence, to support the delivery of affordable housing in the district.
- c) To approve for the terms of the loan to be determined at the point of draw down by the Deputy Chief Executive, Chief Officer - Finance and Trading.

### Introduction and Background

- 1 Sevenoaks District Council is taking a pro-active approach to ensure and influence the supply of new homes in a sustainable way that protects the character of and improves the fabric and public realm of the district.
- 2 However, there remains a shortfall between the demand and supply of new affordable homes in Sevenoaks District, both in absolute terms as viability issues result in below policy delivery, and in specific specialist tenures especially in the provision of affordable rental housing, older people's housing, specialist accessible housing and social rented housing for large families.
- 3 The lack of affordable housing has contributed to the rise of homelessness and, as the Council has a statutory responsibility to assist homeless residents, this has created a greater financial burden upon the budget.
- 4 Delivery of affordable homes historically has been a planning led approach with the reliance on Planning Obligations, also known as Section 106 (s106) agreements to deliver affordable homes in the district.
- 5 The Council recognises the importance of Rural Exception Sites in providing affordable housing to areas that need them and continues to promote the opportunities they will bring in providing affordable housing to rural areas.
- 6 The Council is already looking at how it can use its own land assets more effectively to deliver additional housing to assist the Council in satisfying the housing demand caused by the failure of the market to deliver in these areas, whilst at the same time retaining asset value and providing greater control of what is built.
- 7 The high cost of land in the District makes it difficult for our Registered Provider (RP) partners to acquire land for building new affordable housing

themselves. To make the most cost effective use of s106 commuted sums, the Council has subsidised new developments that could not proceed without some assistance, for example, we are currently working with West Kent Housing Association to subsidise the delivery of 7 new supported housing flats for rough sleepers, using commuted sums of £200,000 at Vine Court Road. Supporting this proposal through the use of s106 commuted sums is an appropriate use of the funding, particularly as this type of supported housing would not otherwise be delivered by our RP partners.

- 8 Intervening in the housing market through direct delivery also offers opportunities to deliver a wider housing offer in areas and tenures that reduces demand elsewhere on the Council's service provision.
- 9 In 2019, the Council established Quercus Housing, a Local Authority Trading Company, to support the delivery of affordable homes in the district.
- 10 £6 million in s106 commuted sums for affordable housing was allocated to support the delivery of the Quercus Housing Business Plan. The funding has been provided by developers where affordable housing could not be delivered onsite. The funding is used to deliver affordable housing in the district.
- 11 In 2019, Quercus Housing purchased Gladedale House in Westerham. 5 units conform to the new 'genuinely affordable' definition in that they are within the Local Housing Allowance rate and the remaining 4 units are 'intermediate rent', in that they are 80% of market rent and offered to local essential workers. Five of the units have been leased to Quercus 7 for market rent. The total cost of the project was £3.771m, with £2.481m funded from S106 affordable housing contributions and the remainder of the cost, paid for by Quercus 7, for its leasehold properties.
- 12 Quercus Housing has recently completed the final contract stages with a developer at 11-13 High Street, Swanley to purchase the freehold for 15 flats for £3,600,000. The property comprises 12 two bed flats and 3 one bed flats. The development has provided a good opportunity to invest the s106 monies available, assisting affordable housing requirements in a single block investment in an area which is popular with renters.
- 13 Quercus Housing is currently in the negotiation stage to purchase the former nursing home Abbey Court, West Kingsdown, which could be converted into self-contained units at affordable rent, which would be split between Local Housing Allowance and 80% of market rent.
- 14 The Council's Housing team would use Abbey Court to provide suitable move on accommodation at affordable rent for households currently placed in temporary accommodation, but would develop its Local Lettings Plan in consultation with local councillors and the parish council to support residents with a local connection and housing need in West Kingsdown.
- 15 The property is subject to a covenant in terms of its use. The building requires refurbishment and alterations to provide the right mix of shared

## Agenda Item 11

accommodation. In planning terms, the use would be a house in multiple occupation (HMO) requiring a change of use.

- 16 An offer of £700,000 has been submitted by Quercus Housing to the agent. Quercus Housing's offer was not the highest, but is considered the most deliverable. There is restrictive covenant for release by separate negotiation to allow for use as an HMO. Solicitors for the Rochester Diocese has agreed a payment of £35,000, plus fees, for a modification to be made to the covenant on the property, which would allow a HMO on the site. Solicitors have been instructed to undertake due diligence in order to properly evaluate the investment property, understand the property's potential and any risks involved in the purchase.
- 17 However, the estimated costs of refurbishment is close to £875,000, plus contingency and fees, which may bring the figure closer to over £1 million. There is currently insufficient s106 funding to support the refurbishment of the property.
- 18 Quercus Housing is attempting to find a way forward and in a realistic timeframe given there is financing, planning and refurbishment required. A financial appraisal has been completed (Appendix B). The appraisal includes an outline of cash-flow, including debt (interest and capital repayment) based on projected income and expenditure from Abbey Court. It should be noted that the floor plans have been updated to offer 19 self-contained units at affordable rent, including a mix of within Local Housing Allowance and 80% of market rent, which suggest a rental income of approximately £150,000 per annum in Year 1 if fully occupied, with an annual rent increase.
- 19 Although Quercus Housing makes a small operating profit, the acquisition of 11-13 High Street, Swanley will be instrumental in supporting any future loan, as it will be fully income producing within 6 months of practical completion. Based on attached cash-flow, both Gladedale House and 11-13 High Street, would need to produce identifiable net positive cash-flow to cover around £60,000 per annum of interest and capital repayments for a £1,050,000 loan over a 20 year period. The effect of different interest rates and loan periods would need to be tested.
- 20 It should be noted that provision has been made for service charges in the appraisal in order to mitigate any risk if a tenant does not pay and the debt is not recovered. However, service charges should not impact the cash flow of the Quercus Housing, as the tenant will be responsible for service charge payments, which will be collected by Leaders Letting and Estate Agents, who also manage the tenant rent accounts.
- 21 At present, Quercus Housing's business model is reliant on receiving s106 commuted sums for affordable housing, which impacts its ongoing financial scope to provide an annual programme of affordable housing delivery in line with its Business Plan.



- 22 At its meeting on 16 September 2021, the Quercus Housing Guarantor Board approved amendments to its Business Plan to enable the company to undertake prudential borrowing via the Council. Any borrowing would be subject to the usual approval mechanisms, including the review of the financial compliance aspects and scheme viability in consultation with the Quercus Housing Guarantor Board.
- 23 Most local authorities opt to borrow from the PWLB at below market rates and then on-lend to their subsidiary companies. There is an exemption from State Aid compliance for non-commercial purposes, thus in the case of Quercus Housing, below market rate lending is possible.
- 24 For example, the Council would draw down a loan from the PWLB, which it then loans to Quercus Housing (as the Trading company) in order to build/establish new affordable housing for rent. Quercus Housing is then responsible for providing this housing to the customers/tenants and recovering rents and service charges. The loan is then repaid to the Council with interest.
- 25 The Quercus Housing Guarantor Board expressed its support to progress Abbey Court and seek alternative funding or borrowing avenues, at its meeting on 8 July 2021, agreeing that although Abbey Court is not straightforward, it does present a rare opportunity to meet a hard to fulfil housing need in the district.

### **Prudential Borrowing**

- 26 The Prudential Borrowing Capital Finance system was introduced in 2004, allowing councils to borrow without Government consent. A council can invest in "any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs". There are Government and CIPFA guidelines which councils must follow and they must adopt an investment strategy on an annual basis. Councils are also required to set aside a minimum revenue provision against any investment. As local authority borrowing contributes to the public sector debt, its overall level of borrowing and future constraints on such have to be considered.
- 27 Note that Prudential Borrowing Guidance is currently being updated to include additional restrictions but it is not anticipated that the changes will impact this scheme.
- 28 Therefore in principle the Council can use prudential borrowing to support affordable housing development. The great advantage is that the Council is able to borrow from Public Works Loans Board (PWLB) at very competitive rates. For the Council, affordable housing can represent a safe return on investment and it can take security over the properties acquired or developed. The Council has to consider the amount it can lend and what bodies it can lend to within the context of its investment strategy and prudential limits.

### Other Options Considered and/or Rejected

- 29 The Council could chose not to approve amendments to the Business Plan to include the ability to undertake prudential borrowing. However, this would significantly restrict Quercus Housing's ability to deliver affordable housing in the district and limit its reliance on s106.

### Key Implications

#### Resource (non financial)

None. Utilising existing staff resources.

#### Financial

New Public Works Loan Board (PWLB) guidance issued in August 2021 specifically mentions that it can be used for housing schemes including on-lending to a wholly owned housing company. The guidance goes on to state: "Housing can include all spending on delivering new homes, maintaining or improving existing homes, and purchasing built homes to deliver housing services. This is the case irrespective of the financial arrangements of the housing project or housing delivery. However, the government expects that the location and value of any housing expenditure be appropriate to meet the local authority's housing needs."

However, due to the 'Property Investment Strategy' scheme currently being included in the capital programme, which is classed as an 'invest for yield' scheme, the Council is unable to borrow from the PWLB for any scheme. Therefore, to enable access to PWLB funding, the 2021/22 capital programme will have to be revised by removing the 'Property Investment Strategy' scheme.

At present, the financial appraisal (Appendix B) assumes Council borrowing at 2%. However, Finance will advise on the PWLB annuity rate over an agreed period in due course.

Finance will advise whether Minimum Revenue Provision may need to be considered to help facilitate the loan.

This borrowing would then be forwarded to Quercus Housing who would repay the Council from the rental income received.

#### Legal Implications and Risk Assessment Statement

The Quercus Housing Business Plan has been updated and approved by Guarantor Board. The company's Risk Management Strategy and Assessment will continue to be reviewed and updated to incorporate any future risks and mitigation of borrowing. Detailed budget monitoring is completed on a monthly basis where all variances are explained.

Having successfully negotiated the partial release of the Covenant, Abbey Court provides a future property asset to the Council.

Equality Assessment

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

**Conclusion**

Abbey Court presents a rare opportunity to meet a hard to fulfil housing need and presents as a great opportunity for Quercus Housing to deliver additional affordable rented accommodation in the district. The footprint of Abbey Court is substantial and with the agreed release of the Covenant, would provide the Council with a future asset.

The revised 2021/22 Capital Programme excludes the Property Investment Strategy scheme which will give SDC access to Public Loan Works Board (PWLB) borrowing to enable this scheme to progress.

To approve the draw- down of a loan from prudential borrowing (for example, through PWLB) for up to £1,050,000, which it then loans to Quercus Housing (as the Trading company) in order to progress the capital purchase and refurbishment of Abbey Court (West Kingsdown), subject to due diligence, to support the delivery of affordable housing in the district.

To approve for the terms of the loan to be determined at the point of draw down by the Deputy Chief Executive, Chief Officer - Finance and Trading.

**Appendices**

Appendix A - Abbey Court - draft floor plan

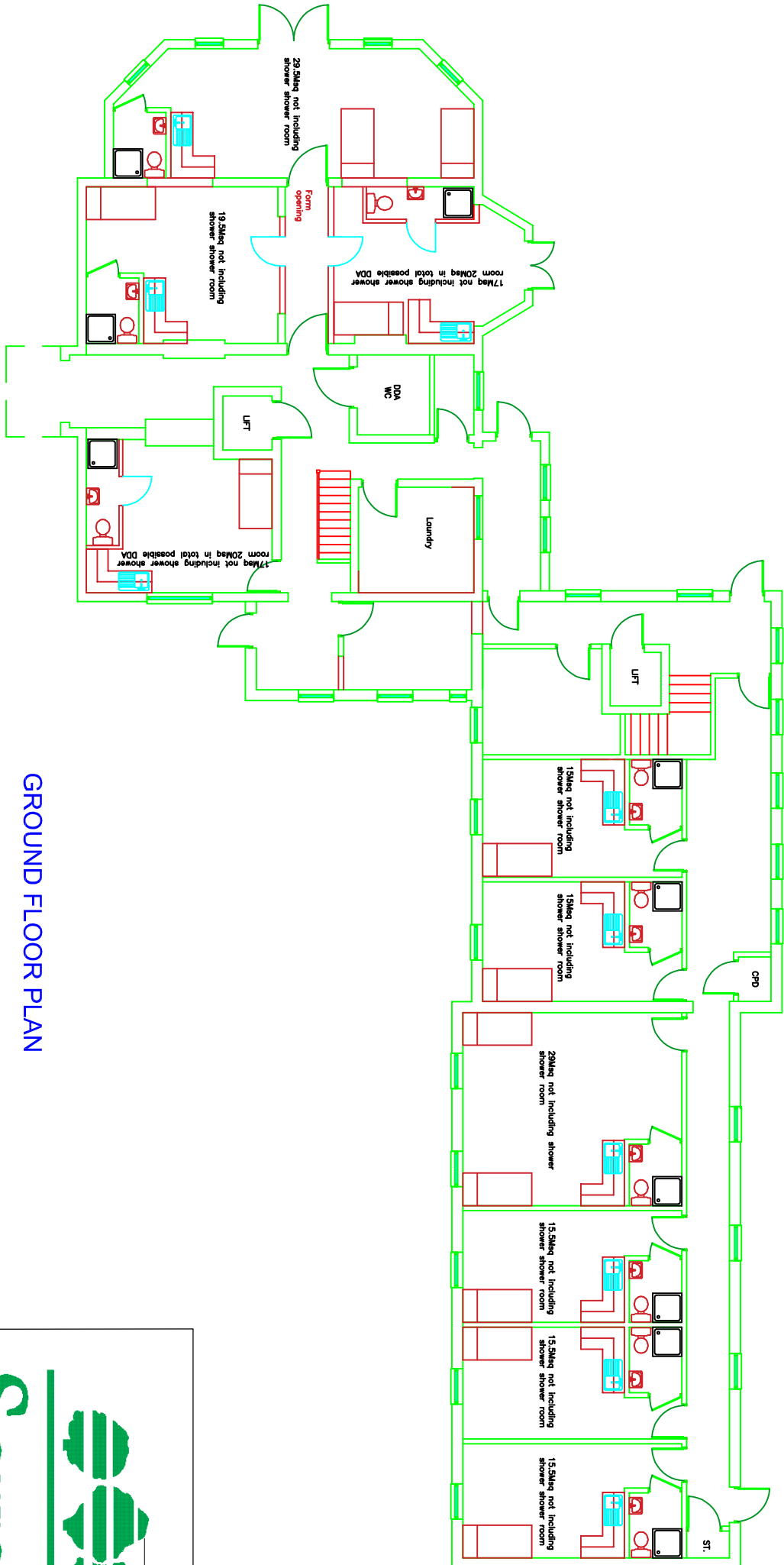
Appendix B - Abbey Court - financial appraisal - EXEMPT

Appendix C - Revised 2021/22 Capital Programme

**Background paper**

None

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GROUND FLOOR PLAN



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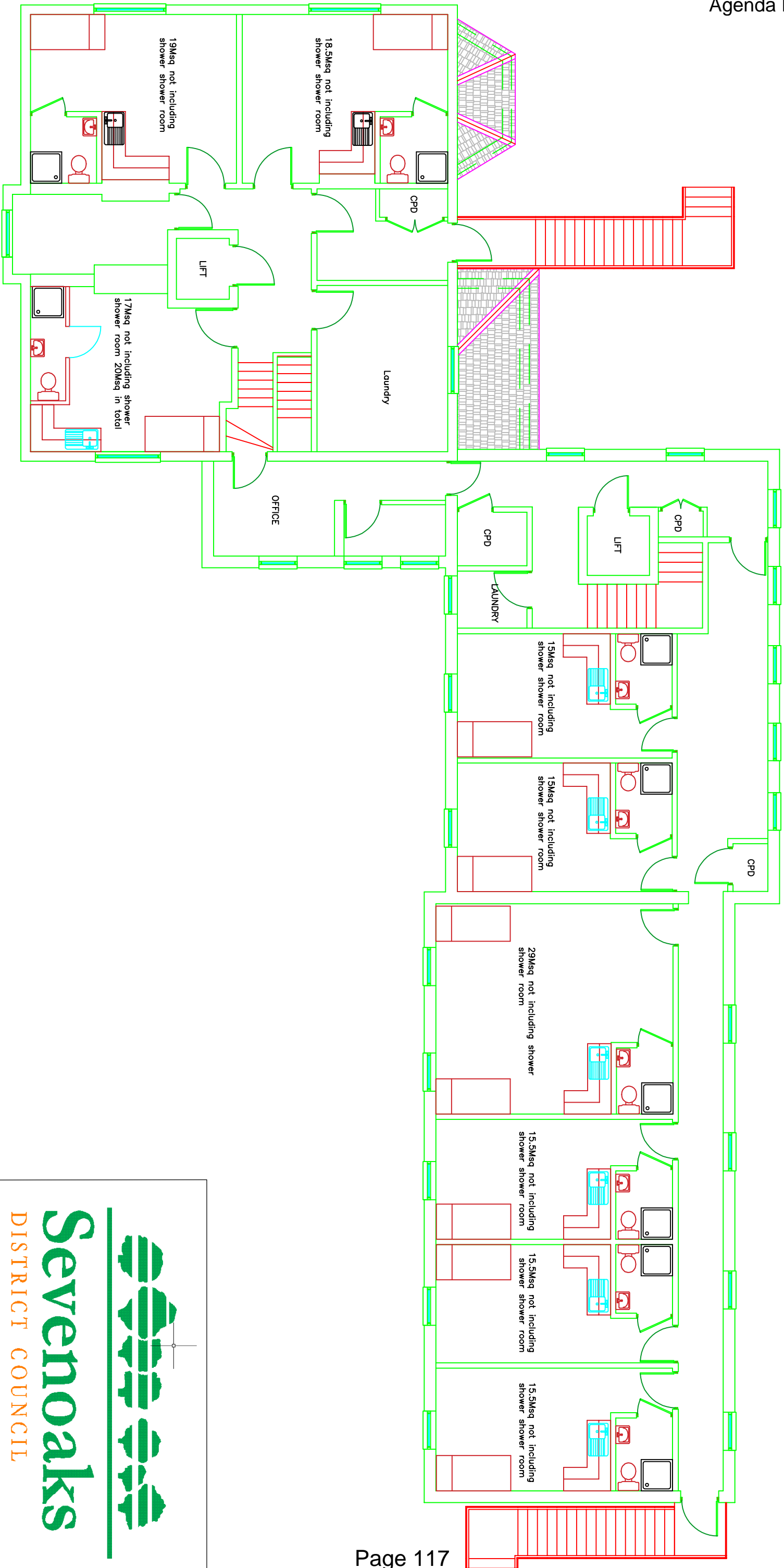
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FIRST FLOOR PLAN



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## Appendix C

## REVISED Capital Programme 2021-24

Scheme	Funding Source	Total approved scheme £000	Previous years spend £000	2020/21	2021/22	2022/23	2023/24	Total over programme period £000
				Forecast £000	Budget £000	Budget £000	Budget £000	
<b>People &amp; Places</b>								
White Oak Leisure Centre	Capital Receipts & External funding, External borrowing	19,870	857	7,091	10,352	1,452	100	19,852
White Oak Leisure centre - Orchards Academy	Capital Receipts	130		30	100			130
Burlington Mews	Capital Receipts				79	8	8	95
27-37 Swanley High street (meeting Point)	Capital Receipts & External funding			800	3,000	1,824		5,624
White Oak Residential	Capital Receipts			50	50			100
<b>Affordable Housing</b>	<b>External Borrowing</b>				<b>1,050</b>			<b>1,050</b>
Bevan Place	Mixed			20	730			750
Edenbridge	Mixed			20	-			20
Sevenoaks Town Centre Regeneration	Mixed			30	300			330
Hollybush	Mixed					350		350
Spitals Cross	Mixed					50		50
Otford Park & Ride	Mixed					200		200
Westerham	Mixed					50		50
Kemsing	Mixed						350	350
Lulingstone	Mixed				20	30		50
Other Feasibility & Due Diligence costs	Mixed				50	150	-	200
<b>Finance and Trading</b>								
Commercial vehicle replacements	Vehicle Renewal Res.	-	-	549	563	563	563	2,238
Disabled Facilities Grants (gross)	Better Care Fund	-	-	1,100	1,100	1,100	1,100	4,400
<b>Property Investment Strategy</b>	<b>Prop. Inv. Reserve</b>	<b>50,300</b>	<b>29,505</b>	<b>5,000</b>				<b>34,505</b>
<b>TOTAL</b>				<b>14,690</b>	<b>17,394</b>	<b>5,777</b>	<b>2,121</b>	<b>70,344</b>

## Funding Sources

Capital Receipts	7,021	2,991	3,284	108
Financial Plan Reserve & Cap Receipts				
Vehicle Renewal Reserve	549	563	563	563
Property Investment Strategy ***	5,000	0	0	0
Better Care Fund (KCC)	1,100	1,100	1,100	1,100
Internal Borrowing				
Mixed funding depending on scheme funding	120	2,200	830	350
External Borrowing		9,050		
Grant Funding	900	1,490		
	<b>14,690</b>	<b>17,394</b>	<b>5,777</b>	<b>2,121</b>

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

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