

08 September 2020 at 7.00 pm

This meeting will be held virtually via Zoom
and livestreamed here:

https://www.youtube.com/channel/UCIT1f_F5OfvTzxjZk6Zqn6g

Despatched: 31.08.20



Finance & Investment Advisory Committee

Membership:

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

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. Minutes To agree the minutes of the meeting of the Committee held on 8 July 2020, as a correct record.	(Pages 1 - 6)	
2. Declarations of Interest Any interests not already registered.		
3. Actions from Previous Meeting	(Pages 7 - 8)	
4. Update from Portfolio Holder		
5. Referral from Cabinet or the Audit Committee (if any)		
6. Treasury Management Annual Report 2019/20	(Pages 9 - 32)	Roy Parsons Tel: 01732 227204
7. Financial Results 2020/21- to the end of July 2020	(Pages 33 - 60)	Alan Mitchell Tel: 01732227483
8. Financial Performance Indicators 2020/21- to the end of July 2020	(Pages 61 - 68)	Alan Mitchell Tel: 01732227483

- | | | | |
|-----|--|-------------------|---------------------------------------|
| 9. | Financial Prospects and Budget Strategy
2021/22 | (Pages 69 - 90) | Adrian Rowbotham
Tel: 01732 227153 |
| 10. | Bartholomew Way Park, Swanley | (Pages 91 - 96) | Adrian Rowbotham
Tel: 01732 227153 |
| 11. | Burlington Mews Update | (Pages 97 - 102) | Adrian Rowbotham
Tel: 01732 227153 |
| 12. | Work Plan | (Pages 103 - 104) | |

EXEMPT INFORMATION

At the time of preparing this agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public.

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.

FINANCE & INVESTMENT ADVISORY COMMITTEE

Minutes of the meeting held on 8 July 2020 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Dickins (Vice Chairman)

Cllrs. Abraham, Bayley, Carroll, Clack, Clayton, Harrison and Hogarth

Apologies for absence were received from Cllrs. Penny Cole and Reay

Cllr. Dr Canet was also present.

46. Urgent Item

In accordance with Section 100B(4) of the Local Government Act 1972, the Chairman agreed to accept the urgent matter 'Covid-19 Financial Impact' which had been circulated but had missed the statutory despatch deadline.

The matter was urgent as the report was based on information provided for a recent Government return which was not available at the deadline for publishing the agenda. Due to the scale of the issue included in the report and the ever changing impacts of the COVID-19 pandemic, it was important to make Members aware of the situation at the earliest opportunity rather than wait for the next meeting. were urgent as decisions were required which, if not made at the next meeting of, would significantly delay the budget setting process in response to the impact of the Covid-19 crisis.

The urgent matter was taken as Agenda item 10.

47. Minutes

Resolved: That the Minutes of the meeting of the Finance & Investment Advisory Committee held on 23 January 2020 be approved and signed by the Chairman as a correct record.

48. Declarations of Interest

No additional declarations of interest were made.

49. Actions from Previous Meeting

An update on the action was given in the update from the Portfolio Holder (Minute 50).

50. Update from Portfolio Holder

Regarding the action from the previous meeting, the Portfolio Holder advised that training had not been arranged yet as there would be a tendering exercise later in the year meaning the Council may have a new treasury advisor.

The Portfolio Holder advised that there had been asset maintenance efficiency work in the Council offices and wider property assets of the Council. There had been marginal gains for environmental improvements which aligned with the Council's aim to be net zero.

The Portfolio Holder introduced Fran Chivers, the new Audit Manager as well as Detlev Munster, the new Strategic Head of Property & Commercial, and Alison Peet, the new Estate Surveyor.

Direct Services had joined the Council's main accounting system after previously operating with a different one. Quercus7 had purchased a Sainsburys Local in Lewisham producing a strong yield of over 5%.

51. Referral from Cabinet or the Audit Committee

There were none.

52. Financial Performance Indicators 2019/20 - to the end of March 2020

The Head of Finance presented the report which set out the internally set performance indicators as at the end of March 2020 which covered activities that supported information provided in the regular financial monitoring statements.

Members queried which of the 29.5 FTE vacancies were intended to remain vacant and which were vacant pending recruitment.

Action 1: The Head of Finance to report to Members the split between the type of vacancies within the 29.5 FTE vacancies at the end of February 2020.

Resolved: That the report be noted.

53. Provisional Outturn 2019/20

The Head of Finance reported the Provisional Financial Outturn figures for 2019/20, which showed that a favourable variance of £52,000 had been achieved which represented 0.3% of the net service expenditure budget. The outturn had taken into account of Covid-19 including expenditure, loss and grant funding.

The budget and income figures for the Sevenoaks Switch and Save service were requested by Members.

Action 2: The Head of Finance to report to Members the budget and income figures for the Sevenoaks Switch and Save service.

Public Sector Equality Duty

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

Resolved: That the provisional outturn report for 2019/20 be noted.

54. Work Plan

The work plan was noted.

CHANGE IN ORDER OF AGENDA ITEMS

The Chairman, with the Advisory Committee's agreement, moved agenda item 10 forward with agenda item 9 to follow.

55. Covid-19 Financial Impact

The Chief Officer Finance & Trading presented the report which outlined the financial impact of Covid-19 and the intended financial recovery plan. The report was based on the latest financial return that was provided to the Ministry of Housing, Communities and Local Government (MHCLG). The position would continue to change as ongoing financial impacts become clearer.

The financial implications of Covid-19 started in March 2020 with additional expenditure and reduced income of £178,000 in the 2019/20 financial year. This was offset by the funding received from Government meaning there was no overall impact for the 2019/20 year.

The financial impact had been much greater in the current year 2020/21. Funding from Government received so far had not offset the additional costs or reduced income. The impact currently forecast was £4.661m.

It was currently forecast that there would be £536,000 of additional expenditure incurred this financial year. This included the District Emergency Response aiming to provide support to those in most need. It was forecast that there would be £4.4m of reduced income for the year. The largest item was car parking income with low occupancy during lockdown and the suspension of charges. Other services with reduced demand during lockdown included trade waste, planning, building control and land charges. Council tax collection had also been impacted as staff had tried to support residents and businesses.

Government had provided £1.2m of funding to the Council so far and further funding had since been announced.

The 10-year budget process had put the Council in a strong financial position. The report proposed that the Council continues to use the 10-year budget process a framework for financial recovery from the impact of Covid-19. This would allow Members the opportunity to engage in the process and put forward their ideas.

Agenda Item 1

Finance & Investment Advisory Committee - 8 July 2020

In response to queries, the Chief Officer Finance & Trading advised that there was currently no impact of the leisure operator's current financial situation included in the assumptions.

In response to queries, Chief Officer Finance & Trading advised that the business rate retention scheme had a safety net which was a minimum level the Council would receive from business rates regardless of how much was collected. This was how much the Council had budgeted for, meaning there was no financial impact expected this year.

The Committee requested their vote of thanks to be recorded, to all staff in the Revenues and Benefits team within the Council, to acknowledge their hard work in distributing business grants and delivering financial relief to residents quickly during the lockdown period.

Public Sector Equality Duty

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

Resolved: That

- a) the financial impact of Covid-19 on the Council be noted; and
- b) it be recommended to Cabinet that the Council address the impact of the Covid-19 response and recovery through the thorough 10-year budget setting process as set out in the report.

56. Earning Income from Council Owned Assets

The Strategic Head of Property and Commercial gave an update on the report outlining the plans for Council owned assets.

As part of the due diligence process, officers found that the land adjacent to 9 Pound Lane should not be within the Council's ownership. Although registered in the Council's name, it had been established the land should have been transferred to Sevenoaks Town Council following the reorganisation of local government between 1972-1974. The Council were now seeking to transfer the land to Sevenoaks Town Council.

Since the publishing of the report, officers had considered other options for the disposal of the land to the rear of Sealcroft Cottages. Officers had proposed that an updated report be presented at a later meeting of Cabinet once further due diligence had been completed in order to consider if further benefits could be obtained from the land's disposal.

It was suggested by Members that the relevant parish and town councils be notified should any disposal of land be proposed by the Council in the future.

Public Sector Equality Duty

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

Resolved: That the disposal of Land to the Rear of Sealcroft Cottages be agreed in principle, subject to further due diligence work being undertaken, and that the following recommendations to Cabinet be endorsed:

That

- a) a further report be presented to Cabinet to approve the terms of the disposal of Land to the Rear of Sealcroft Cottages, following additional due diligence being undertaken to establish if further benefits can be derived from the sale of this land; and
- b) the transfer of the parcel of land at 9 Pound Lane, Sevenoaks to Sevenoaks Town Council be noted.

THE MEETING WAS CONCLUDED AT 8.08 PM

CHAIRMAN

This page is intentionally left blank

ACTIONS FROM THE MEETING HELD ON 8 JULY 2020 (as at 25.08.20)			
Action	Description	Status	Contact Officer
Action 1	The Head of Finance to report to Members the split between the type of vacancies within the 29.5 FTE vacancies at the end of February 2020.	Work is ongoing to improve the FTE reporting	Alan Mitchell Ext. 7483
Action 2	The Head of Finance to report to Members the budget and income figures for the Sevenoaks Switch and Save Figures	For the 2019/20 year, income was £1,806. There is an annual fee of £7,000. Options for the future delivery of this type of service are currently being investigated by officers.	Alan Mitchell Ext. 7483

This page is intentionally left blank

TREASURY MANAGEMENT ANNUAL REPORT 2019/20

Finance & Investment Advisory Committee - 8 September 2020

Report of the: Deputy Chief Executive and Chief Officer Finance & Trading

Status: For decision

Also considered by: Cabinet - 17 September 2020

Key Decision: No

Executive Summary: This report provides the customary review of investment and borrowing activity during 2019/20 as required by the Council's Financial Procedure Rules. The report outlines the strategy adopted during the year, shows the position of the investment and debt portfolios at the beginning and the end of the year and gives details of how the investment fund performed in comparison with previous years and against various benchmarks.

This report supports the Key Aim of Effective Management of Council Resources.

Portfolio Holder Cllr. Matthew Dickins

Contact Officer Roy Parsons, Principal Accountant - Ext 7204

Recommendation to Finance & Investment Advisory Committee: That Cabinet be asked to approve the Treasury Management Annual Report for 2019/20.

Recommendation to Cabinet: That the Treasury Management Annual Report for 2019/20 be approved.

Reason for recommendation: As required by both the Council's Financial Procedure Rules and the CIPFA Code, an annual report of treasury management activity is to be presented to Members for approval.

Background

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

Agenda Item 6

- 2 During 2019/20 the minimum reporting requirements were that the Council should receive the following reports:
 - an annual treasury strategy in advance of the year (Council 26/02/2019)
 - a mid year (minimum) treasury update report (Finance & Investment Advisory Committee 21/11/2019, Cabinet 05/12/2019)
 - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 3 The Council's treasury management advisers, Link Asset Services, also provided monthly reviews of our investment performance which were emailed to Members.
- 4 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 5 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance & Investment Advisory Committee before they were reported to Cabinet or the full Council. Member training was last undertaken on 14 November 2018 in order to support Members' scrutiny role.

Introduction

- 6 This **annual treasury report** covers:
 - (a) The Council's capital expenditure and financing;
 - (b) treasury position at the beginning and end of the financial year
 - (c) the economy and interest rates;
 - (d) investment strategy and control of interest rate risk in 2019/20;
 - (e) borrowing requirement and debt;
 - (f) borrowing strategy and control of interest rate risk in 2019/20;
 - (g) borrowing outturn 2019/20;
 - (h) investment outturn for 2019/20 and performance;
 - (i) compliance with treasury management limits and prudential indicators;
and
 - (j) other issues (including an update on the Municipal Bonds Agency).

The Council's capital expenditure and financing

- 7 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no impact on the Council's borrowing need; or
 - if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 8 The actual capital expenditure forms one of the required prudential indicators. The following table shows the actual capital expenditure and how this was financed.

	31/3/19 Actual (£000)	31/3/20 Actual (£000)
Capital expenditure	16,557	11,881
Financed in year	(8,225)	(7,785)
Unfinanced capital expenditure	8,332	4,096

The unfinanced capital expenditure was funded by internal borrowing.

Treasury position at the beginning and end of the financial year

- 9 The Council's treasury position at the beginning and end of the financial year was as follows:

	31/3/19 Principal (£000)	Rate Return (%)	Average Life (Years)	31/3/20 Principal (£000)	Rate Return (%)	Average Life (Years)
Total debt	5,192	2.66	28.5	5,074	2.66	27.5
Capital Financing Requirement (CFR)	21,989	-	-	25,811	-	-
Over/(under) borrowing	(16,797)	-	-	(20,737)	-	-

Agenda Item 6

Total investments	21,315	0.72	-	16,404	0.89	-
Net debt/(investments)	(16,123)	-	-	(11,330)	-	-

- 10 The maturity structure of the debt portfolio was as follows:

	31/3/19 Actual (£000)	31/3/20 Actual (£000)
Under 12 months	-	-
12 months and over and within 20 years	-	-
20 years and over and within 30 years	5,192	5,074
30 years and over and within 50 years	-	-

- 11 The investment portfolio at the beginning and end of the financial year appears at Appendix A, whilst an analysis by maturity and repayment due dates appears at Appendix B.
- 12 All investments were for periods up to one year in duration.

The economy and interest rates

- 13 **UK. Brexit.** The main issue in 2019 was the repeated battles in the House of Commons to agree on one way forward for the UK over the issue of Brexit. This resulted in the resignation of Theresa May as the leader of the Conservative minority Government and the election of Boris Johnson as the new leader, on a platform of taking the UK out of the EU on 31 October 2019. The House of Commons duly frustrated that renewed effort and so a general election in December settled the matter once and for all by a decisive victory for the Conservative Party: that then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.
- 14 Economic growth in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 bouncing back up to +0.5%

and quarter 4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the coronavirus outbreak. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

- 15 After the Bank of England's Monetary Policy Committee (MPC) raised Bank Rate from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income.
- 16 However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.
- 17 Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 - 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price.

Agenda Item 6

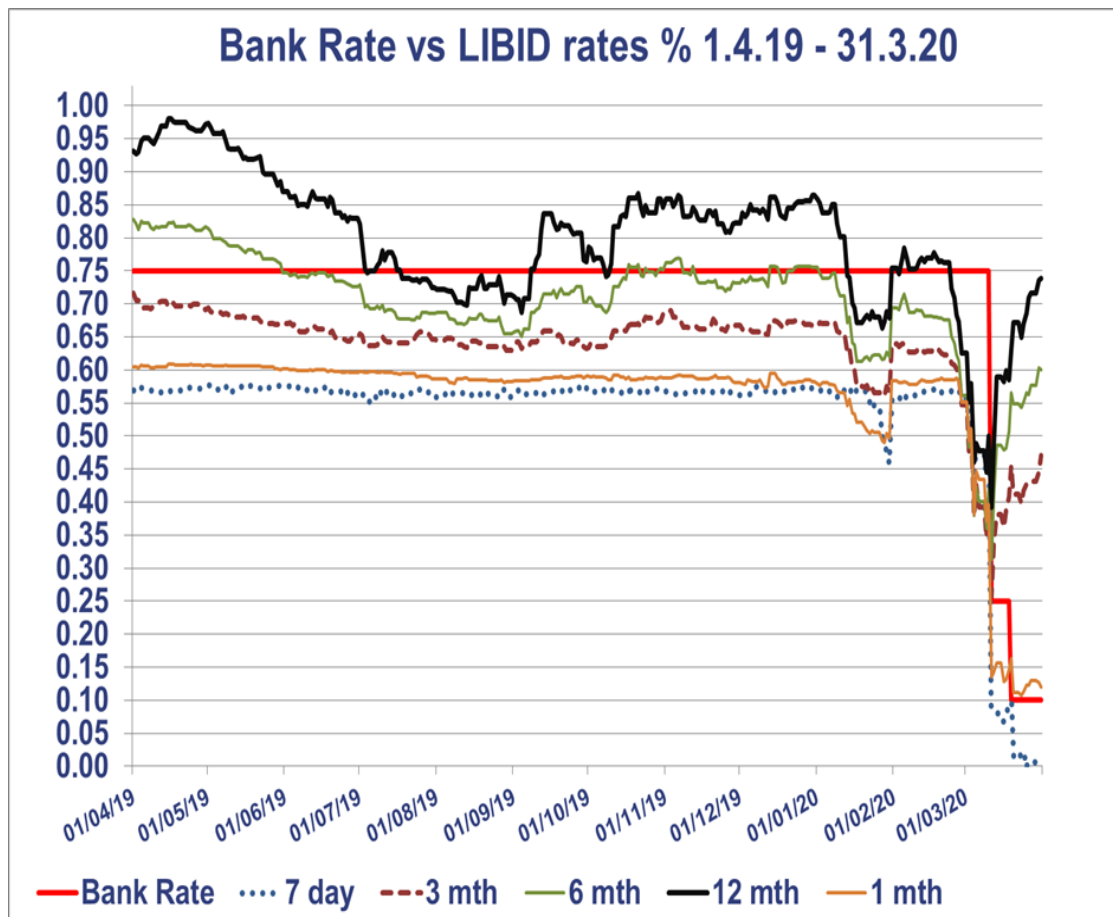
Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

- 18 Employment had been growing healthily through the last year but it is obviously heading for a big hit in March - April 2020. The good news over the last year is that wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth. However, while people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.
- 19 **USA.** Growth in quarter 1 of 2019 was strong at 3.1% but growth fell back to 2.0% in quarter 2 and 2.1% in quarters 3 and 4. The slowdown in economic growth resulted in the Federal Reserve (Fed) cutting rates from 2.25-2.50% by 0.25% in each of July, September and October. Once coronavirus started to impact the US in a big way, the Fed took decisive action by cutting rates twice by 0.50%, and then 1.00%, in March, all the way down to 0.00 - 0.25%. Near the end of March, Congress agreed a \$2trn stimulus package (worth about 10% of GDP) and new lending facilities announced by the Fed which could channel up to \$6trn in temporary financing to consumers and firms over the coming months. Nearly half of the first figure is made up of permanent fiscal transfers to households and firms, including cash payments of \$1,200 to individuals.
- 20 The loans for small businesses, which convert into grants if firms use them to maintain their payroll, will cost \$367bn and 100% of the cost of lost wages for four months will also be covered. In addition there will be \$500bn of funding from the Treasury's Exchange Stabilization Fund which will provide loans for hard-hit industries, including \$50bn for airlines.
- 21 However, all this will not stop the US falling into a sharp recession in quarter 2 of 2020; some estimates are that growth could fall by as much as 40%. The first two weeks in March of initial jobless claims have already hit a total of 10 million and look headed for a total of 15 million by the end of March.
- 22 **EUROZONE.** The annual rate of GDP growth has been steadily falling, from 1.8% in 2018 to only 0.9% y/y in quarter 4 in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), prompted the ECB to take new measures to stimulate growth. At its March 2019 meeting it announced a third round of Targeted Longer-Term Refinancing Operations (TLTROs); this provided banks with cheap two year maturity borrowing every three months from September 2019 until March 2021. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting in September 2019, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a

resumption of quantitative easing purchases of debt to start in November at €20bn per month, a relatively small amount, plus more TLTRO measures.

- 23 Once coronavirus started having a major impact in Europe, the ECB took action in March 2020 to expand its QE operations and other measures to help promote expansion of credit and economic growth. What is currently missing is a coordinated EU response of fiscal action by all national governments to protect jobs, support businesses directly and promote economic growth by expanding government expenditure on e.g. infrastructure; action is therefore likely to be patchy.
- 24 **CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium-term risks have also been increasing. The major feature of 2019 was the trade war with the US. However, this has been eclipsed by being the first country to be hit by the coronavirus outbreak; this resulted in a lock down of the country and a major contraction of economic activity in February-March 2020. While it appears that China has put a lid on the virus by the end of March, these are still early days to be confident and it is clear that the economy is going to take some time to recover its previous rate of growth. Ongoing economic issues remain, in needing to make major progress to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs to address the level of non-performing loans in the banking and credit systems.
- 25 **JAPAN** has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It appears to have missed much of the domestic impact from coronavirus in 2019-20 but the virus is at an early stage there.
- 26 **WORLD GROWTH.** The trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019, as any downturn in China would spill over into impacting countries supplying raw materials to China. Concerns were particularly focused on the synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during 2019. In 2020, coronavirus is the big issue which is going to sweep around the world and have a major impact in causing a world recession in growth in 2020.

Investment strategy and control of interest rate risk in 2019/20



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

- 29 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 30 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

The borrowing requirement and debt

- 31 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR)
- 32 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2019/20. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31/3/19 Actual (£000)	31/3/20 Actual (£000)
CFR General Fund	21,989	25,811
Gross borrowing position	5,192	5,074
Over/(under) funding of CFR	(16,797)	(20,737)

- 33 The "authorised limit" is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does

Agenda Item 6

not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within its authorised limit.

- 34 The “operational boundary” is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- 35 “Actual financing costs as a proportion of net revenue stream” is an indicator identifying the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2019/20 (£000)
Authorised limit	35,831
Maximum gross borrowing position during the year	5,192
Operational boundary	30,831
Average gross borrowing position	5,133
Financing costs as a proportion of net revenue stream	0.94%

Borrowing strategy and control of interest rate risk in 2019/20

- 36 During 2019/20 the Council maintained an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This is known as internal borrowing. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 37 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost - the difference between (higher) borrowing costs and (lower) investment returns.
- 38 The policy of avoiding new borrowing by running down spare cash balances, has served the Council well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when

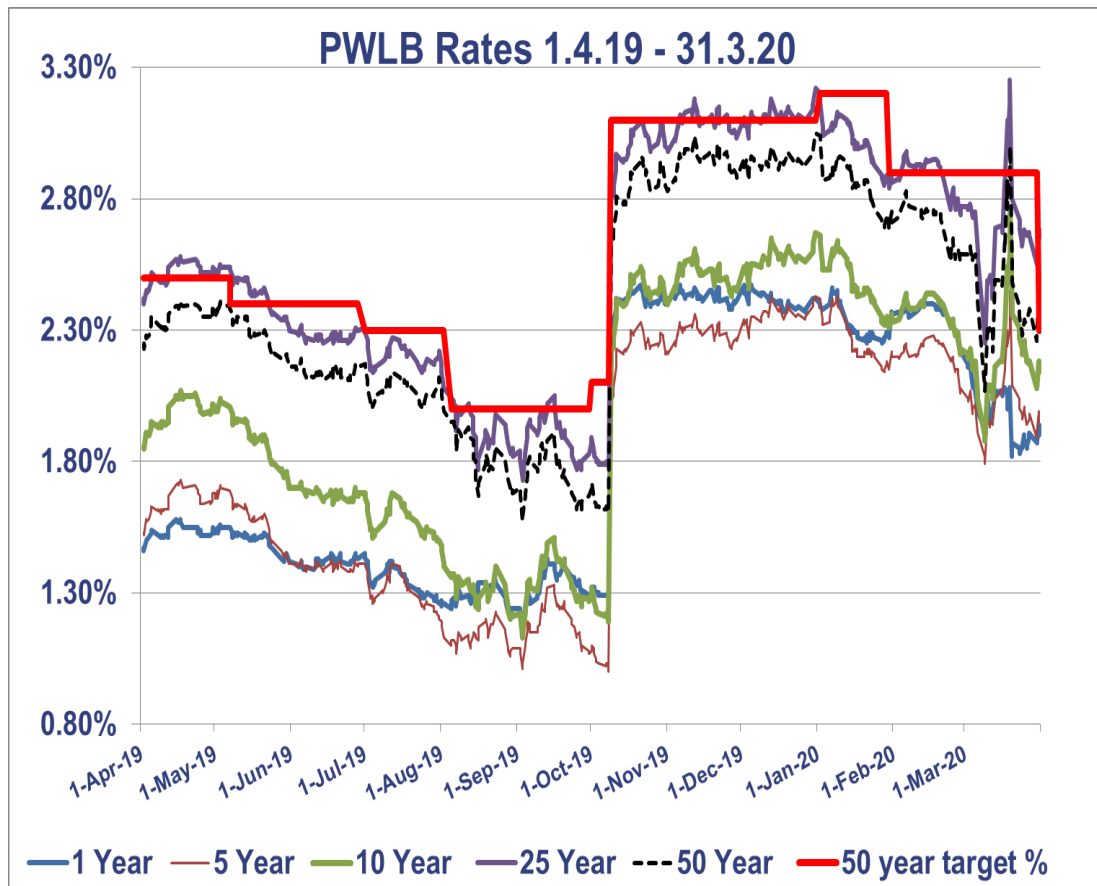
this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

PWLB certainty maturity borrowing rates

- 39 Interest rate forecasts anticipated only gradual rises in medium and longer term fixed borrowing rates during 2019/20 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Forecasts from our treasury management advisors, Link Asset Services, together with historical rates appear below:

Link Asset Services Interest Rate View 31.1.20													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.50	2.60	2.70	2.80	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	2.70	2.80	2.90	3.00	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.30	3.40	3.50	3.60	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.20	3.30	3.40	3.50	3.80

Link Asset Services Interest Rate View 31.3.20								
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID	0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID	0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID	0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate	1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50



- 40 PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020, and a general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued; these conditions were conducive to very low bond yields.
- 41 While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have therefore seen, over the last year, many bond yields up to 10 years in the Eurozone turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that

bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

- 42 Gilt yields were on a generally falling trend during the last year up until the coronavirus crisis hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors have panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks also started quantitative easing purchases of government bonds which will act to maintain downward pressure on government bond yields at a time when there is going to be a huge and quick expansion of government expenditure financed by issuing government bonds; (this would normally cause bond yields to rise). At the close of the day on 31 March, all gilt yields from 1 to 5 years were between 0.12 - 0.20% while even 25-year yields were at only 0.83%.
- 43 However, HM Treasury has imposed two changes in the margins over gilt yields for PWLB rates in 2019/20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins. It is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.
- 44 Following the changes on 11 March 2020 in margins over gilt yields, the current situation is as follows: -
 - **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
 - **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- 45 There is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

Borrowing outturn for 2019/20

- 46 No borrowing was undertaken during the year. The following is the only loan outstanding:-

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£5.25m	Fixed interest rate - Annuity	2.66%	3/11/2047

- 47 There were no repayments or rescheduling of debt during 2019/20.

Investment outturn for 2019/20 and performance

- 48 The Council's investment policy is governed by Ministry of Housing Communities and Local Government (MHCLG) guidance, which has been implemented in the annual investment strategy approved by the Council on 26 February 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).
- 49 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 50 Appendix C shows the performance of the fund during 2019/20 both in table and graphical form. The table shows the average percentage return on the fund, both monthly and for the whole year and compares them with the average 7-day and 3-month London Interbank Bid (LIBID) rates. The average return achieved by each broker is only a very basic measure of performance, because returns will depend on the number and length of each investment he/she is asked to carry out. If a particular broker is only asked to place short term investments, he/she may well not achieve the same overall rate as a broker who predominantly handles longer term investments for us.
- 51 The graph shows actual monthly receipts for 2017/18, 2018/19 and 2019/20 plus budgeted monthly receipts for 2019/20. The monthly interest budget has been profiled in line with the previous year's monthly weighted average principal.
- 52 Over the course of the year interest receipts amounted to £254,300 compared with a budget of £200,000.
- 53 In 2019/20 the average return on the Council's investments was roughly in line with that of our neighbouring authorities. Our overall rate of return was 0.89% compared with 0.66% for Tonbridge & Malling Borough Council and 0.96% for Gravesham Borough Council. It should be noted that investment returns are notoriously difficult to compare as they have often been compiled on a different basis (for example, whether or not interest has been compounded, whether or not cashflow generated balances have been included, whether or not externally managed funds have been included and

whether or not the figures are net of borrowings). Note that this Council has also invested in property which is not included in this report.

- 54 Our treasury management advisers recommend the 3-month LIBID figure as a benchmark. This reflects a more realistic neutral investment position for core investments with a medium term horizon and a rate which is more stable with less fluctuation caused by market liquidity. Historically, this rate has been slightly higher than the 7-day rate and therefore more challenging a comparator, but one which does not necessitate a significantly increased level of risk. The figures calculated by our advisers for these two benchmarks are as follows:

- 7-day LIBID uncompounded 0.5338%
- 3-month LIBID uncompounded 0.6339%

Compliance with treasury management limits and prudential indicators

- 55 The Council operates to approved prudential indicators for treasury management as contained in the Treasury Management Strategy Statement (TMSS). The TMSS for 2019/20 was part of the annual treasury strategy reported to Council on 26 February 2019. The approved limits exist to regulate short-term borrowing for operational cash flow fluctuations, as well as long-term borrowing for financing capital investments. Additionally, the limits aim is to mitigate against fluctuations in interest rates.

Other issues

Update on the Municipal Bonds Agency

- 56 During 2014/15, the Council invested £50,000 to become an equity shareholder in the Local Capital Finance Company, which was set up by the Local Government Association under the name of the Municipal Bonds Agency (MBA). This was a 'Policy Investment' and does not form part of the treasury management strategy. The purpose of the agency is to facilitate borrowing by local authorities at rates that are expected to be more competitive than those of the Public Works Loan Board (PWLB). There are 56 shareholder councils.
- 57 Following a lengthy set-up process, the MBA issued its inaugural bond in March 2020, a five-year floating rate note priced half-way between the PWLB variable rate and short-term local authority loans. The agency subsequently announced three pooled bond issues with maturities of 10 years, 20-25 years and 40-45 years. The final maturity of the two longer dated bonds will be set in consultation with the local authorities participating on those bond issues. Each of the issues will be offered at a rate below the PWLB certainty rate and will be issued once sufficient demand to support a benchmark issue has been reached.

Agenda Item 6

Non-treasury management investments

- 58 Members will be aware that significant property purchases have been carried out in recent years which are regarded as non-treasury investments. Further details are contained within Property Investment Strategy reports that are submitted to Members separately.

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 year.

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 was above budget in 2019/20 by approximately £54,300 and the percentage return exceeded the recognised benchmarks. Whilst returns exceeded budget, inflation continues to outpace investment returns, leading to the gradual erosion of capital in real terms.

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

Appendices:

Appendix A - Investment portfolio at start and end of financial year

Appendix B - Analysis of investment portfolio by maturity and repayment due dates

Appendix C - Investment performance in 2019/20

Background Papers:

[Treasury Management Strategy for 2019/20 - Council 26 February 2019](#)

Adrian Rowbotham

Deputy Chief Executive and Chief Officer Finance & Trading

This page is intentionally left blank

SEVENOAKS DISTRICT COUNCIL

List of Investments as at:- 31-Mar-19

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.		115,000	01-Oct-11			0.55000%	Variable	Direct
	Svenska Handelsbanken AB (Deposit A/C)	AA	Sweden		0	23-Jul-14			0.40000%	Variable	Direct
	Svenska Handelsbanken AB (35 Day Notice A/C)	AA	Sweden		1,000,000	01-Sep-16			0.50000%	Variable	Direct
	Aberdeen Standard Liquidity Fund (Money Market Fu	AAA	U.K.		0	11-May-12				Variable	Direct
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		0	11-May-12				Variable	Direct
	BlackRock Liquidity Fund (Money Market Fund)	AAA	U.K.		0	13-Oct-16				Variable	Direct
	CCLA Public Sector Deposit Fund (Money Market Fur	AAA	U.K.		2,200,000	08-Oct-18				Variable	Direct
IP1357	Bank of Scotland plc	A+	U.K.	Lloyds/HBOS	1,000,000	09-Aug-17	0.45000%		1.10000%	95 Day Notic	Direct
IP1401	Goldman Sachs International Bank	A	U.K.		3,000,000	15-Nov-18	0.92000%	15-May-19		6 Months	Tradition
IP1400	Kingston upon Hull City Council		U.K.		2,000,000	26-Nov-18	0.90000%	28-May-19		6 Months	Tradition
IP1374	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	05-Jan-18	0.70000%		1.10000%	95 Day Notic	Direct
IP1403	Lloyds Bank plc	A+	U.K.	Lloyds/HBOS	1,000,000	21-Dec-18	1.00000%	21-Jun-19		6 Months	Direct
IP1398	London Borough of Croydon		U.K.		4,000,000	22-Oct-18	1.00000%	22-Jul-19		9 Months	Tradition
IP1402	Nottingham Building Society		U.K.		1,000,000	17-Dec-18	0.90000%	17-Jun-19		6 Months	Tradition
IP1399	Thurrock Borough Council		U.K.		3,000,000	31-Oct-18	0.95000%	30-Apr-19		6 Months	R P Martin
IP1405	Thurrock Borough Council		U.K.		2,000,000	31-Jan-19	0.95000%	31-Jul-19		6 Months	R P Martin

Total Invested

21,315,000

Other Loans

Sevenoaks Leisure Limited

600,000

02-Mar-18

6.00000%

02-Mar-28

10 Years

Direct

List of Investments as at:- 31-Mar-20

Page 28

Appendix B

SEVENOAKS DISTRICT COUNCIL

ANALYSIS OF INVESTMENT POOL FUND 31.3.2020

MATURITY PROFILE (BY VALUE)

BASED ON PERIOD OF INVESTMENT AT COMMENCEMENT DATE

MATURITY PERIOD	BANKS £'000	B.SOCS £'000	MMFS £'000	OTHER LAs £'000	TOTAL £'000
NOTICE MONEY	4,204	-	3,200	-	7,404
UP TO 1 MONTH	-	-	-	-	-
1 TO 3 MONTHS	-	-	-	-	-
3 TO 6 MONTHS	3,000	-	-	3,000	6,000
6 MONTHS TO 1 YEAR	-	3,000	-	-	3,000
OVER 1 YEAR	-	-	-	-	-
	7,204	3,000	3,200	3,000	16,404

MATURITY PROFILE (PERCENTAGE OF TOTAL FUND)

BASED ON PERIOD OF INVESTMENT AT COMMENCEMENT DATE

MATURITY PERIOD	BANKS %	B.SOCS %	MMFS %	OTHER LAs %	TOTAL %
NOTICE MONEY	25.6	-	19.5	-	45.1
UP TO 1 MONTH	-	-	-	-	-
1 TO 3 MONTHS	-	-	-	-	-
3 TO 6 MONTHS	18.3	-	-	18.3	36.6
6 MONTHS TO 1 YEAR	-	18.3	-	-	18.3
OVER 1 YEAR	-	-	-	-	-
	43.9	18.3	19.5	18.3	100.0

PROFILE OF REPAYMENTS DUE

	VALUE £'000	% TOTAL FUND
NOTICE MONEY	7,404	45.1
DUE WITHIN ONE MONTH	-	-
DUE WITHIN TWO MONTHS	3,000	18.3
DUE WITHIN THREE MONTHS	6,000	36.6
DUE WITHIN SIX MONTHS	-	-
DUE WITHIN ONE YEAR	-	-
DUE AFTER ONE YEAR	-	-
	16,404	100.0

This page is intentionally left blank

Appendix C

TOTAL INTEREST ON FUND 2019/2020

Broker/Institution	Apr-19			May-19			Jun-19		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	27,397.26	136.99	0.5000%	0.00	-13.65		0.00	0.00	0.0000%
Aberdeen Standard (Money Market Fund)	248,493.15	1,926.38	0.7752%	236,712.33	1,826.48	0.7716%	178,356.16	1,353.54	0.7589%
Insight (Money Market Fund)	0.00	0.00	0.0000%	110,958.90	773.00	0.6967%	70,684.93	490.27	0.6936%
BlackRock (Money Market Fund)	52,602.74	385.52	0.7329%	141,095.89	1,019.58	0.7226%	27,945.21	202.41	0.7243%
CCLA (Money Market Fund)	275,342.47	2,227.32	0.8089%	295,068.49	2,252.23	0.7633%	323,287.67	2,273.26	0.7032%
Tradition	821,917.81	7,775.34	0.9460%	849,315.07	8,053.42	0.9482%	783,561.64	7,652.05	0.9766%
RP Martin	402,739.73	3,826.03	0.9500%	169,863.01	1,613.70	0.9500%	164,383.56	1,561.64	0.9500%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	246,575.34	2,630.14	1.0667%	254,794.52	2,717.82	1.0667%	219,178.08	2,356.17	1.0750%
Fund Average	2,075,068.49	18,907.71	0.9112%	2,057,808.22	18,242.58	0.8865%	1,767,397.26	15,889.34	0.8990%
Other Interest		0.00			0.00			8,451.84	
7 Day LIBID			0.5700%			0.5700%			0.5700%
3 Month LIBID			0.7000%			0.6800%			0.6600%

Broker/Institution	Jul-19			Aug-19			Sep-19		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Aberdeen Standard (Money Market Fund)	266,301.37	1,979.42	0.7433%	216,438.36	1,589.44	0.7344%	269,863.01	1,970.15	0.7301%
Insight (Money Market Fund)	102,739.73	699.82	0.6812%	117,808.22	775.19	0.6580%	163,835.62	1,082.77	0.6609%
BlackRock (Money Market Fund)	177,260.27	1,255.79	0.7084%	166,027.40	1,156.78	0.6967%	197,260.27	1,365.62	0.6923%
CCLA (Money Market Fund)	320,547.95	2,538.12	0.7918%	280,273.97	1,958.84	0.6989%	271,232.88	2,009.61	0.7409%
Tradition	764,383.56	7,636.44	0.9990%	764,383.56	7,924.11	1.0367%	739,726.03	7,668.49	1.0367%
RP Martin	175,342.47	1,676.36	0.9572%	339,726.03	3,618.08	1.0650%	328,767.12	3,501.37	1.0650%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	169,863.01	1,868.50	1.1000%	169,863.01	1,868.50	1.1000%	164,383.56	1,808.22	1.1000%
Fund Average	1,976,438.36	17,656.44	0.8933%	2,054,520.55	18,890.94	0.9195%	2,135,068.49	19,406.23	0.9089%
Other Interest		509.65			0.00			10,088.71	
7 Day LIBID			0.5600%			0.5600%			0.5700%
3 Month LIBID			0.6500%			0.6400%			0.6500%

Broker/Institution	Oct-19			Nov-19			Dec-19		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Aberdeen Standard (Money Market Fund)	139,452.05	1,018.26	0.7302%	215,890.41	1,582.92	0.7332%	282,191.78	2,072.48	0.7344%
Insight (Money Market Fund)	140,821.92	936.28	0.6649%	90,958.90	605.74	0.6659%	153,972.60	1,032.10	0.6703%
BlackRock (Money Market Fund)	126,027.40	867.13	0.6880%	167,123.29	1,154.61	0.6909%	193,424.66	1,333.71	0.6895%
CCLA (Money Market Fund)	280,273.97	1,993.77	0.7114%	271,232.88	1,872.15	0.6902%	280,273.97	2,076.33	0.7408%
Tradition	764,383.56	7,924.11	1.0367%	739,726.03	7,647.12	1.0338%	764,383.56	7,482.47	0.9789%
RP Martin	383,561.64	3,977.53	1.0370%	493,150.68	4,849.32	0.9833%	509,589.04	5,010.96	0.9833%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	169,863.01	1,868.50	1.1000%	164,383.56	1,808.22	1.1000%	169,863.01	1,868.50	1.1000%
Fund Average	2,004,383.56	18,585.58	0.9272%	2,142,465.75	19,520.08	0.9111%	2,353,698.63	20,876.54	0.8870%
Other Interest		0.00			0.00			11,846.55	
7 Day LIBID			0.5700%			0.5700%			0.5700%
3 Month LIBID			0.6600%			0.6700%			0.6700%

Broker/Institution	Jan-20			Feb-20			Mar-20		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Aberdeen Standard (Money Market Fund)	332,054.79	2,412.45	0.7265%	285,205.48	2,060.74	0.7225%	130,136.99	776.93	0.5970%
Insight (Money Market Fund)	184,383.56	1,221.11	0.6623%	115,616.44	755.84	0.6537%	8,493.15	41.54	0.4891%
BlackRock (Money Market Fund)	253,424.66	1,766.74	0.6971%	145,479.45	1,009.85	0.6942%	8,493.15	45.29	0.5333%
CCLA (Money Market Fund)	280,273.97	1,999.31	0.7133%	365,753.42	2,522.13	0.6896%	337,534.25	2,066.96	0.6124%
Tradition	764,383.56	7,482.47	0.9789%	654,794.52	6,409.04	0.9788%	545,205.48	5,443.01	0.9983%
RP Martin	509,589.04	5,005.48	0.9823%	476,712.33	4,528.77	0.9500%	460,273.97	4,436.71	0.9639%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	169,863.01	1,868.50	1.1000%	158,904.11	1,747.94	1.1000%	169,863.01	1,186.30	0.6984%
Fund Average	2,493,972.60	21,756.06	0.8723%	2,202,465.75	19,034.31	0.8642%	1,660,000.00	13,996.75	0.8432%
Other Interest		-1,135.50			0.00			1,771.16	
7 Day LIBID			0.5500%			0.5600%			0.1800%
3 Month LIBID			0.6200%			0.6200%			0.4100%

	Cumulative Totals		
<u>Broker/Institution</u>	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	27,397.26	123.34	0.4502%
Aberdeen Standard (Money Market Fund)	2,801,095.89	20,569.19	0.7343%
Insight (Money Market Fund)	1,260,273.97	8,413.66	0.6676%
BlackRock (Money Market Fund)	1,656,164.38	11,563.03	0.6982%
CCLA (Money Market Fund)	3,581,095.89	25,790.03	0.7202%
Tradition	8,956,164.38	89,098.08	0.9948%
RP Martin	4,413,698.63	43,607.95	0.9880%
Sterling	0.00	0.00	0.0000%
Direct dealing	2,227,397.26	23,597.30	1.0594%
Fund Average	24,923,287.67	222,762.57	0.8938%
Other Interest		31,532.41	
7 Day LIBID			0.5333%
3 Month LIBID			0.6358%

N.B.

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

INVESTMENT RETURNS

INVESTMENT RETURNS

	<i>Actuals</i> 17/18	<i>Actuals</i> 18/19	<i>Actuals</i> 19/20	<i>Budget</i> 19/20	<i>Variance</i>
APR	11,389	14,566	18,908	16,960	1,948
MAY	11,020	17,690	18,243	16,166	2,077
JUN	11,182	20,233	24,341	15,834	8,507
JUL	13,806	18,443	18,166	17,056	1,110
AUG	11,280	20,224	18,891	17,417	1,474
SEP	11,190	21,831	29,495	17,702	11,793
OCT	13,282	27,864	18,586	17,934	652
NOV	14,533	23,808	19,520	17,332	2,188
DEC	17,148	25,281	32,723	17,550	15,173
JAN	20,510	32,513	20,620	18,738	1,882
FEB	15,173	22,411	19,034	14,983	4,051
MAR	17,852	25,803	15,768	12,328	3,440
	168,365	270,667	254,295	200,000	54,295

INVESTMENT RETURNS (CUMULATIVE)

	<i>Actuals</i> 17/18	<i>Actuals</i> 18/19	<i>Actuals</i> 19/20	<i>Budget</i> 19/20	<i>Variance</i>
APR	11,389	14,566	18,908	16,960	1,948
MAY	22,409	32,256	37,151	33,126	4,025
JUN	33,591	52,489	61,492	48,960	12,532
JUL	47,397	70,932	79,658	66,016	13,642
AUG	58,677	91,156	98,549	83,433	15,116
SEP	69,867	112,987	128,044	101,135	26,909
OCT	83,149	140,851	146,630	119,069	27,561
NOV	97,682	164,659	166,150	136,401	29,749
DEC	114,830	189,940	198,873	153,951	44,922
JAN	135,340	222,453	219,493	172,689	46,804
FEB	150,513	244,864	238,527	187,672	50,855
MAR	168,365	270,667	254,295	200,000	54,295

BUDGET FOR 2019/20 200,000

FORECAST OUTTURN 254,300

CODE:- YHAA 96900

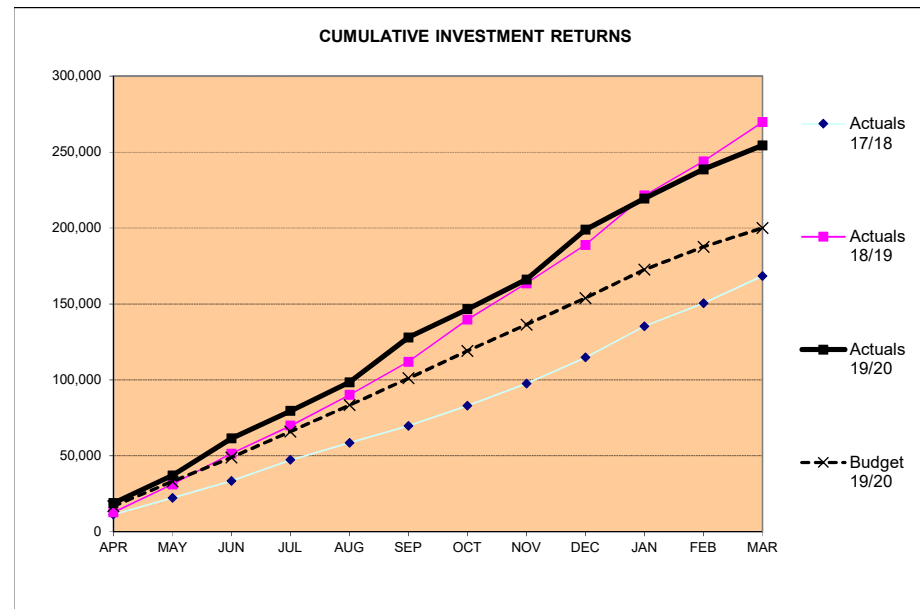
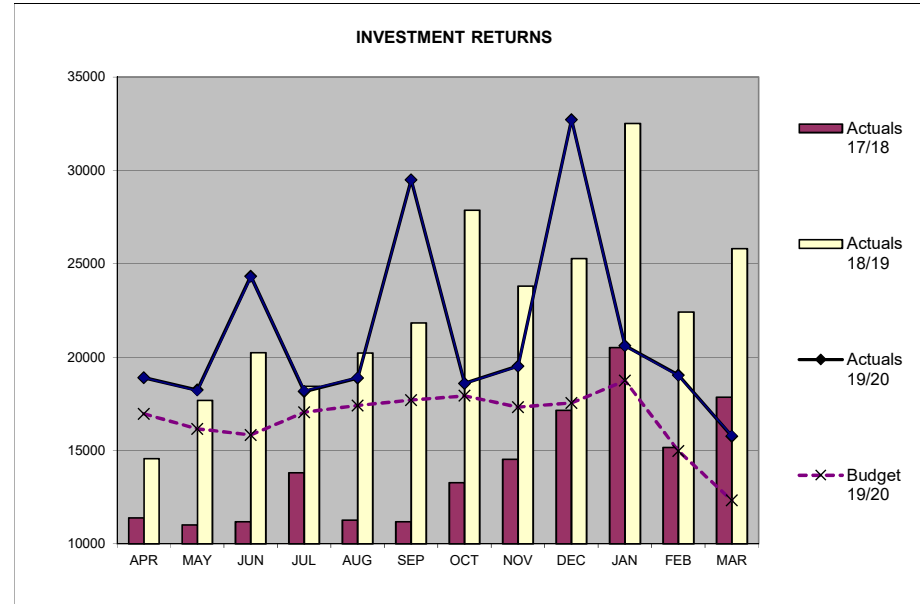
N.B.

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

Fund Average 0.8938%

7 Day LIBID 0.5333%

3 Month LIBID 0.6358%



FINANCIAL RESULTS 2020/21 - TO THE END OF JULY 2020

Finance & Investment Advisory Committee - 8 September 2020

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

Status: For consideration

Also considered by: Cabinet - 17 September 2020

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.

Overall Financial Position

- 1 The year-end position is currently forecast to be an unfavourable variance of £3.3m which is largely due to COVID-19; this represents 21.2% of our net service expenditure budget totalling £15,581,000.
- 2 The financial cost of the COVID-19 pandemic started at the very end of March 2020 and therefore the financial cost was limited in 2019/20 and has already been reported. However, as the current forecast position shows, a far greater impact will be incurred within the 2020/21 financial year. This and the future financial impact will be addressed through the 10-year budget process.
- 3 The COVID-19 accounts for the majority of the £3.3m unfavourable variance. Further funding from Government is expected and will be included in future reports when more details are known.

Agenda Item 7

Year to Date - Areas of Note

- 4 The financial impact of Pay costs - the expenditure to date on staff costs is £47,000 below budget. There are currently vacancies within Corporate Services and Planning. The impact of salary variances are included within the Chief Officer commentaries.
- 5 The 2020/21 budget for the pay award is 2.0% but the current increase being offered is £2.75%. If accepted this would cost an additional £130,000.
- 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 June, income as detailed within this report is significantly below budget.
- 7 Investment Returns - the return to date on the treasury management investments held by the Council is lower than budgeted with interest received to date totalling £34,000 compared to a budget of £71,000.
- 8 Council Tax - collection levels are expected to be below budgeted levels due to the impacts of COVID-19. Due to how the Collection Fund is accounted for, this will not impact the Council until 2021/22.
- 9 Retained Business Rates - Income expectation of £2.139m forms part of the 2020/21 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. Regular monitoring takes place, with any amendments feeding into the outturn forecasts.

Year End Forecast

- 10 The year-end forecast position is an unfavourable variance of £3.3m. In paragraphs 11 to 21 there are details of the larger variances, both favourable and unfavourable.

Net Service Expenditure - Favourable variances

- 11 Within Miscellaneous Finance is the balance £826,000 of the £1.2 Government COVID-19 grant that was used in 2019/20. The forecast shows a surplus to offset where costs have been incurred in other areas.

Net Service Expenditure - Unfavourable variances

- 12 Homeless prevention is forecasting an adverse variance of £280,000 which is the additional cost being incurred relating to an increased number of people being put in temporary accommodation. The homelessness funding is currently being reviewed in order to fund the programme in future years.

- 13 Land charges fees were revised for 2019/20 but the number of searches has remained down compared to previous years and due to COVID-19 the level of searches has dropped even lower leading to a £90,000 unfavourable forecast.
- 14 Local Tax is forecasting an unfavourable variance of £369,000 due to COVID-19 of which £279,000 is loss of court costs recovery at 100% for the first 6 months as Government had advised that debts should not be chased during this period, and at 50% for the second 6 months. Also underachievement of income on Enforcement is estimated to be £90,000.
- 15 Car parking fees were suspended on 23 March due to COVID-19 but have now been re-started. This has led to a significant loss of income with Car Parks forecasting an adverse variance of £1.909m income. Similarly, with On-Street Car Parking which is also forecasting an unfavourable variance of £662,000.
- 16 Direct service are forecasting an unfavourable variance of £104,000 due to loss of income in areas such as bulky waste, MOT's and pest control and also increased costs due to COVID-19.
- 17 Due to COVID-19 the Print Shop was unable to conduct business as normal for both internal and external customers. An unfavourable variance of £73,000 is forecast.
- 18 Within Planning and Regulatory services there are a large number of adverse variances which are losses of income due to COVID-19 with the overall variance being £336,000. Within the service there are some savings due to staff vacancies but these will be utilised to offset other staff budget overspends including career training.

Other Variances

- 19 Interest Receipts - current levels of investment returns and possible rates available going forward has resulted in a £37,000 unfavourable variance.
- 20 Investment Property Income - The majority of properties held within the Property Investment Strategy continue to achieve the income levels predicted. Due to COVID-19 a single property has not produced income in line with budget and this loss of income is reflected in the unfavourable variance of £96,000

Future Issues and Risk areas

- 21 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:
 - COVID-19 continues to effect the entire authority and is being closely monitored. As part of the 10-year budget process the expected financial cost will be identified and solutions presented.

Agenda Item 7

- Feasibility costs for property investments and development of council owned assets.
- Staff turnover remains high with planning and recruiting to vacant posts continues to be difficult to fill.

22 The potential impact of Brexit is being monitored and addressed as part of the Council's risk management process.

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 - July 2020 Budget Monitoring
Commentary

Appendix B - July 2020 Financial Information

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer Finance & Trading

	Annual Budget £'000	Actual to P4 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19	Annual Forecast Variance due to other factors	Total Annual Forecast Variance	Explanation for year end variances greater than £10k <i>(starred items)</i>
People & Places							
Economic Development	23	1	-21			0 *	
Economic Development Property	152	165	13			0 *	
Homeless	64	128	63			0 *	Standard temporary accommodation spend remains high. However, this overspend will be covered through a draw down through funded reserves.
Housing Register	0	30	30			0 *	The actual Housing Register budget currently sits under the Housing (Managing the Register) budget line. Now that the service has been brought in-house, this budget line needs to be re-allocated to the Housing Register budget line, where the current costs
Housing	122	74	-48			0 *	See Housing Register commentary above.
Homelessness Prevention	0	80	80	280		280 *	Government's Everyone In initiative has created unplanned expenditure, which is estimated at £280k net (minus HB) for the year. This will be reviewed on an ongoing basis and is difficult to accurately predict final spend. This overspend will need to be of
Leisure Contract	31	62	31			0 *	Sencio annual Management Fee paid upfront for full year (approved by Cabinet), rather than the quarterly payments, to enable business resilience during leisure centre closures.
Partnership - Home Office	-23	-6	16			0 *	Police and Crime Commissioner funding - grants paid upfront and early to support essential partnership projects and resilience (e.g. DA and substance misuse).
Tourism	18	-53	-71			0 *	Grant funding received in advance. We anticipate spend to accelerate within Q2 with no variance to the full year effect.
One You - Your Home Project	0	-24	-24			0 *	External funding received in advance from Age UK towards project costs. End of year will be as per budget.
PCT Health Checks	-3	-17	-13			0 *	External funding received in advance from Kent Public Health.
Homelessness Funding	37	49	13			0 *	
PCT Initiatives	8	-34	-42			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.
West Kent Partnership	-20	-32	-12			0 *	West Kent Partnership funding received in advance

	Annual Budget £'000	Actual to P4 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19	Annual Forecast Variance due to other factors	Total Annual Forecast Variance	Explanation for year end variances greater than £10k (starred items)
Customer & Resources							
Asset Maintenance IT	96	32	-65			0	* Spend as per 10-year asset maintenance plan - Any surplus to IT Asset Maintenance reserve at year end agreed.
Benefits Admin	93	86	-7		-7	-7	Grant received is higher than budgeted
Dartford Rev&Ben Partnership Hub (SDC costs)	619	600	-19	16		16	* Overtime costs for 6 months, represent SDC share of total £31,000
Land Charges	-35	-0	35	70	20	90	* COVID-19 impacts and downturn in housing market - to be monitored as year progresses
Local Tax	-144	20	164	289	80	369	* Due to COVID £279,000 loss of court costs recovery at 100% for the first 6 months, and at 50% for the second 6 months; total underachieving of income on Enforcement is estimated to be £90,000, which is £10,000 higher than last year due to COVID.
Administrative Expenses - Legal and Democratic	47	28	-19	-10		-10	* Reduction in internal printing which will be offset by reduction in income for the Print Studio
Support - Contact Centre	192	180	-12			0	*
Support - IT	469	561	93			0	* Profiling needs adjusting to reflect actual spend - EOY expected on target
Support - Legal Function	85	65	-20		-23	-23	* Carrying a vacant admin post and underspend on specialist advice

	Annual Budget £'000	Actual to P4 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19	Annual Forecast Variance due to other factors	Total Annual Forecast Variance	Explanation for year end variances greater than £10k <i>(starred items)</i>
Finance & Trading							
Asset Maintenance Argyle Road	26	5	-20			0	* Behind profile due to COVID-19 and restrictions on contractors being onsite. Some external works carried out and likely to catch up during the year.
Asset Maintenance Leisure	62	33	-29			0	* Leisure centres closed due to COVID-19 and re-opened in August. Maintenance requests are likely.
Asset Maintenance Support & Salaries	63	13	-50			0	* Behind profile due to COVID-19 and restrictions on contractors being onsite. Some external works carried out and likely to catch up during the year.
Car Parks	-545	374	919	1,909		1,909	* Suspension of parking charges due to COVID-19 has had a significant impact on income during the first quarter of the year. Although charges have been reintroduced usage is lower than usual due to COVID-19 and is only projected to reach 70% capacity by March.
CCTV	112	132	20			0	* Invoices to be raised for fees to other organisations.
Corporate Management	311	283	-28		-48	-48	* It is currently forecast that there will be an underspend within the Corporate Management budgets for this year, which includes less expenditure on bought-in external services and some minor proportions on salaries which are attributed the corporate management of the organisation.
Corporate - Other	-30	0	30		40	40	* The savings made on vacant posts are currently lower than the budget profiled for the year to date. Under the current circumstances it is anticipated that staff turnover will reduce this year and that the vacant posts savings will not be achieved.
Dartford Audit Partnership Hub (SDC Costs)	74	53	-21			0	* Underspend due to the vacant Lead Auditor Post
Car Parking - On Street	-177	136	312	662		662	* Suspension of parking charges and reduced income on PCN's due to COVID-19.
Parking Enforcement - Tandridge DC	-7	-9	-1		-22	-22	Additional income relating to the new contract with Tandridge District Council forecast, partially offset by the additional cost of transferred staff and running the service.
Estates Management - Buildings	34	72	38			0	* Swanley Meeting Point rates bill not budgeted as commencement of development of the site has taken longer than anticipated.
External Communications	77	48	-29	2	-9	-7	* The annual costs of the support and maintenance of the Council's website is usually payable in July, this invoice will be met in August and will negate the current underspend.
Kent Resource Partnership	-221	-131	90			0	* Contributions received behind profile. No year end variance projected.
Markets	-64	-19	45			0	* Rental income delayed due to COVID-19. Rescheduled payments are expected to bring this into line by the end of the year.
Members	154	139	-15			0	* Underspend projected due to reduced member travel claims. Adjustment to be made for July Members Allowances.
Misc. Finance	533	-604	-1,137	-666		-666	* COVID-19 Grant offset by additional COVID-19 related expenditure. The remainder will offset forecast loss of income due to COVID-19 on other lines.
Parks - Rural	53	43	-10			0	* Income ahead of profile. Expected to be on budget at year end.
Refuse Collection	994	1,019	26			0	* Recycling: Glass income is lower than budget and not expected to fully recover during the year.
Support - Central Offices	334	301	-34			0	* Behind profile due to COVID-19 and restrictions on contractors being onsite.

	Annual Budget	Actual to P4	Variance to date	Annual Forecast Variance due to COVID-19	Annual Forecast Variance due to other factors	Total Annual Forecast Variance	Explanation for year end variances greater than £10k (<i>starred items</i>)
Support - General Admin (Print Shop)	10	12	2	73		73	Reduced income on both internal and external Print Charges due to the impact of Covid-19. It is expected that some of the loss will be offset by savings on internal printing budgets within the service areas and a reduction in the costs of consumables.
Support - General Admin (Post/Scanning)	63	43	-20			0	* Reduced postage costs including summons and reminders not being sent out.
Direct Services Trading account	-116	-191	-76	104		104	* Bulky waste - although we suspended collections, income this y-t-d is £15K and last y-t-d was £17K but much of this income is for bookings in July, Aug and Sept. Number of collections currently restricted to 25 addresses per collection, previously there was no limit. Because we have not provided any Saturday bulky collections for parishes or larger bulky waste quotes. Trade Waste - income this y-t-d is £59K and last y-t-d was £68K - the large difference against budget is because this was increased on the assumption that we would actively seek more trade customers this year (extra £102K income target). Street Cleaning Other - reduction to cleaning services for Blighs at client's request. Green Waste - about on target as we increased the budget this year. Workshop - June income yet to be posted. No MOT or Taxi Test Income as services were suspended resulting in around £15K loss of income. Pest Control - comparing with the same period last year we have lost around £3K. Loss of income continues as not operating full service yet.

	Annual Budget £'000	Actual to P4 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19	Annual Forecast Variance due to other factors	Total Annual Forecast Variance	Explanation for year end variances greater than £10k <i>(starred items)</i>
Planning & Regulatory Services							
Building Control	-42	-46	-4	45		45	Loss of income due to COVID
Conservation	39	44	4		17	17	Increase in staff costs due to an increase in hours; the variance is offset by staff budget savings in other areas
Dartford Environmental Hub (SDC Costs)	234	217	-17			0	* Staff budget savings will be utilised to offset the DBC support charge
EH Commercial	94	95	1	4		4	Loss of income due to COVID
EH Animal Control	2	4	1	4	10	14	Loss of income due to COVID & historically low collection of kennel fees
EH Environmental Protection	126	131	4	4		4	Loss of income due to COVID
Licensing Regime	-23	-21	2	25		25	Loss of income due to COVID
Planning Policy	146	124	-22		-70	-70	* Staff budget savings utilised to cover staff budget overspends in other areas and career training
Planning - Appeals	58	60	2		4	4	Staff costs over budget due to planned restructure, offset by staff savings in other areas
Planning - CIL Administration	11	9	-2	20	-6	14	Loss of income due to COVID; savings on the staff costs
Planning - Counter	-2	0	2	4		4	Loss of income due to COVID
Planning - Development Management	78	124	46	169	-4	165	* Loss of income due to COVID; savings on the staff costs
Planning - Enforcement	100	103	3		17	17	Staff costs over budget due to planned restructure, offset by staff savings in other areas
Planning Performance Agreement	0	16	16		25	25	* Urban Designer post costs, which will be offset by an underspend on salaries in other areas and drawdown from reserves (PPAs fees)
Administrative Expenses - Building Control	4	1	-3		-10	-10	Admin budget saving due to costs being charged to the BC Partnership
Administrative Expenses - Health	3	1	-2		-9	-9	Admin budget saving due to costs being charged to the EH Partnership
Administrative Expenses - Licensing	2	0	-2		-7	-7	Admin budget saving due to costs being charged to the LIC Partnership
Administrative Expenses - Planning Services	7	11	3	5	34	39	COVID related - tablets for the team; non-COVID related - career training, offset by staff budget savings
Taxis	2	13	11	55		55	* Loss of income due to COVID

This page is intentionally left blank

Position as at the end of July 2020
(Period 202104)

People & Places
 Customer & Resources
 Finance & Trading
 Planning & Regulatory Services

Adjustments to Reconcile to amount to be met from reserves

Capital Charges outside the General Fund
 Support Services outside the General Fund

NET SERVICE EXPENDITURE

New Homes Bonus
 Retained Business Rates
 Council Tax
 Contribution from Collection Fund
Summary excluding Investment Income

Investment Property Income
 Interest Receipts

OVERALL TOTAL

Planned Appropriation to/(from) Reserves
 Other Reserve Movements

Supplementary Estimates

(Surplus)/Deficit

Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	Annual Variance %
864	1,953	2,233	280	14.3
2,497	3,459	3,893	435	12.6
2,823	8,404	10,476	2,072	24.7
1,039	1,997	2,333	336	16.8
7,224	15,813	18,935	3,123	19.7
(20)	(60)	(60)	0	0.0
(57)	(172)	(172)	0	0.0
7,146	15,581	18,703	3,123	20.0
(416)	(1,249)	(1,249)	0	0.0
(713)	(2,139)	(2,139)	0	0.0
(3,755)	(11,264)	(11,264)	0	0.0
0	0	0	0	0.0
2,262	929	4,051	3,123	336.2
(586)	(1,428)	(1,332)	96	0.0
(43)	(300)	(248)	52	0.0
1,634	(799)	2,471	3,271	(409.3)
(150)	(450)	(450)	0	
0	1,249	1,249	0	
0	0	0	0	
1,484	0	3,271	3,271	

**Position as at the end of July 2020
(Period 202104)**

People & Places SDC Funded

- Administrative Expenses - Communities & Business
- Administrative Expenses - Housing
- All Weather Pitch
- Community Development Service Provisions
- Community Safety
- Economic Development
- Economic Development Property
- Grants to Organisations
- Health Improvements
- Housing Initiatives
- Homeless
- Homelessness Funding
- Housing
- Homelessness Prevention
- Housing Energy Retraining Options (HERO)
- Housing Register
- Leader Programme
- Leisure Contract
- Leisure Development
- The Community Plan
- Tourism
- Youth
- West Kent Partnership
- Energy Efficiency

Y-T-D	Y-T-D	Y-T-D	Annual	Annual	Forecast
Actual	Budget	Variance as at y-t-d	Budget	Forecast (including Accruals)	Annual Variance
£'000	£'000	£'000	£'000	£'000	£'000
10	6	4	22	22	-
0	-	0	-	-	-
(2)	(2)	(0)	(5)	(5)	-
(6)	(6)	-	(6)	(6)	-
74	70	4	209	209	-
1	23	(21)	37	37	-
165	152	13	415	415	-
163	162	1	180	180	-
14	17	(3)	52	52	-
13	16	(4)	49	49	-
128	64	63	233	233	-
49	37	13	-	-	-
74	122	(48)	204	204	-
80	-	80	-	280	280
39	40	(1)	48	48	-
30	-	30	-	-	-
2	2	0	5	5	-
62	31	31	108	108	-
20	10	10	20	20	-
19	20	(1)	60	60	-
(53)	18	(71)	27	27	-
9	17	(8)	51	51	-
(32)	(20)	(12)	-	-	-
-	(0)	0	-	-	-

**Position as at the end of July 2020
(Period 202104)**

People & Places SDC Funded cont.

- Gypsy Sites
- Disabled Facilities Grant Administration
- Private Sector Housing
- Sevenoaks Switch and Save

Total People & Places (SDC Funded)

Y-T-D	Y-T-D	Y-T-D	Annual	Annual	Forecast
Actual	Budget	Variance as at y-t-d	Budget	Forecast (including Accruals)	Annual Variance
£'000	£'000	£'000	£'000	£'000	£'000
(1)	(1)	(0)	(1)	(1)	-
0	4	(4)	(50)	(50)	-
94	98	(4)	294	294	-
4	-	4	-	-	-
957	882	75	1,953	2,233	280

**Position as at the end of July 2020
(Period 202104)**

People & Places Externally Funded

- Business Area Improvement Fund	0	-	0
- Choosing Health WK PCT	(22)	(20)	(2)
- Community Sports Activation Fund	13	4	9
- Dementia Area Project - Run Walk Push	(0)	-	(0)
- Dunton Green Projects - S106	(1)	-	(1)
- One You - Your Home Project	(24)	-	(24)
- Partnership - Home Office	(6)	(23)	16
- PCT Health Checks	(17)	(3)	(13)
- PCT Initiatives	(34)	8	(42)
- Sport Satellite Clubs	(1)	-	(1)
- Sportivate Inclusive Archery Project	(0)	-	(0)
- Troubled Families Project	(2)	-	(2)
- West Kent Enterprise Advisor Network	13	8	5
- West Kent Kick Start	(8)	-	(8)
- West Kent Partnership Business Support	(5)	-	(5)
Total Communities & Business (Ext Funded)	(93)	(26)	(67)

Total People & Places

Y-T-D	Y-T-D	Y-T-D	Annual	Annual	Forecast
Actual	Budget	Variance as at y-t-d	Budget	Forecast (including Accruals)	Annual Variance
£'000	£'000	£'000	£'000	£'000	£'000
0	-	0	-	-	-
(22)	(20)	(2)	-	-	-
13	4	9	-	-	-
(0)	-	(0)	-	-	-
(1)	-	(1)	-	-	-
(24)	-	(24)	-	-	-
(6)	(23)	16	-	-	-
(17)	(3)	(13)	-	-	-
(34)	8	(42)	-	-	-
(1)	-	(1)	-	-	-
(0)	-	(0)	-	-	-
(2)	-	(2)	-	-	-
13	8	5	-	-	-
(8)	-	(8)	-	-	-
(5)	-	(5)	-	-	-
(93)	(26)	(67)	-	-	-
864	856	8	1,953	2,233	280

**Position as at the end of July 2020
(Period 202104)**

Customer & Resources

- Asset Maintenance IT
- Civic Expenses
- Democratic Services
- Elections
- Register of Electors
- Administrative Expenses - Corporate Services
- Land Charges
- Street Naming
- Administrative Expenses - Legal and Democratic
- Administrative Expenses - Human Resources
- Support - Contact Centre
- Support - IT
- Support - Legal Function
- Support - Local Offices
- Support - Rev & Ben Control
- Support - Nursery
- Support - Human Resources
- Corporate Projects
- Benefits Admin
- Benefits Grants
- Dartford Rev&Ben Partnership Hub (SDC costs)
- Local Tax
- Administrative Expenses - Revenues and Benefits
- Support - Counter Fraud

Total Customer & Resources

Y-T-D	Y-T-D	Y-T-D	Annual	Annual	Forecast
Actual	Budget	Variance as at y-t-d	Budget	Forecast (including Accruals)	Annual Variance
£'000	£'000	£'000	£'000	£'000	£'000
32	96	(65)	289	289	-
15	16	(1)	17	17	-
52	53	(1)	161	161	-
35	34	1	145	145	-
54	63	(8)	237	237	-
2	7	(5)	23	23	-
(0)	(35)	34	(108)	(18)	90
0	0	-	1	1	-
28	47	(19)	70	60	(10)
8	6	2	9	9	-
180	192	(12)	565	565	-
561	469	93	1,116	1,116	-
65	85	(20)	255	232	(23)
0	-	0	-	-	-
72	72	(0)	217	217	-
0	-	0	-	-	-
133	133	1	367	367	-
42	34	7	102	102	-
86	93	(7)	52	45	(7)
492	492	0	(25)	(25)	-
600	619	(19)	-	16	16
20	(144)	164	(90)	279	369
0	-	0	-	-	-
19	19	-	56	56	-
2,497	2,352	144	3,459	3,893	435

**Position as at the end of July 2020
(Period 202104)**

Finance & Trading

- Action and Development	0	3	(2)
- Consultation and Surveys	-	-	-
- Corporate Management	283	311	(28)
- Corporate - Other	-	(30)	30
- External Communications	48	77	(29)
- Housing Advances	-	1	(1)
- Housing Other Income	(8)	(5)	(3)
- Members	139	154	(15)
- Misc. Finance	(604)	533	(1,137)
- Performance Improvement	7	7	1
- Administrative Expenses - Chief Executive	0	5	(5)
- Administrative Expenses - Finance	13	19	(6)
- Administrative Expenses - Transformation and Strategy	0	2	(1)
- Support - Audit Function	65	63	2
- Support - Exchequer and Procurement	51	47	4
- Support - Finance Function	70	78	(8)
- Treasury Management	43	39	4
- Car Parks	374	(545)	919
- Asset Maintenance Argyle Road	5	26	(20)
- Asset Maintenance CCTV	-	6	(6)
- Asset Maintenance Countryside	3	3	(0)
- Asset Maintenance Other Corporate Properties	15	11	3
- Asset Maintenance Direct Services	10	14	(4)
- Asset Maintenance Hever Road	14	13	1
- Asset Maintenance Leisure	33	62	(29)

Y-T-D Actual £'000	Y-T-D Budget £'000	Y-T-D Variance as at y-t-d £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
8	8	-	8	8	-
4	4	-	4	4	-
1,083	1,036	(48)	1,083	1,036	(48)
36	76	40	36	76	40
216	209	(7)	216	209	(7)
1	1	-	1	1	-
(14)	(14)	-	(14)	(14)	-
464	464	-	464	464	-
1,492	827	(666)	1,492	827	(666)
(0)	(0)	-	(0)	(0)	-
22	22	-	22	22	-
32	32	-	32	32	-
5	5	-	5	5	-
189	189	-	189	189	-
151	151	-	151	151	-
234	234	-	234	234	-
125	125	-	125	125	-
(1,985)	(76)	1,909	(1,985)	(76)	1,909
77	77	-	77	77	-
18	18	-	18	18	-
9	9	-	9	9	-
34	34	-	34	34	-
41	41	-	41	41	-
39	39	-	39	39	-
186	186	-	186	186	-

Position as at the end of July 2020
(Period 202104)

Finance & Trading cont.

- Asset Maintenance Playgrounds
- Asset Maintenance Support & Salaries
- Asset Maintenance Sewage Treatment Plants
- Asset Maintenance Public Toilets
- Bus Station
- Car Parking - On Street
- CCTV
- Civil Protection
- Emergency
- Estates Management - Buildings
- Estates Management - Grounds
- Housing Premises
- Kent Resource Partnership
- Markets
- Parking Enforcement - Tandridge DC
- Parks and Recreation Grounds
- Parks - Greensand Commons Project
- Parks - Rural
- Asset Maintenance Operatives
- Public Transport Support
- Administrative Expenses - Direct Services
- Administrative Expenses - Property
- Administrative Expenses - Transport
- Street Cleansing
- Support - Central Offices

Y-T-D	Y-T-D	Y-T-D	Annual	Annual	Forecast
Actual	Budget	Variance as at	Budget	Forecast	Annual
£'000	£'000	y-t-d	£'000	(including	Annual
		£'000		Accruals)	Variance
				£'000	£'000
2	3	(1)	8	8	-
13	63	(50)	236	236	-
-	3	(3)	9	9	-
-	2	(2)	7	7	-
15	10	6	7	7	-
136	(177)	312	(480)	182	662
132	112	20	277	277	-
17	25	(8)	69	69	-
22	23	(1)	69	69	-
72	34	38	(2)	(2)	-
41	42	(0)	125	125	-
(8)	(5)	(4)	16	16	-
(131)	(221)	90	-	-	-
(19)	(64)	45	(192)	(192)	-
(9)	(7)	(1)	(29)	(51)	(22)
38	44	(6)	132	132	-
4	-	4	-	-	-
43	53	(10)	163	163	-
11	1	10	4	4	-
-	0	(0)	0	0	-
1	-	1	-	-	-
1	1	(0)	3	3	-
1	2	(1)	7	7	-
502	500	2	1,495	1,495	-
301	334	(34)	488	488	-

**Position as at the end of July 2020
(Period 202104)**

Finance & Trading cont.

- Support - Central Offices - Facilities	78	88	(10)
Support - General Admin (Post/Scanning)	43	63	(20)
Support - General Admin (Print Shop)	12	10	2
- Support - General Admin	11	20	(9)
- Support - Health and Safety	3	6	(4)
- Support - Direct Services	10	15	(5)
- Support - Procurement	-	2	(2)
- Support - Property Function	19	18	1
- Public Conveniences	20	19	1
- Dartford Audit Partnership Hub (SDC Costs)	53	74	(21)
Direct Services Trading account	(191)	(116)	(76)
Total Finance & Trading	1,804	1,873	(69)

Y-T-D Actual £'000	Y-T-D Budget £'000	Y-T-D Variance as at y-t-d £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
78	88	(10)	275	275	-
43	63	(20)	189	189	-
12	10	2	(34)	39	73
11	20	(9)	184	184	-
3	6	(4)	19	19	-
10	15	(5)	49	49	-
-	2	(2)	6	6	-
19	18	1	53	53	-
20	19	1	47	47	-
53	74	(21)	-	-	-
(191)	(116)	(76)	(91)	13	104
1,804	1,873	(69)	5,578	7,625	2,047

Position as at the end of July 2020
(Period 202104)

Planning & Regulatory Services

- Administrative Expenses - Planning Services
- Conservation
- Planning Performance Agreement
- LDF Expenditure
- Planning - Appeals
- Planning - CIL Administration
- Planning - Counter
- Planning - Development Management
- Planning - Enforcement
- Planning Policy
- Building Control Partnership Members
- Building Control Partnership Hub (SDC Costs)
- Building Control
- Dangerous Structures
- Dartford Environmental Hub (SDC Costs)
- EH Commercial
- EH Animal Control
- EH Environmental Protection
- Licensing Partnership Hub (Trading)
- Licensing Partnership Members
- Licensing Regime
- Administrative Expenses - Health
- Administrative Expenses - Licensing
- Taxis
- Administrative Expenses - Building Control
- Total Planning & Regulatory Services**

Y-T-D	Y-T-D	Y-T-D	Annual	Annual	Forecast
Actual	Budget	Variance as at y-t-d	Budget	Forecast (including Accruals)	Annual Variance
£'000	£'000	£'000	£'000	£'000	£'000
11	7	3	48	86	39
44	39	4	118	135	17
16	-	16	-	25	25
1	-	1	-	-	-
60	58	2	212	216	4
9	11	(2)	(67)	(53)	14
-	(2)	2	(6)	(2)	4
124	78	46	252	417	165
103	100	3	299	316	17
124	146	(22)	535	465	(70)
0	-	0	-	-	-
134	132	2	-	-	-
(46)	(42)	(4)	(127)	(82)	45
0	1	(1)	3	3	-
217	234	(17)	-	-	-
95	94	1	281	285	4
4	2	1	4	18	14
131	126	4	387	391	4
22	14	7	-	-	-
-	-	-	-	-	-
(21)	(23)	2	(7)	18	25
1	3	(2)	9	0	(9)
0	2	(2)	8	1	(7)
13	2	11	35	90	55
1	4	(3)	12	2	(10)
1,039	987	51	1,997	2,333	336

4. Cumulative Salary Monitoring

Position as at the end of July 2020
(Period 202104)

People & Places

- People & Places
- People & Places - Housing
- Strategic Properties

Customer & Resources

- Corporate Services
- Revenues & Benefits

Finance & Trading

- Finance
- Parking & Amenity Services
- Operational Services
- Property Services

Planning & Regulatory Services

- Planning
- Building Control
- Environmental Health
- Licensing

Sub Total

Council Wide - Vacant Posts

Staff Recruitment and Retention

TOTAL SDC Funded Salary Costs

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.

People & Places (Ext)

People & Places - Housing (Ext)

KRP (Ext)

TOTAL All Salary Costs

Y-T-D	Annual	Annual	Annual	Annual
Actual	Budget	Forecast	Variance	Variance
£'000	£'000	£'000	£'000	%
570	1,555	1,555	0	-
271	532	532	0	-
157	576	576	0	-
143	447	447	0	-
1,353	4,217	4,220	3	0
837	2,599	2,586	(13)	
515	1,618	1,633	16	1
2,198	7,117	7,065	(52)	(1)
538	1,713	1,696	(17)	(1)
183	501	501	0	-
1,282	4,298	4,263	(35)	(1)
195	606	606	0	-
1,202	3,753	3,704	(50)	(1)
713	2,221	2,172	(50)	(2)
118	373	373	0	-
215	696	696	0	-
156	463	463	0	-
5,323	16,643	16,544	(99)	(2)
0	(112)	(52)	60	-
0	72	72	0	-
5,323	16,603	16,564	(39)	(0)
159	505	505	0	-
48	178	178	0	-
40	123	123	0	-
246	806	806	0	-
5,569	17,410	17,371	(39)	(0)

6 Investment Returns

	Actuals 18/19	Actuals 19/20	Actuals 20/21	Budget 20/21	Variance	Forecast 20/21
APR	14,566	18,908	13190	24,977	-11,787	13,200
MAY	17,690	18,243	10041	24,770	-14,729	10,000
JUN	20,233	24,341	10719	21,274	-10,555	10,700
JUL	18,443	18,166	8761	23,790	-15,029	8,800
AUG	20,224	18,891		24,730		24,700
SEP	21,831	29,495		25,700		25,700
OCT	27,864	18,586		24,127		24,100
NOV	23,808	19,520		25,789		25,800
DEC	25,281	32,723		28,331		28,300
JAN	32,513	20,620		30,020		30,000
FEB	22,411	19,034		26,511		26,500
MAR	25,803	15,768		19,981		20,000
	270,667	254,295	42,711	300,000	-52,100	247,800

INVESTMENT RETURNS (CUMULATIVE)

	Actuals 18/19	Actuals 19/20	Actuals 20/21	Budget 20/21	Variance	Forecast 20/21
APR	14,566	18,908	13,190	24,977	-11,787	13,200
MAY	32,256	37,151	23,231	49,747	-26,516	23,200
JUN	52,489	61,492	33,950	71,021	-37,071	33,900
JUL	70,932	79,658	42,711	94,811	-52,100	42,700
AUG	91,156	98,549		119,541		67,400
SEP	112,987	128,044		145,241		93,100
OCT	140,851	146,630		169,368		117,200
NOV	164,659	166,150		195,157		143,000
DEC	189,940	198,873		223,488		171,300
JAN	222,453	219,493		253,508		201,300
FEB	244,864	238,527		280,019		227,800
MAR	270,667	254,295		300,000		247,800

BUDGET FOR 2019/20 300,000
FORECAST OUTTURN 247,800

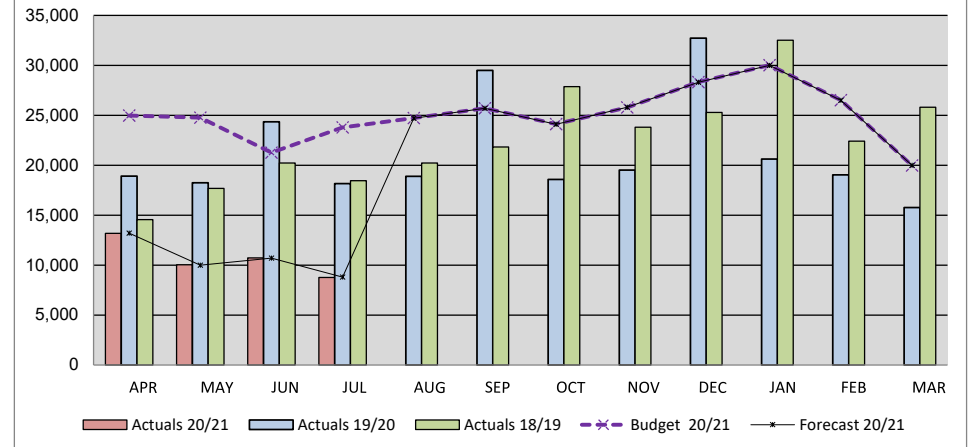
CODE:- YHAA 96900

N.B.

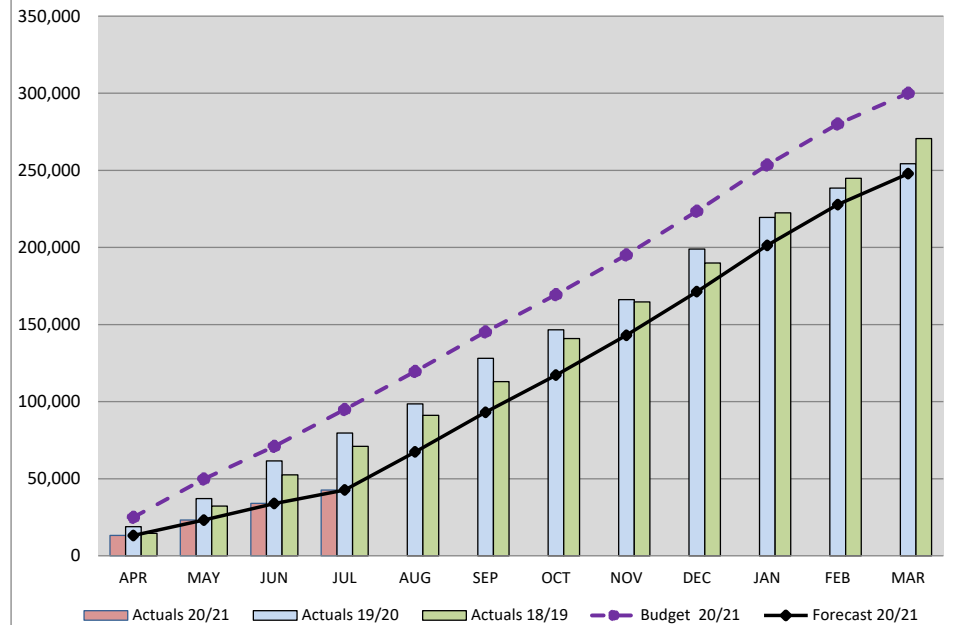
These are the gross interest receipts rather than the interest remaining in the General Fund

Fund Average 0.5977%
7 Day LIBID -0.0467%
3 Month LIBID 0.2633%

Investment Returns



Cumulative Investment Returns



10. Capital

Position as at the end of July 2020 (Period 202104)

People & Places

RHPCG 10-11 SDC	-	-	-
WKHA Adaps for Disab Financing Costs Advances	33	-	-
Affordable Housing	16	-	-
Improvement Grants	29	1,100	1,100
Improvement Grants HIA (DFG) - Capital	130	-	-
Whiteoak Leisure Centre	1,530	7,500	7,500

Finance & Trading

Vehicle Purchases	55	548	548
CCTV	-	-	-
Buckhurst 2 Multi-Storey Car Park	3	-	-
Buckhurst 2 - Housing	462	-	-
Bradbourne Car Park	-	-	-
Junction Works - Suffolk Way/High Street	-	-	-
Property Investment Strategy - Capital	-	-	-
Property Investment Strategy	-	5,000	5,000
PIS 1st Floor Suffolk House - Refurbishment	-	-	-

Planning & Regulatory

S106 Capital	12	-	-
Horton Kirby Village Hall	-	-	-
CIL Other	-	-	-
CIL Parish Councils	179	-	-

Total Capital

Actual	Budget	Forecast (including Accruals)
£'000	£'000	£'000
2,449	14,148	14,148

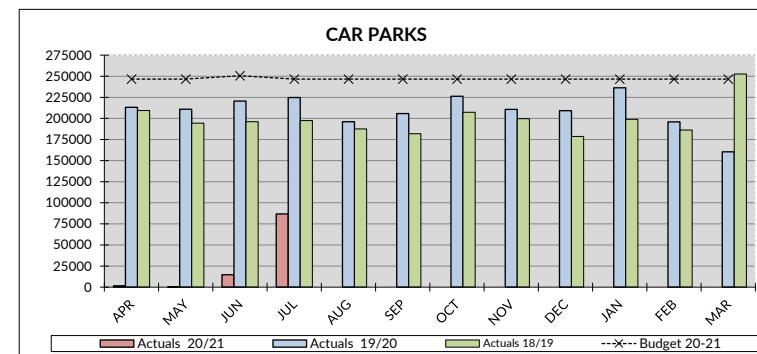
8 Income Graphs Summary

		Comparison of 19/20 and 20/21, where brackets show increased income	MANAGER'S PROFILED BUDGET	Variance, where brackets are favourable	ANNUAL BUDGET 2020/21	Annual Forecast
CAR PARKS	103,018	766,229	990,412	887,394	2,963,237	(1,909,286)
ON-STREET PARKING	67,377	311,570	365,653	298,277	1,096,960	(662,083)
LAND CHARGES	37,834	22,187	71,796	33,962	215,388	-
BUILDING CONTROL	167,474	20,991	163,632	(3,842)	490,896	-
DEVELOPMENT MANAGEMENT	261,356	113,044	308,146	46,789	924,437	-
	637,059	1,234,020	1,899,639	1,262,580	5,690,918	(2,571,369)

CAR PARKS (HWCARPK)

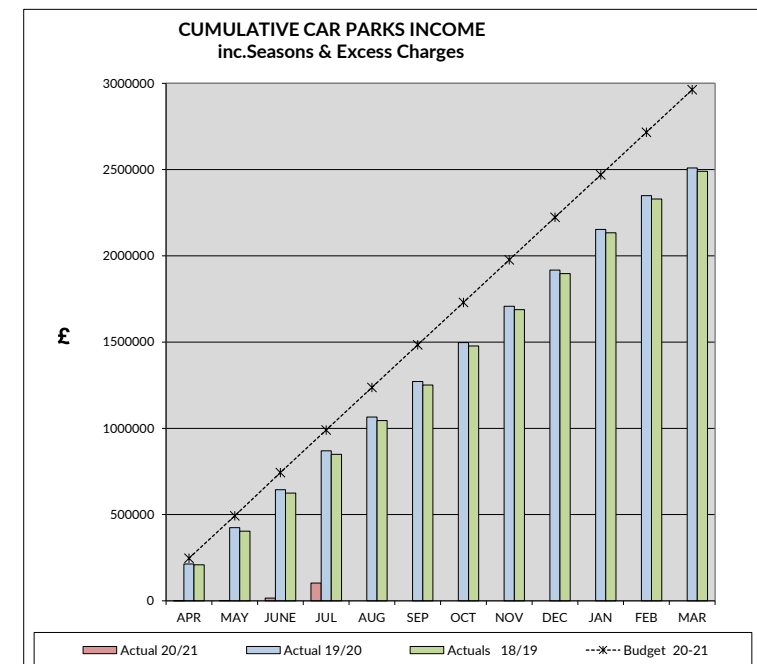
	Actuals 18/19	Actuals 19/20	Actuals 20/21	Increase / decrease from 19/20 to 20/21	Budget 20-21	Variance (Budget-Actuals)	Manager's Forecast
1 APR	209,387	213,119	1513	211,606	246,603	245,090	
2 MAY	194,451	210,813	158	210,655	246,603	246,445	
3 JUN	196,119	220,637	14588	206,049	250,603	236,015	
4 JUL	197,332	224,678	86759	137,919	246,603	159,844	
5 AUG	187,490	196,164			246,603		
6 SEP	181,917	205,737			246,603		
7 OCT	207,316	226,210			246,603		
8 NOV	199,634	210,651			246,603		
9 DEC	178,551	209,265			246,603		
10 JAN	198,858	236,228			246,603		
11 FEB	186,163	195,940			246,603		
12 MAR	252,653	160,439			246,603		(1,909,286)
	2,389,870	2,509,881	103,018	766,229	2,963,237	887,394	(1,909,286)

NOTE: Budget Profiles to be reviewed



CAR PARKS (CUMULATIVE)

	Actuals 18/19	Actual 19/20	Actual 20/21	Cumulative increase / decrease from 19/20 to 20/21	Budget 20-21	Variance (Budget-Actuals)	Manager's Forecast
APR	209,387	213,119	1513	211,606	246,603	245,090	
MAY	403,838	423,932	1671	422,261	493,206	491,535	
JUNE	624,475	644,570	16260	628,310	743,809	727,550	
JUL	849,153	869,247	103018	766,229	990,412	887,394	
AUG	1,045,317	1,065,411			1,237,015		
SEP	1,251,053	1,271,148			1,483,618		
OCT	1,477,263	1,497,358			1,730,222		
NOV	1,687,914	1,708,009			1,976,825		
DEC	1,897,180	1,917,274			2,223,428		
JAN	2,133,408	2,153,502			2,470,031		
FEB	2,329,348	2,349,442			2,716,634		
MAR	2,489,787	2,509,881			2,963,237		(1,909,286)



Jul-20

HWCARPK

	Actual (Cumulative)	Budget	(Monthly)
DAY TICKETS	3300	77,831	66,910
EXCESS / PENALTY CHARGES	***1/***3	-	-
SEASON TICKETS	***2	(3,562)	(3,562)
SEASON TICKET CAR PARK	3310	23,438	128,869
OTHER (inc.Res.Pkg)	***9	-	2,263
WAIVERS	3404	290	90
RENT	94500	5,022	9,000
Business Permits	3406 /3408	-	-
	103,018	990,412	86,759

ON-STREET PARKING (HWDCRIM / HWENFORC)

	Actual 18/19	Actual 19/20	Actual 20/21	Increase / decrease from 19/20 to 20/21	Budget 20/21	Variance (Budget-Actuals)	Manager's Forecast
1 APR	91,515	85,115	7676	77,439	91,413	83,737	
2 MAY	80,099	95,338	3884	91,454	91,413	87,529	
3 JUN	130,688	91,102	16355	74,747	91,413	75,058	
4 JUL	97,678	107,391	39461	67,930	91,413	51,952	
5 AUG	97,434	81,797			91,413		
6 SEP	79,445	79,308			91,413		
7 OCT	106,690	97,818			91,413		
8 NOV	89,993	87,032			91,413		
9 DEC	73,861	79,729			91,413		
10 JAN	99,112	88,036			91,413		
11 FEB	86,373	102,372			91,413		
12 MAR	92,426	72,578			91,413		-662,083
	1,125,314	1,067,616	67,377	311,570	1,096,960	298,277	-662,083

ON-STREET PARKING (CUMULATIVE)

	Actuals 18/19	Actuals 19/20	Actuals 20/21	Cumulative increase / decrease from 19/20 to 20/21	Budget 20/21	Variance (Budget-Actuals)	Manager's Forecast
APR	91,515	85,115	7675.99	77,439	91,413	83,737	
MAY	171,613	180,453	11,560	168,893	182,827	171,266	
JUNE	262,715	271,555	27,915	243,640	274,240	246,325	
JUL	370,107	378,947	67,377	311,570	365,653	298,277	
AUG	451,904	460,744			457,067		
SEP	531,212	540,052			548,480		
OCT	629,030	637,870			639,893		
NOV	716,061	724,901			731,307		
DEC	795,790	804,630			822,720		
JAN	883,826	892,666			914,133		
FEB	986,198	995,038			1,005,547		
MAR	1,058,776	1,067,616			1,096,960		

Jul-20

CUMULATIVE BREAKDOWN

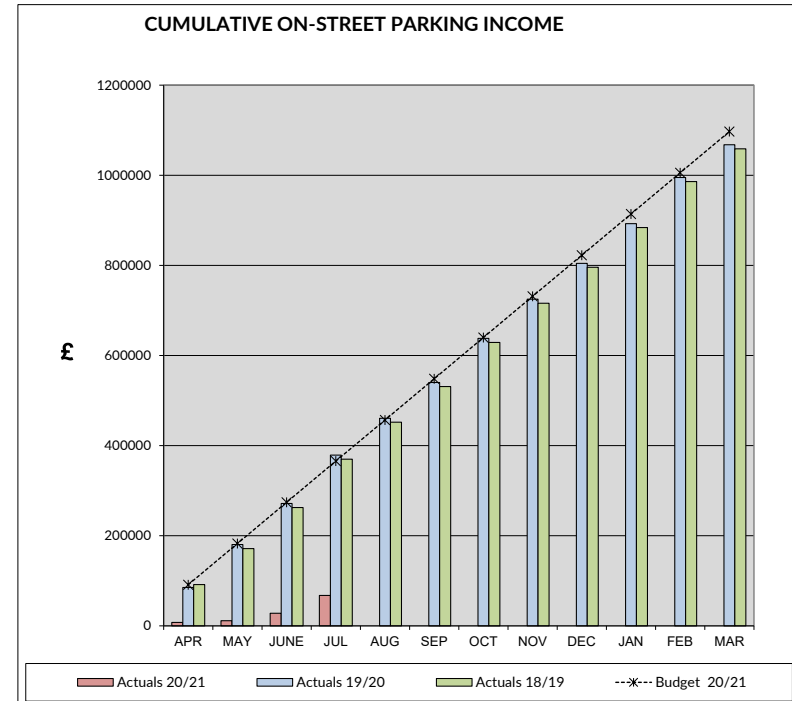
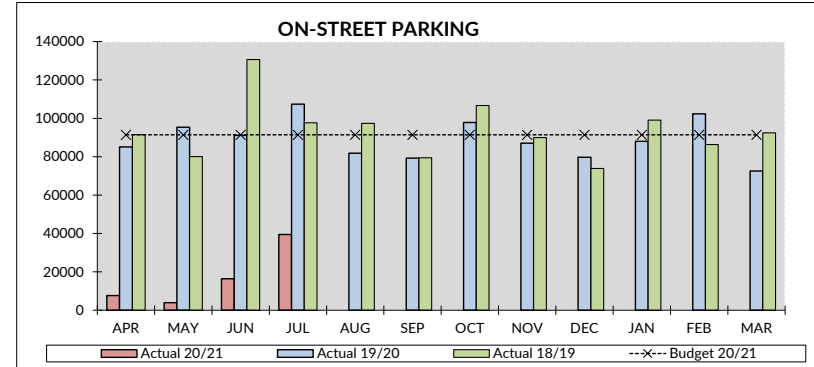
HWDCRIM / HWENFORC

	Actual (Cumulative)	Budget	(Monthly)
PENALTY NOTICES & EXCESS CH/ 3403/****1	16,926	119,058	8,229
WAIVERS 3404	7,841	3,771	4,611
RESIDENTS PERMITS 3406	22,270	18,103	8,533
ON STREET PARKING 3300	20,185	193,419	18,230
BUSINESS PERMITS 3408	(11)	31,302	(306)
Driveway Access Protection Lines 3405	165	-	165
OTHER 9999	-	-	
	67,376	365,653	39,461

0

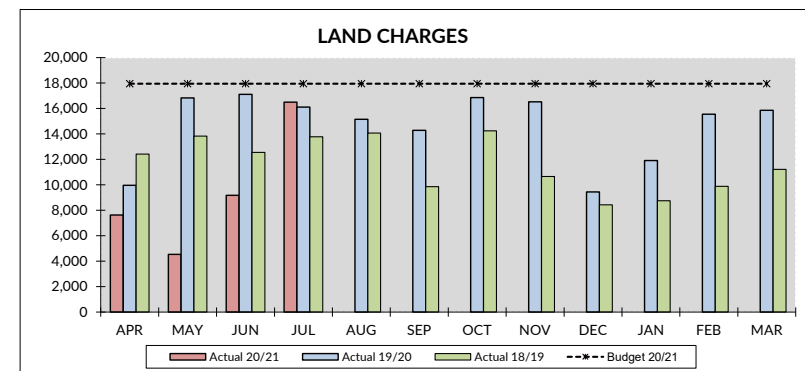
0

0



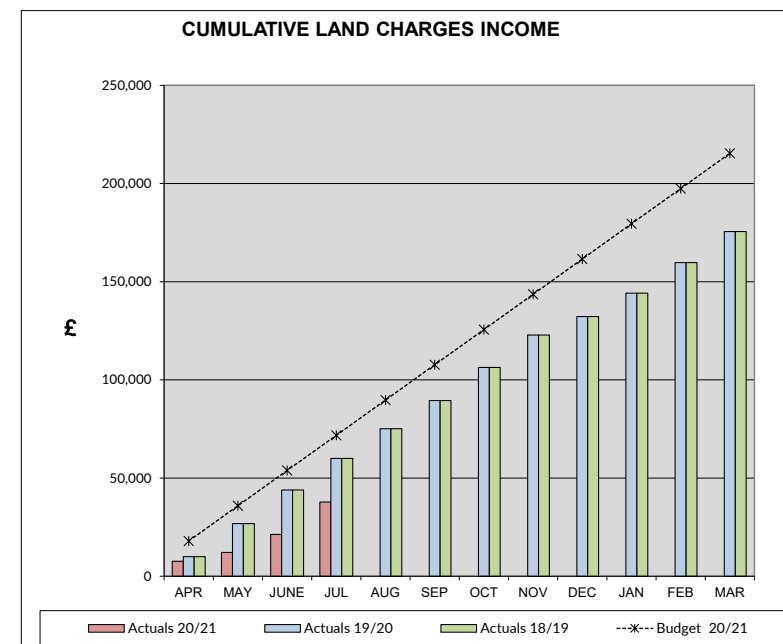
LAND CHARGES (LPLNDCH)

	Actual 18/19	Actual 19/20	Actual 20/21	Increase / decrease from 19/20	Budget 20/21	Variance (Budget-Actuals)	Manager's Forecast
1 APR	12,416	9,967	7,630	2,337	17,949	10,319	
2 MAY	13,827	16,828	4,532	12,296	17,949	13,417	
3 JUN	12,546	17,112	9,171	7,941	17,949	8,778	
4 JUL	13,782	16,113	16,500	(387)	17,949	1,449	
5 AUG	14,070	15,149			17,949		
6 SEP	9,855	14,286			17,949		
7 OCT	14,249	16,854			17,949		
8 NOV	10,650	16,519			17,949		
9 DEC	8,425	9,444			17,949		
10 JAN	8,755	11,917			17,949		
11 FEB	9,882	15,554			17,949		
12 MAR	11,220	15,857			17,949		
	139,678	175,599	37,834	22,187	215,388	33,962	-



LAND CHARGES (CUMULATIVE)

	Actuals 18/19	Actuals 19/20	Actuals 20/21	Cumulative increase / decrease from 19/20	Budget 20/21	Variance (Budget-Actuals)	Manager's Forecast
APR	9,967	9,967	7,630	2,337	17,949	10,319	
MAY	26,795	26,795	12,162	14,633	35,898	23,736	
JUNE	43,907	43,907	21,334	22,573	53,847	32,513	
JUL	60,020	60,020	37,834	22,187	71,796	33,962	
AUG	75,169	75,169			89,745		
SEP	89,455	89,455			107,694		
OCT	106,309	106,309			125,643		
NOV	122,828	122,828			143,592		
DEC	132,272	132,272			161,541		
JAN	144,188	144,188			179,490		
FEB	159,742	159,742			197,439		
MAR	175,599	175,599			215,388		-



Jul-20

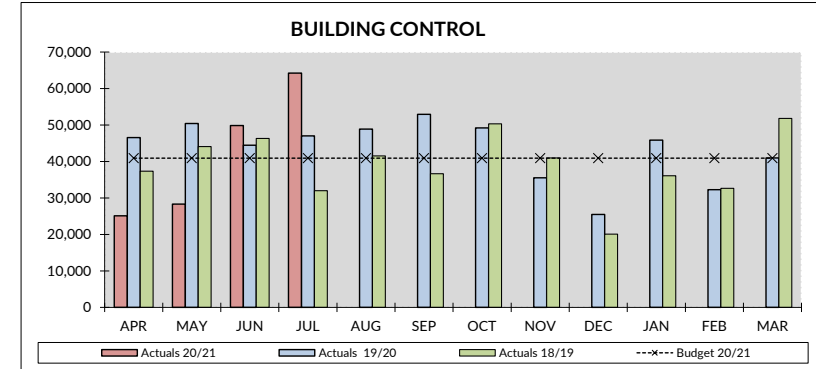
LPLNDCH

Searches Received - Paper
Searches Received - Electronic
Searches Received - Personal

	Received (Month)	Percentage (Month)	Percentage (Month 19/20)	(Cumulative)
£105	0	%	1%	5
£86	105	35%	39%	256
£0	197	65%	60%	391
	302	100%	100%	652

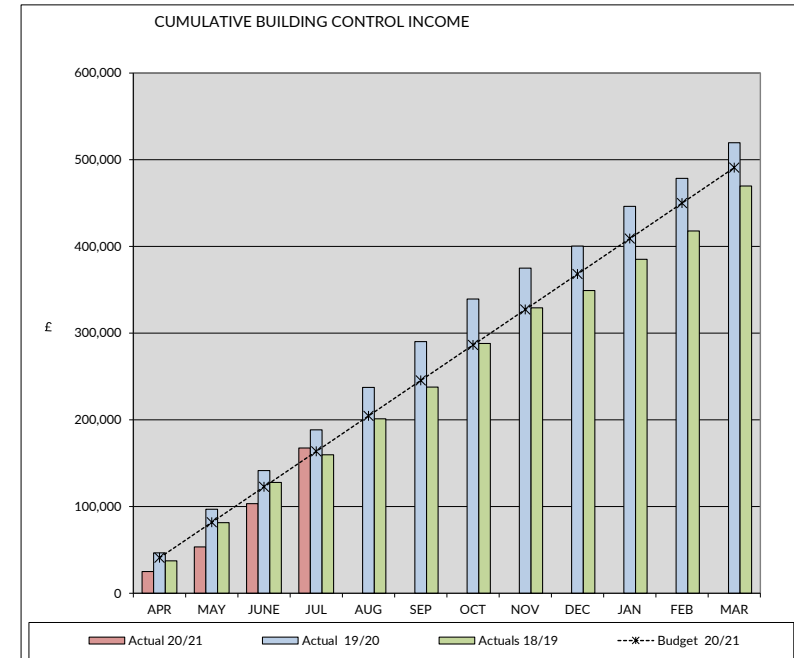
BUILDING CONTROL (DVBCFEE)

	Actuals 18/19	Actuals 19/20	Actuals 20/21	Increase / decrease from 19/20 to 20/21	Budget 20/21	Variance (Budget-Actuals)	Manager's Forecast
1 APR	37,342	46,552	25,107	21,445	40,908	15,801	
2 MAY	44,099	50,427	28,305	22,121	40,908	12,603	
3 JUN	46,293	44,461	49,857	(5,396)	40,908	(8,949)	
4 JUL	32,009	47,025	64,205	(17,180)	40,908	(23,297)	
5 AUG	41,516	48,869			40,908		
6 SEP	36,624	52,900			40,908		
7 OCT	50,302	49,220			40,908		
8 NOV	40,944	35,500			40,908		
9 DEC	20,059	25,489			40,908		
10 JAN	36,097	45,849			40,908		
11 FEB	32,648	32,288			40,908		
12 MAR	51,799	40,975			40,908		
	469,732	519,556	167,474	20,991	490,896	(3,842)	0



BUILDING CONTROL (CUMULATIVE)

	Actuals 18/19	Actual 19/20	Actual 20/21	Cumulative increase / decrease from 19/20-20/21	Budget 20/21	Variance (Budget-Actuals)	Manager's Forecast
APR	37,342	46,552	25,107	21,445	40,908	15,801	
MAY	81,441	96,978	53,412	43,566	81,816	28,404	
JUNE	127,734	141,439	103,269	38,170	122,724	19,455	
JUL	159,743	188,464	167,474	20,991	163,632	(3,842)	
AUG	201,259	237,334			204,540		
SEP	237,883	290,234			245,448		
OCT	288,185	339,454			286,356		
NOV	329,129	374,954			327,264		
DEC	349,188	400,444			368,172		
JAN	385,285	446,292			409,080		
FEB	417,933	478,580			449,988		
MAR	469,732	519,556			490,896		0



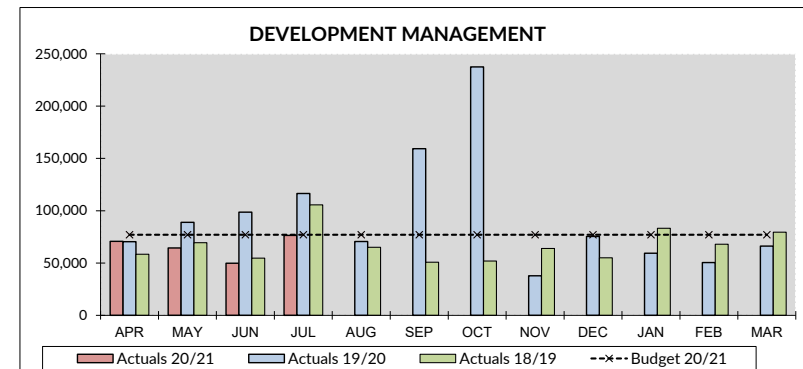
Jul-20

DVBCFEE

	Actual (Cumulative)	Budget	(Monthly)
Plan Fee	3066	112,349	101,577
Inspection Fee	3067	53,865	62,055
Other	9999	1,260	
New Burdens Grant	3905		
	<u>167,474</u>	<u>163,632</u>	<u>64,205</u>
	-	0.00	-

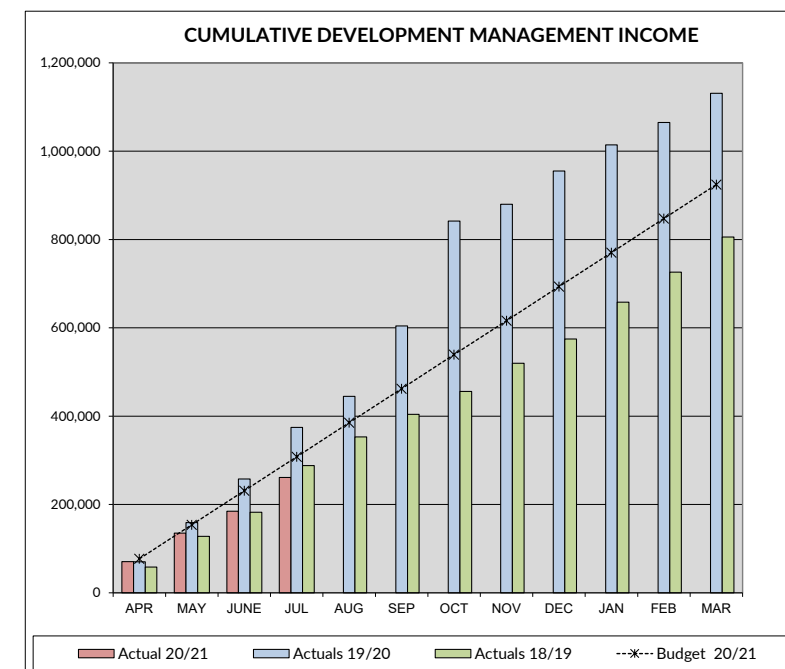
DEVELOPMENT MANAGEMENT (DVDEVCT/DVDEVRND)

	Actuals 18/19	Actuals 19/20	Actuals 20/21	Increase / decrease from 19/20 - 20/21	Budget 20/21	Variance (Budget-Actuals)	Manager's Forecast
1 APR	58,404	70,363	70,765	(402)	77,036	6,271	
2 MAY	69,455	88,827	64,358	24,469	77,036	12,678	
3 JUN	54,668	98,710	49,790	48,920	77,036	27,246	
4 JUL	105,667	116,501	76,443	40,057	77,036	593	
5 AUG	64,977	70,614			77,036		
6 SEP	50,827	159,361			77,036		
7 OCT	51,985	237,506			77,036		
8 NOV	63,941	37,774			77,036		
9 DEC	54,926	75,475			77,036		
10 JAN	83,258	59,329			77,036		
11 FEB	67,922	50,534			77,036		
12 MAR	79,480	66,253			77,036		
	805,509	1,131,247	261,356	113,044	924,437	46,789	



DEVELOPMENT MANAGEMENT (CUMULATIVE)

	Actuals 18/19	Actuals 19/20	Actual 20/21	Cumulative increase / decrease from 19/20 - 20/21	Budget 20/21	Variance (Budget-Actuals)	Manager's Forecast
APR	58,404	70,363	70,765	(402)	77,036	6,271	
MAY	127,859	159,190	135,123	24,066	154,073	18,949	
JUNE	182,526	257,900	184,913	72,986	231,109	46,196	
JUL	288,193	374,400	261,356	113,044	308,146	46,789	
AUG	353,170	445,014			385,182		
SEP	403,997	604,376			462,219		
OCT	455,982	841,882			539,255		
NOV	519,923	879,656			616,291		
DEC	574,849	955,131			693,328		
JAN	658,107	1,014,460			770,364		
FEB	726,029	1,064,994			847,401		
MAR	805,509	1,131,247			924,437		



Jul-20

DVDEVCT/DVDEVRND

	Actual (Cumulative)	Budget	(Monthly)
Planning Application Fees	94300/3009	213,891	271043
Other	94300/9999	(895)	0
Pre-application Fees	94301	45,360	33210
Monitoring Fees	94302	3,000	3892
RECH-Other A/C'S	98100		
	<u>261,356</u>	<u>308,146</u>	<u>76,443</u>

- 0.00 0 -

FINANCIAL PERFORMANCE INDICATORS 2020/21 - TO THE END OF JULY 2020

Finance & Investment Advisory Committee - 8 September 2020

Report of Chief Officer Finance and Trading

Status: For Consideration

Key Decision: No

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

Portfolio Holder Cllr Matthew Dickins

Contact Officer Alan Mitchell Ext. 7483

Recommendation to Finance Advisory Committee: 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 ten 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, and figures for the previous year are given for comparison.
- 3 Use of these indicators assists management in highlighting areas where performance has an impact on the financial outturn for the authority.
- 4 There are no salary or FTE performance indicators in this report as the reports are currently being updated

Key Implications

Financial

There are no financial implications arising from 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.

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.

Conclusions

That Members note the report.

Appendices

Appendix A - Performance Indicators - July 2020
(Tables)

Appendix B - Performance Indicators - July 2020
(Graphs)

Background Papers:

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer Finance and Trading

Finance Advisory Committee Finance Performance Indicators 2020/21
as at end July 2020

Appendix A

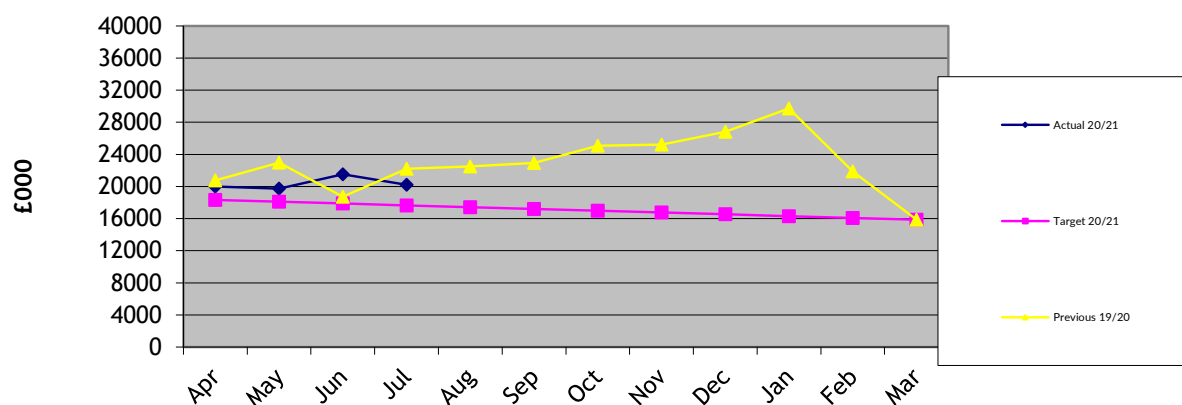
Indicator	Target	Actual	Variance	Variance (%)	Notes	Graph
Monthly investment balance (£000)	17,653	20,220	2,567	14.5%	Indicator represents total investments at month end. Investment balances continue to exceed target levels. Capital payments in relation to Buckhurst 2 car park scheme will continue for the remainder of the financial year; £5.25m of PWLB borrowing was acquired in November 17 in relation to this scheme.	1
Council Tax % collected for 2019/20	32.3	38.7	6.4	19.7 %	LPIFS 19. Monthly cumulative figures.	-
NNDR % collected for 2019/20	39.0	36.3	(2.7)	(6.9)%	LPIFS 20. Monthly cumulative figures.	-
Council Tax payers % on direct debit	72.0	80.8	8.8	12.2%	LPIFS 8 - % on direct debit.	4
Investment return - fund average	0.75	0.56	(0.19)	(25.3)%	Cumulative return on investments. Target is per Treasury strategy.	5
Investment return % - 3 month LIBID		0.19				
Investment return % - 7 day LIBID		-0.05				

Indicator	Target	Actual	Variance	Variance (%)	Notes	Graph
Investment return £	94,811	42,711	(52,100)		The budget assumption is £300,000 for full year, target and actual are year to date.	6
Sundry debtors: debts over 30 days (£000)	50	101	51.0	102.0 %	30 days is taken as the base as the first reminder is issued after 3 wks. Total debts exclude items on 'indefinite hold', e.g. debtors in administration or where the service has asked to defer follow up action whilst they make further investigations. The total amount of debts raised in the past 12 months was £4.914m. Debts over 30 days represents 0.88% of the debts raised in the past 12 months (ie 99.12% collected within terms).	7
Sundry debtors: debts over 61 days (£000)	30	86	56.0	186.7 %	61 days is when the third reminder is issued. The total amount of debts raised in the past 12 months was £4.914m. Debts still unpaid after 60 days represents 0.69% of the debts raised in the past 12 months (ie 99.31% collected).	8

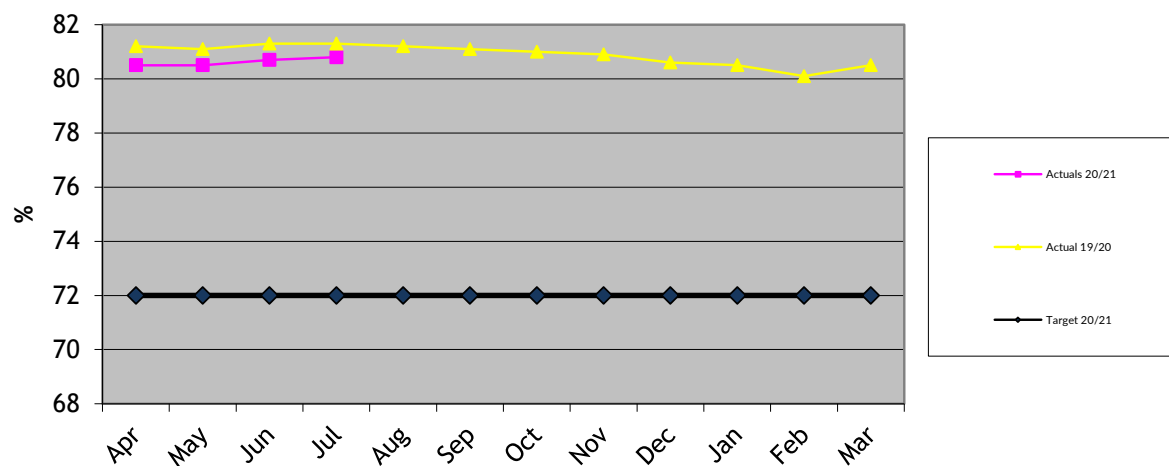
Finance Advisory Committee Finance Performance Indicators 2020/21
as at end July 2020

Appendix B

Graph 1 - Monthly Investment Balance



Graph 4 - Council Tax % on direct debit

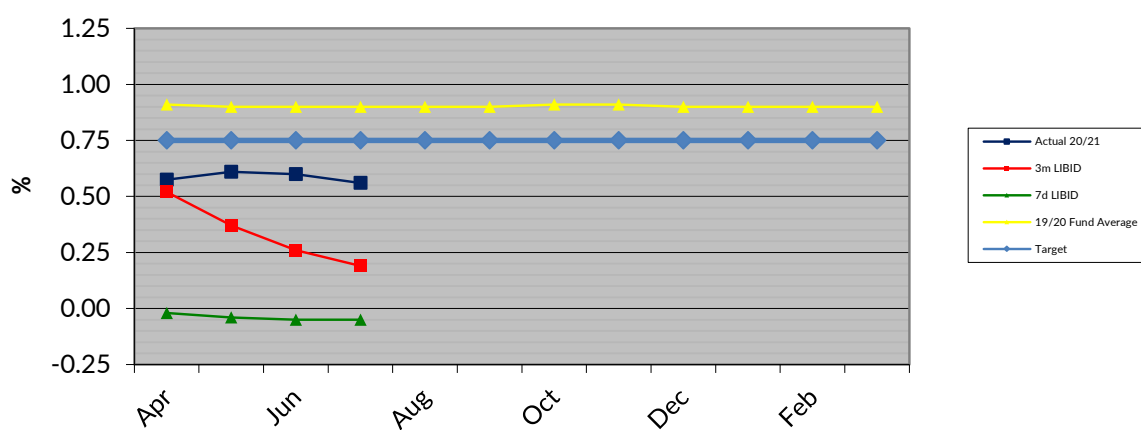


Agenda Item 8

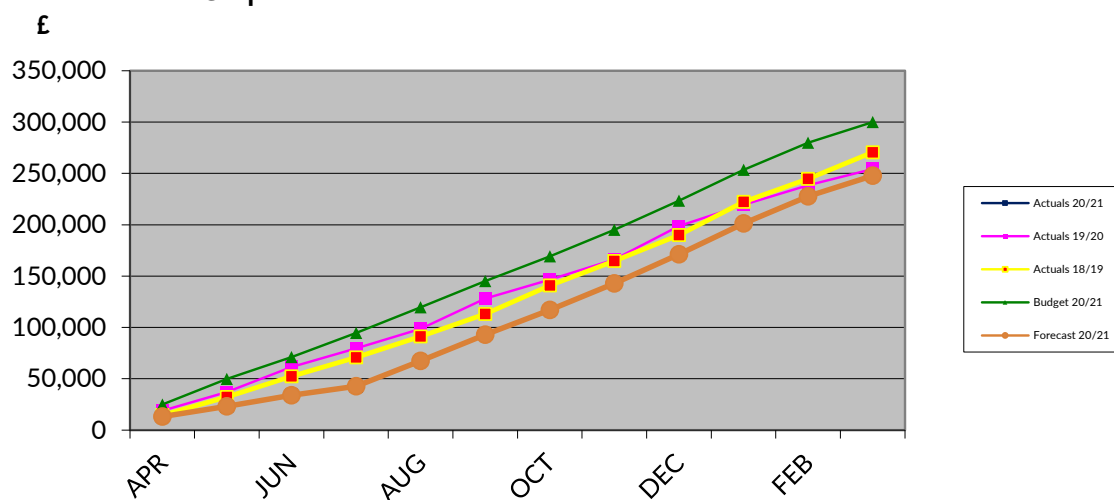
Finance Advisory Committee Finance Performance Indicators 2020/21
as at end July 2020

Appendix B

Graph 5 - Investment Return %



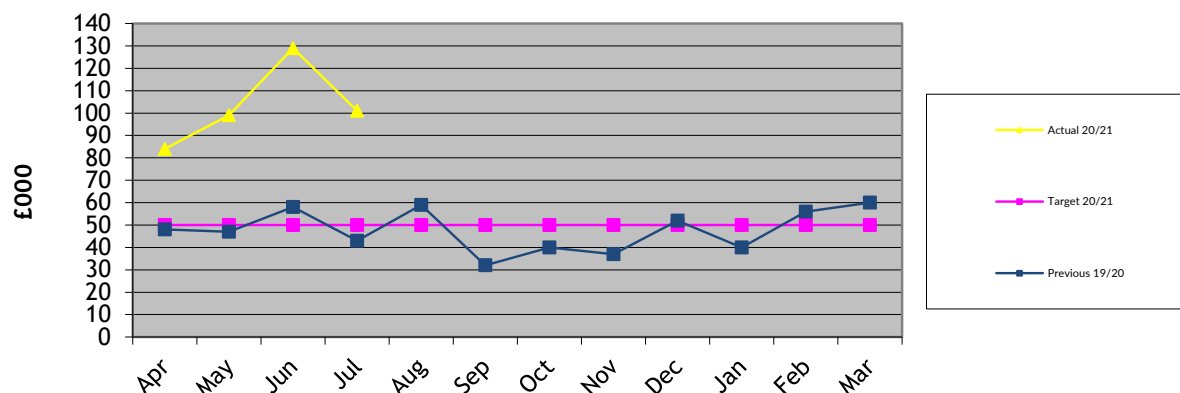
Graph 6 - Investment Return £



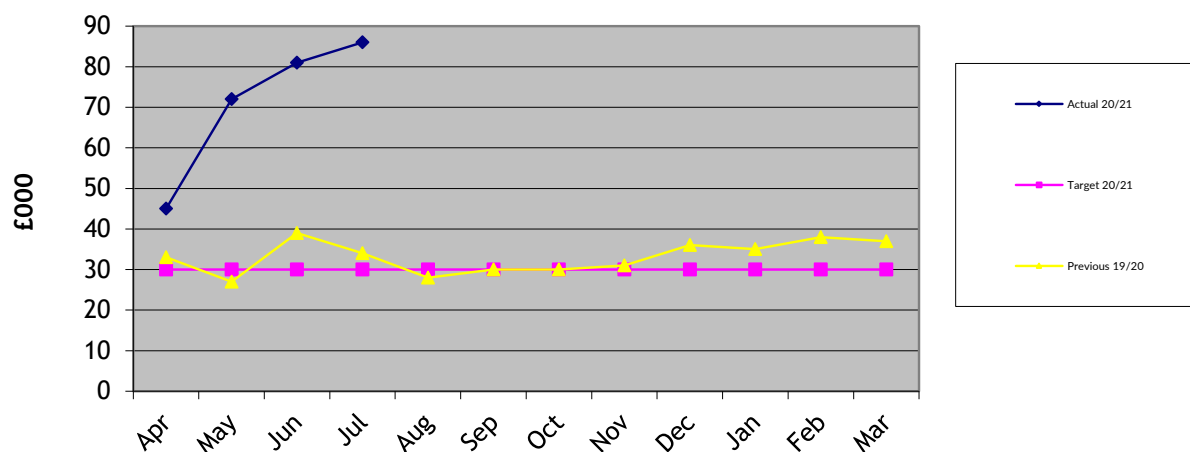
Finance Advisory Committee Finance Performance Indicators 2020/21
as at end July 2020

Appendix B

Graph 7 - Sundry debts over 30 days



Graph 8 - Sundry debts over 61 days



This page is intentionally left blank

FINANCIAL PROSPECTS AND BUDGET STRATEGY 2021/22 AND BEYOND

Finance and Investment Advisory Committee - 8 September 2020

Report of	Deputy Chief Executive and Chief Officer - Finance and Trading
Status	For Decision
Also considered by	Cabinet - 17 September 2020
Key Decision	No

Executive Summary:

This Financial Prospects Report is the first report of the Council's budget setting process for 2021/22 onwards. It sets out the financial pressures the Council is likely to face in the coming years and suggests an appropriate strategy, utilising the 10-year budget framework first adopted in 2011/12, to ensure the Council remains financially stable over the long term.

Informed by the latest information from Government and discussions with the Portfolio Holder, the report proposes 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 be more challenging this year due to the financial impact of the Covid-19 pandemic.

It is intended to shorten the budget process this year so that the Council's budget is set at the November Council meeting instead of the February Council meeting. This should enable any changes to be implemented with effect from 1 April 2021 and the period of uncertainty for staff minimised.

The annual budget gap included in this report is £826,000 which is largely due to Covid-19. Growth and savings proposals will be presented to the Advisory Committees and Cabinet, and their recommendations will be considered as part of the process to remove this gap.

By addressing the issues this year, this Council will once again be in a strong financial position that other councils would aspire to.

Portfolio Holder Cllr. Matthew Dickins

Contact Officers Adrian Rowbotham, Ext. 7153

Alan Mitchell, Ext. 7483

Recommendation to Finance and Investment Advisory Committee:

Advise Cabinet with views on the ten-year financial planning approach and principles set out in the report.

Recommendation to Cabinet:

- (a) That subject to the views of the Finance and Investment Advisory Committee, endorse the ten-year financial planning approach and principles set out in this report;
- (b) request Advisory Committees to review the Service Dashboards and advise Cabinet of possible growth and savings options;
- (c) request officers to continue to review the assumptions in this report and consider options to address the budget gap, that is largely related to Covid-19, and report back to Cabinet on 15 October 2020.

Introduction and Background

- 1 The Council's financial strategy over the past sixteen 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; and
 - 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; and
 - generating more income.
- 6 The intention of this report is to enable Members to give consideration to the pressures likely to be faced by the Council and put in place a long-term solution that ensures service reductions are minimised. This report sets out the high-level approach and principles but later reports in the budget setting process will provide further details to assist in balancing the budget.

Financial Self-Sufficiency

- 7 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.
- 8 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.
- 9 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.
- 10 The Council's decision to seek to become financially self-sufficient was subject to scrutiny by the Local Government Association's 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'.
- 11 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

Agenda Item 9

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 0.6%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 2.6% 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.

- 12 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. Last year 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 will not be addressed during this 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.

Financial Pressures 2021/22 to 2030/31

Overall Summary

- 13 The Covid-19 pandemic has raised a new level of financial impacts that could not reasonably have been foreseen and were not previously considered in the 10-year budget. As a result, this budget process is likely to be significantly more challenging than recent years.
- 14 In addition to the need to make financial savings from April 2021, the Council will have to continue to progress its savings plan and maintain tight control over net expenditure in order to deliver its 10-year budget.
- 15 The 10-year budget set out in **Appendix B** has been updated from the version agreed by Council on 4 February 2020 to reflect the changes listed in **Appendix C**.
- 16 These changes result in an annual budget gap of £826,000. Options to address this gap will be presented as Service Change Impact Assessments (SCIAs) to each of the Advisory Committees and also in the Budget Update report to Cabinet on 15 October 2020.
- 17 Looking at expenditure, inflation is running at 1.0% (CPI at July 2020).
- 18 The timing of the next Government Comprehensive Spending Review and the results of the 'Fair Funding Review' and 'Business Rates Retention Reform' remain unknown. All of these events may have a financial impact on this council and officers will update the 10-year budget when announcements are made.
- 19 Based on previous years, the Provisional Local Government Finance Settlement for 2021/22 is likely to be announced in December but it is not expected to have a significant impact on this council's budget.

- 20 The paragraphs that follow set out the position in more detail and assess the impact on the current 10-year budget.

Covid-19 Financial Impact

- 21 A Covid-19 Financial Impact report was presented to Finance & Investment Advisory Committee (FIAC) and Cabinet in July.
- 22 This report highlighted the financial impact in 2019/20 and expected impact in 2020/21. Cabinet approved that the Council should address the financial impact of the Covid-19 response and recovery through the thorough 10-year budget setting process. This will enable Members to continue to make decisions in a structured way with the long-term requirements of the district in mind.
- 23 The 2020/21 financial position remains uncertain and regular Financial Monitoring reports will continue to be presented to FIAC and Cabinet. The full amount of Government support is not yet known including how much of the lost car parking income will be reimbursed. This will affect the 2020/21 outturn position and therefore the managed level of reserves required to balance the budget. This could also have a knock-on effect if less reserves are available than assumed in the budget to be set in November.
- 24 The report also proposed that some of the budget making decisions are brought forward from the February 2021 Council meeting to the November 2020 Council meeting to ensure maximum benefits can be gained from savings and income generation proposals from April 2021. At the same time allowing the Council maximum time to plan and respond to the changes.
- 25 The amount of Government funding for Covid-19 expected in 2020/21 remains uncertain therefore it is not known what the unfunded amount of Covid-19 related expenditure or income losses will be. A review of the reserves held is carried out each year as part of the budget process and that will take place again this year. Reserves may also have to be re-prioritised with some earmarked reserves being reduced or removed to fund any unfunded amount in 2020/21 and support the 10-year budget position.
- 26 Specific Covid-19 financial impacts affecting the 10-year budget period are listed in Appendix C with further details below:
- 27 ***Council Tax Collection Fund deficit in 2020/21*** - the latest forecast shows a collection rate of 96.2% instead of the 99.4% assumption. A deficit is normally recovered in the following year, but the Government has announced that any deficit in 2020/21 can be spread over the following three years instead. The Sevenoaks District Council proportion of the forecast deficit is £363,000.
- 28 ***Council Tax Collection rate reductions 2021/22 and 2022/23*** - the previous collection rate assumption for all years was 99.4%. The assumption for 2021/22 will reduce to 97.9% and 2022/23 will reduce to 98.4%. These changes impact the 10-year budget by £296,000.

Agenda Item 9

- 29 **Reduced income: Car Parking** - this income stream continues to be affected by people changing their working practices and shopping habits. It is currently forecast that car parking income will be 25% below budgeted levels in 2021/22 with the position improving by 5% each year. The impact on the 10-year budget is forecast to be £3.08m.
- 30 **Reduced income: Licensing** - the demand for licences has reduced during the pandemic and it is forecast that this will continue to affect income levels by £15,000 in 2021/22 before returning to normal levels.
- 31 **Interest Receipts** - as mentioned above, the Council's reserves will be re-prioritised and some used to fund the unfunded 2020/21 Covid-19 financial impact and also support the 10-year budget position. This will result in a lower amount being available to invest and therefore interest receipts are expected to reduce. The previous assumptions for interest receipts was £300,000 per annum but this has now been reduced to £188,000.
- 32 **Covid-secure workplace**- increased cleaning of offices and vehicles as well as providing additional PPE, has been required to ensure the Council has a Covid-secure workplace.. It is expected that this will continue to a certain extent going forward to ensure that the council supports the staff to carry out their duties. £18,000 per year is currently included for this.
- 33 **IT costs relating to working from home and new starters** - to maintain a Covid-secure workplace the capacity of the Councils offices has been reduced to a maximum of 80 people. Throughout the pandemic, and until Government guidance on Covid-secure measures changes, a substantial number of staff are required to work from home on a regular basis. It is expected that this will continue in to 2021. Some additional IT equipment is required to enable this to happen effectively and £5,000 per year is currently included for this.

Income

- 34 Each year in the 10-year budget there is about a £4m gap between net service expenditure and Council Tax revenue. While it is reasonable to assume that inflation rates for these two items will generally be similar, inflationary changes of the items which we rely on to bridge the gap may be very different. In particular the council's receipts from Business Rates could be very variable. Members should be aware that significant changes to income assumptions may result in higher levels of savings being required.
- 35 **Government Support: Revenue Support Grant (RSG)** (nil received in 2020/21) - This formula-based grant has significantly reduced since 2010/11 as the emphasis of Government Support has changed, in fact this council received no RSG in 2017/18 and is not expected to receive any in future years. The attached 10-year budget assumes no RSG, if any amounts are received in future years, they will be put into the Financial Plan Reserve to support the 10-year budget including 'invest to save' initiatives and support for the Property Investment Strategy.

- 36 Negative RSG (i.e. where council's pay government) has previously been proposed by government. It was announced by Government that there would not be negative RSG in 2020/21 but this remains a threat going forward.
- 37 **New Homes Bonus (NHB)** (£1.25m received in 2020/21 but not used to fund the revenue budget) - the Government started this new funding stream in 2011/12 from funds top sliced from RSG with the intention that local authorities would be rewarded for new homes being built over a six-year period. The basis of NHB was changed with effect from 2017/18. Previously it was based on cumulative figures for 6 years, but this was reduced to 5 years from 2017/18 and 4 years from 2018/19. In addition, NHB is only received on tax base growth above 0.4% instead of on all growth (known as the deadweight).
- 38 The amounts expected to be received in future years are £641,000 in 2021/22, £329,000 in 2022/23 and nothing in later years. In the same way as RSG, the attached 10-year budget assumes no NHB resulting in there being no reliance on this funding source to support the revenue budget. Any amounts received will be put into the Financial Plan reserve for the same purpose as noted above.
- 39 It is possible that NHB will be replaced by a different funding method to incentivise housing growth in future years
- 40 **Council Tax** (£11.3m) - The Government referendum limit for 2020/21 was an increase of 2% or £5 for a Band D property (2.3% for SDC), if higher. Council agreed to increase Council Tax by 2.3% with the excess above 2% put into a new 'Net Zero Transition Fund'.
- 41 The referendum limit for 2021/22 is not yet known and is expected to be announced after the Council Budget Setting meeting on 17 November 2020. The assumption currently included in the 10-year budget is a 2% increase in all years.
- 42 If the same referendum limits are set for 2021/22, the following increase would be possible:

2021/22 Council Tax	Current Assumption	Potential Assumption
% increase	2.00%	2.3%
£ increase (Band D pa)	£4.40	£4.95
£ (Band D pa)	£224.36	£224.91

- 43 Due to the uncertainty of future Council Tax increase referendum limits, if maximum increases are not taken there will be an ongoing detrimental impact on the ability to increase Council Tax in future years.

- 44 The tax base increases each year due to the general increase in the number of residential properties and future developments as well as the continuing work to check the validity of Council Tax discounts awarded. The assumption going forward reflects the increases achieved in recent years and the ongoing work. The increased tax base results in additional Council Tax income which is assumed to be greater than the incremental cost of servicing the additional properties although it should be recognised that there are likely to be step changes in costs for some services in the future such as refuse collection. The Local Plan will also affect future tax base assumptions.
- 45 **Business Rates Retention** (£2.1m) - The basis for allocating Government Support from 2013/14 changed to the Business Rates Retention Scheme. This scheme initially allows billing authorities, such as this council, to keep 40% of Business Rates received. However, tariffs and top ups are applied to ensure that the funding received by each local authority is not significantly different to pre 2013/14 amounts. This council was due to collect £38m of Business Rates in 2020/21 but this has since reduced to £22m following all the changes made by Government due to Covid-19.
- 46 A Business Rates Pool operates in Kent and Medway which generally results in councils retaining more Business Rates than if they were not in the pool. This council and Dover Borough Council were not part of the pool in previous years, but it has been agreed that Sevenoaks and Dover will benefit as if they were in the pool going forward. It is not yet known if the Government will allow Business Rates Pools to operate in 2021/22.
- 47 Due to the uncertain impact of Covid-19 on local businesses, the large number of business rates appeals being outstanding with the Valuation Office Agency (VOA) and the limited opportunities to increase the number of businesses in the district, the assumption in the 10-year budget from 2019/20 remains at the safety-net level, which is the amount of business rates the council is assured of retaining in the current scheme if it were not in a pool.
- 48 Any increased Business Rates retained in 2020/21 due to being in the Kent and Medway Pool will be transferred to the Budget Stabilisation Reserve.
- 49 With the outcome of the Spending Review and the results of the 'Fair Funding Review' and 'Business Rates Retention Reform' remaining unknown, there is a risk that this council may no longer retain any Business Rates in the future. This would result in a funding gap that would need to be replaced by additional income or further savings.
- 50 **Interest receipts** (£0.3m) - returns are continuing to be significantly lower than they were a few years ago due to low interest rates and the Council's Investment Strategy taking a low risk approach. Whilst returns exceeded Budget last year, inflation continues to outpace investment returns, leading to the gradual erosion of capital in real terms.

- 51 As explained in the 'Covid-19 Financial Impact' section above, the assumption for Interest Receipts is being reduced from £300,000 to £188,000 per annum. This change is due to lower amounts being available to be invested as reserves are used to fund part of the Covid-19 related deficit.
- 52 **Property Investment Strategy** - The strategy was approved by Council on 22 July 2014 with the intention of building on an approach of property-based investment in order to deliver increased revenue income. This was set against a background of reducing Government Support and continued low rates of return through existing treasury management arrangements.
- 53 Six assets have been purchased or built to date, including the Sennocke Hotel, at a cost of £25m. The annual income yields for completed schemes range from 5.7% to 9.6%.
- 54 A total of £50m has been approved by Council to be spent on the Property Investment Strategy. As well as the £25m above, £6m has been spent by Quercus 7 Ltd on four assets resulting in £19m of the approved amount remaining.

Property Investment Strategy income assumptions in the 10-year budget are as follows:

2021/22	£1.468m
2022/23	£1.508m
2023/24 - 2025/26	£1.558m per annum
2026/27 - 2028/29	£1.655m per annum
2029/30 - 2030/31	£1.696m

- 55 Members should be aware that the Government are continuing to look at ways to limit Council's ability to make commercial property investments. And on 13 July 2020, the House of Commons Public Accounts Committee published their report on 'Local Authority Investment in Commercial Property' which stated that "it is time for a comprehensive review of the prudential framework for local authority borrowing and finance".
- 56 A Property Investment Strategy Update report will be produced later in the budget cycle.
- 57 **Variable fees and charges** - The Council receives income in fees and charges from a number of sources.
- 58 The assumption is currently for a 2.5% increase for all years except for off-street car parking which is 3.5% for five years (2019/20 - 2023/24). The additional 1% for car parking is one of the funding streams for the development of Sevenoaks Town (formerly Buckhurst 2) Car Park as agreed by Council on 22 November 2016.

Agenda Item 9

- 59 Some income streams, such as car parking, are expected to continue to be adversely affected by the impacts of the Covid-19 pandemic. If car parking usage remains at low levels during the remainder of this financial year, there is increased risk to achieving the assumed percentage increases in income in the year ahead. If charges are not increased this would create an income deficit of £126,000, on the current budget assumptions.
- 60 **External Funding** - the Council has been very successful in securing external funding across a range of services, based on it delivering a wide range of innovative services to local residents, often in partnership with other agencies. The Council's officers continue to seek new opportunities for funding. As financial constraints are put on public services the funding available from health and other public bodies may reduce.
- 61 **Shared working** - Various services have included savings from shared working in recent years budgets. The Council successfully works in partnership with other authorities in a number of areas, including Revenues, Benefits, Internal Audit, Counter Fraud, Finance, IT, Licensing, Building Control, Civil Enforcement (Parking), CCTV and Environmental Health.
- 62 The largest savings were achieved when each shared service started, some of which were in 2010. The viability of continuing to share these services is reviewed on a regular basis to ensure that this Council receives value for money and the service standards it requires.
- 63 **Use of reserves** - One of the principles of the Financial Strategy is to make more effective use of the remaining earmarked reserves. When this strategy was first used in 2011/12, it was agreed that the remaining balances in the Asset Maintenance and Superannuation Fund Deficit Reserves would be moved to a new Financial Plan Reserve and used over the initial 10-year budget period. The Budget Stabilisation Reserve was also set up at the same time to manage the fluctuations between years to ensure that an overall balanced budget remained for the 10-year period. This reserve has been increased by surpluses achieved on the revenue budget in recent years.
- 64 A review of the reserves held is carried out each year as part of the budget process and that will take place again this year.
- 65 When the budget is set, the balance in the Budget Stabilisation Reserve must be sufficient to support the 10-year budget.

Expenditure

- 66 **Pay** costs total £16m. Discussions between the National Employers for Local Government Services and the unions regarding the national pay award for 2020/21 are ongoing. The latest offer is a 2.75% increase which is 0.75% above the 2% assumption included in the budget approved by Council in February. If this offer is accepted, the additional cost will be £132,000 per annum.
- 67 The assumption in the attached 10-year budget is a 2% increase in all years.

- 68 Members previously agreed that a budget would be set aside to address the Council's recruitment and retention difficulties and challenges going forward. This remains in place and will be used as required.
- 69 ***Superannuation fund*** - the last pension fund triennial valuation, which was the fourth by the actuaries Barnett Waddingham, took place in November 2019.
- 70 The funding level has increased from 75.5% to 86.6% since the previous valuation in 2016 and the deficit recovery period for the fund has reduced from 17 years to 13 years. The 10-year budget includes the contribution amounts set by the actuaries for 2020/21 to 2022/23 and includes an additional £100,000 from 2023/24 when the next triennial valuation will come into effect. The contributions for the primary rate (current staff) have increased and reduced for the secondary rate (funding deficit). There is a nil overall impact on the 10-year budget.
- 71 As explained above, the deficit (secondary rate) improved and the annual contributions reduced however the contribution for current employees (primary rate) increased. This and the ongoing inflationary impact is the reason for the majority of the increase listed as 'Rolled on to 2030/31 and base figures updated to 2020/21 budget' in **Appendix C**.
- 72 ***Non-pay costs*** - the budget assumes non-pay costs will increase by an average of 2.25% in all years. In practice, items such as rates and energy costs often rise at a higher rate, so other non-pay items have been allowed a much lower inflation increase. Inflation is currently at 1.0% (CPI - July 2020).
- 73 ***Asset Maintenance*** - Any asset maintenance expenditure is funded by the revenue budget each year. Asset maintenance expenditure can fluctuate as the demand for programmed and ad hoc work varies across sites. A review of the asset maintenance requirements for council owned properties was carried out in 2018/19 with the budget being increased by £100,000. This resulted in the average yearly liability covered increasing from 54% to 67%. Asset maintenance budgets will be reviewed again as part of this budget cycle.
- 74 ***Exiting the EU*** - The Council continues to closely monitor the potential implications on the District and is engaged in contingency planning arrangements co-ordinated by the Kent Resilience Forum.
- 75 ***Annual Savings*** - an annual Net Savings/Additional Income assumption of £100,000 is included for all years in the 10-year budget.
- 76 ***Unavoidable service pressures*** - One of the lessons to be learnt from previous financial strategies is that there is always a likelihood of unavoidable service pressures and there needs to be a clear strategy for dealing with these. The model does not allow for unavoidable service pressures that could be significant. These will be identified in the Service

Agenda Item 9

Change Impact Assessments (SCIAs) that will be reported to the Advisory Committees between September and October.

- 77 These additional service pressures will, where possible, be absorbed within existing budgets. However, there is some likelihood that some pressures will be difficult to absorb, and Members will need to give these consideration as part of the budget process. However, it should be recognised that by having a 10-year budget there is greater scope to deal with these pressures and therefore have less impact on current services whereas other councils who only have single year budgets would have to make larger immediate savings.
- 78 ***Progress on the savings plan*** - 2021/22 will be the eleventh year of using the 10-year budget. During this period, 171 savings/additional income items have been identified totalling £7.7m. The majority of these savings/additional income items have already been achieved and Portfolio Holders, Chief Officers, Heads of Service and Service Managers have worked closely to deliver these savings.
- 79 ***Changes since the 10-year budget started*** - The table below shows how the Net Service Expenditure has changed since 2010/11. This shows that the budget has reduced by £4.8m (29%) in real terms.

Net Service Expenditure	£000
2010/11 (budget)	16,711
2020/21 (2010/11 budget +2% inflation per year)	20,371
2020/21 (budget)	15,581
Difference	4,790

Current 10-year budget position

- 80 The 10-year budget set out in **Appendix B** has been updated from the version agreed by Council on 4 February 2020 to reflect the changes listed in **Appendix C**.
- 81 These changes result in an annual budget gap of £826,000. Options to remove this gap will be presented as SCIAs to the Advisory Committees and also in the Budget Update report to Cabinet on 15 October 2020.
- 82 The options are likely to cover a number of areas including:

- Service efficiencies
 - Additional income
 - Re-prioritisation of reserves
- 83 Having identified the scale of the financial challenge facing the Council in setting a balanced budget early in this year, and having considered the likely impact on how customers' needs of the Council are likely to change following Covid-19 the Chief Executive will be undertaking a review of the organisational structure.
- 84 With a likely focus on managerial level roles, the review will seek to contribute sizeable financial savings towards addressing the budget gap. Although the financial gap is one factor in bringing forward this review, the structure must also be sufficiently lean and agile to address the future challenges the Council may face. These include, but are not limited to, new and emerging service pressures, protecting the organisational culture and service levels to customers, and increased economic hardship for local businesses, voluntary and charity groups, and residents.
- 85 When looking at prospects for year 11 onwards, there is still likely to be a need to take further actions as these years come into the rolling 10-year period.

Proposed Business and Financial Planning Strategy

- 86 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 has already adopted a Financial Strategy that embraces the following principles:
- A ten-year balanced budget;
 - Flexible use of the Budget Stabilisation Reserve;
 - More effective use of remaining earmarked reserves;
 - Structured use of capital receipts; and
 - The review and tighter management of inflationary pressures.
- 87 It is recommended that this strategy continues to be adopted.

Process and timetable

- 88 Members will note from the timetable set out in **Appendix A** that this report is being considered by the Finance and Investment Advisory Committee on 8 September 2020 and any comments will be considered along with this report at Cabinet on 17 September 2020

Agenda Item 9

- 89 It is intended to shorten the budget process this year so that this Council's budget is set at the November Council meeting instead of the February Council meeting. This should enable any changes to be implemented with effect from 1 April 2021 and the period of uncertainty for staff being reduced.
- 90 All Advisory Committees will be presented with their Service Dashboards and Service Change Impact Assessments (SCIAs) between September and October when they will be asked for their views on growth and savings proposals for their areas. This part of the process ensures that all members have a role to play in the Governance of the council and the budget decision making process.
- 91 A Budget Update report will be presented to Cabinet on 15 October 2020 to provide details of progress made before the Budget Setting report is presented to Cabinet on 5 November 2020.
- 92 There will still be a Council Tax Setting report presented to Cabinet and Council in February as that will confirm the full Council Tax for the district in 2021/22 incorporating the Council Tax requirements of the preceptors (i.e. Kent County Council, Kent Fire, Kent Police, Town and Parish Councils).
- 93 Training sessions on the budget process were provided to Members last year. If Members require any further training or have any questions about the process, they are asked to contact Adrian Rowbotham or Alan Mitchell.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

It is a requirement for the Council to set a balanced budget, failure to be able to do so could result in a S.114 notice being issued by the S.151 Officer. There is currently no expectation that the Council would be required to be in that position. Our 10-year budget approach provides adequate flexibility to manage the unprecedented financial shock of Covid-19, subject to sufficient savings being identified and implemented from 1 April 2021, and the ongoing effective and prudent management of the Council's finances.

An effective integrated policy and priority driven long-term financial and business planning process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future changes

to Business Rates Retention. The risks will be mitigated by continuing to review assumptions and estimates, remaining financially self-sufficient and by updating Members throughout the process.

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 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 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 major challenge for a Council that already provides value for money services to a high standard. In making any budget proposals, Members will need to consider the impact on service quality and staff well-being, to ensure that these proposals lead to an achievable 10-year budget that supports the Council's aspirations for customer-focused services.

Appendices

Appendix A - Budget Timetable

Appendix B - 10-year Budget

Appendix C - Summary Budget Changes

Background Papers

[Covid-19 Financial Impact report to Cabinet - 09/07/20](#)

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance and Trading

This page is intentionally left blank

2021/22 Budget Setting Timetable

Stage 1: Financial Prospects and Budget Strategy 2021/22 and Beyond	
8 September	Finance & Investment AC
17 September	Cabinet

Stage 2a: Review of Service Dashboards and Service change Impact Assessments (SCIAs)	
29 September	Housing & Health AC
6 October	People & Places AC
8 October	Improvement & Innovation AC
13 October	Cleaner & Greener AC
20 October	Development & Conservation AC
TBC	Finance & Investment AC

Stage 2b: Budget Update	
15 October	Cabinet

Stage 3: Budget Setting Meeting (Recommendations to Council)	
5 November	Cabinet

Stage 4: Budget Setting Meeting	
17 November	Council

Stage 5: Council Tax Setting	
11 February	Cabinet

Stage 6: Council Tax Setting	
23 February	Council

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

This page is intentionally left blank

Ten Year Budget - Revenue

Appendix B

	Budget 2020/21	Plan 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
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	15,251	15,581	17,156	17,332	17,666	17,870	18,079	18,342	18,872	19,411	19,957
Inflation	666	616	496	503	509	515	522	529	539	547	556
Superannuation Fund deficit	0	0	0	100	0	0	50	0	0	0	0
Net savings (approved in previous years)	(358)	(6)	0	37	0	(1)	0	1	0	(1)	(1)
New growth	160	1,065	(220)	(206)	(206)	(205)	(209)	100	100	100	100
New savings/Income	(138)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Net Service Expenditure b/f	15,581	17,156	17,332	17,666	17,870	18,079	18,342	18,872	19,411	19,957	20,512
Financing Sources											
Govt Support: Revenue Support Grant	0	0	0	0	0	0	0	0	0	0	0
New Homes Bonus	0	0	0	0	0	0	0	0	0	0	0
Council Tax	(11,264)	(11,443)	(11,862)	(12,357)	(12,741)	(13,136)	(13,542)	(13,933)	(14,335)	(14,747)	(15,170)
Business Rates Retention	(2,139)	(2,182)	(2,226)	(2,271)	(2,316)	(2,362)	(2,409)	(2,457)	(2,506)	(2,556)	(2,607)
Collection Fund Deficit/(Surplus)	0	121	121	121	0	0	0	0	0	0	0
Interest Receipts	(300)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)
Property Investment Strategy Income	(1,428)	(1,468)	(1,508)	(1,558)	(1,558)	(1,558)	(1,655)	(1,655)	(1,655)	(1,696)	(1,696)
Contributions to/(from) Reserves	(378)	(365)	(175)	(161)	(604)	194	208	221	236	249	148
Total Financing	(15,509)	(15,525)	(15,838)	(16,414)	(17,407)	(17,050)	(17,586)	(18,012)	(18,448)	(18,938)	(19,513)
Budget Gap (surplus)/deficit	72	1,631	1,494	1,252	463	1,029	756	860	963	1,019	999
Contribution to/(from) Stabilisation Reserve	(72)	(1,631)	(1,494)	(1,252)	(463)	(1,029)	(756)	(860)	(963)	(1,019)	(999)
Unfunded Budget Gap (surplus)/deficit	0	0	0	0	0	0	0	0	0	0	0

Assumptions

Revenue Support Grant:	nil all years
Business Rates Retention:	Business Rates Retention safety-net in 20/21 plus 2% in later years
Council Tax:	2% in 21/22 onwards
Council Tax Base:	Increase of 580 Band D equivalent properties from 21/22, 480 from 27/28
Interest Receipts:	£188,000 in 21/22 onwards
Property Investment Strategy:	£1.468m in 21/22, £1.508m in 22/23, £1.558m from 23/24, £1.655m from 26/27, £1.696m from 29/30
Pay award:	2% in 21/22 onwards
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

This page is intentionally left blank

Summary of Changes to the 10-year Budget

Appendix C

Description	Year	Ongoing	2021/22 Impact £000	10-year Budget Impact £000
2021/22 savings target included in 10-year budget (savings not yet identified)			100	1,000
Covid-19 Impacts:				
Council Tax Collection Fund deficit in 20/21 spread over 21/22-23/24	2021/22		121	363
Council Tax Collection rate reductions: 21/22 from 99.4% to 97.9%, 22/23 from 99.4% to 98.4%, later years remain at 99.4%	2021/22		175	296
Reduced income - Car Parking: assumed 25% reduction in 21/22, 20% in 22/23, 15% in 23/24, 10% in 24/25, 5% in 25/26	2021/22		1,027	3,080
Reduced income - Licensing: 21/22 only	2021/22		15	15
Interest Receipts: 37.5% reduction as lower balances to invest due to use of reserves to fund Covid-19 deficit	2021/22		112	1,120
Increased expenditure - FM: cleaning and PPE for staff	2021/22		18	180
Increased expenditure - IT: costs relating to working from home	2021/22		5	35
Sub Total			1,473	5,089
Other Service Area Changes:				
Sub Total			0	0
Base Changes:				
Rolled on to 2030/31 and base figures updated to 2020/21 budget			12	711
Sub Total			12	711
Assumption Changes:				
Pay Award: 20/21 increased from 2% to 2.75%, later years remain at 2%			132	1,455
Sub Total			132	1,455
Total 10-year Budget change gap/(surplus)			1,717	8,255

i.e: £826,000 per annum

This page is intentionally left blank

BARTHOLOMEW WAY PARK, SWANLEY

Finance and Investment Advisory Committee - 8 September 2020

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

Status For Decision

Also considered by Cabinet - 17 September 2020

Key Decision Yes

Portfolio Holder Cllr. Matthew Dickins

Contact Officer(s) Adrian Rowbotham, Ext. 7153
Detlev Munster, Ext. 7099

Recommendation to Finance and Investment Advisory Committee

Advise Cabinet with views on the recommendation below.

Recommendation to Cabinet:

The proposal by Swanley Town Council to transfer Bartholomew Way Park from Sevenoaks District Council to Swanley Town Council be rejected.

Introduction and Background

- 1 In May 2019 a Portfolio Holder Executive Decision Statement (24 - 2018/19) was issued regarding the transfer of the freehold of certain Sevenoaks District Council owned amenity land sites at nil cost to Swanley Town Council. One of these sites was Bartholomew Way Park.
- 2 Swanley Town Council had sought agreement from Sevenoaks District Council to transfer these sites at nil cost to the Town Council. Ongoing maintenance and financial responsibilities for these sites would transfer to Swanley Town Council with the freehold. While committed to preservice access to Council-owned amenity land Sevenoaks District Council's preference is for such amenity lands to be locally owned and maintained to support neighbourhood priorities.
- 3 Discussions continued between the two councils but eventually the transfer was aborted

Swanley Town Council Proposal

- 4 Swanley Town Council have recently approached this council with a proposal to transfer Bartholomew Way Park to Swanley Town Council at nil cost with the view to Swanley Town Council developing the site for a new Swanley Health Hub.
- 5 If this proposal proceeded, a Sevenoaks District Council owned green space in the district would be lost which was not the intention of the original Portfolio Holder Executive Decision Statement therefore it is recommended to refuse the request from Swanley Town Council to transfer the land.
- 6 It should also be noted that there are a number of other development sites in Swanley that may be suitable for a Swanley Health Hub.

Other Options Considered and/or Rejected

Transferring the land would result in a Sevenoaks District Council owned green space being lost to development.

Key Implications

Financial

There are no financial implications if the land is not transferred.

If the land is transferred, legal costs would be incurred and there would be an ongoing reduction in maintenance costs.

Bartholmew Way Park is valued at £94,997 in the 2019/20 accounts.

Legal Implications and Risk Assessment Statement.

There are no legal implications if the land is not transferred.

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

It is recommended that Bartholomew Way Park is not transferred to Swanley Town Council.

Appendices

Appendix A - Plan of Bartholmew Park

Background Papers

[Portfolio Holder Executive Decision Statement 24 \(2018/19\).](#)

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance and Trading

This page is intentionally left blank



Holy Apostles
Catholic Church

Batholomew Way Park

Shelter

BARTHOLOMEW WAY

St Avila

L'Etacq

Redlands

Redcot

Littlecot

Thornbury

Pelma

Tall Oaks

Shelian

Wyndcott

St Botolph

BIRCHWOOD PARK AVENUE

BIRCHWOOD PARK AVENUE

Hejm

Page 95

Car Park



© Crown copyright and database rights 2016
Ordnance Survey 100019428.

Swanley

Bartholomew Park

Scale: 1:821

Date: March-2019

Appendix A

Agenda Item 10

This page is intentionally left blank

BURLINGTON MEWS UPDATE

Finance & Investment Advisory Committee - 8 September 2020

Report of	Deputy Chief Executive and Chief Officer - Finance and Trading
Status	For information
Also considered by	Cabinet - 17 September 2020
Key Decision	No

Executive Summary:

This report provides an update on the development of the houses in Burlington Mews.

Due to the impact of the Covid-19 pandemic on the housing market, the Council has taken the opportunity to revise its approach to selling the houses to protect its investment in the properties.

In contrast to the sales market, the lettings market has strengthened partly due to lockdown encouraging more home buyers to test living outside city centres in larger properties.

The original intention was to put all the houses up for sale. The new approach is to proceed with a mix of sales and lettings to increase the options available as the situation evolves.

Portfolio Holder Cllr. Matthew Dickins

Contact Officers Adrian Rowbotham, Ext. 7153
Detlev Munster, Ext. 7099

Recommendation to Finance and Investment Advisory Committee:

Advise Cabinet with views on the recommendation below.

Recommendation to Cabinet:

The revised approach for the disposal of the houses in Burlington Mews contained in this report be supported.

Reason for recommendation: To enable flexible decisions to be made regarding the disposal of the houses in Burlington Mews whilst the economy and the housing market fluctuates due to the impacts of the Covid-19 pandemic.

Introduction and Background

- 1 It was agreed by Council on 22 November 2016 that 10 town houses would be built on part of the site of Buckhurst 2 Car Park, Sevenoaks and that the sales proceeds from the housing scheme (now known as Burlington Mews) would part-fund the development of Sevenoaks Town Car Park.
- 2 Development of the houses has progressed with the launch event taking place on 16 January 2020 with completion due to take place on 28 August 2020.

Development of the Houses

- 3 The contract for the development of the houses was awarded to A.B. Canham and Son with work commencing on 12 April 2019.
- 4 A variation was agreed for a higher specification in the expectation of achieving higher sales figures. The build was initially on schedule, with regular LABC warranty and building control site visits. The show home was launched 16 January 2020.
- 5 The impact of Covid-19 entailed a temporary shutdown from 27 March to 11 May 2020, meaning that the original end of build date of 25 April 2020 could not be met.
- 6 The final works including snagging are currently taking place with two of the three blocks completed as follows:
 - Block A (plots 1-3): 31 July 2020
 - Block B (plots 4-7): 28 August 2020
 - Block C (plots 8-10): 14 August 2020
- 7 As of 28 August 2020, three of the houses will be let, one under offer for sale and the remaining six listed for sale, with the Council covering costs including insurance, council tax, utilities etc until disposal.

Impact of Covid-19 on the sale of the houses

- 8 It has been well documented that the Covid-19 pandemic has had a major impact on the economy as well as the housing market.
- 9 When the houses were initially put on the market in January, a price range for each property was agreed with Savills (selling agent) with the total of the lowest figures in the range meeting the amount required to part-fund the Sevenoaks Town Car Park.

- 10 Acceptable offers on two houses were received. Contracts were due to be exchanged shortly after the Covid-19 pandemic started and due to Government advice, the process stalled for a time.
- 11 Since then, one perspective purchaser withdrew their offer and the other has come forward with a new offer for a different house within the development.
- 12 Savills' most recent marketing report estimates that current achievable prices are 10% lower than those proposed earlier in the year.
- 13 In contrast to the sales market, the lettings market has strengthened partly due to lockdown encouraging home buyers to test living outside city centres in larger properties.

Revised Approach for the Disposal of the Houses

- 14 It remains the aim that the sales proceeds from the houses will part-fund the development of Sevenoaks Town Car Park.
- 15 Originally the intention was to sell all the houses as soon as possible within the agreed price ranges. The Chief Executive and Chief Officer - Finance & Trading have now revised this approach recognising that it may take longer to achieve the original aim in the current circumstances.
- 16 Due to the ongoing uncertainty in the housing market it is proposed to proceed with a combined sales and lettings approach to increase the options available as the situation evolves.
- 17 An offer for the purchase of one of the houses in line with Savills' latest estimates have recently been accepted.
- 18 Several houses (initially three) will be available to be let and there has been significant interest. The tenants of one moved in on 18 August 2020 and the tenants of other two are due to move in on 29 August and 1 September 2020.
- 19 When the initial three houses are let, it will then be determined whether other houses will also be let depending on activity in the sales market.
- 20 Government legislation states that Sevenoaks District Council is unable to hold properties with assured short-hold tenancies (ASTs). Therefore, the Council has granted a head-lease over three of the houses to Quercus 7 for a term of three years. Savills have been appointed by Quercus 7 to manage the lettings, lease renewals and rent collection. The Council will retain the freehold and control of a management company set-up to manage the communal road, landscaping and security.
- 21 There will be break clauses in the leases with Quercus 7 to ensure that the Council has some flexibility to react to changing market conditions.
- 22 The approach to reduce the number of houses for sale in the near term might support prices as the development becomes established in the market.

Other Options Considered and/or Rejected

Keeping the houses on the market at the original prices was rejected as the market has changed and offers now being received were more in line with Savills revised pricing.

Detailed modelling has been carried out with different mixes of sales and lettings over a four-year period.

The movement in houses prices over the next few years is very uncertain so recent trends have been used in the modelling to obtain a consistent approach. The modelling shows that the sell 5/let 5 mix is preferable to the sell 3/let 7 mix using the above assumption but a different movement in house prices could alter the outcome.

A separate assessment of letting all the properties for thirty years was also carried out. This resulted in a worse position than the above mixes and has therefore been ruled out.

The proposed approach gives flexibility between selling and letting and should reduce the period that the houses will remain empty.

Key Implications

Financial

The original intention was to sell all the houses therefore, the time between costs being incurred to build the car park and houses, and the sales proceeds being received for the houses was shorter than is now the case. Funding during this gap will be by internal borrowing, so long as it is available, until the capital receipts from the sales and income from lettings are received.

If the total income received from sales or lettings is less than the amount assumed to part-fund the Sevenoaks Town Car Park development, alternative funding would be required. That could be from other capital receipts or external borrowing that would have revenue budget implications.

If the total income received is more than required, that could be used to fund other capital schemes.

Legal Implications and Risk Assessment Statement.

There are no legal implications arising from this report. However, Members are reminded (as set out) that Sevenoaks District Council is unable to hold properties with assured short-hold tenancies (ASTs). In order to allow the properties to be let, the Council has therefore granted a head-lease over three of the houses to Quercus 7 Ltd and the Company acts as Landlord. This is a lawful use of the Company, but Members are asked to note this approach.

Risks remain around the unpredictability and volatility of the property market, but the revised approach will allow a more flexible approach as the market changes.

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 mix of sales and lettings should enable the houses to be occupied sooner than if they all remained for sale. Also due to the uncertainty in the housing market, the Council will have flexibility whether to sell or let individual houses going forward.

Appendices	None
-------------------	------

Background Papers	None
--------------------------	------

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance and Trading

This page is intentionally left blank

Finance & Investment Advisory Committee Work Plan 2020/21 (as at 25/08/2020)

8 September 2020	21 October 2020 (moved from 12 November 2020)	21 January 2021	25 March 2021
<p>Treasury Management Annual Report 2019/20</p> <p>Financial Performance Indicators 2020/21- to the end of July 2020</p> <p>Financial Results 2020/21- to the end of July 2020</p> <p>Financial Prospects and Budget Strategy 2021/22</p>	<p>Budget 2021/22: Review of Service Dashboards and Service Change Impact Assessments (SCIAs)</p> <p>Treasury Management Mid-Year Update 2020/21</p> <p>Financial Performance Indicators 2020/21- to the end of September 2020</p> <p>Financial Results 2020/21- to the end of September 2020</p>	<p>Discretionary Rate Relief</p> <p>Budget 2021/21: Risks and Assumptions</p> <p>Treasury Management Strategy</p> <p>Financial Performance Indicators 2020/21 - to the end of November 2020</p> <p>Financial Results 2020/21 - to the end of November 2020</p> <p>The Capital Strategy 2021/22</p> <p>Capital Programme and Asset Maintenance 2020/23</p> <p>Property Investment Strategy Update</p>	<p>Financial Performance Indicators 2020/21 - to the end of January 2021</p> <p>Financial Results 2020/21 - to the end of January 2021</p> <p>Carry Forward Requests 2020/21</p>

This page is intentionally left blank