

24 May 2022 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks

Published: 16.05.22

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# Finance & Investment Advisory Committee

## Membership:

Chairman TBC

Cllrs. Abraham, Bayley, Carroll, Clack, Clayton, Penny Cole, Griffiths, Hogarth, Reay and Williams

## 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. To elect a Chairman		
2. To elect a Vice-Chairman		
3. Minutes To agree the minutes of the meeting of the Committee held on 11 January 2022, as a correct record.	(Pages 1 - 10)	
4. Declarations of Interest Any interests not already registered.		
5. Actions from Previous Meeting (if any)	(Pages 11 - 12)	
6. Update from Portfolio Holder		
7. Referral from Cabinet or the Audit Committee (if any)		
8. Financial Performance Indicators 2021/22 - to the end of March 2022	(Pages 13 - 20)	Alan Mitchell Tel: 01732227483
9. Financial Results 2021/22 -Draft Outturn - March 2022	(Pages 21 - 22)	Alan Mitchell Tel: 01732227483

10. **Financial Monitoring 2022/23 - Early indicators** (Pages 23 - 26) Alan Mitchell  
Tel: 01732227483
11. **Work Plan** (Pages 27 - 28)

**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](mailto:democratic.services@sevenoaks.gov.uk).

**FINANCE & INVESTMENT ADVISORY COMMITTEE**

Minutes of the meeting held on 11 January 2022 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Dickins (Vice Chairman)

Cllrs. Abraham, Bayley, Clack, Clayton, Penny Cole, Griffiths, Harrison and Hogarth

Apologies for absence were received from Cllrs. Carroll and Reay

Cllrs. Dr. Canet and Perry Cole were also present.

33. Minutes

Resolved: That the minutes of the meeting held on 4 November 2021 be approved and signed by the Chairman as a correct record.

34. Declarations of Interest

No further declarations of interest

35. Actions from Previous Meeting

There were none

36. Update from Portfolio Holder

The Portfolio Holder for Finance and Investment gave an update and advised that the budget setting process was well underway for the Council meeting on 22 February 2022. The provisional settlement had been announced shortly before Christmas which would see an additional one-off £262,000 for the Council. Cabinet would be considering next steps later that week.

Cabinet had welcomed the Committee's recommendations on investment in Multi Asset Income Funds and Treasury Advisors had initiated the fund selection process.

The rate of inflation remained a concern.

The Government had released details on New Year's Eve of the Omicron Hospitality and Leisure Grant and the Council had received the funds. The Council would be open to applications mid-January, with the Government prescribed application deadline being the end of February. In parallel, the Additional Restrictions Grant

## Agenda Item 3

### Finance & Investment Advisory Committee - 11 January 2022

had been boosted and afforded the Council additional flexibility in the beneficiaries.

#### 37. Referral from Cabinet or the Audit Committee

There were none

#### 38. Discretionary Rate Relief

The Business Rates Manager presented the report which sets out the proposals for awarding discretionary rate relief for 2022/2023. Discretionary rate relief could be awarded in isolation or given to 'top up' a mandatory award.

Members were informed of a change of address for the Citizens Advice in North and West Kent in Appendix B, page 21, to First Floor, 5 Bligh's Walk Sevenoaks, TN13 1DB. This would require a slight alteration to rate relief from £911.36 to £1921.15. This would mean that total gross relief would be altered from £194,625 as laid out in paragraph 19 of this report to £195,635.

The estimated level of relief was based upon the multipliers set out in paragraph 17 of the report. Ultimately, should the multipliers change a further report setting out the revised relief awards would be submitted. In response to questions Councillors were informed that these properties would not benefit from other grants and that any changes will be updated throughout the year.

Resolved: that it be recommended that Cabinet approve the proposals for granting relief from business rates for 2022/2023 set out in Appendix B subject to the alteration to the address of Citizens Advice and the corresponding alteration to 2022/2023 gross relief to £195,635.

#### 39. Financial Performance Indicators 2021/22 - to the end of November 2021

The Head of Finance presented the report which set out nine internally set performance indicators covering activities that supported information provided in the regular financial monitoring statements. Information was provided on targets for the financial year. Use of these indicators would assist management in highlighting areas where performance had an impact on the financial outturn for the authority.

Members discussed the report.

Resolved: that the report be noted.

#### 40. Financial Results 2021/22 - to the end of November 2021

The Head of Finance presented the report which updated Members on the financial results of the council's expenditure. The year-end forecast position was an unfavourable variance of £32,000 against the Council's net service expenditure budget totalling £17.015m.

In response to questions it was confirmed that there would continue to be financial impacts on the Council due to Covid-19 which would affect expenditure. Reports would be updated as required.

#### Public Sector Equality Duty

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

Resolved: that it be recommended to cabinet that the report be noted.

#### 41. Treasury Management Strategy 2022/23

The Principal Accountant (Capital and Treasury) presented the report which outlined the Council's Treasury Management Strategy which sets out the Council's Policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Annual Investment Strategy remained largely the same as for 2021/22 with Bond, Property, Equity and Multi-Asset Funds as alternative Investment options being retained. Changes to the Treasury Management and Prudential Codes would take effect from 2023/24.

In response to questions the Principal Accountant confirmed that monthly update reports were provided to Members. The need for these would be evaluated in light of additional staff workloads likely to be brought about by revised reporting requirements in the new Codes.

It was noted that information and training courses for Members would also be explored.

Resolved: That it be recommended to Cabinet that it be recommended to Council that the Council approve the Treasury Management Strategy 2022/23.

#### 42. Property Investment Strategy Update

The Chief Officer (Finance and Trading) presented the report which provided Members with an update on the progress of the Property Investment Strategy to date.

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The investments previously made through the Property Investment Strategy continued to provide a good revenue income stream to the Council and assist it in remaining financially self-sufficient. The budgeted net income for the 2021/2022 year was £1.372m and a higher amount of £1.386m was forecast to be achieved. It was noted that by externally borrowing to part-fund White Oak Leisure Centre and other schemes, the Council was prevented from making direct investments primarily for yield. Thus, no further changes were proposed. The situation would continue to be monitored with the aim to make further investments via the Council or Quercus 7 in future.

Members discussed the report and thanked the Chief Officer.

Resolved: that the report be noted.

#### 43. Capital Programme & Asset Maintenance 2022/25

The Head of Finance presented the report which proposed Capital and Asset Maintenance programmes for 2022/25 together with proposed funding. The Capital Strategy set out how the Council would manage the investment and financing of capital resources that contribute towards the achievement of its key objectives and priorities.

Members discussed the proposals and it was noted that the capital programme would be updated to include the impact of White Oak and Bevan Place development plans which were considered as separate items.

The Head of Finance would also report back to the committee regarding the net zero implications of Disabled Facility Grants.

*Action 1: For Head of Finance to update Members on the net zero implications in regards to Disabled Facility Grants*

#### Public Sector Equality Duty

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

Resolved: That the report be noted.

#### 44. Risks and Assumptions for Budget 2022/23

The Head of Finance presented the report which provided greater information on the risks and assumptions for the draft budget. The financial assumptions were based on the latest available information. Members were made aware that these may change, any changes were to be included in later budget reports.

It was noted that the reference to the 10-year plan in paragraph 2 of the report should have been removed.

Some concern was raised over the possible effects of inflationary pay rises on the budget risks and assumptions.

#### Public Sector Equality Duty

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

Resolved: That the report be noted subject to the comments discussed above.

#### CHANGE IN ORDER OF AGENDA ITEMS

The Chairman, with the committee's agreement, brought forward consideration of item 15 The Work Plan (minute 45)

#### 45. Work Plan

The committee noted the work plan with the following additions:

##### **24 March 2022**

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

##### **Summer 2022**

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

#### 46. Bevan Place, Swanley Development Proposal

The Strategic Head of Commercial and Property presented the report which outlined the Council's plans to redevelop the former Swanley Working Men's Club site and adjacent car park at Bevan Place.

It was noted that paragraph 4 of the report should be altered to read as: "The proposed scheme included up to 93 homes."

The scheme would also incorporate retail uses along the High Street, a communal garden and landscaped surface car-parking for residents. The scheme would include the highest environmental and sustainability standards possible to ensure

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the scheme was not only an exemplar benchmark scheme for Swanley, but would also enhance residents well-being.

Officers were seeking approval to progress the scheme, applying for planning permission and procuring a lead design contractor to deliver the scheme subject to obtaining all the necessary statutory consents. Practical completion was expected by 2024.

It was moved by the Chairman and it was

Resolved: That under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of Appendices C and D. These documents are exempt from publication on the grounds that likely disclosure of exempt information is involved as defined by schedule 12A paragraph 3 of the Local Government Act 1972: (Information relating to the financial or business affairs of any particular person (including the authority holding that information.))

Members considered and discussed the exempt information as set out in the exempt appendices. Members expressed concern over the financial projections of the proposal as a longer-term ambition. Members expressed that the Committee would benefit from a level of certainty for the projections laid out in the report.

Members discussed an additional recommendation requesting Cabinet satisfy themselves with the assumptions and mitigations and the case for locking in to interest rates as early as possible and report to Council with the findings.

#### Public Sector Equality Duty

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

Resolved that:

- a) The advisory committee endorse the redevelopment of the site to deliver a new residential-led development.
- b) The proposed recommendations to Cabinet below be endorsed:
  - (i) Cabinet endorses the development of a new residential-led scheme on this site which will deliver up to 93 new homes, retail uses, communal and public garden, resident car parking and highway improvements to Bevan Place;

- (ii) Cabinet notes the viability challenges this site and scheme presents and approves the delivery of this scheme using an income-based financing model (rent model) that will result in the Council retaining housing and retail stock to generate income to repay the cost of the development;
- (iii) Cabinet recommends to Council the provision of £26,575,836 in the 2022/23 - 2024/25 Capital Programme to deliver the scheme within the parameters set in Section 57 of this report and notes that this is in addition to the previously approved amount of £730,000 in the 2021/22 Capital Programme for this project;
- (iv) Cabinet approves the acquisition/inclusion of the adjacent West Kent Housing Association land and buildings, known as 1-12 Bevan Place, Swanley, and to enter into a development agreement with West Kent Housing Association that will result in 14 residential units being transferred to West Kent Housing Association on a leasehold basis, the terms of which are outlined in the draft Heads of Terms in Appendix C and delegates authority to the Strategic Head of Property and Commercial Services and the Chief Officer Finance and Trading following consultation with the Cabinet Member for Finance & Investment to agree and finalise necessary agreements with West Kent Housing Association;
- (v) Cabinet recommends to Council to authorise officers to acquire any outstanding legal interests that may not be in the Council's ownership, which may include using its statutory powers, such as the use of compulsory purchase orders;
- (vi) Subject to Council's approval of the capital provision of £26,575,836 in the 2022/23 - 2024/25 Capital Programme, Cabinet delegates authority to the Strategic Head of Property and Commercial and the Chief Officer Finance and Trading, following consultation with the Cabinet Member for Finance & Investment to undertake further detailed design and feasibility work and to proceed with the scheme subject to final scheme viability and in accordance with financial parameters set in Section 57; and
- (vii) Subject to Council's approval of the capital provision of £26,575,836 in the 2022/23 - 2024/25 Capital Programme, Cabinet delegates authority to the Strategic Head of Property and Commercial in consultation with the Chief Officer Finance and Trading and the Head of Legal Services to submit a planning application and to enter into any necessary contracts to facilitate the development and

construction of the proposed scheme in accordance with the Council's Contracts Procedure Rules and for the disposal of the residential units to be developed.

- (viii) Subject to Council's approval of the capital provision of £26,575,836 in the 2022/23 - 2024/25 Capital Programme, Cabinet delegates authority to the Strategic Head of Property and Commercial following consultation with the Chief Officer Finance and Trading and the Cabinet Member for Finance & Investment to prepare appropriate contractual arrangements to set up an appropriate delivery vehicle for the scheme and to return to Cabinet at a later date to approve the appropriate delivery vehicle.
- (ix) That it be recommended to Council that Council notes the proposed development scheme and financial model and approves the provision of £26,575,836 in the 2022/23 Capital Programme to deliver the scheme within the parameters set in Section 57 and detailed in Appendix D.
- (x) That Council authorises officers to acquire any outstanding legal interests that may not be in the Council's ownership, which may include using its statutory powers, such as the use of compulsory purchase orders and return to Cabinet or Council to resolve invoking such powers if needed; and
- (c) That Cabinet be satisfied with the robustness of the assumptions and mitigations for the risks and evaluate the case for locking in the current rates; and report to Council.

47. White Oak Leisure Centre Residential Quarter, Swanley Development Proposal

The Strategic Head of Property and Commercial presented the report that gave an update on SDC's project to redevelop the White Oak Leisure centre complex in Swanley.

Work on Phase 1, construction of the new leisure centre, had commenced and work was progressing well. Phase 2, demolition of the existing leisure centre, was on track to begin in February 2022. The report sought approval to proceed with Phase 3, the residential element of the scheme. A hybrid planning application was granted permission in October 2019 with full permission granted to redevelop the leisure centre and outline permission granted for this element. This was to provide a new residential quarter of up to 41 new dwellings on the northern part of the site where the old leisure centre and car park were at the time sited.

A full planning application was to be sought by July 2022 and, subject to planning being obtained, work would start on site in January 2023.

The proposed development aimed to provide:

- New homes including both flats and houses with private gardens
- Communal green space at the centre of the site
- Car parking
- Trees
- Enhancement of the urban fabric surrounding the new leisure centre

It was moved by the chairman and it was

Resolved: that under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of Appendix B. This document is exempt from publication on the grounds that likely disclosure of exempt information is involved as defined by schedule 12A paragraph 3 of the Local Government Act 1972: (Information relating to the financial or business affairs of any particular person (including the authority holding that information.))

Members considered and discussed the report and the exempt information.

#### Public Sector Equality Duty

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

Resolved: That

- (a) The Advisory Committee endorse the redevelopment of the site to deliver a new residential development;
  
- (b) The Advisory Committees endorse the proposed recommendations to Cabinet and Council as set out below:
  - (I) Cabinet notes the viability issues associated with this site and endorses the development of a new residential scheme on this site which will deliver 81 new homes;
  - (II) Cabinet recommends to Council the provision of £20,189,137 in the Capital Programme to deliver the scheme;

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- (III) subject to Council's approval of the capital provision of £20,189,137 in the Capital Programme, Cabinet delegates authority to the Strategic Head of Property and Commercial and the Chief Officer Finance and Trading, following consultation with the Cabinet Member for Finance & Investments to undertake further detailed design and feasibility work and to proceed with the scheme subject to final scheme viability; and
- (IV) Cabinet delegates authority to the Strategic Head of Property and Commercial in consultation with the Chief Officer Finance and Trading and the Head of Legal Services to submit a planning application and to enter into any necessary contracts to facilitate the development and construction of the proposed scheme in accordance with the Council's Contracts Procedure Rules and for the disposal of the residential units to be developed.
- (V) That it be recommended to Council that the provision of £20,189,137 in the Capital Programme to deliver the scheme which is to be funded as noted in the Financial Implications be approved.

THE MEETING WAS CONCLUDED AT 8.19 PM

CHAIRMAN

**Action(s) from the meeting held on 11 January 2022 (as at 25/03/2022)**

Action	Description	Status	Contact Officer
Action 1	<p>For Head of Finance to update Members on the net zero implications in regards to any Disabled Facility Grants.</p> <p>The Council did not own the asset from the Disabled Facility Grant and thus there were no direct net zero impacts upon the Council.</p>	Completed.	Alan Mitchell Ext. 7483

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**FINANCIAL PERFORMANCE INDICATORS 2021/22 - TO THE END OF MARCH 2022**

**Finance & Investment Advisory Committee - 24 May 2022**

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

**Status:** For Consideration

**Key Decision:** No

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

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

**Portfolio Holder:** Cllr. Matthew Dickins

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

Adrian Rowbotham Ext. 7153

**Recommendation to Finance & Investment Committee:**

- a) That the report be noted

**Reason for recommendation:**

This recommendation supports the sound control of the Councils finances

**Introduction and Background**

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

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### **Key Implications**

#### Financial

None.

#### Legal Implications and Risk Assessment Statement.

There are no legal or human rights issues.

#### 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.

#### Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

#### **Appendices**

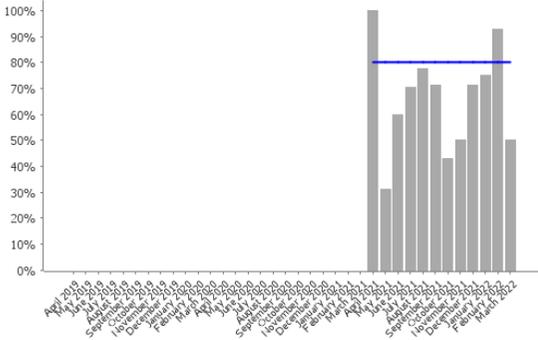
Appendix A - Performance Indicators

#### **Background Papers**

None

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

# Finance & Investment Advisory Committee - Performance report

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
Page 15 I_A	Sevenoaks: Audit actions fully implemented within agreed timescales	50%	80%			67.74%	80%		<p>This KPI is set using expected delivery however where those actions are delayed they show an achievement compared to target. Internal Audit are working with SMT to implement robust deadlines for 'High' and 'Medium' priority actions</p>

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
LPI_BR_04	The percentage of business rates collected in-year (Cumulative)	96.4%	92.7%	🟢		96.4%	92.7%	🟢	
LPI_CT_04	The percentage of council tax collected in-year (cumulative)	98.1%	98.6%	🟡		98.1%	98.6%	🟡	

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
LPI_FS 001	The percentage of undisputed invoices paid within 30 days or agreed terms	99.2%	99%	✔		97.58%	99%	⚠	
LPI_FS 003	Sundry debts outstanding more than 60 days	£38,165	£40,000	✔		£38,165	£40,000	✔	

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Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
LPI_H B 02	Average number of days to process a new claim for Housing Benefit (Monthly)	14	23	✔		15	23	✔	
LPI_H B 04	Average number of days to process a change in circumstances for Housing Benefit (monthly)	6	9	✔		7	9	✔	

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
TM FS 01	Treasury Management - Actual vs Budget + Forecast	£8,424	£188,000	🔴		£8,424	£188,000	🔴	Low rates of return and utilisation of cash resource to fund investment acquisitions and capital programme have led to low returns. SDC is just starting a Multi-asset investment fund selection process which will improve future returns
TM FS 02	Treasury Management - Investment returns vs RPI vs CPI	0.1%	7%	🔴		0.1%	7%	🔴	Low rates of return and utilisation of cash resource to fund investment acquisitions and capital programme have led to low returns. SDC is just starting a Multi-asset investment fund selection

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
									process which will improve future returns

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**FINANCIAL RESULTS 2021/22 - DRAFT OUTTURN MARCH 2022**

**Finance and Investment Advisory Committee - 24 May 2022**

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

**Status:** For Consideration

**Also considered by:** Cabinet - 26 May 2022

**Key Decision:** No

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

**Portfolio Holder:** Cllr. Matthew Dickins

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

Adrian Rowbotham, Ext. 7153

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

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

**Recommendation to Cabinet:**

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

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

**Introduction and Background**

1. Work is currently ongoing to produce the Outturn position due to information from external sources not yet being available and also as a result of significant staff pressures within the Finance team.
2. The draft outturn report will be issued prior to the committee meeting.

**Key Implications**

Financial

All financial implications are included within the content of this report.

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### Legal Implications and Risk Assessment Statement.

There are no legal implications.

### 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.

### Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

#### **Appendices**

None

#### **Background Papers**

None

**Adrian Rowbotham**

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

**Financial Monitoring 2022/23 - Early Indications**

**Finance and Investment Advisory Committee - 24 May 2022**

Report of: Chief Officer - Finance and Trading

Status: For information

Also considered by: Cabinet - 26 May 2022

Key Decision: No

**Executive Summary:**

The economic consequences of the recent pandemic, alongside other global events, has seen inflation rise to a thirty year high, with households across the District feeling the effects of a rise in the cost of living. Sevenoaks District Council is not immune to these economic pressures.

During the pandemic the financial strength and flexibility afforded by the Council's still unique 10-year budget meant that the Council was able to take sound financial decisions to minimise the impact as much as possible. This means the authority remains in a far stronger position than much of the rest of local government.

**Portfolio Holder:** Cllr. Matthew Dickins

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

Alan Mitchell, Ext. 7483

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

- (a) To note this report and forward any comments to Cabinet.

**Recommendation to Cabinet:**

- (a) To note this report and consider any comments from the Finance and Investment Advisory Committee.

**Introduction and Background**

- 1 As part of the recent budget setting process, Members considered the challenges that lay ahead. Nevertheless, in a rapidly moving financial environment it is even more important than normal that Members and

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officers alike continue to be ever mindful of those areas in which risks and opportunities may arise so the Council can continue to thrive financially and, in so doing, deliver valued services for the District's residents, such as its trademark weekly rubbish and recycling collection. Indeed, this approach was recognised and praised in the recent independent LGA Corporate Peer Challenge.

- 2 The first round of monitoring does not historically happen until June due to the additional work required to produce the previous year's outturn position. In order to maintain sound financial controls and being aware of the current financial landscape an early Financial Impact Review has been undertaken to identify areas that could have a significant financial impact on the Council.

### **Areas of significant potential financial impact**

- 3 Set out below are what are currently understood to be the principal anticipated areas of financial risk to the authority for this year. These will be considered further and addressed as appropriate as the year progresses

#### Direct Services (Cleaner & Greener)

- 4 Within Direct Services, it is anticipated there will be overspends on agency staff as well as fuel and vehicle costs, with commercial income down too. Together, these could amount to £696,000.
- 5 However, it should be noted that the new collection rounds approved by Cabinet are expected to save £126,000 in a full year, which is not included in the figure above.

#### Agency Staff Costs

- 6 Members will recall there was an unfavourable variance on agency staff use in 2021/22 mainly due to COVID-19, albeit with some offset by underspend on salaries due to vacancies. Given the continued pressure on the service, a backlog of leave to be taken, and sickness absences, agency use is still required in order to protect the current high service levels, notably the weekly rubbish and recycling collections.
- 7 Work is being undertaken to address this position, for example by reviewing the use of agency staff and exploring options to tender for their provision.

#### Fuel and vehicle costs

- 8 Transport costs are higher than anticipated for a number of reasons. First, the price of fuel. Although, by virtue of the volume of fuel it purchases, the Council does not pay pump prices for diesel, it is still exposed to the global increase in prices and the Council has seen a 40% increase since May 2021. Second, with home working increasingly the norm, the volumes of waste being collected are at an all time high, increasing wear and tear on the vehicles and fuel consumption. Thirdly, the cost of parts has increased and availability decreased.

- 9 A Vehicle Replacement Strategy is currently being developed which is seeking to replace the existing fleet with a younger and more environmentally friendly one, compatible with the Council's Net Zero commitment and is anticipated to reduce maintenance and operating costs.

#### Commercial Income

- 10 On commercial income, Members will be aware that the budget has been significantly increased in recent budget setting processes. Officers expect income to be around 15% lower than budget this year, with budgeted levels being met next financial year.
- 11 As the economy recovers following the pandemic, the Direct Services Business Development Team is focussing on increasing customers for commercial trade waste as well as exploring opportunities for securing improvements to garden waste subscriptions and markets income. A review of fees and charges is also due to be carried out.

#### Utilities (Finance & Trading)

- 12 There is no commercial equivalent to the energy price cap which affords a degree of protection from price increases to domestic users. The Council is always looking to reduce its energy consumption, however, as the owner of many properties across the District requiring energy - from lighting in our car parks to heating our buildings - the Council is exposed to increased costs in this area, with a variance of £317,000 anticipated this year.
- 13 The Council's electricity and gas supply is managed through contracts. To mitigate the impact of rising prices and afford price certainty, contracts were renegotiated earlier this year to forward purchase fifty percent of our requirement at a fixed rate.

#### Other

- 14 The ten-year budget already includes inflation assumptions for both staff and non-staff costs. The current figure for the pay award is 2% each year. For 2020/21 the final pay award was 1.75% and resulted in a £42,000 saving. Every percentage point rise equates to £119,000. For non-staff costs the current assumption is 2.25%, with every percentage point rise equating to £117,000.
- 15 The cost of finance and building materials are rising. These could have an impact on the Council's capital programme. Any necessary amendments to the programme will be presented to Members for their consideration.

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### Way forward

- 16 From this initial review it is clear that there is potentially a financial impact on the 2022/23 budget position and possibly into future years.
- 17 Additional work is being undertaken to provide greater risk certainty and develop mitigations. Members will be kept abreast of developments in future financial monitoring reports and the annual budget setting process.

### Key Implications

#### Financial

All financial implications are included within the content of this report.

#### Legal Implications and Risk Assessment Statement.

There are no legal implications.

#### 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.

#### Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

#### **Appendices**

None

#### **Background Papers**

None

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

**Finance and Investment Advisory Committee Work Plan (as at 27/04/2022)**

**24 May 2022**

- Financial Performance Indicators 2021/22 - to the end of March 2022
- Provisional Outturn 2021/22
- Financial Monitoring 2022/23 - Early indicators

**6 September 2022**

- Treasury Management Annual Report 2021/22
- Financial Performance Indicators 2022/23 - to the end of July 2022
- Financial Monitoring 2022/23 - to the end of July 2022

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