

10 January 2023 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks

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Finance & Investment Advisory Committee

Membership:

Chairman, Cllr. Grint; Vice-Chairman, Cllr. Dickins

Cllrs. Abraham, Bayley, 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. Minutes To agree the minutes of the meeting of the Committee held on 3 November 2022, as a correct record.	(Pages 1 - 4)	
2. Declarations of Interest Any interests not already registered.		
3. Actions from Previous Meeting (if any)		
4. Update from Portfolio Holder		
5. Referral from Cabinet or the Audit Committee (if any)		
6. Discretionary Rate Relief	(Pages 5 - 28)	Sue Cressall Tel: 01732 227041
7. Financial Monitoring 2022/23 - to the end of November 2022	(Pages 29 - 64)	Alan Mitchell Tel: 01732227483
8. Financial Performance Indicators 2022/23 - to the end of November 2022	(Pages 65 - 72)	Alan Mitchell Tel: 01732227483

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|-----|---|-------------------|-----------------------------------|
| 9. | Budget 2023/24: Review of Service Dashboards and Service Change Impact Assessments (SCIAs) | (Pages 73 - 116) | Alan Mitchell
Tel: 01732227483 |
| 10. | Treasury Management Strategy 2023/24 | (Pages 117 - 162) | Jessica Booth
Tel: 01732227436 |
| 11. | Property Investment Strategy Update | (Pages 163 - 178) | Alan Mitchell
Tel: 01732227483 |
| 12. | Capital Programme and Asset Maintenance 2023-26 | (Pages 179 - 200) | Alan Mitchell
Tel: 01732227483 |
| 13. | Risk and Assumptions for Budget 23/23 | (Pages 201 - 212) | Alan Mitchell
Tel: 01732227483 |
| 14. | Work Plan | (Pages 213 - 214) | |

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 3 November 2022 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Dickins (Vice Chairman)

Cllrs. Abraham, Bayley, Penny Cole, Dickins, Griffiths, Hogarth and Williams

Apologies for absence were received from Cllrs. Clack, Clayton and Reay

Cllrs. Perry Cole and Osborne-Jackson were also present.

21. Minutes

Resolved: That the Minutes of the meeting held on 6 September 2022 be approved and signed by the Chairman as a correct record.

22. Declarations of Interest

There were none.

23. Actions from Previous Meeting

There were none.

24. Update from Portfolio Holder

The Portfolio Holder explained that his update was concerned with developments that were covered in the agenda papers.

25. Referral from Cabinet or the Audit Committee

There were none.

26. Rural England Prosperity Fund

The Strategic Head of Property and Commercial presented the report, which outlined the Council's proposals for the Rural England Prosperity Fund (REPF) addendum to the UK Shared Prosperity Fund investment plan. The Council had received a provisional allocation of £501,000, to support the rural economy.

He explained that this support would primarily be through grants, which would be distributed through the Executive Local Action Group. He advised that the Council would be working within the West Kent Partnership to use business retention

Agenda Item 1

Finance & Investment Advisory Committee - 3 November 2022

funding to facilitate grant distribution, but that the £501,000 from the REPF would be exclusively used within the District.

In response to questions, he advised that the maximum £25,000 limit on grants was a lesson taken from the LEADER programme, to better leverage private sector funding into the District. It was also necessary to allow the funding to reach across the two year period. He further advised that processes for monitoring and evaluating the success of the grants were included in the plan, but that the Council was anticipating more government guidance on these matters.

The Committee discussed the opportunities for local Members to bring forward projects, and the need for District Councillors to have an active role in the process.

Resolved: That:

- a) It be recommended to Cabinet that District Councillors have an up-front role in helping to identify projects that are suitable for the REPF funding; and
- b) The report be noted.

27. Treasury Management Mid- Year Update 2022/23

The Senior Principal Accountant presented the report which gave details of treasury activity in the first half of the current financial year, recent developments in the financial markets and fulfilled the reporting requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.

The Committee heard that the Council's investment income had a favourable variance of £102,000 against the budget. She advised that the current valuation of the Multi Asset Income Fund was lower than its initial investment, but that it was performing well in generating income. Fluctuations in its valuation were to be expected, as it was a long-term investment.

Resolved: That it be recommended to Cabinet that the Treasury Management Mid-Year Update for 2022/23, be noted.

28. Financial Performance Indicators 2022/23 - to the end of September 2022

The Head of Finance presented the report, which outlined the Financial Performance Indicators to the end of September 2022. He highlighted some of the indicators for the Committee.

He explained that the instances where different implementation dates were agreed with managers lowered the PI for Audit actions, but that this would correct itself over time. The Sundry Debts indicator was affected by a small number of larger debts which took longer to collect, but were being actively managed. The Treasury Management indicator illustrated the effect of low cash balances, as cash

resources were used to fund investment acquisitions and the capital programme, but showed an upward projection at the end of the period.

The Committee discussed the Investment Returns vs RPI and CPI, which indicated the relative success of the Multi Asset Income Funds compared to cash investments within the period.

Resolved: That the report be noted.

29. Financial Monitoring 2022/23 - to the end of September 2022

The Head of Finance presented the report, which outlined the Council's financial position to September 2022 and the forecast position as at 31 March 2023. An unfavourable variance of £572,000 was reported at the September meeting of the Committee. Since then, £140,000 had been identified within in-year savings, and investment returns were forecast to be above budget by £103,000. Parking and Development Management incomes were expected to exceed budget, but were partly offset by forecast unfavourable variances from the loss of income of the property investment strategy, and the net cost of Direct Services.

The pay offer from April 2022 was not included in the report, as it had not yet been agreed at the date the report was written, but would be included in the future. Members were reminded that an approach was agreed in September to deal with the 2022/23 unfavourable variance resulting from the pay offer.

In response to questions, he clarified the nature of the in-year savings. The Chief Officer for Finance & Trading explained that higher refuse collection volume had eased from its peak, but was still 12% above pre-pandemic levels. He further clarified the parking income was exceeding the expected reduction from the pandemic, and that it was a positive indicator of improving economic activity.

The Committee discussed the Council's use of agency staff, and the steps being taken to employ permanent staff in their place.

Resolved: That

- a) It be recommended to Cabinet that the Finance & Investment Advisory Committee's concerns regarding the level of Agency staff costs, be noted; and that
- b) The report be noted.

30. Financial Prospects and Budget Strategy 2023/24 and beyond

The Chief Officer for Finance & Trading presented the report, which was the first stage of the Council's budget setting process for 2023/24. No changes to future assumptions had been made, but they would be reviewed in later stages of the process.

Agenda Item 1

Finance & Investment Advisory Committee - 3 November 2022

The April 2022 pay award had now been approved, and would result in an annual budget gap of £735,000, when factoring in the £100,000 annual savings target. The Council still intended to remain financially self-sufficient, but would need to make significant savings in this budget process to do so.

The Committee discussed giving Advisory Committees more information on Performance Indicators, to allow them to better identify operational inefficiencies.

Resolved: That it be recommended to Cabinet that Performance Indicators are included in the Budget reports to the Advisory Committees to assist Members in identifying savings.

31. Work Plan

The Work Plan was noted.

THE MEETING WAS CONCLUDED AT 7:42PM

CHAIRMAN

DISCRETIONARY RATE RELIEF

Finance & Investment Advisory Committee - 10 January 2023

Report of: Deputy Chief Executive and Chief Officer - Customer and Resources

Status: For Decision

Also considered by:

- Cabinet 12 January 2023

Key Decision: No

Executive Summary: The Council requires potential recipients of discretionary rate relief to submit a formal application every two years. This report sets out the proposals for awarding discretionary rate relief for 2023/2024 to ratepayers who have submitted applications or will have done so by 28 February 2023.

This report supports the Key Aim of: Supporting and developing the local economy and providing value for money.

Portfolio Holder: Cllr. Dickins

Contact Officer(s): Sue Cressall, Ext. 7041

Paula Porter, Ext. 7277

Recommendation to Finance & Investment Advisory Committee: members are asked to recommend that Cabinet approve the proposals for granting relief from business rates for 2023/2024 set out in Appendix B.

Recommendation to Cabinet: members are asked to approve the proposals for granting relief from business rates for 2023/2024 set out in Appendix B.

Reason for recommendation: Relief from business rates provides organisations with valuable support and contributes to the Council's commitment to supporting and developing the local economy.

Agenda Item 6

Introduction and Background

- 1 Charities and sports organisations that have charitable status currently receive 80% mandatory relief. In order to qualify for the mandatory relief the organisation must be established for charitable purposes only and the premises must be wholly or mainly used for charitable purposes. Sports clubs registered with HMRC as community amateur sports clubs are also entitled to 80% mandatory relief.

Certain types of business in rural villages may qualify for 50% mandatory rate relief subject to the rateable value of the property being under specified limits.

- 2 Section 47 of the Local Government Finance Act 1988 (as amended by s69 of the Localism Act 2011) provides local authorities with powers to grant discretionary rate relief of up to 100% to any ratepayer.
- 3 Discretionary rate relief can be awarded in isolation or given to ‘top-up’ a mandatory award.
- 4 However, unless one of the following apply, authorities may only grant discretionary rate relief if satisfied that it would be reasonable to do so, having regard to the interests of the council tax payers:
 - The ratepayer is a charity or trustees for a charity, and the property is wholly or mainly used for charitable purposes; or
 - The ratepayer is a community amateur sports club and the property is wholly or mainly used for the purpose of the club and other such clubs; or
 - The ratepayer is entitled to mandatory rural rate relief; or
 - All or part of the property is occupied by non-profit making organisations whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or
 - The property is occupied by a club, society or other non-profit making organisation and it is wholly or mainly used for purposes of recreation.
- 5 Authorities should have easily understood guidelines for deciding whether or not to grant relief and for determining the amount of relief which should be based on the consideration of the merits of each individual case. However, as the range of bodies that may be eligible for discretionary rate relief is wide, not all the suggested criteria will be applicable in each case.
- 6 The Council currently grants discretionary rate relief over the following categories:
 - Discretionary rate relief up to 100% of rates bill (but usual award is 80%);

- Village Shop rate relief at 50% of rates bill;
 - Hardship relief up to 80% of rates bill; and
 - Discretionary ‘top-up’ relief to take total relief up to 100% of the rates bill.
- 7 Members reviewed the criteria for granting discretionary rate relief to charities, not for profit organisations, discretionary rural rate relief and hardship relief in February 2013 and this is attached at Appendix A.
- 8 The Government announced the intention to double mandatory rural rate relief to 100% from 1 April 2018 onwards. However, this still requires an amendment to primary legislation which cannot be implemented by 1 April 2022. Local Authorities are advised to use discretionary powers to award the additional 50% relief which will be reimbursed by way of a section 31 grant.
- 9 Officers also recommend the award of discretionary rural rate relief to those businesses offering some or all of the service of a Post Office, General Store or food shop which is essential to the community but do not qualify for mandatory rural rate relief because of the rateable value.
- 10 The recommendation is to award discretionary rural rate relief after application of other reliefs so as to give the ratepayers 100% relief from business rates.
- 11 Applications from ratepayers falling outside of these criteria will be considered on their merits and individual recommendations will be made having regard to the interests of the District’s council tax payers.

Approach taken to reviewing applications

- 12 The full list of applications, together with officer recommendations, is attached at Appendix B. Each application has been considered on its own merits, however in reviewing applications against the criteria, similar organisations were considered together, to ensure consistency of approach.
- 13 The criteria was applied as follows for discretionary rate relief and discretionary top-up relief:
- Links to Council priorities - the extent to which the activities supported the Council’s priorities was assessed, including support/activities for vulnerable or socially excluded groups.
 - Evidence of financial need including reserve levels and assets - all organisations were requested to provide financial information and reserve levels were compared to annual expenditure, to assess financial need. The ability to generate income was also considered. In addition, for sports clubs, consideration was given to whether they had applied to become community amateur sports clubs (CASCs).

Agenda Item 6

- Membership within the District - where it appeared that a substantial proportion of the membership was from outside the District, this was taken into account in putting forward a recommendation.
 - Membership open to all - where membership is restricted to a particular group or locations, or is dependent on recommendations from existing members this has been taken into account, as not all residents would be able to benefit from the relief granted.
 - Membership fee levels - fee levels were assessed to consider whether they were so high that they could exclude some in the local community.
 - Bar activity and profits - if the bar is the main activity an organisation was unlikely to be recommended for relief. Any profits are expected to be used to fund club expenses.
- 14 For discretionary village shop relief, officers considered the benefits of the shop/business to the local community when compared with the cost of the relief. It is recommended that the village shops receive relief due to the benefit they provide to local communities.
- 15 Where a ratepayer receives 100% small business rate relief the recommendation is for no discretionary rate relief or village shop relief to be granted, since the businesses already receive maximum support.
- 16 There is no formal appeals process against the Council's decisions on the discretionary reliefs referred to in this report. The current approach is however to re-consider decisions in the light of any representations made by the ratepayers.

Applications for 2023/2024

- 17 Appendix B contains the details of each applicant to be considered for relief for 2023/2024 and recommendations of the level of relief to be applied. All applicants fall to be considered under the criteria set out in Appendix A.
- 18 In the Autumn Statement on 17 November 2022 the Chancellor announced a multiplier freeze for 2023/2024. Although still subject to final confirmation, it is anticipated that the small business non-domestic rating multiplier will be set at 49.9p and the standard non-domestic rating multiplier will be set at 51.2p.
- 19 The draft rating list containing rateable values that are due to take effect from 1 April 2023 was published on 17 November 2022.
- 20 The estimated level of relief is based upon the multipliers set out in paragraph 17 and the rateable values published in the draft list on 17 November 2022. Ultimately, should the multipliers or the rateable values change a further report setting out the revised relief awards will be submitted.

- 21 Further reliefs were also announced in the Autumn statement which may impact on the estimated level of relief recommended. As the guidance surrounding these reliefs has not yet been published, the recommendations take no account of the potential effect and the final relief may be less.
- 22 If applications are approved, the estimated total gross relief granted would be £227,253.42.
- 23 Members should be aware that the requirement for relief can change during the financial year as a result of rateable value changes, vacations etc. Therefore, some of these awards may not ultimately require full funding.

Other options Considered and/or rejected

- 24 Members have discretion not to grant rate relief or to vary the amount of relief awarded. No recommendation is being made to reduce or remove relief because relief from business rates provides organisations with valuable support and contributes to the Council's commitment to supporting and developing the local economy.

Key Implications

Financial

- 25 Since 1 April 2013 all discretionary relief granted has come under the provisions of the business rate retention scheme.
- 26 The cost of relief is initially shared between central government (50%) and local authorities (50%). Of this Sevenoaks District Council is required to fund 40%. However, due to the complexities of business rates retention, the actual impact is likely to be significantly lower.
- 27 Appendix B only refers to the gross discretionary rate relief proposed.
- 28 S31 grants will be made to compensate for the top-up to mandatory rural rate relief.

Legal Implications and Risk Assessment Statement

- 29 There are no legal issues.

Risk Assessment Statement

- 30 New organisations may request relief after the deadline for receipt of applications and so would not be able to receive discretionary relief until the next annual review. In order to address urgent cases the Deputy Chief Executive - Chief Officer for Customer and Resources determines any relief to be awarded under delegated authority. These organisations would then apply in the usual way for the next round.
- 31 A biennial application process may seem to be an additional burden for businesses, many of whom are small. Officers have taken account of this in

Agenda Item 6

designing the application process so as to minimise the administrative burden on applicants.

Equality Assessment

- 32 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

- 33 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.

Conclusions

- 34 There are clear benefits to the business community of awarding discretionary rate relief and therefore the proposals are submitted for endorsement as per Appendix B.

Appendices

Appendix A - Policy for considering applications for Discretionary Rate Relief

Appendix B - List of organisations proposed to receive relief

Background Papers

None

Jim Carrington-West

Deputy Chief Executive and Chief Officer - Customer & Resources

Policy for considering applications for Discretionary Rate Relief

Charitable and not for profit organisations

Under National Non-Domestic Rate (NNDR) legislation the Council has the power to award discretionary rate relief to certain charitable or not for profit organisations where the following conditions are satisfied.

All or part of the property is occupied by one or more institutions or organisations which are:

- Not established for profit, **and**
- Whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or
- Used wholly or mainly for recreation by a not-for-profit club or society.

Discretionary rate relief cannot be awarded if the ratepayer is a billing or precepting authority.

The process for considering applications is as follows:

- Not-for-profit organisations are asked to apply for discretionary rate relief (in isolation or as ‘top-up’ every two years, all applications to be considered at the same time.
- Cabinet to decide annually which organisations are to receive relief based on criteria including how the organisation assists the Council to achieve its priorities (see below). This includes deciding the level of relief to be granted in each case.

Criteria	Explanation
Links to Council priorities	The extent to which the activities of the organisation support the Council’s priorities as set out in the Corporate Plan, and specifically supporting and developing the local economy and providing good value for money through a balanced budget.
Evidence of financial need including reserve levels and assets	Organisations with high levels of reserves (covering more than 12 months’ expenditure) or who cannot demonstrate a financial need would not be a priority for rate relief.

Membership within District	As 40% of the relief is funded by SDC taxpayers priority will be given to those organisations with a high proportion of members from within the District.
Membership open to all	To give all residents an opportunity to benefit from the rate relief, priority should be given to organisations where membership is open to all.
Membership fee levels	Where membership fees are charged they should not be so high as to exclude any of the community.
Extent to which activity is based around Bar and use of profits from it	Priority would not be given to those organisations where the bar is the main activity. It would be expected that any profits from the bar would be put back to fund club expenses.

Discretionary rural rate relief

Certain types of business in rural villages, with a population below 3,000, may qualify for rate relief of 50%. Businesses that qualify for this relief are the sole general store and the sole post office in the village, provided it has a rateable value of up to £8,500, any food shop with a rateable value of up to £8,500 and the sole pub and the sole petrol station in the village provided it has a rateable value of up to £12,500. The Council has discretion to give further relief on the remaining bill on such property.

The Council may decide to give up to 100% relief to any other business in such a rural village, with a rateable value of up to £16,500, if it is satisfied that the business is of benefit to the community and having regard to the interests of its council tax payers.

Hardship Relief

Hardship relief is granted in exceptional circumstances, any business can apply for hardship relief if they can show the following:

- The business would suffer hardship if relief was not granted; and
- It is in the interests of council tax payers for relief to be granted.

An application needs to be supported by current trading figures as well as previous audited accounts or accounts accepted by HMRC. In assessing an

application regard will be had to employment issues for the company or any related business and the impact that the loss of business would have on the local area. The current approval process is that the Finance Team carries out a review of the business's accounts and the Chief Finance Officer decides whether hardship relief is appropriate based on each case's merits. In practice hardship relief has been granted in only exceptional cases to date.

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Reference	Organisation name and property description/address	Property Type	Parish	% for 2023/24	Estimated Relief for 2023/24	Recommendation/comments
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DISCRETIONARY RELIEF						
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30556849	Hospices of Hope Trading Ltd 11-13 High Street, Otford TN14 5PG	Shop	Otford	80	£12,509.93	Recommended
30733226	Kent Downs AONB Unit The Tea Barn, Shoreham TN14 7UB	Office	Shoreham	80	£3,982.02	Recommended
30570319	New Ash Green Village Assoc Ltd Ash Road, New Ash Green DA3 8HH	Hall	Ash	80	£3,395.20	Recommended
30557491	New Ash Green Village Assoc Ltd Punch Croft, New Ash Green DA3 8HR	Sports Ground	Ash	80	£8,732.50	Recommended
30578788	New Ash Green Village Assoc Ltd Centre Road, New Ash Green DA3 8HH	Office	Ash	80	£6,156.41	Recommended
30553475	New Ash Green Village Assoc Ltd Ash Road, New Ash Green DA3 8JY	Workshop	Ash	80	£7,204.31	Recommended
30709346	RACDV Sales Ltd 36 Swanley Centre, Swanley BR8 7TL	Shop	Swanley	80	£8,320.83	Recommended
30602841	Seal Supermarket Ltd 21 High Street, Seal TN15 0AN	Shop	Seal	80	£6,078.06	Applied for discretionary rural rate relief. No longer eligible due to revaluation. 80% discretionary rate relief recommended as still of benefit to local community as a general store

Ref	Organisation name and property description/address	Property Type	Parish	% for 2023/24	Relief for 2023/24	Recommendation/comments
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TOP-UP RELIEF						
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30550568	10th Sevenoaks (Weald's Own) Scout Group R/O 13-16 Glebe Road, Weald TN14 6PB	Hall	Weald	20	£322.56	Recommended
30562165	15th Sevenoaks (Otford) Scout Group Station Road, Otford TN14 5QU	Hall	Otford	20	£330.92	Recommended
30569944	16th Sevenoaks (Ide Hill) Scout Group Camberwell Lane, Ide Hill TN14 6JL	Hall	Sundridge	20	£134.28	Recommended
30565195	17th Sevenoaks (Westerham) Scout Group Hortons Way, Westerham TN16 1BT	Hall	Westerham	20	£249.34	Recommended
30557095	1st Crockenhill Scout Group Stones Cross Road, Swanley BR8 8LT	Hall	Swanley	20	£195.38	Recommended
30561414	1st Edenbridge Scout Group Station Road, Edenbridge TN8 5HP	Hall	Edenbridge	20	£239.79	Recommended
30558593	1st Eynsford & Farningham Scout Group Priory Lane, Eynsford DA4 0AY	Hall	Eynsford	20	£264.02	Recommended
30565812	1st Horton Kirby Scout Group	Hall	Horton Kirby	20	£248.32	Recommended

	Horton Road, Horton Kirby DA4 9BN					
30558555	1st Sevenoaks Scout Group 57 Oakhill Road, Sevenoaks TN13 1NT	Hall	Sevenoaks	20	£392.75	Recommended
30562080	3rd Sevenoaks (Riverhead) Scout Group Bradbourne Vale Road, Sevenoaks TN13 3QQ	Hall	Sevenoaks	20	£240.64	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2023/24	Relief for 2023/24	Recommendation/comments
30567641	4th Sevenoaks (St Johns) Scout Group Mill Lane, Sevenoaks TN14 5BU	Hall	Sevenoaks	20	£552.96	Recommended
30573417	6th Sevenoaks (Kemsing) Scout Group Heaverhad Road, Kemsing TN15 6NE	Hall	Kemsing	20	£199.68	Recommended
30566792	7th Sevenoaks (Halstead) Scout Group Shoreham Lane, Halstead TN14 7BY	Hall	Halstead	20	£119.10	Recommended
30556245	7th Tonbridge (Eden Valley) Scout Group Kiln Lane, Leigh TN11 8RT	Hall	Leigh	20	£250.88	Recommended
30638543	Age UK Sevenoaks & Tonbridge The Old Meeting House, St Johns Road, Sevenoaks TN13 3LR	Hall	Sevenoaks	20	£2,069.86	Recommended
30748907	Archbishop's Palace Conservation Trust The Gatehouse, Otford Palace TN14 5PD	Hall	Otford	20	£142.94	Recommended
30612176	Badgers Mount Memorial Hall Highland Road, Badgers Mount TN14 7BA	Hall	Badgers Mount	20	£433.20	Recommended
30741845	Chiddingstone Nursery School Hill Hoath Road, Chiddingstone TN8 7AD	Day Nursery	Chiddingstone	20	£880.64	Recommended

30735406	Citizens Advice in North & West Kent 38 Swanley Centre, Swanley BR8 7TQ	Shop	Swanley	20	£1,200.79	Recommended
30769775	Citizens Advice in North & West Kent 1st Floor 5 Blighs Court Sevenoaks TN13 1DD	Offices	Sevenoaks	20	£2,267.17	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2023/24	Relief for 2023/24	Recommendation/comments
30604373	Eden Valley Museum Trust Church House, R/O 72 High Street Edenbridge TN8 5AR	Museum	Edenbridge	20	£153.60	Recommended
30693953	Edenbridge & Westerham Citizens Advice Bureau The Eden Centre, Edenbridge TN8 6BY	Office	Edenbridge	20	£1,888.97	Recommended
30569890	Farningham Village Hall High Street, Farningham DA4 0DH	Hall	Farningham	20	£433.98	Recommended
30558982	Fawkham Village Hall Valley Road, Fawkham DA3 8NA	Hall	Fawkham	20	£656.38	Recommended
30554416	Halstead Village Hall Knockholt Road, Halstead TN14 7EX	Hall	Halstead	20	£332.80	Recommended
30675078	Hartley Village Hall Ash Road, Hartley DA3 8EL	Hall	Hartley	20	£307.20	Recommended
30774777	Heart Cells Foundation Office 4 at Mill Court, Edenbridge TN8 5DB	Office	Edenbridge	20	£804.05	Recommended
30721865	Hextable Community Collective 39 Egerton Avenue, Hextable BR8 7LG	School	Hextable	20	£2,867.20	Recommended
30555785	Ide Hill Village Hall Management Ide Hill, Sevenoaks TN14 6JG	Store	Sundridge	20	£240.70	Recommended

30570296	Ide Hill Village Hall Management Ide Hill, Sevenoaks TN14 6JG	Hall	Sundridge	20	£306.58	Recommended
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Ref	Organisation name and property description/address	Property Type	Parish	% for 2023/24	Relief for 2023/24	Recommendation/comments
30775480	Imago Community Unit 1 South Block Ash House New Ash Green, Longfield DA3 8JF	Office	Ash	20	£738.57	Recommended
30702369	Kingsdown Village Hall Gamecock Meadow, London Road West Kingsdown TN15 6BZ	Hall	West Kingsdown	20	£2,073.60	Recommended
30658332	Longfield & Hartley Scout Group Larkwell Lane, Hartley DA3 7EQ	Club House	Hartley	20	£522.24	Recommended
30557156	Otford Village Memorial Hall High Street, Otford TN14 5PQ	Hall	Otford	20	£771.31	Recommended
30643088	Riverside Players Unit 11 Furlongs Farm, Riverside Eynsford DA4 0AE	Store	Eynsford	20	£246.46	Recommended
30758171	Samaritans of East Surrey 105 St Johns Hill, Sevenoaks TN13 3PE	Office	Sevenoaks	20	£1,075.85	Recommended
30744370	Second Chance Animal Rescue Bournewoods, Stones Cross Road Swanley BR8 8LT	Animal Sanctuary	Swanley	20	£1,280.00	Recommended
30575161	Sevenoaks District Scout Council School Lane, Seal TN15 0BE	Hall	Seal	20	£209.92	Recommended
30607556	Sevenoaks Leisure Ltd	Leisure Centre	Sevenoaks	20	£29,440.00	Recommended

	Buckhurst Lane, Sevenoaks TN13 1LW					
30607570	Sevenoaks Leisure Ltd Lullingstone Golf Club, Orpington BR6 7PX	Restaurant	Shoreham	20	£1,013.76	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2023/24	Relief for 2023/24	Recommendation/comments
30607563	Sevenoaks Leisure Ltd Edenbridge Leisure Centre TN8 5LU	Leisure Centre	Edenbridge	20	£25,600.00	Recommended
30734694	Sevenoaks Leisure Ltd Edenbridge Local Office TN8 5LU	Office	Edenbridge	20	£684.88	Recommended
30550339	Shoreham Village Hall 25 High Street, Shoreham TN14 7TB	Hall	Shoreham	20	£394.24	Recommended
30671342	Stag Community Arts Centre Stag Theatre, Sevenoaks TN13 1ZZ	Theatre & Cinema	Sevenoaks	20	£5,273.60	Recommended
30556276	Sundridge Village Hall Main Road, Sundridge TN14 6EJ	Hall	Sundridge	20	£323.60	Recommended
30720022	Swanley & District Foodbank 11 Lynden Way, Swanley BR8 7DN	Shop	Swanley	20	£566.49	Recommended
30756144	The Cottage Community Cottage Day Centre, Fawkham DA3 8PU	Community Centre	West Kingsdown	20	£297.40	Recommended
30719305	The Kent Firefighting Museum Woodlands Nurseries, Ash TN15 7EG	Museum	Ash	20	£0.11	Recommended - RV reduced to 1 in 2023 list
30772344	The SLM Community Leisure Charitable Trust Whiteoak Leisure Centre, Swanley BR8 7BT	Leisure Centre	Swanley	20	£60,928.00	Recommended

30569487	Ash Village Hall The Street, Ash TN15 7HA	Hall	Ash	20	£290.73	Recommended
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Ref	Organisation name and property description/address	Property Type	Parish	% for 2023/24	Relief for 2023/24	Recommendation/comments
30554812	West Kent Mind Day Centre, Glen Dunlop House St Johns Road, Sevenoaks TN13 3LW	Day Centre	Sevenoaks	20	£445.44	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2023/24	Relief for 2023/24	Recommendation/comments
RURAL RATE RELIEF						
30697481	Ide Hill Community Shop CIC Ide Hill Village Hall, Ide Hill TN14 6JG	Shop	Sundridge	100	£5,370.49	No longer eligible for mandatory rural rate relief due to revaluation. 100% discretionary rural rate relief recommended as still of importance to rural area
30551899	Mr Alan Johnson Park View, High Street, Leigh TN11 8RL	Shop	Leigh	50	£1,673.00	Recommended 50% to top up mandatory rural rate relief - fully funded by grant
30756564	Mr Robert G Martin 27 High Street, Seal TN15 0AN	Shop	Seal	100	£4,586.83	No longer eligible for mandatory rural rate relief due to revaluation. 100% discretionary rural rate relief recommended. Appendix A refers.
30556207	Penshurst Place Forge Garage, High Street Penshurst, TN11 8BU	Petrol Filling Station	Penshurst	50	£3,008.00	Recommended 50% to top up mandatory rural rate relief - fully funded by grant
30669516	Rafferty Investments Ltd Darenth House, Eynsford DA4 0AA	Shop	Eynsford	100	£5,332.96	No longer eligible for mandatory rural rate relief due to revaluation. 100% discretionary rural rate relief recommended. Appendix A refers.

<u>Discretionary Rate Relief</u>		Number	Relief 2023/24
Total Officer Recommended		8	£56,379.26
Total Officer Rejected		0	£0.00
<u>Top-Up Relief</u>		Number	Amount
Total Officer Recommended		51	£150,902.88
Total Officer Rejected		0	£0.00
<u>Rural Rate Relief</u>		Number	Amount
Total Officer Recommended		5	£19,971.28
Total Officer Rejected		0	£0.00

FINANCIAL MONITORING 2022/23 - TO THE END OF NOVEMBER 2022

Finance and Investment Advisory Committee - 10 January 2023

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

Status: For Consideration

Also considered by: Cabinet - 12 January 2023

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 both in terms of higher costs but also higher demand on its services.

During the pandemic, the financial strength and flexibility afforded by the Council's still unique rolling ten 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.

This report updates Members on the authority's forecast financial position and sets out measures proposed to address the challenges being faced.

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:

- a) That the report be noted, and any comments be forwarded to Cabinet

Recommendation to Cabinet:

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

Reason for recommendation:

Sound financial governance of the Council.

It is important that Members and officers alike should continue to be 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.

Introduction and Background

- 1 The forecasted year-end position as at 30 November 2022 is estimated to be an unfavourable variance of £242,000 against a net revenue budget of £17.528m.
- 2 Earlier in the year reports have been presented to this committee that showed significant in year financial challenges, including the national pay award which on its own resulted in an additional cost of £629,000. During the year significant progress has been made to identify in year savings and Officers continue to work on solutions to resolve the current forecasted unfavourable position.

Staff Pay Costs

- 3 The National Employers for local government services final offer of £1,925 per person, an average increase of 5.8% was accepted. The cost of this offer has now been included in the forecast.
- 4 It was agreed in September that the funding of this pay award be treated as two separate requirements. First, offsetting the increase in staff costs with

any net surplus that may arise from our membership of the Kent and Medway Business Rates Pool - based on previous years, this is estimated to be £250,000. Second, drawing £379,000 from the Budget Stabilisation Reserve.

- 5 Both steps are consistent with the principles which govern the use of the funds since, in the case of the former, the receipts are ordinarily treated as a windfall and therefore committed to reserves to meet future expenditure and, with the latter, the Budget Stabilisation Reserve's purpose is to assist in smoothing out peaks and troughs over the course of the ten year budget period.
- 6 Furthermore, to ensure there is no long term impact on the Budget Stabilisation Reserve, it was proposed that a corresponding savings or income item be identified as part of the 2023/24 Budget which can replenish the Reserve over the course of the ten year budget - in other words, committing to reserves an anticipated £38,000 per year.
- 7 For the future expenditure (i.e. 2023/24 onwards), this is being addressed through the 2023/24 budget setting process, adopting the same approach which has seen the authority successfully meet other financial challenges.

Other Areas of Note

- 8 Members will note from the appendices that the challenges and areas of potential impact remain broadly as set out in the Financial Monitoring 2022/23 - Early Indications report, with some likely to prove transitory, others potentially mitigatable, and others more structural and have been brought forward into the budget setting process.

Net Service Expenditure - Favourable Variances

- 9 Retained Business Rates - Income of £2.476m forms part of the 2022/23 budget. In previous years any receipts over and above this amount, including those that result from being a beneficiary of the Kent Business Rates Pool have been transferred to the Budget Stabilisation Reserve, but it has been agreed that this year it is used to help offset any overspend. We are currently waiting for the initial estimate, but it is expected to be approximately £250,000.
- 10 Pay costs - the expenditure forecasts on staff costs total £322,000 below budget, however this is being offset by an unfavourable variance of £766,000 on agency costs.
- 11 Within Development Management is a favourable variance of £150,000 being forecast due to increased fee applications and prior year receipts in advance.

Agenda Item 7

- 12 Miscellaneous Finance is forecasting a favourable variance of £140,000. This is the in year saving achieved across a number of services to offset the forecasted unfavourable position.
- 13 Corporate Management is showing as a favourable variance of £166,000 which includes the unspent grant allocated to fund the employers increased National Insurance costs. The Government has since reversed this increase.
- 14 Corporate Other is showing a favourable variance of £116,000 which is the additional savings from the vacancy savings budget.
- 15 Income - the Council receives a number of different income streams to help balance the budget and details in relation to the main streams are included in Appendix B. At the end of November, income as detailed within the report is below budget in some areas such as Land Charges but positively is above budget in areas such as Taxi Licensing, Car Parking - On Street & Car Parks, Planning - Development Management and Building Control.
- 16 Car Parking income are recovering well and are forecasting favourable variances of £270,000 and £64,000, respectively. The budget was reduced by 20% compared to the budget prior to the pandemic and has being revised by 5% to reflect the anticipated rate of recovery.
- 17 Investment Returns - the return to date on the treasury management investments held by the Council is above budget with interest received totalling £284,000 compared to a budget of £112,000 for the year to date. This is due to the interest rates being far higher than they have been for some years and also due to the income being received from the Multi-asset Income Funds. In addition to this, the capital programme continues to be funded and Quercus 7 acquisitions have been funded in the most advantageous way possible which includes internal borrowing.

Net Service Expenditure - Unfavourable Variances

- 18 Land Charges are forecasting an unfavourable variance of £62,000 due to a downturn in volumes of searches and corresponding income.
- 19 Print Shop is forecasting an unfavourable variance of £68,000 due to underachievement of income due to the reduction of external business demand.
- 20 Direct Services are forecasting an unfavourable variance of £1,076,000. This includes £331,000 due to the pay award being higher than budgeted as explained above. The remaining variance is due to a number of reasons including the higher refuse volumes than pre pandemic which has contributed to the additional cost of agency staff and the requirement to hire vehicle where existing vehicles are being repaired due to the increased wear and tear. There has also been an underachievement of the increased income budget for trade waste as businesses recover from COVID-19.

- 21 Within Support - Central Offices an unfavourable variance of £90,000 is being forecasted. This is to reflect the increase in utility costs caused by world events. This is an estimation as utility bills will be received shortly.
- 22 Investment Property Income is forecasting an unfavourable variance of £265,000. This reflects the current occupation levels of the portfolio and the income that will not be received together with the Business Rates costs.

Future Issues and Risk Areas

- 23 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:
- A future pressure on homelessness may be seen once current host placements end for the Government's Homes for Ukraine Scheme. Additional funding for homelessness pressures arising from the Homes for Ukraine Scheme has been allocated by KCC, which could potentially contribute to temporary accommodation costs.
 - Lower income for Print Studio services from both internal and external customers.
 - Land Charges income to be kept under review throughout the year due to the current market downturn.
 - The ongoing effects of Covid-19 continue to have an impact on income levels and expenditure. Service pressures and vehicle hire and repairs continue to cause issues for Direct Services.
 - There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts.
 - Recruiting to vacant posts continues to be difficult.
 - The financial impact of proposed changes to the Planning System will need to be carefully considered.
 - Cost of living impact on service demands.
 - Volatility in the markets around utility prices.
 - Rental income pressures due to market volatility.

Agenda Item 7

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.

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 - November 2022 Budget Monitoring Commentary

Appendix B - November 2022 Financial Information

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

People and Places	Budget to Date £'000	Forecast difference at year end	Forecast Outturn £'000	Actual to end of November 22 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)
Contain Outbreak Management Fund 2021/22 - P&P	0	0	0	15	15	0	Pending payment of outstanding funding allocation re. COMF
Domestic Abuse Duty	0	0	0	-23	-23	0	Government funding received in advance for DA Co-ordinator post
KCC Helping Hands	0	0	0	-30	-30	0	Funding received in advance from the Kent County Council (KCC) for Helping Hands Projects
Leisure Contract	84	0	84	63	-21	0	Payment of Sencio's management fee is subject to the previous year's audited accounts being provided by the Trust, which are currently outstanding.
Leisure Development	16	0	16	0	-16	0	Payment of Sencio's Advantage payment is subject to the previous year's audited accounts being provided by the Trust, which are currently outstanding.
Tourism	18	0	18	-166	-184	0	Grants received ahead of spend.
West Kent Partnership	-24	0	-24	-2	23	0	External funding not yet received.
Youth	36	-1	35	25	-11	-1	Grant received in advance from KCC as part of Local Childrens Partnership Group
Future Issues/Risk Areas	Ongoing impact of COVID-19 on the leisure industry and Council owned leisure facilities - consultancy review completed.						

	Budget to Date £'000	Forecast difference at year end	Forecast Outturn	Actual to end of November 22 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)
Development and Conservation							
Building Control	-94	-10	-104	-89	5	-10	Fee income behind profile
Conservation	75	26	101	112	37	26	Additional investment in the delivery of the service.
Planning Policy	226	23	248	240	14	23	Additional investment in the delivery of the service.
Local Plan Expenditure	0	0	0	167	167	0	Spend to be funded from reserves.
Planning - Appeals	142	15	157	121	-21	15	Salary underspend offset against salary overspend elsewhere
Planning - CIL Administration	-31	-1	-32	18	50	-1	Achieved fees entered every six months (twice yearly). Fee yet to be entered.
Planning - Development Management	-57	-150	-207	-183	-126	-150	Planning fee applications prior year receipts in advance allocated to the period
Planning - Enforcement	199	39	238	230	31	39	Additional investment in the delivery of the service.
Planning - Development Management - Software Project	0	0	0	-120	-120	0	External funding received ahead of spend.
Future Issues/Risk Areas	There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts. Recruiting to vacant posts continues to be difficult. The financial impact of proposed changes to the Planning System will need to be carefully considered.						

Finance and Investments	Budget to Date £'000	Forecast difference at year end	Forecast Outturn	Actual to end of November 22 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Asset Maintenance Direct Services	25	0	25	3	-22	0	Spend behind profile
Benefits Admin	207	7	214	188	-19	7	New burdens funding and grants received ahead of spend.
Dartford Rev&Ben Partnership Hub (SDC costs)	1,174	0	1,174	1,192	18	0	Additional software costs to be covered by drawn down from reserves.
Dartford Audit Partnership Hub (SDC Costs)	128	-2	126	97	-31	-2	Salary underspend due to vacancy.
Local Tax	-117	30	-87	-31	85	30	Adverse variance due to write-offs on court costs and unachievable enforcement income.
Misc. Finance	828	-142	686	933	105	-142	Variance due to in-year saving budgets moved to Misc. Finance. Also a underspend on cleaning materials for Covid and timing difference with Pension payment.
Support - Legal Function	155	0	155	139	-16	0	Current underspend due to vacant post being recruited to
Treasury Management	77	17	94	87	10	17	Rise in the costs of bank charges and charge for Multi Asset Income Fund initial fee.
Future Issues/Risk Areas	Covid-19 continues to have a potential impact on income levels and expenditure.						

	Budget to Date £'000	Forecast difference at year end	Forecast Outturn £'000	Actual to end of November 22 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Cleaner and Greener							
Asset Maintenance Argyle Road	47	0	47	37	-10	0	Spend currently behind profile.
Asset Maintenance Other Corporate Properties	21	0	21	36	15	0	Overspend offset by underspends elsewhere.
Asset Maintenance Leisure	113	0	113	79	-34	0	Spend currently behind profile.
Asset Maintenance Support & Salaries	56	0	56	25	-31	0	Spend currently behind profile.
Car Parks	-925	-237	-1,162	-1,021	-95	-237	Parking charge income improving based on three months of new charges.
CCTV	152	40	192	204	52	40	Increase in utilities bills and annual payments ahead of profile has caused an unfavourable variance
Car Parking - On Street	-188	-50	-238	-254	-66	-50	Parking charge income improving based on three months of new charges.
EH Commercial	184	-29	155	174	-10	-29	Salary underspend offset against salary overspend elsewhere
EH Animal Control	10	11	20	4	-5	11	Underspend due to a contract renewal later in the year.
EH Environmental Protection	218	17	235	267	49	17	Salary overspend offset against salary underspend elsewhere
Parking Enforcement - Tandridge DC	-10	0	-10	-122	-112	0	Income collected on behalf of Tandridge to be paid over.
Housing Premises	1	0	1	-9	-10	0	Income exceeding budget.
Licensing Partnership Hub (Trading)	11	-26	-15	-5	-16	-26	Salary underspend due to vacancy. Currently recruiting.
Licensing Regime	24	3	26	-14	-38	3	Income ahead of profile relating to Premises licenses
Markets	-256	0	-256	-276	-19	0	£25k Grant agreed by Cabinet for Swanley Town Council and to come from the additional income from Swanley Sunday market.
Parks - Greensand Commons Project	0	0	0	51	51	0	Externally funded project. Spend will be reclaimed.
Refuse Collection	1,712	0	1,712	1,675	-37	0	An underspend on refuse sacks. A price increase is likely to see expenditure on budget.
Street Cleansing	914	29	942	939	25	29	Increase costs relating to fly tipping and unachieved income.
Support - Central Offices	399	90	489	417	18	90	Variance projected for utility bills which come in later in the year.
Support - General Admin (Post/Scanning)	148	-14	134	147	-2	-14	Forecast underspend based on staff turnover. EOY position pending impact of pay award.
Support - Direct Services	38	0	38	52	14	0	Variance due to recruitment and postage costs.

Cleaner and Greener	Budget to Date £'000	Forecast difference at year end	Forecast Outturn £'000	Actual to end of November 22 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Direct Services Trading account	-405	469	64	-28	377	469	There is an on-going overspend on agency staff in this area, and a project team brought forward a recruitment drive to reduce this, which came into effect from November 2021, however on-going delivery pressures and staff absences have regrettably increased agency staff use. This situation was made considerably worse by the accumulation of outstanding leave during the pandemic and a resurgence of Covid cases. Agency staff has been required in order to maintain service levels to cover the general service, but also to deal with the huge increase in collected curbside weights, which stands at around an extra 20% compared to last year. Due to the ageing fleet and increased collected weights, there have been multiple breakdowns resulting in substantial additional hire and repair costs to maintain the service and fleet. Commercial income has been impacted by Covid-19 due to the effect on businesses throughout the year. Despite the positive work carried out by the Business Development Team there was a significant shortfall in income against increased budgets, although a slight and slow recovery is taking place. During this quarter tight budget management and a moratorium on some budget spending has been instigated, putting off planned larger spends and reviewing projects that could be delayed, while only ordering basic service requirements.
Taxis	4	3	7	-8	-12	3	Revenue generated by new statutory practice. Over-recovery reinvested in additional staff to deliver the service.
Future Issues/Risk Areas	Covid-19 continues to have a potential impact on income levels and expenditure.						

	Budget to Date £'000	Forecast difference at year end	Forecast Outturn £'000	Actual to end of November 22 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Housing and Health							
Gypsy Sites	-4	28	24	12	15	28	As a result of closure order on site due to criminal damage, rents and HB reclaims has reduced due to tenancy evictions.
Homeless	364	0	364	406	42	0	Number of TA/Emergency Accommodation placements continues to reduce. Staff underspend and TA Charging Schedule income unachieved, as Finance unable to progress direct debit requirement.
Housing Energy Retraining Options (HERO)	38	2	40	2	-36	2	Grant received in advance for Accommodation for Ex Offenders funding.
Homes for the Ukrainians	0	0	0	-445	-445	0	First quarter funding received in advance from KCC for Homes for Ukraine Scheme.
KCC- Household Support Fund	0	0	0	302	302	0	All funding to be spent by 30 September 2022 in line with funding criteria - expenditure on track and final expenditure submitted to KCC.
KCC Helping Hands	0	0	0	-19	-19	0	Funding received in advance from the Kent County Council (KCC) for Helping Hands Projects
Private Sector Housing	154	7	161	117	-37	7	Dept for Business Energy and Industrial Strategy (BEIS) (Home Upgrade Grant) HUG1 grant received in advance for staffing post.
Rough Sleepers Initiative 2022-25	0	0	0	-125	-125	0	First tranche of funding paid in advance.
Homelessness Funding	-345	0	-345	-307	39	0	Funding to be drawn down for homeless prevention funded staffing posts.
KCC Specialist Weight Management	0	0	0	-20	-20	0	Health funding received in advance to support Black and Minority Ethnic (BAME) community health interventions.
Future Issues/Risk Areas							Ongoing Temporary Accommodation costs within the district due to increases in homelessness. Recruitment to vacant posts being completed, all Covid-19 placements ended on 30 June 2021 and a TA Charging Policy to come into effect from October.

		Forecast difference at year end	Forecast Outturn £'000	Actual to November 22 £'000	Column 3	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)
Improvement and Innovation	Budget to Date £'000							
Asset Maintenance IT	176	0	176	136		-40	0	Spend as per asset maintenance plan
Corporate Management	699	-36	663	559		-140	-36	Underspend due to the costs of the NHS & Social Care Levy still to be met by new burdens funding.
Corporate - Other	97	-66	31	0		-97	-66	Additional savings generated from vacant posts exceeding budget.
Economic Development	27	20	47	34		7	20	Costs associated with investment zones.
Economic Development Property	361	19	380	362		1	19	Costs related to agency fees.
Elections	48	18	66	73		25	18	Overspend due to unscheduled By-Elections and invoicing for the costs of a Town Council Election
Land Charges	-69	62	-7	-24		45	62	Forecast adverse variance due to downturn in volumes of searches and corresponding income
Members	281	-25	256	262		-19	-25	Underspend projected due to reduced member travel claims and training. Members allowances lower than budgeted levels.
Register of Electors	133	-18	115	77		-56	-18	Spend behind budget, with invoices for annual canvass still to be received.
Support - Contact Centre	494	-28	467	448		-46	-28	Forecast underspend based on staff turnover. EOY position pending impact of pay award.
Support - General Admin (Print Shop)	-8	50	42	51		59	50	Income from both external and internal customers is below the budgeted level for this first quarter.
Support - IT	755	-8	747	745		-10	-8	Forecast underspend based on staff turnover. EOY position pending impact of pay award.
Future Issues/Risk Areas	IT Asset Maintenance spend as per 10 year plan resulting in draw down from reserves in current year. Lower income for Print Studio services from both internal and external customers. Costs of unscheduled District Council by-elections.							

Page 41

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Position as at the end of November 22	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	Annual Variance %
People and Places	199	823	827	4	0.5
Development and Conservation	582	904	875	(29)	(3.2)
Finance and Investments	3,606	3,242	3,234	(8)	(0.2)
Cleaner and Greener	3,276	5,217	6,167	950	18.2
Housing and Health	11	1,223	1,281	58	4.7
Improvement and Innovation	3,903	6,119	6,000	(119)	(1.9)
Services Total	11,579	17,528	18,386	857	4.9
Adjustments to Reconcile to amount to be met from reserves: Capital Charges outside the General Fund	(40)	(60)	(60)	0	0.0
Adjustments to Reconcile to amount to be met from reserves: Support Services outside the General Fund	(115)	(172)	(172)	0	0.0
NET SERVICE EXPENDITURE	11,423	17,296	18,153	857	5.0
New Homes Bonus	(473)	(810)	(810)	0	0.0
Retained Business Rates	(1,484)	(2,226)	(2,476)	(250)	(11.2)
Council Tax	(7,894)	(11,841)	(11,841)	0	(0.0)
Contribution from Collection Fund	(16)	(27)	(27)	0	0.0
Local Council Tax Support (LCTS)	(245)	(110)	(110)	0	0.0
Services Grant	(39)	(159)	(159)	0	0.0
Lower Tier Services Grant	(82)	(103)	(103)	0	0.0
Summary excluding Investment Income	1,191	2,020	2,628	607	30.0

Investment Property Income	(950)	(1,517)	(1,252)	265	17.5
Interest Receipts	(226)	(188)	(440)	(252)	134.5
OVERALL TOTAL	16	315	936	621	197.1
Planned Appropriation to/(from) Reserves	(823)	(1,235)	(1,235)	0	
Other Reserve Movements	0	920	541	(379)	
Supplementary Estimates	0	0	0	0	
(Surplus)/Deficit	(808)	(0)	242	242	

Agenda Item 7

Appendix B : Summary by Service

Position as at the end of November 22	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
People & Places SDC Funded	£'000	£'000	£'000	£'000	£'000
All Weather Pitch	(4)	(3)	(0)	(5)	-
Community Safety	89	83	6	124	2
Community Development Service Provisions	(6)	(6)	0	(6)	-
The Community Plan	22	24	(2)	37	1
Grants to Organisations	182	186	(4)	201	1
Leisure Contract	69	93	(24)	342	1
Leisure Development	-	16	(16)	21	-
Admin Expenses - People & Places Communities	10	8	2	16	-
Tourism	(161)	21	(182)	34	1
West Kent Partnership	2	(19)	21	-	-
Youth	28	41	(13)	59	(1)
Total People & Places SDC Funded	231	443	(212)	823	4
People & Places Externally Funded	£'000	£'000	£'000	£'000	£'000
Youth Mentoring Projects	4	-	4	-	-
Compliance & Enforcement	0	-	0	-	-
Contain Outbreak Management Fund 2021/22 - P&P	15	-	15	-	-
Domestic Abuse Duty	(12)	-	(12)	-	-
KCC Helping Hands	(26)	-	(26)	-	-
Local Strategic Partnership	-	4	(4)	4	-
Partnership - Home Office	4	-	4	-	-
Police & Crime Commissioners (PCCs)	(20)	(17)	(2)	-	-

Position as at the end of November 22	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Community Sports Activation Fund	(7)	-	(7)	-	-
Sportivate Inclusive Archery Project	(0)	-	(0)	-	-
West Kent Enterprise Advisor Network	17	16	1	-	-
West Kent Partnership Business Support	(6)	-	(6)	-	-
People & Places Externally Funded	(32)	2	(33)	4	-
Total People & Places	199	445	(245)	827	4
Development and Conservation	£'000	£'000	£'000	£'000	£'000
Building Control Partnership Hub (SDC Costs)	(1)	-	(1)	-	-
Building Control	(99)	(107)	8	(194)	(33)
Conservation	128	86	42	187	58
Dangerous Structures	1	2	(1)	3	-
Planning Policy	268	253	15	476	4
LDF Expenditure	181	-	181	-	-
Planning - Appeals	143	157	(14)	235	21
Planning - CIL Administration	(28)	(29)	1	(50)	17
Planning - Counter	-	(4)	4	-	6
Planning - Development Management	(216)	(65)	(150)	(226)	(150)
Planning - Enforcement	280	227	53	397	56
Planning Performance Agreement	13	-	13	-	-
Planning - Development Management - Software Project	(120)	-	(120)	-	-
Administrative Expenses - Building Control	1	7	(7)	4	(8)
Administrative Expenses - Planning Services	30	21	9	44	(1)
Total Development and Conservation	582	548	34	875	(29)

Position as at the end of November 22	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Finance and Investments	£'000	£'000	£'000	£'000	£'000
Asset Maintenance CCTV	18	13	6	19	-
Asset Maintenance Countryside	1	6	(5)	9	-
Asset Maintenance Direct Services	3	28	(25)	42	-
Asset Maintenance Playgrounds	6	11	(4)	16	-
Asset Maintenance Public Toilets	-	11	(11)	-	(16)
Benefits Admin	235	254	(19)	62	14
Benefits Grants	(21)	(17)	(4)	(25)	-
Corporate Management	0	-	0	-	-
Dartford Rev&Ben Partnership Hub (SDC costs)	1,365	1,338	27	(1)	-
Dartford Audit Partnership Hub (SDC Costs)	111	147	(36)	(0)	-
Housing Advances	-	1	(1)	1	-
Local Tax	(22)	(109)	87	(8)	70
Misc. Finance	949	959	(10)	1,603	(142)
Administrative Expenses - Chief Executive	4	9	(5)	28	8
Administrative Expenses - Finance	27	17	10	25	-
Administrative Expenses - Revenues and Benefits	0	-	0	-	-
Administrative Expenses - Strategic Property	10	-	10	-	-
Support - Rev & Ben Control	155	155	0	231	(1)
Support - Counter Fraud	35	35	0	54	2
Support - Audit Function	134	142	(9)	212	(1)
Support - Exchequer and Procurement	132	138	(6)	240	33
Support - Finance Function	172	165	7	262	18
Support - Legal Function	155	178	(23)	256	(10)
Support - Procurement	5	4	1	7	-

Position as at the end of November 22	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Support - Property Function	39	36	3	56	1
Treasury Management	92	87	5	144	18
Total Finance and Investments	3,606	3,608	(2)	3,234	(8)
Cleaner and Greener	£'000	£'000	£'000	£'000	£'000
Asset Maintenance Argyle Road	39	54	(15)	80	-
Asset Maintenance Other Corporate Properties	40	24	16	35	-
Asset Maintenance Hever Road	34	27	6	41	-
Asset Maintenance Leisure	86	129	(43)	193	-
Asset Maintenance Support & Salaries	28	64	(36)	143	1
Asset Maintenance Sewage Treatment Plants	2	6	(5)	9	-
Bus Station	16	9	7	11	3
Car Parks	(1,241)	(1,125)	(116)	(1,765)	(270)
CCTV	240	169	71	338	66
Civil Protection	31	36	(5)	55	2
Car Parking - On Street	(309)	(215)	(94)	(336)	(64)
EH Commercial	197	210	(13)	306	(14)
EH Animal Control	5	13	(7)	43	20
EH Environmental Protection	306	248	58	406	31
Emergency	48	55	(8)	73	(10)
Parking Enforcement - Tandridge DC	(137)	(2)	(135)	(42)	(7)
Estates Management - Buildings	7	4	3	(13)	-
Estates Management - Grounds	96	89	7	141	8
Housing Other Income	(10)	(9)	(0)	(14)	-
Housing Premises	(9)	3	(12)	17	-
Licensing Partnership Hub (Trading)	(8)	13	(21)	(2)	-

Position as at the end of November 22	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Licensing Partnership Members	-	-	-	-	-
Licensing Regime	(6)	26	(33)	23	(12)
Asset Maintenance Operatives	(4)	4	(8)	6	-
Markets	(319)	(311)	(8)	(384)	(0)
Decarbonisation Fund Net ZERO 2030	(8)	-	(8)	56	(9)
Parks - Greensand Commons Project	88	-	88	-	-
Parks and Recreation Grounds	93	92	1	139	-
Parks - Rural	120	112	9	166	(8)
Public Transport Support	-	0	(0)	0	-
Refuse Collection	1,944	1,965	(21)	2,868	-
Administrative Expenses - Direct Services	1	-	1	-	-
Administrative Expenses - Health	5	3	3	5	-
Administrative Expenses - Licensing	0	4	(4)	7	-
Administrative Expenses - Property	0	2	(1)	3	-
Administrative Expenses - Transport	3	4	(0)	7	-
Street Cleansing	1,069	1,044	25	1,591	27
Support - Central Offices	435	420	14	586	90
Support - Central Offices - Facilities	133	139	(6)	222	(3)
Support - General Admin	0	1	(1)	1	-
Support - General Admin (Post/Scanning)	145	168	(23)	247	1
Support - Health and Safety	2	5	(3)	5	-
Support - Direct Services	57	44	14	83	14
Direct Services Trading account	38	(459)	497	767	1,076
Taxis	(9)	5	(14)	15	8
Public Conveniences	28	26	2	36	-
Total Cleaner and Greener	3,276	3,093	183	6,167	950

Position as at the end of November 22	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Housing and Health	£'000	£'000	£'000	£'000	£'000
Contain Outbreak Management Fund 2021/22 - Housing	2	-	2	-	-
Gypsy Sites	14	(4)	18	21	27
Health Improvements	21	22	(2)	35	1
Homeless	416	415	1	616	(23)
Housing Clinically Extremely Vulnerable 21/22	0	-	0	-	-
Housing Register	49	43	6	71	25
Kent Housing Group Grant	7	-	7	-	-
Disabled Facilities Grant Administration	0	-	0	(50)	-
Housing	125	112	13	175	13
Housing Initiatives	54	44	10	65	2
Housing Pathway Co-ordinator	1	-	1	-	-
Needs and Stock Surveys	1	-	1	-	-
Housing Energy Retraining Options (HERO)	(26)	43	(69)	64	-
Homes for the Ukrainians	(743)	-	(743)	-	-
KCC- Household Support Fund	311	-	311	-	-
KCC Helping Hands	(15)	-	(15)	-	-
Private Sector Housing	135	177	(42)	278	13
Rough Sleepers Initiative 2022-25	(65)	-	(65)	-	-
Rough Sleepers Initiative (4)	0	-	0	-	-
Admin Expenses - People & Places Housing	9	4	5	6	-
One You - Your Home Project	0	-	0	-	-
One You KPH	(8)	(10)	2	-	-
Dementia Area Project - Run Walk Push	0	-	0	-	-
One You Health Checks	15	15	0	-	-

Position as at the end of November 22	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Homelessness Funding	(282)	(332)	50	-	-
PCT Initiatives	10	-	10	-	-
KCC Specialist Weight Management	(19)	-	(19)	-	-
Total Housing and Health	11	527	(516)	1,281	58
Improvement and Innovation	£'000	£'000	£'000	£'000	£'000
Action and Development	1	5	(4)	8	-
Asset Maintenance IT	136	202	(65)	280	-
Civic Expenses	17	17	(1)	18	-
Consultation and Surveys	-	-	-	0	(4)
Corporate Management	633	793	(160)	1,118	(166)
Corporate Projects	-	(0)	0	(0)	-
Corporate - Other	-	114	(114)	120	(116)
Democratic Services	107	115	(8)	169	(3)
Economic Development	34	28	6	59	20
Swanley Meeting Point	8	-	8	1	1
Economic Development Property	394	406	(12)	437	1
Elections	79	55	24	145	21
External Communications	176	173	3	229	2
Land Charges	(22)	(81)	60	(47)	67
Members	298	321	(22)	448	(35)
Performance Improvement	6	7	(1)	(0)	-
Register of Electors	113	146	(33)	180	(22)
Administrative Expenses - Corporate Services	6	13	(7)	21	-
Administrative Expenses - Legal and Democratic	45	45	(0)	58	-
Administrative Expenses - Transformation and Strategy	5	4	2	6	-

Position as at the end of November 22	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Administrative Expenses - Human Resources	8	7	1	9	-
Street Naming	3	1	2	2	-
Support - Contact Centre	521	564	(44)	863	17
Support - Customer Insights	119	137	(18)	181	(18)
Support - General Admin	12	15	(4)	182	-
Support - General Admin (Print Shop)	58	(14)	72	27	68
Support - IT	825	818	7	1,058	25
Support - Nursery	0	-	0	-	-
Support - Human Resources	319	326	(7)	427	24
Total Improvement and Innovation	3,903	4,217	(313)	6,000	(119)
Total SDC	11,579	12,438	(860)	18,386	857

Appendix B : Salaries

Position as at the end of November 22	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast £'000	Annual Variance £'000	Annual Variance %
Development and Conservation					
Building Control	224	348	371	24	7%
Planning Services	1,407	1,976	2,132	156	8%
	1,632	2,324	2,503	179	8%
Finance and Investments					
Chief Executive	145	220	220	0	0%
Finance	633	1,004	1,018	13	1%
Revenues and Benefits	1,055	1,693	1,717	24	1%
Strategic Property	435	608	614	6	1%
	2,268	3,525	3,569	44	1%
Cleaner and Greener					
Direct Services	2,858	4,400	4,552	152	3%
Health	424	646	669	22	3%
Licensing	308	499	498	(1)	0%
Property	299	467	466	(1)	0%
Transport	423	624	661	37	6%
	4,312	6,636	6,846	209	3%
Housing and Health					
Places Housing	538	843	836	(7)	-1%
	538	843	836	(7)	-1%
Improvement and Innovation					
Corporate Services	1,155	1,809	1,834	25	1%
Legal and Democratic	374	638	603	(35)	-6%
Transformation and Strategy	417	662	656	(6)	-1%
Human Resources	276	420	438	18	4%
	2,222	3,529	3,531	2	0%
People and Places					
Places Communities	214	330	336	6	2%
	214	330	336	6	2%
Sub Total	11,186	17,188	17,620	432	3%
Council Wide - Vacant Posts	0	106	(4)	(110)	-103%
Staff Recruitment and Retention	0	73	73	0	0%
TOTAL SDC Funded Salary Costs	11,186	17,367	17,690	322	2%
Places Communities*	139	136	136	0	0%
Places Housing*	250	154	154	0	0%
Strategic Property*	89	216	216	0	0%
Externally Funded Total	477	506	506	0	0%
TOTAL Salary Costs	11,664	17,873	18,196	322	2%

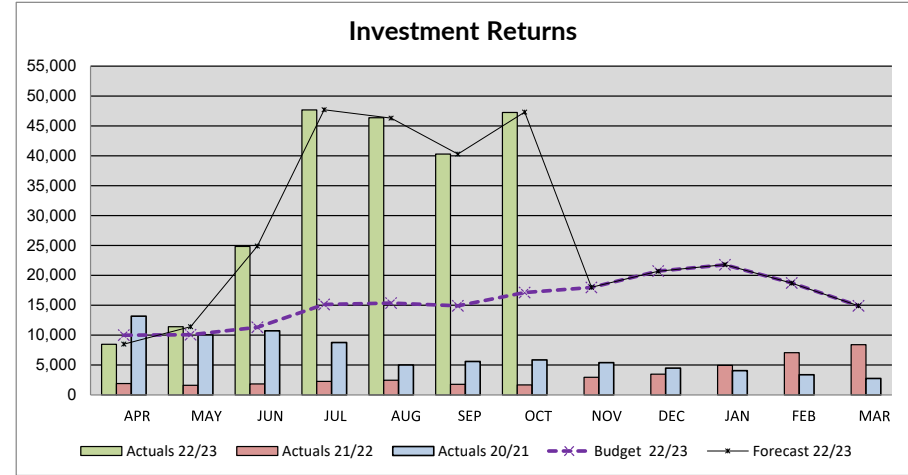
*Externally Funded & Funded from other sources (gross figures). Overspendings here are matched by external funding and represent additional resources secured for the Council since the budget was set.

Agenda Item 7

Appendix B : Staffing Stats - Position as at the end of November 22	Budget FTE*	Staff FTE	Agency FTE	Casual FTE	November 2022 Total	October 2022 Total
Development and Conservation						
Building Control	7.00	7.00			7.00	7.00
Planning Services	40.75	39.05			39.05	39.68
Finance and Investments						
Chief Executive	1.00	1.00			1.00	1.00
Finance	17.81	16.00			16.00	16.81
Revenues and Benefits	43.78	40.24		0.14	40.38	40.35
Strategic Property	10.00	7.86	1.00		8.86	9.86
Cleaner and Greener						
Direct Services	124.68	115.28	24.75	0.45	140.48	140.29
Health	11.72	12.19			12.19	12.19
Licensing	10.59	10.80			10.80	10.80
Property	5.00	4.82			4.82	5.00
Transport	16.62	17.38			17.38	17.38
Housing and Health						
Housing	17.31	15.53		0.40	15.93	17.74
Improvement and Innovation						
Corporate Services	50.85	46.73			46.73	47.73
Legal and Democratic	7.50	6.00			6.00	6.00
Transformation and Strategy	19.35	18.16			18.16	18.16
Human Resources	9.37	8.76			8.76	7.76
People and Places						
Communities & Business	4.50	4.50			4.50	4.50
Sub Total	397.83	371.30	25.75	0.99	398.04	402.25
Externally Funded						
People & Places	3.35	4.19			4.19	5.19
People & Places - Housing	4.00	10.62	0.25		10.87	8.00
Strategic Property (Ext)	4.95	1.54			1.54	1.54
Sub total	12.30	16.35	0.25	0.00	16.60	14.73
Total	410.13	387.65	26.00	0.99	414.64	416.98
Number of staff paid in November 22: 423 permanent, 5 casuals						

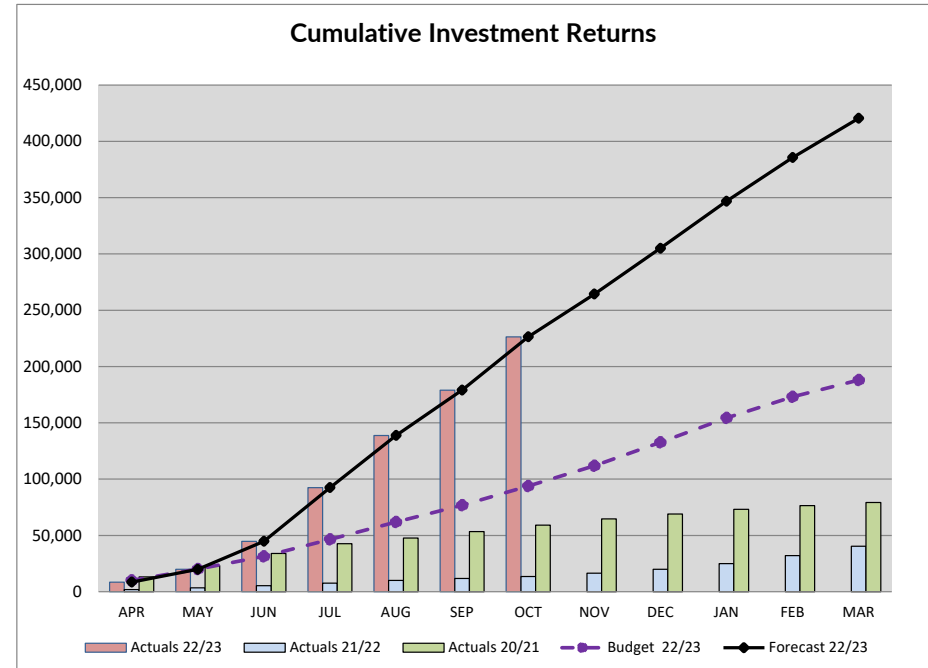
6 Investment Returns

	Actuals 20/21	Actuals 21/22	Actuals 22/23	Budget 22/23	Variance	Forecast 22/23
APR	13,190	1,900	8,467	9,994	-1,527	8,500
MAY	10,041	1,620	11,405	10,060	1,345	11,400
JUN	10,719	1,829	24,843	11,301	13,542	24,900
JUL	8,761	2,261	47,663	15,139	32,524	47,700
AUG	5,010	2,471	46,360	15,358	31,002	46,300
SEP	5,612	1,774	40,302	14,911	25,391	40,300
OCT	5,867	1,696	47,257	17,143	30,114	47,300
NOV	5,397	2,963		17,986		18,000
DEC	4,484	3,467		20,724		20,700
JAN	4,060	4,958		21,766		21,800
FEB	3,367	7,065		18,718		18,700
MAR	2,769	8,424		14,900		14,900
	79,277	40,428	226,297	188,000	132,391	320,500



INVESTMENT RETURNS (CUMULATIVE)

	Actuals 20/21	Actuals 21/22	Actuals 22/23	Budget 22/23	Variance	Forecast 22/23
APR	13,190	1,900	8,467	9,994	-1,527	8,500
MAY	23,231	3,520	19,872	20,054	-182	19,900
JUN	33,950	5,349	44,715	31,355	13,360	44,800
JUL	42,711	7,610	92,378	46,494	45,884	92,500
AUG	47,721	10,081	138,738	61,852	76,886	138,800
SEP	53,333	11,855	179,040	76,763	102,277	179,100
OCT	59,200	13,551	226,297	93,906	132,391	226,400
NOV	64,597	16,514		111,892		264,400
DEC	69,081	19,981		132,616		305,100
JAN	73,141	24,939		154,382		346,900
FEB	76,508	32,004		173,100		385,600
MAR	79,277	40,428		188,000		420,500



BUDGET FOR 22/23 188,000
 FORECAST OUTTURN 320,500

CODE:- YHAA 96900

N.B.

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

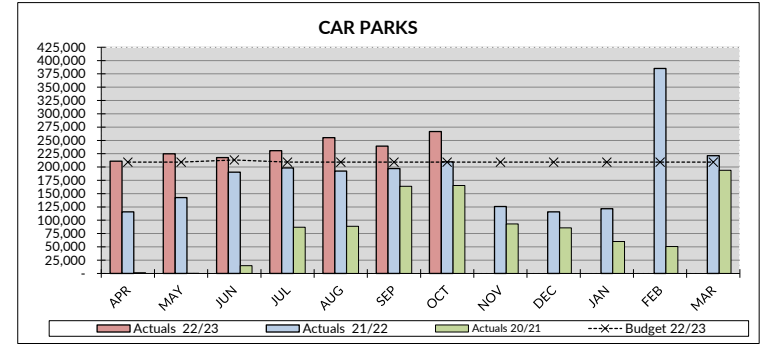
Fund Average 2.0535%
 7 Day SONIA (compounded) 1.1933%
 3 Month SONIA (compounded) 0.9183%

Position as at the end of Novemberr 2022 (Period 202307)	22/23 Opening Balance	Position as at the end of November 2022 (Period 202308)	22/23 Cumulative Movement to Date
E Earmarked Reserve - Budget Stabilisation	(7,966)	(7,587)	(379)
E Earmarked Reserve - NNDR Safety Net Deficit Reserve	(4,280)	(4,280)	-
E Earmarked Reserve - Financial Plan	(3,482)	(3,482)	-
E Earmarked Reserve - Carry Forward Items (DAC)	(1,356)	(1,246)	109
E Earmarked Reserve - Vehicle Renewal (DAA)	(919)	(919)	-
E Earmarked Reserve - Housing & Commercial Growth Fund	(566)	(566)	-
E Earmarked Reserve - Capital Expenditure Reserve	(500)	(500)	-
E Earmarked Reserve - IT Asset Maintenance	(440)	(440)	-
E Earmarked Reserve - New Homes Bonus Reserve	(406)	(406)	-
E Earmarked Reserve - Homelessness Prevention	(536)	(402)	134
E Earmarked Reserve - Pension Fund Valuation Adj.	(359)	(359)	-
E Earmarked Reserve - Capital Financing	(328)	(328)	-
E Earmarked Reserve - Property Investment Strategy Maintenance Reserve	(310)	(310)	-
E Earmarked Reserve - Action and Development	(296)	(296)	-
E Earmarked Reserve - Local Plan/LDF	(285)	(285)	-
E Earmarked Reserve - Vehicle Insurance (DAZ)	(266)	(266)	-
E Earmarked Reserve - Community Development Reserve	(166)	(156)	10
E Earmarked Reserve - Community Infrastructure Levy Administration (CIL)	(152)	(152)	-
E Earmarked Reserve - District Elections (DAZ)	(134)	(134)	-
E Earmarked Reserve - RHB repayable Assistance	(109)	(125)	(16)
E Earmarked Reserve - DWP Hsg Benefit Subsidy	(123)	(123)	-
E Earmarked Reserve - NETZERO	(108)	(108)	-
E Earmarked Reserve - Corporate Project Support Reserve	(100)	(100)	-
	(23,188)	(22,950)	(142)
Other Earmarked Reserves (balances <£100k)	(439)	(439)	-
Total Earmarked Reserves	(23,627)	(23,390)	(142)
General Fund	(1,700)	(1,700)	-
Total Reserves	(25,327)	(25,090)	(142)

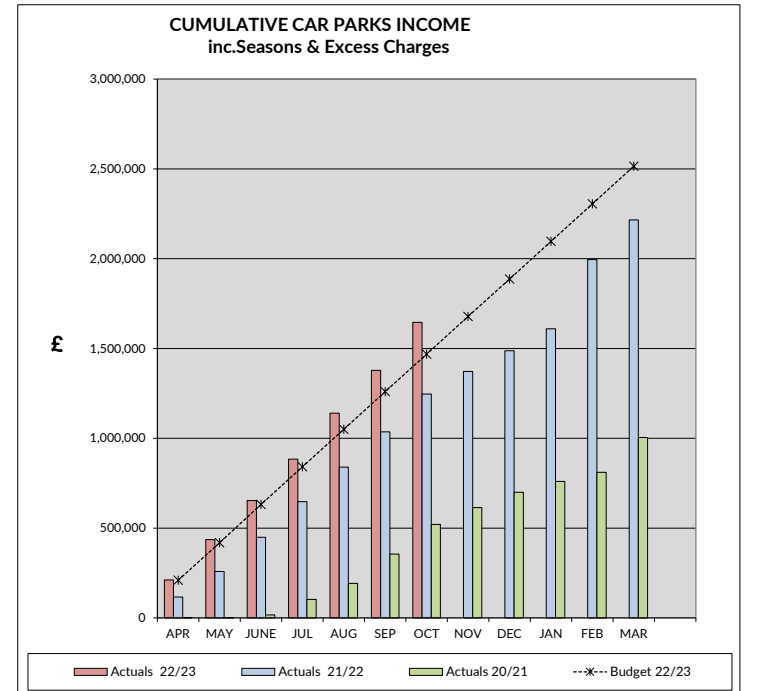
Appendix B : Income Graphs Summary

	ACTUAL	Previous Year comparatives	Budget YTD	Variance YTD - brackets show underachievement	Annual Budget
Car Parks	1,645,311	448,706	1,468,623	176,688	2,514,782
Car Parking - On Street	663,269	189,972	535,458	127,811	917,928
Licensing Regime	91,626	30,583	68,854	22,771	123,349
Taxis	98,981	24,922	93,296	5,685	159,936
Land Charges	77,865	48,830	132,004	(54,139)	222,292
Planning - Development Management	767,975	281,404	592,709	175,266	1,016,072
Building Control	308,667	166,274	303,616	5,052	520,484
	3,653,694	1,190,691	3,194,559	459,135	5,474,843

Appendix B: CAR PARKS (HWCARPK)	Actuals 20/21	Actuals 21/22	Actuals 22/23	Increase / (decrease) from 22/22 to 22/23	Budget 22/23	Variance (Budget-Actuals)	Manager's Forecast
APR	1,513	115,730	210,882	95,151	209,232	1,650	-
MAY	158	142,691	224,840	82,149	209,232	15,608	-
JUN	14,588	190,284	217,774	27,490	213,232	4,542	-
JUL	86,759	198,274	230,741	32,467	209,232	21,509	-
AUG	88,754	192,326	255,282	62,957	209,232	46,051	-
SEP	163,789	196,998	239,148	42,150	209,232	29,916	-
OCT	165,320	209,840	266,643	56,804	209,232	57,411	-
NOV	93,081	125,825	-	-	209,232	-	-
DEC	85,779	115,877	-	-	209,232	-	-
JAN	59,945	121,754	-	-	209,232	-	-
FEB	50,624	385,058	-	-	209,232	-	-
MAR	193,889	221,161	-	-	209,232	-	303,000
Total	1,004,200	2,215,818	1,645,311	399,167	2,514,782	176,688	303,000

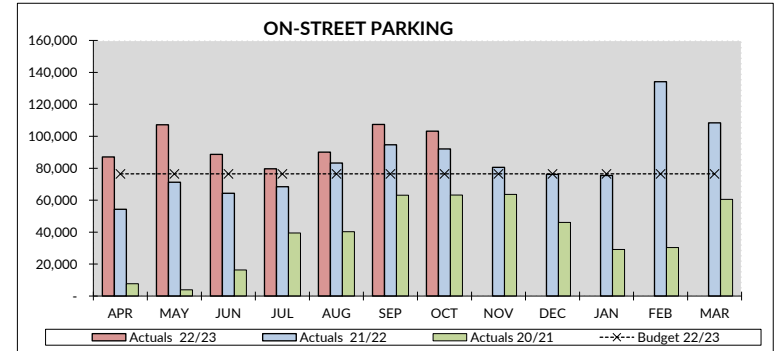


CAR PARKS (CUMULATIVE)	Actuals 20/21	Actuals 21/22	Actuals 22/23	Increase / (decrease) from 22/22 to 22/23	Budget 22/23	Variance (Budget-Actuals)	Manager's Forecast
APR	1,513	115,730	210,882	95,151	209,232	(114,080)	-
MAY	1,671	258,422	435,722	177,301	418,464	(241,163)	-
JUNE	16,260	448,706	653,496	204,790	631,696	(426,905)	-
JUL	103,018	646,980	884,237	237,257	840,927	(603,670)	-
AUG	191,772	839,306	1,139,520	300,214	1,050,159	(749,945)	-
SEP	355,561	1,036,304	1,378,668	342,364	1,259,391	(917,027)	-
OCT	520,882	1,246,144	1,645,311	399,167	1,468,623	(1,069,456)	-
NOV	613,963	1,371,968	0	0	1,677,855	-	-
DEC	699,741	1,487,846	0	0	1,887,087	-	-
JAN	759,687	1,609,600	0	0	2,096,318	-	-
FEB	810,311	1,994,658	0	0	2,305,550	-	-
MAR	1,004,200	2,215,818	0	0	2,514,782	-	303,000

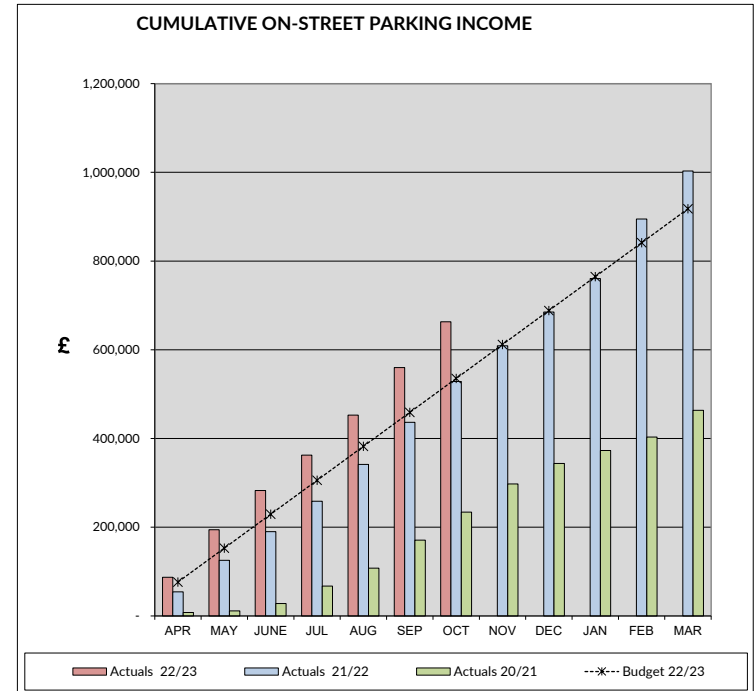


CUMULATIVE BREAKDOWN - HWCARPK	Code	Actual (Cumulative)	Budget	(Monthly)
DAY TICKETS	3300	1,416,773	1,264,039	232,424
EXCESS / PENALTY CHARGES	****1****3			
SEASON TICKETS	3310 ***2	214,039	185,674	27,667
SEASON TICKET CAR PARK	3310			
OTHER	9999, 34**	424	4,159	-
WAIVERS	3404			
RENT	86**	14,075	12,750	6,553
Business Permits	3406 /3408			
Other			2,001	
Total		1,645,311	1,468,623	266,643

Appendix B: ON-STREET PARKING (HWDCRIM / HWENFORC)	Actuals 20/21	Actuals 21/22	Actuals 22/23	Increase / (decrease) from 21/22 to 22/23	Budget 22/23	Variance (Budget-Actuals)	Manager's Forecast
APR	7,676	54,350	87,024	32,674	76,494	10,530	-
MAY	3,884	71,258	107,176	35,918	76,494	30,682	-
JUN	16,355	64,364	88,652	24,288	76,494	12,158	-
JUL	39,461	68,471	79,690	11,220	76,494	3,196	-
AUG	40,276	83,237	90,070	6,833	76,494	13,576	-
SEP	63,135	94,718	107,460	12,742	76,494	30,966	-
OCT	63,193	92,091	103,196	11,105	76,494	26,702	-
NOV	63,639	80,534	-	-	76,494	-	-
DEC	46,090	76,142	-	-	76,494	-	-
JAN	29,146	75,481	-	-	76,494	-	-
FEB	30,326	134,205	-	-	76,494	-	-
MAR	60,489	108,390	-	-	76,494	-	141,000
Total	463,670	1,003,242	663,269	134,780	917,928	127,811	141,000

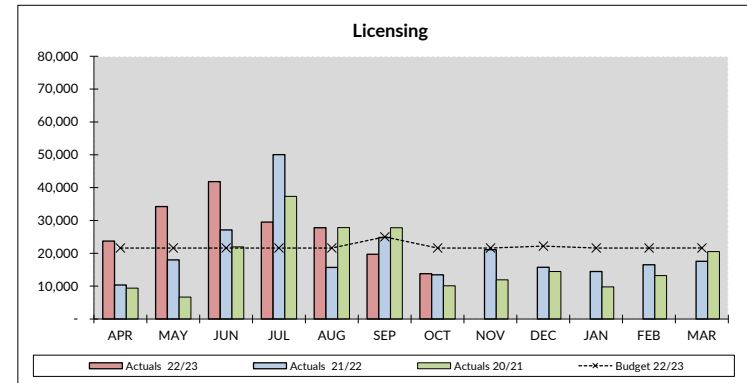


ON-STREET PARKING (CUMULATIVE)	Actuals 20/21	Actuals 21/22	Actuals 22/23	Increase / (decrease) from 21/22 to 22/23	Budget 22/23	Variance (Budget-Actuals)	Manager's Forecast
APR	7,676	54,350	87,024	32,674	76,494	10,530	-
MAY	11,560	125,609	194,200	68,591	152,988	41,212	-
JUNE	27,915	189,972	282,852	92,880	229,482	53,370	-
JUL	67,376	258,443	362,542	104,099	305,976	56,566	-
AUG	107,652	341,680	452,613	110,932	382,470	70,143	-
SEP	170,787	436,399	560,073	123,674	458,964	101,109	-
OCT	233,980	528,490	663,269	134,780	535,458	127,811	-
NOV	297,619	609,024	-	-	611,952	-	-
DEC	343,709	685,166	-	-	688,446	-	-
JAN	372,855	760,646	-	-	764,940	-	-
FEB	403,181	894,852	-	-	841,434	-	-
MAR	463,670	1,003,242	-	-	917,928	-	141,000

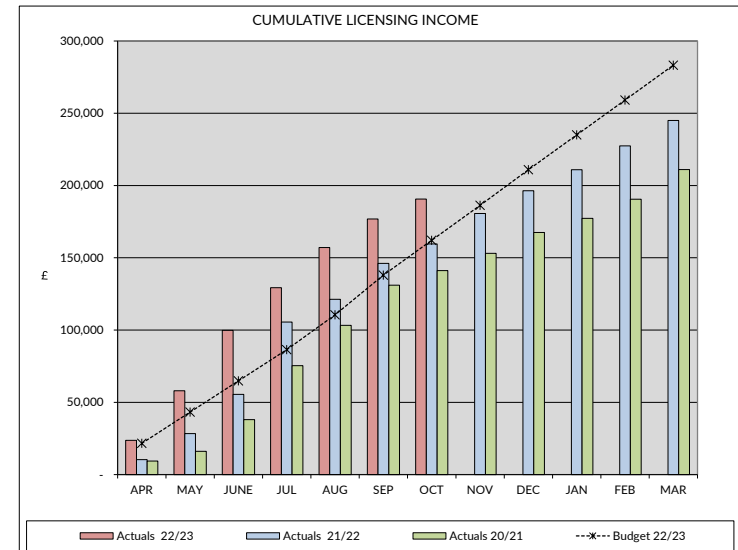


CUMULATIVE BREAKDOWN - HWDCRIM / HWENFORC	Code	Actual (Cumulative)	Budget	(Monthly)
ON STREET PARKING	3300	314,571	283,094	55,636
PENALTY NOTICES	3403	261,588	169,930	34,359
WAIVERS	3404	20,483	6,930	3,209
Driveway Access Protection Lines	3405	555	-	105
RESIDENTS PERMITS	3406	63,462	33,264	9,888
BUSINESS PERMITS	3408	653	42,240	-
OTHER	9999	1,958	-	-
Total		663,269	535,458	103,196

Appendix B: Licensing (EHLICREG & DSTAXIL)	Actuals 20/21	Actuals 21/22	Actuals 22/23	Increase / (decrease) from 21/22 to 22/23	Budget 22/23	Variance (Budget-Actuals)	Manager's Forecast
APR	9,404	10,356	23,747	13,391	21,608	2,139	-
MAY	6,655	18,021	34,255	16,234	21,608	12,647	-
JUN	21,969	27,128	41,816	14,688	21,608	20,208	-
JUL	37,346	50,067	29,492	(20,574)	21,608	7,884	-
AUG	27,847	15,709	27,787	12,078	21,608	3,680	-
SEP	27,783	24,814	19,713	(5,101)	25,003	(7,790)	-
OCT	10,099	13,479	13,797	318	21,608	(10,311)	-
NOV	11,939	21,101	-	-	21,608	-	-
DEC	14,460	15,776	-	-	22,203	-	-
JAN	9,782	14,483	-	-	21,608	-	-
FEB	13,232	16,499	-	-	21,608	-	-
MAR	20,550	17,577	-	-	21,608	-	-
Total	211,066	245,010	190,607	31,034	263,285	28,457	-

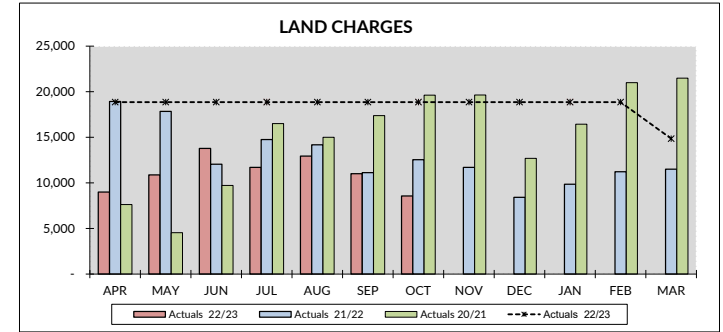


Licensing (CUMULATIVE)	Actuals 20/21	Actuals 21/22	Actuals 22/23	Increase / (decrease) from 21/22 to 22/23	Budget 22/23	Variance (Budget-Actuals)	Manager's Forecast
APR	9,404	10,356	23,747	13,391	21,608	2,139	-
MAY	16,059	28,377	58,002	29,625	43,216	14,786	-
JUNE	38,028	55,505	99,818	44,313	64,824	34,994	-
JUL	75,374	105,572	129,310	23,738	86,432	42,878	-
AUG	103,221	121,281	157,098	35,817	110,540	46,558	-
SEP	131,004	146,095	176,811	30,716	138,042	38,768	-
OCT	141,103	159,573	190,607	31,034	162,150	28,457	-
NOV	153,042	180,675	-	-	186,258	-	-
DEC	167,502	196,450	-	-	210,961	-	-
JAN	177,284	210,933	-	-	235,069	-	-
FEB	190,516	227,433	-	-	259,177	-	-
MAR	211,066	245,010	-	-	283,285	-	-

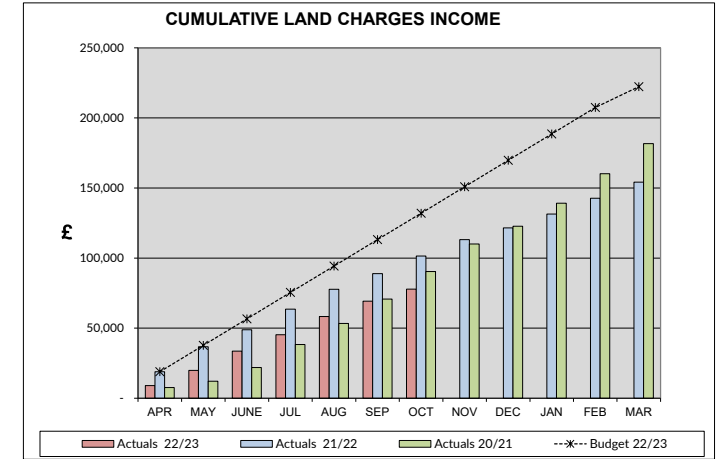


CUMULATIVE BREAKDOWN - EHLICREG/DSTAXIL	Code	Actual (Cumulative)	Budget	(Monthly)
Pre-application advice	EHLICREG/2189	86	-	-
Personal Licences	EHLICREG/2190	1,347	1,295	95
Premises Licence Annual Fee/Premises New/Premises Variation	EHLICREG/2192/21	78,724	56,920	1,293
Temporary Event Notice	EHLICREG/2193	6,510	4,790	777
Gambling Act Permits/Lottery	EHLICREG/2196/7/	4,440	5,850	410
Other	9999	(180)	-	-
Pavement Licence	EHLICREG/2222	700	-	(200)
Scrap Metal Dealers	EHLICREG/2241	-	-	-
Taxi Licensing	94300/DSTAXIL	86,193	93,296	8,659
Other	94300/DSTAXIL/99	12,789	-	2,763
Total		190,607	162,150	13,797

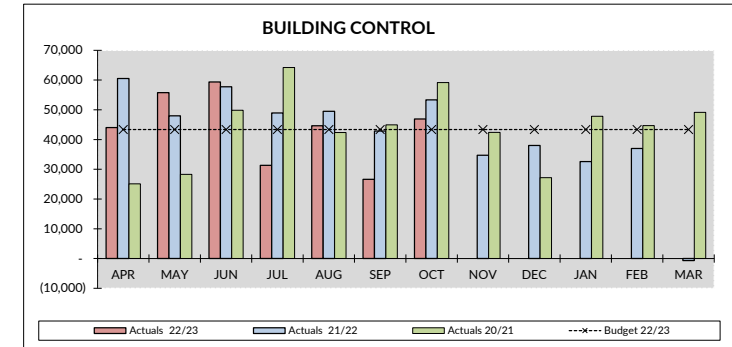
Appendix B: LAND CHARGES (LPLNDCH)	Actuals 20/21	Actuals 21/22	Actuals 22/23	Increase / (decrease) from 21/22 to 22/23	Budget 22/23	Variance (Budget- Actuals)	Manager's Forecast
APR	7,630	18,930	8,992	(9,938)	18,858	(9,866)	-
MAY	4,532	17,846	10,870	(6,976)	18,858	(7,988)	-
JUN	9,717	12,054	13,787	1,733	18,858	(5,071)	-
JUL	16,500	14,749	11,694	(3,055)	18,858	(7,163)	-
AUG	14,999	14,184	12,946	(1,238)	18,858	(5,911)	-
SEP	17,377	11,125	11,016	(109)	18,858	(7,842)	-
OCT	19,628	12,546	8,560	(3,987)	18,858	(10,298)	-
NOV	19,636	11,699	-	-	18,858	-	-
DEC	12,692	8,422	-	-	18,858	-	-
JAN	16,441	9,857	-	-	18,858	-	-
FEB	20,998	11,230	-	-	18,858	-	-
MAR	21,489	11,502	-	-	14,858	-	(90,000)
Total	181,639	154,144	77,865	(23,570)	222,292	(54,139)	(90,000)



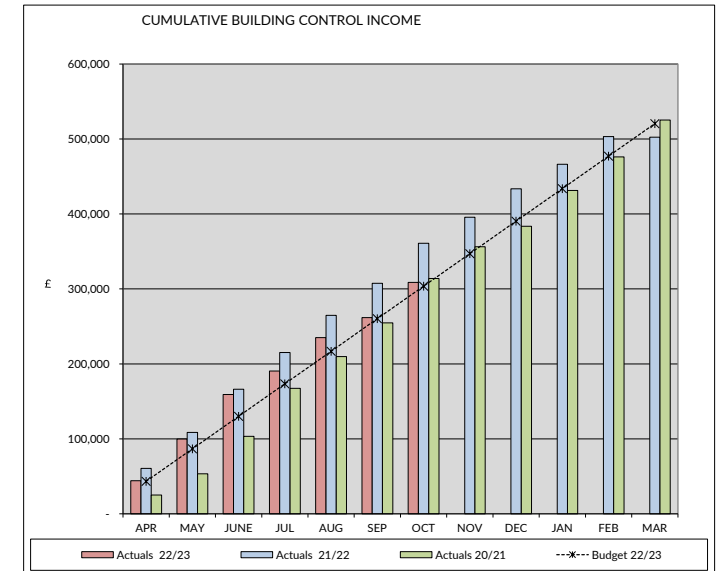
LAND CHARGES (CUMULATIVE)	Actuals 20/21	Actuals 21/22	Actuals 22/23	Increase / (decrease) from 21/22 to 22/23	Budget 22/23	Variance (Budget- Actuals)	Manager's Forecast
APR	7,630	18,930	8,992	(9,938)	18,858	(9,866)	-
MAY	12,162	36,776	19,862	(16,914)	37,715	(17,854)	-
JUNE	21,879	48,830	33,649	(15,181)	56,573	(22,924)	-
JUL	38,379	63,579	45,343	(18,236)	75,431	(30,088)	-
AUG	53,378	77,763	58,289	(19,474)	94,288	(35,999)	-
SEP	70,755	88,888	69,305	(19,583)	113,146	(43,841)	-
OCT	90,383	101,435	77,865	(23,570)	132,004	(54,139)	-
NOV	110,019	113,133	-	-	150,861	-	-
DEC	122,711	121,555	-	-	169,719	-	-
JAN	139,152	131,412	-	-	188,577	-	-
FEB	160,150	142,642	-	-	207,434	-	-
MAR	181,639	154,144	-	-	222,292	-	(90,000)



Appendix B: BUILDING CONTROL (DVBCFEE)	Actuals 20/21	Actuals 21/22	Actuals 22/23	Increase / (decrease) from 21/22 to 22/23	Budget 22/23	Variance (Budget-Actuals)	Manager's Forecast
APR	25,107	60,545	44,057	(16,488)	43,374	683	-
MAY	28,305	47,988	55,758	7,770	43,374	12,385	-
JUN	49,857	57,741	59,365	1,624	43,374	15,991	-
JUL	64,205	48,928	31,337	(17,591)	43,374	(12,037)	-
AUG	42,367	49,476	44,627	(4,848)	43,374	1,254	-
SEP	44,930	42,851	26,627	(16,225)	43,374	(16,747)	-
OCT	59,144	53,334	46,897	(6,437)	43,374	3,523	-
NOV	42,429	34,743	-	-	43,374	-	-
DEC	27,203	38,039	-	-	43,374	-	-
JAN	47,838	32,591	-	-	43,374	-	-
FEB	44,709	36,979	-	-	43,374	-	-
MAR	49,136	(680)	-	-	43,374	-	-
Total	525,230	502,536	308,667	(52,195)	520,484	5,052	-

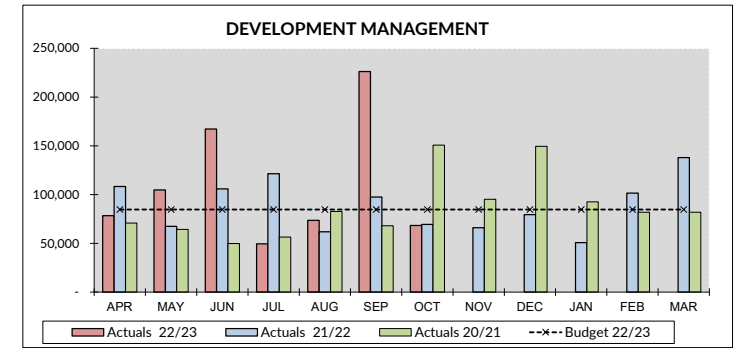


BUILDING CONTROL (CUMULATIVE)	Actuals 20/21	Actuals 21/22	Actuals 22/23	Increase / (decrease) from 21/22 to 22/23	Budget 22/23	Variance (Budget-Actuals)	Manager's Forecast
APR	25,107	60,545	44,057	(16,488)	43,374	683	-
MAY	53,412	108,533	99,815	(8,718)	86,747	13,068	-
JUNE	103,269	166,274	159,180	(7,094)	130,121	29,059	-
JUL	167,474	215,202	190,517	(24,685)	173,495	17,022	-
AUG	209,841	264,678	235,144	(29,534)	216,868	18,276	-
SEP	254,771	307,529	261,771	(45,758)	260,242	1,529	-
OCT	313,915	360,863	308,667	(52,195)	303,616	5,052	-
NOV	356,344	395,606	-	-	346,989	-	-
DEC	383,547	433,645	-	-	390,363	-	-
JAN	431,385	466,236	-	-	433,737	-	-
FEB	476,094	503,216	-	-	477,110	-	-
MAR	525,230	502,536	-	-	520,484	-	-

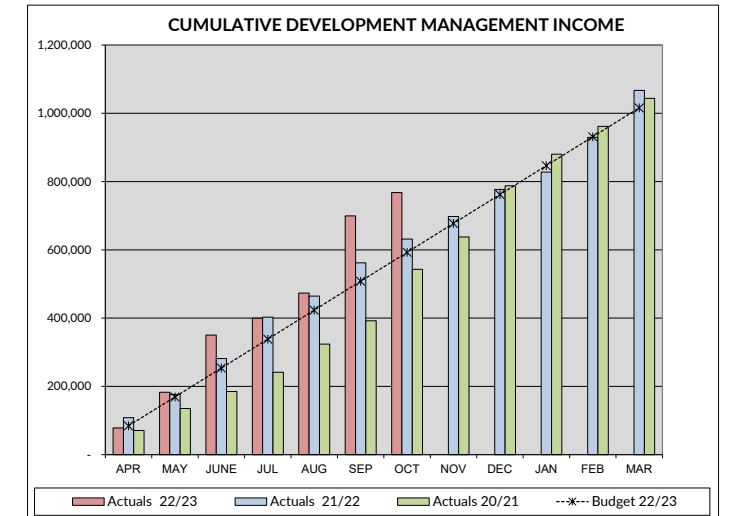


CUMULATIVE BREAKDOWN	Code	Actual (Cumulative)	Budget	(Monthly)
Plan Fee	3066	192,381	189,521	26,254
Inspection Fee	3067	113,486	114,095	20,008
Other	9999	2,801	-	635
New Burdens Grant	3905	-	-	-
Total		308,667	303,616	46,897

Appendix B: DEVELOPMENT MANAGEMENT (DVDEVCT/DVDEVRND)				Increase / (decrease) from	Variance (Budget-Actuals)	Manager's Forecast
	Actuals 20/21	Actuals 21/22	Actuals 22/23	21/22 to 22/23	Budget 22/23	
APR	70,765	108,220	78,359	(29,862)	84,673	(6,314)
MAY	64,358	67,370	104,712	37,343	84,673	20,040
JUN	49,790	105,814	167,284	61,470	84,673	82,611
JUL	56,443	121,474	49,510	(71,964)	84,673	(35,163)
AUG	82,700	61,771	73,509	11,739	84,673	(11,163)
SEP	68,065	97,539	226,234	128,696	84,673	141,561
OCT	150,748	69,405	68,366	(1,039)	84,673	(16,307)
NOV	95,145	66,081	-	-	84,673	-
DEC	149,560	79,495	-	-	84,673	-
JAN	92,513	50,807	-	-	84,673	-
FEB	81,896	101,458	-	-	84,673	-
MAR	81,833	137,915	-	-	84,673	140,000
Total	1,043,816	1,067,348	767,975	136,383	1,016,072	175,266



DEVELOPMENT MANAGEMENT (CUMULATIVE)				Increase / (decrease) from	Variance (Budget-Actuals)	Manager's Forecast
	Actuals 20/21	Actuals 21/22	Actuals 22/23	21/22 to 22/23	Budget 22/23	
APR	70,765	108,220	78,359	(29,862)	84,673	(6,314)
MAY	135,123	175,590	183,071	7,481	169,345	13,726
JUNE	184,913	281,404	350,355	68,951	254,018	96,337
JUL	241,356	402,878	399,865	(3,013)	338,691	61,174
AUG	324,056	464,648	473,375	8,726	423,363	50,011
SEP	392,121	562,187	699,609	137,422	508,036	191,573
OCT	542,869	631,592	767,975	136,383	592,709	175,266
NOV	638,014	697,673	-	-	677,381	-
DEC	787,574	777,168	-	-	762,054	-
JAN	880,087	827,975	-	-	846,727	-
FEB	961,983	929,433	-	-	931,399	-
MAR	1,043,816	1,067,348	-	-	1,016,072	140,000



CUMULATIVE BREAKDOWN: DVDEVCT/DVDEVRND	Code	Actual (Cumulative)	Budget	(Monthly)
Planning Application Fees	3009	716,291	524,492	63,184
Other	9999	(375)	5,292	-
Planning Performance Agreements	3012	-	-	-
Pre-application Fees	8329	1,375	-	-
Pre-application Fees	8330	50,084	55,768	5,182
Monitoring Fees	3106	600	7,156	0
RECH-Other A/C/S	98100	-	-	-
Total		767,975	592,709	68,366

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FINANCIAL PERFORMANCE INDICATORS 2022/23 - TO THE END OF NOVEMBER 2022

Finance & Investment Advisory Committee - 10 January 2023

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

Agenda Item 8

Introduction and Background

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

Key Implications

Financial

None.

Legal Implications and Risk Assessment Statement.

There are no legal or human rights issues.

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


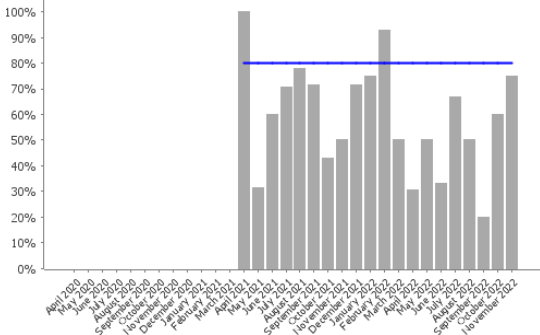

Background Papers

None

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

Finance & Investment Advisory Committee - Performance report

Status	Colour	Details
	Green	At or above target
	Amber	Less than 10% below target
	Red	10% or more below target


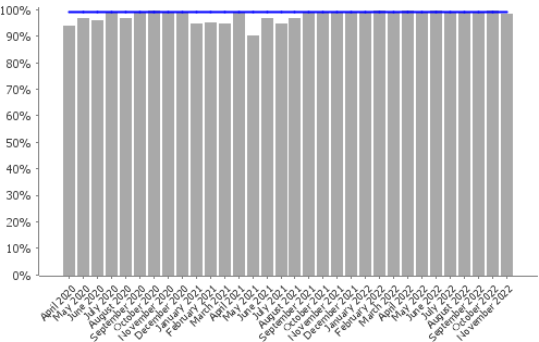


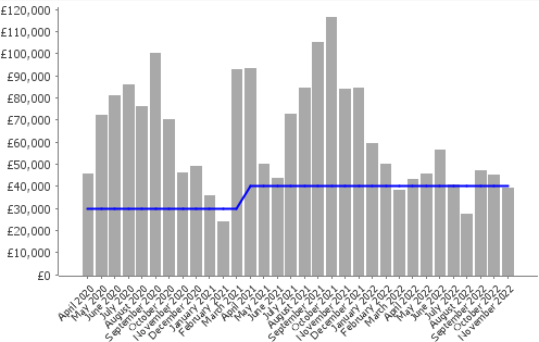

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2022/23	Year to Date Target 2022/23	Year to Date Status	Commentary
LPI_AU L1	Sevenoaks: Audit actions fully implemented within agreed timescales	75%	80%			47.27%	80%		This KPI is set using expected delivery 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

Page 67

Agenda Item 8


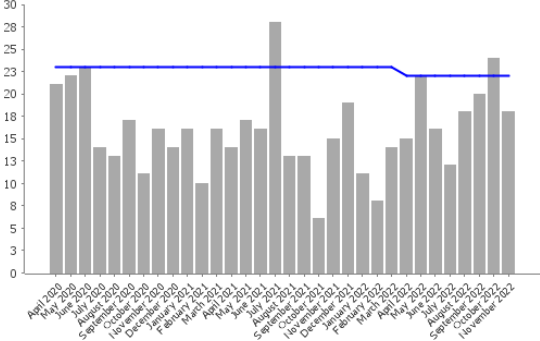


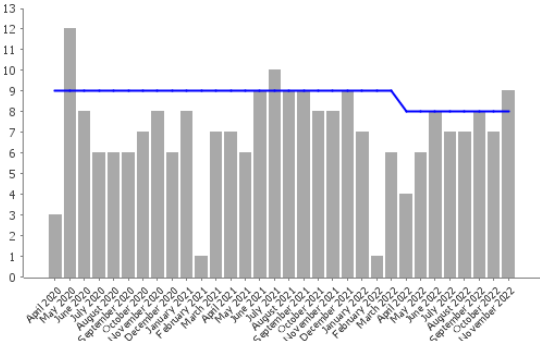

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2022/23	Year to Date Target 2022/23	Year to Date Status	Commentary
LPI_BR 04	The percentage of business rates collected in-year (Cumulative)	74%	73%	✔		74%	74%	✔	
LPI_CT 04	The percentage of council tax collected in-year (cumulative)	76.8%	75%	✔		76.8%	75%	✔	

Agenda Item 8

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2022/23	Year to Date Target 2022/23	Year to Date Status	Commentary
LPI_FS 001	The percentage of undisputed invoices paid within 30 days or agreed terms	98.38%	99%			99.13%	99%		
LPI_FS 003	Sundry debts outstanding more than 60 days	£39,331	£40,000			£39,331	£40,000		

Page 69

Agenda Item 8

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2022/23	Year to Date Target 2022/23	Year to Date Status	Commentary
LPI_HB 02	Average number of days to process a new claim for Housing Benefit (Monthly)	18	22			18	22		
LPI_HB 04	Average number of days to process a change in circumstances for Housing Benefit (monthly)	9	8			7	8		

Agenda Item 8

Page 70

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2022/23	Year to Date Target 2022/23	Year to Date Status	Commentary
TM FS 01	Treasury Management - Actual vs Budget + Forecast	£282,826	£111,892	🟢		£282,826	£111,892	🟢	
Page 71 TM FS 02	Treasury Management - Investment returns vs RPI vs CPI	3.2%	10%	🔴		3.2%	10%	🔴	<p>Low rates of return and utilisation of cash resource to fund investment acquisitions and capital programme have led to low returns. SDC started using Multi-asset income funds in May 2022 which are helping to improve returns. Due to the unusually high levels of RPI and CPI currently the inflationary target is not achievable.</p>

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BUDGET 2023/24: SERVICE DASHBOARDS AND SERVICE CHANGE IMPACT ASSESSMENTS (SCIAs)

Finance and Investment Advisory Committee - 10 January 2023

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

Status: For Comment

Also considered by:

- Housing and Health Advisory Committee - 22 November 2022
- Improvement and Innovation Advisory Committee - 24 November 2022
- People and Places Advisory Committee - 29 November 2022
- Development and Conservation Advisory Committee - 1 December 2022
- Cleaner and Greener Advisory Committee - 6 December 2022

Key Decision: No

Executive Summary:

This report sets out updates to the 2023/24 budget within the existing framework of the 10-year budget and savings plan. The report presents growth and savings/additional income proposals that have been identified which need to be considered (if applicable to this Committee), and requests further suggestions from the Advisory Committees, before finalising the budget for 2023/24.

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

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

No changes have been made to future assumptions at the stage which will be reviewed during the budget process, as usual. However, due to the April 2022 pay award expected to be significantly higher than previous years and an annual savings target of £100,000 already included, an annual budget gap of £735,000 is currently reported.

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

Portfolio Holder: Cllr. Matthew Dickins

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

Alan Mitchell, Ext. 7483

Recommendation to each Advisory Committee:

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

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

Introduction and Background

- 1 The Council's financial strategy continues to aim for long-term financial health and continues to work towards improving financial sustainability. It has been successful through the use of a number of actions including:
 - implementing efficiency initiatives.
 - significantly reducing the back-office function.
 - improved value for money.
 - maximising external income.
 - the movement of resources away from low priority services.
 - an emphasis on statutory rather than non-statutory services.
- 2 Over this period, the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders.
- 3 Using the data sources available to the Council, this report sets out a budget over the 10-year period but recognises that it is likely that more accurate data will become available 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, which 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 having ceased from 2017/18 it is important that the council remains financially self-sufficient by having a financial strategy that is focused on local solutions. These solutions include:
 - continuing to deliver financial savings and service efficiencies.
 - growing the council tax base.
 - generating more income.
- 6 The intention of this report is to provide Members of each Advisory Committee an opportunity to give their views on potential growth and savings/additional income items that could be included in the updated 10-year budget that will be presented to Council on 21 February 2023.
- 7 The 'Financial Prospects and Budget Strategy 2022/23 and Beyond' report has been presented to Cabinet to start the budget setting process for 2023/24.

Financial Strategy

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

Review of the 10-year Budget Process

- 10 An audit of the 10-year budget process was completed by Mazars (working for Internal Audit) in 2021 and their findings were that the Council has adequate, effective and reliable controls in place over budget setting and long-term financial planning.

Financial Self-Sufficiency

- 11 The Council's Corporate Plan 2013-2018 set out an ambition for the Council to become financially self-sufficient which was achieved in 2016/17. The current Council Plan aims to continue with this approach. This means that the Council no longer requires direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 12 This approach was adopted in response to the financial challenges the Country was faced with in bringing its public spending down to ensure it was able to live within its means. In practice this has seen Government funding to local authorities dramatically reduced since 2010/11 with Sevenoaks District Council receiving no Revenue Support Grant from 2017/18.
- 13 The decision to become financially self-sufficient is intended to give the Council greater control over its services, reducing the potential for decision making to be influenced by the level of funding provided by government to local authorities.
- 14 The Local Government Association's Corporate Peer Challenge in December 2021 commented that 'Sevenoaks District Council takes a long-term view of financial planning with a focus on self-sufficiency. The council's 10-year budget is innovative, an example for the sector and supports long-term decision making. This extended financial framework provides an excellent platform which has supported effective budget management and planned, long-term, decision making.'
- 15 With the Council receiving no Revenue Support Grant from 2017/18 and New Homes Bonus reducing from 2018/19, this approach remains appropriate. The attached 10-year budget assumes no Revenue Support Grant or New Homes Bonus. Any funding received from these sources will be put into the Financial Plan Reserve which can be used to support the 10-year budget.
- 16 Cabinet are keen to remain financially self-sufficient which has served the Council well and ensured it is one of the most financially stable local authorities in the country. In the 2020/21 budget, a new target was set to replace reliance on Business Rates income over the coming years. However, due to the impact of Covid-19, inflationary increases and the greater uncertainty as Government reviews have been deferred, this remains a future aim. This ambition will allow this Council to move ahead in the knowledge that this council has the financial resources to provide the services that the district's residents need into the future.

Service Dashboards

- 17 The intention of service dashboards is to provide Members with improved information during the budget setting process to provide context and inform any growth and savings/additional income ideas that Members may put forward.

- 18 The Service Dashboards cover a summary of the services provided, objectives, achievements and opportunities, challenges and risks and performance.
- 19 **Appendix A** contains the Service Dashboard for this Advisory Committee. **Appendix A1** contains the Performance Indicators and **Appendix B** contains the budget for those services.

Savings Plan

- 20 **Appendix C** to this report sets out a summary of the savings/additional income and growth items approved by Council since the 10-year budget strategy was first used in 2011/12, which have allowed the Council to deliver a 10-year balanced budget.
- 21 The savings plan requires a total of over £8.6 million to be saved between 2011/12 and 2022/23 which is an average saving of £721,000 per annum.

Current 10-year Budget Position

- 22 The 10-year budget set out in **Appendix D** has been updated from the version agreed by Council on 22 February 2022 by rolling it forward one year.
- 23 No changes have been made to future assumptions at the stage. However, due to the April 2022 pay award expected to be higher than previous years and an annual savings target of £100,000 already included, an annual budget gap of £735,000 is currently included.
- 24 The National Employers for local government services have made a final offer for 2022/23 of £1,925 per person. This equates to an average increase of 5.8% in the Council's staff costs against a figure of 2% in the ten year budget. In cash terms, this is estimated to be £600,000 above the budgeted assumption. A response from the unions is awaited. It should be recognised that the current cost of living crisis has had a severe effect on colleagues on lower salary grades.
- 25 Cabinet on 20 September 2022 agreed that in the interests of prudent financial management this be considered as two costs: the mid-year 2022/23 expense and the separate ongoing commitment in future years.
- 26 First, offsetting the increase in staff costs in 2022/23 with any net surplus that may arise from our membership of the Kent and Medway Business Rates Pool - based on previous years, this is estimated to be £250,000. Second, drawing the balance from the Budget Stabilisation Reserve. Both steps are consistent with the principles which govern the use of the funds since, in the case of the former, the receipts are ordinarily treated as a windfall and therefore committed to reserves to meet future expenditure and, with the latter, the Budget Stabilisation Reserve's purpose is to assist in smoothing out peaks and troughs over the course of the ten year budget period. Furthermore, to ensure there is no long term impact on the Budget

Agenda Item 9

Stabilisation Reserve, a corresponding savings or income be identified as part of the 2023/24 Budget which can replenish the Reserve over the course of the ten year budget - in other words, committing to reserves an anticipated £35,000 per year.

- 27 For the future expenditure (i.e. 2023/24 onwards), this will be addressed through the budget setting process, adopting the same approach which has seen the authority successfully meet other financial challenges.
- 28 The following table shows the current budget gap for 2023/24:

2023/24 Budget Gap	£000
Net savings assumption	100
Pay award April 2022 estimate	600
Reimburse Budget Stabilisation Reserve for 2022/23 impact of April 2022 pay award estimate	35
Total	735

Proposed Growth and Savings/Additional Income Items

- 29 Growth items are items that are in addition to non-service issues and risks, such as grant settlements, impacts of economic change and other pressures highlighted in the 'Financial Prospects and Budget Strategy 2023/24 and Beyond' report considered by Cabinet on 10 November 2022.
- 30 A number of growth and savings/additional income items will be proposed at the Advisory Committees with the aim of helping to achieve the savings/additional income required to bridge the budget gap.
- 31 The proposed growth and savings/additional income items relating to this Advisory Committee are listed in **Appendix E** (if applicable).
- 32 Service Change Impact Assessments (SCIAs) contain further details for all proposed growth and savings/additional income items. SCIAs applicable to this Advisory Committee can be found in **Appendix F** (if applicable).
- 33 As previously reported, the options are likely to cover a number of areas including:
- Service efficiencies
 - Additional income
 - Re-prioritisation of reserves including use of the Budget Stabilisation Reserve.

- 34 It should be recognised that it is not usual to use the Budget Stabilisation Reserve to fix a problem of this size but noting the potential level of variations and complexities that are likely to arise during the budget process, more time may be required to find a longer term solution.
- 35 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.

Role of the Advisory Committees

- 36 A training session on the budget process was provided to Members in 2019. If Members require any further training or require any additional details on the content of this report and appendices, please contact Adrian Rowbotham or Alan Mitchell prior to the meeting.
- 37 Views of the Advisory Committees on the growth and savings/additional income items proposed together with any additional suggestions will be considered by Cabinet at its meeting on 12 January 2023.

Process and Timetable

- 38 This report is the second stage of the budget process as shown in the Budget Setting Timetable (**Appendix G**).
- 39 A Budget Update report will be presented to Cabinet in on 12 January 2023 to provide details of progress made before the Budget Setting report is presented to Cabinet on 9 February 2023.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal implications.

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

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

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

Agenda Item 9

Equality Assessment

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

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

Net Zero Implications

Members are reminded of the Council's stated ambition to be Net Zero with regards to carbon emissions by 2030.

Individual net zero implication assessments have been completed for all Service Change Impact Assessments (SCIAs).

Conclusions

The Financial Strategy and 10-year budget process have ensured that the Council follows a logical and well considered process and approach in dealing with the many difficult challenges that it has faced. They have also 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. However, with a range of issues nationally and internationally impacting the council's finances to an unknown extent at this point in time, this is the most challenging budget process this Council has faced for many years.

The Council aims to continue to provide value for money services to a high standard ensuring that the decisions made lead to an achievable 10-year budget. Members will need to consider the impact on service quality, staff and well-being.

Members' consideration and scrutiny of the relevant services is an essential and key element in the budget process. If the net total of growth and savings/additional income proposals identified by the Advisory Committees and approved by Cabinet does not reach the £735,000 target currently identified,

additional savings will be required that may result in service changes, to ensure a balanced budget position.

Appendices

Appendix A - Service Dashboards relating to this Advisory Committee

Appendix Ai - Performance Indicators

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

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

Appendix D - 10-year budget

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

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

Appendix G - Budget Setting Timetable

Appendix H - Financial Strategy

Background Papers

Financial Prospects and Budget Strategy 2023/24 and Beyond - Cabinet 10
November 2022

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

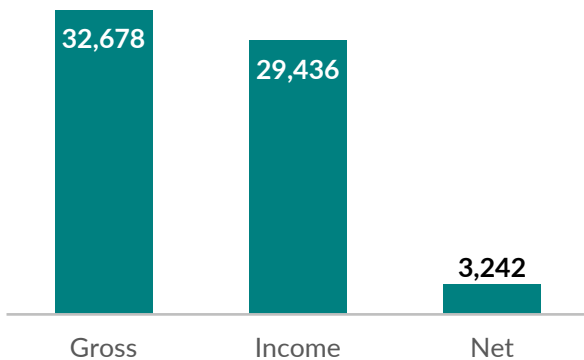
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Service Dashboard Portfolio for Finance & Investment

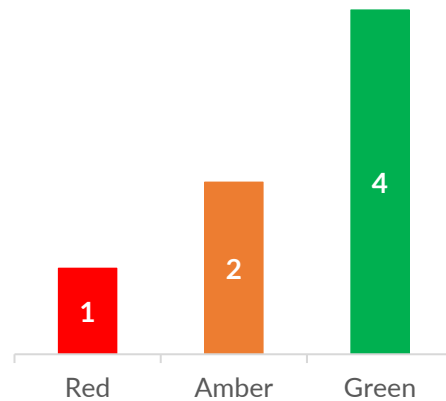
The services we provide

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

Revenue Budget (£000)



Performance



Service contribution

Statutory service



Income generating



Working in partnership



Council Plan

Wellbeing ✓

Environment ✓

Economy ✓

Housing ✗

Community Safety ✗

Health ✗

Achievements & Opportunities




- Continuing to achieve financial self-sufficiency and a balanced 10-year budget
- Recovery and growth of investment income after a period of continually low interest rates and rates of return.
- Property Investment Strategy income continuing to support the budget
- Council tax, benefits and business rates teams managing increased customer demands following the pandemic and the current impact of cost of living crisis.


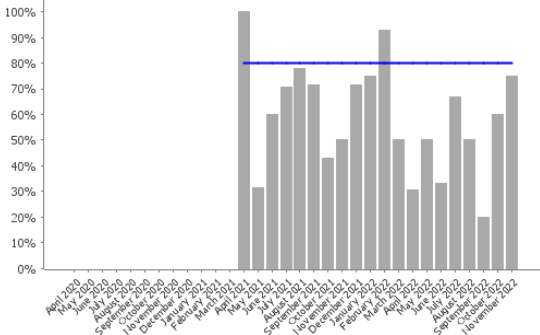

Challenges & Risks

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

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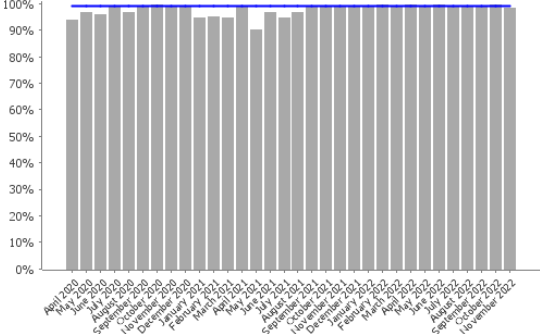


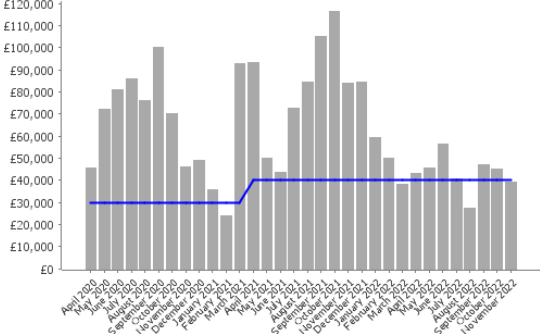

Finance & Investment Advisory Committee - Performance report

Status	Colour	Details
	Green	At or above target
	Amber	Less than 10% below target
	Red	10% or more below target


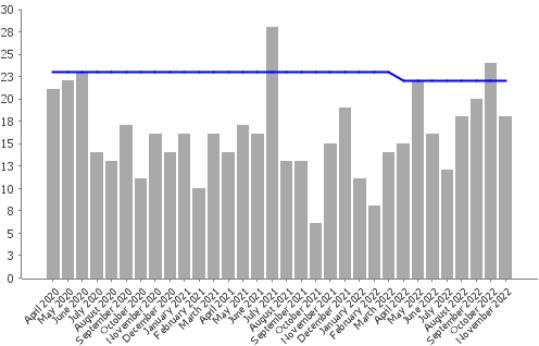


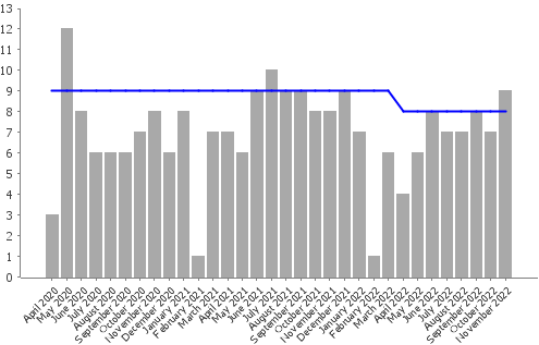

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2022/23	Year to Date Target 2022/23	Year to Date Status	Commentary
LPI_AU L1	Sevenoaks: Audit actions fully implemented within agreed timescales	75%	80%			47.27%	80%		This KPI is set using expected delivery 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

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2022/23	Year to Date Target 2022/23	Year to Date Status	Commentary
LPI_BR 04	The percentage of business rates collected in-year (Cumulative)	74%	73%	✔		74%	74%	✔	
LPI_CT 04	The percentage of council tax collected in-year (cumulative)	76.8%	75%	✔		76.8%	75%	✔	

Agenda Item 9

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2022/23	Year to Date Target 2022/23	Year to Date Status	Commentary
LPI_FS 001	The percentage of undisputed invoices paid within 30 days or agreed terms	98.38%	99%			99.13%	99%		
LPI_FS 003	Sundry debts outstanding more than 60 days	£39,331	£40,000			£39,331	£40,000		

Page 870

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2022/23	Year to Date Target 2022/23	Year to Date Status	Commentary
LPI_HB 02	Average number of days to process a new claim for Housing Benefit (Monthly)	18	22			18	22		
LPI_HB 04	Average number of days to process a change in circumstances for Housing Benefit (monthly)	9	8			7	8		

Agenda Item 9

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2022/23	Year to Date Target 2022/23	Year to Date Status	Commentary
TM FS 01	Treasury Management - Actual vs Budget + Forecast	£282,826	£111,892			£282,826	£111,892		
Page 89									
TM FS 02	Treasury Management - Investment returns vs RPI vs CPI	3.2%	10%			3.2%	10%		<p>Low rates of return and utilisation of cash resource to fund investment acquisitions and capital programme have led to low returns. SDC started using Multi-asset income funds in May 2022 which are helping to improve returns. Due to the unusually high levels of RPI and CPI currently the inflationary target is not achievable.</p>

Agenda Item 9

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Finance and Investments Advisory Committee					Appendix B
Chief Officer	Budget Book Description		2022/23 Exp Budget	2022/23 Inc Budget	2022/23 Approved Net Budget
Revenue			£000	£000	£000
Customer & Resources	BENSADMIN	Benefits Admin	397	(349)	48
Customer & Resources	BENSGRNTS	Benefits Grants	22,138	(22,163)	(25)
Customer & Resources	DARTHUB	Dartford Rev&Ben Partnership Hub (SDC cos	2,140	(2,141)	(1)
Customer & Resources	LOCALTAX	Local Tax	583	(661)	(78)
Customer & Resources	STAFFREVBEN	Administrative Expenses - Revenues and Ben	0	0	0
Customer & Resources	SUPPACONTROL	Support - Rev & Ben Control	232	0	232
Customer & Resources	SUPPAFRAUD	Support - Counter Fraud	52	0	52
Customer & Resources	SUPPLEGAL	Support - Legal Function	275	(8)	267
Finance & Trading	AMFCCTV	Asset Maintenance CCTV	19	0	19
Finance & Trading	AMFCNTRYSIDE	Asset Maintenance Countryside	9	0	9
Finance & Trading	AMFDIRECTSER	Asset Maintenance Direct Services	42	0	42
Finance & Trading	AMFPLAYGRNDS	Asset Maintenance Playgrounds	16	0	16
Finance & Trading	AMFTOILETS	Asset Maintenance Public Toilets	16	0	16
Finance & Trading	CORPMGT	Corporate Management	0	0	0
Finance & Trading	DARTHUBA	Dartford Audit Partnership Hub (SDC Costs)	220	(220)	(0)
Finance & Trading	HOUSADVANCES	Housing Advances	1	0	1
Finance & Trading	MISCFIN	Misc. Finance	1,779	(33)	1,745
Finance & Trading	STAFFCX	Administrative Expenses - Chief Executive	20	0	20
Finance & Trading	STAFFFINSERV	Administrative Expenses - Finance	29	(4)	25
Finance & Trading	SUPPAUDIT	Support - Audit Function	217	(4)	214
Finance & Trading	SUPPEXCH	Support - Exchequer and Procurement	215	(8)	207
Finance & Trading	SUPPFIN	Support - Finance Function	329	(84)	245
Finance & Trading	SUPPPROCURE	Support - Procurement	7	0	7
Finance & Trading	TREASMGT	Treasury Management	126	0	126
Strategic Head Commercial and Property	STAFFSTRPROP	Administrative Expenses - Strategic Property	0	0	0
Strategic Head Commercial and Property	SUPPPROP	Support - Property Function	55	0	55
			28,918	(25,676)	3,242

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Summary of the Council's Agreed Savings/Additional Income and Growth Items

Appendix C

Year	SCIA No.	Description	2011/12 - 2022/23 £000	2023/24 £000	Later Years £000	Total £000
		Cleaner and Greener Advisory Committee				
2021/22	-	Car Parking: assumed 25% reduction in 21/22 income improving by 5% per year	823	(206)	(617)	
2022/23	6	Direct Services: Swanley Sunday Market six month trial (reversal of temporary savings item)		94		
		Development and Conservation Advisory Committee				
2022/23	9	Development Management: additional application fee income (reversal of temporary savings item)			25	
		Finance and Investment Advisory Committee				
2020/21	10	Insurance contract renewal (reversal of temporary savings item)		87		
2022/23	7	Internal Audit: audit software upgrade (reversal of temporary growth item)		(16)		
2022/23	-	Health and Social Care Levy (reversal of temporary growth item)		(140)		
		Housing and Health Advisory Committee				
2022/23	1	Housing: Temporary accommodation (reversal of temporary growth item)			(300)	
		Improvement and Innovation Advisory Committee				
2020/21	1	Apprenticeship Levy (reversal of temporary growth item)		(50)		
		People and Places Advisory Committee				
2022/23	-	New White Oak Leisure Centre	235	(19)	(216)	
		Minor movements between years		0	0	
		Total Savings/additional income	(8,646)	181	25	(8,440)
		Total Growth	4,016	(431)	(1,133)	2,452
		Net Savings	(4,630)	(250)	(1,108)	(5,988)

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Ten Year Budget - Revenue

Appendix D

	Budget 2022/23	Plan 2023/24	Plan 2024/25	Plan 2025/26	Plan 2026/27	Plan 2027/28	Plan 2028/29	Plan 2029/30	Plan 2030/31	Plan 2031/32	Plan 2032/33
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	16,783	17,297	17,565	17,304	17,477	17,680	18,270	18,823	19,368	19,997	20,450
Inflation	510	518	524	513	519	527	537	545	554	564	574
Superannuation Fund deficit	0	100	0	0	50	0	0	0	0	0	0
Net growth/(savings) (approved in previous yrs)	4	(250)	(686)	(240)	(266)	63	16	0	75	(111)	90
New growth	0	0	0	0	0	100	100	100	100	100	100
New savings/Income	0	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Net Service Expenditure b/f	17,297	17,565	17,304	17,477	17,680	18,270	18,823	19,368	19,997	20,450	21,114
Financing Sources											
Govt Support: Revenue Support Grant	0	0	0	0	0	0	0	0	0	0	0
: Lower Tier Services Grant	(103)	0	0	0	0	0	0	0	0	0	0
: Services Grant	(159)	0	0	0	0	0	0	0	0	0	0
: Local Council Tax Support (LCTS)	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	(11,841)	(12,309)	(12,729)	(13,161)	(13,604)	(14,023)	(14,453)	(14,894)	(15,347)	(15,799)	(16,249)
Business Rates Retention	(2,226)	(2,271)	(2,316)	(2,362)	(2,409)	(2,457)	(2,506)	(2,556)	(2,607)	(2,659)	(2,712)
Collection Fund Deficit/(Surplus)	(27)	4	0	0	0	0	0	0	0	0	0
Interest Receipts	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)
Property Investment Strategy Income	(1,518)	(1,568)	(1,568)	(1,568)	(1,665)	(1,665)	(1,665)	(1,706)	(1,706)	(1,706)	(1,706)
Contributions to/(from) Reserves	(189)	(170)	(607)	176	176	176	176	176	176	176	148
Total Financing	(16,251)	(16,502)	(17,408)	(17,103)	(17,690)	(18,157)	(18,636)	(19,168)	(19,672)	(20,176)	(20,707)
Budget Gap (surplus)/deficit	1,046	1,063	(104)	374	(10)	113	187	200	325	274	407
Contribution to/(from) Stabilisation Reserve	(1,046)	(1,063)	104	(374)	10	(113)	(187)	(200)	(325)	(274)	(407)
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 plus 2% per year
Council Tax:	2% in all years
Council Tax Base:	Increase of 730 Band D equivalent properties p.a. from 23/24, 580 p.a. from 27/28, 530 p.a. from 31/32, 480p.a. from 32/33
Interest Receipts:	£188,000 in all years
Property Investment Strategy:	£1.568m from 23/24, £1.655m from 26/27, £1.706m from 29/30
Pay award:	2% in all years
Other costs:	2.25% in all years
Income:	2.5% in all years except for off-street car parks which are an average of 3.5% per annum from 19/20 - 23/24.

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New Growth and Savings/Additional Income Proposals: Cleaner and Greener Advisory Committee

SCIA Year	No.	Description	Starting Year	Ongoing	2023/24 Impact £000	10-year Budget Impact £000
Growth						
2023/24	21	Increase in Utility Costs	2023/24	Y	180	180
2023/24	22	Meeting Point Business Hub (2023 - 2028)	2023/24	N	60	136
2023/24	23	Council Tax Discount - Eco Building Standard (2023 - 2030)	2023/24	N	2	14
Sub Total					242	330
Savings/Additional Income						
2023/24	5	Benefit Officer Vacancy - relinquished	2023/24	Y	(17)	(170)
Sub Total					(17)	(170)
Net (Savings)/Growth Total					225	160

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SERVICE CHANGE IMPACT ASSESSMENT

SCIA _05_ (23/24)

Chief Officer: Jim Carrington-West

Service: Benefits (Revs & Bens)

Activity: Relinquished Benefit Officer Post

No. of Staff: 27 Shared service split SDC 16.57/ DBC 10.43

Activity Budget Change	Cost Centre & Account Code of Budget	2023/24 Growth / (Saving) £000	Later Years Comments (ongoing, one-off, etc.)
Benefit Officer Vacancy - relinquished. Recharge to SDC	60404 FSLTHSB	(17)	Ongoing (permanent decrease in staff)

A. Reasons for and explanation of proposed change in service

Benefit Officer Vacancy - Relinquished from shared service structure and using money from DWP to fund an equivalent FTE Officer.

We currently receive funding from DWP to process VEP alerts & Housing Benefit Award Accuracy (HBAA) work. This is extra work given to us on top our normal work to improve the accuracy of the Housing Benefit claims before they finally migrate across to Universal Credit. The DWP are aiming for the end of 2024 for all of the Working Age Housing Benefit claims to be migrated. The DWP funding was secured in the Spring Budget 2020 for 5 years up to and including 2024-25. DWP cannot provide LAs with a 5-year funding settlement because individual LA allocations may vary over time depending on the volumes of types of work. These volumes will shift over time as the reduction in the HB caseload may affect each LA differently. However, LAs should plan on the basis that funding for mandatory activities will continue for at least 5 years and secure their staff resources accordingly

With this in mind as we have a vacancy & we are receiving funding from DWP it seemed like an opportunity to consider not filling this vacancy but instead using the money to fund an equivalent FTE Officer over the next 2 years at least from a remote processing company eg Meritec. It is becoming very difficult to find experience officers to fill these vacancies & inevitable with HB cases moving across to UC we will need to look at resources anyway.

SERVICE CHANGE IMPACT ASSESSMENT

B. Key Stakeholders Affected:

none

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

Low impact and implication of the change in service

Risks: (1) securing offsite company to carry out the work (2) DWP stopping or not covering the FTE hours

How likely & what impact?: (1) Low - Already work with a company & other companies available (2) Low - this should coincide with reduction in HB claims due to UC migration. Also, the benefit service continues to implement more automation.

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

Low

E. 2022/23 Budget (£'000) - at this level I would expect the budget to reflect the overall budget for the benefits service, not just that specific to this post.

Operational Cost	569,246
Income	(520,954)
Net Cost	48,292

F. Performance Indicators

LPI HB002 - Ave no of days to process new Applications

LPI HB006 - Ave no of days to process change events

SERVICE CHANGE IMPACT ASSESSMENT

Actual	LPI HB002 17 days LPI HB006 7 days
Target	LPI HB002 22 days LPI HB006 8 Days

G. Equality Impacts

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

H. 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

SERVICE CHANGE IMPACT ASSESSMENT

SCIA _21_ (23/24)

Chief Officer: Richard Morris
Service: Entire Council
Activity: Utility Costs
No. of Staff: NIL

Activity Budget Change	Cost Centre & Account Code of Budget	2023/24 Growth / (Saving) £000	Later Years Comments (ongoing, one-off, etc.)
			All Ongoing
Electricity for AQ stations	31200 EHPROT 9999	10	Caused by increases in energy currently being seen extrapolated for 12 months (current budget £3892)
CCTV - Market energy prices have increased around 25%.	DSCCTV 31200	32	As a result of global prices increases
Carparks - Market energy prices have increased around 25%.	HWCARPK 31200	48	As a result of global prices increases
Argyle Road		90	As a result of global prices increases

I. Reasons for and explanation of proposed change in service

<p>Combined growth of all utility costs throughout the council</p> <p>Due to the global events the wholesale price of gas & electricity has seen dramatic increase. The values used above are best estimates as revised prices has still not been received</p> <p>The final cost have been taken from several SCIA's and combined into one to give a holistic appraisal. Budget have not been included in E as this would combine several budgets.</p>
--

J. Key Stakeholders Affected:

Both internal & external customers

SERVICE CHANGE IMPACT ASSESSMENT

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

The impact on each of the services listed is minimal

L. Risk to Service Objectives (High / Medium / Low)

Low

M. 2022/23 Budget (£'000)

Operational Cost	
Income	
Net Cost	

N. Performance Indicators

Available data captured from AQ Monitoring Stations

Actual	
Target	

O. Equality Impacts

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

SERVICE CHANGE IMPACT ASSESSMENT

P. 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

SERVICE CHANGE IMPACT ASSESSMENT

SCIA _22_ (23/24)

Chief Officer: Detlev Munster

Service: Property and Commercial, Economic Development

Activity: Meeting Point Business Hub

No. of Staff: 2FTE

Activity Budget Change	Cost Centre & Account Code of Budget	2023/24 Growth / (Saving) £000	Later Years Comments (ongoing, one-off, etc.)
Meeting Point Business Hub	CBBHUB	60	-Ongoing but reducing (as follows) as the hub becomes established 2024/25 33 2025/26 20 2026/27 14 2027/28 9

Q. Reasons for and explanation of proposed change in service

Sevenoaks DC has undertaken the creation and ongoing management of a business work hub (Meeting Point, Swanley High Street) providing a flexible workspace for local businesses and providing a location for the establishment of a business community in this part of the district. This is part of the Council's wider Economic Development Strategy, published in 2022. The space will be managed by the SDC Economic Development Team, with the creation of two new FTE posts required to run the business hub centre:

A detailed business plan was prepared earlier in the year and approved by SMT (include date). SMT agreed a working capital allocation of £50,000 per annum. The business plan will be refined prior to operation and continuously updated during the first three years of operation with an annual review being submitted to SMT.

The work hub is due to open in February 2023

SERVICE CHANGE IMPACT ASSESSMENT

The net cost will reduce year-on-year in line with our projections for increased occupancy of the Meeting Point (as set out below), with the centre almost breaking even by Year 5.

2023/24 60% occupancy

2024/25 80%

2025/26 90%

2026/27 95%

2027/28 100%

R. Key Stakeholders Affected:

Externally, our key stakeholders are local businesses based in Swanley and the northern parishes, the wider Sevenoaks District and its neighbouring environs. Other stakeholders include the wider Swanley community and local groups who will be able to hire the premises for community meetings and events. The premises is also likely to be used for training and adult learning opportunities.

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

The decision was taken for the hub to be operated by a dedicated team within the SDC Economic Development Team after significant market testing.

Advantages

- SDC retains ownership and manages hub within existing team, albeit with additional staff, which allows the ED Team to provide support and engage with the business support elements of hub delivery.
- Staff appointments to be Council employees on a fixed term contract. A Council employment contract is likely to be perceived as beneficial to that of a newly formed enterprise and could therefore help to recruit applicants of the right calibre. The added value of Council terms and conditions, training etc will be a benefit.
- Business Hub Manager post will boost the capacity within the ED team, and can be easily scaled up and down dependent on demand and providing additional resource to deliver the workhub strategy for the district.

Economies of scale using existing SDC teams to support services to the hub and the potential to use existing SDC contracts where appropriate to supply the hub.

- All Council policies will apply to the hub reducing the administrative burden of setting up a new operation and benefiting from the ‘in house’ expertise.

SERVICE CHANGE IMPACT ASSESSMENT

- More cost effective for SDC to run the hub and will keep momentum of the project going and avoid potentially empty building.
- Council control allows model to develop for workhub strategy across the district.

Risks

- Council staff may create higher budget requirement mitigated by the advantages of having Council employees who can provide additional resource allowing flexibility in approach dependent on demand.
- A council run hub may not have the same appeal. This, however, can be mitigated by developing a strong independent brand for the hub and ensuring it does not have the Council look and feel.

T. Risk to Service Objectives Medium

Risks and Exit Strategy

Managing Meeting Point comes with risks such as lack of demand leading to potential financial risk

Despite significant market testing there is no guarantee that the demand for the hub will be sufficient, and the profit and loss indicates that break-even may take some time to achieve. If demand for facilities is not as expected the Council could face financial risk by having to subsidise the operation.

Minimising risk: The Council running the hub directly will allow reduced costs using existing council systems and procedures, as well as the benefit of internal expertise and use of existing supply contracts within procurement policies.

The demand for facilities in the local area is likely to increase as knowledge of the hub grows

Working with other operators across Kent is key to both promoting the hub and understanding the market, should the Council no longer wish to run the hub, it is possible that, dependent on market conditions at the time, an alternative operator could be sought.

Should the hub be under-utilised then staffing could easily be redirected to other Council projects. Other items purchased for the hub could be used in the Council offices should there no longer be a requirement for them within the hub.

The flexibility of the space means that should one area of the business be more popular than others then changes could be made for example the boardroom could be let as a shared office space and the small offices as meeting rooms. The shared space could be a number of alternative uses.

SERVICE CHANGE IMPACT ASSESSMENT

The hub demonstrates Sevenoaks District Council’s willingness to test the market for workhubs locally as part of a wider strategy for the creation of a network of hubs within the local area.

The development of a business hub in Swanley shows a clear intent of the Council to support small business development. It demonstrates the Council’s willingness to invest to stimulate the local economy, whilst also creating a culture where failure is sometimes an inevitable part of the learning curve, something which many entrepreneurs will relate to.

Exit Strategy

If at an agreed point the Council felt that Meeting Point was not performing adequately the space could easily be diverted into a number of uses

- An operator could be sought for the hub with a similar business model but as part of an existing network of centres. Continued dialogue with operators will take place.
- The space could be divided to provide commercial office space, either for Council staff or to let to single or multiple businesses.
- The use class and location of the building would mean that conversion to commercial retail space was also a possibility or alternative community uses would also be possible should there be demand.
- Consideration could also be given to changing to residential use, currently possible under permitted development rights.
- Hub staff employed by the Council would be on fixed term contracts providing the ability to extend if the project is successful and an end point if it is not.
- Many fixtures and fittings would be useable either by other local businesses or in other Council buildings and therefore minimising any waste.

U. 2022/23 Budget (£'000)

Operational Cost	-
Income	-
Net Cost	-

V. Performance Indicators

SERVICE CHANGE IMPACT ASSESSMENT

Key targets and benchmarks will be set for the management and operation of Meeting Point KPIs will cover amongst others:

- Users reporting satisfaction with hub facilities and willing to recommend to others
- Users reporting increased business, jobs created, increased wellbeing
- A varied events programme supporting a range of stakeholders
- 60% small offices and 40% fixed desks let by summer 2023
- Wider business and community use of facilities
- Connections and collaboration achieved
- Business support delivered on site

The operation of the hub will be reported bi-annually to Sevenoaks District Council SMT and to the People and Places and Innovation and Improvement Advisory Committees. An annual report will be submitted to Cabinet.

Meeting Point will be subject to audit as per other Council owned premises and Council-run services.

W. Equality Impacts

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups. The decisions recommended through this paper directly impact on end users. The impact has been analysed and does not vary between groups of people. Regardless of different groups of people, all customers have to be consistently supported in line with Housing legislation.

X. 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]

SERVICE CHANGE IMPACT ASSESSMENT

SCIA _23__ (23/24)

Chief Officer: Adrian Rowbotham
Service: Council Tax Income
Activity: Council Tax Discount
No. of Staff: nil FTE

Activity Budget Change	Cost Centre & Account Code of Budget	2023/24 Growth / (Saving) £000	Later Years Comments (ongoing, one-off, etc.)
Provide a one year 100% reduction on the District Council element of Council Tax for new certified Passivhaus ‘Classic’, ‘Plus’ & ‘Premium’ homes built in the District, in any year until 2030		2	2023/24 until 2029/30 (7 years)

Y. Reasons for and explanation of proposed change in service

As per the Net Zero actions endorsed by Council, it is proposed that new certified Passivhaus ‘Classic’, ‘Plus’ & ‘Premium’ homes built in the District, in any year until 2030, receive a one year 100% reduction on the District Council element of their Council Tax.

The number of new properties of this type is unknown but the loss of Council Tax income amounts above are based on ten new Band D equivalent properties per year.

It is likely that the emerging Local Plan will include a policy to encourage new development “to use nationally recognised eco building standards such as Passivhaus and Breeam and to meet the Future Homes standard as a minimum”.

This proposed change to the SDC portion of the Council Tax could be made under section 13a Local Government Finance Act 1992.

Z. Key Stakeholders Affected:

Occupiers of new certified Passivhaus ‘Classic’, ‘Plus’ & ‘Premium’ homes

SERVICE CHANGE IMPACT ASSESSMENT

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

It is hoped the discount will further incentivise the development of homes with a lower than usual, or even a positive, environmental impact.

Each claim would see a loss of Council Tax income at a time when the budget is facing a greater number of pressures than usual.

BB. Objectives (High / Medium / Low) Risk to Service

Low

CC. (£'000) 2022/23 Budget

Operational Cost	-
Income	(11,841)
Net Cost	(11,841)

DD. Performance Indicators

N/A

EE. Equality Impacts

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

FF. Net Zero Implications

Members are reminded of the Council's stated ambition to be Net Zero with regards to carbon emissions by 2030. The decisions recommended in this paper directly impact on this ambition. The impact has been reviewed and there should be a decrease on carbon emissions produced in the district as a result of this decision.

SERVICE CHANGE IMPACT ASSESSMENT

Certified nationally recognised eco building standard homes such as Passivhaus produce fewer carbon emissions than traditional build homes.

2023/24 Budget Setting Timetable

Stage 1: Financial Prospects and Budget Strategy 2023/24 and Beyond

3 November - Finance & Investment AC

10 November - Cabinet

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

22 November - Housing and Health AC

24 November - Improvement & Innovation AC

29 November - People & Places AC

1 December - Development & Conservation AC

6 December - Cleaner & Greener AC

10 January - Finance & Investment AC

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

12 January - Cabinet

Stage 4: Budget and Council Tax Setting Meeting (Recommendations to Council)

9 February - Cabinet

Stage 5: Budget and Council Tax Setting Meeting (incl. Council Tax setting)

21 February - Council

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

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Financial Strategy

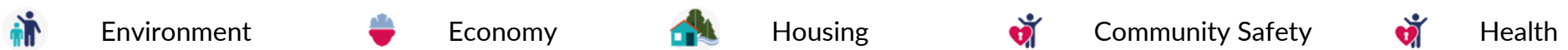


INTRODUCTION

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

With the cost of living crisis and events around the world, it will be important to have clear plans in place that may require difficult but necessary savings proposals.

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



OUR FINANCES

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

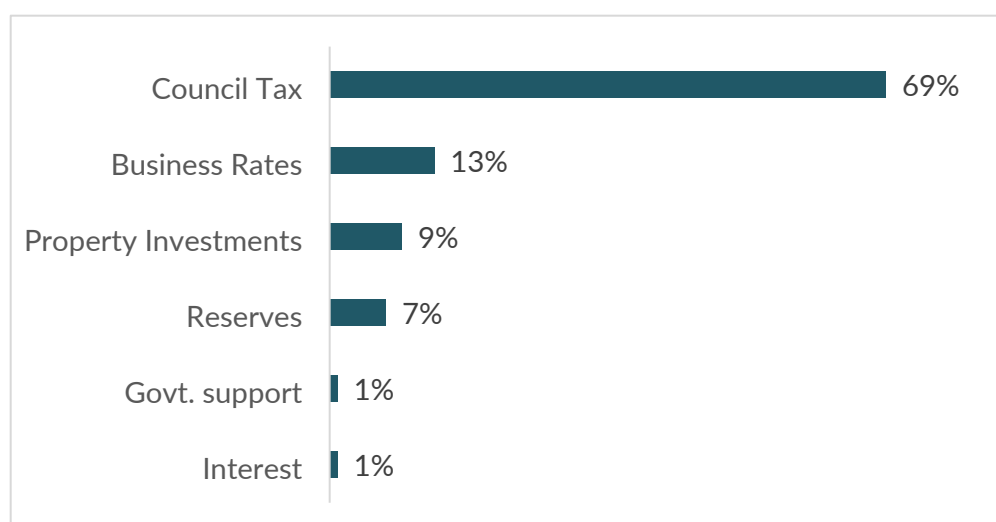
What's important to us:

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

To be successful, we must:

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

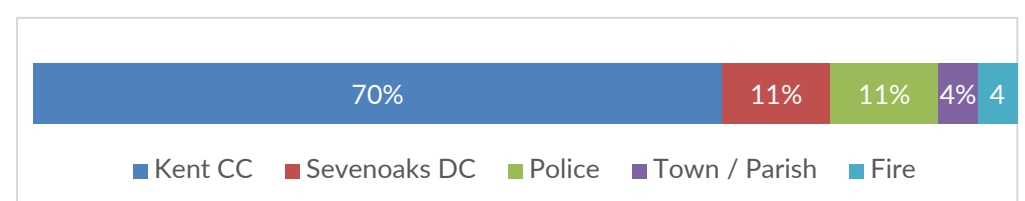
WHERE OUR MONEY COMES FROM



COUNCIL TAX

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

Sevenoaks District Council's part of the charge at Band D is £229.86, 11% of the total. Council Tax contributes about £11.8million to District Council services.



WHERE OUR MONEY IS SPENT

In 2022/23 the Council will spend about £17.3million on services for local people

	Cleaner & Greener £5.3m
	Development & Conservation £0.9m
	Housing & Health £1.2m
	People & Places £0.9m

	Finance & Investment £3.2m
	Improvement & Innovation £6.0m
	Other £-0.2m

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

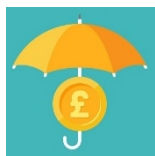
Financial self-sufficiency



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

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

Savings & reserves



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

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

Income & investments



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

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

Delivering our Financial Strategy

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

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

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



Outcomes and success measures

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

TREASURY MANAGEMENT STRATEGY 2023/24**Finance & Investment Advisory Committee - 12 January 2023****Report of:** Deputy Chief Executive and Chief Officer - Finance and Trading**Status:** For Decision**Also considered by:**

- Cabinet - 10 February 2023
- Council - 21 February 2023

Key Decision: No

Executive Summary: The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment guidance issued subsequent to the Act). This 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 remains largely the same as for 2022/23.

It should be noted that changes to the Treasury Management and Prudential Codes will take effect from 2023/24.

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

Portfolio Holder: Cllr. Matthew Dickins**Contact Officer:** Jessica Booth, Ext. 7436**Recommendation to Finance and Investment Advisory Committee:**

That the report be noted and comments forwarded to Cabinet.

Recommendation to Cabinet:

That, subject to the comments of the Finance & Investment Advisory Committee, Cabinet recommend that Council approve the Treasury Management Strategy for 2023/24.

Recommendation to Council:

That the Treasury Management Strategy for 2023/24 be approved.

Reason for recommendation: To ensure that an appropriate and effective annual Treasury Management Strategy is drawn up in advance of the forthcoming financial year, which meets both legislative and best practice requirements.

Introduction and Background

- 1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 3 The contribution the treasury management function makes to The Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 4 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

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

- 5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities (arising usually from capital expenditure) and are separate from the day to day treasury management activities.

Reporting requirements - Capital Strategy

- 6 The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following.
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability
- 7 The aim of the strategy is to ensure that all The Council’s elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

Reporting Requirements - Treasury Management

- 8 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.
- a) Prudential and treasury indicators and treasury strategy (this report) -

The first, and most important report is forward looking and covers: -

- the capital plans, (including prudential indicators)
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
- the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an Annual Investment Strategy, (the parameters on how investments are to be managed)

- b) A mid-year treasury management report -

This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

- c) An annual treasury report - This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 9 Scrutiny - The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Finance and Investment Advisory Committee.
- 10 Quarterly Reports - In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Finance and Investment Advisory Committee. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

Treasury Management Strategy for 2023/24

- 11 The strategy for 2023/24 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

Treasury management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of The Council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

- 12 These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Training

- 13 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive

adequate training in treasury management. This especially applies to members responsible for scrutiny.

- 14 Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.
- 15 The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.
- 16 As a minimum, authorities should carry out the following to monitor and review knowledge and skills:
 - Record attendance at training and ensure action is taken where poor attendance is identified.
 - Prepare tailored learning plans for treasury management officers and board/council members.
 - Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
 - Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”
- 17 In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.
- 18 Formal training was last undertaken by members on 14 November 2018 and further training will be arranged as required.
- 19 The training needs of treasury management officers are periodically reviewed.

Treasury Management Consultants

- 20 The Council uses Link Group, Link Treasury Services Limited as its external treasury management advisors.
- 21 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service

providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

- 22 It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

The Capital Prudential Indicators 2023/24 - 2025/26

The Council’s capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members’ overview and confirm capital expenditure plans.

Capital Expenditure and Financing

- 23 This prudential indicator is a summary of The Council’s capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts: -

Capital expenditure £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Services	21,470	19,832	32,170	21,842	5,029
Total	21,470	19,832	32,170	21,842	5,029

- 24 Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.
- 25 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital receipts	1,511	6,200	188	1,000	24,473
Capital grants	7,907	2,343	1,128	1,128	1,128
Capital reserves	528	582	582	582	582
Mixed Funding		2,163	4,250		
Net financing need for the year	11,524	8,544	26,022	19,132	(21,154)

The Council's Borrowing Need (the Capital Financing Requirement)

- 26 The second prudential indicator is The Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of The Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
- 27 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.
- 28 The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore The Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so The Council is not required to separately borrow for these schemes. The Council currently has £0m of such schemes within the CFR.
- 29 The Council is asked to approve the CFR projections below:

£m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Financing Requirement					
Services	41,289	52,527	60,446	85,837	104,382
Total CFR	52,527	60,446	85,837	104,382	84,559
Movement in CFR	11,238	7,919	25,391	18,545	(21,797)

Movement in CFR represented by					
Net financing need for the year (above)	11,239	7,757	26,022	19,182	(21,154)
Less MRP/VRP and other financing movements	286	625	631	637	643
Movement in CFR	11,238	7,132	25,391	18,545	(21,797)

External borrowing £m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Regeneration	12,766	17,442	34,986	48,228	50,150
TOTAL	12,766	17,442	34,986	48,228	50,150

Liability Benchmark

- 30 A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.
- 31 There are four components to the LB: -

- **Existing loan debt outstanding:** The Council's existing loans that are still outstanding in future years.
- **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement:** this will show The Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

Core Funds and Expected Investment Balances

32 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Fund balances / reserves	26,405	25,444	24,550	23,824	23,596
Capital receipts	4,062	6,200	188	1,000	24,473
Provisions	409	409	409	409	409
Other	0	0	0	0	0
Total core funds	30,876	32,053	25,147	25,233	48,478
Working capital*	9,133	9,233	9,333	9,433	9,533
Under/(over) borrowing	37,486	41,650	43,842	52,734	32,134
Expected investments	2,523	(364)	(9,362)	(18,068)	25,877

*Working capital balances shown are estimated year-end; these may be higher mid-year

Minimum Revenue Provision (MRP) Policy Statement

- 33 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where The Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).
- 34 The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but The Council can use any other reasonable basis that it can justify as prudent.
- 35 The MRP policy statement requires full council approval (or closest equivalent level) in advance of each financial year.
- 36 The Council is recommended to approve the following MRP Statement
- 37 For expenditure incurred before 1 April 2008 which forms part of supported capital expenditure, the MRP policy will be:
- **4% reducing balance (CFR method)** - MRP will be calculated as 4% of the opening GF CFR balance;
- From 1 April 2008 for all unsupported borrowing the MRP policy will be
- **Asset life method (annuity)** - MRP will be based on the estimated life of the assets;
- 38 Capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24, or in the year after the asset becomes operational
- 39 The Council will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.
- 40 MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment.
- 41 For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.
- 42 Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan
- 43 MRP Overpayments - Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP). VRP can be reclaimed in later years if deemed necessary or prudent. In order for these amounts to be reclaimed for use in the budget, this policy

must disclose the cumulative overpayment made each year. Up until the 31 March 2022 the total VRP overpayments have been nil.

The Borrowing Strategy

- 44 The capital expenditure plans set out above provide details of the service activity of The Council. The treasury management function ensures that The Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and The Council's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

Current Portfolio Position

- 45 The overall treasury management portfolio as at 31 March 2022 and for the position as at 1 December 2022 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual 31.3.22	actual 31.3.22	current 01.12.22	current 31.03.23
Treasury investments	£000	%	£000	%
Banks	4,873	29.23	3,972	15.06
Building societies - unrated	3,000	17.99	3,000	11.38
Local authorities	2,000	12.00	-	-
Money Market Funds	6,800	40.78	14,400	54.60
Total managed in house	16,673	100.00	21,372	81.04
Multi Asset Income Funds	-	-	5,000	18.96
Total managed externally	-	-	5,000	18.96
Total treasury investments	16,673	100.00	26,372	100.00
Treasury external borrowing				
PWLB	12,766	100.00	12,297	100.00
Total external borrowing	12,766	100.00	12,279	100.00
Net treasury investments / (borrowing)	3,907		14,075	

- 46 The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt					
Debt at 1 April	4,892	12,766	17,442	34,986	48,228
Expected change in Debt	7,874	4,676	17,544	13,242	1,922
Other long-term liabilities (OLTL)	2,275	2,275	2,275	2,275	2,275
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	15,041	19,717	37,261	50,503	52,425
The Capital Financing Requirement	52,527	61,367	81,103	105,999	84,559
Under / (over) borrowing	37,486	41,650	43,842	55,496	32,134

- 47 Within the range of prudential indicators there are several key indicators to ensure that The Council operates its activities within well-defined limits. One of these is that The Council needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 48 The Deputy Chief Executive and Chief Officer - Finance & Trading reports that The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

Treasury Indicators: Limits to Borrowing Activity

The Operational Boundary.

- 49 This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary £000	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	30,000	40,000	50,000	55,000
Other long-term liabilities	2,275	2,275	2,275	2,275
Total	32,275	42,275	52,275	57,275

The Authorised Limit for external debt

- 50 This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.
- 51 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- 52 The Council is asked to approve the following Authorised Limit:

Authorised Limit £000	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	35,000	45,000	55,000	60,000
Other long-term liabilities	2,275	2,275	2,275	2,275
Total	37,275	47,275	57,275	62,275

Prospects for Interest Rates

53 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 08.11.22. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

54 Appendix A draws together a number of current City views on the prospects for short term and longer fixed interest rates. Appendix B contains Link Group’s latest economic background report and the risks for interest rates as at December 2022.

Borrowing Strategy

55 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting The Council’s reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

56 Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

57 Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

Policy on Borrowing in Advance of Need

58 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any

decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that The Council can ensure the security of such funds.

- 59 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Rescheduling

- 60 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.
- 61 If rescheduling is to be undertaken, it will be reported to Cabinet at the earliest meeting following its action.

New Financial Institutions as a Source of Borrowing

- 62 Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:
- Local authorities (primarily shorter dated maturities out to 3 years or so - generally still cheaper than the Certainty Rate).
 - Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
 - Municipal Bonds Agency
- 63 Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

ANNUAL INVESTMENT STRATEGY

Investment Policy - Management of Risk

- 64 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).
- 65 The Council’s investment policy has regard to the following: -
- DLUHC’s Guidance on Local Government Investments (“the Guidance”)

- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
 - CIPFA Treasury Management Guidance Notes 2021
- 66 The Council’s investment priorities will be security first, portfolio liquidity second and then yield (return).
- 67 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -
- a) Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
 - b) **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration The Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
 - c) **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
 - d) This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5.4 under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

- e) **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 50%.
 - f) **Lending limits**, (amounts and maturity), for each counterparty will be set using the criteria set out on paragraph 73.
 - g) **Transaction limits** are set for each type of investment in 76.
 - h) This Authority will set a limit for its investments which are invested for **longer than 365 days**, (see table at paragraph 88).
 - i) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 73).
 - j) This Authority has engaged **external consultants**, (see paragraphs 21-23), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Authority in the context of the expected level of cash balances and need for liquidity throughout the year.
 - k) All investments will be denominated in sterling.
 - l) As a result of the change in accounting standards for 2022/23 under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. At the current juncture it has not been determined whether a further extension to the override will be agreed by Government.
- 68 However, this Authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

- 69 The above criteria are unchanged from last year.

Creditworthiness Policy

- 70 The primary principle governing The Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, The Council will ensure that: -
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
 - It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to The Council's prudential indicators covering the maximum principal sums invested.
- 71 The Deputy Chief Executive and Chief Officer - Finance and Trading will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Full Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which The Council may use, rather than defining what types of investment instruments are to be used.
- 72 Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Authority criteria will be suspended from use, with all others being reviewed in light of market conditions. (Amend as necessary / add your own criteria for such circumstances.)
- 73 The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:
- Banks 1 - good credit quality - The Council will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign Long-Term rating of AA-

and have, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):

- i. Short Term - F1
 - ii. Long Term - A-
 - Banks 2 - Part nationalised UK bank - Royal Bank of Scotland ring-fenced operations. This bank can be included provided they continue to be part nationalised or meet the ratings in Banks 1 above.
 - Banks 3 - The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
 - Bank subsidiary and treasury operation -. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
 - Building societies The Council will use all societies which: -
 - i. Meet the ratings for banks outlined above;
 - ii. Have assets in excess of £3bn;
 or meet both criteria.
 - Money Market Funds (MMFs) CNAV - AAA
 - Money Market Funds (MMFs) LNVAV - AAA
 - Bond, Property, Equity of Multi-Asset Funds
 - UK Government (including gilts, Treasury Bills and the DMADF)
 - Local authorities, housing associations, parish councils etc.
- 74 A limit of 50% will be applied to the use of non-specified investments.
- 75 Additional requirements under the Code require The Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.
- 76 The time and monetary limits for institutions on The Council's counterparty list are as follows (these will cover both specified and non-specified investments): -

	Fitch Long Term Rating (or equivalent)	Money and/or % Limit	Time Limit
Banks 1	A-	£7m	2 years
Banks 2	A-	£5m	2 years
Banks 3	N/A	£7m	2 years
Banks 4	N/A	£7m	1 day
Bank subsidiaries	A-	£7m	2 years
Rated building societies (assets over £3bn)	N/A	£5m	2 years
Unrated building societies (assets over £3bn)	N/A	£3m	1 year
Money Market Funds (CNAV)	AAA	£5m (per Fund)	Liquid
Money Market Funds (LVNAV)	AAA	£5m (per Fund)	Liquid
Bond, Property, Equity & Multi-Asset Funds	N/A	£5m (per Fund)	Liquid
UK Government DMADF	UK sovereign rating	£5m	6 months
Local authorities, housing associations etc	N/A	£5m (each)	2 years

- 77 The proposed criteria for specified and non-specified investments are shown in Appendix D for approval.

Creditworthiness Issues

- 78 Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently

the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK.

- 79 Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and The Council has access to this information via its Link-provided Passport portal.

Limits

- 80 Due care will be taken to consider the exposure of The Council's total investment portfolio to non-specified investments, countries, groups and sectors.
- a. **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 50% of the total treasury management investment portfolio.
 - b. **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix E. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits. In addition: -

- no more than 15% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

Investment Strategy

- 81 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

- 82 Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.
- 83 The current forecast shown in paragraph 53, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.
- 84 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows: -

Average earnings in each year

2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Later Years	2.80%

- 85 As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.
- 86 For its cash flow generated balances, The Council will seek to utilise its business reserve instant access and notice accounts, Money Market Funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.
- 87 There are no changes proposed to the investment strategy for 2023/24.
- 88 Members are asked to note the following treasury indicator and limit. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for an early sale of an investment. They are based on the availability of funds after each year-end.

Upper limit for principal sums invested for longer than 365 days			
£000	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	£10,000	£10,000	£10,000
Current investments as at 01.12.22 in excess of 1 year maturing in each year	£5,000	£5,000	£5,000

Investment Performance / Risk Benchmarking

- 89 This Authority will use an investment benchmark to assess the investment performance of its investment portfolio of SONIA (Sterling Overnight Index Average).

End of Year Investment Report

- 90 At the end of the financial year, The Council will report on its investment activity as part of its Annual Treasury Report.

Scheme of delegation

- 91 The guidance notes accompanying the revised Code also require that a statement of the Council’s scheme of delegation in relation to treasury management is produced as part of the Annual Investment Strategy. This appears at Appendix F.

Revision of the treasury management and prudential codes and the role of the Section 151 officer

- 92 As with the scheme of delegation mentioned in the previous paragraph, a statement of the role of the Section 151 officer is also required. This appears at Appendix G.

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 treasury management strategy 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. The movement in previous years towards having a restricted lending list of better quality institutions but higher individual limits with those institutions has reduced the chances of a default. But if a default did occur, the potential loss would be greater.

These risks are mitigated by the annual investment strategy which has been prepared on the basis of achieving the optimum return on investments commensurate with proper levels of security and liquidity. However, Members should recognise that in the current economic climate, these remain significant risks and that the strategy needs to be constantly monitored.

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.

Conclusions

The effect of the proposals set out in this report is to allow the Council to effectively and efficiently manage cash balances.

In line with the revised CIPFA Code of Practice on Treasury Management, the Annual Treasury Strategy Statement must be considered by Council and this is planned for its meeting on 21 February 2023.

Appendices

Appendix A - Prospects for Interest Rates

Appendix B - Economic background and interest rate risks

Appendix C - Investment and Loan portfolio at 1 December 2022

Appendix D - Specified and non-specified investments

Appendix E - Approved countries for investments

Appendix F - Treasury management scheme of delegation

Appendix G - The treasury management role of the S151 officer

Appendix H - The Liability Benchmark

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

Appendix A: Prospects for Interest Rates

- 1 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 08.11.22. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave eamings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave eamings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

- 2 In addition to the forecast above Link provided the following notes relating to interest rates and forecasts.
- 3 Our central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government’s policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.
- 4 Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened - but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- 5 The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.
- 6 Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.
- 7 In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

Agenda Item 10

- 8 On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

- 9 Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).
- 10 We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- The Bank of England acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- UK / EU trade arrangements - if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.
- The Government acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.
- The pound weakens because of a lack of confidence in the UK Government’s fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term US treasury yields rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

Borrowing advice

- 11 Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.
- 12 Our suggested budgeted earnings rates for investments up to about three months’ duration in each financial year are as follows: -

Average earnings in each year

2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

- 13 As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Agenda Item 10

- 14 Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

APPENDIX B: Economic background and interest rate risks

Economic background

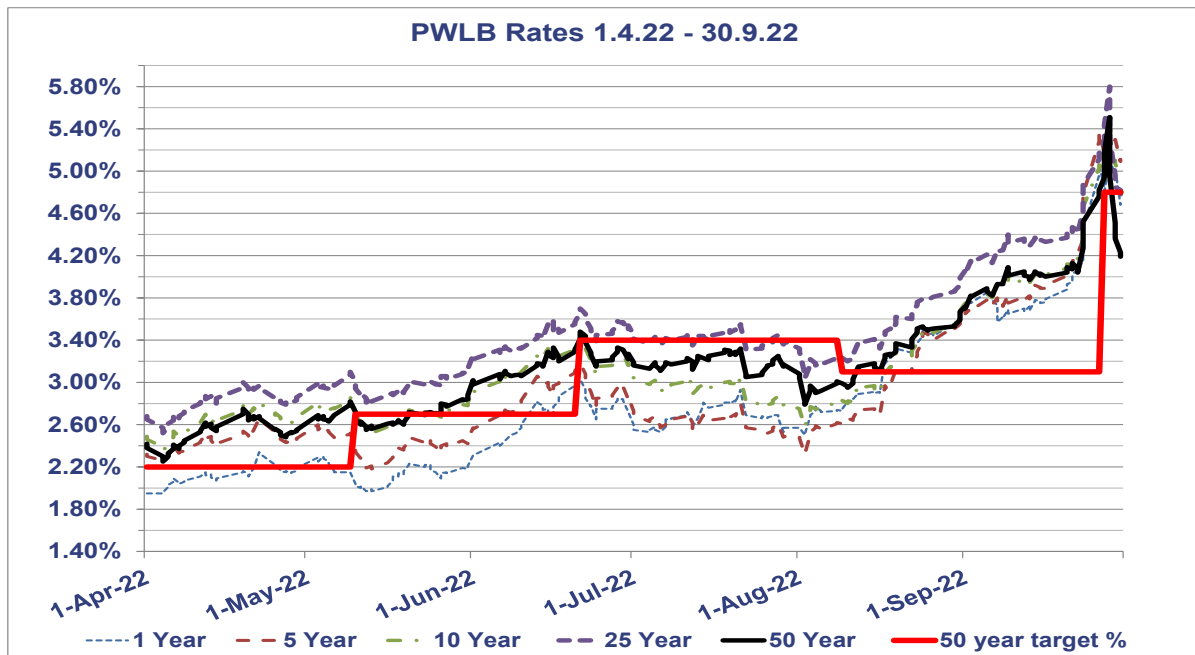
- 1 Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.
- 2 Market commentators’ misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	11.1%y/y (Oct)	10.0%y/y (Nov)	7.7%y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

- 3 Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen’s passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.
- 4 The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia’s invasion of Ukraine on 22nd February 2022.

Agenda Item 10

- 5 Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.
- 6 Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the “heavy lifting” has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.
- 7 Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.
- 8 The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government’s “fiscal event”, to \$1.20. Notwithstanding the £’s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.
- 9 In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



10 However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

11 After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS - NOVEMBER 2022

12 At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

13 Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Agenda Item 10

- 14 Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.
- 15 In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy - at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

APPENDIX C: CURRENT PORTFOLIO POSITION

Reference	Name	Rating	Country	Group
Treasury Investments				
	Barclays Bank plc (Business Premium A/C)	A+	U.K.	
	Svenska Handelsbanken AB (Deposit A/C)	AA	Sweden	
	Svenska Handelsbanken AB (35 Day Notice A/C)	AA	Sweden	
	Aberdeen Standard Liquidity Fund (Money Market Fund)	AAA	U.K.	
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.	
	BlackRock Liquidity Fund (Money Market Fund)	AAA	U.K.	
	CCLA Public Sector Deposit Fund (Money Market Fund)	AAA	U.K.	
IP1446	Close Brothers Ltd	A-	U.K.	
IP1445	Newcastle Building Society		U.K.	

Total Invested

Multi Asset Income Funds				
	Artemis Fund Managers Ltd		U.K.	
	Aegon Asset Management UK PLC		U.K.	

Total Invested

Other Loans				
	Sevenoaks Leisure Limited			
	Quercus 7 Limited - Long term loan		Year of issue	
			19/20	
			20/21	
			21/22	

Agenda Item 10

List of Investments as at:- 1-Dec-22

Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	Broker	Status
972,890	01-Oct-11			0.20000%	Variable	Direct	Current
0	23-Jul-14			0.00000%	Variable	Direct	Current
0	01-Sep-16			0.24000%	Variable	Direct	Current
4,000,000	11-May-12				Variable	Direct	Current
2,600,000	11-May-12				Variable	Direct	Current
4,100,000	13-Oct-16				Variable	Direct	Current
3,700,000	08-Oct-18				Variable	Direct	Current
3,000,000	31-Oct-22	3.70000%	22-Mar-23		5 months	Tradition	Current
3,000,000	22-Sep-22	2.85000%	22-Feb-23		5 Months	Tradition	Current
<hr/>							
21,372,890							
<hr/>							
2,500,000	16-May-22					Direct	Current
2,500,000	20-May-22					Direct	Current
<hr/>							
5,000,000							
<hr/>							
467,952	02-Mar-18	6.00000%	02-Mar-28		10 Years	Direct	Current
avg interest							
536,444					4.69000%		
3,614,900					4.69000%		
5,763,337					4.58000%		

APPENDIX D - Treasury management practice (TMP1) - Credit and counterparty risk management

- 1 The Department for Levelling Up, Housing and Communities (DLUHC) issued investment guidance in 2018, and this forms the structure of the authority's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.
- 2 The key intention of the guidance is to maintain the current requirement for local authorities to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective, the guidance requires this authority to have regard to the CIPFA publication treasury management in the public services: code of practice and cross-sectoral guidance notes. This Council adopted the code and will apply its principles to all investment activity. In accordance with the code, the director of finance has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.
- 3 Annual investment strategy - the key requirements of both the code and the investment guidance are for the authority to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:
 - The strategy guidelines for choosing and placing investments, particularly non-specified investments.
 - The principles to be used to determine the maximum periods for which funds can be committed.
 - Specified investments that the authority will use. These are high security (*i.e., high credit rating, although this is defined by the authority, and no guidelines are given*), and high liquidity investments in sterling and with a maturity of no more than a year.
 - Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.
- 4 The investment policy proposed for the authority is:

Strategy guidelines - the main strategy guidelines are contained in the body of the treasury management strategy statement.

Specified investments - these investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the authority has the right to be repaid within 12 months if it wishes. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months once the remaining period to maturity falls to under 12 months.

Agenda Item 10

These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with: -

- The UK government (such as the debt management account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
- Supranational bonds of less than one year's duration.
- A local authority, housing association, parish council or community council.
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency e.g., Standard and Poor's, Moody's and/or Fitch rating agencies.
- A body that is considered of a high credit quality (such as a bank or building society). This category covers bodies with a minimum short-term rating of xxx (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

In accordance with the code, the authority has set out additional criteria to limit the time and the amount of monies which will be invested in these bodies. These criteria are contained within the body of the Treasury Management Strategy Statement.

Non-specified investments - are any other type of investment (i.e., not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non-specified investments would include any sterling investments with: -

	Non-specified investment category	Limit (£ or %)
a.	The authority's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£7m
b.	Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £3bn.	£3m
c.	Any bank or building society that has a minimum long-term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£7m
d.	Any non-rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category where the parent bank has provided an appropriate guarantee and has the necessary ratings outlined above.	£7m
e.	Share capital in a body corporate - the use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources.	£50k

	Revenue resources will not be invested in corporate bodies. See note 1 below.	
f.	Bond funds. A pooled investment vehicle with a mix of corporate and government grade bonds. See note 1 below.	£5m
g.	Other Funds - including Property, Equity and Multi-Asset Funds. These are pooled investment vehicles specialising in property, equities or a mixture of assets. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. See note 1 below. This Authority will seek guidance on the status of any fund it may consider using.	£5m

Note 1. This authority will seek further advice on the appropriateness and associated risks with investments in these categories.

Within categories a and b, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. These criteria are contained in the body of the treasury management strategy statement.

- 5 **The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The authority receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Deputy Chief Executive and Chief Officer - Finance & Trading, and if required new counterparties which meet the criteria will be added to the list.

APPENDIX E - Approved countries for investments

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&S) and also, (except - at the time of writing - for Hong Hong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the link creditworthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Qatar
- U.K.

This list is as at 2.12.22

APPENDIX F - Treasury management scheme of delegation

Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

Finance & Investment Advisory Committee

- reviewing the treasury management policy and procedures and making recommendations to Cabinet.

APPENDIX G - The treasury management role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

The above list of specific responsibilities of the S151 officer in the 2017 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments (which CIPFA has defined as being part of treasury management). Examples are as follows:-

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

- creation of treasury management practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:
 -
 - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
 - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
 - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
 - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
 - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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APPENDIX H - Liability Benchmark

	£'000	£'000	£'000	£'000	£'000
	Opening Balance	1	2	3	4
Financial Year End	2021	2022	2023	2024	2025
PWLB Loans	£4,892	£12,766	£17,422	£34,986	£48,228
Market Loans (excl LOBO loans)					
LOBO Loans					
Short Term inc LA Temporary Borrowing (<1 year)					
Variable rate loans					
Existing Loan Debt Outstanding	£4,892	£12,766	£17,422	£34,986	£48,228
Opening Loan Debt	£4,892				
Less: opening treasury investments	-£16,673				
Plus: planned prudential borrowing	£8,000	£5,144	£18,022	£13,729	£2,419
Less: MRP & Capital Receipts set aside	-£286	-£625	-£631	-£637	-£643
+/- other forecast cashflows					
Net Loans Requirement (forecast net loan debt)	-£4,067	£452	£17,843	£30,935	£32,711
Opening Loans CFR					
Plus: planned Prudential Borrowing		£5,144	£18,022	£13,729	£2,419
Less: MRP & Capital Receipts set aside		-£625	-£631	-£637	-£643
Loans CFR	£0	£4,519	£21,910	£35,002	£36,778
Liquidity allowance above net debt (liquidity buffer)	£16,000	£16,000	£16,000	£16,000	£16,000
Liability Benchmark (Gross Loans Requirement)	£11,933	£16,452	£33,843	£46,935	£48,711
Forecast Investments	£16,000	£16,000	£16,000	£16,000	£16,000
(Over)/Under Liability Benchmark	£7,041	£3,686	£16,421	£11,949	£483

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PROPERTY INVESTMENT STRATEGY UPDATE REPORT

Council - 21 February 2023

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

Status: For Decision

Also considered by:

- Finance & Investment Advisory Committee - 10 January 2023
- Cabinet - 12 January 2023

Key Decision: No

Executive Summary:

This report provides an update on the progress of the Property Investment Strategy to date and looks at the future direction of the strategy.

The Property Investment Strategy was approved by Council on 22 July 2014 to support the aim of the council becoming more financially self-sufficient as Government Support continued to reduce.

The acquisitions to date have helped the council achieve this aim. This report provides an update on those acquisitions.

Due to Government changes in the way councils can access Public Works Loan Board (PWLB) borrowing and the changes to CIPFA's Prudential Code, the Property Investment Strategy is no longer included in the capital programme therefore the Council cannot currently borrow to make any more property investments purely for yield.

In a changing property market and regardless of any limitations on financing, it remains important to review the criteria of the strategy on a regular basis.

Portfolio Holder: Cllr. Matthew Dickins

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

Alan Mitchell, Ext. 7483

Detlev Munster, Ext. 7099

Recommendation to Finance and Investment Advisory Committee:

- (a) That the report be noted.
- (b) Forward comments to Cabinet including any recommended changes to the Property Investment Strategy criteria.

Recommendation to Cabinet:

- (a) Cabinet considers any comments from Finance and Investment Advisory Committee and notes the report.
- (b) Any changes to the Property Investment Strategy criteria be recommended to Council.

Recommendation to Council:

Council agrees the Property Investment Strategy criteria recommended by Cabinet.

Introduction and Background

- 1 In recent years Sevenoaks District Council was facing ongoing reductions in Government support, culminating in it no longer receiving Revenue Support Grant from 2017/18. This has led to a number of decisions that have been taken through the 10-year budget process to try and ensure that the council remains in a financially sustainable position.
- 2 On 7 November 2013, Cabinet approved the then Corporate Plan which set out key areas for the organisation, including the need to become financially self-sufficient. The agreed plan articulated an approach of investing in assets that would generate revenue income to allow less reliance on diminishing Government support. It went on to state that this could be done either through reviewing the use of reserves or through borrowing at low interest rates.
- 3 On 22 July 2014, Council agreed the Property Investment Strategy. The Strategy's criteria were last updated at Council on 22 February 2022 and the current criteria are included at **Appendix A**.

Funding Agreed to Date

- 4 A total of £50.3m of funding for the Property Investment Strategy (including the Sennocke Hotel) has been agreed as follows:
- a. £5m Council 22 July 2014
 - b. £3m Council 17 February 2015
 - c. £10m Council 21 July 2015
 - d. £7.3m (total spend) Sennocke (Premier Inn) Hotel, Council 3 November 2015
 - e. £25m Council 25 April 2017
- 5 £35.451m has been spent. However, as the Property Investment Strategy has now been removed from the Capital Programme, the Council is unable to make any further property investments purely for yield, therefore the unspent element of the £50.3m is no longer available for the Council to spend on the Property Investment Strategy.

Activity to Date

- 6 A summary of the income producing expenditure to date is included in the following table:

Date	Activity	Total Cost £000	2022/23 Income Yield %
Apr 2015	Suffolk House, Sevenoaks (including refurb.) (office)	4,892	7.3%
May 2015	Swanley Petrol Station and Supermarket	2,566	7.5%
Mar 2017	26-28 Pembroke Road, Sevenoaks (office)	4,673	3.9%
Aug 2018	Premier Inn Hotel, Sevenoaks	7,332	6.4%
	Total	19,463	

- 7 **Suffolk House, Sevenoaks** (April 2015) - This office building is in a town centre in which there are diminishing levels of office stock. It consists of a total of 16,699 sq. ft of office space over four floors with 84 parking spaces.

Agenda Item 11

It is managed by a property management company with costs recoverable under a service charge. All floors have been refurbished to a high standard and the rent per square foot is now significantly higher than when the building was purchased. All space is currently let. External repair and maintenance work, notably to the roof, brickwork and lead works, has recently been undertaken in accordance with the building's planned maintenance programme.

- 8 **Swanley Petrol Station and Supermarket (May 2015)** - The property comprises a 2,789 sq. ft convenience store building with 15 car parking spaces, 8 multi-fuel pump forecourt with jet wash and car wash on a 0.589 acre site. The property is let on a lease expiring in August 2030.
- 9 **26-28 Pembroke Road, Sevenoaks (March 2017)** - This is a modern freehold office investment in Sevenoaks town centre. The 10,499 sq. ft building over three floors has 56 car parking spaces and is currently partially let to Towergate Insurance, who previously occupied the whole building. Heads of terms are currently being negotiated with a new tenant for a lease for 20 years.
- 10 **Premier Inn Hotel, Sevenoaks (August 2018)** - The 83 bed Premier Inn was completed in July 2018 and opened for trading on 4 August 2018. The hotel scheme and the funding method were separately approved by Council, but it is recognised as a Property Investment Strategy asset with the income being included in the figures in paragraph 23.
- 11 The following amounts within the strategy have funded Quercus 7 investments.

Date	Activity	Total Cost £000	2022/23 Income Yield %
2016/17	Quercus 7 set up costs	13	
2018/19 onwards	Quercus 7 investments (debt 60%)	5,987	4.5%
2018/19 onwards	Quercus 7 investments (equity 40%)	3,991	
	Total	9,991	

- 12 Quercus 7 was set up to enable the Council to invest in property on a commercial basis across a range of asset categories, ensuring a sustainable income for the Council. The company is able to invest in commercial properties outside of the district and hold residential property, which the Council is not allowed to do.

- 13 The Council, which is also the Shareholder of the Company, wishes Quercus 7 to prioritise return on investment, whilst also recognising that as a public body there are sometimes wider considerations and sensitivities that the Council must consider.
- 14 The investments adhere to the principles set out in the Property Investment Strategy.
- 15 The Council as a whole holds the only share in the Company and has delegated its responsibility for overseeing the trading activities of the Company to a Trading Board, and the Leader of the Council has been nominated as the shareholder representative.
- 16 The Quercus 7 Business Plan includes a £50,000 dividend payable to the Council annually from 2023/24.
- 17 In addition, strategic expenditure has been undertaken to secure longer term returns. These items are listed in the table below:

Date	Activity	Total Cost £000
Feb 2015	Swanley Working Men's Club (including demolition)	1,393
Feb 2017	96 High Street, Sevenoaks (retail, office) and associated site	4,554
May 2017	Croft Road, Westerham (housing option)	589
	Total	6,536

- 18 **Swanley Working Men's Club** (February 2015) - The premises were demolished in July 2016. In June 2022, The Council made a planning application for 93 apartments arranged over 4 to 6 storeys on this site, together with the adjacent car park and land owned by West Kent Housing Association. The planning application was refused permission and options for the site are being reviewed in light of the decision. Aside from planning, the recent increase in interest rates and higher build costs are making it difficult to bring forward development at the current time.

Agenda Item 11

- 19 **96 High Street, Sevenoaks (February 2017)** - This premise consists of ground floor retail space, 1st and 2nd floor office space. The land at the rear is next to a District Council car park which in turn is next to the bus station and therefore has the potential to support the Council's regeneration ambitions. Discussions have taken place and are ongoing with KCC to include land in their ownership to bring forward a larger scheme. Consultants have been appointed with a masterplan and feasibility study prepared to establish appropriate mix of uses, values and with a view to agreeing terms with a private sector development partner. The ground floor retail space is occupied by Hospice in the Weald on a short-term lease, subject to a developer's break clause on a rolling basis. The second floor is still in occupation by Second Floor Studios CIC and their lease is being made co-terminus with that on the ground floor.
- 20 **Croft Road, Westerham** - This land formally in the Council's ownership was sold to a developer to build 18 residential units which are being built in two phases. The Council took up an option to acquire two houses at a discount (based on an agreed price formula), one house in each phase. The option to acquire the house in the first phase was exercised on behalf of Quercus 7, and it has since been let on an Assured Shorthold Tenancy providing regular monthly income. The option to acquire the house in the second phase was exercised by the Council, and the house was sold on the open market for £640,000, realising a return on investment of around 7%.
- 21 All of the Council's acquisitions have been supported by a thorough business case and approved by the Improvement & Innovation Portfolio Holder in consultation with the Finance & Investment Portfolio Holder as required by Council.

Property Investment Strategy Income

- 22 The 10-year budget approved by Council in February 2021 included net Property Investment Strategy income of £1.372m in 2021/22 and £1.508m in 2022/23.
- 23 Net income of £1.252m is forecast in 2022/23 - £265,000 below the budget. This is due to a void period and associated business rates costs.
- 24 An annual dividend of £50,000 will be received from Quercus 7 from 2023/24
- 25 The Property Investment Strategy net income budgets included in the 10-year budget approved by Council in February are included in the table below:

Year	Net Income Budget
2022/23	£1.568m
2023/24 - 2025/26	£1.668m
2026/27 - 2028/29	£1.765m
2029/30 - 2032/33	£1.806m

- 26 The budgets will continue to be reviewed.
- 27 All of the net income budgets proposed are after transferring £100,000 per annum into the Property Investment Strategy Maintenance Reserve.

Funding Sources

- 28 The £35.5m spent to date has been funded by:
- a. Property Reserve and Financial Plan Reserve £11.8m. Funds put aside for the Property Investment Strategy agreed as part of the annual budget setting process, including New Homes Bonus.
 - b. Capital receipts £9.4m. Proceeds from the sale of Council assets.
 - c. Internal borrowing £4.4m. From council balances. No interest is paid but Minimum Revenue Provision (MRP) is charged. MRP is the minimum amount which must be charged to the revenue account each year and set aside as provision for repaying loans and meeting other credit liabilities. This is a requirement for any form of borrowing so that an amount is set aside to repay the loan. An MRP charge of £150,000 is forecast in 2020/21.
 - d. Internal borrowing £9.9m. From council balances for Quercus 7 investments.
 - e. External borrowing £nil. This funding method would incur interest and MRP costs each year.
- 29 Funding options are considered on a case-by-case basis and may be funded by reserves, capital receipts, internal borrowing or external borrowing, subject to the constraints referred to in the Executive Summary and below.
- 30 During 2019, at the request of Full Council, a Member Working Group investigated Income Strip Funding as an additional funding source and recommended that this should be considered for funding suitable future schemes.
- 31 Each scheme is assessed to consider whether it is preferable to proceed as the Council or via Quercus 7.

Public Works Loan Board (PWLB) - Access to Borrowing

- 32 In November 2020, HM Treasury published the document 'Public Works Loan Board: Future Lending Terms'.
- 33 This document included changes to the PWLB lending terms designed to discourage councils from investing primarily for yield by restricting access to the PWLB. Under the new rules, councils are still free to borrow for service delivery, housing, regeneration, preventative action and delivery of government priorities.

Agenda Item 11

- 34 The main points are:
- a. As a condition of accessing the PWLB, local authorities are now asked to submit a high-level description of their capital spending and financing plans for the following three years.
 - b. Councils intending to invest for yield are not permitted to access the PWLB.
 - c. When applying for a new loan, councils are required to confirm that the plans they have submitted remain current and reaffirm that they do not intend to buy investment assets primarily for yield.
 - d. The decision over whether a project complies with the terms of the PWLB is for the section 151 officer or equivalent of the council (Chief Officer - Finance and Trading).
- 35 Schemes within the agreed capital programme are funded by PWLB borrowing. This therefore means that the Council is currently unable to invest in property purely for yield such as through the Property Investment Strategy.
- 36 There have been a number of announcements and guidance notes from the Government and CIPFA (Chartered Institute of Public Finance and Accountancy) considering how some councils have borrowed from the PWLB to fund property investments and proposed changes to the Prudential Code.
- 37 Officers will continue to liaise with the Government and other bodies to ensure that there is a clear understanding of options and implications available for future use of the Property Investment Strategy by both the Council and Quercus 7.

Future Opportunities

- 38 As mentioned above, the PWLB and Prudential Code changes will impact the opportunities to make further property investments within the strategy.
- 39 It is therefore recommended that the focus of officers time on the delivery of the Property Investment Strategy should be on development of the strategic assets listed in paragraph 17, realising their revenue potential, whilst recognising that the higher cost of finance and build cost inflation together with a deteriorating market for residential sales (demand for lettings has gone up) may result in a delay to the delivery of major development projects.

Risks

- 40 The risks of the Property Investment Strategy are included in **Appendix B**. The risks were first assessed by the Audit Committee on 9 September 2014 and have been reviewed each year.

- 41 The Council’s Strategic Risk Register was last considered by the Audit Committee on 22 September 2022 and the relevant extract is also included in **Appendix B**.
- 42 In terms of short-term variations in capital value, property investment is inherently more risky than leaving reserves in the bank but this was taken into account when establishing the Property Investment Strategy and setting the investment criteria. Treasury investment returns have long been below inflation levels resulting in the gradual erosion of those funds. A separate report on the Treasury Management Strategy 2023/24 is also being presented at this meeting.
- 43 The risks of each potential investment are considered by carrying out due diligence, including the following:
- a. Valuation.
 - b. Market conditions.
 - c. Covenant strength of tenants.
 - d. Terms of leases.
 - e. Structural surveys.
 - f. Funding options.
 - g. Future costs.
- 44 It should be recognised that there may be times when there are business reasons to dispose of assets held as part of the Property Investment Strategy and invest elsewhere instead.
- 45 The Scrutiny Committee set up a Property Investment Strategy Member Working Group at their meeting on 5 July 2016 and reported their findings on 30 March 2017.
- 46 The Member Working Group concluded that the benefits of the Property Investment Strategy do outweigh the risks, provided that the council remains alive to of changes in the market and financial risks.
- 47 Internal Audit completed an audit report on the Property Investment Strategy in 2020/21. The audit opinion given in the report was of reasonable assurance.
- 48 The audit report conclusion was: “Audit fieldwork confirmed effective governance and financial arrangements are in place for the delivery of the Property Investment Strategy. The attainment of set objectives is being achieved. Existing arrangements are fit for purpose for the delivery of the Strategy and comply with Council procedures.”

Agenda Item 11

- 49 The assurances required over the Property Investment Strategy are considered each year as part of the risk-based annual audit planning process.
- 50 The changes to the PWLB lending terms also produce additional risks that did not previously exist.

Property Investment Strategy Criteria

- 51 The annual update report gives Members the opportunity to review the Property Investment Strategy criteria previously agreed. The current criteria are included in **Appendix A**.
- 52 The Property Investment Strategy criteria also applies to Quercus 7.

Key Implications

Financial

As previously stated in this report, the Property Investment Strategy is a major contributor to the Council remaining financially self-sufficient.

All other financial information can be found in the report.

Legal Implications and Risk Assessment Statement.

Legal resources would be required to undertake legal pre-purchase due diligence for any future acquisitions. Likewise, with disposals. This would be undertaken either internally by the Council's Legal Team or externally and a decision would be made on a case-by-case basis.

Proceeding with further pure property investments would add additional risks in light of the changes made and expected by Government and CIPFA.

A full risk analysis is included at **Appendix B** to this report.

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.

Value for Money and Asset Maintenance

Value for money derived from available finances when looked at in conjunction with the Treasury Management Strategy has the ability to be increased via the Property Investment Strategy.

Conclusions

The investments previously made through the Property Investment Strategy continue to provide a reliable revenue income stream above the rate on cash reserves (although the gap has narrowed due to higher interest rates), with the potential for income and capital growth, in the long term. This will assist the Council to remain financially self-sufficient.

Commercial property is being repriced/revalued because interest rates have risen, linked to high inflation. In the short term, property capital values will be negatively affected with a greater reliance on current income for performance. The Council is not currently able to make further investments purely for yield, but the situation will continue to be monitored with the aim to make further investments via the Council or Quercus 7 in future.

Appendices

Appendix A - Property Investment Strategy

Appendix B - Property Investment Strategy - Risk Analysis - to Follow

Background Papers

Report to Council 22 July 2014 - Investment Strategy

Report to Audit Committee 9 September 2014 - Investment Strategy Risk Register

Report to Council 17 February 2015 - Budget and Council Tax Setting 2015/16

Report to Council - 21 July 2015 - Property Investment Strategy

Report to Council - 25 April 2017 - Property Investment Strategy Update

Agenda Item 11

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

Property Investment Strategy (agreed by Council 22/02/22)

1. The strategy will consist of a diversified and balanced portfolio of investment assets with regard to the following considerations.
2. As the portfolio has grown and property markets have changed, all asset categories are now included subject to appropriate due diligence and ensuring no asset class exceeds 20% in total value of the approved funding.
3. When considering the tenure of an asset, freehold would be preferable to leasehold. Freehold provides for greater levels of security against a leasehold asset that would effectively decrease in value over time. However, assets on long leasehold basis may still be suitable for consideration.
4. Whilst properties let to only one tenant may offer an acceptable level of risk, multi-tenanted properties would be favourable as they offer the opportunity to minimise the impact of any one part of the asset being vacant due to tenant default or lease expiry. If assets are occupied by a single tenant, then detailed financial due diligence would be undertaken to ascertain their financial stability.
5. Investment opportunities are restricted to all of England, however recognising that this may need to be changed in future if legislation is amended.
6. Based on the above considerations and taking into account local market conditions, a lot size of between £1m and £10m has been set. This is to avoid the lower part of the local market where private high net worth individuals would be seeking to invest and also the high end, where Pension Funds and Life Assurance Funds tend to dominate.
7. Given the likely risk profile of an asset meeting the above considerations, the following has been set. The income yield be 3%+ above the Council's average treasury management return when not borrowing or internally borrowing, and 3%+ above the borrowing rate when externally borrowing, based on an average over 10 years. (Flexibility may be applied to those opportunities that show an acceptable social return on investment).
8. A limited number of opportunities that include the potential for development should also be considered. This approach may have the potential to deliver an additional 20-30% return on investment.
9. Where sites that are already in the ownership of the Council could be redeveloped in partnership with neighbouring sites, added value can be derived from 'marriage' of the sites. Consideration should be given to Joint Venture (JV) projects that maximise value, with priority given to those which would result in the delivery of assets meeting the investment criteria.

10. It is expected that external specialist property investment advisors will be retained on each transaction, advising on suitability having undertaken detailed pre purchase due diligence, including valuation, risk analysis and lease / title reviews.
11. Taking all of the above considerations into account, the current criteria are:
 - i. Income yield of 3%+ above the Council's average treasury management return when not borrowing or internally borrowing, and 3%+ above the borrowing rate when externally borrowing, based on an average over 10 years. (Flexibility may be applied to those opportunities that show an acceptable social return on investment
 - ii. Individual Properties or Portfolios
 - iii. Lot size of £1m - £10m subject to multiple tenants for lots over £5m
 - iv. Freehold / Long Leasehold
 - v. Single or Multi Tenanted
 - vi. Asset categories: all subject to appropriate due diligence and ensuring no asset class exceeds 20% in total value of the approved funding.
 - vii. Investment opportunities be restricted to all of England.
 - viii. Potential to increase rental income, through pro-active Asset Management
12. The Strategic Asset Management and Operational Property Management of the portfolio be delivered from existing resource within the Council's Economic Development and Property Team. There will however be times when specialist external advice is needed and this work will be commissioned on an 'as required' basis, funded from the income from the assets. This approach is to be reviewed regularly, including ongoing resource requirements, as the portfolio grows.
13. Funding for the acquisition of assets should be reviewed on a case by case basis but could be derived from a number of sources:
 - Receipts from previous property disposals.
 - Receipts from proposed land / property disposals in future years.
 - Internal borrowing.
 - Borrowing from the Public Works Loan Board.
 - Borrowing from the Municipal Bonds Agency.

- Income strip funding.
14. Each scheme will also be analysed to decide whether it is preferable to proceed as the council or via Quercus 7.

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CAPITAL PROGRAMME & ASSET MAINTENANCE 2023/26

Finance and Investment Advisory Committee - 10 January 2023

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

Status: For Decision

Key Decision: no

Executive Summary: This report sets out the proposed Capital and Asset maintenance programmes for 2023/26 together with proposed funding.

This report supports 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 Advisory Committee:

That the report be noted, and comments forwarded to Cabinet on:

- a) The Capital Programme 2023/26 and funding set out in Appendix B.
- b) The proposed Asset Maintenance budget of £631,000 for 2023/24.
- c) The Capital Strategy for 2023/24, Appendix C of this report.

Agenda Item 12

Introduction and Background

- 1 The Capital Programme is put together following the Council's financial and corporate policies to ensure that the proposed programme satisfies one or more of the Council's corporate plan priorities:
 - improve efficiency and cost effectiveness of the services we provide;
 - buy and build new assets that help improve the way we provide services and at the same time generating return on our investments;
 - providing better customer service;
 - invest in attracting, generating and supporting business.

Capital Bids

- 2 The new scheme bids are attached at Appendix A.
- 3 Each scheme bid document details the proposed programme and its purpose as well as the capital costs for the next 3 years. In addition, details of how the programme is to be funded, justification for the bid and any other resource implications are included in each bid document.
- 4 Appendix B summarises the overall capital programme position of existing and proposed schemes and indicates the funding sources proposed.
- 5 Schemes that have not spent in line with previously reported schedules for 2022/23 may be carried forward to 2023/24, subject to Cabinet approval and the final outturn position.
- 6 Schemes that are of significant size or importance will be presented as separate reports throughout the year as appropriate and the Capital Programme, Appendix B, will be updated to reflect subsequent approved amendments.
- 7 The Property Investment Strategy was removed from the Capital Programme in November 2021 so that PWLB borrowing could be accessed to fund the White Oak Leisure Centre construction as approved.
- 8 A separate report on the Property Investment Strategy will be presented.

Capital Receipts

- 9 In the summary in table 1 below the available capital receipts have been identified which can be used to fund the capital programme.

Table 1: Capital Receipts estimates

Disposal Programme	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's
Capital Receipt b/fwd	1,544	2,282	6,632	6,820	7,820
Total Capital receipts	9,716	6,200	188	1,000	24,473
Already allocated	(8,978)	(1,850)	0	0	(24,473)
Available Capital Receipts	2,282	6,632	6,820	7,820	7,820

10 The capital receipt estimates are based on the current disposal programme but may be subject to change.

11 Capital receipts will be used to finance the capital programme where possible but other sources of funding such as the Financial Plan Reserve, internal borrowing, external borrowing and the Vehicle Renewal Reserve may be used to fund specific items.

Asset Maintenance

12 The asset maintenance programme seeks to allocate budgets to individual areas and schemes in accordance with the asset management plan and service requirement, reflecting backlog maintenance, health & safety and income generation as priorities.

The table below sets out the asset maintenance programme for the next 3 years and the percentage of the maintenance programme funded.

13 Table 2: Total asset maintenance programme

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Budget	618	631	642	651
% of programme funded	64%	64%	64%	64%

Capital Strategy

14 The revised CIPFA Code requires, for 2019/20 onwards, all local authorities to prepare a Capital Strategy report, which will provide the following:

- A high level, long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed; and

Agenda Item 12

- The implications for future financial sustainability.
- 15 This Council's Capital Strategy for 2023/24 is presented in Appendix C.
- 16 The aim of this Capital Strategy is to ensure that all Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance and risk appetite.
- 17 The Capital Strategy has direct links to other key strategic and policy documents, such as:
- The Council Plan;
 - The Ten Year Budget and Financial Strategy;
 - The Local Plan;
 - Asset Management Plan;
 - Treasury Management Policy And Strategy;
 - Property Investment Strategy; and
 - Capital Programme
- 18 These key strategic and policy documents are reported separately to Members and are not reproduced within the Capital Strategy.
- 19 The Capital Strategy complements the above documents by defining the approach, structure and governance for the effective financing and Management of the Council's capital investment needs and ambitions. It outlines how the Council's existing capital resources will be effectively managed to meet the planned needs and opportunities and for meeting the ambitions for future longer term capital investments.
- 20 It is intended that the Capital Strategy will be reviewed annually to reflect changes in circumstances.

Key Implications

Financial

All financial implications are covered within this report.

Legal Implications and Risk Assessment Statement.

There are no legal or human rights issues. The Council must agree a Capital Programme as part of its financial plan and ensure that resources are available to fund it

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

Members are reminded of the Council's stated ambition to be Net Zero with regards to carbon emissions by 2030. The decisions recommended in this paper directly impact on this ambition. The impact has been reviewed and there will be an (increase or decrease) on carbon emissions produced in the district as a result of this decision.

The Net Zero impact has been considered for each capital bid and the impact is shown as appropriate.

Appendices

Appendix A - Scheme Bid Documents

Appendix B - Proposed 2023/26 capital programme

Appendix C - Capital Strategy 2023/24

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

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Capital Programme 2023/26

Scheme Bid Document - Scheme Name: Mill Pond Capital Works

Description: The silt in Mill Pond is contaminated and needs to be removed by a specialist contractor under a permit from the Environment Agency, due to restrictions on disposal of the silt.

This is a large infrastructure project.

Service : Direct Services

Portfolio Holder/Chief Officer : Adrian Rowbotham

Financials :

CAPITAL COSTS	Period TOTAL	2023/24	2024/25	2025/26
	£000	£000	£000	£000
Gross scheme cost	60	60		
External Contributions (list)				
Net scheme cost	60	60	0	0

ONGOING REVENUE IMPLICATIONS
(excluding loss of interest)

Running costs

Income streams

Net cost	10*	10*	10*
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Funding Source : Capital Receipts

Other Resource Implications :	Maintenance from existing revenue budget*
Staffing	
Asset Values	

Justification:

Sevenoaks District Council is the landowner of Mill Pond

Net Zero Implications

Members are reminded of the Council's stated ambition to be Net Zero with regards to carbon emissions by 2030. The decisions recommended in this paper directly impact on this ambition. The impact has been reviewed and there will be a decrease on carbon emissions produced in the district as a result of this decision.

The restoration and renovation of Mill Pond will ensure it operates more effectively, positively effecting flooding and surface flooding in the area. There will also be positive impacts on habitats, biodiversity, ecosystems and wildlife all of which positively contribute to lowering carbon emissions.

Capital Programme 2023/26

Scheme Bid Document - Scheme Name: Bradbourne Lakes

Description: The silt in the old Victorian boating lakes, brickwork and drainage needs to be restored and the build-up of silt to be removed by a specialist contractor under a permit from the Environment Agency, due to restrictions on disposal of the silt.

This is part of a larger infrastructure project.

Service : Direct Services

Portfolio Holder/Chief Officer : Adrian Rowbotham

Financials :

CAPITAL COSTS	Period TOTAL	2023/24	2024/25	2025/26
	£000	£000	£000	£000
Gross scheme cost	60	60		
External Contributions (list)				
 Net scheme cost	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	60	60	0	0

ONGOING REVENUE IMPLICATIONS

(excluding loss of interest)

Running costs

Income streams

Net cost	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	10*	10*	10*	

Funding Source : Capital Receipts

Other Resource Implications :	Maintenance from existing revenue budget*
Staffing	
Asset Values	

Justification:

Sevenoaks District Council is the Landowner of Bradbourne lakes.

Net Zero Implications

Members are reminded of the Council's stated ambition to be Net Zero with regards to carbon emissions by 2030. The decisions recommended in this paper directly impact on this ambition. The impact has been reviewed and there will be a decrease on carbon emissions produced in the district as a result of this decision.

The restoration and renovation of Bradbourne Lakes will ensure it operates more effectively, positively effecting flooding and surface flooding in the area. There will also be positive impacts on habitats, biodiversity, ecosystems and wildlife all of which positively contribute to lowering carbon emissions.

Capital Programme 2023/26

Scheme Bid Document - Scheme Name: Vehicle Replacement Programme

Description: Purchase of replacement commercial fleet vehicles that have reached the end of their fully depreciated operational life.

Service :

Portfolio Holder/Chief Officer : Councillor Margot McArthur/Adrian Rowbotham

Financials :

CAPITAL COSTS	Period	2023/24	2024/25	2025/26
	TOTAL			
	£000	£000	£000	£000
Gross scheme cost	1,746	582	582	582
External Contributions (list)				
Net scheme cost	1,746	582	582	582

ONGOING REVENUE IMPLICATIONS

(excluding loss of interest)

Running costs

Income streams

Net cost	61	61	61
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Funding Source : Funding is via the vehicle replacement fund which is financed by fixed transport charges, the sale of old vehicles and by an annual revenue contribution. Fixed transport charges include an annual replacement fund contribution as well as individual depreciation charges levied on each fleet purchase over predetermined periods.

Other Resource Implications :	
Staffing	Managed by Direct Services fleet management.
Asset Values	Approximately £9 million

Justification: Statutory Duty

To maintain services, mainly statutory. Supports all the Council’s priorities

Net Zero Implications

Either: 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

Capital Programme 2023/26

Scheme Bid Document

Scheme Name: Better Care Fund (Mandatory and Discretionary Disabled Facility Grants)

Description: Money provided by the Better Care Fund for the provision of both mandatory and discretionary activities to ensure those eligible for assistance remain residing in their own home along with the new requirement to fund initiatives to better integrate housing with social care and Health Services, through preventive and responsive services.

Service :

Portfolio Holder/Chief Officer :

Financials :

CAPITAL COSTS	Period TOTAL	2023/24	2024/25	2025/26
	£000	£000	£000	£000
Gross scheme cost	3,384	1,128	1,128	1,128
External Contributions (list)	(3,384)	(1,128)	(1,128)	(1,128)
Net scheme cost	0	0	0	0

ONGOING REVENUE IMPLICATIONS

(excluding loss of interest)

Running costs

Income streams

Net cost

	0	0	0
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Funding Source : Scheme will be fully funded from the Better Care Fund.

Other Resource Implications :	
Staffing	Managed with existing staffing establishment
Asset Values	Assets not in Council ownership

Justification: Statutory Duty

It is a statutory duty to provide DFGs to older and or disabled residents. The Council's DFG service is eligible Department for Levelling Up, Housing and Communities (DLUCH) funding. Larger grants are managed by Home Improvement Agency (HIA).

From 2015 the Better Care Fund for Kent has been administered by KCC (ring fenced for and passed onto each District).

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

Capital Programme 2023-26

Chief Officer/Scheme	Funding Source	Bid Form							Total expected spend £000	
			2022/23	2023/24	2024/25	2025/26				
			Total approved scheme £000	Previous years spend £000	Forecast £000	Budget £000	Budget £000	Budget £000		
People & Places										
White Oak Leisure Centre	Capital Receipts & External funding, External borrowing	Previously approved	22,866	19,002	2,967	298	-	-	22,267	
White Oak Leisure centre - Orchards Academy	Capital Receipts	Previously approved	130	18	112	-			130	
White Oak Residential	Capital Receipts and Grant	Previously approved	20,189	100	5,000	8,000	6,189	900	20,189	
Burlington Mews	Capital Receipts	Previously approved	16		-	8	8	-	16	
27-37 Swanley High street (meeting Point)	Capital Receipts & External funding	Previously approved	6,114	3,000	2,500	614	-	-	6,114	
Bevan Place	Mixed	Previously approved	27,306	951	1,594	14,022	10,229	510	27,306	
Farmstead Drive	Capital Receipts and Grant	Previously approved	7,609	200	2,500	2,500	2,000	409	7,609	
Affordable Housing (Quercus Housing)	External Borrowing	Previously approved	16,050		1,050	1,500	1,500	1,500	5,550	
Combined Feasibility Pot*	Mixed	Previously approved	1,480	51	220	1,450	150		1,871	
Stangrove Estate	Mixed	Previously approved	4,313	130	2,179	1,948	56		4,313	
Finance and Trading										
Mill Pond	Capital Receipts	Capital Bid 01	60			60			60	
Bradbourne Lakes	Capital Receipts	Capital Bid 02	60			60			60	
Vehicle Replacement Programme	Vehicle Replace Reserve	Capital Bid 03	1,746		582	582	582	582	2,328	
Disabled Facility Grant	External funding	Capital Bid 04	3,384		1,128	1,128	1,128	1,128	4,512	
TOTAL						19,832	32,170	21,842	5,029	102,325

* For capital projects such as Stangrove, Hollybush, Spitals Cross, Otford Road site, Westerham, Kemsing, Lullingstone and Sevenoaks Town Centre

Funding Sources

Capital Receipts					6,200	188	1,000	24,473
Financial Plan Reserve & Cap Receipts								
Vehicle Renewal Reserve					582	582	582	582
Better Care Fund (KCC)					1,128	1,128	1,128	1,128
Reserves								
Internal Borrowing use / (repaid)					3,400	8,000	5,403	(23,573)
Mixed funding depending on scheme funding					2,163	4,250		
External Borrowing	-Long term				4,094	18,022	13,729	2,419
	-Short term				1,050			
Grant Funding					1,215			
Total Funding					19,832	32,170	21,842	5,029

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

The Capital Strategy 2023/24

Purpose of the Capital Strategy

- 1 The Capital Strategy sets out how the Council will manage the investment and financing of capital resources to contribute towards the achievement of its key objectives and priorities. This includes the appraisal process for determining investment decisions and the process for identifying and prioritising funding requirements.
- 2 The Capital Strategy is a framework by which capital expenditure decisions are made. It is required under the Prudential Code as a measure of good governance.
- 3 The objectives of the Capital Strategy are to:
 - Prioritise and deploy capital resources in advancement of corporate objectives;
 - Support service plans;
 - Look for opportunities for cross-cutting and joined up investment;
 - Invest in assets that reflect the visions and aspirations of local people in service delivery; and
 - Manage investment and the Council's property and other assets effectively and efficiently.
- 4 The strategy considers all aspects of the Council's capital expenditure and forms part of the Council's integrated revenue, capital and balance sheet planning.
- 5 The strategy covers capital expenditure, capital financing and asset management and is one of the Council's key strategies. It also gives an overview of how risk is managed and the implications for future financial sustainability. It also provides a set of objectives and a framework, within the CIPFA Codes and statutory legislation, by which new capital projects are evaluated and investment decisions made, whilst ensuring that funding is targeted towards meeting corporate priorities.
- 6 The Capital Strategy:
 - States the Council's processes for project initiation, deciding on the prioritisation of capital projects and monitoring and evaluating schemes;

Agenda Item 12

- Takes account of significant revenue implications;
- Provides a framework for the management and monitoring of the capital programme;
- Identifies funding streams and provides a basis to inform bidding for additional capital resources (e.g. government initiatives); and
- Informs the corporate review of existing properties.

Project Initiation

- 7 Capital projects are subject to a robust justification process, bringing together a clear business case with sufficient detailed costings to ensure that transparent decisions can be taken. Proposals are given independent oversight and review of the project in terms of validation arrangements, estimated figures and project milestones. Business cases are prepared in accordance with good project management principles.
- 8 A formal process is drawn up to ensure that projects are subject to thorough oversight for the duration of the scheme. Project management sits with the initiating team or department and there are clearly defined areas of responsibility for each task within the project.
- 9 For larger projects where feasibility is less certain, more robust business cases are prepared before bids for funds are made. This includes undertaking all preparatory work to fully understand the requirements of a project before a budget is sought. There must be a clear link between budgets and service plans.

Prioritisation of capital projects

- 10 Capital projects will be assessed for:
 - Strategic fit - corporate objectives are being met by the expenditure;
 - Identified need - e.g. essential repairs and maintenance of existing assets;
 - Achievability - this may include alternatives to direct expenditure by the Council such as partnerships with others;
 - Affordability - to ensure that total capital expenditure remains within sustainable limits;
 - Practicality and deliverability;
 - Revenue generation achieved from the investment; and
 - Non-monetary impacts such as future economic growth, social well-being or environmental improvement.

Monitoring and evaluating schemes

- 11 For all capital investment the appropriate level of due diligence will be undertaken, with the extent and depth reflecting the level of risk being considered. Due diligence will include:
- Identification of the risk to both the capital sums invested and the returns;
 - Understanding the potential impact on the financial sustainability of the Council if the risks come to fruition;
 - Identifying assets being held for security against any potential debt or charges on assets; and
 - Seeking independent and expert advice where necessary.
- 12 The Deputy Chief Executive and Chief Officer Finance & Trading will ensure that Members are adequately informed and understand the risks of capital investment.
- 13 Project proposals will be put to Council for formal approval together with funding requirements and, if successful, will form the Council's capital programme which is its plan of capital investment for future years. This ensures that the Council's overall capital strategy, governance procedures and risk appetite are fully understood by all Members.

Revenue implications

- 14 The revenue implications of capital investment must always be considered in investment decisions and the prioritisation of projects. These include costs and savings implications. Costs to consider include:
- Cost of borrowing (including Minimum Revenue Provision);
 - Loss of investment income if reserves or useable capital receipts are deployed; and
 - Running costs associated with the asset (e.g. employee salaries, heat and light, administrative support costs and future maintenance).

Savings, including benefits, to identify include:

- Any positive impact of investment and economic growth on the Council's council tax base and business rates income; and
- Capital projects that generate income, revenue savings or efficiencies.

Funding the Capital Strategy

Agenda Item 12

- 15 Proposals for capital projects must identify the funding requirements for the timescale of the project including any revenue implications. Funding must be appropriate for the project and will come from:
- Reserves;
 - Capital receipts - from the sale of assets or finance lease receipts;
 - Government grants - such as disabled facilities grant funding;
 - Third party grants and contributions;
 - Community Infrastructure Levy;
 - Revenue contributions;
 - Other developer contributions; and
 - External borrowing.
- 16 The Secretary of State believes that individual local authorities are best placed to decide which projects will be most effective for their area. The key criteria to use when deciding whether expenditure can be funded by the increased flexible use of capital receipts is that it is forecast to generate ongoing savings.

Borrowing

- 17 The Council's approach to borrowing is set out in its Treasury Management Strategy Statement. The Council may consider internal or external borrowing. Prior to undertaking any external borrowing, affordability, the maturity profile of existing debt, interest rate and refinancing risk and the borrowing source should be given due consideration.
- 18 Local authorities are required to set aside some of their revenues as provision for debt each year of an amount considered to be 'prudent' (the Minimum Revenue Provision or MRP). Prudent provision should ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefit.

Commercial activities and investment property

- 19 CIPFA defines investment property as property held solely to earn rentals or for capital appreciation or both. Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.
- 20 With reductions in funding that the Council has faced, it is having to look at commercial activities and property investment to supplement its income and support service delivery. However, to minimise risk of potential loss of

income in the longer term, it needs to ensure that any investment opportunities are based upon sound decision making that considers the future likelihood of investment income reducing. Property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave properties remaining vacant.

- 21 The detail is contained in the Council's Property Investment Strategy which documents the Council's requirements, but when making commercial investment decisions the Council will follow the following principles:
- Commercial investments will only be made to enhance the Council's asset portfolio and will be linked to delivery of the Ten Year Budget;
 - Consideration will be given to the economic development potential of any investment decision;
 - Expert advice will be sought to ensure that any investment decision is based upon sound market intelligence, forecasts for future investment returns and yields that offer sound investment return without risking the capital invested;
 - Any borrowing linked to investment opportunities is secured upon the potential guaranteed element of the investment return so that any liability can be met from the activity undertaken; and
 - Investment opportunities will always ensure that the Council's investment is protected as far as possible either through increases in capital value or from guaranteed revenue income.
- 22 The Property Investment Strategy makes it clear that the Council will continue to invest prudently on a commercial basis and to take advantage of opportunities as they present themselves, supported by a robust governance process. However, proportionality in respect of overall resources will remain an important factor.

Consideration of risk

- 23 The capital programme and property investment strategy form an important part of the Council's strategy for delivering its overall priorities. Accordingly, it is vital that the associated risks are managed actively. The Council has a comprehensive risk management framework, through which risk in relation to capital investment is monitored. Risk registers are maintained at corporate and budgetary levels and are reviewed and updated on a regular basis by the Risk Management Group and the Audit Committee.
- 24 As far as the capital programme is concerned, risks at the corporate level could be generic, relating to a number of capital projects, although it is possible that a single capital project could pose a corporate risk. At the budgetary level, risks in this area would relate to the funding of the capital programme and over/underspending on individual capital projects.

Agenda Item 12

- 25 As far as the property investment strategy is concerned, the risks associated with this activity are detailed in paragraphs 20 and 21 above and are the subject of a specific section within the Strategic Risk Register.

Knowledge and skills

- 26 The Council has professionally qualified staff across a range of disciplines, including finance, legal and property that follow continuous professional development (CPD) and maintain knowledge and skills through attendance on courses and through regular technical updates from appropriate bodies.
- 27 The Council utilises the knowledge and skills of these officers when considering capital investment decisions and, where necessary, it also relies on the expert knowledge of specialist external advisors. Some of these advisors are contracted long term or are appointed on an ad-hoc basis where necessary. Link Asset Services, provide treasury management advice, including investments, borrowing and capital financing.
- 28 External professional advice will always be sought when considering any major commercial property investment decision.

RISKS AND ASSUMPTIONS FOR BUDGET 2023/24

Finance and Investment Advisory Committee - 10 January 2023

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

Status: For Consideration

Key Decision: no

Executive Summary: This report sets out the financial risks and assumptions included within in the 10-year budget process.

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

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer(s): Alan Mitchell, Ext.7483

Adrian Rowbotham Ext. 7153

Recommendation to Finance and Investment Advisory Committee:

Members views are requested on the risks and assumptions included in the attached appendices.

Introduction and Background

- 1 The reports presented as part of the 2023/24 Budget Setting Process have provided information on the key assumptions and risks included within the draft budget proposals. This risk assessment report provides more detail on these assumptions and risks.
- 2 The risk assessment is included at Appendix A. The 10-year budget can be found in the 'Budget 2023/24: Service Dashboards and Service Change Impact Assessments (SCIAs)' report.

Key Financial Assumptions

- 3 The financial assumptions currently included in the 10-year budget are as follows but will continue to be reviewed during the budget process:

Agenda Item 13

- Government Support: no Revenue Support Grant or New Homes Bonus in all years.
- Council Tax: 3% in 2023/24 and 2024/25, 2% in later years.
- Business Rates: Business Rates Retention safety-net plus 2% in per year.
- Interest Receipts: £188,000 for all years
- Pay Costs: 2.0% in all years.
- Non-pay 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% from 2019/20 - 2023/24.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

There are no legal or human rights issues. The Council must agree a Capital Programme as part of its financial plan and ensure that resources are available to fund it.

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.

It is a statutory duty to provide Disabled Facility Grants to the older and or disabled residents in the district.

Net Zero Implications

Members are reminded of the Council's stated ambition to be Net Zero with regards to carbon emissions by 2030. The decisions recommended in this paper directly impact on this ambition. The impact has been reviewed and there will be an (increase or decrease) on carbon emissions produced in the district as a result of this decision.

Conclusions

The financial assumptions are based on the latest available information, but Members should be aware that these may change. Any changes will be included in later budget reports.

Appendices

Appendix A - Risk Factors 2023/24

Background Papers

none

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

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Financial Risks Budget 2023/24

The Financial Risks are detailed below. The impact and likelihood of each risk are first assessed gross (without existing controls in place) and then re-assessed following the identification of key controls (net)

Likelihood	Very Likely (5)	16	13			
	Likely (4)			14		
	Possible (3)	8	10	3, 6, 15, 19	1, 5	
	Unlikely (2)		7, 18, 21, 17	4,	22	
	Very Unlikely (1)		20	2		11
		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Critical (5)
Impact						

Page 205

Agenda Item 13

- No matrix for risk 9, 12

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure to deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
1) Pay Costs <ul style="list-style-type: none"> Largest single item of cost. Complex drivers across the organisation. Staff recruitment and retention. 2022/23 National Pay Award was £1,925 (5.8%) and the level of future pay awards remains uncertain 	<ul style="list-style-type: none"> £17.3m total costs. 2% pay increase = £346k. Budget assumptions: 2% pay award in all years. 	4	4	16	<ul style="list-style-type: none"> New salary bands introduced from 1 April 2019 which reduced the costs of annual increments. Updated policies on Formal sickness & overtime monitoring. Separate control on agency staff. Part of National Agreement. 	3	4	12	3	4	12
2) Pensions Funding <ul style="list-style-type: none"> Deficit on County Fund. Future actuarial results. Government review. 	<ul style="list-style-type: none"> £8.78m deficit (March 22) 1% change in employers' contribution = £100k 	2	4	8	<ul style="list-style-type: none"> £50k included in 2026/27 to contribute towards any additional pensions costs when the next valuation takes place 	1	3	3	1	3	3
3) Income - Development Management <ul style="list-style-type: none"> Volatile activity levels in the housing market and 	<ul style="list-style-type: none"> £1.0m loss 	4	3	12	<ul style="list-style-type: none"> Current year income is above target. Continue to monitor. 	3	3	9	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure to deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
general economic conditions. Fluctuations in income with major applications	<ul style="list-style-type: none"> 10% reduction would be £100k. 										
4) <u>Income - Building Control</u> <ul style="list-style-type: none"> Volatile activity levels in the housing market and general economic conditions. Competition from commercial organisations 	<ul style="list-style-type: none"> £0.5m loss 10% reduction would be £50k 	3	3	9	<ul style="list-style-type: none"> Current year income is above target. Financial monitoring and reports 	2	3	6	2	3	6
5) <u>Income - Car Parks</u> <ul style="list-style-type: none"> General economic conditions; central government directives; ongoing impact of the COVID-19 pandemic. 	<ul style="list-style-type: none"> £2.8m 10% reduction would be £280k 	4	4	16	<ul style="list-style-type: none"> Current year income is above target. Budgets are increased by at least 5% to return to pre-COVID levels Continue to monitor. Financial monitoring and reports 	3	4	12	3	4	12
6) <u>Income - On-Street Parking</u> <ul style="list-style-type: none"> General economic conditions. Legislative constraints on spending surpluses. Reverts to KCC control. 	<ul style="list-style-type: none"> £???.75m 10% reduction would be £75k 	4	3	12	<ul style="list-style-type: none"> Current year is above target. Continue to monitor and review. 	3	3	9	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure to deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
<ul style="list-style-type: none"> Ongoing impact of the COVID-19 pandemic. 											
7) <u>Partnership working and partner contributions</u> <ul style="list-style-type: none"> Partnerships not meeting agreed targets. Agreed funding not received by SDC. Partnerships ending. 	<ul style="list-style-type: none"> £0.7m Impact on individual projects is high. 	3	2	6	<ul style="list-style-type: none"> Separate accounting arrangements. Active liaison with partners on service arrangements Written partnership agreements. Partnership arrangements are monitored to ensure they are still appropriate. 	2	2	4	2	2	4
8) <u>External Funding Awards</u> <ul style="list-style-type: none"> In the 23/24 budget 11.90 FTE are externally funded 	<ul style="list-style-type: none"> £0.5m cost funded Impact on individual projects is high 	3	2	6	<ul style="list-style-type: none"> Exit Strategies in place 	3	1	3	3	1	3

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure to deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
9) <u>Changes in service demand</u> <ul style="list-style-type: none"> Impacts will vary depending on service. 	<ul style="list-style-type: none"> N/A 	-	-	-	<ul style="list-style-type: none"> Service planning in place Continue to lobby Government where changes are due to new Gov't requirements. 	-	-	-	-	-	-
10) <u>Interest Rates</u> <ul style="list-style-type: none"> Large cash variance from small rate changes. Reducing availability of suitable counter parties 	<ul style="list-style-type: none"> Up to £0.188m 23/24 budget £250k per 0.5%. 	4	2	8	<ul style="list-style-type: none"> Use of professional advisers. Internal borrowing used for capital investment projects reduces the balances available to invest which in turn less bank interest earned. Implementation of new investment vehicles to maximise returns 	3	2	6	3	2	6
11) <u>Investments</u>		2	5	10		1	5	5	1	5	5

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure to deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
<ul style="list-style-type: none"> Financial institutions going into administration. Lower balances to invest. 	<ul style="list-style-type: none"> £26.4m balance at Nov 2022 				<ul style="list-style-type: none"> Investment strategy regularly reviewed by FIAC. Use of professional advisers. 						
12) <u>Government Support: Revenue Support Grant</u>	£0 in 2021/22 revenue budget	-	-	-	<ul style="list-style-type: none"> Excluded grant from budget from 16/17 onwards so SDC became self-sufficient from govt. funding. Adequate level of General Reserve held. 	-	-	-	-	-	-
13) <u>Government Support: Retained Business Rates</u> <ul style="list-style-type: none"> Government changing baseline and therefore safety net levels. Time delays in decisions on appeals. High volume of successful valuation appeals. Central government intends to introduce 	<ul style="list-style-type: none"> £2.3m in 2023/24 £20k per 1% change 	5	4	20	<ul style="list-style-type: none"> 10-year budget strategy gives ability to gradually adjust for changes. Adequate level of General Reserve held. 	5	2	10	5	2	10

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure to deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
business rate review but timeline uncertain.											
14) Council tax Referendum limits <ul style="list-style-type: none"> Council tax increases limited budgeted at 2.99% per the Autumn Statement. 	<ul style="list-style-type: none"> £12.1m Council Tax income in 23/24 £120k per 1% Government controls on changes in council tax rates 	4	4	16	<ul style="list-style-type: none"> Draft 10-year budget includes council tax increase assumptions for future years. 	4	3	12	4	3	12
15) Future Service Changes by Government <ul style="list-style-type: none"> Additional services without consequent resources, e.g. previous examples of Maint. of trees on common land. Government directives on income charging e.g. Personal searches. Potential changes on health responsibilities. 	<ul style="list-style-type: none"> N/A 	4	4	16	<ul style="list-style-type: none"> Monitor proposals. Respond to consultations with local view. 	3	3	9	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure to deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
16) Utility costs incl Direct Services <ul style="list-style-type: none"> Changes in global oil, gas and electricity prices. 	<ul style="list-style-type: none"> 10% increase would be £75k 	5	2	10	<ul style="list-style-type: none"> Negotiate best possible terms in contractual agreements Continue to monitor fuel usage and efficiency. Vehicle replacement programme. 	5	1	10	5	1	10
17) COVID-19 <ul style="list-style-type: none"> All areas of income generation Some areas of expenditure 	<ul style="list-style-type: none"> Loss of income and additional costs 1% reduction in income £93k 	2	3	6	<ul style="list-style-type: none"> Continue to monitor and implement savings in 10-year budget. 10-year budget to allow for ongoing net service costs. 	2	2	4	2	2	4

Finance and Investment Advisory Committee Work Plan (as at 22/12/2022)

23 March 2023

- Financial Performance Indicators 2022/23 - to the end of January 2023
- Financial Monitoring 2022/23 - to the end of January 2023
- Carry forward requests 2022/23
- White Oak Residential Scheme

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