

19 September 2023 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks

Published: 11.09.23



This meeting will be livestreamed to YouTube [here](#):

https://www.youtube.com/channel/UCIT1f_F5OfvTzjZk6Zqn6g

Cabinet


Membership:

Chairman, Cllr. Thornton; Vice-Chairman, Cllr. Perry Cole
Cllrs. McArthur, Dyball, Maskell and Reay

Agenda


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

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the Minutes of the meeting of the Committee held on 13 July 2023, as a correct record	(Pages 1 - 8)	
2. Declarations of interest Any interests not already registered		
3. Questions from Members (maximum 15 minutes)		
4. Matters referred from Council, Audit Committee, Scrutiny Committee, CIL Spending Board or Cabinet Advisory Committees (if any)		
a) Referral from Scrutiny Committee held on 6 July 2023	(Pages 9 - 22)	
REPORTS ALSO CONSIDERED BY THE CABINET ADVISORY COMMITTEES		
5. Treasury Management Annual Report 2022/23	(Pages 23 - 52)	Jessica Booth Tel: 01732227436
6. Financial Monitoring 2023/24 - to the end of July 2023	(Pages 53 - 86)	Alan Mitchell Tel: 01732227483

- | | | | |
|---|---|-------------------|---------------------------------------|
| 7. | Financial Prospects and Budget Strategy
2024/25 and Beyond | (Pages 87 - 112) | Adrian Rowbotham
Tel: 01732 227153 |
| 8. | Disposal of Land - Tranche 2 | (Pages 113 - 122) | Detlev Munster
Tel: 01732227099 |
|  | | | |
| 9. | Farmstead Drive, Spitals Cross, Edenbridge -
Development | (Pages 123 - 146) | Andrew Connors
Tel: 01732 227000 |

Part  and 

 Indicates a Key Decision

 indicates a matter to be referred to Council

Exempt information:

Recommendation: That, under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting when considering Appendix A of Agenda Item 8, and Appendix B of Agenda Item 9 above, on the grounds that likely disclosure of exempt information is involved as defined by Schedule 12A, paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)).

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

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

CABINET

Minutes of the meeting held on 13 July 2023 commencing at 7.00 pm

Present: Cllr. Thornton (Chairman)

Cllr. Perry Cole (Vice Chairman)

Cllrs. McArthur, Dyball, Maskell and Reay

Cllrs. Bulford, Camp, Granville, Gustard, Leaman, Purves, Robinson, Skinner, Streatfeild, Varley and Williams were also present.

11. Minutes

Resolved: That the Minutes of the Cabinet meeting held on 15 June 2023, be approved and signed by the Chairman as a correct record.

12. Declarations of interest

No additional declarations of interest were made.

13. Questions from Members (maximum 15 minutes)

A Member asked about the Council's need for an up-to-date Procurement Strategy. Through the Chairman, the Monitoring Officer agreed to answer the question in writing.

A Member asked about an Inspector's decision in a recent planning appeal. The Chairman set out that an up-to-date Local Plan remained a key priority for the Council. She was pleased to report that the emerging Local Plan remained on course with the Local Development Scheme (LDS) agreed by Cabinet in July 2022.

A Member asked about consultations on the impact of Gatwick Airport. The Chairman confirmed that the Council would continue to reply to consultation requests on this important subject for our residents and that all economic benefits and/or detriments would be considered as part of those consultation responses.

A Member asked about matters relating to a proposed Public Spaces Protection Order. The Chairman indicated that this would be dealt with as part of the relevant item on the agenda.

A Member asked about steps the Council would be taking to increase the numbers of people who could vote. In response to a follow-up question from another Member, the Chief Executive, through the Chairman, indicated that the comments of the Member would be taken into account in planning for the next election.

A Member asked about increasing the number of Council meetings in the year. The Chairman indicated that there was no reason to increase the number of meetings at present, which were currently held in line with the Council's Constitution.

14. Matters referred from Council, Audit Committee, Scrutiny Committee, CIL Spending Board or Cabinet Advisory Committees

There were none.

15. Bank Account Signatories

The Head of Finance presented a report which sought approval for a change to the list of Officers authorised to sign cheques and sanction banking instruments on behalf of the Council, in order to bring up to date the list of authorised signatories for the Council's bank account.

Resolved: That

- a) Joshua Bell, Senior Accountant, no longer be authorised to sign cheques and sanction banking instruments on behalf of the Council; and
- b) pursuant to Financial Procedure Rules 4.73 and 4.74, Holly Meadows, Senior Accountant, be authorised to sign cheques and sanction banking instruments on behalf of the Council.

16. Public Spaces Protection Order - The Vine Proposed consultation

The Health and Community Safety Manager presented the report which sets out a proposed 6 week public consultation for a Public Spaces Protection Order (PSPO) for 3 years at the Vine and surrounding green areas in Sevenoaks. The Council had a duty to do all that was reasonable to prevent crime and disorder in its area and work towards delivering the objectives of the Sevenoaks District Community Safety Plan. The Community Safety Unit worked alongside Sevenoaks Town Council and it had been agreed by them as the area was owned by them.

Over many years there had been reoccurring Anti-Social behaviour and criminal damage at the Vine however this year has seen an increase in this behaviour.

The restrictions proposed for the PSPO were to include:

- Failing to comply with a direction not to consume, in breach of this order, alcohol, or anything which an authorised person reasonably believes to be alcohol where the authorised person reasonably believes that a person has engaged in anti- social behaviour.
- Failing to surrender a container of alcohol (whether open or not) when asked to do so by an authorised person.

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- Engaging in anti-social behaviour which is likely to cause harassment alarm and distress to those persons in the locality.
- Not to return within 24 hours.

Members discussed the report. The Health & Communities Manager answered a Member question which had originally been raised under minute 13.

Public Sector Equality Duty

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

Resolved: That

- a) the contents of the report and the process for implementing a Public Spaces Protection Order (PSPO), be noted; and
- b) the recommendation to Cabinet to authorise a 6 week consultation with members of the public and partners on implementing a PSPO at The Vine and surrounding grass areas, be supported.

17. Meeting Point Update

The Leader and Portfolio Holder for Improvement and Innovation introduced the report which updated the Committee on 27-37 High Street and the Swanley Meeting Point Development. The business hub was operational, with two offices occupied in long-term hires from local businesses and there had been several inquiries into letting office and hot -desk space.

The Strategic Head for Commercial and Property advised that the project had been delivered within budget, despite issues with utility providers and the pandemic. Members received a presentation highlighting the improvement to the area as a result of the development. The site incorporated many green development elements, including air source heat pumps and building fabric that provided enhanced insulation.

Resolved: That the delivery of new affordable homes and new business hub in Swanley be noted.

18. Adoption of Conservation Area Appraisal Updates and Extensions to Conservation Areas

The Portfolio Holder for Development & Conservation presented the report, which set out the updated appraisals for the Eynsford, Farningham, and Kemsing Conservation Areas. The Development & Conservation Advisory Committee had considered the same report and supported the recommendation that the appraisals be approved and adopted.

The Design & Conservation Team Leader and the Senior Conservation Officer gave a presentation on the appraisals. They had been updated to the Council's new format, developed in 2019, to be more accessible and concise. They included management recommendations, to support the Council, residents, and local stakeholders, as well as Open Space Assessments, to highlight the contribution of open spaces both within, and in the setting of, conservation areas. A large number of responses were received from the public consultation that ran from mid-January to early March 2023. This feedback and local knowledge was incorporated into the appraisals and proposed changes for the three areas.

Members heard a detailed breakdown of the outcome of the appraisals. All three areas were of special interest, and merited their conservation area status. Limited changes were proposed to each of the boundaries. In places small amendments were proposed to follow physical land boundaries, as in several areas they cut through structures and plots of land.

The Officers described the principal boundary changes in each area. In Eynsford, two principal extensions were proposed. In Farningham, a plot of land would be removed, as it had been developed since the last appraisal, and there were two principal additions to the conservation area. In Kemsing, two principal additions were proposed, one of which was of historic value and was important to the setting of the church. There was an example of land that was agricultural and did not follow the historic settlement pattern, and thus would be removed from the conservation area, though other protections would still apply. An additional important view would be added to the Kemsing View Map. An Article 4 direction was proposed for Kemsing to prevent the erosion of the front boundary treatments and front gardens that made a strong contribution to the character and appearance of the area.

Members asked questions of clarification of the Officers.

Public Sector Equality Duty

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

Resolved: That it be recommended to Council, that Council:

- a) Adopts the three updated conservation area appraisals for Eynsford, Farningham and Kemsing;
- b) Designates the proposed boundary amendments to each of the above conservation areas; and,
- c) Agrees to the making of a focused Article 4 direction to remove limited permitted development rights that protects boundary treatments and front gardens in the Kemsing Conservation Area.

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19. Gypsy and Traveller Allocation Policy

The Portfolio Holder for Housing & Health presented the report which proposed a Gypsy and Traveller Allocations Policy in relation to Romani Way, Edenbridge. The Housing & Health Advisory Committee had considered the same report and supported the recommendation that the policy be approved and adopted.

The Housing Strategy Manager advised Members that as part of the agreed Sevenoaks District Housing Accommodation Policy, it was recommended that applications for vacant pitches on the site would be required to join the Housing Register. The new policy would bring the process in line with the advertisement and letting of social housing within the district and provide a fair and transparent method of allocating pitches when they become available. Officers had attended a meeting with residents in March 2023 to discuss the policy and assess their needs. Feedback and turn out had been positive.

Members were further advised that the policy was open to comments and would be kept under constant review. She explained that revisions had been made to the report which included updated exclusions to the register to tackle the use of threatening language or behaviour to any officer of the Council or agent or any persons attending sites on behalf of the Council. The decision to exclude an applicant would be made by the Housing Register Allocation Panel. This would take into account any supporting information from the applicant, current or previous landlords, the Police and any other relevant professional body.

Members discussed the report and asked questions of clarification. Members agreed that an annual review of the Policy would be advisable.

Public Sector Equality Duty

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

Resolved: That the draft Gypsy and Traveller Allocation Policy, be approved and adopted for implementation.

20. Intermediate Housing Policy

The Portfolio Holder presented the report which sought adoption of the intermediate housing policy applying to Discounted Market Housing and proposed revisions to the adopted local First Homes Policy which followed a review after its first year of operation. The Housing & Health Advisory Committee had considered the same report and recommended to Cabinet for approval subject to a review in one year.

The Housing Strategy Manager advised Members that the Policy would be kept under review to take account of changes in market forces. Members agreed that an annual review of the Policy would be advisable.

Public Sector Equality Duty

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

Resolved: That

- a) the intermediate housing policy applying to Discounted Market Housing and proposed revisions to the adopted local First Homes policy, be approved and adopted for implementation; and
- b) be reviewed in one year.

21. Financial Monitoring 2022/23: Provisional Outturn

The Portfolio Holder for Finance & Investment presented the report which set out the provisional financial outturn for 2022/23. This showed an unfavourable variance of £100,000 compared to an unfavourable variance of £43,000 in 2021/22. Additional business rates accrued from the Kent & Medway Business Rates Pool had been provisionally set as £250,000 but final figures had not yet been received and was subject to change. The Finance & Investment Advisory Committee had considered the same report.

The Head of Finance advised that the unfavourable variance stemmed from several factors including the staff pay award, high waste and recycling quantities, global events leading to increasing utility costs; and the negative impact of high interest rates on the number of planning applications, building control services and land charges. These were offset in part from good returns on the Council's vacancy savings contribution, investment income, in-year manager savings, and one-off grants.

Members discussed the report.

Resolved: That the report be noted.

22. Financial Monitoring 2023/24 - Early Indications

The Portfolio Holder for Finance & Investment presented the report which set out the early indications for the 2023/24 financial year. Initial high-level work highlighted several financial pressures. The Finance and Investment Advisory Committee had considered the same report.

The Chief Officer for Finance & Trading further advised Members that changes in the management of the leisure centres had an estimated cost of £1.83 million over the next two years. The Staff Pay Award for April 2023, not yet agreed, could lead to additional costs of at least £750,000 per year. (The cost of the pay award from April 2022 was partly addressed by borrowing from reserves, to be repaid over 10 years at £39,000 per year.) Other pressures included continuing high demand for refuse and recycling services, the ongoing need for temporary accommodation, general inflation, and the annual savings assumption of £100,000.

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Members were advised that the total annual pressure would likely be in excess of £1 million. Part of the solution is expected to result from a review of fees and charges as requested by Members, but finding the remainder would be a major challenge.

Members discussed the report.

Resolved: That the report be noted.

IMPLEMENTATION OF DECISIONS

This notice was published on 14 July 2023. The decisions contained in minutes 16, 19 and 20 take effect on 24 July 2023. The decisions contained in minutes 15, 17, 21 and 22 take effect immediately. The decision contained in minute 18 is a reference to Council.

THE MEETING WAS CONCLUDED AT 8.20 PM

CHAIRMAN

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Item 4 - Referral from Scrutiny Committee

The attached report was considered by Scrutiny Committee on 6 July 2023. The relevant Minute extract is below.

Scrutiny Committee (6 July 2023, Minute 7)

Members considered the report which summarised performance across the Council as at the end of March 2023. Members were asked to consider 13 performance indicators which were performing at 10% or more below their target with a commentary from Officers explaining the reasons and detailing any plans to improve performance.

Members discussed Performance Indicators LPI_DS Waste 002, 003, 004 and 005 and noted that the spike had been due to the change in the collection rounds, but were pleased to see that there was a continuing downward trend. Members further discussed recycling rates and whether Cabinet should be asked to look into this area in more detail in addition to potential future focus of the Scrutiny Committee.

In response to questions regarding audit actions fully implemented within agreed timescales (LPI_AUL1), Members were advised that the targets from internal audits were agreed with the Managers of the service area. If a deadline was missed, it would be referred to the Chief Officer, Finance & Resources as the responsible officer and he would have to be satisfied for the reason the deadline was missed. It was likely that if a target was missed there were a range of factors which influenced this, some of which may be external factors.

Members further debated a number of performance indicators, discussing the value of the indicator and whether it provided qualitative or quantitative data and the impact of the indicator. Particular focus was given to the LPI_CDH 05 and LPI_CS001 and LPI_CS 002.

Action: For Performance Indicator PLI_CDH 05 be considered for rewording to provide more specific qualitative data.

It was explained by the Chief Officer Customer & Resources that the performance Indicators were set with the relevant service areas and Managers, in conjunction with the Chief Officer and Members as appropriate. The indicators were part of a wider set of internal management data collection which included further quantitative data. When they were reviewed, the indicators would follow a process which included going to the relevant Portfolio Holder, this could be as often as necessary. Currently a review of a number of Performance Indicators was being undertaken.

Some were national indicators, which are set by Government, others were industry best practice and others were slightly more historic and council processes were changing and it was important to bring the monitoring up to date. It was important as Officers the indicators were challenging and were based on SMART Targets (specific, measurable, achievable, realistic, time bound).

Agenda Item 4a

Action: For the Scrutiny Committee, be updated on the process of reviewing Performance Indicators.

Resolved: That

- a) the report be noted; and
- b) Cabinet, be asked to look at the Performance Indicator for recycling rates within the District.

PERFORMANCE REPORT

Scrutiny Committee – 6 July 2023

Report of: Chief Executive

Status: For Consideration

Key Decision: No

This report supports the Council Promise to provide value for money

Portfolio Holder: Cllr. Julia Thornton

Contact Officer: Lee Banks, Ext. 7161

Recommendation to Scrutiny Committee:

- (a) Members note the contents of the report; and
- (b) If Members are dissatisfied by actions being taken to improve performance they consider referring areas of underperformance to Cabinet.

Reason for recommendation: To ensure that the performance of services is considered and reviewed by Members.

Introduction and Background

- 1 Scrutiny Committee receive an update at each of their meetings on any performance indicators which are not meeting their target level. Appended to this report is an exceptions report with a commentary from officers explaining the reasons why performance is not within 10% of target and detailing any actions the service is planning to take to improve performance levels.

Performance Overview

- 2 This report updates Members on performance to the end of the 2022/23 financial year. The table on the following page summarises performance levels as at the end of March 2023.
- 3 The number of red performance indicators in the month of March 2023 has reduced to seven indicators. This indicates that areas of underperformance over the year to date are being addressed.

Agenda Item 4a

Status	Current Month	Year To Date
Green <i>At or above target</i>	44 (77.2%)	41 (71.9%)
Amber <i>Less than 10% below target</i>	6 (10.5%)	4 (7.0%)
Red <i>10% or more below target</i>	7 (12.3%)	12 (21.1%)

- 4 Provided as Appendix A to this report are details of the 13 indicators where performance is 'Red' and missing the target level by 10% or more.
- 5 Commentary is provided for each of the 'red' performance indicators explaining why target has not been met and the actions that are planned to improve performance.

Other Options Considered and/or Rejected

- 7 None.

Key Implications

Financial

- 8 Effective performance management monitoring arrangements will assist the Council in diverting resources to areas or services where it is considered to be a greater priority.

Legal Implications and Risk Assessment Statement

- 9 Robust arrangements are in place to ensure that the risk of inaccurate data being reported to Members is minimised and assurance can be placed on the accuracy of data used to assess performance. By reporting to Members and ensuring all Members are able to access the Council's performance management system the risk of poor performance not being identified or addressed is minimised.

Equality Impacts

- 10 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

- 11 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

- 12 This report to Members summarises performance across the Council with data that was available at the end of March 2023. Members are asked to consider 13 performance indicators which are performing 10% or more below their target and if the actions being taken by Officers are not deemed sufficient are recommended to refer those indicators to the Cabinet for further assessment.

Appendices

Appendix A – Exceptions Report

Background Papers

None

Dr Pav Ramewal

Chief Executive

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Appendix A – Exceptions Report

Key:



Green – Performance is at or above target


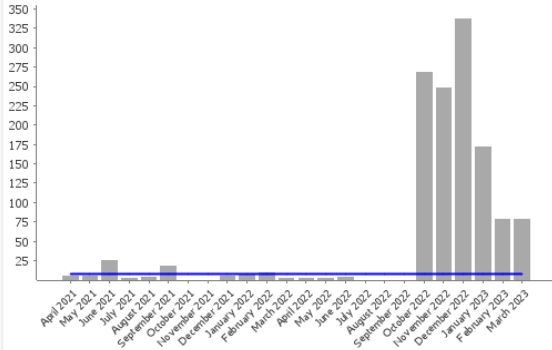


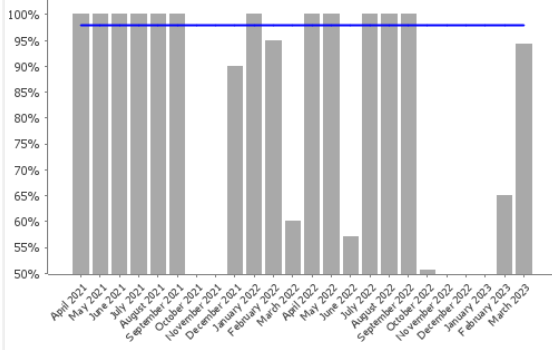




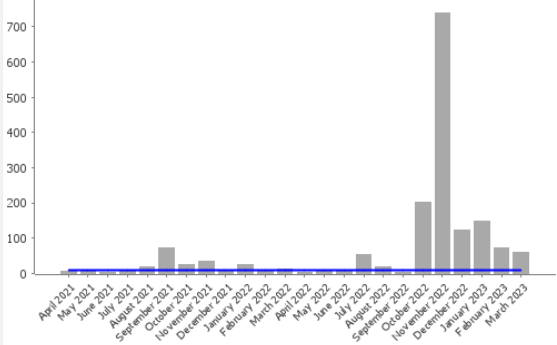


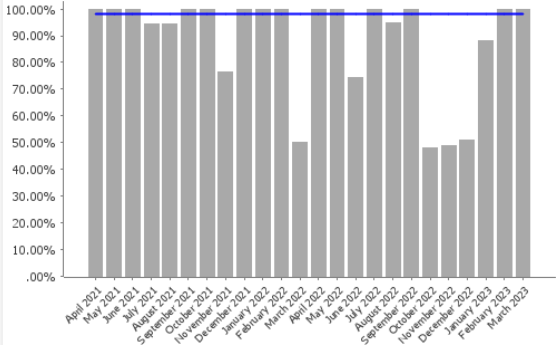

Amber – Performance is less than 10% below target


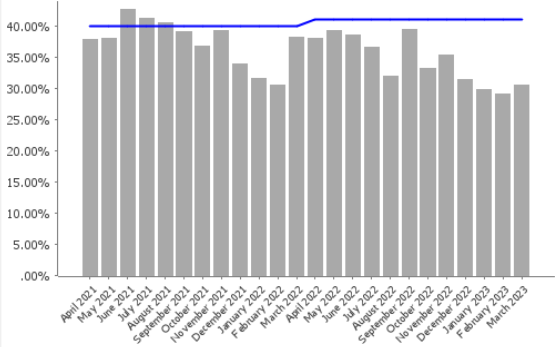


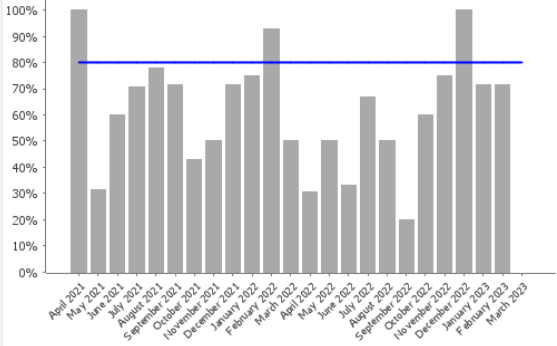




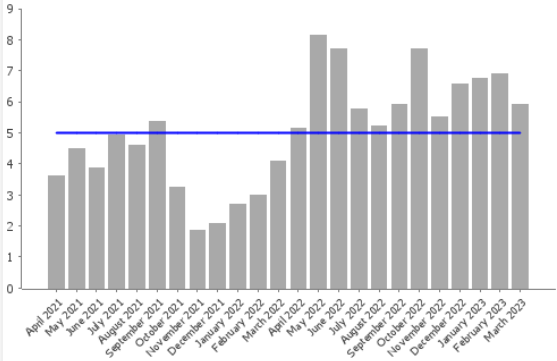


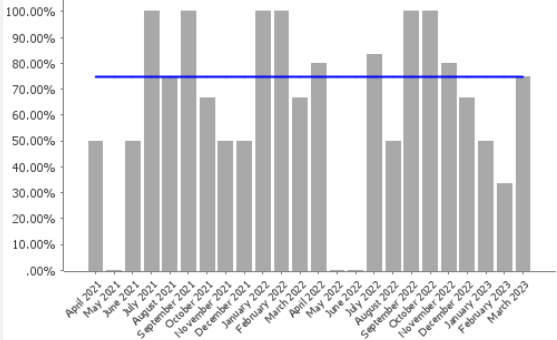

Red – Performance is 10% or more below target


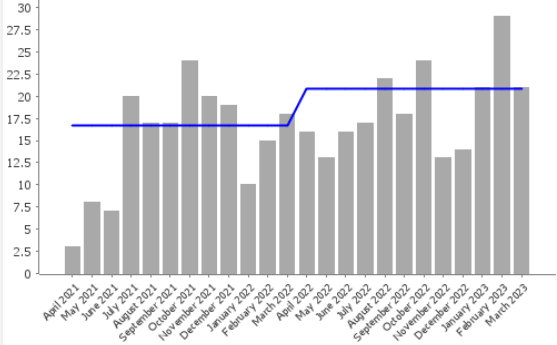


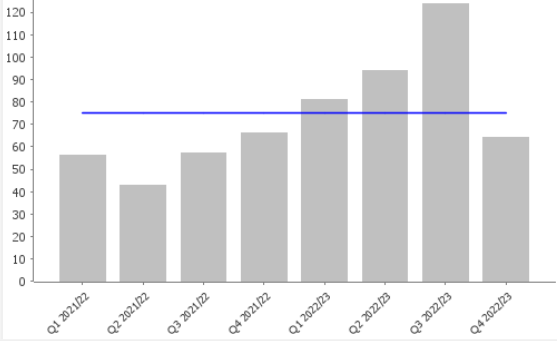

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Year to date 2022/23 Value	Year to date 2022/23 Target	Year to date 2022/23 Status	Latest Note
LPI_EH006	Percentage of planning applications provided with comments within 21 days of receipt	61%	90%			61%	90%		<p>The Environmental Protection Team have reduced reliance on external contractors to deliver this aspect of the service and consequently there has been less dedicated resource allocated to the delivery of this PI.</p> <p>3 members of the team are being trained to enable them to provide responses but owing to heavy workloads and a number of involved cases within the team this an ongoing project. Once training has been completed, it is expected that performance levels will improve</p>


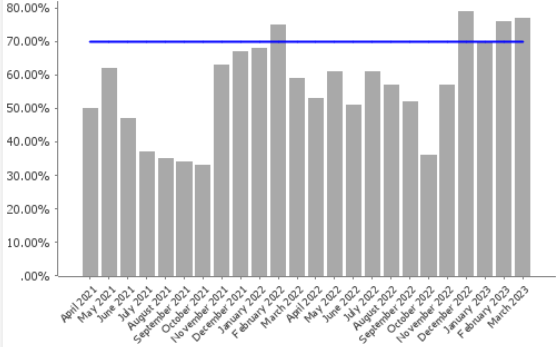


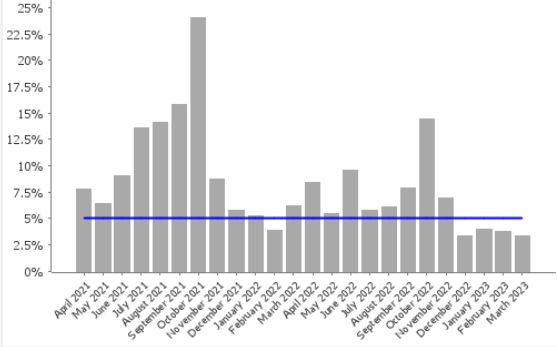

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Year to date 2022/23 Value	Year to date 2022/23 Target	Year to date 2022/23 Status	Latest Note
LPI_DS Waste 002	Number of missed collections per 100,000	77.9	8			99.3	8		<p>During October 2022 the council introduced new waste collection rounds that affected every household in the district for rubbish, recycling and garden waste. This was the first change in over 10 years, with new collection days and introducing a zonal system for waste collections. As a result of implementation there were a large number of reported missed collections. This is a combination of genuine missed collections as crews adapted to the new rounds, but also a high proportion where waste was placed out after the crew has visited. However it has not been possible to separate these reports.</p>
LPI_DS Waste 003	Percentage of missed collections put right by the next working day	94.3%	98%			76%	98%		<p>As crews have adapted to the new rounds and residents become more familiar with the new collection days and times, missed collections have reduced.</p>

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Year to date 2022/23 Value	Year to date 2022/23 Target	Year to date 2022/23 Status	Latest Note
LPI_DS Waste 004	Number of missed green waste collections	59	9			1434	106		See commentary for LPI_DS Waste 002 on the previous page
LPI_DS Waste 005	Percentage of missed green waste collections corrected by next working day	100%	98%			83.8%	98%		See commentary for LPI_DS Waste 002 on the previous page

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Year to date 2022/23 Value	Year to date 2022/23 Target	Year to date 2022/23 Status	Latest Note
LPI_DS Waste 001	Percentage of household waste sent for reuse, recycling and composting	30.4%	41%			34.5%	41%		There continues to be slow progress on increasing recycling rates across the district. We are participating in local and county initiatives aimed at encouraging residents to recycle more waste. Further projects to decrease over-use of the black sack general waste system may be required to improve recycling rates further.
LPI_AUL	Audit actions fully implemented within agreed timescales	71.4%	80%			55.4%	80%		The Internal Audit team are working with responsible officers to ensure implementation dates are realistic when set. Any actions that are overdue are reported and commented on in quarterly follow-up reports.

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Year to date 2022/23 Value	Year to date 2022/23 Target	Year to date 2022/23 Status	Latest Note
LPI_CSV01	Average number of days taken to validate a planning application	5.9	5			6.4	5		As a small team, vacant posts have a high impact on individual workloads. Whilst applications have been steady throughout the year, there have been busier months and an increase in major applications that are more complex and time consuming to validate. The team are seeking to recruit to vacant post and colleagues continue to work additional hours to catch up and reduce the processing time for validations. The team have worked hard to get the service closer to the 5 day target and they will continue to do so.
LPI_DM009	Percentage of appeals against planning application refusal dismissed	75%	75%			67.4%	75%		<p>During 2022-23 there were 49 appeals against planning decisions, of which 33 have been dismissed.</p> <p>However, the successful appeals did not indicate any new trends that would impact on future appeal decisions.</p>

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Year to date 2022/23 Value	Year to date 2022/23 Target	Year to date 2022/23 Status	Latest Note
LPI_HS R 01	Total number housed through Sevenoaks District Housing Register nomination	21	21			224	250		Demand for social housing remains high in the District. The number of available nominations depends on the availability of accommodation from our Registered Provider partners (WKHA/Moat/Orbit). Performance has improved significantly this year, and with housing register allocations coming back in-house further progress is expected.
H_CD H 05	Number of individuals completing the One You initial appointment	64	75			363	300		The target for the number of residents accessing the One You service has been exceeded for the year. Due to demand on the service, the number of individuals invited to appointments in the last quarter was reduced.

Code	Short Name	Current Value	Current Target	Current Status	Performance Chart	Year to date 2022/23 Value	Year to date 2022/23 Target	Year to date 2022/23 Status	Latest Note
LPI_CS 001	Percentage of phone calls answered within 20 seconds by the Contact Centre	77%	70%			60.8%	70%		Call volumes remain on average 15% higher this year, however colleagues have been able to meet performance targets across the last quarter. Work continues to address the general call increase, with much work underway to improve online services for customers who are willing and able to self-serve for simple tasks.
LPI_CS 002	Percentage of phone calls to the Contact Centre abandoned by the caller	3.3%	5%			6.6%	5%		See Commentary for LPI_CS 001 on the previous page.

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Item 5 - Treasury Management Annual Report 2022/23

The attached report was considered by the Finance & Investment Advisory Committee on 5 September 2023. The relevant Minute extract was not available prior to the printing of these papers and will follow when available.

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TREASURY MANAGEMENT ANNUAL REPORT 2022/23

Cabinet – 19 September 2023

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

Status: For Decision

Also considered by: Finance & Investment Advisory Committee -5 September 2023 (Some financial figures have been updated since publication of the FIAC report.)

Key Decision: No

Executive Summary: This report provides the customary review of investment and borrowing activity during 2022/23 as required by the Council's Financial Procedure Rules. The report outlines the strategy adopted during the year, shows the position of the investment and debt portfolios at the beginning and the end of the year and gives details of how the investment fund performed in comparison with previous years and against various benchmarks.

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

Portfolio Holder: Cllr. Kevin Maskell

Contact Officer(s): Jessica Booth, Ext. 7436

Alan Mitchell, Ext. 7483

Recommendation to Finance & Investment Advisory Committee: That Cabinet be asked to approve the Treasury Management Annual Report for 2022/23.

Recommendation to Cabinet: That the Treasury Management Annual Report for 2022/23 be approved.

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

Background

- 1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

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- 2 During 2022/23 the minimum reporting requirements were that members should receive the following reports:
 - a. an annual treasury strategy in advance of the year (Council 22/02/2022)
 - b. a mid-year, (minimum), treasury update report (Cabinet 10/11/2022)
 - c. an annual review following the end of the year describing the activity compared to the strategy, (this report)
- 3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance & Investment Advisory Committee before they were reported to the full Council. Member training on treasury management issues was last undertaken on 14/08/2018 in order to support members' scrutiny role.

Introduction

- 5 This annual treasury report covers:
 - a. Capital activity during the year;
 - b. Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
 - c. The actual prudential and treasury indicators;
 - d. Overall treasury position identifying how much the Council has borrowed compared to its indebtedness and the impact on investment balances;
 - e. Summary of interest rate movements in the year;
 - f. Detailed debt activity and
 - g. Detailed investment activity.

The Council's capital expenditure and financing

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

	31/3/22 Actual (£000)	31/3/23 Actual (£000)
Capital expenditure	21,483	12,617
Financed in year	(13,785)	(9,631)
Unfinanced capital expenditure	7,698	2,986

The unfinanced capital expenditure was financed by internal borrowing.

The Council's overall borrowing need.

- 8 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and the resources used to pay for the capital spend. It represents the 2022/23 unfinanced capital expenditure (see above table), and prior years net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 9 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board {PWLB}, or the money markets), or utilising temporary cash resources within the Council.
- 10 **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make a revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from treasury management arrangements which ensure the cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
- 11 The total CFR can also be reduced by
 - a. The application of additional capital financing resources, such as unapplied capital receipts; or
 - b. Charging more than the Minimum Revenue Provision (MRP) each year through a Voluntary Revenue Provision (VRP).
- 12 The Council's 2022/23 MRP policy, (as required by DLUHC Guidance) was approved as part of the Treasury Management Strategy Report for 2022/23 on 22/02/2022.
- 13 The Council's CFR for the year is shown below and represents a key prudential indicator.

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	31/3/22 Actual (£000)	31/3/23 Actual (£000)
Opening CFR	41,284	48,657
Add unfinanced capital expenditure (as above)	7,698	2,986
Less MRP	(325)	(325)
Closing Balance	48,657	51,318

14 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

15 Gross borrowing and the CFR – in order to ensure that borrowing levels are prudent over the medium term and only for capital purpose, the Council should ensure that gross eternal borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and the next 2 financial years. This essentially meant that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility borrow in advance if its immediate capital needs. The table below highlights the Council’s gross borrowing position against the CFR.

	31/3/22 Actual (£000)	31/3/23 Actual (£000)
CFR General Fund	48,657	51,318
Gross borrowing position	12,766	13,798
Over/(under) funding of CFR	(35,891)	(37,520)

16 The authorised limit is the “affordable borrowing limit” required by section 3 of the Local Government Act 2003. Once this has been set the Council does not have the power to borrow above this level. The table below demonstrates that during 2022/23 the Council has maintained gross borrowing within its authorised limit.

17 The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

18 Actual financing costs as a proportion of net revenue stream – this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2022/23 (£000)
Authorised limit	35,000
Maximum gross borrowing position during the year	13,798
Operational boundary	30,000
Average gross borrowing position	12,479
Financing costs as a proportion of net revenue stream	1.62%

Treasury position at the beginning and end of the financial year

19 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury management Practice Notes. At the end of 2022/23 the Council's treasury position was as follows.

	31/3/22 Principal (£000)	Rate Return (%)	Average Life (Years)	31/3/23 Principal (£000)	Rate Return (%)	Average Life (Years)
Total debt	12,766	2.18	22.5	13,798	2.18	22.5
Capital Financing Requirement (CFR)	48,657	-	-	51,318	-	-
Over/(under) borrowing	(35,891)	-	-	(37,520)	-	-
Total investments	16,673	0.15	-	7,929		-
Net debt/ (investments)	(3,907)	-	-	5,869	-	-

20

21 The maturity structure of debt was as follows:

	31/3/22 Actual (£000)	31/3/23 Actual (£000)
Under 12 months*	-	1,500

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	31/3/22 Actual (£000)	31/3/23 Actual (£000)
12 months and over and within 20 years	8,000	7,661
20 years and over and within 30 years	4,766	4,637
30 years and over and within 50 years	-	-

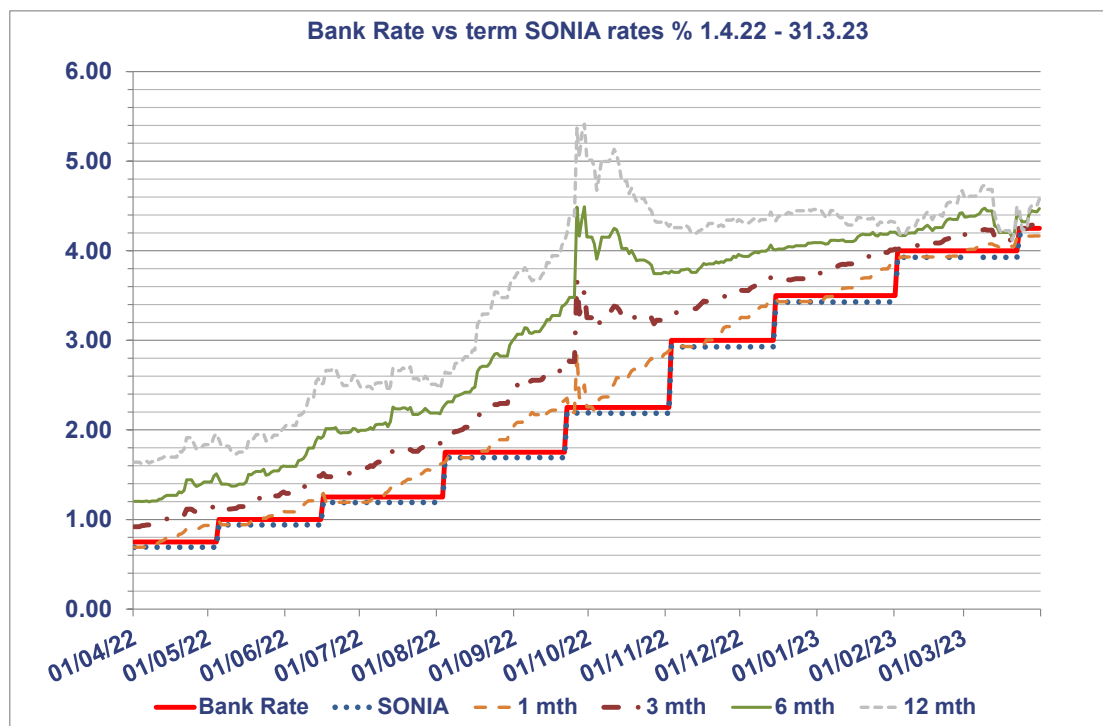
*Cash flow borrowing

22 The investment portfolio at the beginning and end of the financial year appears at Appendix A, whilst an analysis by maturity and repayment dates appears at Appendix B.

Treasury Strategy 2022/23

23 Investment strategy and control of interest rate risk

Investment Benchmarking Data - Sterling Overnight Index Averages (Term) 2022/23



24 Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

- 25 Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24.
- 26 The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.
- 27 With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a wretched Q4 2022, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration) became more actively used.
- 28 Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.
- 29 Nonetheless, while the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Great Financial Crisis of 2008/9. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Borrowing strategy and control of interest rate risk

- 30 During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.
- 31 A cost of carry generally remained in place during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. As the cost of carry dissipated, the Council sought to avoid taking on long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<3 years) as appropriate.
- 32 The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when this Authority may not

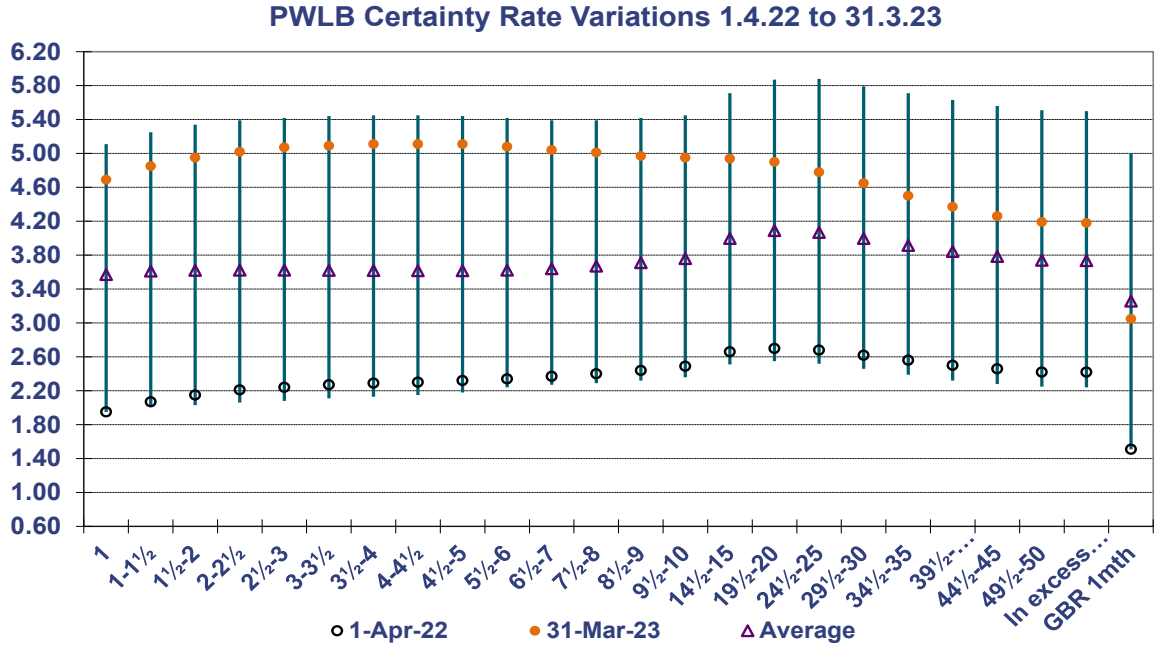
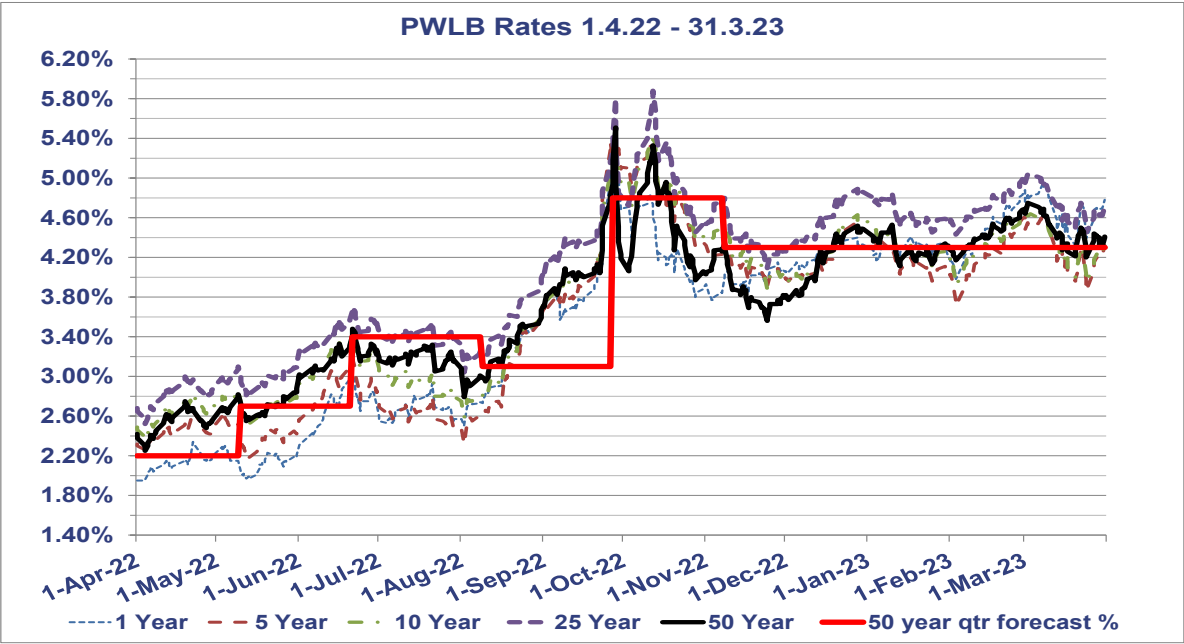
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be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

- 33 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Deputy Chief Executive and Chief Officer – Finance & Trading therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks. Given the sharp rise in interest rates long term borrowing was postponed to enable lower rates to be achieved at a later date.
- 34 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.
- 35 Forecasts at the time of the approval of the treasury management strategy report for 2022/23 were as follows

Link Group Interest Rate View	20.12.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

PWLB Rates 2022/23



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High/Low Average PWLB Rates for 2022/23

	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%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

36 PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

37 However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Borrowing Outturn

38 No new loans were taken out during the year. The loans outstanding are as follows.

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£5.25m	Fixed interest rate - Annuity	2.66%	30 years to 3/11/2047
PWLB	£8m	Fixed interest rate - Annuity	1.70%	20 years to 25/11/2041

39 The Council has not borrowed more than, or in advance of its need, purely in order to profit from the investment of the extra sums borrowed.

40 There were no repayments or rescheduling of debt during 2022/23.

Investment outturn for 2022/23 and performance

41 The Council's investment policy is governed by Department for Levelling Up, Housing & Communities (DLUHC) guidance, which has been implemented in the annual investment strategy approved by the Council on 22 February 2022. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc).

42 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

43 Appendix C shows the performance of the fund during 2022/23 both in table and graphical form. The table shows the average percentage return on the fund, both monthly and for the whole year and compares them with the average 7-day and 3-month London Interbank Bid (LIBID) rates and the corresponding SONIA rates. The average return achieved by each broker is only a very basic measure of performance, because returns will depend on the number and length of each investment they are asked to carry out. If a particular broker is only asked to place short term investments, they may well not achieve the same overall rate as a broker who predominantly handles longer term investments for us.

44 The graph shows actual monthly receipts for 2020/21, 2021/22 and 2022/23 plus budgeted monthly receipts for 2022/23. The monthly interest budget has been profiled in line with the previous year's monthly weighted average principal.

45 Over the course of the year interest receipts amounted to £518,300 compared with a budget of £188,000, equating to a return of 2.63%. Balances available for investment continued to be reduced during the year owing to ongoing internal borrowing and the funding of the capital programme. However performance was positively affected by both rising interest rates and the investment in multi-asset income funds in the early part of 2022/23. These funds have the potential for greater revenue income, but also have the potential for capital loss as well as capital growth. For these reasons, they are viewed with a minimum 5 year investment horizon which, in theory, evens out capital loss and growth.

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46 Our treasury management advisers recommend the SONIA figures as a benchmark. The 3-month rate reflects a more realistic neutral investment position for core investments with a medium term horizon and a rate which is more stable with less fluctuation caused by market liquidity. Historically (but not in 2021/22), this rate has been slightly higher than the 7-day rate and therefore more challenging a comparator, but one which does not necessitate a significantly increased level of risk. The figures calculated by our advisers for these benchmarks are as follows:

- 7-day SONIA compounded 2.1893%
- 90-day SONIA compounded 1.3804%

47 The Council operates to approved prudential indicators for treasury management as contained in the Treasury Management Strategy Statement (TMSS). The TMSS for 2022/23 was part of the annual treasury strategy reported to Council on 22 February 2022. The approved limits exist to regulate short-term borrowing for operational cash flow fluctuations, as well as long-term borrowing for financing capital investments. Additionally, the limits aim is to mitigate against fluctuations in interest rates.

Key Implications

Financial

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

Legal Implications and Risk Assessment Statement.

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

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

Treasury management has two main risks:

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

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

Equality Assessment

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

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 overall return on the Council's investment was above budget in 2022/23 by more than £330,000 achieving an average interest rate of 2.63%.

Appendices

Appendix A - Investment Portfolio at the beginning and end of the year

Appendix B - Investment Maturity and repayment dates

Appendix C - Investment performance in 2022/23

Appendix D - Economic Background and interest rates

Background Papers

[Treasury Management Strategy for 2022/23 - Council 22 February 2022](#)

Adrian Rowbotham

Deputy Chief Executive and Chief Officer – Finance & Trading

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SEVENOAKS DISTRICT COUNCIL

List of Investments as at:- 31-Mar-22

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	Broker
	Barclays Bank plc (Business Premium A/C)	A+	U.K.		1,873,000	01-Oct-11			0.01000%	Variable	Direct
	Svenska Handelsbanken AB (Deposit A/C)	AA	Sweden		0	23-Jul-14			0.00000%	Variable	Direct
	Svenska Handelsbanken AB (35 Day Notice A/C)	AA	Sweden		0	01-Sep-16			0.05000%	Variable	Direct
	Aberdeen Standard Liquidity Fund (Money Market Fund)	AAA	U.K.		1,600,000	11-May-12				Variable	Direct
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		100,000	11-May-12				Variable	Direct
	BlackRock Liquidity Fund (Money Market Fund)	AAA	U.K.		100,000	13-Oct-16				Variable	Direct
	CCLA Public Sector Deposit Fund (Money Market Fund)	AAA	U.K.		5,000,000	08-Oct-18				Variable	Direct
IP1433	Close Brothers Ltd	A-	U.K.		3,000,000	29-Oct-21	0.50000%	29-Apr-22		6 Months	Tradition
IP1440	Newcastle Building Society		U.K.		3,000,000	24-Jan-22	0.38000%	25-Jul-22		6 Months	Tradition
IP1439	Thurrock Borough Council		U.K.		2,000,000	10-Jan-22	0.32000%	11-Jul-22		6 Months	RP Martin
	Total Invested				<u>16,673,000</u>						
	Other Loans										
	Sevenoaks Leisure Limited				503,375	02-Mar-18	6.00000%	02-Mar-28		10 Years	Direct

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SEVENOAKS DISTRICT COUNCIL

List of Investments as at:- 31-Mar-23

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	Broker
	Barclays Bank plc (Business Premium A/C)	A+	U.K.		779,000	01-Oct-11			0.20000%	Variable	Direct
	Svenska Handelsbanken AB (Deposit A/C)	AA	Sweden		0	23-Jul-14			0.00000%	Variable	Direct
	Svenska Handelsbanken AB (35 Day Notice A/C)	AA	Sweden		0	01-Sep-16			0.24000%	Variable	Direct
	Aberdeen Standard Liquidity Fund (Money Market Fund)	AAA	U.K.		0	11-May-12				Variable	Direct
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		100,000	11-May-12				Variable	Direct
	BlackRock Liquidity Fund (Money Market Fund)	AAA	U.K.		2,050,000	13-Oct-16				Variable	Direct
	CCLA Public Sector Deposit Fund (Money Market Fund)	AAA	U.K.		0	08-Oct-18				Variable	Direct
	Artemis Fund Managers Ltd (Multi Asset Income Fund)		U.K.		2,500,000	16-May-22				Variable	Direct
	Aegon Asset Management UK PLC (Multi Asset Incvome Fund)		U.K.		2,500,000	20-May-22				Variable	Direct
	Total Invested				<u>7,929,000</u>						
	Other Loans										
	Sevenoaks Leisure Limited				449,841	02-Mar-18	6.00000%	02-Mar-28		10 Years	Direct

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SEVENOAKS DISTRICT COUNCIL
ANALYSIS OF INVESTMENT POOL FUND 31.3.2023

MATURITY PROFILE (BY VALUE)

BASED ON PERIOD OF INVESTMENT AT COMMENCEMENT DATE

MATURITY PERIOD	BANKS £'000	B.SOCS £'000	MMFS £'000	MAIF £'000	OTHER LAs £'000	TOTAL £'000
NOTICE MONEY	779	-	2,150		-	2,929
UP TO 1 MONTH	-	-	-		-	-
1 TO 3 MONTHS	-	-	-		-	-
3 TO 6 MONTHS	-	-	-		-	-
6 MONTHS TO 1 YEAR	-	-	-		-	-
OVER 1 YEAR	-	-	-	5,000	-	5,000
	779	-	2,150	5,000	-	7,929

MATURITY PROFILE (PERCENTAGE OF TOTAL FUND)

BASED ON PERIOD OF INVESTMENT AT COMMENCEMENT DATE

MATURITY PERIOD	BANKS %	B.SOCS %	MMFS %	MAIF %	OTHER LAs %	TOTAL %
NOTICE MONEY	9.8	-	27.1	-	-	36.9
UP TO 1 MONTH	-	-	-	-	-	-
1 TO 3 MONTHS	-	-	-	-	-	-
3 TO 6 MONTHS	-	-	-	-	-	-
6 MONTHS TO 1 YEAR	-	-	-	-	-	-
OVER 1 YEAR	-	-	-	63.1	-	63.1
	9.8	-	27.1	63.1	-	100.0

PROFILE OF REPAYMENTS DUE

	VALUE £'000	% TOTAL FUND
NOTICE MONEY	2,929	36.9
DUE WITHIN ONE MONTH		-
DUE WITHIN TWO MONTHS	-	-
DUE WITHIN THREE MONTHS	-	-
DUE WITHIN SIX MONTHS		-
DUE WITHIN ONE YEAR	-	-
DUE AFTER ONE YEAR	5,000	63.1
	7,929	100.0

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TOTAL INTEREST ON FUND 2022/2023

Broker/Institution	Apr-22			May-22			Jun-22		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Aberdeen Standard (Money Market Fund)	347,397.26	2,175.63	0.6263%	263,835.62	2,117.49	0.8026%	269,041.10	2,612.56	0.9711%
Insight (Money Market Fund)	8,219.18	48.33	0.5880%	27,671.23	219.76	0.7942%	8,219.18	76.13	0.9262%
BlackRock (Money Market Fund)	143,013.70	872.06	0.6098%	157,534.25	1,325.52	0.8414%	122,191.78	1,218.02	0.9968%
CCLA (Money Market Fund)	410,958.90	2,542.64	0.6187%	343,287.67	2,917.74	0.8499%	92,054.79	852.45	0.9260%
Artemis (Multi Asset Income Fund)							104,169.70	14,430.70	13.8531%
Aegon (Multi Asset Income Fund)							493,150.68	4,142.47	0.8400%
Tradition	493,150.68	2,301.37	0.4667%	509,589.04	4,280.55	0.8400%	164,383.56	526.03	0.3200%
RP Martin	164,383.56	526.03	0.3200%	169,863.01	543.56	0.3200%	0.00	0.00	0.0000%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Fund Average	1,567,123.29	8,466.06	0.5402%	1,471,780.82	11,404.62	0.7749%	1,253,210.80	23,858.35	1.9038%
Other Interest		0.00			0.00		984.19		
7 Day SONIA (compounded)			0.6900%			0.8800%			1.0400%
3 Month SONIA (compounded)			0.4800%			0.6400%			0.8100%

Broker/Institution	Jul-22			Aug-22			Sep-22		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Aberdeen Standard (Money Market Fund)	177,260.27	2,089.56	1.1788%	252,602.74	3,931.33	1.5563%	295,890.41	5,196.95	1.7564%
Insight (Money Market Fund)	50,958.90	605.54	1.1883%	96,712.33	1,539.70	1.5920%	56,986.30	965.65	1.6945%
BlackRock (Money Market Fund)	140,821.92	1,665.40	1.1826%	192,054.79	3,013.17	1.5689%	209,589.04	3,548.49	1.6931%
CCLA (Money Market Fund)	279,452.05	3,114.02	1.1143%	229,315.07	3,605.98	1.5725%	221,917.81	3,880.64	1.7487%
Artemis (Multi Asset Income Fund)	105,009.22	18,305.33	17.4321%	195,928.10	9,178.07	4.6844%	207,206.86	5,451.28	2.6308%
Aegon (Multi Asset Income Fund)	192,530.23	16,926.83	8.7918%	205,782.00	18,594.14	9.0358%	200,815.48	12,722.31	6.3353%
Tradition	509,589.04	4,781.10	0.9382%	509,589.04	6,497.26	1.2750%	493,150.68	7,471.23	1.5150%
RP Martin	54,794.52	175.34	0.3200%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Fund Average	1,510,416.16	47,663.12	3.1556%	1,681,984.07	46,359.65	2.7562%	1,685,556.59	39,236.55	2.3278%
Other Interest		0.00			0.00		1,065.19		
7 Day SONIA (compounded)			1.1900%			1.5700%			1.7900%
3 Month SONIA (compounded)			0.9700%			1.1800%			1.4300%

Broker/Institution	Oct-22			Nov-22			Dec-22		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Aberdeen Standard (Money Market Fund)	275,342.47	6,123.39	2.2239%	219,178.08	6,293.18	2.8713%	339,726.03	10,758.32	3.1668%
Insight (Money Market Fund)	105,753.42	1,942.01	1.8364%	183,561.64	4,992.36	2.7197%	155,068.49	4,462.91	2.8780%
BlackRock (Money Market Fund)	241,643.84	3,422.37	1.4163%	278,082.19	7,773.67	2.7955%	172,876.71	5,138.58	2.9724%
CCLA (Money Market Fund)	229,315.07	4,650.61	2.0280%	265,753.42	7,186.74	2.7043%	314,246.58	9,555.41	3.0407%
Artemis (Multi Asset Income Fund)	207,782.36	12,372.95	5.9548%	189,579.09	9,981.03	5.2648%	200,041.96	5,888.33	2.9435%
Aegon (Multi Asset Income Fund)	180,375.45	7,974.10	4.4208%	190,882.45	5,151.75	2.6989%	246,575.34	7,261.64	2.9450%
Tradition	509,589.04	10,771.23	2.1137%	493,150.68	16,150.68	3.2750%	493,150.68	16,689.04	3.3842%
RP Martin	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Fund Average	1,749,801.64	47,256.66	2.7007%	1,820,187.57	57,529.41	3.1606%	1,921,685.79	59,754.23	3.1095%
Other Interest		0.00			0.00		2,865.78		
7 Day SONIA (compounded)			2.1900%			2.7700%			3.1400%
3 Month SONIA (compounded)			1.7300%			2.1000%			2.5300%

Broker/Institution	Jan-23			Feb-23			Mar-23		
	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate	W.A.P	Interest Due	Ave Rate
Handelsbanken (Deposit A/C)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Handelsbanken (35 Day Notice)	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Aberdeen Standard (Money Market Fund)	402,739.73	13,676.83	3.3959%	303,013.70	11,470.12	3.7853%	122,465.75	4,800.55	3.9199%
Insight (Money Market Fund)	216,712.33	7,092.15	3.2726%	7,671.23	284.58	3.7097%	8,493.15	329.96	3.8850%
BlackRock (Money Market Fund)	271,506.85	8,949.50	3.2962%	120,273.97	4,521.47	3.7593%	83,287.67	3,329.31	3.9974%
CCLA (Money Market Fund)	396,164.38	14,093.39	3.5575%	376,712.33	14,093.39	3.7412%	143,835.62	5,655.63	3.9320%
Artemis (Multi Asset Income Fund)	196,902.72	10,773.82	5.4716%	201,883.54	7,172.38	3.5527%	204,156.74	4,814.34	2.3582%
Aegon (Multi Asset Income Fund)	196,813.54	6,978.54	3.5458%	202,128.94	6,321.28	3.1274%	181,326.12	7,174.27	3.9566%
Tradition	509,589.04	16,689.04	3.2750%	410,958.90	13,668.49	3.3260%	180,821.92	6,690.41	3.7000%
RP Martin	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Sterling	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Direct dealing	0.00	0.00	0.0000%	0.00	0.00	0.0000%	0.00	0.00	0.0000%
Fund Average	2,190,428.59	78,253.27	3.5725%	1,622,642.62	57,531.71	3.5456%	924,386.97	32,794.47	3.5477%
Other Interest		0.00			0.00		6,186.83		
7 Day SONIA (compounded)			3.4300%			3.8400%			
3 Month SONIA (compounded)			2.9800%			3.3500%			

Cumulative Totals			
W.A.P	Interest Due	Ave Rate	
Handelsbanken (Deposit A/C)	0.00	0.0000%	
Handelsbanken (35 Day Notice)	0.00	0.0000%	
Aberdeen Standard (Money Market Fund)	3,268,493.15	71,245.91	2.1798%
Insight (Money Market Fund)	926,027.40	22,559.08	2.4361%
BlackRock (Money Market Fund)	2,132,876.71	44,777.56	2.0994%
CCLA (Money Market Fund)	3,303,013.70	72,148.64	2.1843%
Artemis (Multi Asset Income Fund)			
Aegon (Multi Asset Income Fund)			
Tradition	5,605,479.45	110,132.88	1.9647%
RP Martin	553,424.66	1,770.96	0.3200%
Sterling	0.00	0.0000%	
Direct dealing	0.00	0.0000%	
Fund Average	19,399,204.92	510,108.12	2.6295%
Other Interest		11,101.99	
7 Day SONIA (compounded)			2.0482%
3 Month SONIA (compounded)			1.6545%

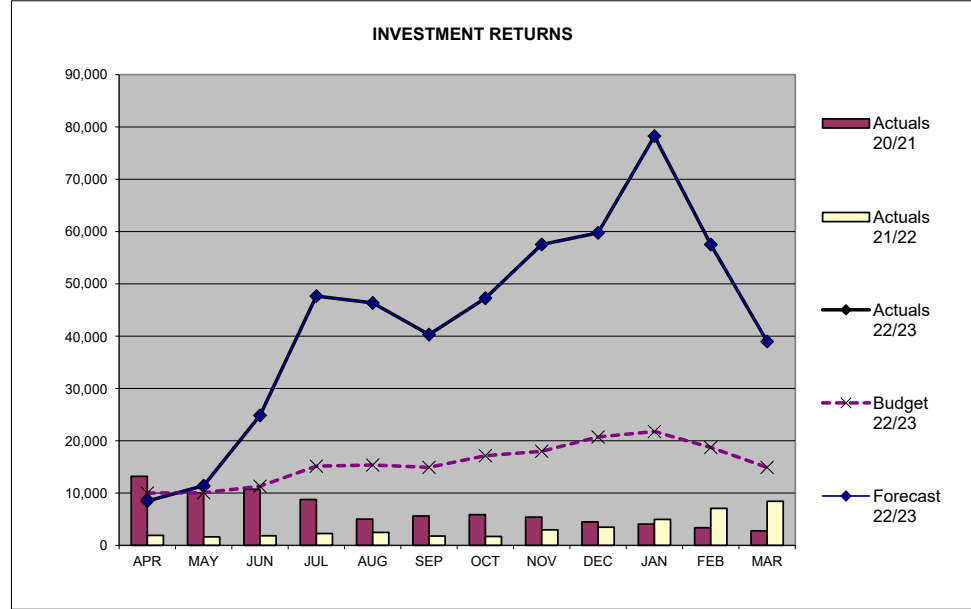
N.B.
These are the gross interest receipts rather than the interest remaining in the General Fund

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Appendix C Page 2

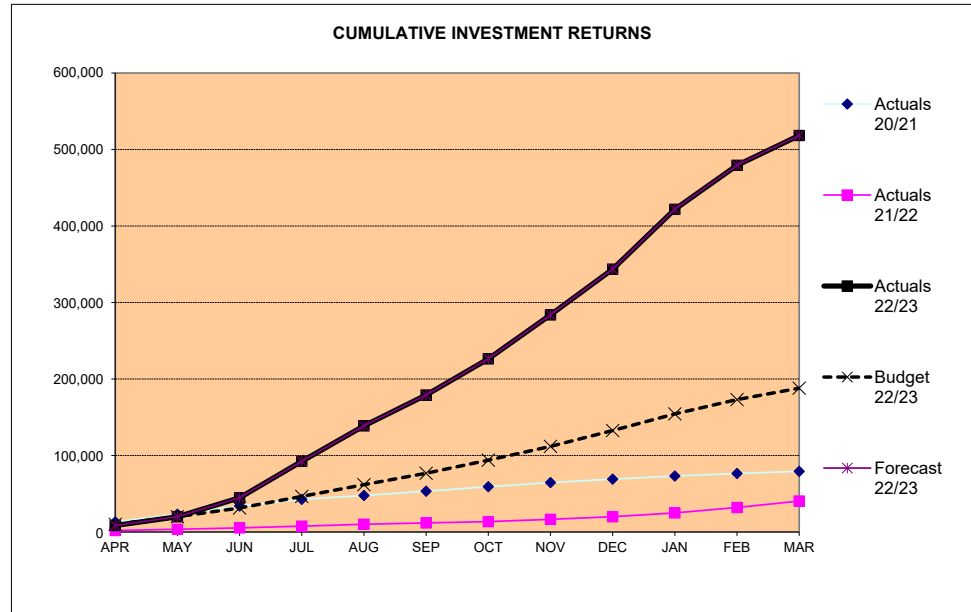
INVESTMENT RETURNS

	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	57,529	17,986	39,543	57,500
DEC	4,484	3,467	59,754	20,724	39,030	59,800
JAN	4,060	4,958	78,253	21,766	56,487	78,300
FEB	3,367	7,065	57,532	18,718	38,814	57,500
MAR	2,769	8,424	38,981	14,900	24,081	39,000
TOTAL	79,277	40,428	518,346	188,000	330,346	518,500



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	283,826	111,892	171,934	283,900
DEC	69,081	19,981	343,580	132,616	210,964	343,700
JAN	73,141	24,939	421,833	154,382	267,451	422,000
FEB	76,508	32,004	479,365	173,100	306,265	479,500
MAR	79,277	40,428	518,346	188,000	330,346	518,500



BUDGET FOR 2022/23 188,000
FORECAST OUTTURN 518,500

CODE:- **YHAA** **96900**

N.B.

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

Fund Average 2.6295%
 7 Day SONIA (compounded) 2.0482%
 3 Month SONIA (compounded) 1.6545%

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The Economy and Interest Rates

UK. Economy.

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 2022/23.

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 in 2022. 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	4.25%	3%	4.75%-5%
GDP	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
Inflation	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
Unemployment Rate	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK GDP deliver growth of +0.1% 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. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k 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 over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. 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 the 17th of 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 reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government’s “fiscal event”, to \$1.23. 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 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20th February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20th February, while the S&P 500 is only 1.9% lower over the same period. That’s despite UK banks having been less exposed and equity prices in the UK’s financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

USA. The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

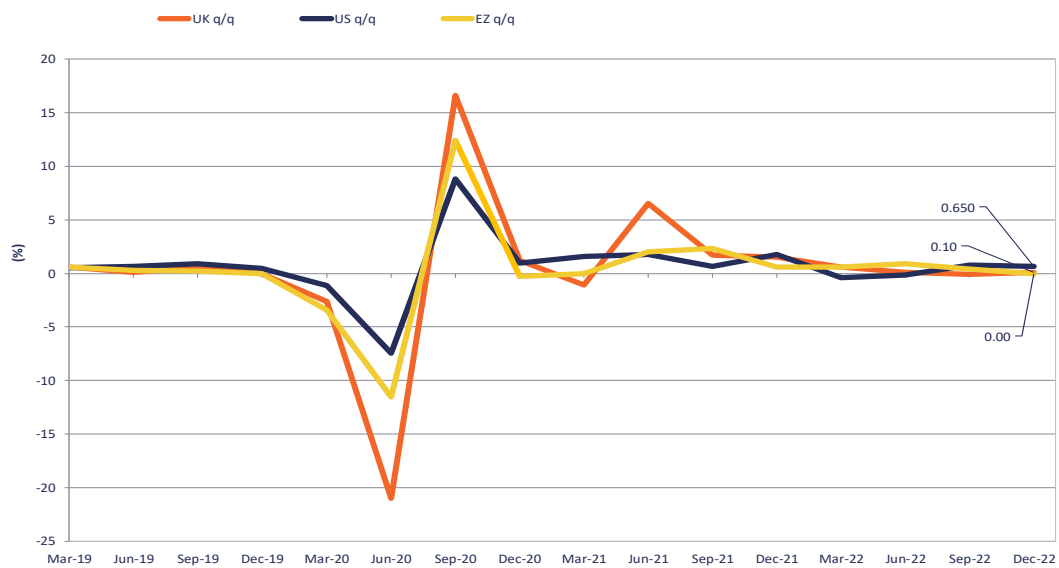
EU. Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

Market Expectations for Future Increases in Bank Rate (5th April 2023)

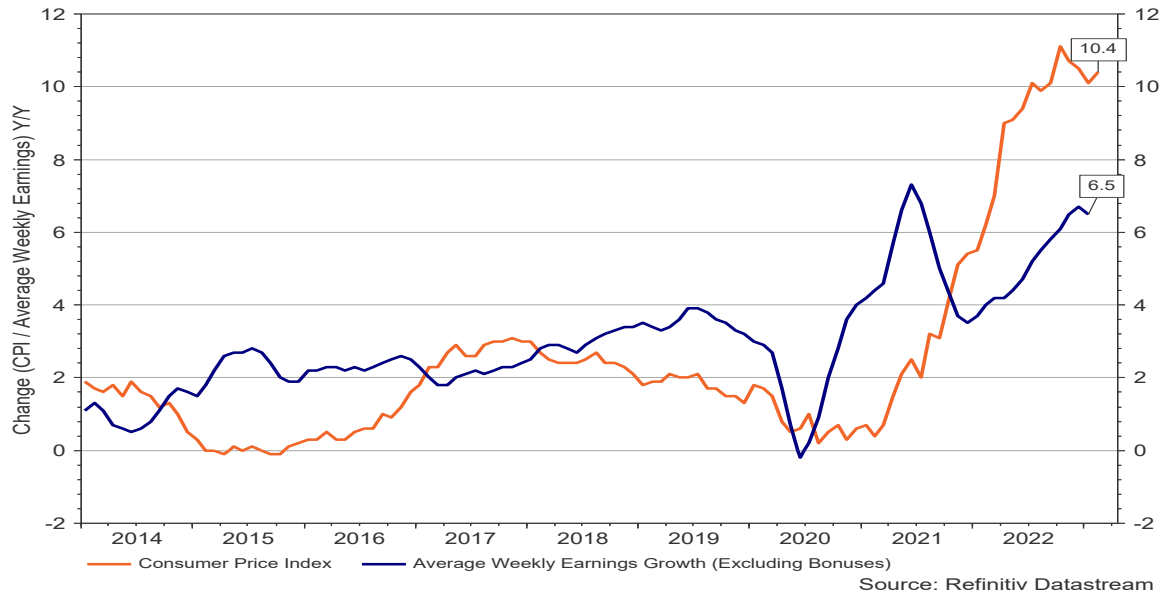


*MD0 = Change in Bank Rate expected at MPC meeting to be held May 2023, MD1 = Jun-23, MD2 = Aug-23, MD3 = Sep-23, MD4 = Nov-23, MD5 = Dec-23, MD6 = Feb-24

UK, US and EZ Quarterly GDP



CPI v Average Weekly Earnings Growth



Item 6 - Financial Monitoring 2023/24 - to the end of July 2023

The attached report was considered by the Finance & Investment Advisory Committee on 5 September 2023. The relevant Minute extract was not available prior to the printing of these papers and will follow when available.

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FINANCIAL MONITORING 2023/24: TO THE END OF JULY 2023

Cabinet - 19 September 2023

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

Status: For Consideration

Also considered by: Finance and Investment Advisory Committee – 5 September 2023

Key Decision: No

Executive Summary: This report provides information on the current Financial position of the authority and the forecast to March 2024.

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

Portfolio Holder: Cllr. Kevin Maskell

Contact Officers: Alan Mitchell, Ext. 7483

Adrian Rowbotham, Ext. 7153

Recommendation to Finance and Investment Advisory Committee:

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

Recommendation to Cabinet:

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

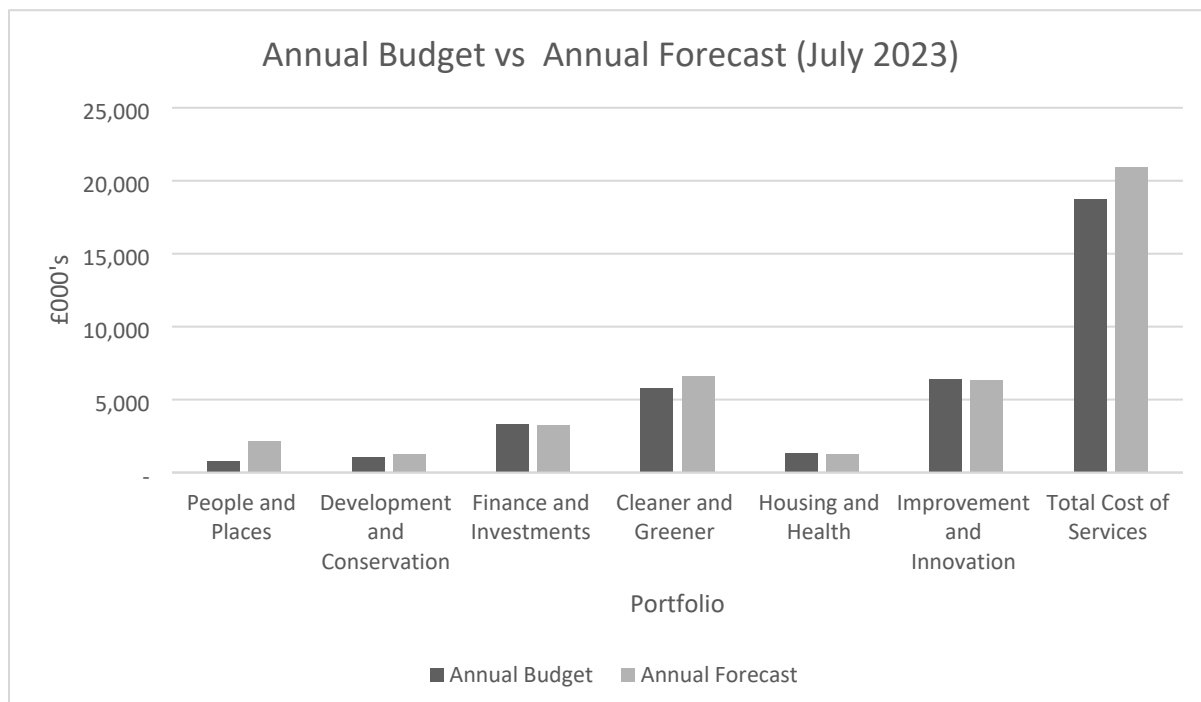
Introduction and Background

- 1 At the May meeting of the Finance and Investment Advisory Committee a report was presented outlining areas of financial pressure that might materialise during the year ahead (Financial Monitoring 2023/24 – Early Indications).
- 2 Since then, the progress on the 2023/24 pay award has been limited but the current offer is £1,925 per person or 3.88% on SCP43 and above. It was proposed that allowances would also increase by 3.88%. This equates to an average increase of 5.7% in the Council's staff costs against a budget assumption of 2%. If accepted this would, in cash terms, equate to approximately £750,000

Agenda Item 6

above the current budget. This has been included in the forecast on the assumption that it would be the minimum cost the Council could expect to incur.

- 3 As at the end of July 2023, the position was a forecast year end unfavourable variance of 8.03%, or £1.489m against a net revenue budget of £18.765m.
- 4 The graph below shows the forecast against the budget for each portfolio.



- 5 The Main areas for the current forecast are summarised in the table below and detailed in the report below.

Service	Summary	£000's
Pay award - April 2023	Current estimate	750
Direct Services	Net position of service	630
Planning	Appeals, Development Mgt & enforcement	240
Investment Property	Void period & Business Rates	203
Markets	Contract renewal	77
All services	Other smaller variances	100
Investments	Treasury Management	(322)
All services	Staff Vacancies	(189)
		<u><u>1,489</u></u>

Areas of Note

- 6 Interest Receipts – the Council made the decision to invest £5m for a 5 year period on multi-asset investment funds which has resulted in excellent returns resulting in a favourable forecast variance of £112,000.
- 7 The interim Leisure Contract is showing an unfavourable forecast of £1.338m but as agreed by members in at Council in April 2023 this is part of the approved £1.83m budget over two years. This is being funded initially from the Budget Stabilisation Reserve so the net effect is £0 on the bottom line forecasted position.

Net Service Expenditure – Favourable Variances

- 8 There are a number of vacancies not currently being filled across the organisation, (£189,000). Some of these are being used to offset agency or consultant costs used to cover the vacancies and others to deliver savings contributing to the overall financial position.
- 9 Corporate Other is reporting a favourable variance of £50,000 which is the result of higher contributions from service budgets to the vacancy savings pot.
- 10 Economic Development is forecasting a favourable variance of £60,000 due to current underspends within the service that were utilised on The Place Campaign last year but there has been no planned spend this year.

Net Service Expenditure – Unfavourable Variances

- 11 Direct Services are reporting an overall unfavourable net variance of £630,000 after additional car parking income. This forecast reflects the cost of running the service at current waste levels and service delivery standards. It also reflects higher agency costs and the lower income levels on commercial waste, pest control and cesspool emptying and the cost of maintaining a large fleet. Officers are producing a plan to manage or mitigate this future position and members are being engaged as part of that process.
- 12 Planning – Development Management are forecasting an unfavourable variance of £121,000 due to the additional investment required to deliver the service and salary costs.
- 13 Planning Appeals is reporting an unfavourable variance of £117,000 due to the Council losing the Appeal on the Oakhill Road Appeal. Also £20,000 was spent to clear dangerous trees on the site.
- 14 Print Shop is reporting an unfavourable variance of £43,000 due to underachievement of external business income.

Agenda Item 6

- 15 Swanley Meeting Point – Business Hub is reporting an unfavourable variance of £21,000 due to an overspend of salaries as the hub becomes settled and income streams are established.

Other Variances

- 16 Investment Property Income is reporting an unfavourable variance of £203,000. This is partly due to a longer than expected contract negotiations for Pembroke Road which has resulted in reduced income and the council incurring Business Rates.

Future Issues and Risk Areas

- 17 As mentioned above the early indications report was presented at both the Finance and Investment Advisory Committee and Cabinet in May and set out the financial risks that may impact the council in 2023/24 and future years. Many of those issues have been covered within this report and will continue to be monitored and reported on as well as forming part of the 2024/25 budget setting process.

Key Implications

Financial

The financial implications are set out elsewhere in this report.

Legal Implications and Risk Assessment Statement

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

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

Equality Assessment

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

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 – July 2023 Budget Monitoring Commentary

Appendix B – Provisional Outturn – March 2023 Financial Information

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

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People and Places	Budget to Date £'000	Actual to end of July 23 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)
Domestic Abuse Duty	0	-27	-27	0	Home Office funding received in advance to support post salary and project budget.
Leisure Contract	-98	-194	-96	0	Quarterly management fee for White Oak Leisure Centre invoiced in advance of profile.
Leisure Contract - Interim	0	204	204	1,338	Impact of the interim leisure contract
Police & Crime Commissioners (PCCs)	0	-22	-22	0	Funding received in advance from Police and Crime Commissioner.
Tourism	8	-144	-152	0	Grant received ahead of spend.
Future Issues/Risk Areas					Impact of the interim leisure contract as part of an open book facility with Everyone Active continues to be monitored. A budget of £1.83m was agreed by Council in April 2023 for a 2 year period, which will need to be repaid. Currently £1.3m is the estimated cost for year 1, which has been forecast. It should be noted that in Quarter 1, the Council needed to negotiate the transfer of utilities (electricity and gas), following Sencio's administration. The utility provider held the Council on a standard tariff whilst it undertook the transfer of the utility contracts from Sencio, with this additional cost being borne by the Council.

Development and Conservation	Budget to Date £'000	Actual to end of July 23 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)
Building Control Non Fee	34	28	-6	33	Forecast salary overspend to be offset by line below.
Building Control Fee	-73	-91	-18	-36	Salary underspend due to staff vacancy. Fee inspection income slightly ahead of profile.
Planning Policy	190	186	-4	-53	Forecast underspend on salaries to be offset against additional salary overspend elsewhere in the
Local Development Plan	0	28	28	0	Spend to be funded from Local Development Plan reserve.
Planning - Appeals	94	158	63	117	Expenditure on Oak Hill Public Inquire, including a Member overturn of an Officer recommendation.
Planning - Development Management	-40	16	57	121	Additional software costs and increased staff costs.
Planning - Enforcement	108	144	36	54	Additional staffing costs due to contractors covering vacant posts.
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.

Finance and Investments	Budget to Date £'000	Actual to end of July 23 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Benefits Admin	12	18	6	-15	Salary underspend.
Dartford Rev&Ben Partnership Hub (SDC costs)	801	918	116	0	Additional software costs to be covered by reserve. Additional resource to be partly funded by Dartford BC.
Local Tax	-121	-279	-158	5	New Burdens funding ahead of spend for government new service implementation.
Misc. Finance	362	351	-12	-17	Forecast an underspend on cleaning materials.
Administrative Expenses - Finance	10	24	15	8	Overspend for additional consultancy to assist with system enhancements.
Support - Audit Function	67	72	5	-13	SDC share of the combined partnership underspend.
Future Issues/Risk Areas					Likely underachievement on Revenue & Benefits Enforcement income currently under review. Agreed currently as offset from reserves.

Finance and Investments	Budget to Date £'000	Actual to end of July 23 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Asset Maintenance Argyle Road	27	2	-26	0	Spend currently behind profile.
Asset Maintenance Leisure	66	2	-64	0	Budget being treated as an emergency fund due to age of assets.
Asset Maintenance Support & Salaries	33	15	-18	0	Spend currently behind profile.
Car Parks	-436	-504	-67	-262	Day tickets charge income is exceeding budget. Utilities bills higher than budget.
CCTV	103	152	49	69	Increased staffing costs to cover vacancies. Transmission cost savings not yet implemented due to market conditions. Cost review with BT (Supplier) underway.
Car Parking - On Street	-161	-174	-13	0	On Street day tickets and penalties notices exceeding budget.
Refuse Collection	94	297	203	520	High quantities of waste and recycling still continue. Increased agency and salary costs due to sickness, outstanding holiday leave. Fixed transports charge costs higher than budget.
Trade Waste	-53	40	93	203	Income forecast lower than budget. Waste disposal charges are exceeding budget. Fixed transports charge costs higher than budget.
Green Waste	-91	-35	55	29	Income expected to be lower than budget. Underspend on vacant posts due to be filled offset by agency costs.
Street Cleansing	5	-42	-47	-83	Lower fixed transport costs and increased recharges for services.
Cesspool Emptying	-27	11	38	101	Lower demand for service than budget assumption. Service making a loss.
Pest Control	-13	4	18	48	Lower demand for service than budget assumption. Service making a loss.
Fly Tipping	-15	5	20	32	Major repairs to vehicles and lower recharges for service.
Fleet	-50	-61	-12	0	Budget ahead of spend on taxing vehicles.
Depots	-23	-1	22	83	Transport repairs and income reduction.
Emergency	-9	-14	-5	-13	Lower fixed transport costs.
Grounds Maintenance	-15	-19	-4	-29	Underspend on vacant posts due to be filled and lower fixed transport costs.
EH Commercial	265	263	-1	26	Forecast salary overspend. Additional Investment in the service increased personnel. Animal Licence Fee projected to be behind budget.
Emergency	28	24	-4	-11	Underspend on standby service.
Parking Enforcement - Tandridge DC	-1	-18	-17	0	Work relating to 2022/23 still continuing for Tandridge for a fee. Income collected relating to 2022/23 to be paid over.
Estates Management - Buildings	29	44	15	50	Overspend forecast due to sinkhole at Shurlock Avenue risk management.
Housing Other Income	-5	-38	-33	-19	Overachieved income.
Licensing Regime	2	2	0	-14	Forecast salary underspend.
Markets	-154	-126	28	77	Contracts renewed in April 2023. Swanley Sunday market is not currently achieving target levels.
Off-Street Enforcement	22	-0	-22	-32	Forecast to overachieve on penalty notice income offset partly to higher fixed transport costs.
Parks - Greensand Commons Project	0	26	26	0	Externally funded project. Spend will be reclaimed.

Finance and Investments	Budget to Date £'000	Actual to end of July 23 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Parks - Rural	63	49	-14	2	Tree works on Oakhill Rd required due to the planning refusal. This is offset by an underspend on a vacant post.
Refuse Collection	1,007	991	-16	-3	Favourable variance due to underspend on sacks.
Support - Central Offices	370	357	-13	29	Forecast of overspend on utilities bills.
Support - Central Offices - Facilities	80	63	-17	3	Underspend due to invoices due from previous cleaning contract.
Support - General Admin (Post/Scanning)	76	45	-31	-12	Current position due to changes in postage costs and recharge, currently under review.
Support - Direct Services	19	32	13	11	Higher postage costs and staff adverting attributed to adverse forecast.
Future Issues/Risk Areas					Government changes to refuse collection and funding 2024/25

Housing and Health	Budget to Date £'000	Actual to end of July 23 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Gypsy Sites	-3	-3	-1	20	Predicted under recovery in rents from vacant plots. Work being undertaken to refurbish 3 pitches and award new tenancies by October 2023, recovering some of the rental income.
Homeless	227	222	-6	-16	Underspend on vacant posts, which are currently being recruited to.
Housing Energy Retraining Options (HERO)	17	-29	-46	-12	Salary underspend due to vacant posts- HERO Housing Team Leader.
Homes for the Ukrainians	14	-769	-783	0	Funding received in advance from Kent County Council.
KCC- Household Support Fund	0	75	75	0	KCC allocated funding. Phase 4 of the Household Support Fund has been drawn down allocated to low-income households/pensioners to support the cost of living.
Private Sector Housing	66	33	-33	-46	Salary underspend due to vacant posts- Private Sector Housing Team Leader and Housing Standards Officer.
Rough Sleepers Initiative 2022-25	15	-77	-92	0	Rough Sleepers Initiative - 5 funding received in advance.
Rough Sleepers Programme	0	-63	-63	0	Funding received in advance from Rough Sleeping Accommodation Programme.
One You Kent Public Health	-20	-36	-16	0	Funding received from Dartford, Gravesham & Swanley Health and Care Partnership pending new coding.
Future Issues/Risk Areas					Although new placements into Temporary and Emergency Accommodation continue to decrease, securing affordable move on accommodation in the district for existing placements, continues to impact the budget. The acquisition by Quercus Housing of Gladedale House in Westerham, 27-29 High Street and 11-13 High Street, Swanley has brought forward 41 new affordable homes in the district. The Council has worked with the Heart Foundation to secure the lease of a rental property (Stay Green House) in the district. The Out of Area Placement Policy and revised Housing Allocation Scheme were approved by Council in 2022.
					A future pressure on homelessness may be seen as host placements end as part Govt's Homes for Ukraine Scheme, alongside the Afghan Resettlement 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. Capital funding has also been allocated by DLUHC to the Council for the delivery of affordable housing to support refugee schemes over the next 2 years.
					As a result of a closure order on the Hever Road Gypsy and Traveller site due to criminal damage, rents and HB reclaims has reduced due to x7 tenancy evictions. A new Allocations Policy is due to be approved in July and funding has been secured to bring x3 of the most damaged pitches and utility blocks back into use by late Autumn 2023.
					The rising cost of living is impacting households in the district and we are starting to see homeless presentations from working households, who are unable to afford rising rental costs, utility and food costs.
					Although the council is predicting to come in on budget for this current financial year for emergency accommodation spend due to a combination of external funding, increased homelessness prevention and the delivery of new homes by Quercus Housing to alleviate homelessness pressures, it should continue to be highlighted as a potential risk, as the cost of living pressures continues to impact many households, resulting in increased homelessness and demand for emergency accommodation.

Improvement and Innovation	Budget to Date £'000	Actual to July 23 £'000	Variance to date £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)
Asset Maintenance IT	93	31	-63	0	As per long term asset maintenance plan.
Corporate Management	334	326	-8	-18	Underspend on vacant post.
Corporate - Other	61	0	-61	-50	Additional savings generated from vacant posts exceeding budget.
Economic Development	27	11	-16	0	Current underspend on services.
Swanley Meeting Point	20	40	20	21	Overspend on salaries partly offset by underspends on services.
Economic Development Property	226	193	-32	-60	Underspend on salaries due to be filled.
UK Share Prosperity Fund	0	-39	-39	0	Grant received ahead of spend.
Elections	31	254	222	0	Costs of the May 2023 elections to be partially recharged to Town & Parish Councils. District costs to be met from earmarked elections reserve
External Communications	83	100	17	-3	Spend ahead of budget on support contract for the council website.
Land Charges	-15	-6	9	33	Forecast underachievement on income of around £60k partially offset by a draw on previous grants received
Members	164	152	-12	0	Underspends seen on members expenses.
Register of Electors	59	86	27	0	Increase in postage costs
Support - Contact Centre	306	275	-31	-51	Underspend on salaries due to staff turnover
Support - General Admin (Print Shop)	11	41	31	43	Underachieved income of £50k, slightly offset by an underspend on vacant post
Future Issues/Risk Areas					

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Appendix B : Summary

Position as at the end of July 23	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	Annual Variance %
People and Places	75	816	2,154	1,338	163.9
Development and Conservation	576	1,032	1,276	243	23.6
Finance and Investments	1,648	3,319	3,276	(42)	(1.3)
Cleaner and Greener	2,071	5,820	6,620	800	13.7
Housing and Health	(865)	1,347	1,288	(59)	(4.4)
Improvement and Innovation	2,368	6,431	6,346	(85)	(1.3)
Services Total	5,874	18,765	20,959	2,195	11.7
Estimated Pay Award			750	750	
Adjustments to Reconcile to amount to be met from reserves: Capital Charges outside the General Fund	(20)	(60)	(60)	0	0.0
Adjustments to Reconcile to amount to be met from reserves: Support Services outside the General Fund	(57)	(172)	(172)	0	0.0
NET SERVICE EXPENDITURE	5,797	18,533	21,477	2,945	15.9
New Homes Bonus	(92)		0	0	-
Retained Business Rates	0	(2,868)	(2,868)	0	0.0
Council Tax	0	(12,231)	(12,231)	0	(0.0)
Rolled in Grants	(50)	(186)	(186)	0	(0.2)
Services Grant	(31)	(90)	(90)	0	0.0
Funding Guarantee	(303)	(912)	(912)	0	0.0
Contribution from Collection Fund	0	(214)	(214)	0	0.0
Summary excluding Investment Income	5,321	2,032	4,976	2,945	145.0
Investment Property Income	(735)	(1,618)	(1,415)	203	12.6
Interest Receipts	(233)	(288)	(610)	(322)	111.8
OVERALL TOTAL	4,352	125	2,951	2,827	
Planned Appropriation to/(from) Reserves	(165)	(125)	(125)	0	
Other Reserve Movements	74	0	(1,338)	(1,338)	
Supplementary Estimates	0	0	0	0	
(Surplus)/Deficit	4,261		1,489	1,489	

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Appendix B : Summary by Service

Position as at the end of July 23	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
People & Places SDC Funded	£'000	£'000	£'000	£'000	£'000	£'000
All Weather Pitch	(2)	(2)	(0)	(5)	(5)	-
Communities	39	44	(5)	132	132	-
Communities	(6)	(6)	-	(6)	(6)	-
Community Housing Fund	(0)	-	(0)	-	-	-
The Community Plan	12	13	(1)	39	39	-
Grants to Organisations	169	170	(1)	201	201	-
Leisure Contract	(194)	(98)	(96)	330	330	-
Leisure Contract - Interim	204	-	204	-	1,338	1,338
Leisure Development	7	8	(1)	15	15	-
Admin Expenses - People & Places Communities	7	5	1	19	19	-
Tourism	(144)	8	(152)	35	35	-
West Kent Partnership	(4)	(12)	8	-	-	-
Youth	30	26	4	57	57	-
Total People & Places SDC Funded	118	155	(36)	816	2,154	1,338

Position as at the end of July 23	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
People & Places Externally Funded	£'000	£'000	£'000	£'000	£'000	£'000
Youth Mentoring Projects	(0)	-	(0)	-	-	-
Domestic Abuse Duty	(27)	-	(27)	-	-	-
KCC Helping Hands	(0)	-	(0)	-	-	-
Local Strategic Partnership	3	-	3	-	-	-
Police & Crime Commissioners (PCCs)	(22)	-	(22)	-	-	-
Community Sports Activation Fund	(5)	-	(5)	-	-	-
West Kent Enterprise Advisor Network	9	8	1	-	-	-
West Kent Partnership Business Support	0	-	0	-	-	-
People & Places Externally Funded	(43)	8	(51)	-	-	-
Total People & Places	75	163	(88)	816	2,154	1,338

Position as at the end of July 23	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Development and Conservation	£'000	£'000	£'000	£'000	£'000	£'000
Building Control Non Fee	28	34	(6)	66	99	33
Building Control Fee	(91)	(73)	(18)	(220)	(255)	(36)
Design and Conservation	63	53	9	159	159	-
Dangerous Structures	-	1	(1)	3	3	-
Planning Policy	186	190	(4)	575	523	(53)
Local Development Plan	28	-	28	-	-	-
Planning - Appeals	158	94	63	201	318	117
Planning - CIL Administration	18	17	1	(59)	(59)	-
Planning - Counter	(0)	-	(0)	(6)	-	6
Planning - Development Management	16	(40)	57	(96)	25	121
Planning - Enforcement	144	108	36	349	403	54
Planning - Development Management - Software Project	-	-	-	-	-	-
Administrative Expenses - Building Control	1	4	(3)	12	12	-
Administrative Expenses - Planning Services	28	21	7	49	49	-
Total Development and Conservation	576	407	169	1,032	1,276	243

Position as at the end of July 23	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Finance and Investments	£'000	£'000	£'000	£'000	£'000	£'000
Asset Maintenance CCTV	-	6	(6)	19	19	-
Asset Maintenance Countryside	-	3	(3)	9	9	-
Asset Maintenance Direct Services	19	14	4	43	43	-
Asset Maintenance Playgrounds	4	5	(2)	16	16	-
Asset Maintenance Public Toilets	8	5	2	16	16	-
Benefits Admin	18	12	6	187	172	(15)
Benefits Grants	(11)	(8)	(2)	(25)	(25)	-
Dartford Rev&Ben Partnership Hub (SDC costs)	918	801	116	-	-	-
Dartford Audit Partnership Hub (SDC Costs)	72	83	(11)	(1)	(1)	-
Housing Advances	-	1	(1)	1	1	-
Local Tax	(279)	(121)	(158)	(15)	(10)	5
Misc. Finance	351	362	(12)	1,505	1,488	(17)
Administrative Expenses - Chief Executive	3	5	(2)	20	20	-
Administrative Expenses - Finance	24	10	15	26	34	8
Administrative Expenses - Revenues and Benefits	-	-	-	-	-	-
Administrative Expenses - Strategic Property	5	2	4	5	5	-
Support - Rev & Ben Control	84	83	1	249	249	-
Support - Counter Fraud	21	21	(0)	64	63	(0)
Support - Audit Function	72	67	5	210	198	(13)
Support - Exchequer and Procurement	71	76	(6)	225	214	(11)
Support - Finance Function	93	95	(2)	276	276	-
Support - Legal Function	108	104	4	288	288	-
Support - Procurement	-	2	(2)	7	7	-
Support - Property Function	21	20	1	60	60	-
Treasury Management	45	46	(1)	130	130	-
Total Finance and Investments	1,648	1,697	(49)	3,319	3,276	(42)

Position as at the end of July 23	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Cleaner and Greener	£'000	£'000	£'000	£'000	£'000	£'000
Asset Maintenance Argyle Road	2	27	(26)	82	82	-
Asset Maintenance Other Corporate Properties	8	12	(4)	36	36	-
Asset Maintenance Hever Road	10	14	(4)	42	42	-
Asset Maintenance Leisure	2	66	(64)	197	197	-
Asset Maintenance Support & Salaries	15	33	(18)	149	149	-
Asset Maintenance Sewage Treatment Plants	-	3	(3)	9	9	-
Bus Station	7	10	(4)	9	9	-
Car Parks	(504)	(436)	(67)	(1,629)	(1,891)	(262)
CCTV	152	103	49	319	388	69
Civil Protection	18	20	(1)	52	51	(1)
Car Parking - On Street	(174)	(161)	(13)	(346)	(346)	-
Refuse Collection	297	94	203	349	869	520
Trade Waste	40	(53)	93	(153)	50	203
Green Waste	(35)	(91)	55	(43)	(14)	29
Street Cleansing	(42)	5	(47)	44	(40)	(83)
Transport Workshop	13	21	(8)	77	83	7
Cesspool Emptying	11	(27)	38	(66)	35	101
Pest Control	4	(13)	18	(45)	3	48
Fly Tipping	5	(15)	20	(45)	(13)	32
Fleet	(61)	(50)	(12)	15	15	-
Depots	(1)	(23)	22	(27)	56	83
Emergency	(14)	(9)	(5)	(17)	(30)	(13)
Grounds Maintenance	(19)	(15)	(4)	(27)	(56)	(29)
Environmental Enforcement	0	2	(1)	6	6	-
EH Commercial	263	265	(1)	802	828	26
EH Animal Control	-	-	-	-	-	-
EH Environmental Protection	-	0	(0)	-	-	-

Position as at the end of July 23	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Emergency	24	28	(4)	83	72	(11)
Parking Enforcement - Tandridge DC	(18)	(1)	(17)	-	-	-
Estates Management - Buildings	44	29	15	(3)	47	50
Estates Management - Grounds	44	45	(1)	135	134	(1)
Housing Other Income	(38)	(5)	(33)	(14)	(33)	(19)
Housing Premises	(9)	(5)	(4)	17	10	(7)
Licensing Partnership Hub (Trading)	(10)	(0)	(10)	-	-	-
Licensing Partnership Members	-	-	-	-	-	-
Licensing Regime	2	2	0	73	59	(14)
Asset Maintenance Operatives	0	4	(4)	13	13	-
Markets	(126)	(154)	28	(408)	(331)	77
Decarbonisation Fund Net ZERO 2030	22	21	0	66	66	-
Off-Street Enforcement	(0)	22	(22)	65	33	(32)
Parks - Greensand Commons Project	26	-	26	-	-	-
Parks and Recreation Grounds	37	47	(10)	143	142	(1)
Parks - Rural	49	63	(14)	193	196	2
Public Transport Support	-	0	(0)	0	0	-
Refuse Collection	991	1,007	(16)	2,858	2,854	(3)
Administrative Expenses - Direct Services	0	-	0	-	-	-
Administrative Expenses - Health	3	1	2	5	5	-
Administrative Expenses - Licensing	0	2	(2)	7	7	-
Administrative Expenses - Property	1	(0)	1	-	-	-
Administrative Expenses - Transport	2	2	0	7	7	-
Street Cleansing	529	523	6	1,569	1,569	-
Support - Central Offices	357	370	(13)	600	629	29
Support - Central Offices - Facilities	63	80	(17)	255	258	3
Support - General Admin	0	0	(0)	1	1	-
Support - General Admin (Post/Scanning)	45	76	(31)	240	228	(12)
Support - Health and Safety	-	5	(5)	5	5	-

Position as at the end of July 23	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Support - Direct Services	32	19	13	61	71	11
Taxis	(7)	(5)	(2)	25	25	(1)
Public Conveniences	13	16	(3)	36	36	-
Total Cleaner and Greener	2,071	1,975	96	5,820	6,620	800

Position as at the end of July 23	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Housing and Health	£'000	£'000	£'000	£'000	£'000	£'000
Gypsy Sites	(3)	(3)	(1)	(3)	17	20
Community Health and Wellbeing	11	12	(1)	36	36	-
Homeless	222	227	(6)	692	676	(16)
Housing Register	39	42	(3)	127	124	(3)
Disabled Facilities Grant Administration	-	-	-	(55)	(55)	-
Housing	83	78	5	182	182	-
Accommodation Service	26	26	(0)	79	77	(2)
Homelessness Prevention	(0)	-	(0)	-	-	-
Housing Energy Retraining Options (HERO)	(29)	17	(46)	61	49	(12)
Homes for the Ukrainians	(769)	14	(783)	-	-	-
KCC- Household Support Fund	75	-	75	-	-	-
Private Sector Housing	33	66	(33)	220	174	(46)
Rough Sleepers Initiative 2022-25	(77)	15	(92)	-	-	-
Rough Sleepers Programme	(63)	-	(63)	-	-	-
Admin Expenses - People & Places Housing	3	2	0	7	7	-
One You KPH	(36)	(20)	(16)	-	-	-
Housing and Health Project	-	8	(8)	-	-	-
Homelessness Funding	(378)	(372)	(6)	-	-	-
KCC Specialist Weight Management	0	-	0	-	-	-
Total Housing and Health	(865)	114	(978)	1,347	1,288	(59)

Position as at the end of July 23	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Improvement and Innovation	£'000	£'000	£'000	£'000	£'000	£'000
Action and Development	-	3	(3)	8	8	-
Asset Maintenance IT	31	93	(63)	280	280	-
Civic Expenses	17	17	(0)	18	18	-
Consultation and Surveys	-	-	-	4	4	-
Corporate Management	326	334	(8)	1,160	1,142	(18)
Corporate - Other	-	61	(61)	60	10	(50)
Democratic Services	62	63	(1)	188	188	-
Economic Development	11	27	(16)	47	47	-
Swanley Meeting Point	40	20	20	60	81	21
Economic Development Property	193	226	(32)	484	424	(60)
UK Share Prosperity Fund	(39)	-	(39)	-	-	-
Elections	254	31	222	136	136	-
External Communications	100	83	17	234	231	(3)
Land Charges	(6)	(15)	9	(46)	(13)	33
Members	152	164	(12)	494	494	-
Performance Improvement	7	7	(0)	0	0	-
Register of Electors	86	59	27	222	222	-
Administrative Expenses - Corporate Services	3	7	(3)	22	22	-
Administrative Expenses - Legal and Democratic	34	40	(7)	73	73	-
Administrative Expenses - Transformation and Strategy	5	2	4	6	6	-
Administrative Expenses - Human Resources	13	3	10	8	8	-
Street Naming	0	(1)	2	(4)	(4)	-
Support - Contact Centre	275	306	(31)	917	866	(51)
Support - Customer Insights	83	83	0	249	249	-
Support - General Admin	12	14	(3)	238	238	-
Support - General Admin (Print Shop)	41	11	31	19	61	43
Support - IT	480	488	(8)	1,087	1,087	-

Position as at the end of July 23	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Support - Nursery	0	-	0	-	-	-
Support - Human Resources	190	196	(6)	468	468	-
Total Improvement and Innovation	2,368	2,320	49	6,431	6,346	(85)
Total SDC	5,874	6,675	(801)	18,765	20,959	2,195

Appendix B : Salaries

Position as at the end of July 23	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast £'000	Annual Variance £'000	Annual Variance %
Development and Conservation					
Building Control	111	399	399	0	0%
Planning Services	713	2,106	2,106	0	0%
	824	2,505	2,505	0	0%
Finance and Investments					
Chief Executive	73	226	226	0	0%
Finance	348	1,085	1,074	(11)	-1%
Revenues and Benefits	572	1,786	1,786	0	0%
Strategic Property	223	689	689	0	0%
	1,216	3,785	3,774	(11)	0%
Cleaner and Greener					
Direct Services	1,532	4,897	4,766	(132)	-3%
Health	221	677	677	0	0%
Licensing	182	591	591	0	0%
Property	164	513	487	(26)	-5%
Transport	218	631	682	51	8%
	2,317	7,310	7,202	(107)	-1%
Housing and Health					
Places Housing	226	907	823	(84)	-9%
	226	907	823	(84)	-9%
Improvement and Innovation					
Corporate Services	617	1,977	1,926	(51)	-3%
Legal and Democratic	235	697	697	0	0%
Transformation and Strategy	212	708	664	(44)	-6%
Human Resources	157	477	477	0	0%
	1,220	3,860	3,765	(95)	-2%
People and Places					
Places Communities	114	351	351	0	0%
	114	351	351	0	0%
Sub Total	5,917	18,718	18,421	(297)	-2%
Council Wide - Vacant Posts	0	(67)	(117)	(50)	74%
Staff Recruitment and Retention	0	74	74	0	0%
TOTAL SDC Funded Salary Costs	5,917	18,725	18,378	(347)	-2%
Places Communities*	52	129	129	0	0%
Places Housing*	157	348	348	0	0%
Strategic Property*	40	229	229	0	0%
Externally Funded Total	249	706	706	0	0
TOTAL Salary Costs	6,166	19,431	19,082	(347)	-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 6

Appendix B : Staffing Stats - Position as at the end of July 2023	Budget FTE*	Staff FTE	Agency FTE	Casual FTE	July 2023 Total	June 2023 Total
Development and Conservation						
Building Control	7.00	7.41			7.41	7.41
Planning Services	40.76	38.77	1.00		39.77	37.77
Finance and Investments						
Chief Executive	1.00	1.00			1.00	1.00
Finance	18.00	17.00			17.00	17.00
Revenues and Benefits	42.30	38.78	1.00	0.14	39.92	41.24
Strategic Property	10.00	11.42			11.42	10.61
Cleaner and Greener						
Direct Services	125.68	115.28	28.04	0.16	143.48	133.86
Health	11.99	11.58	0.25		11.83	11.38
Licensing	12.20	11.80			11.80	11.80
Property	5.00	4.81			4.81	4.81
Transport	16.62	15.38			15.38	16.38
Housing and Health						
Housing	18.31	14.93			14.93	12.93
Improvement and Innovation						
Corporate Services	50.61	48.34			48.34	49.89
Legal and Democratic	7.00	6.00			6.00	7.00
Transformation and Strategy	19.35	17.35			17.35	17.35
Human Resources	8.76	9.36			9.36	8.76
People and Places						
Communities & Business	4.50	4.00		0.06	4.06	4.50
Sub Total	399.08	373.21	30.29	0.36	403.86	393.69
Externally Funded						
People & Places	2.95	4.62			4.62	3.62
People & Places - Housing	8.00	11.62			11.62	11.62
Strategic Property (Ext)	4.95	2.14			2.14	2.14
Sub total	15.90	18.38	0.00	0.00	18.38	17.38
Total	414.98	391.59	30.29	0.36	422.24	411.07
Number of staff paid in July 23: 385 permanent, Casuals 0						

6 Investment Returns

	<i>Actuals</i> 21/22	<i>Actuals</i> 22/23	<i>Actuals</i> 23/24	<i>Budget</i> 23/24	<i>Variance</i>	<i>Forecast</i> 23/24
APR	1,900	8,467	36,190	15,311	20,879	36,200
MAY	1,620	11,405	43,064	15,410	27,654	43,100
JUN	1,829	24,843	76,805	17,313	59,492	77,000
JUL	2,261	47,663	77,342	23,191	54,151	77,000
AUG	2,471	46,360		23,528		43,528
SEP	1,774	40,302		22,843		42,843
OCT	1,696	47,257		26,262		46,262
NOV	2,963	57,529		27,553		47,553
DEC	3,467	59,754		31,748		51,748
JAN	4,958	78,253		33,343		53,343
FEB	7,065	57,532		28,674		48,674
MAR	8,424	38,981		22,826		42,826
	40,428	518,346	233,401	288,002	162,176	610,077

INVESTMENT RETURNS (CUMULATIVE)

	<i>Actuals</i> 21/22	<i>Actuals</i> 22/23	<i>Actuals</i> 23/24	<i>Budget</i> 23/24	<i>Variance</i>	<i>Forecast</i> 23/24
APR	1,900	8,467	36,190	15,311	20,879	36,200
MAY	3,520	19,872	79,254	30,721	48,533	79,300
JUN	5,349	44,715	156,059	48,034	108,025	156,300
JUL	7,610	92,378	233,401	71,225	162,176	233,300
AUG	10,081	138,738		94,753		276,828
SEP	11,855	179,040		117,596		319,671
OCT	13,551	226,297		143,858		365,933
NOV	16,514	283,826		171,411		413,486
DEC	19,981	343,580		203,159		465,234
JAN	24,939	421,833		236,502		518,577
FEB	32,004	479,365		265,176		567,251
MAR	40,428	518,346		288,002		610,077

Position as at the end of July 2023 (Period 202403)	23/24 Opening Balance	Position as at the end of July 2023 (Period 202404)	23/24 Cumulative Movement to Date
E Earmarked Reserve - Budget Stabilisation	(9,231)	(9,236)	(5)
E Earmarked Reserve - Financial Plan	(3,889)	(3,562)	327
E Earmarked Reserve - Vehicle Renewal (DAA)	(1,395)	(1,395)	-
E Earmarked Reserve - Carry Forward Items (DAC)	(1,313)	(1,313)	-
E Earmarked Reserve - Housing & Commercial Growth Fund	(566)	(566)	-
E Earmarked Reserve - Homelessness Prevention	(541)	(541)	-
E Earmarked Reserve - IT Asset Maintenance	(598)	(516)	82
E Earmarked Reserve - Capital Expenditure Reserve	(500)	(500)	-
E Earmarked Reserve - Property Investment Strategy Maintenance Reserve	(311)	(485)	(175)
E Earmarked Reserve - Pension Fund Valuation Adj.	(339)	(348)	(9)
E Earmarked Reserve - Local Plan/LDF	(294)	(317)	(23)
E Earmarked Reserve - Action and Development	(296)	(296)	-
E Earmarked Reserve - NNDR Safety Net Deficit Reserve	(289)	(289)	-
E Earmarked Reserve - Vehicle Insurance (DAZ)	(279)	(279)	-
E Earmarked Reserve - District Elections (DAZ)	(176)	(176)	-
E Earmarked Reserve - Development Services Reserve	(35)	(167)	(133)
E Earmarked Reserve - Re-organisation	(164)	(164)	-
E Earmarked Reserve - NETZERO	(134)	(156)	(23)
E Earmarked Reserve - Community Infrastructure Levy Administration (CIL)	(152)	(152)	-
E Earmarked Reserve - Capital Financing	-	(148)	(148)
E Earmarked Reserve - Community Development Reserve	(147)	(147)	-
	(20,648)	(20,754)	(106)
Other Earmarked Reserves (balances <£100k)	(532)	(518)	14
Total Earmarked Reserves	(21,181)	(21,272)	(91)
General Fund	(1,800)	(1,800)	-
Total Reserves	(22,981)	(23,072)	(91)

Capital Monitoring Dashboard - July 2023

Description Of Scheme	Funding Source	Approved Gross Cost of Scheme	Total Expenditure from date of adoption to 31 March 2023	2023/2024				Spend Forecast for Later Years			Total Project Expenditure	Total Project Variance
				Budget	Spend YTD	Forecast Outturn	Forecast Variance	2024/2025	2025/2026	2026/2027 and future years		
		£	£	£	£	£	£	£	£	£	£	
White Oak Leisure Centre	External Borrowing & Capital Receipts	22,866,000	21,017,942	298,000	37,733	294,931	(3,069)	0	0	0	21,312,873	(1,553,127)
White Oak Leisure centre - Orchards Academy	Capital Receipts	161,955	161,955	0	0	0	0	0	0	0	161,955	0
Burlington Mews	Capital Receipts	16,000		8,000	0	0	(8,000)	8,000	0	0	8,000	(8,000)
27-37 Swanley High street (meeting Point)	Capital Receipts & External funding	6,114,000	5,086,389	614,000	545,685	778,891	164,891	0	0	248,720	5,865,280	0
White Oak Residential	Capital Receipts	20,189,000	0	8,000,000	134,089	8,000,000	0	6,189,000	900,000	5,100,000	15,089,000	0
Affordable Housing	External Borrowing	16,050,000		1,500,000		1,500,000	0	1,500,000	1,500,000	11,550,000	0	0
Bevan Place	Mixed	27,306,000	1,109,809	14,022,000	2,540	2,540	(14,019,460)	10,229,000	510,000	15,454,651	27,306,000	0
Edenbridge	Mixed	0		0	0	0	0	0	0	0	0	0
Mill Pond	Mixed	60,000		60,000		60,000	0	0	0	0	60,000	0
Hollybush	Mixed	0		0		0	0	0	0	0	0	0
Spitalcross	Mixed	0		0		0	0	0	0	0	0	0
Oxford Park & Ride	Mixed	0		0		0	0	0	0	0	0	0
Westerham	Mixed	0		0		0	0	0	0	0	0	0
Kemsing	Mixed	0		0		0	0	0	0	0	0	0
Lulingstone	Mixed	0		0		0	0	0	0	0	0	0
Other Feasibility & Due Dilliegncce costs	Mixed	1,600,000		1,450,000	3,743	1,450,000	0	150,000	0	0	1,600,000	0
Bradbourne Lakes	Mixed	60,000		60,000	0	60,000	0	0	0	0	0	0
Farmstead Drive (Spitals Cross)	Mixed	7,609,000	915	2,500,000	53,593	2,500,000	0	2,000,000	409,000	2,699,085	7,609,000	0
Stangrove Estate	Mixed	4,313,000	130,282	1,948,000	467,158	2,500,000	552,000	56,000	0	1,626,718	4,313,000	0
Total for People & Places		106,344,955	27,507,291	30,460,000	1,244,541	17,146,362	(13,313,638)	20,132,000	3,319,000	36,679,175	83,325,107	(1,561,127)
Commercial vehicle replacements	Vehicle Renewal Res.	1,746,000	0	1,176,000	662,480	1,176,000	0	582,000	582,000	0	582,000	0
Disabled Facilities Grants (gross)	Better Care Fund	3,384,000	0	1,456,000	320,678	1,456,000	0	1,128,000	1,128,000	1,128,000	3,384,000	0
Total for Finance & Trading		5,130,000	0	2,632,000	983,158	2,632,000	0	1,710,000	1,710,000	1,128,000	3,966,000	0
Grand total		111,474,955	27,507,291	33,092,000	2,227,699	19,778,362	(13,313,638)	21,842,000	5,029,000	37,807,175	87,291,107	(1,561,127)

Memo											
Quercus Housing	£15m over 10 years	no profiling set	15,000,000								
Quercus 7	SDC Debt (60%) / Equity (40%)		9,691,146	0		0					9,691,146

Croft Road
 Plot 2 Canterbury Business Park
 10 -14 Gladedale House
 Loampit Vale, Lewisham
 3 - 4 Hilton Road, Ashford

536,444
2,292,120
1,232,600
1,829,982
3,800,000

Income Graphs Summary	Actuals YTD	Previous YTD	Budget YTD	Variance YTD - brackets show underachievement	Annual Budget	Forecast Variance - (brackets) show underachievement	Forecast Outturn	Prior year Outturn	Explanation of what income is.
External Communications	4,890	4,150	4,207	683	12,622	-	12,622	14,483	Advertising Sales
Register of Electors	449	71	-	449	-	-	-	3,892	Sale of registers
Support - General Admin (Print Shop)	45,548	35,160	62,342	(16,795)	187,026	(50,000)	137,026	122,079	Print fees and charges
	50,886	39,381	66,549	(15,663)	199,648	(50,000)	149,648	151,878	
Land Charges	38,851	45,343	56,655	(17,804)	169,965	(60,000)	109,965	112,767	Land Charges
Local Tax	163,610	155,201	163,652	(42)	490,957	-	490,957	278,598	Court Costs Recovered
Administrative Expenses - Human Resourc	324	913	1,305	(981)	3,916	-	3,916	1,590	CRB Checks
Street Naming	6,087	5,960	8,042	(1,955)	24,125	-	24,125	13,645	Street Naming Fees
Support - IT	-	-	-	-	29,134	-	29,134	34,202	Tandridge Agresso Fee
Support - Legal Function	(2,641)	8,027	833	(3,474)	2,500	-	2,500	14,089	S106 Legal Fees and other income
Support - Human Resources	70	4,950	314	(243)	941	-	941	7,696	Payroll Support contribution
	206,802	220,393	230,801	(23,999)	721,538	(60,000)	661,538	465,381	
Car Parks	1,034,687	884,237	981,895	52,792	2,803,521	265,000	3,068,521	2,827,522	Off Street Parking Income
CCTV	7,673	11,470	11,530	(3,857)	34,589	-	34,589	39,472	Recharge other authorities
Car Parking - On Street	362,544	294,702	323,886	38,658	971,659	166,000	1,137,659	966,923	On Street Parking Income
Refuse Collection	47,147	40,964	39,998	7,149	119,995	-	119,995	152,336	Bulky waste and other fee income
Trade Waste	208,044	173,839	246,342	(38,298)	739,027	(132,242)	606,785	529,887	Trade waste income
Green Waste	374,635	355,485	409,576	(34,941)	1,011,472	(35,000)	976,472	862,250	Garden waste subscriptions
Street Cleansing	21,896	14,449	36,927	(15,031)	120,743	(40,000)	80,743	64,902	Street cleaning charges
Transport Workshop	16,737	5,538	26,429	(9,692)	79,287	(15,000)	64,287	53,701	MOT and Taxi Tests
Cesspool Emptying	54,114	43,048	89,358	(35,244)	268,074	(90,000)	178,074	160,444	Cesspool charges
Pest Control	10,987	12,080	26,907	(15,920)	80,881	(48,000)	32,881	31,395	Pest control fee income
Fly Tipping	400	375	1,077	(677)	3,231	-	3,231	4,530	Fixed penalty notices
Depots	4,898	123	11,302	(6,404)	33,906	(28,713)	5,193	461	Rechargeable works
Markets	145,636	223,303	174,153	(28,517)	522,458	(77,000)	445,458	555,493	Rental income for market operation
Off-Street Enforcement	75,596	67,841	51,962	23,634	155,886	60,000	215,886	215,803	Car Park Penalty Charge Notices
Parks - Greensand Commons Project	23,200	10,229	-	23,200	-	-	-	74,725	External funding for Greensands Project
Refuse Collection	44,206	14,861	40,460	3,746	341,321	-	341,321	339,827	Recycling Credits and Sack income
	2,449,249	2,223,280	2,484,065	(34,816)	7,338,830	29,275	7,368,105	7,123,500	
Gypsy Sites	5,414	6,294	1,121	4,293	3,363	-	3,363	17,962	Income from Traveller Site
Disabled Facilities Grant Administration	-	-	-	-	54,824	-	54,824	50,000	Admin grant funding from DFG
Leisure Contract	207,244	6,667	133,623	73,621	400,868	-	400,868	20,255	Leisure Provider Contract Income
Police & Crime Commissioners (PCCs)	16,740	18,000	-	16,740	-	-	-	1,260	PCC Funding Income
Private Sector Housing	3,224	7,431	993	2,231	9,094	-	9,094	26,588	Inspection and Licence income
	248,011	51,922	143,778	104,233	479,657	-	479,657	145,130	
Building Control Fee	184,479	190,517	177,832	6,647	533,496	-	533,496	539,894	Building control plan and inspection fees
EH Commercial	7,570	931	17,814	(10,244)	30,226	(12,226)	18,000	4,763	Environmental Health Fees
EH Animal Control	-	3,858	0	(0)	0	-	0	15,349	Included above
EH Environmental Protection	-	-	(0)	0	(0)	-	(0)	25,299	Included above
Licensing Partnership Hub (Trading)	64	33,218	-	64	-	-	-	160	Income from Licensing Fees
Licensing Partnership Members	266,707	271,883	-	266,707	-	-	-	680,926	Income collected on behalf of Licensing Partners
Licensing Regime	56,452	73,218	65,614	(9,162)	130,065	(7,105)	122,960	116,037	SDC Licence Income
Decarbonisation Fund Net ZERO 2030	-	-	-	-	-	-	-	11,000	KCC Funding
Planning - CIL Administration	-	-	-	-	110,000	-	110,000	89,397	CIL Administration Funding
Planning - Development Management	330,248	399,865	342,589	(12,340)	1,027,766	(33,552)	994,214	1,210,246	Planning application fees
Planning - Enforcement	924	2,310	-	924	-	-	-	3,234	Appeal fees

Taxis	51,633	56,092	55,562	(3,930)	166,686	(9,150)	157,536	135,041	Taxi licence fee income
	898,086	1,032,211	661,077	237,009	2,009,239	(68,033)	1,941,206	2,830,696	
Bus Station	3,100	3,100	3,217	(117)	11,200	-	11,200	6,200	Advertising Sales
Economic Development Property	19,264	3,845	717	18,547	47,504	-	47,504	27,827	Miscellaneous Income and recharges of time
Estates Management - Buildings	51,438	50,662	48,961	2,477	124,808	-	124,808	154,658	Rental income for miscellaneous properties
Housing Other Income	38,101	5,348	4,700	33,401	14,122	19,000	33,122	16,029	Rental income for housing premises
Housing Premises	21,119	20,440	-	21,119	-	20,998	20,998	20,440	Sewage Treatment Income
Property Investment Strategy	927,631	650,615	804,155	123,476	1,620,410	(180,640)	1,439,770	1,646,401	Rental Income from Investment Properties
Support - Central Offices	10,408	9,850	18,886	(8,478)	37,772	-	37,772	19,862	Argyle Road Rental Income and Electric Vehicle charging income
West Kent Partnership	10,000	20,000	31,862	(21,862)	59,398	-	59,398	20,000	West Kent Partner Contributions
West Kent Partnership Business Support	-	6,000	-	-	-	-	-	6,000	West Kent Partner Contributions
	1,084,203	811,404	912,498	171,705	1,915,214	(140,642)	1,774,572	1,943,356	

Item 7 – Financial Prospects and Budget Strategy 2024/25 and Beyond

The attached report was considered by the Finance & Investment Advisory Committee on 5 September 2023. The relevant Minute extract was not available prior to the printing of these papers and will follow when available.

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FINANCIAL PROSPECTS AND BUDGET STRATEGY 2024/25 AND BEYOND

Cabinet – 19 September 2023

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

Status: For Decision

Also considered by: Finance & Investment Advisory Committee – 5 September 2023

Key Decision: No

Executive Summary:

This Financial Prospects Report is the first report of the Council's budget setting process for 2024/25 onwards. It sets out the financial pressures the Council is likely to face in the coming years and suggests an appropriate strategy, utilising the 10-year budget framework first adopted in 2011/12, to ensure the Council remains financially stable over the long term.

Informed by the latest information from Government and discussions with the Portfolio Holder, the report proposes that the Council continues to set a revenue budget that assumes no direct funding from Government through additional 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 partly 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, the key cost driver continues to be inflation with pressure coming through on service demand, the pay award and the cost of goods and services. The items listed in Appendix C report a current annual budget gap of £1.368m.

Many of the reasons for the budget gap were raised with Members as part of the 2023/24 budget setting process and they continue to impact the finances of this council. There is also the impact of the leisure provider, Sencio ceasing to operate.

Inflationary and resulting service pressures are largely unavoidable. It is worthwhile making Members aware that they are likely to have to make more difficult decisions during the 2024/25 budget setting process than they have had to make for many years.

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Growth and savings proposals will be presented to the Advisory Committees and Cabinet when Members will also be asked for their support and ideas. The resulting recommendations will be considered as part of the process to remove this gap.

By continuing to address these issues, this Council will once again be in a strong financial position that other councils would aspire to.

Portfolio Holder: Cllr. Kevin Maskell

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

Alan Mitchell, Ext.7483

Recommendation to Finance and Investment Advisory Committee:

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

Recommendation to Cabinet:

- (a) That subject to the views of the Finance and Investment Advisory Committee, endorse the ten-year financial planning approach, financial strategy and principles set out in this report;
- (b) request Advisory Committees to review the Service Dashboards and advise Cabinet of possible growth and savings options;
- (c) request officers to continue to review the assumptions in this report and consider options to address the budget gap and report back to Cabinet on 14 December 2023.

Introduction and Background

Financial Strategy

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.

10-year Budget

- 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 It should not be forgotten that £8.8m of savings have been made since 2011/12.

Financial Self-Sufficiency

- 6 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 and business rate base.
 - generating more income.
- 7 This Council's approach to budgeting has been recognised by the sector as being exceptional which resulted in it being the winner of the CIPFA Public Finance Innovator of the Year Award in 2017.
- 8 The Local Government Association's Corporate Peer Challenge in December 2021 also 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.

Current Budget Gap

- 9 It was mentioned in reports presented as part of the 2023/24 Budget Setting Process that it was highly likely that additional savings/income would be required as part of the next budget process. An 'Early Indications' report was presented to FIAC and Cabinet earlier in the summer which identified

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the areas that could have a significant financial impact on the Council. These remain the major contributors to the budget gap of £1.368m included in this report.

- 10 The growth/additional expenditure items total £1.827m per annum. Many of these items were raised with Members as part of the 2023/24 budget setting process and they continue to impact the finances of this council. The largest items are:
 - Pay Awards above previous assumptions. The Council is on national terms and conditions. The National Employers and unions have not yet agreed on the 2023 pay award but the current offer which is an average increase of 5.7% is significantly higher than the budget assumption of 2%.
 - Direct Services – the cost of delivering the full range of services as well as the continuing higher quantities of waste and recycling. Quantities remain much higher than before the pandemic which result in increased staff costs, fuel and vehicle repairs and maintenance.
 - The change in leisure provider as agreed by Council on 4 April 2023.
- 11 Other threats to the financial position, which are managed through the budget process, include energy cost volatility and uncertainty; ongoing demands for homelessness services and temporary accommodation; and the higher costs of goods and services as a result of higher inflation.
- 12 The savings/additional income items total £0.459m per annum. The largest items are:
 - Additional income anticipated from a fees and charges review.
 - Government funding streams expected to continue in 2024/25 only.
 - Council Tax premium changes.

The Way Forward

- 13 The intention of this report is to enable Members to give consideration to the pressures likely to be faced by the Council and the strategy they wish to adopt in response to them. This report sets out the high-level approach and principles but later reports in the budget setting process will provide further details to assist in balancing the budget.
- 14 Growth and savings proposals will be presented to the Advisory Committees and Cabinet when Members will also be asked for their ideas.

Financial Self-Sufficiency

- 15 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 does not rely on direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.

- 16 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.
- 17 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.
- 18 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.'
- 19 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 New Homes Bonus will be put into the Financial Plan Reserve which can be used to support the 10-year budget.
- 20 In 2023/24 the government rolled two grants into the Revenue Support Grant which are shown as 'Govt Support: Rolled in grants' on the attached 10-year budget. This Council continues to receive no Revenue Support Grant through the Government formula.
- 21 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. This will allow this Council to move ahead in the knowledge that this council has the financial resources to provide the services that the district's residents need into the future.

Financial Pressures 2024/25 to 2033/34

Overall Summary

- 22 Continuing high inflation and a General Election expected in late 2024 create uncertainty and make forecasting for the next 10-year period more difficult than previous years.
- 23 As ever the Council will have to continue to deliver efficiencies, savings and additional income to maintain tighter control and deliver a balanced 10-year budget.

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- 24 The 10-year budget set out in **Appendix B** has been updated from the version agreed by Council on 21 February 2023 to roll on one year.
- 25 The current budget gap of £1.368m is detailed in **Appendix C**. These items have been included in the 10-year budget in **Appendix B**.
- 26 Looking at expenditure, inflation is running at 6.8% for CPI (as at July 2023).
- 27 The Provisional Local Government Finance Settlement (LGFS) for 2024/25 is likely to be announced in December.
- 28 The paragraphs that follow set out the position in more detail and assess the impact on the current 10-year budget.

Income

- 29 Each year in the 10-year budget there is about a £6m difference between net service expenditure and Council Tax revenue. Previously it was reasonable to assume that inflation rates for these two items would generally be similar, but Members should be aware that if inflation remains high compared to previous years, then this approach may need to be reviewed.
- 30 **Government Support: Revenue Support Grant (RSG)** (nil received via the formula in 2023/24) – This formula-based grant has significantly reduced since 2010/11 as the emphasis of Government Support has changed, in fact this council received no RSG since 2017 and is not expected to receive any in future years.
- 31 The Local Government Finance Settlement for 2023/24 included RSG of £186,000 but it is important to highlight that this is not new or additional funding. The reason for this is that a number of previously separate grants have been rolled into RSG. It has now been assumed that this will continue in 2024/25 only. For this Council they are:
 - Local Council Tax Support Subsidy of £111,000 (previously included separately in the budget)
 - Family Annexe Council Tax Discount Grant of £75,000.
- 32 Due to the way RSG is calculated, there is a danger that this amount will disappear in later years.
- 33 Negative RSG (i.e. where council's pay government) has previously been proposed by government. It has not been implemented but remains a threat going forward.
- 34 Local Government Funding reform was due to take place in 2019/20 but has been delayed for a number of reasons and is not expected to take place in the near future.

- 35 Two one-off grants were included in the LGFS for 2023/24 as follows:
- Lower Tier Services Grant of £90,000.
 - Funding Guarantee of £912,000. This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 3% (before assumptions on council tax rate increases, but includes those on Council Tax base). Core Spending Power is a government calculation including a number of funding streams. This amount is largely due to the reduction in New Homes Bonus.
- 36 It has now been assumed that these will continue in 2024/25 only.
- 37 **New Homes Bonus (NHB)** (£0.2m received in 2023/24 but not used to fund the revenue budget) – the Government started this new funding stream in 2011/12 from funds top sliced from RSG with the intention that local authorities would be rewarded for new homes being built over a six-year period. The basis of NHB was changed with effect from 2017/18. Previously it was based on cumulative figures for 6 years, but this was reduced to 5 years from 2017/18 and 4 years from 2018/19. In addition, NHB is only received on tax base growth above 0.4% instead of on all growth (known as the deadweight). Legacy payments relating to previous years are no longer included therefore the amount for 2023/24 reduced to £184,000.
- 38 It is likely that NHB will soon be ended.
- 39 **Council Tax** (£12.2m) – The Government referendum limit for 2023/24 was an increase of 3% or £5, whichever is higher, for a Band D property (3% is higher for SDC). Council agreed to increase Council Tax by 2.98%.
- 40 The referendum limit for 2024/25 is also expected to be the higher of 3% or £5 for a Band D property. An increase of 2.97% is included in the attached 10-year budget.

2024/25 Council Tax	Current Assumption
2023/24 £ (Band D pa)	£236.70
% increase	2.97%
£ increase (Band D pa)	£7.02
£ (Band D pa)	£243.72

- 41 Due to the uncertainty of future Council Tax increase referendum limits, if maximum increases are not taken there will be an ongoing detrimental impact on the ability to increase Council Tax in future years.
- 42 The tax base increases each year due to the general increase in the number of residential properties and future developments as well as the continuing

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change in the number of Council Tax discounts awarded. The assumption going forward is currently an increase of 730 Band D equivalent properties per annum. The increased tax base results in additional Council Tax income which is assumed to be greater than the incremental cost of servicing the additional properties although it should be recognised that there are likely to be step changes in costs for some services in the future such as refuse collection. The Local Plan will also affect future tax base assumptions.

- 43 **Business Rates Retention** (£2.9m) - The basis for allocating Government Support from 2013/14 changed to the Business Rates Retention Scheme. This scheme initially allows billing authorities, such as this council, to keep 40% of Business Rates received. However, tariffs and top ups are applied to ensure that the funding received by each local authority is not significantly different to pre 2013/14 amounts. The council is due to collect £37m of Business Rates in 2023/24.
- 44 A Business Rates Pool operates in Kent and Medway which generally results in councils retaining more Business Rates than if they were not in the pool. There is an optimum level of pool membership, so this council and some others are not currently part of the pool but do benefit as if they were in the pool. A request is expected to be made to Government to continue with a similar arrangement in 2024/25.
- 45 Any increased Business Rates retained in 2024/25 due to being linked to the Kent and Medway Pool has been included in the budget rather than it being transferred to the Budget Stabilisation Reserve as in previous years.
- 46 Due to the current uncertainties and the limited opportunities to increase the number of businesses in the district, the assumption in the 10-year budget remains at the safety-net level, which is the amount of business rates the council is assured of retaining in the current scheme if it were not in a pool. However, the 2023/24 settlement included an 'Updated Safety Net and Under indexing Compensation' amount to reflect actual inflationary increases. This results in £2.92m of Business Rates Retention being included for 2023/24. It has been assumed that this will continue until 2025/26 when a Business Rates Reset is due to take place.
- 47 As the difference between Business Rates baseline and actual Business Rates collected diverges over time, a 'reset' is required after a period, to more closely align these. When Business Rates Retention was introduced in 2013/14, it was indicated that there would be a reset in 2020 however, this has been delayed several times. The Government has suggested that the approach to distributing Business Rates will be re-visited to help support the Government's 'Levelling Up Agenda'.
- 48 A reset could alter the distribution of Business Rates and it is hoped that transitional arrangements would be included so that any financial impact is minimised in the short term but there remains a risk that this council may no

longer retain any Business Rates in the future. This would result in a funding gap that would need to be replaced by additional income or further savings.

- 49 **Interest receipts** (£0.3m) – following the investment in Multi-Asset Income Funds (MAIF) in 2022, interest receipts in 2022/23 were higher than budgeted. As the intention is for the MAIF investments to be for a five year period, the interest receipts assumptions for 2024/25 to 2026/27 have been increased to £332,000 with later years remaining at £232,000 as the amounts available to invest are expected to be lower.
- 50 It should also be noted that funds lent to Quercus 7 are at rates of over 4.5%. However, this income is reported under Property Investment Strategy income rather than Interest Receipts.
- 51 The Bank of England Base Rate is currently 5.25% (as at August 2023). Assumptions will continue to be reviewed based on advice from our treasury advisors and discussions with the Finance and Investment Advisory Committee during the budget process.
- 52 **Property Investment Strategy** – The strategy was approved by Council on 22 July 2014 with the intention of building on an approach of property-based investment in order to deliver increased revenue income. This was set against a background of reducing Government Support and continued low rates of return through existing treasury management arrangements.
- 53 Six assets have been purchased or built including the Sevenoaks Premier Inn Hotel, at a cost of £25m.
- 54 As well as the £25m above, £10m has been spent by Quercus 7 Ltd on five assets.

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

2024/25 – 2025/26 £1.478m per annum

2026/27 – 2028/29 £1.575m per annum

2029/30 – 2033/34 £1.616m per annum

These figures include an assumed dividend of £60,000 per annum from Quercus 7.

- 55 Members should be aware that the Government and CIPFA have implemented ways to limit a Council's ability to make commercial property investments. This has stopped the Council's ability to borrow for investments made purely for yield which was the principal purpose of the Property Investment Strategy. Government may take further action following Woking BC issuing a s114 notice which was due to their approach to property investments.

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- 56 To enable other capital schemes to progress, the Property Investment Strategy has been removed from the current capital programme as agreed by Council on 16 November 2021. Therefore, currently no further investments within the strategy are able to take place.
- 57 A Property Investment Strategy Update report will be produced later in the budget cycle.
- 58 **Variable fees and charges** – The Council receives income in fees and charges from a number of sources.
- 59 The assumption is currently for a 2.5% increase for all years. In addition, it was forecast that car parking income would be 25% below pre-Covid budgeted levels in 2021/22 with the position improving by 5% each year. Therefore, the assumption for 2024/25 is 10% below pre-Covid levels. This will continue to be reviewed.
- 60 It is recognised that fees and charges will need to play a major part in reducing the current budget gap. The Finance Team in conjunction with service managers will be completing a significant exercise during this budget process by reviewing all fees and charges across the council. Existing income budgets will be challenged and by using non-financial information, there will be greater certainty that the budgets are set at appropriate levels.
- 61 An initial £200,000 of additional income is currently assumed from this exercise.
- 62 **External Funding** - the Council has been very successful in securing external funding across a range of services, based on it delivering a wide range of innovative services to local residents, often in partnership with other agencies. The Council's officers continue to seek new opportunities for funding.
- 63 **Shared working** - Various services have included savings from shared working in previous years budgets. The Council successfully works in partnership with other authorities in a number of areas, including Revenues, Benefits, Internal Audit, Counter Fraud, Finance, Licensing and CCTV.
- 64 The largest savings were achieved when each shared service started, some of which were in 2010. The viability of continuing to share these services is reviewed on a regular basis to ensure that this Council receives value for money and the service standards it requires.
- 65 **Use of reserves** – One of the principles of the Financial Strategy is to make more effective use of the remaining earmarked reserves. When this strategy was first used in 2011/12 the Budget Stabilisation Reserve was set up to manage the fluctuations between years to ensure that an overall balanced budget remained for the 10-year period. This reserve has been increased by surpluses achieved on the revenue budget in recent years.

- 66 A review of the reserves held is carried out each year as part of the budget process and that will take place again this year.
- 67 When the budget is set, the balance in the Budget Stabilisation Reserve must be sufficient to support the 10-year budget.

Expenditure

- 68 **Pay** costs total £19m. The National Employers for local government services final offer for 2023/24 was £1,925 per full time employee up to a certain pay point and 3.88% on higher pay points. This equates to an average increase of 5.7% in the Council's staff costs against a figure of 2% in the 10-year budget. In cash terms this is £750,000 above the budgeted assumption. It should be recognised that the current cost of living crisis has had a severe effect on colleagues on lower salary grades.
- 69 However, the unions have rejected this offer and further news is awaited.
- 70 Negotiations regarding the 2024/25 pay award have not yet commenced. The assumption in the attached 10-year budget has been increased from 2% to 3% in 2024/25 and remaining at a 2% increase in all years.
- 71 **Superannuation fund** - the last pension fund triennial valuation by the actuaries Barnett Waddingham, took place in November 2022.
- 72 The funding level has increased from 86.6% to 93.1% since the previous valuation in 2019. The 10-year budget includes the contribution amounts set by the actuaries for 2023/24 to 2025/26 and includes an additional £50,000 from 2026/27 when the next triennial valuation will come into effect.
- 73 **Non-pay costs** – the budget assumes non-pay costs will increase by an average of 2.25% in all years. In practice, items such as rates and energy costs often rise at a higher rate, so other non-pay items have been allowed a much lower inflation increase. Inflation is currently at 6.8% (CPI) (as at July 2023).
- 74 **Asset Maintenance** - Any asset maintenance expenditure is funded by the revenue budget each year. Asset maintenance expenditure can fluctuate as the demand for programmed and ad hoc work varies across sites. The asset maintenance budgets are reviewed on a regular basis. In the current year, the average yearly liability covered by the budget is 64%.
- 75 **Annual Savings** - an annual Net Savings/Additional Income assumption of £100,000 is included for all years in the 10-year budget.
- 76 **Unavoidable service pressures** - One of the lessons to be learnt from previous financial strategies is that there is always a likelihood of unavoidable service pressures and there needs to be a clear strategy for dealing with these. These will be identified in the Service Change Impact Assessments (SCIAs) that will be reported to the Advisory Committees between October and December or to Cabinet in later budget reports.

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- 77 These additional service pressures will, where possible, be absorbed within existing budgets. However, there is some likelihood that some pressures will be difficult to absorb, and Members will need to give these consideration as part of the budget process. However, it should be recognised that by having a 10-year budget there is greater scope to deal with these pressures and therefore have less impact on current services whereas other councils who only have single year budgets would have to make larger immediate savings.
- 78 **Kent County Council** – with the known financial challenges faced by KCC, there is a risk that actions they take to manage their budgets may result in this Council being impacted resulting in additional expenditure or reduced income.
- 79 **Progress on the savings plan** – 2024/25 will be the fourteenth year of using the 10-year budget. During this period, 211 savings/additional income items have been identified totalling £8.8m. The majority of these savings/additional income items have already been achieved and Portfolio Holders, Chief Officers, Heads of Service and Service Managers have worked closely to deliver these savings.
- 80 **Changes since the 10-year budget started** – The table below shows how the Net Service Expenditure has changed since 2010/11. This shows that the budget has reduced by £3.1m (17%) in real terms.

Net Service Expenditure	£m
2010/11 (budget)	16.711
2022/23 (2010/11 budget +2% inflation per year)	21.618
2023/24 (budget)	18.533
Difference	3.085

Current 10-year budget position

- 81 The 10-year budget set out in **Appendix B** has been updated from the version agreed by Council on 21 February 2023 by rolling it forward one year.
- 82 Changes have been made to the following assumptions:
- Business Rates Retention – additional income from the Business Rates Pool of £250,000 included in 2024/25 only.
 - Pay award – increased from 2% to 3% for 2024/25.

- Interest receipts – increased from £288,000 to £332,000 for 2024/25 to 2026/27 and from £188,000 to £232,000 from 2027/28.
- Property Investment Strategy – increased from £1.618m to £1.478m for 2024/25 to 2025/26, from £1.715m to £1.575m from 2026/27 to 2028/29 and from £1.756m to £1.616m from 2029/30.
- Pay award – increased from 2% to 3% for 2024/25.

83 The current budget gap is £1.368m which is detailed in Appendix C.

84 The major reasons for this gap are pay awards (explained above), the cost of providing the full range of Direct Services operations and the change in leisure provider.

85 Officers have been working on proposals to reduce the gap and these will be presented to the Advisory Committees as part of the budget process.

86 Due to the size of the budget gap this year it is more important than ever that Members fully participate in the process by making suggestions and recognising that some tough decisions may need to be made.

87 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.
- Service reductions.

88 When looking at prospects for year 11 onwards, there is still likely to be a need to take further actions as these years come into the rolling 10-year period.

Proposed Financial Strategy

89 The proposed Financial Strategy is set out in **Appendix D**.

90 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 aims to continue to adopt a Financial Strategy that includes the following priorities:

- A balanced 10-year budget is delivered annually.
- Remain financially self-sufficient.
- Financial plans ensure there are no unplanned reductions to Council services.

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- Make effective use of reserves and capital receipts.
- Maximise income from grants and other funding opportunities.

91 Our vision is for 'long-term financial health to deliver exceptional services and achieve the promises set out in the Council Plan'.

92 It is recommended that this strategy be adopted.

Process and timetable

93 Members will note from the timetable set out in **Appendix A** that this report is being considered by the Finance and Investment Advisory Committee on 5 September 2023 and any comments will be considered along with this report at Cabinet on 19 September 2023.

94 All Advisory Committees will be presented with their Service Dashboards and Service Change Impact Assessments (SCIAs) between October and December when they will be asked for their views on growth and savings proposals for their areas. This part of the process ensures that all members have a role to play in the Governance of the council and the budget decision making process.

95 Budget Update reports will be presented to Cabinet on 14 December 2023 and 18 January 2024 to provide details of progress, before the Budget Setting report is presented to Cabinet on 8 February 2024.

96 Training sessions on the budget process will be provided to Members prior to the Advisory Committee meetings. If Members require any further training or have any questions about the process, they are asked to contact Adrian Rowbotham or Alan Mitchell.

Review of the 10-year Budget Process

97 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.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement

It is a requirement for the Council to set a balanced budget, failure to be able to do so could result in a S.114 notice being issued by the S.151 Officer. There is currently no expectation that the Council would be required to be in that position. The 10-year

budget approach provides adequate flexibility to manage most circumstances, subject to sufficient savings being identified and implemented, and the ongoing effective and prudent management of the Council's finances.

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

The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as the Local Government Financial Settlement. The risks will be mitigated by continuing to review assumptions and estimates, remaining financially self-sufficient and by updating Members throughout the process.

Equality Assessment

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

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

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 currently no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

Individual net zero implication assessments will be 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.

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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 impacting the council's finances, 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.

Appendices

Appendix A – Budget Timetable

Appendix B – 10-year Budget

Appendix C – Changes to the 10-Year Budget

Appendix D – Financial Strategy

Background Papers

None.

Adrian Rowbotham

Deputy Chief Executive and Chief Officer – Finance & Trading

2024/25 Budget Setting Timetable

Stage 1: Financial Prospects and Budget Strategy 2024/25 and Beyond

5 September – Finance & Investment AC

19 September – Cabinet

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

31 October – Development & Conservation AC

2 November – Finance & Investment AC

7 November – Housing & Health AC

23 November – Cleaner & Greener AC

30 November – People & Places AC

5 December – Improvement & Innovation AC

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

14 December – Cabinet

Stage 4: Budget Update

18 January - Cabinet

Stage 5: Budget and Council Tax Setting Meeting (Recommendations to Council)

8 February - Cabinet

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

20 February – Council

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

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Ten Year Budget - Revenue

Appendix B

	Budget 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	Plan 2033/34
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	17,297	18,533	21,712	19,548	19,649	20,189	20,689	21,191	21,879	22,392	23,117
Inflation	1,188	1,505	565	573	582	593	602	613	624	635	647
Superannuation Fund deficit	(270)	0	0	50	0	0	0	0	0	0	0
Net growth/(savings) (approved in previous yrs)	319	(1,115)	(253)	(272)	58	7	0	75	(111)	90	18
New growth	0	2,988	(2,376)	(150)	0	0	0	100	100	100	100
New savings/Income	0	(200)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Net Service Expenditure b/f	18,533	21,712	19,548	19,649	20,189	20,689	21,191	21,879	22,392	23,117	23,782
Financing Sources											
Govt Support: Rolled in grants	(186)	(186)	0	0	0	0	0	0	0	0	0
: Funding Guarantee	(912)	(912)	0	0	0	0	0	0	0	0	0
: Lower Tier Services Grant	0	0	0	0	0	0	0	0	0	0	0
: Services Grant	(90)	(90)	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	(12,229)	(12,858)	(13,356)	(13,807)	(14,271)	(14,748)	(15,238)	(15,744)	(16,262)	(16,794)	(17,269)
Business Rates Retention	(2,868)	(2,920)	(2,723)	(2,409)	(2,457)	(2,506)	(2,556)	(2,607)	(2,659)	(2,712)	(2,766)
Collection Fund Deficit/(Surplus)	(216)	0	0	0	0	0	0	0	0	0	0
Interest Receipts	(288)	(332)	(332)	(332)	(232)	(232)	(232)	(232)	(232)	(232)	(232)
Property Investment Strategy Income	(1,618)	(1,478)	(1,478)	(1,575)	(1,575)	(1,575)	(1,616)	(1,616)	(1,616)	(1,616)	(1,616)
Contributions to/(from) Reserves	(131)	(2,215)	398	398	398	398	398	398	398	370	331
Total Financing	(18,538)	(20,991)	(17,491)	(17,725)	(18,137)	(18,663)	(19,244)	(19,801)	(20,371)	(20,984)	(21,552)
Budget Gap (surplus)/deficit	(5)	721	2,057	1,924	2,052	2,026	1,947	2,078	2,021	2,133	2,230
Contribution to/(from) Stabilisation Reserve	5	114	(371)	(370)	(580)	(636)	(638)	(751)	(674)	(765)	(841)
Unfunded Budget Gap (surplus)/deficit	0	835	1,686	1,554	1,472	1,390	1,309	1,327	1,347	1,368	1,389
Cumulative Unfunded Budget Gap (surplus)/deficit											13,677

Assumptions

Business Rates Retention:	Business Rates Retention safety-net plus 2% per year. Also 'Updated safety net and underindexing compensation' until 25/26 when a Business Rates reset is due to take place. Business Rates Retention Pool income is included for 24/25 only.
Council Tax:	3% in 24/25, 2% in later years
Council Tax Base:	Increase of 730 Band D equivalent properties per annum
Interest Receipts:	£332,000 in 24/25 to 26/27 and £232,000 in later years
Property Investment Strategy:	£1.478m from 24/25. £1.575m from 26/27. £1.616m from 29/30
Pav award:	3% in 24/25. 2% in later years
Other costs:	2.25% in all years
Income:	2.5% in all years.

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	2024/25 Impact £000	10-year Budget Total Impact £000	10-year Budget Per Annum Impact £000	Comments
Growth/Additional Expenditure				
Savings target built into budget	100	1,000	100	Annual savings assumption included in the 10-year budget.
April 2023 pay award	760	8,322	832	Current employers offer would cost £750,000 in 2023/24.
April 2024 pay award	188	2,060	206	Unknown but this reflects a 1% increase above the current assumption.
Apprenticeship levy	40	400	40	Current growth SCIA for £55,000 ends after 2023/24 but the Government scheme is expected to continue. Future growth item reduced to £40,000 as assumed £15,000 could be removed from staff training budget.
Utility costs	180	500	50	Current growth SCIA of £180,000 only included for 2023/24. Assume this increase reduces over time.
Property Investment Strategy	150	1,500	150	Not currently achieving the budgeted income levels from properties held. A separate Property Investment Strategy Update report will be included in the budget process.
Direct Services	600	2,500	250	Agency staff required to deliver current service levels noting continuing high levels of refuse and recycling quantities. Vehicle costs and income issues should improve. Initially £600,000 but assumed that actions will be agreed to reduce future costs.
Homelessness	150	150	15	Current growth SCIA of £300,000 ends after 2023/24. A lot of work has been carried out so that the extra cost in 2024/25 is estimated to be reduced to £150,000 with further actions to remove the extra cost completely from 2025/26.
Leisure provider change	183	1,830	183	Initial estimate of 2 year interim provider of £1.83m (as per report to Council). Updates on operator performance will be provided during the budget process to provide a basis for revised figures. The amounts here reflect the reimbursement of the reserve.
Markets: new contracts from 01/04/23	77	5	1	New contracts from April 2024. Assumed that the number of stalls at Swanley Sunday market gradually increases.
Growth/Additional Expenditure Total	2,428	18,267	1,827	
Savings/Additional Income	£000	£000	£000	
Quercus 7 dividend	10	100	10	Increase from £50,000 to £60,000 from 2024/25. Scope to increase further but Q7 then unable to build funds for further investment.
Council Tax: Premium Unoccupied Properties	12	132	13	Provisionally agreed by Council in February 2023. Starts on 01/04/24.
Council Tax: Second Homes Premium	-	591	59	Provisionally agreed by Council in February 2023. Start delayed until 01/04/25 due to Government legislation requirements.
Fees and Charges	200	2,000	200	Implementation of review. Assume that this will deliver an additional £200,000 of income per annum after allowing for the inflation assumption.
Interest receipts	44	440	44	This budget was increased by £100,000 for 4 years from 2023/24. Current receipts suggest that it can be increased further but note expected reduction in balances and fluctuations in interest rates.
Govt settlement: Funding Guarantee	912	912	91	Latest suggestion from Government is that this funding will continue in 2024/25 only.
Govt Settlement: Services Grant	90	90	9	Latest suggestion from Government is that this funding will continue in 2024/25 only.
Govt settlement: Rolled in Grants	75	75	8	Latest suggestion from Government is that this funding will continue in 2024/25.
Business Rates Retention Pool	250	250	25	Include the expected extra retained income in 2024/25 only instead of transferring it to the Budget Stabilisation Reserve as has previously been the case.
Savings/Additional Income Total	1,593	4,590	459	
NET TOTAL	835	13,677	1,368	

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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 remains 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 draft **Council Plan themes**:

-  Environment
-  Economy
-  Housing
-  Communities
-  Wellbeing

OUR FINANCES

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

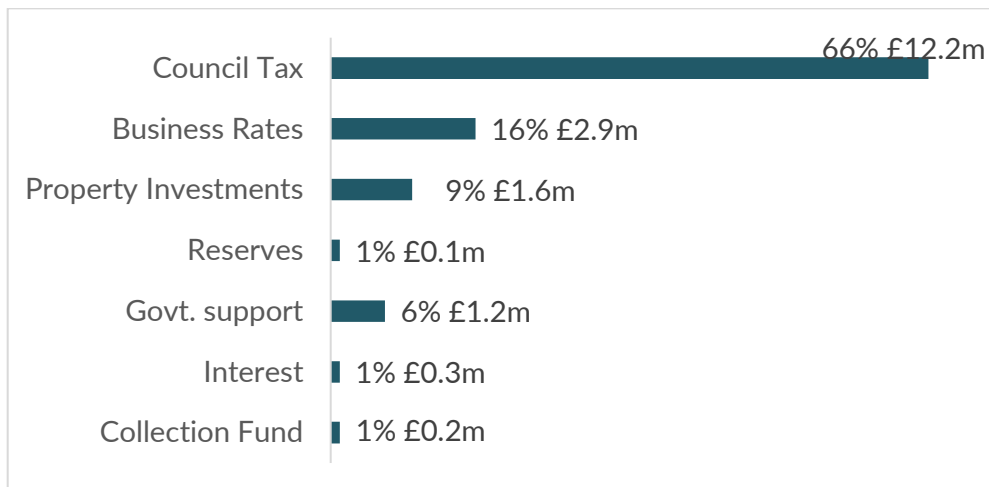
What's important to us:

- 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

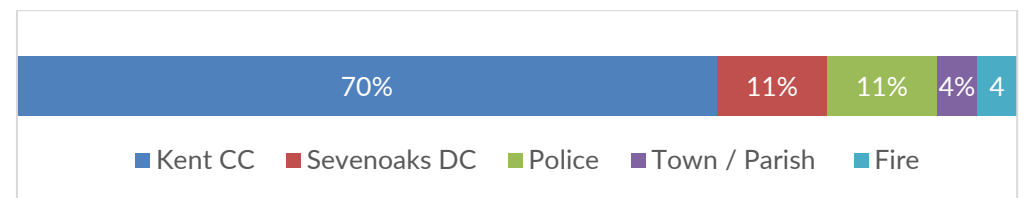
WHERE OUR MONEY COMES FROM (also income from services is £12.6m)



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 £236.70, 11% of the total. Council Tax contributes about £12.2million to District Council services.



WHERE OUR MONEY IS SPENT

In 2023/24 the Council will spend about £18.5million on services for local people

	Cleaner & Greener £5.8m
	Development & Conservation £1.0m
	Housing & Health £1.4m
	People & Places £0.8m

	Finance & Investment £3.3m
	Improvement & Innovation £6.4m
	Other £-0.2m

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

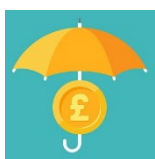
Financial self-sufficiency



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

Item 8 – Disposals Report – Tranche 2

The attached report was considered by the Finance & Investment Advisory Committee on 5 September 2023. The relevant Minute extract was not available prior to the printing of these papers and will follow when available.

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DISPOSAL OF LAND – TRANCHE 2

Cabinet – 19 September 2023

Report of: Strategic Head of Property and Commercial

Status: For Decision

Key Decision: Yes

Portfolio Holder: Cllr. Maskell

Contact Officer: Detlev Munster, Ext. 7099

Also Considered by: Finance & Investment Advisory Committee – 5 September 2023

Recommendation to Finance and Investment Advisory Committee:

To recommend to Cabinet:

1. To declare the properties listed in recommendation 2 below as surplus to the Council's requirements;
2. To approve the disposal of:
 - a. land at the Forstall, Leigh by auction;
 - b. land at Clarks Lane, Halstead by auction or private treaty;
3. To delegate authority to the Strategic Head of Property & Commercial following consultation with the Head of Democratic and Legal Services to undertake and to enter into the necessary agreements for such land transactions.

Recommendation to Cabinet:

1. To declare the properties listed in recommendation 2 below as surplus to the Council's requirements;
2. To approve the disposal of:
 - a. land at the Forstall, Leigh by auction;
 - b. land at Clarks Lane, Halstead by auction or private treaty;
3. To delegate authority to the Strategic Head of Property & Commercial following consultation with the Head of Democratic and Legal Services to undertake and to enter into the necessary agreements for such land transactions.

Reason for recommendation:

To provide capital receipts to help deliver the Council's approved Capital Programme and to ensure best consideration for the disposal is obtained in all instances.

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Introduction and Background

1. Sevenoaks District Council regularly reviews its property portfolio to ensure its land holdings meet its operational and strategic requirements.
2. The current asset review process has identified several parcels of land (highlighted below) that are no longer required by the Council. These sites are being systematically reviewed by Council officers.
3. To enable the disposal of the identified sites, the Council is required to declare these sites as surplus (IFRS 13 purposes). Additionally, the Council is required under Section 123(2A) of the Local Government Act 1972 to advertise its intention to dispose of public open space in accordance with the legislation.
4. Valuation advice was sought, and the confidential Appendix A provides an outline of achievable values. Advice was also sought on the preferred disposal methods.

Disposal Sites

The Forstall, Leigh

5. This site of 464 sq.m is currently amenity land left after demolition of the former Airey homes owned by the Council which occupied the road in 1983 before it was redeveloped into 12 semi-detached houses. WKHA subsequently added a further 4 properties at a later date. It is located between the entrance to the road off Powder Mill Lane and number 3 The Forstall, adjacent to an electricity sub-station.
6. It is within an Archaeological Notification Area and an Area of Special Control of Advertisements, but is not within the Green Belt and is not formally used as open space.
7. The title includes the road, which is adopted and maintained by KCC, which will be excluded from the disposal.
8. The lot size would lend itself to a pair of semi-detached houses, similar to those already in the road.
9. Officers believe that the strategic objectives of the Council are best met by disposing of this site. Interest has previously been shown by a neighbour, the Parish Council and a residents group, therefore it is considered fairest to place it in an auction.
- 10.



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Land to the rear of 42 Clarks Lane, Halstead

19. This 0.1 acre site is landlocked as it is accessed off a private lane from Clarks Lane, Halstead. It lies within the village envelope, outside the Green Belt and within an Archaeological Notification Area. The green space is used for unofficial residents parking.
20. The developer, Jarvis Homes, currently holds an option on the Yew Tree Cottages site to the rear of the Council land. Following completion of the option agreement, English Rural Housing Association will acquire some of the land for affordable homes, from Jarvis Homes. Jarvis Homes will acquire ownership of the access road, with rights reserved for English Rural HA and WKHA, who hold an adjacent garage site.
21. English Rural HA's rural exceptions housing scheme on the land to the rear of Clarks Lane, was granted planning permission in May 2023.
22. The current parish needs survey has identified a need for 13 new affordable homes. The permitted scheme will deliver 10 new homes for local needs (with 3 open market dwellings). There is therefore an unmet need which, subject to approval/planning, could be alleviated by the development of the adjacent site(s).
23. It would therefore be Officers' recommendation to enable the development of SDC's site to seek to deliver new local needs housing for Halstead Parish. While this site should be disposed of at market value and in accordance with the LGA 1972, given the Council's desire to promote and increase the affordable housing supply in the District, disposing of the site at less than best consideration might be supported provided the disposal is appropriately conditioned to ensure the dwellings remain affordable units in perpetuity. However, the Council may reconsider its position and place the property in an auction so that all interested parties can bid.



Other Options Considered

32. As there is currently no planning consent on any of these sites, the Council could seek to obtain approval for development to enhance the values for disposal purposes. However this would engender delay and prove costly in terms of the necessary due diligence.
33. The disposal of these sites as proposed minimises the Council's risks and maximises capital receipts.

Key Implications

Financial

34. The disposal of these sites will reduce the Council's land holding costs and other liabilities.
35. The sites are surplus to the Council's requirements and will be treated accordingly for accounting purposes.
36. External valuation advice was obtained and reserve thresholds have been established.
37. The envisaged capital receipts will be applied towards the Council's approved Capital Programme.

Legal Implications

38. The identified sites are within the freehold possession of the Council. There are no known title encumbrances other than those stated above that would prevent disposal.
39. The disposal of local authority land is legislated by the Local Government Act 1972. Amongst other key requirements, this legislation places an obligation on local authorities to seek best consideration and where there is an intention to dispose of public open space to advertise and consult with local residents.
40. The Council is required under Section 123 of the LGA 1972 to seek best consideration for a disposal. Disposal at less than best consideration is possible and permissible subject to the exceptions outlined in legislation.
41. Other legal implications are set out in the report.

Equality Assessment

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

Conclusion

44. The sites identified in this report are surplus to the Council's requirements. Their disposal provides an opportunity to obtain capital receipts and to mitigate risks. The sites will be disposed of at the most opportune moment in 2023

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Background Documents

None.

Appendices - Appendix A (Commercially confidential)

Alison Peet, Estates Surveyor & Detlev Munster, Strategic Head of Property & Commercial

Document is Restricted

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Item 9 - Farmstead Drive

The attached report was considered by the Finance & Investment Advisory Committee on 5 September 2023. The relevant Minute extract was not available prior to the printing of these papers and will follow when available.

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FARMSTEAD DRIVE, SPITALS CROSS, EDENBRIDGE -DEVELOPMENT

Cabinet – 19 September 2023

Report of: Strategic Head of Property and Commercial

Status: For Decision

Also considered by:

- Finance & Investment Advisory Committee - 5 September 2023
- Council

Key Decision: Yes

Executive Summary:

In November 2021, Council approved the development of a scheme at Farmstead Drive in Edenbridge. Council provided approval to undertake further feasibility and design work, agreed the budget and appropriate delegations, subject to the scheme remaining viable and planning permission being obtained.

This report provides an update on the consultation undertaken with key stakeholders and members of the public and how this has been used to make improvements to the scheme design.

Since the Council decision, additional funding has been secured from the Brownfield Land Release Fund. However, as a result of recent global and market events, notably increases to construction and material costs, alongside the revised scheme design as a result of the public consultation, there has been an impact on the project's cost. Therefore, the initial budget required has increased, however, the scheme remains feasible and viable.

The report provides members with an update on these issues, proposed next steps and recommendations.

This report supports the Key Aim of: improvements to public realm and infrastructure, community facilities and meeting housing targets. The provision of new housing is a key priority and pressure for the District.

Portfolio Holder: Cllr Thornton, Leader of the Council, Cabinet Member for Improvement and Innovation

Contact Officers: Andrew Connors, Ext. 7018

Recommendation to Finance and Investment Advisory Committee:

- (a) The Finance and Investment Advisory Committee endorse the proposed recommendations to Cabinet and Council.

Recommendation to Cabinet:

- (a) Cabinet notes the impacts on the project budget outlined in this report, including; recent global events and economic pressures impacting regeneration and construction and changes to the scheme design, including the provision of fewer homes, additional parking, open space improvements and community facilities as a result of feedback from the public consultation;
- (b) Cabinet notes the scheme remains viable and recommends to Council the total project budget be increased by £2,741,785 to £10,351,405 and that the Capital Programme is accordingly amended;
- (c) Subject to approval of recommendation (b) by Council and planning approval being obtained, authority be delegated to the Strategic Head of Property and Commercial following consultation with the Chief Officer - Finance and Trading and the Head of Legal Services to enter into any necessary contracts to facilitate the development and construction of the proposed scheme in accordance with the Council's Contracts Procedure Rules and for the disposal of the residential and commercial units.
- (d) Cabinet approves the development sites as outlined red in the Plan (Appendix D) be appropriated for planning purposes in accordance with the section 122 of the Local Government Act 1972 (in reliance on section 227 of the Town and Country Planning Act 1990) consequentially facilitating the Council's powers under sections 203 to 206 of the Housing & Planning Act 2016 to override any outstanding interests;

Recommendation to Council:

Council approves the total project budget be increased by £2,741,785 to £10,351,405 in the Capital Programme to deliver this scheme which is to be funded as noted in the Financial Implications of this report.

Reason for recommendation: To provide much needed housing and also improved community facilities and open space in Edenbridge.

Introduction and Background

Development location

- 1 The development covers several parcels of land within the Spitals Cross Estate in Edenbridge. The main development site includes the current community hall (Fircroft Hall), a community shop (with ancillary flat above) and playground, together with associated open space and four other areas of poor quality open space in the Council's ownership outside of the main development site. The community hall is used as a social club and provides a resource for local residents on the estate.
- 2 Community facilities on the site are c.60 years old and are looking tired and dated. The buildings are reaching the end of their economic life and require substantial refurbishment/expenditure. The existing store and community hall are no longer fit-for-purpose and will require significant investment to ensure they meet current building regulations, are decarbonised and are environmentally sustainable. The Council is utilising this opportunity to provide a wider ranging community benefit redevelopment including replacement community hall and retail premises, as well as an enhanced play area, landscaping and car parking spaces to serve the wider estate. It will also make better use of the site by providing new housing, which would not only contribute to meeting local housing need/numbers but also cover the financing of the project.

Council approvals to date

- 3 Several design options were considered for the site and the preferred scheme design option for Farmstead Drive was approved by Cabinet on 14 October 2021 and Council on 17 November 2021.
- 4 The development aims to provide:
 - energy efficient new homes including both flats and houses with private gardens;
 - re-provide the community hall to meet net-zero commitments resulting in an energy efficient and modern fit-for purpose new community hall;
 - re-provide the convenience store;
 - re-provide the play area and provide improved amenity space;
 - enhance the urban fabric; and
 - providing parking for the new development (23 spaces) as well as four new areas of parking for the wider estate (41 spaces).
- 5 At the November 2021 meeting, Council provided approval to

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undertake further feasibility and design work, agreed the budget and appropriate delegations, subject to the scheme remaining viable and planning permission being obtained.

Progress to date

- 6 Local resident and key stakeholder consultation events and public exhibitions were held on the scheme's design development in April and December 2022.
- 7 The design was consequently modified to reflect site constraints and comments received from the Environment Agency and other statutory consultees. It was also tweaked to take into account various comments made by local residents, the FTRA and local councilors. In particular, the scheme now also includes additional parking provision (an additional 41 parking bays) for Spital Cross residents. The proposed site layout (subject to planning) is detailed at Appendix A.
- 8 The proposals have been designed with energy efficiency in mind from the outset and seek to incorporate passive design measures such as protruding floors to create summer shading, angled rooftops to allow for low-angle winter sun penetration and a thermal mass which reduces the need for heating and cooling. Other energy efficiency measures will be incorporated including low energy lighting, water efficiency measures, exhaust air source heat pumps, efficient mechanical ventilation systems with heat recovery and PV panels.
- 9 A new playground will be located in the north of the site extending to approximately 344 sqm., There will be further soft landscaping and open space, which will also be an informal play area extending to approximately 450 sqm.
- 10 The Council submitted a detailed planning application in May 2023, which was determined at Development Management Committee on 17 August 2023. Members resolved to grant planning permission subject to the completion of the s106 legal agreement and in accordance with the relevant applicable planning conditions.
- 11 The planning application is accompanied by an independent viability assessment that confirms that it is unfortunately not viable for the scheme to provide any affordable housing. This takes into account the significant costs associated with constructing the new community hall, the new retail unit, new landscaping, improved public open space, play areas and satellite parking sites, all of which represent significant planning and community benefits for the local community and residents but come at significant cost. On top of

this are the costs associated with CIL and s106 Contributions requested by KCC towards primary and secondary education.

- 12 In March 2023, the Council completed a procurement exercise to appoint Oakwood Building Contractors under a Pre-Construction Services Agreement to help finalise detailed designs for the scheme and also arrive at a fixed price lump sum construction cost for the scheme.
- 13 The Council successfully applied to the One Public Estate Brownfield Land Release Fund, securing £375,000 grant funding; which has required the need to adopt an accelerated procurement process.
- 14 The Council has also submitted an Expression of Interest (EOI) to the Get Building Fund and is seeking additional grant funding of £300,000. If the EOI is successful, we will be required to finalise a Business Case for submission, with final determination in September/October 2023.

Key deliverables

- 15 The Farmstead Drive development will deliver 23 new high quality, environmentally efficient and sustainable homes as well as significant other community benefits including:
 - a new Community Hall;
 - convenience Store;
 - public open space;
 - car parking for the new development (23 spaces), and;
 - construction of 4 new areas of car parking for the wider estate (41 spaces).

Current project status

- 16 The Council has also procured a preferred contractor in compliance with procurement regulations and the Council's standing orders.
- 17 During the intervening period since approval was granted back in November 2021, the scheme has been impacted with significant cost pressures These include:
 - global events and economic pressures impacting regeneration and construction (as further outlined in Appendix B and the financial implications section of the report);
 - changes to the scheme design and provision of fewer homes, additional parking, open space improvements and community facilities as a result of feedback from the public consultation,

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- and;
 - a significant Community Infrastructure Levy (CIL) contribution of £162,385 and s106 contribution of £166,978 at the request of KCC towards primary and secondary education.
- 18 The scheme remains feasible albeit now marginally viable.
- 19 Subject to the receipt of planning permission and Council approval for the additional expenditure (£2,741,785) required, enabling works are due to commence November 2023 and construction is envisaged to complete in January 2026.

Pre-Application Discussions and Public Consultation

- 20 It has been important for local stakeholders and residents to have a voice and be able to influence change and our approach to the project's design.
- 21 Local residents and key stakeholders were consulted throughout the scheme's design development and public exhibitions were held in April 2022 and in December 2022.
- 22 The public consultation events were well attended and feedback received was exceptionally valuable. The design team have taken the feedback provided and, where feasible and required, various improvements were made to the scheme. Key findings can be found in the Farmstead Drive Consultation Report.
- 23 Based on the stakeholder and public consultation responses, the initial plans were revised to include;
- fewer new homes;
 - additional parking spaces for residents throughout the Estate;
 - improved play provision;
 - a community hall that enables flexible use;
 - a new, modern community shop, and;
 - other improvements including better signage and landscaping.
- 24 The proposals were also discussed with town and district councilors and statutory consultees including KCC, the Environment Agency, Southern Water, UK Power Network, BT and Kent Police to mention a few. Pre-planning discussions were also held with the local planning authority.

Procurement

- 25 The Council undertook an Invitation to Tender exercise to appoint a contractor using the LHC Framework. A two stage Design and Build call off was selected for this project. The first stage is the Pre-

Construction Services Agreement to undertake detailed design work and the second stage would be for the actual works. The Council has subsequently appointed Oakwood Building Contractors Ltd as Principal Contractor and as Principal Designer and is expected to undertake all duties as required under the CDM Regulations 2015.

- 26 The early involvement and procurement of the contractor has helped the Council to fulfill the requirements associated with being in receipt of Brownfield Land Release grant funding for this scheme and improves the buildability and cost-certainty of the design.
- 27 Oakwood have been busy working with their sub-contractors and the Council and it's appointed Employers Agent and Cost Consultant via the PCSA to develop the design further and work towards aiming to achieve a construction works fixed price lump sum figure for the scheme.

Delivery Programme

- 28 The project's indicative delivery programme, assuming planning consent is granted, is outlined in the table below. Oakwood's fixed lump sum construction cost is based upon an on-site period of 94 weeks.

Milestones	Date
Planning Determination	17 August 2023
Full Council Approval	17 October 2023
Works JCT Contract Award	November 2023
Start on site	January 2024
Practical Completion	January 2026

Project Costs

Supporting information at Appendix B - exempt from publication under paragraph 3 "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"

- 29 The sales values used by the external viability consultant are based on Q1 2023 values. Construction costs and interest rates have increased substantially given global market conditions. At the time of the Council's decision in November 2021, interest rates from the PWLB were circa 1.5% and have now increased to 5%. Construction materials have also experienced significant inflationary pressures of up to 30% since January 2022. Changes to the scheme design have also been required following consultation with key stakeholders via the planning pre-application and public

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consultation process. One notable element which comes at significant cost is providing the additional car parking to serve the wider estate which a mainstream private sector developer would not be providing.

- 30 These have consequently impacted on the scheme's financials since last reported to Cabinet in September 2021. Our updated cost plan prepared by our cost consultants in consultation with Oakwood suggest that the scheme remains feasible and breaks even with a marginal surplus.
- 31 It is important to note that the cost plan reflects Oakwood's fixed price construction lump sum (including PCSA costs) as well as project design, planning, consultation and survey fee costs already incurred by the Council for the work associated with reaching RIBA Stage 3 and submission of the planning application. Oakwood has agreed to provide the Council with a fixed lump sum contract price. This means that they are prepared to take the full risk on significant cost elements to the scheme and is inclusive of risks associated with:
- ongoing inflation;
 - all utility diversions, disconnection and new connection costs;
 - structural re-designs;
 - assivhaus savings.
- 32 As a result, the cost plan has a very high degree of cost certainty and this price will be locked into. Details of the development appraisal can be found in Appendix B.

Appropriation

- 33 The process of appropriation allows the Council to state that land held for one purpose may now be used for a different purpose. In this case it is for the Council to consider declaring that the land is required for facilitating the development and ensuring proper planning in the area. In order to appropriate the land, the Council should be satisfied on the requirements of sections 122 of the Local Government Act 1972 and section 203 of the Housing and Planning Act 2016.
- 34 Appropriation for planning purposes has an additional effect in protecting the Council from unexpected and disruptive injunctions, overriding civil disputes that could otherwise constrict the development. Although the Council has taken reasonable steps to identify potential limitations on the land over time the site has become subject to assorted rights and covenants while the Council's former, extensive, holdings have become fragmented

including under the transfer to West Kent Housing in 1989 and various Rights to Buy. It is possible that undocumented rights may have arisen, although no harms have been identified from this project.

- 35 The legal tests for the Council to consider are set out below.

Consultation

- 36 As part of the site is also open space land, section 122(2A) of the Local Government Act 1972 requires the Council to advertise its intention to appropriate the land for two weeks in a local newspaper. The Council must then consider the responses before making any decision to appropriate. The consultation process commenced on 24 August 2023.

- 37 The results of the consultation were not available at the time that this report was written and will not be available by the date of the Finance and Investment Advisory Committee. Any recommendation by the Advisory Committee must therefore be subject to this consultation. Detail of the consultation responses will be provided as supplementary papers for Cabinet, who will need to consider the appropriation afresh in light of them.

Appropriation will facilitate the carrying on of development or redevelopment or achieve the interests of proper planning

- 38 The previous use of the site was for an old retail convenience store and community hall in need of significant investment, open spaces and play area, culverted main river to the northern border of the site crossing diagonally across the site and several mature trees.

- 39 The proposed development has a detailed planning application which was approved (subject to a S106 and conditions) on the 17th August 2023.

- 40 The appropriation would allow confirmation that the land was no longer required for its former purpose but was to be utilised for the carrying out of a specific, suitable development which has been given due permission.

The development is likely to contribute to the economic, social or environmental well-being of the area

- 41 The proposed development would provide high quality new housing for Edenbridge. Further, the development also facilitates replacing the old outdated retail convenience store and community hall facility with more modern up to date facilities for the local

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community. It will also be providing additional parking to serve the wider estate and enhanced and improved play and open space areas.

Whether the use of Section 203 (to override rights) is proportionate with any interference with the human rights of those involved

- 42 In all its functions the Council must consider the impact of its decisions, ensuring that any negative or any positive impacts are balanced against each other and that any final decision is proportionate.
- 43 In this case Section 203 necessarily engages the rights to private property (Article 1 of the First Protocol of the ECHR) and Family Life (Article 8). The Council must therefore consider the balance in the decision to appropriate and whether the steps are only those necessary to achieve the legitimate aim. Should an interference arise in practice then it is considered that the role that the development would provide with much needed housing in the District and in facilitating the new community facilities outweighs the impacts that the development would have. The steps are necessary but proportionate.

Contact with third parties with interests

- 44 Parties have not been individually contacted for the reasons set out above, while the certainty needed for the development would not in practical terms allow correspondence with all potential parties within existing timeframes.

Other Options Considered

- 45 The 2021 Cabinet and Council report outlined the various alternative development options. Pertinent to this report, is that there are alternative procurement approaches that could have been deployed but were discounted. In particular, the Council could have continued down the route of a traditional design and build route, obtain planning permission and then tendered for a contractor. This route does not support a condition of the grant funding which required the Council to be in contract with a contractor by 31 March 2023, and the procurement approach and entering into the Pre Construction Services Agreement adopted with Oakwood facilitates this condition.

Risk Assessment

- 46 A table outlining the key risks relating to this project are outlined in Appendix C.

Key Implications

Financial Implications

- 47 Council approved the provision of £7,609,620 in the Capital Programme to deliver the scheme back in November 2021. Due to the reasons set out in this report there is now a requirement for additional funding of £2,741,785 to cover the total project costs.
- 48 The scheme is intended to be funded (ultimately) from capital receipts and from the sale of the residential units and rental income from the commercial buildings (see Appendix B for more information).
- 49 The table below shows the expected expenditure over the duration of the project.

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£	£	£	£	£	£
Expenditure	50,418	285,705	2,291,123	5,763,417	1,960,742	10,351,405

- 50 The 23 residential units will be disposed of in the open market and price points have been recommended by the Council's property consultant.
- 51 At today current sales values (Quarter 1 2023) for both the residential homes and rental values of the commercial units would be approximately £9,948,059. By applying a modest growth and including the £375,000 BLRF Grant this would see the GDV increasing to £10,379,809 yielding a small surplus of £28,404.
- 52 As the Council is not selling and is retaining the commercial buildings the rental would recoup the rest of the scheme costs. The rental unit values total £57,948 (pa).
- 53 Until the receipts from the sales of the residential units are received, short- term borrowing will be used to fund the scheme. The potential financing costs are outlined in Appendix B.
- 54 Consideration will need to be given to the VAT implications of the project. Dependent on the use of some of the elements of the project it may require specific VAT treatment. Further VAT advice will be sought.

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Legal Implications

- 55 The Council has freehold title of the site. The land is currently occupied by a Resident's Association at the Community Hall. The commercial tenant in the retail premises has been given notice to vacate of which the notice period has expired and vacant possession was obtained in May 2023. The Residents Association have been served notice to remain in occupation of the existing community hall until midday on 10th November 2023 to coincide with the date possession would be required under the construction timeline.. New leases will need to be entered into prior to occupation within the new development.
- 56 The residential units are to be disposed of with 125 year leases on the open market. As a result, the Council will need to establish a management company to hold the freehold and to manage the communal areas.
- 57 Planning permission has been granted (23/00925/FUL) subject to a S106 agreement and conditions. The Council will need to obtain further statutory approvals (e.g. building control approval) and these are known to the Project Team.
- 58 Due diligence assessments have identified that, subject to consultation responses, it would be suitable to appropriate the site for planning purposes including to ensure proper planning. The Council is authorised to appropriate land that it owns under Section 122 of the Local Government Act where no longer required for the purpose for which it was previously held. The Council may not appropriate any land which consists of open space land unless it has published its intention in a local newspaper for at least two consecutive weeks and given due consideration to any responses received.
- 59 The Council has procured a contractor using a public framework agreement that is compliant with public procurement regulations and the Council's standing orders. The JCT Form of contract is being used and the contract has been staged to safeguard the Council's position from unnecessary costs.
- 60 The Council will need to comply with the OPE Land Release Fund grant conditions. While the conditions are not overly onerous, a key requirement is for the Council to be in contract by the 31 March 2023. The Council has consequently procured a contractor using the LHC Framework and has accordingly staged the contract by entering into a first stage Pre-Construction Services Agreement. This was executed on the 28 March 2023.

- 61 There are no state subsidy implications associated with the proposed scheme.
- 62 The legal implications of appropriation are as otherwise set out in the report.

Equality Assessment

- 63 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. A positive impact on end users is, however, anticipated. In particular, it is worth noting that appropriate “equalities requirements” will be specified in the various contracts to be entered into for the demolition and construction of the scheme. In addition, the scheme is designed to promote an inclusive environment.

Net Zero Implications

- 64 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.

Sustainability

- 65 A sustainability checklist has been completed and was previously reported. The scheme will aim to be delivered in line with SDC’s Net Zero ambitions.

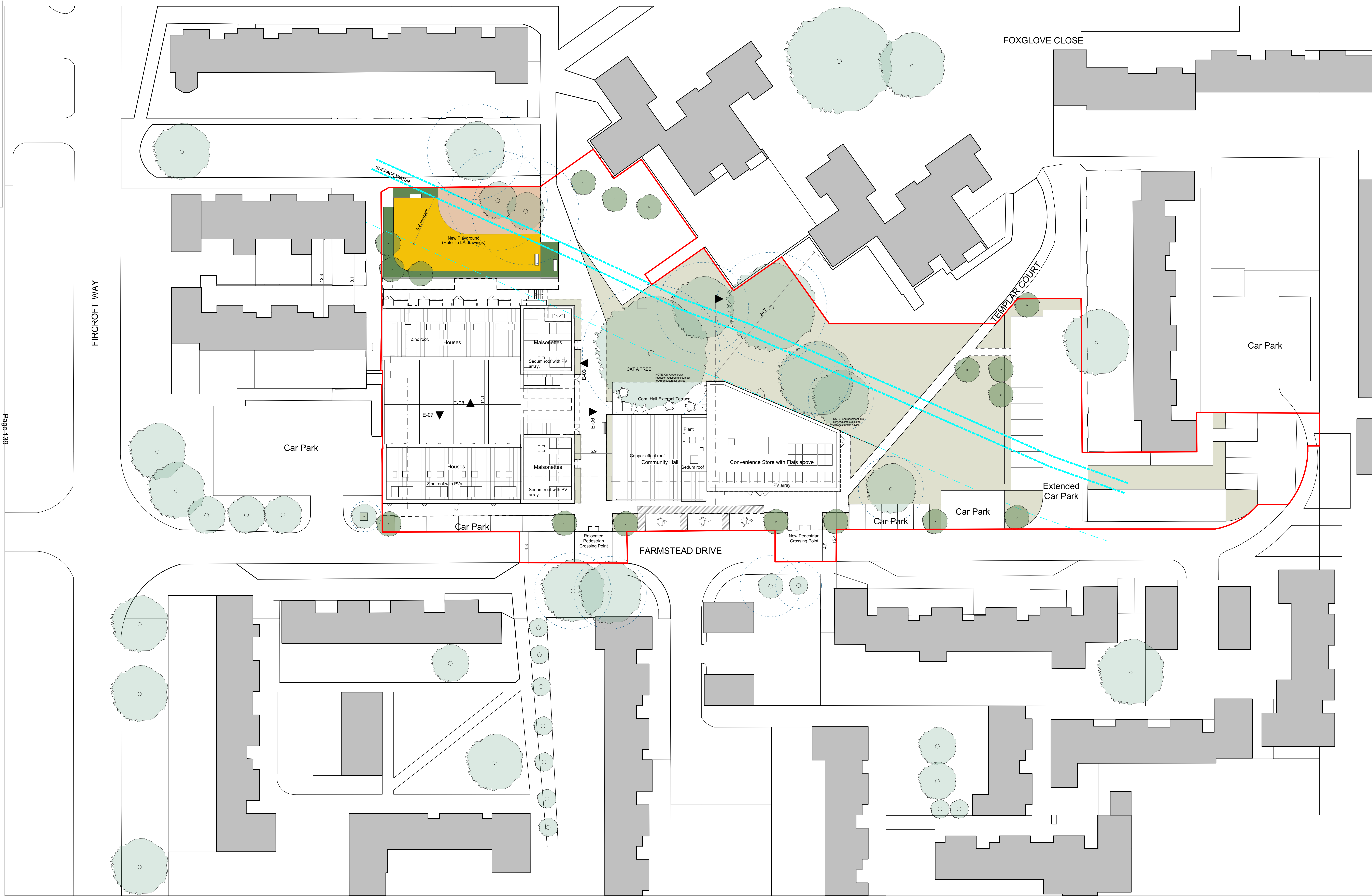
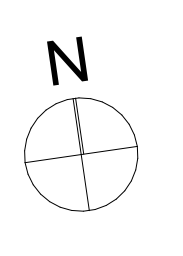
Conclusion

- 66 This dynamic scheme will result in the optimisation of Council land for much needed housing and environmental improvements at the Spitals Cross Estate which has not seen investment since its inception 60 years ago. It presents a unique regeneration opportunity for Edenbridge that will set a new design and sustainability benchmark for future growth.
- 67 This scheme brings substantial community benefits and improvements in the form of a new, modern fit for purpose community hall, retail store, improvements to landscaping, green space, play areas, new homes and additional car parking.

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<p>Appendices</p>	<ul style="list-style-type: none"> • Appendix A –Proposed Site Plan • Appendix B – Cost plan and development appraisal (Gold Papers exempt from publication exempt under paragraph 3 “Information relating to the financial or business affairs of any particular person (including the authority holding that information)” • Appendix C – Outline Risk Assessment • Appendix D – Site Plan for appropriation purposes.
<p>Background Papers</p>	<ul style="list-style-type: none"> • Planning application ref: 23/00925/FUL • Cabinet Report dated 14 October 2021 • Farmstead Drive Consultation Report, Jan 2023 <p>The following background documents are exempt from publication. The applicable reason for this redaction is paragraph 3 of Schedule 12A of the Local Government Act 1972: Information relating to the financial or business affairs of any particular person (including the authority holding that information). This is because it could prejudice the returns of a commercial tender that the Council will be undertaking and provides commercially sensitive information</p> <ul style="list-style-type: none"> • Playle and Partners (July 2023): Farmstead Drive Cost Plan • Turner Morum (July 2023): Farmstead Drive Development Viability Appraisal

Detlev Munster, Strategic Head of Property & Commercial



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 Title: Site Proposed Site Plan

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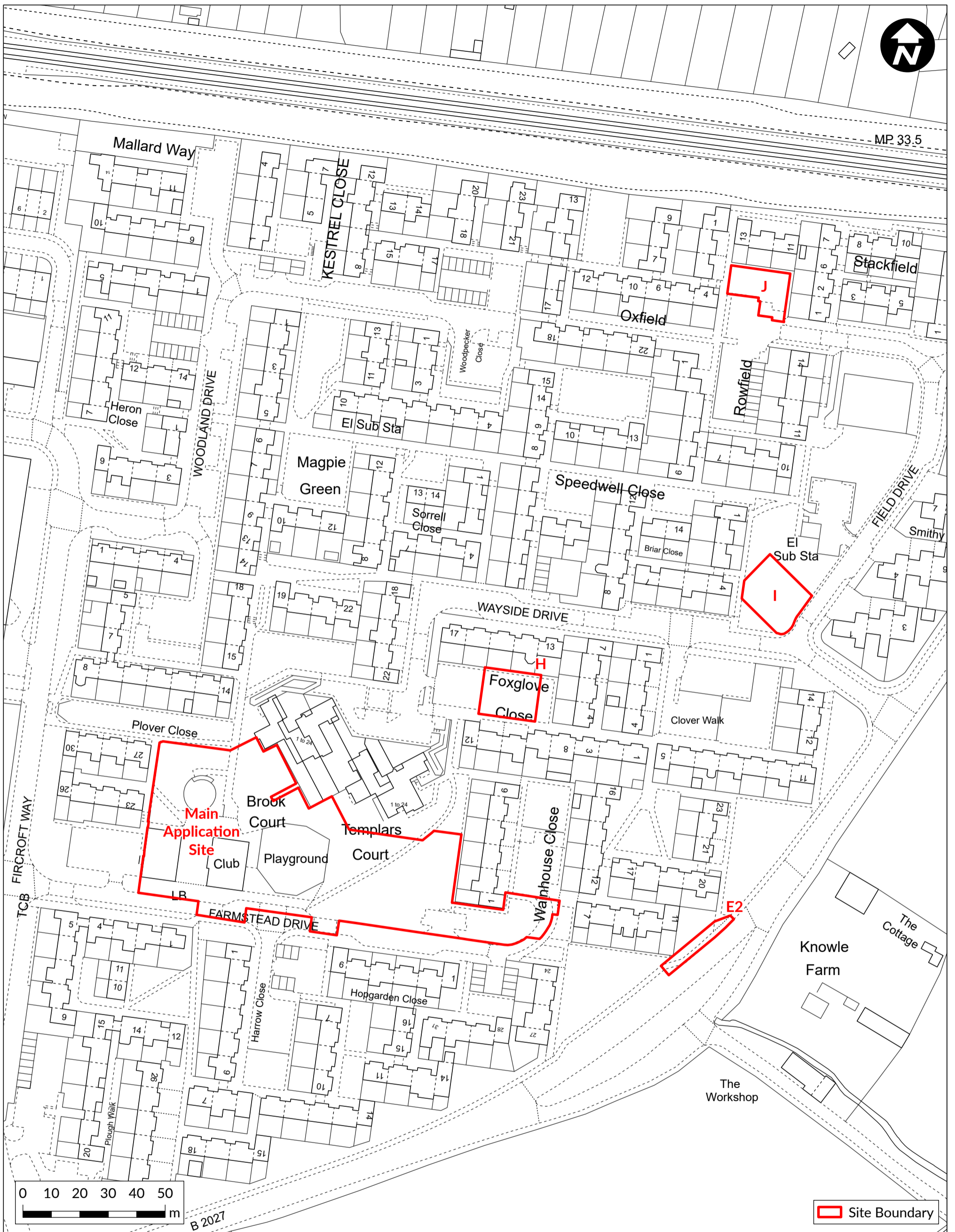
Appendix C - Outline Risk Assessment

The table below summarises the projects risk register and outlines the key project risks considered relevant for this report.

TYPE	DESCRIPTION	MITIGATION
Finance	Capital receipts from the sale of the residential units are not achieved.	Residential units are appropriately designed and to be finished for the target market. Intention is to also commence marketing of units as soon as possible to achieve off-plan sales. This will allow us to gauge and track market interest. Significant research has also been undertaken to gauge future house price values. In unlikely event that sales are not achieved, Council will consider issuing AST (place on market for rent) through an appropriate vehicle and delay capital receipts.
Finance	Change in interest rates resulting in a higher cost of capital	Rates will continue to be monitored and always considered on the side of caution. An active treasury management approach will be adopted that seeks to draw-down funding as and when required. The funding draw-down is modelled to reflect the s-curve associated with the construction programme. This will ensure funding is only sought when needed rather than the traditional approach of seeking a fully funded financing facility prior to the project commencing. The advantage to this approach is that interest is only applied when capital is employed and allows for the cost of capital to be aggregated at a lower rate.
Finance	Correct VAT treatment for this complicated scheme may increase costs.	Expert VAT advice being sought to assess and minimise any financial impact.
Planning	Planning consent not obtained.	Pre-planning discussions have taken place with the planning, highways and environmental health authority and advice incorporated in the scheme. Consultation has also taken place with other key statutory stakeholders (such as the drainage authority and the Environment Agency). Public consultation was undertaken in two stages, and local residents and affected parties were kept informed throughout the design process. Public comments/feedback were also incorporated into the scheme where feasible. Planning application has been submitted awaiting determination with no key objections received so far.
Developer	SDC acting as developer is exposed to more risk than in previous capital projects where it has transferred risk by procurement via frameworks and developers.	Ensure adequate resourcing, programming, contingencies and robust project management in place. Team will ensure procurement of suitable, well qualified consultants and advisors to assist in delivery where needed. Risk is to be passed onto contractor appointed via the LHC Framework. Additionally, a fixed fee lump sum contract has been negotiated with the contractor. This lump sum contract includes key risk items which have been transferred to the contractor.

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Economic/Health	Impact of Covid-19 pandemic, (tender pricing, risk pricing, programme fixing, contractual amendments, availability of labour, availability of materials, onerous sub-contractor conditions), causes additional cost and/or delay to the programme.	<p>Include Covid19 question in PQQ. Provide detailed tender information to assist on risk assessment and mitigation. Close monitoring of Covid-19 and latest government guidance.</p> <p>Contingency and inflation allowance provided by contractor under fixed lump sum construction cost.</p>
Construction	Capital costs exceed budget due to factors including: construction market tender disinterest, tender risk cover pricing, tender period over Christmas, covid-19 costs.	Contractor appointed via first stage Pre-Construction Services Agreement using LHC Framework. Value Engineering to identify potential savings has been carried out. Contractor has offered fixed lump sum construction price and is prepared to take risk on significant cost element items. As a result, cost certainty with construction costs (manufacturing) is obtained.
Construction	Delays in scheme approval lead to increased costs due to construction inflation.	Robust information submitted to allow SDC Committees/Cabinet/Council to make timely decisions. Project Contract sum based on programme. Contractor taking commercial view and prepared to reduce construction inflation sum and fix construction sum price.
Construction	Problems during ground works (contamination/obstructions/soil type) exceed allowances based on RIBA stage 3 surveys, cause delay and extra costs.	Detailed ground investigation surveys undertaken prior to contractor being appointed. Realistic contractor and client contingencies in place for unforeseen costs. Contractor prepared to take risk by offering fixed lump sum construction price.
Public opposition	Residents oppose the scheme.	Community engagement undertaken in 2022 when consulting on proposed development plans. Extensive discussion with key stakeholders to refine and improve the design. Additional parking being provided on land outside the main development site to serve the wider estate as result of direct feedback from residents.
Public opposition	Vacant possession of convenience store and community hall not obtained.	Notices to be served in timely fashion with appropriate notice periods well ahead of programme for start on site. Notices already served on both premises, with vacant possession obtained on convenience store. Notice period expires on 21 st August for occupiers of Community Hall. SDC assisting in locating alternative accommodation whilst build takes place.
Planning	Securing areas of KCC adopted highway for parking.	Consultation with KCC on securing sites for parking purposes. Aware of development proposals via planning application submission and need for additional parking. Proposed to be dealt with via S278 Agreement.



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