

FINANCE & INVESTMENT ADVISORY COMMITTEE

Minutes of the meeting held on 4 November 2021 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Dickins (Vice Chairman)

Cllrs. Abraham, Bayley, Griffiths and Hogarth

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

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

22. Minutes

Resolved: That the minutes of the meeting of the Finance & Investment Advisory Committee held on 7 September 2021, be approved and signed by the Chairman as a correct record.

23. Declarations of Interest

No additional declarations of interest were made.

24. Actions from Previous Meeting

There were none.

25. Update from Portfolio Holder

The Finance & Investment Portfolio Holder advised that Council's budget process would be continuing with discussions at the Committee meeting tonight following the other Advisory Committees having looked at their areas, additional expenditure items had been mostly identified rather than savings or income.

He also took the opportunity to thank the Head of Finance and the Principal Accountant (Capital and Treasury) for their work on the proposed approach for investments within the Treasury Management Strategy. The Portfolio Holder also took the opportunity to thank the Audit Manager for her work within the Audit Team and wished her all the best in her new Local Authority.

26. Referral from Cabinet or the Audit Committee

There were none.

CHANGE IN ORDER OF AGENDA ITEMS

The Chairman, with the Committee's agreement, brought forward consideration of agenda item 11 (minute 27).

27. Quercus Housing - Increasing the Delivery of Affordable Housing in the Sevenoaks District

The Deputy Chief Executive and Chief Officer - People & Places presented the report which set out Quercus Housing Guarantor Board's recent approval to amend The Quercus Housing Business Plan to enable prudential borrowing, which would enable Quercus Housing to take forward the purchase of Abbey Court in West Kingsdown for affordable rent accommodation.

The Deputy Chief Executive and Chief Officer - Finance & Trading set out that the report also sought the approval for the revised 2021/22 Capital Programme, which excluded the Property Investment Strategy Scheme and would give the Council access to Public Works Loan Board (PWLB) borrowing to enable the scheme to progress. A draw-down of a loan from prudential borrowing for up to £1,050,000 would be loaned to Quercus Housing in order to progress the capital purchase and refurbishment of Abbey Court, subject to due diligence. In turn this would increase the supply of new affordable homes delivered by Quercus Housing, the Council's affordable housing trading company.

Negotiations were taking place to purchase the former nursing home which could be converted into self-contained units at affordable rent, and be split between Local Housing Allowance and 80% of market rent. The Council's Housing team would use Abbey Court to provide suitable move on accommodation at affordable rent for households currently placed in temporary accommodation, whilst developing its Local Lettings Plan.

An offer of £700,000 to purchase the property had been submitted to the agent, with the estimated cost of refurbishment being £875,000 plus contingency fees. Currently there was insufficient s106 funding to support the refurbishment of the property, and so the draw-down of a loan from the PWLB was vital.

Members were advised that there remained a shortfall between the demand and supply of new affordable homes in the District. The lack of affordable housing had contributed to the rise of homelessness and, as the Council had a statutory responsibility to assist homeless residents that had created a greater financial burden upon the budget. The high cost of land in the District made it difficult for the Council's Registered Provider (RP) partner's to acquire land for building new affordable housing themselves.

The Deputy Chief Executive and Chief Officer - Finance and Trading advised that previously Councils were able to access PWLB funding but in the last year the rules and guidance had changed. These changes were due to the Government wanting to stop Council's investing for yield, such as our Property Investment Strategy (PIS) which was set up to deliver income from property to replace the lost Government funding.

As it stood at the moment, the Council could no longer borrow for the Property Investment Strategy and if the PIS remained in the capital programme, the Council would also be unable to borrow for any other purpose such as the scheme set out in the report.

The revised Capital Programme at Appendix C removes the Property Investment Strategy, opening up access to PWLB borrowing for the scheme.

Members were advised that the role of the Committee was not to focus on the details of this specific scheme as such, but rather the concept of borrowing money for Quercus Housing to invest in affordable housing.

Members asked questions of clarification which centred around payment terms. Members were advised that there were penalties applied for early repayment of the PWLB loans, and Quercus Housing would repay the loan to the Council under the same terms.

Public Sector Equality Duty

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

Resolved: That it be recommended to Cabinet to recommend to Council that

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

28. Treasury Management Mid-Year Update 2021/22

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

The Head of Finance advised that Appendix C detailed the current position and possible future investment opportunities such as Multi-Asset Income Funds (MAIF) that could be invested in. In response to questions, Members were advised that the investments were for a 5 or 10 year period, and there were penalties for early

withdrawal. Members were reminded that any investment was volatile and had the ability to increase and decrease.

Members further discussed the report noting the current cost of borrowing, the current rate of inflation, and the situation the market was in, and returns which could be made.

Public Sector Equality Duty

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

Resolved: that it be recommended to Cabinet that

- a) the Treasury Management Mid-Year Update for 2021/22 be approved; and
- b) the following comments regarding investment in Multi-Asset Income Funds in line with the approach as laid out in Appendix C, be considered:
 - i) the committee were supportive in principle of investing in MAIF;
 - ii) now was the right time to be making investments;
 - iii) £5 million be the initial investment; and
 - iv) the investment be initially for a 5 year period.

29. Budget 2022/23: Review of Service Dashboards and Service Change Impact Assessments (SCIAS)

The Head of Finance presented the report which set out updates to the 2022/23 budget within the existing framework of the 10-year budget and savings plan. The report presented growth and savings/additional income proposals that had been identified which needed to be considered, and requested further suggestions from Members, before finalising the budget for 2022/23.

Informed by the latest information from Government and discussions with Cabinet, it was proposed that the Council continued to set a revenue budget that assumed no direct funding from Government through the Revenue Support Grant or New Homes Bonus. This would result in the Council continuing to be financially self-sufficient. To achieve this aim and to ensure a balanced budget position over the next 10-year period would continue to be challenging due to the ongoing financial impacts of the Covid-19 pandemic, homelessness and inflationary pressures.

The budget process would be the same as two years ago as opposed to the shortened process last year, but streamlining the process in future years was being investigated.

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No changes had been made to the assumptions at this stage, and the annual budget gap included in the report was £100,000 which related to the annual savings target. It was expected however, that the gap would increase.

Members discussed the report and it was queried whether a comparative exercise could be undertaken for comparing whether certain staffing positions on an IR35 self-employed position would cost less than a salaried position.

Public Sector Equality Duty

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

Resolved: That it be recommended to Cabinet that the growth proposal identified in Appendix E to the report (SCIA 07 (22/23)), be considered.

30. Financial Performance Indicators 2021/22 - to the end of September 2021

The Head of Finance presented the report which presented figures on nine internally set performance indicators covering activities that supported information provided in the regular financial monitoring statements. In response to questions, it was confirmed that it was expected that all sundry debts would be collected and the process was actively being managed.

Public Sector Equality Duty

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

Resolved: That the report be noted.

31. Financial Results 2021/22 - to the end of September 2021

The Head of Finance presented the report on the Council's financial results to the end of September 2021 which showed the year-end position was currently forecast to be an unfavourable variance of £0.095m against the Council's net service expenditure budget totalling £17.015m.

Public Sector Equality Duty

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

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

32. Work Plan

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It was noted that the Property Investment Strategy update and Capital Programme & Asset Maintenance 2022/25 would be two separate items for the January 2022 meeting.

THE MEETING WAS CONCLUDED AT 8.00 PM

CHAIRMAN