



# Agenda

Meeting: **Finance and Performance Scrutiny Sub-Committee**  
Date: **12 January 2021**  
Time: **7.00 pm**  
Place: **Zoom - remote meeting**

To: Councillors Gary Fuller, Peter Gane, Connor McConville (Chairman), Patricia Rolfe and Rebecca Shoob

The committee will consider the matters, listed below, at the date and time shown above. The meeting will be open to the press and public and will be streamed live at [bit.ly/YouTubeMeetings](https://bit.ly/YouTubeMeetings).

Members of the committee, who wish to have information on any matter arising on the agenda, which is not fully covered in these papers, are requested to give notice, prior to the meeting, to the Chairman or appropriate officer.

1. **Apologies for absence**

2. **Declarations of interest**

Members of the Council should declare any interests which fall under the following categories:

- a) discloseable pecuniary interests (DPI)
- b) other significant interests (OSI)
- c) voluntary announcements of other interests

3. **Draft General Fund Budget 2021/22**

Report C/20/66 sets out the Council's Draft General Fund budget for 2021/22.

4. **Housing Revenue Account Revenue and Capital Original Budget 2021/22**

This report sets out the Housing Revenue Account Revenue and Capital Budget for 2021/22 and proposes an increase in weekly rents and an

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increase in service charges for 2021/22.

5. **Update to the General Fund Medium Term Capital Programme and Budget Monitoring 2020/21**

Report C/20/65 updates the General Fund Medium Term Capital Programme for the five year period ending 31 March 2026. The report provides an updated projected outturn for the General Fund capital programme in 2020/21, based on expenditure to 30 November 2020. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process.

6. **Treasury Management Strategy Statement 2021/22 and Treasury Management Monitoring report 2020/21**

This report sets out the proposed strategy for treasury management for 2021/22 including Treasury Management Indicators. The report also provides an update on the council's treasury management activities that have taken place during 2020/21 against the agreed strategy for the year.

7. **General Fund Revenue Budget Monitoring - 3rd Quarter 2020/21**

This monitoring report provides a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to the 30 November 2020.

8. **HRA budget monitoring - 3rd quarter 2020/21**

This monitoring report provides a projection of the end of year financial position for the Housing Revenue Account (HRA) revenue expenditure and HRA capital programme based on net expenditure to 30 November 2020.

## **Declarations of Interest**

### **Disclosable Pecuniary Interest (DPI)**

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

### **Other Significant Interest (OSI)**

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

### **Voluntary Announcement of Other Interests (VAOI)**

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

#### **Note to the Code:**

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.

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This report will be made  
public 4 January 2021

Report number **C/20/66**

**To:** Cabinet  
**Date:** 20 January 2021  
**Status:** Key Decision  
**Head of Service:** Charlotte Spendley, Director of Corporate Services  
**Cabinet Member:** Councillor David Monk – Leader and Portfolio Holder for Finance

**SUBJECT:** DRAFT GENERAL FUND BUDGET 2021/22

**SUMMARY:** This report sets out the Council's Draft General Fund budget for 2021/22.

**REASONS FOR RECOMMENDATIONS:**

Cabinet is asked to agree the recommendations set out below because they form part of the budget-setting process which will culminate in Full Council approving the budget and council tax for 2021/22 on 24 February 2021, in accordance with the Local Government Finance Act 1992.

**RECOMMENDATIONS:**

1. To receive and note report C/20/66.
2. To approve the budget estimates, as detailed in the report, as the basis for preparing the final 2021/22 budget and council tax recommendations for approval by Full Council in February 2021.

## **1. INTRODUCTION AND BACKGROUND**

- 1.1 Council approved the Medium Term Financial Strategy 2021/22 to 2024/25 (MTFS) on 25 November 2020 and Cabinet agreed the Budget Strategy for 2021/22 on 9 December 2020. These reports considered the council's forecast budget position for 2021/22 from a strategic perspective. This report now sets out the detail for the draft General Fund budget, prior to Full Council approving the final budget proposals and the level of council tax at its meeting on 24 February 2021.
- 1.2 The budget proposals in this report been prepared assuming a 2.0% council tax increase in 2021/22. The final decision will not be confirmed until 24 February 2021. In addition, the following remain to be finalised:
- the forecast for council tax and net business rates income.
  - the council tax base position.
  - this council's share of Collection Fund balances.
  - the Local Government Finance Settlement.
- These items will be confirmed in the final budget report.
- 1.3 The MTFS identified that the Council faced a budget shortfall of £3.5m in 2021/22. The Corporate Leadership Team, Assistant Directors and Chief Officers have reviewed current budget allocations and savings proposals. Unavoidable budget growth of £296k was approved by Cabinet on 9 December. In addition the review of fees & charges and other identified savings resulted in savings of £1.1m being identified through the Budget Strategy process. The draft budget detailed in this report reflects the changes made as a result of these reviews.

## **2. CONTEXT**

- 2.1 The context and financial climate have previously been set out in the MTFS and Budget Strategy reports. The Council continues to face challenging times and tight financial restraint is expected to continue to be applied across the public sector well over the medium to longer term.

### Spending Round

- 2.1 The government had intended to hold a Spending Review in 2020, covering the period 2021/22 to 2023/24, delayed from 2019 due to political focus on the Transition from the EU. However, with the unprecedented uncertainty of Covid-19 and to prioritise the response to the pandemic, it was announced that a one-year Spending Review would be conducted covering the financial year 2021/22; and that plans for the Spending Review would be kept under review.

### Local Government Finance Settlement

- 2.2 The Provisional Local Government Finance Settlement is anticipated to follow the Spending Review announcement in mid-late December.

### **3. GENERAL FUND BUDGET 2021/22**

- 3.1 The draft budget for 2021/22 is presented in detail at Appendix 1 compared to the original budget for 2020/21 and the outturn for 2019/20. It includes the Council's contribution to the Folkestone Parks and Pleasure Grounds Charity, the cost of which determines the special expense falling on Folkestone and Sandgate taxpayers.
- 3.2 The budget estimates are presented on a 'controllable' basis only; all inter service area recharges, capital charges and certain other technical accounting adjustments are excluded. Focus can therefore be on real changes in expenditure and income within a service area.
- 3.3 Table 1 below sets out a summary of the budget. Appendix 1 provides a more detailed breakdown of the budget across service areas.

**Table 1: General Fund Summary**

2019/20		2020/21 Original Budget	2021/22 Original Budget
Actual £		£	£
<b>SUMMARY OF NET EXPENDITURE</b>			
<b>Service Heads</b>			
5,178,419	Finance, Strategy & Corporate Services	5,823,150	7,320,440
623,766	Human Resources	662,840	655,850
2,743,688	Governance & Law	2,575,720	2,449,910
716,222	Leadership Support	811,110	907,520
4,469,067	Place	5,315,370	6,600,060
597,087	Economic Development	1,012,470	1,304,330
159,408	Planning	531,570	212,940
1,558,923	Operations	1,271,670	2,237,590
1,056,678	Strategic Development	1,258,840	70,490
788,579	Housing	995,710	3,859,600
1,082,557	Transition & Transformation	34,000	0
(1,866,482)	Recharges	(2,000,500)	(5,559,200)
-	Vacancy & Savings Target	65,000	(608,800)
<b>17,107,912</b>	<b>TOTAL HEAD OF SERVICE NET EXPENDITURE</b>	<b>18,356,950</b>	<b>19,450,730</b>
462,151	Internal Drainage Board Levies	474,090	483,570
512,501	Interest Payable and Similar Charges	486,000	739,000
(2,337,467)	Interest and Investment Income	(793,200)	(754,000)
(1,542,739)	New Homes Bonus Grant	(1,422,420)	(836,050)
(2,129,954)	Other non-service related Government Grants	(1,791,910)	(2,257,300)
2,313,103	Town and Parish Council Precepts	2,548,750	2,599,730
14,385,507	<b>TOTAL GENERAL FUND OPERATING NET EXP</b>	17,858,260	19,425,680
4,489,655	Net Transfers to/(from) Earmarked Reserves	(3,613,110)	(3,003,465)
358,436	Minimum Revenue Provision	874,000	886,000
502,225	Capital Expenditure funded from Revenue	1,678,710	1,280,000
19,735,823	<b>TOTAL TO BE MET FROM LOCAL TAXPAYERS</b>	16,797,860	18,588,215
(3,174,094)	Transfer to/(from) the Collection Fund	-	-
	Business Rates Income	(3,753,190)	(3,322,490)
16,561,729	<b>TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND &amp; GENERAL RESERVE</b>	13,044,670	15,265,725
(12,592,566)	Council Tax-Demand on Collection Fund	(13,044,670)	(12,935,625)
<b>3,969,163</b>	<b>(SURPLUS)/DEFICIT FOR YEAR</b>	<b>-</b>	<b>2,330,100</b>

### Service Budget Changes 2021/22 Compared to 2020/21

3.4 Forecast Head of Service net expenditure has increased by £1,093,780 (5.6%):

	<b>Budget £</b>
Original 2020/21 General Fund Budget	18,356,950
Original 2021/22 General Fund Budget	19,450,730
<b>Increase</b>	<b><u>1,093,780</u></b>

## **4. RESERVES**

4.1 The forecast balance on the General Reserve was reported in the Budget Strategy in December 2020 and will be updated to reflect planned use and 2020/21 outturn predictions for inclusion in the final budget reports to Cabinet and Council on 24 February 2021

4.2 Estimates of changes to Earmarked Reserves are shown below:

<b>Reserve</b>	<b>Balance 1/4/2020 £'000</b>	<b>2020/21 Movement £'000</b>	<b>Balance 1/4/2021 £'000</b>	<b>2021/22 Movement £'000</b>	<b>Balance 31/3/2022 £'000</b>
Business Rates	5,699	(4,300)	1,399	-	1,399
Invest to Save	366	(366)	-	-	-
Carry Forwards	681	(159)	522	-	522
IFRS <sup>1</sup> Reserve	31	(23)	8	(3)	5
VET <sup>2</sup> Reserve	257	126	383	(66)	317
New Homes Bonus	2,360	(18)	2,342	(344)	1,998
Corporate Initiatives	998	(752)	246	-	246
Maintenance of Graves	12	-	12	-	12
Leisure	497	50	547	(100)	447
Otterpool Park	1,570	(1,570)	-	-	-
Economic Development	4,384	(2,974)	1,410	(1,134)	276
Community Led Housing	417	(52)	365	(55)	310
Lydd Airport	9	-	9	-	9
Homelessness Prevention	401	137	538	(416)	122
High Street Regeneration	3,000	(1,208)	1,792	(830)	962
Climate Change	-	4,907	4,907	(56)	4,851
<b>Total</b>	<b>20,682</b>	<b>(6,202)</b>	<b>14,480</b>	<b>(3,004)</b>	<b>11,476</b>

Notes:

<sup>1</sup> IFRS = International Financial Reporting Standards

<sup>2</sup> VET = Vehicles, equipment and technology

## **5. BUDGET PREPARATION – NEXT STEPS**

- 5.1 The following items remain subject to confirmation:
- Final Local Government Finance Settlement.
  - Council Tax Base position
  - The council's share of the Collection Fund surplus or deficit.
  - Town and parish precepts.
  - Business rates income forecast.
- 5.2 These will be covered in the final budget reports to Cabinet and Council on 24 February 2021, along with details of the special expense charged to Folkestone and Sandgate taxpayers.

## **6. ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES**

- 6.1 The Local Government Act 2003 requires the Council's Chief Finance Officer to formally give an opinion on the robustness of the budget and adequacy of reserves.
- 6.2 The Chief Finance Officer's statement will be presented to Council when it considers the budget for 2021/22 on 24 February 2021; it will set out the assumptions used to arrive at the final budget recommendations.

## **7. BUDGET CONSULTATION**

- 7.1 The objectives for consultation on the 2021/22 budget proposals will be to:
- (i) Engage with key stakeholder groups and local residents;
  - (ii) Seek feedback on specific budget proposals for 2021/22; and
  - (iii) Seek feedback on general spending and income generation priorities
- 7.2 The target audience and communication channels will include:

<b>Group</b>	<b>Channel</b>
Residents	<ul style="list-style-type: none"><li>• Council website and social media</li><li>• Dedicated e-mail address</li><li>• Option to submit information by post</li></ul>
Business Community	Consultation shared with Folkestone & Hythe Business Advisory Board
Other Community Groups	Consultation to be shared with key stakeholder
Town and Parish Councils.	Direct communication to invite feedback.

- 7.3 Consultation feedback responses will be summarised and reported to Cabinet in February, along with any feedback received from the Parish Councils who will also be contacted.

## 8. CONCLUSION

- 8.1 Cabinet is asked to approve the budget estimates, as detailed in this report, as the basis for preparing the final 2021/22 budget and council tax recommendations for approval by Council in February 2021.

## 9. RISK MANAGEMENT ISSUES

- 9.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate including impact of the Transition period and ongoing COVID impact	Medium	Medium	Setting of a prudential budget and continuing strong financial control in the Council's decision making.
Budget strategy not achieved.	High	Low-medium	Close control of the budget making process and a prompt and decisive response to addressing budget issues. Stringent budget monitoring and reporting during 2021/22 and future years.
MTFS becomes out of date.	High	Low	The MTFS is reviewed annually through the budget process.
Assumptions may be inaccurate.	High	Medium	Budget monitoring is undertaken regularly and financial developments nationally are tracked. Assumptions are regularly reviewed. Detailed budget has been fully reviewed ahead of proposals made.
Incorrect assessment of Local Government Finance Settlement impact.	High	Low	Current position is based on known information. Position will be updated before February report is presented.

## **10. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

### **10.1 Legal Officer's Comments (AK)**

Subject to Cabinet ensuring best value and having regard to its general fiduciary duties and those relating to equality, transparency and efficiency, there are no legal implications arising directly out of this report.

### **10.2 Finance Officer's Comments (CS)**

The Budget for 2021/22 will be submitted for approval by Cabinet and Full Council in February 2021. This report is the latest stage in the detailed budget process and will be used to inform the preparation of the final budget proposals.

### **10.3 Diversities and Equalities Implications (CS)**

The budget report to Council in February 2021 will include an Equality Impact Assessment of the budget recommendations for 2021/22.

## **11. CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Charlotte Spendley, Director of Corporate Services  
Tel: 07935 517986  
E-mail: [charlotte.spendley@folkestone-hythe.gov.uk](mailto:charlotte.spendley@folkestone-hythe.gov.uk)

The following background documents have been relied upon in the preparation of this report:

- Medium Term Financial Strategy 2021/22 to 2024/25
- Budget Strategy 2021/22

### **Appendices:**

Appendix 1 – General Fund Budget Estimates (detail)

**GENERAL FUND  
SUMMARY**

**Appendix 1**

2019/20
Actual
£
5,178,419
623,766
2,743,688
716,222
4,469,067
597,087
159,408
1,558,923
1,056,678
788,579
1,082,557
(1,866,482)
-
17,107,912
462,151
512,501
(2,337,467)
(1,542,739)
(2,129,954)
2,313,103
14,385,507
4,489,655
358,436
502,225
19,735,822
(3,174,094)
16,561,729
(12,592,566)
3,969,163

**SUMMARY OF NET EXPENDITURE**

**Service Heads**

Finance, Strategy & Corporate Services  
Human Resources  
Governance & Law  
Leadership Support  
Place  
Economic Development  
Planning  
Operations  
Strategic Development  
Housing  
Transition & Transformation  
Recharges to non-general fund  
Vacancy Target & Savings Target not included in service heads

**TOTAL HEAD OF SERVICE NET EXPENDITURE**

Internal Drainage Board Levies  
Interest Payable and Similar Charges  
Interest and Investment Income  
New Homes Bonus Grant  
Other non-service related Government Grants & Income  
Town and Parish Council Precepts

**TOTAL GENERAL FUND OPERATING NET EXP**

Net Transfers to/(from) Earmarked Reserves  
Minimum Revenue Provision  
Capital Expenditure funded from Revenue

**TOTAL TO BE MET FROM LOCAL TAXPAYERS**

Business Rates Income

**TOTAL TO BE MET FROM DEMAND ON THE  
COLLECTION FUND & GENERAL RESERVE**

Council Tax-Demand on Collection Fund  
**(SURPLUS)/DEFICIT FOR YEAR**

2020/21	2021/22
Original Budget	Original Budget
(Based on outturn prices)	
£	£
5,823,150	7,320,440
662,840	655,850
2,575,720	2,449,910
811,110	907,520
5,315,370	6,600,060
1,012,470	1,304,330
531,570	212,940
1,271,670	2,237,590
1,258,840	70,490
995,710	3,859,600
34,000	-
(2,000,500)	(5,559,200)
65,000	(608,800)
<b>18,356,950</b>	<b>19,450,730</b>
474,090	483,570
486,000	739,000
(793,200)	(754,000)
(1,422,420)	(836,050)
(1,791,910)	(2,257,300)
2,548,750	2,599,730
<b>17,858,260</b>	<b>19,425,680</b>
(3,613,110)	(3,003,465)
874,000	886,000
1,678,710	1,280,000
<b>16,797,860</b>	<b>18,588,215</b>
(3,753,190)	(3,322,490)
<b>13,044,670</b>	<b>15,265,725</b>
(13,044,670)	(12,935,625)
-	<b>2,330,100</b>

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**Charlotte Spendley**  
**Finance, Strategy & Corporate Services Summary**

		<u><b>Service</b></u>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>Original to</b>
<b>Actual</b>		<b>Original</b>	<b>Original</b>	<b>Original</b>
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variance</b>
		<b>£</b>	<b>£</b>	<b>£</b>
-109 CE28	Family Champions	0	0	0
70,841 EC12	Planning Policy	112,140	112,140	0
67,194 EC14	Otterpool (Local Planning Authority)	0	-17,050	-17,050
0 EC15	Climate Change Fees	0	56,140	56,140
441,125 FD15	Corporate Management-Misc Expenditure	308,760	308,760	0
7,822 FD17	Brexit	0	0	0
-48,220 FD70	Corporate Management-Recharges	-50,000	-50,000	0
1,607,000 FF15	Pensions Back Funding	1,370,000	1,420,000	50,000
90,093 FH18	General Grants	89,500	82,000	-7,500
-161,701 FL05	Business Rates Collection	-172,030	-172,030	0
-318,363 FL20	Council Tax Collection	-412,680	-412,680	0
-22,323 FL21	Council Tax Benefits	-15,000	-15,000	0
-480,964 FL22	Council Tax Reduction Scheme	-273,110	-273,110	0
-355,097 FN01	Housing Benefits	-374,700	-229,700	145,000
195,484 FN02	Rent Rebates	315,720	315,720	0
<b>1,092,781</b>	<b>Service Total</b>	<b>898,600</b>	<b>1,125,190</b>	<b>226,590</b>

		<u><b>Administration</b></u>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>Original to</b>
<b>Actual</b>		<b>Original</b>	<b>Original</b>	<b>Original</b>
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variance</b>
		<b>£</b>	<b>£</b>	<b>£</b>
506,772 GA00	Accountancy	930,560	0	-930,560
187,532 GA04	Finance	0	571,980	571,980
318,056 GA05	Corporate Debt	398,840	0	-398,840
71,832 GA07	ICT & Infrastructure	65,920	606,150	540,230
75,552 GA08	Treasury Management	49,540	49,780	240
227,156 GA09	Case Management (Corporate Services)	0	1,824,660	1,824,660
1,022,316 GA20	Revenues & Benefits	1,236,730	528,730	-708,000
340,153 GA22	Systems Development & Projects	351,180	417,090	65,910
192,023 GA54	Printing Services	198,970	201,740	2,770
422,340 GM12	Strategy, Policy & Performance	484,840	661,640	176,800
617,169 GM19	ICT Operations	1,101,170	1,214,780	113,610
104,739 GP00	Internal Audit	106,800	118,700	11,900
<b>4,085,638</b>	<b>Administration Total</b>	<b>4,924,550</b>	<b>6,195,250</b>	<b>1,270,700</b>

Charlotte Spendley  
Finance, Strategy & Corporate Services Detail

		<u>Service</u>	2020/21 Original Budget £	2021/22 Original Budget £	Variances £
2019/20 Actual £					
<b>EC12 Planning Policy</b>					
88,287	1	Supplies & Services	112,140	112,140	0
88,287		<b>Gross Expenditure</b>	112,140	112,140	0
-17,446	2	Other Income	0	0	0
70,841		<b>Net Expenditure</b>	112,140	112,140	0
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
<b>EC14 Otterpool (Local Planning Authority)</b>					
15,555	1	Employees	0	0	0
199	2	Transport-Related Expenditure	0	0	0
51,439	3	Supplies & Services	0	260	260
67,194		<b>Gross Expenditure</b>	0	260	260
0	4	Other Income	0	-17,310	-17,310
67,194		<b>Net Expenditure</b>	0	-17,050	-17,050
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	4	Recharge from Otterpool LLP			-17,310
<b>EC15 Climate Change Fees</b>					
0	1	Employees	0	55,280	55,280
0	2	Supplies & Services	0	860	860
0		<b>Net Expenditure</b>	0	56,140	56,140
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	1	Budget re-alignment (GM12)			53,680
<b>FD15 Corporate Management</b>					
442,122	1	Supplies & Services	308,790	308,790	0
442,122		<b>Gross Expenditure</b>	308,790	308,790	0
-997	2	Other Income	-30	-30	0
441,125		<b>Net Expenditure</b>	308,760	308,760	0
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
<b>FD17 Brexit</b>					
5,704	1	Employees	0	0	0
2,117	2	Supplies & Services	0	0	0
7,822		<b>Net Expenditure</b>	0	0	0
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
<b>FD70 Corporate Management–Recharges</b>					
-48,220	1	Other Income	-50,000	-50,000	0
-48,220		<b>Net Expenditure</b>	-50,000	-50,000	0
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
<b>FF15 Pensions Back Funding</b>					
1,607,000	1	Employees	1,370,000	1,420,000	50,000
1,607,000		<b>Net Expenditure</b>	1,370,000	1,420,000	50,000
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	1	MTFS adjustment			50,000

FH18	<b>General Grants</b>			
	1 Supplies & Services	89,500	82,000	-7,500
	<b>Net Expenditure</b>	89,500	82,000	-7,500
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>			
	1 Permanent virement (CE38)			-7,500
FL05	<b>Business Rates Collection</b>			
	1 Supplies & Services	2,900	2,900	0
	<b>Gross Expenditure</b>	2,900	2,900	0
	2 Other Income	-174,930	-174,930	0
	<b>Net Expenditure</b>	-172,030	-172,030	0
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>			
FL20	<b>Council Tax Collection</b>			
	1 Supplies & Services	2,320	2,320	0
	<b>Gross Expenditure</b>	2,320	2,320	0
	2 Other Income	-415,000	-415,000	0
	<b>Net Expenditure</b>	-412,680	-412,680	0
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>			
FL21	<b>Council Tax Benefits</b>			
	1 Transfer Payments	-15,000	-15,000	0
	<b>Net Expenditure</b>	-15,000	-15,000	0
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>			
FL22	<b>Council Tax Reduction Scheme</b>			
	1 Employees	100	100	0
	2 Supplies & Services	0	0	0
	<b>Gross Expenditure</b>	100	100	0
	3 Other Income	-273,210	-273,210	0
	<b>Net Expenditure</b>	-273,110	-273,110	0
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>			
FN01	<b>Housing Benefits</b>			
	1 Supplies & Services	11,000	11,000	0
	2 Transfer Payments	23,549,820	23,694,820	145,000
	<b>Gross Expenditure</b>	23,560,820	23,705,820	145,000
	3 Other Income	-23,935,520	-23,935,520	0
	<b>Net Expenditure</b>	-374,700	-229,700	145,000
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>			
	2 MTFS adjustment - assumed increase in Rent Allowance payments			145,000
FN02	<b>Rent Rebates</b>			
	1 Transfer Payments	9,136,230	9,136,230	0
	<b>Gross Expenditure</b>	9,136,230	9,136,230	0
	2 Other Income	-8,820,510	-8,820,510	0
	<b>Net Expenditure</b>	315,720	315,720	0
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>			

# Administration

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>GA00 Accountancy</b>			
458,078	1 Employees	801,920	0	-801,920
2,810	2 Transport-Related Expenditure	2,100	0	-2,100
38,289	3 Supplies & Services	125,180	0	-125,180
14,670	4 Third Party Payments	23,360	0	-23,360
513,846	<b>Gross Expenditure</b>	952,560	0	-952,560
-7,074	5 Other Income	-22,000	0	22,000
506,772	<b>Net Expenditure</b>	930,560	0	-930,560

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1-5 Restructure of Establishment incl. Transformation (GA06, GA04 & GA09)	-930,560
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	<b>GA04 Finance</b>			
156,876	1 Employees	0	558,260	558,260
1,488	2 Transport-Related Expenditure	0	3,250	3,250
38,011	3 Supplies & Services	0	53,590	53,590
3,260	4 Third Party Payments	0	0	0
199,635	<b>Gross Expenditure</b>	0	615,100	615,100
-12,103	5 Other Income	0	-43,120	-43,120
187,532	<b>Net Expenditure</b>	0	571,980	571,980

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1-5 Restructure of Establishment incl. Transformation (GA00)	564,930
1 Employee Costs including Increments and Pension	50,170
5 Restructure of Establishment incl. Transformation (GA00)	-17,500
5 Recharge from Otterpool LLP	-26,220

	<b>GA05 Corporate Debt</b>			
293,037	1 Employees	354,510	0	-354,510
4,261	2 Transport-Related Expenditure	3,250	0	-3,250
21,433	3 Supplies & Services	27,550	0	-27,550
8,550	4 Third Party Payments	13,530	0	-13,530
327,281	<b>Gross Expenditure</b>	398,840	0	-398,840
-9,225	5 Other Income	0	0	0
318,056	<b>Net Expenditure</b>	398,840	0	-398,840

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1-5 Restructure of Establishment incl. Transformation (GA04 & GA09)	-398,840
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	<b>GA07 ICT &amp; Infrastructure</b>			
69,868	1 Employees	64,520	609,830	545,310
629	2 Transport-Related Expenditure	0	0	0
1,334	3 Supplies & Services	1,400	6,320	4,920
71,832	<b>Gross Expenditure</b>	65,920	616,150	550,230
0	4 Other Income	0	-10,000	-10,000
71,832	<b>Net Expenditure</b>	65,920	606,150	540,230

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Restructure of Establishment incl. Transformation (GA09 & GA22)	497,220
1 Introduction of new Housing Structure	40,650
1 Employee Costs including Increments and Pension	5,640
4 Recharge from Otterpool LLP	-10,000

	<b>GA08 Treasury Management</b>			
75,552	1 Supplies & Services	49,540	49,780	240
75,552	<b>Net Expenditure</b>	49,540	49,780	240

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GA09</b>	<b>Case Management (Corporate Services)</b>			
219,934	1 Employees	0	1,738,200	1,738,200
300	2 Transport-Related Expenditure	0	2,030	2,030
2,322	3 Supplies & Services	0	88,830	88,830
8,600	4 Third Party Payments	0	0	0
231,156	<b>Gross Expenditure</b>	0	1,829,060	1,829,060
-4,000	5 Other Income	0	-4,400	-4,400
227,156	<b>Net Expenditure</b>	0	1,824,660	1,824,660

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1-5 Restructure of Establishment incl. Transformation (GA00, GA05, GL52, GL53, GA20)	1,593,815
1 Introduction of new Housing Structure	197,450
1 Employee Costs including Increments and Pension	45,395
3 MTFS adjustment	-12,000

<b>GA20</b>	<b>Revenues &amp; Benefits</b>			
906,404	1 Employees	949,660	391,880	-557,780
11,140	2 Transport-Related Expenditure	10,200	10,200	0
117,409	3 Supplies & Services	130,440	127,210	-3,230
138,698	4 Third Party Payments	146,990	0	-146,990
1,173,651	<b>Gross Expenditure</b>	1,237,290	529,290	-708,000
-151,336	5 Other Income	-560	-560	0
1,022,316	<b>Net Expenditure</b>	1,236,730	528,730	-708,000

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Restructure of Establishment incl. Transformation (GA09)	-576,390
1 Employee Costs including Increments and Pension	18,610
4 Change in Outsourced Contract Recharges	-146,990

<b>GA22</b>	<b>Systems Development &amp; Projects</b>			
313,963	1 Employees	322,860	401,100	78,240
2,104	2 Transport-Related Expenditure	400	300	-100
14,305	3 Supplies & Services	18,080	15,690	-2,390
9,780	4 Third Party Payments	9,840	0	-9,840
340,153	<b>Net Expenditure</b>	351,180	417,090	65,910

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	37,560
1 Restructure of Establishment incl. Transformation (GA07 & GM37)	35,020
4 Change in Outsourced Contract Recharges	-9,840

<b>GA54</b>	<b>Printing Services</b>			
132,282	1 Employees	137,010	145,340	8,330
113	2 Transport-Related Expenditure	750	750	0
73,711	3 Supplies & Services	75,260	74,620	-640
4,890	4 Third Party Payments	4,920	0	-4,920
210,996	<b>Gross Expenditure</b>	217,940	220,710	2,770
-18,973	5 Other Income	-18,970	-18,970	0
192,023	<b>Net Expenditure</b>	198,970	201,740	2,770

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	8,330
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<b>GM12</b>	<b>Strategy, Policy &amp; Performance</b>			
401,363	1 Employees	474,550	654,270	179,720
1,370	2 Transport-Related Expenditure	1,220	1,220	0
12,655	3 Supplies & Services	9,070	8,350	-720
8,951	4 Third Party Payments	0	0	0
<u>424,340</u>	<b>Gross Expenditure</b>	<u>484,840</u>	<u>663,840</u>	<u>179,000</u>
-2,000	5 Other Income	0	-2,200	-2,200
<u>422,340</u>	<b>Net Expenditure</b>	<u>484,840</u>	<u>661,640</u>	<u>176,800</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Introduction of new Housing Structure	79,140
1 Restructure of Establishment incl. Transformation (GL21)	121,550
1 Budget re-alignment (EC15)	-53,680
1 Employee Costs including Increments and Pension	32,130

<b>GM19</b>	<b>ICT Operations</b>			
2,954	1 Employees	0	0	0
659,596	2 Supplies & Services	1,145,250	1,258,860	113,610
<u>662,550</u>	<b>Gross Expenditure</b>	<u>1,145,250</u>	<u>1,258,860</u>	<u>113,610</u>
-45,381	3 Other Income	-44,080	-44,080	0
<u>617,169</u>	<b>Net Expenditure</b>	<u>1,101,170</u>	<u>1,214,780</u>	<u>113,610</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

2 Approved Budget Strategy Growth	140,260
2 Approved Budget Strategy Savings	-29,000

<b>GP00</b>	<b>Internal Audit</b>			
104,739	1 Third Party Payments	106,800	118,700	11,900
<u>104,739</u>	<b>Net Expenditure</b>	<u>106,800</u>	<u>118,700</u>	<u>11,900</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Increased Audit fees	11,900
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**Andrina Smith**  
**Human Resources Summary**

			<u>Service</u>		
2019/20			2020/21	2021/22	Original to
Actual			Original	Original	Original
£			Budget	Budget	Variance
			£	£	£
17,961	FD16	Corporate Training	24,000	20,000	-4,000
<b>17,961</b>		<b>Service Total</b>	<b>24,000</b>	<b>20,000</b>	<b>-4,000</b>

			<u>Administration</u>		
2019/20			2020/21	2021/22	Original to
Actual			Original	Original	Original
£			Budget	Budget	Variance
			£	£	£
509,927	GL45	Organisational Development	553,750	500,720	-53,030
28,600	GL61	Transformation Project - Legal Expenses	0	0	0
-236	GM02	Pay Review Project	0	0	0
50,651	GM07	Payroll	51,320	49,850	-1,470
-93,155	GM08	Human Resources (Corporate Training)	-46,850	-58,840	-11,990
110,017	GM09	Human Resources (Central Costs)	80,620	69,620	-11,000
0	GM10	Central Training Budget	0	74,500	74,500
<b>605,805</b>		<b>Administration Total</b>	<b>638,840</b>	<b>635,850</b>	<b>-2,990</b>

**Andrina Smith  
Human Resources Detail**

		<u>Service</u>	2020/21 Original Budget £	2021/22 Original Budget £	Variances £
2019/20 Actual £					
	<b>FD16</b>	<b>Corporate Training</b>			
18,111		1 Employees	24,000	20,000	-4,000
-50		2 Supplies & Services	0	0	0
<u>18,061</u>		<b>Gross Expenditure</b>	<u>24,000</u>	<u>20,000</u>	<u>-4,000</u>
-100		3 Other Income	0	0	0
<u>17,961</u>		<b>Net Expenditure</b>	<u>24,000</u>	<u>20,000</u>	<u>-4,000</u>

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

## Administration

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>GL45 Organisational Development</b>			
446,162	1 Employees	495,930	463,820	-32,110
2,192	2 Transport-Related Expenditure	1,300	1,300	0
48,133	3 Supplies & Services	46,680	45,470	-1,210
13,440	4 Third Party Payments	9,840	0	-9,840
<u>509,927</u>	<b>Gross Expenditure</b>	<u>553,750</u>	<u>510,590</u>	<u>-43,160</u>
0	5 Other Income	0	-9,870	-9,870
<u>509,927</u>	<b>Net Expenditure</b>	<u>553,750</u>	<u>500,720</u>	<u>-53,030</u>

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	30,000
1 Restructure of Establishment incl. Transformation	-62,900
4 Change in Outsourced Contract Recharges	-9,840
5 Recharge from Otterpool LLP	-9,870

	<b>GL61 Transformation Project - Legal Expenses</b>			
28,600	1 Employees	0	0	0
<u>28,600</u>	<b>Net Expenditure</b>	<u>0</u>	<u>0</u>	<u>0</u>

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

	<b>GM02 Pay Review Project</b>			
-1,449	1 Employees	0	0	0
4	2 Supplies & Services	0	0	0
1,210	3 Third Party Payments	0	0	0
<u>-236</u>	<b>Net Expenditure</b>	<u>0</u>	<u>0</u>	<u>0</u>

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

	<b>GM07 Payroll</b>			
48,771	1 Premises-Related Expenditure	49,350	49,850	500
1,880	2 Supplies & Services	1,970	0	-1,970
<u>50,651</u>	<b>Net Expenditure</b>	<u>51,320</u>	<u>49,850</u>	<u>-1,470</u>

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

	<b>GM08 Human Resources (Corporate Training)</b>			
42,057	1 Employees	53,150	41,160	-11,990
<u>42,057</u>	<b>Gross Expenditure</b>	<u>53,150</u>	<u>41,160</u>	<u>-11,990</u>
-135,212	2 Other Income	-100,000	-100,000	0
<u>-93,155</u>	<b>Net Expenditure</b>	<u>-46,850</u>	<u>-58,840</u>	<u>-11,990</u>

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Approved Budget Strategy Savings	-12,000
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	<b>GM09 Human Resources (Central Costs)</b>			
95,861	1 Employees	58,220	50,220	-8,000
17,277	2 Supplies & Services	22,400	19,400	-3,000
<u>113,138</u>	<b>Gross Expenditure</b>	<u>80,620</u>	<u>69,620</u>	<u>-11,000</u>
-3,121	3 Other Income	0	0	0
<u>110,017</u>	<b>Net Expenditure</b>	<u>80,620</u>	<u>69,620</u>	<u>-11,000</u>

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Approved Budget Strategy Savings	-8,000
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<b>GM10</b>	<b>Central Training Budget</b>			
<u>0</u>	1 Employees	<u>0</u>	<u>74,500</u>	<u>74,500</u>
<u>0</u>	<b>Net Expenditure</b>	<u>0</u>	<u>74,500</u>	<u>74,500</u>
<b><i>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</i></b>				
	1 Centralisation of service training budgets			94,500
	1 Approved Budget Strategy Savings			-20,000

**Amandeep Khroud**  
**Governance & Law Summary**

		<u>Service</u>			
2019/20			2020/21	2021/22	Original to
Actual			Original	Original	Original
£			Budget	Budget	Variance
			£	£	£
-19,930	DA12	Street Naming & Numbering	-15,820	-15,820	0
732,996	EA01	Leas Cliff Hall	754,200	762,080	7,880
395,433	FE05	Members Allowances & Expenses	396,910	362,870	-34,040
23,548	FE15	Dem Rep & Man-Misc Expenditure	20,270	20,270	0
12,902	FE20	Civic Ceremonials	15,040	14,920	-120
-111,314	FE70	Democratic Representation-Recharges	-120,000	-120,000	0
88,722	FH03	Registration of Electors	80,270	80,420	150
164,469	FH04	Conducting Elections	48,000	48,000	0
<b>1,286,826</b>		<b>Service Total</b>	<b>1,178,870</b>	<b>1,152,740</b>	<b>-26,130</b>

		<u>Administration</u>			
2019/20			2020/21	2021/22	Original to
Actual			Original	Original	Original
£			Budget	Budget	Variance
			£	£	£
75,083	GA03	Client Side Unit	83,090	85,890	2,800
100,287	GA10	Procurement	93,990	100,600	6,610
2,138	GA11	Centralised Equipment	2,000	2,000	0
6,318	GA24	Corporate Consumables - Floors 1 & 2	3,500	3,500	0
218,525	GL00	Legal Services	272,340	272,400	60
112,687	GL41	Asst Director for Governance and Law	124,800	133,930	9,130
194,130	GL51	Democratic Services & Elections	111,160	203,250	92,090
81,263	GL52	Committee Services	125,460	0	-125,460
62,091	GL53	FOI & Info Governance Team	87,820	0	-87,820
28,989	GM14	Waste Contract	0	0	0
217,218	GM34	Waste Contract Management	209,210	214,290	5,080
314,496	GM37	Communications	236,790	234,160	-2,630
<b>1,413,223</b>		<b>Administration Total</b>	<b>1,350,160</b>	<b>1,250,020</b>	<b>-100,140</b>

		<u>Holding</u>			
2019/20			2020/21	2021/22	Original to
Actual			Original	Original	Original
£			Budget	Budget	Variance
			£	£	£
43,638	GX02	Civic Centre - Cleaning Contract	46,690	47,150	460
<b>43,638</b>		<b>Holding Total</b>	<b>46,690</b>	<b>47,150</b>	<b>460</b>

**Amandeep Khroud**  
**Governance & Law Services Detail**

		<u>Service</u>	2020/21 Original Budget	2021/22 Original Budget	Variances
<b>2019/20 Actual</b>					
	<b>DA12</b>	<b>Street Naming &amp; Numbering</b>			
-19,930		1 Other Income	-15,820	-15,820	0
-19,930		<b>Net Expenditure</b>	-15,820	-15,820	0
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	<b>EA01</b>	<b>Leas Cliff Hall</b>			
732,996		1 Third Party Payments	754,200	762,080	7,880
732,996		<b>Net Expenditure</b>	754,200	762,080	7,880
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
		1 Contract Inflation			7,880
	<b>FE05</b>	<b>Members Allowances &amp; Expenses</b>			
9,484		1 Employees	16,750	10,000	-6,750
8,828		2 Transport-Related Expenditure	7,000	7,000	0
341,081		3 Supplies & Services	347,340	345,870	-1,470
36,660		4 Third Party Payments	25,820	0	-25,820
396,054		<b>Gross Expenditure</b>	396,910	362,870	-34,040
-620		5 Other Income	0	0	0
395,433		<b>Net Expenditure</b>	396,910	362,870	-34,040
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
		1 Approved Budget Strategy Savings			-6,000
		4 Change in Outsourced Contract Recharges			-25,820
	<b>FE15</b>	<b>Dem Rep &amp; Man-Misc Expenditure</b>			
23,548		1 Supplies & Services	20,270	20,270	0
23,548		<b>Net Expenditure</b>	20,270	20,270	0
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	<b>FE20</b>	<b>Civic Ceremonials</b>			
5,284		1 Employees	5,000	5,000	0
2,573		2 Transport-Related Expenditure	3,130	3,020	-110
5,046		3 Supplies & Services	6,910	6,900	-10
12,902		<b>Net Expenditure</b>	15,040	14,920	-120
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	<b>FE70</b>	<b>Democratic Representation-Recharges</b>			
-111,314		1 Other Income	-120,000	-120,000	0
-111,314		<b>Net Expenditure</b>	-120,000	-120,000	0
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	<b>FH03</b>	<b>Registration of Electors</b>			
71,448		1 Employees	53,000	53,000	0
18,852		2 Supplies & Services	28,770	28,920	150
90,300		<b>Gross Expenditure</b>	81,770	81,920	150
-1,578		3 Other Income	-1,500	-1,500	0
88,722		<b>Net Expenditure</b>	80,270	80,420	150
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					

<b>FH04</b>	<b>Conducting Elections</b>			
1	1 Employees	0	0	0
128	2 Premises-Related Expenditure	0	0	0
164,341	3 Supplies & Services	48,000	48,000	0
<u>164,469</u>	<b>Net Expenditure</b>	<u>48,000</u>	<u>48,000</u>	<u>0</u>

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

## Administration

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>GA03 Client Side Unit</b>			
72,374	1 Employees	76,060	81,610	5,550
126	2 Transport-Related Expenditure	610	610	0
1,393	3 Supplies & Services	3,960	3,670	-290
1,210	4 Third Party Payments	2,460	0	-2,460
75,103	<b>Gross Expenditure</b>	83,090	85,890	2,800
-20	5 Other Income	0	0	0
75,083	<b>Net Expenditure</b>	83,090	85,890	2,800

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	5,550
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	<b>GA10 Procurement</b>			
107,956	1 Employees	101,830	110,460	8,630
367	2 Transport-Related Expenditure	150	200	50
3,549	3 Supplies & Services	3,590	3,980	390
2,450	4 Third Party Payments	2,460	0	-2,460
114,322	<b>Gross Expenditure</b>	108,030	114,640	6,610
-14,036	5 Other Income	-14,040	-14,040	0
100,287	<b>Net Expenditure</b>	93,990	100,600	6,610

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Restructure of Establishment incl. Transformation (GA09)	-37,400
1 Restructure of Establishment incl. Transformation	42,000

	<b>GA11 Centralised Equipment</b>			
2,138	1 Supplies & Services	2,000	2,000	0
2,138	<b>Net Expenditure</b>	2,000	2,000	0

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

	<b>GA24 Corporate Consumables - Floors 1 &amp; 2</b>			
6,318	1 Supplies & Services	3,500	3,500	0
6,318	<b>Net Expenditure</b>	3,500	3,500	0

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

	<b>GL00 Legal Services</b>			
208,273	1 Employees	256,240	278,650	22,410
1,510	2 Transport-Related Expenditure	2,000	2,000	0
48,793	3 Supplies & Services	51,000	41,980	-9,020
6,120	4 Third Party Payments	5,900	0	-5,900
264,696	<b>Gross Expenditure</b>	315,140	322,630	7,490
-46,171	5 Other Income	-42,800	-50,230	-7,430
218,525	<b>Net Expenditure</b>	272,340	272,400	60

### **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	22,410
3 Approved Budget Strategy Savings	-8,500
4 Change in Outsourced Contract Recharges	-5,900
5 Recharge from Otterpool LLP	-2,530
5 Recharge from Oportunitas	-4,600

<b>GL41 Asst Director for Governance and Law</b>				
109,194	1 Employees	120,920	131,560	10,640
30	2 Transport-Related Expenditure	500	500	0
2,253	3 Supplies & Services	2,150	1,870	-280
1,210	4 Third Party Payments	1,230	0	-1,230
<u>112,687</u>	<b>Net Expenditure</b>	<u>124,800</u>	<u>133,930</u>	<u>9,130</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1 Employee Costs including Increments and Pension			10,640
<b>GL51 Democratic Services &amp; Elections</b>				
177,803	1 Employees	101,930	197,030	95,100
752	2 Transport-Related Expenditure	780	1,250	470
11,905	3 Supplies & Services	4,760	4,970	210
3,670	4 Third Party Payments	3,690	0	-3,690
<u>194,130</u>	<b>Net Expenditure</b>	<u>111,160</u>	<u>203,250</u>	<u>92,090</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1 Restructure of Establishment incl. Transformation (GL52 & GL53)			89,760
	1 Employee Costs including Increments and Pension			8,450
<b>GL52 Committee Services</b>				
73,781	1 Employees	116,770	0	-116,770
286	2 Transport-Related Expenditure	400	0	-400
4,757	3 Supplies & Services	4,600	0	-4,600
2,440	4 Third Party Payments	3,690	0	-3,690
<u>81,263</u>	<b>Net Expenditure</b>	<u>125,460</u>	<u>0</u>	<u>-125,460</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1-4 Restructure of Establishment incl. Transformation (GA09 & GL51)			-125,460
<b>GL53 FOI &amp; Info Governance Team</b>				
57,627	1 Employees	81,670	0	-81,670
0	2 Transport-Related Expenditure	500	0	-500
2,024	3 Supplies & Services	1,710	0	-1,710
2,440	4 Third Party Payments	3,940	0	-3,940
<u>62,091</u>	<b>Net Expenditure</b>	<u>87,820</u>	<u>0</u>	<u>-87,820</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1-4 Restructure of Establishment incl. Transformation (GA09 & GL51)			-87,820
<b>GM14 Waste Contract</b>				
28,989	1 Supplies & Services	0	0	0
<u>28,989</u>	<b>Net Expenditure</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
<b>GM34 Waste Contract Management</b>				
141,963	1 Employees	148,560	159,190	10,630
5,045	2 Transport-Related Expenditure	3,200	3,200	0
5,321	3 Supplies & Services	7,530	6,900	-630
64,890	4 Third Party Payments	49,920	45,000	-4,920
<u>217,218</u>	<b>Net Expenditure</b>	<u>209,210</u>	<u>214,290</u>	<u>5,080</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1 Employee Costs including Increments and Pension			10,630

<b>GM37</b>	<b>Communications</b>			
231,004	1 Employees	204,850	210,380	5,530
197	2 Transport-Related Expenditure	200	200	0
87,569	3 Supplies & Services	34,850	34,070	-780
6,120	4 Third Party Payments	7,380	0	-7,380
324,890	<b>Gross Expenditure</b>	247,280	244,650	-2,630
-10,395	5 Other Income	-10,490	-10,490	0
314,496	<b>Net Expenditure</b>	236,790	234,160	-2,630

***Key Variances from Original Budget 2020/21 to Original Budget 2020/21***

1 Introduction of new Housing Structure	20,320
1 Restructure of Establishment incl. Transformation (GA22)	-11,930
1 Employee Costs including Increments and Pension	8,300
4 Change in Outsourced Contract Recharges	-7,380

		<b><u>Holding</u></b>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	
<b>Actual</b>		<b>Original</b>	<b>Original</b>	
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variances</b>
		<b>£</b>	<b>£</b>	<b>£</b>
<b>GX02</b>	<b>Civic Centre - Cleaning Contract</b>			
34,399	1 Premises-Related Expenditure	39,290	39,750	460
9,239	2 Supplies & Services	7,400	7,400	0
43,638	<b>Net Expenditure</b>	46,690	47,150	460

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

**Trudi Simpson  
Leadership Support Summary**

		<u><b>Service</b></u>		
<b>2019/20 Actual £</b>		<b>2020/21 Original Budget £</b>	<b>2021/22 Original Budget £</b>	<b>Original to Original Variance £</b>
3,232	FD19 Covid-19	0	0	0
<b>3,232</b>	<b>Service Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

		<u><b>Administration</b></u>		
<b>2019/20 Actual £</b>		<b>2020/21 Original Budget £</b>	<b>2021/22 Original Budget £</b>	<b>Original to Original Variance £</b>
43,991	GA06 Director of Corporate Services	0	139,070	139,070
-383	GB00 Corporate Centre	0	0	0
140,619	GL05 Director of Development	144,640	16,140	-128,500
141,035	GM00 Director of Transition & Transformation	148,450	160,100	11,650
169,975	GM01 Head of Paid Service	182,930	195,510	12,580
0	GM05 Director of Place	100,000	145,030	45,030
102,495	GM38 Leadership and PA Support	113,130	110,260	-2,870
115,258	GM39 Director of Housing & Operations	121,960	141,410	19,450
<b>712,990</b>	<b>Administration Total</b>	<b>811,110</b>	<b>907,520</b>	<b>96,410</b>

**Trudi Simpson  
Leadership Support Detail**

		<u>Service</u>	2020/21 Original Budget £	2021/22 Original Budget £	Variances £
2019/20 Actual £					
	<b>FD19</b>	<b>Covid-19</b>			
33,541		1 Premises-Related Expenditure	0	0	0
35,428		2 Supplies & Services	0	0	0
<u>68,969</u>		<b>Gross Expenditure</b>	<u>0</u>	<u>0</u>	<u>0</u>
-65,737		3 Other Income	0	0	0
<u>3,232</u>		<b>Net Expenditure</b>	<u>0</u>	<u>0</u>	<u>0</u>

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

# Administration

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>GA06 Director of Corporate Services</b>			
43,238	1 Employees	0	144,230	144,230
291	2 Transport-Related Expenditure	0	200	200
63	3 Supplies & Services	0	2,050	2,050
400	4 Third Party Payments	0	0	0
43,991	<b>Gross Expenditure</b>	0	146,480	146,480
0	5 Other Income	0	-7,410	-7,410
43,991	<b>Net Expenditure</b>	0	139,070	139,070

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1-4 Restructure of Establishment incl. Transformation (GA00)	146,480
5 Recharge from Otterpool LLP	-7,410

	<b>GL05 Director of Development</b>			
136,006	1 Employees	143,190	156,490	13,300
532	2 Transport-Related Expenditure	500	250	-250
2,870	3 Supplies & Services	2,950	2,490	-460
1,210	4 Third Party Payments	0	0	0
140,619	<b>Gross Expenditure</b>	146,640	159,230	12,590
0	5 Other Income	-2,000	-143,090	-141,090
140,619	<b>Net Expenditure</b>	144,640	16,140	-128,500

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	13,300
5 Recharge from Otterpool LLP	-143,090

	<b>GM00 Director of Transition &amp; Transformation</b>			
136,496	1 Employees	143,490	156,790	13,300
827	2 Transport-Related Expenditure	50	100	50
2,801	3 Supplies & Services	3,680	3,210	-470
1,210	4 Third Party Payments	1,230	0	-1,230
141,335	<b>Gross Expenditure</b>	148,450	160,100	11,650
-300	5 Other Income	0	0	0
141,035	<b>Net Expenditure</b>	148,450	160,100	11,650

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	13,300
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	<b>GM01 Head of Paid Service</b>			
160,239	1 Employees	178,010	191,900	13,890
1,274	2 Transport-Related Expenditure	300	100	-200
7,252	3 Supplies & Services	3,890	3,510	-380
1,210	4 Third Party Payments	1,230	0	-1,230
169,975	<b>Gross Expenditure</b>	183,430	195,510	12,080
0	5 Other Income	-500	0	500
169,975	<b>Net Expenditure</b>	182,930	195,510	12,580

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	13,890
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	<b>GM05 Director of Place</b>			
0	1 Employees	100,000	143,370	43,370
0	2 Supplies & Services	0	1,660	1,660
0	<b>Net Expenditure</b>	100,000	145,030	45,030

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	43,370
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<b>GM38</b>	<b>Leadership and PA Support</b>			
91,571	1 Employees	100,170	105,230	5,060
30	2 Transport-Related Expenditure	500	250	-250
6,004	3 Supplies & Services	6,080	4,780	-1,300
4,890	4 Third Party Payments	7,380	0	-7,380
<u>102,495</u>	<b>Gross Expenditure</b>	<u>114,130</u>	<u>110,260</u>	<u>-3,870</u>
0	5 Other Income	-1,000	0	1,000
<u>102,495</u>	<b>Net Expenditure</b>	<u>113,130</u>	<u>110,260</u>	<u>-2,870</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	5,060
4 Change in Outsourced Contract Recharges	-7,380

<b>GM39</b>	<b>Director of Housing &amp; Operations</b>			
115,838	1 Employees	120,470	143,760	23,290
55	2 Transport-Related Expenditure	0	0	0
2,155	3 Supplies & Services	2,260	2,050	-210
1,210	4 Third Party Payments	1,230	0	-1,230
<u>119,258</u>	<b>Gross Expenditure</b>	<u>123,960</u>	<u>145,810</u>	<u>21,850</u>
-4,000	5 Other Income	-2,000	-4,400	-2,400
<u>115,258</u>	<b>Net Expenditure</b>	<u>121,960</u>	<u>141,410</u>	<u>19,450</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	23,290
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**Ewan Green  
Place Summary**

**Service**

<b>2019/20 Actual £</b>		<b>2020/21 Original Budget £</b>	<b>2021/22 Original Budget £</b>	<b>Original to Original Variance £</b>
-151,292 BE57	Licensing	-144,420	-148,520	-4,100
-2,015 BE58	Caravan Sites	-3,060	-3,060	0
17,069 BF53	Crime and Disorder	20,850	25,220	4,370
164,347 BG50	Food Safety, Health and Safety etc	228,680	250,580	21,900
28,589 BG51	Pollution Reduction	59,370	51,870	-7,500
7,830 BG52	Pest Control	10,000	10,000	0
16,338 BG53	Unauthorised Encampments	18,000	18,000	0
977,509 CE10	Household Waste Collection	1,201,740	1,300,500	98,760
-122,668 CE11	Recycling and Waste	144,850	604,890	460,040
-158,339 CE20	Cemeteries	-144,720	-147,610	-2,890
1,909 CE25	Burials	2,000	2,000	0
48,934 CE31	Hythe Swimming Pool	13,380	119,060	105,680
10,841 CE51	Dog Control	6,980	6,980	0
-787 CE54	Litter & Fouling Enforcement	5,500	5,500	0
-111,576 CE58	Hackney Carriage Licensing	-90,700	-104,000	-13,300
999,277 CE60	Cleansing	1,176,170	1,437,830	261,660
1,000 ED15	Community Chest	0	0	0
85,585 ED40	Members Ward Allowance	90,000	90,000	0
43,247 ED41	Community Grants	50,060	45,460	-4,600
17,850 EE20	Sports Development Initiatives	19,850	19,850	0
150,000 EE25	Folkestone Sports Centre	150,000	150,000	0
22,275 ER02	Tall Ships Project	25,000	25,000	0
-117,807 FH57	Local Land Charges	-164,120	-165,800	-1,680
<b><u>1,928,116</u></b>	<b>Service Total</b>	<b><u>2,675,410</u></b>	<b><u>3,593,750</u></b>	<b><u>918,340</u></b>

**Administration**

<b>2019/20 Actual £</b>		<b>2020/21 Original Budget £</b>	<b>2021/22 Original Budget £</b>	<b>Original to Original Variance £</b>
848,089 GA23	Case Management (Place)	786,460	1,232,780	446,320
128 GA56	New Romney One Stop	120	0	-120
98,029 GA60	Civic Wardens	93,380	78,140	-15,240
805,729 GA62	Customer Services	917,000	837,770	-79,230
188,943 GL21	Community Safety	200,220	0	-200,220
289,450 GM36	Environmental Protection	310,380	465,630	155,250
147,894 GM44	Licensing	191,210	194,900	3,690
162,691 GM50	Area Officers	141,190	197,090	55,900
<b><u>2,540,951</u></b>	<b>Administration Total</b>	<b><u>2,639,960</u></b>	<b><u>3,006,310</u></b>	<b><u>366,350</u></b>

Ewan Green  
Place Detail

Service

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>BE57 Licensing</b>			
5,033	1 Premises-Related Expenditure	6,800	6,800	0
187	2 Transport-Related Expenditure	0	0	0
8,466	3 Supplies & Services	1,600	1,600	0
2,580	4 Third Party Payments	2,000	2,000	0
16,266	<b>Gross Expenditure</b>	10,400	10,400	0
-167,558	5 Other Income	-154,820	-158,920	-4,100
-151,292	<b>Net Expenditure</b>	-144,420	-148,520	-4,100

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

	<b>BE58 Caravan Sites</b>			
-2,015	1 Other Income	-3,060	-3,060	0
-2,015	<b>Net Expenditure</b>	-3,060	-3,060	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

	<b>BF53 Crime and Disorder</b>			
0	1 Transport-Related Expenditure	0	2,150	2,150
62,163	2 Supplies & Services	49,860	54,960	5,100
62,163	<b>Gross Expenditure</b>	49,860	57,110	7,250
-45,094	3 Other Income	-29,010	-31,890	-2,880
17,069	<b>Net Expenditure</b>	20,850	25,220	4,370

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

	<b>BG50 Food Safety, Health and Safety etc</b>			
154,828	1 Employees	213,400	245,320	31,920
5,016	2 Transport-Related Expenditure	5,700	5,200	-500
3,996	3 Supplies & Services	4,820	3,680	-1,140
4,870	4 Third Party Payments	7,380	0	-7,380
168,710	<b>Gross Expenditure</b>	231,300	254,200	22,900
-4,363	5 Other Income	-2,620	-3,620	-1,000
164,347	<b>Net Expenditure</b>	228,680	250,580	21,900

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

1 Employee Costs including Increments and Pension	-12,480
1 Approved Budget Strategy Growth	44,400
4 Change in Outsourced Contract Recharges	-7,380

	<b>BG51 Pollution Reduction</b>			
51,160	1 Supplies & Services	68,390	68,390	0
51,160	<b>Gross Expenditure</b>	68,390	68,390	0
-22,571	2 Other Income	-9,020	-16,520	-7,500
28,589	<b>Net Expenditure</b>	59,370	51,870	-7,500

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

2 Approved Budget Strategy Savings	-7,500
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	<b>BG52 Pest Control</b>			
7,830	1 Premises-Related Expenditure	10,000	10,000	0
7,830	<b>Net Expenditure</b>	10,000	10,000	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

	<b>BG53 Unauthorised Encampments</b>			
16,338	1 Supplies & Services	18,000	18,000	0
16,338	<b>Net Expenditure</b>	18,000	18,000	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
<b>CE10 Household Waste Collection</b>				
220,195	1 Premises-Related Expenditure	0	0	0
99,137	2 Supplies & Services	133,560	133,550	-10
1,046,234	3 Third Party Payments	1,206,760	1,476,630	269,870
1,365,566	<b>Gross Expenditure</b>	1,340,320	1,610,180	269,860
-388,057	4 Other Income	-138,580	-309,680	-171,100
977,509	<b>Net Expenditure</b>	1,201,740	1,300,500	98,760
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	3 Change in Outsourced Contract Recharges			269,870
	4 Approved Budget Strategy Savings			-170,000
<b>CE11 Recycling and Waste</b>				
20,938	1 Supplies & Services	23,120	23,230	110
1,319,807	2 Third Party Payments	1,522,320	1,862,770	340,450
1,340,745	<b>Gross Expenditure</b>	1,545,440	1,886,000	340,560
-1,463,413	3 Other Income	-1,400,590	-1,281,110	119,480
-122,668	<b>Net Expenditure</b>	144,850	604,890	460,040
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	2 Change in Outsourced Contract Recharges			340,450
	3 Approved Budget Strategy Savings			-90,000
	3 Approved Fees & Charges			-15,000
	3 MTFS adjustment - lower income from KCC			223,000
<b>CE20 Cemeteries</b>				
256	1 Supplies & Services	350	360	10
256	<b>Gross Expenditure</b>	350	360	10
-158,595	2 Other Income	-145,070	-147,970	-2,900
-158,339	<b>Net Expenditure</b>	-144,720	-147,610	-2,890
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
<b>CE25 Burials</b>				
14,226	1 Supplies & Services	3,000	3,000	0
14,226	<b>Gross Expenditure</b>	3,000	3,000	0
-12,317	2 Other Income	-1,000	-1,000	0
1,909	<b>Net Expenditure</b>	2,000	2,000	0
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
<b>CE31 Hythe Swimming Pool</b>				
256,789	1 Employees	243,000	250,330	7,330
34,438	2 Supplies & Services	40,160	48,370	8,210
31,210	3 Third Party Payments	32,460	0	-32,460
322,437	<b>Gross Expenditure</b>	315,620	298,700	-16,920
-273,503	4 Other Income	-302,240	-179,640	122,600
48,934	<b>Net Expenditure</b>	13,380	119,060	105,680
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1 Employee Costs including Increments and Pension			8,830
	2 Approved Budget Strategy Growth			10,000
	3 Approved Budget Strategy Savings			-30,000
	4 MTFS adjustment - anticipated lower income			125,000

<b>CE51</b>	<b>Dog Control</b>			
2,792	1 Transport-Related Expenditure	1,820	1,820	0
11,308	2 Supplies & Services	10,060	10,060	0
14,100	<b>Gross Expenditure</b>	11,880	11,880	0
-3,259	3 Other Income	-4,900	-4,900	0
10,841	<b>Net Expenditure</b>	6,980	6,980	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>CE54</b>	<b>Litter &amp; Fouling Enforcement</b>			
1,333	1 Supplies & Services	7,500	7,500	0
1,333	<b>Gross Expenditure</b>	7,500	7,500	0
-2,120	2 Other Income	-2,000	-2,000	0
-787	<b>Net Expenditure</b>	5,500	5,500	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>CE58</b>	<b>Hackney Carriage Licensing</b>			
22,611	1 Supplies & Services	21,870	21,870	0
22,611	<b>Gross Expenditure</b>	21,870	21,870	0
-134,187	2 Other Income	-112,570	-125,870	-13,300
-111,576	<b>Net Expenditure</b>	-90,700	-104,000	-13,300

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

2 Approved Fees & Charges	-13,300
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<b>CE60</b>	<b>Cleansing</b>			
14,328	1 Supplies & Services	17,000	17,000	0
1,014,310	2 Third Party Payments	1,170,020	1,431,680	261,660
1,028,638	<b>Gross Expenditure</b>	1,187,020	1,448,680	261,660
-29,361	3 Other Income	-10,850	-10,850	0
999,277	<b>Net Expenditure</b>	1,176,170	1,437,830	261,660

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

2 Change in Outsourced Contract Recharges	261,660
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<b>ED15</b>	<b>Community Chest</b>			
1,000	Supplies & Services	0	0	0
1,000	<b>Net Expenditure</b>	0	0	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>ED40</b>	<b>Members Ward Allowance</b>			
85,585	1 Supplies & Services	90,000	90,000	0
85,585	<b>Net Expenditure</b>	90,000	90,000	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>ED41</b>	<b>Community Grants</b>			
15	1 Employees	0	0	0
43,232	2 Supplies & Services	50,060	45,460	-4,600
43,247	<b>Net Expenditure</b>	50,060	45,460	-4,600

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>EE20</b>	<b>Sports Development Initiatives</b>			
17,850	1 Supplies & Services	19,850	19,850	0
17,850	<b>Net Expenditure</b>	19,850	19,850	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>EE25</b>	<b>Folkestone Sports Centre</b>			
150,000	1 Supplies & Services	150,000	150,000	0
<u>150,000</u>	<b>Net Expenditure</b>	<u>150,000</u>	<u>150,000</u>	<u>0</u>

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

<b>ER02</b>	<b>Tall Ships Project</b>			
23,463	1 Supplies & Services	25,000	25,000	0
<u>23,463</u>	<b>Gross Expenditure</b>	<u>25,000</u>	<u>25,000</u>	<u>0</u>
-1,188	2 Other Income	0	0	0
<u>22,275</u>	<b>Net Expenditure</b>	<u>25,000</u>	<u>25,000</u>	<u>0</u>

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

<b>FH57</b>	<b>Local Land Charges</b>			
31,573	1 Supplies & Services	50,880	50,800	-80
<u>31,573</u>	<b>Gross Expenditure</b>	<u>50,880</u>	<u>50,800</u>	<u>-80</u>
-149,380	2 Other Income	-215,000	-216,600	-1,600
<u>-117,807</u>	<b>Net Expenditure</b>	<u>-164,120</u>	<u>-165,800</u>	<u>-1,680</u>

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

# Administration

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>GA23 Case Management (Place)</b>			
792,011	1 Employees	735,660	1,217,150	481,490
154	2 Transport-Related Expenditure	200	200	0
21,538	3 Supplies & Services	18,630	15,430	-3,200
34,386	4 Third Party Payments	31,970	0	-31,970
<u>848,089</u>	<b>Net Expenditure</b>	<u>786,460</u>	<u>1,232,780</u>	<u>446,320</u>

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Introduction of new Housing Structure	279,000
1 Employee Costs including Increments and Pension	39,000
1 Restructure of Establishment incl. Transformation (GM20)	53,810
1 Restructure of Establishment incl. Transformation	109,680
4 Change in Outsourced Contract Recharges	-31,970

	<b>GA56 New Romney One Stop</b>			
128	1 Supplies & Services	120	0	-120
<u>128</u>	<b>Net Expenditure</b>	<u>120</u>	<u>0</u>	<u>-120</u>

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

	<b>GA60 Civic Wardens</b>			
88,965	1 Employees	82,140	72,510	-9,630
43	2 Transport-Related Expenditure	150	150	0
7,124	3 Supplies & Services	9,030	8,340	-690
4,890	4 Third Party Payments	4,920	0	-4,920
<u>101,023</u>	<b>Gross Expenditure</b>	<u>96,240</u>	<u>81,000</u>	<u>-15,240</u>
-2,994	5 Other Income	-2,860	-2,860	0
<u>98,029</u>	<b>Net Expenditure</b>	<u>93,380</u>	<u>78,140</u>	<u>-15,240</u>

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Restructure of Establishment incl. Transformation	-12,130
4 Change in Outsourced Contract Recharges	-4,920

	<b>GA62 Customer Services</b>			
748,896	1 Employees	829,870	803,550	-26,320
197	2 Transport-Related Expenditure	600	400	-200
28,920	3 Supplies & Services	37,930	30,740	-7,190
56,140	4 Third Party Payments	78,020	32,500	-45,520
<u>834,153</u>	<b>Gross Expenditure</b>	<u>946,420</u>	<u>867,190</u>	<u>-79,230</u>
-28,424	5 Other Income	-29,420	-29,420	0
<u>805,729</u>	<b>Net Expenditure</b>	<u>917,000</u>	<u>837,770</u>	<u>-79,230</u>

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	54,020
1 Restructure of Establishment incl. Transformation	-72,360
1 Approved Budget Strategy Savings	-10,000
3 Approved Budget Strategy Savings	-5,600
4 Change in Outsourced Contract Recharges	-40,520
4 Approved Budget Strategy Savings	-5,000

	<b>GL21 Community Safety</b>			
166,894	1 Employees	170,870	0	-170,870
4,625	2 Transport-Related Expenditure	6,760	0	-6,760
13,763	3 Supplies & Services	15,210	0	-15,210
3,660	4 Third Party Payments	7,380	0	-7,380
<u>188,943</u>	<b>Net Expenditure</b>	<u>200,220</u>	<u>0</u>	<u>-200,220</u>

## **Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1-4 Restructure of Establishment incl. Transformation (GM12, GM36 & GM50)	-200,220
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<b>GM36</b>	<b>Environmental Protection</b>			
263,155	1 Employees	281,160	441,270	160,110
5,113	2 Transport-Related Expenditure	3,700	5,950	2,250
12,920	3 Supplies & Services	16,980	18,480	1,500
8,550	4 Third Party Payments	8,610	0	-8,610
<u>289,738</u>	<b>Gross Expenditure</b>	<u>310,450</u>	<u>465,700</u>	<u>155,250</u>
-289	5 Other Income	-70	-70	0
<u>289,450</u>	<b>Net Expenditure</b>	<u>310,380</u>	<u>465,630</u>	<u>155,250</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	26,630
1 Approved Budget Strategy Growth - new posts	88,310
1 Restructure of Establishment incl. Transformation (GL21)	46,610
4 Change in Outsourced Contract Recharges	-8,610

<b>GM44</b>	<b>Licensing</b>			
138,781	1 Employees	181,580	189,880	8,300
2,621	2 Transport-Related Expenditure	3,000	3,000	0
2,832	3 Supplies & Services	2,940	2,020	-920
3,660	4 Third Party Payments	3,690	0	-3,690
<u>147,894</u>	<b>Net Expenditure</b>	<u>191,210</u>	<u>194,900</u>	<u>3,690</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	16,920
1 Restructure of Establishment incl. Transformation	-38,530
1 Approved Budget Strategy Growth - new post	36,800

<b>GM50</b>	<b>Area Officers</b>			
126,097	1 Employees	126,340	182,040	55,700
23,464	2 Transport-Related Expenditure	7,100	7,210	110
8,240	3 Supplies & Services	7,750	7,840	90
4,890	4 Third Party Payments	0	0	0
<u>162,691</u>	<b>Net Expenditure</b>	<u>141,190</u>	<u>197,090</u>	<u>55,900</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Restructure of Establishment incl. Transformation (GL21)	40,000
1 Employee Costs including Increments and Pension	15,000

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**Katharine Harvey**  
**Economic Development Summary**

		<u><b>Service</b></u>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>Original to</b>
<b>Actual</b>		<b>Original</b>	<b>Original</b>	<b>Original</b>
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variance</b>
		<b>£</b>	<b>£</b>	<b>£</b>
118,172	ED10	282,330	249,350	-32,980
38,916	ED12	31,980	-8,120	-40,100
9,171	ED13	0	0	0
0	ED14	468,410	830,380	361,970
46,038	ED16	21,940	17,320	-4,620
71,786	ED54	0	0	0
81,076	ED55	0	0	0
25,000	EE23	0	0	0
40,355	ES05	40,360	40,360	0
<b>430,522</b>	<b>Service Total</b>	<b>845,020</b>	<b>1,129,290</b>	<b>284,270</b>

		<u><b>Administration</b></u>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>Original to</b>
<b>Actual</b>		<b>Original</b>	<b>Original</b>	<b>Original</b>
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variance</b>
		<b>£</b>	<b>£</b>	<b>£</b>
166,565	GM30	167,450	175,040	7,590
<b>166,565</b>	<b>Administration Total</b>	<b>167,450</b>	<b>175,040</b>	<b>7,590</b>

Katharine Harvey  
Economic Development Detail

		<u>Service</u>	2020/21 Original Budget £	2021/22 Original Budget £	Variances £
2019/20 Actual £					
<b>ED10 Regen &amp; Economic Development</b>					
238	1	Transport-Related Expenditure	0	0	0
117,934	2	Supplies & Services	282,330	249,350	-32,980
118,172		<b>Net Expenditure</b>	282,330	249,350	-32,980
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	2	MTFS adjustment			-13,000
	2	Approved Budget Strategy Savings			-20,000
<b>ED12 Rural Regeneration Initiatives</b>					
36,321	1	Employees	37,490	0	-37,490
944	2	Transport-Related Expenditure	1,500	500	-1,000
17,108	3	Supplies & Services	11,760	11,380	-380
1,210	4	Third Party Payments	1,230	0	-1,230
55,583		<b>Gross Expenditure</b>	51,980	11,880	-40,100
-16,667	5	Other Income	-20,000	-20,000	0
38,916		<b>Net Expenditure</b>	31,980	-8,120	-40,100
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	1	Restructure of Establishment incl. Transformation			-37,490
<b>ED13 European Initiatives</b>					
9,171	1	Supplies & Services	0	0	0
9,171		<b>Net Expenditure</b>	0	0	0
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
<b>ED14 High Street Innovation Fund</b>					
0	1	Employees	0	30,250	30,250
0	2	Supplies & Services	468,410	800,130	331,720
0		<b>Net Expenditure</b>	468,410	830,380	361,970
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	1	Employee Costs including Increments and Pension			30,250
	2	MTFS adjustment			331,720
<b>ED16 Folkestone CLLD</b>					
65,395	1	Employees	100,890	96,580	-4,310
251	2	Transport-Related Expenditure	200	200	0
3,607	3	Supplies & Services	6,440	6,130	-310
69,253		<b>Gross Expenditure</b>	107,530	102,910	-4,620
-23,215	4	Other Income	-85,590	-85,590	0
46,038		<b>Net Expenditure</b>	21,940	17,320	-4,620
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					

<b>ED17</b>	<b>CLLD ESF Projects</b>			
78,302	1 Supplies & Services	0	0	0
78,302	<b>Gross Expenditure</b>	0	0	0
-78,302	2 Other Income	0	0	0
0	<b>Net Expenditure</b>	0	0	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

<b>ED18</b>	<b>CLLD ERDF Projects</b>			
29,122	1 Supplies & Services	0	0	0
29,122	<b>Gross Expenditure</b>	0	0	0
-29,122	2 Other Income	0	0	0
0	<b>Net Expenditure</b>	0	0	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

<b>ED54</b>	<b>Corporate Investment Initiatives</b>			
2,640	1 Employees	0	0	0
69,146	2 Supplies & Services	0	0	0
71,786	<b>Net Expenditure</b>	0	0	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

<b>ED55</b>	<b>Town Centre Regeneration Initiatives</b>			
246	1 Transport-Related Expenditure	0	0	0
80,829	2 Supplies & Services	0	0	0
81,076	<b>Net Expenditure</b>	0	0	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

<b>EE23</b>	<b>Folkestone Airshow</b>			
25,000	1 Supplies & Services	0	0	0
25,000	<b>Net Expenditure</b>	0	0	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

<b>ES05</b>	<b>Environmental Initiatives</b>			
40,360	1 Supplies & Services	40,360	40,360	0
40,360	<b>Gross Expenditure</b>	40,360	40,360	0
-5	2 Other Income	0	0	0
40,355	<b>Net Expenditure</b>	40,360	40,360	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

Administration

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>GM30      Regeneration &amp; Economic Development</b>			
156,531	1 Employees	157,540	169,560	12,020
3,295	2 Transport-Related Expenditure	3,000	2,500	-500
3,079	3 Supplies & Services	3,220	2,980	-240
3,660	4 Third Party Payments	3,690	0	-3,690
<u>166,565</u>	<b>Net Expenditure</b>	<u>167,450</u>	<u>175,040</u>	<u>7,590</u>
 <b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1 Employee Costs including Increments and Pension			12,020

**Llywelyn Lloyd  
Planning Summary**

		<b><u>Service</u></b>		
<b>2019/20 Actual £</b>		<b>2020/21 Original Budget £</b>	<b>2021/22 Original Budget £</b>	<b>Original to Original Variance £</b>
-247,349 DA10	Building Control	-299,260	-291,660	7,600
-988,172 DA11	Development Control	-789,090	-942,790	-153,700
<b><u>-1,235,521</u></b>	<b>Service Total</b>	<b><u>-1,088,350</u></b>	<b><u>-1,234,450</u></b>	<b><u>-146,100</u></b>
		<b><u>Administration</u></b>		
1,151,693 GM20	Development Management	1,293,150	1,189,930	-103,220
243,236 GM21	Building Control	326,770	257,460	-69,310
<b><u>1,394,929</u></b>	<b>Administration Total</b>	<b><u>1,619,920</u></b>	<b><u>1,447,390</u></b>	<b><u>-172,530</u></b>

**Llywelyn Lloyd  
Planning Detail**

		<u>Service</u>	2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
2019/20 Actual £					
	<b>DA10</b>	<b>Building Control</b>			
3,751		1 Supplies & Services	1,680	1,680	0
3,751		<b>Gross Expenditure</b>	1,680	1,680	0
-251,100		2 Other Income	-300,940	-293,340	7,600
-247,349		<b>Net Expenditure</b>	-299,260	-291,660	7,600
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
		2 Approved Budget Strategy Growth			10,000
	<b>DA11</b>	<b>Development Control</b>			
0		1 Transport-Related Expenditure	500	0	-500
112,711		2 Supplies & Services	109,210	109,210	0
1,210		3 Third Party Payments	0	0	0
113,921		<b>Gross Expenditure</b>	109,710	109,210	-500
-1,102,093		4 Other Income	-898,800	-1,052,000	-153,200
-988,172		<b>Net Expenditure</b>	-789,090	-942,790	-153,700
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
		4 Approved Fees & Charges			-11,200
		4 Approved Budget Strategy Growth			15,000
		4 Approved Budget Strategy Savings			-157,000

**Administration**

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>GM20 Development Management</b>			
1,085,698	1 Employees	1,116,190	1,148,500	32,310
15,590	2 Transport-Related Expenditure	15,520	13,520	-2,000
35,959	3 Supplies & Services	137,010	35,450	-101,560
17,110	4 Third Party Payments	31,970	0	-31,970
1,154,357	<b>Gross Expenditure</b>	1,300,690	1,197,470	-103,220
-2,664	5 Other Income	-7,540	-7,540	0
1,151,693	<b>Net Expenditure</b>	1,293,150	1,189,930	-103,220

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 MTFS adjustment - reduction in temporary staff costs	-75,000
1 Restructure of Establishment incl. Transformation (GA23)	53,810
1 Employee Costs including Increments and Pension	59,800
3 MTFS adjustment - reduction in professional fees	-100,000
4 Change in Outsourced Contract Recharges	-31,970

	<b>GM21 Building Control</b>			
224,808	1 Employees	304,410	242,310	-62,100
4,179	2 Transport-Related Expenditure	2,100	2,100	0
9,795	3 Supplies & Services	16,440	14,150	-2,290
4,870	4 Third Party Payments	4,920	0	-4,920
243,652	<b>Gross Expenditure</b>	327,870	258,560	-69,310
-417	5 Other Income	-1,100	-1,100	0
243,236	<b>Net Expenditure</b>	326,770	257,460	-69,310

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Restructure of Establishment incl. Transformation	-76,000
1 Employee Costs including Increments and Pension	10,420

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**Andy Blaszkowicz**  
**Operations Summary**

		<u><b>Service</b></u>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>Original to</b>
<b>Actual</b>		<b>Original</b>	<b>Original</b>	<b>Original</b>
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variance</b>
		<b>£</b>	<b>£</b>	<b>£</b>
3,430 CE02	Street Furniture	20,040	15,040	-5,000
8,860 CE03	Passenger Shelters	17,550	10,050	-7,500
102,475 CE04	Street Lighting	71,300	71,300	0
-271,379 CE30	Outdoor Sports and Recreation	-27,220	-27,220	0
CE33/				
-14,596 CE34	RMC-Ecology&Habitat MTCE(HLF)	-12,750	-12,420	330
1,771 CE36	Royal Military Canal Drainage Functions	8,440	5,440	-3,000
20,775 CE37	RMC - Bridge Painting	22,480	22,480	0
713,267 CE38	Community Parks & Open Spaces	883,320	947,670	64,350
-1,166,503 CE40	Off-Street Parking	-1,246,620	-955,040	291,580
-258,585 CE45	On-Street Parking Enforcement	-240,600	-122,040	118,560
37,117 CE52	Public Conveniences	33,400	33,400	0
-7,243 CE55	Communities - Events	0	0	0
24,165 CE99	Other Environmental Services	40,100	34,100	-6,000
-232,624 CG55	Sewerage Services	0	0	0
-161,434 CG80	Coast Protection	-163,590	-155,690	7,900
-35,101 CG85	Shoreline Management	-32,980	-33,280	-300
11,216 CG90	Flood Defence & Land Drainage	14,650	14,650	0
3,325 EA11	Leas Bandstand	3,200	3,200	0
-7,033 EA12	Hythe Beach Chalets	-7,980	-7,980	0
-18,200 EB02	Mountfield Industrial Estate	-91,030	-91,030	0
16,495 FH25	Emergency Planning	21,800	18,600	-3,200
-181,783 HH51	Lifeline Facilities	-161,380	-154,570	6,810
<b>-1,411,584</b>	<b>Service Total</b>	<b>-847,870</b>	<b>-383,340</b>	<b>464,530</b>

		<u><b>Administration</b></u>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>Original to</b>
<b>Actual</b>		<b>Original</b>	<b>Original</b>	<b>Original</b>
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variance</b>
		<b>£</b>	<b>£</b>	<b>£</b>
188,390 GM18	Maintenance Officers	222,880	231,790	8,910
112,416 GM23	Parking Services	118,350	121,890	3,540
85,416 GM25	Grounds Maintenance Contract Management	87,080	0	-87,080
230,684 GM31	Engineering and Buildings	253,990	297,550	43,560
166,924 GM32	Estates and Assets	206,030	205,440	-590
<b>783,830</b>	<b>Administration Total</b>	<b>888,330</b>	<b>856,670</b>	<b>-31,660</b>

**Holding**

<b>2019/20 Actual £</b>		<b>2020/21 Original Budget £</b>	<b>2021/22 Original Budget £</b>	<b>Original to Original Variance £</b>
1,222,714 GE01	Grounds Maintenance	1,303,410	1,414,690	111,280
207,182 GE05	Charity Areas	217,920	224,530	6,610
65,270 GE06	Royal Military Canal	77,780	79,930	2,150
114,551 GE07	Toilet Cleaning	141,200	145,640	4,440
1,553 GE08	Pump Maintenance Crew	1,410	4,200	2,790
115,409 GX00	Civic Centre	122,240	137,090	14,850
1,349 GX05	Hawkinge Depot	3,090	2,220	-870
114,175 GX10	Public Toilets	111,940	109,990	-1,950
19,703 GX20	Parks & Open Spaces Buildings	10,840	10,840	0
10,536 GX21	Royal Military Canal Buildings	6,050	6,050	0
99 GX22	Hythe Beach Huts	130	130	0
631 GX23	Bandstand	2,420	2,410	-10
15,025 GX24	Sports & Recreation Buildings	24,630	19,610	-5,020
51,688 GX25	Charity Parks & Open Spaces	33,930	35,440	1,510
121,440 GX27	Hythe Swimming Pool	118,220	133,180	14,960
223,227 GX30	Car Parks	228,370	217,110	-11,260
96,848 GX40	Prog Planned Maintenance	107,000	91,000	-16,000
40,871 GX50	Depots & Cemetery Buildings	39,420	43,410	3,990
0 GX52	Mountfield Road Depot	390	190	-200
-243,482 GX53	Misc Corporate Property	-232,860	-264,080	-31,220
297 GX54	Christchurch Tower	310	310	0
1,431 GX60	Mountfield Industrial Estate	3,800	2,910	-890
0 GX65	Debenhams Site	0	152,250	152,250
0 GX80	Misc Otterpool Property	0	16,030	16,030
-12,441 GX81	Connect 38	-1,096,530	-841,920	254,610
18,600 GX82	Westenhanger Castle	0	0	0
0 GX83	Memorial Arch	6,000	21,000	15,000
0 GX89	Misc Agricultural Property	100	100	0
<b><u>2,186,677</u></b>	<b>Holding Total</b>	<b><u>1,231,210</u></b>	<b><u>1,764,260</u></b>	<b><u>533,050</u></b>

**Andy Blaszkowicz**  
**Operations Detail**

		<u>Service</u>	2020/21 Original Budget £	2021/22 Original Budget £	Variances £
2019/20 Actual £					
<b>CE02 Street Furniture</b>					
3,430	1	Supplies & Services	20,040	15,040	-5,000
<u>3,430</u>		<b>Net Expenditure</b>	<u>20,040</u>	<u>15,040</u>	<u>-5,000</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	1	Approved Budget Strategy Savings			-5,000
<b>CE03 Passenger Shelters</b>					
8,793	1	Premises-Related Expenditure	17,550	10,050	-7,500
67	2	Supplies & Services	0	0	0
<u>8,860</u>		<b>Net Expenditure</b>	<u>17,550</u>	<u>10,050</u>	<u>-7,500</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
	1	Approved Budget Strategy Savings			-7,500
<b>CE04 Street Lighting</b>					
46,655	1	Premises-Related Expenditure	35,000	35,000	0
55,820	2	Supplies & Services	36,300	36,300	0
<u>102,475</u>		<b>Net Expenditure</b>	<u>71,300</u>	<u>71,300</u>	<u>0</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
<b>CE30 Outdoor Sports and Recreation</b>					
7,500	1	Supplies & Services	7,500	7,500	0
<u>7,500</u>		<b>Gross Expenditure</b>	<u>7,500</u>	<u>7,500</u>	<u>0</u>
-278,879	2	Other Income	-34,720	-34,720	0
<u>-271,379</u>		<b>Net Expenditure</b>	<u>-27,220</u>	<u>-27,220</u>	<u>0</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					
<b>CE33/CE34 RMC-Ecology&amp;Habitat MTCE(HLF)</b>					
240	1	Employees	240	240	0
1,014	2	Supplies & Services	170	500	330
<u>1,254</u>		<b>Gross Expenditure</b>	<u>410</u>	<u>740</u>	<u>330</u>
-15,850	3	Other Income	-13,160	-13,160	0
<u>-14,596</u>		<b>Net Expenditure</b>	<u>-12,750</u>	<u>-12,420</u>	<u>330</u>
<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>					

<b>CE36</b>	<b>Royal Military Canal Drainage Functions</b>			
8,255	1 Premises-Related Expenditure	8,440	5,440	-3,000
8,255	<b>Gross Expenditure</b>	8,440	5,440	-3,000
-6,484	2 Other Income	0	0	0
1,771	<b>Net Expenditure</b>	8,440	5,440	-3,000

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>CE37</b>	<b>RMC - Bridge Painting</b>			
20,775	1 Premises-Related Expenditure	22,480	22,480	0
20,775	<b>Net Expenditure</b>	22,480	22,480	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>CE38</b>	<b>Community Parks &amp; Open Spaces</b>			
475,541	1 Supplies & Services	598,820	606,320	7,500
220,390	2 Third Party Payments	254,210	311,060	56,850
52,200	3 Contributions to Provisions	52,200	52,200	0
748,131	<b>Gross Expenditure</b>	905,230	969,580	64,350
-34,864	4 Other Income	-21,910	-21,910	0
713,267	<b>Net Expenditure</b>	883,320	947,670	64,350

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Permanent virement (FH18)	7,500
2 Change in Outsourced Contract Recharges	56,850

<b>CE40</b>	<b>Off-Street Parking</b>			
66,486	1 Premises-Related Expenditure	27,560	27,590	30
76,169	2 Supplies & Services	84,300	74,330	-9,970
99,784	3 Third Party Payments	101,670	109,190	7,520
242,440	<b>Gross Expenditure</b>	213,530	211,110	-2,420
-1,408,943	4 Other Income	-1,460,150	-1,166,150	294,000
-1,166,503	<b>Net Expenditure</b>	-1,246,620	-955,040	291,580

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

2 Approved Budget Strategy Savings	-10,000
3 Change in Outsourced Contract Recharges	7,520
4 MTFS adjustment - anticipated lower income	294,000

<b>CE45</b>	<b>On-Street Parking Enforcement</b>			
34,799	1 Premises-Related Expenditure	39,400	31,400	-8,000
94,383	2 Supplies & Services	99,790	71,330	-28,460
326,898	3 Third Party Payments	323,210	334,600	11,390
456,079	<b>Gross Expenditure</b>	462,400	437,330	-25,070
-714,665	4 Other Income	-703,000	-559,370	143,630
-258,585	<b>Net Expenditure</b>	-240,600	-122,040	118,560

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Approved Budget Strategy Savings	-8,000
2 Approved Budget Strategy Savings	-28,500
3 Change in Outsourced Contract Recharges	11,390
4 MTFS adjustment - anticipated lower income	147,630
4 Approved Budget Strategy Savings	-4,000

<b>CE52</b>	<b>Public Conveniences</b>			
42,305	1 Supplies & Services	42,150	42,150	0
42,305	<b>Gross Expenditure</b>	42,150	42,150	0
-5,188	2 Other Income	-8,750	-8,750	0
37,117	<b>Net Expenditure</b>	33,400	33,400	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>CE55</b>	<b>Communities - Events</b>			
2	1 Transport-Related Expenditure	0	0	0
305	2 Supplies & Services	0	0	0
307	<b>Gross Expenditure</b>	0	0	0
-7,550	3 Other Income	0	0	0
-7,243	<b>Net Expenditure</b>	0	0	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>CE99</b>	<b>Other Environmental Services</b>			
178	1 Employees	0	0	0
276	2 Premises-Related Expenditure	0	0	0
72	3 Transport-Related Expenditure	100	100	0
23,639	4 Supplies & Services	40,000	34,000	-6,000
24,165	<b>Net Expenditure</b>	40,100	34,100	-6,000

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

4 Approved Budget Strategy Savings	-6,000
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<b>CG55</b>	<b>Sewerage Services</b>			
-232,624	1 Other Income	0	0	0
-232,624	<b>Net Expenditure</b>	0	0	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>CG80</b>	<b>Coast Protection</b>			
43,865	1 Premises-Related Expenditure	32,470	32,470	0
383	2 Supplies & Services	500	500	0
64,034	3 Third Party Payments	19,000	19,000	0
108,282	<b>Gross Expenditure</b>	51,970	51,970	0
-269,716	4 Other Income	-215,560	-207,660	7,900
-161,434	<b>Net Expenditure</b>	-163,590	-155,690	7,900

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

4 Approved Budget Strategy Growth	7,900
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<b>CG85</b>	<b>Shoreline Management</b>			
5,745	1 Premises-Related Expenditure	9,010	9,010	0
5,745	<b>Gross Expenditure</b>	9,010	9,010	0
-40,846	2 Other Income	-41,990	-42,290	-300
-35,101	<b>Net Expenditure</b>	-32,980	-33,280	-300

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>CG90</b>	<b>Flood Defence &amp; Land Drainage</b>			
10,037	1 Premises-Related Expenditure	12,330	12,330	0
1,179	2 Supplies & Services	2,320	2,320	0
<u>11,216</u>	<b>Net Expenditure</b>	<u>14,650</u>	<u>14,650</u>	<u>0</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>EA11</b>	<b>Leas Bandstand</b>			
9,325	1 Supplies & Services	9,200	9,200	0
<u>9,325</u>	<b>Gross Expenditure</b>	<u>9,200</u>	<u>9,200</u>	<u>0</u>
-6,000	2 Other Income	-6,000	-6,000	0
<u>3,325</u>	<b>Net Expenditure</b>	<u>3,200</u>	<u>3,200</u>	<u>0</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>EA12</b>	<b>Hythe Beach Chalets</b>			
-7,033	1 Other Income	-7,980	-7,980	0
<u>-7,033</u>	<b>Net Expenditure</b>	<u>-7,980</u>	<u>-7,980</u>	<u>0</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>EB02</b>	<b>Mountfield Industrial Estate</b>			
-18,200	1 Other Income	-91,030	-91,030	0
<u>-18,200</u>	<b>Net Expenditure</b>	<u>-91,030</u>	<u>-91,030</u>	<u>0</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>FH25</b>	<b>Emergency Planning</b>			
16,495	1 Supplies & Services	21,800	18,600	-3,200
<u>16,495</u>	<b>Net Expenditure</b>	<u>21,800</u>	<u>18,600</u>	<u>-3,200</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>HH51</b>	<b>Lifeline Facilities</b>			
561,724	1 Employees	591,060	645,900	54,840
15,711	2 Transport-Related Expenditure	10,220	10,940	720
146,835	3 Supplies & Services	129,860	128,150	-1,710
7,330	4 Third Party Payments	9,840	0	-9,840
<u>731,600</u>	<b>Gross Expenditure</b>	<u>740,980</u>	<u>784,990</u>	<u>44,010</u>
-913,383	5 Other Income	-902,360	-939,560	-37,200
<u>-181,783</u>	<b>Net Expenditure</b>	<u>-161,380</u>	<u>-154,570</u>	<u>6,810</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	37,000
1 Restructure of Establishment incl. Transformation	17,000
4 Change in Outsourced Contract Recharges	-9,840
5 Approved Budget Strategy Savings	-30,000
5 Approved Fees & Charges	-7,200

## Administration

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>GM18 Maintenance Officers</b>			
150,832	1 Employees	164,680	178,540	13,860
501	2 Premises-Related Expenditure	0	0	0
10,829	3 Transport-Related Expenditure	12,100	11,880	-220
70,469	4 Supplies & Services	90,450	88,180	-2,270
7,330	5 Third Party Payments	2,460	0	-2,460
239,960	<b>Gross Expenditure</b>	269,690	278,600	8,910
-51,570	6 Other Income	-46,810	-46,810	0
188,390	<b>Net Expenditure</b>	222,880	231,790	8,910

### ***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Employee Costs including Increments and Pension	13,860
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	<b>GM23 Parking Services</b>			
102,715	1 Employees	107,190	113,550	6,360
1,414	2 Transport-Related Expenditure	1,650	1,650	0
5,837	3 Supplies & Services	7,050	6,690	-360
2,450	4 Third Party Payments	2,460	0	-2,460
112,416	<b>Net Expenditure</b>	118,350	121,890	3,540

### ***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Employee Costs including Increments and Pension	6,360
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	<b>GM25 Grounds Maintenance Contract Management</b>			
77,207	1 Employees	79,430	0	-79,430
4,151	2 Transport-Related Expenditure	3,500	0	-3,500
1,608	3 Supplies & Services	1,690	0	-1,690
2,450	4 Third Party Payments	2,460	0	-2,460
85,416	<b>Net Expenditure</b>	87,080	0	-87,080

### ***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1-4 Budget re-alignment (GE01)	-87,080
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	<b>GM31 Engineering and Buildings</b>			
206,257	1 Employees	205,780	275,960	70,180
5,223	2 Transport-Related Expenditure	5,300	5,300	0
14,314	3 Supplies & Services	37,990	16,290	-21,700
4,890	4 Third Party Payments	4,920	0	-4,920
230,684	<b>Net Expenditure</b>	253,990	297,550	43,560

### ***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Restructure of Establishment incl.	70,000
3 Approved Budget Strategy Savings	-20,000

<b>GM32</b>	<b>Estates and Assets</b>			
152,323	1 Employees	194,330	209,140	14,810
1,797	2 Transport-Related Expenditure	2,100	2,300	200
9,754	3 Supplies & Services	4,680	4,000	-680
3,660	4 Third Party Payments	4,920	0	-4,920
167,534	<b>Gross Expenditure</b>	206,030	215,440	9,410
-610	5 Other Income	0	-10,000	-10,000
166,924	<b>Net Expenditure</b>	206,030	205,440	-590

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Employee Costs including Increments and Pension	14,810
5 Recharge from Otterpool LLP	-10,000

**Holding**

<b>2019/20 Actual £</b>		<b>2020/21 Original Budget £</b>	<b>2021/22 Original Budget £</b>	<b>Variances £</b>
	<b>GE01      Grounds Maintenance</b>			
977,289	1 Employees	1,114,420	1,249,250	134,830
75,535	2 Premises-Related Expenditure	65,780	65,780	0
149,820	3 Transport-Related Expenditure	133,740	134,370	630
171,880	4 Supplies & Services	181,870	171,190	-10,680
6,120	5 Third Party Payments	12,300	0	-12,300
<u>1,380,644</u>	<b>Gross Expenditure</b>	<u>1,508,110</u>	<u>1,620,590</u>	<u>112,480</u>
-157,930	6 Other Income	-204,700	-205,900	-1,200
<u>1,222,714</u>	<b>Net Expenditure</b>	<u>1,303,410</u>	<u>1,414,690</u>	<u>111,280</u>

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Employee Costs including Increments and Pension	48,220
1-5 Budget re-alignment (GM25)	87,080
4 Adjustment to Centrally Determined Costs	-10,680
5 Change in Outsourced Contract Recharges	-14,760

	<b>GE05      Charity Areas</b>			
188,877	1 Employees	197,970	204,570	6,600
67	2 Premises-Related Expenditure	0	0	0
6,674	3 Transport-Related Expenditure	7,710	7,710	0
11,564	4 Supplies & Services	12,240	12,250	10
<u>207,182</u>	<b>Net Expenditure</b>	<u>217,920</u>	<u>224,530</u>	<u>6,610</u>

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Employee Costs including Increments and Pension	6,600
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	<b>GE06      Royal Military Canal</b>			
45,219	1 Employees	55,710	56,910	1,200
3,655	2 Premises-Related Expenditure	5,000	5,000	0
4,976	3 Transport-Related Expenditure	4,550	4,550	0
11,420	4 Supplies & Services	12,520	13,470	950
<u>65,270</u>	<b>Net Expenditure</b>	<u>77,780</u>	<u>79,930</u>	<u>2,150</u>

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

	<b>GE07      Toilet Cleaning</b>			
71,561	1 Employees	77,770	82,970	5,200
17,218	2 Premises-Related Expenditure	17,250	17,250	0
6,266	3 Transport-Related Expenditure	9,270	9,050	-220
19,506	4 Supplies & Services	36,910	36,370	-540
<u>114,551</u>	<b>Net Expenditure</b>	<u>141,200</u>	<u>145,640</u>	<u>4,440</u>

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Employee Costs including Increments and Pension	5,200
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<b>GE08</b>	<b>Pump Maintenance Crew</b>			
44,064	1 Employees	40,650	42,900	2,250
12,627	2 Transport-Related Expenditure	10,600	11,150	550
40,553	3 Supplies & Services	42,760	42,750	-10
97,243	<b>Gross Expenditure</b>	94,010	96,800	2,790
-95,690	4 Other Income	-92,600	-92,600	0
1,553	<b>Net Expenditure</b>	1,410	4,200	2,790

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX00</b>	<b>Civic Centre</b>			
248,304	1 Premises-Related Expenditure	253,780	268,610	14,830
1,257	2 Supplies & Services	1,000	1,020	20
6,326	3 Third Party Payments	3,460	3,460	0
255,887	<b>Gross Expenditure</b>	258,240	273,090	14,850
-140,478	4 Other Income	-136,000	-136,000	0
115,409	<b>Net Expenditure</b>	122,240	137,090	14,850

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 MTFS adjustment	25,000
1 Approved Budget Strategy Savings	-10,000

<b>GX05</b>	<b>Hawkinge Depot</b>			
1,349	1 Premises-Related Expenditure	2,690	1,820	-870
0	2 Supplies & Services	400	400	0
1,349	<b>Net Expenditure</b>	3,090	2,220	-870

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX10</b>	<b>Public Toilets</b>			
114,175	1 Premises-Related Expenditure	111,940	109,990	-1,950
114,175	<b>Net Expenditure</b>	111,940	109,990	-1,950

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX20</b>	<b>Parks &amp; Open Spaces Buildings</b>			
19,780	1 Premises-Related Expenditure	10,720	10,720	0
116	2 Supplies & Services	120	120	0
19,895	<b>Gross Expenditure</b>	10,840	10,840	0
-192	3 Other Income	0	0	0
19,703	<b>Net Expenditure</b>	10,840	10,840	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX21</b>	<b>Royal Military Canal Buildings</b>			
10,536	1 Premises-Related Expenditure	6,050	6,050	0
10,536	<b>Net Expenditure</b>	6,050	6,050	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX22</b>	<b>Hythe Beach Huts</b>			
127	1 Premises-Related Expenditure	130	130	0
127	<b>Gross Expenditure</b>	130	130	0
-28	2 Other Income	0	0	0
99	<b>Net Expenditure</b>	130	130	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX23</b>	<b>Bandstand</b>			
631	1 Premises-Related Expenditure	2,420	2,410	-10
631	<b>Net Expenditure</b>	2,420	2,410	-10

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX24</b>	<b>Sports &amp; Recreation Buildings</b>			
15,025	1 Premises-Related Expenditure	24,600	19,580	-5,020
15,025	<b>Gross Expenditure</b>	24,600	19,580	-5,020
0	2 Other Income	30	30	0
15,025	<b>Net Expenditure</b>	24,630	19,610	-5,020

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Approved Budget Strategy Savings	-5,000
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<b>GX25</b>	<b>Charity Parks &amp; Open Spaces</b>			
51,188	1 Premises-Related Expenditure	33,430	35,440	2,010
500	2 Supplies & Services	500	0	-500
51,688	<b>Net Expenditure</b>	33,930	35,440	1,510

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX27</b>	<b>Hythe Swimming Pool</b>			
123,355	1 Premises-Related Expenditure	118,220	133,180	14,960
123,355	<b>Gross Expenditure</b>	118,220	133,180	14,960
-1,915	2 Other Income	0	0	0
121,440	<b>Net Expenditure</b>	118,220	133,180	14,960

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 MTFS adjustment	15,000
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<b>GX30</b>	<b>Car Parks</b>			
229,312	1 Premises-Related Expenditure	227,840	216,970	-10,870
1,540	2 Supplies & Services	530	140	-390
230,852	<b>Gross Expenditure</b>	228,370	217,110	-11,260
-7,626	3 Other Income	0	0	0
223,227	<b>Net Expenditure</b>	228,370	217,110	-11,260

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Approved Budget Strategy Savings	-12,000
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<b>GX40</b>	<b>Prog Planned Maintenance</b>			
96,848	1 Premises-Related Expenditure	107,000	91,000	-16,000
<u>96,848</u>	<b>Net Expenditure</b>	<u>107,000</u>	<u>91,000</u>	<u>-16,000</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Approved Budget Strategy Savings	-16,000
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<b>GX50</b>	<b>Depots &amp; Cemetery Buildings</b>			
43,196	1 Premises-Related Expenditure	39,420	43,410	3,990
<u>43,196</u>	<b>Gross Expenditure</b>	<u>39,420</u>	<u>43,410</u>	<u>3,990</u>
-2,325	2 Other Income	0	0	0
<u>40,871</u>	<b>Net Expenditure</b>	<u>39,420</u>	<u>43,410</u>	<u>3,990</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX52</b>	<b>Mountfield Road Depot</b>			
0	1 Premises-Related Expenditure	190	190	0
<u>0</u>	2 Supplies & Services	<u>200</u>	<u>0</u>	<u>-200</u>
<u>0</u>	<b>Net Expenditure</b>	<u>390</u>	<u>190</u>	<u>-200</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX53</b>	<b>Misc Corporate Property</b>			
17,544	1 Premises-Related Expenditure	46,760	38,540	-8,220
<u>2,163</u>	2 Supplies & Services	<u>10,150</u>	<u>7,150</u>	<u>-3,000</u>
<u>19,707</u>	<b>Gross Expenditure</b>	<u>56,910</u>	<u>45,690</u>	<u>-11,220</u>
-263,189	3 Other Income	-289,770	-309,770	-20,000
<u>-243,482</u>	<b>Net Expenditure</b>	<u>-232,860</u>	<u>-264,080</u>	<u>-31,220</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Approved Budget Strategy Savings	-5,000
3 Approved Budget Strategy Savings	-20,000

<b>GX54</b>	<b>Christchurch Tower</b>			
297	1 Premises-Related Expenditure	310	310	0
<u>297</u>	<b>Net Expenditure</b>	<u>310</u>	<u>310</u>	<u>0</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX60</b>	<b>Mountfield Industrial Estate</b>			
1,431	1 Premises-Related Expenditure	3,700	2,910	-790
<u>0</u>	2 Supplies & Services	<u>100</u>	<u>0</u>	<u>-100</u>
<u>1,431</u>	<b>Net Expenditure</b>	<u>3,800</u>	<u>2,910</u>	<u>-890</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX65</b>	<b>Debenhams Site</b>			
0	1 Premises-Related Expenditure	0	152,250	152,250
<u>0</u>	<b>Net Expenditure</b>	<u>0</u>	<u>152,250</u>	<u>152,250</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 MTFS adjustment -annual Business Rates	152,250
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<b>GX80</b>	<b>Misc Otterpool Property</b>			
27,521	1 Premises-Related Expenditure	0	16,030	16,030
102,692	2 Supplies & Services	0	0	0
130,213	<b>Gross Expenditure</b>	0	16,030	16,030
-130,213	3 Other Income	0	0	0
0	<b>Net Expenditure</b>	0	16,030	16,030

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 MTFS adjustment	16,030
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<b>GX81</b>	<b>Connect 38</b>			
17,849	1 Employees	0	0	0
19,494	2 Premises-Related Expenditure	20,470	20,080	-390
141,911	3 Supplies & Services	42,000	42,000	0
179,254	<b>Gross Expenditure</b>	62,470	62,080	-390
-191,695	4 Other Income	-1,159,000	-904,000	255,000
-12,441	<b>Net Expenditure</b>	-1,096,530	-841,920	254,610

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

4 MTFS adjustment	255,000
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<b>GX82</b>	<b>Westenhanger Castle</b>			
18,600	1 Premises-Related Expenditure	0	0	0
18,600	<b>Net Expenditure</b>	0	0	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>GX83</b>	<b>Memorial Arch</b>			
0	1 Premises-Related Expenditure	6,000	21,000	15,000
0	<b>Net Expenditure</b>	6,000	21,000	15,000

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Approved Budget Strategy Growth	15,000
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<b>GX89</b>	<b>Misc Agricultural Property</b>			
0	1 Premises-Related Expenditure	100	100	0
0	<b>Net Expenditure</b>	100	100	0

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

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**Andy Jarrett**  
**Strategic Development Summary**

		<u><b>Service</b></u>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>Original to</b>
<b>Actual</b>		<b>Original</b>	<b>Original</b>	<b>Original</b>
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variance</b>
		<b>£</b>	<b>£</b>	<b>£</b>
592,685	ED00 Otterpool - Developer	804,000	42,780	-761,220
19	ED02 Princess Parade Planning Project	0	0	0
-213	ED11 Misc Regeneration Initiatives	0	0	0
16,733	ED50 Strategic Projects	30,000	30,000	0
1,130	ED52 Greatstone Coast Drive Project	0	0	0
11,579	ED53 Hawkinge Fernfiled Lane Project	0	0	0
<b>621,934</b>	<b>Service Total</b>	<b>834,000</b>	<b>72,780</b>	<b>-761,220</b>

		<u><b>Administration</b></u>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>Original to</b>
<b>Actual</b>		<b>Original</b>	<b>Original</b>	<b>Original</b>
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variance</b>
		<b>£</b>	<b>£</b>	<b>£</b>
187,477	GM33 Projects	189,260	0	-189,260
130,159	GM40 Strategic Development Projects	103,990	0	-103,990
117,108	GM48 Land Owner Projects	131,590	-2,290	-133,880
<b>434,744</b>	<b>Administration Total</b>	<b>424,840</b>	<b>-2,290</b>	<b>-427,130</b>

**Andy Jarrett**  
**Strategic Development Detail**

<b>ED00</b>	<b>Otterpool - Developer</b>			
82,892	1 Employees	111,480	176,290	64,810
350	2 Premises-Related Expenditure	0	0	0
6,610	3 Transport-Related Expenditure	0	0	0
1,021,231	4 Supplies & Services	690,060	260	-689,800
2,450	5 Third Party Payments	2,460	-2,460	-4,920
<u>1,113,533</u>	<b>Gross Expenditure</b>	<u>804,000</u>	<u>174,090</u>	<u>-629,910</u>
<u>-520,848</u>	6 Other Income	<u>0</u>	<u>-131,310</u>	<u>-131,310</u>
<u>592,685</u>	<b>Net Expenditure</b>	<u>804,000</u>	<u>42,780</u>	<u>-761,220</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Restructure of Establishment incl. Transformation	58,000
1 Pension	7,000
4 MTFS adjustment	-689,800
6 Recharge from Otterpool LLP	-131,310

<b>ED11</b>	<b>Misc Regeneration Initiatives</b>			
-213	1 Employees	0	0	0
<u>-213</u>	<b>Net Expenditure</b>	<u>0</u>	<u>0</u>	<u>0</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>ED50</b>	<b>Strategic Projects</b>			
16,733	1 Supplies & Services	30,000	30,000	0
<u>16,733</u>	<b>Net Expenditure</b>	<u>30,000</u>	<u>30,000</u>	<u>0</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>ED52</b>	<b>Greatstone Coast Drive Project</b>			
1,130	1 Supplies & Services	0	0	0
<u>1,130</u>	<b>Net Expenditure</b>	<u>0</u>	<u>0</u>	<u>0</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

<b>ED53</b>	<b>Hawkinge Fernfiled Lane Project</b>			
7,405	1 Premises-Related Expenditure	0	0	0
4,174	2 Supplies & Services	0	0	0
<u>11,579</u>	<b>Net Expenditure</b>	<u>0</u>	<u>0</u>	<u>0</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

**Administration**

2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>GM33 Projects</b>			
177,155	1 Employees	184,750	0	-184,750
1,923	2 Transport-Related Expenditure	800	0	-800
4,739	3 Supplies & Services	3,750	0	-3,750
3,660	4 Third Party Payments	2,460	0	-2,460
187,477	<b>Gross Expenditure</b>	191,760	0	-191,760
0	5 Other Income	-2,500	0	2,500
187,477	<b>Net Expenditure</b>	189,260	0	-189,260

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Introduction of new Housing Structure (GH02 & GH05)	-189,260
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	<b>GM40 Strategic Development Projects</b>			
124,184	1 Employees	100,310	133,870	33,560
2,029	2 Transport-Related Expenditure	0	0	0
2,736	3 Supplies & Services	2,450	2,170	-280
1,210	4 Third Party Payments	1,230	0	-1,230
130,159	<b>Gross Expenditure</b>	103,990	136,040	32,050
0	5 Other Income	0	-136,040	-136,040
130,159	<b>Net Expenditure</b>	103,990	0	-103,990

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Employee Costs including Increments and Pension	7,050
1 Budget re-alignment (GM48)	20,510
5 Recharge from Otterpool LLP	-136,040

	<b>GM48 Land Owner Projects</b>			
110,237	1 Employees	124,570	120,990	-3,580
2,362	2 Transport-Related Expenditure	1,500	1,500	0
2,059	3 Supplies & Services	1,830	1,770	-60
2,450	4 Third Party Payments	3,690	0	-3,690
117,108	<b>Gross Expenditure</b>	131,590	124,260	-7,330
0	5 Other Income	0	-126,550	-126,550
117,108	<b>Net Expenditure</b>	131,590	-2,290	-133,880

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1 Employee Costs including Increments and Pension	5,000
1 Restructure of Establishment incl. Transformation	36,000
1 Budget re-alignment (GM40)	-20,510
1 Introduction of new Housing Structure (GH05)	-27,000
5 Recharge from Otterpool LLP	-126,550

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**John Holman  
Housing Summary**

		<u><b>Service</b></u>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>Original to</b>
<b>Actual</b>		<b>Original</b>	<b>Original</b>	<b>Original</b>
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variance</b>
		<b>£</b>	<b>£</b>	<b>£</b>
-9,906	HE10 Housing Standards	-560	-560	0
4,096	HH11 Housing Strategy	3,500	3,500	0
-140,078	HH21 Homelessness	47,150	47,150	0
0	HH22 Homelessness (Grant Funded Exp)	0	416,000	416,000
30,657	HH25 FHDC Temporary Accommodation	50,000	38,000	-12,000
-141,368	HH40 Renovation Grants	0	0	0
44,550	HH42 Care and Repair Scheme	44,550	44,550	0
187,187	HH48 Other Housing Improvement Services	100,000	100,000	0
0	HX02 Rent Deposits	1,000	1,000	0
<b>-24,862</b>	<b>Service Total</b>	<b>245,640</b>	<b>649,640</b>	<b>404,000</b>

		<u><b>Administration</b></u>		
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>Original to</b>
<b>Actual</b>		<b>Original</b>	<b>Original</b>	<b>Original</b>
<b>£</b>		<b>Budget</b>	<b>Budget</b>	<b>Variance</b>
		<b>£</b>	<b>£</b>	<b>£</b>
0	GH01 Assets and Development	0	106,040	106,040
0	GH02 HRA Regeneration & Development	0	220,590	220,590
0	GH03 Compliance	0	231,180	231,180
0	GH04 Repairs	0	289,310	289,310
0	GH05 Assets & Major Works	0	283,650	283,650
0	GH06 Housing Operations	0	76,810	76,810
0	GH07 Neighbourhood Management	0	569,560	569,560
0	GH08 Leasehold Management	0	63,900	63,900
0	GH09 Supported Housing	0	379,680	379,680
0	GH10 Regulations Specialists	0	35,910	35,910
364,801	GH58 Housing Options	339,720	336,030	-3,690
44,036	GH61 Social Lettings Agency	44,860	49,230	4,370
143,352	GH62 Housing Strategy & Support	183,670	188,800	5,130
89,865	GM03 Assistant Director - Housing	0	154,280	154,280
171,386	GM29 Private Sector Housing	181,820	224,990	43,170
<b>813,441</b>	<b>Administration Total</b>	<b>750,070</b>	<b>3,209,960</b>	<b>2,459,890</b>

**John Holman  
Housing Detail**

		<u>Service</u>	2020/21	2021/22	
2019/20			Original	Original	
Actual			Budget	Budget	Variances
£			£	£	£
	HE10	Housing Standards			
0		1 Supplies & Services	1,000	1,000	0
0		Gross Expenditure	1,000	1,000	0
-9,906		2 Other Income	-1,560	-1,560	0
-9,906		Net Expenditure	-560	-560	0

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

	<b>HH11</b>	<b>Housing Strategy</b>				
2,535		1	Premises-Related Expenditure	1,000	1,000	0
1,561		2	Supplies & Services	2,500	2,500	0
4,096			<b>Net Expenditure</b>	3,500	3,500	0

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

	<b>HH21</b>	<b>Homelessness</b>				
253		1	Transport-Related Expenditure	300	300	0
544,703		2	Supplies & Services	445,330	309,450	-135,880
40,580		3	Third Party Payments	42,400	42,400	0
585,537			<b>Gross Expenditure</b>	488,030	352,150	-135,880
-725,615		4	Other Income	-440,880	-305,000	135,880
-140,078			<b>Net Expenditure</b>	47,150	47,150	0

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

2	Budget re-alignment - creation of Homelessness grant funded (HH22)	-135,880
4	Budget re-alignment - creation of Homelessness grant funded (HH22)	135,880

	<b>HH22</b>	<b>Homelessness (Grant Funded Exp)</b>				
0		1	Employees	0	193,510	193,510
0		2	Transport-Related Expenditure	0	4,030	4,030
0		3	Supplies & Services	0	218,460	218,460
0			<b>Gross Expenditure</b>	0	416,000	416,000
0		4	Other Income	0	0	0
0			<b>Net Expenditure</b>	0	416,000	416,000

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1	Budget re-alignment - creation of Homelessness grant funded (HH21)	135,880
1	Creation of Homelessness grant funded expenditure	57,630
3	Creation of Homelessness grant funded expenditure	218,460

	<b>HH25</b>	<b>FHDC Temporary Accommodation</b>				
13,895		1	Premises-Related Expenditure	50,000	32,000	-18,000
16,762		2	Supplies & Services	0	6,000	6,000
30,657			<b>Net Expenditure</b>	50,000	38,000	-12,000

***Key Variances from Original Budget 2020/21 to Original Budget 2021/22***

1	Approved Budget Strategy Savings	-12,000
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<b>HH40</b>	<b>Renovation Grants</b>			
1,035,921	1 Supplies & Services	1,000,000	1,000,000	0
1,035,921	<b>Gross Expenditure</b>	1,000,000	1,000,000	0
-1,177,289	2 Other Income	-1,000,000	-1,000,000	0
-141,368	<b>Net Expenditure</b>	0	0	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

<b>HH42</b>	<b>Care and Repair Scheme</b>			
44,550	1 Supplies & Services	44,550	44,550	0
44,550	<b>Net Expenditure</b>	44,550	44,550	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

<b>HH48</b>	<b>Other Housing Improvement Services</b>			
275,681	1 Supplies & Services	100,000	100,000	0
275,681	<b>Gross Expenditure</b>	100,000	100,000	0
-88,494	2 Other Income	0	0	0
187,187	<b>Net Expenditure</b>	100,000	100,000	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

<b>HX02</b>	<b>Rent Deposits</b>			
0	1 Supplies & Services	1,700	1,700	0
0	<b>Net Expenditure</b>	1,000	1,000	0

*Key Variances from Original Budget 2020/21 to Original Budget 2021/22*

		<u>Administration</u>			
2019/20 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £	
	<b>GH01 Assets and Development</b>				
0	1 Employees	0	104,010		104,010
0	2 Supplies & Services	0	2,030		2,030
0	<b>Net Expenditure</b>	0	106,040		106,040
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1-2 Introduction of new Housing Structure				106,040
	<b>GH02 HRA Regeneration &amp; Development</b>				
0	1 Employees	0	212,860		212,860
0	2 Supplies & Services	0	7,730		7,730
0	<b>Gross Expenditure</b>	0	220,590		220,590
0	3 Other Income	0	0		0
0	<b>Net Expenditure</b>	0	220,590		220,590
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1-3 Introduction of new Housing Structure				220,590
	<b>GH03 Compliance</b>				
0	1 Employees	0	219,590		219,590
0	2 Supplies & Services	0	11,590		11,590
0	<b>Net Expenditure</b>	0	231,180		231,180
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1-2 Introduction of new Housing Structure				231,180
	<b>GH04 Repairs</b>				
0	1 Employees	0	274,810		274,810
0	2 Transport-Related Expenditure	0	7,200		7,200
0	3 Supplies & Services	0	7,300		7,300
0	<b>Net Expenditure</b>	0	289,310		289,310
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1-3 Introduction of new Housing Structure				289,310
	<b>GH05 Assets &amp; Major Works</b>				
0	1 Employees	0	270,520		270,520
0	2 Transport-Related Expenditure	0	4,850		4,850
0	3 Supplies & Services	0	8,280		8,280
0	<b>Net Expenditure</b>	0	283,650		283,650
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1-3 Introduction of new Housing Structure				283,650
	<b>GH06 Housing Operations</b>				
0	1 Employees	0	73,960		73,960
0	2 Supplies & Services	0	2,850		2,850
0	<b>Net Expenditure</b>	0	76,810		76,810
	<b>Key Variances from Original Budget 2020/21 to Original Budget 2021/22</b>				
	1-2 Introduction of new Housing Structure				76,810

<b>GH07</b>	<b>Neighbourhood Management</b>			
0	1 Employees	0	486,960	486,960
0	2 Transport-Related Expenditure	0	13,200	13,200
0	3 Supplies & Services	0	69,400	69,400
0	<b>Net Expenditure</b>	0	569,560	569,560

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**  
1-3 Introduction of new Housing Structure 569,560

<b>GH08</b>	<b>Leasehold Management</b>			
0	1 Employees	0	62,540	62,540
0	2 Supplies & Services	0	1,360	1,360
0	<b>Net Expenditure</b>	0	63,900	63,900

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**  
1-2 Introduction of new Housing Structure 63,900

<b>GH09</b>	<b>Supported Housing</b>			
0	1 Employees	0	354,600	354,600
0	2 Transport-Related Expenditure	0	15,600	15,600
0	3 Supplies & Services	0	9,480	9,480
0	<b>Net Expenditure</b>	0	379,680	379,680

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**  
1-3 Introduction of new Housing Structure 379,680

<b>GH10</b>	<b>Regulations Specialists</b>			
0	1 Employees	0	35,630	35,630
0	2 Supplies & Services	0	280	280
0	<b>Net Expenditure</b>	0	35,910	35,910

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**  
1-2 Introduction of new Housing Structure 35,910

<b>GH58</b>	<b>Housing Options</b>			
455,747	1 Employees	521,510	322,450	-199,060
14,300	2 Transport-Related Expenditure	10,020	8,020	-2,000
12,214	3 Supplies & Services	9,210	5,560	-3,650
15,890	4 Third Party Payments	11,070	0	-11,070
498,151	<b>Gross Expenditure</b>	551,810	336,030	-215,780
-133,350	5 Other Income	-212,090	0	212,090
364,801	<b>Net Expenditure</b>	339,720	336,030	-3,690

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**  
1 Transfer of Homelessness grant funded expenditure (HH22) -199,060  
4 Transfer of Homelessness grant funded expenditure (HH22) -11,070  
5 Transfer of grant received funding expenditure (HH22) 212,090

<b>GH61</b>	<b>Social Lettings Agency</b>			
38,329	1 Employees	39,590	45,080	5,490
3,699	2 Transport-Related Expenditure	3,200	3,500	300
798	3 Supplies & Services	840	650	-190
1,210	4 Third Party Payments	1,230	0	-1,230
44,036	<b>Net Expenditure</b>	44,860	49,230	4,370

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**  
1 Employee Costs including Increments and Pension 5,490

<b>GH62</b>	<b>Housing Strategy &amp; Support</b>			
133,060	1 Employees	170,310	178,720	8,410
1,958	2 Transport-Related Expenditure	2,680	2,680	0
5,884	3 Supplies & Services	6,990	7,400	410
2,450	4 Third Party Payments	3,690	0	-3,690
<u>143,352</u>	<b>Net Expenditure</b>	<u>183,670</u>	<u>188,800</u>	<u>5,130</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Employee Costs including Increments and Pension	8,410
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<b>GM03</b>	<b>Assistant Director - Housing</b>			
86,395	1 Employees	0	151,660	151,660
67	2 Transport-Related Expenditure	0	250	250
2,194	3 Supplies & Services	0	2,370	2,370
1,210	4 Third Party Payments	0	0	0
<u>89,865</u>	<b>Net Expenditure</b>	<u>0</u>	<u>154,280</u>	<u>154,280</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1-4 Introduction of new Housing Structure	154,280
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<b>GM29</b>	<b>Private Sector Housing</b>			
158,715	1 Employees	163,900	214,750	50,850
5,195	2 Transport-Related Expenditure	6,600	6,100	-500
40,741	3 Supplies & Services	5,170	4,140	-1,030
4,890	4 Third Party Payments	6,150	0	-6,150
<u>209,540</u>	<b>Gross Expenditure</b>	<u>181,820</u>	<u>224,990</u>	<u>43,170</u>
-38,154	5 Other Income	0	0	0
<u>171,386</u>	<b>Net Expenditure</b>	<u>181,820</u>	<u>224,990</u>	<u>43,170</u>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Restructure of Establishment incl. Transformation	39,670
1 Employee Costs including Increments and Pension	11,180
4 Change in Outsourced Contract Recharges	-6,150

**Tim Madden**  
**Transition & Transformation Summary**

		<u>Administration</u>		
2020/21 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Original to Original Variance £
1,082,557	GL60 Transformation Project	34,000	0	-34,000
<b>1,082,557</b>	<b>Administration Total</b>	<b>34,000</b>	<b>0</b>	<b>-34,000</b>

**Tim Madden**  
**Transition & Transformation Detail**

		<u>Administration</u>		
2020/21 Actual £		2020/21 Original Budget £	2021/22 Original Budget £	Variances £
	<b>GL60 Transformation Project</b>			
166,603	1 Employees	34,000	0	-34,000
122,240	2 Premises-Related Expenditure	0	0	0
793,714	3 Supplies & Services	0	0	0
<b>1,082,557</b>	<b>Net Expenditure</b>	<b>34,000</b>	<b>0</b>	<b>-34,000</b>

**Key Variances from Original Budget 2020/21 to Original Budget 2021/22**

1 Restructure of Establishment incl. Transformation	-34,000
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This Report will be made  
public on 4 January 2021

Report Number **C/20/62**

**To:** Cabinet  
**Date:** 24 February 2021  
**Status:** Non-Key Decision  
**Head of Service:** Charlotte Spendley, Director of Corporate Services  
**Cabinet Members:** Councillor David Monk, Leader of the Council and  
Councillor David Godfrey, Housing, Transport and  
Special Projects

**SUBJECT:** HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL  
ORIGINAL BUDGET 2021/22

**SUMMARY:** This report sets out the Housing Revenue Account Revenue and Capital Budget for 2021/22 and proposes an increase in weekly rents and an increase in service charges for 2021/22.

**REASONS FOR RECOMMENDATION:**

Cabinet is requested to agree the recommendations set out below as the Local Government Housing Act 1989 requires the Council, as a Local Housing Authority, to keep a separate Housing Revenue Account and to produce estimates to ensure that the account does not go into deficit. The authority also has a duty to set and approve rents in accordance with government guidelines that are outlined in the self-financing determination. The Constitution requires that the annual Budget and any variations to the Budget are approved by Council.

**RECOMMENDATIONS:**

1. To receive and note Report C/20/62.
2. To recommend to Full Council the Housing Revenue Account Budget for 2021/22. (Refer to paragraph 2.1 and Appendix 1)
3. To recommend to Full Council the increase in rents of dwellings within the HRA on average by £1.27 per week, representing a 1.5% increase with effect from 5 April 2021 (Refer to paragraph 3.2)
4. To recommend to Full Council the increase in service charges. (Refer to section 3.5)
5. To approve the Housing Revenue Account Capital Programme budget 2021/22. (Refer to paragraph 4.1 and Appendix 2)

## **1. INTRODUCTION**

- 1.1 The Housing Revenue Account (HRA) is a ring-fenced account and is outlined and projected within the HRA Business Plan. The HRA Business Plan determines HRA budget setting, as estimates need to be closely aligned to the model to ensure that the HRA remains financially viable.
- 1.2 The Reform of Council Housing Finance came into effect from 1 April 2012, and significantly brought an end to the subsidy system where authorities such as Folkestone & Hythe made a contribution to the national pot. Instead, authorities are now part of the self-financing arrangements following a re-distribution of the national housing debt and the abolition of rent restructuring.
- 1.3 In October 2018, Government announced the removal of the HRA borrowing cap to enable local authorities to build more homes. In light of this and following a review of the financial position within the HRA, there was an opportunity for the Council to expand its New Build Programme to significantly increase the number of new homes in the district. In February 2020 Cabinet approved the updated HRA Business Plan to deliver 1,200 homes by 2034/35. Included within the updated plan was a provision to invest £10m into existing stock through an enhanced capital programme over a three year period up to 2022/23.
- 1.4 In February 2020, following consultation with tenants and leaseholders, a decision was taken by all four owner Councils to disband EKH and bring the management of housing stock back in-house. The service transitioned to the Council on 1<sup>st</sup> October 2020 and continues to be embedded, and it is expected that EKH will be wound up by 31<sup>st</sup> March 2021.

## **2. HOUSING REVENUE ACCOUNT REVENUE ESTIMATES**

### **2.1 Original Budget 2021/22**

The proposed HRA Budget for 2021/22, at Appendix 1, shows a forecast deficit of £4.95m. This is in line with the agreed HRA Business Plan which will continue to fluctuate from year to year, depending on the profile of the stock, size of the new build programme and the resources available. The year-end HRA revenue reserve balance as at 31 March 2022 is expected to be £4.2m as shown at Table 1 below:

Table 1	<b>£000's</b>
<b>Original estimate of balance at 31 March 2021</b>	<b>(9,110)</b>
<b>Movement from Original to Original budgets</b>	
Reduction in rents and other service charges (see 2.1.2)	535
Increase in general management costs (see 2.1.3)	771
Increase in repairs and maintenance (see 2.1.4)	284
Other net movements	(5)
	<b>1,585</b>
<b>Deficit 2020/21</b>	<b>3,364</b>
<b>Original estimate of balance at 31 March 2022</b>	<b>(4,160)</b>

### 2.1.1 HRA Revenue budget

The HRA revenue budgets are reflected in the HRA business plan. The business plan sets out the Council's income and expenditure plans for its landlord service over a 30 year period, including the capital costs of maintaining the decent homes standard and of any additional improvements agreed with tenants.

### 2.1.2 Rents

The dwelling rents have been increased in line with the Rent Standard 2020 of CPI + 1%. This revised policy was announced in February 2019 and allows social landlords to increase rents by CPI plus 1% for a period of five years from 2020.

The reduction in income reflects the anticipated loss of rental income due to the ongoing impact of Covid-19 on the economy. The budget assumes a 5% loss of income based on the latest forecast losses being seen in 2020/21.

### 2.1.3 General Management Costs

In October 2019 tenants and leaseholders were consulted and asked for their views on the future of EKH and the results showed an overwhelming desire to disband EKH and for the council owners to take on its role. In February 2020 all four council owners agreed that the management of council housing stock should be brought back in-house and that a termination to the management agreement with EKH should be negotiated as soon as practicable. The service transitioned back to the council on 1<sup>st</sup> October 2020 and the new housing management service continues to be embedded and it is expected that EKH will be wound up by 31<sup>st</sup> March 2021.

The increase in general management costs largely reflects the cost of the new housing structure as shown below:

	<b>£000's</b>
Removal of EKH Management Fee	(2,480)
Removal of Transition budget	(250)
Cost of new Housing structure	3,056
Additional management recharges	197
<b>Total additional costs of new Housing structure</b>	<b>523</b>

Further additional general management costs of £100k have been included within the budget for additional ICT costs as a result of increased staff numbers and licences required and additional resources to support the Northgate implementation.

An additional £145k has also been included within the proposed budget to carry out a full stock condition survey across all properties to inform the Asset Management Strategy and future capital programme and HRA Business Plan.

In February 2020 Cabinet agreed to invest £10m into existing housing stock by way of an enhanced capital programme. Work has not yet commenced on this due to the transition of EKH and the planned stock condition surveys will identify required works and enable this programme to get underway.

#### 2.1.4 Repairs and Maintenance

The increase in repairs and maintenance is largely due a higher level of works required on void properties and a higher volume of asbestos removal being identified.

#### 2.2 HRA Reserve Balances

**HRA Reserve** – The HRA reserve consists of revenue balances that can be used for revenue or capital expenditure in line with the HRA Business Plan. The actual reserve balance on the HRA at the start of 2020/21 was £9.1m, this has increased due to the planned accumulation of balances to help fund the future new build programme.

Table 2 below shows the estimated HRA balances to 31 March 2022.

<i>Table 2</i>	<b>2020/21</b>	<b>2021/22</b>
	£000's	£000's
Balance as at 1 April	12,475	9,110
Balance as at 31 March	9,110	4,160

The HRA reserve is expected to decrease by £4.2m from the close of 2020/21 and the end of the financial year 2021/22.

The changes with the introduction of Self-Financing have significantly increased the flexibility for the Council to manage the resources and debts within the HRA to best meet the needs of existing and future tenants. The estimated HRA balances, set out in table 2, are above the revised recommended minimum balance, which is £2m.

**Major Repair Reserve (MRR)** – This reserve is derived from the transfer of the depreciation charge from the revenue account and can be used to fund major repairs for capital expenditure or debt repayment. The Council's Business Plan requires that the reserve is allocated to fund capital expenditure. The proposed HRA capital programme should leave the Major Repairs Reserve with a nil balance. This is in line with the practice adopted by the Council in previous years, of using the Major Repairs Reserve in the year it is received.

### **3. RENT SETTING GUIDANCE & RENTS**

#### **3.1 Rent Policy – National context**

In February 2019 the Government introduced a new rent policy to come into effect from 1<sup>st</sup> April 2020 permitting annual rent increases on both social rent and affordable rent properties of up to CPI plus 1% for a period of five years.

The new policy recognises the need for a stable financial environment to support the delivery of new homes. The government is now looking to the social housing sector to make the best possible use of its resources to help provide the homes that the country needs.

#### **3.2 Rent Increase – Local context**

In line with last years approved report, Housing Services will be charging the 'formula rent'<sup>1</sup> when a property is re-let to a new tenant and service charges that fall under utilities will be charged at the 'actual' cost on new lets.

The proposed increase of CPI plus 1% which is 1.5%, in line with Government guidelines, equates to an increase of £1.27 per week or £66.04 per annum. This gives an average rent of £89.17 (over 50 weeks) in 2021/22 (average rent in 2020/21 is £87.81 (over 50 weeks)).

#### **3.3 New Build rents**

In line with proposals set out in the Council's current HRA Business Plan, the rents for any new homes will be set at affordable rent levels. Affordable rents are defined as being a maximum of 80% of the prevailing average market rent for the area and should be no more than the prevailing local housing allowance (LHA) rates for the area to ensure that properties remain affordable.

The local housing allowances rates for 2021/22 will not be available until early February 2021. LHA rates have been frozen since 2016, however the Government announced in January 2020 that the freeze has been lifted, meaning that rates will rise by inflation from April 2020. The indicative 2021/22 affordable rents for the Folkestone & Hythe area are as follows:

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<sup>1</sup> The 'formula rent' is the amount an individual rent can be set at before taking into account the rent restructuring restrictions and maximises the rental income received without penalising any individual.

Bedsits	£60.88 per week
1 bedroom houses	£88.92 per week
2 bedroom houses	£118.57 per week
3 bedroom houses	£148.21 per week
4 bedroom houses	£173.11 per week

### 3.4 Rent Comparisons

The table below compares Folkestone & Hythe's average weekly rent to that of other authorities in Kent.

<i>Table 3</i>	<b>Average weekly rent over 52 weeks (2020/21) £</b>	<b>Difference between FHDC and other authorities £</b>
Folkestone & Hythe	85.74	-
Dover	86.97	1.06
Canterbury	92.89	6.98
Thanet	83.05	(2.86)

- Subject to Dover, Canterbury and Thanet's approval at their own Council meetings.

### 3.5 Service Charges

#### 3.5.1 General Service Charges

The general principle for service charges for tenants is that they are set to recover the costs of the service they fund. However, the government also limits increases in service charges to the Consumer Price Index (CPI) plus 1.0% per annum as part of rent setting guidance. The CPI for September 2020 was 0.5%, CPI plus 1.0% is therefore 1.5%. As a result general service charges within the HRA will increase by 1.5% with effect from 5 April 2021.

Local authorities can increase charges above this level where costs are increased that are beyond the authorities' control. Utility charges, such as heating and hot water in sheltered housing schemes are an example where this applies. Proposals for these charges for 2021/22 are set out in 3.5.2 below.

#### 3.5.2 Heating charges in Sheltered Housing

Residents in 12 of the Council's sheltered housing schemes have heating and hot water provided to their flats by communal systems. Charges are made for this service based on the floor area of each flat.

As set out within last year's report, over time fuel costs have increased significantly above the rate of inflation, so that the charges raised for this service no longer cover the costs. Therefore, the proposed charges for this

service towards the actual cost of providing the service are in line with those agreed last year. This continued move to full cost recovery would result in some tenants facing significant increases and it is therefore proposed to set charges that provide some interim protection against the highest increases.

Following the same approach as previous years it is recommended that the 2021/22 service charges for heating and hot water in sheltered housing schemes should be set at actual cost or 10% increase, subject to the following limits:

- Bedsit flats £23.16 per week (£1,158 per year)
- 1 bed flats £25.82 per week (£1,291 per year)
- 2 bed flats £28.35 per week (£1,417 per year)

#### 4. HOUSING REVENUE ACCOUNT CAPITAL ESTIMATES

##### 4.1 Original Budget 2021/22

The proposed HRA Capital Budget for 2021/22, shown in Appendix 2, is £14.5m. Table 4 below shows the movements in the programme from the 2020/21 original budget to the original budget for 2021/22.

<i>Table 4</i>	<b>£000's</b>
<b>Original estimate 2020/21</b>	<b>13,505</b>
<b>Increases in programme</b>	
Fire Protection Works (see 4.1.1)	650
Re-roofing (see 4.1.1)	450
Doors (see 4.1.1)	290
External Enveloping (see 4.1.1)	230
Enhanced Capital Programme (see 4.1.2)	(1,000)
Other net variances	330
<b>Total increase in expenditure</b>	<b>950</b>
<b>Original estimate 2021/22</b>	<b>14,455</b>

##### 4.1.1 Decent Homes Standard

The increased budget requirement for Fire Protection Works, Re-roofing, Doors and External Enveloping is to address recommendations and carry out works identified from verified surveys and sample testing to maintain the Decent Homes Standard.

It should be noted that priorities from the ongoing Fire Risk Assessments may identify further works and so an additional budget for this programme may be required during the year. This will be reported via the usual budget monitoring process.

#### 4.1.2 Enhanced Capital Programme

A budget provision of £10m was allocated in 2020/21 for investment in existing stock over a three year period up to 2022/23 and the budget was allocated evenly over the three years. None of the £3.5m allocated budget was utilised in 2020/21. This budget has been reduced in 2021/22 to partially offset the increase in the decent homes standard capital programme budgets to carry out identified works.

The revenue budget includes provision for stock condition surveys to be carried out across the entire housing portfolio which will begin in late 2020/21 and conclude in early 2021/22. The results of these surveys will be used to inform the Asset Management Strategy and capital programme. Once the results of these surveys are known the remainder of this budget will be allocated to specific programmes based on the priority of works identified.

#### 4.1.3 New Build Programme

The budget required for the new build programme will vary from year-to-year depending on the profile of the programme. This is reflected within the HRA Business Plan which was agreed by Cabinet on 19 February 2020 and stated that 1,200 new homes would be delivered by 2034/35.

Works on the High View and Biggins Wood schemes are due to commence in 2021/22 and the Council will be pursuing further acquisition opportunities, including a site at Radnor Park Road which will provide 14 units for rent which is expected to complete in the latter part of 2021/22.

All of the new build options will be subject to a detailed viability appraisal to ensure they meet the requirements of the HRA Business Plan.

#### 4.2 HRA Reserve Balances

**HRA Reserve** – The HRA reserve consists of revenue balances that can be used for revenue or capital expenditure in line with the HRA Business Plan.

The following table shows the required resources to finance the original budget for 2020/21 and original budget for 2021/22 for the HRA capital programme.

<i>Table 6</i>	<b>Major Repairs Reserve</b>	<b>Use of RTB Capital Receipts</b>	<b>Revenue Contribution</b>	<b>Total</b>
	£000's	£000's	£000's	£000's
Original budget 2020/21	5,275	1,425	6,805	13,505
Original budget 2021/22	5,880	2,434	6,757	15,071

## 5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
East Kent Housing management fee variation	Medium	Medium	Officers are ensuring that the rules laid out in the management agreement are followed.
Budget not achieved	High	Low-Medium	Stringent budget monitoring during 2020/21 enabling early corrective action

## 6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 6.1 Legal Comments (NE)

There are no legal implications arising directly out of this report other than as already stated therein. (Following the coming into force of Schedule 15 of the Localism Act 2011, English local authorities are required to be self-financing in relation to their housing stock, financing their housing stock from their own rents.)

### 6.2 Finance Comments (LW)

All financial effects are included in this report.

### 6.3 Diversities and Equalities Implications

This report is in line with the Council's Diversity and Equality policies.

## 7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

This report has been prepared by:

*Cheryl Ireland, Chief Financial Services Officer*  
Telephone 01303 853213 Email: [cheryl.ireland@folkestone-hythe.gov.uk](mailto:cheryl.ireland@folkestone-hythe.gov.uk)

*Adrian Hammond, Housing Strategy Manager*  
Telephone 01303 853392 Email: [adrian.hammond@folkestone-hythe.gov.uk](mailto:adrian.hammond@folkestone-hythe.gov.uk)

The following background documents have been relied upon in the preparation of this report:

None

**Appendices:**

Appendix 1 - HRA Revenue Budgets

Appendix 2 - HRA Capital Programme

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**HOUSING SERVICES**
**ANNUAL ESTIMATES 2021/22**

Actual 2019/20 £	<b><u>HOUSING REVENUE ACCOUNT</u></b>	Original 2020/21 £	Estimate 2021/22 £
	<b><u>INCOME</u></b>		
14,854,286	Dwelling rents	14,954,140	<b>14,415,747</b>
318,503	Non-dwelling rents	342,380	<b>342,380</b>
978,838	Other charges for services and facilities	1,009,840	<b>1,012,840</b>
52,200	Contributions from general fund	52,200	<b>52,200</b>
<b>16,203,827</b>	<b>TOTAL INCOME</b>	<b>16,358,560</b>	<b>15,823,167</b>
	<b><u>EXPENDITURE</u></b>		
3,487,250	Repairs and maintenance	3,786,920	<b>4,070,920</b>
3,576,449	General management *	4,081,900	<b>4,853,203</b>
1,193,329	Special management *	1,036,280	<b>1,036,280</b>
19,316	Rents, rates & taxes	21,750	<b>21,750</b>
140,313	Increase provision for bad or doubtful debts	150,000	<b>200,000</b>
	<b><u>Capital Financing Costs</u></b>		
5,510,903	Depreciation charges	2,564,670	<b>2,643,000</b>
827,860	Exceptional Item Impairment	0	<b>0</b>
21,920	Debt management expenses	0	<b>0</b>
<b>14,777,339</b>	<b>TOTAL EXPENDITURE</b>	<b>11,641,520</b>	<b>12,825,153</b>
<b>(1,426,487)</b>	<b>NET COST OF SERVICES</b>	<b>(4,717,040)</b>	<b>(2,998,014)</b>
1,569,205	Loan charges - Interest	1,546,680	<b>1,573,000</b>
	<b><u>Investment Income</u></b>		
(78,215)	Interest on notional cash balances	(75,000)	<b>(50,000)</b>
0	Premiums & discounts	0	<b>0</b>
<b>64,504</b>	<b>NET OPERATING INCOME</b>	<b>(3,245,360)</b>	<b>(1,475,014)</b>
(3,750,219)	Any other item of income & expenditure	0	<b>0</b>
1,387,326	Revenue Contribution to Capital Expenditure	6,804,820	<b>6,620,019</b>
(13,000)	Pensions Interest costs	(195,000)	<b>(195,000)</b>
<b>(2,311,389)</b>	<b>TOTAL DEFICIT/SURPLUS(-) FOR YEAR</b>	<b>3,364,460</b>	<b>4,950,005</b>
10,163,309	Balance as at 1st April	12,474,698	<b>9,110,238</b>
12,474,698	Balance as at 31st March	9,110,238	<b>4,160,233</b>

\* General Management - relates to costs for the whole of the housing stock or all tenants such as EKH Management Fee and support costs.

\* Special Management - relates to only some of the tenants such as cleaning communal areas of flats and maintenance of open spaces.

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## HOUSING SERVICES

## ANNUAL ESTIMATES 2021/22

Actual 2019/20 £	<u>HRA CAPITAL PROGRAMME</u>	Original 2020/21 £	Estimate 2021/22 £
	<b><u>EXPENDITURE</u></b>		
	<b><u>Decent Homes Standard</u></b>		
260,872	Doors	250,000	540,000
458,501	Re-roofing	350,000	800,000
547,460	Heating Improvements	649,330	649,330
239,590	Kitchen Replacement	411,000	410,000
159,521	Bathroom Improvements	173,500	250,000
172,986	Voids Capital Works	300,000	300,000
212,281	External Enveloping	100,000	330,000
174,942	Fire Protection Works	50,000	700,000
4,836	Thermal Insulations	10,000	120,000
14,340	Contract Specification	30,500	20,000
0	Enhanced Capital Programme	3,500,000	2,500,000
2,245,331	<b>Sub-Total</b>	5,824,330	6,619,330
	<b><u>Non Decent Homes Standard</u></b>		
0	Treatment Works	10,000	10,000
426,565	Disabled Adaptations	450,000	450,000
67,875	Rewiring	485,000	485,000
37,900	Sheltered Scheme upgrades	80,000	80,000
24,362	Garages Improvements	30,000	150,000
5,228	Lift Replacements	60,000	60,000
561,930	<b>Sub-Total</b>	1,115,000	1,235,000
	<b><u>New Build Programme</u></b>		
1,913,257	New Builds	6,515,270	6,515,270
1,913,257	<b>Sub-Total</b>	6,515,270	6,515,270
	<b><u>Environment/Estate Improvement</u></b>		
7,899	Environmental Works	25,000	25,000
25,912	New Paths	15,000	50,000
14,235	Play Areas	10,000	10,000
48,046	<b>Sub-Total</b>	50,000	85,000
4,768,564	<b>TOTAL EXPENDITURE</b>	13,504,600	14,454,600
	<b><u>FINANCING</u></b>		
2,807,260	Major Repairs Reserve	5,274,800	5,880,000
573,977	Capital Receipts	1,424,983	1,954,581
1,387,327	Revenue Contribution	6,804,817	6,620,019
4,768,564	<b>TOTAL FINANCING</b>	13,504,600	14,454,600
(0)	<b>SHORTFALL IN FINANCING</b>	0	0

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This Report will be made public on 4 January 2021



Report Number **C/20/65**

**To:** Cabinet  
**Date:** 20 January 2021  
**Status:** Key Decision  
**Head of Service:** Charlotte Spendley - Director of Corporate Services  
**Cabinet Member:** Councillor David Monk – Leader and Portfolio Holder for Finance

**SUBJECT: UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME AND BUDGET MONITORING 2020/21**

**SUMMARY:** This report updates the General Fund Medium Term Capital Programme for the five year period ending 31 March 2026. The report provides an updated projected outturn for the General Fund capital programme in 2020/21, based on expenditure to 30 November 2020. The General Fund Medium Term Capital Programme is required to be submitted to full Council for consideration and approval as part of the budget process.

#### **REASONS FOR RECOMMENDATIONS:**

Cabinet is asked to agree the recommendations set out below because:

- a) It needs to be kept informed of the existing General Fund Medium Term Capital Programme position and take appropriate action to deal with any variance from the approved budget.
- b) Proposed extensions to existing schemes are required to be considered and approved before being included in the Council's Medium Term Capital Programme.
- c) The proposed Medium Term Capital Programme needs to be considered before it is submitted to full Council for approval as part of the budget process.
- d) The Council must also have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities when carrying out its duties under Part 1 of the Local Government Act 2003.

#### **RECOMMENDATIONS:**

1. To receive and note report C/20/65.
2. To seek Council's approval to the updated General Fund Medium Term Capital Programme as set out in appendix 2 to this report.

## **1. INTRODUCTION AND BACKGROUND**

- 1.1 In line with the council's approved Budget Strategy for 2021/22, this report updates the General Fund Medium Term Capital Programme (MTCP) for the five year period ending 31 March 2026. The report;-
- i) provides the latest projection, as at 30 November 2020, of the planned expenditure in 2020/21 for the existing General Fund capital programme and explanations of the variances compared to the latest approved budget,
  - ii) reviews and updates the existing approved Medium Term Capital Programme and incorporates the capital investment proposals agreed by Cabinet during the budget process for 2021/22,
  - iii) introduces proposed new schemes and initiatives identified during the budget process but yet to be considered by Cabinet,
  - iv) provides details of those existing capital schemes proposed to be extended by one year into 2025/26,
  - v) summarises the impact the proposed changes to the overall capital programme will have on the financing resources required to fund it.
- 1.2 The capital expenditure plans for the Housing Revenue Account (HRA) are due to be considered by Cabinet in a separate report on this agenda as part of the current budget process for 2021/22.
- 1.3 The overall capital expenditure plans for both the General Fund and HRA are required to be submitted to full Council for consideration and approval as part of the budget process.
- 1.4 Additionally, the Council's General Fund and HRA capital investment plans will feature in the Capital Strategy and Investment Strategy both of which are planned to be reported to Cabinet on 24 February 2021 ahead of being submitted to full Council for approval on the same day. This is a requirement of the CIPFA Prudential Code for Capital Finance in Local Authorities.

## **2. CAPITAL PROGRAMME 2020/21 – PROJECTED OUTTURN**

- 2.1 The planned expenditure on all General Fund capital schemes in 2020/21, based on expenditure to 30 November 2020, is anticipated to be £20,873,000 a reduction of £26,860,000 compared to the approved budget of £47,733,000. Full details are shown in **appendix 1**. The following table summarises the position across the Council's service units and also outlines the impact on the capital resources required to fund the expenditure:

General Fund Capital Programme Q3 2020/21	Latest Budget 2020/21	Projection 2020/21	Variance Budget to Projection
	£'000	£'000	£'000
<b>Service Units</b>			
Operations	9,022	1,781	(7,241)
Corporate Services	5,666	2,106	(3,560)
Housing	1,959	1,010	(949)
Transformation & Transition Place	4,066	2,599	(1,467)
	27,020	13,377	(13,643)
<b>Total Capital Expenditure</b>	<b>47,733</b>	<b>20,873</b>	<b>(26,860)</b>
<b>Capital Funding</b>			
Capital Grants	(6,242)	(1,753)	4,489
External Contributions	(943)	(196)	747
Capital Receipts	(1,741)	(2,010)	(269)
Revenue	(4,133)	(4,226)	(93)
Borrowing	(34,674)	(12,688)	21,986
<b>Total Funding</b>	<b>(47,733)</b>	<b>(20,873)</b>	<b>26,860</b>

2.2 The following table summarises the main reasons for the net reduction in the projected outturn compared to the latest budget:

Variances – 2020/21 Latest Budget to Projected Outturn			
1	Reprofiling between 2020/21 and 2021/22	£'000	£'000
i)	Area Officer Vans	(30)	
ii)	Oportunitas Phase 2 Funding	(3,590)	
iii)	Greatstone Holiday Lets	(1,849)	
iv)	Otterpool Park Land and Property Acquisitions	(6,010)	
v)	Otterpool Park Delivery	(9,662)	
vi)	Princes Parade Leisure Centre	(2,215)	
vii)	Coast Protection - Coronation Parade cliff stabilisation works	(800)	
viii)	Temporary Accommodation	(327)	
ix)	Corporate Property Development Projects	(161)	
x)	Biggins Wood Commercial Development	(950)	
xi)	Public Toilet Enhancement	(200)	
xii)	Waste Contract Vehicles and Equipment	(1,121)	
			<b>(26,915)</b>
<b>2</b>	<b>Overspends</b>		
i)	Grounds Maintenance Vehicle Replacement Programme	66	
ii)	PC Replacement Programme	30	
iii)	Lower Sandgate Rd Beach Huts	43	
iv)	Enhanced Hythe to Folkestone Beach Management programme (externally funded)	170	
v)	Royal Military Canal Enhancements	9	
vi)	Otterpool Park Garden Town Delivery Vehicle	12	

<b>3</b>	<b>Underspends</b>		
i)	Coast Protection, Coronation Parade Folkestone - The rock revetment work originally planned for the scheme is now not expected to take place due to it be uneconomical (externally funded)	(1,569)	
ii)	Hythe-Folkestone Beach Recharge - Modelling has found it will be more beneficial to continue with an enhanced annual beach management programme (externally funded)	(1,970)	
iii)	Empty Home Initiatives	(182)	
iv)	Disabled Facilities Grants - reduction in referrals from the Occupational Therapist service due to staff being redeployed to other priorities at the peak of the COVID-19 crisis	(400)	
v)	Home Safe Loans - reduction in applications due to the impact of COVID-19	(40)	
vi)	Former Debenhams Building	(6)	
			<b>(4,167)</b>
<b>4</b>	<b>Other</b>		
i)	Transformation	748	
ii)	Otterpool Park – Capitalisation of masterplanning costs	3,144	
			<b>3,892</b>
	<b>Total change in overall capital programme for 2020/21</b>		<b>(26,860)</b>

**2.3 Transformation Costs** – A temporary statutory provision allows local authorities incurring revenue expenditure for staff transformation programmes and other similar initiatives generating ongoing savings to be met from capital receipts received from the disposal of surplus assets. However these costs are required to be classified as capital expenditure for accounting purposes. The Council expects to incur about £1m in costs for its Transformation programme in the current financial year to be met from qualifying capital receipts and this is now incorporated into the General Fund capital programme. A corresponding adjustment has been made to reduce the General Fund revenue account.

**2.4 Otterpool Park Masterplanning Costs** – Up until 2019/20 the costs incurred on the masterplanning work for the Otterpool Park Garden Town project were required to be treated as revenue expenditure. This was largely because the Council had yet to submit a formal planning application for the site, were still in discussions regarding the land assembly for the proposed scheme and had yet to formulate a clear delivery strategy for the project. However, with the outline planning application for the scheme now submitted, the majority of the land assembly completed and the delivery vehicle established, most of the masterplanning costs incurred for 2020/21 and 2021/22 are required to be treated as capital expenditure. It is projected that £3.144m in capitalised masterplanning costs will be incurred in 2020/21 with a further £0.156m in 2021/22. These costs will be met from a mixture

of revenue reserves, borrowing and any further government grant secured towards the masterplanning phase of the project. At this stage the additional borrowing of up to £2.196m for the masterplanning costs is proposed to be adjusted against the Otterpool Park delivery budget over the period of the Medium Term Capital Programme.

- 2.5 Waste Contract Vehicles** – Negotiations have taken place between Folkestone and Hythe District Council, Dover District Council and Veolia Environmental Services Limited to agree a mechanism to grant security to the Councils over the vehicles to be met from the approved funding for the new Waste contract (FHDC = £4.052m). It has been agreed that both Councils will purchase the vehicles required for the contract although this will still be arranged through Veolia. The Councils will have legal ownership of vehicles, providing the security both Authorities were seeking, but with Veolia remaining responsible for their operation and full running costs. FHDC will still receive the rebate of about £100k per year over the life of the contract from Veolia by meeting the capital cost of the vehicles through prudential borrowing. The majority of the vehicles being purchased are expected to be spread over the remainder of 2020/21 and into 2021/22.

### 3. UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME

- 3.1 The latest projection for the total cost and funding of the General Fund capital programme from 2020/21 to 2025/26 is £148,257,000. Compared to the latest approved budget of £144,260,000 this represents an increase of £3,997,000. Full details are shown in **appendix 2** to this report and the following table summarises the position across the service units and also outlines the impact on the capital resources required to fund the programme:

General Fund Capital Programme	Latest Approved Budget	Latest Projection	Variance
	£'000	£'000	£'000
<b>Service Units</b>			
Operations	11,759	11,759	0
Corporate Services	6,027	6,152	125
Housing	6,359	8,337	1,978
Transformation & Transition	33,095	33,879	784
Place	87,020	88,130	1,110
<b>Total Capital Expenditure</b>	<b>144,260</b>	<b>148,257</b>	<b>3,997</b>
<b>Capital Funding</b>			
Capital Grants	(9,331)	(13,186)	(3,855)
External Contributions	(7,276)	(2,614)	4,662
Capital Receipts	(23,157)	(26,123)	(2,966)
Revenue	(4,894)	(6,166)	(1,272)
Borrowing	(99,602)	(100,168)	(566)
<b>Total Funding</b>	<b>(144,260)</b>	<b>(148,257)</b>	<b>(3,997)</b>

3.2 The main changes from the approved budget to the latest projection for the medium term programme are summarised below:

	£'000	£'000
<b>1 Capital investments decisions approved by Cabinet</b>		
i) Fisherman's Beach Chalets – Provision of 30 beach chalets at Fisherman's Beach.	75	
ii) New Beach Huts – Provision of 100 beach huts in various locations.	300	
iii) Coastal Park Play Equipment – Replace Pirate Ship and undertake urgent repairs.	62	
iv) Coastal Park Toilet and Concession – Construction of larger purpose built toilet block.	150	
v) East Cliff Landfill Protection – Work to remediate disused landfill site.	1,200	
vi) Hawkinge Depot Upgrade – Enhancements to staff welfare facilities.	75	
vii) Units 1-5 Learoyd Road New Romney – Major refurbishment of units.	200	
	<hr/>	2,062
<b>2 Existing annual programmes extended by one year to 2025/26</b>		
i) Coast Protection – Greatstone Dunes Management and Study met from Environment Agency grant.	15	
ii) Coast Protection – Hythe to Folkestone Beach Management met from Environment Agency grant.	420	
iii) Coast Protection – Annual monitoring of Coronation Parade, Folkestone met from Environment Agency grant.	4	
iv) Lifeline units for customers.	50	
v) Royal Military Canal – Footpath improvement scheme.	20	
vi) Replacement technology	95	
vii) Disabled Facilities Grants, subject to Government funding.	1,000	
viii) Home Safe Loans met from repaid Decent Homes Loans.	100	
	<hr/>	1,704

### 3 Other Changes

i) Coast Protection – Coronation Parade, Folkestone Coast Protection, Coronation Parade Folkestone – The rock revetment work originally planned for the scheme is now not expected to take place due to it be uneconomical (externally funded)	(1,569)	
ii) Coast Protection Beach Management –The Environment Agency has approved funding for a 5 year programme of works from April 2020 to March 2025	850	
iii) Coast Protection Beach Recharge – Modelling has found it will be more beneficial to continue with an enhanced annual beach management programme above (externally funded).	(1,970)	
iv) Disabled Facilities Grants – Reduction in referrals from the Occupational Therapist service due to staff being redeployed to other priorities at the peak of the COVID-19 crisis.	(400)	
v) Home Safe Loans – Reduction in applications due to the impact of COVID-19.	(40)	
vi) Empty Properties Initiative (KCC) – Loans to landlords.	1,318	
vii) FHDC Transformation – capitalisation of revenue costs.	748	
viii) Replacement Technology – Increased spending due to transition of Housing back to FHDC.	30	
ix) Mountfield Road Business Hub – Mountfield Road Industrial Estate Phase 2 (externally funded)	36	
x) Lower Sandgate Road Beach Huts.	43	
xi) Grounds Maintenance Vehicle and Equipment Replacement Programme.	66	
xii) Otterpool Park – net adjustment between delivery and masterplanning costs	1,104	
xiii) Other small net changes.	15	
		231
<b>Total net increase</b>		<b>3,997</b>

- 3.3 **Joint Empty Properties Initiative with Kent County Council** – Since 2017/18 the Council has jointly funded the ‘No Use Empty’ initiative with KCC to provide interest free loans to the owners of empty properties in the district to meet the cost of works to bring them back into residential use. The loans made are repaid within three years providing the Council with the opportunity to reinvest these in future tranches of the scheme. The proposed MTCP

provides for the Council making an annual contribution of £300k to this initiative through to 2025/26 with the cost being met from repaid loans due from previous tranches of this scheme.

- 3.4 The profiling of the capital programme budget is likely to be subject to some change over the medium term. Notably, the timing and profiling of the Otterpool Park Garden Town and Princes Parade Leisure and Housing schemes are expected to change as the Council's plans for these develop going forward. Cabinet will be kept informed of any changes to the proposed profiling of expenditure for the capital programme through the budget monitoring process and future updates to the MTCP.
- 3.5 All proposed changes to the Council's General Fund MTCP are required to be approved by full Council as part of the budget setting process. The revenue implications of the of the MTCP are contained in either the proposed General Fund budget for 2021/22 or feature in the Council's approved Medium Term Financial Strategy.

#### **4. IMPACT ON CAPITAL RESOURCES**

- 4.1 The proposed MTCP requires approximately £101m of prudential borrowing to support it with about £81m of this for the Otterpool Park scheme. Ordinarily the investment in Otterpool Park would put a significant pressure on the General Fund budget for additional interest costs. However, the Council is able to capitalise its borrowing cost for expenditure on the land assembly for the site until the land is ready for its intended use. As the land is sold the Council can then look to repay its borrowing. Additionally, the Council is receiving a net rental income stream from some of the properties it has acquired to date. The borrowing cost to the Council for the planned loan and equity investment in Otterpool Park LLP, the delivery vehicle for the project, will be covered by the interest to be charged on the loan in the first instance.
- 4.2 Prudential borrowing is also planned to be used to fund the following capital schemes where the Council will receive a net revenue benefit after allowing for interest costs.

<b>Scheme</b>	<b>Borrowing £'000</b>
*Princes Parade Leisure & Housing	6,436
Oportunitas Phase 2 Funding	5,590
Waste Contract Vehicles Funding	4,052
Greatstone Varne Holiday Lets	1,864
Lower Sandgate Road Beach Huts	540
Temporary Accommodation	527
New Beach Huts	300

Coastal Park Toilets & Concession	150
Fisherman's Beach Chalets	75
<b>Total</b>	<b>19,534</b>

\*The borrowing for the Princes Parade scheme is to cover an anticipated short term cash flow position due to the timing of capital receipts and S106 contributions planned to fund it.

- 4.3 The latest position regarding the Council's available capital receipts to fund capital expenditure is shown in the following table:

<b>General Fund Capital Receipts Position Statement</b>	<b>£'000</b>
Receipts in hand at 30 November 2020	(10,537)
Less, HRA capital receipts	5,781
General Fund capital receipts in hand	(4,756)
Contingency for urgent or unforeseen capital expenditure	500
Ring-fenced for specific purposes:	78
*Applied to capital expenditure in 2020/21 & 2021/22	3,973
<b>Balance available to support new capital expenditure</b>	<b>(205)</b>

\*Excludes Princes Parade

- 4.4 The Princes Parade Leisure and Housing scheme relies on the Council receiving about £20.5m in capital receipts from the sales of serviced land for housing development adjacent to the proposed leisure centre and from the disposal of the existing Hythe Pool site. The planned continued capital investment beyond 2021/22 in the 'No Use Empty' joint initiative with Kent County Council and also the Home Safe Loans scheme are to be met from investing repaid loans from previous tranches of these schemes.
- 4.5 Additionally, the council's continuing prudent financial management means it is in a position to use its other internal resources (cash reserves and balances) to fund the MTCP that is not already met from external grants and contributions without resorting to new borrowing. The table below summarises the council's revenue resources of £6.166m committed towards funding the MTCP.

<b>Revenue Resources to Fund the MTCP</b>	<b>£'000</b>
Vehicle, Equipment and Technology Reserve	456
Economic Development Reserve	2,784
Business Rates Reserve	733
High Street Regeneration Reserve	690

Climate Change Reserve	40
Otterpool Park Reserve	1,104
General Reserve	359
<b>Total</b>	<b>6,166</b>

- 4.6 This level of capital investment will be a significant draw upon the Council's available reserves and balances and it is unlikely this could be repeated in the future. For this reason it is important that a thorough and robust assessment is undertaken for the new major capital investment proposals to ensure best use of the Council's limited financial resources.

## 5 CONCLUSIONS

- 5.1 The MTCP has been reviewed and updated in accordance with the approved budget strategy for 2021/22.
- 5.2 The revenue consequences of the MTCP are reflected in the Council's General Fund budget and Medium Term Financial Strategy.
- 5.3 The proposed General Fund MTCP requires a substantial level of prudential borrowing to fund it. The impact to the General Fund of this will be mitigated through a combination of capitalising interest costs where permissible, charging interest to third parties on capital loans met from borrowing and generating additional net revenue streams from capital investments met from borrowing.
- 5.4 The level of new capital investment in the proposed MTCP will be a significant draw upon on the Council's available reserves and balances and is unlikely to be repeated in the future. Future major capital investment initiatives are likely to require further prudential borrowing to help fund them.
- 5.5 Cabinet is asked to recommend full Council to approve the changes to the MTCP outlined in this report to reflect the latest projected outturn shown in appendix 2 to this report.

## 6 RISK MANAGEMENT ISSUES

- 6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital resources not available to meet the cost of the new projects.	High	Low	Schemes or elements of those schemes relying on future capital receipts or external

			grants and contributions will not commence until an agreed disposal plan or funding agreement is in place.
Cost of new projects may exceed the estimate.	High	Low	Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.
Expenditure planned to be met by grant is ineligible under the terms of the funding agreement	High	Low	Prior to commitments being made the project manager to agree in advance grant eligible expenditure with the funding body.

## **7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

### **7.1 Legal Officer's Comments (NM)**

There are no legal implications arising directly out of this report. Part 1 of the Local Government Act 2003 gives the Council the power to borrow and to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. It also requires the Council to act prudently when carrying out these activities, including an obligation to determine and keep under review how much money it can borrow. In addition, the Council is required by the Local Government Finance Act 1992 to produce a balanced budget. Generally the Council must take into account its fiduciary duties to local tax payers and its continuing obligation to ensure it has the funding required to perform its statutory undertakings.

### **7.2 Finance Officer's Comments (LW)**

This report has been prepared by Financial Services. There are no further comments to add.

### **7.3 Diversities and Equalities Implications (DA)**

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA.

## **8. CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

*Lee Walker*, Capital and Treasury Senior Specialist

*Tel: 01303 853593. e-mail: [lee.walker@folkestone-hythe.gov.uk](mailto:lee.walker@folkestone-hythe.gov.uk)*

The following background documents have been relied upon in the preparation of this report:

None

Appendices:

- 1) General Fund Capital Programme Projected Outturn 2020/21
- 2) Proposed General Fund MTCP to 2025/26

Appendix 1 - General Fund Capital Programme Projected Outturn 2020/21

GENERAL FUND CAPITAL PROGRAMME PROJECTED OUTTURN 2020/21					
Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
		£000	£000	£000	
	<b>Andy Blaszkowicz - Director of Housing &amp; Operations</b>				
1	Vehicle Replacement Programme	0	66	66	Purchase of a new tractor and replacement park keeper waste vehicle. Expenditure in part deferred from 2019/20
2	Coast Protection, Coronation Parade Folkestone	2,389	20	(2,369)	Cliff stabilisation works of £0.8m now expected to be undertaken in 2021/22. The rock revetment work to protect the National Grid's cross-channel infrastructure will no longer be undertaken as part of this scheme. Scheme fully externally funded.
3	Coastal Protection, Greatstone dune management & study	15	15	0	Annual scheme funded by the Environment Agency
4	Coast Protection, Hythe to Folkestone Beach Management 2015-2020	250	420	170	The Environment Agency has approved funding for a 5 year programme of works from April 2020 to March 2025. Works are planned for the spring and autumn of each year of the programme.
5	General Fund Property - Health and Safety Enhancements	13	13	0	Anticipated to be spent during 2020/21
6	Lifeline Capitalisation	50	50	0	Anticipated to be spent during 2020/21
7	Royal Military Canal Enhancements	20	29	9	£9k delayed expenditure from 2019/20, not part of previously agreed carry forwards.
8	Coronation Parade Annual Monitoring	4	4	0	Annual scheme funded by the Environment Agency
9	Coast Protection, Hythe-Folkestone Beach Recharge Study	1,970	0	(1,970)	Modelling has found there isn't a need for a major beach recharge scheme. More substantial beach management works will deliver the same protection at a reduced cost.
10	Public Toilet Enhancement	200	0	(200)	Scheme delayed to 2021/22, works require detailed surveying and specification.
11	Hawkinge Cemetery Expansion	28	28	0	Scheme completed 2020/21.
12	Area Officer Vans	30	0	(30)	Scheme provisionally re-phased to 2021/22. Looking at electric vehicles but costs and capacity are restrictive.
13	Lower Sandgate Rd Beach Huts	497	540	43	The main reason for the variance is the cost to renovate the 27 existing beach huts was more than originally anticipated
14	Electric Vehicle Charging Points	40	40	0	To provide 15 on-street charging points. Scheme delayed while discussions continue with KCC regarding accessing power supplies from their street lighting columns
15	Greatstone Holiday Lets	1,864	15	(1,849)	Project delayed until 2021/22 whilst costs are negotiated to ensure they remain within budget.
16	Ship Street Site Folkestone	441	441	0	Cabinet approval made in October 2019 to proceed with the purchase of the site, on hold due to delays with the seller being able to proceed with the sale.
17	Biggins Wood Commercial Development	500	0	(500)	Project re-profiled to 2021/22.

Appendix 1 - General Fund Capital Programme Projected Outturn 2020/21

GENERAL FUND CAPITAL PROGRAMME PROJECTED OUTTURN 2020/21					
Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
18	Biggins Wood Site Land Remediation Works	550	100	(450)	Scheme planned to commence in early 2021 with the majority of the work now profiled for 2021/22.
19	Corporate Property Development Projects	161	0	(161)	Project re-profiled to 2021/22.
	<b>Total - Head of Housing &amp; Operations</b>	<b>9,022</b>	<b>1,781</b>	<b>(7,241)</b>	
	<b><u>Charlotte Spendley - Director of Corporate Services</u></b>				
20	PC Replacement Programme	16	46	30	Increased spending due to transition of Housing back to FHDC and additional equipment to support working from home
21	Server Replacement Programme	60	60	0	Anticipated to be spent during 20/21
22	Oportunitas PH 2	5,590	2,000	(3,590)	Expenditure projected to be partly reprofiled to 2021/22 in line with Oportunitas' Business Plan to acquire residential units at the former Royal Victoria Hospital site in Folkestone.
	<b>Total - Head of Corporate Services</b>	<b>5,666</b>	<b>2,106</b>	<b>(3,560)</b>	
	<b><u>John Holman - Head of Housing</u></b>				
23	Temporary Accommodation	527	200	(327)	Continuing to look for suitable acquisition opportunities, but these are extremely limited at the current time. Anticipated spend of £200K in the current year as part of a joint initiative with the Next Steps Accommodation Programme (NSAP) with the remaining budget being carried forward to 2021/22.
24	Disabled Facilities Grants	1,000	600	(400)	Projection lower due to a reduction in referrals from the Occupational Therapist service because they were redeployed to other priorities during the peak of the COVID-19 crisis
25	Home Safe Loans	100	60	(40)	Projection lower due to the impact of COVID-19.
26	Empty Home Initiatives	332	150	(182)	The number of projects coming forward have been limited during the COVID-19 Pandemic. It is anticipated that only 50% of the annual budget will be spent during 2020/21.
	<b>Total - Head of Housing</b>	<b>1,959</b>	<b>1,010</b>	<b>(949)</b>	

Appendix 1 - General Fund Capital Programme Projected Outturn 2020/21

GENERAL FUND CAPITAL PROGRAMME PROJECTED OUTTURN 2020/21					
Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
	<b>Ewan Green - Place</b>				
27	Otterpool Park Garden Town Delivery Vehicle Mechanism	0	12	12	Residual expenditure from 2019/20
28	Otterpool Park Land and Property Acquisitions	9,710	3,700	(6,010)	Projection provides for the acquisition of various property and land required to help support the proposed development. £6m is being reprofiled to support further acquisitions anticipated for 2021/22.
29	Otterpool Park Delivery	10,912	1,250	(9,662)	Cabinet approval in May 2020 for the initial funding of Otterpool LLP who will be the delivery vehicle for the Otterpool Park Garden Town development.
30	Otterpool Park - Capitalisation of Masterplanning Costs	0	3,144	3,144	Capitalisation of masterplanning costs required to support the planning application process for the scheme
31	Former Debenhams Building	2,346	2,340	(6)	Purchase completed in May 2020. Variance is a small reduction on fees incurred
32	Waste Contract - Acquisition of Vehicles and Equipment	4,052	2,931	(1,121)	Purchase of vehicles and equipment for the new Waste contract with Veolia partly reprofiled. Purchase will achieve a net annual saving of £100k to the General Fund
	<b>Total - Head of Strategic Development</b>	<b>27,020</b>	<b>13,377</b>	<b>(13,643)</b>	
	<b>Tim Madden - Director of Transformation &amp; Transition</b>				
33	Princes Parade Leisure Centre	2,465	250	(2,215)	Pre-contract fees and works largely reprofiled to 2021/22. Scheme has been on hold while permission was unsuccessfully sought for a Judicial Review regarding the planning permission for the scheme
34	Mountfeild Business Hub	735	735	0	Joint venture with East Kent Spacial Development Company
35	Mountfield Road Industrial Estate Phase 2	614	614	0	Infrastructure and services to 5 hectare site to enable development of employment space for upto 450 jobs. Scheme profiled to delivered by 2021/22 and fully met from SELEP grant funding
36	FHDC Transformation	252	1,000	748	Projected staffing, consultancy and ICT costs for the Council's Transformation Project able to be capitalised under the government's 'Flexible Use of Capital Receipts' statutory guidance.
	<b>Total - Director of Transformation &amp; Trasition</b>	<b>4,066</b>	<b>2,599</b>	<b>(1,467)</b>	
	<b>TOTAL GENERAL FUND CAPITAL PROGRAMME 2020/21</b>	<b>47,733</b>	<b>20,873</b>	<b>(26,860)</b>	

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General Fund Medium Term Capital Programme to 2025/26											
Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Total Projection 2020/21 - 2025/26	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Andy Blaszkowicz - Operations										
1	Coast Protection - Coronation Parade, Folkestone	2,389	20	800	0	0	0	0	820	(1,569)	The rock revetment work originally planned for the scheme is now not expected to take place due to it be uneconomical (externally funded)
2	Coast Protection - Coronation Parade annual monitoring	20	4	4	4	4	4	4	24	4	Scheme externally funded by the Environment Agency. Scheme extended by one year to 2025/26
3	Coast Protection - Greatstone Dunes Management & Study	75	15	15	15	15	15	15	90	15	Annual programme funded by Environment Agency extended by one year to 2025/26
4	Coast Protection - Hythe to Folkestone Beach Management	1,250	420	420	420	420	420	420	2,520	1,270	The Environment Agency has approved funding for a 5 year programme of works from April 2020 to March 2025. Budget assumes scheme to be extended to 2025/26. Works are planned for the spring and autumn of each year of the programme.
5	Coast Protection - Hythe to Folkestone Beach Recharge	1,970	0	0	0	0	0	0	0	(1,970)	Scheme now replaced with the enhanced Hythe to Folkestone Beach Management programme, above
6	General Fund Property - Health and Safety Enhancements	13	13	0	0	0	0	0	13	0	Partly deferred to 2020/21 and subject to the production and agreement of a Civic Centre 10 year plan
7	Royal Military Canal footpath enhancements	100	29	20	20	20	20	20	129	29	Ongoing 10 year programme of improvements 2016/17-2026/27
8	Hawkinge Cemetery Expansion	28	28	0	0	0	0	0	28	0	Scheme commenced in 2019/20 and due to be completed in 2020/21
9	Area Officer Vans	30	0	30	0	0	0	0	30	0	Delayed and now considering electric vehicles which may require an increase to the budget
10	Lifeline Capitalisation	250	50	50	50	50	50	50	300	50	Annual programme to purchase new/replacement units extended by one year to 2025/26 (£50k)
11	Grounds Maintenance Vehicle and Equipment Replacement Programme	0	66	0	0	0	0	0	66	66	Purchase of a new tractor and replacement park keeper waste vehicle. Expenditure in part deferred from 2019/20
12	Public Toilet Enhancement Programme	400	0	400	0	0	0	0	400	0	Scheme to refurbish the council's public toilets portfolio. Subject to a separate report to Cabinet detailing the scheme.
13	Lower Sandgate Road Beach Huts (FPPG Charity)	497	540	0	0	0	0	0	540	43	The main reason for the variance is the cost to renovate the 27 existing beach huts was more than originally anticipated
14	Parking Services	31	0	16	15	0	0	0	31	0	Budget Growth. Parking Services - replacement of 15 on-street pay and display machines in Folkestone to be spread over a three year period.
15	Corporate Property Development Projects	161	0	161	0	0	0	0	161	0	Unallocated sum to support strategic property initiatives

Item No.	Service Area and Scheme	Latest Approved MTCP Budget		Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Total Projection 2020/21 - 2025/26		Variance Budget to Projection	Comments
		£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	
16	Biggins Wood Site Land Remediation Works	1,700		100	1,600	0	0	0	0	1,700		0	Works to enable commercial and housing developments to proceed funded in part from a Homes England grant of £1.016m agreed in principle
17	Biggins Wood Commercial Development	500		0	500	0	0	0	0	500		0	Contribution towards joint venture to deliver commercial development. Council also contributing the land to the project
18	Ship Street Site Folkestone	441		441	0	0	0	0	0	441		0	Cabinet approval made in October 2019 to proceed with the purchase of the site
19	Greatstone Varne Holiday Lets	1,864		15	1,849	0	0	0	0	1,864		0	Currently in planning phase. Construction phase delayed until 2021/22
20	Electric Vehicle Charging Points	40		40	0	0	0	0	0	40		0	To provide 15 on-street charging points
21	Fisherman's Beach Chalets	0		0	75	0	0	0	0	75		75	Growth - Provision of 30 beach chalets at Fisherman's Beach, Hythe for lease to generate an additional revenue stream of up to £30k pa. Clear high local demand for beach chalets
22	New Beach Huts	0		0	300	0	0	0	0	300		300	Growth - Provision of 100 beach huts in various locations to generate an additional revenue stream to the Council of up to £104k pa. Clear high local demand for beach chalets
23	Coastal Park Play Equipment (FPPG Charity)	0		0	62	0	0	0	0	62		62	Growth - Replace Pirate Ship and undertake urgent repairs to the main tower structure to prevent the closure of the facilities on health and safety grounds
24	Coastal Park Toilet and Concession (FPPG Charity)	0		0	150	0	0	0	0	150		150	Growth - Construction of larger purpose built toilet block with adjoining concession to ease demand on existing facility and provide a new sustainable revenue stream
25	East Cliff Landfill Protection (FPPG Charity)	0		0	1,200	0	0	0	0	1,200		1,200	Growth - Work to remediate disused landfill site causing an environmental hazard to a high profile SSSI site
26	Hawkinge Depot Upgrade	0		0	75	0	0	0	0	75		75	Growth - Enhancements to staff welfare facilities and to provide covered storage to protect equipment from the elements
27	Units 1-5 Learoyd Road New Romney	0		0	200	0	0	0	0	200		200	Growth - Major refurbishment of units to maintain the existing income stream from leasing units to local businesses
	Total - Operations	11,759		1,781	7,927	524	509	509	509	11,759		0	

Item No.	Service Area and Scheme	Latest Approved MTCP Budget		Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Total Projection 2020/21 - 2025/26		Variance Budget to Projection	Comments
		£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	
	Ewan Green - Place												
28	Waste Contract - Acquisition of Vehicles and Equipment	4,052		2,931	876	0	0	245		4,052		0	Purchase of vehicles and equipment for the new Waste contract with Veolia partly reprofiled. Purchase will achieve a net annual saving of £100k to the General Fund
29	Former Debenhams Building	2,346		2,340	0	0	0	0	0	2,340		(6)	Purchase completed 01/05/2020
30	Otterpool Land and Property Acquitision	9,710		3,700	6,010	0	0	0	0	9,710		0	Land and property assembly to facilitate the Otterpool Park Garden Town development
31	Otterpool Park Delivery	70,912		1,250	5,000	20,822	20,822	20,822	0	68,716		(2,196)	Loan and equity investment in Otterpool LLP to enable the delivery of infrastructure and services for the initial phases of the proposed new Garden Town development
32	Otterpool Park Garden Town Delivery Mechanism	0		12	0	0	0	0	0	12		12	Professional advice to create delivery mechanism for council's involvement with the project.
33	Otterpool Park Masterplanning Costs	0		3,144	156	0	0	0	0	3,300		3,300	Capitalisation of masterplanning costs required to support the planning application process for the scheme
	Total - Place	87,020		13,377	12,042	20,822	20,822	21,067	0	88,130		1,110	
	John Holman - Housing												
34	Empty Properties Initiative (KCC) - Loans to landlords	332		150	300	300	300	300	300	1,650		1,318	The number of projects coming forward have been limited during the Covid 19 Pandemic. It is anticipated that only 50% of the annual budget will be spent during 2020/21. The £300K budget for 2021/22 and future years to be met from repaid loans from previous years.
35	Temporary Accommodation (invest to save)	527		200	327	0	0	0	0	527		0	Continuing to look for suitable acquisition opportunities, but these are extremely limited at the current time. Anticipated spend of £200K in the current year as part of a joint initiative with the Next Steps Accommodation Programme (NSAP) with the remaining budget being carried forward to 2021/22.
36	Disabled Facilities Grant	5,000		600	1,000	1,000	1,000	1,000	1,000	5,600		600	Saving anticipated for 2020/21 due to lower than anticipated demand. Scheme met entirely from Government grant and extended by one year to 2025/26. There is currently no waiting list for applications
37	Home Safe Loans	500		60	100	100	100	100	100	560		60	Scheme extended by one year to 2025/26
	Total - Housing	6,359		1,010	1,727	1,400	1,400	1,400	1,400	8,337		1,978	

Item No.	Service Area and Scheme	Latest Approved MTCP Budget	Latest Projection 2020/21	Latest Projection 2021/22	Latest Projection 2022/23	Latest Projection 2023/24	Latest Projection 2024/25	Latest Projection 2025/26	Total Projection 2020/21 - 2025/26	Variance Budget to Projection	Comments
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	Charlotte Spendley - Corporate Services										
38	PC Replacement Programme	137	46	16	35	35	35	35	202	65	Increased spending due to transition of Housing back to FHDC & staff working from home. Scheme extended by one year to 2025/26
39	Server Replacement Programme	300	60	60	60	60	60	60	360	60	Provision for an annual replacement programme over the medium term. Scheme extended by one year to 2025/26
40	Oportunitas Loan and Share Capital Phase 2	5,590	2,000	2,500	1,090	0	0	0	5,590	0	To invest in the company's expansion of its residential property portfolio primarily for the former Royal Victoria Hospital site development.
	Total - Corporate Services	6,027	2,106	2,576	1,185	95	95	95	6,152	125	
	Tim Madden - Transformation & Transition										
41	Princes Parade Leisure & Housing development	28,608	250	17,430	10,928	0	0	0	28,608	0	Preliminary fees reprofiled from 2020/21. Scheme has been on hold while an unsuccessful request to seek a Judicial Review regarding the planning permission for the development was considered
42	FHDC Transformation	252	1,000	0	0	0	0	0	1,000	748	Projected staffing, consultancy and ICT costs for the Council's Transformation Project able to be capitalised under the government's 'Flexible Use of Capital Receipts' statutory guidance.
43	Mountfield Road Industrial Estate Phase 2	3,500	614	2,922	0	0	0	0	3,536	36	Infrastructure and services to 5 hectare site to enable development of employment space for upto 450 jobs. Final SELEP grant award slightly higher than previously anticipated
44	New Business Hub - Mountfield Road Industrial Estate	735	735	0	0	0	0	0	735	0	Joint development with East Kent Spatial Development Company to construct the new facility on the Council's land.
	Total - Transformation & Transition	33,095	2,599	20,352	10,928	0	0	0	33,879	784	
	Total General Fund Medium Term Capital Programme	144,260	20,873	44,624	34,859	22,826	23,071	2,004	148,257	3,997	
45	Government Grant	(9,331)	(1,753)	(5,677)	(1,439)	(1,439)	(1,439)	(1,439)	(13,186)	(3,855)	
46	Other External Contributions	(7,276)	(196)	(1,974)	(444)	0	0	0	(2,614)	4,662	
47	Capital Receipts	(23,157)	(2,010)	(16,213)	(6,700)	(400)	(400)	(400)	(26,123)	(2,966)	
48	Revenue Contributions	(4,894)	(4,226)	(1,280)	(165)	(165)	(165)	(165)	(6,166)	(1,272)	
49	Borrowing	(99,602)	(12,688)	(19,480)	(26,111)	(20,822)	(21,067)	0	(100,168)	(566)	
	Total Funding	(144,260)	(20,873)	(44,624)	(34,859)	(22,826)	(23,071)	(2,004)	(148,257)	(3,997)	

This Report will be made public on 4 January 2021



Report Number **C/20/64**

**To:** Cabinet  
**Date:** 20 January 2021  
**Status:** Key Decision  
**Head of Service:** Charlotte Spendley - Director of Corporate Services  
**Cabinet Member:** Councillor David Monk – Leader and Portfolio Holder for Finance

**Subject:** TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22  
AND TREASURY MANAGEMENT MONITORING REPORT  
2020/21

**SUMMARY:** This report sets out the proposed strategy for treasury management for 2021/22 including Treasury Management Indicators. The report also provides an update on the council's treasury management activities that have taken place during 2020/21 against the agreed strategy for the year.

#### **REASONS FOR RECOMMENDATION:**

Cabinet is asked to agree the recommendations set out below because:-

- a) The Council must have regard to CIPFA's Code of Practice for Treasury Management in the Public Services when carrying out its duties under Part 1 of the Local Government Act 2003, including approving an annual Treasury Management Strategy Statement in advance of the financial year.
- b) The Council's Financial Procedure Rules require an annual plan and strategy for treasury management to be approved in advance of the financial year.
- c) Both the CIPFA Code of Practice on Treasury Management and the Council's Financial Procedure Rules require Members to receive a report on the Council's treasury management activities during the year.

#### **RECOMMENDATIONS:**

1. To receive and note Report C/20/64.
2. To approve the strategy for treasury management in 2021/22 set out in the report is adopted.
3. To approve the Treasury Management Indicators for 2021/22 set out in the report.

## **1. INTRODUCTION**

1.1 Treasury management is the management of the authority's cash flows, borrowing and investments, and the associated risks. The authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the authority's treasury management strategy and its prudent financial management.

1.2 This report is in two main sections.

### **i) Section A – Treasury Management Monitoring Report 2020/21**

This provides an update on the council's treasury management activities that have taken place during 2020/21 against the agreed strategy for the year up to 30 November 2020. It also considers any significant issues which may impact upon the treasury management function for the remainder of the current financial year.

### **ii) Section B – Treasury Management Strategy Statement 2021/22**

This sets out the proposed strategy for treasury management for 2021/22, including Treasury Management Indicators.

1.3 Treasury risk management at the authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code). The Code requires the authority to approve both a treasury management strategy before the start of each financial year and, as a minimum, a mid-year treasury management monitoring report on its activities against the agreed strategy for the current financial year. This report fulfils the authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code. The authority's own Financial Procedure Rules also require an annual plan and strategy for treasury management to be approved in advance of the each financial year.

1.4 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy which Cabinet is due to consider on 24 February 2021 ahead of it being submitted to full Council for approval on the same day.

## **2. ECONOMIC BACKGROUND AND PROSPECT FOR INTEREST RATES**

### **2.1 Economic Background**

2.1.1 The economic background is dominated by the unprecedented impact of the Covid-19 pandemic. The key issues affecting the UK economy in particular are:

- i) GDP fell by a record 19.8% in quarter 2 of 2020 as the impact of the lockdown bit hard on all sectors of the UK economy. The Office of Budget Responsibility (OBR) forecast GDP will fall by 11.3% for the calendar year of 2020 before seeing growth in 2021 and 2022 of 5.5%

and 6.6% respectively. This will broadly return GDP to its pre-pandemic position and then continue with more moderate growth in future years.

- ii) The headline rate of UK Consumer Price Inflation (CPI) was 0.5% at September 2020, up from 0.2% in August 2020. Inflation is expected to remain close to 0.5% during this winter before rising quite sharply towards the BoE's target of 2% during next year as the effects of low energy process and the VAT reductions from 2020 unwind.
- iii) The official unemployment rate has increased from its historic low of 3.8% at the end of 2019 to 4.5% at October 2020. The OBR forecast this to rise to 7.5% by the spring of 2021 with about 2.6 million people out of work. Total pay, after inflation, fell by 0.8% in the year to the August 2020. Both these factors will impact on household spending and will be a drag on growth.
- iv) The BoE's Monetary Policy Committee (MPC) unanimously maintained the Bank Rate at 0.1% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The MPC have made no mention of the potential for negative interest rates but a number of commentators are forecasting this will happen during 2021.
- v) Like the UK, the US and Eurozone economies both suffered from severe contraction during 2020. However both these economies appear to be recovering more quickly than the UK. Again, these economies have received huge support from their central banks and it seems likely that their interest rates will remain unchanged during 2021 at or close to 0%.
- vi) Some uncertainty remains about the impact to the domestic economy of the trade deal currently being negotiated for the UK's exit from the EU due to come into force from 1<sup>st</sup> January 2021.

## **2.2 Credit Outlook**

- 2.2.1 Although uncertainty around Covid-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.
- 2.2.2 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
- 2.2.3 Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

## **2.3 Interest Rate Forecast**

- 2.3.1 The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.
- 2.3.2 Equity markets have saw significant falls at the height of the pandemic with the FTSE 100 losing about 30% of its value compared to the start of the year. However, measures implemented by central banks and governments and the recent news of vaccines being available to tackle Covid-19 have seen equity markets rally during the year. By the end of November 2020 the FTSE 100 had recovered about half of its value since its low point in the spring.
- 2.3.3 Gilt yields, which the Public Works Loans Board (PWLB) use to set its interest rates for loans to local authorities, are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The 10-year gilt yield has been around 0.2% since April 2020 with the 20-year gilt between 0.6% and 0.7% over the same period, although subject to periods of some volatility. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the period to March 2022. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events. A more detailed interest rate forecast provided by Arlingclose is attached at Appendix 1.
- 2.3.4 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 0.1%, and that new long-term loans will be borrowed at an average rate of 1.25%.

## **SECTION A – TREASURY MANAGEMENT MONITORING REPORT 2020/21**

### **3 BACKGROUND AND SUMMARY POSITION**

- 3.1 Cabinet approved the Treasury Management Strategy Statement for 2020/21, including treasury management indicators, on 22 January 2020 (minute 65 refers). The Capital Strategy for 2020/21 covering capital expenditure and financing, treasury management and non-treasury investments was due to be considered by Cabinet on 19 March 2020 and Council on 25 March 2020. However, the first national lockdown prevented this from happening and an officer decision to approve the Capital Strategy was taken by the Director of Corporate Services on 27 March 2020 (Decision Number 19/034 refers).
- 3.2 On 31 March 2020, the authority had net borrowing of £60.6m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing

Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in table 1 below.

**Table 1: Balance Sheet Summary**

	<b>31.3.20 Actual £m</b>
General Fund CFR	70.0
HRA CFR	47.4
<b>Total CFR</b>	<b>117.4</b>
Less: Usable reserves	(53.5)
Less: Working capital	(3.3)
<b>Net borrowing</b>	<b>60.6</b>

- 3.3 The authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 30 November 2020 and the change since the 31 March 2020 is show in table 2 below.

**Table 2: Treasury Management Summary**

	<b>31.3.20 Balance £m</b>	<b>Net Movement £m</b>	<b>30.11.20 Balance £m</b>	<b>30.11.20 Rate %</b>
Long-term borrowing	58.5	-	58.5	3.36
Short-term borrowing	31.8	(10.0)	21.8	1.07
<b>Total borrowing</b>	<b>90.3</b>	<b>(10.0)</b>	<b>80.3</b>	<b>2.74</b>
Long-term investments	(14.1)	(0.7)	(14.8)	4.19
Short-term investments	(3.5)	3.5	-	-
Cash and cash equivalents	(12.1)	(4.9)	(17.0)	0.02
<b>Total investments</b>	<b>(29.7)</b>	<b>(2.1)</b>	<b>(31.8)</b>	<b>1.96</b>
<b>Net borrowing</b>	<b>60.6</b>	<b>(12.1)</b>	<b>48.5</b>	

- 3.4 The council's underlying borrowing requirement is expected to increase over the current financial year. However, as table 2 above shows, there has been a temporary reduction in the council's net borrowing to the 30 November of £12m. The following three main factors have contributed to this net reduction in borrowing:

- i) Higher than anticipated usable reserves at 31 March 2020
- ii) Delays to the council's General Fund capital expenditure programme for 2020/21 to be met from prudential borrowing

- iii) Short-term net positive cash flow from both Council Tax receipts and government grants in response to the coronavirus pandemic

#### 4. BORROWING STRATEGY AND ACTIVITY 2020/21

- 4.1 At 30 November 2020, the Authority held £80.3m of loans, a reduction of £10m compared to 31 March 2020, as part of its strategy for funding previous and current years' capital programmes. Following the introduction of the Housing Revenue Account (HRA) Self-Financing regime in 2012 the authority operates a two pool debt approach allocating its loans between the General Fund and HRA. The borrowing position at 30 November 2020 compared to 31 March 2020 is shown in table 3 below. A list of the individual loans borrowed at 30 November 2020 is shown in appendix 2 to this report.

**Table 3: Borrowing Position – Two Pool Debt Approach**

	<b>31.3.20 Balance £m</b>	<b>2020/21 Movement £m</b>	<b>30.11.20 Balance £m</b>	<b>30.11.20 Rate %</b>
<u>General Fund</u>				
Public Works Loan Board	7.2	-	7.2	4.69%
Local Authorities (long-term)	5.0	-	5.0	1.60%
Local Authorities (short-term)	30.5	(10.0)	20.5	1.13%
<b>Total General Fund borrowing</b>	<b>42.7</b>	<b>(10.0)</b>	<b>32.7</b>	<b>2.00%</b>
<u>Housing Revenue Account</u>				
Public Works Loan Board	47.6	-	47.6	3.25%
<b>Total HRA borrowing</b>	<b>47.6</b>	<b>-</b>	<b>47.6</b>	<b>3.25%</b>
<b>Total borrowing</b>	<b>90.3</b>	<b>(10.0)</b>	<b>80.3</b>	<b>2.74%</b>

- 4.2 The weighted average maturity of the overall loans portfolio at 30 November 2020 was 8.2 years.

#### 4.3 Changes to the Public Works Loan Board Lending Arrangements

- 4.3.1 Following a consultation exercise earlier in 2020, HM Treasury introduced revised lending arrangements for loans made by the PWLB to local authorities which came into force from 26 November 2020. In summary, the main reason for the review of the borrowing arrangements was government concerns about the increasing amount of local authority borrowing being

incurred on the purchase of investment assets primarily for yield rather than service delivery requirements.

4.3.2 The new PWLB lending arrangements now require local authorities to provide more detailed information about their capital expenditure plans over a rolling three year period to prevent borrowing be used for acquiring investment assets primarily for yield. There will also be additional checks made during the application process to ensure the borrowing is for acceptable purposes. The PWLB define these acceptable purposes as:

- Service delivery
- Housing
- Regeneration
- Preventative action (i.e interventions for community assets not already owned by the local authority)
- Refinancing of existing borrowing (including replacing internal borrowing)

4.3.3 Typically investment assets bought primarily for yield would have one or more of the following characteristics:

- Buying land or existing buildings to let out at market rent
- Buying land or buildings that continue to be operated on a commercial basis without any additional investment or modification
- Buying land or buildings other than housing which generate income and are intended to be held indefinitely rather than the achievement of some meaningful trigger such as the completion of land assembly

4.3.4 It is important to note the changes to the lending arrangements are prospective rather than retrospective.

4.3.5 As part of the changes to their lending arrangements, the PWLB announced an immediate reduction in the interest rate charged on new loans made to local authorities of 1%. This means the PWLB Certainty Rate, the typical interest rate on new loans, is set at 80 basis points (0.8%) above the prevailing gilt rate for the relevant duration. So, for example, the interest rate on a ten year maturity loan from the PWLB changed on 26 November 2020 from a relatively expensive 2.35% to a much more attractive 1.35%.

#### **4.4 Borrowing Activity in 2020/21**

4.4.1 The authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the authority's long-term plans change being a secondary objective.

4.4.2 In meeting these objectives £10m of short term loans borrowed from other local authorities have been repaid so far in 2020/21 and met from surplus cash balances, outlined in section 3 above. There are a further £21m in loan maturities due over the remainder of 2020/21. In anticipation of these loan maturities, three new loans have been agreed in advance (forward deals),

all with other local authorities. These forward deals are for durations of between 20 and 24 months at interest rates averaging about 0.60%. The interest rates on these forward deals compare favorably even against the new cheaper PWLB loan rates, being about 0.2% cheaper allowing for dealing costs. Further information of the three forward deals is included as part of appendix 2 to this report.

- 4.4.3 The need for further borrowing over the remainder of the current financial year will continue to be closely monitored in conjunction with Arlingclose.

## 5 INVESTMENTS

- 5.1 The council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the period to 30 November 2020, the authority's investment balance has ranged between £22.6m and £63.6m due to timing differences between income and expenditure. The average investment balance held to 30 November 2020 was £30.7m. The investment position during the period to 30 November 2020 is shown in table 4 below. A list of the individual investments held at 30 November 2020 is shown in appendix 3 to this report.

**Table 4: Investment Position**

	<b>31.3.20 Balance £m</b>	<b>Net Movement £m</b>	<b>30.11.20 Balance £m</b>	<b>Average Return</b>
Banks & building societies (unsecured)	0.2	-	0.2	0.01%
Covered bonds (secured)	3.5	(3.5)	-	1.03%
Money Market Funds	11.9	4.9	16.8	0.17%
Property Pooled Fund	5.3	(0.2)	5.1	4.20%
Multi-Asset Income Funds	8.8	0.9	9.7	4.50%
<b>Total investments</b>	<b>29.7</b>	<b>2.1</b>	<b>31.8</b>	<b>2.16%</b>

- 5.2 The weighted average maturity of the investment portfolio at 30 November 2020 was 11 days.
- 5.3 Both the CIPFA Code and government guidance require the authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 5.4 On 1 April 2020 the Authority received £28.8m in central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. This was temporarily invested in short-dated, liquid instruments such as Money Market Funds and H.M. Treasury's Debt Management Account Deposit Facility (DMADF). Approximately £25.3m was disbursed by the end of September of which about £21.5m was paid out

in April. Further central government funding of about £4.4m to support local businesses through the second national lockdown was received on 16 November 2020 and payments commenced from this on 24 November 2020.

- 5.5 The council is meeting its investment objectives and strategy for 2020/21. As previously outlined in sections 3 and 4 of this report, the council has been able to use short term liquid cash to meet its underlying borrowing need through internal borrowing, reducing its exposure to credit risk. Secondly, the return from the strategic investments in pooled funds have continued to provide cash returns in excess of inflation. The performance of these pooled funds is considered in more detail below.
- 5.6 The level of cash available for short term investments has been higher than originally anticipated for 2020/21, as outlined in section 3 above. At the same time interest rates on short term deposits have fallen over the period from around 0.7% to less than 0.1%. The interest rate available from the H.M. Treasury for its DMADF deposit account has become negative during the year, ranging between -0.01% and -0.11% for investment durations up to 4 months. It is expected the level of surplus cash for investments will reduce quite significantly over the remainder of the current financial year as Council Tax and Business Rates income collected by instalments tails off from January 2021.

## 5.7 Externally Managed Pooled Funds

- 5.7.1 The council has £15m invested in externally managed multi-asset and commercial property pooled funds, representing the authority's forecast minimum level of cash reserves and balances over the medium term. These pooled funds aim to provide returns in excess of inflation and, over time, provide the opportunity for some limited capital growth. The sudden economic impact of the pandemic had a negative impact on the value of these funds at 31 March 2020 and this was reported to Cabinet on 21 October 2020 in the Treasury Management Outturn Report for 2019-20 (Report C/19/39).
- 5.7.2 Table 5 below provides a summary of the pooled funds showing the changes in their unrealised capital values and actual dividend returns from 1 April 2019 to 30 November 2020.

**Table 5 – Pooled Funds Summary**

Fund	Value at 01/04/19	Value at 31/03/20	Value 30/11/20	Valuation change 2020/21	Dividend Return 2019/20	Dividend Return YTD 2020/21
	£m	£m	£m	£m	£'000	%
CCLA Local Authority Property Fund	5.52	5.32	5.10	(0.22)	4.37%	4.20%

CCLA Diversified Income Fund	1.97	1.80	1.89	0.09	3.22%	3.82%
Aegon Diversified Monthly Income Fund	3.52	2.96	3.42	0.46	4.89%	4.71%
Ninety-One Diversified Income Fund	3.52	3.19	3.48	0.29	4.17%	4.38%
UBS Multi-Asset Income Fund	0.98	0.86	0.93	0.07	4.74%	5.46%
<b>Total</b>	<b>15.51</b>	<b>14.13</b>	<b>14.82</b>	<b>0.69</b>	<b>4.32%</b>	<b>4.38%</b>

5.7.3 Overall, the pooled funds have regained about 50% (£0.7m) of their value at 30 November 2020 compared to that at 1 April 2019. The multi-asset pooled funds have regained about 75% of their value and this is largely due to the recovery in equity markets where this class of asset typical accounts for about one third of the investment portfolio. The CCLA Local Authority Property Fund has seen a further small reduction in its capital value so far this year reflecting the continued economic impact of the pandemic on UK commercial property prices.

5.7.4 The dividend yields across the pooled funds in percentage terms, based on the net asset value of the units in the funds, are broadly unchanged from those received last year. However, the cash value of the dividends may be around 10% lower in total over the year compared to 2019/20 because of the reduction in the net asset value of the units in the funds. Nevertheless, the cash returns from the pooled funds remains significantly above inflation, helping to meet the council's investment objectives.

5.7.5 Trading in the CCLA Local Authority Property Fund was suspended from March 2020 until September 2020 due to the economic impact of the pandemic. This position was repeated with all UK commercial property funds. However, since the CCLA fund resumed trading it is encouraging to note there have been net investments made in it of £35m by other UK local authorities.

## 6. FINANCIAL SUMMARY

6.1 The projected outturn for the net cost of treasury management to the General Fund in 2020/21 is summarised in table 6 below:

**Table 6: Financial Summary**

	<b>2020/21 Original Estimate</b>	<b>2020/21 Projection</b>	<b>Variance</b>
	£'000	£'000	£'000
Interest on all Borrowing	1,945	2,210	265
Less Capitalised Interest	-	(265)	(265)
Related HRA Charge	(1,547)	(1,547)	-

<b>General Fund Borrowing Cost</b>	<b>398</b>	<b>398</b>	<b>-</b>
Investment Interest	(635)	(557)	78
HRA Element	50	38	(12)
<b>General Fund Investment Income</b>	<b>(585)</b>	<b>(519)</b>	<b>66</b>
<b>Net General Fund Borrowing Cost</b>	<b>(187)</b>	<b>(121)</b>	<b>66</b>

- 6.2 The projected increase in the net borrowing cost is due to lower than anticipated investment returns owing to the economic impact of the pandemic. In particular the projected returns from the pooled fund investments are lower than originally estimated, outlined in section 5.6 above.

## 7 NON-TREASURY INVESTMENTS

- 7.1 Although not classed as treasury management activities, the 2017 CIPFA Code and the MHCLG Investment Guidance requires the authority to report on investments for policy reasons outside of normal treasury management. This includes service investments for operational and/or regeneration as well as commercial investments which are made mainly for financial reasons. This includes the authority's investment in its wholly owned subsidiary company, Oportunitas Limited. These are summarised in table 7 below:

**Table 7: Non-Treasury Investments**

<b>Investment Type</b>	<b>Value 31/03/20 £m</b>	<b>Value 30/11/20 £m</b>	<b>Income 2020/21 £'000</b>	<b>Rate of Return %</b>
<b>Investment Property</b>				
Otterpool Property	55.9	59.1	66	0.11
Offices	17.0	17.0	892	5.25
Commercial Land	0.8	0.8	-	-
Commercial Units	1.6	1.6	130	8.19
Agricultural Land	-	-	-	-
Assets Under Construction	0.6	0.6	-	-
<b>Total Investment Property</b>	<b>75.9</b>	<b>79.1</b>	<b>1,088</b>	<b>1.38</b>
<b>Subsidiary Company</b>				
Oportunitas loan	4.3	4.3	210	3.16
Oportunitas equity	1.3	2.3	0	0
<b>Total Subsidiary</b>	<b>5.6</b>	<b>6.6</b>	<b>210</b>	<b>3.16</b>
<b>Total</b>	<b>81.5</b>	<b>85.7</b>	<b>1,298</b>	<b>1.51</b>

- 7.2 Ordinarily the rate of return on non-treasury investment assets would be expected to be higher than that earned on treasury investments reflecting

the additional risks to the council of holding such investments. This is demonstrated with the return on the commercial units and Oportunitas. However the return on the investment property portfolio for 2020/21 is significantly distorted because of the land acquisition taking place for the Otterpool Park project in particular. The council anticipates receiving rental streams from some of the property being acquired in the short to medium term.

## SECTION B – TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22

### 8. THE COUNCIL'S FORECAST BORROWING AND INVESTMENT POSITION

8.1 The forecast borrowing and treasury investment positions are shown in the balance sheet analysis in table 8 below.

**Table 8: Balance Sheet Summary and Forecast**

	<b>31.3.20 Actual £m</b>	<b>31.3.21 Estimate £m</b>	<b>31.3.22 Forecast £m</b>	<b>31.3.23 Forecast £m</b>	<b>31.3.24 Forecast £m</b>
General Fund CFR	11.0	15.4	17.6	20.8	17.2
HRA CFR	47.4	47.4	52.8	63.0	72.3
Investments CFR	59.0	65.5	80.3	101.3	123.3
<b>Total CFR</b>	<b>117.4</b>	<b>128.3</b>	<b>150.7</b>	<b>185.1</b>	<b>212.8</b>
Less: External borrowing	(90.3)	(78.9)	(77.7)	(47.2)	(43.2)
<b>Internal borrowing</b>	<b>27.1</b>	<b>49.4</b>	<b>73.0</b>	<b>137.9</b>	<b>169.6</b>
Less: Usable reserves	(53.5)	(42.0)	(26.2)	(22.1)	(21.1)
Less: Working capital	(3.3)	(14.0)	(4.0)	(4.0)	(4.0)
<b>Treasury Investments (-) or / New Borrowing (+)</b>	<b>(29.7)</b>	<b>(6.6)</b>	<b>42.8</b>	<b>111.8</b>	<b>144.5</b>

8.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

8.3 The movement in table 8 is based on the projected outturn for the current financial year, the draft revenue and capital budgets being proposed for 2021/22, the proposed Medium Term Capital Programme, the HRA Business Plan and information taken from the latest approved Medium Term Financial Strategy for 2022/23 and 2023/24. The authority has an increasing CFR arising from its planned capital investment and will therefore be required to borrow up to £145m over the forecast period.

8.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest

forecast CFR over the next three years. Table 8 shows that the authority expects to comply with this recommendation during 2021/22.

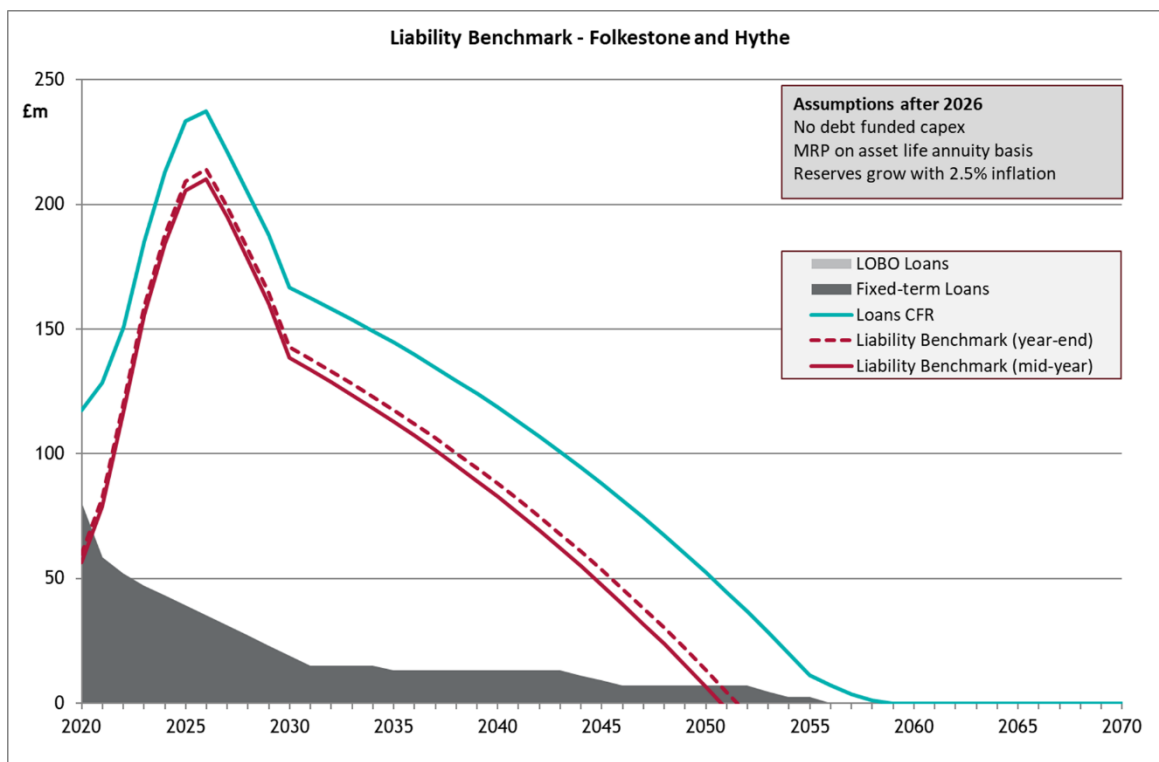
## 8.5 Liability Benchmark

8.5.1 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 8 above, but that cash and investment balances are kept to a minimum level of £15m at each year-end, in line with strategic investment objectives.

**Table 9: Liability benchmark**

	<b>31.3.20 Actual £m</b>	<b>31.3.21 Estimate £m</b>	<b>31.3.22 Forecast £m</b>	<b>31.3.23 Forecast £m</b>	<b>31.3.24 Forecast £m</b>
CFR	117.4	128.3	150.7	185.1	212.8
Less: Usable reserves	(53.5)	(42.0)	(26.2)	(22.1)	(21.1)
Less: Working capital	(3.3)	(14.0)	(4.0)	(4.0)	(4.0)
Plus: Minimum investments	15.0	15.0	15.0	15.0	15.0
<b>Liability Benchmark</b>	<b>75.6</b>	<b>87.3</b>	<b>135.5</b>	<b>174.0</b>	<b>202.7</b>

8.5.2 Following on from the medium-term forecasts in table 9 above, the long-term liability benchmark assumes further capital expenditure funded by borrowing after 31 March 2024 for Otterpool Park and the HRA new build programme, minimum revenue provision on new capital expenditure based on asset life (except for Otterpool Park which assumes the borrowing to be repaid over 15 years), and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below:



## 9. BORROWING STRATEGY

9.1 The authority currently holds £80.3 million of loans as part of its strategy for funding previous years' capital programmes. The current loans are shown in appendix 2 to this report. The balance sheet forecast in table 8 shows that the authority expects to borrow up to £42.8m in 2021/22. The authority may however borrow to pre-fund future years' requirements, providing this does not exceed the proposed authorised limit for borrowing of £191 million for 2021/22. The authorised borrowing limit will be considered in more detail as one of the prudential indicators for capital expenditure which will be included in the Capital Strategy for 2021/22 report to Cabinet at its meeting on 24 February 2021 before going to full Council for approval on the same day.

### 9.2 Objectives

9.2.1 The authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the authority's long-term plans change is a secondary objective.

### 9.3 Strategy

9.3.1 Given the significant reductions to public expenditure and in particular to local government funding, the authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

- 9.3.2 By doing so, the authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of both internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the authority borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 9.3.3 The authority has previously raised all of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it a relatively expensive options. However, following the government's response to the HM Treasury's consultation on the PWLB lending arrangements, PWLB rates were reduced by 1% from 26 November 2020 making these loans much more attractive again. In addition to the PWLB, the authority will consider borrowing long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.
- 9.3.4 Alternatively, the authority may arrange forward starting loans where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 9.3.5 In addition, the authority may borrow further short-term loans to cover unplanned cash flow shortages.

## **9.4 Sources of Borrowing**

- 9.4.1 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and any successor body
  - any institution approved for investments (see below)
  - any other bank or building society authorised to operate in the UK
  - any other UK public sector body
  - UK public and private sector pension funds (except the Kent County Council Pension Fund)
  - capital market bond investors
  - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- 9.4.2 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
  - hire purchase
  - Private Finance Initiative

- sale and leaseback

## **9.5 Short-term and Variable Rate Loans**

- 9.5.1 These loans leave the authority exposed to the risk of short-term interest rate rises and are therefore subject to interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

## **9.6 Debt Rescheduling**

- 9.6.1 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

# **10 TREASURY INVESTMENT STRATEGY**

- 10.1 The authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2020/21 until 30 November, the authority's investment balance has ranged between £22.6 and £63.6 million with the average being £30.7 million. The average investment balance held is expected to reduce to around £25 million in the coming year as the council uses its reserves to meet its approved capital expenditure plans and also continues to use some of its cash balances in lieu of external borrowing (i.e. internal borrowing). The authority has about £15m invested in a range of professionally managed pooled property and diversified income funds. These are seen as longer term strategic investments which aim to provide returns in excess of inflation and have the potential for some limited capital growth, thereby helping to protect the value of the authority's cash reserves. Maintaining these pooled funds is seen as an important part of the authority's proposed investment strategy for 2021/22. The authority's current investment portfolio is shown in appendix 3 tot his report.

## **10.2 Objectives**

- 10.2.1 The CIPFA Code requires the authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

- 10.2.2 **Negative Interest Rates** - The Covid-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income,

negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

### 10.3 Strategy

10.3.1 Given the increasing risk and very low returns from short-term unsecured bank investments, the authority aims to continue with its current strategy to diversify into more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £22m that is available for longer-term investment. A significant but reducing proportion of the authority's surplus cash is currently invested in money market funds in particular, although this is likely to reduce further in 2021/22 as a result of the capital expenditure plans. Given the council's increasing borrowing need for 2021/22 and beyond the maximum duration for new investments is proposed to be set at 5 years.

### 10.4 Business Models

10.4.1 Under the new IFRS 9 standard, the accounting for certain investments depends on the authority's "business model" for managing them. The authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

### 10.5 Approved Counterparties

10.5.1 The authority may invest its surplus funds with any of the counterparty types in table 10 below, subject to the cash limits (per counterparty) and the time limits shown.

**Table 10: Approved Investment Counterparties and Limits for New Investments effective from 1 April 2021**

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	5 years	Unlimited	n/a
Local authorities & other government entities	5 years	£5m	Unlimited
Secured investments *	5 years	£5m	Unlimited
Banks (unsecured) *	13 months	£3m	Unlimited
Building societies (unsecured) *	13 months	£3m	£6m
Registered providers (unsecured) *	5 years	£3m	£15m

Money market funds *	n/a	£5m	Unlimited
Strategic pooled funds	n/a	£5m	£25m
Real estate investment trusts	n/a	£5m	£15m
Other investments *	5 years	£3m	£9m

This table must be read in conjunction with the notes below

**10.5.2 \*Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

**10.5.3** For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

**10.5.4 Government** - Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 5 years.

**10.5.5 Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**10.5.6 Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**10.5.7 Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are

regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

**10.5.8 Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

**10.5.9 Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

**10.5.10 Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

**10.5.11 Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

**10.5.12 Operational bank accounts:** The authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and the authority will endeavour to keep its end of day balances below £0.5m per bank. However, unexpected cash flow transactions may mean this level could be breached and would need rectifying on the next working day. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the authority maintaining operational continuity.

## **10.6 Risk Assessment and Credit Ratings**

**10.6.1** Credit ratings are obtained and monitored by the authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

10.6.2 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

## **10.7 Other Information on the Security of Investments**

10.7.1 The authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the authority’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the credit rating criteria.

10.7.2 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

## **10.8 Investment Limits**

10.8.1 The authority’s revenue reserves available to cover investment losses are forecast to be £18 million 31 March 2021. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

10.8.2 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £0.5m in operational bank accounts count against the relevant investment limits.

- 10.8.3 Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

**Table 11: Additional Investment Limits**

	<b>Cash limit</b>
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£5m per country

## **10.9 Liquidity Management**

- 10.9.1 The authority uses spreadsheet forecasts to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the authority's medium term financial plan and cash flow forecast.
- 10.9.2 The Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## **11. TREASURY MANAGEMENT INDICATORS**

- 11.1 The authority measures and manages its exposures to treasury management risks using indicators and those proposed for 2021/22 are outlined below for approval. The latest position for the indicators in 2020/21 against the existing approved target is also shown below. The Director of Corporate Services confirms the Council has complied with the approved indicators for 2020/21 to 30 November 2020.
- 11.2 Security** - The authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	<b>2020/21 Target</b>	<b>30.11.20 Actual</b>	<b>2021/22 Target</b>
Portfolio average credit rating	A	AA-	A

- 11.3 Liquidity** - The authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet

unexpected payments within a rolling three month period, without additional borrowing.

	<b>2020/21 Target</b>	<b>30.11.20 Actual</b>	<b>2021/22 Target</b>
Total cash available within 3 months	£5m	£16.9m	£5m

- 11.4 **Interest Rate Exposures** - This indicator is set to control the authority's exposure to interest rate risk. The upper limits of a 1% rise or fall in interest rates will be:

	<b>2020/21 Limit</b>	<b>30.11.20 Actual</b>	<b>2021/22 Limit</b>
Upper limit on one year revenue impact of a 1% <b>rise</b> in interest rates	£290,000	£80,000	£164,000
Upper limit on one year revenue impact of a 1% <b>fall</b> in interest rates	(£310,000)	(£122,000)	(£185,000)

- 11.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The indicator also incorporates the impact of new borrowing forecast to support the authority's capital expenditure plans over the next 12 months.

- 11.6 **Maturity Structure of Borrowing** - This indicator is set to control the authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	<b>30.11.20 Actual</b>	<b>2021/22 Upper</b>	<b>2021/22 Lower</b>
Under 12 months	12.1%	30%	0%
12 months and within 24 months	3.5%	40%	0%
24 months and within 5 years	5.0%	50%	0%
5 years and within 10 years	11.1%	80%	0%
10 years and above	12.9%	100%	0%

- 11.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The borrowing is measured against the authority's authorised borrowing limit

- 11.8 **Principal Sums Invested for Periods Longer than 364 days** - The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Limit on principal invested beyond year end	£15m	£5m	£5m

## **12. OTHER ITEMS**

12.1 The CIPFA Code requires the authority to include the following in its Treasury Management Strategy.

### **12.2 Policy on Use of Financial Derivatives**

12.2.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

12.2.2 The authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

12.2.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

12.2.4 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

### **12.3 Policy on Apportioning Interest to the HRA**

12.3.1 On 1st April 2012, the authority notionally split each of its existing long-term loans into General Fund and HRA pools. Since then, new long-term loans borrowed are assigned in their entirety to one pool or the other (General Fund or HRA). Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) are charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) result in a notional cash balance which may be positive or negative. This balance is measured over the financial year and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk. This policy will continue for 2021/22.

## 12.4 Markets in Financial Instruments Directive

12.4.1 The authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the authority's treasury management activities, the Director of Corporate Services believes this to be the most appropriate status.

## 13. FINANCIAL IMPLICATIONS

13.1 The net revenue cost of the council's treasury management borrowing and investment activity based on information at budget setting time is estimated to be:

£'000	2020/21 Estimate	2021/22 Estimate	Variance 2020/21 to 2021/22
<b>Revenue Budgets</b>	£'000	£'000	£'000
Interest on Borrowing	1,945	<b>2,705</b>	760
Less Capitalised Interest	-	<b>(581)</b>	(581)
HRA Element	(1,547)	<b>(1,573)</b>	(26)
GF Borrowing Cost	398	<b>551</b>	153
Investment income	(635)	<b>(535)</b>	100
HRA Element	50	<b>50</b>	-
GF Investment income	(585)	<b>(485)</b>	100
<b>Net Cost (GF)</b>	<b>(187)</b>	<b>66</b>	<b>253</b>

13.2 The main reasons for the projected net increase in the General Fund borrowing cost of £253k in 2021/22 compared to 2020/21 are:

	£'000
i) Interest on existing and planned capital expenditure being met from prudential borrowing	153
ii) Reduction in investment income on pooled funds due to the continued economic impact of the Covid-19 pandemic	100
Total increase	<b>253</b>

## 14. OTHER OPTIONS CONSIDERED

14.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director for Corporate Services, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and

cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## **15 RISK MANAGEMENT ISSUES**

- 15.1 Inherently treasury management is concerned with the management of risk, e.g. interest rate risk, market risk, credit risk and liquidity risk. The strategies in this Report are developed to minimise the impact of risk changes whilst at the same time providing a framework for the council to reduce its net interest costs.

15.2 Specific risks to be addressed are as follows:

PERCEIVED RISK	SERIOUSNESS	LIKELIHOOD	PREVENTATIVE ACTION
Interest Rate Risk (rates moving significantly different to expectations)	High	Medium	With an increasing borrowing requirement rising interest rates would be detrimental. The council would need to consider taking out fixed borrowing to help mitigate this risk and/or use further internal borrowing if resources are available. Falling interest rates would be broadly beneficial to the council given the increasing borrowing requirement.
Market Risk (adverse market fluctuations affect value of investment capital)	Medium	Low	A limit is placed on the value of principal exposed to changes in market value.
Credit Risk (risk to repayment of Capital)	High	Medium	The council's investment criteria restricts counterparties to those of the highest quality and security.
Liquidity Risk (risk that cash will not be available when needed)	Medium	Medium	Council's investment portfolio structured to reflect future liquidity needs. Temporary borrowing is also available to meet short term liquidity issues.
Changes to the Capital Programme and/or revenue streams	High	Medium	Cash flows are calculated monthly and regular projections are made to identify changes to the council's funding

			requirements. Prudential borrowing to support capital expenditure can be used for schemes expected to provide a financial benefit to the council. There may be some slippage in capital expenditure between years and the impact will be monitored.
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## **16 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

### **16.1 Legal Officer's Comments (NM)**

There are no legal implications arising directly out of this report. Part 1 of the Local Government Act 2003 gives the Council the power to borrow and to invest for any purpose relevant to its functions or for the purposes of the prudent management of its financial affairs. It also requires the Council to act prudently when carrying out these activities, including an obligation to determine and keep under review how much money it can borrow. In addition, the Council is required by the Local Government Finance Act 1992 to produce a balanced budget. Generally the Council must take into account its fiduciary duties to local tax payers and its continuing obligation to ensure it has the funding required to perform its statutory undertakings.

### **16.2 Finance Officer's Comments (LW)**

The report has been prepared by Finance and the relevant financial implications are contained within it.

### **16.3 Diversities and Equalities Implications (DA)**

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA

## **17. CONTACT OFFICER AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officers prior to the meeting:

*Lee Walker – Capital and Treasury Senior Specialist*  
*Tel: 01303 853593 Email: [lee.walker@folkestone-hythe.gov.uk](mailto:lee.walker@folkestone-hythe.gov.uk)*

The following background documents have been relied upon in the preparation of this report:

Arlingclose's Half Year Treasury Management Monitoring Report Template 2020/21

Arlingclose's Treasury Management Strategy Statement Template 2021/22

Appendices

Appendix 1 – Arlingclose Interest Rate Forecast at November 2020

Appendix 2 – Borrowing portfolio at 30 November 2020

Appendix 3 – Investment portfolio at 30 November 2020

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## Appendix 1 – Arlingclose Interest Rate Forecast November 2020

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	-0.10	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>3-month money market rate</b>													
Upside risk	0.05	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	-0.40	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5yr gilt yield</b>													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.15	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60
<b>10yr gilt yield</b>													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.30	0.30	0.35	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.55	0.55	0.55
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>20yr gilt yield</b>													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.70	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30
<b>50yr gilt yield</b>													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.60	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.80%

PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

## Appendix 2 – Borrowing Portfolio at 30 November 2020

Folkestone and Hythe District Council Itemised Borrowing at 30 November 2020						
Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal Outstanding 30/11/2020 £	Interest Rate %
Public Works Loan Board	430141	Fixed	09/11/1973	01/11/2033	3,776	11.38
Public Works Loan Board	480111	Fixed	14/10/1997	31/03/2023	1,000,000	6.63
Public Works Loan Board	488942	Fixed	12/08/2004	07/08/2034	2,000,000	4.80
Public Works Loan Board	492233	Fixed	28/09/2006	15/03/2054	2,000,000	4.05
Public Works Loan Board	493698	Fixed	10/08/2007	07/08/2055	2,500,000	4.55
Public Works Loan Board	493914	Fixed	10/09/2007	07/02/2053	2,500,000	4.55
Public Works Loan Board	494027	Fixed	31/10/2007	15/03/2044	2,000,000	4.65
Public Works Loan Board	494028	Fixed	31/10/2007	15/03/2045	2,000,000	4.65
Public Works Loan Board	494029	Fixed	31/10/2007	15/03/2046	2,141,190	4.65
Public Works Loan Board	500536	Fixed	28/03/2012	28/03/2023	4,000,000	2.56
Public Works Loan Board	500537	Fixed	28/03/2012	28/03/2031	4,010,000	3.26
Public Works Loan Board	500538	Fixed	28/03/2012	28/03/2028	4,000,000	3.08
Public Works Loan Board	500540	Fixed	28/03/2012	28/03/2025	4,000,000	2.82
Public Works Loan Board	500541	Fixed	28/03/2012	28/03/2029	4,000,000	3.15
Public Works Loan Board	500542	Fixed	28/03/2012	28/03/2030	4,000,000	3.21
Public Works Loan Board	500543	Fixed	28/03/2012	28/03/2027	4,000,000	3.01
Public Works Loan Board	500544	Fixed	28/03/2012	28/03/2021	1,300,000	2.21
Public Works Loan Board	500545	Fixed	28/03/2012	28/03/2022	1,300,000	2.40
Public Works Loan Board	500546	Fixed	28/03/2012	28/03/2024	4,000,000	2.70
Public Works Loan Board	500548	Fixed	28/03/2012	28/03/2026	4,000,000	2.92
<b>Total - Public Works Loan Board</b>					<b>54,754,966</b>	
London Borough of Havering		Fixed	03/02/2020	01/02/2021	5,000,000	1.00
London Borough of Barking and Dagenham		Fixed	31/01/2020	31/01/2022	5,000,000	1.60
Greater London Authority		Fixed	31/01/2020	29/01/2021	10,000,000	1.00
Milton Keynes Council		Fixed	25/03/2020	25/03/2021	5,000,000	1.65
Folkestone Town Council	n/a	Variable - 2 day call notice	Various May 2018	n/a	500,000	0.00
<b>Total - Borrowing at 30/11/2020</b>					<b>80,254,966</b>	
<b>Borrowing Agreed in Advance (Forward Deals) as at 30/11/2020</b>						
Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal	Interest Rate
London Borough of Wandsworth		Fixed	29/01/2021	31/01/2023	10,000,000	0.60
Durham County Council		Fixed	01/02/2021	03/10/2022	5,000,000	0.55
Leicester City Council		Fixed	01/03/2021	01/03/2023	5,000,000	0.65
<b>Total Borrowing Agreed in Advance</b>					<b>20,000,000</b>	

Appendix 3 – Investment Portfolio at 30 November 2020

Category and Counterparty	Amount or Value £	Terms	Interest Rate or Yield %
<b>Banks &amp; Building Societies (unsecured)</b>			
NatWest - Business Reserve	220,000	No notice instant access	0.01
<b>Money Market Funds</b>			
Aberdeen Standard MMF	4,950,000	No notice instant access	0.04
Goldman Sachs MMF	1,980,000	No notice instant access	0.01
Legal & General MMF	4,790,000	No notice instant access	0.01
Federated MMF	5,000,000	No notice instant access	0.01
<b>Other Pooled Funds</b>			
<b>Commercial Property Funds</b>			
CCLA Property Fund	5,099,118		4.45
<b>Multi-Asset Income Funds</b>			
CCLA Diversified Income Fund	1,885,563		3.46
UBS Multi-Asset Income Fund	934,299		5.42
Aegon Asset Management Diversified Monthly Income Fund	3,420,349		4.17
Ninety-One Diversified Income Fund	3,478,142		4.30
<b>Total Investments</b>	<b>31,757,471</b>		<b>1.96</b>

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This Report will be made  
public on 4 January 2021

Report Number **C/20/63**

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<b>To:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>20 January 2021</b>
<b>Status:</b>	<b>Non-Key Decision</b>
<b>Head of Service:</b>	<b>Charlotte Spendley – Director of Corporate Services</b>
<b>Cabinet Member:</b>	<b>Councillor David Monk - Cabinet Member for Finance</b>

**SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 3<sup>RD</sup> QUARTER 2020/21**

**SUMMARY:** This monitoring report provides a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to the 30 November 2020.

**REASONS FOR RECOMMENDATIONS:**

Cabinet is asked to agree the recommendations set out below because it needs to be informed of the council's General Fund revenue budget position and take appropriate action to deal with any variance from the approved budget.

**RECOMMENDATIONS:**

- 1. To receive and note Report C/20/63.**

## 1. INTRODUCTION AND BACKGROUND

- 1.1 This report updates Cabinet on the likely projected outturn on the General Fund revenue budget, based on data received as at 30 November 2020.
- 1.2 General Fund projections are made against the latest approved estimate and approved virements within year to 30 November 2020.

## 2. GENERAL FUND REVENUE 2020/21 - PROJECTED OUTTURN

- 2.1 The Quarter 3 projected outturn for service areas shows a forecast of £19,090k against the latest approved budget of £20,802k resulting in a variance of £1,712k (projected underspend).
- 2.2 When taking into account other entries such as Earmarked Reserves, Other Service Grants and Business Rates Income, the total projected outturn is a projected underspend of £506k.
- 2.3 The following table summarises the latest projected outturn position across the Service Units:

General Fund Net Cost of Services	Latest Approved Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Finance, Strategy & Corporate Services	6,598	4,840	-1,758
Human Resources	767	704	-63
Governance & Law	2,390	2,510	120
Leadership Support	960	1,001	41
Place	5,291	5,475	184
Economic Development	1,033	1,130	97
Planning	509	84	-425
Operations	1,190	1,701	511
Strategic Development	1,143	873	-270
Housing	1,211	738	-473
Transition & Transformation	34	34	0
<b>Sub-Total – Heads of Services</b>	<b>21,126</b>	<b>19,090</b>	<b>-2,036</b>
Unallocated Net Employee Costs	-324	0	324
<b>Total – Heads of Service</b>	<b>20,802</b>	<b>19,090</b>	<b>-1,712</b>

2.4 The main variations are shown and explained in more detail below.

	£'000
<b>Finance, Strategy &amp; Corporate Services</b>	
Housing Benefit/Rent Rebates – increase in payments	315
Council Tax Collection – decrease in income	387
Covid-19 grants received	-2,622
Council Tax Benefits – Covid-19 grant received	-177
Council Tax Reduction Scheme – additional grant	-129
Revenues & Benefits – DWP grant	136
Corporate Priorities	310
<b>Place</b>	
Hythe Swimming Pool – decrease in income	260
Local Land Charges – decrease in income	45
Recycling & Waste – additional income	-95
<b>Economic Development</b>	
Re-Opening of High Streets	107
<b>Planning</b>	
Development Control – additional income from Planning Performance Agreements	-130
Development Control – additional income	-150
Building Control – decrease in income	35
<b>Operations</b>	
On Street Parking – decrease in income	80
Off Street Parking – decrease in income	325
Commercial Properties – rent reduction	275
Community Parks & Open Spaces	-100
<b>Strategic Development</b>	
Otterpool Park	-171
<b>Housing</b>	
Homelessness – increase in Housing Benefit income	-160
Savings identified in 2020/21	-500
Other small variations	247
<b>Total – Heads of Service</b>	<b>-777</b>

Finance, Strategy & Corporate Services

Housing Benefit/Rent Rebates – the projected net overspend on Housing Benefits mainly relates to the under recovery of overpayments on rent allowances and a projected increase in rent allowance payments which is partly off-set by a decrease in Rent Rebates payments.

Council Tax Collection – due to the Courts being closed so far this financial year there will be a reduction in the Council Tax collection income relating to court costs.

Covid-19 grant – due to the Covid-19 pandemic the Council has received emergency funding grants and covers a wide variety of costs. These include the purchase of Personal Protective Equipment (PPE), the set-up of Community Hubs, any impact on homelessness, the loss of income from parking and Hythe Swimming Pool and to help re-open the High Streets safely. The grant aims to offset these cost pressures however, these will occur within various other service areas.

Council Tax Benefits – due to Covid-19 the Council has received a grant specifically for council tax hardship and is being used to give all Council Tax Reduction Scheme (CTRS) claimants an additional £150 discount. This grant is partially offsetting some of the loss of council tax income shown under 2.5 below against the Demand on the Collection Fund.

Council Tax Reduction Scheme – the increase in income relates to grants being received from Kent County Council (KCC) in respect of additional Support Grant and Empty Homes Incentive Fund.

Revenues & Benefits - the decrease in income relates to grants being received from Department for Work & Pensions (DWP) being lower than originally anticipated.

Corporate Priorities – As part of the 2019/20 Qtr 3 budget monitoring report that went to Cabinet in January 2020 it was agreed to utilise up to £400k of the projected underspend to provide interim capacity for the delivery of Corporate Priorities. In order to be met from the available resources the funds are to be spent only on one off items and will not have any recurring financial impact. Additionally this allocation will only be used in the pursuit of agreed corporate priorities and was agreed to be allocated to an Earmarked Reserve for use during 2020/21.

The initiatives and projects currently proposed to utilise the £400k are as follows however, some items will be used in 2021/22:

	£'000
COVID-19 Community Hub response	120
Heritage enhancements	40
Park enhancements (including additional bin capacity and H&S equipment improvements)	60
Specialist support for FOI team	10
EiP Core Strategy legal advice	45
Policy Resource *	45
Development of new ED Strategy	50
Additional CLLD capacity	12
Sandgate Rd Car Park – additional security measures	8
Provision for Kent Savers Credit Union *	10

\* these proposals remain preliminary at this stage

### Place

Hythe Swimming Pool – the reduction in income relates to the closure of the pool due to Covid-19. This will continue to be monitored closely depending on when the pool re-opens and is likely to change as we go through the financial year and as the current situation develops.

Local Land Charges – there is a reduction in income received relating to official land charge fees which is partly off-set by a decrease in land registry fee expenditure paid to KCC.

Recycling & Waste – the increase in income relates to the continuing increase in the garden waste collection subscriptions in 2020/21.

### Economic Development

Re-Opening of High Streets – due to Covid-19 the Council has received a grant specifically for the safe re-opening of the High Streets within the District after the initial lockdown period, and is shown above under Covid-19 grant. The expenditure relating to this is for new equipment, signage, printing and posters.

### Planning

Development Control – following the successful introduction of Planning Performance Agreements additional income is projected to be received in 2020/21.

Planning Application Fees – there is a projected over recovery of income based on previous years outturn and current trends in this financial year.

Building Control – there is projected to be a decrease in income within 2020/21 for building regulation fees.

### Operations

Car Parking - income projections for both on-street and off-street parking are projected to decrease significantly in 2020/21.

This will continue to be monitored closely and is likely to change as we go through the financial year and as the current situation regarding Covid-19 develops.

Commercial Properties – there is projected to be a loss of rental income throughout the financial year. This will continue to be monitored closely and is likely to change as we go through the financial year and as the current situation regarding Covid-19 develops.

Community Parks & Open Spaces – as part of the 2020/21 budget setting process an amount was set aside for the transfer of the play parks to the parish council, in the form of a dowry. There has been a delay in the transfer and has therefore been built into the 2021/22 Budget process.

### Strategic Development

Otterpool Park - The masterplanning costs are now classified as capital expenditure and feature in the General Fund Capital programme.

The total cost in 2020/21 for both the Developer and Local Planning Authority is projected to be £635k which will be met from the Otterpool Reserve.

### Housing

Homelessness – there is an increase in income relating to an increase in Housing Benefit payments and repayments of rents and charges due to an increase in B&B cases during 2020/21.

Savings identified in 2020/21 – Cabinet approved an Update to General Fund Budget 2020/21 report in November which looked to address the projected overspend and the year-end deficit. It proposed to rebalance the 2020/21 budget through reductions in service budgets where the impact could be carefully managed and has a minimal impact on residents.

### Transition & Transformation

Transformation Project - The transformation project is currently on target to spend the budget that was approved by Cabinet in March 2018. This was profiled over 2 years with 2019/20 being year 2 and has been re-profiled into 2020/21 and is at present projecting to be on target however, this will be reviewed on an ongoing basis and re-profiled if necessary.

Within the quarter 2 budget monitoring report the costs of the Transformation programme were shown within Revenue and funded by Capital however, a temporary statutory provision allows local authorities incurring revenue expenditure for staff transformation programmes and other similar initiatives generating ongoing savings to be met from capital receipts received from the disposal of surplus assets. However these costs are required to be classified as capital expenditure for accounting purposes. The Council expects to incur about £1m in costs for its Transformation programme in the current financial year to be met from qualifying capital receipts and this is now incorporated into the quarter 3 General Fund capital programme report also on this agenda.

## 2.5 Further variances below the heads of service total are shown below.

### Interest Payable & Similar Charges

The projected overspend of £112k relates to an increase in the contribution of bad debt provision. This is consistent with the 2019/20 outturn position and allows for a slight increased impact in this financial year.

### Interest and Investment Income

A decrease of £115k investment interest is projected to be received mainly due to a slightly lower interest rate being received than originally anticipated.

### Other Non-Service related Government Grants

There is projected to be additional grant received of (£5,646k) which reflects net changes to Section 31 (s31) grant received from Ministry of Housing, Communities & Local Government (MHCLG) in relation to the

expanded retail discount in response to Covid-19 which is to be fully funded by s31 grant. This increase in grant income off-sets the reduction in Business Rates income.

#### Capital Financed from Revenue

In line with the latest projected outturn position on the General Fund Capital Budget Monitoring report, the projected revenue funding of capital expenditure for 2020/21 is now £3,122k, an increase of £1,443k compared to the budget.

The main reasons for this increase is the approved additional funding of £2,340k to meet the cost of purchasing the former Debenhams store, partly offset by the reprofiling of £1,000k towards the redevelopment of land at Biggins Wood which has been delayed until 2021/22.

#### Movement in Earmarked Reserves

The projected movement on Earmarked Reserves of (£1,495k) is largely due to the release of (£2,470k) for the purchase of the former Debenhams store with other net movements of £975k.

Reserve	Balance at 1/4/2020 £'000	Latest Budget £'000	Projection £'000	Change £'000	Balance at 31/3/2021 £'000
<b>Earmarked</b>					
Business Rates	5,699	-4,426	-4,300	126	1,399
Leisure Reserve	497	-100	50	150	547
Carry Forwards	681	-159	-159	0	522
VET Reserve	257	-50	126	176	383
Invest to Save	366	-366	-366	0	0
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,360	-18	-18	0	2,342
Corporate Initiatives	998	-136	-752	-616	246
IFRS Reserve	30	-23	-23	0	7
Otterpool Park Garden Town	1,570	-735	-635	100	935
Economic Development	4,384	-2,239	-2,974	-735	1,410
Community Led Housing	418	-52	-52	0	366
Lydd Airport	9	0	0	0	9
Homelessness Prevention	401	0	137	137	538
High Street Regeneration	3,000	-468	-1,208	-740	1,792
Climate Change	0	5,000	4,907	-93	4,907
<b>Total Earmarked Reserves</b>	<b>20,682</b>	<b>-3,772</b>	<b>-5,267</b>	<b>-1,495</b>	<b>15,415</b>

#### Business Rates Income

Business Rates income has decreased by £5,901k compared to budget. This relates to a reduction in business rates income due to the additional reliefs awarded as part of the expanded retail discount announced by the Government in response to Covid-19 which is compensated by the increase in s31 grant and an increase in the provision for bad debts based on the estimated impact on the collection rate during the year.

### Demand on the Collection Fund

The reduction in Council Tax income of £776k relates to additional reliefs awarded as a result of Covid-19 and the estimated impact on the collection rate during the year.

- 2.6 With the above variances added to the service areas favourable variance of £1,712k, the overall position for the general fund shows a projected underspend of £506k.

## **3. CONCLUSIONS**

- 3.1 The projected outturn shown for the General Fund revenue account for 2020/21 reflects the position based on actual expenditure and forecasts at 30 November 2020.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
MTFS becomes out of date	High	Low	The MTFS is reviewed annually through the budget process
Assumptions may be inaccurate	High	Medium	Budget monitoring is undertaken regularly and financial developments nationally are tracked. Assumptions are regularly reviewed

## **5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

### **5.1 Legal Officer's Comments (NM)**

There are no legal implications arising directly out of this report.

### **5.2 Finance Officer's Comments (LH)**

This report has been prepared by Financial Services. There are therefore no further comments to add.

### **5.3 Diversities and Equalities Implications**

The report does not cover a new service/policy or a revision of an existing service/policy and therefore does not require an Equity Impact Assessment.

## 6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councilors with any questions arising out of this report should contact the following officer prior to the meeting

*Leigh Hall, Case Management Lead (Corporate Services)*

*Telephone: 01303 853231 Email: [leigh.hall@folkestone-hythe.gov.uk](mailto:leigh.hall@folkestone-hythe.gov.uk)*

The following background documents have been relied upon in the preparation of this report:

Budget projection working papers.

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This Report will be made  
public on 4 January 2021

Report Number **C/20/61**

**To:** Cabinet  
**Date:** 20 January 2021  
**Status:** Non-Key Decision  
**Head of Service:** Charlotte Spendley, Director of Corporate Services  
**Cabinet Members:** Councillor David Monk, Leader of the Council and  
Councillor David Godfrey, Housing, Transport and  
Special Projects

**SUBJECT:** HRA Budget Monitoring Quarter 3

**SUMMARY:** This monitoring report provides a projection of the end of year financial position for the Housing Revenue Account (HRA) revenue expenditure and HRA capital programme based on net expenditure to 30 November 2020.

**REASONS FOR RECOMMENDATIONS:**

Cabinet is asked to agree the recommendations set out below because Cabinet needs to be kept informed of the Housing Revenue Account position and take appropriate action to deal with any variance from the approved budget and be informed of the final 2020/21 position.

**RECOMMENDATIONS:**

1. To receive and note Report C/20/61.

## 1. INTRODUCTION

- 1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2020/21
- 1.2 The projections are based on actual expenditure and income to 30 November 2020. Some caution therefore needs to be exercised when interpreting the results, however, a thorough budget monitoring exercise has been carried out.

## 2. HOUSING REVENUE ACCOUNT REVENUE 2020/21 (see Appendix 1)

- 2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2020/21.

	Latest Budget £'000	Projection £'000	Variance £'000
Income	(16,358)	(15,529)	829
Expenditure	11,271	11,795	524
HRA Share of Corporate Costs	175	175	0
<b>Net Cost of HRA Services</b>	<b>(4,912)</b>	<b>(3,559)</b>	<b>1,353</b>
Interest Payable/Receivable etc	1,472	1,509	37
<b>HRA Surplus/Deficit</b>	<b>(3,440)</b>	<b>(2,050)</b>	<b>1,390</b>
Revenue Contribution to Capital	6,805	3,216	(3,589)
<b>Decrease/(Increase) to HRA Reserve</b>	<b>3,365</b>	<b>1,166</b>	<b>(2,199)</b>

- 2.2 The table shows that overall at quarter 3 there is a projected decrease in net expenditure of £2.2m on the HRA.

The main reasons for this are as follows:-

	£'000
Decrease in revenue contribution to capital (see 2.3 below)	(3,589)
Decrease in rental income (see 2.4 below)	829
Increase in repairs & maintenance expenditure (see 2.5 below)	150
Anticipated costs of new housing structure (see 2.6 below)	324
Other variances	87
<b>Total net projected Housing Revenue Account decrease</b>	<b><u>(2,199)</u></b>

- 2.3 The decrease in revenue contribution to capital mainly relates to re-profiling of the new build and acquisition programme with anticipated schemes being delayed to 2021/22 as well as an increased use of the Major Repairs Reserve relieving pressure on the HRA reserve.
- 2.4 The decrease in rental income largely relates to a projected 5% reduction in income due to Covid-19. This is based on a review of latest data and assumptions and is indicative only as the actual impact is still unknown at this stage due to uncertainties around how the second lockdown and introduction of the tiered restriction system will affect rent recovery. Data will continue to be monitored closely and the projection updated as more

information becomes available. There is also currently a high level of void garages which is resulting in reduced income.

- 2.5 The increase in repairs and maintenance expenditure relates to £135k increased void repairs which have not been affected by access restrictions and £110k additional asbestos removal costs due to the quantity and complexity in removal. These increased costs are being partially offset by a reduction in window servicing of (£100k).
- 2.6 The new housing management service commenced on 1<sup>st</sup> October and the staffing structure is now in place. The estimate of additional costs for the new structure in 2020/21 is £324k, this will continue to be monitored as the year progresses and the service embeds.
- 2.7 Overall, the HRA reserve at 31 March 2021 is expected to be £11.3m compared with £9.1m in the latest budget.

### 3. HOUSING REVENUE ACCOUNT CAPITAL 2020/21 (see Appendix 2)

- 3.1 The latest budget for the HRA capital programme in 2020/21 is £13.8m and the projected outturn for the year is £8.4m, an underspend of £5.3m.

- 3.2 The reasons for the decrease in expenditure are as follows:-

**£'000**

Enhanced Capital Programme (see 3.3 below)	(3,500)
New Builds/Acquisitions (see 3.4 below)	(2,179)
Kitchen Replacements (see 3.5 below)	(281)
Disabled Adaptations (see 3.5 below)	(162)
Heating Improvements (see 3.5 below)	(149)
Fire Protection Works (see 3.6 below)	550
Re-roofing (see 3.6 below)	332
EKH Single System (see 3.7 below)	130
Other minor variances	(56)
<b>Total decrease against Original Budget</b>	<b><u>(5,315)</u></b>

- 3.3 The decrease in the enhanced capital programme expenditure relates to the programme being delayed in 2020/21, therefore, it is due to commence in 2021/22 following the results of stock condition surveys to be carried out in the coming months.
- 3.4 The decrease in new build/acquisition expenditure relates to the re-profiling of the High View scheme which has not progressed as quickly as anticipated and is now expected to commence in 2021/22.

The Council will be pursuing two further new build acquisition opportunities, which combined will deliver 14 units for affordable rent and 2 units for shared ownership purchase. The sites are at Radnor Park Road, Folkestone (14 units for rent) and Mill Farm, Hawkinge (2 units for shared ownership purchase). The opportunities have been fully tested against the requirements of the Housing Revenue Account Business Plan. The Mill Farm units will

complete in early 2021, with the Radnor Park Road units completing in the second half of 2022.

- 3.5 Due to Covid-19 and lockdown restrictions these areas of the Capital programme have seen a reduction in works completed as access to properties and social distancing are enforced. Scaled down services have resumed in some areas following the easing of lockdown measures depending on available access to complete the works, but works are not anticipated to return to planned levels and so underspends are anticipated.
- 3.6 Fire protection works in communal and external areas and re-roofing works have continued during Covid-19 lockdown and additional works have been identified which can be completed during 2020/21 and will require further budget.
- 3.7 The indicative one-off capital cost of transitioning the EKH Single System to FHDC as part of bringing the housing service back in-house is £130k.
- 3.7 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2020/21. The variation shown below corresponds to the figure in section 3.1, above.

<b>2020/21 HRA</b>	<b>1-4-1 Capital Receipts</b>	<b>Revenue Contribution</b>	<b>Major Repairs Reserve</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
Projected Outturn	1,301	3,216	3,923	8,440
Approved	1,425	6,805	5,525	13,755
Variation	(124)	(3,589)	(1,602)	(5,315)

#### **4. CONCLUSION**

- 4.1 The HRA revenue outturn projection for 2020/21 forecasts £2.2m lower expenditure than the latest approved budget.
- 4.2 The HRA capital outturn projection for 2020/21 forecasts £5.3m lower expenditure than the latest approved budget.
- 4.3 The projected outturn for both the HRA revenue expenditure and capital programme for 2020/21 reflects the position based on actual expenditure and forecasts at 30 November 2020.

#### **5. RISK MANAGEMENT ISSUES**

- 5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
The latest projection of the outturn could be materially different to the actual year end position.	Medium	Medium	Areas at greater risk of variances are being closely monitored and an update will be made to Cabinet if appropriate when this report is considered to allow action to be taken.
Capital receipts (including right to buy sales) not materialising	Medium	Low	The capital programme uses realised capital receipts only.
Insufficient capacity to manage delayed expenditure along with new year programme	Medium	Medium	The 2020/21 to 2021/22 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme. 2020/21 planned expenditure will need to be reviewed to determine whether any expenditure will fall into 2021/22 and beyond.

## 6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 6.1 Legal Specialist's Comments (NE)

There are no legal implications arising from this report.

### 6.2 Finance Specialist's Comments (LW)

This report has been prepared by Financial Services. There are therefore no further comments to add.

### 6.3 Diversities and Equalities Implications (DA)

The report does not cover a new service/policy or a revision of an existing service or policy therefore does not require an EIA.

## 7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

*Cheryl Ireland, Chief Financial Services Officer*  
*Tel: 01303 853213 Email: cheryl.ireland@folkestone-hythe.gov.uk*

The following background documents have been relied upon in the preparation of this report:

Budget projection working papers

**Appendices:**

[Appendix 1](#) Housing Revenue Account revenue budget monitoring report at 30 November 2020

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 30 November 2020

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HOUSING PORTFOLIO	ORIGINAL APPROVED BUDGET £000	LATEST APPROVED BUDGET £000	PROJECTED OUTTURN £000	VARIANCE £000	REASON
<b>INCOME</b>					
Dwelling rents	14,954	14,954	14,208	746	Estimated impact on rental income due to Covid-19 (5% loss)
Non-dwelling rents	342	342	304	38	Due to a high level of void garages
Charges for services and facilities	1,010	1,010	965	45	Estimated impact on income due to Covid-19
Contributions from general fund	52	52	52	0	
<b>Total Income</b>	<b>16,358</b>	<b>16,358</b>	<b>15,529</b>	<b>829</b>	
<b>EXPENDITURE</b>					
Repairs and maintenance	3,787	3,787	3,937	150	£135k increase in void repairs which have not been affected by lockdowns, £110k additional asbestos removal costs as a result of the quantity & complexity in removal, (£100k) reduction in window servicing based on spend to date.
Supervision and management	4,748	4,748	5,072	324	Estimated part year costs of new housing structure
Rents, rates and taxes	22	22	22	0	
Depreciation charges of fixed assets	2,565	2,565	2,565	0	
Debt management expenses	0	0	0	0	
Bad debts provision	150	150	200	50	Increase based on estimated impact of Covid-19 on arrears
<b>Total Expenditure</b>	<b>11,271</b>	<b>11,271</b>	<b>11,795</b>	<b>524</b>	
<b>Net</b>	<b>(5,087)</b>	<b>(5,087)</b>	<b>(3,734)</b>	<b>1,353</b>	
HRA Share of Corporate and Democratic Costs	175	175	175	0	
<b>Net Cost of HRA Services</b>	<b>(4,912)</b>	<b>(4,912)</b>	<b>(3,559)</b>	<b>1,353</b>	
Interest payable	1,547	1,547	1,547	0	
Interest and investment income	(75)	(75)	(38)	37	Fall in interest rate
Premiums and discounts	0	0	0	0	
<b>(SURPLUS)/DEFICIT</b>	<b>(3,440)</b>	<b>(3,440)</b>	<b>(2,050)</b>	<b>1,390</b>	
<b>MOVEMENTS IN HRA BALANCE FOR 2018/19</b>					
Repayment of debt	0	0	0	0	
Revenue contribution to capital	6,805	6,805	3,216	(3,589)	Increased use of major repairs reserve and underspend on capital programme
Surplus/deficit for the year	(3,440)	(3,440)	(2,050)	1,390	
<b>Increase/Decrease in Net Movement in HRA Balance</b>	<b>3,365</b>	<b>3,365</b>	<b>1,166</b>	<b>(2,199)</b>	
HRA Reserve balance brought forward	(12,482)	(12,482)	(12,482)	0	
HRA Reserve balance carried forward	<b>(9,117)</b>	<b>(9,117)</b>	<b>(11,316)</b>	<b>(2,199)</b>	

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PORTFOLIO AND SCHEMES	LATEST APPROVED BUDGET	PROJECTED OUTTURN	VARIANCE	COMMENTS
<b>HOUSING PORTFOLIO</b>	<b>£'000</b>	<b>£000</b>	<b>£000</b>	
<b>1. Planned Improvements</b>				
Windows & Doors	250	340	90	Since transition additional resource has been supplied by Wrekin Windows allowing extra works to be completed
Re-roofing	350	682	332	Both flat and pitched roofing programmes have progressed well having not been affected by Covid-19 but this programme is exposing a large amount of roofing works required
Heating Improvements	649	500	(149)	Access to property issues during lockdown resulted in a reduction in works which have gradually improved as lockdown restrictions have eased
Kitchen Replacements	411	130	(281)	First quarter of the year was lost due to Covid-19 lockdown and remobilisation since Mears crews have returned from furlough has been slow. Surveys are also showing replacements are not required.
Bathroom Improvements	174	100	(74)	First quarter of the year lost due to Covid-19 lockdown and remobilisation since Mears crews have returned from furlough has been slow but works have recommenced on site where possible.
Voids Capital Works	300	300	0	
Disabled Adaptations	450	288	(162)	This is the most vulnerable group that were impacted by self-isolation and shielding restrictions so works were paused during lockdown and have recommenced where possible.
Sheltered Scheme upgrades	80	55	(25)	
Rewiring	485	550	65	Increased projection as works include carrying out CAT 1 & 2 whilst on site in addition to smoke/heat detectors
Contract Specification	31	10	(21)	
Lift Replacement	60	30	(30)	
Thermal Insulation	10	10	0	
Fire Protection Works	50	600	550	Communal and external works have continued. Additional works relating to fire alarms to blocks £300k and fire risk assessment works £250k have been identified. Propose to utilise available budget from areas with an underspend.
Impairment of Assets	0	0	0	
Enhanced Capital Programme	3,500	0	(3,500)	No spend anticipated against this budget during 20/21. Re-start of enhanced Capital programme to commence 21/22 following results of stock condition surveys.
	6,799	3,595	(3,204)	
<b>2. Major Schemes</b>				
External Enveloping *	350	308	(42)	
Garages Improvements	30	10	(20)	
Treatment Works	10	10	0	
Broadmead Road	0	0	0	
	390	328	(62)	
<b>3. Environmental Improvements</b>				
Environmental Works	25	25	0	
New Paths	15	15	0	
Play Areas	10	10	0	
	50	50	0	
<b>4. Other Schemes</b>				
New Builds/Acquisitions	6,515	4,337	(2,179)	7 acquisitions have been made so far this year with another potential 13 to be purchased and work is planned to commence on Biggins Wood. Works on High View have not progressed as quickly as anticipated and are anticipated to be delayed until 2021/22
EKH Single System	0	130	130	Anticipated costs of transitioning the EKH single system to FHDC
Cash Incentive Scheme	0	0	0	
	6,515	4,467	(2,049)	
<b>TOTAL</b>	<b>13,755</b>	<b>8,440</b>	<b>(5,315)</b>	
<b>FUNDING</b>				
Major Repairs Reserve	5,525	3,923	(1,602)	
Revenue Contribution	6,805	3,216	(3,589)	
1-4-1 Capital Receipts	1,425	1,301	(124)	
<b>TOTAL FUNDING</b>	<b>13,755</b>	<b>8,440</b>	<b>(5,315)</b>	

\* This includes all items of the property structure that is external, such as roof, chimneys, gutters, fascias, eaves and repointing.

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