



Agenda

Meeting: **Finance and Performance Scrutiny Sub-Committee**
Date: **18 January 2022**
Time: **7.00 pm**
Place: **Council Chamber - Civic Centre, Folkestone**

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, time and place shown above. The meeting will be open to the press and public.

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.

Although social distancing rules have been relaxed, for the safety of the public, elected members and staff, we will continue to seat members of the public approximately one metre apart. This means that there will be 13 seats available for members of the public, which will be reserved for those speaking or participating at the meeting. The remaining available seats will be given on a first come, first served basis.

All attendees at meetings are kindly asked to wear face coverings, unless they are addressing the meeting.

Members of the public are encouraged to view the meeting online as this meeting will be streamed live to the internet and can be viewed at: <https://folkestone-hythe.public-i.tv/core/portal/home>

1. **Apologies for absence**
2. **Declarations of interest (page 3)**

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

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Email: committee@folkestone-hythe.gov.uk or download from our website www.folkestone-hythe.gov.uk

- a) disclosable pecuniary interests (DPI);
- b) other significant interests (OSI);
- c) voluntary announcements of other interests.

3. **General Fund Revenue Budget Monitoring - 3rd Quarter 2021/22 (pages 5 – 12)**

Monitoring report C/21/65 provides a projection of the end of year financial position of the General Fund revenue budget, based on expenditure to the 30 November 2021.

4. **General Fund Capital Programme Budget Monitoring 2021/22 (pages 13 – 24)**

Monitoring report C/21/60 provides an updated projection of the current financial position for the General Fund capital programme profiled for 2021/22, based on expenditure to 30 November 2021, and identifies variances compared to the latest approved budget.

5. **HRA Budget Monitoring Quarter 3 2021/22 (pages 25 – 34)**

Monitoring report C/21/62 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 2021.

6. **Treasury Management Strategy Statement 2022/23 and Treasury Management Monitoring Report 2021/22 (pages 35 – 68)**

Report C/21/61 sets out the proposed strategy for treasury management for 2022/23 including Treasury Management Prudential Indicators. The report also provides an update on the council's treasury management activities that have taken place during 2021/22 against the agreed strategy for the year.

7. **Draft General Fund Budget 2022/23 (pages 69 – 120)**

Report C/21/67 sets out the Council's Draft General Fund Budget for 2022/23.

8. **Draft Housing Revenue Account Revenue and Capital Original Budget 2022/23 (pages 121 – 134)**

Report C/21/66 sets out the Housing Revenue Account Revenue and Capital Budget for 2022/23 and proposes an increase in weekly rents and an increase in service charges for 2022/23.

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 on 10 January
2022

Report Number **C/21/65**

To: Cabinet
Date: 26 January 2022
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Director of Corporate Services
Cabinet Member: Councillor David Monk - Cabinet Member for Finance

SUBJECT: GENERAL FUND REVENUE BUDGET MONITORING – 3RD QUARTER 2021/22

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 2021.

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/21/65.

1. INTRODUCTION AND BACKGROUND

- 1.1 This report updates Cabinet on the likely projected outturn on the General Fund Revenue budget for 2021/22.
- 1.2 The projections are made against the latest approved budget and based on data received as at 30 November 2021. This is an update to the position reported in November presenting the 3rd quarter projections.

2. GENERAL FUND REVENUE 2021/22 - PROJECTED OUTTURN

- 2.1 The Quarter 3 projected outturn for service areas shows a forecast of £24,983k against the latest approved budget of £23,805k resulting in a variance of £1,178k (projected overspend). It should be noted that this projection includes £836k of service expenditure which is to be funded from reserves largely from 20/21 carry forwards to support the net cost of services.
- 2.2 When taking into account other entries such as Earmarked Reserves, Other Service Grants and Collection Fund Income, the total projected outturn is a projected overspend of £1,178k.
- 2.3 The following table summarises the latest projected outturn position:

General Fund Net Cost of Services	Latest Approved Budget	Projected Outturn	Variance
	£'000	£'000	£'000
Finance, Strategy & Corporate Services	6,285	7,164	879
Human Resources	560	653	93
Governance & Law	2,452	2,588	136
Leadership Support	908	896	(12)
Place	6,627	6,279	(348)
Economic Development	1,340	1,638	298
Planning	185	340	155
Operations	2,647	2,290	(357)
Strategic Development	55	118	(63)
Housing	3,355	3,017	(338)
Sub-Total – Heads of Services	24,414	24,983	569
Unallocated Net Employee Costs	(609)	-	609
Total – Heads of Service	23,805	24,983	1,178
Internal Drainage Board Levies	484	484	-
Interest Payable and Similar Charges	739	583	(156)
Interest and Investment Income	(754)	(920)	(166)
New Homes Bonus Grant	(836)	(836)	-
Other Non-Service Related Government Grants	(1,971)	(3,856)	(1,885)
Town and Parish Council Precepts	2,594	2,594	-
Minimum Revenue Provision	886	1,211	325
Capital Expenditure Financed from Revenue	1,280	747	(533)
Net Revenue Expenditure before Use of Reserves	26,227	24,990	(1,237)
Net Transfer to/from(-) Earmarked Reserves	(2,989)	(9,809)	(6,820)

Total to be met by Taxpayers	23,238	15,181	(8,057)
Transfer to/from(-) the Collection Fund	67	67	-
Business Rates Income	(3,905)	5,499	9,404
Demand on the Collection Fund	(13,128)	(13,297)	(169)
Surplus (-)/Deficit for the year	6,272	7,450	1,178

2.4 The main variances are shown below:

	£'000
Service expenditure to be funded from reserves:	
Covid Funding expenditure (carried forward from 2020/21)	260
Corporate Priorities spend (carried forward from 2020/21)	164
Corporate Investment Initiatives (carried forward from 2020/21)	157
High Street Innovation Fund (carried forward from 2020/21)	155
Strategic Delivery Team – salary costs	100
Services:	
Council Tax Collection – decrease in income	300
Housing Benefits / Rent rebates – net impact of reduction in payments	96
Decrease in Local Land charges income	48
Decrease in Hackney Carriage income	44
Increase in Cemeteries income	(41)
Development Control – reduction in income	133
Additional IT/Mobile phone and online transaction costs	174
Car Parking – increased income	(137)
Increase in Operational estate rental income	(150)
Additional Otterpool property utilities costs	70
Reduction in income Lifeline	47
Business rates reductions in Operational estate costs	(132)
Net movements in homelessness	(179)
Other Items (below the Net Cost of Services):	
Movement in Earmarked Reserves	(1,373)
Interest & Investment Income	(166)
Interest Payable & Similar Charges	(156)
Demand on Collection Fund	(169)
Business Rates Income	1,635
Other net variances	298
Total net projected General Fund Reserve decrease	1,178

2.5 Explanations for the main variances are detailed below:

Service expenditure to be funded from reserves

Covid Funding Expenditure - The Council received grants in 2020/21 specifically for Test & Trace, Council Tax Hardship and Compliance & Enforcement in relation to the pandemic. Unspent funding was transferred to earmarked reserves at the end of the year and is expected to be fully utilised in 2021/22.

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. The unspent funding at the end of 2020/21 was allocated to an earmarked reserve and the remaining initiatives and projects anticipated to be implemented this year are:

	£'000
Heritage enhancements	39
Pesticide motion	30
Park enhancements (including H&S equipment improvements)	20
Development of new ED Strategy	50
Additional CLLD capacity	12
Lifeline Strategy	13
Total	164

Corporate Investment Initiatives – Consultancy work on Folkestone Town Centre initiatives, including FOLCA. Expenditure is funded from the Economic Development reserve.

High Street Innovation Fund – Anticipated spend on High Street projects this financial year which was delayed from 2020/21 due to the pandemic. Expenditure is funded from the High Streets Regeneration reserve.

Strategic Delivery Team - Projected part year staffing costs for the new Strategic Delivery Team approved by Cabinet in September 2021 (C/21/32) to deliver the Council's Corporate Plan. Expenditure is to be funded from earmarked reserves.

Services

Council Tax Collection – Reduction in court costs income due to reduced court hearings this year as they reopen following the pandemic.

Housing Benefits / Rent Rebates – a reduction in rent allowance payments is projected due to reduced housing benefit caseload, with a related reduction in anticipated subsidy, however there remains a cost to the council due to overpayments, which will be sought to be recovered. Additionally the value of rent rebates is anticipated to increase, largely to be offset by subsidy.

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.

Hackney Carriage licensing –a decrease in income is projected due to limited new applications being made.

Development Control – decreased income projected for planning application fees based on current volume of applications.

Additional IT/Mobile phone and online transaction costs – Additional costs including further mobile devices £18k; Staff Hub £49k; Skype to Teams transition costs £34k; increased online transaction costs £21k

Car Parking – Parking income is now recovering following the pandemic, however the projected increase has reduced slightly from the Quarter 2 position but increases in income are expected for off street parking charges, parking fines, and on street residents parking permits.

Waste – The net increase in the annual contract cost has arisen due to the new contractual arrangements. The net position is reflective of both the financing cost of the waste vehicles and additional contractual costs (which were lower as a result of the decision to purchase the fleet vehicles).

Additional Otterpool Park property utilities and business rates not anticipated at budget setting, offset by reductions and refunds on Operational assets business rates (including public conveniences).

Homelessness – Additional grant funding utilised in year for both homelessness and Domestic Abuse and Ex Offender services resources. Additional rent payments, and increase in housing benefit payments also contributing to variance.

Other Items (below the Net Cost of Services)

Movement in Earmarked Reserves - The key movements are (£736k) assumed use of monies carried forward from 2020/21, (£466k) budgeted contributions to reserves for Council Tax grants removed as funds received in 2020/21 and (£100k) use of reserves to fund the new Strategic Development Team to deliver the Council's Corporate Plan.

The latest forecast Earmarked Reserves position is shown in the table below:

Reserve	Balance at 1/4/2021 £'000	Latest Budget £'000	Projection £'000	Change £'000	Balance at 31/3/2022 £'000
Earmarked					
Business Rates	2,722	225	(821)	(1,046)	1,901
Leisure Reserve	547	(100)	(100)	0	447
Carry Forwards	691	(126)	(219)	(93)	472
VET Reserve	283	(66)	34	100	317
Invest to Save	0	0	0	0	0
Maintenance of Graves	12	0	0	0	12
New Homes Bonus (NHB)	2,342	(344)	(344)	0	1,998
Corporate Initiatives	598	(349)	(529)	(180)	69
IFRS Reserve	8	(2)	(3)	(1)	5
Otterpool Park Garden Town	0	0	0	0	0
Economic Development	1,991	(1,134)	(237)	897	1,754
Community Led Housing	365	(55)	(55)	0	310
Lydd Airport	9	0	0	0	9
Homelessness Prevention	488	98	98	0	586
High Street Regeneration	2,070	(830)	(1,016)	(186)	1,054
Climate Change	4,946	(306)	(416)	(110)	4,530
Covid Recovery	6,501	0	(6,201)	(6,201)	300
Total Earmarked Reserves	23,573	(2,989)	(9,809)	(6,820)	13,764

Interest Payable & Similar Charges - Lower interest payable resulting from lower interest rates secured and reduced borrowing due to delays in planned capital expenditure.

Interest and Investment Income - Increased interest and investment income receivable resulting from higher returns from pooled investment funds and anticipated interest due from the Otterpool loan.

Demand on the Collection Fund - Additional Council Tax income is projected based on current collection rates.

Business Rates Income – A reduction in Business Rates income is projected based on current collection rates. Additionally Dungeness B Power Station had submitted an appeal, which the VOA issued a decision notice on, notifying the Council of their decision in December 2021. The appeal has resulted in the rateable value for the Power Station being reduced significantly, backdating the decision to November 2019, with a further reduction taking effect from June 2021. There is no route of challenge for the council on this decision and as a result the Quarter 3 budget monitoring position includes a draft estimated impact of £1.33m following the VOA's decision and subsequent refund.

3. CONCLUSIONS

- 3.1 The projected outturn shown for the General Fund Revenue account for 2021/22 reflects the position based on actual expenditure and forecasts at 30 November 2021 and projects an overspend of £1,178k. The most

significant movements from Quarter 2 is the Power Station business rates appeal affecting the position by £1.33m.

As we move towards the year end, budgets will be monitored closely and members will be advised of funds to be drawn from either the earmarked or general reserve to cover any year end deficit.

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 and in detail 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 with best intelligence to inform monitoring activities.

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 (CI)

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.

5.4 Climate Change Implications (OF)

As this report deals entirely with financial matters, there is no climate change impact.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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

Cheryl Ireland, Chief Financial Services Officer
Telephone: 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.

DRAFT



This Report will be made public on 10 January 2022

Report Number **C/21/60**

To: Cabinet
Date: 26 January 2022
Status: Non-Key Decision
Head of Service: Charlotte Spendley – Director of Corporate Services
Cabinet Member: Councillor David Monk, Leader and Portfolio Holder for Finance

SUBJECT: GENERAL FUND CAPITAL PROGRAMME BUDGET MONITORING 2021/22

SUMMARY: This monitoring report provides an updated projection of the current financial position for the General Fund capital programme profiled for 2021/22, based on expenditure to 30 November 2021, and identifies variances compared to the latest approved budget.

REASONS FOR RECOMMENDATIONS:

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

RECOMMENDATIONS:

1. To receive and note report C/21/60.

1. INTRODUCTION AND BACKGROUND

- 1.1 As part of the council's normal budget monitoring process this report updates Cabinet on the current position for the General Fund capital programme profiled for 2021/22, based on expenditure to 30 November 2021, compared to the latest approved budget. Specifically, this report;-
- i) identifies variances on planned capital expenditure for 2021/22 and explanations of these differences, and
 - ii) considers the impact any changes to the overall capital programme will have on the financing resources required to fund it.
- 1.2 Cabinet is reminded that Full Council approves a rolling five year General Fund Medium Term Capital Programme (MTCP) annually as part of the overall budget process. This monitoring report considers the latest projected expenditure for 2021/22 against the profiled budget for the year. Cabinet considered an initial projected outturn position for the General Fund capital programme in 2021/22 on 24 November 2021 (minute 51 refers).
- 1.3 On 24 November 2021 Full Council approved further changes to the MTCP for (i) £400k for works to the Connect 38 building, (ii) up to £408k for the Biggins Wood Development and (iii) £745k for Street Lighting works (minute 50 refers).
- 1.4 The projections shown in the report may, in some cases, be subject to further change which will be reported to Cabinet as part of the on-going budget monitoring process.
- 1.5 An update to the MTCP for the five year period ending 31 March 2027 is planned to be made to Cabinet and Full Council on 23 February 2022. The MTCP update is expected to include the latest position for the Princes Parade scheme. It may also be necessary to consider the allocation of the approved capital budgets between the Otterpool Land Acquisition and Otterpool Further Investment (funding of the LLP Delivery Vehicle) schemes to reflect the most appropriate and effective way of delivering the overall objectives for the Otterpool Park development.

2. CAPITAL PROGRAMME 2021/22 – PROJECTED OUTTURN

- 2.1 The planned expenditure on all General Fund capital schemes in 2021/22, based on expenditure to 30 November 2021, is anticipated to be £20,279,000 a reduction of £29,548,000 compared to the approved budget of £49,827,000. 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 2021/22	Latest Budget 2021/22	Projection 2021/22	Variance Budget to Projection
	£'000	£'000	£'000
Service Units			
Operations	10,083	1,632	(8,451)
Corporate Services	2,496	1,416	(1,080)
Housing	1,927	1,587	(340)
Transformation & Transition	21,327	6,123	(15,204)
Economic Development Place	0	625	625
	13,994	8,896	(5,098)
Total Capital Expenditure	49,827	20,279	(29,548)
Capital Funding			
Capital Grants	(6,479)	(7,652)	(1,173)
External Contributions	(2,142)	(369)	1,773
Capital Receipts	(17,019)	(884)	16,135
Revenue	(2,290)	(747)	1,543
Borrowing	(21,897)	(10,627)	11,270
Total Funding	(49,827)	(20,279)	29,548

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

1	Reprofiling between 2021/22 and 2022/23	£'000	£'000
i)	Ship Street Site Folkestone	(111)	
ii)	Land at Otterpool	(2,382)	
iii)	Otterpool Further Investment	(3,500)	
iv)	Otterpool Park Masterplanning Costs	805	
v)	Otterpool Park Delivery Costs	90	
vi)	Biggins Wood Site Land Remediation Works	(2,560)	
vii)	District Street Lights	(745)	
viii)	Coast Drive Seafront Development	(893)	
ix)	East Cliff Landfill Protection (FPPG Charity)	(1,170)	
x)	Coast Protection, Coronation Parade Folkestone	(730)	
xi)	Public Toilet Enhancement	(197)	
xii)	Princes Parade Leisure Centre	(15,540)	
xiii)	Mountfield Business Hub	336	
xiv)	Connect 38 CAT A Works	(240)	

xv)	Oportunitas Phase 2 Funding	(1,080)	
xvi)	Greatstone Holiday Lets Scheme	(1,847)	
			<u>(29,764)</u>
2	Reclassification between capital and revenue		
i)	Community Led Local Development ERDF Capital Projects (externally funded)	625	
			<u>625</u>
3	Overspends		
i)	Lower Sandgate Road Beach Huts (FPPG Charity)	27	
ii)	Home Safe Loans	60	
iii)	Other small overspends	1	
			<u>88</u>
4	Underspends		
i)	General Fund Property - Health and Safety Enhancements saving	(10)	
ii)	Coast Protection Beach Management – Budget adjusted to reflect the grant awarded by the Environment Agency for a 5 year programme of works from April 2020 to March 2025	(77)	
iii)	Royal Military Canal footpath enhancements saving	(10)	
iv)	Disabled Facilities Grants - Occupational Therapist Service recommenced their home assessment visits part way through the year	(400)	
			<u>(497)</u>
	Total change in overall capital programme for 2021/22		<u>(29,548)</u>

2.3 As the variance analysis in the table above shows, there is a significant projected reprofiling of budgets from 2021/22 to 2022/23 and beyond. Notably, £15.54m of planned expenditure for the Princes Parade Leisure Scheme is to be reprofiled. Typically property related capital schemes are more difficult to project accurately in terms of the timing of expenditure due to external factors such as planning, legal and procurement. However, it is important to remember that the council controls its capital expenditure against the sums approved within the MTCP rather than the profiled amounts for each year.

3. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

3.1 One of the key principles underlying the council's Medium Term Financial Strategy is the capital programme is funded from available or realised capital resources and that new borrowing should only be used where it is prudent and affordable. The only exception to this is where a scheme is subject to grant funding or external contributions in which case no

commitment is made against these until the funding is confirmed. The 2021/22 projected outturn for the General Fund capital programme conforms to this key principle.

- 3.2 As summarised in section 2 of this report, the council's projected capital expenditure for 2021/22 requires a significant level of borrowing to support it. The capital schemes in 2021/22 planned to be supported by borrowing are:

	£'000
i) Otterpool Park acquisitions	3,942
ii) Otterpool Park Delivery Vehicle	90
iii) Otterpool Further Investment	1,500
iv) Otterpool Park Masterplanning Costs	1,800
v) Veolia Waste Contract	1,484
vi) Oportunitas Phase 2 funding	1,340
vii) Temporary Accommodation	274
ix) Lower Sandgate Road Beach Huts (Charity)	47
x) Coastal Park Toilet and Concession (Charity)	150
Total	10,627

- 3.3 The borrowing required is consistent with the council's approved Capital Strategy for 2021/22.

- 3.4 The latest position regarding the council's available capital receipts to fund capital expenditure, including proposed capital growth for 2022/23 consider by Cabinet on 15 December 2021 (minute 56 refers), is shown in the following table:

Capital Receipts Position Statement	£'000
Total receipts in hand at 30 November 2021	(10,145)
Less:	
Committed towards General Fund capital expenditure	3,509
Committed towards HRA capital expenditure	5,669
Ring-fenced for specific purposes	78
Contingency for urgent or unforeseen capital expenditure	500
Balance available to support new GF capital expenditure	(389)

4. CONCLUSIONS

- 4.1 The projected outturn shown for the General Fund capital programme for 2021/22 reflects the position based on actual expenditure and forecasts at 30 November 2021. The projected outturn will be reviewed, updated and reported to Cabinet as part of the budget monitoring process for 2021/22.

5 RISK MANAGEMENT ISSUES

5.1 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	<p>Capital receipts required have already been realised for the majority of the programme. Schemes subject to future capital resources will only commence once these are realised. Schemes supported by grant funding will only commence once fully approved and committed by the relevant body. Prudential borrowing is only used for capital schemes expected to generate a net revenue benefit and/or future capital receipts</p>
Cost of new projects may exceed the estimate	High	High	<p>A review of existing approved capital schemes is being undertaken as part of the next update to the MTCP to assess the impact of current inflationary pressures affecting construction and engineering sector. Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.</p>

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (NM)

There are no legal implications arising directly out of this report.

6.2 Finance Officer's Comments (LW)

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

6.3 Communication Officer's Comments (JW)

There are no communication issues arising directly from this report

6.4 Diversities and Equalities Implications (LW)

The report does not cover a new service or policy or a revision of either and therefore does not require an Equality Impact Assessment.

6.5 Climate Change Implications (AT) [*Pilot reporting period*]

There are no climate change implications arising directly from this report. The report is a monitoring report that provides an initial position against the latest approved budget. It updates Cabinet on this position following decisions taken at Cabinet and Full Council. Climate change implications of the various projects referenced in the report will be assessed as part of the development and implementation phases of those projects through the appropriate decision-making process.

7. 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

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

None

Appendices:

Appendix 1 – General Fund Capital Programme 2021/22 Projected Outturn

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APPENDIX 1 - GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME 2021/22

by Head Of Service

Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
		£000	£000	£000	
	<u>Andy Blaszkowicz - Director of Housing & Operations</u>				
1	General Fund Property - Health and Safety Enhancements	13	3	(10)	Saving.
2	Lifeline Capitalisation	50	50	0	On target.
3	Royal Military Canal Enhancements	20	10	(10)	Saving on planned work.
4	Biggins Wood Site Land Remediation Works	2,760	200	(2,560)	The Council has been awarded a grant of £1.016m towards this scheme. Work is planned to commence in the Spring of 2022 with the majority of the budget now profiled for 2022/23.
5	Greatstone Holiday Lets	1,847	0	(1,847)	Scheme on hold to consider planning issues.
6	Lower Sandgate Road Beach Huts (Loan to FPPG Charity)	20	47	27	The main reason for the variance is the cost to renovate the 27 existing beach huts was more than originally anticipated. Additional loan funding to be met by FPPG Charity.
7	On Street P & D Machines	12	13	1	Replacement of 15 on-street pay and display machines in Folkestone.
8	Electric Vehicles Charging Points	40	40	0	Project is on hold pending KCC to grant permission to use their lamp columns. Decision expected by the end of the calendar year.
9	Coast Drive Seafront Development	893	0	(893)	Scheme reprofiled to 2022/23.
10	Coastal Park Play Equipment (FPPG Charity)	62	62	0	Projected to budget.
11	Coastal Park Toilet and Concession (FPPG Charity)	150	150	0	Projected to budget.
12	East Cliff Landfill Protection (FPPG Charity)	1,200	30	(1,170)	Investigation works taking place with the majority of the work now profiled for 2022/23.
13	Hawkinge Depot Upgrade	75	75	0	Projected to budget
14	Units 1-5 Learoyd Road New Romney	200	200	0	Work anticipated to start in early 2022 with units being available for re-letting around mid-2022. Therefore, it is possible that some of the spend will be in the 2022/23 financial year.

Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
15	Connect 38 CAT A Works	400	160	(240)	First phase of works complete, second phase expected to be completed next financial year. Funded from an external contribution agreed as part of the original acquisition.
16	District Street Lights	745	0	(745)	Upgrade all district street lights reprofiled to 22/23.
17	Coast Protection, Coronation Parade Folkestone	760	30	(730)	Awaiting monitoring results, once received the design/tender process can commence. Likely that the main project expenditure will be incurred during 2022/23. Funded by the Environment Agency
18	Coastal Protection, Greatstone dune management & study	15	15	0	Works continue year on year to stabilise the sand dunes with the installation of fencing and grasses which provided excellent flood defence for the area. Funded by the Environment Agency and an external contribution
19	Beach Management 2020-2021	420	343	(77)	Budget adjusted to reflect the grant awarded by the Environment Agency to meet the cost of works to maintain the beach levels between Hythe and Folkestone.
20	Coronation Parade Annual Monitoring	4	4	0	Ongoing monitoring of Coronation Parade system in order to protect the reinforcing steel within the structure as it provides an essential sea defence to cliff face and properties above. Funded by the Environment Agency.
21	Public Toilet Enhancement	397	200	(197)	Scheme partly reprofiled to 2022/23.
	Total - Director of Housing & Operations	10,083	1,632	(8,451)	
	<u>Ewan Green - Director of Place</u>				
22	Land at Otterpool	6,324	3,942	(2,382)	Further land acquisitions are being explored, however timing of expenditure is uncertain. Budget reprofiled to 2022/23
23	Otterpool Park Delivery Costs	0	90	90	Further consultancy advice to support the delivery process met from the overall reprofiled Otterpool Park capital budget
24	Otterpool Further Investment	5,000	1,500	(3,500)	Funding for Otterpool LLP to deliver the development reprofiled to 2022/23
25	Otterpool Park Masterplanning Costs	995	1,800	805	Masterplanning costs previously agreed to be met by the Council met from the overall reprofiled Otterpool Park capital budget
26	Veolia Waste Contract	1,484	1,484	0	Planned acquisition of vehicles to support the waste contract achieving an ongoing annual revenue saving against the contract.
27	Ship Street Site Folkestone	161	50	(111)	The redevelopment of site is being progressed from initial feasibility stage to market testing with a the intent to secure a development partner for the Council. This will take place over the period to June 2022.

Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
28	Area Officer Vans	30	30	0	Looking at electric vehicles but costs and capacity are restrictive.
	Total - Director of Place	13,994	8,896	(5,098)	
	<u>Charlotte Spendley - Director of Corporate Services</u>				
29	PC Replacement Programme	16	16	0	On target.
30	Server Replacement Programme	60	60	0	On target.
31	Oportunitas Phase 2 Funding	2,420	1,340	(1,080)	To invest in the company's expansion of its residential property portfolio primarily for the former Royal Victoria Hospital site development. Phase A completed October 2021. Phase B projected completion Autumn 2022.
	Total - Director of Corporate Services	2,496	1,416	(1,080)	
	<u>Katharine Harvey - Head of Economic Development</u>				
32	CLLD ERDF Captital Projects	0	625	625	Folkestone Community Works classified as capital expenditure and met from Government Grant.
	Total - Head of Economic Development	0	625	625	
	<u>John Holman - Head of Housing</u>				
33	Temporary Accommodation	527	527	0	Acquisition and refurbishment of properties to provide temporary accommodation for homeless households. Officers are currently seeking further suitable acquisition opportunities to complete during 2021/22.
34	Disabled Facilities Grants	1,000	600	(400)	KCC Occupational Therapist Service was held due to Covid restrictions but spend now increasing. DFGs are funded through Government Grant.
35	Home Safe Loans	100	160	60	Council loans to vulnerable home owners on low incomes, to enable them to carry out urgent improvement to their homes. Additional expenditure can be met from DFG grant not required for 2021/22
36	Empty Home Initiatives	300	300	0	Initiative on target to bring empty properties back into use.
	Total - Head of Housing	1,927	1,587	(340)	

Item	Scheme	Latest Approved Budget	Latest Projection	Variance	Comments
	Tim Madden - Director of Transition & Transformation				
37	Princes Parade Leisure Centre	17,540	2,000	(15,540)	Main contract not due to commence until early 2022, majority of the budget reprofiled to 2022/23.
38	Mountfield Road Employment Land	3,490	3,490	0	On target.
39	Mountfeild Business Hub	297	633	336	Budget adjustment for capital grant received.
	Total - Director of Transition & Transformation	21,327	6,123	(15,204)	
	TOTAL GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME	49,827	20,279	(29,548)	

This Report will be made public on 10 January 2022

Report Number **C/21/62**

To: Cabinet
Date: 26 January 2022
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 2021.

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 2021/22 position.

RECOMMENDATIONS:

1. To receive and note Report C/21/62.

1. INTRODUCTION

- 1.1 This report informs Cabinet of the likely projected outturn on HRA revenue and capital expenditure for 2021/22.
- 1.2 The projections are based on actual expenditure and income to 30 November 2021. Some caution therefore needs to be exercised when interpreting the results due to the early stage of the financial year, however, a thorough budget monitoring exercise has been carried out.

2. HOUSING REVENUE ACCOUNT REVENUE 2021/22 (see Appendix 1)

- 2.1 The table below provides a summary of the projected outturn compared to the latest budget for 2021/22.

	Latest Budget £'000	Projection £'000	Variance £'000
Income	(15,830)	(16,513)	(683)
Expenditure	12,607	12,791	184
HRA Share of Corporate Costs	175	175	0
Net Cost of HRA Services	(3,048)	(3,547)	(499)
Interest Payable/Receivable etc	1,523	1,516	(7)
HRA Surplus/Deficit	(1,525)	(2,031)	(506)
Revenue Contribution to Capital	5,938	3,209	(2,729)
Decrease/(Increase) to HRA Reserve	4,413	1,178	(3,235)

- 2.2 The table shows that overall at quarter 3 there is a projected decrease in net expenditure of £3.2m on the HRA.

The main reasons for this are as follows:-

	£'000
Decrease in revenue contribution to capital (see 2.3 below)	(2,729)
Increase in rental income (see 2.4 below)	(683)
Other variances	177
Total net projected Housing Revenue Account increase	<u>(3,235)</u>

- 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 2022/23 (see 3.3).
- 2.4 The increase in rental income largely relates to a projected 5% reduction in income anticipated due to Covid-19 at budget setting which has not materialised with collection rates better than anticipated.

There is also currently a high level of void garages which is resulting in reduced income. There are currently 336 void garages, however a considerable amount of work has been carried out on the garages in recent

month's with a project shortly to commence focused upon improvements and enhanced maintenance of the garage stock.

- 2.5 Overall, the HRA reserve at 31 March 2022 is expected to be £10.8m compared with £7.6m in the latest budget.

3. HOUSING REVENUE ACCOUNT CAPITAL 2021/22 (see Appendix 2)

- 3.1 The latest budget for the HRA capital programme in 2021/22 is £14.4m and the projected outturn for the year is £9.9m, an underspend of £4.5m.

- 3.2 The reasons for the decrease in expenditure are as follows:-

	£'000
New Builds/Acquisitions (see 3.3 below)	(4,354)
Other variances	(116)
Total decrease against Original Budget	<u>(4,470)</u>

- 3.3 The decrease in new build/acquisition expenditure relates to the re-profiling of the Highview scheme which has not progressed as quickly as anticipated and is now expected to commence in 2022/23. This is due to redesigning the scheme to deliver homes that are as close as possible to zero carbon in use. The team have been exploring new technology and construction methods to deliver a flagship scheme for the HRA following the Council declaring a climate emergency.

- 3.4 The following table compares the resources required to finance the projected outturn for the HRA capital programme in 2021/22. The variation shown below corresponds to the figure in section 3.1, above.

2021/22 HRA	1-4-1 Capital Receipts	Revenue Contribution	Major Repairs Reserve	Total
£'000				
Projected Outturn	867	3,209	5,914	9,990
Approved	2,608	5,938	5,914	14,460
Variation	(1,741)	(2,729)	0	(4,470)

4. CONCLUSION

- 4.1 The HRA revenue outturn projection for 2021/22 forecasts £3.2m lower expenditure than the latest approved budget.
- 4.2 The HRA capital outturn projection for 2021/22 forecasts £4.5m lower expenditure than the latest approved budget.

4.3 The projected outturn for both the HRA revenue expenditure and capital programme for 2021/22 reflects the position based on actual expenditure and forecasts at 30 November 2021.

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 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 2021/22 to 2022/23 capital programme will need to continue to be reviewed to take account of the capacity to manage the programme. 2021/22 planned expenditure will need to be reviewed to determine whether any expenditure will fall into 2022/23 and beyond.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Specialist's Comments (NM)

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.

6.4 **Climate Change Implications (OF)**

There are no climate change implications arising from this report.

Consideration should be given to ensure that houses are built, repaired and upgraded using materials and techniques that are suitable to our changing climate.

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 31 August 2021

[Appendix 2](#) Housing Revenue Account capital budget monitoring report at 31 August 2021

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HOUSING PORTFOLIO	LATEST APPROVED BUDGET £000	PROJECTED OUTTURN £000	VARIANCE £000	REASON
INCOME				
Dwelling rents	14,416	15,210	-794	Projection for Dwelling rents increased by £794k to reflect current actuals
Non-dwelling rents	342	285	57	Projections decreased for Garages to reflect actuals to date
Charges for services and facilities	1,020	966	54	Projection for water/sewerage charges to Leaseholders reduced
Contributions from general fund	52	52	0	
Total Income	15,830	16,513	-683	
EXPENDITURE				
Repairs and maintenance	4,071	4,005	-66	Projections amended: Reduced spending on window servicing (£100k), fire alarms (£45k), scaffolding (£16.5k), TV aerials (£10k), offset by additional Disrepair (compensation) payments £42k, increased Pump Station to reflect ytd actuals £32k, clearances £18k and electrical maintenance contract costs higher than budgeted £14k
Supervision and management	5,650	5,900	250	Projections amended: Increase in Utility bills for Independent Living properties £102k, additional costs for Independent Living & Stock Condition Surveys £70k, additional Northgate modules £45k, costs of project team working on Northgate System £18.5k, increase in Council Tax £13.5k, unbudgeted waste water charge for Glenlee Gardens £5.5k, increase in Lifeline Emergency repair service £4.5k & reduction in Court costs and Mediation (£9k)
Rents, rates and taxes	22	22	0	
Depreciation charges of fixed assets	2,643	2,643	0	
Debt management expenses	21	21	0	
Bad debts provision	200	200	0	
Total Expenditure	12,607	12,791	184	
Net	-3,223	-3,722	-499	
HRA Share of Corporate and Democratic Costs	175	175	0	
Net Cost of HRA Services	-3,048	-3,547	-499	
Interest payable	1,573	1,521	-52	
Interest and investment income	-50	-5	45	Due to reduction in interest rates
Premiums and discounts	0	0	0	
(SURPLUS)/DEFICIT	-1,525	-2,031	-506	
MOVEMENTS IN HRA BALANCE FOR 2021/22				
Repayment of debt	0	0	0	
Revenue contribution to capital	5,938	3,209	-2,729	
Surplus/deficit for the year	-1,525	-2,031	-506	
Increase/Decrease in Net Movement in HRA Balance	4,413	1,178	-3,235	
HRA Reserve balance brought forward	-12,037	-12,037	0	
HRA Reserve balance carried forward	-7,624	-10,859	-3,235	

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PORTFOLIO AND SCHEMES	LATEST APPROVED BUDGET	PROJECTED OUTTURN	VARIANCE	COMMENTS
HOUSING PORTFOLIO	£'000	£000	£000	
1. Planned Improvements				
Windows & Doors	540	540	0	
Re-roofing	800	800	0	
Replacement Double Glazing Units	0	0	0	
Heating Improvements	649	649	0	
Kitchen Replacements	410	410	0	
Bathroom Improvements	250	250	0	
Voids Capital Works	300	150	-150	The projection has been reduced as there was an over accrual in 20/21 that is effectively reducing the appearance of the actual spend this year.
Disabled Adaptations	450	450	0	
Sheltered Scheme upgrades	80	80	0	
Rewiring	485	485	0	
Contract Specification	20	20	0	
Lift Replacement	60	30	-30	Additional cost for finalisation of works at Philippa House
Thermal Insulation	120	120	0	
Fire Protection Works	700	700	0	
Impairment of Assets	0	0	0	
Enhanced Capital Programme	2,500	2,500	0	
	7,364	7,184	-180	
2. Major Schemes				
External Enveloping *	330	330	0	
Garages Improvements	150	150	0	
Treatment Works	10	10	0	
	490	490	0	
3. Environmental Improvements				
Environmental Works	25	25	0	
New Paths	50	50	0	
Play Areas	10	10	0	
	85	85	0	
4. Other Schemes				
New Builds/Acquisitions	6,521	2,167	-4,354	Budget reprofiled due to rephasing of Highview
EKH Single System	0	64	64	Additional capital cost of Northgate system
Cash Incentive Scheme	0	0	0	
	6,521	2,231	-4,290	
TOTAL	14,460	9,990	-4,470	
FUNDING				
Major Repairs Reserve	5,914	5,914	0	
Revenue Contribution	5,938	3,209	-2,729	
Section 106	-	-	0	
1-4-1 Capital Receipts	2,608	867	-1,741	
TOTAL FUNDING	14,460	9,990	-4,470	

* This includes all items of the property structure that is external, such as roof, chimneys, gutters, fascias, eaves and repointing.

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This Report will be made public on 18 January 2022



Report Number **C/21/61**

To: Cabinet
Date: 26 January 2022
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 2022/23 AND TREASURY MANAGEMENT MONITORING REPORT 2021/22

SUMMARY: This report sets out the proposed strategy for treasury management for 2022/23 including Treasury Management Prudential Indicators. The report also provides an update on the council's treasury management activities that have taken place during 2021/22 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/21/61.
2. To approve the strategy for treasury management in 2022/23 set out in the report is adopted.
3. To approve the Treasury Management Prudential Indicators for 2022/23 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 2021/22

This provides an update on the council's treasury management activities that have taken place during 2021/22 against the agreed strategy for the year up to 30 November 2021. 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 2022/23

This sets out the proposed strategy for treasury management for 2022/23, including Treasury Management Prudential 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 a treasury management monitoring report during the 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 23 February 2022 ahead of it being submitted to full Council for approval on the same day.

2 REVISIONS TO THE CIPFA CODES

2.1 In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation.

2.2 In September 2021 CIPFA issued the revised Codes and Guidance Notes in draft form and opened a consultation process on their proposed changes. In December 2021 CIPFA issued the revised Codes and Guidance Notes. The key changes to the Codes are:

a) **CIPFA Prudential Code**

- i) Local authorities must not borrow (for capital expenditure) to invest for the primary purchase of commercial return
- ii) It is not prudent for local authorities to make any investment or spending decision that will increase its Capital Financing Requirement (CFR) unless directly and primarily related to the functions of the authority
- iii) Sale of commercial investments to be considered as an alternative to new borrowing for service purposes
- iv) Risks associated with commercial investment should be proportionate to financial capacity to bear losses
- v) Prudential Indicators to be monitored and reported at least quarterly as part of the regular budget monitoring
- vi) New prudential indicator – income from commercial and service investments to net revenue stream

b) **Treasury Management (TM) Code**

- i) Liability benchmark for a minimum of 10 years in chart format mandatory, with material differences between the liability benchmark and actual loans explained
- ii) Long-term investments (including pooled funds) classed as commercial investments unless linked to cash flow
- iii) Environmental, Social and Governance (ESG) issues to be recognised in the authority's treasury management policies and practices
- iv) Pooled funds to be included in the indicator on principal sums maturing beyond the year
- v) Enhanced information requirements to feature in the authority's Treasury Management Policies regarding the knowledge and skills of officers and members with responsibility for the treasury management function
- vi) Quarterly reporting of Treasury Management to Members

2.3 The revised Codes support the recent legislative changes made by the government to prevent local authorities from borrowing for capital expenditure primarily to generate a financial return. As with the legislative changes, the revised Codes are not retrospective, meaning the Council is not directly impacted for its previous capital expenditure decisions.

2.4 Given that local authorities are at advanced stages with their 2022/23 budget setting process, including the preparation of Treasury Management Strategy Statements, CIPFA has acknowledged the timing of the issuing of the revised Codes may cause some problems for local authorities and they have

indicated they will view 2022/23 as a transitional year to embed their new requirements.

- 2.5 **Environmental, Social and Governance (ESG)** – The revised TM Code now includes the following specific reference to ESG considerations relating to credit and counterparty risk management: *‘The organisation’s credit and counterparty policies should set out its policy and practices relating to ESG investment considerations. This is a developing area, and it is not implied that the organisation’s ESG policy will include ESG scoring or other real-time ESG criteria at individual investment level’.*
- 2.6 CIPFA recently indicated that they will be working with the local authority sector during 2022/23 to develop an ESG scoring methodology for treasury management investments to be used in the future. In the meantime CIPFA expect local authorities to have a general regard to their own existing policies for ESG issues, such as Climate Change, for investment decisions.
- 2.7 The Council’s existing Treasury Management Policies and Practices will need to be reviewed and updated to incorporate the revised Treasury Management Code requirements and this is planned to take place during the coming year.

3. ECONOMIC BACKGROUND AND PROSPECT FOR INTEREST RATES

3.1 Economic Background

- 3.1.1 The UK economic background is dominated by the unprecedented impact of the Covid-19 pandemic, rising inflation, the prospect of higher interest rates and the country’s trade position post-Brexit. The key issues affecting the UK economy in particular are:
- i) In December 2021 the Bank of England’s (BoE) Monetary Policy Committee (MPC) responded to rising domestic inflation by increasing the Bank Rate to 0.25% from its record low level of 0.1% and to keep its Quantitative Easing programme at £895 billion. There is now a market expectation the Bank Rate will continue to rise in small steps during 2022 to between 0.5% and 1% during the year to help curb inflation.
 - ii) The headline rate of UK Consumer Price Inflation (CPI) rose to a ten-year high of 5.1% in November 2021, up from 4.2% in October 2021. CPI Inflation is expected to peak around 6% in the early part of 2022 before gradually falling back as the impact of higher energy prices fades and demand slows. However, the transitory factors currently affecting inflation may take longer than expected to unwind and the BoE’s MPC has indicated this may require a further tightening of monetary policy (a rise in interest rates).
 - iii) The latest labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% while the employment rate rose by 75.5%. The BoE MPC expectations are for unemployment and employment to remain close to their current levels.

- iv) Total annual pay growth to October 2021, adjusted for inflation, was 4.9% for the year while regular pay was up 4.3%. In real terms, adjusting for inflation, total pay growth was up 1.7% while regular pay was up 1%. However, these figures should be treated with some caution as they are measured against reduced earnings from 12 months ago during the original lockdown. Uncertainty remains whether or not broad-based increases in wages will continue given the pressures facing businesses.
- v) Gross Domestic Product (GDP) grew by 1.3% in quarter 3 (Q3) of 2021, compared to a gain of 5.5% quarter on quarter in Q2, with the annual rate slowing to 6.6% from 23.6% as the domestic economy adjusted from the worst of the impact of the lockdown in 2020. The UK economy is now estimated to be just 0.8% below its pre-pandemic level. Forecasts from the BoE's December 2021 Monetary Policy Report show growth has been revised down for Q4 to 0.6% from 1% due to the uncertainty to the UK's economy from the new Omicron coronavirus variant. Household spending faces pressures from a combination of higher prices, tax and interest rate rises. These pressures coupled with the impact of the Omicron variant are likely to cause growth to be weak at best over the next year.
- vi) Like the UK, the US and Eurozone economies have both seen GDP growth rapidly improving as they recover from the pandemic and are now experiencing rising inflation. Both economies are now also seeing their growth slowing down. There is some pressure for the European Central Bank to consider raising the base rate from its current level of 0% and the US Fed has indicated they are in favour of increasing their current base rates of between 0% and 0.25% up to 0.75% during 2022.

3.2 Credit Outlook

- 3.2.1 2021 has seen relatively benign credit conditions reflected in the credit default swap (CDS) prices for the larger UK banks remaining low and edging downwards to the pre-pandemic levels. The improved economic outlook in 2021 has helped improve bank profitability and reduce the level of impairments many have made for bad loans. However, the recent ending of government's coronavirus-related support measures for businesses means the full impact on banks may not be known for some time.
- 3.2.2 The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable.
- 3.2.3 Looking forward, the financial institutions on the authority's counterparty list are well capitalised and general credit conditions remain benign. Duration limits for counterparties on the authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

3.3 Interest Rate Forecast

- 3.3.1 The authority's treasury management adviser, Arlingclose, is forecasting the Bank Rate will rise in Q1 of 2022 to 0.50% to subdue inflationary pressures

and the perceived desire by the BoE to move away from emergency levels of interest rates. The scale of Arlingclose's rise is slightly more subdued than the current market expectations.

- 3.3.2 Gilt yields, which the Public Works Loans Board (PWLB) use to set its interest rates for loans to local authorities, increased sharply during the early autumn of 2021 in anticipation of a Bank Rate rise in November 2021. However, yields fell back during November 2021 due to the Base Rate being on hold at that point. Yields are expected to remain broadly at current levels over the medium-term with the 5, 10 and 20 years gilts expected to average around 0.65%, 0.9% and 1.15% respectively. The risks around the short and medium term yields are judged to be initially to the upside but shifts lower later, while for long-term yields the risk is marginally to the upside. As ever, 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.
- 3.3.3 For the purpose of setting the budget, it has been assumed that new short-term treasury investments will be made at an average rate of 0.1%, and that new long-term loans will be borrowed, where possible from other local authorities, at an average rate of 1.25%.

SECTION A – TREASURY MANAGEMENT MONITORING REPORT 2021/22

4 BACKGROUND AND SUMMARY POSITION

- 4.1 Cabinet approved the Treasury Management Strategy Statement for 2021/22, including treasury management indicators, on 20 January 2021 (minute 66 refers). As a requirement of CIPFA's 2017 Prudential Code, Full Council approved the Capital Strategy for 2021/22 covering capital expenditure and financing, treasury management and non-treasury investments on 24 February 2021 (minute 26 refers).
- 4.2 On 31 March 2021, the authority had net borrowing of £60.2m 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

	31.3.21 Actual £m
General Fund CFR	79.5
HRA CFR	47.4
Total CFR	126.9
Less: Usable reserves	(56.3)
Less: Working capital	(10.4)

Net borrowing	60.2
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- 4.3 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 2021 and the change since the 31 March 2021 is show in table 2 below.

Table 2: Treasury Management Summary

	31.3.21 Balance £m	Net Movement £m	30.11.21 Balance £m	30.11.21 Rate %
Long-term borrowing	72.2	(5.0)	67.2	2.86
Short-term borrowing	6.8	5.0	11.8	1.18
Total borrowing	79.0	(0.0)	79.0	2.60
Long-term investments	(15.2)	(0.4)	(15.6)	4.18
Cash and cash equivalents	(3.6)	(15.2)	(18.8)	0.01
Total investments	(18.8)	(15.6)	(34.4)	1.96
Net borrowing	60.2	(15.6)	44.6	

- 4.4 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 2021 of £15.6m. The following three main factors have contributed to this net reduction in borrowing:

- i) Higher than anticipated usable reserves at 31 March 2021
- ii) Delays to the council's General Fund capital expenditure programme for 2021/22 to be met from prudential borrowing
- iii) Short-term net positive cash flow from Council Tax receipts and government grants

5. BORROWING STRATEGY AND ACTIVITY 2020/21

- 5.1 At 30 November 2021, the authority held £79m of loans, unchanged from the position to 31 March 2021, 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 2021 compared to 31 March 2021 is shown in table 3 below. A list of the individual loans borrowed at 30 November 2021 is shown in appendix 2 to this report.

Table 3: Borrowing Position – Two Pool Debt Approach

	31.3.21 Balance £m	2021/22 Movement £m	30.11.21 Balance £m	30.11.21 Rate %
<u>General Fund</u>				
Public Works Loan Board	7.2	-	7.2	4.69%
Local Authorities (long-term)	20.0	(5.0)	15.0	0.62%
Local Authorities (short-term)	5.5	5.0	10.5	1.02%
Total General Fund borrowing	32.7	0.0	32.7	1.65%
<u>Housing Revenue Account</u>				
Public Works Loan Board	46.3	-	46.3	3.28%
Total HRA borrowing	46.3	-	46.3	3.28%
Total borrowing	79.0	0.0	79.0	2.60%

5.2 The weighted average maturity of the overall loans portfolio at 30 November 2021 was 7.8 years.

5.3 Public Works Loan Board (PWLB) Lending Arrangements

5.3.1 The current PWLB lending arrangements effective from 26 November 2020 prohibit local authorities from borrowing to purchase 'investment assets primarily for yield'. HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. One of the key aspects of the new guidance is capital expenditure incurred or committed to before 26 November 2020 is allowable for borrowing even for an 'investment asset primarily for yield. The guidance also covers the requirement for authorities to regularly submit details of their capital plans to the Department for Levelling Up, Housing and Communities (DLUHC) and sanctions that can be imposed for non-compliance with it.

5.3.2 The Council is not planning to purchase any new investment assets primarily for yield within the next three years so is able to fully access the PWLB for borrowing.

5.3.3 The PWLB has also recently increased the settlement period for taking up new loans from 3 to 5 working days to provide more time to check borrowing applications made by local authorities for compliance with their arrangements. Additionally, in a move to protect the PWLB from negative interest rates, the minimum interest rate for PWLB loans has been set at

0.01%. These changes are not expected to have any material impact to the Council.

5.4 Borrowing Activity in 2021/22

- 5.4.1 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.
- 5.4.2 With short-term interest rates remaining much lower than long-term rates and with a surplus of liquidity continuing in the local authority to local authority market, the authority has considered it to be more cost effective in the near term to use its internal resources to meet the underlying borrowing need in the current financial year. This strategy has enabled the authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
- 5.4.3 In anticipation of a £5m loan maturity due on 31 January 2022 a new loan has been agreed in advance for the same date (forward deal). This forward deal is with another local authority for two years at an interest rate of 0.4%, significantly below the equivalent PWLB interest rate of 1.11% when the deal was agreed.
- 5.4.4 The need for further borrowing over the remainder of the current financial year will continue to be closely monitored in conjunction with Arlingclose.

6 INVESTMENTS

- 6.1 The council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the period to 30 November 2021, the authority's investment balance has ranged between £18.8m and £41m due to timing differences between income and expenditure. The average investment balance held to 30 November 2021 was £32.8m. The investment position during the period to 30 November 2021 is shown in table 4 below. A list of the individual investments held at 30 November 2021 is shown in appendix 3 to this report.

Table 4: Investment Position

	31.3.21 Balance £m	Net Movement £m	30.11.21 Balance £m	Average Return
Banks & building societies (unsecured)	-	2.9	2.9	0.01%
Money Market Funds	3.6	12.3	15.9	0.01%
Property Pooled Fund	5.3	0.3	5.6	4.32%
Multi-Asset Income Funds	9.9	0.1	10.0	4.19%
Total investments	18.8	15.6	34.4	1.96%

- 6.2 The weighted average maturity of the investment portfolio at 30 November 2021 was 16 days.
- 6.3 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.
- 6.4 Ultra low short-dated cash rates which have been a feature since March 2020 when Bank Rate was cut to 0.1% have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero even after some managers have temporarily waived or lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee cuts or waivers should result in MMF net yields having a floor of zero, but the possibility cannot be ruled out. Deposit rates with H.M. Treasury's Debt Management Account Deposit Facility (DMADF) have also been at almost zero over the period to 30 November 2021.
- 6.5 The council is meeting its investment objectives and strategy for 2021/22. 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.
- 6.6 The level of cash available for short term investments has, on average, been about £8m higher than originally anticipated for 2021/22, as outlined in section 3 above. It is expected the level of surplus cash for short-term 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 2022.

6.7 Externally Managed Pooled Funds

- 6.7.1 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.
- 6.7.2 Table 5 below provides a summary of the pooled funds showing the changes in the unrealised capital values and the dividend yield for the current year with the comparative information for the previous year.

Table 5 – Pooled Funds Summary

Fund	Value at 31/03/21	Value 30/11/21	Valuation change	Dividend Yield 2020/21	Dividend Yield 2021/22	Dividend 2021/22
	£m	£m	£m	%	£'000	%
CCLA Local Authority Property Fund	5.28	5.65	0.37	4.35%	157	4.20%
CCLA Diversified Income Fund	1.94	2.07	0.13	3.30%	35	3.82%
Aegon Diversified Monthly Income Fund	3.52	3.52	0.00	4.62%	115	4.71%
Ninety-One Diversified Income Fund	3.51	3.39	(0.12)	3.95%	95	4.38%
UBS Multi-Asset Income Fund	0.95	0.98	0.03	5.14%	33	5.46%
Total	15.20	15.61	0.41	4.23%	435	4.38%

6.7.3 These funds generated an average income return of 4.38% or £435k for the period to 30 November 2021, used to support service expenditure, and unrealised capital growth of about £410k. The continued economic recovery from the pandemic and the prospects for growth has contributed to the overall increase in the capital value of the authority's investments in these funds.

6.7.4 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 medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates. The authority is expected to continue to hold its strategic investments in pooled funds for the remainder of the current financial year.

7. FINANCIAL SUMMARY

7.1 The projected outturn for the net cost of treasury management to the General Fund in 2021/22 is summarised in table 6 below:

Table 6: Financial Summary

	2021/22 Original Estimate	2021/22 Projection	Variance
	£'000	£'000	£'000
Interest on all Borrowing	2,705	2,108	(597)
Less Capitalised Interest	(581)	(192)	389
Related HRA Charge	(1,573)	(1,521)	52
General Fund Borrowing Cost	551	395	(156)
Investment Interest	(535)	(610)	(75)
HRA Element	50	5	(45)
General Fund Investment Income	(485)	(605)	(120)
Net General Fund Borrowing Cost	66	(210)	(276)

7.2 The main reasons for the reduction of £276k in the projected net borrowing cost are:-

- | | |
|---|-------|
| | £'000 |
| i) delays to and reprofiling of capital expenditure plans being met from prudential borrowing and greater use of short-term internal borrowing met from cash balances held, and | (208) |
| ii) returns from pooled fund investments being better than originally anticipated | (75) |

7.3 **Compliance with Borrowing and Investment Limits** – The Director of Corporate Services reports that the treasury management activities undertaken in the current financial year to 30 November 2021 complied with the CIPFA Code of Practice for Treasury Management, the council's approved Treasury Management Strategy and its approved borrowing limits. Further information regarding compliance with the specific investment and Treasury indicators is covered in Section B of this report.

8 NON-TREASURY INVESTMENTS

8.1 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 investments in its wholly owned subsidiary companies, Oportunitas Limited and Otterpool Park LLP. These are summarised in table 7 below:

Table 7: Non-Treasury Investments

Investment Type	Value 31/03/21 £m	Value 30/11/21 £m	Net Income (Expenditure) 2021/22 £'000	Rate of Return %
Investment Property				
Otterpool Property	64.9	65.3	(524)	(0.8)
Offices	17.4	17.4	357	2.1
Commercial Land	0.7	0.7	-	-
Commercial Units	1.8	1.8	126	6.9
Retail	2.2	2.2	(84)	(3.8)
Assets Under Construction	0.2	0.2	-	-
Total Investment Property	87.2	87.6	(125)	(0.1)
Subsidiaries				
Oportunitas loan	4.3	4.3	210	4.9
Oportunitas equity	3.5	4.5	0	0
Total Oportunitas	7.8	8.8	210	2.4
Otterpool Park LLP	1.3	1.8	71	5.0
Total Subsidiaries	9.1	10.6	281	2.75
Total Non-Treasury	96.3	98.2	156	0.16

- 8.2 The net income and rate of return excludes the impact of any unrealised property valuation gains or losses. 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 subsidiary companies. However the return on the investment property portfolio for 2021/22 is significantly distorted because of the land acquisitions taking place for the Otterpool Park project in particular. The council is receiving rental streams from some of the Otterpool property in the short to medium term.

SECTION B – TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23

9. THE COUNCIL'S FORECAST BORROWING AND INVESTMENT POSITION

9.1 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

	31.3.21 Actual £m	31.3.22 Estimate £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
General Fund CFR	13.4	14.8	19.2	18.3	13.2
HRA CFR	47.4	47.4	47.4	50.7	57.7
Investments CFR	66.1	71.3	93.7	120.0	141.5
Total CFR	126.9	133.5	160.3	189.0	212.4
Less: External borrowing	(79.0)	(77.2)	(81.4)	(125.6)	(158.0)
Internal borrowing	47.9	56.3	78.9	63.4	54.4
Less: Balance Sheet resources	(66.7)	(52.1)	(34.7)	(31.0)	(30.5)
Treasury Investments (-) or / New Borrowing (+)	(18.8)	4.2	44.2	32.4	23.9

9.2 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 Balance Sheet resources available for investment. The authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

9.3 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 2022/23, the proposed Medium Term Capital Programme, the HRA Business Plan and information taken from the latest approved Medium Term Financial Strategy for 2023/24 and 2024/25. The authority has an increasing CFR arising from its planned capital investment and will therefore be required to borrow up to a further £104.7m over the forecast period.

9.4 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 2022/23.

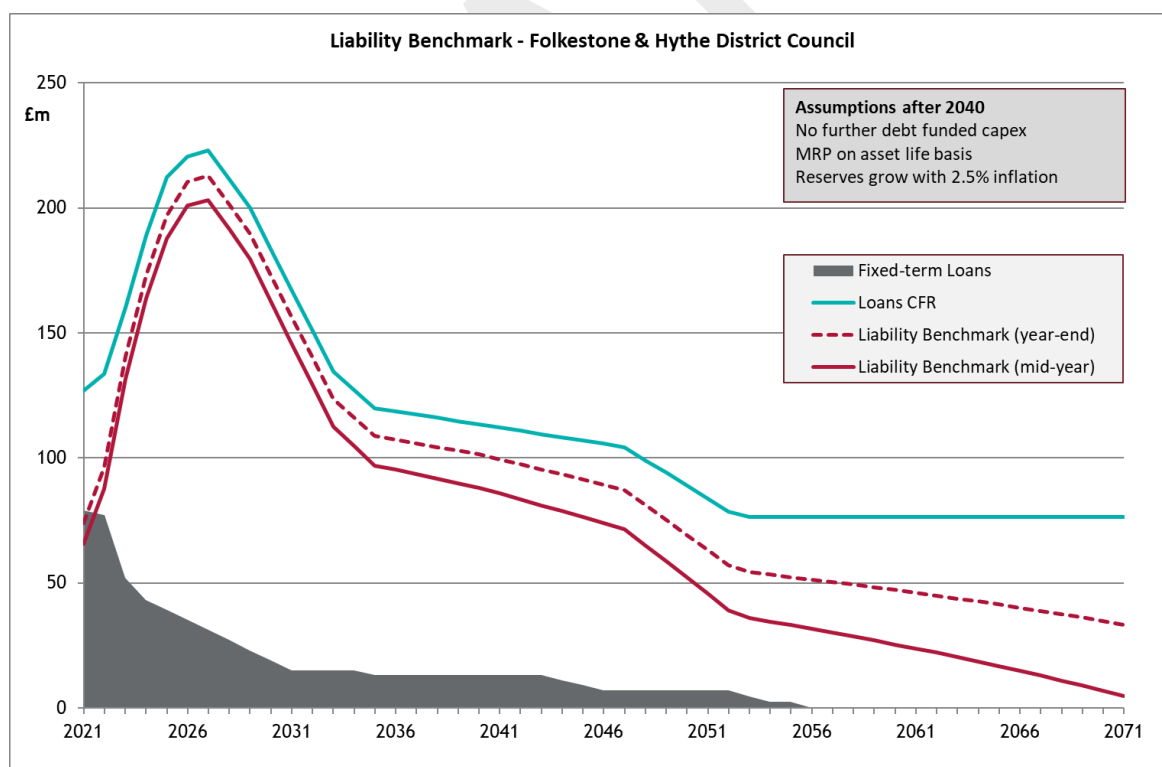
9.5 Liability Benchmark

9.5.1 To compare the authority'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

	31.3.21 Actual £m	31.3.22 Estimate £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
CFR	126.9	133.5	160.3	189.0	212.4
Less: Balance Sheet resources	(66.7)	(52.1)	(34.7)	(31.0)	(30.5)
Net loans requirement	60.2	81.4	125.6	158.0	181.9
Plus: Liquidity allowance	18.8	15.0	15.0	15.0	15.0
Liability Benchmark	79.0	96.4	140.6	173.0	196.9

9.5.2 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 2025 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 majority of the borrowing for the scheme to be repaid by 2035), and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below:



10 BORROWING STRATEGY

10.1 The authority currently holds £79 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 a further £44.2m in 2022/23. The authority may however borrow to pre-fund future years' requirements, providing this does not exceed the forecast authorised limit for borrowing of £196 million for 2022/23. 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 2022/23 report to Cabinet at its meeting on 23 February 2022 before going to full Council for approval on the same day.

10.2 Objectives

10.2.1 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.

10.3 Strategy

10.3.1 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.

10.3.2 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 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

10.3.3 The authority has previously used the PWLB as its main source of long-term borrowing. However over recent years the authority has borrowed from other local authorities for periods typically up to two years at rates significantly cheaper than the PWLB. The authority will consider borrowing long-term loans from the PWLB as well as 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. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the authority intends to avoid this activity in order to retain its access to PWLB loans.

10.3.4 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.

10.3.5 In addition, the authority may borrow further short-term loans to cover unplanned cash flow shortages.

10.4 Sources of Borrowing

10.4.1 The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- 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

10.4.2 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

10.5 Short-term and Variable Rate Loans

10.5.1 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).

10.6 Debt Rescheduling

10.6.1 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.

11 TREASURY INVESTMENT STRATEGY

11.1 The authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2021/22 until 30 November, the authority's investment balance has ranged between £18.8 million and £41 million with the average being £32.8 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's current investment portfolio is shown in appendix 3 to this report.

11.2 Objectives

11.2.1 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.

11.2.2 **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.

11.3 Strategy

11.3.1 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 2022/23. This is especially the case for the estimated £25m that is available for longer-term investment, represented by forecast usable reserves held to 31 March 2025. 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 2022/23 as a result of the capital and revenue expenditure plans. Given the council's increasing borrowing need for 2022/23 and beyond the maximum duration for new investments is proposed to remain at 5 years.

11.3.2 The authority has about £15m of its cash reserves 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 these reserves. Maintaining these pooled funds is seen as an important part of the authority's proposed investment strategy for 2022/23.

11.4 Business Models

11.4.1 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.

11.5 Approved Counterparties

11.5.1 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

11.5.2 ***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.

11.5.3 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.

- 11.5.4 **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.
- 11.5.5 **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.
- 11.5.6 **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.
- 11.5.7 **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.
- 11.5.8 **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.
- 11.5.9 **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.
- 11.5.10 **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.

11.5.11 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.

11.5.12 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.

11.6 Risk Assessment and Credit Ratings

11.6.1 Credit ratings are obtained and monitored by the authority's treasury adviser, 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.

11.6.2 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.

11.7 Other Information on the Security of Investments

11.7.1 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.

11.7.2 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.

11.8 Investment Limits

11.8.1 The authority’s revenue reserves available to cover investment losses are forecast to be £18 million 31 March 2022. 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.

11.8.2 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.

11.8.3 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

	Cash limit
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

11.9 Liquidity Management

11.9.1 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.

11.9.2 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.

12 TREASURY MANAGEMENT PRUDENTIAL INDICATORS

12.1 The authority measures and manages its exposures to treasury management risks using indicators and those proposed for 2022/23 are outlined below for approval. The latest position for the indicators in 2020/21 against the existing approved target is also shown below.

12.2 **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.

	2021/22 Target	30/11/2021 Actual	2022/23 Target
Portfolio average credit rating	A	AA-	A

12.3 **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.

	2021/22 Target	30/11/2021 Actual	2022/23 Target
Total cash available within 3 months	£5m	£18.8m	£5m

12.4 **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:

	2021/22 Limit	30/11/2021 Actual	2022/23 Limit
Upper limit on one year revenue impact of a 1% rise in interest rates	£164,000	£41,000	£187,000
Upper limit on one year revenue impact of a 1% fall in interest rates	(£185,000)	(£133,000)	(£245,000)

12.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates. The increase in the limits for 2022/23 are consistent with the Council's projected borrowing required for the year.

12.6 **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:

	30/11/21 Actual	2022/23 Upper	2022/23 Lower
Under 12 months	15.0%	30%	0%
12 months and within 24 months	25.3%	40%	0%
24 months and within 5 years	15.2%	50%	0%
5 years and within 10 years	25.3%	80%	0%
10 years and above	19.2%	100%	0%

12.7 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

12.8 **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:

Long-term Treasury Management Investments	2022/23	2023/24	2024/25
Limit on principal invested beyond year end	£15m	£5m	£5m
Limit on amounts invested in longer term investments with no fixed maturity date	£25m	£25m	£25m

12.9 The proposed limit for the amounts invested in longer term investments with no fixed maturity date is an increase of £5m over the approved value for 2021/22 and reflects the projected increase in the level of cash reserves to be held over the same period.

13. OTHER ITEMS

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

13.2 Policy on Use of Financial Derivatives

13.2.1 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).

13.2.2 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.

13.2.3 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.

13.2.4 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.

13.3 Policy on Apportioning Interest to the HRA

13.3.1 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 2022/23.

13.4 Markets in Financial Instruments Directive

13.4.1 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.

14. FINANCIAL IMPLICATIONS

14.1 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	2021/22 Estimate	2022/23 Estimate	Variance 2020/21 to 2021/22
Revenue Budgets	£'000	£'000	£'000
Interest on Borrowing	2,705	2,772	67
Less Capitalised Interest	(581)	(529)	52
HRA Element	(1,573)	(1,580)	(7)
GF Borrowing Cost	551	663	112
Investment income	(535)	(610)	(75)
HRA Element	50	5	(45)
GF Investment income	(485)	(605)	(120)
Net Cost (GF)	66	58	(8)

14.2 The main reasons for the projected net reduction in the General Fund borrowing cost of £8k in 2022/23 compared to 2021/22 are:

	£'000
i) Increase in borrowing costs for existing and planned capital expenditure being met from prudential borrowing	119
ii) Increase in investment income on pooled funds	(75)
iii) Net reduction in interest adjustments to the HRA	(52)
Total reduction	<u><u>(8)</u></u>

15. OTHER OPTIONS CONSIDERED

15.1 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.

Alternative	Impact on income and expenditure	Impact on risk management
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

16. RISK MANAGEMENT ISSUES

16.1 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.

16.2 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.

17 LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

17.1 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.

17.2 Finance Officer's Comments (LW)

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

17.3 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

17.4 Climate Change Implications [Pilot Reporting Period]

(Due to Christmas leave arrangements this is a draft comment)

There are no direct climate change implications arising from this report. However, the report outlines Environment, Social and Governance (ESG) investment considerations required as part of the revised CIPFA Treasury Management Code.

17.5 Communications Officer's Comments (JW)

There are no particular communications implications arising from this report

18. 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

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

Arlingclose's Half Year Treasury Management Monitoring Report Template 2021/22

Arlingclose's Treasury Management Strategy Statement Template 2022/23

Appendices

Appendix 1 – Arlingclose Interest Rate Forecast at November 2021
Appendix 2 – Borrowing portfolio at 30 November 2021
Appendix 3 – Investment portfolio at 30 November 2021

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Appendix 1 – Arlingclose Interest Rate Forecast December 2021

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month money market rate													
Upside risk	0.05	0.05	0.25	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
5yr gilt yield													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.50	0.50	0.45	0.45
Arlingclose Central Case	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
Downside risk	-0.10	-0.20	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40
10yr gilt yield													
Upside risk	0.10	0.25	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
Downside risk	-0.10	-0.25	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.40	-0.40	-0.40	-0.40
20yr gilt yield													
Upside risk	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	1.00	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45
50yr gilt yield													
Upside risk	0.25	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

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

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

Appendix 2 – Borrowing Portfolio at 30 November 2021

Lender	Loan No	Loan Type	Start Date	Maturity Date	Principal Outstanding 30/11/2021	Interest Rate
					£	%
Public Works Loan Board	430141	Annuity	09/11/1973	01/11/2033	3,709.27	11.38
Public Works Loan Board	480111	Fixed	14/10/1997	31/03/2023	1,000,000.00	6.63
Public Works Loan Board	488942	Fixed	12/08/2004	07/08/2034	2,000,000.00	4.80
Public Works Loan Board	492233	Fixed	28/09/2006	15/03/2054	2,000,000.00	4.05
Public Works Loan Board	493698	Fixed	10/08/2007	07/08/2055	2,500,000.00	4.55
Public Works Loan Board	493914	Fixed	10/09/2007	07/02/2053	2,500,000.00	4.55
Public Works Loan Board	494027	Fixed	31/10/2007	15/03/2044	2,000,000.00	4.65
Public Works Loan Board	494028	Fixed	31/10/2007	15/03/2045	2,000,000.00	4.65
Public Works Loan Board	494029	Fixed	31/10/2007	15/03/2046	2,141,190.00	4.65
Public Works Loan Board	500536	Fixed	28/03/2012	28/03/2023	4,000,000.00	2.56
Public Works Loan Board	500537	Fixed	28/03/2012	28/03/2031	4,010,000.00	3.26
Public Works Loan Board	500538	Fixed	28/03/2012	28/03/2028	4,000,000.00	3.08
Public Works Loan Board	500540	Fixed	28/03/2012	28/03/2025	4,000,000.00	2.82
Public Works Loan Board	500541	Fixed	28/03/2012	28/03/2029	4,000,000.00	3.15
Public Works Loan Board	500542	Fixed	28/03/2012	28/03/2030	4,000,000.00	3.21
Public Works Loan Board	500543	Fixed	28/03/2012	28/03/2027	4,000,000.00	3.01
Public Works Loan Board	500545	Fixed	28/03/2012	28/03/2022	1,300,000.00	2.40
Public Works Loan Board	500546	Fixed	28/03/2012	28/03/2024	4,000,000.00	2.70
Public Works Loan Board	500548	Fixed	28/03/2012	28/03/2026	4,000,000.00	2.92
Total - Public Works Loan Board					53,454,899.27	
London Borough of Barking and Dagenham		Fixed	31/01/2020	31/01/2022	5,000,000.00	1.60
London Borough of Wandsworth		Fixed	29/01/2021	31/01/2023	10,000,000.00	0.60
Durham County Council		Fixed	01/02/2021	03/10/2022	5,000,000.00	0.55
Leicester City Council		Fixed	01/03/2021	01/03/2023	5,000,000.00	0.65
Folkestone Town Council	n/a	Variable - 2 day call notice	Various May 2018	n/a	500,000.00	0.00
Total - Other Loans						
Total - Borrowing at 30/11/2021					78,954,899.27	

Appendix 3 – Investment Portfolio at 30 November 2021

Category and Counterparty	Amount or Value £	Terms	Indicative Interest Rate or Yield %
Banks & Building Societies (unsecured)			
NatWest - Business Reserve	0	No notice instant access	0.01
Money Market Funds			
Aberdeen Standard MMF	3,620,000	No notice instant access	0.01
Other Pooled Funds			
Commercial Property Funds			
CCLA Property Fund	5,282,587	No specified maturity date	4.91
Multi-Asset Income Funds			
CCLA Diversified Income Fund	1,946,036	No specified maturity date	2.35
UBS Multi-Asset Income Fund	949,602	No specified maturity date	3.61
Aegon Asset Management Diversified Monthly Income Fund	3,519,652	No specified maturity date	4.67
Ninety-One Diversified Income Fund	3,506,271	No specified maturity date	2.86
Total Investments	18,824,148		3.21

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This report will be made
public 10 January 2022

Report number **C/21/67**

To: Cabinet
Date: 26 January 2022
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 2022/23

SUMMARY: This report sets out the Council's Draft General Fund budget for 2022/23.

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 2022/23 on 23 February 2022, in accordance with the Local Government Finance Act 1992.

RECOMMENDATIONS:

1. To receive and note report C/21/67.
2. To approve the budget estimates, as detailed in the report, as the basis for preparing the final 2022/23 budget and council tax recommendations for approval by Full Council in February 2022.

1. INTRODUCTION AND BACKGROUND

- 1.1 Council approved the Medium Term Financial Strategy 2022/23 to 2025/26 (MTFS) on 24 November 2021 and Cabinet agreed the Budget Strategy for 2022/23 on 15 December 2021. These reports considered the council's forecast budget position for 2022/23 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 23 February 2022.
- 1.2 The budget proposals in this report been prepared assuming a 2.0% council tax increase in 2022/23. The final decision will not be confirmed until 23 February 2022. 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 £1.6m in 2022/23. The Corporate Leadership Team, Assistant Directors and Chief Officers have reviewed current budget allocations and savings proposals. Unavoidable budget growth of £444k was approved by Cabinet on 15 December. In addition the review of fees & charges and other identified savings resulted in savings of £1.047m 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.

Local Government Finance Settlement

- 2.2 The Provisional Local Government Finance Settlement was announced on 16 December. This was a one year settlement proposal for 2022/23 with further details on proposed funding reform to follow during early 2022.
- 2.3 The settlement confirmed the referendum limits for Council Tax at 2% (or £5 for district and fire authorities where this exceeds the 2%). No referendum limits will apply for town and parish councils. The settlement also confirmed that New Homes Bonus will be 'rolled over' for a further year, confirming allocations and the final legacy payment honoured. The lower tier services grant was also 'rolled over' with £111m being made available nationally.

3. GENERAL FUND BUDGET 2022/23

- 3.1 The draft budget for 2022/23 is presented in detail at Appendix 1 compared to the original budget for 2021/22. It includes the draft position for 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.

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Table 1: General Fund Summary

	2021/22	2022/23
	Original	Original
	Budget	Budget
	(Based on outturn prices)	
	£	£
SUMMARY OF NET EXPENDITURE		
Service Heads		
Finance, Strategy & Corporate Services	6,148,800	7,657,250
Human Resources	655,850	626,780
Governance & Law	2,449,910	2,589,890
Leadership Support	907,520	1,004,220
Place	6,600,060	6,254,240
Economic Development	1,304,330	762,030
Planning	212,940	137,020
Operations	2,487,590	1,358,450
Strategic Development	70,490	39,670
Housing	3,345,600	3,342,840
Transition & Transformation	-	-
Recharges	(5,559,000)	(5,613,000)
Vacancy& savings target	(608,800)	(224,000)
TOTAL HEAD OF SERVICE NET EXPENDITURE	18,015,290	17,935,390
Internal Drainage Board Levies	483,570	493,241
Interest Payable and Similar Charges	739,000	801,000
Interest and Investment Income	(754,000)	(1,320,000)
Council Tax Freeze Grant	-	-
New Homes Bonus Grant	(836,050)	(744,272)
Other non-service related Government Grants	(1,971,230)	(1,763,462)
Town and Parish Council Precepts	2,594,250	2,646,132
TOTAL GENERAL FUND OPERATING NET EXP	18,270,830	18,048,029
Net Transfers to/(from) Earmarked Reserves	(2,760,260)	(3,526,170)
Minimum Revenue Provision	886,000	1,667,000
Capital Expenditure funded from Revenue	1,280,000	2,363,000
TOTAL TO BE MET FROM LOCAL TAXPAYERS	17,676,570	18,551,859
Transfer to/(from) the Collection Fund	67,290	-
Business Rates Income	(3,905,100)	(3,943,223)
TOTAL TO BE MET FROM DEMAND ON THE COLLECTION FUND & GENERAL RESERVE	13,838,760	14,608,636
Council Tax-Demand on Collection Fund	(13,128,210)	(13,494,053)
(SURPLUS)/DEFICIT FOR YEAR	710,550	1,114,583

Service Budget Changes 2022/23 Compared to 2021/22

3.4 Forecast Head of Service net expenditure has decreased by £79,900 (0.44%):

	Budget £
Original 2021/22 General Fund Budget	18,015,290
Original 2022/23 General Fund Budget	<u>17,935,390</u>
Decrease	<u>79,900</u>

4. RESERVES

4.1 The forecast balance on the General Reserve was reported in the Budget Strategy in December 2021 and will be updated to reflect planned use and 2021/22 outturn predictions for inclusion in the final budget reports to Cabinet and Council on 23 February 2022

4.2 Estimates of changes to Earmarked Reserves are shown below:

Description of Reserve	Balance 1/4/21 £000	Forecast Balance 31/3/22 £000
General Reserve	3,822	4,333
Earmarked Reserves:		
Business rates	2,723	1,901
Carry forwards	691	472
IFRS	8	5
Vehicles, equipment and technology	283	317
New Homes Bonus initiatives	2,341	1,998
Corporate initiatives	598	69
Maintenance of Graves	12	12
Leisure	547	447
Otterpool Park	-	-
Economic Development	1,991	1,754
Community Led Housing	365	310
Lydd Airport	9	9
Homelessness Prevention	488	586
High Street Regeneration	2,070	1,054
Climate Change	4,946	4,530
Covid Recovery	6,501	300
Total Earmarked Reserves	<u>23,573</u>	<u>13,764</u>
Total General Fund Reserves	27,395	18,097

Notes:

¹ IFRS = International Financial Reporting Standards

² 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 23 February 2022, 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 2022/23 on 23 February 2022; 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 2022/23 budget proposals will be to:
- (i) Engage with key stakeholder groups and local residents;
 - (ii) Seek feedback on specific budget proposals for 2022/23; and
 - (iii) Seek feedback on general spending and income generation priorities

- 7.2 The target audience and communication channels will include:

Group	Channel
Residents	<ul style="list-style-type: none">• Council website and social media• Dedicated e-mail address• Option to submit information by post
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.

8. CONCLUSION

- 8.1 Cabinet is asked to approve the budget estimates, as detailed in this report, as the basis for preparing the final 2022/23 budget and council tax recommendations for approval by Council in February 2022.

9. RISK MANAGEMENT ISSUES

- 9.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Deteriorating economic climate including ongoing impact of COVID	Medium	Low-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 2022/23 and future years.
MTFS becomes out of date.	High	Low	The MTFS is fully 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 2022/23 will be submitted for approval by Cabinet and Full Council in February. 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 2022 will include an Equality Impact Assessment of the budget recommendations for 2022/23.

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

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

- Medium Term Financial Strategy 2022/23 to 2025/26
- Budget Strategy 2022/23

Appendices:

Appendix 1 – General Fund Budget Estimates (detail)

Charlotte Spendley
Finance, Strategy & Corporate Services Summary

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
125,583	EC12	112,140	112,140	0
1,200	EC13	0	0	0
273,557	EC14	-17,050	-17,160	-110
62,670	EC15	56,140	69,550	13,410
735,123	FD15	308,760	308,770	10
5,975	FD17	0	0	0
-768,048	FD19	-847,050	0	847,050
-48,935	FD70	-50,000	-50,000	0
1,217,000	FF15	1,420,000	1,470,000	50,000
-163,274	FF16	0	114,650	114,650
81,999	FH18	82,000	82,000	0
-244,284	FL05	-172,030	-172,030	0
59,236	FL20	-412,680	-412,680	0
-4,825	FL21	-15,000	-15,000	0
-521,886	FL22	-597,700	-597,700	0
-47,467	FN01	-229,700	-229,700	0
187,303	FN02	315,720	315,720	0
950,928	Service Total	-46,450	978,560	1,025,010

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
-7,783	GA00	0	0	0
444,849	GA04	571,980	636,120	64,140
-3,019	GA05	0	0	0
539,682	GA07	606,150	641,870	35,720
77,176	GA08	49,780	50,150	370
1,618,330	GA09	1,824,660	1,899,610	74,950
813,608	GA20	528,730	527,920	-810
443,826	GA22	417,090	485,730	68,640
217,944	GA54	201,740	207,350	5,610
596,488	GM12	661,640	679,490	17,850
1,222,543	GM19	1,214,780	1,331,750	116,970
106,828	GP00	118,700	118,700	0
6,070,471	Administration Total	6,195,250	6,578,690	383,440

Charlotte Spendley
Finance, Strategy & Corporate Services Detail

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	EC12			
125,583	Planning Policy	112,140	112,140	0
125,583	Supplies & Services	112,140	112,140	0
0	Gross Expenditure	0	0	0
125,583	Other Income	112,140	112,140	0
	Net Expenditure			

EC14 Otterpool (Local Planning Authority)				
125,547	Employees	0	0	0
148,009	Supplies & Services	260	150	-110
<u>273,557</u>	Gross Expenditure	<u>260</u>	<u>150</u>	<u>-110</u>
0	Other Income	-17,310	-17,310	0
<u>273,557</u>	Net Expenditure	<u>-17,050</u>	<u>-17,160</u>	<u>-110</u>
EC15 Climate Change				
62,201	1 Employees	55,280	69,050	13,770
469	Supplies & Services	860	500	-360
<u>62,670</u>	Gross Expenditure	<u>56,140</u>	<u>69,550</u>	<u>13,410</u>
0	Other Income	0	0	0
<u>62,670</u>	Net Expenditure	<u>56,140</u>	<u>69,550</u>	<u>13,410</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23				
	1 Budget re-alignment			13,770
FD15 Corporate Management				
737,594	Supplies & Services	308,790	308,800	10
<u>737,594</u>	Gross Expenditure	<u>308,790</u>	<u>308,800</u>	<u>10</u>
-2,471	Other Income	-30	-30	0
<u>735,123</u>	Net Expenditure	<u>308,760</u>	<u>308,770</u>	<u>10</u>
FD19 Covid-19				
19,061	Employees	0	0	0
280,681	1 Supplies & Services	80,000	0	-80,000
<u>299,742</u>	Gross Expenditure	<u>80,000</u>	<u>0</u>	<u>-80,000</u>
-1,067,789	2 Other Income	-927,050	0	927,050
<u>-768,048</u>	Net Expenditure	<u>-847,050</u>	<u>0</u>	<u>847,050</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23				
	1 MTFS adjustment			-80,000
	2 MTFS adjustment			927,000
FD70 Corporate Management–Recharges				
-48,935	Other Income	-50,000	-50,000	0
<u>-48,935</u>	Net Expenditure	<u>-50,000</u>	<u>-50,000</u>	<u>0</u>
FF15 Pensions Back Funding				
1,217,000	1 Employees	1,420,000	1,470,000	50,000
<u>1,217,000</u>	Gross Expenditure	<u>1,420,000</u>	<u>1,470,000</u>	<u>50,000</u>
0	Other Income	0	0	0
<u>1,217,000</u>	Net Expenditure	<u>1,420,000</u>	<u>1,470,000</u>	<u>50,000</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23				
	1 MTFS adjustment			50,000
FF16 Non-Distributed Costs				
-163,274	1 Employees	0	114,650	114,650
<u>-163,274</u>	Gross Expenditure	<u>0</u>	<u>114,650</u>	<u>114,650</u>
0	Other Income	0	0	0
<u>-163,274</u>	Net Expenditure	<u>0</u>	<u>114,650</u>	<u>114,650</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23				
	1 MTFS adjustment			114,650

FH18	General Grants			
143,520	Supplies & Services	82,000	82,000	0
<u>143,520</u>	Gross Expenditure	<u>82,000</u>	<u>82,000</u>	<u>0</u>
-61,521	Other Income	0	0	0
<u>81,999</u>	Net Expenditure	<u>82,000</u>	<u>82,000</u>	<u>0</u>
FL05	Business Rates Collection			
4,395,821	Supplies & Services	2,900	2,900	0
<u>4,395,821</u>	Gross Expenditure	<u>2,900</u>	<u>2,900</u>	<u>0</u>
-4,640,105	Other Income	-174,930	-174,930	0
<u>-244,284</u>	Net Expenditure	<u>-172,030</u>	<u>-172,030</u>	<u>0</u>
FL20	Council Tax Collection			
0	Supplies & Services	2,320	2,320	0
<u>0</u>	Gross Expenditure	<u>2,320</u>	<u>2,320</u>	<u>0</u>
59,236	Other Income	-415,000	-415,000	0
<u>59,236</u>	Net Expenditure	<u>-412,680</u>	<u>-412,680</u>	<u>0</u>
FL21	Council Tax Benefits			
1,142,138	Transfer Payments	-15,000	-15,000	0
<u>1,142,138</u>	Gross Expenditure	<u>-15,000</u>	<u>-15,000</u>	<u>0</u>
-1,146,963	Other Income	0	0	0
<u>-4,825</u>	Net Expenditure	<u>-15,000</u>	<u>-15,000</u>	<u>0</u>
FL22	Council Tax Reduction Scheme			
0	Employees	100	100	0
31,268	Supplies & Services	0	0	0
<u>31,268</u>	Gross Expenditure	<u>100</u>	<u>100</u>	<u>0</u>
-553,154	Other Income	-597,800	-597,800	0
<u>-521,886</u>	Net Expenditure	<u>-597,700</u>	<u>-597,700</u>	<u>0</u>
FN01	Housing Benefits			
12,000	Supplies & Services	11,000	11,000	0
<u>20,975,838</u>	Transfer Payments	<u>23,694,820</u>	<u>23,694,820</u>	<u>0</u>
20,987,838	Gross Expenditure	23,705,820	23,705,820	0
<u>-21,035,305</u>	Other Income	<u>-23,935,520</u>	<u>-23,935,520</u>	<u>0</u>
<u>-47,467</u>	Net Expenditure	<u>-229,700</u>	<u>-229,700</u>	<u>0</u>
FN02	Rent Rebates			
8,393,746	Transfer Payments	9,136,230	9,136,230	0
<u>8,393,746</u>	Gross Expenditure	<u>9,136,230</u>	<u>9,136,230</u>	<u>0</u>
-8,206,443	Other Income	-8,820,510	-8,820,510	0
<u>187,303</u>	Net Expenditure	<u>315,720</u>	<u>315,720</u>	<u>0</u>

Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GA04 Finance			
649,551	1 Employees	558,260	624,880	66,620
99	Transport-Related Expenditure	3,250	2,050	-1,200
59,997	2 Supplies & Services	53,590	44,590	-9,000
<u>709,648</u>	Gross Expenditure	<u>615,100</u>	<u>671,520</u>	<u>56,420</u>
-264,799	3 Other Income	-43,120	-35,400	7,720
<u>444,849</u>	Net Expenditure	<u>571,980</u>	<u>636,120</u>	<u>64,140</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Approved Budget Strategy Growth			50,000
	1 Employee Costs including Increments and Pension			17,000
	2 Approved Budget Strategy Savings			-7,000
	2 Adjustment to Centrally Determined Costs			-2,000
	3 Recharge to Otterpool LLP			10,320
	GA07 ICT Admin			
535,393	1 Employees	609,830	645,740	35,910
12	Transport-Related Expenditure	0	2,500	2,500
7,277	Supplies & Services	6,320	3,630	-2,690
<u>542,682</u>	Gross Expenditure	<u>616,150</u>	<u>651,870</u>	<u>35,720</u>
-3,000	Other Income	-10,000	-10,000	0
<u>539,682</u>	Net Expenditure	<u>606,150</u>	<u>641,870</u>	<u>35,720</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Employee Costs including Increments and Pension			25,000
	1 Agreed new post (outside of Growth exercise)			10,600
	GA08 Treasury Management			
541	Employees	0	0	0
76,635	Supplies & Services	49,780	50,150	370
<u>77,176</u>	Gross Expenditure	<u>49,780</u>	<u>50,150</u>	<u>370</u>
0	Other Income	0	0	0
<u>77,176</u>	Net Expenditure	<u>49,780</u>	<u>50,150</u>	<u>370</u>
	GA09 Case Management (Corporate Services)			
1,598,234	1 Employees	1,738,200	1,817,100	78,900
6,325	2 Transport-Related Expenditure	2,030	10,530	8,500
20,731	3 Supplies & Services	88,830	75,480	-13,350
<u>1,625,290</u>	Gross Expenditure	<u>1,829,060</u>	<u>1,903,110</u>	<u>74,050</u>
-6,961	Other Income	-4,400	-3,500	900
<u>1,618,330</u>	Net Expenditure	<u>1,824,660</u>	<u>1,899,610</u>	<u>74,950</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Employee Costs including Increments and Pension			46,660
	1 Restructure of Establishment incl. Transformation (From GL45)			32,240
	2 Adjustment to Centrally Determined Costs			8,500
	3 Approved Budget Strategy Savings			-7,000
	3 Adjustment to Centrally Determined Costs			-6,500

GA20 Revenues & Benefits				
804,611	1 Employees	391,880	400,600	8,720
336	Premises-Related Expenditure	0	0	0
4,284	2 Transport-Related Expenditure	10,200	3,200	-7,000
<u>126,423</u>	Supplies & Services	<u>127,210</u>	<u>124,680</u>	<u>-2,530</u>
935,654	Gross Expenditure	<u>529,290</u>	<u>528,480</u>	<u>-810</u>
-122,046	Other Income	-560	-560	0
<u>813,608</u>	Net Expenditure	<u>528,730</u>	<u>527,920</u>	<u>-810</u>

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

1 Employee Costs including Increments and Pension	8,700
2 Adjustment to Centrally Determined Costs	-7,000

GA22 Business Support - Systems				
433,008	Employees	401,100	467,590	66,490
3,208	Transport-Related Expenditure	300	200	-100
<u>7,609</u>	Supplies & Services	<u>15,690</u>	<u>17,940</u>	<u>2,250</u>
443,826	Gross Expenditure	<u>417,090</u>	<u>485,730</u>	<u>68,640</u>
0	Other Income	0	0	0
<u>443,826</u>	Net Expenditure	<u>417,090</u>	<u>485,730</u>	<u>68,640</u>

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

1 Agreed new post (Transformation change)	49,000
1 Employee Costs including Increments and Pension	17,000

GA54 Printing Services				
173,765	Employees	145,340	147,220	1,880
0	Transport-Related Expenditure	750	550	-200
<u>53,665</u>	1 Supplies & Services	<u>74,620</u>	<u>59,580</u>	<u>-15,040</u>
227,431	Gross Expenditure	<u>220,710</u>	<u>207,350</u>	<u>-13,360</u>
-9,486	2 Other Income	-18,970	0	18,970
<u>217,944</u>	Net Expenditure	<u>201,740</u>	<u>207,350</u>	<u>5,610</u>

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

1 Change to Postage recharge	-15,000
2 MTFS adjustment	18,970

GM12 Strategy, Policy & Performance				
638,490	1 Employees	654,270	678,840	24,570
45	Transport-Related Expenditure	1,220	320	-900
<u>3,914</u>	Supplies & Services	<u>8,350</u>	<u>5,330</u>	<u>-3,020</u>
642,448	Gross Expenditure	<u>663,840</u>	<u>684,490</u>	<u>20,650</u>
-45,960	Other Income	-2,200	-5,000	-2,800
<u>596,488</u>	Net Expenditure	<u>661,640</u>	<u>679,490</u>	<u>17,850</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	24,500
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GM19 ICT Operations				
<u>1,244,583</u>	1 Supplies & Services	<u>1,258,860</u>	<u>1,331,750</u>	<u>72,890</u>
1,244,583	Gross Expenditure	<u>1,258,860</u>	<u>1,331,750</u>	<u>72,890</u>
-22,040	2 Other Income	-44,080	0	44,080
<u>1,222,543</u>	Net Expenditure	<u>1,214,780</u>	<u>1,331,750</u>	<u>116,970</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth	122,000
1 Approved Budget Strategy Savings	-11,000
1 Contract Inflation	5,500
1 MTFS adjustment	-52,500
1 Adjustment to Centrally Determined Costs	9,000
2 MTFS adjustment	44,000

	GP00	Internal Audit			
	106,828	Third Party Payments	118,700	118,700	0
	<u>106,828</u>	Gross Expenditure	<u>118,700</u>	<u>118,700</u>	<u>0</u>
	0	Other Income	0	0	0
	<u>106,828</u>	Net Expenditure	<u>118,700</u>	<u>118,700</u>	<u>0</u>

**Andrina Smith
Human Resources Summary**

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
11,125	FD16 Corporate Training	20,000	16,000	-4,000
11,125	Service Total	20,000	16,000	-4,000

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
640,731	GL45 Organisational Development	500,720	484,370	-16,350
2,790	GM02 Pay Review Project	0	0	0
50,615	GM07 Payroll	49,850	51,140	1,290
-91,595	GM08 Human Resources (Corporate Training)	-58,840	-61,850	-3,010
74,314	GM09 Human Resources (Central Costs)	69,620	74,620	5,000
54,739	GM10 Central Training Budget	74,500	62,500	-12,000
731,594	Administration Total	635,850	610,780	-25,070

**Andrina Smith
Human Resources Detail**

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
11,125	FD16 Corporate Training	20,000	16,000	-4,000
11,125	Employees	20,000	16,000	-4,000
0	Other Income	0	0	0
11,125	Net Expenditure	20,000	16,000	-4,000

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1

Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GL45 Organisational Development			
585,863	1 Employees	463,820	444,050	-19,770
64	Transport-Related Expenditure	1,300	400	-900
54,804	Supplies & Services	45,470	41,190	-4,280
<u>640,731</u>	Gross Expenditure	<u>510,590</u>	<u>485,640</u>	<u>-24,950</u>
0	2 Other Income	-9,870	-1,270	8,600
<u>640,731</u>	Net Expenditure	<u>500,720</u>	<u>484,370</u>	<u>-16,350</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Restructure of Establishment incl. Transformation (To GA09)			-32,240
	1 Employee Costs including Increments and Pension			12,500
	2 Recharge to Otterpool LLP			8,600
	GM07 Payroll			
50,615	Premises-Related Expenditure	49,850	51,140	1,290
<u>50,615</u>	Gross Expenditure	<u>49,850</u>	<u>51,140</u>	<u>1,290</u>
0	Other Income	0	0	0
<u>50,615</u>	Net Expenditure	<u>49,850</u>	<u>51,140</u>	<u>1,290</u>
	GM08 Human Resources (Corporate Training)			
61,624	Employees	41,160	38,150	-3,010
61,624	Gross Expenditure	41,160	38,150	-3,010
-153,219	Other Income	-100,000	-100,000	0
<u>-91,595</u>	Net Expenditure	<u>-58,840</u>	<u>-61,850</u>	<u>-3,010</u>
	GM09 Human Resources (Central Costs)			
46,816	Employees	50,220	50,220	0
31,120	1 Supplies & Services	19,400	24,400	5,000
77,936	Gross Expenditure	69,620	74,620	5,000
-3,622	Other Income	0	0	0
<u>74,314</u>	Net Expenditure	<u>69,620</u>	<u>74,620</u>	<u>5,000</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Approved Budget Strategy Growth			5,000
	GM10 Central Training Budget			
54,739	1 Employees	74,500	62,500	-12,000
54,739	Gross Expenditure	74,500	62,500	-12,000
0	Other Income	0	0	0
<u>54,739</u>	Net Expenditure	<u>74,500</u>	<u>62,500</u>	<u>-12,000</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Approved Budget Strategy Savings			-12,000

**Amandeep Khroud
Governance & Law Summary**

		<u>Service</u>		
2021/22 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
-16,780	DA12 Street Naming & Numbering	-15,820	-19,000	-3,180
748,163	EA01 Leas Cliff Hall	762,080	781,080	19,000
364,345	FE05 Members Allowances & Expenses	362,870	358,070	-4,800
24,108	FE15 Dem Rep & Man-Misc Expenditure	20,270	20,270	0
2,277	FE20 Civic Ceremonials	14,920	13,560	-1,360
-107,185	FE70 Democratic Representation-Recharges	-120,000	-120,000	0
67,836	FH03 Registration of Electors	80,420	81,260	840
47,638	FH04 Conducting Elections	48,000	40,000	-8,000
1,130,402	Service Total	1,152,740	1,155,240	2,500

		<u>Administration</u>		
2021/22 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
95,241	GA03 Client Side Unit	85,890	95,220	9,330
123,980	GA10 Procurement	100,600	115,690	15,090
0	GA11 Centralised Equipment	2,000	2,000	0
2,002	GA24 Corporate Consumables - Floors 1 & 2	3,500	3,500	0
298,067	GL00 Legal Services	272,400	275,090	2,690
151,188	GL41 Asst Director for Governance and Law	133,930	134,940	1,010
227,629	GL51 Democratic Services & Elections	203,250	238,130	34,880
-1,332	GL52 Committee Services	0	0	0
-926	GL53 FOI & Info Governance Team	0	0	0
33,508	GM14 Waste Contract	0	0	0
248,327	GM34 Waste Contract Management	214,290	218,150	3,860
348,289	GM37 Communications	234,160	303,650	69,490
1,525,972	Administration Total	1,250,020	1,386,370	136,350

		<u>Holding</u>		
2021/22 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
0	FX04 Parliamentary Elections	0	0	0
48,210	GX02 Civic Centre - Cleaning Contract	47,150	48,280	1,130
48,210	Holding Total	47,150	48,280	1,130

**Amandeep Khroud
Governance & Law Services Detail**

		<u>Service</u>		
2021/22 Actual		2021/22 Original Budget	2022/23 Original Budget	Variances
	DA12 Street Naming & Numbering			
0	Supplies & Services	0	0	0
0	Gross Expenditure	0	0	0
-16,780	Other Income	-15,820	-19,000	-3,180
-16,780	Net Expenditure	-15,820	-19,000	-3,180

EA01	Leas Cliff Hall			
748,163	1 Third Party Payments	762,080	781,080	19,000
748,163	Gross Expenditure	762,080	781,080	19,000
0	Other Income	0	0	0
748,163	Net Expenditure	762,080	781,080	19,000

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Contract Inflation			19,000
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FE05	Members Allowances & Expenses			
6,310	Employees	10,000	8,000	-2,000
67	Transport-Related Expenditure	7,000	4,500	-2,500
357,968	Supplies & Services	345,870	345,570	-300
364,345	Gross Expenditure	362,870	358,070	-4,800
0	Other Income	0	0	0
364,345	Net Expenditure	362,870	358,070	-4,800

FE15	Dem Rep & Man-Misc Expenditure			
24,108	Supplies & Services	20,270	20,270	0
24,108	Gross Expenditure	20,270	20,270	0
0	Other Income	0	0	0
24,108	Net Expenditure	20,270	20,270	0

FE20	Civic Ceremonials			
259	Employees	5,000	4,000	-1,000
1,178	Transport-Related Expenditure	3,020	3,400	380
841	Supplies & Services	6,900	6,160	-740
2,277	Gross Expenditure	14,920	13,560	-1,360
0	Other Income	0	0	0
2,277	Net Expenditure	14,920	13,560	-1,360

FE70	Democratic Representation-Recharges			
0		0	0	0
0	Gross Expenditure	0	0	0
-107,185	Other Income	-120,000	-120,000	0
-107,185	Net Expenditure	-120,000	-120,000	0

FH03	Registration of Electors			
58,538	Employees	53,000	53,000	0
19,741	Supplies & Services	28,920	29,760	840
78,278	Gross Expenditure	81,920	82,760	840
-10,443	Other Income	-1,500	-1,500	0
67,836	Net Expenditure	80,420	81,260	840

FH04	Conducting Elections			
60,502	1 Supplies & Services	48,000	40,000	-8,000
60,502	Gross Expenditure	48,000	40,000	-8,000
-12,864	Other Income	0	0	0
47,638	Net Expenditure	48,000	40,000	-8,000

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Permanent virement (to GX24)			-8,000
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Administration

2021/22 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variations £
	GA03 Client Side Unit			
94,605	1 Employees	81,610	91,440	9,830
0	Transport-Related Expenditure	610	610	0
637	Supplies & Services	3,670	3,170	-500
<u>95,242</u>	Gross Expenditure	<u>85,890</u>	<u>95,220</u>	<u>9,330</u>
-1	Other Income	0	0	0
<u>95,241</u>	Net Expenditure	<u>85,890</u>	<u>95,220</u>	<u>9,330</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Employee Costs including Increments and Pension			9,830
	GA10 Procurement			
127,603	Employees	110,460	113,180	2,720
91	Transport-Related Expenditure	200	100	-100
3,303	Supplies & Services	3,980	3,310	-670
<u>130,997</u>	Gross Expenditure	<u>114,640</u>	<u>116,590</u>	<u>1,950</u>
-7,018	1 Other Income	-14,040	-900	13,140
<u>123,980</u>	Net Expenditure	<u>100,600</u>	<u>115,690</u>	<u>15,090</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			14,040
	GA11 Centralised Equipment			
0	Supplies & Services	2,000	2,000	0
<u>0</u>	Gross Expenditure	<u>2,000</u>	<u>2,000</u>	<u>0</u>
0	Other Income	0	0	0
<u>0</u>	Net Expenditure	<u>2,000</u>	<u>2,000</u>	<u>0</u>
	GA24 Corporate Consumables - Floors 1 & 2			
2,002	Supplies & Services	3,500	3,500	0
<u>2,002</u>	Gross Expenditure	<u>3,500</u>	<u>3,500</u>	<u>0</u>
0	Other Income	0	0	0
<u>2,002</u>	Net Expenditure	<u>3,500</u>	<u>3,500</u>	<u>0</u>
	GL00 Legal Services			
298,228	1 Employees	278,650	287,710	9,060
1,658	Transport-Related Expenditure	2,000	700	-1,300
55,726	Supplies & Services	41,980	40,380	-1,600
<u>355,611</u>	Gross Expenditure	<u>322,630</u>	<u>328,790</u>	<u>6,160</u>
-57,544	Other Income	-50,230	-53,700	-3,470
<u>298,067</u>	Net Expenditure	<u>272,400</u>	<u>275,090</u>	<u>2,690</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Employee Costs including Increments and Pension			9,500
	GL41 Asst Director for Governance and Law			
150,165	Employees	131,560	133,360	1,800
0	Transport-Related Expenditure	500	500	0
1,023	Supplies & Services	1,870	1,080	-790
<u>151,188</u>	Gross Expenditure	<u>133,930</u>	<u>134,940</u>	<u>1,010</u>
0	Other Income	0	0	0
<u>151,188</u>	Net Expenditure	<u>133,930</u>	<u>134,940</u>	<u>1,010</u>

GL51	Democratic Services & Elections			
223,161	1 Employees	197,030	232,870	35,840
305	Transport-Related Expenditure	1,250	850	-400
4,164	Supplies & Services	4,970	4,410	-560
<u>227,629</u>	Gross Expenditure	<u>203,250</u>	<u>238,130</u>	<u>34,880</u>
0	Other Income	0	0	0
<u>227,629</u>	Net Expenditure	<u>203,250</u>	<u>238,130</u>	<u>34,880</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Agreed new post (Transformation)	30,600
1 Employee Costs including Increments and Pension	5,000

GL52	Committee Services			
-1,332	Employees	0	0	0
<u>-1,332</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>-1,332</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GL53	FOI & Info Governance Team			
-926	Employees	0	0	0
<u>-926</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>-926</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GM14	Waste Contract			
33,508	Supplies & Services	0	0	0
<u>33,508</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>33,508</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GM34	Waste Contract Management			
182,887	Employees	159,190	163,530	4,340
3,033	Transport-Related Expenditure	3,200	3,700	500
3,133	Supplies & Services	6,900	5,920	-980
59,274	Third Party Payments	45,000	45,000	0
<u>248,327</u>	Gross Expenditure	<u>214,290</u>	<u>218,150</u>	<u>3,860</u>
0	Other Income	0	0	0
<u>248,327</u>	Net Expenditure	<u>214,290</u>	<u>218,150</u>	<u>3,860</u>

GM37	Communications			
304,822	1 Employees	210,380	278,650	68,270
0	Transport-Related Expenditure	200	200	0
47,482	Supplies & Services	34,070	30,800	-3,270
<u>352,303</u>	Gross Expenditure	<u>244,650</u>	<u>309,650</u>	<u>65,000</u>
-4,015	Other Income	-10,490	-6,000	4,490
<u>348,289</u>	Net Expenditure	<u>234,160</u>	<u>303,650</u>	<u>69,490</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Restructure of Establishment incl. Transformation	71,000
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Holding

2021/22 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
GX02	Civic Centre - Cleaning Contract			
43,841	Premises-Related Expenditure	39,750	40,880	1,130
4,369	Supplies & Services	7,400	7,400	0
<u>48,210</u>	Gross Expenditure	<u>47,150</u>	<u>48,280</u>	<u>1,130</u>
0	Other Income	0	0	0
<u>48,210</u>	Net Expenditure	<u>47,150</u>	<u>48,280</u>	<u>1,130</u>

**Trudi Simpson
Leadership Support Summary**

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
169,475	GA06 Director of Corporate Services	139,070	133,640	-5,430
181,283	GL05 Director of Development	16,140	3,070	-13,070
180,498	GM00 Director of Transition & Transformation	160,100	2,870	-157,230
219,275	GM01 Chief Executive	195,510	184,190	-11,320
151,149	GM05 Director of Place	145,030	236,860	91,830
128,756	GM38 Leadership and PA Support	110,260	111,730	1,470
163,922	GM39 Director of Housing & Operations	141,410	331,860	190,450
1,194,358	Administration Total	907,520	1,004,220	96,700

**Trudi Simpson
Leadership Support Detail**

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GA06 Director of Corporate Services			
168,353	Employees	144,230	147,360	3,130
0	Transport-Related Expenditure	200	200	0
1,122	Supplies & Services	2,050	1,180	-870
169,475	Gross Expenditure	146,480	148,740	2,260
0	1 Other Income	-7,410	-15,100	-7,690
169,475	Net Expenditure	139,070	133,640	-5,430
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Recharge to Otterpool LLP			-7,690
	GL05 Director of Development			
179,722	Employees	156,490	152,000	-4,490
64	Transport-Related Expenditure	250	250	0
1,497	Supplies & Services	2,490	2,620	130
181,283	Gross Expenditure	159,230	154,870	-4,360
0	1 Other Income	-143,090	-151,800	-8,710
181,283	Net Expenditure	16,140	3,070	-13,070
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Recharge to Otterpool LLP			-8,710
	GM00 Director of Transition & Transformation			
179,152	1 Employees	156,790	500	-156,290
0	Transport-Related Expenditure	100	100	0
1,346	Supplies & Services	3,210	2,270	-940
180,498	Gross Expenditure	160,100	2,870	-157,230
0	Other Income	0	0	0
180,498	Net Expenditure	160,100	2,870	-157,230
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Realigning of CLT (Transformation)			-156,290

	GM01 Chief Executive			
216,536	Employees	191,900	195,390	3,490
17	Transport-Related Expenditure	100	100	0
<u>2,722</u>	Supplies & Services	<u>3,510</u>	<u>2,360</u>	<u>-1,150</u>
219,275	Gross Expenditure	195,510	197,850	2,340
0	1 Other Income	0	-13,660	-13,660
<u>219,275</u>	Net Expenditure	<u>195,510</u>	<u>184,190</u>	<u>-11,320</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Recharge to Otterpool LLP	-13,660
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	GM05 Director of Place			
150,239	1 Employees	143,370	250,300	106,930
910	Supplies & Services	<u>1,660</u>	<u>960</u>	<u>-700</u>
<u>151,149</u>	Gross Expenditure	145,030	251,260	106,230
0	2 Other Income	0	-14,400	-14,400
<u>151,149</u>	Net Expenditure	<u>145,030</u>	<u>236,860</u>	<u>91,830</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Additional Strategic Projects resource	106,930
2 Recharge to Otterpool LLP	-14,400

	GM38 Leadership and PA Support			
125,038	Employees	105,230	107,640	2,410
0	Transport-Related Expenditure	250	0	-250
<u>3,719</u>	Supplies & Services	<u>4,780</u>	<u>4,090</u>	<u>-690</u>
128,756	Gross Expenditure	110,260	111,730	1,470
0	Other Income	0	0	0
<u>128,756</u>	Net Expenditure	<u>110,260</u>	<u>111,730</u>	<u>1,470</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1

	GM39 Director of Housing & Operations			
166,880	1 Employees	143,760	335,680	191,920
1,122	Supplies & Services	<u>2,050</u>	<u>1,180</u>	<u>-870</u>
<u>168,002</u>	Gross Expenditure	145,810	336,860	191,050
-4,080	Other Income	-4,400	-5,000	-600
<u>163,922</u>	Net Expenditure	<u>141,410</u>	<u>331,860</u>	<u>190,450</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Additional Strategic Projects resource	190,000
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**Ewan Green
Place Summary**

		<u>Service</u>			
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £	
-137,361	BE57	Licensing	-148,520	-154,120	-5,600
-3,015	BE58	Caravan Sites	-3,060	-4,460	-1,400
18,706	BF53	Crime and Disorder	25,220	23,040	-2,180
199,800	BG50	Food Safety, Health and Safety etc	250,580	186,310	-64,270
6,691	BG51	Pollution Reduction	51,870	54,570	2,700
7,830	BG52	Pest Control	10,000	10,000	0
0	BG53	Unauthorised Encampments	18,000	2,000	-16,000
1,225,864	CE10	Household Waste Collection	1,300,500	1,189,920	-110,580
189,436	CE11	Recycling and Waste	604,890	478,540	-126,350
-180,931	CE20	Cemeteries	-147,610	-167,660	-20,050
284	CE25	Burials	2,000	2,000	0
264,126	CE31	Hythe Swimming Pool	119,060	107,340	-11,720
4,321	CE51	Dog Control	6,980	6,980	0
2,259	CE54	Litter & Fouling Enforcement	5,500	3,500	-2,000
-86,019	CE58	Hackney Carriage Licensing	-104,000	-104,000	0
1,183,901	CE60	Cleansing	1,437,830	1,340,230	-97,600
87,674	ED40	Members Ward Allowance	90,000	90,000	0
28,060	ED41	Community Grants	45,460	45,460	0
16,850	EE20	Sports Development Initiatives	19,850	19,850	0
150,000	EE25	Folkestone Sports Centre	150,000	150,000	0
27,500	ER02	Tall Ships Project	25,000	25,000	0
-122,859	FH57	Local Land Charges	-165,800	-173,390	-7,590
<u>2,883,117</u>		Service Total	<u>3,593,750</u>	<u>3,131,110</u>	<u>-462,640</u>
 <u>Administration</u>					
2020/21 Actual £			2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
1,277,043	GA23	Case Management (Place)	1,232,780	1,313,520	80,740
142	GA56	New Romney One Stop	0	0	0
83,676	GA60	Civic Wardens	78,140	81,670	3,530
947,696	GA62	Customer Services	837,770	839,760	1,990
98,003	GL21	Community Safety	0	0	0
453,330	GM36	Environmental Protection	465,630	477,260	11,630
161,644	GM44	Licensing	194,900	198,930	4,030
240,636	GM50	Area Officers	197,090	211,990	14,900
<u>3,262,170</u>		Administration Total	<u>3,006,310</u>	<u>3,123,130</u>	<u>116,820</u>

**Ewan Green
Place Detail**

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	BE57	Licensing		
5,115		6,800	6,800	0
187		0	0	0
3,151		1,600	1,600	0
1,960		2,000	2,000	0
<u>10,413</u>		<u>10,400</u>	<u>10,400</u>	<u>0</u>
-147,773	1	-158,920	-164,520	-5,600
<u>-137,361</u>		<u>-148,520</u>	<u>-154,120</u>	<u>-5,600</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23				
	1			-5,600
	BE58	Caravan Sites		
<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>
-3,015		-3,060	-4,460	-1,400
<u>-3,015</u>		<u>-3,060</u>	<u>-4,460</u>	<u>-1,400</u>
	BF53	Crime and Disorder		
0		2,150	1,600	-550
44,081		54,960	53,330	-1,630
<u>44,081</u>		<u>57,110</u>	<u>54,930</u>	<u>-2,180</u>
-25,375		-31,890	-31,890	0
<u>18,706</u>		<u>25,220</u>	<u>23,040</u>	<u>-2,180</u>
	BG50	Food Safety, Health and Safety etc		
196,766	1	245,320	183,200	-62,120
3,561		5,200	4,500	-700
1,943		3,680	2,710	-970
<u>202,270</u>		<u>254,200</u>	<u>190,410</u>	<u>-63,790</u>
-2,470		-3,620	-4,100	-480
<u>199,800</u>		<u>250,580</u>	<u>186,310</u>	<u>-64,270</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23				
	1			-53,000
	1			-24,000
	1			10,200
	BG51	Pollution Reduction		
42,572	1	68,390	76,590	8,200
<u>42,572</u>		<u>68,390</u>	<u>76,590</u>	<u>8,200</u>
-35,880	2	-16,520	-22,020	-5,500
<u>6,691</u>		<u>51,870</u>	<u>54,570</u>	<u>2,700</u>
Key Variances from Original Budget 2021/22 to Original Budget 2022/23				
	1			15,000
	1			-6,800
	2			-5,500
	BG52	Pest Control		
7,830		10,000	10,000	0
<u>7,830</u>		<u>10,000</u>	<u>10,000</u>	<u>0</u>
0		0	0	0
<u>7,830</u>		<u>10,000</u>	<u>10,000</u>	<u>0</u>

BG53	Unauthorised Encampments			
0	1 Supplies & Services	18,000	2,000	-16,000
0	Gross Expenditure	18,000	2,000	-16,000
0	Other Income	0	0	0
0	Net Expenditure	18,000	2,000	-16,000

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-16,000
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£	CE10	Household Waste Collection	£	£	£
236,864		Premises-Related Expenditure	0	0	0
160,038		Supplies & Services	133,550	133,630	80
1,237,220	1 Third Party Payments		1,476,630	1,375,970	-100,660
1,634,122	Gross Expenditure		1,610,180	1,509,600	-100,580
-408,258	2 Other Income		-309,680	-319,680	-10,000
1,225,864	Net Expenditure		1,300,500	1,189,920	-110,580

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Change in Outsourced Contract Recharges	-100,660
2 Approved Budget Strategy Savings	-10,000

CE11	Recycling and Waste			
22,417	Supplies & Services	23,230	23,870	640
1,560,788	1 Third Party Payments	1,862,770	1,735,780	-126,990
1,583,205	Gross Expenditure	1,886,000	1,759,650	-126,350
-1,393,769	Other Income	-1,281,110	-1,281,110	0
189,436	Net Expenditure	604,890	478,540	-126,350

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Change in Outsourced Contract Recharges	-126,990
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CE20	Cemeteries			
162	Supplies & Services	360	310	-50
162	Gross Expenditure	360	310	-50
-181,093	1 Other Income	-147,970	-167,970	-20,000
-180,931	Net Expenditure	-147,610	-167,660	-20,050

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-20,000
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CE25	Burials			
28,537	Supplies & Services	3,000	3,000	0
28,537	Gross Expenditure	3,000	3,000	0
-28,253	Other Income	-1,000	-1,000	0
284	Net Expenditure	2,000	2,000	0

CE31	Hythe Swimming Pool			
276,852	1 Employees	250,330	242,840	-7,490
29	Transport-Related Expenditure	0	0	0
13,061	Supplies & Services	48,370	44,140	-4,230
289,942	Gross Expenditure	298,700	286,980	-11,720
-25,816	Other Income	-179,640	-179,640	0
264,126	Net Expenditure	119,060	107,340	-11,720

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	-7,490
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CE51	Dog Control			
3,368	Transport-Related Expenditure	1,820	1,820	0
3,401	Supplies & Services	10,060	10,060	0
<u>6,768</u>	Gross Expenditure	<u>11,880</u>	<u>11,880</u>	<u>0</u>
-2,447	Other Income	-4,900	-4,900	0
<u>4,321</u>	Net Expenditure	<u>6,980</u>	<u>6,980</u>	<u>0</u>
CE54	Litter & Fouling Enforcement			
6,189	Supplies & Services	7,500	7,500	0
<u>6,189</u>	Gross Expenditure	<u>7,500</u>	<u>7,500</u>	<u>0</u>
-3,930	Other Income	-2,000	-4,000	-2,000
<u>2,259</u>	Net Expenditure	<u>5,500</u>	<u>3,500</u>	<u>-2,000</u>
CE58	Hackney Carriage Licensing			
18,870	Supplies & Services	21,870	21,870	0
<u>18,870</u>	Gross Expenditure	<u>21,870</u>	<u>21,870</u>	<u>0</u>
-104,889	Other Income	-125,870	-125,870	0
<u>-86,019</u>	Net Expenditure	<u>-104,000</u>	<u>-104,000</u>	<u>0</u>
CE60	Cleansing			
14,373	Supplies & Services	17,000	17,000	0
1,199,560	1 Third Party Payments	1,431,680	1,334,080	-97,600
<u>1,213,933</u>	Gross Expenditure	<u>1,448,680</u>	<u>1,351,080</u>	<u>-97,600</u>
-30,033	Other Income	-10,850	-10,850	0
<u>1,183,901</u>	Net Expenditure	<u>1,437,830</u>	<u>1,340,230</u>	<u>-97,600</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Change in Outsourced Contract Recharges			-97,600
ED40	Members Ward Allowance			
87,674	Supplies & Services	90,000	90,000	0
<u>87,674</u>	Gross Expenditure	<u>90,000</u>	<u>90,000</u>	<u>0</u>
0	Other Income	0	0	0
<u>87,674</u>	Net Expenditure	<u>90,000</u>	<u>90,000</u>	<u>0</u>
ED41	Community Grants			
28,060	Supplies & Services	45,460	45,460	0
<u>28,060</u>	Gross Expenditure	<u>45,460</u>	<u>45,460</u>	<u>0</u>
0	Other Income	0	0	0
<u>28,060</u>	Net Expenditure	<u>45,460</u>	<u>45,460</u>	<u>0</u>
EE20	Sports Development Initiatives			
16,850	Supplies & Services	19,850	19,850	0
<u>16,850</u>	Gross Expenditure	<u>19,850</u>	<u>19,850</u>	<u>0</u>
0	Other Income	0	0	0
<u>16,850</u>	Net Expenditure	<u>19,850</u>	<u>19,850</u>	<u>0</u>
EE25	Folkestone Sports Centre			
150,000	Supplies & Services	150,000	150,000	0
<u>150,000</u>	Gross Expenditure	<u>150,000</u>	<u>150,000</u>	<u>0</u>
0	Other Income	0	0	0
<u>150,000</u>	Net Expenditure	<u>150,000</u>	<u>150,000</u>	<u>0</u>

ER02	Tall Ships Project			
27,500	Supplies & Services	25,000	25,000	0
27,500	Gross Expenditure	25,000	25,000	0
0	Other Income	0	0	0
27,500	Net Expenditure	25,000	25,000	0

FH57	Local Land Charges			
35,555	1 Supplies & Services	50,800	43,210	-7,590
35,555	Gross Expenditure	50,800	43,210	-7,590
-158,414	Other Income	-216,600	-216,600	0
-122,859	Net Expenditure	-165,800	-173,390	-7,590

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-7,590
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Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
GA23	Case Management (Place)			
1,263,043	1 Employees	1,217,150	1,301,060	83,910
3,400	Transport-Related Expenditure	200	3,000	2,800
10,601	Supplies & Services	15,430	9,460	-5,970
1,277,043	Gross Expenditure	1,232,780	1,313,520	80,740
0	Other Income	0	0	0
1,277,043	Net Expenditure	1,232,780	1,313,520	80,740

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Restructure of Establishment incl. Transformation (from GM20)	33,730
1 Realignment of budgets for Housing staff	23,300
1 Employee Costs including Increments and Pension	26,880

GA60	Civic Wardens			
81,784	Employees	72,510	73,220	710
0	Transport-Related Expenditure	150	50	-100
3,411	Supplies & Services	8,340	8,400	60
85,195	Gross Expenditure	81,000	81,670	670
-1,519	Other Income	-2,860	0	2,860
83,676	Net Expenditure	78,140	81,670	3,530

GA62	Customer Services			
921,204	1 Employees	803,550	791,060	-12,490
3	Transport-Related Expenditure	400	300	-100
19,180	2 Supplies & Services	30,740	20,900	-9,840
21,603	3 Third Party Payments	32,500	27,500	-5,000
961,990	Gross Expenditure	867,190	839,760	-27,430
-14,294	4 Other Income	-29,420	0	29,420
947,696	Net Expenditure	837,770	839,760	1,990

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	-2,300
1 Approved Budget Strategy Savings	-10,400
2 Adjustment to Centrally Determined Costs	-5,200
2 Approved Budget Strategy Savings	-5,000
3 Approved Budget Strategy Savings	-5,000
4 MTFS adjustment	28,420

GM36	Environmental Protection			
434,543	1 Employees	441,270	456,870	15,600
4,134	Transport-Related Expenditure	5,950	5,850	-100
14,825	Supplies & Services	18,480	14,610	-3,870
<u>453,503</u>	Gross Expenditure	<u>465,700</u>	<u>477,330</u>	<u>11,630</u>
-173	Other Income	-70	-70	0
<u>453,330</u>	Net Expenditure	<u>465,630</u>	<u>477,260</u>	<u>11,630</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Employee Costs including Increments and Pension			15,600
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GM44	Licensing			
157,707	Employees	189,880	193,770	3,890
2,833	Transport-Related Expenditure	3,000	4,000	1,000
1,104	Supplies & Services	2,020	1,160	-860
<u>161,644</u>	Gross Expenditure	<u>194,900</u>	<u>198,930</u>	<u>4,030</u>
0	Other Income	0	0	0
<u>161,644</u>	Net Expenditure	<u>194,900</u>	<u>198,930</u>	<u>4,030</u>

GM50	Area Officers			
215,828	Employees	182,040	186,510	4,470
18,544	1 Transport-Related Expenditure	7,210	18,840	11,630
6,264	Supplies & Services	7,840	6,640	-1,200
<u>240,636</u>	Gross Expenditure	<u>197,090</u>	<u>211,990</u>	<u>14,900</u>
0	Other Income	0	0	0
<u>240,636</u>	Net Expenditure	<u>197,090</u>	<u>211,990</u>	<u>14,900</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Approved Budget Strategy Growth			11,500
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**Katharine Harvey
Economic Development Summary**

		<u>Service</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
93,342	ED10	249,350	99,480	-149,870
44,344	ED12	-8,120	41,760	49,880
4,629	ED13	0	0	0
292,138	ED14	830,380	420,250	-410,130
39,585	ED16	17,320	-9,790	-27,110
60,060	ED54	0	0	0
24,507	ED55	0	0	0
40,355	ES05	40,360	40,360	0
598,960	Service Total	1,129,290	592,060	-537,230

		<u>Administration</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
212,530	GM30	175,040	169,970	-5,070
212,530	Administration Total	175,040	169,970	-5,070

**Katharine Harvey
Economic Development Detail**

		<u>Service</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Variances
£		£	£	£
	ED10			
	Regen & Economic Development			
93,342	1 Supplies & Services	249,350	99,480	-149,870
437,818	Third Party Payments	0	0	0
531,160	Gross Expenditure	249,350	99,480	-149,870
-437,818	Other Income	0	0	0
93,342	Net Expenditure	249,350	99,480	-149,870
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			-150,000
	ED12			
	Rural Regeneration Initiatives			
18,555	1 Employees	0	50,050	50,050
908	Transport-Related Expenditure	500	500	0
24,882	Supplies & Services	11,380	11,210	-170
44,344	Gross Expenditure	11,880	61,760	49,880
0	Other Income	-20,000	-20,000	0
44,344	Net Expenditure	-8,120	41,760	49,880
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Budget re-alignment			50,050

ED14	High Street Innovation Fund			
21,511	Employees	30,250	32,640	2,390
<u>270,627</u>	1 Supplies & Services	<u>800,130</u>	<u>387,610</u>	<u>-412,520</u>
292,138	Gross Expenditure	<u>830,380</u>	<u>420,250</u>	<u>-410,130</u>
0	Other Income	0	0	0
<u>292,138</u>	Net Expenditure	<u>830,380</u>	<u>420,250</u>	<u>-410,130</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 MTFS adjustment	-412,469
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ED16	Folkestone CLLD			
83,119	1 Employees	96,580	70,150	-26,430
0	Transport-Related Expenditure	200	0	-200
<u>1,429</u>	Supplies & Services	<u>6,130</u>	<u>5,650</u>	<u>-480</u>
84,549	Gross Expenditure	<u>102,910</u>	<u>75,800</u>	<u>-27,110</u>
<u>-44,964</u>	Other Income	<u>-85,590</u>	<u>-85,590</u>	<u>0</u>
<u>39,585</u>	Net Expenditure	<u>17,320</u>	<u>-9,790</u>	<u>-27,110</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-26,430
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ED54	Corporate Investment Initiatives			
46,060	Employees	0	0	0
<u>14,000</u>	Supplies & Services	<u>0</u>	<u>0</u>	<u>0</u>
60,060	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>60,060</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

ED55	Town Centre Regeneration Initiatives			
11,635	Premises-Related Expenditure	0	0	0
<u>12,872</u>	Supplies & Services	<u>0</u>	<u>0</u>	<u>0</u>
24,507	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>24,507</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

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

Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
GM30	Regeneration & Economic Development			
208,005	Employees	169,560	165,750	-3,810
2,894	Transport-Related Expenditure	2,500	2,500	0
<u>1,632</u>	Supplies & Services	<u>2,980</u>	<u>1,720</u>	<u>-1,260</u>
212,530	Gross Expenditure	<u>175,040</u>	<u>169,970</u>	<u>-5,070</u>
0	Other Income	0	0	0
<u>212,530</u>	Net Expenditure	<u>175,040</u>	<u>169,970</u>	<u>-5,070</u>

**Llywelyn Lloyd
Planning Summary**

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
-275,502	DA10 Building Control	-291,660	-291,660	0
-939,230	DA11 Development Control	-942,790	-942,790	0
-1,214,732	Service Total	-1,234,450	-1,234,450	0
 <u>Administration</u>				
1,223,579	GM20 Development Management	1,189,930	1,094,750	-95,180
276,884	GM21 Building Control	257,460	276,720	19,260
1,500,463	Administration Total	1,447,390	1,371,470	-75,920

**Llywelyn Lloyd
Planning Detail**

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
DA10 Building Control				
111	Supplies & Services	1,680	1,680	0
111	Gross Expenditure	1,680	1,680	0
-275,613	Other Income	-293,340	-293,340	0
-275,502	Net Expenditure	-291,660	-291,660	0
 DA11 Development Control				
120,071	Supplies & Services	109,210	109,210	0
120,071	Gross Expenditure	109,210	109,210	0
-1,059,300	Other Income	-1,052,000	-1,052,000	0
-939,230	Net Expenditure	-942,790	-942,790	0

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
GM20 Development Management				
1,159,726	1 Employees	1,148,500	1,061,120	-87,380
7,866	Transport-Related Expenditure	13,520	9,920	-3,600
56,390	Supplies & Services	35,450	31,250	-4,200
1,223,982	Gross Expenditure	1,197,470	1,102,290	-95,180
-402	Other Income	-7,540	-7,540	0
1,223,579	Net Expenditure	1,189,930	1,094,750	-95,180

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Restructure of Establishment incl. Transformation (to GA23)	-31,000
1 Employee Costs including Increments and Pension	19,000
1 Approved Budget Strategy Savings	-75,000

GM21	Building Control			
263,617	1 Employees	242,310	264,460	22,150
3,077	Transport-Related Expenditure	2,100	3,300	1,200
10,211	Supplies & Services	14,150	10,060	-4,090
<u>276,905</u>	Gross Expenditure	<u>258,560</u>	<u>277,820</u>	<u>19,260</u>
-21	Other Income	-1,100	-1,100	0
<u>276,884</u>	Net Expenditure	<u>257,460</u>	<u>276,720</u>	<u>19,260</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
1	Employee Costs including Increments and Pension		22,150

**Andy Blaszkowicz
Operations Summary**

		<u>Service</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
2,255	CE02 Street Furniture	15,040	12,000	-3,040
5,357	CE03 Passenger Shelters	10,050	8,570	-1,480
74,375	CE04 Street Lighting	71,300	76,500	5,200
-17,037	CE30 Outdoor Sports and Recreation	-27,220	-27,220	0
	CE33/			
-12,687	CE34 RMC-Ecology&Habitat MTCE(HLF)	-12,420	-12,370	50
3,295	CE36 Royal Military Canal Drainage Functions	5,440	5,440	0
0	CE37 RMC - Bridge Painting	22,480	22,480	0
848,842	CE38 Community Parks & Open Spaces	947,670	828,850	-118,820
-791,104	CE40 Off-Street Parking	-955,040	-1,198,430	-243,390
-274,880	CE45 On-Street Parking Enforcement	-122,040	-335,850	-213,810
34,301	CE52 Public Conveniences	33,400	33,400	0
-7,384	CE55 Communities - Events	0	0	0
33,186	CE99 Other Environmental Services	34,100	34,100	0
-188,276	CG80 Coast Protection	-155,690	-166,320	-10,630
-37,404	CG85 Shoreline Management	-33,280	0	33,280
17,135	CG90 Flood Defence & Land Drainage	14,650	0	-14,650
2,192	EA11 Leas Bandstand	3,200	3,210	10
-2,103	EA12 Hythe Beach Chalets	-7,980	-7,980	0
-18,200	EB02 Mountfield Industrial Estate	-91,030	-91,030	0
3,019	FH25 Emergency Planning	18,600	18,600	0
43,615	HH51 Lifeline Facilities	-154,570	-159,660	-5,090
-281,502	Service Total	-383,340	-955,710	-572,370

		<u>Administration</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
282,050	GM18 Maintenance Officers	231,790	234,930	3,140
141,066	GM23 Parking Services	121,890	123,870	1,980
-46	GM25 Grounds Maintenance Contract Management	0	0	0
297,267	GM31 Engineering and Buildings	297,550	382,690	85,140
206,229	GM32 Estates and Assets	205,440	209,260	3,820
926,565	Administration Total	856,670	950,750	94,080

		<u> Holding </u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
1,502,757	GE01	1,414,690	1,473,750	59,060
214,709	GE05	224,530	225,780	1,250
74,563	GE06	79,930	83,750	3,820
117,482	GE07	145,640	170,140	24,500
8,248	GE08	4,200	4,730	530
2,610	GE10	0	0	0
111,123	GX00	387,090	173,660	-213,430
2,121	GX05	2,220	0	-2,220
107,245	GX10	109,990	77,400	-32,590
37,778	GX20	10,840	410	-10,430
6,572	GX21	6,050	6,110	60
77	GX22	130	80	-50
1,631	GX23	2,410	2,460	50
21,200	GX24	19,610	27,820	8,210
39,893	GX25	35,440	43,560	8,120
74,739	GX27	133,180	140,020	6,840
197,479	GX30	217,110	215,790	-1,320
52,712	GX40	91,000	91,000	0
38,467	GX50	43,410	51,070	7,660
145	GX52	190	0	-190
-225,792	GX53	-264,080	-339,380	-75,300
383	GX54	310	400	90
0	GX60	2,910	2,910	0
134,407	GX65	152,250	152,250	0
-63,818	GX80	16,030	-78,420	-94,450
4,097	GX81	-841,920	-1,176,980	-335,060
6,470	GX82	0	0	0
1,854	GX83	21,000	15,000	-6,000
-17,665	GX84	0	0	0
0	GX89	100	100	0
2,451,485	Holding Total	2,014,260	1,363,410	-650,850

**Andy Blaszkowicz
Operations Detail**

		<u> Service </u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	CE02			
	Street Furniture			
2,255	Supplies & Services	15,040	12,000	-3,040
2,255	Gross Expenditure	15,040	12,000	-3,040
0	Other Income	0	0	0
2,255	Net Expenditure	15,040	12,000	-3,040
	CE03			
	Passenger Shelters			
5,357	Premises-Related Expenditure	10,050	8,570	-1,480
5,357	Gross Expenditure	10,050	8,570	-1,480
0	Other Income	0	0	0
5,357	Net Expenditure	10,050	8,570	-1,480

CE04	Street Lighting			
52,362	1 Premises-Related Expenditure	35,000	46,500	11,500
22,014	2 Supplies & Services	36,300	30,000	-6,300
<u>74,375</u>	Gross Expenditure	<u>71,300</u>	<u>76,500</u>	<u>5,200</u>
0	Other Income	0	0	0
<u>74,375</u>	Net Expenditure	<u>71,300</u>	<u>76,500</u>	<u>5,200</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	MTFS adjustment			
2	Approved Budget Strategy Savings			11,500
				-6,300

CE30	Outdoor Sports and Recreation			
7,500	Supplies & Services	7,500	7,500	0
<u>7,500</u>	Gross Expenditure	<u>7,500</u>	<u>7,500</u>	<u>0</u>
-24,537	Other Income	-34,720	-34,720	0
<u>-17,037</u>	Net Expenditure	<u>-27,220</u>	<u>-27,220</u>	<u>0</u>

CE33/ CE34	RMC-Ecology&Habitat MTCE(HLF)			
240	Employees	240	240	0
519	Supplies & Services	500	550	50
<u>759</u>	Gross Expenditure	<u>740</u>	<u>790</u>	<u>50</u>
-13,445	Other Income	-13,160	-13,160	0
<u>-12,687</u>	Net Expenditure	<u>-12,420</u>	<u>-12,370</u>	<u>50</u>

CE36	Royal Military Canal Drainage Functions			
3,295	Premises-Related Expenditure	5,440	5,440	0
<u>3,295</u>	Gross Expenditure	<u>5,440</u>	<u>5,440</u>	<u>0</u>
0	Other Income	0	0	0
<u>3,295</u>	Net Expenditure	<u>5,440</u>	<u>5,440</u>	<u>0</u>

CE37	RMC - Bridge Painting			
0	Premises-Related Expenditure	22,480	22,480	0
<u>0</u>	Gross Expenditure	<u>22,480</u>	<u>22,480</u>	<u>0</u>
0	Other Income	0	0	0
<u>0</u>	Net Expenditure	<u>22,480</u>	<u>22,480</u>	<u>0</u>

CE38	Community Parks & Open Spaces			
570,089	1 Supplies & Services	606,320	508,710	-97,610
260,620	2 Third Party Payments	311,060	289,850	-21,210
52,200	Contributions to Provisions	52,200	52,200	0
<u>882,909</u>	Gross Expenditure	<u>969,580</u>	<u>850,760</u>	<u>-118,820</u>
-34,067	Other Income	-21,910	-21,910	0
<u>848,842</u>	Net Expenditure	<u>947,670</u>	<u>828,850</u>	<u>-118,820</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Budget re-alignment			
2	Change in Outsourced Contract Recharges			-100,000
				-21,210

CE40	Off-Street Parking			
96,728	1 Premises-Related Expenditure	27,590	95,070	67,480
63,787	Supplies & Services	74,330	74,130	-200
91,452	Third Party Payments	109,190	108,330	-860
<u>251,967</u>	Gross Expenditure	<u>211,110</u>	<u>277,530</u>	<u>66,420</u>
-1,043,070	2 Other Income	-1,166,150	-1,475,960	-309,810
<u>-791,104</u>	Net Expenditure	<u>-955,040</u>	<u>-1,198,430</u>	<u>-243,390</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth				67,410
2 Approved Budget Strategy Savings				-12,000
2 Approved Budget Strategy Growth				12,000
2 Approved Fees & Charges				-170,000
2 MTFS adjustment				-139,000

CE45	On-Street Parking Enforcement			
29,904	1 Premises-Related Expenditure	31,400	38,500	7,100
71,062	2 Supplies & Services	71,330	94,510	23,180
280,288	Third Party Payments	334,600	338,110	3,510
<u>381,255</u>	Gross Expenditure	<u>437,330</u>	<u>471,120</u>	<u>33,790</u>
-656,135	3 Other Income	-559,370	-806,970	-247,600
<u>-274,880</u>	Net Expenditure	<u>-122,040</u>	<u>-335,850</u>	<u>-213,810</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth				10,100
1 Approved Budget Strategy Savings				-3,000
2 Approved Budget Strategy Growth				22,600
3 MTFS adjustment				-144,000
3 Approved Fees & Charges				-54,000
3 Approved Budget Strategy Savings				-50,000

CE52	Public Conveniences			
39,488	Supplies & Services	42,150	42,150	0
<u>39,488</u>	Gross Expenditure	<u>42,150</u>	<u>42,150</u>	<u>0</u>
-5,187	Other Income	-8,750	-8,750	0
<u>34,301</u>	Net Expenditure	<u>33,400</u>	<u>33,400</u>	<u>0</u>

CE55	Communities - Events			
0	Gross Expenditure	0	0	0
-7,384	Other Income	0	0	0
<u>-7,384</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

CE99	Other Environmental Services			
593	Employees	0	0	0
276	Premises-Related Expenditure	0	0	0
632	Transport-Related Expenditure	100	100	0
31,685	Supplies & Services	34,000	34,000	0
<u>33,186</u>	Gross Expenditure	<u>34,100</u>	<u>34,100</u>	<u>0</u>
0	Other Income	0	0	0
<u>33,186</u>	Net Expenditure	<u>34,100</u>	<u>34,100</u>	<u>0</u>

CG80	Coast Protection			
18,384	1 Premises-Related Expenditure	32,470	53,810	21,340
0	Supplies & Services	500	2,820	2,320
4,868	Third Party Payments	19,000	19,000	0
<u>23,252</u>	Gross Expenditure	<u>51,970</u>	<u>75,630</u>	<u>23,660</u>
-211,527	2 Other Income	-207,660	-241,950	-34,290
<u>-188,276</u>	Net Expenditure	<u>-155,690</u>	<u>-166,320</u>	<u>-10,630</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Permanent virement (from CG90)			12,330
	1 Permanent virement (from CG85)			9,010
	2 Permanent virement (from CG85)			-42,290
	2 Approved Budget Strategy Growth			8,000
CG85	Shoreline Management			
3,442	1 Premises-Related Expenditure	9,010	0	-9,010
<u>3,442</u>	Gross Expenditure	<u>9,010</u>	<u>0</u>	<u>-9,010</u>
-40,846	2 Other Income	-42,290	0	42,290
<u>-37,404</u>	Net Expenditure	<u>-33,280</u>	<u>0</u>	<u>33,280</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Permanent virement (to CG80)			-9,010
	2 Permanent virement (to CG80)			42,290
CG90	Flood Defence & Land Drainage			
16,785	1 Premises-Related Expenditure	12,330	0	-12,330
350	Supplies & Services	2,320	0	-2,320
<u>17,135</u>	Gross Expenditure	<u>14,650</u>	<u>0</u>	<u>-14,650</u>
0	Other Income	0	0	0
<u>17,135</u>	Net Expenditure	<u>14,650</u>	<u>0</u>	<u>-14,650</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Permanent virement (from CG80)			-12,330
EA11	Leas Bandstand			
2,192	Supplies & Services	9,200	9,210	10
<u>2,192</u>	Gross Expenditure	<u>9,200</u>	<u>9,210</u>	<u>10</u>
0	Other Income	-6,000	-6,000	0
<u>2,192</u>	Net Expenditure	<u>3,200</u>	<u>3,210</u>	<u>10</u>
EA12	Hythe Beach Chalets			
0	Gross Expenditure	0	0	0
-2,103	Other Income	-7,980	-7,980	0
<u>-2,103</u>	Net Expenditure	<u>-7,980</u>	<u>-7,980</u>	<u>0</u>
EB02	Mountfield Industrial Estate			
0	Gross Expenditure	0	0	0
-18,200	Other Income	-91,030	-91,030	0
<u>-18,200</u>	Net Expenditure	<u>-91,030</u>	<u>-91,030</u>	<u>0</u>
FH25	Emergency Planning			
3,019	Supplies & Services	18,600	18,600	0
<u>3,019</u>	Gross Expenditure	<u>18,600</u>	<u>18,600</u>	<u>0</u>
0	Other Income	0	0	0
<u>3,019</u>	Net Expenditure	<u>18,600</u>	<u>18,600</u>	<u>0</u>

HH51	Lifeline Facilities			
748,331	1 Employees	645,900	651,240	5,340
9,739	Transport-Related Expenditure	10,940	10,640	-300
148,814	Supplies & Services	128,150	126,020	-2,130
906,884	Gross Expenditure	784,990	787,900	2,910
-863,269	2 Other Income	-939,560	-947,560	-8,000
43,615	Net Expenditure	-154,570	-159,660	-5,090

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	5,340
2 Approved Budget Strategy Savings	-8,000

Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GM18 Maintenance Officers			
218,681	1 Employees	178,540	193,290	14,750
574	Premises-Related Expenditure	0	0	0
19,231	Transport-Related Expenditure	11,880	11,960	80
108,172	Supplies & Services	88,180	89,490	1,310
346,658	Gross Expenditure	278,600	294,740	16,140
-64,608	Other Income	-46,810	-59,810	-13,000
282,050	Net Expenditure	231,790	234,930	3,140

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	14,750
2 Approved Budget Strategy Savings	-13,000

	GM23 Parking Services			
133,804	Employees	113,550	116,270	2,720
1,032	Transport-Related Expenditure	1,650	1,150	-500
6,229	Supplies & Services	6,690	6,450	-240
141,066	Gross Expenditure	121,890	123,870	1,980
0	Other Income	0	0	0
141,066	Net Expenditure	121,890	123,870	1,980

	GM25 Grounds Maintenance Contract Management			
-46	Transport-Related Expenditure	0	0	0
-46	Gross Expenditure	0	0	0
0	Other Income	0	0	0
-46	Net Expenditure	0	0	0

	GM31 Engineering and Buildings			
278,071	1 Employees	275,960	361,320	85,360
4,915	Transport-Related Expenditure	5,300	5,300	0
14,281	Supplies & Services	16,290	16,070	-220
297,267	Gross Expenditure	297,550	382,690	85,140
0	Other Income	0	0	0
297,267	Net Expenditure	297,550	382,690	85,140

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Permanent Virement (from BG50)	53,000
1 Employee Costs including Increments and Pension	32,000

GM32	Estates and Assets			
196,663	1 Employees	209,140	214,520	5,380
2,656	Transport-Related Expenditure	2,300	3,300	1,000
7,214	Supplies & Services	4,000	1,440	-2,560
<u>206,534</u>	Gross Expenditure	<u>215,440</u>	<u>219,260</u>	<u>3,820</u>
-305	Other Income	-10,000	-10,000	0
<u>206,229</u>	Net Expenditure	<u>205,440</u>	<u>209,260</u>	<u>3,820</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	5,380
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Holding

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GE01			
	Grounds Maintenance			
1,346,125	1 Employees	1,249,250	1,302,030	52,780
60,099	Premises-Related Expenditure	65,780	65,780	0
147,549	Transport-Related Expenditure	134,370	137,710	3,340
151,234	Supplies & Services	171,190	174,130	2,940
<u>1,705,006</u>	Gross Expenditure	<u>1,620,590</u>	<u>1,679,650</u>	<u>59,060</u>
-202,249	Other Income	-205,900	-205,900	0
<u>1,502,757</u>	Net Expenditure	<u>1,414,690</u>	<u>1,473,750</u>	<u>59,060</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Agreed new post	24,500
1 Employee Costs including Increments and Pension	28,000

	GE05			
	Charity Areas			
193,055	Employees	204,570	206,650	2,080
9,628	Transport-Related Expenditure	7,710	7,710	0
12,026	Supplies & Services	12,250	11,420	-830
<u>214,709</u>	Gross Expenditure	<u>224,530</u>	<u>225,780</u>	<u>1,250</u>
0	Other Income	0	0	0
<u>214,709</u>	Net Expenditure	<u>224,530</u>	<u>225,780</u>	<u>1,250</u>

	GE06			
	Royal Military Canal			
52,502	Employees	56,910	60,990	4,080
3,728	Premises-Related Expenditure	5,000	5,000	0
7,153	Transport-Related Expenditure	4,550	4,550	0
11,180	Supplies & Services	13,470	13,210	-260
<u>74,563</u>	Gross Expenditure	<u>79,930</u>	<u>83,750</u>	<u>3,820</u>
0	Other Income	0	0	0
<u>74,563</u>	Net Expenditure	<u>79,930</u>	<u>83,750</u>	<u>3,820</u>

	GE07			
	Toilet Cleaning			
87,344	1 Employees	82,970	107,540	24,570
7,842	Premises-Related Expenditure	17,250	17,250	0
6,843	Transport-Related Expenditure	9,050	9,130	80
15,453	Supplies & Services	36,370	36,220	-150
<u>117,482</u>	Gross Expenditure	<u>145,640</u>	<u>170,140</u>	<u>24,500</u>
0	Other Income	0	0	0
<u>117,482</u>	Net Expenditure	<u>145,640</u>	<u>170,140</u>	<u>24,500</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth	24,050
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GE08	Pump Maintenance Crew			
53,568	Employees	42,900	43,350	450
3,935	Transport-Related Expenditure	11,150	11,190	40
42,729	Supplies & Services	42,750	42,790	40
<u>100,231</u>	Gross Expenditure	<u>96,800</u>	<u>97,330</u>	<u>530</u>
-91,983	Other Income	-92,600	-92,600	0
<u>8,248</u>	Net Expenditure	<u>4,200</u>	<u>4,730</u>	<u>530</u>

GE10	Diesel - Fuel Tank Ross Depot			
2,610	Transport-Related Expenditure	0	0	0
<u>2,610</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>2,610</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

GX00	Civic Centre			
230,072	1 Premises-Related Expenditure	268,610	281,130	12,520
5,953	2 Supplies & Services	251,020	1,070	-249,950
3,106	Third Party Payments	3,460	3,460	0
<u>239,131</u>	Gross Expenditure	<u>523,090</u>	<u>285,660</u>	<u>-237,430</u>
-128,007	3 Other Income	-136,000	-112,000	24,000
<u>111,123</u>	Net Expenditure	<u>387,090</u>	<u>173,660</u>	<u>-213,430</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 MTFS adjustment	24,080
1 Approved Budget Strategy Savings	-11,000
2 MTFS adjustment	-250,000
3 Approved Budget Strategy Growth	24,000

GX05	Hawkinge Depot			
2,121	Premises-Related Expenditure	1,820	0	-1,820
0	Supplies & Services	400	0	-400
<u>2,121</u>	Gross Expenditure	<u>2,220</u>	<u>0</u>	<u>-2,220</u>
0	Other Income	0	0	0
<u>2,121</u>	Net Expenditure	<u>2,220</u>	<u>0</u>	<u>-2,220</u>

GX10	Public Toilets			
107,245	1 Premises-Related Expenditure	109,990	77,400	-32,590
<u>107,245</u>	Gross Expenditure	<u>109,990</u>	<u>77,400</u>	<u>-32,590</u>
0	Other Income	0	0	0
<u>107,245</u>	Net Expenditure	<u>109,990</u>	<u>77,400</u>	<u>-32,590</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-34,420
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GX20	Parks & Open Spaces Buildings			
38,543	Premises-Related Expenditure	10,720	12,280	1,560
130	Supplies & Services	120	130	10
<u>38,673</u>	Gross Expenditure	<u>10,840</u>	<u>12,410</u>	<u>1,570</u>
-895	1 Other Income	0	-12,000	-12,000
<u>37,778</u>	Net Expenditure	<u>10,840</u>	<u>410</u>	<u>-10,430</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-12,000
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GX21	Royal Military Canal Buildings			
6,572	Premises-Related Expenditure	6,050	6,110	60
6,572	Gross Expenditure	6,050	6,110	60
0	Other Income	0	0	0
6,572	Net Expenditure	6,050	6,110	60
GX22	Hythe Beach Huts			
77	Premises-Related Expenditure	130	80	-50
77	Gross Expenditure	130	80	-50
0	Other Income	0	0	0
77	Net Expenditure	130	80	-50
GX23	Bandstand			
1,631	Premises-Related Expenditure	2,410	2,460	50
1,631	Gross Expenditure	2,410	2,460	50
0	Other Income	0	0	0
1,631	Net Expenditure	2,410	2,460	50
GX24	Sports & Recreation Buildings			
21,200	1 Premises-Related Expenditure	19,580	27,790	8,210
21,200	Gross Expenditure	19,580	27,790	8,210
0	Other Income	30	30	0
21,200	Net Expenditure	19,610	27,820	8,210
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Permanent virement (from FH04)			8,000
GX25	Charity Parks & Open Spaces			
39,893	1 Premises-Related Expenditure	35,440	43,560	8,120
39,893	Gross Expenditure	35,440	43,560	8,120
0	Other Income	0	0	0
39,893	Net Expenditure	35,440	43,560	8,120
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Approved Budget Strategy Growth			10,000
GX27	Hythe Swimming Pool			
74,739	1 Premises-Related Expenditure	133,180	140,020	6,840
74,739	Gross Expenditure	133,180	140,020	6,840
0	Other Income	0	0	0
74,739	Net Expenditure	133,180	140,020	6,840
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			11,520
	1 Approved Budget Strategy Savings			-5,000
GX30	Car Parks			
197,339	Premises-Related Expenditure	216,970	215,640	-1,330
140	Supplies & Services	140	150	10
197,479	Gross Expenditure	217,110	215,790	-1,320
0	Other Income	0	0	0
197,479	Net Expenditure	217,110	215,790	-1,320

GX40	Prog Planned Maintenance			
52,712	Premises-Related Expenditure	91,000	91,000	0
52,712	Gross Expenditure	91,000	91,000	0
0	Other Income	0	0	0
52,712	Net Expenditure	91,000	91,000	0
GX50	Depots & Cemetery Buildings			
39,776	1 Premises-Related Expenditure	43,410	50,670	7,260
0	Supplies & Services	0	400	400
39,776	Gross Expenditure	43,410	51,070	7,660
-1,309	Other Income	0	0	0
38,467	Net Expenditure	43,410	51,070	7,660
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			5,000
GX52	Mountfield Road Depot			
54	Premises-Related Expenditure	190	0	-190
91	Supplies & Services	0	0	0
145	Gross Expenditure	190	0	-190
0	Other Income	0	0	0
145	Net Expenditure	190	0	-190
GX53	Misc Corporate Property			
66,305	Premises-Related Expenditure	38,540	35,240	-3,300
9,030	Supplies & Services	7,150	7,150	0
75,335	Gross Expenditure	45,690	42,390	-3,300
-301,127	1 Other Income	-309,770	-381,770	-72,000
-225,792	Net Expenditure	-264,080	-339,380	-75,300
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			-46,400
	1 Approved Budget Strategy Savings			-25,600
GX54	Christchurch Tower			
383	Premises-Related Expenditure	310	400	90
383	Gross Expenditure	310	400	90
0	Other Income	0	0	0
383	Net Expenditure	310	400	90
GX60	Mountfield Industrial Estate			
0	Premises-Related Expenditure	2,910	2,910	0
0	Gross Expenditure	2,910	2,910	0
0	Other Income	0	0	0
0	Net Expenditure	2,910	2,910	0
GX65	Folca			
127,865	Premises-Related Expenditure	152,250	152,250	0
9,523	Supplies & Services	0	0	0
137,388	Gross Expenditure	152,250	152,250	0
-2,982	Other Income	0	0	0
134,407	Net Expenditure	152,250	152,250	0

GX80	Misc Otterpool Property			
50,926	1 Premises-Related Expenditure	16,030	21,580	5,550
2,878	Transport-Related Expenditure	0	0	0
131,179	Supplies & Services	0	0	0
184,983	Gross Expenditure	16,030	21,580	5,550
-248,801	2 Other Income	0	-100,000	-100,000
-63,818	Net Expenditure	16,030	-78,420	-94,450
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Adjustment to Centrally Determined Costs			5,550
	2 MTFS adjustment			-100,000
GX81	Connect 38			
9,551	Employees	0	0	0
20,971	Premises-Related Expenditure	20,080	22,020	1,940
298,721	Supplies & Services	42,000	42,000	0
329,243	Gross Expenditure	62,080	64,020	1,940
-325,145	1 Other Income	-904,000	-1,241,000	-337,000
4,097	Net Expenditure	-841,920	-1,176,980	-335,060
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 MTFS adjustment			-212,000
	1 Approved Budget Strategy Savings			-125,000
GX82	Westenhanger Castle			
4,695	Premises-Related Expenditure	0	0	0
1,775	Supplies & Services	0	0	0
6,470	Gross Expenditure	0	0	0
0	Other Income	0	0	0
6,470	Net Expenditure	0	0	0
GX83	Memorial Arch			
1,978	1 Premises-Related Expenditure	21,000	15,000	-6,000
1,978	Gross Expenditure	21,000	15,000	-6,000
-125	Other Income	0	0	0
1,854	Net Expenditure	21,000	15,000	-6,000
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Approved Budget Strategy Savings			-6,000
GX84	Folkestone Racecourse			
1,815	Premises-Related Expenditure	0	0	0
1,266	Supplies & Services	0	0	0
3,080	Gross Expenditure	0	0	0
-20,746	Other Income	0	0	0
-17,665	Net Expenditure	0	0	0
GX89	Misc Agricultural Property			
0	Premises-Related Expenditure	100	100	0
0	Gross Expenditure	100	100	0
0	Other Income	0	0	0
0	Net Expenditure	100	100	0

Strategic Development Summary

		<u>Service</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
434,916	ED00 Otterpool - Developer	42,780	720	-42,060
276	ED50 Strategic Projects	30,000	30,000	0
435,192	Service Total	72,780	30,720	-42,060

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
91,923	GM33 Projects	0	0	0
164,481	GM40 Strategic Development Projects	0	8,950	8,950
159,058	GM48 Land Owner Projects	-2,290	0	2,290
415,462	Administration Total	-2,290	8,950	11,240

Strategic Development Detail

ED00	Otterpool - Developer			
165,147	1 Employees	176,290	255,230	78,940
383	Premises-Related Expenditure	0	0	0
588	Transport-Related Expenditure	0	0	0
268,798	Supplies & Services	260	690	430
0	Third Party Payments	-2,460	0	2,460
434,916	Gross Expenditure	174,090	255,920	81,830
0	2 Other Income	-131,310	-255,200	-123,890
434,916	Net Expenditure	42,780	720	-42,060

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Permanent virement (from GM48)	117,000
1 Budget re-alignment	-48,000
2 Permanent virement (from GM48)	-126,550

ED50	Strategic Projects			
276	Supplies & Services	30,000	30,000	0
276	Gross Expenditure	30,000	30,000	0
0	Other Income	0	0	0
276	Net Expenditure	30,000	30,000	0

Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GM33 Projects			
89,126	Employees	0	0	0
223	Transport-Related Expenditure	0	0	0
2,574	Supplies & Services	0	0	0
<u>91,923</u>	Gross Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
0	Other Income	0	0	0
<u>91,923</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>
	GM40 Strategic Development Projects			
163,275	Employees	133,870	137,900	4,030
18	Transport-Related Expenditure	0	0	0
1,188	Supplies & Services	2,170	1,250	-920
<u>164,481</u>	Gross Expenditure	<u>136,040</u>	<u>139,150</u>	<u>3,110</u>
0	1 Other Income	-136,040	-130,200	5,840
<u>164,481</u>	Net Expenditure	<u>0</u>	<u>8,950</u>	<u>8,950</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Recharge to Otterpool LLP			5,840
	GM48 Land Owner Projects			
157,629	1 Employees	120,990	0	-120,990
282	Transport-Related Expenditure	1,500	0	-1,500
1,147	Supplies & Services	1,770	0	-1,770
<u>159,058</u>	Gross Expenditure	<u>124,260</u>	<u>0</u>	<u>-124,260</u>
0	2 Other Income	-126,550	0	126,550
<u>159,058</u>	Net Expenditure	<u>-2,290</u>	<u>0</u>	<u>2,290</u>
	Key Variances from Original Budget 2021/22 to Original Budget 2022/23			
	1 Permanent virement (to ED00)			-117,000
	2 Permanent virement (to ED00)			126,550

**John Holman / Gill Butler
Housing Summary**

		<u>Service</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
-182	HE10 Housing Standards	-560	-5,660	-5,100
3,500	HH11 Housing Strategy	3,500	3,500	0
-100,448	HH21 Homelessness	47,150	-13,850	-61,000
-70,939	HH22 Homelessness (Grant Funded Exp)	-98,000	-97,260	740
-45,374	HH25 FHDC Temporary Accommodation	38,000	-22,000	-60,000
131	HH31 Registered Social Landlords	0	0	0
-713,753	HH40 Renovation Grants	0	0	0
44,550	HH42 Care and Repair Scheme	44,550	44,550	0
24,346	HH48 Other Housing Improvement Services	100,000	100,000	0
0	HX02 Rent Deposits	1,000	1,000	0
-858,169	Service Total	135,640	10,280	-125,360

		<u>Administration</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Original to Original Variance
£		£	£	£
51,339	GH01 Assets and Development	106,040	87,610	-18,430
103,106	GH02 HRA Regeneration & Development	220,590	223,470	2,880
170,146	GH03 Compliance	231,180	242,090	10,910
171,080	GH04 Repairs	289,310	314,970	25,660
188,557	GH05 Assets & Major Works	283,650	321,650	38,000
53,823	GH06 Housing Operations	76,810	79,320	2,510
346,806	GH07 Neighbourhood Management	569,560	613,860	44,300
30,164	GH08 Leasehold Management	63,900	58,930	-4,970
203,220	GH09 Supported Housing	379,680	371,170	-8,510
14,442	GH10 Regulations Specialists	35,910	37,590	1,680
458,650	GH58 Housing Options	336,030	384,000	47,970
54,440	GH61 Social Lettings Agency	49,230	47,410	-1,820
220,882	GH62 Housing Strategy & Support	188,800	190,500	1,700
160,249	GM03 Assistant Director - Housing	154,280	129,010	-25,270
252,344	GM29 Private Sector Housing	224,990	230,980	5,990
2,479,248	Administration Total	3,209,960	3,332,560	122,600

**John Holman/ Gill Butler
Housing Detail**

		<u>Service</u>		
2020/21 Actual		2021/22 Original Budget	2022/23 Original Budget	Variances
£		£	£	£
	HE10 Housing Standards			
2,650	Supplies & Services	1,000	1,000	0
2,650	Gross Expenditure	1,000	1,000	0
-2,832	¹ Other Income	-1,560	-6,660	-5,100
-182	Net Expenditure	-560	-5,660	-5,100

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

¹ Approved Fees & Charges	-5,100
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HH11	Housing Strategy			
1,000	Premises-Related Expenditure	1,000	1,000	0
2,500	Supplies & Services	2,500	2,500	0
<u>3,500</u>	Gross Expenditure	<u>3,500</u>	<u>3,500</u>	<u>0</u>
0	Other Income	0	0	0
<u>3,500</u>	Net Expenditure	<u>3,500</u>	<u>3,500</u>	<u>0</u>

HH21	Homelessness			
0	Transport-Related Expenditure	300	300	0
436,153	1 Supplies & Services	309,450	283,450	-26,000
6,849	2 Third Party Payments	42,400	7,400	-35,000
<u>443,002</u>	Gross Expenditure	<u>352,150</u>	<u>291,150</u>	<u>-61,000</u>
-543,450	Other Income	-305,000	-305,000	0
<u>-100,448</u>	Net Expenditure	<u>47,150</u>	<u>-13,850</u>	<u>-61,000</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-26,000
2 Permanent virement (to GH58)	-35,000

HH22	Homelessness (Grant Funded Exp)			
222,547	Employees	193,510	195,320	1,810
4,180	Transport-Related Expenditure	4,030	4,000	-30
146,674	Supplies & Services	218,460	217,420	-1,040
<u>373,401</u>	Gross Expenditure	<u>416,000</u>	<u>416,740</u>	<u>740</u>
-444,340	Other Income	-514,000	-514,000	0
<u>-70,939</u>	Net Expenditure	<u>-98,000</u>	<u>-97,260</u>	<u>740</u>

HH25	FHDC Temporary Accommodation			
2,962	1 Premises-Related Expenditure	32,000	23,000	-9,000
2,532	Supplies & Services	6,000	5,000	-1,000
<u>5,494</u>	Gross Expenditure	<u>38,000</u>	<u>28,000</u>	<u>-10,000</u>
-50,868	2 Other Income	0	-50,000	-50,000
<u>-45,374</u>	Net Expenditure	<u>38,000</u>	<u>-22,000</u>	<u>-60,000</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Savings	-9,000
2 Approved Budget Strategy Savings	-50,000

HH31	Registered Social Landlords			
0	Gross Expenditure	0	0	0
131	Other Income	0	0	0
<u>131</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

HH40	Renovation Grants			
635,871	Supplies & Services	1,000,000	1,000,000	0
<u>635,871</u>	Gross Expenditure	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
-1,349,625	Other Income	-1,000,000	-1,000,000	0
<u>-713,753</u>	Net Expenditure	<u>0</u>	<u>0</u>	<u>0</u>

HH42	Care and Repair Scheme			
44,550	Supplies & Services	44,550	44,550	0
<u>44,550</u>	Gross Expenditure	<u>44,550</u>	<u>44,550</u>	<u>0</u>
0	Other Income	0	0	0
<u>44,550</u>	Net Expenditure	<u>44,550</u>	<u>44,550</u>	<u>0</u>

HH48	Other Housing Improvement Services			
54,324	Supplies & Services	100,000	100,000	0
54,324	Gross Expenditure	100,000	100,000	0
-29,979	Other Income	0	0	0
24,346	Net Expenditure	100,000	100,000	0

HX02	Rent Deposits			
0	Supplies & Services	1,700	1,700	0
0	Gross Expenditure	1,700	1,700	0
0	Other Income	-700	-700	0
0	Net Expenditure	1,000	1,000	0

Administration

2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GH01			
	Assets and Development			
50,490	1 Employees	104,010	85,600	-18,410
849	Supplies & Services	2,030	2,010	-20
51,339	Gross Expenditure	106,040	87,610	-18,430
0	Other Income	0	0	0
51,339	Net Expenditure	106,040	87,610	-18,430

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Realignment of budgets for Housing staff			-18,000
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	GH02			
	HRA Regeneration & Development			
100,795	Employees	212,860	215,570	2,710
32	Transport-Related Expenditure	0	150	150
2,279	Supplies & Services	7,730	7,750	20
103,106	Gross Expenditure	220,590	223,470	2,880
0	Other Income	0	0	0
103,106	Net Expenditure	220,590	223,470	2,880

	GH03			
	Compliance			
167,150	1 Employees	219,590	228,680	9,090
295	Transport-Related Expenditure	0	2,000	2,000
2,700	Supplies & Services	11,590	11,410	-180
170,146	Gross Expenditure	231,180	242,090	10,910
0	Other Income	0	0	0
170,146	Net Expenditure	231,180	242,090	10,910

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Employee Costs including Increments and Pension			9,000
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	GH04			
	Repairs			
163,020	1 Employees	274,810	300,020	25,210
4,763	Transport-Related Expenditure	7,200	8,000	800
3,297	Supplies & Services	7,300	6,950	-350
171,080	Gross Expenditure	289,310	314,970	25,660
0	Other Income	0	0	0
171,080	Net Expenditure	289,310	314,970	25,660

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Realignment of budgets for Housing staff			25,000
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GH05	Assets & Major Works			
178,783	1 Employees	270,520	306,130	35,610
4,436	Transport-Related Expenditure	4,850	7,500	2,650
5,337	Supplies & Services	8,280	8,020	-260
<u>188,557</u>	Gross Expenditure	<u>283,650</u>	<u>321,650</u>	<u>38,000</u>
0	Other Income	0	0	0
<u>188,557</u>	Net Expenditure	<u>283,650</u>	<u>321,650</u>	<u>38,000</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Realignment of budgets for Housing staff			35,000
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GH06	Housing Operations			
52,524	Employees	73,960	76,450	2,490
1,298	Supplies & Services	2,850	2,870	20
<u>53,823</u>	Gross Expenditure	<u>76,810</u>	<u>79,320</u>	<u>2,510</u>
0	Other Income	0	0	0
<u>53,823</u>	Net Expenditure	<u>76,810</u>	<u>79,320</u>	<u>2,510</u>

GH07	Neighbourhood Management			
289,510	1 Employees	486,960	530,170	43,210
7,488	Transport-Related Expenditure	13,200	17,200	4,000
49,808	Supplies & Services	69,400	66,490	-2,910
<u>346,806</u>	Gross Expenditure	<u>569,560</u>	<u>613,860</u>	<u>44,300</u>
0	Other Income	0	0	0
<u>346,806</u>	Net Expenditure	<u>569,560</u>	<u>613,860</u>	<u>44,300</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Employee Costs including Increments and Pension			30,000
1	Additional caretaker hours - HRA funded			12,000

GH08	Leasehold Management			
28,817	Employees	62,540	57,620	-4,920
1,347	Supplies & Services	1,360	1,310	-50
<u>30,164</u>	Gross Expenditure	<u>63,900</u>	<u>58,930</u>	<u>-4,970</u>
0	Other Income	0	0	0
<u>30,164</u>	Net Expenditure	<u>63,900</u>	<u>58,930</u>	<u>-4,970</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1	Employee Costs including Increments and Pension			-5,000
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GH09	Supported Housing			
190,356	Employees	354,600	347,760	-6,840
7,141	Transport-Related Expenditure	15,600	14,500	-1,100
5,722	Supplies & Services	9,480	8,910	-570
<u>203,220</u>	Gross Expenditure	<u>379,680</u>	<u>371,170</u>	<u>-8,510</u>
0	Other Income	0	0	0
<u>203,220</u>	Net Expenditure	<u>379,680</u>	<u>371,170</u>	<u>-8,510</u>

GH10	Regulations Specialists			
14,442	Employees	35,630	37,310	1,680
0	Supplies & Services	280	280	0
<u>14,442</u>	Gross Expenditure	<u>35,910</u>	<u>37,590</u>	<u>1,680</u>
0	Other Income	0	0	0
<u>14,442</u>	Net Expenditure	<u>35,910</u>	<u>37,590</u>	<u>1,680</u>

GH58 Housing Options				
431,345	1 Employees	322,450	375,930	53,480
9,038	Transport-Related Expenditure	8,020	10,020	2,000
18,267	Supplies & Services	5,560	3,220	-2,340
0	2 Third Party Payments	0	35,000	35,000
<u>458,650</u>	Gross Expenditure	<u>336,030</u>	<u>424,170</u>	<u>88,140</u>
0	3 Other Income	0	-40,170	-40,170
<u>458,650</u>	Net Expenditure	<u>336,030</u>	<u>384,000</u>	<u>47,970</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Approved Budget Strategy Growth	40,170
1 Employee Costs including Increments and Pension	13,000
2 Permanent virement (from HH21)	35,000
3 Approved Budget Strategy Savings	-40,170

GH61 Social Lettings Agency				
53,817	Employees	45,080	46,840	1,760
269	Transport-Related Expenditure	3,500	200	-3,300
354	Supplies & Services	650	370	-280
<u>54,440</u>	Gross Expenditure	<u>49,230</u>	<u>47,410</u>	<u>-1,820</u>
0	Other Income	0	0	0
<u>54,440</u>	Net Expenditure	<u>49,230</u>	<u>47,410</u>	<u>-1,820</u>

GH62 Housing Strategy & Support				
211,645	Employees	178,720	181,040	2,320
2,858	Transport-Related Expenditure	2,680	2,680	0
6,379	Supplies & Services	7,400	6,780	-620
<u>220,882</u>	Gross Expenditure	<u>188,800</u>	<u>190,500</u>	<u>1,700</u>
0	Other Income	0	0	0
<u>220,882</u>	Net Expenditure	<u>188,800</u>	<u>190,500</u>	<u>1,700</u>

GM03 Assistant Director - Housing				
218,815	Employees	151,660	127,340	-24,320
0	Premises-Related Expenditure	0	0	0
173	Transport-Related Expenditure	250	250	0
1,209	Supplies & Services	2,370	1,420	-950
0	Third Party Payments	0	0	0
0	Transfer Payments	0	0	0
0	Contributions to Provisions	0	0	0
<u>220,197</u>	Gross Expenditure	<u>154,280</u>	<u>129,010</u>	<u>-25,270</u>
-59,948	Other Income	0	0	0
<u>160,249</u>	Net Expenditure	<u>154,280</u>	<u>129,010</u>	<u>-25,270</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Change to establishment	-24,000
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GM29 Private Sector Housing				
242,611	1 Employees	214,750	222,520	7,770
5,318	Transport-Related Expenditure	6,100	5,600	-500
4,415	Supplies & Services	4,140	2,860	-1,280
<u>252,344</u>	Gross Expenditure	<u>224,990</u>	<u>230,980</u>	<u>5,990</u>
0	Other Income	0	0	0
<u>252,344</u>	Net Expenditure	<u>224,990</u>	<u>230,980</u>	<u>5,990</u>

Key Variances from Original Budget 2021/22 to Original Budget 2022/23

1 Employee Costs including Increments and Pension	7,770
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**Tim Madden
Transition & Transformation Summary**

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Original to Original Variance £
31,423	GL60 Transformation Project	0	0	0
31,423	Administration Total	0	0	0

**Tim Madden
Transition & Transformation Detail**

		<u>Administration</u>		
2020/21 Actual £		2021/22 Original Budget £	2022/23 Original Budget £	Variances £
	GL60 Transformation Project			
26,893	Employees	0	0	0
4,529	Supplies & Services	0	0	0
31,423	Gross Expenditure	0	0	0
0	Other Income	0	0	0
31,423	Net Expenditure	0	0	0

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This Report will be made public on 10 January 2022

Report Number **C/21/66**

To: Cabinet
Date: 26 January 2022
Status: 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: DRAFT HOUSING REVENUE ACCOUNT REVENUE AND CAPITAL ORIGINAL BUDGET 2022/23

SUMMARY: This report sets out the Housing Revenue Account Revenue and Capital Budget for 2022/23 and proposes an increase in weekly rents and an increase in service charges for 2022/23.

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/21/66.
2. To recommend to Full Council the Housing Revenue Account Budget for 2022/23. (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 £3.52 per week, representing a 4.1% increase with effect from 4 April 2022 (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 2022/23. (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.

2. HOUSING REVENUE ACCOUNT REVENUE ESTIMATES

2.1 Original Budget 2022/23

The proposed HRA Budget for 2022/23, at Appendix 1, shows a forecast deficit of £3.9m. 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 2023 is expected to be £3.0m as shown at Table 1 below:

Table 1	£000's
Original estimate of balance at 31 March 2022	(6,939)
Movement from Original 2021/22 to Original budgets 2022/23	
Increase in rents and other service charges (see 2.1.2)	(1,428)
Reduction in special management costs (see 2.1.4)	(558)
Reduction in depreciation charges	(244)
Increase in general management costs (see 2.1.3)	998
Other net movements	23
	(1,209)
Deficit 2021/22	5,098
Original estimate of balance at 31 March 2023	(3,050)

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% using the September 2021 CPI. This revised policy was announced by government in February 2019 and allows social landlords to increase rents by CPI plus 1% for a period of five years from 2020. This is in line with the approach taken in 2021/22.

2.1.3 General Management Costs

The increase in general management costs is largely due to the reallocation of recharges from special management costs (which has seen a compensatory reduction of £701k). The budget also proposes an increase of £141k for consultancy costs for 2022/23 for a number of projects including Kitewell & Woodland Cottages, Lifeline next generation implementation and Zero Net Carbon initiatives.

2.1.4 Special Management Costs

The reduction in special management costs of (£558k) is largely due to the reallocation of recharges to general management costs of (£701k), an increase in both utility costs £108k and supplies and services £30k.

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 2021/22 was £12.0m, 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 2023.

<i>Table 2</i>	2021/22	2022/23
	£000's	£000's
Balance as at 1 April	12,037	6,939
Balance as at 31 March	6,939	3,050

The HRA reserve is expected to decrease by £3.9m from the close of 2021/22 and the end of the financial year 2022/23.

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 1st 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'¹ 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% (September 2021 CPI 3.1%) which is 4.1%, in line with Government guidelines, equates to an increase of £3.52 per week or £183.04 per annum. This gives an average rent of £92.82 (over 50 weeks) in 2022/23 (average rent in 2021/22 is £89.17 (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

¹ 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.

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 2022/23 will not be available until early February 2022. The Government announced in January 2020 that rates will rise by inflation from April 2020. The indicative 2022/23 affordable rents for the Folkestone & Hythe area are as follows:

Bedsits	£67.01 per week
1 bedroom houses	£103.21 per week
2 bedroom houses	£136.43 per week
3 bedroom houses	£177.95 per week
4 bedroom houses	£213.54 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>	Average weekly rent over 52 weeks (2022/23) £	Difference between FHDC and other authorities £
Folkestone & Hythe	89.25	-
Dover	90.54	1.29
Canterbury	96.70	7.45
Thanet	86.45	(2.80)

- 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 2021 was 3.1%, CPI plus 1.0% is therefore 4.1%. As a result general service charges within the HRA will increase by 4.1% with effect from 4 April 2022.

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 2022/23 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 2022/23 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 £25.47 per week (£1,273 per year)
- 1 bed flats £28.40 per week (£1,420 per year)
- 2 bed flats £31.18 per week (£1,559 per year)

4. HOUSING REVENUE ACCOUNT CAPITAL ESTIMATES

4.1 Original Budget 2022/23

The proposed HRA Capital Budget for 2022/23, shown in Appendix 2, is £14.7m. Table 4 below shows the movements in the programme from the 2021/22 original budget to the original budget for 2022/23.

<i>Table 4</i>	£000's
Original estimate 2021/22	14,460
Changes in programme	
Carbon Reduction Improvements (see 4.1.1)	1,330
Ross House (see 4.1.2)	900
Door/Block Entry (see 4.1.2)	409
Bathroom Improvements (see 4.1.2)	194
Windows/Doors (see 4.1.2)	192
Kitchen Replacement (see 4.1.2)	170
Enhanced Capital Programme	(2,500)
New Builds (see 4.1.3)	(799)
Other net variances	341
Total increase in expenditure	237
Original estimate 2022/23	14,697

4.1.1 Carbon Reduction Improvements

The proposed 2022/23 budget for Carbon Reduction Improvements is derived from the Stock Condition Survey. There is also an allowance of £834k which relates to the Council's contribution to our Social Decarbonisation bid, a decision on this bid has not yet been made by government but if successful the grant funding will be £1.7m against a project cost of £2.5m.

4.1.2 Decent Homes Standard

The increased budget requirement is to address recommendations and carry out works identified from verified surveys from the Rapleys Stock Condition Survey and sample testing to maintain the Decent Homes Standard.

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 scheme are now due to commence in 2022/23 as there have been delays to this scheme commencing in 2021/22, therefore, £4m will be requested as a carry forward for this scheme in 2021/22.

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 2021/22 and original budget for 2022/23 for the HRA capital programme.

	Major Repairs Reserve	Use of RTB Capital Receipts	Use of Other HRA Capital Receipts	Revenue Contribution	Total
	£000's	£000's	£000's	£000's	£000's
Original budget 2021/22	5,880	1,956	0	6,624	14,460
Original budget 2022/23	2,399	2,289	3,384	6,625	14,697

5. RISK MANAGEMENT ISSUES

5.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital programme does not reflect work required	Medium	Low	The budgets have been drafted following a comprehensive stock condition survey to identify works required
Spending profile and budget are unaligned	High	Low-Medium	Stringent budget monitoring during the financial year will enable early corrective action

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Comments (NM)

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

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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Appendix 1

HOUSING SERVICES

Actual 2020/21 £	<u>HOUSING REVENUE ACCOUNT</u>	Original 2021/22 £	Draft 22/23 Budget £	Change	Notes
	INCOME				
14,944,128	Dwelling rents	14,415,750	15,817,040	1,401,290	CPI + 1% increase
279,139	Non-dwelling rents	342,380	342,380	0	
1,048,989	Other charges for services and facilities	1,020,200	1,047,020	26,820	Increase of RPI + 0.5%
52,200	Contributions from general fund	52,200	52,200	0	
16,324,456	TOTAL INCOME	15,830,530	17,258,640	1,428,110	
	EXPENDITURE				
3,826,666	Repairs and maintenance	4,070,920	4,091,260	20,340	Increase in pump station repairs
8,504,591	General management *	3,767,570	4,765,930	998,360	Realignment / increase in GF recharges & increase in consultancy costs
1,943,264	Special management *	2,252,240	1,693,920	-558,320	Realignment in GF recharges
21,071	Rents, rates & taxes	21,750	21,750	0	
95,063	Increase provision for bad or doubtful debts	200,000	100,000	-100,000	
	<u>Capital Financing Costs</u>				
6,886,853	Depreciation charges	2,643,000	2,398,700	-244,300	
1,828,248	Exceptional Item Impairment	0	0	0	
24,940	Debt management expenses	21,310	23,400	2,090	
23,130,695	TOTAL EXPENDITURE	12,976,790	13,094,960	118,170	
6,806,239	NET COST OF SERVICES	-2,853,740	-4,163,680	-1,309,940	
1,546,681	Loan charges - Interest	1,573,000	1,633,000	60,000	
	<u>Investment Income</u>				
-18,392	Interest on notional cash balances	-50,000	-11,310	38,690	
0	Premiums & discounts	0	0	0	
8,334,527	NET OPERATING INCOME	-1,330,740	-2,541,990	-1,211,250	
-6,132,657	Any other item of income & expenditure	0			
2,965,932	Revenue Contribution to Capital Expenditure	6,623,883	6,625,550	1,667	
-4,730,000	Pensions Interest costs	-195,000	-195,000	0	
437,802	TOTAL DEFICIT/SURPLUS(-) FOR YEAR	5,098,143	3,888,560	-1,209,583	
12,474,698	Balance as at 1st April	12,036,896	6,938,753		
12,036,896	Balance as at 31st March	6,938,753	3,050,193		

* General Management - relates to costs for the whole of the housing stock or all tenants 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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Appendix 2

HOUSING SERVICES

Actual 2020/21 £	<u>HRA CAPITAL PROGRAMME</u>	Original 2021/22 £	Draft 22/23 Budget £	Change	Notes
	<u>EXPENDITURE</u>				
	<u>Decent Homes Standard</u>				
302,405	Windows/Doors	540,000	732,350	192,350	Increased budget requirement from Rapleys Stock Condition Survey
699,782	Re-roofing	800,000	799,640	-360	
529,903	Heating Replacements	649,330	649,330	0	
119,655	Kitchen Replacement	410,000	579,600	169,600	Increased budget requirement from Rapleys Stock Condition Survey
134,848	Bathroom Improvements	250,000	444,250	194,250	Increased budget requirement from Rapleys Stock Condition Survey
428,816	Voids Capital Works	300,000	300,000	0	
331,653	External Enveloping	330,000	392,440	62,440	
0	Smoke/CO/Heat detectors	0	38,080	38,080	
0	Door/block entry	0	409,000	409,000	Increased budget requirement from Rapleys Stock Condition Survey
484,700	Fire Protection Works	700,000	800,000	100,000	Increased budget requirement from Rapleys Stock Condition Survey
10,450	Carbon Reduction Improvements	120,000	1,449,900	1,329,900	Includes Wave 1 of Social Decarbonisation bid (1/3 of project cost contribution £834k)
6,555	Contract Specification	20,000	0	-20,000	Budget not required as any consultancy costs should be shown in Revenue
0	Communal Areas	0	104,060	104,060	
0	Ross House	0	900,000	900,000	Retro-fit works to be completed
0	Enhanced Capital Programme	2,500,000	0	-2,500,000	Enhanced Capital budget realigned over Carbon Reduction measures and Ross House scheme
3,048,766	Sub-Total	6,619,330	7,598,650	979,320	
	<u>Non Decent Homes Standard</u>				
2,503	Treatment Works	10,000	110,000	100,000	Additional to Rapley's report - work is required to Moore Close £74k
334,506	Disabled Adaptations	450,000	450,000	0	
502,060	Rewiring	485,000	437,200	-47,800	
66,669	Sheltered Scheme upgrades	80,000	80,000	0	
-9,362	Garages Improvements	150,000	150,000	0	
20,000	Lift Replacements	60,000	60,000	0	
916,376	Sub-Total	1,235,000	1,287,200	52,200	
	<u>New Build Programme</u>				
3,988,123	New Builds	6,520,790	5,721,500	-799,290	Draft budget includes c/fwd of £4m relating to unspent Highview 21/22 budget, Highview £5.5m, Shepway Close £1m, Radnor Park £1.6m & Acquisitions £1.4m
3,988,123	Sub-Total	6,520,790	5,721,500	-799,290	
	<u>Environment/Estate Improvement</u>				
3,470	Environmental Works	25,000	29,500	4,500	
11,198	New Paths	50,000	50,000	0	
14,235	Play Areas	10,000	10,000	0	
28,903	Sub-Total	85,000	89,500	4,500	
7,982,169	TOTAL IMPROVEMENTS TO HRA STOCK	14,460,120	14,696,850	236,730	
	<u>OTHER SCHEMES</u>				
145,342	EKH Single System	0	0	0	
0	Cash Incentive Scheme	0	0	0	
8,127,511	TOTAL EXPENDITURE	14,460,120	14,696,850	236,730	
	<u>FINANCING</u>				
3,965,142	Major Repairs Reserve	5,880,000	2,398,700	-3,481,300	
1,141,636	1-4-1 Capital Receipts	1,956,237	2,288,600	332,363	
54,801	HRA Other Capital Receipts	0	3,384,000	3,384,000	
2,965,932	Revenue Contribution	6,623,883	6,625,550	1,667	
8,127,511	TOTAL FINANCING	14,460,120	14,696,850	236,730	
0	SHORTFALL IN FINANCING	0	0	0	

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