

11 January 2022 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks

Published: 31.12.21



The meeting will also be livestreamed to YouTube here https://www.youtube.com/channel/UCIT1f_F50fvTzxjZk6Zqn6g. Members of the public who wish to attend in person, are requested to wear face masks and observe social distancing procedures. For health and safety reasons access may be limited and will be on a first come first served basis.

Finance & Investment Advisory Committee

Membership:

Chairman, Cllr. Grint; Vice-Chairman, Cllr. Dickins
Cllrs. Abraham, Bayley, Carroll, Clack, Clayton, Penny Cole, Griffiths, Harrison, Hogarth and Reay

Agenda

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

	Pages	Contact
Apologies for Absence		
1. Minutes To agree the minutes of the meeting of the Committee held on 4 November 2021, as a correct record.	(Pages 1 - 6)	
2. Declarations of Interest Any interests not already registered.		
3. Actions from Previous Meeting (if any)		
4. Update from Portfolio Holder		
5. Referral from Cabinet or the Audit Committee (if any)		
6. Discretionary Rate Relief	(Pages 7 - 36)	Sue Cressall Tel: 01732 227041
7. Financial Performance Indicators 2021/22 - to the end of November 2021	(Pages 37 - 42)	Alan Mitchell Tel: 01732227483
8. Financial Results 2021/22 - to the end of November 2021	(Pages 43 - 58)	Alan Mitchell Tel: 01732227483
9. Treasury Management Strategy 2022/23	(Pages 59 - 110)	Roy Parsons,

Tel: 01732 227204
Alan Mitchell
Tel: 01732227483

- | | | | |
|-----|---|-------------------|---------------------------------------|
| 10. | Property Investment Strategy Update | (Pages 111 - 138) | Adrian Rowbotham
Tel: 01732 227153 |
| 11. | Capital Programme & Asset Maintenance 2022/25 | (Pages 139 - 158) | Alan Mitchell
Tel: 01732227483 |
| 12. | Risks and Assumptions for Budget 2022/23 | (Pages 159 - 174) | Alan Mitchell
Tel: 01732227483 |
| 13. | Bevan Place, Swanley Development Proposal | (Pages 175 - 218) | Detlev Munster
Tel: 01732227099 |
| 14. | White Oak Leisure Centre Residential Quarter, Swanley Development Proposal | (Pages 219 - 238) | Detlev Munster
Tel: 01732227099 |
| 15. | Work Plan | (Pages 239 - 240) | |

EXEMPT INFORMATION

Recommendation: That, under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting when considering Appendices C and D of Agenda item 13, and Appendix B of Agenda item 14 above, on the grounds that likely disclosure of exempt information is involved as defined by Schedule 12A, paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)).

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

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

FINANCE & INVESTMENT ADVISORY COMMITTEE

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

Present: Cllr. Grint (Chairman)

Cllr. Dickins (Vice Chairman)

Cllrs. Abraham, Bayley, Griffiths and Hogarth

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

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

22. Minutes

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

23. Declarations of Interest

No additional declarations of interest were made.

24. Actions from Previous Meeting

There were none.

25. Update from Portfolio Holder

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

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

26. Referral from Cabinet or the Audit Committee

There were none.

CHANGE IN ORDER OF AGENDA ITEMS

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

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

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

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

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

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

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

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

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

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

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

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

Public Sector Equality Duty

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

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

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

28. Treasury Management Mid-Year Update 2021/22

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

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

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

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

Public Sector Equality Duty

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

Resolved: that it be recommended to Cabinet that

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

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

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

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

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

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

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

Public Sector Equality Duty

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

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

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

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

Public Sector Equality Duty

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

Resolved: That the report be noted.

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

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

Public Sector Equality Duty

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

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

32. Work Plan

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

THE MEETING WAS CONCLUDED AT 8.00 PM

CHAIRMAN

DISCRETIONARY RATE RELIEF

Finance & Investment Advisory Committee - 11 January 2022

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

Status: For Decision

Also considered by:

- Cabinet 10 February 2022

Key Decision: No

Executive Summary: The Council requires potential recipients of discretionary rate relief to submit a formal application every two years. This report sets out the proposals for awarding discretionary rate relief for 2022/2023 to ratepayers covered by applications made in 2020/2021.

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

Portfolio Holder: Cllr. Dickins

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

Paula Porter, Ext. 7277

Recommendation to Finance & Investment Advisory Committee: members are asked to recommend that Cabinet approve the proposals for granting relief from business rates for 2022/2023 set out in Appendix B.

Recommendation to Cabinet: members are asked to approve the proposals for granting relief from business rates for 2022/2023 set out in Appendix B.

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

Introduction and Background

- 1 Charities and sports organisations that have charitable status currently receive 80% mandatory relief. In order to qualify for the mandatory relief the organisation must be established for charitable purposes only and the premises must be wholly or mainly used for charitable purposes. Sports

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clubs registered with HMRC as community amateur sports clubs are also entitled to 80% mandatory relief.

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

- 2 Section 47 of the Local Government Finance Act 1988 (as amended by s69 of the Localism Act 2011) provides local authorities with powers to grant discretionary rate relief of up to 100% to any ratepayer.
- 3 Discretionary rate relief can be awarded in isolation or given to ‘top-up’ a mandatory award.
- 4 However, unless one of the following apply, authorities may only grant discretionary rate relief if satisfied that it would be reasonable to do so, having regard to the interests of the council tax payers:
 - The ratepayer is a charity or trustees for a charity, and the property is wholly or mainly used for charitable purposes; or
 - The ratepayer is a community amateur sports club and the property is wholly or mainly used for the purpose of the club and other such clubs; or
 - The ratepayer is entitled to mandatory rural rate relief; or
 - All or part of the property is occupied by non-profit making organisations whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or
 - The property is occupied by a club, society or other non-profit making organisation and it is wholly or mainly used for purposes of recreation.
- 5 Authorities should have easily understood guidelines for deciding whether or not to grant relief and for determining the amount of relief which should be based on the consideration of the merits of each individual case. However, as the range of bodies that may be eligible for discretionary rate relief is wide, not all the suggested criteria will be applicable in each case.
- 6 The Council currently grants discretionary rate relief over the following categories:
 - Discretionary rate relief up to 100% of rates bill (but usual award is 80%);
 - Village Shop rate relief at 50% of rates bill;
 - Hardship relief up to 80% of rates bill; and
 - Discretionary ‘top-up’ relief to take total relief up to 100% of the rates bill.

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

Approach taken to reviewing applications

- 11 The full list of applications, together with officer recommendations, is attached at Appendix B. Each application has been considered on its own merits, however in reviewing applications against the criteria, similar organisations were considered together, to ensure consistency of approach.
- 12 The criteria was applied as follows for discretionary rate relief and discretionary top-up relief:
 - Links to Council priorities - the extent to which the activities supported the Council's priorities was assessed, including support/activities for vulnerable or socially excluded groups.
 - Evidence of financial need including reserve levels and assets - all organisations were requested to provide financial information and reserve levels were compared to annual expenditure, to assess financial need. The ability to generate income was also considered. In addition, for sports clubs, consideration was given to whether they had applied to become community amateur sports clubs (CASCs).
 - Membership within the District - where it appeared that a substantial proportion of the membership was from outside the District, this was taken into account in putting forward a recommendation.
 - Membership open to all - where membership is restricted to a particular group or locations, or is dependent on recommendations from existing members this has been taken into account, as not all residents would be able to benefit from the relief granted.

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- Membership fee levels - fee levels were assessed to consider whether they were so high that they could exclude some in the local community.
 - Bar activity and profits - if the bar is the main activity an organisation was unlikely to be recommended for relief. Any profits are expected to be used to fund club expenses.
- 13 For discretionary village shop relief, officers considered the benefits of the shop/business to the local community when compared with the cost of the relief. It is recommended that the village shops receive relief due to the benefit they provide to local communities.
- 14 Where a ratepayer receives 100% small business rate relief the recommendation is for no discretionary rate relief or village shop relief to be granted, since the businesses already receive maximum support.
- 15 There is no formal appeals process against the Council's decisions on the discretionary reliefs referred to in this report. The current approach is however to re-consider decisions in the light of any representations made by the ratepayers.

Applications for 2022/2023

- 16 Appendix B contains the details of each applicant to be considered for relief for 2022/2023 and detailed recommendations of the level of relief to be applied. All applicants fall to be considered under the criteria set out in Appendix A.
- 17 In the Autumn Budget and Spending Review on 27 October 2021 the Chancellor announced a multiplier freeze for 2022/2023. Although still subject to final confirmation, it is anticipated that the small business non-domestic rating multiplier will be set at 49.9p and the standard non-domestic rating multiplier will be set at 51.2p.
- 18 The estimated level of relief is based upon the multipliers set out in paragraph 17. Ultimately, should the multipliers change a further report setting out the revised relief awards will be submitted.
- 19 If applications are approved, the estimated total gross relief granted would be £194,625.
- 20 Members should be aware that the requirement for relief can change during the financial year as a result of rateable value changes, vacations etc. Therefore, some of these awards may not ultimately require full funding.

Other options Considered and/or rejected

- 21 Members have discretion not to grant rate relief or to vary the amount of relief awarded. No recommendation is being made to reduce or remove relief because relief from business rates provides organisations with

valuable support and contributes to the Council's commitment to supporting and developing the local economy.

Key Implications

Financial

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

Legal Implications and Risk Assessment Statement

- 26 There are no legal issues.

Risk Assessment Statement

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

Equality Assessment

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

Net Zero Implications

- 30 The decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment.

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Conclusions

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

Appendices

Appendix A - Policy for considering applications for Discretionary Rate Relief

Appendix B - List of organisations proposed to receive relief

Background Papers

None

Jim Carrington-West

Deputy Chief Executive and Chief Officer - Customer & Resources

Policy for considering applications for Discretionary Rate Relief

Charitable and not for profit organisations

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

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

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

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

The process for considering applications is as follows:

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

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

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

Discretionary rural rate relief

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

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

Hardship Relief

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

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

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

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

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Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Estimated Relief for 2022/23	Recommendation/comments
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	DISCRETIONARY RELIEF					
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30556849	Hospices of Hope Trading Ltd 11-13 High Street, Otford TN14 5PG	Shop	Otford	80	£10,878.20	Recommended
30733226	Kent Downs AONB Unit The Tea Barn, Shoreham TN14 7UB	Office	Shoreham	80	£3,792.40	Recommended
30570319	New Ash Green Village Assoc Ltd Ash Road, New Ash Green DA3 8HH	Hall	Ash	80	£3,233.52	Recommended
30557491	New Ash Green Village Assoc Ltd Punch Croft, New Ash Green DA3 8HR	Sports Ground	Ash	80	£6,696.60	Recommended
30578788	New Ash Green Village Assoc Ltd Centre Road, New Ash Green DA3 8HH	Office	Ash	80	£4,690.60	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
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30553475	New Ash Green Village Assoc Ltd Ash Road, New Ash Green DA3 8JY	Workshop	Ash	80	£5,489.00	Recommended
30709346	RACDV Sales Ltd 36 Swanley Centre, Swanley BR8 7TL	Shop	Swanley	80	£5,788.48	Recommended
30761191	Target Your Potential Ltd Unit 3 Vincent House, Edenbridge, TN8 6EL	Office	Edenbridge	80	£10,978.00	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
	TOP-UP RELIEF					
30550568	10th Sevenoaks (Weald's Own) Scout Group R/O 13-16 Glebe Road, Weald TN14 6PB	Hall	Weald	20	£332.80	Recommended
30562165	15th Sevenoaks (Otford) Scout Group Station Road, Otford TN14 5QU	Hall	Otford	20	£312.32	Recommended
30569944	16th Sevenoaks (Ide Hill) Scout Group Camberwell Lane, Ide Hill TN14 6JL	Hall	Sundridge	20	£125.44	Recommended
30565195	17th Sevenoaks (Westerham) Scout Group Hortons Way, Westerham TN16 1BT	Hall	Westerham	20	£235.52	Recommended
30557095	1st Crockenhill Scout Group Stones Cross Road, Swanley BR8 8LT	Hall	Swanley	20	£184.32	Recommended

Ref	Organisation name and property description/address	Property type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
30561414	1st Edenbridge Scout Group Station Road, Edenbridge TN8 5HP	Hall	Edenbridge	20	£227.84	Recommended
30558593	1st Eynsford & Farningham Scout Group Priory Lane, Eynsford DA4 0AY	Hall	Eynsford	20	£250.88	Recommended
30565812	1st Horton Kirby Scout Group Horton Road, Horton Kirby DA4 9BN	Hall	Horton Kirby	20	£256.00	Recommended
30558555	1st Sevenoaks Scout Group 57 Oakhill Road, Sevenoaks TN13 1NT	Hall	Sevenoaks	20	£373.76	Recommended
30562080	3rd Sevenoaks (Riverhead) Scout Group Bradbourne Vale Road, Sevenoaks TN13 3QQ	Hall	Sevenoaks	20	£327.68	Recommended
30567641	4th Sevenoaks (St Johns) Scout Group Mill Lane, Sevenoaks TN14 5BU	Hall	Sevenoaks	20	£778.24	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
30573417	6th Sevenoaks (Kemsing) Scout Group Heaverhad Road, Kemsing TN15 6NE	Hall	Kemsing	20	£204.80	Recommended
30566792	7th Sevenoaks (Halstead) Scout Group Shoreham Lane, Halstead TN14 7BY	Hall	Halstead	20	£112.64	Recommended
30556245	7th Tonbridge (Eden Valley) Scout Group Kiln Lane, Leigh TN11 8RT	Hall	Leigh	20	£266.24	Recommended
30638543	Age UK Sevenoaks & Tonbridge The Old Meeting House, St Johns Road, Sevenoaks TN13 3LR	Hall	Sevenoaks	20	£1,971.20	Recommended
30748907	Archbishop's Palace Conservation Trust The Gatehouse, Otford Palace TN14 5PD	Hall	Otford	20	£132.24	Recommended
30612176	Badgers Mount Memorial Hall Highland Road, Badgers Mount TN14 7BA	Hall	Badgers Mount	20	£409.60	Recommended
30741845	Chiddingstone Nursery School Hill Hoath Road, Chiddingstone TN8 7AD	Day Nursery	Chiddingstone	20	£880.64	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
30735406	Citizens Advice in North & West Kent 38 Swanley Centre, Swanley BR8 7TQ	Shop	Swanley	20	£1,126.40	Recommended
30574069	Citizens Advice in North & West Kent Buckhurst Lane, Sevenoaks TN13 1HW	Offices	Sevenoaks	20	£911.36	Recommended
30604373	Eden Valley Museum Trust Church House, R/O 72 High Street Edenbridge TN8 5AR	Museum	Edenbridge	20	£1,305.60	Recommended
30693953	Edenbridge & Westerham Citizens Advice Bureau The Eden Centre, Edenbridge TN8 6BY	Office	Edenbridge	20	£1,638.40	Recommended
30569890	Farningham Village Hall High Street, Farningham DA4 0DH	Hall	Farningham	20	£409.60	Recommended
30558982	Fawkham Village Hall Valley Road, Fawkham DA3 8NA	Hall	Fawkham	20	£624.64	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
30554416	Halstead Village Hall Knockholt Road, Halstead TN14 7EX	Hall	Halstead	20	£327.68	Recommended
30675078	Hartley Village Hall Ash Road, Hartley DA3 8EL	Hall	Hartley	20	£307.20	Recommended
30721865	Hextable Community Collective 39 Egerton Avenue, Hextable BR8 7LG	School	Hextable	20	£2,867.20	Recommended
30555785	Ide Hill Village Hall Management Ide Hill, Sevenoaks	Store	Sundridge	20	£227.84	Recommended

	TN14 6JG					
30570296	Ide Hill Village Hall Management Ide Hill, Sevenoaks TN14 6JG	Hall	Sundridge	20	£291.84	Recommended
30702369	Kingsdown Village Hall Gamecock Meadow, London Road West Kingsdown TN15 6BZ	Hall	West Kingsdown	20	£1,843.20	Recommended
30658332	Longfield & Hartley Scout Group Larkwell Lane, Hartley DA3 7EQ	Club House	Hartley	20	£522.24	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
30557156	Otford Village Memorial Hall High Street, Otford TN14 5PQ	Hall	Otford	20	£727.04	Recommended
30722288	Rainbow Pre-School Coolings Green & Pleasant Main Road, Knockholt TN14 7LJ	Day Nursery	Knockholt	20	£839.68	Recommended
30643088	Riverside Players Unit 11 Furlongs Farm, Riverside Eynsford DA4 0AE	Store	Eynsford	20	£232.96	Recommended
30758171	Samaritans of East Surrey 105 St Johns Hill, Sevenoaks TN13 3PE	Office	Sevenoaks	20	£1,024.00	Recommended
30744370	Second Chance Animal Rescue Bournewoods, Stones Cross Road Swanley BR8 8LT	Animal Sanctuary	Swanley	20	£1,280.00	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
30575161	Sevenoaks District Scout Council School Lane, Seal TN15 0BE	Hall	Seal	20	£286.72	Recommended
30605970	Sevenoaks Leisure Ltd White Oak Leisure Centre, Swanley BR8 7BT	Leisure Centre	Swanley	20	£41,984.00	Recommended
30607556	Sevenoaks Leisure Ltd Buckhurst Lane, Sevenoaks TN13 1LW	Leisure Centre	Sevenoaks	20	£25,856.00	Recommended
30607570	Sevenoaks Leisure Ltd Lullingstone Golf Club, Orpington BR6 7PX	Restaurant	Shoreham	20	£1,013.76	Recommended
30607563	Sevenoaks Leisure Ltd Edenbridge Leisure Centre TN8 5LU	Leisure Centre	Edenbridge	20	£22,528.00	Recommended

30734694	Sevenoaks Leisure Ltd Edenbridge Local Office TN8 5LU	Office	Edenbridge	20	£645.12	Recommended
30550339	Shoreham Village Hall 25 High Street, Shoreham TN14 7TB	Hall	Shoreham	20	£404.48	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
30671342	Stag Community Arts Centre Stag Theatre, Sevenoaks TN13 1ZZ	Theatre & Cinema	Sevenoaks	20	£5,939.20	Recommended
30556276	Sundridge Village Hall Main Road, Sundridge TN14 6EJ	Hall	Sundridge	20	£307.20	Recommended
30720022	Swanley & District Foodbank 11 Lynden Way, Swanley BR8 7DN	Shop	Swanley	20	£532.48	Recommended
30756144	The Cottage Community Cottage Day Centre, Fawkham DA3 8PU	Community Centre	West Kingsdown	20	£281.60	Recommended
30719305	The Kent Firefighting Museum Woodlands Nurseries, Ash TN15 7EG	Museum	Ash	20	£404.48	Recommended
30569487	Ash Village Hall The Street, Ash TN15 7HA	Hall	Ash	20	£276.48	Recommended
30554812	West Kent Mind Day Centre, Glen Dunlop House St Johns Road, Sevenoaks TN13 3LW	Day Centre	Sevenoaks	20	£501.76	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
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	RURAL RATE RELIEF					
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30602841	Seal Supermarket Ltd 21 High Street, Seal TN15 0AN	Shop	Seal	100	£6,029.58	Recommended
30697481	Ide Hill Community Shop CIC Ide Hill Village Hall, Ide Hill TN14 6JG	Shop	Sundridge	50	£2,624.00	Recommended
30551899	Mr Alan Johnson	Shop	Leigh	50	£1,587.20	Recommended

	Park View, High Street, Leigh TN11 8RL					
30756564	Mr Robert G Martin 27 High Street, Seal TN15 0AN	Shop	Seal	50	£2,176.00	Recommended
30572421	Mr N Stokes Essington House, Eynsford DA4 0AB	Shop	Eynsford	50	£1,766.40	Recommended

Ref	Organisation name and property description/address	Property Type	Parish	% for 2022/23	Relief for 2022/23	Recommendation/comments
30556207	Penshurst Place Forge Garage, High Street Penshurst, TN11 8BU	Petrol Filling Station	Penshurst	50	£1,536.00	Recommended
30669516	Rafferty Investments Ltd Darenth House, Eynsford DA4 0AA	Shop	Eynsford	50	£2,508.80	Recommended

<u>Discretionary Rate Relief</u>		Number	Relief 2022/23
Total Officer Recommended		8	£51,546.80
Total Officer Rejected		0	£0.00
<u>Top-Up Relief</u>		Number	Amount
Total Officer Recommended		50	£124,850.32
Total Officer Rejected		0	£0.00
<u>Rural Rate Relief</u>		Number	Amount
Total Officer Recommended		7	£18,227.98
Total Officer Rejected		0	£0.00

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FINANCIAL PERFORMANCE INDICATORS 2021/22 - TO THE END OF November 2021

Finance & Investment Advisory Committee - 11 January 2022

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

Status: For Consideration

Key Decision: No

Executive Summary: This report sets out the internally agreed Financial Performance Indicators

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

Portfolio Holder: Cllr. Matthew Dickins

Contact Officers: Alan Mitchell, Ext.7483

Adrian Rowbotham Ext. 7153

Recommendation to Finance & Investment Committee:

- a) That the report be noted

Reason for recommendation:

This recommendation supports the sound control of the Councils finances

Introduction and Background

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

Key Implications

Financial

None.

Agenda Item 7

Legal Implications and Risk Assessment Statement.

There are no legal or human rights issues.

Equality Assessment

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

Appendices


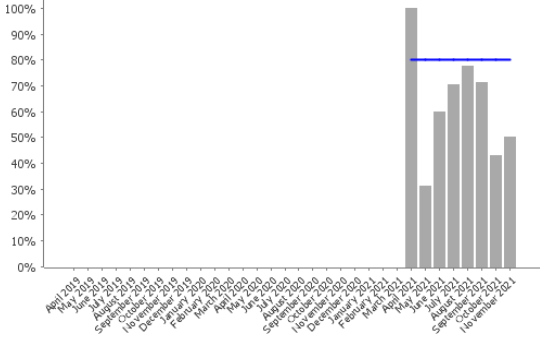


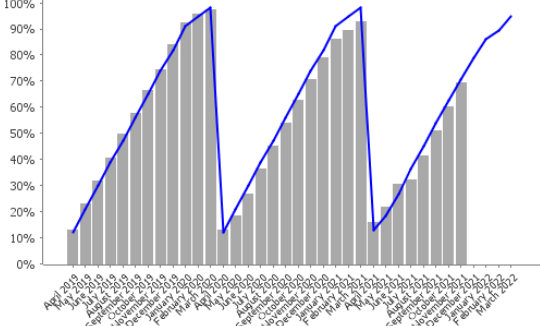

Appendix A - Performance Indicators

Background Papers

None


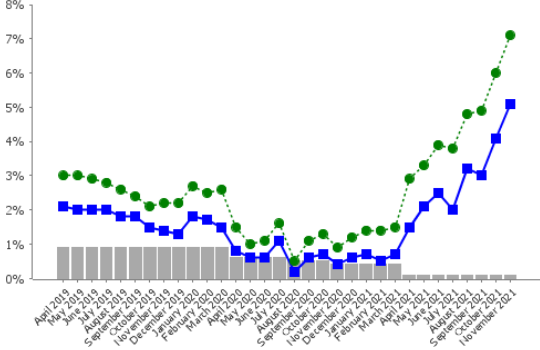




Adrian Rowbotham, Deputy Chief Executive and Chief Officer - Finance and Trading

Finance & Investment Advisory Committee - Performance report

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
LPI_AU L1	Sevenoaks: Audit actions fully implemented within agreed timescales	62.35%	80%			62.35%	80%		This KPI is set using expected delivery however where those actions are delayed they show an achievement compared to target. Internal Audit are working with SMT to implement robust deadlines for 'High' and 'Medium' priority actions
LPI_BR 04	The percentage of business rates collected in-year (Cumulative)	69.3%	70.4%			69.3%	70.4%		

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
LPI_CT04	The percentage of council tax collected in-year (cumulative)	75.8%	75%			75.8%	75%		
LPI_FS001	The percentage of undisputed invoices paid within 30 days or agreed terms	99.07%	99%			96.66%	99%		
LPI_FS003	Sundry debts outstanding more than 60 days	£84,024	£40,000			£84,024	£40,000		The majority of this balance is made up of 4 invoices which total £57,000. This are being actively pursued and excluding these the balance is with the target limit

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
LPI_HB 02	Average number of days to process a new claim for Housing Benefit (Monthly)	15	23	🟢		15	23	🟢	
LPI_HB 03	Average number of days to process a change in circumstances for Housing Benefit (monthly)	8	9	🟢		8	9	🟢	
TM FS 01	Treasury Management - Actual vs Budget + Forecast	£16,514	£124,606	🔴		£16,514	£124,606	🔴	Low rates of return and utilization of cash resource to fund investment acquisitions and capital programme have led to low returns. SDC is just starting a Multi-asset investment

Code	Description	Current Value	Current Target	Current Status	Performance Chart	Year to Date Value 2021/22	Year to Date Target 2021/22	Year to Date Status	Commentary
									selection process which will improve future returns
TM FS Page 34	Treasury Management - Investment returns vs RPI vs CPI	0.1%	5.1%		 <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;">  Investment Returns </div> <div style="text-align: center;">  RPI </div> <div style="text-align: center;">  CPI </div> </div>	0.1%	5.1%		Low rates of return and utilization of cash resource to fund investment acquisitions and capital programme have led to low returns. SDC is just starting a Multi-asset investment selection process which will improve future returns

FINANCIAL RESULTS 2021/22 - TO THE END OF NOVEMBER 2021

Finance and Investment Advisory Committee - 11 January 2022

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

Status: For Consideration

Also considered by: Cabinet - 13 January 2022

Key Decision: No

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

Portfolio Holder: Cllr. Matthew Dickins

Contact Officers: Alan Mitchell, Ext. 7483

Adrian Rowbotham, Ext. 7153

Recommendation to Finance and Investment Advisory Committee:

That the report be noted, and any comments forwarded to Cabinet.

Recommendation to Cabinet:

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

Reason for recommendation: Sound financial governance of the Council.

Introduction and Background

- 1 The year-end position at the end of November 21 was forecast to be an unfavourable variance of £32,000 against a net revenue budget of £17.015m.
- 2 During September 2020 the Government issued the first COVID-19 Sales, Fees and Charges Compensation Scheme as part of the Governments COVID-19 support. The scheme was due to be limited to 2020/21 but was extended to the first quarter for 2021/22. The claim for the first quarter of 2021/22 has been submitted for £381,000.

Year to Date - Areas of Note

Agenda Item 8

- 3 The financial impact of pay costs - the expenditure forecasts on staff costs is £92,000 below budget. There are currently vacancies within Direct Services, Corporate Services, Transformation & Strategy and Revenue & Benefits. However, some of these, in particular Direct Services are currently being filled by agency staff. The impact of salary variances are included within the Chief Officer commentaries.
- 4 The 2021/22 pay award is still under discussion and therefore no increase has yet been paid. The latest offer is 1.75% and the budget assumption is at 2%.
- 5 Income - the Council receives a number of different income streams to help balance the budget; section 8 of the monitoring pack provides details in relation to the main streams. At the end of November, income as detailed within the report is still below budget in some areas such as Car Parks, Taxi Licensing and Land Charges but other areas such as Car Parking - On Street ,Planning - Development Management and Building Control are ahead of budget.
- 6 Investment Returns - the return to date on the treasury management investments held by the Council is lower than budget with interest received totalling £17,000 compared to a budget of £125,000 for the year to date. This is due to a number of factors. Firstly, the current interest rate on investments remains very low, secondly the available cash which we can invest is greatly reduced from previous years due to the funding of the capital programme, Quercus 7 acquisitions and also COVID-19. The interest from Quercus 7 is due to be in excess of £275,000 this year. In order to increase future investment returns the Council is currently going through the selection process in order to invest in Multi-Asset Investment Funds.
- 7 Retained Business Rates - Income of £2.182m forms part of the 2021/22 budget; any receipts over and above this amount, including those that result from being a beneficiary of the Kent Business Rates Pool, will be transferred to the Budget Stabilisation Reserve. The full year forecast for the additional funds is £285,000. Regular monitoring takes place, with any amendments feeding into the outturn forecasts.

Year End Forecast

- 8 The year-end forecast position is an unfavourable variance of £32,000 (including the Covid-19 Sales, Fees and Charges Compensation Scheme) . In paragraphs 9 to 16 there are details of the larger variances, both favourable and unfavourable.

Net Service Expenditure - Favourable Variances

- 9 Within Miscellaneous Finance, the forecasted favourable variance of £380,000 is the first quarter claim for the Covid-19 Sales, Fees and Charges Compensation Scheme and is offsetting additional costs incurred in other areas.

- 10 Within Benefits Admin, New Burdens grant was received that was not known at the time the budget was set and this is leading to a favourable variance of £214,000. Any surplus may be transferred to reserves at the year end.
- 11 Corporate Management are forecasting a favourable variance of £67,000 following a salary budget re-alignment and lower spend on bought in services.
- 12 Building Control and Development Management are both showing favourable variances, £31,000 and £52,000 respectively due to an increased number of applications and associated income.

Net Service Expenditure - Unfavourable Variances

- 13 Homeless is forecasting an adverse variance of £300,000 which is the additional cost being incurred relating to an increased number of people being put in temporary accommodation and the cost of that accommodation versus the recovery from Government . The homelessness funding is currently being reviewed in order to assess the impact in future years.
- 14 Local Tax is forecasting an unfavourable variance of £176,000 due to enforcement income being lower than budget expectations. In addition, the levels of fee recovery are low as a result of COVID-19.
- 15 Direct Services are forecasting an unfavourable variance of £200,000 due to the additional cost of agency staff and the underachievement of income on trade waste as businesses recover from COVID-19 and the requirement to hire vehicle where existing vehicles are being repaired.
- 16 Planning Appeals are forecasting an unfavourable variance £43,000 due to incurring legal fees in connection to planning appeals.

Other Variances

- 17 Interest Receipts - current levels of investment returns and possible rates going forward, along with reduced cash levels due to ongoing loss of income, have resulted in an unfavourable variance of £166,000 being forecast.
- 18 Investment Property Income - The majority of properties held within the Property Investment Strategy continue to achieve the income levels predicted but there is a small favourable variance of £14,000 due to loss of income offset by additional loan interest from Quercus 7.

Future Issues and Risk Areas

- 19 Chief Officers have considered the future issues and risk areas for their services and the impacts these may have on the Council's finances as follows:
 - Ongoing impact of COVID-19 on the leisure industry and Council owned leisure facilities.

Agenda Item 8

- There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts.
- Within Development & Conservation, recruiting to vacant posts continues to be difficult.
- The financial impact of proposed changes to the Planning System will need to be carefully considered.
- COVID-19 continues to affect the entire authority and is being closely monitored. As part of the 10-year budget process the expected financial impacts will continue to be reviewed.
- Car parking customer numbers are increasing but it is uncertain what the impact will be for the rest of the year especially if there are further lockdowns. Note that the car parking income budget was reduced by 25% in 2021/22.
- Ongoing Temporary Accommodation (TA) costs within the district due to increases in homelessness. All Covid-19 placements ended on 30 June 2021 and a TA Charging Policy came into effect from 1 August.
- IT Asset Maintenance spend as per 10-year plan resulting in draw down from reserves in current year.

Key Implications

Financial

The financial implications are set out elsewhere in this report.

Legal Implications and Risk Assessment Statement

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

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

Equality Assessment

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

Appendices

Appendix A - November 2021 Budget Monitoring Commentary

Appendix B - November 2021 Financial Information

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

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People and Places	Budget to Date £'000	Forecast Outturn £'000	Actual to end of November 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)	
Compliance & Enforcement	0	0	11	11			0	External grant funding for Town Centre Ambassador posts to be drawn down from first tranche of funding.	
Leisure Contract	57	57	26	-31			0	Waiting for Sencio to sign annual contract in order to release funding.	
Local Strategic Partnership	0	0	15	15			0	The LSP Community Wellbeing Fund supports Covid-19 related priorities and will be funded through the relevant reserve.	
Tourism	25	25	-159	-184			0	Grants received ahead of spend.	
West Kent Enterprise Advisor Network	16	16	32	17			0	Spend ahead of grant claim.	
West Kent Kick Start	0	0	-13	-13			0	Grants received ahead of spend.	
Future Issues/Risk Areas	Ongoing impact of COVID-19 on the leisure industry and Council owned leisure facilities - consultancy review completed.								

Development and Conservation	Budget to Date £'000	Forecast Outturn	Actual to end of November 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)
Building Control	-87	-118	-145	-58		-31	-31	Over Recovery of Income in fees, any continual over recovery transferred to reserves at year end for reinvestment in the service. Variances due to extended decoupling of partnership.
Planning Policy	281	285	299	18		5	5	Payment for costs relating to Local Plan Judicial review.
LDF Expenditure	0	0	40	40			0	Credit note received in P9.
Planning - Appeals	148	191	183	35		43	43	Legal fees in relation to Broke Hill.
Planning - CIL Administration	-27	-61	-50	-22		-34	-34	Underspend due to current vacant positions.
Planning - Development Management	-59	-111	-74	-15		-52	-52	Small number of high fee applications in first two quarters in addition to an uplift in general case numbers
Planning - Enforcement	193	218	215	22		25	25	Additional investment in the delivery of the service.
Planning Performance Agreement	0	0	31	31			0	PPA are reinvested in the delivery of the service.
Administrative Expenses - Planning Services	24	24	68	44			0	Education and Training costs recharged at year end.
Future Issues/Risk Areas	There remains the risk that planning decisions and enforcement action will be challenged, either at appeal or through the Courts. Recruiting to vacant posts continues to be difficult. The financial impact of proposed changes to the Planning System will need to be carefully considered.							

	Budget to Date £'000	Forecast Outturn	Actual to end of November 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Finance and Investments								
Asset Maintenance CCTV	12	12	1	-12			0	Spend behind profile. Budget planned to be spent.
Asset Maintenance Direct Services	28	81	95	68		53	53	Overspend due to depot refurbishment works.
Asset Maintenance Public Toilets	10	10	0	-10			0	Spend behind profile.
Benefits Admin	97	-117	-169	-266		-214	-214	Additional New Burdens funding received that was un budgeted for.
Dartford Rev&Ben Partnership Hub (SDC costs)	1,350	1,350	1,303	-47			0	Underspends on part year vacancies.
Local Tax	-113	63	-62	51		176	176	Annual variances due to enforcement income not in line with budgeted expectation as highlighted in high level commentary at the beginning of the year. Current fee recovery levels are highly variable as a result of COVID impact affecting court availability. These levels are expected to rise but are likely to remain significantly under normal levels by year end.
Misc. Finance	958	578	302	-656	-380		-380	Covid-19 grants received at the start of the year. This will offset spend on this and other lines. Over-recovery compared to budget expected due to income compensation scheme as some income budgets were lowered for this year.
Administrative Expenses - Finance	18	18	40	21			0	Additional licence requirement for Agresso following licence audit.
Support - Exchequer and Procurement	100	100	111	11			0	Spend ahead of profile.
Support - Legal Function	172	194	153	-19		22	22	Forecast overspend due to external advice costs.
Treasury Management	81	81	121	40			0	Current overspends due to credit card bill to be charged to other codes.
Future Issues/Risk Areas	Covid-19 continues to have a potential impact on income levels and expenditure.							

	Budget to Date £'000	Forecast Outturn £'000	Actual to end of November 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Cleaner and Greener								
Asset Maintenance Argyle Road	52	52	24	-28			0	Spend currently behind profile. Planned works mean there is no variance projected at year end.
Asset Maintenance Other Corporate Properties	23	23	53	30			0	Urgent works to Fircroft residents association hall.
Asset Maintenance Hever Road	27	27	46	19			0	Urgent repair works due to vandalism required additional expenditure.
Asset Maintenance Leisure	126	126	103	-23			0	Spend currently behind profile. Planned works mean there is no variance projected at year end.
Asset Maintenance Support & Salaries	61	61	38	-22			0	Spend currently behind profile. Planned works mean there is no variance projected at year end.
Car Parks	-653	-653	-796	-143			0	Parking income is currently behind profile. As restrictions lift monthly income is improving and it is anticipated it will recover to the level of the budget by year end.
CCTV	170	170	209	39			0	Invoices to partner organisations to be raised to recover costs.
EH Commercial	204	204	183	-21			0	This is a profiling issue and underspend is expected to be consumed by year end.
EH Animal Control	12	19	-1	-13		6	6	Awaiting Invoicing for Kennel Fees.
EH Environmental Protection	223	223	212	-11			0	KCC Test & Trace grant to be spent in line with grant conditions. Potential Carry forward if amounts not fully utilised in year.
Parking Enforcement - Tandridge DC	-4	-4	-180	-175			0	Income collected on behalf of Tandridge to be paid over.
Estates Management - Buildings	26	26	-22	-48			0	Unbudgeted rates bills for meeting point refunded following demolition.
Estates Management - Grounds	83	83	97	14			0	Spend relating to hedge cutting costs and essential maintenance work.
Housing Premises	2	2	-10	-12			0	Underspend due to reduced emptying of cesspools based on usage.
Kent Resource Partnership	-112	-112	5	117			0	Funding received ahead of expenditure. The Kent Resource Partnership is transferring to Kent County Council. All balances will be transferred leaving no variance at year end.
Licensing Regime	24	-1	-16	-40		-26	-26	Premises Licences Annual Fees Received earlier than budgeted, expected incomes exceeding current budget. Underspend on Salary Due to partial vacancy.
Markets	-139	-139	-154	-15			0	Rental income ahead of profile.
Parks - Greensand Commons Project	0	0	62	62			0	Externally funded project. Spend will be reclaimed.
Parks and Recreation Grounds	87	87	9	-78			0	Spend ahead of profile due to works carried out. No year end variance projected.
Parks - Rural	108	108	126	18			0	Income from coppiced timber sales due later in the year.
Refuse Collection	1,993	1,973	1,888	-104		-20	-20	Quarterly recycling credits behind profile.
Administrative Expenses - Direct Services	0	0	12	12			0	Overspend against profile on training and staff advertising relating to the restructure.
Street Cleansing	1,027	994	964	-63		-33	-33	Infrastructure Grant received ahead of spend.
Support - Central Offices	410	410	378	-32			0	Spend currently behind profile. Planned works mean there is no variance projected at year end.
Support - Central Offices - Facilities	178	150	143	-36		-28	-28	Underspend due to reduction in staffing and overtime costs.
Support - Direct Services	31	31	58	26			0	Overspend against profile on training and staff advertising relating to the restructure.

	Budget to Date £'000	Forecast Outturn £'000	Actual to end of November 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Cleaner and Greener								
Direct Services Trading account	-396	-196	247	643	100	100	200	There is currently an overspend on agency staff in this area, which is partially offset by salary underspends. A project team has now bought forward a recruitment drive to reduce this, which came into effect from November 2021. Although some agency use is required in order to maintain service levels to cover the extra team and vehicle required to deal with the huge increase on collected weights, as well as leave and sickness. It is anticipated that the budget can be brought down by offsetting the current staff vacancies. There is ongoing work on estimation for commercial income at the depot, initial focus has been undertaken on commercial waste. This will enable a greater focus on building up new customers later in the year. It is currently anticipated with the work carried out by the Commercial Operations and Trading Manager and team that there will be a shortfall in income targets of around £100,000. Due to the ageing fleet and delayed replacement of vehicles there have been breakdowns resulting in additional hire costs to maintain the service. The forecast for this is an overspend for £100,000. As the pressures build on services due to the pandemic this situation may change, but will be kept under review.
Future Issues/Risk Areas	Covid-19 continues to have a potential impact on income levels and expenditure.							

	Budget to Date £'000	Forecast Outturn £'000	Actual to November 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k
Housing and Health								
Contain Outbreak Management Fund 2021/22	0	0	-38	-38				External funding received in advance from Kent County Council towards COVID-19 recovery projects.
Domestic Abuse Duty	0	0	-28	-28				External funding received in advance from Kent County Council towards Domestic Abuse Housing Co-ordinator post.
Homeless	279	579	650	371		300		Lack of affordable move on and social/rented accommodation in the district is preventing move on from temporary and emergency accommodation. Housing Benefit reclaims for the period are pending. Block accommodation bookings are now secured at more competitive rates. Additional staffing costs incurred as a result of external funding not yet drawn down.
Housing Clinically Extremely Vulnerable 21/22	0	0	-30	-30				External funding received in advance for fixed term One You Plus Officer and running costs.
Kent Housing Group Grant	0	0	-102	-102				Monies received in advance from Kent Housing Group to support private rented sector arrears.
Housing	127	127	75	-52				Staff underspend relating to vacant Housing Strategy Manager and Housing Team Leader posts (now recruited to). Citizens Advice SLA now signed and funding will be released.
Housing Energy Retraining Options (HERO)	88	88	26	-62				Staff underspend due to vacant HERO Officer post.
KCC Helping Hands	0	0	-65	-65				External funding received in advance from Kent County Council towards COVID-19 recovery projects.
Choosing Health WK PCT	-10	-10	8	18				Monies spent in advance of next tranche of Kent Public Health funding being received.
Homelessness Funding	-416	-416	-400	17				Funding to be drawn down for homeless prevention funded staffing posts.
PCT Initiatives	0	0	18	18				Reserve funding to fund the Graduate Communities Officer shared between Communities and Business.
KCC Specialist Weight Management	0	0	-17	-17				Health funding received in advance to support BAME community health interventions.
Future Issues/Risk Areas								Ongoing Temporary Accommodation costs within the district due to increases in homelessness. Recruitment to vacant posts being completed, all Covid-19 placements to end on 30 June 2021 and a TA Charging Policy to come into effect from 1 August.

	Budget to Date £'000	Forecast Outturn £'000	Actual to November 21 £'000	Variance to date £'000	Annual Forecast Variance due to COVID-19 £'000	Annual Forecast Variance due to other factors £'000	Total Annual Forecast Variance £'000	Explanation for year end variances greater than £10k (starred items)
Improvement and Innovation								
Asset Maintenance IT	197	197	566	369			0	Spend as per Asset Maintenance Plan.
Corporate Management	702	635	624	-78		-67	-67	It is currently forecast that there will be an underspend within the Corporate Management budget for this year, which includes a revised salary budget and lower expenditure on bought-in services.
Corporate Projects	48	23	31	-17		-25	-25	Current salary underspend to be offset by overspend elsewhere.
Corporate - Other	29	9	0	-29		-20	-20	An underspend is forecast on spending on responding to legislation and savings generated from vacant posts is expected to exceed the budget level.
Democratic Services	112	88	93	-18		-24	-24	Underspend due to staffing turnover.
Economic Development	28	28	58	30			0	Place campaign to be funded from reserves.
Economic Development Property	396	396	347	-49			0	Salary underspend due to vacancies now filled. Agency staffing cover required will offset this by year end.
Elections	55	55	214	159			0	Current overspend due to income outstanding relating to the PCC, KCC and District Elections. PCC and KCC accounts have been submitted to the KCC and the government's Elections Claims Unit, but are unlikely to be settled during this financial year.
External Communications	154	144	139	-15		-10	-10	Year-end variance forecast as expenditure on website support lower than budgeted amount for this year.
Land Charges	-78	-58	-81	-3		20	20	Under-achievement on income partially offset by New Burdens funding.
Members	314	301	282	-32		-13	-13	Members allowances lower than budgeted levels due to changes in roles as only one Special Responsibility Allowance is payable.
Register of Electors	149	149	128	-21			0	Delay in the receipt of invoices from suppliers has created the current underspend. The underspend will reduce as these are paid in the coming weeks.
Administrative Expenses - Human Resources	7	21	20	12		14	14	Forecast overspend due to external advice costs
Support - Contact Centre	568	543	514	-54		-25	-25	Current underspend due to staffing changes currently under review.
Support - IT	924	924	954	29			0	Software Licensing renews unevenly throughout the year creating variances to profiled budget.
Future Issues/Risk Areas	IT Asset Maintenance spend as per 10 year plan resulting in draw down from reserves in current year. Reduced income on internal Print Charges over the year to date. This will be monitored							

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Position as at the end of November 2021	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast (including Accruals) £'000	Annual Variance £'000	Annual Variance %
People and Places	230	591	582	(8)	(1.4)
Development and Conservation	661	897	853	(44)	(4.9)
Finance and Investments	2,559	3,090	2,747	(343)	(11.1)
Cleaner and Greener	3,758	5,655	5,661	6	0.1
Housing and Health	372	988	1,385	398	40.3
Improvement and Innovation	4,303	5,794	5,666	(128)	(2.2)
Services Total	11,883	17,015	16,895	(120)	(0.7)
Adjustments to Reconcile to amount to be met from reserves: Capital Charges outside the General Fund	(40)	(60)	(60)	0	0.0
Adjustments to Reconcile to amount to be met from reserves: Support Services outside the General Fund	(115)	(172)	(172)	0	0.0
Redundancy Costs	80	0	0		-
NET SERVICE EXPENDITURE	11,809	16,783	16,664	(120)	(0.7)
New Homes Bonus	(770)	(1,155)	(1,155)	0	0.0
Retained Business Rates	(1,455)	(2,182)	(2,467)	(285)	(13.1)
Council Tax	(7,629)	(11,443)	(11,443)	0	(0.0)
Contribution from Collection Fund	11	17	17	0	0.0
Local Council Tax Support (LCTS)	(245)	(245)	(245)	0	
Lower Tier Services Grant	(69)	(98)	(98)		
Summary excluding Investment Income	1,653	1,677	1,272	(405)	(24.1)
Investment Property Income	(913)	(1,372)	(1,386)	(14)	(1.0)
Interest Receipts	(17)	(188)	(22)	166	(88.3)
OVERALL TOTAL	723	117	(136)	(253)	(216.8)
Planned Appropriation to/(from) Reserves	(1,077)	(1,615)	(1,615)	0	
Other Reserve Movements	0	1,498	1,783	285	
Supplementary Estimates	0	0	0	0	
(Surplus)/Deficit	(354)	(0)	32	32	

Appendix B : Summary by Service

Position as at the end of November 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
People & Places SDC Funded	£'000	£'000	£'000	£'000	£'000	£'000	£'000
All Weather Pitch	(4)	(3)	(0)	(5)	-	(5)	-
Community Safety	104	107	(2)	160	-	160	-
Community Development Service Provisions	(6)	(6)	-	(6)	-	(6)	-
The Community Plan	12	14	(3)	21	(4)	17	(4)
Grants to Organisations	167	176	(8)	185	(4)	181	(4)
Leisure Contract	26	57	(31)	112	-	112	-
Leisure Development	10	16	(6)	21	-	21	-
Administrative Expenses - Communities & Business	20	13	7	22	-	22	-
Tourism	(159)	25	(184)	30	-	30	-
West Kent Partnership	(11)	(10)	(0)	-	-	-	-
Youth	28	33	(5)	50	-	50	-
Total People & Places SDC Funded	187	420	(233)	591	(8)	582	(8)
People & Places Externally Funded	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Practical Support Self-Isolating COVID 19	(6)	-	(6)	-	-	-	-
Compliance & Enforcement	11	-	11	-	-	-	-
Contain Outbreak Management Fund 2021/22	0	-	0	-	-	-	-
Local Strategic Partnership	15	-	15	-	-	-	-
Partnership - Home Office	1	(0)	1	-	-	-	-
Police & Crime Commissioners (PCCs)	1	-	1	-	-	-	-
Community Sports Activation Fund	(3)	-	(3)	-	-	-	-
Sportivate Inclusive Archery Project	0	-	0	-	-	-	-
West Kent Business Rates Retention	5	-	5	-	-	-	-
West Kent Enterprise Advisor Network	32	16	17	-	-	-	-
West Kent Kick Start	(13)	-	(13)	-	-	-	-
West Kent Partnership Business Support	0	-	0	-	-	-	-
People & Places Externally Funded	43	16	27	-	-	-	-

Position as at the end of November 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Total People & Places	230	436	(206)	591	(8)	582	(8)

Position as at the end of November 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Development and Conservation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Building Control Partnership Members	(0)	-	(0)	-	-	-	-
Building Control Partnership Hub (SDC Costs)	(0)	-	(0)	-	-	-	-
Building Control	(145)	(87)	(58)	(130)	(31)	(161)	(31)
Conservation	94	87	7	130	-	130	-
Dangerous Structures	-	2	(2)	3	-	3	-
Planning Policy	299	281	18	483	5	487	5
LDF Expenditure	40	-	40	-	-	-	-
Planning - Appeals	183	148	35	202	43	245	43
Planning - CIL Administration	(50)	(27)	(22)	(66)	(34)	(100)	(34)
Planning - Counter	(1)	(4)	3	(6)	-	(6)	-
Planning - Development Management	(74)	(59)	(15)	(69)	(52)	(121)	(52)
Planning - Enforcement	215	193	22	289	25	314	25
Planning Performance Agreement	31	-	31	-	-	-	-
Administrative Expenses - Building Control	(1)	8	(9)	12	-	12	-
Administrative Expenses - Planning Services	68	24	44	49	-	49	-
Total Development and Conservation	661	565	96	897	(44)	853	(44)
Finance and Investments	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asset Maintenance CCTV	1	12	(12)	18	-	18	-
Asset Maintenance Countryside	2	6	(4)	9	-	9	-
Asset Maintenance Direct Services	95	28	68	42	53	95	53
Asset Maintenance Playgrounds	4	10	(7)	16	-	16	-
Asset Maintenance Public Toilets	-	10	(10)	16	-	16	-
Benefits Admin	(169)	97	(266)	148	(214)	(66)	(214)
Benefits Grants	(17)	(17)	-	(25)	-	(25)	-
Corporate Management	1	-	1	-	-	-	-
Dartford Rev&Ben Partnership Hub (SDC costs)	1,303	1,350	(47)	-	-	-	-
Dartford Audit Partnership Hub (SDC Costs)	142	151	(9)	-	-	-	-

Position as at the end of November 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Housing Advances	-	1	(1)	1	-	1	-
Local Tax	(62)	(113)	51	(85)	176	91	176
Misc. Finance	302	958	(656)	1,580	(380)	1,200	(380)
Administrative Expenses - Chief Executive	1	9	(8)	20	-	20	-
Administrative Expenses - Finance	40	18	21	26	-	26	-
Administrative Expenses - Revenues and Benefits	(0)	-	(0)	-	-	-	-
Administrative Expenses - Strategic Property	6	-	6	-	-	-	-
Support - Rev & Ben Control	149	149	-	224	-	224	-
Support - Counter Fraud	35	35	0	52	-	52	-
Support - Audit Function	134	129	5	196	-	196	-
Support - Exchequer and Procurement	111	100	11	158	-	158	-
Support - Finance Function	163	171	(8)	256	-	256	-
Support - Legal Function	153	172	(19)	259	22	281	22
Support - Procurement	7	4	2	7	-	7	-
Support - Property Function	38	34	3	52	-	52	-
Treasury Management	121	81	40	123	-	123	-
Total Finance and Investments	2,559	3,396	(837)	3,090	(343)	2,747	(343)
Cleaner and Greener	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asset Maintenance Argyle Road	24	52	(28)	79	-	79	-
Asset Maintenance Other Corporate Properties	53	23	30	35	-	35	-
Asset Maintenance Hever Road	46	27	19	40	-	40	-
Asset Maintenance Leisure	103	126	(23)	190	-	190	-
Asset Maintenance Support & Salaries	38	61	(22)	138	-	138	-
Asset Maintenance Sewage Treatment Plants	0	6	(6)	9	-	9	-
Bus Station	11	9	2	8	-	8	-
Car Parks	(796)	(653)	(143)	(1,198)	-	(1,198)	-
CCTV	209	170	39	269	-	269	-
Civil Protection	26	34	(8)	49	-	49	-
Dartford Environmental Hub (SDC Costs)	-	(0)	0	-	-	-	-
Car Parking - On Street	(194)	(197)	3	(245)	-	(245)	-

Position as at the end of November 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
EH Commercial	183	204	(21)	304	0	304	0
EH Animal Control	(1)	12	(13)	22	6	29	6
EH Environmental Protection	212	223	(11)	346	(0)	346	(0)
Emergency	45	54	(9)	81	-	81	-
Parking Enforcement - Tandridge DC	(180)	(4)	(175)	(39)	-	(39)	-
Estates Management - Buildings	(22)	26	(48)	(16)	-	(16)	-
Estates Management - Grounds	97	83	14	125	-	125	-
Housing Other Income	(10)	(9)	(0)	(14)	-	(14)	-
Housing Premises	(10)	2	(12)	16	-	16	-
Kent Resource Partnership	5	(112)	117	-	-	-	-
Licensing Partnership Hub (Trading)	9	15	(7)	-	(4)	(4)	(4)
Licensing Partnership Members	-	-	-	-	-	-	-
Licensing Regime	(16)	24	(40)	44	(26)	18	(26)
Asset Maintenance Operatives	5	3	2	5	-	5	-
Markets	(154)	(139)	(15)	(217)	-	(217)	-
Parks - Greensand Commons Project	62	-	62	-	-	-	-
Parks and Recreation Grounds	9	87	(78)	132	-	132	-
Parks - Rural	126	108	18	165	-	165	-
Public Transport Support	-	0	(0)	0	-	0	-
Refuse Collection	1,888	1,993	(104)	2,913	(20)	2,893	(20)
Administrative Expenses - Direct Services	12	0	12	-	-	-	-
Administrative Expenses - Health	3	3	0	5	-	5	-
Administrative Expenses - Licensing	0	4	(4)	7	-	7	-
Administrative Expenses - Property	3	2	0	3	-	3	-
Administrative Expenses - Transport	3	4	(1)	7	-	7	-
Street Cleansing	964	1,027	(63)	1,539	(33)	1,506	(33)
Support - Central Offices	378	410	(32)	483	-	483	-
Support - Central Offices - Facilities	143	178	(36)	279	(28)	250	(28)
Support - General Admin	-	3	(3)	5	-	5	-
Support - General Admin (Post/Scanning)	143	144	(1)	219	-	219	-
Support - Health and Safety	0	5	(5)	8	(4)	4	(4)

Position as at the end of November 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Support - Direct Services	58	31	26	50	-	50	-
Direct Services Trading account	247	(396)	643	(246)	200	(46)	200
Taxis	3	7	(4)	11	14	26	14
Public Conveniences	31	33	(2)	47	-	47	-
Total Cleaner and Greener	3,758	3,687	71	5,655	106	5,761	106
Housing and Health	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Contain Outbreak Management Fund 2021/22	(38)	-	(38)	-	-	-	-
Domestic Abuse Duty	(28)	-	(28)	-	-	-	-
Gypsy Sites	(5)	(8)	3	(10)	-	(10)	-
Health Improvements	30	32	(2)	48	(2)	46	(2)
Homeless	650	279	371	429	300	729	300
Housing Clinically Extremely Vulnerable 21/22	(30)	-	(30)	-	-	-	-
Housing Register	17	24	(8)	37	-	37	-
Kent Housing Group Grant	(102)	-	(102)	-	-	-	-
Disabled Facilities Grant Administration	-	-	-	(50)	-	(50)	-
Housing	75	127	(52)	186	-	186	-
Housing Initiatives	37	37	0	55	-	55	-
Next Steps Accommodation Programme	(0)	-	(0)	-	-	-	-
Housing Pathway Co-ordinator	5	-	5	-	-	-	-
Homelessness Prevention	(5)	-	(5)	-	-	-	-
Needs and Stock Surveys	0	-	0	-	-	-	-
Housing Energy Retraining Options (HERO)	26	88	(62)	130	-	130	-
KCC Helping Hands	(65)	-	(65)	-	-	-	-
Private Sector Housing	180	190	(9)	284	-	284	-
Rough Sleepers Initiative (4)	(6)	-	(6)	-	-	-	-
Administrative Expenses - Housing	6	-	6	-	-	-	-
One You - Your Home Project	0	-	0	-	-	-	-
Choosing Health WK PCT	8	(10)	18	-	-	-	-
PCT Health Checks	14	14	(0)	-	-	-	-
Homelessness Funding	(400)	(416)	17	(122)	-	(122)	-
PCT Initiatives	18	-	18	-	-	-	-

Position as at the end of November 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
KCC Specialist Weight Management	(17)	-	(17)	-	-	-	-
Total Housing and Health	372	357	15	988	298	1,285	298
Improvement and Innovation	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Action and Development	4	5	(2)	8	-	8	-
Asset Maintenance IT	566	197	369	296	-	296	-
Civic Expenses	16	17	(1)	17	-	17	-
Consultation and Surveys	10	-	10	4	5	9	5
Corporate Management	624	702	(78)	1,146	(67)	1,079	(67)
Corporate Projects	31	48	(17)	71	(25)	46	(25)
Corporate - Other	-	30	(30)	135	(20)	115	(20)
Democratic Services	93	112	(18)	167	(24)	143	(24)
Economic Development	58	28	30	38	-	38	-
Economic Development Property	347	396	(49)	442	-	442	-
Elections	214	55	159	125	-	125	-
External Communications	139	154	(15)	222	(10)	212	(10)
Land Charges	(81)	(78)	(3)	(118)	20	(98)	20
Members	282	314	(32)	473	(13)	460	(13)
Performance Improvement	8	7	1	(0)	-	(0)	-
Register of Electors	128	149	(21)	204	-	204	-
Administrative Expenses - Corporate Services	18	14	4	23	-	23	-
Administrative Expenses - Legal and Democratic	52	58	(6)	72	-	72	-
Administrative Expenses - Transformation and Strategy	2	3	(1)	5	-	5	-
Administrative Expenses - Human Resources	20	7	12	9	14	23	14
Street Naming	(1)	1	(2)	2	-	2	-
Support - Contact Centre	514	568	(54)	855	(25)	830	(25)
Support - General Admin	11	15	(3)	178	-	178	-
Support - General Admin (Print Shop)	(14)	(23)	9	(49)	-	(49)	-
Support - IT	954	924	29	1,071	-	1,071	-
Support - Local Offices	0	-	0	-	-	-	-

Position as at the end of November 2021	Y-T-D Actual £'000	Budget to Date £'000	Variance £'000	Annual Budget £'000	Annual Forecast Var £'000	Annual Forecast (including Accruals) £'000	Forecast Annual Variance £'000
Support - Nursery	1	-	1	-	-	-	-
Support - Human Resources	306	304	2	397	18	415	18
Total Improvement and Innovation	4,303	4,009	294	5,794	(128)	5,666	(128)
Total SDC	11,883	12,450	(567)	17,015	(120)	16,895	(120)

Appendix B : Salaries

Position as at the end of November 2021	Y-T-D Actual £'000	Annual Budget £'000	Annual Forecast £'000	Annual Variance £'000	Annual Variance %
Development and Conservation					
Building Control	244	381	381	0	0%
Planning Services	1,329	1,903	1,903	0	0%
Total	1,572	2,285	2,285	0	0%
Finance and Investments					
Chief Executive	142	216	216	0	0%
Finance	604	946	946	0	0%
Revenues and Benefits	1,036	1,660	1,660	0	0%
Strategic Property	387	607	607	0	0%
Total	2,168	3,429	3,429	0	0%
Cleaner and Greener					
Direct Services	2,599	4,353	4,353	0	0%
Health	389	681	681	0	0%
Licensing	297	481	481	0	0%
Property	303	481	451	(30)	-6%
Transport	379	500	500	0	0%
Total	3,967	6,496	6,466	(30)	0%
Housing and Health					
Housing	541	865	865	0	0%
Total	541	865	865	0	0%
Improvement and Innovation					
Corporate Services	1,156	1,861	1,801	(60)	-3%
Legal and Democratic	395	628	626	(2)	0%
Transformation and Strategy	394	660	660	0	0%
Human Resources	262	387	387	0	0%
Total	2,207	3,536	3,474	(62)	-2%
People and Places					
Communities & Business	199	295	295	0	0%
	199	295	295	0	0%
Sub Total	10,655	16,906	16,814	(92)	-1%
Council Wide - Vacant Posts	0	(10)	(10)	0	0%
Staff Recruitment and Retention	0	73	73	0	0%
TOTAL SDC Funded Salary Costs	10,655	16,969	16,877	(92)	-1%
Communities & Business*	305	264	264	0	0%
Direct Services*	20	126	126	0	0%
Housing*	151	149	149	0	0%
Externally Funded Total	475	540	540	0	0%
TOTAL Salary Costs	11,130	17,508	17,416	(92)	-1%

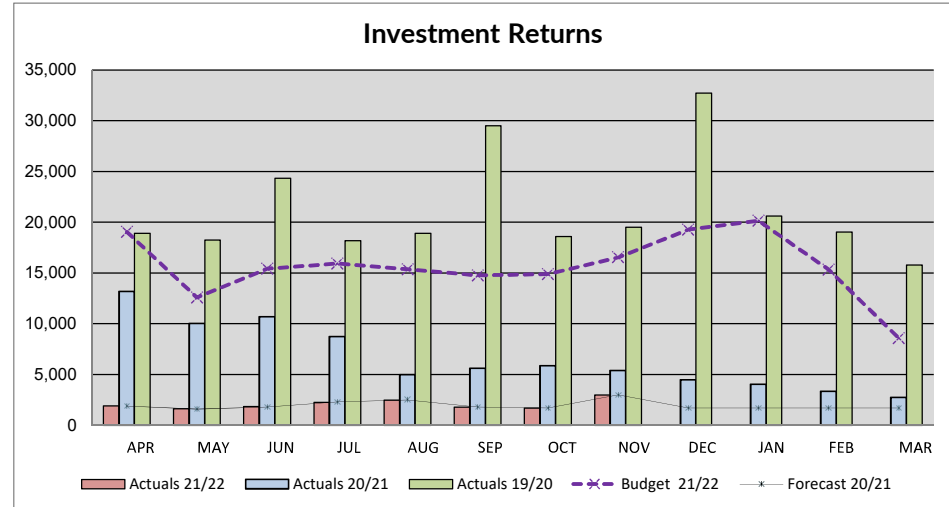
*Externally Funded & Funded from other sources (gross figures). Overspendings here are matched by external funding and represent additional resources secured for the Council since the budget was set.

Agenda Item 8

Appendix B : Staffing Stats - Position as at the end of November 21	Budget FTE*	Staff FTE	Agency FTE	Casual FTE	Total	October 2021 Total
Development and Conservation						
Building Control	8.00	6.00			6.00	6.00
Planning Services	41.47	38.15			38.15	37.57
Finance and Investments						
Chief Executive	1.00	1.00			1.00	1.00
Finance	16.08	16.81			16.81	15.81
Revenues and Benefits	43.33	40.84		0.39	41.23	40.28
Strategic Property	10.00	15.24	1.00		16.24	13.57
Cleaner and Greener						
Direct Services	125.97	116.36	18.89		135.25	135.62
Health	12.57	9.31	1.00	0.38	10.69	10.55
Licensing	10.59	10.19			10.19	10.19
Property	6.65	4.65			4.65	4.65
Transport	14.00	16.59			16.59	16.59
Housing and Health						
Housing	15.20	16.53			16.53	17.14
Improvement and Innovation						
Corporate Services	50.75	51.43		0.51	51.94	49.75
Legal and Democratic	7.50	6.00			6.00	7.00
Transformation and Strategy	20.35	17.16			17.16	17.16
Human Resources	8.00	7.76			7.76	7.76
People and Places						
Communities & Business	5.00	4.68			4.68	4.68
Sub Total	396.46	378.70	20.89	1.28	400.87	395.32
Externally Funded						
People & Places	6.08	8.30		0.04	8.34	10.57
People & Places - Housing	4.00	8.11			8.11	9.11
KRP	2.00	0.00			0.00	0.00
Sub total	12.08	16.41	0.00	0.04	16.45	19.68
Total	408.54	395.11	20.89	1.32	417.32	415.00
Number of staff paid in November 2021: 428 permanent, 4 casuals						

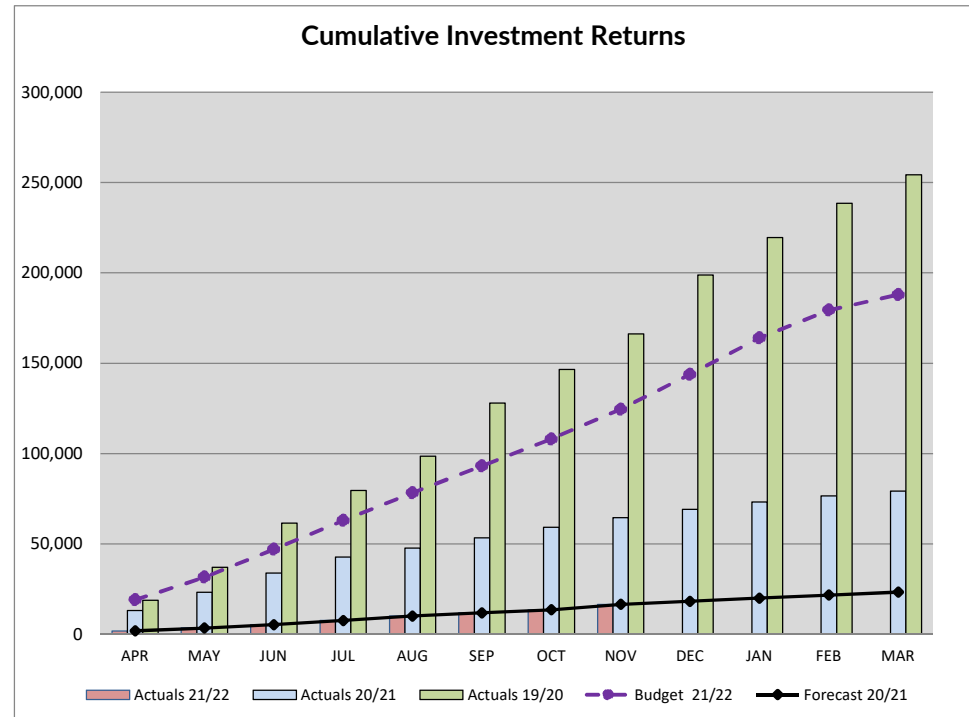
6 Investment Returns

	Actuals 19/20	Actuals 20/21	Actuals 21/22	Budget 21/22	Variance	Forecast 20/21
APR	18,908	13,190	1,900	19,058	-17,158	1,900
MAY	18,243	10,041	1,620	12,595	-10,975	1,600
JUN	24,341	10,719	1,829	15,424	-13,595	1,800
JUL	18,166	8,761	2,261	15,947	-13,686	2,300
AUG	18,891	5,010	2,471	15,365	-12,894	2,500
SEP	29,495	5,612	1,774	14,773	-12,999	1,800
OCT	18,586	5,867	1,696	14,889	-13,193	1,700
NOV	19,520	5,397	2,963	16,555	-13,592	3,000
DEC	32,723	4,484		19,286		1,700
JAN	20,620	4,060		20,166		1,700
FEB	19,034	3,367		15,345		1,700
MAR	15,768	2,769		8,597		1,700
TOTAL	254,295	79,277	16,514	188,000	-108,092	23,400



INVESTMENT RETURNS (CUMULATIVE)

	Actuals 19/20	Actuals 20/21	Actuals 21/22	Budget 21/22	Variance	Forecast 20/21
APR	18,908	13,190	1,900	19,058	-17,158	1,900
MAY	37,151	23,231	3,520	31,653	-28,133	3,500
JUN	61,492	33,950	5,349	47,077	-41,728	5,300
JUL	79,658	42,711	7,610	63,024	-55,414	7,600
AUG	98,549	47,721	10,081	78,389	-68,308	10,100
SEP	128,044	53,333	11,855	93,162	-81,307	11,900
OCT	146,630	59,200	13,551	108,051	-94,500	13,600
NOV	166,150	64,597	16,514	124,606	-108,092	16,600
DEC	198,873	69,081		143,892		18,300
JAN	219,493	73,141		164,058		20,000
FEB	238,527	76,508		179,403		21,700
MAR	254,295	79,277		188,000		23,400



BUDGET FOR 20/21 188,000
FORECAST OUTTURN 23,400

CODE:- YHAA 96900

N.B.

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

Fund Average 0.1021%
7 Day LIBID -0.0800%
3 Month LIBID -0.0313%

7. Reserves

	21/22 Opening Balance £'000	21/22 Cumulative Movement to Date	Position as at the end of November 2021 (Period 202208)
Position as at the end of November 2021 (Period 202208)			
E Earmarked Reserve - Budget Stabilisation	(9,031)	(9,031)	-
E Earmarked Reserve - NNDR Safety Net Deficit Reserve	(8,071)	(8,071)	-
E Earmarked Reserve - Financial Plan	(2,653)	(2,653)	-
E Earmarked Reserve - Carry Forward Items (DAC)	(1,250)	(1,250)	-
E Earmarked Reserve - Capital Expenditure Reserve	(1,000)	(1,000)	-
E Earmarked Reserve - IT Asset Maintenance	(879)	(879)	-
E Earmarked Reserve - Vehicle Renewal (DAA)	(696)	(696)	-
E Earmarked Reserve - Housing & Commercial Growth Fund	(566)	(566)	-
E Earmarked Reserve - DWP Hsg Benefit Subsidy	(550)	(550)	-
E Earmarked Reserve - Pension Fund Valuation Adj.	(441)	(441)	-
E Earmarked Reserve - New Homes Bonus Reserve	(406)	(406)	-
E Earmarked Reserve - Action and Development	(396)	(396)	-
E Earmarked Reserve - Local Plan/LDF	(318)	(318)	-
E Earmarked Reserve - Vehicle Insurance (DAZ)	(258)	(258)	-
E Earmarked Reserve - Property Investment Strategy Maintenance Reserve	(233)	(233)	-
E Earmarked Reserve - Capital Financing	(221)	(221)	-
E Earmarked Reserve - Corporate Project Support Reserve	(212)	(212)	-
E Earmarked Reserve - FTS (DAB)	(206)	(206)	-
E Earmarked Reserve - Community Development Reserve	(204)	(204)	-
E Earmarked Reserve - Community Infrastructure Levy Administration (CIL)	(185)	(185)	-
E Earmarked Reserve - Development Services Reserve	(113)	(113)	-
Total	(27,890)	(27,890)	-
Other Earmarked Reserves (balances <£100k)	(698)	(729)	(31)
Total Earmarked Reserves	(28,588)	(28,620)	(31)
General Fund	(1,500)	(1,500)	-
Total Reserves	(30,089)	(30,120)	(31)

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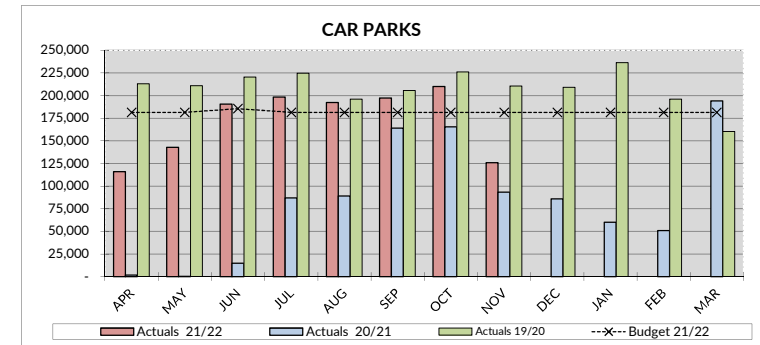
Appendix B : Income Graphs Summary

	ACTUAL	Previous Year comparatives	Budget YTD	Variance YTD · brackets show underachieve ment	Annual Budget
Car Parks	1,371,968	613,963	1,455,785	(83,816)	2,181,677
Car Parking - On Street	609,024	297,619	555,081	53,943	832,621
Licensing Regime	100,733	84,089	70,459	30,273	99,148
Taxis	79,942	68,954	96,918	(16,976)	145,377
Land Charges	113,133	110,020	147,182	(34,049)	220,773
Planning - Development Management	697,673	638,014	658,813	38,860	988,220
Building Control	395,730	356,345	335,445	60,284	503,168
Total	3,368,202	2,169,004	3,319,683	48,519	4,970,984

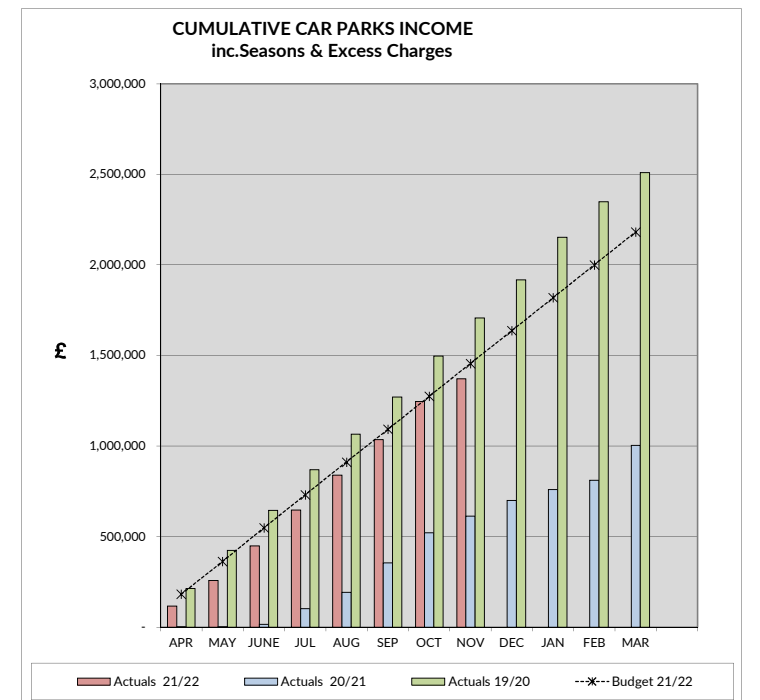
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Agenda Item 8

Appendix B: CAR PARKS (HWCARP)	Actuals 19/20	Actuals 20/21	Actuals 21/22	Increase / (decrease) from 20/21 to 21/22	Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
APR	213,119	1,513	115,730	114,217	181,473	(65,743)	-
MAY	210,813	158	142,691	142,533	181,473	(38,782)	-
JUN	220,637	14,588	190,284	175,696	185,473	4,811	-
JUL	224,678	86,759	198,274	111,516	181,473	16,801	-
AUG	196,164	88,754	192,326	103,572	181,473	10,852	-
SEP	205,737	163,789	196,998	33,209	181,473	15,525	-
OCT	226,210	165,320	209,840	44,519	181,473	28,367	-
NOV	210,651	93,081	125,825	32,743	181,473	(55,649)	-
DEC	209,265	85,779	-	-	181,473	-	-
JAN	236,228	59,945	-	-	181,473	-	-
FEB	195,940	50,624	-	-	181,473	-	-
MAR	160,439	193,889	-	-	181,473	-	-
Total	2,509,881	1,004,200	1,371,968	758,006	2,181,677	(83,816)	-

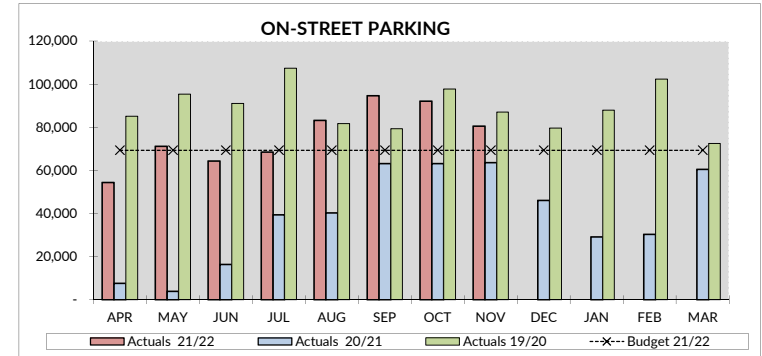


CAR PARKS (CUMULATIVE	Actuals 19/20	Actuals 20/21	Actuals 21/22	Increase / (decrease) from 20/21 to 21/22	Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
APR	213,119	1,513	115,730	114,217	181,473	(65,743)	-
MAY	423,932	1,671	258,422	256,750	362,946	(104,525)	-
JUNE	644,570	16,260	448,706	432,446	548,419	(99,713)	-
JUL	869,247	103,018	646,980	543,962	729,892	(82,912)	-
AUG	1,065,411	191,772	839,306	647,534	911,365	(72,060)	-
SEP	1,271,148	355,561	1,036,304	680,743	1,092,838	(56,534)	-
OCT	1,497,358	520,882	1,246,144	725,262	1,274,312	(28,168)	-
NOV	1,708,009	613,963	1,371,968	758,006	1,455,785	(83,816)	-
DEC	1,917,274	699,741	-	-	1,637,258	-	-
JAN	2,153,502	759,687	-	-	1,818,731	-	-
FEB	2,349,442	810,311	-	-	2,000,204	-	-
MAR	2,509,881	1,004,200	-	-	2,181,677	-	-

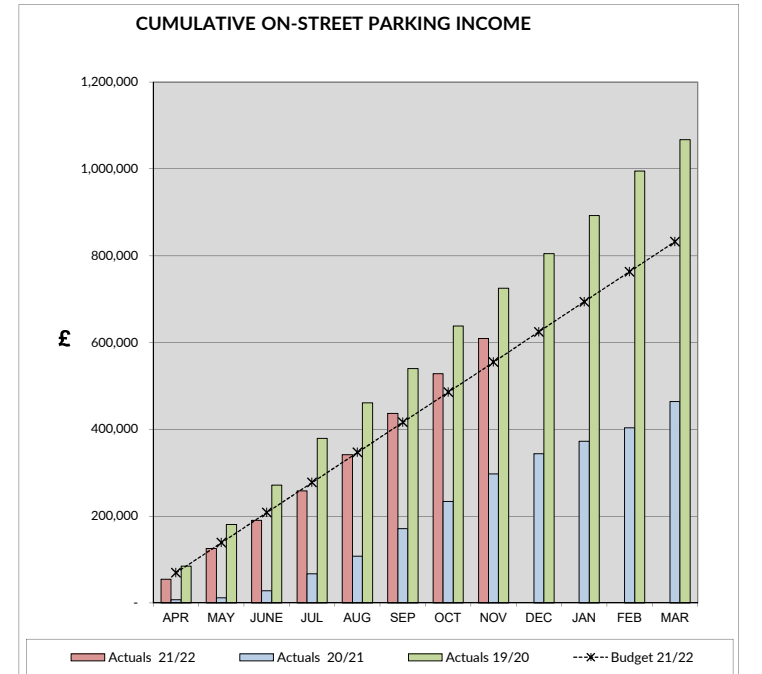


CUMULATIVE BREAKDOWN - HWCARP	Code	Actual (Cumulative)	Budget	(Monthly)
DAY TICKETS	3300	1,191,274	1,254,056	118,316
EXCESS / PENALTY CHARGES	***1/**3			
SEASON TICKETS	3310, **2	167,654	183,242	6,279
SEASON TICKET CAR PARK	3310			
OTHER	9999, 34**	217	4,487	(20)
WAIVERS	3404			
RENT	86**	12,824	14,000	1,250
Business Permits	3406 /3408			
Total		1,371,968	1,455,785	125,825

Appendix B: ON-STREET PARKING (HWDCRIM / HWENFORC)	Actuals 19/20	Actuals 20/21	Actuals 21/22	Increase / (decrease) from 20/21 to 21/22	Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
APR	85,115	7,676	54,350	46,674	69,385	(15,035)	-
MAY	95,338	3,884	71,258	67,374	69,385	1,873	-
JUN	91,102	16,355	64,364	48,009	69,385	(5,022)	-
JUL	107,391	39,461	68,471	29,010	69,385	(914)	-
AUG	81,797	40,276	83,237	42,961	69,385	13,852	-
SEP	79,308	63,135	94,718	31,583	69,385	25,333	-
OCT	97,818	63,193	92,091	28,898	69,385	22,706	-
NOV	87,032	63,639	80,534	16,895	69,385	11,149	-
DEC	79,729	46,090	-	-	69,385	-	-
JAN	88,036	29,146	-	-	69,385	-	-
FEB	102,372	30,326	-	-	69,385	-	-
MAR	72,578	60,489	-	-	69,385	-	-
Total	1,067,616	463,670	609,024	311,405	832,621	53,943	-

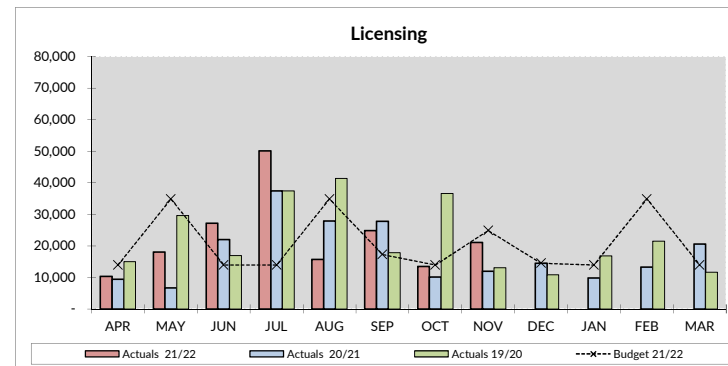


ON-STREET PARKING (CUMULATIVE)	Actuals 19/20	Actuals 20/21	Actuals 21/22	Increase / (decrease) from 20/21 to 21/22	Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
APR	85,115	7,676	54,350	46,674	69,385	(15,035)	-
MAY	180,453	11,560	125,609	114,049	138,770	(13,161)	-
JUNE	271,555	27,915	189,972	162,057	208,155	(18,183)	-
JUL	378,946	67,376	258,443	191,067	277,540	(19,097)	-
AUG	460,743	107,652	341,680	234,028	346,925	(5,245)	-
SEP	540,051	170,787	436,399	265,612	416,310	20,088	-
OCT	637,869	233,980	528,490	294,510	485,696	42,794	-
NOV	724,901	297,619	609,024	311,405	555,081	53,943	-
DEC	804,630	343,709	-	-	624,466	-	-
JAN	892,666	372,855	-	-	693,851	-	-
FEB	995,038	403,181	-	-	763,236	-	-
MAR	1,067,616	463,670	-	-	832,621	-	-

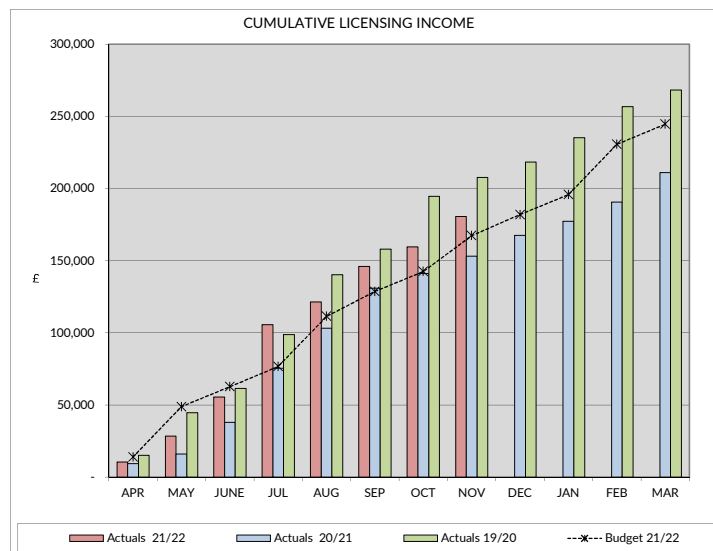


CUMULATIVE BREAKDOWN - HWDCRIM / HWENFORC	Code	Actual (Cumulative)	Budget	(Monthly)
ON STREET PARKING	3300	251,515	286,664	22,059
PENALTY NOTICES	3403	254,983	183,229	48,814
WAIVERS	3404	19,511	7,543	2,876
Driveway Access Protection Lines	3405	1,148	-	83
RESIDENTS PERMITS	3406	58,100	36,205	6,433
BUSINESS PERMITS	3408	3,553	41,440	270
OTHER	9999	20,214	-	-
Total		609,024	555,081	80,534

Appendix B: Licensing (EHLICREG & DSTAXIL)	Actuals 19/20	Actuals 20/21	Actuals 21/22	Increase / (decrease) from 20/21 to 21/22	Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
APR	14,991	9,404	10,356	952	13,909	(3,553)	-
MAY	29,570	6,655	18,021	11,366	34,839	(16,818)	-
JUN	16,865	21,969	27,128	5,159	13,909	13,219	-
JUL	37,419	37,346	50,067	12,721	13,909	36,157	-
AUG	41,305	27,847	15,709	(12,138)	34,839	(19,130)	-
SEP	17,814	27,783	24,814	(2,969)	17,221	7,592	-
OCT	36,559	10,099	13,479	3,380	13,909	(431)	-
NOV	13,047	11,939	21,101	9,162	24,839	(3,738)	(8,525)
DEC	10,833	14,460	-	-	14,489	-	-
JAN	16,790	9,782	-	-	13,909	-	-
FEB	21,506	13,232	-	-	34,839	-	-
MAR	11,638	20,550	-	-	13,909	-	-
Total	268,337	211,066	180,675	27,633	244,520	13,298	(8,525)

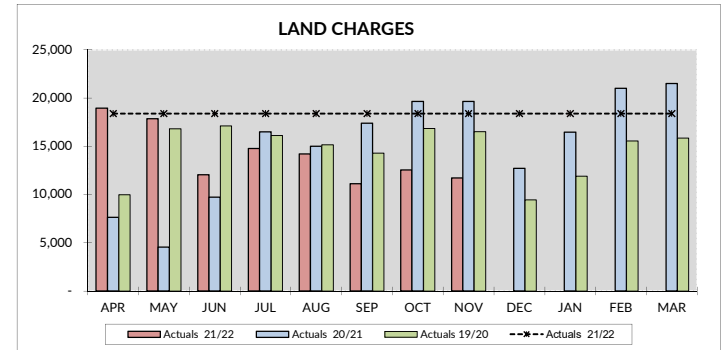


Licensing (CUMULATIVE)	Actuals 19/20	Actuals 20/21	Actuals 21/22	Increase / (decrease) from 20/21 to 21/22	Budget 21/22	Variance (Budget-Actuals)	Manager's Forecast
APR	14,991	9,404	10,356	952	13,909	(3,553)	-
MAY	44,561	16,059	28,377	12,318	48,749	(20,372)	-
JUNE	61,426	38,028	55,505	17,477	62,658	(7,153)	-
JUL	98,845	75,374	105,572	30,198	76,568	29,004	-
AUG	140,150	103,221	121,281	18,060	111,407	9,874	-
SEP	157,964	131,004	146,095	15,091	128,629	17,466	-
OCT	194,523	141,103	159,573	18,470	142,538	17,035	-
NOV	207,570	153,042	180,675	27,633	167,377	13,297	-
DEC	218,403	167,502	-	-	181,867	-	-
JAN	235,193	177,284	-	-	195,776	-	-
FEB	256,699	190,516	-	-	230,616	-	-
MAR	268,337	211,066	-	-	244,525	-	-

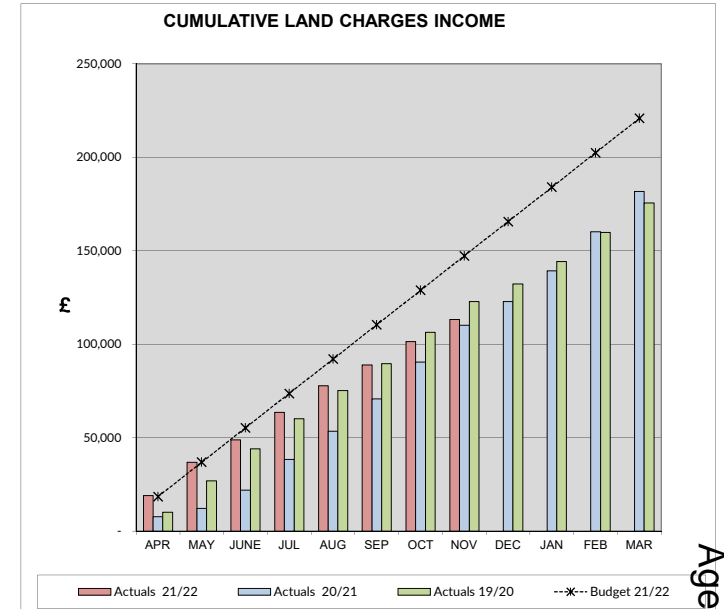


CUMULATIVE BREAKDOWN - EHLICREG/DSTAXIL	Code	Actual (Cumulative)	Budget	(Monthly)
Pre-application advice	EHLICREG/2189	-243	-	-
Personal Licences	EHLICREG/2190	2,023	1,480	366
Premises Licence Annual Fee/Premises New/Premises Variation	EHLICREG/2192/2193	87,723	60,123	6,926
Temporary Event Notice	EHLICREG/2193	4,557	2,807	756
Gambling Act Permits/Lottery	EHLICREG/2196/7	5,173	6,049	650
Pavement Licence	EHLICREG/2222	1,500	-	-
Scrap Metal Dealers	EHLICREG/2241	0	-	-
Taxi Licensing	94300/DSTAXIL	70,422	96,918	11,914
Other	94300/DSTAXIL/94300	9,520	-	490
Total		180,675	167,377	21,101

Appendix B: LAND CHARGES (LPLNDCH)				Increase / (decrease) from 20/21 to 21/22		Variance (Budget- Manager's Actuals)		Forecast	
	Actuals 19/20	Actuals 20/21	Actuals 21/22		Budget 21/22				
APR	9,967	7,630	18,930		11,300	18,398	532		-
MAY	16,828	4,532	17,846		13,314	18,398	(551)		-
JUN	17,112	9,717	12,054		2,337	18,398	(6,344)		-
JUL	16,113	16,500	14,749		(1,751)	18,398	(3,648)		-
AUG	15,149	14,999	14,184		(815)	18,398	(4,213)		-
SEP	14,286	17,377	11,125		(6,252)	18,398	(7,273)		-
OCT	16,854	19,628	12,546		(7,082)	18,398	(5,851)		-
NOV	16,519	19,636	11,699		(7,937)	18,398	(6,699)		-
DEC	9,444	12,692	-		-	18,398	-		-
JAN	11,917	16,441	-		-	18,398	-		-
FEB	15,554	20,998	-		-	18,398	-		-
MAR	15,857	21,489	-		-	18,398	-		(40,000)
Total	175,600	181,639	113,133		3,114	220,773	(34,049)		(40,000)

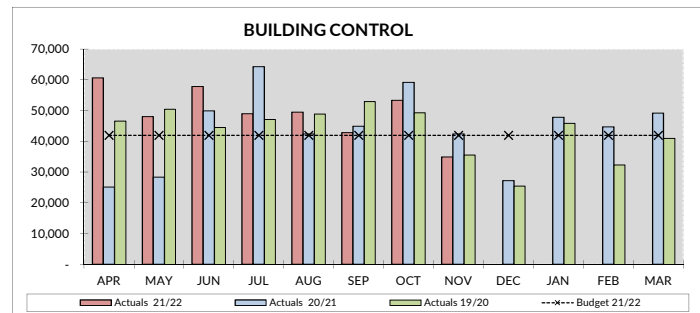


LAND CHARGES (CUMULATIVE)				Increase / (decrease) from 20/21 to 21/22		Variance (Budget- Manager's Actuals)		Forecast	
	Actuals 19/20	Actuals 20/21	Actuals 21/22		Budget 21/22				
APR	9,967	7,630	18,930		11,300	18,398	532		-
MAY	26,795	12,162	36,776		24,614	36,796	(20)		-
JUNE	43,907	21,879	48,830		26,951	55,193	(6,364)		-
JUL	60,020	38,379	63,579		25,200	73,591	(10,012)		-
AUG	75,169	53,378	77,763		24,385	91,989	(14,225)		-
SEP	89,455	70,755	88,888		18,133	110,387	(21,498)		-
OCT	106,309	90,383	101,435		11,052	128,784	(27,350)		-
NOV	122,828	110,019	113,133		3,114	147,182	(34,049)		-
DEC	132,272	122,711	-		-	165,580	-		-
JAN	144,188	139,152	-		-	183,978	-		-
FEB	159,742	160,150	-		-	202,375	-		-
MAR	175,599	181,639	-		-	220,773	-		(40,000)

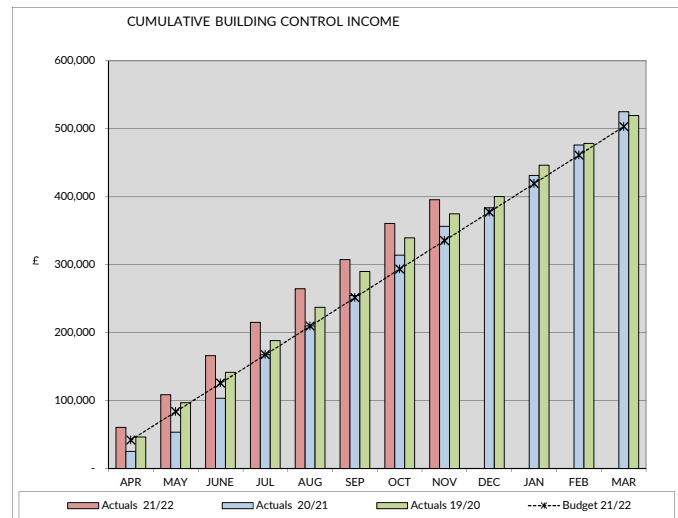


CUMULATIVE BREAKDOWN - LPLNDCH	Received (Month)	Percentage (Month)	Percentage (Month 20/21)	Percentage (Cumulative)
Searches Received - Paper	0	0%	0%	2
Searches Received - Electronic	97	100%	85%	882
Searches Received - Personal	0	0%	15%	155
Total	97	100%	100%	1,039

Appendix B: BUILDING CONTROL (DVBCFEE)				Increase /	Variance		Manager's Forecast
	Actuals 19/20	Actuals 20/21	Actuals 21/22	(decrease) from 20/21 to 21/22	(Budget-Actuals)	Budget 21/22	
APR	46,552	25,107	60,545	35,438	41,931	18,614	-
MAY	50,427	28,305	47,988	19,683	41,931	6,057	-
JUN	44,461	49,857	57,741	7,884	41,931	15,811	-
JUL	47,025	64,205	48,928	(15,277)	41,931	6,997	-
AUG	48,869	42,367	49,476	7,109	41,931	7,545	38,000
SEP	52,900	44,930	42,851	(2,079)	41,931	920	-
OCT	49,220	59,144	53,334	(5,810)	41,931	11,403	-
NOV	35,500	42,429	34,867	(7,562)	41,931	(7,064)	-
DEC	25,489	27,203	-	-	41,931	-	-
JAN	45,849	47,838	-	-	41,931	-	-
FEB	32,288	44,709	-	-	41,931	-	-
MAR	40,975	49,136	-	-	41,931	-	-
Total	519,555	525,230	395,730	39,386	503,168	60,284	38,000

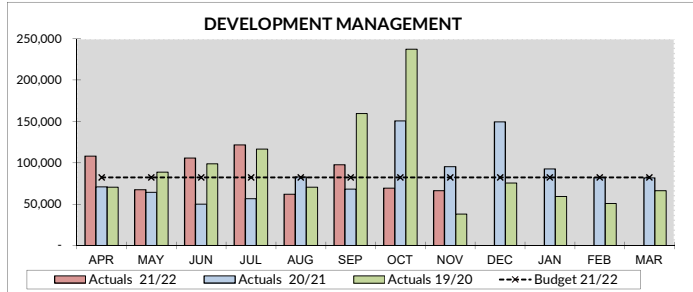


BUILDING CONTROL (CUMULATIVE)				Increase /	Variance		Manager's Forecast
	Actuals 19/20	Actuals 20/21	Actuals 21/22	(decrease) from 20/21 to 21/22	(Budget-Actuals)	Budget 21/22	
APR	46,552	25,107	60,545	35,438	41,931	18,614	-
MAY	96,979	53,412	108,533	55,121	83,861	24,671	-
JUNE	141,440	103,269	166,274	63,005	125,792	40,482	-
JUL	188,465	167,474	215,202	47,728	167,723	47,479	-
AUG	237,334	209,841	264,678	54,837	209,653	55,024	-
SEP	290,234	254,771	307,529	52,758	251,584	55,945	-
OCT	339,454	313,915	360,863	46,948	293,515	67,348	-
NOV	374,954	356,344	395,730	39,385	335,445	60,284	-
DEC	400,443	383,547	-	-	377,376	-	-
JAN	446,292	431,385	-	-	419,307	-	-
FEB	478,580	476,094	-	-	461,237	-	-
MAR	519,555	525,230	-	-	503,168	-	-

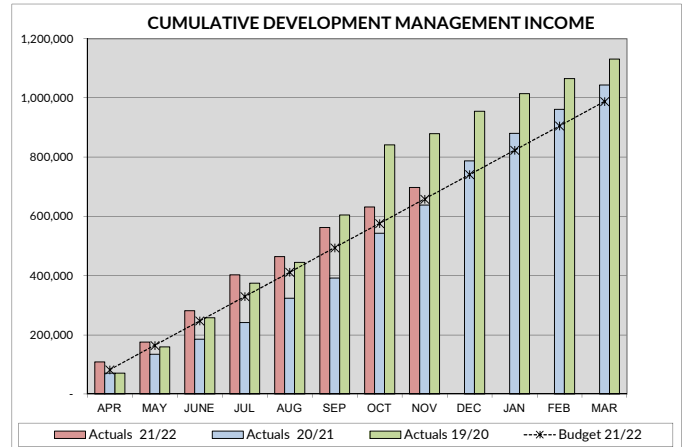


CUMULATIVE BREAKDOWN	Code	Actual (Cumulative)	Budget	(Monthly)
Plan Fee	3066	258,089	208,232	26,738
Inspection Fee	3067	135,890	127,213	7,954
Other	9999	1,750	-	175
New Burdens Grant	3905	0	-	-
Total		395,729	335,445	34,867

Appendix B: DEVELOPMENT MANAGEMENT (DVDEVCT/DVDEVRND)				Increase /			Variance	Manager's Forecast
	Actuals 19/20	Actuals 20/21	Actuals 21/22	(decrease) from 20/21 to 21/22	Budget 21/22	(Budget-Actuals)		
APR	70,363	70,765	108,220	37,455	82,352	25,869	-	
MAY	88,827	64,358	67,370	3,012	82,352	(14,982)	-	
JUN	98,710	49,790	105,814	56,024	82,352	23,462	-	
JUL	116,501	56,443	121,474	65,031	82,352	39,122	-	
AUG	70,614	82,700	61,771	(20,930)	82,352	(20,581)	51,500	
SEP	159,361	68,065	97,539	29,474	82,352	15,187	-	
OCT	237,506	150,748	69,405	(81,343)	82,352	(12,947)	-	
NOV	37,774	95,145	66,081	(29,064)	82,352	(16,270)	-	
DEC	75,475	149,560	-	-	82,352	-	-	
JAN	59,329	92,513	-	-	82,352	-	-	
FEB	50,534	81,896	-	-	82,352	-	-	
MAR	66,253	81,833	-	-	82,352	-	-	
Total	1,131,247	1,043,816	697,674	59,659	988,224	38,860	51,500	



DEVELOPMENT MANAGEMENT (CUMULATIVE)				Increase /			Variance	Manager's Forecast
	Actuals 19/20	Actuals 20/21	Actuals 21/22	(decrease) from 20/21 to 21/22	Budget 21/22	(Budget-Actuals)		
APR	70,363	70,765	108,220	37,455	82,352	25,869	-	
MAY	159,190	135,123	175,590	40,467	164,703	10,887	-	
JUNE	257,900	184,913	281,404	96,491	247,055	34,349	-	
JUL	374,401	241,356	402,878	161,522	329,407	73,471	-	
AUG	445,015	324,056	464,648	140,592	411,758	52,890	51,500	
SEP	604,376	392,121	562,187	170,066	494,110	68,077	-	
OCT	841,882	542,869	631,592	88,722	576,462	55,130	-	
NOV	879,656	638,014	697,673	59,659	658,813	38,860	-	
DEC	955,131	787,574	-	-	741,165	-	-	
JAN	1,014,460	880,087	-	-	823,517	-	-	
FEB	1,064,994	961,983	-	-	905,868	-	-	
MAR	1,131,247	1,043,816	-	-	988,220	-	-	



CUMULATIVE BREAKDOWN: DVDEVCT/DVDEVRND				
Code	Actual (Cumulative)	Budget	(Monthly)	
Planning Application Fees	3009	578,901	582,753	56,285
Other	9999	10,923	5,901	4,920
Planning Performance Agreements	3012	50,000	0	-
Pre-application Fees	8329	2,483	0	-
Pre-application Fees	8330	52,366	62,181	4,877
Monitoring Fees	3106	3,000	7,979	-
RECH-Other A/C'S	98100			
Total		697,673	658,813	66,081

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TREASURY MANAGEMENT STRATEGY 2022/23

Finance & Investment Advisory Committee - 11 January 2022

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

Status: For Decision

Also considered by:

- Cabinet - 10 February 2022
- Council - 22 February 2022

Key Decision: No

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

The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment guidance issued subsequent to the Act). This sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

The Annual Investment Strategy remains largely the same as for 2021/22 with the addition of Bond, Property, Equity and Multi-Asset Funds as an alternative investment option.

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

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

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer: Roy Parsons, Ext. 7204

Recommendation to Finance & Investment Advisory Committee:

That the report be noted and comments forwarded to Cabinet.

Recommendation to Cabinet:

That, subject to the comments of the Finance & Investment Advisory Committee, Cabinet recommend that Council approve the Treasury Management Strategy for 2022/23.

Recommendation to Council:

That the Treasury Management Strategy for 2022/23 be approved.

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

Background

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

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

Introduction

Reporting requirements - Capital Strategy

- 6 The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:
- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - an overview of how the associated risk is managed; and
 - the implications for future financial sustainability.
- 7 The aim of this capital strategy is to ensure that Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

Reporting requirements - Treasury Management

- 8 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Finance & Investment Advisory Committee.

- a) Prudential and treasury indicators and treasury strategy (this report) -

The first, and most important report covers:

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

- b) A mid-year treasury management report -

This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

- c) An annual treasury report -

This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

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Treasury Management Strategy for 2022/23

9 The strategy for 2022/23 covers two main areas:

Capital issues

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

Treasury management issues

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

10 These elements cover the requirements of the Local Government Act 2003, the Department of Levelling Up, Housing and Communities (DLUHC) MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Training

11 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training was last undertaken on 14 November 2018 and further training will be arranged as required.

12 The training needs of treasury management officers are reviewed periodically.

Treasury management consultants

13 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

14 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury management advisors.

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

The Capital Prudential Indicators 2022/23 - 2024/25

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

Capital Expenditure

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

Capital expenditure	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Services	8,693	15,073	9,111	4,077	2,049
Total	8,693	15,073	9,111	4,077	2,049

- 18 The above financing need excludes other long term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.
- 19 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing) although this may be funded through internal borrowing initially.

Financing of capital expenditure	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Capital expenditure	8,693	15,073	9,111	4,077	2,049
Financed by:					
Capital receipts	8,504	4,062	639	1,556	8
Capital grants	0	2,028	2,618	1,128	1,128

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Financing of capital expenditure	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Capital reserves	0	563	593	563	563
Mixed funding	189	420	4,211	830	350
Net financing need for the year	0	8,000	1,050	0	0

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

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

Capital Financing Requirement	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Services	27,515	35,230	42,944	43,708	43,422
Total CFR	35,230	42,944	43,708	43,422	43,136
Movement in CFR	7,715	7,714	764	-286	-286

Capital Financing Requirement	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Movement in CFR represented by:					
Net financing need for the year (above)	0	8,000	1,050	0	0
<u>Less</u> MRP/VRP and other financing movements	7,715	-286	-286	-286	-286
Movement in CFR	7,715	7,714	764	-286	-286

Note:- The MRP / VRP includes finance lease annual principal payments

Core Funds and Expected Investment Balances

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

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Year End Resources	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Fund balances / reserves	22,888	26,264	23,004	18,663	16,580
Capital receipts	8,504	4,062	639	1,556	8
Provisions	409	409	409	409	409
Other	0	0	0	0	0
Total core funds	31,801	30,735	24,052	20,628	16,997
Working capital*	9,033	9,133	9,233	9,333	9,433
Under/(over) borrowing	28,063	27,903	29,135	29,327	29,528
Expected investments	12,771	11,965	4,150	634	-3,097

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

Minimum revenue provision (MRP) policy statement

- 25 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).
- 26 DLUHC regulations have been issued which require the full Council to approve an MRP statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP statement:
- 27 For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be based on CFR. This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.
- 28 From 1 April 2008 for all unsupported borrowing (including PFI and finance leases), the MRP policy will be either:
- Asset life method - MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction); or

- Depreciation method - MRP will follow standard depreciation accounting procedures.

These options provide for a reduction in the borrowing need over approximately the asset's life. Repayments included in PFI or finance leases are applied as MRP.

- 29 It is proposed to use the 'asset life method' in the calculation of the Council's MRP. In choosing to do so, there are two options available:
- Equal instalments - where the principal repayment made is the same in each year; or
 - Annuity - where the principal repayments increase over the life of the asset.
- 30 Of the two options, the annuity method seems to be the most suitable for the Council at this time, particularly for assets that generate income. It matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. it reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years). Interest will be greater at the beginning of the loan, at which time all of the principal is outstanding, so the amount of principal repayment is lower in the initial years. The schedule of charges produced by the annuity method results in a consistent charge of principal and interest over an asset's life, taking into account the real value of the annual charges when they fall due.
- 31 MRP commences in the financial year following that in which the expenditure is incurred, or in the year following that in which the relevant asset becomes operational. This enables an MRP "holiday" to be taken in relation to assets which take more than one year to be completed before they become operational.
- 32 MRP Overpayments - A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2021 the total VRP overpayments have been nil.

The Borrowing and Repayment Strategy

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

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indicators, the current and projected debt positions and the annual investment strategy.

Current portfolio position

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

External debt	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Debt at 1 April	5,015	4,892	12,766	12,298	11,820
Expected change in Debt	-123	7,874	-468	-478	-487
Other long-term liabilities (OLTL)	2,275	2,275	2,275	2,275	2,275
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	7,167	15,041	14,573	14,095	13,608
The Capital Financing Requirement (CFR)	35,230	42,944	43,708	43,422	43,136
Under / (over) borrowing	28,063	27,903	29,135	29,327	29,528

- 35 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 36 The Deputy Chief Executive and Chief Officer - Finance & Trading reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Treasury Indicators: Limits to Borrowing Activity

The operational boundary

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

Operational boundary	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Debt	30,000	30,000	30,000	30,000
Other long term liabilities	2,275	2,275	2,275	2,275
Total	32,275	32,275	32,275	32,275

The authorised limit for external debt

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

Authorised limit	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Debt	35,000	35,000	35,000	35,000
Other long term liabilities	2,275	2,275	2,275	2,275
Total	37,275	37,275	37,275	37,275

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Prospects for interest rates

- 41 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20 December 2021. These are forecasts for PWLB certainty rates (gilt yields plus 80bps).

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

- 42 Appendix A draws together a number of current City views on the prospects for short term and longer fixed interest rates. Appendix B contains Link Group's latest economic background report and the risks for interest rates as at December 2021.

Borrowing Strategy

- 43 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement or CFR) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.
- 44 Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Deputy Chief Executive and Chief Officer - Finance & Trading will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates, then long term borrowings will be postponed.*
 - *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

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

Policy on borrowing in advance of need

- 46 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 47 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

- 48 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the level of debt is relatively low and there is still a very large difference between premature redemption rates and new borrowing rates.
- 49 If rescheduling were to be carried out, it will be reported to Cabinet at the earliest meeting following its action.

New financial institutions as a source of borrowing

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

Affordability prudential indicators

- 52 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council’s overall finances. Members are asked to note the following indicators:

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Ratio of financing costs to net revenue stream

- 53 This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs, net of investment income) against the net revenue stream.

Ratio of financing costs	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Services	1%	1%	2%	2%	2%
Total	1%	1%	2%	2%	2%

The estimates of financing costs include current commitments and the proposals in the budget report.

Maturity structure of borrowing

- 54 These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- 55 Members are asked to note the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2022/23		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years and above	0%	100%
Maturity structure of variable interest rate borrowing 2022/23		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years and above	0%	100%

Annual Investment Strategy

Current investment portfolio position

- 56 The Council’s treasury portfolio position at 1 December 2021 appears in Appendix C.
- 57 The Council’s global investment position are shown in Appendix C including loans to other organisations.

Loans to other organisations

- 58 The Council has loaned money to other organisations. Details appear in Appendix C.

Investment policy - management of risk

- 59 The Department of Levelling Up, Housing & Communities (DLUHC) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, as managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (a separate report).
- 60 The Council’s investment policy has regard to the following:
- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
 - CIPFA Treasury Management Guidance Notes 2018
- 61 The Council’s investment priorities will be security first, portfolio liquidity second and then yield (return).
- 62 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:-
- a) Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - b) Credit ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
 - c) Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
 - d) This authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix D under the categories of ‘specified’ and ‘non-specified’ investments.
 - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
 - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex

instruments which require greater consideration by members and officers before being authorised for use.

- e) The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio (see paragraph 68).
- f) Lending limits (amounts and maturity) for each counterparty will be set through applying the table in paragraph 70.
- g) This authority will set a limit for the amount of its investments which are invested for longer than 365 days (see paragraph 82).
- h) Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see Appendix E and paragraphs 74 and 75).
- i) This authority has engaged external consultants, Link Group to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- j) All investments will be denominated in sterling.
- k) As a result of the change in accounting standards for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the Ministry of Housing, Communities and Local Government (MHCLG) concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending on 31 March 2023.

62 However, this authority will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance (see paragraph 83). Regular monitoring of investment performance will be carried out during the year.

63 The above criteria are unchanged from the current financial year.

Creditworthiness policy

64 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the

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Council's prudential indicators covering the maximum principal sums invested.

- 65 The Deputy Chief Executive and Chief Officer - Finance & Trading will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 66 Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions
- 67 The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:
- Banks 1 (Good credit quality). UK banks having, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where rated):
 - i. Short Term - F1
 - ii. Long Term - A-
 - Banks 2 (Good credit quality). Non-UK banks domiciled in a country which has a minimum sovereign Long Term rating of AA- and having, as a minimum, the following Fitch, Moody's and Standard & Poor's credit ratings (where appropriate):
 - i. Short Term - F1
 - ii. Long Term - A-
 - Banks 3 (Part nationalised UK Bank - Royal Bank of Scotland). This bank can be included provided it continues to be part nationalised or it meets the rating requirements in Banks 1 above.
 - Banks 4 (The Council's own banker for transactional purposes, if it falls below the above criteria). Balances will be minimised in both monetary size and time invested.
 - Bank subsidiary and treasury operation. The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
 - Building societies. The Council will use all societies which:

- i. Meet the ratings for banks outlined above; or
 - ii. Have assets in excess of £3bn;
or meet both criteria.
- Money Market Funds (MMFs). Minimum AAA credit rating from at least two of the three rating agencies and with a fund size in excess of £1bn. New EU regulations implemented in January 2019 changed fund valuation methodology from Constant Net Asset Valuation (CNAV) to either Low Volatility Net Asset Valuation (LVNAV) or CNAV. As a consequence, the Council approves the use of Money Market Funds that operate under CNAV (those that invest exclusively in government securities) or operate under LVNAV (all other liquidity funds)
 - Bond, Property, Equity or Multi-Asset Funds.
 - UK Government (including gilts, Treasury Bills and the DMADF).
 - Local authorities, housing associations, parish councils etc.
- 68 A limit of 50% will be applied to the use of non-specified investments.
- 69 Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.
- 70 The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

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

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

Creditworthiness issues

- 72 Significant levels of downgrades to short- and long-term credit ratings have not materialised since the coronavirus crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

- 73 Although bank CDS prices (these are market indicators of credit risk) spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link Group monitor CDS prices as part of their creditworthiness service to local authorities.

Other limits

- 74 Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.
- 75 The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix E. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
- 76 In addition:
- no more than 15% of the total fund will be placed with any non-UK country at any time. The only country, other than the UK, currently approved for investment is Sweden;
 - total investment in any single institution , or institutions within a group of companies, is limited to 25% of the total fund at the time an investment is placed;

Investment Strategy

- 77 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 78 Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
 - Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.
- 79 The current forecast shown above includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February.

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80 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (based on a first increase in Bank Rate in quarter 2 of 2022):

- 2022/23 0.50%
- 2023/24 0.75%
- 2024/25 1.00%
- 2025/26 1.25%
- Later years 2.00%

81 For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.

82 Members are asked to note the following treasury indicator and limit. These limits are set with regard to the Council's liquidity requirements and to reduce the need for an early sale of an investment. They are based on the availability of funds after each year-end.

Upper limit for principal sums invested for longer than 365 days	2022/23 £m	2023/24 £m	2024/25 £m
Limit for principal sums invested for longer than 365 days	£10m	£10m	£10m
Current investments at 1/12/21 in excess of 1 year maturing in each year	-	-	-

Investment risk benchmarking

83 The Council will use an investment benchmark to assess the performance of its portfolio. The benchmarks will be 7 day and 3 month LIBID uncompounded for the time being. Publication of official LIBOR figures (and related LIBID calculations) will cease in 2022 and be replaced with SONIA (Sterling Overnight Index Average), which is the risk-free rate for sterling markets administered by the Bank of England.

End of year investment report

84 At the end of the financial year, the Council will receive a report on its investment activity as part of the Annual Treasury Report.

Scheme of delegation

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

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

- 86 As with the scheme of delegation mentioned in the previous paragraph, a statement of the role of the Section 151 officer is also required. This appears at Appendix G. This has been expanded to take account of the anticipated additional disclosure requirements resulting from CIPFA's review of the Treasury Management and Prudential Codes. Link Group's high level appraisal of the new codes appears at Appendix H.

Key Implications

Financial

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

Legal Implications and Risk Assessment Statement

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

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

Treasury management has two main risks :

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

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

These risks are mitigated by the annual investment strategy which has been prepared on the basis of achieving the optimum return on investments commensurate with proper levels of security and liquidity. However, Members

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should recognise that in the current economic climate, these remain significant risks and that the strategy needs to be constantly monitored.

Equality Assessment

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

Conclusions

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

In line with the revised CIPFA Code of Practice on Treasury Management, the Annual Treasury Strategy Statement must be considered by Council and this is planned for its meeting on 22 February 2022.

Appendices

Appendix A - Prospects for interest rates

Appendix B - Economic background and interest rate risks

Appendix C - Investment and Loan portfolio at 1 December 2021

Appendix D - Specified and non-specified investments

Appendix E - Approved countries for investments

Appendix F - Treasury management scheme of delegation

Appendix G - The treasury management role of the S151 officer

Appendix H - 2021 revised Treasury Management and Prudential Codes

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

APPENDIX A: Prospects for interest rates

- 1 The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20 December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

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

- 2 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16 December 2021.
- 3 As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Significant risks to the forecasts

- Labour and supply shortages prove more enduring and disruptive and depress economic activity.
- Mutations of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- The Bank of England’s Monetary Policy Committee (MPC) acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- The MPC tightens monetary policy too late to ward off building inflationary pressures.
 - The Government acts too quickly to cut expenditure to balance the national budget.
 - UK / EU trade arrangements - if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
 - German general election in September 2021. Germany faces months of uncertainty while a new coalition government is cobbled together after the indecisive result of the election. Once that coalition is formed, Angela Merkel's tenure as Chancellor will end and will leave a hole in overall EU leadership.
 - Longer term US treasury yields rise strongly and pull gilt yields up higher than forecast.
 - Major stock markets e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
 - Geopolitical risks, for example in Ukraine, Iran and North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.
- The balance of risks to the UK economy: -
- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

- 4 It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -
- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if

there is, whether there would be significant fiscal support from the Government for businesses and jobs.

- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.
- It is also recognised that there could be further nasty surprises on the Covid front beyond the Omicron mutation.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no deal Brexit.

5 In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will be revised again over the next few months - in line with whatever the new news is.

6 It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank

Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

- 7 Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.
- 8 While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.
- 9 US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend \$1trn on infrastructure, (which was eventually passed by both houses later in 2021), and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -
- A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
 - The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
 - It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
 - And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.
- 10 It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its December meeting with an aggressive response to damp inflation down during 2022 and 2023.
- 11 At its 3rd November Fed meeting, the Fed decided to make a start on tapering its \$120bn per month of QE purchases so that they ended next June. However, at its 15th December meeting it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be

expected that Treasury yields will rise over the taper period and after the taper ends, all other things being equal. The Fed also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

- 12 There are also possible downside risks from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.
- 13 There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates due to the following factors: -
- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
 - Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
 - Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
 - How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
 - How will central banks implement their new average or sustainable level inflation monetary policies?
 - How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
 - Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

The balance of risks to medium to long term PWLB rates

- 14 There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era - a fundamental shift in central bank monetary policy

- 15 One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the European Central Bank (ECB), to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US, before consideration would be given to increasing rates.
- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
 - The Bank of England has also amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ before starting on raising Bank Rate and the ECB now has a similar policy.
 - For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.
 - Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
 - Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

- 16 Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

- 17 Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- 18 On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows:-
- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
 - PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
 - PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
 - PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
 - Local Infrastructure Rate is gilt plus 60bps (G+60bps)
- 19 Borrowing for capital expenditure. The Link Group long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a “cost of carry” but also wishes to mitigate future re-financing risk.
- 20 While this authority will not be able to avoid borrowing to finance new capital expenditure, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

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APPENDIX B: Economic background and interest rate risks

Economic background

COVID-19 vaccines

- 1 These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- 2 In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- 3 The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.

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- 4 If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- 5 With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- 6 The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- 7 Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- 8 However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- 9 We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- 10 Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- 11 How quickly can science come up with a mutation proof vaccine, or other treatment, - and for them to be widely administered around the world?
- 12 Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- 13 The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- 14 The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- 15 On 10th December 2021 we learnt of the disappointing 0.1% m/m rise in GDP in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- 16 On 14th December 2021, the labour market statistics for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.
- 17 These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- 18 On 15th December 2021 we had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- 19 Other elements of inflation are also transitory e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- 20 Although it is possible that the Government could step in with some fiscal support for the economy, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore,

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effectively leave it to the MPC, and to monetary policy, to support economic growth - but at a time when the threat posed by rising inflation is near to peaking!

- 21 This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a surprise increase in Bank Rate from 0.10% to 0.25%. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".
- 22 On the other hand, it did also comment that "the Omicron variant is likely to weigh on near-term activity". But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation from Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- 23 On top of that, there were no references this month to inflation being expected to be below the 2% target in two years' time, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- 24 These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a "modest tightening" in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.
- 25 In as much as a considerable part of the inflationary pressures at the current time are indeed transitory, and will naturally subside, and since economic

growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- 26 As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- 27 The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
- Raising Bank Rate as "the active instrument in most circumstances".
 - Raising Bank Rate to 0.50% before starting on reducing its holdings.
 - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 - Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- 28 **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, CPI inflation hit a near 40-year record level of 6.8% but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- 29 Shortages of labour have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- 30 Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the Fed's meeting of 15th December would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed - "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous

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forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

- 31 **EU.** The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- 32 November’s inflation figures breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to persistently higher services inflation - which would get the European Central Bank (ECB) concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB’s target of 2% and it is likely to average 3% in 2022, in line with the ECB’s latest projection.
- 33 **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB’s target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- 34 The ECB will now also need to consider the impact of Omicron on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of

peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

- 35 The EU has entered into a period of political uncertainty where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.
- 36 **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of 2020; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- 37 However, the pace of economic growth has now fallen back in 2021 after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The People's Bank of China made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- 38 Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into

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officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- 39 **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- 40 The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.
- 41 **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.
- 42 **SUPPLY SHORTAGES.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

APPENDIX C: CURRENT PORTFOLIO POSITION

List of Investments as at:- 1-Dec-21

Reference	Name	Rating	Country	Group	Amount	Start Date	Comm Rate	End Date	Curr Rate	Terms	
	Barclays Bank plc (Business Premium A/C)	A+	U.K.		10,189,000	01-Oct-11			0.01000%	Variable	
	Svenska Handelsbanken AB (Deposit A/C)	AA	Sweden		0	23-Jul-14			0.00000%	Variable	
	Svenska Handelsbanken AB (35 Day Notice A/C)	AA	Sweden		0	01-Sep-16			0.05000%	Variable	
	Aberdeen Standard Liquidity Fund (Money Market Fund)	AAA	U.K.		5,000,000	11-May-12				Variable	
	Insight Liquidity Fund (Money Market Fund)	AAA	U.K.		500,000	11-May-12				Variable	
	BlackRock Liquidity Fund (Money Market Fund)	AAA	U.K.		1,000,000	13-Oct-16				Variable	
	CCLA Public Sector Deposit Fund (Money Market Fund)	AAA	U.K.		5,000,000	08-Oct-18				Variable	
IP1431	Close Brothers Ltd	A-	U.K.		2,000,000	07-Sep-21	0.27000%	21-Mar-22		6 Months	
IP1433	Close Brothers Ltd	A-	U.K.		3,000,000	29-Oct-21	0.50000%	29-Apr-22		6 Months	
IP1429	Newcastle Building Society		U.K.		3,000,000	22-Jul-21	0.11000%	24-Jan-22		6 Months	
IP1434	Principality Building Society	BBB+	UK		4,000,000	02-Nov-21	0.15000%	21-Feb-22		3 Months	
IP1430	Thurrock Borough Council		U.K.		2,000,000	09-Aug-21	0.07000%	10-Jan-22		5 Months	
IP1432	Thurrock Borough Council		U.K.		3,000,000	09-Sep-21	0.08000%	22-Mar-22		6 Months	
Total Invested					38,689,000						

Other Loans

Sevenoaks Leisure Limited					537,760	02-Mar-18	6.00000%	02-Mar-28		10 Years
Quercus 7										
			Year of issue				avg interest			
			19/20		3,616,374		4.85%			
			20/21		3,970,381		4.81%			
			21/22		5,965,691		4.61%			

Global summary of all investments

	19/20 £	Average percentage	20/21 £	Average percentage	Forecast 21/22 £	Average percentage
Income Budget	200,000		300,000		188,000	
Investment Income	254,295	0.890%	79,277	0.349%	22,000	0.110%
Interest from Loans	138,895	3.34%	224,068	4.93%	307,807	4.76%
Interest saved on not borrowing externally	96,658	2.36%	290,258	2.39%	290,258	2.39%
Total	489,848		593,603		620,065	
Average % return		1.48%		1.51%		1.61%

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

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

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

Specified investments - These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months

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if it wishes. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months, once the remaining period to maturity falls to under twelve months. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

- a) The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
- b) Supranational bonds of less than one year's duration.
- c) A local authority, parish council or community council.
- d) Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. This covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's and / or Fitch rating agencies.
- e) A body that is considered of a high credit quality (such as a bank or building society). This covers bodies with a minimum Short Term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's and / or Fitch rating agencies.

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

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

Non Specified Investment Category	Limit (£)
The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£7m
Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £3bn.	£3m
Any bank or building society that has a minimum long term credit rating of A-, for deposits with a maturity of greater	£7m

Non Specified Investment Category	Limit (£)
than one year (including forward deals in excess of one year from inception to repayment).	
Any non-rated subsidiary of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.	£7m
Share capital in a body corporate - The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. See note 1 below.	£50k
Bond Funds. A pooled investment vehicle with a mix of corporate and government grade bonds. See note 1 below.	£5m
Other Funds - including Property, Equity and Multi-Asset Funds. These are pooled investment vehicles specialising in property, equities or a mixture of assets. The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. See note 1 below. This Authority will seek guidance on the status of any fund it may consider using.	£5m

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

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

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

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APPENDIX E - Approved countries for investments as at December 2021

This list is based on those countries which have sovereign ratings of AA- or higher and also (except for Luxembourg, Norway & Hong Kong) have banks operating in the sterling markets which have colour codes of green or above in the Link Asset Services credit worthiness service.

Based on lowest available rating from Fitch, Moody's and S&P

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- United Kingdom

APPENDIX F - Treasury management scheme of delegation

Full Council

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

Cabinet

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

Finance & Investment Advisory Committee

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

APPENDIX G - The treasury management role of the section 151 officer

The S151 (responsible) officer is responsible for:

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

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

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

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

APPENDIX H - 2021 revised Treasury Management Code and Prudential Code

The following is Link Group's high level appraisal of the new codes:-

CIPFA published the revised codes on 20 December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. The Council will need to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address Environmental, Social & Governance (ESG) issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 (as in Appendix D above) to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council; and
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity - i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

As our Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report. However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether they feel it is relevant to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).

Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

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PROPERTY INVESTMENT STRATEGY UPDATE REPORT

Finance and Investment Advisory Committee - 11 January 2022

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

Status: For Decision

Also considered by:

- Cabinet - 10 February 2022
- Council - 22 February 2022

Key Decision: No

Executive Summary:

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

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

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

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

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

Portfolio Holder: Cllr. Matthew Dickins

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

Alan Mitchell, Ext. 7483

Detlev Munster, Ext. 7099

Recommendation to Finance and Investment Advisory Committee):

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

Recommendation to Cabinet:

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

Recommendation to Council:

Council agrees the Property Investment Strategy criteria recommended by Cabinet.

Introduction and Background

- 1 In recent years Sevenoaks District Council was facing ongoing reductions in Government support, culminating in it no longer receiving Revenue Support Grant from 2017/18. This has led to a number of decisions that have been taken through the 10-year budget process to try and ensure that the council remains in a financially sustainable position.
- 2 On 7 November 2013, Cabinet approved the then Corporate Plan which set out key areas for the organisation, including the need to become financially self-sufficient. The agreed plan articulated an approach of investing in assets that would generate revenue income to allow less reliance on diminishing Government support. It went on to state that this could be done either through reviewing the use of reserves or through borrowing at low interest rates.
- 3 On 22 July 2014, Council agreed the Property Investment Strategy. The Strategy's criteria were last updated at Council on 23 February 2021 and the current criteria are included at **Appendix A**.

Funding Agreed to Date

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

Activity to Date

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

Date	Activity	Total Cost £000	2021/22 Income Yield %
Apr 2015	Suffolk House, Sevenoaks (including refurb.) (office)	4,892	7.3%
May 2015	Swanley Petrol Station and Supermarket	2,566	7.5%
Mar 2017	26-28 Pembroke Road, Sevenoaks (office)	4,673	3.9%
Aug 2018	Premier Inn Hotel, Sevenoaks	7,332	6.4%
	Total	19,463	

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

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

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

Date	Activity	Total Cost £000	2021/22 Income Yield %
2016/17	Quercus 7 set up costs	13	
2018/19 onwards	Quercus 7 investments (debt 60%)	5,987	4.5%
2018/19 onwards	Quercus 7 investments (equity 40%)	3,991	
	Total	9,991	

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

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

Date	Activity	Total Cost £000
Feb 2015	Swanley Working Men's Club (including demolition)	1,393
Feb 2017	96 High Street, Sevenoaks (retail, office) and associated site	4,554
May 2017	Croft Road, Westerham (housing option)	50
	Total	5,997

- 17 **Swanley Working Men's Club (February 2015)** - The premises were demolished in July 2016. The Council is preparing proposals for a residential-led development on this site together with the adjacent car park. Discussions are on-going with West Kent Housing Association for the inclusion of their neighbouring land into a wider scheme. The Council is looking to adopt a build to let model. Stage 2 design work is currently being completed which will then allow the financial parameters to be set. The project is progressing to programme and construction could commence in winter 2022, subject to planning consent.
- 18 **96 High Street, Sevenoaks (February 2017)** - This premise consists of ground floor retail space, 1st and 2nd floor office space. The land at the rear is next to a District Council car park which in turn is next to the bus station

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and therefore has the potential to support the Council's regeneration ambitions. Discussions have taken place and are ongoing with KCC to include land in their ownership to bring forward a larger scheme. Consultants are being appointed to prepare a masterplan and feasibility study that will be used to establish terms with a private sector development partner, which will be procured in 2022. The ground floor retail space is in occupation, with Hospice in the Weald having been granted a short-term lease following the insolvency of our long-term tenants during the Covid-19 pandemic. The second floor is still in occupation by Second Floor Studios CIC and their lease is being made co-terminus with that on the ground floor.

- 19 **Croft Road, Westerham** - This land formally in the Council's ownership was sold to a developer to build 18 residential units which are being built in two phases. The Council took up an option to acquire two houses at a discount (based on an agreed price formula), one house in each phase. The option to acquire the house in the first phase was exercised on behalf of Quercus 7, and it has since been let on an Assured Shorthold Tenancy providing regular monthly income. The option to acquire the house in the second phase was exercised by the Council, which is currently in the process of selling it.
- 20 All of the Council's acquisitions have been supported by a thorough business case and approved by the Improvement & Innovation Portfolio Holder in consultation with the Finance & Investment Portfolio Holder as required by Council.

Property Investment Strategy Income

- 21 The 10-year budget approved by Council in February 2021 included net Property Investment Strategy income of £1.372m in 2021/22 and £1.508m in 2022/23.
- 22 Net income of £1.386m is forecast in 2021/22 - £14,000 above the budget.
- 23 The Property Investment Strategy net income budgets included in the 10-year budget approved by Council in February are included in the table below:

Year	Net Income Budget
2021/22	£1.372m
2022/23	£1.508m
2023/24 - 2025/26	£1.558m
2026/27 - 2028/29	£1.655m
2029/30 - 2030/31	£1.696m

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

Funding Sources

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

Public Works Loan Board (PWLB) - Access to Borrowing

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

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- a. As a condition of accessing the PWLB, local authorities are now asked to submit a high-level description of their capital spending and financing plans for the following three years.
 - b. Councils intending to invest for yield are not permitted to access the PWLB.
 - c. When applying for a new loan, councils are required to confirm that the plans they have submitted remain current and reaffirm that they do not intend to buy investment assets primarily for yield.
 - d. The decision over whether a project complies with the terms of the PWLB is for the section 151 officer or equivalent of the council (Chief Officer - Finance and Trading).
- 33 The White Oak Leisure Centre scheme is being partly funded by PWLB borrowing and the above conditions were agreed by Council on 16 November 2021. This therefore means that the Council is currently unable to invest in property purely for yield such as through the Property Investment Strategy.
- 34 There have been a number of announcements and guidance notes from the Government and CIPFA (Chartered Institute of Public Finance and Accountancy) considering how some councils have borrowed from the PWLB to fund property investments and proposed changes to the Prudential Code.
- 35 Officers will continue to liaise with the Government and other bodies to ensure that there is a clear understanding of options and implications available for future use of the Property Investment Strategy by both the Council and Quercus 7.

Future Opportunities

- 36 As mentioned above, the PWLB and Prudential Code changes will impact the opportunities to make further property investments within the strategy.
- 37 It is therefore recommended that the focus of officers time on the delivery of the Property Investment Strategy should be on development of the strategic assets listed in paragraph 16, realising their revenue potential.

Risks

- 38 The risks of the Property Investment Strategy are included in **Appendix B**. The risks were first assessed by the Audit Committee on 9 September 2014 and have been reviewed each year.
- 39 The Council's Strategic Risk Register was last considered by the Audit Committee on 23 September 2021 and the relevant extract is also included in **Appendix B**.
- 40 In terms of short-term variations in capital value, property investment is inherently more risky than leaving reserves in the bank but this was taken

into account when establishing the Property Investment Strategy and setting the investment criteria. Treasury investment returns have long been below inflation levels resulting in the gradual erosion of those funds. A separate report on the Treasury Management Strategy 2021/22 is also being presented at this meeting.

- 41 The risks of each potential investment are considered by carrying out due diligence, including the following:
 - a. Valuation.
 - b. Market conditions.
 - c. Covenant strength of tenants.
 - d. Terms of leases.
 - e. Structural surveys.
 - f. Funding options.
 - g. Future costs.
- 42 It should be recognised that there may be times when there are business reasons to dispose of assets held as part of the Property Investment Strategy and invest elsewhere instead.
- 43 The Scrutiny Committee set up a Property Investment Strategy Member Working Group at their meeting on 5 July 2016 and reported their findings on 30 March 2017.
- 44 The Member Working Group concluded that the benefits of the Property Investment Strategy do outweigh the risks, provided that the council remains alive to of changes in the market and financial risks.
- 45 Internal Audit completed an audit report on the Property Investment Strategy in 2017/18. The audit opinion given in the report was of full assurance.
- 46 The audit report conclusion was: “Audit fieldwork confirmed effective governance and financial arrangements are in place for the delivery of the Property Investment Strategy. The attainment of set objectives is being achieved. Existing arrangements are fit for purpose for the delivery of the Strategy and comply with Council procedures.”
- 47 The assurances required over the Property Investment Strategy are considered each year as part of the risk-based annual audit planning process.
- 48 The changes to the PWLB lending terms also produce additional risks that did not previously exist.

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Property Investment Strategy Criteria

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

Key Implications

Financial

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

All other financial information can be found in the report.

Legal Implications and Risk Assessment Statement.

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

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

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

Equality Assessment

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

Net Zero Implications

The decisions recommended through this paper have a remote or low relevance to the Council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the District, or supporting the resilience of the natural environment.

Value for Money and Asset Maintenance

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

Conclusions

The investments previously made through the Property Investment Strategy continue to provide a good revenue income stream to the Council and assist it in remaining financially sustainable.

The Council is not currently able to make further investments purely for yield, but the situation will continue to be monitored with the aim to make further investments via the Council or Quercus 7 in future.

Appendices

Appendix A - Property Investment Strategy

Appendix B - Property Investment Strategy - Risk Analysis

Background Papers

Report to Council 22 July 2014 - Investment Strategy

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

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

Report to Council - 21 July 2015 - Property Investment Strategy

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

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

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Property Investment Strategy (agreed by Council 23/02/21)

1. The strategy will consist of a diversified and balanced portfolio of investment assets with regard to the following considerations.
2. As the portfolio has grown and property markets have changed, all asset categories are now included subject to appropriate due diligence and ensuring no asset class exceeds 20% in total value of the approved funding.
3. When considering the tenure of an asset, freehold would be preferable to leasehold. Freehold provides for greater levels of security against a leasehold asset that would effectively decrease in value over time. However, assets on long leasehold basis may still be suitable for consideration.
4. Whilst properties let to only one tenant may offer an acceptable level of risk, multi-tenanted properties would be favourable as they offer the opportunity to minimise the impact of any one part of the asset being vacant due to tenant default or lease expiry. If assets are occupied by a single tenant, then detailed financial due diligence would be undertaken to ascertain their financial stability.
5. Investment opportunities are restricted to all of England, however recognising that this may need to be changed in future if legislation is amended.
6. Based on the above considerations and taking into account local market conditions, a lot size of between £1m and £10m has been set. This is to avoid the lower part of the local market where private high net worth individuals would be seeking to invest and also the high end, where Pension Funds and Life Assurance Funds tend to dominate.
7. Given the likely risk profile of an asset meeting the above considerations, the following has been set. The income yield be 3%+ above the Council's average treasury management return (currently 0.6%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 1.6% for 30 years) when externally borrowing, based on an average over 10 years. (Flexibility may be applied to those opportunities that show an acceptable social return on investment).
8. A limited number of opportunities that include the potential for development should also be considered. This approach may have the potential to deliver an additional 20-30% return on investment.
9. Where sites that are already in the ownership of the Council could be redeveloped in partnership with neighbouring sites, added value can be derived from 'marriage' of the sites. Consideration should be given to Joint Venture (JV) projects that maximise value, with priority given to those which would result in the delivery of assets meeting the investment criteria.

10. It is expected that external specialist property investment advisors will be retained on each transaction, advising on suitability having undertaken detailed pre purchase due diligence, including valuation, risk analysis and lease / title reviews.
11. Taking all of the above considerations into account, the current criteria are:
 - i. Income yield of 3%+ above the Council's average treasury management return (currently 0.6%) when not borrowing or internally borrowing, and 3%+ above the borrowing rate (currently 1.6% for 30 years) when externally borrowing, based on an average over 10 years. (Flexibility may be applied to those opportunities that show an acceptable social return on investment
 - ii. Individual Properties or Portfolios
 - iii. Lot size of £1m - £10m subject to multiple tenants for lots over £5m
 - iv. Freehold / Long Leasehold
 - v. Single or Multi Tenanted
 - vi. Asset categories: all subject to appropriate due diligence and ensuring no asset class exceeds 20% in total value of the approved funding.
 - vii. Investment opportunities be restricted to all of England.
 - viii. Potential to increase rental income, through pro-active Asset Management
12. The Strategic Asset Management and Operational Property Management of the portfolio be delivered from existing resource within the Council's Economic Development and Property Team. There will however be times when specialist external advice is needed and this work will be commissioned on an 'as required' basis, funded from the income from the assets. This approach is to be reviewed regularly, including ongoing resource requirements, as the portfolio grows.
13. Funding for the acquisition of assets should be reviewed on a case by case basis but could be derived from a number of sources:
 - Receipts from previous property disposals.
 - Receipts from proposed land / property disposals in future years.
 - Internal borrowing.
 - Borrowing from the Public Works Loan Board.

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

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Property Investment Strategy - Risk Analysis

The Property Investment Strategy risks are detailed below. The impact and likelihood of each risk are first assessed gross (without existing controls in place) and then re-assessed following the identification of key controls (net). The net ratings are shown in the following table:

Net Risk Ratings						
Likelihood	Very Likely (5)					
	Likely (4)					
	Possible (3)			15		6
	Unlikely (2)			4,9	1	11
	Very Unlikely (1)	13	3		2a	2b,5,7,8,10,12,14
		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Critical (5)
		Impact				

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
Property Investment Strategy - Failure to identify opportunities to meet the Property Investment Strategy Lead Officer: Adrian Rowbotham & Detlev Munster											
1) Downturn in property market	<ul style="list-style-type: none"> Poor Return on Investment (ROI) on selling/rental 	3	5	15	<ul style="list-style-type: none"> Contracts to have rent review, break clauses etc. Investments are credit secure and can be retained through any market downturn. No requirement by SDC to liquidate investments in medium term. No requirement from SDC to minimise or contain reported mark to market variability 	2	4	8	2	4	

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Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
2) a. Poor quality construction/management	<ul style="list-style-type: none"> • Repairs • Defects • remedial work, • customer dissatisfaction • loss of reputation • legal action • additional costs not built into financial plan 	1	5	5	<ul style="list-style-type: none"> • Robust contracting process. • Pre-purchase surveys • High quality spec • Quality assurance clauses • Warranties • Procurement processes • Clauses for liquidated damages • Build relationships with contractors - understand their quality ethos • Do not work with contractors who have a record issues or no track record 	1	4	4	1	4	4

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
					<ul style="list-style-type: none"> Ensure contractor has sufficient covenant to stand behind their commitments Property Investment Strategy Maintenance Reserve 						
b. Poor quality construction/management	<ul style="list-style-type: none"> Risks to personal health and safety - defects, gas, electricity, legionella, etc. 	2	5	10	<ul style="list-style-type: none"> Surveys; risk assessment techniques; CDM (Construction, Design & Mgt Regs); using registered suppliers and installers 	1	5	5	1	5	5
3) Possibility of challenge re: unlawful subsidy	<ul style="list-style-type: none"> Legal challenge to Quercus 7. 	2	2	4	<ul style="list-style-type: none"> Full cost recovery. 	1	2	2	1	2	2

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Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
					<ul style="list-style-type: none"> Loans obtained at commercial lending rates Charging Directors and others' time to the Company. Legal due diligence pre contractual commitment 						
4) Inability to attract and retain suitable purchasers/tenants	<ul style="list-style-type: none"> Poor ROI void periods loss of rental income 	3	4	12	<ul style="list-style-type: none"> Demand for residential property remains high. Taking up references Early engagement with potential buyers/tenants Quality product to attract purchasers/tenants Standby working capital facility to 	2	3	6	2	3	6

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
					support downturn in market for tenants i.e. finance voids or rent shortfalls						
5) Failure to fully assess sites and conditions	<ul style="list-style-type: none"> Defects remedial action costs failure to attract purchasers/tenants void periods poor ROI 	2	5	10	<ul style="list-style-type: none"> Robust appraisals and surveys to be undertaken before progressing. Pre-application planning advice. Knowledge of location/market Extensive due diligence process. 	1	5	5	1	5	5
6) Insufficient financial resources to progress projects	<ul style="list-style-type: none"> Cannot close deals because of inability to achieve purchase price Lack of progress in the market 	4	5	20	<ul style="list-style-type: none"> Borrowing permissions in place (note PWLB restrictions). Investment strategy in place. Sound business case/plan. 	3	5	15	3	5	15

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Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
					<ul style="list-style-type: none"> • Due diligence exercises, • Develop alternatives to SDC funding for Quercus 7 						
7) Insufficient resources, capacity, skills to plan and manage projects	<ul style="list-style-type: none"> • Inability to close deals as insufficient due diligence • Loss of reputation 	3	5	15	<ul style="list-style-type: none"> • Procurement of specialist resources not available in-house. • Appointment of staff with adequate skills for purpose. 	1	5	5	1	5	5
8) Inability to secure development opportunities to cover overheads and develop profits	<ul style="list-style-type: none"> • Quercus 7 loss making company • Business plan not executed • Shareholder dissatisfaction 	4	5	10	<ul style="list-style-type: none"> • Continue to develop pipeline of opportunities. Links with agents. • Proactive approach to identify opportunities. 	1	5	5	1	5	Agenda Item 10

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
	<ul style="list-style-type: none"> Dissolution of company 				<ul style="list-style-type: none"> Procurement of sufficient resources. Divert development resources to management responsibilities during prolonged downturn? 						
9) Increase in voids/and void turn-around time/re-let times	<ul style="list-style-type: none"> Income from rent is reduced and cash flow compromised 	3	3	9	<ul style="list-style-type: none"> Employment of experienced agents to manage lettings. Sale of property an option. Reconsideration of operating model Standby working capital facility to support downturn in market for 	2	3	6	2	3	6

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Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
					tenants i.e. finance voids or rent shortfalls • Option of selling assets to provide working capital bridge						
10) Purchase not supported by red book valuation	<ul style="list-style-type: none"> • Unable to secure purchase 	4	5	20	<ul style="list-style-type: none"> • Red book valuation obtained prior to offer. 	1	5	5	1	5	5
11) Financial risks	<ul style="list-style-type: none"> • Rents not achieved • Values reduce • Property market falls • Operational costs higher than budget • Defects arising that affect let ability / income 	3	5	15	<ul style="list-style-type: none"> • Due Diligence measures • Pre purchase surveys 	2	5	10	2	5	10

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
12) Failure to comply with taxation issues, Corporation tax and VAT	<ul style="list-style-type: none"> Legal challenges 	2	5	10	<ul style="list-style-type: none"> Internal and/or external advice sought in relation to taxation to ensure compliance. 	1	5	5	1	5	5
13) Implications of Residential Property Developers Tax (RDPT)	<ul style="list-style-type: none"> Requirement to pay RDPT on a scheme where either Q7 or a JV partner profit brings this into scope. 	1	1	1	<ul style="list-style-type: none"> Carry out financial modelling based on proposed scheme and the relation to profits of Q7 and/or any JV partner 	1	1	1	1	1	1
14) Poor management of property	<ul style="list-style-type: none"> Risk to tenants Health and Safety Defects, gas, electricity etc. 	2	5	10	<ul style="list-style-type: none"> Engage experienced and qualified management agents 	1	5	5	1	5	5
15) Impact of COVID-19 - Increase in voids/market changes/bad debts	Income from rent is reduced and cash flow compromised.	4	3	12	<ul style="list-style-type: none"> Employment of experienced agents to manage lettings. 	3	3	9	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
					<ul style="list-style-type: none"> Sale of property an option. Reconsideration of operating model 						

Strategic Risk Register Item - September 2021

Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R
SR02: Property Investment Strategy - Failure to identify opportunities to meet the Property Investment Strategy Lead Officer: Adrian Rowbotham & Detlev Munster											
<ul style="list-style-type: none"> Reduced ability to borrow funds including the effect of government legislation changes Lack of ability to seek appropriate investment opportunities Inappropriate appetite for risk within investment strategy to enable the Council to generate target returns Lack of ability to deliver sufficient funds to maximise 	<ul style="list-style-type: none"> Inability to invest due to funding restrictions Lack of diversity in investments Inability to find investments that meet the return criteria Inability to deliver a balanced budget (SR01) 	4	4	16	<ul style="list-style-type: none"> Council approved Property Investment Strategy, with defined rates of return demonstrating risk appetite Diversified portfolio to spread risk Governance arrangements defined with appropriate delegations agreed 	4	3	12	3	3	9

Risk Factors	Potential Effect	Gross Score			Internal Controls	Net Score			Target Score		
		L	I	R		L	I	R	L	I	R
the opportunities presented through the Property Investment Strategy <ul style="list-style-type: none"> Prohibitive cost of interest payments Lack of capacity or skilled professionals to advise on investment and borrowing strategies Ineffective governance processes that could result in opportunities being missed or being ineffectively scrutinised Ineffective use of Quercus 7 to support the Council’s investment strategy Covid-19 / Economic conditions - inability to find or retain tenants, collect lease or rental income, reduction in asset values (systemic risk) 	<ul style="list-style-type: none"> Negative impact on budgets, reserves and the ability to deliver Council projects Poor financial health Reputational damage Poor outcome for the Audit of Accounts or Value for Money assessment and potential for increased intervention 				<ul style="list-style-type: none"> Qualified and experienced officers in post Professional, external advisers engaged to support the development of strategies and fill skills gaps Realistic income budget set based on current and projected investments Financial monitoring processes embedded Effective financial governance including reports to FIAC, Cabinet and Scrutiny Committee Regular Quercus 7 Board and Trading Board meetings 						
Actions Identify alternative external funding sources and keep up to date with government legislation											
Available Assurance Internal Audit of Property Investment Strategy in progress Ad hoc external consultants provide reports on state of the property markets Annual property investment valuation carried out by independent consultant, in line with CIPFA and RICS standards											

CAPITAL PROGRAMME & ASSET MAINTENANCE 2022/25

Committee - Finance and Investment Advisory Committee - 11 January 2022

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

Status: For Decision

Key Decision: No

Executive Summary: This report sets out the proposed Capital and Asset maintenance programmes for 2022/25 together with proposed funding.

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

Portfolio Holder: Cllr. Matthew Dickins

Contact Officers: Alan Mitchell, Ext.7483

Adrian Rowbotham Ext. 7153

Recommendation to Finance & Investment Advisory Committee:

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

- a) The Capital Programme 2022/25 and funding set out in Appendix B.
- b) The proposed Asset Maintenance budget of £618,000 for 2022/23.
- c) The Capital Strategy for 2022/23, Appendix C of this report.

Introduction and Background

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

Capital Bids

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- 2 The new scheme bids are attached at Appendix A.
- 3 Each scheme bid document details the proposed programme and its purpose as well as the capital costs for the next 3 years. In addition, details of how the programme is to be funded, justification for the bid and any other resource implications are included in each bid document.
- 4 Appendix B summarises the overall capital programme position of existing and proposed schemes and indicates the funding sources proposed.
- 5 Schemes that have not spent in line with previously reported schedules for 2021/22 may be carried forward to 2022/23, subject to Cabinet approval and the final outturn position.
- 6 Schemes that are of significant size or importance will be presented as separate reports throughout the year as appropriate and the Capital Programme, Appendix B, will be updated to reflect subsequent approved amendments.
- 7 The Property Investment Strategy was removed from the Capital Programme in November 2021 so that PWLB borrowing could be accessed to fund the White Oak construction as approved.
- 8 A separate report on the Property Investment Strategy will be presented.

Capital Receipts

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

Table 1: Capital Receipts estimates

Disposal Programme	2022/23 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's
Total Capital receipts	8,968	1,873	300	4,693
Already allocated	(8,968)	(1,650)	0	(2,643)
New capital receipts	0	223	300	2,050

- 10 The capital receipt estimates are based on the current disposal programme but may be subject to change.
- 11 Capital receipts will be used to finance the capital programme where possible but other sources of funding such as the Financial Plan Reserve,

internal borrowing, external borrowing and the Vehicle Renewal Reserve may be used to fund specific items.

Asset Maintenance

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

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

- 13 Table 2: Total asset maintenance programme

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget	658	618	631	642
% of programme funded	65%	64%	64%	64%

Capital Strategy

- 14 The revised CIPFA Code require, for 2019/20 onwards, all local authorities to prepare a Capital Strategy report, which will provide the following:
- A high level, long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - An overview of how the associated risk is managed; and
 - The implications for future financial sustainability.
- 15 This Council’s Capital Strategy for 2022/23 is presented in Appendix C.
- 16 The aim of this Capital Strategy is to ensure that all Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance and risk appetite.
- 17 The Capital Strategy has direct links to other key strategic and policy documents, such as:
- The Council Plan;
 - The Ten Year Budget and Budget Strategy;

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- The Local Plan;
 - Asset Management Plan;
 - Treasury Management Policy And Strategy;
 - Property Investment Strategy; and
 - Capital Programme
- 18 These key strategic and policy documents are reported separately to Members and are not reproduced within the Capital Strategy.
- 19 The Capital Strategy complements the above documents by defining the approach, structure and governance for the effective financing and Management of the Council's capital investment needs and ambitions. It outlines how the Council's existing capital resources will be effectively managed to meet the planned needs and opportunities and for meeting the ambitions for future longer term capital investments.
- 20 It is intended that the Capital Strategy will be reviewed annually to reflect changes in circumstances.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

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

Equality Assessment

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

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

Appendices

Appendix A - Scheme Bid Documents

Appendix B - Proposed 2022/25 capital programme

Appendix C - Capital Strategy 2022/23

Background Papers

None

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

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Capital Programme 2022/25

Scheme Bid Document - Scheme: Disabled Facility Grant

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

Service : Private Sector Housing

Portfolio Holder/Chief Officer : Cllr Maskell / Sarah Robson

Financials :

CAPITAL COSTS	Period	2022/23	2023/24	2024/25
	TOTAL			
	£000	£000	£000	£000
Gross scheme cost	3,384	1,128	1,128	1,126
External Contributions (list)				
Better Care Fund, via KCC	(3,384)	(1,128)	(1,128)	(1,128)
Net scheme cost	0	0	0	0

ONGOING REVENUE IMPLICATIONS

(excluding loss of interest)

Running costs

Income streams

Net cost	0	0	0
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Funding Source : Scheme will be fulling funded from the Better Care Fund.

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

Justification:

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

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

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Net Zero Implications

Either: the decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment

Capital Programme 2022/25

Scheme Bid Document - Scheme: Vehicle Replacement Programme

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

Service : Direct Services

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

Financials :

CAPITAL COSTS	TOTAL	2022/23	2023/24	2024/25
	£000	£000	£000	£000
Gross scheme cost	1,689	563	563	563
External Contributions (list)				

Net scheme cost	1,689	563	563	563
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ONGOING REVENUE IMPLICATIONS

(excluding loss of interest)

Contribution to Vehicle replacement Reserve		61	61	61
Income streams				
Net cost		61	61	61

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

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

Justification:

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

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Net Zero Implications

Either: the decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment

Capital Programme 2022/25

Scheme Bid Document - Scheme Name:

Description: Sewage Treatment Plant end of life replacement
--

Service :

Portfolio Holder/Chief Officer :

Financials :

CAPITAL COSTS	Period	2022/23	2023/24	2024/25
	TOTAL			
	£000	£000	£000	£000
Gross scheme cost	30	30		
External Contributions (list)				

Net scheme cost	30	30	0	0
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ONGOING REVENUE IMPLICATIONS

(excluding loss of interest)

Running costs

Income streams

Net cost	0	0	0
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Funding Source : Sewage Treatment Reserve (BS020)

Other Resource Implications :	
--------------------------------------	--

Staffing	
----------	--

Asset Values	
--------------	--

Justification: Statutory Duty

<p>Following issues with maintenance & recharging householders using our sewage treatment plants (STP). We commissioned a survey for each plant. This has highlighted Forge View & Parsons Croft STPs are beyond end of life & not compliant with the binding rules. I am investigating replacement costs, the figure I have put onto this form is the guide cost on the reports to replace both plants.</p>
--

Net Zero Implications

Either: the decisions recommended through this paper have a remote or low relevance to the council's ambition to be Net Zero by 2030. There is no perceived impact regarding either an

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increase or decrease in carbon emissions in the district, or supporting the resilience of the natural environment

Appendix B

Capital Programme 2022-25

Scheme	Funding Source							
			up tp 20/21	2021/22	2022/23	2023/23	2024/25	
		Total approved scheme £000	Previous years spend £000	Forecast £000	Budget £000	Budget £000	Budget £000	Total 21/22 - 24/25 £000
People & Places								
	Capital Receipts & External funding, External borrowing	19,870	8,362	11,508				19,870
White Oak Leisure Centre	Capital Receipts	130		30	100			130
White Oak Leisure centre - Orchards Academy	Capital Receipts	95		79	8	8	-	95
Burlington Mews	Capital Receipts & External funding	6,114	142	1,424	3,000	1,548		6,114
27-37 Swanley High street (meeting Point)	Capital Receipts	100		50	50			100
White Oak Residential	External Borrowing	1,050			1,050			1,050
Affordable Housing	Mixed	730		350	380			730
Bevan Place	Mixed	2,850	189		2,661			2,850
Sevenoaks Town Centre Regeneration	Mixed	1,270	-	20	70	830	350	1,270
Feasibility & Due Diligence costs*	Reserves	-	-		30			30
Sewage Treatment plant								
Finance and Trading								
Commercial vehicle replacements	Vehicle Renewal Res.	-	-	563	563	563	563	2,252
Disabled Facilities Grants (gross)	Better Care Fund	-	-	1,128	1,128	1,128	1,128	4,512
TOTAL			8,693	15,152	9,040	4,077	2,041	39,003

* For capital projects such as Edenbridge, Hollybush, Spitals Cross, Otford Park & Ride, Westerham, Kemsing and Lullingstone

Funding Sources	up tp 20/21 £000	2021/22 £000	2022/23 £000	2023/23 £000	2024/25 £000
Capital Receipts	8,504	4,141	639	1,556	8
Financial Plan Reserve & Cap Receipts					
Vehicle Renewal Reserve		563	563	563	563
Better Care Fund (KCC)		1,128	1,128	1,128	1,128
Reserves			30		
Internal Borrowing					
Mixed funding depending on scheme funding	189	420	4,211	830	350
External Borrowing		8,000	1,050		
Grant Funding		900	1,490		
	8,693	15,152	9,111	4,077	2,049

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The Capital Strategy 2021/22

Purpose of the Capital Strategy

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

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

Project Initiation

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

Prioritisation of capital projects

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

Monitoring and evaluating schemes

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

Revenue implications

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

Savings, including benefits, to identify include:

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

Funding the Capital Strategy

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

Borrowing

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

Commercial activities and investment property

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

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

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

Consideration of risk

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

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

Knowledge and skills

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

RISKS AND ASSUMPTIONS FOR BUDGET 2022/23

Committee - Finance and Investment Advisory Committee - 11 January 2022

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

Status: For Consideration

Key Decision: No

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

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

Portfolio Holder: Cllr. Matthew Dickins

Contact Officers: Alan Mitchell, Ext.7483

Adrian Rowbotham Ext. 7153

Recommendation to Finance and Investment Advisory Committee:

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

Introduction and Background

- 1 The reports presented as part of the 2022/23 Budget Setting Process have provided information on the key assumptions and risks included within the draft budget proposals. This risk assessment report provides more detail on these assumptions and risks.
- 2 The risk assessment is included at Appendix A. The 10-year budget is also attached for information.

Key Financial Assumptions

- 3 The financial assumptions included in the 10-year budget are as follows:
 - (a) Government Support: no Revenue Support Grant or New Homes Bonus in all years.
 - (b) Council Tax: 2% in all years.
 - (c) Business Rates Retention safety-net plus 2% in per year.

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- (d) Interest Receipts: £188,000 for all years
- (e) Pay Costs: 2.0% in all years.
- (f) Non-pay costs: 2.25% in all years.
- (g) Income: 2.5% in all years except for off-street car parks which are an average of 3.5% from 2019/20 -23/24. Note 21/22 Car parking inflation deferred for one year.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement.

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

Equality Assessment

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

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

Conclusions

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

Appendices

Appendix A - Risk Factors 2022/23

Background Papers

None

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

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Financial Risks Budget 2022/23

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

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

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- No matrix for risk 9, 12

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
1) Pay Costs <ul style="list-style-type: none"> Largest single item of cost. Complex drivers across the organisation. Staff recruitment and retention. 2021/22 National Pay Award current offer 1.75% and the level of future pay awards remains uncertain Health and Social Care Levy (extra 1.25% NI from 01/04/22) 	<ul style="list-style-type: none"> £15.5m total costs. 2% pay increase = £338k. Budget assumptions: 2% pay award in all years. Increased costs of c£100,000 due to be offset by Govt funding but full real effects not yet known 	4	4	16	<ul style="list-style-type: none"> New salary bands introduced from 1 April 2019 which reduced the costs of annual increments. Formal sickness & overtime monitoring. Separate control on agency staff. Part of National Agreement. 	3	4	12	3	4	12
2) Pensions Funding <ul style="list-style-type: none"> Deficit on County Fund. Future actuarial results. Government review. 	<ul style="list-style-type: none"> £15m deficit 1% change in employers contribution = £100k 	2	4	8	<ul style="list-style-type: none"> £100k included in 10-year budget in 2023/24 to contribute towards any additional pensions costs when the next valuation takes place 	1	3	3	1	3	3

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
3) <u>Income - Development Management</u> <ul style="list-style-type: none"> • Volatile activity levels in the housing market and general economic conditions. Fluctuations in income with major applications 	<ul style="list-style-type: none"> • £0.9m loss • 10% reduction would be £90k. 	4	3	12	<ul style="list-style-type: none"> • Current year income is above target. • Continue to monitor. 	3	3	9	3	3	9
4) <u>Income - Building Control</u> <ul style="list-style-type: none"> • Volatile activity levels in the housing market and general economic conditions. • Competition from commercial organisations 	<ul style="list-style-type: none"> • £0.5m loss • 10% reduction would be £50k 	3	3	9	<ul style="list-style-type: none"> • Current year income is above target. • Financial monitoring and reports 	2	3	6	2	3	6
5) <u>Income - Car Parks</u> <ul style="list-style-type: none"> • General economic conditions; central government directives; ongoing impact of the COVID-19 pandemic. 	<ul style="list-style-type: none"> • £3.0m • 10% reduction would be £300k 	4	4	16	<ul style="list-style-type: none"> • Current year income is below. Continue to monitor. • Financial monitoring and reports 	3	4	12	3	4	12
6) <u>Income - On-Street Parking</u> <ul style="list-style-type: none"> • General economic conditions. Legislative constraints on spending 	<ul style="list-style-type: none"> • £1.0m • 10% reduction would be £100k 	4	3	12	<ul style="list-style-type: none"> • Current year is below target. Continue to monitor and review. 	3	3	9	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
surpluses. Reverts to KCC control. <ul style="list-style-type: none"> Ongoing impact of the COVID-19 pandemic. 											
7) <u>Partnership working and partner contributions</u> <ul style="list-style-type: none"> Partner actions delayed. Agreed funding not received by SDC. Partnerships ending. 	<ul style="list-style-type: none"> £0.7m Impact on individual projects is high. 	3	2	6	<ul style="list-style-type: none"> Separate accounting arrangements. Active liaison with partners on service arrangements Written partnership agreements. Partnership arrangements are monitored to ensure they are still appropriate. 	2	2	4	2	2	4
8) <u>External Funding Awards</u> <ul style="list-style-type: none"> In the 22/23 budget 13.35 FTE are externally funded 	<ul style="list-style-type: none"> £0.6m cost funded 	3	2	6	<ul style="list-style-type: none"> Exit Strategies in place 	3	1	3	3	1	3

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
	<ul style="list-style-type: none"> Impact on individual projects is high 										
9) <u>Changes in service demand</u> <ul style="list-style-type: none"> Impacts will vary depending on service. 	<ul style="list-style-type: none"> N/A 	0	0	0	<ul style="list-style-type: none"> Service planning in place Continue to lobby Government where changes are due to new Gov't requirements. 	0	0	0	0	0	0
10) <u>Interest Rates</u> <ul style="list-style-type: none"> Large cash variance from small rate changes. Reducing availability of suitable counter parties 	<ul style="list-style-type: none"> Up to £0.188m 22/23 budget £250k per 0.5%. 	4	2	8	<ul style="list-style-type: none"> Use of professional advisers. Internal borrowing used for capital investment projects reduces the balances available to invest which in turn less bank interest earned. Implementation of new investment vehicles to maximise returns 	3	2	6	3	2	6

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
11) Investments <ul style="list-style-type: none"> Financial institutions going into administration. Lower balances to invest. 	<ul style="list-style-type: none"> £38.7m balance at Nov 2021 	2	5	0	<ul style="list-style-type: none"> Investment strategy regularly reviewed by FIAC. Use of professional advisers. 	1	5	5	1	5	5
12) Government Support: Revenue Support Grant	£0 in 2021/22 revenue budget	0	0	0	<ul style="list-style-type: none"> Excluded grant from budget from 16/17 onwards so SDC became self-sufficient from govt. funding; Adequate level of General Reserve held. 	0	0	0	0	0	0
13) Government Support: Retained Business Rates <ul style="list-style-type: none"> Government changing baseline and therefore safety net levels. Time delays in decisions on appeals. High volume of successful valuation appeals. 	<ul style="list-style-type: none"> £2.1m in 2021/22 £20k per 1% change 	5	4	20	<ul style="list-style-type: none"> 10-year budget strategy gives ability to gradually adjust for changes. Adequate level of General Reserve held. 	5	3	15	5	3	15

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
<ul style="list-style-type: none"> Central government intends to introduce business rate but timeline uncertain. 											
14) Council tax Referendum limits <ul style="list-style-type: none"> Council tax increases limited budgeted at 2% or £5 in 21/22 per draft announcement but subject to change dependant on final Government announcement 	<ul style="list-style-type: none"> £11.2m Council Tax income in 21/22 £100k per 1% Government controls on changes in council tax rates 	4	4	16	<ul style="list-style-type: none"> Draft 10-year budget includes council tax increase assumptions for future years. 	4	3	12	4	3	12
15) Future Service Changes by Government <ul style="list-style-type: none"> Additional services without consequent resources, e.g. previous examples of Maint. of trees on common land. Government directives on income charging e.g. Personal searches. 	<ul style="list-style-type: none"> N/A 	4	4	16	<ul style="list-style-type: none"> Monitor proposals. Respond to consultations with local view. 	3	3	9	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
Potential changes on health responsibilities.											
16) Fuel cost increases for Direct Services <ul style="list-style-type: none"> Changes in global oil prices. 	<ul style="list-style-type: none"> 10% increase would be £60k 	5	2	10	<ul style="list-style-type: none"> Continue to monitor fuel usage and efficiency. Vehicle replacement programme. 	5	1	10	5	1	10
17) COVID-19 <ul style="list-style-type: none"> All areas of income generation Some areas of expenditure 	Loss of income and additional costs £3.6m	5	5	5	<ul style="list-style-type: none"> Continue to monitor and implement savings in 10-year budget. Government Income Compensation Scheme and reserves used to fund 1 off costs. 10-year budget to allow for ongoing net service costs. 	5	4	20	5	4	20

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR02: Property Investment Strategy - Failure to identify opportunities to meet the Property Investment Strategy											
Lead Officer: Adrian Rowbotham & Detlev Munster											
18) <u>Capital Investment resources</u> (Capital receipts, Capital Financing Reserve, Financial Plan Reserve, Internal Borrowing, External Borrowing) <ul style="list-style-type: none"> Capital receipt levels modest. Capital receipts not sufficient to fund required capital programme 	<ul style="list-style-type: none"> Capital Receipts 22/23 £1.5m, Capital Financing reserve £1.5m. (balances at Nov 2021). Risks taken into account in the Capital Programme report. 	3	3	9	<ul style="list-style-type: none"> External funding sought wherever possible. Capital Investment priorities in place. Property Review being pursued to secure asset sales. External Borrowing approved as an option for future investments 	2	2	4	2	2	4
19) <u>Property Investment Strategy</u> <ul style="list-style-type: none"> Market value of property may reduce below price at acquisition 	<ul style="list-style-type: none"> £31.3m invested at Sept 2020 £1.468m rental income in 21/22 	4	3	12	<ul style="list-style-type: none"> External property investment advisors retained for each acquisition; due diligence 	3	3	9	3	3	9

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR02: Property Investment Strategy - Failure to identify opportunities to meet the Property Investment Strategy Lead Officer: Adrian Rowbotham & Detlev Munster											
<ul style="list-style-type: none"> PWLB no longer available as a funding option 					undertaken pre-purchase. <ul style="list-style-type: none"> Purchases only made within strategy, which is kept under review. Separate Property Investment Strategy Risk Register. 						
20) Rental Income (Non Property Investment Strategy) <ul style="list-style-type: none"> Property tenants unable to pay rents/length of void premises/ability to source new tenants 	<ul style="list-style-type: none"> £0.1m in 2022/23 budget Dependant on financial strength of tenants + good management to reduce impact of void periods.	2	2	4	<ul style="list-style-type: none"> Due diligence prior to letting to new tenants; tight control on rent payments 	1	2	2	1	2	2

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR03: Asset Management & Maintenance - Losing the ability to: a) Dispose of surplus land; b) Maintain and develop assets and land holdings; c) Secure tenants for vacant or part-vacant assets Lead Officers: Adrian Rowbotham & Detlev Munster and Alex Dawson											
21) <u>Asset base maintenance</u> <ul style="list-style-type: none"> Unexpected problems occurring with financial implications. Reducing budget levels. 	<ul style="list-style-type: none"> £0.6m Annual budget is based on a 20-year programme. 	3	2	6	<ul style="list-style-type: none"> 20-year maintenance programme developed to manage budgeted expenditure. Reserve funds set aside. Policy of reducing asset liabilities wherever possible. 	2	2	4	2	2	4
22) <u>Disposal of Surplus Assets</u> <ul style="list-style-type: none"> Planning conflict. Resources required to bring sites forward. 	<ul style="list-style-type: none"> £6.87m forecast in 22/23 - 24/25 (£4.29m 	3	4	12	<ul style="list-style-type: none"> Land Owner/Planning protocols in place. 	2	4	8	2	4	8

	<p>already allocated)</p> <ul style="list-style-type: none">• Risks taken into account in the Capital Programme and Asset Maintenance report.				<ul style="list-style-type: none">• In-house property team.• Planned Property Review disposal programme.						
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BEVAN PLACE, SWANLEY - DEVELOPMENT PROPOSAL

Finance and Investment Advisory Committee - 11 January 2022

Report of: Strategic Head of Property and Commercial

Status: For Decision

Also considered by:

- HHAC - 17 January 2022
- Cabinet - 10 February 2022
- Council - 22 February 2022

Key Decision: Part Key (recommendation d)

Executive Summary:

1. Sevenoaks District Council (SDC) is proposing to redevelop the former Swanley Working Men's Club site and adjacent car park at Bevan Place, Swanley. Discussions are currently ongoing to include West Kent Housing Association land next to the Council's land. This larger site would, subject to the receipt of planning permission, see the development of a landmark residential-led scheme at an important gateway site within the Swanley Town Centre.
2. This gateway site has been the subject of numerous options studies to determine the optimum quantum of development, while also recognising its strategic importance to help unlock development in Swanley with a new development standard.
3. Following a series of pre-feasibility studies, in February 2021 Council approved a sum of £730,000 to assemble a project team to undertake detailed design work, feasibility studies and site investigations. Consultants were appointed in May 2021 and work has been progressing at a steady state. The project has now reached a juncture where the next levels of approval are required.
4. The proposed scheme includes 93 new homes, retail uses along the High Street, a communal garden and landscaped surface car-parking for residents. The scheme will incorporate the highest environmental and sustainability standards possible to ensure the scheme is not only an exemplar benchmark scheme for Swanley, but will also enhances resident well-being.

5. Officers are now seeking approval to progress the scheme, apply for planning permission and to procure a lead design contractor to deliver the scheme subject to obtain all the necessary statutory consents.

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

Portfolio Holders: Cllr. Peter Fleming and Cllr Matthew Dickins

Contact Officers: Detlev Munster, Ext. 7099

Recommendation to Advisory Committees:

- (a) The Advisory Committees endorse the redevelopment of the site to deliver a new residential-led development;
- (b) The Advisory Committees endorse the proposed recommendations to Cabinet.

Recommendation to Cabinet:

- (a) Cabinet endorses the development of a new residential-led scheme on this site which will deliver 93 new homes, retail uses, communal and public garden, resident car parking and highway improvements to Bevan Place;
- (b) Cabinet notes the viability challenges this site and scheme presents and approves the delivery of this scheme using an income-based financing model (rent model) that will result in the Council retaining housing and retail stock to generate income to repay the cost of the development;
- (c) Cabinet recommends to Council the provision of £26,575,836 in the 2022/23 - 2024/25 Capital Programme to deliver the scheme within the parameters set in Section 57 of this report and notes that this is in addition to the previously approved amount of £730,000 in the 2021/22 Capital Programme for this project;
- (d) Cabinet approves the acquisition/inclusion of the adjacent West Kent Housing Association land and buildings, known as 1-12 Bevan Place, Swanley, and to enter into a development agreement with West Kent Housing Association that will result in 14 residential units being transferred to West Kent Housing Association on a leasehold basis, the terms of which are outlined in the draft Heads of Terms in Appendix C and delegates authority to the Strategic Head of Property and Commercial Services and the Chief Officer Finance and Trading following consultation with the Cabinet Member for Finance & Investment to agree and finalise necessary agreements with West Kent Housing Association;

- (e) Cabinet recommends to Council to authorise officers to acquire any outstanding legal interests that may not be in the Council's ownership, which may include using its statutory powers, such as the use of compulsory purchase orders;
- (f) Subject to Council's approval of the capital provision of £26,575,836 in the 2022/23 - 2024/25 Capital Programme, Cabinet delegates authority to the Strategic Head of Property and Commercial and the Chief Officer Finance and Trading, following consultation with the Cabinet Member for Finance & Investment to undertake further detailed design and feasibility work and to proceed with the scheme subject to final scheme viability and in accordance with financial parameters set in Section 57; and
- (g) Subject to Council's approval of the capital provision of £26,575,836 in the 2022/23 - 2024/25 Capital Programme, Cabinet delegates authority to the Strategic Head of Property and Commercial in consultation with the Chief Officer Finance and Trading and the Head of Legal Services to submit a planning application and to enter into any necessary contracts to facilitate the development and construction of the proposed scheme in accordance with the Council's Contracts Procedure Rules and for the disposal of the residential units to be developed.
- (h) Subject to Council's approval of the capital provision of £26,575,836 in the 2022/23 - 2024/25 Capital Programme, Cabinet delegates authority to the Strategic Head of Property and Commercial following consultation with the Chief Officer Finance and Trading and the Cabinet Member for Finance & Investment to prepare appropriate contractual arrangements to set up an appropriate delivery vehicle for the scheme and to return to Cabinet at a later date to approve the appropriate delivery vehicle.

Recommendation to Council:

- (a) Council notes the proposed development scheme and financial model and approves the provision of £26,575,836 in the 2022/23 Capital Programme to deliver the scheme within the parameters set in Section 57 and detailed in Appendix D.
- (b) Council authorises officers to acquire any outstanding legal interests that may not be in the Council's ownership, which may include using its statutory powers, such as the use of compulsory purchase orders and return to Cabinet or Council to resolve invoking such powers if needed.

Reason for recommendation: To facilitate the regeneration of the Swanley Town Centre, and provide much needed housing in the district particularly in Swanley.

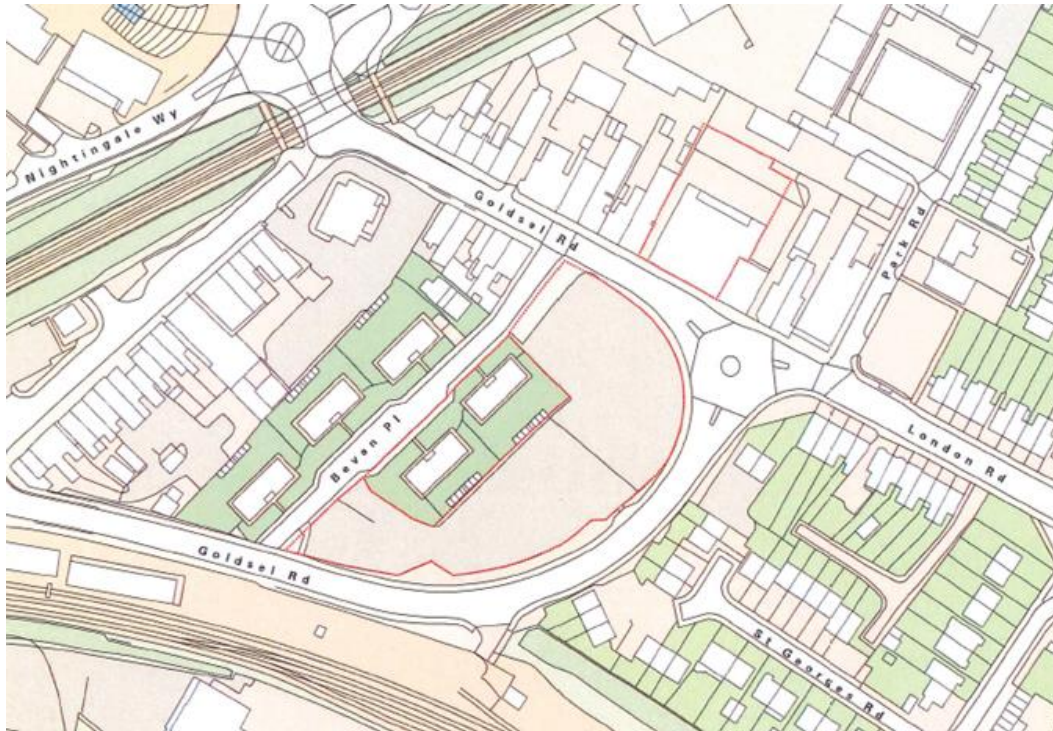
Introduction and Background

1. Swanley is an urban settlement in the northern part of the Sevenoaks District adjoining Dartford, Bexley and Bromley. Swanley is the most deprived area within the Sevenoaks District, with two of the wards (Swanley St Mary's and Swanley Christchurch) noted as having relative deprivation in the Local Plan. The town itself has excellent transport links with a motorway interchange providing junctions on the M25, M20, and A20 enabling travel both into Kent, Surrey and Central London. Swanley is within London Travel Zone 8 with Oyster travel into London in under 30 minutes.
2. Swanley has historically received little public or private sector investment and development, but is now on the cusp of a significant regeneration opportunity, which provides the potential to create a desired place to live and work. The Council considers Swanley to be an economic regeneration priority area.
3. In response to the Master Vision, Core Strategy and the Strategic Housing Market Assessment (2015), a residential-led scheme is proposed at the former Working Men's Club and Bevan Place Car Park. The proposed development site also incorporates land and buildings owned by West Kent Housing Association and Figure 1 below provides a map of the proposed development site.
4. A residential-led development is proposed on the development site. The proposed scheme includes 93 new homes, retail space, resident-only car parking, and a communal garden and other landscaping. The proposed scheme is designed to be a landmark building in Swanley.
5. The proposed development aims to:
 - Support the economic growth and regeneration of Swanley by introducing new residential and commercial development to the town centre;
 - Protect and enhance the vitality of town centre and ensure well designed places, incorporating healthy, inclusive and safe spaces;
 - Develop this gateway site to the Swanley town centre with an exemplar, high quality landmark building that will set a new development benchmark in Swanley;
 - Provide new homes that are sustainable and environmentally efficient;
 - Provide a communal garden that will be accessible to the general public and enhanced landscaping to promote biodiversity and reflect Swanley's market garden heritage;
 - Enhance the urban fabric in Swanley;
 - Provide affordable housing and market rented stock that is much needed in Swanley.
6. It is envisaged that the proposed development will be developed directly by the Council so that it can dictate the pace of development and retain control of the scheme's quality at this important gateway location.

7. The Council also proposes to transfer the development to an appropriate third-party company to manage the Council's commercial interests.

The Development Site

Figure 1: Site Location



8. The 1.71 acre proposed development site consists of:
 - SDC Public Car Park, Bevan Place, Swanley BR8 8BH; 0.71 acres; freehold by SDC.
 - 16-18 High Street, Swanley BR8 8BG (former Working Men's Club); 0.60 acres; freehold by SDC.
 - West Kent Housing Association (WKHA) 1-23 Bevan Place (two blocks of flats), Swanley BR8 8; 0.40 acres; freehold by WKHA, one flat acquired under right to buy and held on long lease.
9. Bevan Place is a cul-de-sac providing both pedestrian and vehicular access to the public car park and the WKHA blocks. The site is bounded by the B258 Goldsel Road and High Street on two frontages.
10. The former Working Men's club and retail buildings that bounded the High Street frontage were demolished in 2016. The surface car park to the west of the site has been in existence for a number of years and is underutilised.
11. The two WKHA blocks of flats are of traditional construction and each block contain six flats over three floors and are in need of improvement and retrofitting.

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12. The site has been assessed for a number of uses since 2016 when the Working Men's Club was acquired to supplement the adjoining SDC owned surface car park. Options have included a leisure centre to replace the existing White Oak Leisure Centre (WOLC), now in the course of re-development next to the existing WOLC.
13. Current proposals for the proposed development site are borne out of local need (housing, active frontages etc.) as well as a requirement for income to support development funding. Commercial uses and residential flats for sale and/or rent could contribute to income generation as well as capital receipts (flat sales).
14. Opposite the High Street frontage to Bevan Place (the former Working Men's Club site) at 27-37 High Street, SDC is delivering 17 flats and some flexible office space at ground floor level due for completion in Summer 2022. This will add to the critical mass of development on the High Street that will enhance vibrancy and vitality of the High Street.
15. The Bevan Place site is a 'gateway' site and the proposed development will be a landmark given its proposed height and position. Quality of design is a factor but so are local property values and the project budget has been set to reflect this, influencing materials and construction methods.

Strategic Context

16. In 2016, the Council prepared a "Master Vision" to be used in the development and regeneration of Swanley and Hextable. This document was prepared following extensive consultation with local residents, businesses and key stakeholders. The "Master Vision" identifies the proposed development site as an important gateway site to the town centre and proposes the site's use for housing and active frontages (Tibbalds, 2016).
17. The *Sevenoaks Core Strategy* was adopted in February 2011, covering the period up to 2026. Policy LO4 of the Core Strategy seeks to deliver new homes and jobs in Swanley as well as increasing the attractiveness of sustainable transport modes. The focus should be on regeneration and redevelopment within the urban area. Policy LO5 aims to bring about improvements in the town centre, including a mix of new uses, better links to the station and environmental improvements.
18. The *Allocations and Development Management Plan (ADMP)* was adopted in 2015 and identifies land for potential development subject to planning permission, promotes good design and promotes the conservation and enhancement of the Districts high quality natural and built environment. The ADMP includes the Bevan Place site within a list of housing sites.
19. The Strategic Housing Market Assessment (SHMA) 2015, projects the district's population growth to 2033 and notes that during this period the

population of the district will increase from 117,035 in 2013 to 136,504 in 2033 and that this will require 12,400 new homes. This equates to an annualised need for 620 new homes across the district, and most of this is to reflect demographic need. The SHMA suggests that the strongest demand for market housing will be for two and three bedroom properties. For affordable housing there is a greater proportion of need for one and two bedroom properties. However, there remains a need for a balanced mix of dwellings of different sizes to come forward. Tibbalds (2016) also points out that there is a general lack of Private Rented Sector properties in Swanley and that demand for this tenure is high, particularly from young people looking to move into their first home. This is confirmed by recent discussions with local estate agents and by our property consultants LSH.

The Proposed Development Scheme

20. Several design options were considered for the site and the preferred option (detailed in appendix A) proposes 93 new homes.
21. The current proposed scheme is being developed across two land parcels; the first is the Bevan Place Car Park and Old Working Men's Club which forms the majority of the site. The second is the land currently owned and operated by West Kent Housing Association (WKHA) comprising two 3 storey residential blocks. In partnership with WKHA, these two blocks will be demolished to allow for development. The total site area is 6,338.7 sq.m.
22. The existing site comprises of a number of trees, and the intended design seeks to retain all good quality category A and B trees on site, where appropriate and possible.
23. The proposed scheme is comprised of two main blocks that surround a central landscaped courtyard achieving a site coverage of 30%. Alongside this, the scheme provides allocated parking for residents providing a parking ratio of around 0.4 per dwelling. This lower parking ratio is proposed to reflect national planning policy that seeks to promote more sustainable modes of travel. This is support by the development's town centre location which is within close proximity (walking distance) to local amenities and public transport (Swanley train station is a 10-minute walk away with regular services into Kent and Central London, which is 30min away). Electric vehicle charging points will also be provided.
24. The proposed scheme comprises of 93 residential units (with a total GIA of 7,192.5 sq.m) within a massing of 3-6 storeys and at ground floor fronting the High Street, a Class E shell and core commercial unit of 201sqm.
25. The proposed scheme currently achieves the following mix:
 - 1-bed flat: 45 units (49%)
 - 2-bed flat: 43 units (46%)
 - 3-bed flat: 5 units (5%)

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26. The proposed scheme provides 6 wheelchair accessible units (6.4%), all of these being located at ground floor. The scheme provides all necessary cycle parking, refuse storage and plant requirements at ground floor.
27. Access arrangements along Bevan Place in light of this development have also been considered. Bevan Place is currently accessed only via the High Street and with the road width reduced to 3.2m in places, this makes servicing and access problematic. Highway improvement works are therefore proposed along Bevan Place to ameliorate the existing congested nature of the street. These works will result in enhanced access to the site and for adjacent land owners/residents, regularise parking along the road, and improve safety for road users. In particular, it is proposed that Bevan Place will become a one-way road, with ingress from the High Street and left-turn only egress onto Goldsel Road. This has received broad acceptance by Kent County Council.
28. Communal landscaped areas will be key to the success of the proposed scheme, and the design attempts to reflect Swanley's heritage and history as a 'market garden' town. The communal garden and landscaping will include the provision of certain fruit trees and edible borders. The communal landscaped areas will include seating and a play area. Further to this, planting to the edge of the site will be key to provide a successful threshold between road and building. The percentage of open space provided by the scheme is 70% and if the parking area is excluded, 49% is achieved.
29. The proposed scheme will be designed to meet Passivhaus principles, meaning the scheme will be very efficient with excellent thermal performance and comfort, thus reducing the need for external energy and reducing energy bills. PV panels will be provided at roof level, and the scheme will be heated in each flat via either Air Source or Exhaust Air Heat Pumps.
30. Surface water drainage is being addressed and a surface water management strategy that will include rain gardens, permeable paving where possible and attenuation tanks within the courtyard to reduce rainwater run-off rates is being designed.
31. Other environmental targets and features of the proposed scheme can be summarised as follows:
 - Designed to meet Passivhaus principles
 - Net Zero Operational Carbon - this will be mostly met entirely on site
 - Well above Building Regulations Part L standards
 - A fabric-first approach - reduced reliance on mechanical equipment
 - Excellent thermal fabric (good U-values)
 - Excellent air-tightness
 - Entirely electric via Air Source or Exhaust Air Heat Pumps
 - PV panels at roof providing on-site electrical power supply

- Designed to minimise overheating through the use of brise soleil and Mechanical Ventilation (MVHR) to each apartment
32. The Council has undertaken pre-planning application discussions with the local Planning Authority and the Highways Authority (Kent County Council). Initial planning feedback has been obtained and suggestions have been incorporated into the preferred option. The Council has also obtained feedback from a Design Review Panel and where appropriate, suggestions have been incorporated into the emerging design.

Public Consultation

33. Public consultation was undertaken during February and October in 2016 as part of the Swanley Visioning Study. 1,838 surveys were completed and over 1,000 people attended drop-in sessions. The key points noted from this exercise were:
- Housing was a key topic although opinions were divided on whether it was needed and where it should be located
 - More and better health and community facilities are required
 - A need for better quality and wider ranging retail uses
 - Residents were keen to retain leisure uses and open spaces
 - Bevan place was identified as an important gateway site for Swanley town centre
34. In June 2021, West Kent Housing Association initiated discussions with Bevan Place residents about the Council's and their intentions for the proposed development site. As scheme plans were still in the process of being developed, wider principles and issues were discussed. While these sessions were poorly attended, those residents that did attend were in favour of an improvement to their dwelling units, and were keen to have more details including their future living arrangements.
35. On the 19 November 2021, local District Ward Councillors and Swanley Town Council Members were invited to presentations on the 19th and 22nd November 2021 respectively.
36. In December 2021, Swanley residents and key interested and affected parties were invited to informal drop-in exhibition sessions, where they could meet key members of the project team, obtain more information about the development and provide feedback. The drop-in sessions were advertised with posters and flyers at strategic locations in Swanley (e.g. Doctor surgeries, ASDA, Aldi, White Oak Leisure Centre, local library, Swanley Town Council), flyers been dropped in letterboxes and front doors within a wide catchment area, and on social media managed by the Council. The drop-in exhibitions were held at the Alexandra Suite, Swanley, on Thursday 9 December (4.30pm to 8.30pm) and on Saturday 11 December (10am to 3.30pm).

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37. In addition to the public drop-in exhibitions, a drop-in session was held for Bevan Place residents only on Wednesday 8 December (4.30pm to 8.00pm). This resident only event was also advertised by West Kent Housing Association to its residents and a separate leaflet and letter was distributed to residents in Bevan Place.
38. A public webinar was also hosted via zoom on Monday 13 December (6.30pm to 7.30pm).
39. A total of 53 people attended the drop-in exhibitions and 5 people attended the webinar. At all these consultation sessions, councillors and residents were presented with an emerging scheme (see Appendix B which outlines the consultation material, approach and findings) and were informed that the Council wished to present emerging ideas and obtain feedback. This feedback would assist the project/design team to incorporate suggestions and improve the scheme where possible. This could ultimately lead to variations/adjustments being made to the scheme. Residents were however informed that they would have the ability to provide further feedback on the final scheme as part of the statutory planning consultation process, once the final scheme was submitted for planning permission.
40. Feedback from the consultation events was mixed. While the redevelopment of the site was generally supported, the following concerns were expressed:
 - loss of a public car park at Bevan Place;
 - limited number of parking bays being provided for residents;
 - high level of traffic noise and pollution along Goldsel Road and the High Street;
 - the height of the development is not in keeping with the surrounding area;
 - the building of homes will put pressure on existing services such as doctors and schools;
 - Concerns that the existing infrastructure will not be able to cope;
 - Concerns about overlooking from the existing houses onto the new houses;
 - Loss of trees;
 - Lighting to be designed in such a way to improve security and feelings of safety.
41. Further details of the consultation material used and feedback received can be found in Appendix B. However, some of the comments and suggestions received were anticipated and the emerging design attempts to address many of these issues. Other findings will be considered as the design develops. Area-wide concerns such as pressure on existing services will be considered via SDC's emerging Local Plan and Supplementary Planning Documents.
42. It is proposed that the local community and interested parties will be further consulted as part of the statutory planning process.

43. Given the possible incorporation of two residential blocks owned by West Kent Housing Association which affects 11 tenants and one leaseholder, further discussions will be held with these tenants and leaseholder as the scheme progresses. These meetings will be jointly hosted by the Council and West Kent Housing Association (WKHA). At this point in time, it suffices to say that the WKHA tenants will be found alternative suitable accommodation by WKHA.

West Kent Housing Association

44. The Council considers the Bevan Place car-park and adjacent land to be strategic to the regeneration of Swanley. A landmark development is warranted and a greater impact can be obtained by incorporating the WKHA land and buildings adjacent to the public car park.
45. Draft heads of terms (HoTs) have been agreed in principle between the Council and WKHA. It is proposed that WKHA will transfer its freehold and unencumbered interest with full vacant possession to the Council. The Council will in turn provide 14x 2-bed residential units in the new scheme on a 125-years leasehold basis with apportioned resident parking. WKHA is also proposing to acquire an additional 9x 1-bed units at full market value. The proposed draft HoTs are outlined in Appendix C, and further legal advice is being sought to ensure the transaction is appropriately structured.
46. WKHA proposes to use the 14 x 2-bed residential units for general needs housing and the 9 x 1-bed units for shared ownership. This will ensure the entire scheme has 23 (25%) affordable housing units.

Procurement

47. Subject to scheme viability and obtaining the necessary statutory consents, the scheme will need to be publically procured in accordance with the Public Contracts Regulations 2015.
48. The scheme will likely be procured using two or possibly a single stage Design & Build procurement route with a selection questionnaire and JCT Design and Build 2016 standard form of contract. A two stage process is preferred as it will allow the Council to appoint a main contractor under a PCSA first, thereby allowing the main contractor to prepare detailed design drawings and provide cost certainty prior to a final award being made.
49. A main contractor will be procured on a lump-sum fixed price basis and site clearance will be undertaken as part of the main build contract.

Delivery Programme

50. The project's indicative delivery programme, assuming planning consent is granted, is outlined in Table 1 below. Note this is subject to change:

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Table 1 - Indicative Project Timetable

Stage	Date	
Prefeasibility Study	December 2020	Completed.
Council approval of tranche 1 funding	February 2021	Completed.
Appointment of consulting team	May 2021	Completed.
Draft MoU with WKHA	June 2021	Completed.
Stage 1 design freeze	September 2021	Completed.
Interim Stage 2 Feasibility Sign-off	October 2021	Completed.
Corporate Programme Board	October 2021	Completed.
Design Review Panel	25 November 2021	Completed.
Public consultation	08-13 December 2021	Completed.
Strategic Management Team	14 December 2021	Completed.
WKHA Board sign-off (In-principle)	21 December 2021	Completed.
Finance & Investment Advisory Committee	11 January 2022	
Health & Housing Advisory Committee	17 January 2022	
Cabinet	10 February 2022	
Full Council	22 February 2022	
Planning Submission	July 2022	
Decision on delivery vehicle	July 2022	
Contractor Specification and ITT issued	September 2022	
Planning Determination	October 2022	
Contractor Appointment/award	December 2022	
Start on site	January 2023	
Practical completion	Winter 2024	

Financial Assessment

Note: Supporting information is located in Appendix D which is exempt from publication.

51. An external cost consultant (Playle and Partners) was appointed to advise on development costs, constructability and deliverability of the scheme. Cost advise was also tempered by the entire design team, and the cost plan is based on the emerging scheme's design and specification.
52. An external property consultant (Lambert Smith Hampton, LSH) was commissioned to determine the scheme's viability and advise on residential and retail sales and rents, general market conditions and product development. In addition, LSH has also consulted with local estate agents to advise on local market conditions.
53. Our property consultants suggest that the scheme is financially viable using a rent model. Their assessments have been closely scrutinised by the Council's Property and Finance teams and further external legal advice was sought from Trowers Hamlin.
54. The rent model requires the Council to operate as a PRS developer/investor, whereby it would take a longer term view and allow returns to be realised

over a longer period of time. The Council would build the residential and retail unit, and rents these units to the occupier market (as an investor). Net rents (after deduction of OPEX) are used to pay the interest cost associated with the loan.

55. Details of the cost plan, development appraisal and rent model can be found in Appendix D, where it can be noted that the scheme generates a residual land value and a positive net present value (NPV).
56. The financial appraisal includes a robust contingency and risk and inflation allowance. The appraisal has also undergone stress testing to determine its sensitivities to cost pressures, interest rate rises, decline in sales/rental values to mention a few, and these have set the financial parameters within which a viable scheme can be delivered.
57. The financial envelope for the proposed scheme (Option B) as summarised in Appendix D is:
 - The total project cost is not to exceed £26,575,836;
 - The preferred scheme is to be delivered using a rent-model;
 - The maximum interest rate that can be applied is 3%;
 - The minimum NPV acceptable to the Council is £8.1m;
 - The residual land value of £1.45m is to be realised on practical completion (PC).

Project Governance

58. A Project Team has been set up within the Council and is being supported by a multi-disciplinary team of external consultants. The key external consultants include:
 - Bell Philips Architects as lead design consultant and Principal Designer
 - Lambert Smith Hampton as property consultant
 - Playle and Partners as cost consultant, project manager and employers agent
 - Centro plan as planning consultant
59. Structural, civil, traffic, fire and M&E engineers, together with other specialist consultants (landscape architects, arboriculturalist, to mention a few) were also appointed when tranche 1 project funding was approved by Council in February 2021.
60. The Project Team meets fortnightly and has adapted PRINCE2 methodologies to manage the project.
61. The Project Team reports to the Corporate Programme Board (CPB), which has oversight of the project. Monitoring reports (including highlight reports/exception reports, budget monitors and the risk register) are

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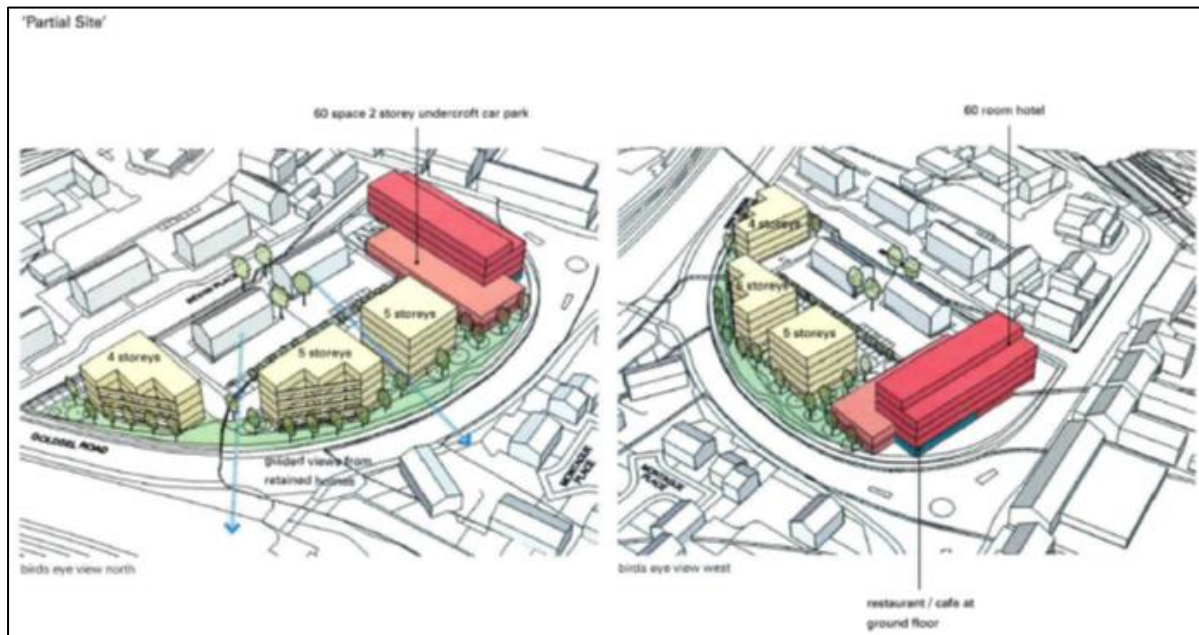
submitted monthly to the CPB. The CPB consists of senior officers within the Council and is chaired by the Chief Executive.

62. The Cabinet Members for Finance and Investment, and for Improvement and Innovation are provided with regular updates by the Strategic Head of Property and Commercial Services and the Chief Executive.

Other Options Considered

63. Status quo option. This option would result in the former Working Men's Club site remaining vacant and the Bevan Place car-park remaining operational. It would also result in the two West Kent Housing blocks remaining in-situ. The Local Plan, Master Vision for Swanley and the emerging local plan consider this to be an at important development site in the Swanley Town Centre. Maintaining the status quo is not considered an efficient use of either the car park, which is under-utilised, or the former Working Men's Club (which was demolished in 2016) and would not contribute to the regeneration of Swanley. The housing blocks are also considered to be in need of significant retrofitting and it is considered more cost effective to demolish these units rather than retrofit them. As a result, maintaining the status quo does not meet the Council's or WKHA's objectives and ambitions.
64. Alternative uses for the Council owned site: Providing commercial uses on this site is not considered viable. However, consideration was given to the location of a hotel on this site, but this would not result in the site being optimised for development. While a mixed use scheme was considered that would include a hotel, physical, planning and viability constraints precluded this option.
65. Alternative residential layouts including alternative densities. A low rise development was considered on this site, but its density was not considered appropriate for this strategic town centre location. A lower density development would also not provide the transformational step change that the Council is seeking to catalyse Swanley's regeneration. In addition to a lower density scheme, a variety of alternate site layout options were considered, some examples are illustrated in Figure 2 below. Unfortunately, prefeasibility studies suggested that none of these options were viable.
66. Alternative delivery mechanism/model: A traditional delivery model, where the Council would build to sell the development, was considered but not considered viable. Details of this assessment are included in Appendix D.
67. Site disposal to a private sector developer: This option was considered and ruled out. While there is interest in the market for this site, informal discussions with potential developers suggest that offers from the market would fall below the Council's expectations. This is due to the challenging nature of this site's development. In addition, the Council would not be able to control quality, type of tenure and pace of development on this strategic site.

Figure 2 - Example of alternative options considered



68. An alternative option would be to dispose of the site with planning permission. This option has been ruled out as there is no guarantee that a developer will implement the planning consent. A private developer would seek to maximise profits. The Council would therefore lose control over this site and would not be able derive other community benefits and value from this site.

Risk Assessment

69. A table outlining the key risks relating to this project are outlined in Appendix E.

Financial Implications

70. In February 2021, council approved £730,000 to be included in the 2021/22 Capital Programme. This funding would enable the appointment of consultants to undertake detailed design and feasibility work. To date, the Council has spent £332,000 (08/12/2021). These costs are included in the cost plan and financial appraisal outlined in Appendix D.
71. The project team has now prepared a scheme that can be delivered using a rent model. The assumptions in the cost plan and the assumptions in the model (as outlined in Appendix D) appear to be robust and provide the Council with flexibility.
72. The financial parameter as set in Section 57 is expected to deliver a viable scheme. LSH advises that the proposed scheme would have a book entry value of c. £19.1m upon scheme PC.

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73. The model generates a residual land value of £1.45m from practical completion. This capital receipt will be used to off-set the cost the Council incurred in acquiring the former Swanley Working Men’s Club.
74. The proposed scheme is intended to be funded (ultimately) from rental income from the residential and retail units (see Appendix D for more information). The model also includes a capital receipt generated from the sale of residential units to WKHA. According to the financial model, a cash surplus is generated from year one. This cash surplus, whilst modest in the first three years of operation, can be used by the Council to partially off-set loan repayments or could be used towards Council services, particularly in future years. Further details are provided in Appendix D.
75. The ‘White Oak Leisure Centre: New Build and Operator Procurement’ report approved by Council on 21 April 2020 included details of how the new centre would be funded. It was agreed that £10.63m would be funded by capital receipts from the sale and development of sites in Swanley including Bevan Place. The average annual cash surplus on the Bevan Place proposal in the first ten years (to tie in with the 10-year budget period) is £71,000, this would enable a 20 year (to tie in with the operator life cycle) PWLB annuity loan of up to £1.2m to be obtained as part of the £10.63m required from capital receipts for the new centre.
76. Table 2 below shows the expected expenditure over the duration of the project.

Table 2 - Expected Project Expenditure

	2021/22	2022/23	2023/24	2024/25	Total
	£	£	£	£	£
Expenditure	730,000	1,270,000	10,000,000	15,235,836	25,835,000

77. Short-term external borrowing will be used to fund the scheme during construction and at practical completion this will revert into a Public Works Loan Board (PWLB) loan. The potential financing costs are outlined in Appendix D and sufficient allowance is made in this cost to account for a range of future fluctuations in interest rates.
78. Consideration will need to be given to the VAT implications of the project. Dependant on the use of some of the elements of the project it may require specific VAT treatment. Further VAT advice is being sought from Trowers Hamlin.
79. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge known as the minimum revenue provision (MRP). It is proposed to use the ‘asset life method’ in the calculation of the Council’s MRP on an annuity basis where the principal repayments increase over the life of the asset. MRP commences in the financial year following that in which the expenditure is incurred, or in the year following that in which the relevant asset becomes

operational. This enables an MRP “holiday” to be taken in relation to assets which take more than one year to be completed before they become operational. The actual MRP charge will be calculated on individual categories of asset to ensure the appropriate MRP charge is recognised.

Legal Implications

80. The Council has been through a process of determining the extent of its title together with any relevant restrictions. This has included the commissioning of a Development Constraints Report by the law firm Charles Russell Speechlys (April 2021). The report set out an action plan to overcome any weaknesses, which includes registration of the full development site, consolidating titles and, where appropriate, seeking insurances.
81. The land is currently held by the Council for a number of purposes, with the majority of the Council’s land being for the purpose of a car park. Section 122 of the Local Government Act clarifies that where land held by the Council is no longer required for the purpose for which it was previously held then it may be appropriated for another purpose. At a later stage, should the project receive planning permission, then it would be right for the Council to consider whether the land should be appropriated for the purposes of proper planning, including section 203 of the Housing and Planning Act 2016. Where appropriated for planning purposes the Council may proceed with a project without threat of injunction to enforce private rights. A further report would be provided at the time.
82. Importantly, part of the development site is within the freehold ownership of West Kent Housing Association (WKHA). However, it is ultimately intended that 14 units are to be transferred back to WKHA following the development under long leases of 125 years. The mechanism for incorporating their land into the development site is still subject to external legal advice. However, the indicative plan may involve the transfer of the land to the Council subject to the parties simultaneously entering into Development Management Agreements and an Agreement for Lease, to provide assurance to both parties. Such transfers are also to be subject to Stamp Duty Land Tax, which forms part of the external advice being sought.
83. The Council will be responsible for ensuring that all statutory approvals, including planning permission and building control, are obtained through the development process.
84. As part of the development it is expected that works will be required to the highway network. Standard agreements should be entered into for these purposes with the Highways Authority. This would include under section 278 of the Highways Act 1980. Additionally, it is likely that the Council may need to request a Traffic Regulation Order for the purposes of the development.

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85. The proposed works would exceed the PCR thresholds and so would normally require the Council to conduct a national tender competition, including on Find a Tender, for the future contractor. However, Officers are currently exploring appropriate frameworks, which are already established under competitive conditions, to streamline the Council's processes while maintaining pressure on price.
86. It is envisaged that the construction contract will be split into two stages with the contractor involved in a Pre-Contract Services Agreement (PCSA). This has practical advantages including providing additional cost certainty by involving them at an earlier design stage and reducing the chances that significant changes are required after most of the design is set. However, a clear break would be provided to allow for the Council to change direction if dissatisfied with the performance or outcomes from the PCSA.
87. Should Officers pursue a framework arrangement then this will likely govern the choice of contract with any contractor. In most cases these will be from the JCT or NEC suite of contracts. Legal advice will need to be sought in ensuring the final form of contract, including any amendments, is appropriate and provides the Council with the necessary contractual safeguards.
88. The Council will need to consider the appropriate mechanism for the holding of assets following development, although it is expected that the Council will retain the freehold title. As noted above it is currently intended that certain dwellings be disposed to WKHA on a long lease. If the Council intends to retain any units itself then it must take account of the Housing Acts. As a Housing Authority the Council is not entitled to issue the industry standard Assured Shorthold Tenancies but rather may only issue Secure Tenancies. Further, since 1989 the Council has not retained a Housing Revenue Account; should the Council intend to retain fewer than 200 social units itself then they may apply to the Secretary of State for a direction to exempt those properties from the requirements of a Housing Revenue Account. As such it is envisioned that the remaining, market dwellings will be disposed/transferred to a third party to allow their commercial management.
89. Should the Council enter into any arrangements with its trading company or affordable housing company, any arrangements must be transparent and must not be in breach of rules on subsidy control. Any arrangements should generally be at market rates, mindful of what impact arrangements may have on the local economy.

Equality Assessment

90. The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. A positive impact on end users is, however, anticipated. In particular, it is worth noting that appropriate "equalities requirements" will be specified in the various

contracts to be entered into for the construction of the scheme. In addition, the scheme is designed to promote an inclusive environment.

Sustainability

91. A sustainability checklist has been completed, provided at Appendix F. The scheme will aim to achieve very high environmental performance targets in line with the Council’s Net Zero ambitions. Key sustainability measures and targets are outlined in sections 29, 30 and 31.

Conclusion

92. This dynamic scheme provides good quality new homes in an exemplar scheme on a strategic development site in Swanley’s town centre. The proposed development presents a unique regeneration opportunity for Swanley that will set a new design and sustainability benchmark for future growth.

<p>Appendices</p>	<ul style="list-style-type: none"> • Appendix A - Emerging Design Details • Appendix B - Public Consultation • Appendix C - Draft Heads of Terms with WKHA (Gold Papers - exempt from publication) • Appendix D - Financial Appraisal (Cost plan, development appraisal, financial model) (Gold Papers - exempt from publication) • Appendix E - Outline Risk Assessment • Appendix F - Sustainability Checklist
<p>Background Papers</p>	<ul style="list-style-type: none"> • Tibbalds (2016): Master Vision for Swanley and Hextable. • Sevenoaks District Council (2015): Strategic Housing Market Assessment. • <i>Sevenoaks District Council (2015): Allocations and Development Management Plan.</i> • Sevenoaks District Council (2011): Core Strategy. • Sevenoaks District Council (Feb 2021): Report to Council - Update to the Property Investment Strategy. • Bell Phillips Architects (Dec 2021): Bevan Place Interim Stage 2 Report • Bell Phillips Architects (Oct 2021): Bevan Place Stage 1 Feasibility Report • Bell Phillips Architects (Dec 2019): Bevan Place Feasibility Studies • Sevenoaks District Council (Dec 2021): Bevan Place Survey Results from December 2021 Consultation <p>The following background documents are exempt from publication. The applicable reason for this redaction is paragraph 3 of Schedule 12A of the Local Government Act</p>

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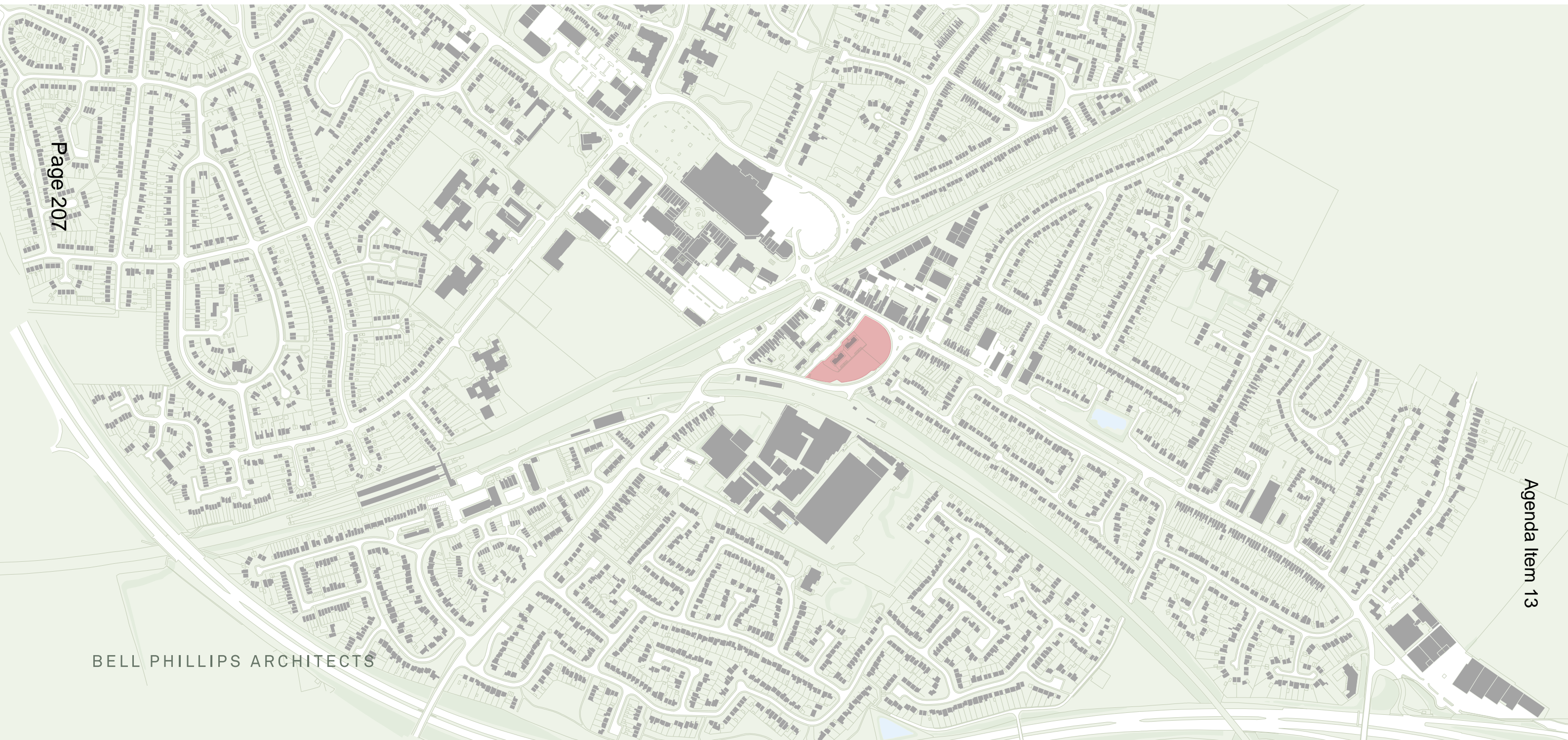
<p>Appendices</p>	<ul style="list-style-type: none"> • Appendix A - Emerging Design Details • Appendix B - Public Consultation • Appendix C - Draft Heads of Terms with WKHA (Gold Papers - exempt from publication) • Appendix D - Financial Appraisal (Cost plan, development appraisal, financial model) (Gold Papers - exempt from publication) • Appendix E - Outline Risk Assessment • Appendix F - Sustainability Checklist
	<p>1972: Information relating to the financial or business affairs of any particular person (including the authority holding that information). This is because it could prejudice the returns of a commercial tender that the Council will be undertaking and provides commercially sensitive information.</p> <ul style="list-style-type: none"> • Playle and Partners (December 2021): Bevan Place Cost Plan (Interim Stage 2) • Lambert Smith Hampton (December 2021): Bevan Place Financial Model (Interim Stage 2) • Lambeth Smith Hampton (December 2021): Bevan Place Development Appraisals (Argus Models) • Lambert Smith Hampton (October 2021): Property Market Review • Savills (February 2019): Bevan Place Feasibility Assessments

Detlev Munster, Strategic Head of Property & Commercial

Appendix A

Bevan Place

Interim Stage 2 Design



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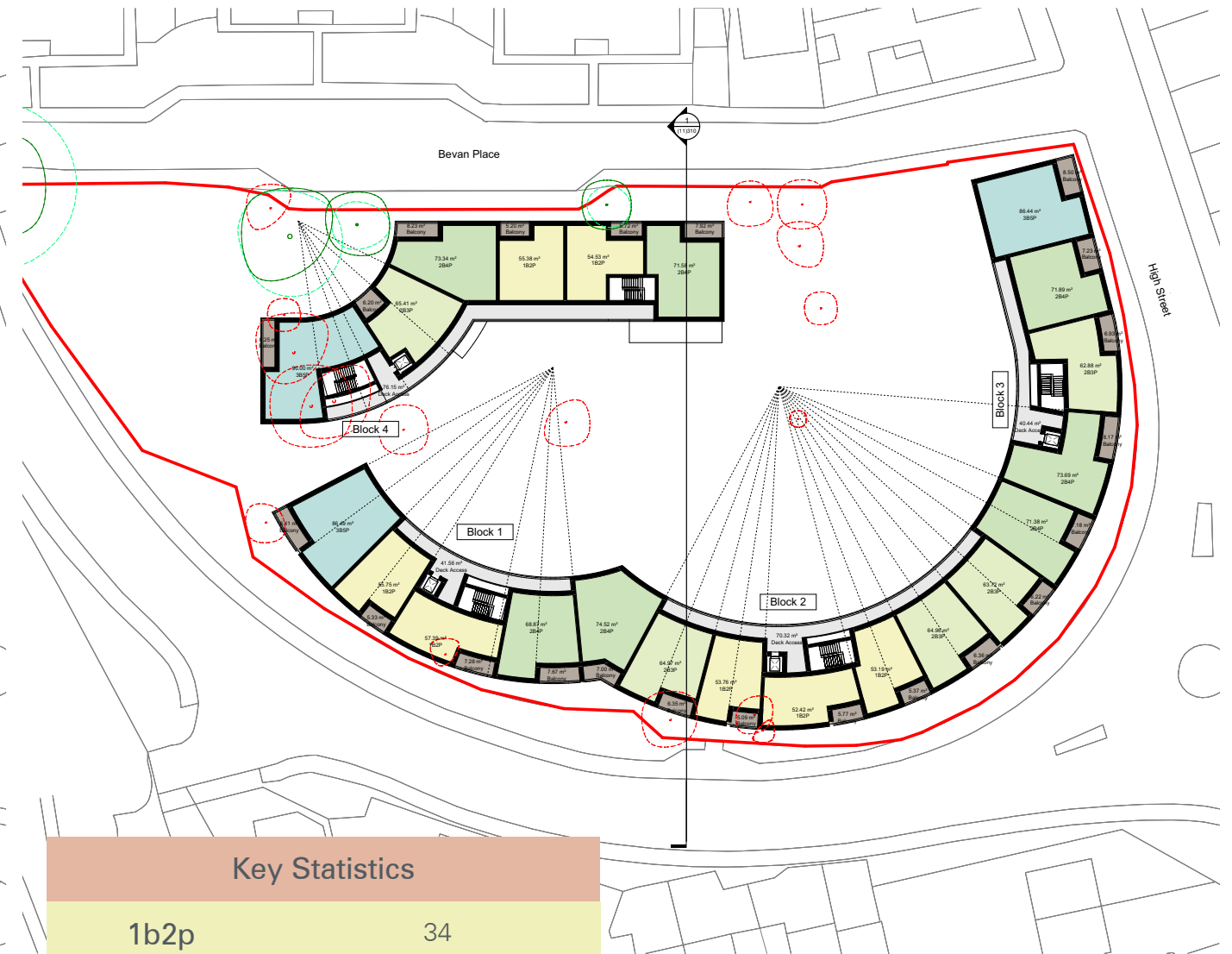
Stage 1 scheme

Phase 1 scenario - WKHA blocks remain



Key Statistics	
1b2p	26
2b3p	20 + 5 WCH
2b4p	16 + 1 WCH
3b5p	6
Total Units	74
Total WCH	6 (8%)
Amenity	1,547.8sqm
Parking	34 spaces (0.46)

Phase 2 scenario - WKHA blocks are demolished



Key Statistics	
1b2p	34
2b3p	27 + 7 WCH
2b4p	23 + 1 WCH
3b5p	11
Total Units	103
Total WCH	8 (8%)
Amenity	2,408.4sqm
Parking	43 spaces (0.42)

Stage 1 - Design

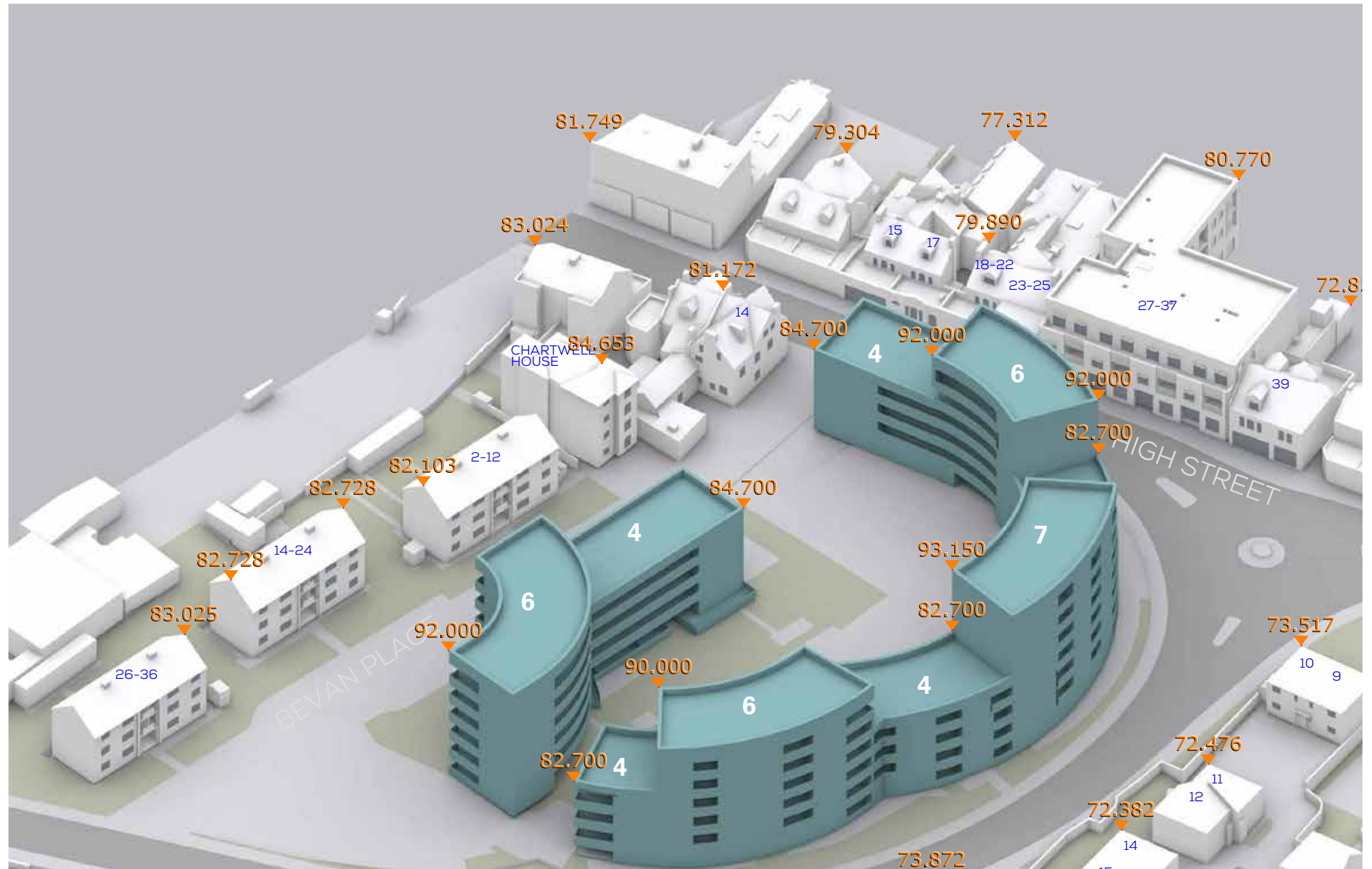


Figure 03: Phase 2 of the Proposed Development shown in Teal

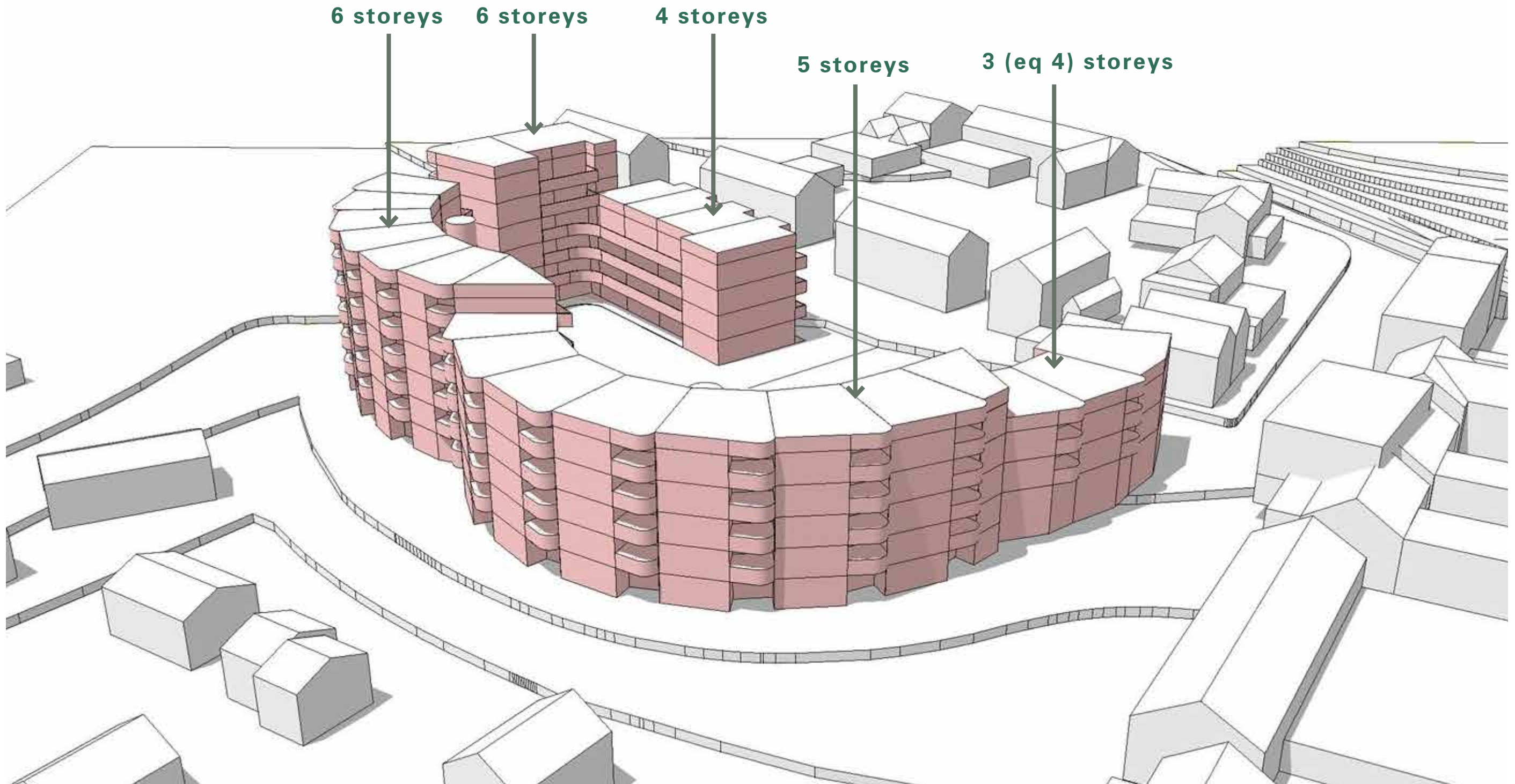
Stage 2 - Design Development

Typical Floor

- Reduced number of cores
- Regular flat layouts
- Change of height
- Improved efficiencies
- Fewer steps and less overall external envelope
- 3 repeated curves - all based on the same radius - repeated elements
- stepped away from the High Street to improve DSO



Stage 2 - Aerial View 1



Stage 2 - Aerial View 2



Stage 2 - Typical Floor Comparison

Stage 1 Scheme



4.5 cores
 Units: 22
 NIA: 1,472.54sqm
 GIA: 1,649.01sqm
 NIA/GIA: 0.89

Key Statistics	
1b2p	34
2b3p	27 + 7 WCH
2b4p	23 + 1 WCH
3b5p	11
Total Units	103
Parking	43 spaces (0.42)

Stage 2 Interim Scheme



3 cores
 Units: 21
 NIA: 1,307sqm
 GIA: 1,476.6sqm
 NIA/GIA: 0.89

Key Statistics	
1b2p	44 (48%)
2b3p	8 (9%)
2b4p	35 (38%)
3b5p	5 (5%)
Total Units	92
Parking	42 spaces (0.46)

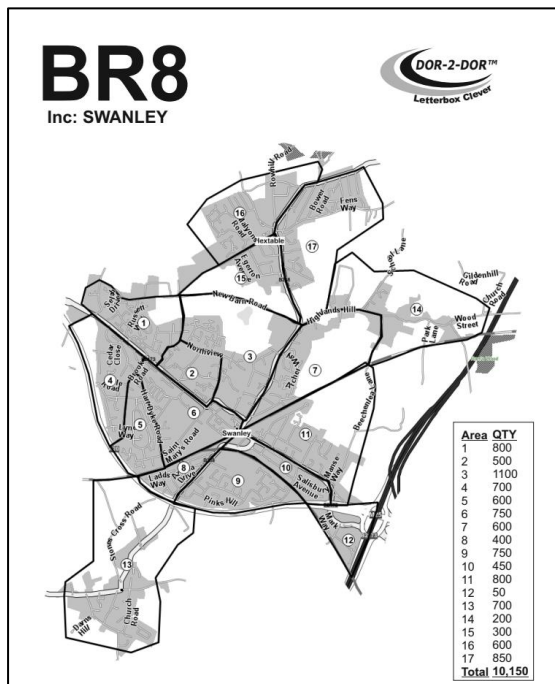
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Appendix B - Public Consultation

Introduction

1. This appendix provides an overview of the consultation material used, the consultation approach and a summary of the findings from the public consultation events.
2. The Council advertised the consultation events using social media, the Council’s website, and by dropping leaflets at resident and businesses front door letter boxes. The distribution area for these leaflets is shown in Figure B1 and leaflets were distributed to areas 8,9,10 and 11; c. 2,400 addresses.

Figure B1 - Leaflet Distribution Area



3. Posters were also placed in prominent locations throughout Swanley, for example at the Oaks and Cedar GP Surgeries, Asda, Aldi, White Oaks Leisure Centre, the local library and at the Town Council.
4. Residents in Bevan Place were also written to, and WKHA contacted its residents and leaseholders via email informing them of the residents only consultation event on the 8 December 2021.
5. Figure B2 is a template of the leaflet flyer that was distributed to over 2,000 residential and business addresses in close proximity to the

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development. The flyer template was also used for posters that were located in key locations in Swanley.

Figure B2 Flyer and Poster

Sevenoaks
DISTRICT COUNCIL

Sevenoaks District Council would like to present emerging design proposals for the Bevan Place Car Park & Old Working Men's Club site in Swanley. We would like to hear your views and thoughts.

A drop in session will be held at **The Alexandra Suite** on the following dates:

Thursday /	Saturday /
9th December /	11th December /
3pm - 7pm	10am - 3pm

A public webinar will take place on:

Monday /
13th December /
6.30pm - 7.30pm

Access to the webinar please visit:
www.sevenoaks.gov.uk/bevanplace

Alexandra Suite

Asda

Swanley Recreation Ground

Site

6. Figure B3 illustrates the consultation boards that were used at the drop-in exhibition sessions on the 8, 9 and 11 December 2021. The exhibition boards were also added to the Council's website and can be found here https://www.sevenoaks.gov.uk/info/20002/your_environment_and_community/600/bevan_place_proposals

Figure B3 - Example of the consultation boards




7. At the consultation events, attendees had the opportunity to discuss the proposed scheme with members of the project team, consisting of Council officers and project consultants. Attendees were invited to attach comments to the consultation board (see figure B4) and were also encouraged to submit a questionnaire through an on-line portal. However, certain residents requested a hard copy of the questionnaire and these were also provided. The closing date for the submission of comments via the questionnaire was Sunday 19 December 2021.

8. A public webinar was also hosted on 13 December 2021. The public webinar was hosted via Zoom and key members of the project team were in attendance. A presentation by the project architect was followed by a public question and answer session. Following the webinar session, attendees were invited to submit comments via the survey monkey portal

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and details were provided. A link to the survey monkey questionnaire was also provided on the Council’s website.

Figure B4 - Comment Board



Bevan Place / Timeline and Feedback

Timeline



Timeline	May 2022	September 2022	Mid 2023	Mid 2027
Design development A coordinated design is developed with the project partners, including landscaping, building services, structure, security and sustainability measures.	Planning submission The developed is submitted for planning. The community will have another opportunity to comment on the proposal when the planning application is considered.	Planning decision The planning submission is determined by Sevenoaks District Council.	Start on site If planning permission is granted the development is likely to begin in 2023.	Completion If the project begins in mid 2023, it is likely to be completed in 2027.

We welcome feedback from residents on the initial design ideas. Please add your post-it note with your comments to our feedback board below. We would also welcome you filling in and submitting a brief questionnaire to us, which can be found online at _____, or alternatively please fill in now and hand it over to a member of the project today. We will review the feedback that you have provided and incorporate it into future designs where appropriate.

For the latest news on the Bevan Place proposal, visit www.sevenoaks.gov.uk/bevanplace

Sevenoaks District Council
Council Offices
Argyle Road
Sevenoaks
Kent
TN13 1HG

Thank you for your time and views

Findings from the Consultation Events

9. A total of 53 people attended the drop-in exhibition sessions over the three days. Unfortunately, no Bevan Place residents attended the drop-in session dedicated for them, but this does not mean they did not attend any of the other public sessions, and we were informed that at least two attendees were indeed Bevan Place residents.
10. Attendee demographic information was not formally requested, but the project team in attendance noted that people that did attend were indeed local residents and were predominantly aged 55 years and above and slightly more males than females attended. Younger people and minority ethnic groups were under-represented.
11. A total of 5 people attended the public webinar, yet numerous questions were asked by those in attendance with sufficient time to provide detailed responses.
12. A total of 26 completed questionnaires were received. 11 were handed in at the events and the remaining 15 were completed online. While the sample size is relatively small, it nonetheless provides very useful pointers.
13. The key findings from the public consultation events (including the results of the questionnaire) can be summarised as follows:
 - Traffic and parking
 - Traffic in the area is already congested
 - High volume of traffic leads to pollution
 - Not enough parking for visitors to the High Street
 - Parking is insufficient for number of residential units
 - Public transport is poor - people need a car
 - Contractor traffic will exacerbate existing congestion
 - Housing
 - Concerns about number of social housing units and their cost
 - Lack of access to doctors in the area, strain on local services
 - What will happen to existing WKHA residents
 - Flat entrances onto Goldsel Road is a bad idea
 - Retail unit
 - Concerns about the use of the retail unit
 - Some felt a restaurant would cause noise at night whereas a café would be underutilised
 - Some felt there were not enough retail units
 - Garden
 - Fruit if unpicked will attract vermin and cause health issues
 - Questions over who will maintain the garden
 - Flooding and drainage
 - There is surface flooding on Goldsel Road
 - Current drainage infrastructure is insufficient
 - Height
 - Concerns that the proposed development will be too high

14. Findings from the consultation also suggest that:

- Bevan Place car park is a poor use of space and that the development should provide new homes, with strong support for the use of brownfield sites;
- there is support for a communal garden that is accessible to the public during day-light hours;
- there is support for the curve design;
- the sustainability measures proposed are important;
- the new dwelling units should have WIFI and cabling integrated into the units and that there should be a dedicated area that supports home working;
- there is a preference for open balconies rather than winter-gardens;
- the communal garden should have:
 - a landscaped mix of trees, grass, flowers and shrubs
 - seating
 - Multiple entry and exit points
 - street food events
 - children's play area
 - defibrillator point
 - café/coffee shop

15. There was also a view that the development would be a positive contribution.

16. The comments and responses provided are currently being reviewed by the project/design team to consider what improvements can be made to the emerging scheme. These will be reported as part of the planning submission.

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Appendix E - Outline Risk Assessment

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

TYPE	DESCRIPTION	MITIGATION
Finance	Capital receipts from the sale of the residential units are not achieved.	The scheme is not dependent on capital receipts other than for those units which WKHA wishes to acquire 9 x 1-bed units. A valuation exercise has been carried out for these units and while subject to negotiation the anticipated values are considered reasonable.
Finance	Rental income is not achieved.	Public consultation exercises and discussions with local estate agents suggest that there is a strong market for rental properties in Swanley. This is because move-on accommodation within the starter market is limited and there is a strong desire for people to live in Swanley. The proposed residential units are therefore being appropriately designed and finished for the target market. The rent level will also be appropriately set to reflect local market conditions. Given the mix of units within the scheme, the letting agent will also adopt a dynamic rent model which will allow rents to be negotiated accordingly. Additionally, should there be any difficulty in renting the units, the Council could consider letting the units at LHA rates.
Finance	Change in interest rates resulting in a higher cost of capital	Interest rates are at an all-time low and market swap rates suggest that favourable terms can still be locked in. The Council will however be using PWLB and this rate will be locked in for the duration of the loan term.
Finance	Exit value at end of term is not achieved.	At the end of the loan period the Council will have the option to either re-mortgage the development (and retain the stock for a longer period of time) or dispose of the dwellings. A conservation capitalisation rate (increase in residential property values) is being assumed and considered to be achievable. Indeed, our property consultants believe that the capitalisation rate could be higher.
Finance	Correct VAT treatment for this complicated scheme may increase costs.	Expert VAT advice being sought to assess and minimise any financial impact.
Finance	The operating model and the generation of income is sensitive to void rates and bad debt.	The operating model includes provision for bad debt and voids. Assumptions in this regard are modelled against industry standards.
Planning	Planning consent not obtained.	Pre-planning discussions will take place with the planning and highways authority and advice incorporated in the scheme. Initial feedback has been positive. If the scheme is not consented, then the site will be disposed to the market.
Developer	SDC acting as developer is exposed to more risk than in previous capital projects where it has transferred risk by	Ensure adequate resourcing, programming, contingencies and robust project management in place. Team will ensure procurement of suitable, well qualified

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TYPE	DESCRIPTION	MITIGATION
	procurement via frameworks and developers.	consultants and advisors to assist in delivery where needed.
Developer	WKHA no longer wishes to be part of this development and does not consent to its land being developed	Negotiations with WKHA to date suggest that the in-principle draft agreement discussed provides WKHA with a very good offer. Commercially, we believe that they would not be able to get a better deal elsewhere. However, should WKHA decide not to proceed, the scheme has been designed in a way that the WKHA land can be excluded.
Economic/Health	Impact of Covid-19 pandemic, (tender pricing, risk pricing, programme fixing, contractual amendments, availability of labour, availability of materials, onerous sub-contractor conditions), causes additional cost and/or delay to the programme.	<p>Include Covid19 question in PQQ. Provide detailed tender information to assist on risk assessment and mitigation. Close monitoring of Covid-19 and latest government guidance.</p> <p>Contingency and inflation allowance provided.</p>
Construction	Abnormal site conditions encountered resulting in higher development costs.	Desk-top survey undertaken together with intrusive site investigations. These initial findings are informing design and cost plans. Additional intrusive investigations will be undertaken once design is fixed and costs will be updated accordingly. At the moment a significant contingency allowance is provided based on experience from other nearby sites.
Construction	Capital costs exceed budget due to factors including: construction market tender disinterest, tender risk cover pricing, covid-19 costs.	<p>Works tendered on RIBA stage 3 information gives tenderers confidence the design is thorough and coordinated. It is also intended to engage with a contractor in the preparation of the detailed design, this will allow a greater degree of price certainty and buildability confidence. In turn this will allow the Council to tender the scheme on a fixed lump-sum fee basis.</p> <p>Realistic client contingencies are also in place for unforeseen. Robust change control process in place. Contract includes administration by Employers Agent.</p>
Construction	Delays in scheme approval lead to increased costs due to construction inflation.	Robust information submitted to allow SDC Committees/Cabinet/Council to make timely decisions. Project Contract sum based on programme.
Construction	Problems during ground works (contamination/obstructions/soil type) exceed allowances based on RIBA stage 3 surveys, cause delay and extra costs.	Detailed ground investigation surveys will be undertaken prior to a contractor being appointed. Realistic contractor and client contingencies in place for unforeseens.
Public opposition	Residents oppose the scheme and prove awkward during construction	<p>Early community engagement is to take place with Bevan Place residents and the wider Swanley community. This will allow the Council to flush out issues and incorporate/amend the scheme where appropriate. Discussion with Bevan Place will remain ongoing together with WKHA.</p> <p>Appropriate arrangements will be put in place to ensure residents are informed about the construction</p>

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TYPE	DESCRIPTION	MITIGATION
		programme to ensure minimal temporary disruption to residents.
Management	The Council is unable to find a suitable third-party to manage and operate the scheme.	The scheme requires a third party to manage ASTs. There are currently numerous PRS operators in the market and the scheme has the critical mass to be of interest to the market. However, if a third party operator is not found, then the Council could potentially use its Quercus 7 company to manage and operate the development. Failing this, WKHA has indicated that this venture may be of interest to them, albeit it has not previously been done by them.
Operational	Maintenance and repair costs will be significantly higher than anticipated.	<p>Given that the Council will be retaining the development for 30 years, the scheme is costed and to be developed with a higher specification thereby reducing repair and maintenance costs. Additionally, the scheme is being designed to ensure ease of maintenance and repair.</p> <p>Costs will however be recovered through service charges and rents.</p>
Environmental	By 2050 the UK Government's ambition is to ensure all housing stock is net-zero/carbon neutral. This will require the scheme to be retrofitted resulting in additional costs.	The scheme is being designed to minimise the need for retrofit. A higher design specification is being used for this scheme which significantly exceeds current building regulations. The scheme is also designed to ensure its future operation is as environmentally efficient as possible given current technology. Indeed, we are aiming to ensure the new development meets Passivhaus standards.
Legislation	Government changes to what councils can invest in, borrow for or the appropriate accounting treatment.	Officers will keep up to date with legislation changes and obtain appropriate expert advice where required.

Appendix F - Sustainability Checklist

The following document is a “live” document and subject to changes/updates as the project progresses.

Name of Officer completing this form: Jessica Bolsin
Date checklist completed: 3 rd December 2021
Title of policy/strategy/project: Redevelopment of Bevan Place

What contribution/impact does this proposal make towards enhancing the Council’s commitment to sustainability?

- Tick: (✓) +ve - if the proposal makes a **positive** contribution
 -ve - if the proposal makes a **negative** impact
 ? - if there is **uncertainty** in predicting positive contribution or negative impact
 N/A - if the impact of the proposal is **outwith scope** of proposal

Categories	+ve			-ve			?	N/A	Action to minimise or eliminate negative impacts or enhance benefits
	+	+	+	0	-	-			
Community Safety									
1) Help to reduce fear of crime	✓								Development will provide vast improvement on existing underused site. Emerging design will ensure that fear of crime is reduced e.g. through designing well lit and overlooked public spaces.
2) Help to reduce occurrence of crime	✓								Development will help to reduce opportunities for crime through increased footfall and

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Categories	+ve			-ve			?	N/A	Action to minimise or eliminate negative impacts or enhance benefits
	+	+	+	0	-	-			
Community Safety									
									overlooked public spaces
3) Help to reduce occurrence of anti-social behaviour	✓								As above - design will ensure reduced opportunities for ASB
4) Ensure developments maximise security and safety using safer by design procedures as appropriate		✓							Designing out crime will be a specific action for project team
5) Encourage individual/community responsibility		✓							The development will improve the local environment which in turn encourages residents to respect the area and improve general attitude towards crime and safety. Communal edible garden will help encourage resident responsibility

A. Economy & Work										
6) Increase employment opportunities for local people		✓								New retail space will provide employment opportunities Contractor will be given targets on local employment directly or through supply chain.
7) Link local production with local consumption			✓							Contractor will be encouraged to source supplies and materials locally
8) Help local and community based businesses to set up and grow and promote rural diversity		✓								New retail space on ground floor will provide opportunity for new businesses or existing businesses to grow
9) Value and support unpaid work								✓		N/a

B. Education & Awareness Raising										
10) Foster appreciation and care for the local environment			✓							New improved landscaped areas will encourage residents to care and appreciate their surroundings. Environmental features in new homes will encourage residents to be conscious of their impact on the environment
11) Improve access to training, education and self-development opportunities for all			✓							Contractor will be given targets on local apprenticeships and training via ERs
12) Encourage the adoption of sustainable lifestyles and practices			✓							Proposed edible garden will help encourage healthy eating and practices
D. Equitable Access to Local Facilities & Services										
13) Address inequalities through allocating resources based on need									✓	n/a
14) Improve access to local services and facilities for local people				✓						No direct contribution but new development will be accessible to local services and facilities
15) Protect local shops and services			✓							92 new residential units bringing additional residents to Swanley town centre to

B. Education & Awareness Raising										
										support local services
16) Ensure access to usable open spaces and meeting places	✓									New scheme will provide new communal garden and improve accessibility to surrounding areas
17) Improve facilities, access and opportunities for people with disabilities, wheelchair users, people with pushchairs and elderly people		✓								Development will provide accessible units in line with planning policy. Communal garden and surroundings will be fully accessible
18) Improve opportunities, facilities and access for children & young people									✓	n/a
E. Health										
19) Reduce factors contributing to ill health (e.g. poverty, safety, diet, lifestyle, pollution)		✓								New quality housing contributing to improved health and wellbeing. Edible garden will encourage healthy eating and lifestyles. Cycle parking will encourage new residents to use sustainable transport methods
20) Provide support for elderly people and young people and their families			✓							Development will provide a mix of new homes including family homes

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B. Education & Awareness Raising										
21) Provide access to housing, appropriate to need	✓									92 new homes with a mix 1-3 bedrooms.
22) Increase opportunities for residents to partake in regular physical activity			✓							New communal garden will provide space for residents to exercise
23) Increase accessible leisure/ recreation opportunities for young people (i.e. in terms of cost/transport/supervision)									✓	n/a
F. Local Identity & Heritage										
24) Protect/enhance local heritage and features of cultural, visual and historic identity		✓								Whilst not directly contributing, redeveloping this site will help SDC meet its housing targets without encroaching on the green belt and AONB. It will vastly improve Swanley's visual identity
25) Contribute to local distinctiveness and promote design quality in new buildings	✓									Development will help set a precedent in the area for high quality design
26) Increase enjoyment/participation in arts, local culture and heritage									✓	n/a
G. Natural Environment										
27) Protect/enhance wildlife habitats (e.g. open spaces, trees, hedgerows, private gardens, some buildings, designated sites)	✓									New edible garden proposed along with new trees and improved landscaping to encourage and

B. Education & Awareness Raising										
										enhance biodiversity.
28) Increase tree cover, especially broad-leaved woodland			✓							Planting of additional trees within design
29) Improve/maintain public access to open spaces, wildlife areas and the countryside		✓								New public space will be provided as part of new development
30) Protect/enhance landscape quality/heritage and retain open land/countryside			✓							The scheme will provide new garden and landscaped areas
31) Protect/enhance the welfare of captive, domestic and wild animals			✓							Development will include garden and landscaped areas to protect/enhance animal's welfare
H. Participation, Democracy & Partnership										
32) Involve people in action			✓							The development team will offer a minimum of 1 consultation event to encourage residents to be involved in the design development
33) Involve appropriate partner organisations		✓								Working with WKHA to maximise redevelopment opportunities on the site
34) Increase access to information by communicating in different ways				✓						SDC Communications team will be involved in consultation and general publicity to help

B. Education & Awareness Raising										
										communicate in different ways
35) Effectively involve local people in decision making, especially under-represented groups including young and elderly people			✓							The development will involve a minimum of 1 consultation event to encourage residents to be involved in the design development. Efforts will be made to ensure the events are fully accessible (including option to provide comments remotely if unable to attend the events in person)
I. Pollution										
36) Contribute to minimising or preventing incidences of localised flooding	✓									SUDs features and landscaping will be incorporated into design to help reduce flood risk
37) Protect/enhance quality and availability of ground, surface and drinking water		✓								SUDs features and landscaping will be incorporated into design to help reduce sitting water and improve overall quality
38) Prevent/reduce land contamination and dereliction	✓									Redeveloping previously developed land to reduce contamination on areas of

B. Education & Awareness Raising										
										undeveloped land
39) Prevent/reduce air, noise and light pollution			✓							To be considered in design as part of SDC's net zero targets
40) Ensure the appropriate use and disposal of hazardous materials	✓									All hazardous materials will be appropriately disposed of via the contractor
41) Prevent an increase in waste production, fly-tipping, littering, dog fouling			✓							Design will ensure areas that might encourage fly-tipping are avoided. Overlooking will of public areas will help reduce littering and dog owners allowing dog fouling
J. Resource Use, Energy & Waste										
42) Minimise use of energy, water, minerals and materials (e.g. paper)					✓					Whilst construction requires use of energy and materials, all efforts will be made to ensure the construction and completed development is as sustainable as possible
43) Increase use of renewable energy sources (wind, water, wave, biomass, solar gain)		✓								Energy efficient measures will be incorporated into the development - e.g use of PVs where viable, dual flush WCs and restricted

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B. Education & Awareness Raising										
										flow taps to reduce water consumption
44) Increase re-use and recycling of water, minerals, materials and waste			✓							Opportunities to use recycled materials will be explored as scheme progresses
45) Ensure the use of environmentally friendly/recycled materials				✓						Use of environmentally friendly/recycled materials will be considered where possible and contractor encouraged to do so via the ERs
46) Ensure the use of wood from sustainably managed sources			✓							Opportunities to incorporate into scheme will be identified as scheme progresses
47) Use brown field sites or vacant buildings rather than greenfield land	✓									Brownfield site being redeveloped
48) Ensure buildings are designed for a long life-span/future change of use	✓									Development will be developed to high quality with long life spans a priority
K. Transport & Access										
49) Reduce the number and length of car and lorry journeys			✓							Development is in the town centre and accessible to train station and bus stops to reduce number of car journeys. Bike stands provided to encourage

B. Education & Awareness Raising										
										residents to cycle. Lorry journeys will be increased during construction period.
50) Promote the movement of people by walking and cycling to reduce car dependency	✓									Cycle parking will be provided to encourage people to take methods of sustainable transport and reduce car use.
51) Improve conditions and facilities for pedestrians and cyclists	✓									Cycle parking will be provided. Pedestrian and cycle connectivity locally and into the town centre will be improved through emerging design
52) Increase use, availability & access to public transport particularly for disadvantaged groups		✓								Pedestrian connectivity around the new development and access to public transport will be enhanced through emerging design
53) Make use of new technologies/alternative fuels								✓		n/a

12. What changes will be made to the proposal as a result of using the sustainability checklist?

12.1 Community Safety
12.2 Economy & Work

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12.1 Community Safety
12.3 Education & Awareness Raising
12.4 Equitable Access to Local Facilities & Services
12.5 Health
12.6 Local Identity & Heritage
12.7 Natural Environment
12.8 Participation, Democracy & Partnership
12.9 Pollution
12.10 Resource Use, Energy & Waste
12.11 Transport & Access

13. Sustainability Implications Statement

Please refer to guidance notes

The Council's Environmental Policy Statement is applicable to all decision making. Taking this into account, please say what significant beneficial/adverse sustainability implications are contained in this document.

E.g. A positive contribution to recycling because....

A negative impact on combating crime because....

The redevelopment of the Bevan Place car park and former Men's Working Club will provide a positive contribution to all areas covered as part of the Sustainability checklist. The development is replacing an underused car park and derelict building, providing an opportunity to redevelop a brownfield site and in turn protecting the district's greenbelt and AONB.

The checklist demonstrates that the scheme is sustainable through the provision of new homes, providing a mix of smaller homes and family homes. It will also contribute to the natural environment by providing a new communal 'edible' garden and enhanced areas of improved landscaping, replacing the hard-standing car park area. Negative impacts are minimal and are primarily to do with the construction period itself rather than the long-term impact of the redevelopment. The scheme will be focusing on meeting SDC's net zero targets

and, subject to viability, will explore options including the use of PVs, ensuring the use of materials with low u-values to retain heat and through the provision of cycle parking and EVCPs.

14. It is recognised that when making the above decisions about sustainability impact, compromises and choices have to be made. Please list below any changes which were considered, but not proposed for implementation, giving the reasons for your choice:

Changes Considered	Reasons for non implementation
1.	
2.	
3.	
4.	

Director's signature: _____

Date: _____

Please send completed Sustainability Checklist to:
Simon Davies, Partnership & Project Officer, Community Development Team.

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WHITE OAK LEISURE CENTRE RESIDENTIAL QUARTER, SWANLEY - DEVELOPMENT PROPOSAL

Finance & Investment Advisory Committee - 11 January 2022

Report of: Strategic Head of Property and Commercial

Status: For Decision

Also considered by:

- HHAC - 17 January 2022
- Cabinet - 10 February 2022
- Council - 22 February 2022

Key Decision: No

Executive Summary:

SDC are redeveloping the White Oak Leisure Centre complex in Swanley.

Work on Phase 1, construction of the new leisure centre, has commenced and work is progressing well. Phase 2, demolition of the existing leisure centre, is on track to begin in February 2022.

This report seeks approval to proceed with Phase 3, the residential element of the scheme. A hybrid planning application was granted permission in October 2019 with full permission granted to redevelop the leisure centre and outline permission granted for this element. This was to provide a new residential quarter of up to 41 new dwellings on the northern part of the site where the old leisure centre and car park are currently sited.

The outline planning permission for 41 residential units is not considered viable and so SDC are increasing density on this site. A variety of options were considered and the provision of 81 new homes on the site is considered viable.

This report seeks approval to undertake further feasibility and design work to facilitate the submission of a planning application and to deliver the scheme subject to receiving all the necessary statutory consents.

The intention is to now progress the proposals to submit a full planning application in July 2022 and, subject to planning being obtained, will start on site in January 2023.

As this is a new capital project that is not yet accounted for in the Capital Programme, and given the estimated project budget, Council approval is required.

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

Portfolio Holder: Cllrs. Peter Fleming, Matthew Dickins and Kevin Maskell

Contact Officers: Detlev Munster, Ext. 7099

Recommendation to Advisory Committees:

- (a) The Advisory Committees endorse the redevelopment of the site to deliver a new residential development;
- (b) The Advisory Committees endorse the proposed recommendations to Cabinet and Council.

Recommendation to Cabinet:

- (a) Cabinet notes the viability issues associated with this site and endorses the development of a new residential scheme on this site which will deliver 81 new homes;
- (b) Cabinet recommends to Council the provision of £20,189,137 in the Capital Programme to deliver the scheme;
- (c) subject to Council's approval of the capital provision of £20,189,137 in the Capital Programme, Cabinet delegates authority to the Strategic Head of Property and Commercial and the Chief Officer Finance and Trading, following consultation with the Cabinet Member for Finance & Investments to undertake further detailed design and feasibility work and to proceed with the scheme subject to final scheme viability; and
- (d) Cabinet delegates authority to the Strategic Head of Property and Commercial in consultation with the Chief Officer Finance and Trading and the Head of Legal Services to submit a planning application and to enter into any necessary contracts to facilitate the development and construction of the proposed scheme in accordance with the Council's Contracts Procedure Rules and for the disposal of the residential units to be developed.

Recommendation to Council:

That the provision of £20,189,137 in the Capital Programme to deliver the scheme which is to be funded as noted in the Financial Implications be approved.

Reason for recommendation: To provide much needed housing in the district particularly in Swanley.

Introduction and Background

- 1 Swanley is an urban settlement in the Northern part of the Sevenoaks District adjoining Dartford, Bexley and Bromley. Swanley is the most deprived area within the Sevenoaks District, with two of the wards (Swanley St Mary's and Swanley Christchurch) noted as having relative deprivation in the Local Plan. The town itself has excellent transport links with a motorway interchange providing junctions on the M25, M20, and A20 enabling travel both into Kent, Surrey and Central London. Swanley is within London Travel Zone 8 with Oyster travel into London in under 30 minutes. The area itself has however, had little public or private sector investment and development in the past, but is now on the cusp of a significant regeneration opportunity, which provides the potential to create a desired place for the future.
- 2 The site sits within a residential area on the northern side of Swanley Town Centre. The existing leisure centre is adjoined by White Oak Indoor Bowls Club which is to be retained and operated in its current form. The existing site had allocated Open Space in the south-west corner on which the new leisure centre is being constructed. This open space will be re-provisioned within this proposed new residential development where the existing leisure centre sits.
- 3 The proposed development aims to provide:
 - New homes including both flats and houses with private gardens
 - Communal green space at the centre of the site
 - Car parking
 - Trees
 - Enhancement of the urban fabric surrounding the new leisure centre
- 4 Profit from the construction of the residential phase is required to part contribute to the construction of the new leisure centre, already on site. As a result, all housing will be market sale with no affordable provision.

The Proposed Development Scheme

- Several design options were considered for the site and the preferred option (detailed in appendix A) proposes:
 - 11x 3b5p houses
 - 15x 1b2p flats
 - 32x 2b3p flats
 - 14x 3b4p flats
 - 9x 4b4p flats
 - Car parking spaces, private gardens, soft and hard landscaping and trees.

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- 5 The proposed layout offers 81 residential units comprising two blocks of flats at two and five storeys in height, alongside 11 two storey houses with private gardens. This layout also provides 120 parking spaces with a green space and soakaway at the centre of the site. The remainder of the site is reserved for green space.
- 6 Initial planning feedback has been obtained and suggestions have been incorporated into the preferred option to be taken forward for further review in the next design stage.
- 7 The options appraisal suggests that the preferred option (Option B) is viable from a planning and financial perspective, but further detailed analysis is required to refine the preferred option.
- 8 Consequently, the next stage will involve the preparation of detailed designs for the site (to RIBA Stage 3) as this level of information is required to not only obtain a planning consent, but also to clarify viability and de-risk the project and to enhance confidence in deliverability.
- 9 The next stage will undergo a further detailed investment appraisal to determine viability, and will only proceed if it meets the scheme's aims and is within the financial parameters set (see Appendix B - confidential).

Public Consultation

- 10 Public consultation was undertaken during February and October in 2016 as part of the Swanley Visioning Study. 1,838 surveys were completed and over 1,000 people attended drop-in sessions. The key points noted from this exercise were:
 - Majority of residents (96%) wanted to keep a leisure centre in Swanley.
 - Housing was a key topic although opinions were divided on whether it was needed and where it should be located
 - More and better health and community facilities are required
 - A need for better quality and wider ranging retail uses
 - Residents were keen to retain leisure uses and open spaces
- 11 In addition, residents were consulted on the new leisure centre in March 2019, as well as the statutory consultation undertaken for the hybrid planning application in October 2019. A summary of the feedback provided, more specifically relevant to the residential phase includes:
 - The building of homes will put pressure on existing services such as doctors and schools
 - Concerns the existing infrastructure will not be able to cope
 - Concerns about overlooking from the existing houses onto the new houses
 - Loss of trees

- Lighting to be designed in such a way to improve security and feelings of safety

Some of these findings have already been addressed within the emerging design, including the planting of trees and designing of new public spaces that will be well lit and feel safe. Other findings will be considered as the design develops. Area-wide concerns such as pressure on existing services will be considered via SDC’s emerging Local Plan and Supplementary Planning Documents.

- 12 It is proposed that the local community and interested parties will be further consulted as part of the detailed design process. This will involve a consultation to outline the proposed detailed design during through the design stage to refine the scheme where appropriate prior to submitting a planning application.
- 13 Following the pre-planning consultation, further consultation will take place as part of the statutory planning process.

Procurement

- 14 Subject to scheme viability and obtaining the necessary statutory consents, it is envisaged that the scheme will need to be publically procured in accordance with the Public Contracts Regulations 2015.
- 15 The scheme will likely be procured using two or possibly a single stage Design & Build procurement route with a selection questionnaire and JCT Design and Build 2016 standard form of contract. A main contractor will be procured on a lump-sum fixed price basis.
- 16 The demolition and site clearance may be under a separate contract.

Delivery Programme

- 17 The project’s indicative delivery programme, assuming planning consent is granted, is outlined in the table below. Note this is subject to change:

Stage	Date	
Corporate Programme Board	October 2021	Completed.
Strategic Management Team	7 December 2021	
Finance and Investment Advisory Committee	11 January 2022	
Health & Housing Advisory Committee	17 January 2022	
Cabinet	10 th February 2022	
Full Council	22 nd February 2022	
Appoint Project Team	February 2022	

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Planning Submission	September 2022	
Contractor Specification and ITT issued	December 2022	
Planning Determination	December 2022	
Contractor Appointment/award	March 2022	
Start on site	June 2023	
Practical completion	March 2025	

Project Costs

Supporting information at Appendix B (exempt from publication)

- 18 An external property consultant (Pathfinder Development Consultants) was commissioned to determine the scheme's viability and advise on residential sales. In addition, the team has also consulted with local estate agents to advise on potential market sales. Our property consultants suggest that the scheme is financially viable and their assessments have been closely scrutinised by the Council's Property and Finance teams.
- 19 Details of the development appraisal can be found in Appendix B, where it can be noted that the scheme generates a profit that will be used to part-finance the new White Oak Leisure Centre. The financial appraisal (seen in Appendix B) includes a robust contingency and risk and inflation allowance. The appraisal has also undergone stress testing to determine its sensitivities to cost pressures, interest rate rises, decline in sales values to mention a few, and these have set the financial parameters within which a viable scheme can be delivered. These financial parameters are outlined in Appendix B.

Project Governance

- 20 A Project Team has been set up within the Council and will be supported by external consultants. In particular, the Council will appoint a specialist cost consultancy firm to act as Employers Agent and QS.
- 21 The Project Team will be adapting PRINCE2 methodologies to manage the project.
- 22 The Project Team will be reporting to the Corporate Programme Board (CPB), which will have oversight of the project. Monitoring reports (including highlight reports/exception reports, budget monitors and the risk register) will be submitted monthly to the CPB. The CPB consists of senior officers within the Council and is chaired by the Chief Executive.

Other Options Considered

- 23 Do nothing. This option requires the Council to cover the full costs of the construction of the new leisure centre which is now on site. It is expected that the residential element will generate approximately £2.643m towards

the new leisure centre. The do nothing option also does not release land for much needed housing. Most notably, the District’s Strategic Housing Assessment (2017) suggests that this part of the District requires 98 homes a year. A better result will be achieved by contributing capital receipts to the cost of the leisure centre whilst also providing some modern housing and to improve the landscaping.

- 24 Four alternative design options were considered by our external consultant (LSI Architects) and the preferred option is considered the most financially viable and feasible from a planning perspective. The proposed design maximises the number of new homes whilst sitting sensitively with the existing site’s uses and the surrounding estates built context. Preliminary views of the Planning Authority have been obtained and this option supported. Additionally, cost plans and feasibility assessments were prepared for the respective options, and the preferred option is considered to optimise site benefits and financial returns for the Council.
- 25 An alternative option would be to dispose of the site with planning permission. This option has been ruled out as the site’s complexities with the existing and new leisure centre, surrounding uses and requirement to contribute capital receipts to the new leisure centre would not suit a private developer who would seek to maximise profits. SDC is able to assess/consider community value not just financial viability.

Risk Assessment

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

Key Implications

Financial Implications

The scheme is intended to be funded (ultimately) from capital receipts from the sale of the residential units (see Appendix B for more information).

The table below shows the expected expenditure over the duration of the project.

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£	£	£	£	£	£
Expenditure	250,000	2,050,000	9,500,000	7,450,000	939,137	20,189,137

81 residential units will be disposed of in the open market and according to the Council’s property consultant, they are expected to generate a sales receipt that will cover the scheme’s cost and return requirements (see Appendix B).

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Until the receipts from the sales of the residential units are received, short-term external borrowing will be used to fund the scheme. The potential financing costs are outlined in Appendix B.

Consideration will need to be given to the VAT implications of the project. Dependant on the use of some of the elements of the project it may require specific VAT treatment. Further VAT advice will be sought.

Legal Implications

The Council has freehold title of the site.

The Council leased White Oak to Sencio on 22 April 2004 and granted a 25-year lease to them running from the 10 February 2004. This has now expired, allowing SDC to redevelop the site. There are no covenants that the council are aware of that are relevant to the development site. The property register states that the land is subject to easements arising from 1) sales of land to West Kent Housing and 2) sales to the public under right to buy. These are mostly unspecified. A full title report has been commissioned and further investigation will be undertaken.

The Council will need to apply for planning consent and obtain all other necessary statutory approvals (e.g. building control approval) and these are known to the Project Team.

Due diligence assessments have identified that it would be suitable to appropriate the site for Planning purposes including to ensure proper planning. The Council is authorised to appropriate land that it owns under Section 122 of the Local Government Act where no longer required for the purpose for which it was previously held. The Council may not appropriate any land which consists of open space land unless it has published its intention in a local newspaper for at least two consecutive weeks and given due consideration to any responses received. It is intended that, if the development is approved, an appropriation would take place at a later stage.

The procurement of a design and build contractor, will need to be procured in accordance with the Public Contract Regulations 2015 thresholds, and will need to comply with the Council's Contract Procedure Rules. Legal advice will need to be sought in ensuring the final form of contract is appropriate and provides the Council with the necessary contractual safeguards.

There are no State Aid implications associated with the proposed scheme.

Equality Assessment

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

Sustainability

A sustainability checklist has been completed, provided at Appendix D. The scheme will aim to achieve BREEAM excellent to outstanding, and will be delivered in line with SDC’s Net Zero ambitions.

Conclusion

This dynamic scheme provides good quality new homes on the site of the old White Oak Leisure Centre and car park. In addition, it will provide car parking, new open space, trees and enhanced landscaping. Together with the new White Oak Leisure Centre it presents a unique regeneration opportunity for Swanley that will set a new design and sustainability benchmark for future growth.

Appendices

- Appendix A - High Level Design Options
- Appendix B - Cost plan and development appraisal (Gold Papers - exempt from publication)
- Appendix C - Outline Risk Assessment
- Appendix D - Sustainability Checklist

Background Papers

- Hybrid planning application ref: [19/02951/HYB](#)
- LSI Architects: White Oak Residential Feasibility Study
- Geotechnical Investigation report

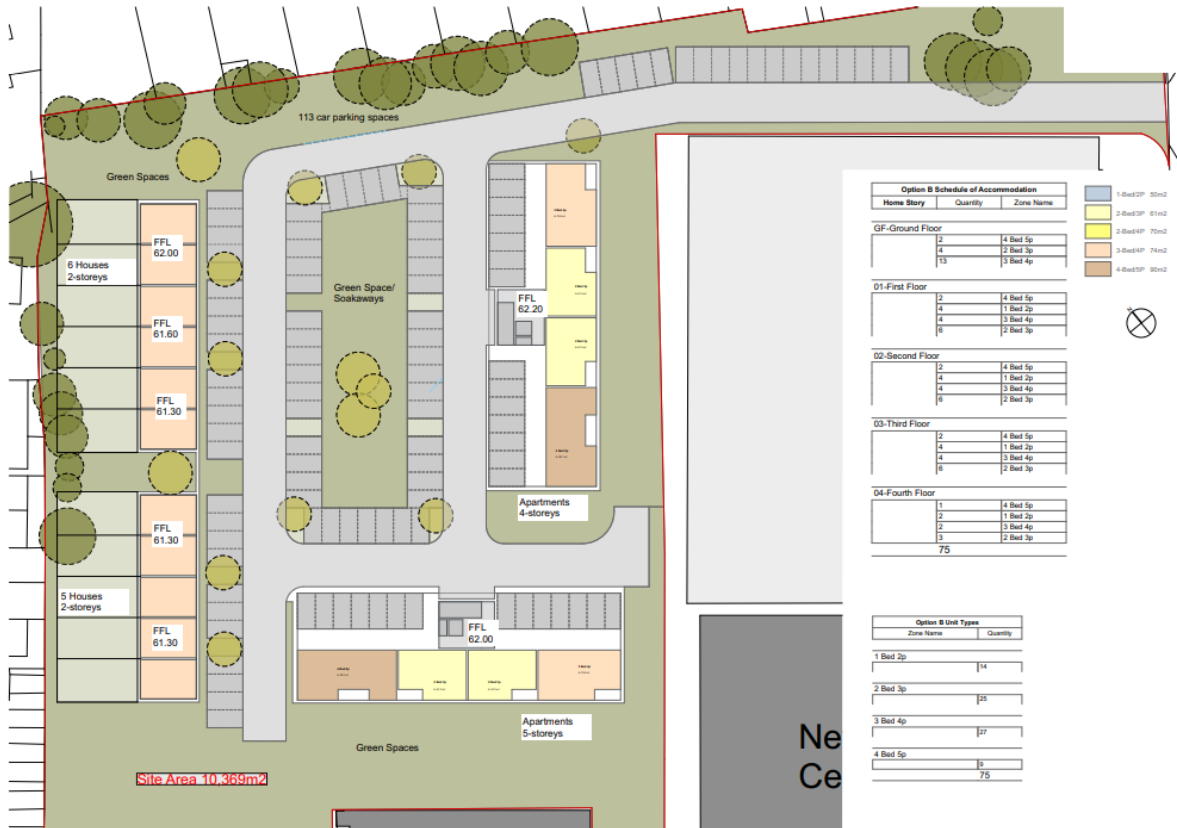
The following background documents are exempt from publication. The applicable reason for this redaction is paragraph 3 of Schedule 12A of the Local Government Act 1972: Information relating to the financial or business affairs of any particular person (including the authority holding that information). This is because it could prejudice the returns of a commercial tender that the Council will be undertaking and provides commercially sensitive information.

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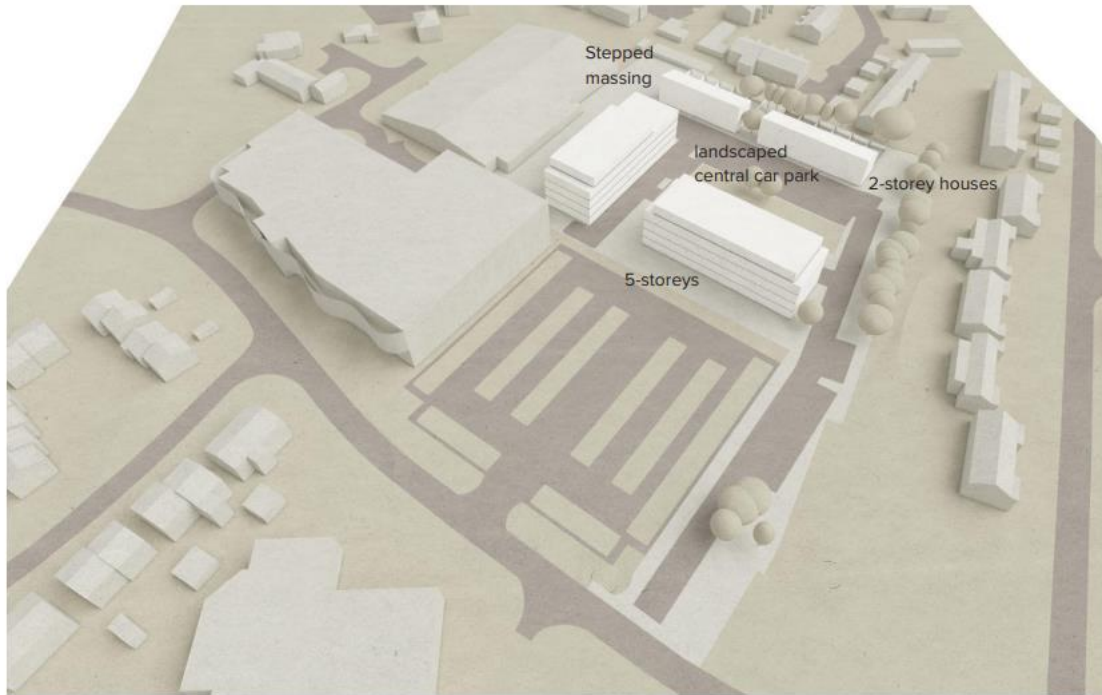
- Pathfinders Development Consultant (October 2021): White Oak Residential Viability Appraisal
- LSH's Residential Market Assessment - Bevan Place
- Playle and Partners (October 2021): White Oak Residential Order of Cost Estimate

Detlev Munster, Strategic Head of Property & Commercial

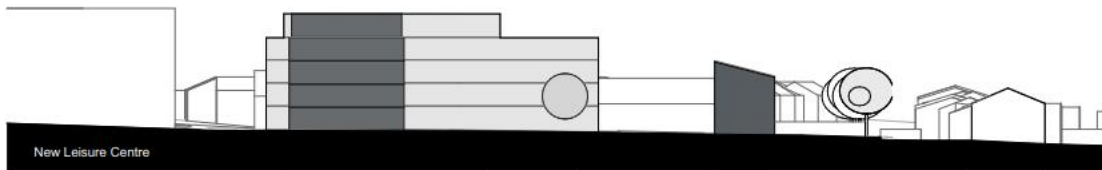
Appendix A: Appraisal Plans and Layouts



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Aerial View of Proposal





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Appendix C - Outline Risk Assessment

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

TYPE	DESCRIPTION	MITIGATION
Finance	Capital receipts from the sale of the residential units are not achieved.	Residential units are appropriately designed and to be finished for the target market. Intention is to also commence marketing of units as soon as possible to achieve off-plan sales. This will allow us to gauge and track market interest. In unlikely event that sales are not achieved, Council will consider issuing AST (place on market for rent) through an appropriate vehicle and delay capital receipts.
Finance	Change in interest rates resulting in a higher cost of capital	Interest rates are at an all-time low and market swap rates suggest that favourable terms can still be locked in. Rates will continue to be monitored and always considered on the side of caution.
Finance	Correct VAT treatment for this complicated scheme may increase costs.	Expert VAT advice being sought to assess and minimise any financial impact.
Planning	Planning consent not obtained.	Pre-planning discussions will take place with the planning and highways authority and advice incorporated in the scheme. Initial feedback has been positive.
Developer	SDC acting as developer is exposed to more risk than in previous capital projects where it has transferred risk by procurement via frameworks and developers.	Ensure adequate resourcing, programming, contingencies and robust project management in place. Team will ensure procurement of suitable, well qualified consultants and advisors to assist in delivery where needed.
Economic/Health	Impact of Covid-19 pandemic, (tender pricing, risk pricing, programme fixing, contractual amendments, availability of labour, availability of materials, onerous sub-contractor conditions), causes additional cost and/or delay to the programme.	Include Covid19 question in PQQ. Provide detailed tender information to assist on risk assessment and mitigation. Close monitoring of Covid-19 and latest government guidance. Contingency and inflation allowance provided.
Construction	Demolition of existing leisure centre delayed, preventing residential element from starting on site	Close monitoring of demolition works of existing leisure centre to ensure contractor appointment for residential phase will be coordinated effectively.
Construction	Capital costs exceed budget due to factors including: construction market tender disinterest, tender risk cover pricing, tender period over Christmas, covid-19 costs.	Works tendered on RIBA stage 4 information gives tenderers confidence the design is thorough and coordinated. Realistic client contingencies in place for unforeseen. Robust change control process in place. Contract includes administration by Employers Agent.

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Construction	Delays in scheme approval lead to increased costs due to construction inflation.	Robust information submitted to allow SDC Committees/Cabinet/Council to make timely decisions. Project Contract sum based on programme.
Construction	Problems during ground works (contamination/obstructions/soil type) exceed allowances based on RIBA stage 3 surveys, cause delay and extra costs.	Detailed ground investigation surveys will be undertaken prior to a contractor being appointed. Realistic contractor and client contingencies in place for unforeseens. Knowledge already available from Leisure Centre construction to feed into design/construction of residential.
Public opposition	Residents oppose the scheme and prove awkward during construction	Consultation already taken place for the leisure centre element of the scheme Appropriate arrangements will be put in place to ensure residents are informed about the construction programme to ensure minimal temporary disruption to residents.

Finance & Investment Advisory Committee Work Plan 2021/22 (as at 5.11.21)

11 January 2022

- Discretionary Rate Relief
- Treasury Management Strategy 2022/23
- Financial Performance Indicators 2021/22 - to the end of November 2021
- Financial Results 2021/22 - to the end of November 2021
- Property Investment Strategy Update
- Capital Programme & Asset Maintenance 2022/25
- Risks and Assumptions for Budget 2022/23
- Bevan Place
- White Oak Residential
- White Oak Leisure Centre

24 March 2022

- Financial Performance Indicators 2021/22 - to the end of January 2022
- Financial Results 2021/22 - to the end of January 2022
- Carry Forward Requests 2021/22

Summer 2022

- Financial Performance Indicators 2021/22 - to the end of March 2022
- Financial Results 2021/22 - to the end of March 2022

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