



09 February 2023 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks



Cabinet

Supplementary Agenda

	Pages	Contact
8. Application of Additional Designated Rural Area Status in relation to Core Strategy Policy SP3 Minute reference marked to follow Map	Pages (1 - 3)	Sharon Donald Tel: 01732 227131
9. Homelessness Review 2022 and draft Homelessness and Rough Sleepers Strategy 2023-2028 Minute Reference marked to follow	(Pages 4 - 5)	Alison Simmons Tel: 01732227272
 11. Property Investment Strategy 2023/24 Appendix B	(Pages 6 - 17)	Alan Mitchell Tel: 01732227483
		

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.

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ankItem 8 - Application of Additional Designated Rural Area Status in relation to Core Strategy Policy SP3

The attached report was considered by the Housing & Health Advisory Committee on 7 February 2023. The relevant Minute extract is below.

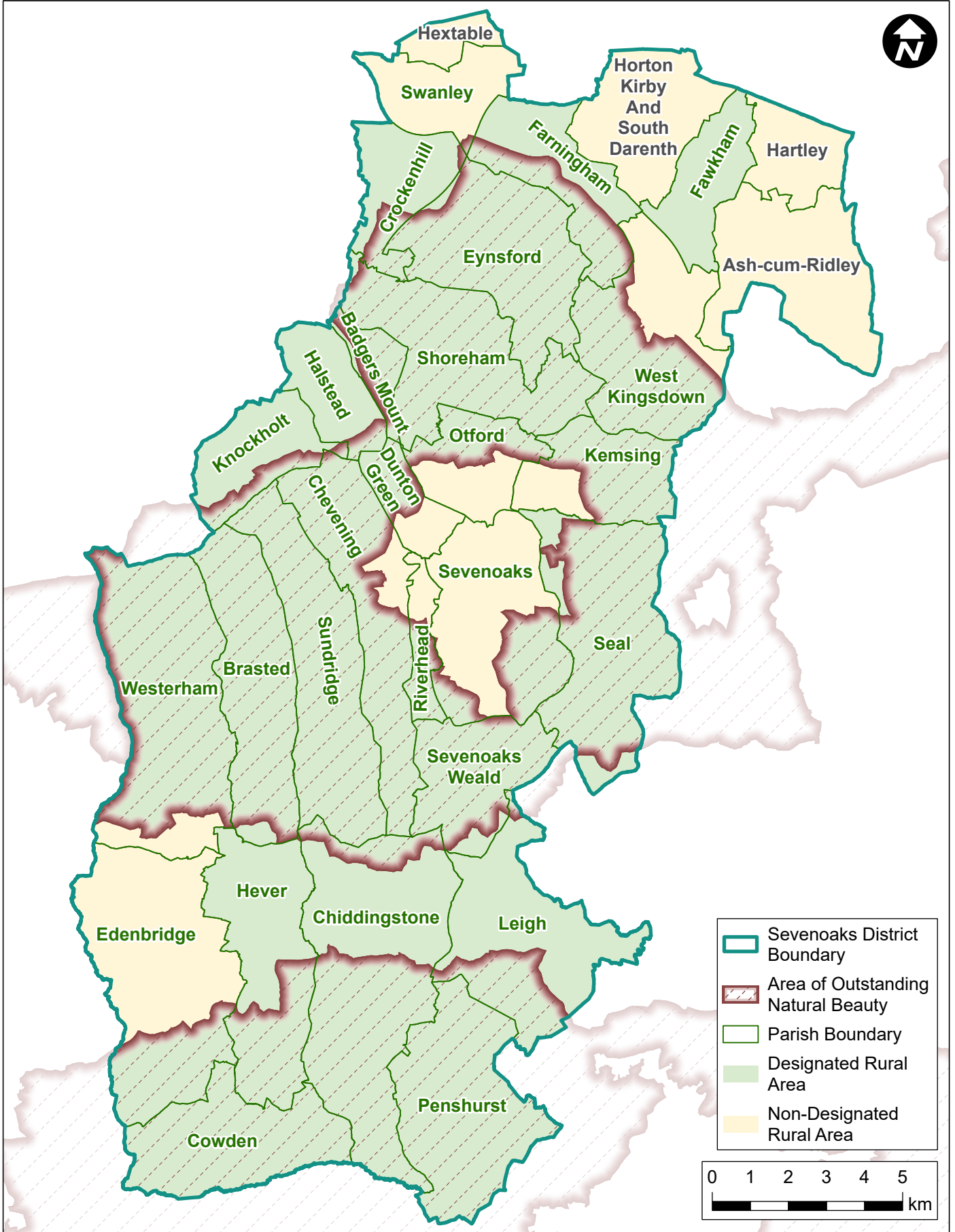
Housing & Health Advisory Committee (7 February 2023, Minute 87)

The Housing Strategy Manager presented the report, outlining the additional Designated Rural Area status designations successfully applied for via the Secretary of State, which came into force in December 2022. 17 Parishes were now fully designated as rural areas, and 10 were partially designated.

The Housing Strategy Manager explained that applying these new designations in relation to Core Strategy SP3 would apply the affordable housing obligation on the lower site threshold of 6 to 9 homes within these areas. This would maximise affordable housing contributions from smaller sites, which could then help deliver affordable housing in other areas across the District. This would not impact the rural exceptions housing programme.

Members were advised that affordable housing could be provided on Rural Exception Sites within these areas. These sites would have planning constraints and would be delivered for local residents in perpetuity.

Resolved: That it be recommended to Cabinet that the additional Designated Rural Area status conferred by the Housing (Right to Buy) (Designated Rural Areas and Designated Regions) (England) Order 2022, as set out in Appendix A, in relation to Core Strategy Policy SP3 (Provision of Affordable Housing), be approved.



Item 9 - Homelessness Review 2022 and Draft Homelessness and Rough Sleepers Strategy 2023-2028

The attached report was considered by the Housing & Health Advisory Committee on 7 February 2023. The relevant Minute extract is below.

Housing & Health Advisory Committee (7 February 2023, Minute 85)

The Head of Housing presented the report, which presented the findings of the Homeless review and outlined the Homelessness and Rough Sleepers Strategy for 2023-28. The strategy had identified the need to increase the number of affordable homes in the District to meet the needs of residents. It aimed to address this through prevention, intervention, and sustainable solutions, delivered alongside partnership organisations.

The consultation process gathered feedback from an online survey, consultation with Members, the new Homeless and Rough Sleeper Strategy forum, and partnership organisations. This process identified several key priorities, including the delivery of more social and affordable housing, promoting the housing options available, the information available to customers, and the importance of involving people with lived experience of homelessness in the strategy.

She outlined some of the steps taken to address these concerns. The Registered Provider Eligibility Criteria had been approved by Cabinet, which would help enable additional social and affordable housing. The Empty Homes Strategy would aim to bring more properties back into use. Face to face support was being provided at the Council Offices and the Swanley Hub, offering a wide range of support for homelessness and other issues, in conjunction with other Council teams and partners. The Landlord Incentive Scheme was being reviewed, and some successes had been had in working with landlords to transition people in temporary accommodation into 6 and 12-month tenancies. The Council was working with the Kent Housing Options Group to review temporary accommodation providers and ensure consistency and competitive rates.

The strategy would be monitored with the support of the Homeless and Rough Sleeping Strategy Forum on a quarterly basis to feed into the annual update to the Committee to ensure the services provided were meeting the changing needs of residents.

Members discussed the affordable housing need for the District. They were advised that the current Core Strategy identified a need of 423 affordable homes per year. The Housing Team was working closely with the Planning Team to promote the delivery of affordable housing in new developments.

Resolved: That

- a) the feedback received from the public consultation be noted; and
- b) it be recommended to Cabinet that the draft Homelessness and Rough Sleepers Strategy be adopted.

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 	5	4	20	<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 	5	4	20	2	4	8

Appendix B

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

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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"> • 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

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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
					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	5

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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"> Dissolution of company 				<ul style="list-style-type: none"> Procurement of sufficient resources. Divert development resources to management responsibilities during prolonged downturn? 						
<p>9) Increase in voids/and void turn-around time/re-let times</p>	<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 <ul style="list-style-type: none"> 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

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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
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
<p>the opportunities presented through the Property Investment Strategy</p> <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 						
<p>Actions</p> <p>Identify alternative external funding sources and keep up to date with government legislation</p>											
<p>Available Assurance</p> <p>Internal Audit of Property Investment Strategy in progress</p> <p>Ad hoc external consultants provide reports on state of the property markets</p> <p>Annual property investment valuation carried out by independent consultant, in line with CIPFA and RICS standards</p>											