

11 November 2021 at 7.00 pm

Council Chamber, Argyle Road, Sevenoaks



Cabinet

Supplementary Agenda

	Pages	Contact
9. Treasury Management Mid-Year Update 2021/22	Replacement page 85	Roy Parsons Tel:01732 227204
10. Financial Results 2021/22 to the end of September 2021	Replacement page 121	Alan Mitchell Tel: 01732227483
12. Quercus Housing - Increasing the Delivery of Affordable Housing in the Sevenoaks District	Replacement Pages 163 - 164	Sarah Robson, Tel: 01732227129 Adrian Rowbotham, Tel: 01732 227153



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Item 9 - Treasury Management Mid-Year Update 2021/22

The attached report was considered by the Finance & Investment Advisory Committee on 4 November 2021. The relevant Minute extract is below.

Finance & Investment Advisory Committee (4 November 2021, Minute 28)

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

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

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

Public Sector Equality Duty

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

Resolved: that it be recommended to Cabinet that

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

Item 10 - Financial Results 2021/22 to the end of September 2021

The attached report was considered by the Finance & Investment Advisory Committee on 4 November 2021. The relevant Minute extract is below.

Finance & Investment Advisory Committee (4 November 2021, Minute 31)

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.

Item 12 - Quercus Housing - Increasing the Delivery of Affordable Housing in the Sevenoaks District

The attached report was considered by the Housing & Health Advisory Committee on 20 October 2021, was considered by Finance & Investment Advisory Committee on 4 November 2021. The relevant Minute extract from the Finance & Investment Advisory Committee is below.

Finance & Investment Advisory Committee (4 November 2021, Minute 27)

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.