

30 March 2017 at 7.00 pm

Conference Room, Argyle Road, Sevenoaks
Despatched: 22.03.17



Scrutiny Committee

Membership:

Chairman, Cllr. London; Vice-Chairman, Cllr. Brown
Cllrs. Ball, Clack, Hogg, Kitchener, Lindsay, McArthur, Purves, Reay and Searles

Agenda

	Pages	Contact
Apologies for Absence		
1. Minutes To approve the Minutes of the meeting of the Committee held on 7 February 2017, as a correct record.	(Pages 1 - 6)	
2. Declarations of Interest Any declarations not already registered		
3. Responses of the Cabinet to reports of the Scrutiny Committee (if any)		
4. Actions from the last meeting of the Committee (if any)		
5. Pembury Hospital (Maidstone and Tunbridge Wells NHS Trust) Angela Gallagher, Chief Operating Officer and Jim Lusby, Deputy Chief Executive Maidstone and & Tunbridge Wells NHS Trust in attendance to answer questions about Pembury Hospital.		
6. Questions to the Portfolio Holder for Direct & Trading Services	(Pages 7 - 8)	Cllr. Dickins
7. Chairman's Annual Report to Council	(Pages 9 - 12)	Cllr. London
8. Final Report from the Property Investment Strategy In-Depth Scrutiny Working Group	(Pages 13 - 26)	Cllr. Clack
9. Update on Sencio As requested by the Chairman and Vice Chairman of Scrutiny Committee		Jim Carrington-West Tel: 01732 227286

10. **Work Plan**

(Pages 27 - 28)

11. **Performance Monitoring**

Circulated
separately

Lee Banks
Tel: 01732 227161

EXEMPT INFORMATION

Consideration of Exempt Information

Recommendation: That, under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting when considering Appendix C of agenda item 8 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)).

8. Appendix C

(Pages 29 - 30)

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.

SCRUTINY COMMITTEE

Minutes of the meeting held on 7 February 2017 commencing at 7.00 pm

Present: Cllr. London (Chairman)

Cllrs. Ball, Clack, Hogg, Kitchener, Lindsay, McArthur, Purves and Searles

22. Minutes

Resolved: That the minutes of the meeting of the Scrutiny Committee held on 8 November 2016 be approved and signed by the Chairman as a correct record.

23. Declarations of Interest

No additional declarations were made.

24. Responses of the Cabinet to reports of the Scrutiny Committee

There were none.

25. Actions from the last meeting of the Committee

The action was noted.

26. Kent County Council Library Provision in the District

The Chairman welcomed County Councillor Mike Hill; Cabinet Member for Community Services, James Pearson; Service Improvement Manager of Libraries, Registration and Archives Service, and Donna Dunn Sevenoaks and Tunbridge Wells Services Manager, to the meeting, who gave an overview and answered questions on library provision within the District.

County Councillor Hill explained that libraries were the largest service provided under his portfolio and that it was a well loved service by the public. He advised that libraries would remain open as much as possible as they were an important part of the community. In the County there were 99 libraries in total, within the District there were 5 libraries. It was important that the library buildings were used to their full capacity and therefore other services, such as registrations were being included in library buildings.

James Pearson advised that the libraries, registration and archives had been an integrated service since 2012 that had been internally commissioned. The focus was on quality outcomes and the positive difference that the service was making, as libraries were a crucial part of the health and wellbeing agenda. In the District there were 3 libraries that provided the service of registering birth, deaths and

weddings. The mobile library service had been redesigned and the performance statistics would be known in August 2017. There were 192 volunteers in this District which was the most in Kent. The summer reading challenge for school children had a 23% increase from 2015. Other activities that were adding value were baby rhyme time, story time and talk time sessions.

Questions were asked of County Councillor Hill, James Pearson and Donna Dunn.

In response to questions from the Chairman, Members were advised that figures from November 2016 showed that Sevenoaks Library had 194,000 visits. This was down 2% from 2015 but it was a small decline, which was in trend with other libraries. Swanley Link had 195, 815 visits. Although printed books were losing their popularity, many people were using the libraries for other services.

Members were advised that the number of employed staff had been reduced with the introduction of self service. Staffing levels were constantly being reviewed to make savings as required. Different opportunities were being explored for apprentices and to develop future archivists, and to give career pathways to employees. The exact number of professional librarians was unknown but staff had a variety of roles and a range of skills to fulfil them.

A Member asked what services were available for older and more vulnerable residents. James Pearson advised that the home library service was there to visit those who were unable to get out of the house, and for many it provided them with someone to talk to. There were talk time sessions and teach new world service which provided loaning iPads to older people to teach them how to use skype and connect with their families. Reminiscing sessions were popular with those suffering with dementia and there was a postal loan of audio books.

Some Members commented that although it was positive to see the libraries used by a high number of people, it could be difficult sometimes for it to be used in a traditional manner for quiet spaces to study and do research. Donna Dunn advised that comments would be taken on board.

In response to a question County Councillor Hill advised that as well as some of the buildings being refurbished new and replacement books were purchased.

The Chairman thanked County Councillor Hill, James Pearson and Donna Dunn for their attendance.

At 19:40 p.m. the Chairman adjourned the Committee for the convenience of Members and Officers. The meeting resumed at 19:45 p.m.

27. Performance Monitoring

The Chairman introduced a report which summarised performance across the Council to the end of December 2016. Members were asked to consider four performance indicators which were performing 10% or more below their target with a commentary from Officers explaining the reasons and detailing any plans to improve performance. If actions taken were not deemed sufficient, the report

recommended referring those indicators to Cabinet for further assessment. The report also provided key performance indicators relating to the Portfolio Holders invited to the Scrutiny Committee meeting.

A Member expressed concern at the average number of days it took to process new housing benefit applications and changes to housing benefits and the impact these delays could be having on vulnerable people. In response to concerns raised the Head of Revenues and Benefits advised that the Benefits Team were in regular contact with stakeholders, such as the Citizens Advice Bureau and the HERO Officers, so they could provide advice as to where claims were. If residents expressed concerns to the stakeholders, particularly of an eviction threat, then the Council would be contacted and the claim would be moved to a high priority.

The delay in dealing with the claims was due to staff on long term sick and vacancies. However the vacant posts were now filled except for one which was being interviewed for shortly. New processes were being implemented so that when applications were submitted, if there was any information missing the customer would be contacted straight away.

The Head of Revenues and Benefits advised that he was confident by the summer performance against the respective indicators would be in a better position and that an update would be circulated nearer the time to show the improvement.

Resolved: That the contents of the report be noted.

CHANGE IN ORDER OF AGENDA ITEMS

With the Committee's agreement the Chairman took agenda item 7 after agenda item 8.

28. Questions to the Portfolio Holder for Housing & Health

The Portfolio Holder for Housing and Health presented a report updating the Committee on recent achievements and challenges ahead. She highlighted that since the cap on benefits in November 2016 to £20,000 there was a reduction of £56 a week for some residents. In the District 101 people were affected, with 30 people in private sector housing being affected.

In response to questions she advised that the £100,000 funding for extra HERO officer support was for the three years, with Sevenoaks District Council being the only Council to receive funding. The housing survey had highlighted that the Local Housing Allowance for the District was too low and needed to be brought in line with London. The private rented sector was only 12% of the total stock, serving the higher income groups.

A Member asked what steps could be taken to ensure that those suffering with dementia were not in hospitals but rather in appropriate care facilities. The Portfolio Holder advised that it was mostly dependent on the needs and support requirements of the person. Those with a higher need should be in contact with Social Services but for those with a lesser need, there were dementia friendly

communities and cafes to help. A grant scheme was available on a smaller basis to help make amendments to homes to include ramps. There were some homes for those with dementia, however the housing team had advised that contrary to Kent County Council's advice there was not a surplus of these properties in West Kent. More housing for the over 65s was needed in the District and work with planning policy was underway to link the housing strategy and the local plan.

In response to a question, the Portfolio Holder was advised that temporary accommodation in the District was full and therefore three people were in B&Bs.

When asked about the Council taking in a family of Syrian Refugees the Portfolio Holder advised that the Council was putting an article in InShape requesting for any community groups to come forward who may be able to help. Social rented accommodation could not be used as this was for local need only, therefore the only other accommodation was private rented and in comparison to other Boroughs the rent in Sevenoaks was higher. The Government would only cover the costs of the rent for 2 years.

The Portfolio Holder informed Members that in the District there were around 300 empty homes. However this figure included those that were waiting to be sold, or the occupiers lived abroad. In reality only a few were empty in a state of disrepair, around 15 of those were brought back into circulation a year. The Council were involved in the 'no use empty scheme' which provided a loan of up to £25,000 to bring a property back into use.

29. Questions to the Portfolio Holder for Policy & Performance

The Portfolio Holder for Policy & Performance updated the Committee on recent achievements within his portfolio. Members were informed that the property investment portfolio was expanding and the purchase of a carpark, shop and offices would be completed shortly. There were small areas of land that the Council retained when the housing stock was transferred to West Kent Housing in 1989 and it was being investigated what could be done with the land. The Bradbourne car park was set to be completed on time and within budget. He advised that in regards to the performance indicators and staff sickness, there could be a big impact if a small team was unwell.

The Portfolio Holder responded to Members' questions.

In response to a question the Portfolio Holder advised that the new website would be live on 21 March 2017. More online services would be provided and there would be a decrease in historical data to ensure that required information was found more efficiently.

Members asked questions about the Masterplan for Swanley and Hextable. The Portfolio Holder advised that there was a need for development in Swanley for family homes and infrastructure. For infrastructure development to take place more homes needed to be built. He advised that the report to Planning Advisory Committee and Cabinet was the beginning of the process, looking at what people

wanted and where it should be placed. He advised that there were 27 elements to the Masterplan.

The Portfolio Holder was asked whether the Council's company, Quercus 7 could provide rented accommodation. He advised that this was something that Quercus 7 could undertake and would allow flexibility for private rented accommodation. This was not something that could be done as a Local Authority

In response to a question the Portfolio Holder advised that currently to plots of land owned by Sevenoaks District Council in Edenbridge would be developed with parking facilities.

The Portfolio Holder advised that the time taken for the processing of Housing Benefits had been affected by expectation that Universal Credits would be in place, and therefore when staff left the vacancies were filled with agency staff. However any vacancies were now being filled with staff employed directly by the Council.

30. Update from the Property Investment Strategy In-Depth Scrutiny Working Group

The Chairman of the Property Investment Strategy In-Depth Scrutiny Working Group updated the Committee on the Progress of the Group and advised that a formal report would be brought to the March meeting.

31. Work Plan

Members discussed the work plan. It was noted that the Portfolio Holder for Direct and Trading Services would be attending the March meeting and Portfolio Holder for Planning would be attending the summer meeting. It was agreed that there would be no external invitees to the summer meeting and instead the Portfolio Holders for Economic and Community Development and Legal and Democratic Services would also be invited. Sencio Leisure and Highways would be invited to the Autumn and Winter meetings.

THE MEETING WAS CONCLUDED AT 9.25 PM

CHAIRMAN

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Portfolio Holder for Direct & Trading Services
2016/17 Update

CCTV

- Two CCTV User Group Awards secured - ‘Operators Team of the Year’ and ‘CCTV Management and Innovation Award’;
- Continued lobbying for reinstatement of financial contribution from Kent Police; and,
- Involvement with in excess of two thousand matters (proactive and reactive).

Environmental Health

- Partnership entering its fifth year;
- Successful trial and implementation of cost recovery for food hygiene rating re-inspections; and,
- Response to Government’s consultation on night flights.

Parking

- Extensive programme of maintenance undertaken on car parks;
- Introduction of Safer School Parking zones; and,
- Bradbourne Car Park upgrade due for completion on time and on budget.

Parks, Recreation & Grounds Maintenance

- Officer recruited to compile stage two HLF bid for Greensand Commons;
- Taken on responsibility for grounds maintenance in Swanley; and,
- Further work with Forestry Commission and Defra to address 2015 outbreak of Oriental Chestnut Gall Wasp at Farningham Woods.

Refuse, Recycling & Street Cleansing

- Preservation of unique weekly ‘all out’ collections, which were maintained over Christmas and New Year, at a time when other authorities are looking at monthly collections;
- Design of new vehicle livery;
- Environmental Enforcement Officer recruited;
- Analysis of refuse sack contents to inform communications on recycling; and,
- Household waste, recycling and composting campaigns.

Other

- Pest Control Service brought into profitability;
- Vehicle workshop improvements completed at Dunbrik, raising the roof height to allow full access for large vehicles and increasing MOT capacity; and,

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- Review of medium to long term finances with Portfolio Holder for Finance.

Work of DATAC

- Environmental Health: Responsible Dog Ownership; Food Premises Re-Inspection Cost Recovery; Primary Authority Support for Business; and, Professional Advice Cost Recovery.
- Parking: Christmas Parking; Annual Review; and, Bradbourne Upgrade.
- Parks, Recreation & Grounds Maintenance: Greensands Commons HLF Bid.
- Refuse & Recycling: Waste Compositional Analysis; and, Fly Tipping Enforcement.
- CCTV: Joint CCTV Control Room.
- Other: Tour of Dunbrik.

Notable Challenges

- Pressures on fuel prices;
- Sevenoaks parking capacity;
- Oriental Chestnut Gall Wasp; and,
- Maintenance land and tree management.

Notable Projects

- Innovative new approach to tackling dog fouling;
- Buckhurst 2 redevelopment; and,
- Bradbourne Lakes restoration.

Matthew Dickins
Portfolio Holder for Direct & Trading Services
March 2017

Scrutiny Committee Annual Report to Council - 2016/17

Throughout the course of 2016/17, the Scrutiny Committee has drawn up and followed a work plan which has focussed on some key areas. These are:

- Inviting two Cabinet Portfolio Holders to each meeting of the Scrutiny Committee to discuss particular areas of focus/challenge.
- Inviting a number of external representatives to attend Scrutiny Committee to discuss particular areas of concern.
- Setting up In-Depth Scrutiny working groups as task and finish groups to investigate particular areas in detail, reporting back to the Committee so that recommendations can be agreed and reported to Cabinet.
- Performance of services in relation to agreed performance indicators.

As per the constitution:

- *“The Scrutiny Committee will comprise a permanent Chairman and Vice Chairman, and 9 other elected Members that follow the political proportionality of the Council. No Members of the Committee may be members of the Cabinet, their deputies or members of any of the Cabinet Advisory Committees.”*

Based on the above approach, the following is a summary of work carried out during 2016/17 by the Scrutiny Committee.

Portfolio Holders

Portfolio Holders were asked to provide an update on recent work and future challenges to the relevant meeting, and were subsequently asked a number of questions by Members of the Committee regarding specific challenges and their approach and views. Portfolio holders attended as follows:

Scrutiny Committee	Portfolio Holder	Area of Committee Focus
May 2016	Cllr Michelle Lowe Housing and Health	Affordable Housing Homelessness Disabled Facilities Grants
May 2016	Cllr Matthew Dickins Direct and Trading Services	Parking Charges CCTV Flytipping
July 2016	Cllr Roddy Hogarth Economic and Community Development	Anti-social behaviour Parking provision Broadband Delivery
July 2016	Cllr Tony Searles Finance	White Oak Leisure Centre Otford Palace Tower Property Investment Strategy
November 2016	Cllr Robert Piper Planning	Planning Fees Green Belt Swanley and Hextable Master

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		Vision
November 2016	Cllr Anna Firth Legal and Democratic Services	Licensing Partnership Elections and Registration Trading Company
February 2017	Cllr Peter Fleming Policy and Performance	Swanley and Hextable Master Vision Property Investment Trading Company
February 2017	Cllr Michelle Lowe Housing and Health	HERO Dementia Empty Homes
March 2017	Cllr Matthew Dickins Direct and Trading Services	

External Invitees

May 2016 - Paul Carter CBE, Leader and Cabinet Member for Business Strategy, Audit and Transformation and Commercial and Traded Services of Kent County Council to answer question on Commercial and Traded Services and John Burr, CEO of Commercial Services, who gave an overview of Commercial and Traded Services at Kent County Council.

Mr Carter and Mr Burr gave a presentation on Commercial Services. They explained that Commercial Services had a combined turnover of £400 million, with three quarters from the LASER energy purchasing group. He explained that he did not want Commercial Services just to create artificial profits and so Commercial Services had separate accounts from the Council and no subsidies were provided. They clarified that 83% of the turnover come from businesses outside of KCC and the only service KCC staff were asked to use was Connect2Staff recruitment. Commercial Services contributed £5 million to £6 million per year back to the Council and had a target of £8.7 million in profit for the current year and £11 million in the next.

Members of the Committee then asked a number of questions relating to areas including:

- The profitability of the services discussed
- Opportunities for wider trading
- Trading with District Councils
- Competition with the private sector

July 2016 - Elizabeth Austerberry, Chief Executive of Moat and Deborah White, Housing Director of West Kent Housing Association.

Mrs Austerberry and Mrs White gave presentations on the provision of housing in the district, the impact of the Voluntary Right to Buy, assistance to the “squeezed middle” and the challenges ahead.

Members of the Committee then asked a number of questions relating to areas including:

- Levels of rent charged
- The impacts of the Spare Room Subsidy
- Housing supply
- Tenancies

November 2016 - Chief Inspector Roscoe Walford, Sevenoaks District Commander of Kent Police in attendance to answer questions about crime and disorder in the Sevenoaks District.

Chief Inspector Walford explained that the Sevenoaks District was the third lowest crime area in the County. There had been a rise in crime with 388 extra recorded crimes over the rolling year to the end of October 2016 with between 10 and 14 crimes reported each day. However, crime recording methods were one of the best in the country with approximately 90% accuracy. Domestic violence was the most common crime but Kent Police had one of the best rates for domestic violence. Scrutiny Committee - 8 November 2016 8 prosecutions with relatively low levels of repeat offenders and victims having more confidence to report incidents and receive support. The Kent Police sexual offences department would be restructured to deal with the rise in cases since Operation Yewtree. Kent Police were beginning to disrupt organised crime groups, which were causing disproportionate harm within the District.

He congratulated the Community Safety Unit for their work, with their well documented and audited processes leading the way in West Kent. The District had the lowest reported anti-social behaviour in the county.

Members of the Committee then asked a number of questions relating to areas including:

- Police Staffing Levels in the District
- Unauthorised encampments
- Theft in rural communities
- Cyber crime

February 2017 - County Councillor Mike Hill, Cabinet Member for Community Services and James Pearson, Service Improvement Manager of the Libraries, Registration and Archives Service and Donna Dunn Sevenoaks and Tunbridge Wells Services Manager in attendance to answer questions about Library provision in the District.

County Councillor Hill explained that libraries were the largest service provided under his portfolio and that it was a well loved service by the public. He advised that libraries would remain open as much as possible as they were an important part of the community. In the County there were 99 libraries, and this District had 5. It was important that the library buildings were used to their full capacity and

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therefore other services, such as registrations were being included in library buildings.

Members of the Committee then asked a number of questions relating to areas including:

- Library Usage
- Services for Older and vulnerable residents
- Staffing at libraries

March 2017 - Angela Gallagher, Chief Operating Officer, Pembury Hospital (Maidstone and Tunbridge Wells NHS Trust).

In-Depth Scrutiny Working Groups

At it's July 2016 meeting, the Scrutiny Committee considered the report of an In-Depth Scrutiny Working Group looking at the Leisure area.

Remit - To benchmark with other authorities and leisure providers the value for money provided by Sencio in the provision of leisure services through the leisure trust. To analyse the amount of subsidy per use of the Council's centres paid by the Council to Sencio - if possible in comparison with other providers as well as over time. To assess customer satisfaction with the service provided.

Outcomes - The report with a number of recommendations were forwarded to Cabinet for consideration.

March 2017 - Final report of the Property Investment Strategy In-Depth Scrutiny Working Group to be considered.

Lessons Learned

As ever the committee has found it challenging to ensure that we intelligently quest and probe. The fact that the Committee has done so is a credit to the members. Overall it has been striking that all those we have spoken to are trying to ensure services continue strongly despite, often, severe funding cuts and despite that challenge are still willing to be questioned, at length, by the Committee.

Councillor James London

Chairman - Scrutiny Committee

REPORT OF THE PROPERTY INVESTMENT STRATEGY IN-DEPTH WORKING GROUP

Scrutiny Committee - 30 March 2017

Report of Cllr Clack, on behalf of the Working Group

Status For Consideration

Executive Summary: The Property Investment Strategy In-Depth Working Group has considered whether the benefits of the council's property investment strategy, outweighs the risks. Conclusions and recommendations are set out below.

Recommendations to Scrutiny Committee

To consider the report and agree the that report and recommendations contained within paragraph 60 be referred to Cabinet.

Introduction and Background

- 1 In recent years, Sevenoaks District Council having been faced with on-going reductions in Government financial support, adopted a 10 year budget process to enable the council to have a greater visibility of both future income and expenditure, plus ensure that the council remained in a financially sustainable position going forwards.
- 2 Key to achieving financial self-sufficiency was to create additional sources of revenue, particularly as reserves were providing very low returns from money held in the bank.
- 3 To achieve this, on 22 July 2014, Council agreed the Property Investment Strategy set out in Appendix A.
- 4 Funding for acquisitions was to be decided on a case by case basis, coming from either receipts from disposals, use of some funds held in reserve or external borrowing.
- 5 The following five acquisitions have been made to date:
 - Swanley Working Men's Club
 - Suffolk House, Sevenoaks - freehold office building
 - 73 - 75 High Street, Swanley - petrol filling station
 - Ground and upper floors, 96 High Street, Sevenoaks (M & Co occupy the ground floor)
 - 26-28 Pembroke Road, Sevenoaks

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- 6 It should be noted that the purchases for 96 High Street and Pembroke Road were made subsequent to the meetings of the working group.
- 7 In addition to these purchases, money has also been allocated to build and lease a hotel on the Sennocke site, which also involved decking the Bradbourne car park.
- 8 With regard to funding the strategy, on 22 July 2014, Council agreed to set aside up to £5m from a review of reserves for the purpose of the proposals outlined in the Property Investment Strategy. On 17 February 2015, Council agreed that a further £3m be allocated to the Property Investment Strategy from the Capital Receipts Reserve. On 21/07/15 Council agreed to a further £10m to be allocated.
- 9 This report should be read in conjunction with the Property Investment Strategy report (and its appendices) presented to the Policy and Performance Advisory Committee on 23 March 2017 (Appendix B). This report provides much useful information and it is therefore not proposed to duplicate much of this information.

10 Scope of property investment strategy work group

Terms of reference for the group:

- The membership of the Working Group to consist of 5 Councillors (subsequently only 4 councillors formed the group) who do not sit on the Policy and Performance Advisory Committee.
- Examine the Council's Property Investment Strategy and whether the benefits outweighed the risks.
- The Working Group to regularly report back in line with the Scrutiny Committee Work Plan.

11 Summary of work carried out

The working group has met 6 times as follows;

- A familiarisation with the subject area with Adrian Rowbotham and Lesley Bowles;
- A case study on Suffolk House with Robin Cooper and Leigh Keating;
- Hearing from a member and two officers from Ashford Borough Council on their experiences concerning investments;
- A case study on the hotel and car park with Richard Wilson;
- Discussing with Peter Fleming and John Scholey the investment strategy generally, past, present and future
- To consider all that the working group had heard in order to draw conclusions and make recommendations.

- 12 The initial meeting with Lesley Bowles and Adrian Rowbotham discussed broadly the strategy, the process to make an investment, and to determine who should be invited to attend future meetings.
- 13 In particular, at this meeting, the working group discussed the existing sites (at that time) namely the hotel; Swanley Working Men's Club; Swanley petrol station; Suffolk House.
- 14 It was explained that when purchased, Suffolk House and the petrol station had existing occupants, and therefore income had been immediate, whereas the Working Men's Club was a development opportunity and therefore income would not be forthcoming until development took place.
- 15 Additionally, the working group were advised of potential areas of investment, including possibly Fort Halstead (the business area) and other small parcels of land.
- 16 The group were provided with a summary setting out (as at 16 August 2016) expenditure and funding sources (Appendix C) and a time line and process for decision making (Appendix D).
- 17 The working group were advised that from the outset, the council recognised that for the strategy to be a success, it was necessary to make arrangements for the prior approval of funds, as it was recognised that in order to react quickly to quickly changing markets, and the speed at which opportunities came about, the approval of funds using the normal structure of decision making at council and committees, would prohibit progress. Through a council recommendation, it set out to approve the allocation of funds (with two further allocations - as set out in the Introduction and Background section of this report) with a robust investment criteria. This approach meant that providing any opportunity met the pre-determined tests, then progress could be made and the purchase could go through. Similarly, the failure to meet all the tests ensures that an opportunity is not further progressed.
- 18 It was explained that before purchasing a property, a detailed acquisition report is produced setting out the project details, the business requirement, the due diligence carried out, the finances and risks. This has to be signed off before a purchase is completed. Appropriate Officers and the relevant Portfolio Holders are involved in the process before the final Portfolio Holder decision is made.
- 19 An explanation was also given concerning the trading company (Quercus 7 Limited) and its purpose to do things the council can't. It is an independent trading arm of the council, set up to purchase residential property and can be used to operate housing stock. The group were advised that the company was in its infancy and no trading to date had taken place to date.
- 20 At the next meeting, the working group met with Robin Cooper and Leigh Keating, who outlined a case study relating to Suffolk House (Appendix E).

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- 21 They went through the criteria considerations, how the building met those criteria, and the acquisition process. They also discussed the weaknesses and strengths that had been identified during the process.
- 22 They indicated that the processes in place for property purchases meant the council were able to move quickly (for instance from heads of terms to completion within 2 months).
- 23 Having made the purchase, further opportunities were identified and the working group were given details of subsequent investment made in Suffolk House to refurbish and reconfigure; which although an initial additional cost, would increase the return going forward.
- 24 It was pointed out that the purchase of Suffolk House had enabled the council to maintain an office building within the town, whereas potentially other purchasers may have turned the building into living accommodation. Whilst more housing is required, it was suggested that the strategy could bring balance (albeit only within the set criteria) thus helping with strategic aims within the District. The working group were also given an example relating to another property, to show where the council had proved its mettle to the market by sticking to the investment strategy. It related to an occasion where the council were advised it had been outbid, but were then offered the opportunity to re-bid at a higher amount. This was turned down, as the return would not have met the requirements of the strategy. The point made, was that by strictly adhering to the strategy, it indicated to the market that the council would not be taken beyond what it was prepared to pay.
- 25 With regard to the strategy generally, possible future shifts in interest rates, and the ongoing monitoring of the council's investments were discussed. The group were referred to the Investment Strategy itself and the Risk Register Report (the updated version of which is contained within Appendix B).
- 26 This report included risks concerning upturn/downturn in the property market and changes in interest rates. The Monitoring of the markets was to remain important and each asset required to deliver a 6% return as specified in the Property Investment Strategy. If the rate of return was no longer expected to be received, the council would look to dispose of the asset. None of the investments to date had been funded by external borrowing but if future acquisitions were funded by external borrowing, the borrowing was likely to come from the Public Works Loans Board (PWLb). Rates would be set at the outset of the loan for the full period so there would be certainty regarding future repayments.
- 27 Overall, Robin Cooper and Leigh Keating expressed an opinion that by being fleet of foot (and the market knowing this to be the case) plus the benefit of being a council thus having finances in place to complete purchases, the council is already trusted by agents. This trust means approaches are being made to the council as other opportunities arise; with agents and sellers

- willing to do business with the council; and the council are well positioned to take up suitable opportunities as they occur.
- 28 The group then met with a member and two officers from Ashford Borough Council. This authority had been invited as they were one of the first to undertake a property strategy and had the most significant portfolio of properties within Kent.
- 29 Their presentation touched upon the reasoning for commercialisation of the council; the methods of funding; their planning for the long term strategic aim to become self-sufficient; the consideration of investment opportunities. They also referred to specific investments made.
- 30 They had, and were, involved in many projects, including commercial properties, housing and leisure/retail developments. They had taken over an existing shopping centre, and also created housing for people who would normally go into bed and breakfast; thereby saving paying external landlords to house people.
- 31 They had used a mixture of financing, including using their own money, and borrowing; including borrowing in order to provide short term finance to developers. For instance, borrowing at 0.5% and lending to developers at 5%.
- 32 They talked about the integrity of investments locally. They consider whether as well as being a good investment, it is good for the area. They were prepared to invest outside their own area (although they hadn't done so as yet) as this would enable them to consider investments that might otherwise cause difficulties in their own area.
- 33 They broadly aimed at a minimum of a 6% return on their investment. They advised that one of their investments in the past hadn't worked out and they used this example to warn to expect this to occur at some stage in the future. However, they said by having a wide portfolio to spread the risk, this minimised and mitigated the possibility. They stated it was vital to be risk aware, not risk adverse and if a mistake is made; accept it and not throw good money after bad.
- 34 They were asked about issues faced and they said being under-resourced was a false economy, as this at one stage had caused them problems. They stated it was very important to keep staff internally happy and stressed getting project management right was vital. They also said when using external advisors, it was important to get the right horses for courses and also people you trusted - not necessarily the cheapest. They considered it extremely important to bring members on board with the investments and to keep them updated and informed.
- 35 It was clear that the scale of Ashford's developments and plans are on a different level to which could be considered within the Sevenoaks District Council area. Ashford are not constrained in the same way by green belt

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land, so they have a lot more land that can be developed. Their population is also much higher, meaning they had greater financing opportunities.

- 36 At the meeting with Richard Wilson, the group were given an overview of Bradbourne car park, the temporary arrangements during building works and the financial deal concerning the hotel development. Questions were also asked about the South Eastern car park.
- 37 A main driver of the proposal to extend the car park was the strategic objective to have further hotel accommodation within Sevenoaks. The Sennocke car park was identified as a location for such a hotel. It was unlikely a hotel company would have been interested in the site, without parking being available nearby.
- 38 The parking proposal created 135 extra parking spaces, in comparison to the (then) existing combined provision of the Bradbourne and Sennocke car parks. When taking into account the removal of 70 on-street parking spaces, This figure netted to an extra 65 spaces. It was noted that the income from the existing 70 on street spaces is ring-fenced for parking related expenditure, whereas the income from the car park can be spent on other council services. It was stated that it was desirable to replace long stay on street parking with off street parking.
- 39 The cost of extending Bradbourne car park was £5.3m. The working group were advised it would take 30 years to pay back this expenditure from additional income generated by the extra spaces and that this was not an abnormal length of time for payback on capital expenditure.
- 40 Questions were asked concerning whether the extension of the existing South Eastern railway car park would have provided the additional spaces required, rather than extending the existing car park.
- 41 Essentially, the working group were informed that any deal with South Eastern (even if possible) would not have provided value for money. South Eastern could not pay for the works as their franchise was not long enough to recoup the money required. So if the council wanted to go ahead, it would have had to pay for the infrastructure - but then would have to share the income with South Eastern. There were other complications due to the land being owned by Network rail, which is nationalised, and the council paying for an asset on Government land.
- 42 In response to questions concerning loss of income whilst the car park was closed, it was stated that at the time of the meeting (8 December 2016) £55k had been lost, but there had been additional income of £184k from on street parking. This meant that in the next financial year no budget was required for asset maintenance of car parks.
- 43 With regard to the hotel, expenditure was budgeted to be £7.5m. It was estimated that the rate of return would be 7% and building works would commence in May 2017. Works would take approximately 12-14 months. A

question was asked whether the hotel would have dedicated parking spaces in the car park. In answer, the working group were advised that if a request was made, it would be looked at, but the hotel would have to pay the going rate for spaces.

- 44 At the next meeting, Cllr Fleming and Cllr Scholey attended to provide an overview of the strategy past, present and future.
- 45 In light of ongoing reductions in revenue support grant and the perceived risk (soon to become a reality) of the loss of support grant completely, it was considered a priority to maintain services at the same level (such as weekly bin collections) and then work out how to afford this. Savings were an important part of the process, but in themselves could not deliver self-sufficiency. Nor could large Council tax rises be considered as they were capped. The strategy was therefore developed in response to these challenges as it was considered the risk of doing nothing outweighed the risk of investments.
- 46 Cllr Fleming said it was important to have a wide portfolio to spread the risk. He repeated that as with all investments, the property investment strategy is not without risk, and that at some stage one investment won't deliver expected returns or may fail in another way, he believed that a wider portfolio ensures there is less financial exposure if an investment does not perform.
- 47 He explained it was important to be clear that different investments provided income or profit at different times. Some, such as property purchased with existing tenants, produced income from day one, others (such as the Swanley Working Men's Club) would provide a revenue stream further down the line. He stated that going forward it was important for members to understand and be clear when it comes to developer and investment risk, and that those levels of risk are phased depending on the type of investment; also how profit is viewed, due to the different nature of investments.
- 48 For instance, how profit is viewed if development takes place on land already owned by the council. An example was given of the purchase (at that stage in the process of being made) in respect of 96 High Street, Sevenoaks. Flats upstairs could be developed and sold and then the proceeds used to finance another purchase. So expenditure and income were moving feasts, profit obtained at different stages, so it was important to explain these issues as clearly as possible to members, so they could understand the value of investments, particularly where (after purchase) further investment is required before a profit or income is achieved.
- 49 Cllr Fleming, in response to a question, explained that to maintain self-sufficiency, investments would have to be made annually. He then went on to discuss "self-sufficiency +". He said it may be possible, and members may find it desirable, for the district council to support or take on extra services

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from other existing providers, such as support around adult care and local road maintenance in order to protect services for residents.

- 50 To achieve self-sufficiency + he had in mind a target of 25% growth beyond district self-sufficiency. If this could be achieved, he wanted the council to consider the provision of affordable housing or shared ownership, perhaps in partnership with others. He did identify that a challenge for both self-sufficiency and self-sufficiency + is potential wage growth, as it was becoming increasingly difficult to recruit and maintain staff and gave one example of a council not too far away paying £15k more per annum for a department head.

Conclusions

- 51 The working group has concluded that the benefits of the Property Investment Strategy do outweigh the risks, provided that the council remains constantly aware of changes in the market and financial risks - for example oversupply of office accommodation, which would affect lettings. In particular:
- 52 Evidence provided at the sub-group meetings clearly demonstrated that the approach taken by Sevenoaks District Council to pre-authorise expenditure, and set clear financial tests, has enabled it to build a positive reputation in the market place as a trusted and respected organisation to deal with.
- 53 The professionalism and competence of offices; the thoroughness of checks and balances; the worthiness and the results of the strategy thus far demonstrates competent management of this policy
- 54 Excluding some set-up costs, initial refurbishment and initial outlay; the net investment returns to date have all exceeded the limit set out in the policy. This is particularly the case with the Suffolk House investment.
- 55 Officers have shown a sound level of competence, and used this to the councils advantage in identifying prudent (and well costed) additional expenditure that offers an overall enhancement on the return.
- 56 Sevenoaks District Council's approach to tackle the loss of the government Support grant has been innovative and effective to date. The desire for "self-sufficiency plus" was welcomed by the working group including the potential to increase the provision of affordable housing.
- 57 The council's communications to members is currently not maximising the benefit that could be gained by engaging more with members.
- 58 Following the evidence from Ashford Borough Council, there are clearly lessons that can be learnt from other local authorities and this type of engagement with other similar councils is only to be encouraged. The council

should particularly bear in mind that there are risks from overstretching, or attempting to take on too much, too quickly.

- 59 In reaching its conclusion, the working group were able to draw upon the detailed information provided verbally within the meetings and from documents provided. It was felt that without going through this process, other members are not sufficiently aware of the process including; the checks and balances; risks and opportunities; the overall running total of expenditure and income. While most, if not all, of this information is available, it is in disparate locations and not necessarily easily found.
- 60 Therefore the following recommendations are made:
- a) There is improved on-going communication with members on progress with the existing portfolio, the financial viability and returns being achieved, and details of new investments (as soon as it is appropriate to make members aware)
 - b) To have a single location accessible to members where all relevant information is maintained and updated.
 - c) In any month a purchase is made, an update should be provided to members, by the end of the same month (or within seven days, whichever is the later) with details of the cost, source of financing and projected income.
 - d) To explore possibilities of self-financing affordable housing and shared-ownership projects to help the less wealthy within the District.

Appendices [Appendix A - Property Investment Strategy approved 22 July 2014](http://cds.sevenoaks.gov.uk/ieListDocuments.aspx?CId=121&MId=1790&Ver=4)
<http://cds.sevenoaks.gov.uk/ieListDocuments.aspx?CId=121&MId=1790&Ver=4> please use link or website address - Appendix has not been printed

[Appendix B - Property Investment Strategy Update Report \(with appendices\) to the Policy and Performance Advisory Committee - 23 March 2017](http://cds.sevenoaks.gov.uk/ieListDocuments.aspx?CId=322&MId=2089&Ver=4)
<http://cds.sevenoaks.gov.uk/ieListDocuments.aspx?CId=322&MId=2089&Ver=4> please use link or website address - Appendix has not been printed

Appendix C - Property Investment Strategy Summary (as of 16 August 2016)

Appendix D - Sevenoaks Property Strategy - A Time Line and Process for Decision Making

Appendix E- The Acquisition Process of Suffolk House - Case Study

Cllr. Graham Clack
Chairman of the Property Investment Strategy In-Depth Working Group

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The Sevenoaks Property Strategy – Time Line and Process for Decision Making

November 2013 Cabinet had approved the Corporate Plan which recognised the need to be self sufficient and an approach of investing in assets that generated revenue income.

In **December 2013** the Council undertook a **Peer Review**. The findings were reported to **Cabinet in February 2014** and **Council** approved the direction towards self sufficiency and the opportunity to create greater income from investing in appropriate property assets.

Finance and Resources Advisory Committee 26 March 2014 proposing an investment strategy based on an initial £5mil investment. Committee agreed to recommend to Cabinet and Council to go forward with the strategy.

It was agreed that investment in offices, retail, industrial and housing sectors would be a lower risk to the Council than markets such as student housing, nursing homes and medical centres.

On **10 April 2014 Cabinet** agreed an Investment Strategy building on an approach of property based investment in order to deliver increased revenue income. Officers had discussed the proposal with Grant Thornton, the Council's external auditors, who viewed it as a coherent case for change and that the solution was consistent with the goal of becoming more self-sufficient. Members agreed that external borrowing should not be a recommended source for funding.

22 July, 2014 Council endorsed the investment strategy and agreed an initial £5mil investment

Audit Committee on 9 September 2014 agreed a Risk Strategy to consider the Risk Management associated with the Investment Strategy. The Risk Register had been developed by Officers, taking in the views of the relevant Service Managers and Chief Officers. It sets out those risks that Officers believe should be considered when investing the Council's money in property / infrastructure assets rather than it remaining in financial investments.

The Risk Register has been expanded to demonstrate the risks of investing the Council's funds in Property Assets.

The Investment Strategy Risk Register sets out 11 risks that Officers consider to have the potential to influence the achievement of the aim to increase revenue income and therefore financial self sufficiency as stated within the Corporate Plan. For each risk Officers set out those factors that could cause the risk to occur and the potential effect that these events could have.

16 July 2015 Cabinet agreed additional funding for investment. The Treasury Management Strategy would be amended to allow a further £10 million to be invested in 2015/16. The Chairman added that he considered financial self-sufficiency was essential.

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On **23 April 2015 the Portfolio Holder** agreed to the purchase of **73 – 75 High Street Swanley** as a retail Co-op store and Texaco petrol station for £2.45mil demonstrating an initial yield of 6.03% rising to 6.75%

The Portfolio Holder agreed on **9 December 2015** to purchase **Suffolk House Sevenoaks** for £4million demonstrating an initial yield of 6.95%

The Portfolio Holder on 16 January 2015 agreed the purchase of the **Working Men's Club and Former Bank Swanley** which with our car park (already owned by us) for £1.25mil allows the comprehensive redevelopment of the site demonstrating a potential yield of 20.55%

1. In terms of **internal processes** Savills have recently won the tender to provide advice on acquisitions and disposals:
2. When a proposition is presented it is discussed with the Chief Executive (CEO), Chief Finance Officer (CFO) and leading members.
3. A concept paper is produced and the paper presented to the Corporate Board (or by email if time dictates).
4. Agreement is gained from the relevant Portfolio Holder so that when due diligence is complete we are still in time to exchange contracts.
5. The CFO confirms the funding route and that funding is in place.
6. If the bid is accepted officers ensure the CEO, CFO and Leading Members are informed and the relevant Portfolio Holder asked to sign the decision to proceed. The decision notice is also signed by the CFO.
7. Full Council approved that a further £10m could be spent on the Investment Strategy but all acquisitions must be supported by a thorough business case and approved by the **Policy and Performance Portfolio Holder** in consultation with the **Finance Portfolio Holder** and agreed by the **CFO**.
8. If appropriate a press statement is prepared and an email sent to members to inform them of the purchase.

The Acquisition Process of Suffolk House- Case Study

The Criteria for the Property Investment Strategy;

- Lot size £1m-£5m
- Income yield of 6%+
- Individual properties or portfolios
- Single or multi-tenanted
- Asset Categories; Industrial, office, retail, trade counter, private residential
- Initially located within the District
- Potential to increase rental income through pro-active asset management.

Suffolk House fulfilled all these criteria;

- Lot size -£4M
- Income yield of 6.95%
- Individual Property
- Multi- tenanted
- Office block
- Located within Sevenoaks Town Centre
- The estimated rental value (ERV) at the time of acquisition was approx. 15% above the passing rent offering an opportunity to increase income at either review or letting.

The acquisition process;

Extensive due diligence was carried out prior to the acquisition being completed including;

- A RICS Red Book valuation by Savills confirming that the Market Value of the building at £4M equating to an initial yield of 6.95%.
- An investment level structural survey of the building with an inspection & assessment of the Mechanical & Electrical equipment and the lift.
- Report on title by the Legal Department
- Report on the lease drafting by the Property Department to confirm in an institutionally acceptable form
- Asbestos report, Contaminated Land report, Fire Emergency plan, fire risk assessment report
- Financial credit checks on each tenant

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As a result, the following strengths and weaknesses were identified;

Strengths;

- Town Centre location
- Asset management opportunities
- Popular office location in affluent market town with excellent communications to central London
- Good rental growth prospects
- Diminishing levels of office stock in the area
- Popular size of accommodation within a detached building
- Potential of lease re-gears i.e restructuring of the lease terms to add value
- Some good covenants
- Building in good condition for its age with no signs of serious structural defects

Weaknesses

- Break clauses that bring uncertainty
- Potential for void periods
- Works to windows, minor roof repairs, render & brickwork repairs, replacement of gas fired boilers, Central heating circulating pumps,- the majority of which are recoverable through the service charge.
- Toilets in need of upgrade
- Two of the tenants had poorer financial rating than the others- but the landlord holds rent deposits in respect of each of these giving greater comfort and the risk was considered acceptable.

In Summary, Suffolk House met the criteria identified by the Property Investment Strategy, and so the acquisition was recommended by the Chief Finance Officer and the Head of Economic Development & Property to the both the Portfolio Holders for Policy & Performance and Finance & Resources.

Subsequently, Heads of Terms were agreed for the acquisition in mid February 2015, and the acquisition completed at the end of April.

Scrutiny Committee Work plan

Committee Date	3 May 2016	5 July 2016	8 November 2016	7 February 2017
External Invitees	Kent County Council (Commercial and Traded Services) - Paul Carter CBE, Leader and Cabinet Member for Business Strategy, Audit and Transformation and Commercial and Traded Services	Moat Housing - Elizabeth Austerberry, Chief Executive West Kent Housing - Deborah White, Housing and Communities Director	Kent Police (Crime & Disorder in the Sevenoaks District) - Chief Inspector Roscoe Walford, Sevenoaks District Commander	Kent County Council (Library Services) - Mike Hill, Cabinet Member for Community Services and James Pearson, Service Improvement Manager of the Libraries, Registration and Archives Service
Scrutiny Committee	Performance Monitoring Matthew Dickins - Portfolio Holder for Direct & Trading Services Michelle Lowe - Portfolio Holder for Housing & Health	Performance Monitoring Roderick Hogarth - Economic and Community Development Tony Searles - Portfolio Holder for Finance	Performance Monitoring Robert Piper - Portfolio Holder for Planning Anna Firth - Portfolio Holder for Legal & Democratic Services	Performance Monitoring Michelle Lowe - Portfolio Holder for Housing & Health Peter Fleming - Leader and Portfolio Holder for Policy & Performance
In-Depth Scrutiny	Working Group Leisure Stages Two/Three/Four ¹	Working Group Leisure - Final Report Stage Five ¹ Working Group Property Investment Strategy - Constitution of Group Stage One ¹	Working Group Property Investment Strategy - Update Stages One/Two/Three ¹	Working Group Property Investment Strategy - Update Stages Three/Four ¹

Committee Date	30 March 2017	Summer 2017	Autumn 2017	Winter 2017
External Invitees	Pembury Hospital (Maidstone and Tunbridge Wells NHS Trust) - Angela Gallagher, Chief Operating Officer		Sencio Leisure	Kent County Council (Highways) - Cabinet Member for Environment and Transport
Scrutiny Committee	Performance Monitoring Matthew Dickins - Portfolio Holder for Direct & Trading Services Chairman's annual report to Council	Performance Monitoring Robert Piper - Portfolio Holder for Planning Roddy Hogarth - Portfolio Holder for Economic & Community Development Anna Firth - Portfolio Holder for Legal and Democratic Services	Performance Monitoring John Scholey - Portfolio Holder for Finance	
In-Depth Scrutiny	Working Group Property Investment Strategy - Final report Stages Four/Five ¹			

¹ For detailed information on stages refer to "A Guide to In-Depth Scrutiny"

Past In-Depth Scrutiny Working Groups

2013/14	
Parking	Cllrs Clark, Cooke, Edwards-Winser, Eyre, Mrs Purves, Raikes (Chairman)
Budget	Cllrs Abraham, Mrs Bracken (Chairman), Butler, Gaywood, Maskell
2014/15	
Leisure	Cllrs. Gaywood, Grint, Mrs. Morris, and Pett (Chairman)
Investment in Property (put on hold)	Cllrs. Brookbank, Davison (Chairman) and Underwood
2015/16	
Leisure	Cllrs. Ball, Brown (Chairman), Clack and Kitchener

Current In-Depth Scrutiny Working Groups

Property Investment	Clack (Chairman), Hogg, Kitchener and Purves
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Possible future areas for In-Depth Scrutiny

Housing - accommodation for vulnerable people

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Past External Invitees

2013/14	
21/11/13	Maidstone & Tunbridge Wells NHS (Jayne Black, Director of Operations)
04/02/14	KCC Highways & Transportation (David Brazier, KCC Cabinet Member Transportation & Environment)
02/04/14	Kent Police (Area Commander Chief Superintendent Steve Corbishly and District Commander Chief Inspector Tim Cook)
2014/15	
15/07/14	Citizens Advice Bureaux (Martin Wells and Angela Newey, Chairman and Manager at Sevenoaks & Swanley Citizens Advice Bureau (CAB), and Mike Musgrove and Jill Eyre, Director and Manager at Edenbridge & Westerham CAB)
02/10/14	Sencio Community Leisure (Jane Parish, Chief Executive)
20/11/14	KCC Secondary Schools (Roger Gough, KCC Cabinet Member for Education & Health Reform)
03/02/15	West Kent Clinical Commissioning Group (Ian Ayres, Chief Officer and Accountable Officer)
2015/16	
14/07/15	KCC Primary Schools and Apprenticeships (Margaret Crabtree, KCC Deputy Cabinet Member for Education and Health Reform)
24/11/15	Kent Police (Chief Inspector Roscoe Walford)
23/02/16	KCC Highways (Matthew Balfour, KCC Cabinet Member for Environment and Transport) (Did not attend)
03/05/16	KCC Commercial & Traded Services (Paul Carter CBE, KCC Leader and Cabinet Member for Business Strategy, Audit and Transformation and Commercial and Traded Services)

2016/17	
05/07/16	Moat Housing (Elizabeth Austerberry, Chief Executive) West Kent Housing (Deborah White, Housing and Communities Director)
08/11/16	Kent Police (Chief Inspector Roscoe Walford)
07/11/16	Kent County Council Library Provision (County Councillor Mike Hill; Cabinet Member for Community Services and James Pearson; Service Improvement Manager of the Libraries, Registration and Archives Service)

Possible External Invitees

Position	Name	Topic

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item

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