

Council Offices
Argyle Road
Sevenoaks
Kent
TN13 1HG



Published: 14.02.22

I hereby summon you to attend the meeting of the Sevenoaks District Council to be held in the **Stag Theatre, London Road, Sevenoaks, TN13 1ZZ** commencing at 7.00 pm on 22 February 2022 to transact the under-mentioned business.

Chief Executive

Apologies for absence

1. To approve as a correct record the minutes of the meeting of the Council held on 16 November 2021. (Pages 1 - 10)
2. To receive any declarations of interest not included in the register of interest from Members in respect of items of business included on the agenda for this meeting.
3. Chairman's Announcements.
4. To receive any questions from members of the public under paragraph 17 of Part 2 (The Council and District Council Members) of the Constitution.
5. To receive any petitions submitted by members of the public under paragraph 18 of Part 2 (The Council and District Council Members) of the Constitution.
6. Matters considered by the Cabinet and/or Scrutiny Committee:
 - a) Air Quality Action Plan - Request to Consult (Pages 11 - 74)
 - b) White Oak Leisure Centre (Pages 75 - 104)
 - c) Bevan Place, Swanley Development Proposal (Pages 105 - 160)
 - d) Swanley White Oak Leisure Centre Residential Quarter, Swanley - Development Proposal (Pages 161 - 186)
 - e) Treasury Management Strategy 2022/23 (Pages 187 - 240)

- f) Property Investment Strategy Update report (Pages 241 - 270)
- g) Budget and Council Tax Setting 2022/23 (Pages 271 - 364)
- 7. Matters considered by other standing committees:
 - a) Future Appointment of External Auditors (Pages 365 - 378)
 - b) Audit Committee - Independent Members (Pages 379 - 384)
- 8. To consider the following reports from the Chief Executive or other Chief Officers on matters requiring the attention of Council:
 - a) Pay Policy Statement (Pages 385 - 396)
- 9. To consider any questions by Members under paragraph 19.3 of Part 2 (The Council and District Council Members) of the Constitution, notice of which have been duly given.
- 10. To consider any motions by Members under paragraph 20 of Part 2 (The Council and District Council Members) of the Constitution, notice of which have been duly given.
- 11. To receive the report of the Leader of the Council on the work of the Cabinet since the last Council meeting. (Pages 397 - 400)
- 12. Quarterly report on Special Urgency decisions. (Pages 401 - 432)
- 13. To receive reports from the Chairmen of the Audit and Scrutiny Committees on the work of the Committees since the last Council meeting.
 - a) Audit Committee - Chairman Report (Pages 433 - 434)

Appendix C (Agenda Item 6(b) White Oak Leisure Centre: New Build and Operator Procurement - Progress Report

Appendix C (Agenda item 6(c)) - Bevan Place, Swanley, Development Proposal

Appendix D (Agenda Item 6c)) Bevan Place, Swanley Development Proposal

Appendix B (Agenda item 6d)) Swanley White Oak Leisure Residential Quarter, Swanley - Development Proposal

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 6(b), and Appendix C and D of Agenda item 6 (c) above, and Appendix B of Agenda 6(d) 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))

To assist in the speedy and efficient despatch of business, Members wishing to obtain factual information on items included on the Agenda are asked to enquire of the appropriate Contact Officer named on a report prior to the day of the meeting.

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COUNCIL

Minutes of the meeting held on 16 November 2021 commencing at 7.00 pm

Present: Cllr. Esler (Chairman)

Cllr. Hunter (Vice Chairman)

Cllrs. Abraham, Ball, Barnes, Bayley, Bonin, Brown, Dr. Canet, Clack, Clayton, Penny Cole, Perry Cole, Coleman, Collins, Dickins, Dyball, Edwards-Winsler, Eyre, Firth, Fleming, Foster, Fothergill, Griffiths, Harrison, Hogarth, Hudson, Layland, London, Maskell, McArthur, McGarvey, McGregor, Morris, Nelson, Osborne-Jackson, Pender, Purves, Raikes, Reay, Roy, Thornton, Waterton and Williamson

Apologies for absence were received from Cllrs. Andrews, Barnett, Carroll, G. Darrington, P. Darrington, Grint, Kitchener, Parkin and Pett

24. To approve as a correct record the minutes of the meeting of the Council held on 20 July 2021

Resolved: That the Minutes of the meeting of Council held on 20 July 2021 be approved, and signed as a correct record.

25. To receive any declarations of interest not included in the register of interest from Members in respect of items of business included on the agenda for this meeting.

No additional declarations of interest, were received.

26. Chairman's Announcements.

The Chairman announced that she had a couple of sad announcements to start with, including the loss of two former Councillors - Councillor and past Chairman, Frances Dick, and Councillor John Scholey who many would remember had the position of Portfolio Holder for Finance, had also sadly passed away. The Leader of the Council, shared some of his memories of his former colleagues, and joined the Chairman in a moments silence as mark of respect.

The Chairman congratulated Daniel Shaw and Gary Edmed from the Private Sector Housing Team who were recognised at the Energy Efficiency awards, for a mobile home insulation project. They had picked up a 'Highly Commended Award' for their work to insulate 48 park homes across the District. It was estimated the improvements would save the combined owners £200,000 on their fuel bills over the lifetime of their properties, not to mention some 1,000 tonnes of CO2 gas, which contributed to Global warming.

She further announced that as part of the Council's NetZero 2030 ambition, it was exciting that the Council would be working with KCC and Connected Kerb for 41 new public electric vehicle-Charging points. There would be a mixture of 7Kwh & rapid 50Kwh chargers to be installed in Sevenoaks, Swanley & Westerham Council owned car parks. Continuing with the NetZero 2030 ambition, the Chairman advised that it had been an honour to be involved with the tree planting of 3 oak trees for the Queen's Green Canopy, tree planting scheme to mark Her Majesty's Platinum Jubilee in 2022, celebrating 70 years of service. It had also been great to hear such positive feedback on the smart bins which were installed earlier in the year. The bins help reduce collections by around 90% as they hold more rubbish and will only be emptied when they were full, which was of benefit to visitors, residents and businesses.

Moving on to community news, on 1 October, The Chairman advised that she had the pleasure to help fund and co-host the Volunteers Thank You Event afternoon tea with SDC Communities Team, at which there was also alongside a magician and professional singer, this was held for the Care for the Community Volunteers who throughout the pandemic helped vulnerable residents obtain food and medicine as well as being a friendly voice to chat on the phone to. She gave a special thanks to Eliza from St. Clere Estate who allowed the event to be held in the beautiful grounds, and expressed her thanks to Kelly and the Team for organising such a wonderful event.

The Chairman took the opportunity to announce that the 'Making it Happen' voluntary and community awards would be taking place again on Wednesday 9 March 2022 at St. Nicholas' Church, Sevenoaks. These awards recognised residents and organisations in the District that go the extra mile. She encouraged Members to nominate people and organisations who stood out over the last year. Nominations must be submitted by Sunday 2 January 2022.

As mentioned at the last Council meeting, accompanied by Cllr Hogarth, they had visited a record number of entrants of nearly 80 gardens for the In Bloom awards, and it was a pleasure to present the awards at a prize giving ceremony in October. There were some fine examples of eco-friendly gardens and gardens that brightened up the District. The standard this year was particularly high, making the judging especially challenging, she reiterated her congratulations not just to the winners, but to everyone else who took part too.

To date over 200 invitations (covering the period May 2021 through to March 2022) had been received and 140 had been attended so far. Most invitations had been within the District. The Chairman advised that she had appreciated the opportunity to visit many voluntary organisations and schools within the district. Highlights had included support of various dementia cafes, social events for elderly residents, "pop up Sue" sessions and some interesting theatre and concert events. There had also been the occasional business-based event. Finally, there had been activity-based invitations to youth activities such as Westerham Sea Cadets and the Church Youth Club in Edenbridge.

Council - 16 November 2021

So far eight Chairman's Charitable events had been held including the well-attended Civic Service back in July of this year. Each of the Chairman's events have been held in locations that showcase some of the best, and least known, attractions the district has to offer. These have been well supported locally and by other Mayors from around Kent

The Chairman advised her charity Winter Ball '22 would be held on 22 January 2022, at Westerham Golf Club. All proceeds would be going to support the invaluable work carried out by DAVSS, and she would love to have as many of the Councillors there as possible. She advised that she would also be extending the invitation to the wonderful Staff and Officers as a way of expressing gratitude for all they have done and will do in the future.

27. To receive any questions from members of the public under paragraph 17 of Part 2 (The Council and District Council Members) of the Constitution.

No questions had been received.

28. To receive any petitions submitted by members of the public under paragraph 18 of Part 2 (The Council and District Council Members) of the Constitution.

No petitions had been received.

29. Matters considered by the Cabinet and/or Scrutiny Committee:

- (a) Christmas Parking 2021

Councillor Fleming moved and Cllr McArthur seconded the recommendation from Cabinet, which sought funding for free parking to be provided for two weekends leading up to Christmas in Sevenoaks town and Westerham in off- street car parks on Saturdays and Sundays, 11 & 12 and 18 & 19 December 2021.

Resolved: That the cost in terms of loss of income for free Christmas parking be met from Supplementary Estimates.

- (b) Farmstead Drive - Development Proposal

Cllr Fleming moved and Cllr Maskell seconded the recommendation from Cabinet, which sought the approval for the provision of £7,609,620 in the 2021/22 Capital Programme to deliver the scheme, which was to be funded as noted in the Financial Implications of the report.

Resolved: the provision of £7,609, 620 in the 2021/22 Capital Programme to deliver the scheme within the financial implications, detailed as (i) to (vi) below, be agreed:

- i. The scheme be intended to be funded (ultimately) from capital receipts from the sale of residential units in the scheme;

- ii. A summary of the estimated scheme funding, based on feasibility to date;
- iii. 23 residential units would be disposed of in the open market and according to the Council's property consultant, which were expected to generate a sales receipt of £8.143m. The affordable housing units were expected to generate £1.172m and would be discounted to reflect development costs and were in line with current market practice for affordable housing;
- iv. Until receipts from the sales of the residential units were received, short-term external borrowing be used to fund the scheme. Potential financing costs were detailed within paragraph 18 of the report;
- v. The new retail unit would be retained by the Council, and let on market terms. The Community Hall be leased to reflect community benefit, but also to ensure future on-going liabilities be recuperated; and
- vi. Consideration be given to the VAT implications of the project, dependant on the use of some of the elements of the project may require specific VAT treatment and further VAT advice be sought.

(c) Stangrove Estate

Cllr Fleming moved and Cllr Dyball seconded the recommendation from Cabinet, which sought the approval of the capital funding of the scheme as outlined at paragraph 15 (project costs & funding), it be noted that the scheme would only progress subject to the funding gap being eliminated, and the development scheme for 7 sites within Stangrove Park, Edenbridge to provide 7 off-street, communal car parks, a new community shop, improvements to landscaping and 13 residential units at an estimated total project cost of £4,312,743, as set out at paragraph 15.

Resolved: that

- a) the capital funding of the scheme of £4,312,743 be agreed;
 - b) that the scheme would only progress subject to the funding gap being eliminated and planning permission being obtained, be noted;
 - c) subject to approval of the recommendation (a) the development scheme for 7 sites within Stangrove Park, Edenbridge to provide 7 off-street, communal car parks, a new community shop, improvements to landscaping and 13 residential units at an estimated total project cost of £4,312,743, as set out at paragraph 15, be agreed.
- (d) Quercus Housing - Increasing the Delivery of Affordable Housing in the Sevenoaks District

Cllr Fleming moved and Cllr Maskell seconded the recommendation from Cabinet, which sought approval of a revised 2021/22 Capital Programme that excluded the Property Investment Strategy Scheme, which would give the Council access to Public Works Loan Board (PWLB) borrowing to enable the scheme to progress; 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 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, and The terms of the loan be determined at the point of draw down by the Head of Finance.

The Leader responded to questions raised, and explained that due to the nature of the church land and covenants on it, the site would not necessarily be available for a normal developer to develop, which was why it was being sold as the Council could deliver a scheme which also met the Church of England directives to meet affordable housing in the area. It would be managed similarly to the scheme in Westerham for the residents of the District who the Council had responsibility for. It would be managed by agents but the Council would be in control of this.

Resolved: That the

- a) a revised 2021/22 Capital Programme (Appendix C) that excluded the Property Investment Strategy scheme which would give SDC access to Public Works Loan Board (PWLB) borrowing to enable this scheme to progress, be approved;
- b) 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) terms of the loan be determined at the point of draw down by the Head of Finance be agreed.

30. Matters considered by other standing committees:

(a) Licensing Gambling Policy

Cllr Clack moved, and Cllr Abraham seconded the recommendation from the Licensing Committee which sought that following consultation with the Chairman and Vice Chairman of the Licensing Committee, delegated authority be given to the Head of the Licensing Partnership to make minor amendments to the Statement of Principles Gambling Policy, consistent with the Comments from the Gambling Commission and Members, as were considered appropriate, together with minor typographical and presentational amendments for adoption as of 31 January 2022.

Cllr Clack spoke to the motion stating that the delegated authority would allow the policy to be updated, consistent with the comments already received which needed to be in place by 31 January 2022.

Resolved: That following consultation with the Chairman and Vice Chairman of the Licensing Committee, delegated authority be given to the Head of the Licensing Partnership to make minor amendments to the Statement of Principles Gambling Policy, consistent with the Comments from the Gambling Commission and Members, as are considered appropriate, together with minor typographical and presentational amendments for adoption as of 31 January 2022.

31. To consider the following reports from the Chief Executive or other Chief Officers on matters requiring the attention of Council:

(a) Draft Calendar of Meetings 2022/23

Councillor Fleming proposed and Councillor Dickins seconded the report which sought approval for the draft calendar of meetings 2022/23.

Resolved: That the draft calendar of meetings for 2022/23 be approved subject to formal adoption at the Annual Meeting on Council on 10 May 2022.

32. To consider any questions by Members under paragraph 19.3 of Part 2 (The Council and District Council Members) of the Constitution, notice of which have been duly given.

Two questions had been received from two Members in accordance with paragraph 19.3 of Part 2 (The Council and District Council Members) of the Constitution.

Question 1: Cllr Purves

“What has the £60,000 per annum from the net zero budget since 2020/21 been spent on?”

Response: Leader of the Council

The fund created at full Council on 25 February 2020, was not to be spent on day to day expenditure. Its purpose was to get the Council to the starting line quickly, carry out a number of specific actions and projects and begin to make prudent provision against the capital costs that likely were ahead but the full extent of which was as yet unknown.

The Net Zero Transition Fund would provide an insurance or buffer ready to be an early adopter of new, environmentally friendly technologies as they became available. He advised that the alternative would be either postponing the introduction of such measures or having large, last minute growth items in the budget setting process which would have to be met by cuts elsewhere.

The council had agreed a rolling set of actions to transition towards the commitment to become a net zero council by 2030. The actions covered the commitment made for the council and its assets, and its 2030 ambition to help communities within the district reduce their carbon emissions and to improve the overall climate resilience of the district. Initially the main focus had been understanding and reducing carbon emissions from the council and its assets, and had started working on a number of different projects to meet our overall aims and ambition for the wider district.

One notable project was, to help engage communities with the climate agenda, including ways to support climate resilience, was the Sevenoaks Wildlife Events which took place over the summer, and which were paid for from the Net Zero budget. For a small expense, resources had been produced by the Council's partners at the North West Kent Countryside Partnership which would be used in subsequent promotions and community engagement activities.

Climate change was a wide ranging issue which overlapped with many other areas, including sustainable transport, air quality, planning policy, housing and infrastructure. Officers had been working in partnership to deliver projects that had multiple benefits. These included a movement strategy, a Local Cycling and Walking Infrastructure Plan, delivering the Air Quality Action Plan, participating in a Solar Project and EV chargepoints with Kent County Council, thereby making the most of available funds and budgets rather than replicating work.

Supplementary question: Cllr Purves

Cllr Purves requested clarification on the £60,000 per annum which had been spent this year.

Response: Leader of the Council

The Leader referred to his earlier answer and advised that the fund was not just for expenditure on a day to day basis but rather ease out costs that would be coming in future years, such as replacement of the fleet.

In accordance with the Constitution, no further discussion was allowed.

Question 2: Cllr Clayton

“What opportunities has the Council identified for net zero investments which have a positive financial return?”

Response: Leader of the Council

Officers and Members had been working together to develop and deliver projects that have multiple benefits. As part of this, they were considering how our net zero ambitions could also bring financial benefits beyond the obvious efficiency savings. Such projects were being investigated and would first be tested for feasibility.

The Leader went on to advise that the Council delivered exceptional value for money, high quality services to the residents and businesses served and returns that went beyond the financial investments held. At the heart of much of the work was the preservation and improvement of the environment, both natural and built. As an example, investment in Swanley saw a leisure centre built to BREEAM very good standard, incorporating state of the art air source heat pumps, as well as other energy efficient features such as water consumption monitoring, leak detection, flow control and responsible sourcing throughout the development phase.

It was an investment in the community, for the long term. From a financial perspective, that sustainable approach would yield savings over the life of the centre, as well as huge environmental improvements over its predecessor. Some of the steps on the council's journey to net zero would cost more but pay for themselves, such as the LED lighting installed in council owned buildings and car parks.

Some simple changes, like transitioning towards paperless, cost nothing more and deliver immediate benefits. Others bring higher costs but were the right thing to do, whilst others were prohibitively expensive or impractical now but would make sense in the future.

The Leader advised that the commitment to Net Zero and sustainability would remain undiminished, this included investments, however they would not, be reduced to a purely financial equation.

Supplementary Question: Cllr Clayton

Cllr Clayton asked whether the Council would be following Sussex County Council with the type of investments they had been making.

Response: Leader of the Council

The Leader advised that the Council was providing electric charging points in all its council owned car parks, as KCC was responsible as the Highways authority for off-street parking, and were working with the Council to look at how to move these type of projects on.

In accordance with the Constitution, no further discussion was allowed.

33. To consider any motions by Members under paragraph 20 of Part 2 (The Council and District Council Members) of the Constitution, notice of which have been duly given.

No motions had been received.

34. To receive the report of the Leader of the Council on the work of the Cabinet since the last Council meeting.

Council - 16 November 2021

The Leader of the Council reported on the work that he and the Cabinet had undertaken in the period 5 July to 29 October 2021. The Leader took the opportunity to highlight the Volunteer's Thank you event at St. Clere estate which he attended and the amazing work of the volunteers who were simply wonderful for all their efforts throughout the pandemic.

35. To receive reports from the Chairmen of the Audit and Scrutiny Committees on the work of the Committees since the last Council meeting.

Members noted the report presented by the Chairman of the Audit Committee, Cllr McGarvey. He wished the Audit Manager every success in her new role at the London Borough of Bromley, and advised that a new Manager had been appointed.

THE MEETING WAS CONCLUDED AT 7.50 PM

CHAIRMAN

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Item 6a - Air Quality Action Plan Request to consult

The attached report was considered by Cabinet on 13 January 2022. The relevant Minute extract is below.

Cabinet (13 January 2022, Minute 65)

The report was also considered by Cabinet on 10 January 2022. The relevant minute extract is below.

The Portfolio Holder for Cleaner & Greener presented the report which set out the proposed Draft Air Quality Action Plan, which would replace the previous 2009 plan and aimed to tackle the main causes of poor air quality within Sevenoaks District, namely emissions from combustion engines, particularly diesel vehicles, and emissions from domestic combustion sources. She advised that the Cleaner & Greener Advisory Committee had considered the same report.

The Environmental Health Manager advised that the Council was required to consult with relevant stakeholders and the public on measures proposed by the AWAP. The outcome of the consultation would be used to shape the final draft. He advised that minor typographical errors noted by the Advisory Committee had been corrected.

Public Sector Equality Duty

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

Resolved: It be recommended to Council that the contents of the 'Draft Air Quality Action Plan' be noted and the Environmental Health Team be authorised to undertake public consultation of the draft plan.

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AIR QUALITY ACTION PLAN- REQUEST TO CONSULT

Council - 22 February 2022

Report of: Deputy Chief Executive and Chief Officer Planning and Regulatory Services

Status: For Decision

Also considered by:

- Cleaner & Greener Advisory Committee - 5 January 2022
- Cabinet - 13 January 2022

Key Decision: no

This report supports the Key Aim of: Green Environment -Priority 2 Maintain a clean local environment

Portfolio Holder: Cllr. Margot McArthur

Contact Officer: Nick Chapman, Ext. 7167

Recommendation to Cleaner & Greener Advisory Committee

- (a) To note the contents of the 'Draft Air Quality Action Plan' and support the Environmental Health Team undertaking public consultation of the draft plan.

Recommendation to Cabinet

- (a) To note the contents of the 'Draft Air Quality Action Plan' and support the Environmental Health Team undertaking public consultation of the draft plan.

Recommendation to Council

- (a) To note the contents of the 'Draft Air Quality Action Plan' and authorise the Environmental Health Team to undertake public consultation of the draft plan.

Reason for recommendation: The District Council is required to consult on the proposals within its Air Quality Action Plan and then incorporate comments in the final version.

Introduction and Background

- 1 Sevenoaks District Council is required to produce an Air Quality Action Plan (AQAP) which details measures it intends to take to mitigate air pollution within its designated Air Quality Management Areas (AQMA) over the next 5 years.
- 2 A specialist consultant was engaged in 2019 to produce our Air Quality Action Plan with the assistance and input of our officers within strategic planning and environmental health teams. An initial draft of the AQAP is now available for consultation and is presented in Appendix 1.
- 3 The AQAP is a technical document, which brings together the scientific evidence and air quality monitoring data collected by the District Council to justify appropriate measures to improve air quality.
- 4 Within Sevenoaks District, vehicular activity is the principle source of emissions and all of our existing AQMA are associated with busy stretches of road and junctions.
- 5 A source apportionment exercise undertaken by our consultant has shown that within these areas, diesel cars and diesel LGV's make up the largest proportion of the measured pollution.
- 6 It has been confirmed that that in AQMA 10 (Sevenoaks High Street) the area of poorest air quality is located along the High Street between Dorset Street and Locks Yard. In this location, a 59.0% reduction in NO_x from emission sources would be required to achieve that the national air quality objective level for NO₂ of 40µg/m³. Elsewhere within this AQMA, a reduction of 25.0% NO_x is required.
- 7 Within AQMA 13 (A25) the area of poorest air quality is located along London Road, just off the A25 in Westerham. A reduction of 49.2% in NO_x emissions is required in order to meet the national air quality objective level and generally within this AQMA a reduction of 25.8% in NO_x emissions is required.
- 8 As a result of this analysis, measures which reduce emissions from internal combustion engines are likely to have the most significant impact on air quality within our AQMA's
- 9 Table 5.1 of the draft AQAP, outlines a number of measures which could be implemented to improve air quality within our AQMA. These measures have been identified following consultation with Councillors, Officers and our consultants and are each believed to be achievable and realistic.
- 10 A number of these potential measures align with the District Councils Net Zero aspirations. As a result, the District Council has already made progress in a number of areas and several initiatives that will improve Air Quality are already under way.

- 11 The District Council is required to consult with relevant stakeholders and the public on the measures proposed by our AQAP. It is intended that this consultation will take place over a 6-week period between February and March 2022.
- 12 The outcome of this consultation will then be reported on and the comments used to shape the final draft AQAP that will be brought back through the committee process in April 2022.

Key Implications

Financial

There are costs associated with running a public consultation. These costs will be met from existing budgets.

Legal Implications and Risk Assessment Statement.

It is a legal requirement for the District Council to consult stakeholders on the actions proposed by the Air Quality Action Plan.

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

Members are reminded of the Council's stated ambition to be Net Zero with regards to carbon emissions by 2030. The decisions recommended in this paper directly impact on this ambition. The impact has been reviewed and there will be an (decrease) on carbon emissions produced in the district as a result of this decision.

Appendices

Appendix A - Draft Air Quality Action Plan December 2021

Background Papers

- Report from Bureau Veritas- Sevenoaks District Council Detailed Assessment of Existing AQMA
- Sevenoaks District Council Annual Status Report 2021

Richard Morris

Deputy Chief Executive and Chief Officer - Planning & Regulatory Services

Appendix A

Air Quality Action Plan



**Sevenoaks District Council
Air Quality Action Plan**

December 2021





**BUREAU
VERITAS**

Document Control Sheet

Identification	
Client	Sevenoaks District Council
Document Title	Sevenoaks Air Quality Action Plan
Bureau Veritas Project No.	6726243

Contact Details		
Company Name	Bureau Veritas UK Limited	Sevenoaks District Council
Contact Name	Hannah Smith	Nick Chapman
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Configuration				
Version	Date	Author	Reason for Issue/Summary of Changes	Status
v1.0	24/09/2021	A Smith	Draft for comment	Draft
V2.0	10/12/2021	A Smith	Update following initial comments	Draft

	Name	Job Title	Signature
Prepared By	A Smith	Graduate Consultant	
Approved By	H Smith	Principal Consultant	

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Sevenoaks District Council Air Quality Action Plan

In fulfilment of Part IV of the
Environment Act 1995
Local Air Quality Management

December 2021

Sevenoaks District Council

Local Authority Officer	Nick Chapman
Department	Environmental Health
Address	Sevenoaks District Council Argyle Road Sevenoaks TN13 1HG
Telephone	01732 227167
E-mail	nick.chapman@sevenoaks.gov.uk
Report Reference number	UK_6726243_v2.0
Date	December 2021

Executive Summary

This Air Quality Action Plan (AQAP) has been produced as part of our statutory duties required by the Local Air Quality Management framework. It outlines the action we will take to improve air quality in Sevenoaks District Council (SDC) between 2022 and 2027.

Where an exceedance of the Air Quality objective is recorded, local authorities are required to declare an Air Quality Management Area (AQMA) to focus efforts into reducing pollutant concentrations. This action plan is for the existing AQMAs as detailed below:

- AQMA No.8 (Swanley Town Centre) - An area encompassing Swanley Town Centre, High Street and London Road. Declared for exceedances of the NO₂ annual mean objective;
- AQMA No.10 (Sevenoaks High Street) - An area encompassing Sevenoaks High Street and London Road. Declared for exceedances of the NO₂ annual mean objective;
- AQMA No.13 (A25) - The entire length of the A25 from the border with Tonbridge and Malling in the East to the border with Tandridge on the West. Declared for exceedances of the NO₂ annual mean objective; and
- AQMA No.14 (Junction of Birchwood and London Roads, Swanley) - Junction of Birchwood Road and London Road, Swanley. Declared for exceedances of the NO₂ annual mean objective.

This action plan replaces the previous “Air Quality Action Plan 2009”, which has been in place since 2009. The measures detailed within this updated action plan are largely to be considered as district-wide measures, therefore relevant to all AQMAs listed above. A detailed modelling assessment to support this action plan has been carried out for all AQMAs with the exception of AQMA No.8 and AQMA No.14, due to a lack of available traffic data at the time of assessment, and the COVID-19 pandemic preventing any representative traffic data to be collected.

Projects delivered through the past action plan include:

- Setting up an internal working group to identify, implement and monitor air quality mitigation measures;

Sevenoaks District Council

- Introducing 2 electric cars, 2 electric bicycles and 1 electric road sweeper into the Council's fleet;
- Installing 10 EV charging points in public car parks;
- Retrofitting boilers in the housing stock to low carbon alternatives, whilst encouraging switch and save; and

Air pollution is associated with a number of adverse health impacts. It is recognised as a contributing factor in the onset of heart disease and cancer. Additionally, air pollution particularly affects the most vulnerable in society: children and older people, and those with heart and lung conditions. There is also often a strong correlation with equalities issues, because areas with poor air quality are also often the less affluent areas^{1,2}.

The annual health cost to society of the impacts of particulate matter alone in the UK is estimated to be around £16 billion³. Sevenoaks District Council is committed to reducing the exposure of people in Sevenoaks District to poor air quality in order to improve health.

This Action Plan aims to tackle the main causes of poor air quality within Sevenoaks District, namely emissions from combustion engines, particularly diesel vehicles, and emissions from domestic combustion sources. We have developed actions that can be considered under 8 EU Measure Categories:

- Alternatives to private vehicle use
- Policy guidance and development
- Promoting low emission transport
- Promoting travel alternatives
- Public information
- Transport planning and infrastructure
- Traffic management
- Vehicle fleet efficiency

The Council have identified a number of priorities to help achieve this aim:

- **Promoting Public Health and Wellbeing** – Providing information of the impacts associated with poor air quality alongside providing information and

¹ Environmental equity, air quality, socioeconomic status and respiratory health, 2010

² Air quality and social deprivation in the UK: an environmental inequalities analysis, 2006

³ Defra. Abatement cost guidance for valuing changes in air quality, May 2013

guidance to residents on how they can help bring about improvements to air quality.

- **Reducing the Need to Travel** – Supporting sustainable development and initiatives that support the local economy, services and facilities.
- **Active Travel, Public Transport and Low Emission Vehicles** – Encouraging the uptake of alternatives to the car through improving cycling and walking opportunities, supporting sustainable public transport, car clubs and travel plans, encouraging the uptake of electric vehicles, improving the electric vehicle charging infrastructure and other initiatives.
- **Public Information and Behavioural Change** – Providing information on the causes and implications of poor air quality. Encouraging changing travel patterns and lower emission alternatives for domestic heating.
- **Local Planning Policy and Development Management** – Ensuring new development does not exacerbate any existing poor air quality issues and provides appropriate mitigation measures where this is unavoidable. The Local Plan will also support active travel, sustainable transport modes and electric vehicle charging infrastructure.
- **SDC Vehicle Fleet** – SDC will look at its own vehicle fleet and operations to reduce harmful emissions and increase efficiency.
- **Transport Planning and Traffic Management** – We will work with partners to mitigate existing areas of traffic and transport issues as well as seeking opportunities for alternatives and improvement.

In this AQAP we outline how we plan to effectively tackle air quality issues within our control. However, we recognise that there are a large number of air quality policy areas that are outside of our influence (such as vehicle emissions standards agreed in Europe), but for which we may have useful evidence, and so we will continue to work with regional and central government on policies and issues beyond Sevenoaks District Council's direct influence.

Responsibilities and Commitment

This AQAP was prepared by Bureau Veritas and the Environmental Health Department of Sevenoaks District Council with the support and agreement of the following officers and departments:

- Deputy Chief Executive and Chief Officer Planning and Regulatory Services
- Environmental Health Manager
- Strategic Planning Team
- Head of Direct Services
- Net Zero Working Group
- Transformation and Strategy Team
- Communications Manager
- Economic Development and Property

This AQAP has been approved by:

- Sevenoaks District Council Senior Management Team
- Cleaner & Greener Advisory Committee
- Cabinet
- Full Council at Sevenoaks District Council

This AQAP will be subject to an annual review, appraisal of progress and reporting to the Cleaner and Greener Advisory Committee Progress each year will be reported in the Annual Status Reports (ASRs) produced by Sevenoaks District Council as part of our statutory Local Air Quality Management duties.

If you have any comments on this AQAP please send them to Nick Chapman, Environmental Health Manager at:

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

Telephone: 01732 227000

Email: environmental.health@sevenoaks.gov.uk

Table of Contents

Executive Summary	i
Responsibilities and Commitment.....	iv
1 Introduction	1
2 Summary of Current Air Quality in Sevenoaks District	2
2.1 AQMA No.8 Swanley Town Centre	2
2.2 AQMA No.10 Sevenoaks High Street.....	3
2.3 AQMA No.13 A25.....	5
2.4 AQMA No.14 Junction of Birchwood and London Roads, Swanley	8
3 Sevenoaks District Council’s Air Quality Context and Priorities	11
3.1 Public Health Context.....	11
3.2 Planning and Policy Context.....	13
3.2.1 Clean Air Strategy 2019.....	14
3.2.2 UK Plan for Tackling Roadside Nitrogen Dioxide Concentrations	15
3.2.3 Sevenoaks District Council Plan	16
3.2.4 Sevenoaks District Council Local Plan	16
3.2.1 Sevenoaks District Strategy for Transport	18
3.2.2 Sevenoaks District Cycling Strategy	21
3.2.3 Net Zero 2030	21
3.2.4 Low Emission and Electric Vehicle Strategy.....	22
3.3 Source Apportionment.....	22
3.3.1 AQMA No.10 Sevenoaks High Street	23
3.3.2 AQMA No.13 A25.....	25
3.4 Required Reduction in Emissions.....	26
3.4.1 AQMA No.10 Sevenoaks High Street	26
3.4.2 AQMA No.13 A25.....	27
3.5 Key Priorities	27
4 Development and Implementation of Sevenoaks District Council	
AQAP	30
4.1 Consultation and Stakeholder Engagement.....	30
4.2 Consultation Outcomes	31
4.3 Steering Group.....	32
5 Indicative AQAP Measures.....	33
Appendix A: Response to Consultation	40
Appendix B: Reasons for Not Pursuing Action Plan Measures	41
Appendix C: Add Additional Appendices as Required>	43
Glossary of Terms	44

References 45

List of Tables

Table 2.3 – AQMA No.8 Annual Mean NO ₂ Concentrations.....	3
Table 2.3 – AQMA No.10 Annual Mean NO ₂ Concentrations.....	4
Table 2.4 – AQMA No.13 Annual Mean NO ₂ Concentrations.....	7
Table 2.6 – AQMA No.14 Annual Mean NO ₂ Concentrations.....	9
Table 3.5 – NO _x Source Apportionment Results: AQMA No.10.....	24
Table 3.6 – NO _x Source Apportionment Results: AQMA No.13.....	25
Table 4.1 – Consultation Undertaken	30
Table 5.1 – Air Quality Action Plan Measures	34

List of Figures

Figure 1.1 – Overview Map of AQMAs within Sevenoaks District.....	1
Figure 2.4 – Map of AQMA No.8 Swanley Town Centre	3
Figure 2.5 – Map of AQMA No.10 Sevenoaks High Street.....	5
Figure 2.7 – Map of AQMA No.13 A25	6
Figure 2.8 – AQMA No.14 Junction of Birchwood and London Roads, Swanley.....	10
Figure 3.1 – Average NO _x Contribution by Vehicle Class, where Modelled Annual NO ₂ Concentrations are >40µg/m ³ within AQMA No.10	24
Figure 3.2 – Average NO _x Contribution by Vehicle Class, where Modelled Annual NO ₂ Concentrations are >40µg/m ³ within AQMA No.13	26

1 Introduction

This report outlines the actions that Sevenoaks will deliver between 2022 - 2027 in order to reduce concentrations of air pollutants and exposure to air pollution; thereby positively impacting on the health and quality of life of residents and visitors to the district.

It has been developed in recognition of the legal requirement on the local authority to work towards Air Quality Strategy (AQS) objectives under Part IV of the Environment Act 1995 and relevant regulations made under that part and to meet the requirements of the Local Air Quality Management (LAQM) statutory process.

This Plan will be reviewed every five years at the latest and progress on measures set out within this Plan will be reported on annually within the SDC air quality ASR.

This Plan focuses on actions to improve air quality across the entire district, with a specific focus on four AQMAs declared by Sevenoaks District Council. Five AQMAs are planned for revocation following the acquisition of supporting monitoring data to verify modelled predictions and have therefore not been included within this action plan. AQMA No.8 (Swanley Town Centre) and AQMA No.14 (Junction of Birchwood and London Roads, Swanley) have not had a detailed assessment carried out due to a lack of traffic data available to undertake the dispersion modelling. Additionally, as a result of the COVID-19 pandemic, no ANPR surveys were able to be undertaken. Nonetheless, AQMA No.8 and AQMA No.14 are still discussed in relation to the monitoring carried out within these areas.

This AQAP considers measures that can be applied to the entire district and will therefore also improve air quality within these AQMAs.

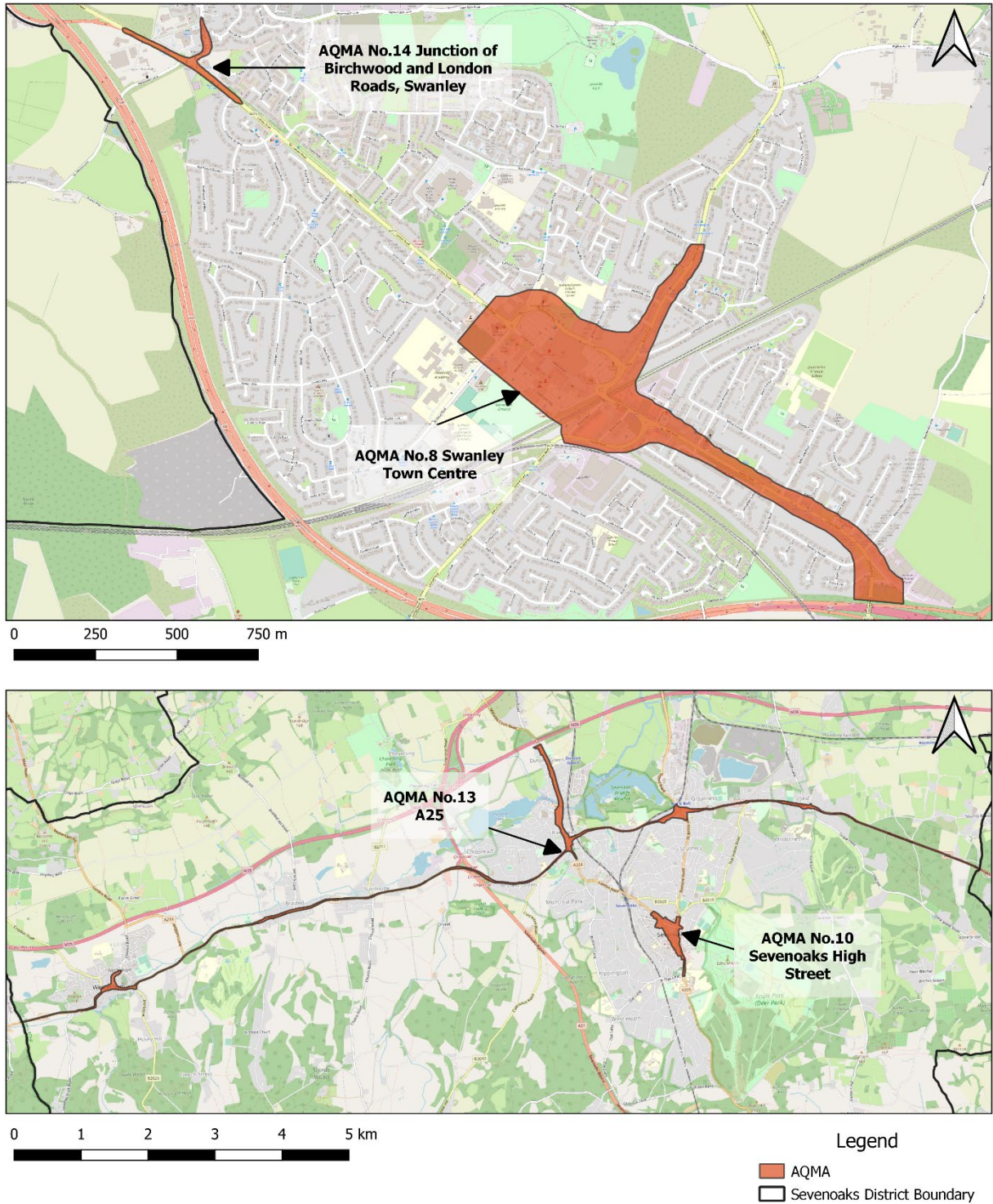
The AQMAs are presented in Figure 1.1, and are as follows:

- AQMA No.8 (Swanley Town Centre) - An area encompassing Swanley Town Centre, High Street and London Road. Declared for exceedances of the NO₂ annual mean objective;
- AQMA No.10 (Sevenoaks High Street) - An area encompassing Sevenoaks High Street and London Road. Declared for exceedances of the NO₂ annual mean objective;

Sevenoaks District Council

- AQMA No.13 (A25) - The entire length of the A25 from the border with Tonbridge and Malling in the East to the border with Tandridge on the West. Declared for exceedances of the NO₂ annual mean objective; and
- AQMA No.14 (Junction of Birchwood and London Roads, Swanley) - Junction of Birchwood Road and London Road, Swanley. Declared for exceedances of the NO₂ annual mean objective.

Figure 1.1 – Overview Map of AQMAs within Sevenoaks District



2 Summary of Current Air Quality in Sevenoaks District

Sevenoaks District is located within Kent, just south-east of London, and is home to approximately 120,750 residents⁴. The main source of air pollution within the district originates from vehicular emissions of nitrogen dioxide (NO₂) and particulate matter. The major roads passing through the district include the M25, M26, A21 and A25, linking many parts of London to the Dover port and the Channel Tunnel. As a result, there is a significant amount of continental traffic that passes through the District, including HGVs, as well as the presence of local traffic and commuters passing through into London from other areas within Kent. This creates several air pollution hotspots, chiefly in the towns of Sevenoaks, Swanley and Westerham.

Air quality monitoring is carried out across the district via a network of 51 diffusion tube sites and 2 automatic monitoring locations. Monitoring data for the past 5 years is presented in the following sections so that the trends and the frequency of any exceedances can be considered. It should be noted that there is a degree of uncertainty with regard to the 2020 monitoring data following the COVID-19 pandemic and its impacts on traffic volumes and air quality.

Detailed dispersion modelling was undertaken at relevant sensitive receptors across the district for the year 2018. A summary of the results of this are also discussed in the following sections where applicable.

There have been no exceedances of any of the AQS objectives outside any AQMA in the last 5 years once considered at the nearest relevant exposure.

2.1 AQMA No.8 Swanley Town Centre

AQMA No.8 was designated in 2006 for exceedances of the annual mean NO₂ objective. The current boundary covers Swanley Town Centre and along the B2173 London Road up to the M20. Figure 2.1 shows the extent of this AQMA.

There are 3 existing monitoring locations within the boundary of AQMA No.8. The annual mean NO₂ concentration over the past 5 years are presented in Table 2.1.

- Concentrations have largely been decreasing since 2016.

⁴ Office for National Statistics: Mid-2019 Estimates of the population for the UK, England, Wales, Scotland and Northern Ireland. Available at: <https://www.ons.gov.uk/>

- Following distance correction, the predicted annual mean NO₂ concentrations are below the AQS objective in all years reported.

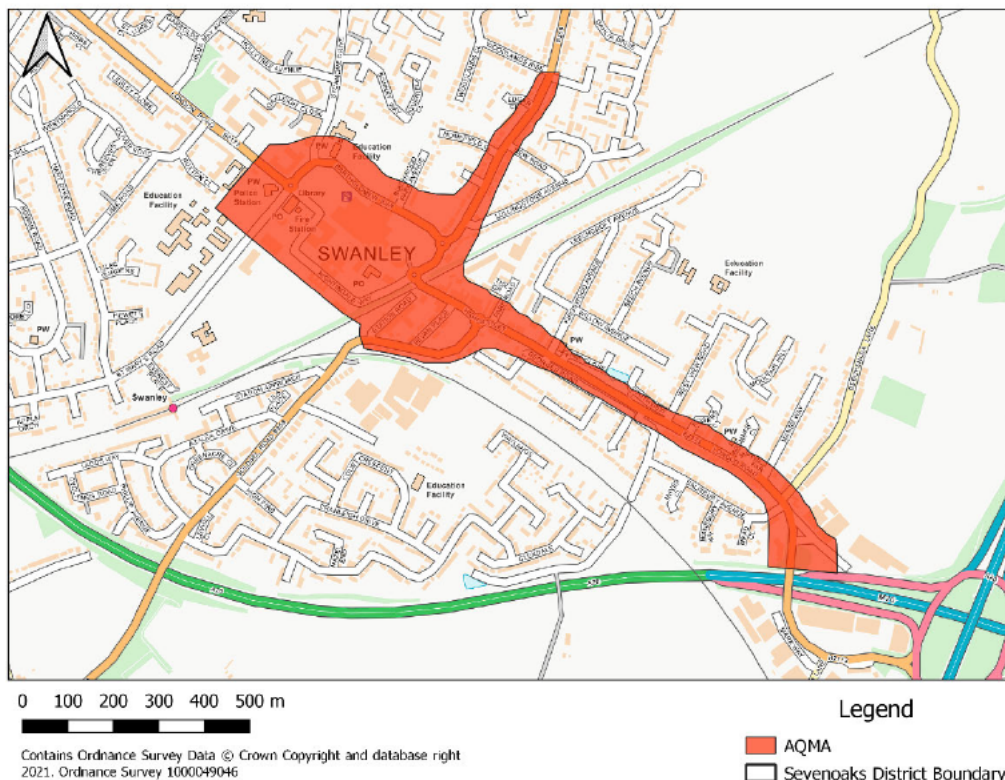
This AQMA was not included within the detailed modelling assessment due to a lack of available traffic data.

Table 2.1 – AQMA No.8 Annual Mean NO₂ Concentrations

Site ID	X OS Grid Ref.	Y OS Grid Ref.	Site Type	Annual mean NO ₂ concentration (µg/m ³)				
				2016	2017	2018	2019	2020
DT39	551492	168695	Roadside	40.9	34.5	36.4	34.8	28.1
DT40	551575	168508	Kerbside	51.5	40.9	45.6	37.5	28.4
DT41	552174	168162	Roadside	42.7	40.1	38.6	32.6	27.2

Note:
Exceedances of the NO₂ annual mean AQS objective are in bold

Figure 2.1 – Map of AQMA No.8 Swanley Town Centre



2.2 AQMA No.10 Sevenoaks High Street

AQMA No.10 was designated in 2006 for exceedances of the annual mean NO₂ objective. The current boundary covers Sevenoaks High Street from the junction of the A225 Oak Lane to where the A225 splits from the B2019. It also incorporates

Sevenoaks District Council

London Road up to just south of The Drive, Pembroke Road and parts of Suffolk Way, Eardley Road and Argyll Road. The extent of this AQMA is shown in Figure 2.2.

There are 7 existing monitoring locations within the current boundary of AQMA No.10. The annual mean NO₂ concentrations reported at these sites over the past 5 years are presented in Table 2.2.

- DT02, DT28, DT48 and DT51 have all reported at least one exceedance of the annual mean NO₂ AQS objective within the past 5 years. None of these are located at relevant exposure.
- Overall, concentrations have been decreasing since 2016.

Table 2.2 – AQMA No.10 Annual Mean NO₂ Concentrations

Site ID	X OS Grid Ref.	Y OS Grid Ref.	Site Type	Annual mean NO ₂ concentration (µg/m ³)				
				2016	2017	2018	2019	2020
DT02	553157	154415	Roadside	54.7	48.1	49.9	40.4	29.6
DT27	553139	154259	Roadside	39.8	38.2	37.7	33.2	21.6
DT28	553043	154890	Kerbside	44.1	36.7	36.8	31.5	23.5
DT29	553073	155026	Roadside	31.5	28.0	28.2	23.7	17.6
DT48	552863	154873	Roadside	27.7	40.7	23.9	20.0	13.6
DT49	553018	154654	Roadside	33.7	28.2	29.1	25.1	17.2
DT51	552662	155153	Kerbside	40.4	35.1	39.0	30.2	22.3

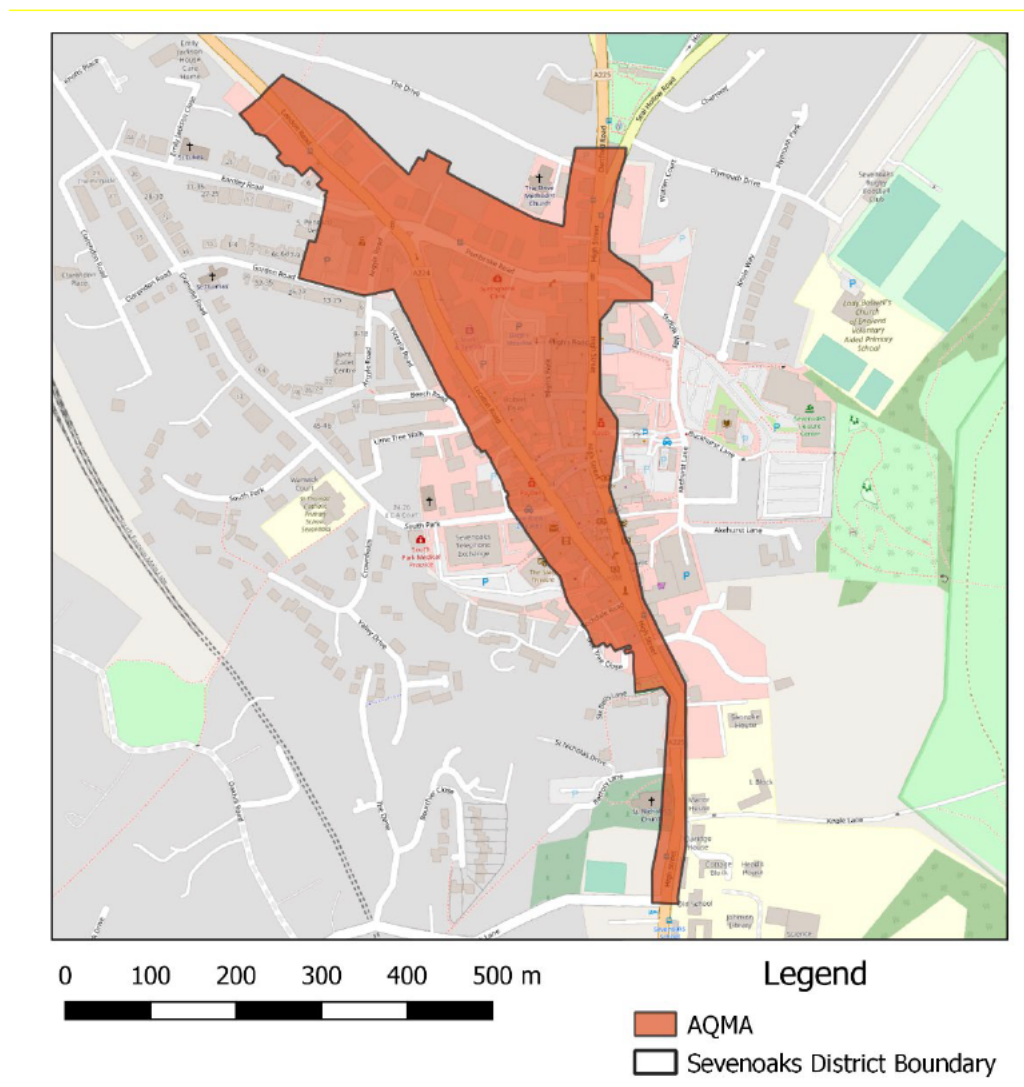
Note:
Exceedances of the NO₂ annual mean AQS objective are in **bold**

Modelled receptors were positioned at numerous existing residential receptor locations throughout the AQMA, both within and in close proximity to the AQMA boundary, inclusive of receptors at Sevenoaks School.

- Exceedances of the annual mean objective were predicted in two areas of the High Street. Northwards of Rectory Lane, a narrow bend near Six Bells Lane and at the High Street where it splits off from the A224 up until the junction to Pembroke Road/Suffolk Way.
- Additional exceedances were predicted along the A224 London Road/Tubs Hill in Sevenoaks.
- There was a predicted concentration greater than 60µg/m³ in a narrow section of the High Street between Dorset Street and Locks Yard. This indicates a potential exceedance of the hourly-average AQS objective, as per LAQM.TG(16) guidance.

- The receptors modelled at Sevenoaks School are predicted to have concentrations less than $40\mu\text{g}/\text{m}^3$.

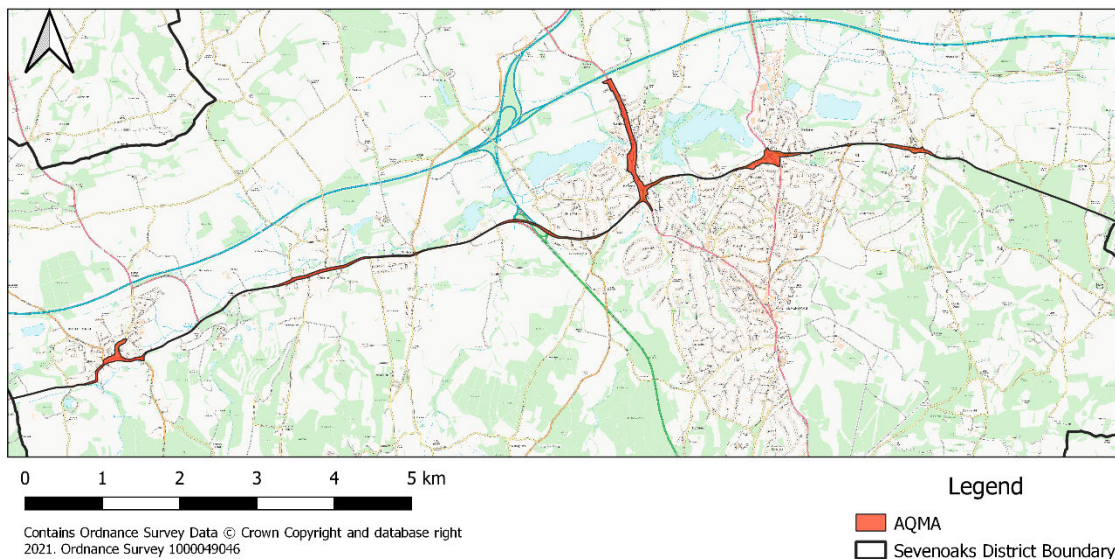
Figure 2.2 – Map of AQMA No.10 Sevenoaks High Street



2.3 AQMA No.13 A25

AQMA No.13 has been declared since 2014 for exceedances of the annual mean NO_2 AQS objective. The AQMA covers the entire stretch of the A25, from the border of Tonbridge and Malling in the east to the border of Tandridge in the west. It also covers the A224 London Road heading northwards from Riverhead until it meets the M26, a section of the A224 Amherst Hill heading south from Riverhead until the junction to Montreal Road, and a section of London Road heading northwards from Market Square in Westerham until it reaches the junction to Quebec Avenue. **Error! Reference source not found.** shows the full extent of this AQMA.

Figure 2.3 – Map of AQMA No.13 A25



There are 26 monitoring locations within or in close proximity to the AQMA boundary. Table 2.3 displays the annual mean NO₂ concentrations reported over the past 5 years at these monitoring locations. 12 monitoring locations have reported at least one exceedance of the annual mean NO₂ objective in the past 5 years (2016-2020). Overall, concentrations have been gradually decreasing over the past 5 years.

- Of these 12 sites, only 3 continue to report exceedances in 2019 (DT31, DT32, DT87). These 3 sites have continuously reported exceedances in previous monitoring years. The other 9 sites no longer report exceedances in 2019 following the gradual decrease of concentrations.
- Following distance correction where monitoring is not conducted at relevant exposure, no sites have reported a concentration to be exceeding the AQS objective in 2019. DT32 does however report a concentration to be within 10% of the AQS objective (39.8µg/m³).
- DT31 and DT32 are located on the southern and eastern arms of the A25 Seal Road to A225 junction respectively. This junction experiences heavy congestion, and the southern and eastern sections leading up to the junction are narrow, further amplifying this congestion.
- DT87 is located along the A27 Bradbourne Vale Road approaching the Riverhead junction.

Table 2.3 – AQMA No.13 Annual Mean NO₂ Concentrations

Site ID	X OS Grid Ref.	Y OS Grid Ref.	Site Type	Annual mean NO ₂ concentration (µg/m ³)				
				2016	2017	2018	2019	2020
CM2	553044	156690	Roadside	31.0	28.0	25.0	23.0	18.0
DT05	551414	156197	Kerbside	47.0	42.7	39.3	34.4	30.3
DT06	551440	156165	Roadside	47.1	40.2	41.7	34.8	27.3
DT07	555092	156694	Roadside	46.8	42.7	41.3	36.6	26.2
DT08	554991	156726	Roadside	35.2	26.9	28.3	23.7	19.2
DT23	553059	156624	Roadside	40.5	34.3	39.2	33.0	26.6
DT24	544415	153914	Roadside	35.3	30.4	35.8	28.2	23.0
DT25	544770	154000	Roadside	29.8	25.9	26.1	23.5	18.4
DT31	553165	156685	Roadside	57.9	51.2	51.1	43.6	35.0
DT32	553151	156558	Roadside	56.3	47.6	51.9	40.7	32.5
DT33	555068	156711	Roadside	48.1	40.5	40.5	34.6	26.3
DT34	549427	155691	Roadside	31.7	27.5	26.1	23.5	18.3
DT35	554093	156798	Roadside	39.6	32.5	33.7	30.0	24.3
DT36	544594	154025	Kerbside	45.1	39.6	40.1	33.5	28.2
DT42	551318	156373	Roadside	39.3	35.5	34.5	27.4	23.6
DT43	551281	156860	Roadside	34.1	29.5	28.5	26.5	19.3
DT54	551216	157007	Roadside	36.0	33.8	32.7	28.8	24.8
DT71	548239	155353	Roadside	33.5	30.0	31.3	25.6	22.5
DT74	550768	155584	Roadside	37.1	35.4	35.9	30.7	22.2
DT76	551026	155710	Roadside	40.0	33.9	37.9	33.3	27.4

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DT77	551529	155967	Roadside	40.0	38.8	38.7	31.6	25.0
DT84	546802	155000	Roadside	35.4	31.2	32.5	26.5	23.0
DT85	547097	155099	Roadside	51.1	43.9	43.7	35.7	31.5
DT86	550308	155593	Roadside	40.8	36.0	34.7	30.7	21.1
DT87	551640	156335	Roadside	51.7	45.7	47.0	42.3	35.7
DT88	552963	156583	Roadside	32.9	28.7	30.3	28.1	20.7
Note: Exceedances of the NO ₂ annual mean AQS objective are in bold								

Discrete modelled receptors within this AQMA have predicted 5 areas of exceedances within this AQMA. These are:

- Westerham, along the A25 between the junction to the B2024 and Mill Lane, and where London Road joins the A25;
- Brasted along the High Street, in particular near to junctions to Church Road and Chart Lane, as well as an additional predicted exceedance near the junction to Rectory Lane;
- The junctions of the A25 and A224 in Riverhead, with the majority of exceedances predicted along the eastern stretch of the A25;
- The junction between the A225 and A25 in Bat & Ball, in particular the southern and eastern stretches where there have been monitored exceedances; and
- The eastern section of the A25 leaving Seal.

2.4 AQMA No.14 Junction of Birchwood and London Roads, Swanley

AQMA No.14 was designated in 2014 for exceedances of the annual mean NO₂ objective. The current boundary covers the junction of Birchwood Road and London Road in Swanley, as shown in Figure 2.4.

There are 3 existing monitoring locations within or near to the boundary of AQMA No.14. The annual mean NO₂ concentrations monitored at these sites over the past 5 years are presented in Table 2.4.

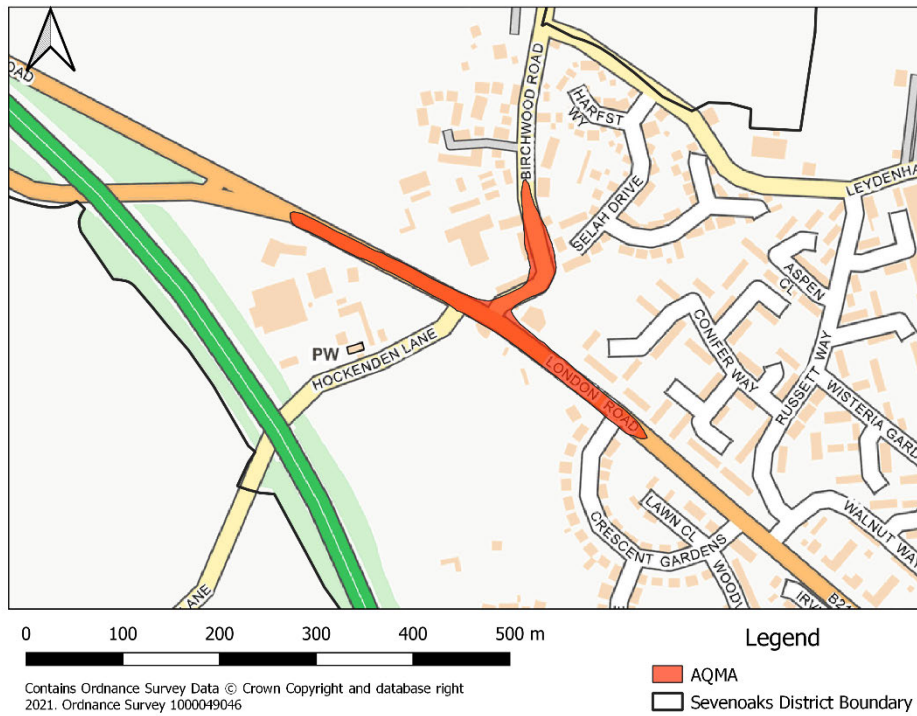
- Exceedances have been reported at DT83 within the past 5 years. This is not located at a site of relevant exposure.
- Concentrations have been decreasing since 2016.
- Following distance correction at DT83, the predicted annual mean NO₂ concentrations continue to be exceeding in 2016, 2017 and 2018.

Table 2.4 – AQMA No.14 Annual Mean NO₂ Concentrations

Site ID	X OS Grid Ref.	Y OS Grid Ref.	Site Type	Annual mean NO ₂ concentration (µg/m ³)				
				2016	2017	2018	2019	2020
DT83	550297	169682	Roadside	60.5	49.8	46.7	42.4	33.3
DT94	550258	169575	Roadside	36.9	32.2	33.8	28.6	22.8
DT95	550351	169499	Roadside	38.0	33.6	33.0	30.2	25.0
Note: Exceedances of the NO ₂ annual mean AQS objective are in bold								

This AQMA was not included within the detailed modelling assessment due to a lack of available traffic data.

Figure 2.4 – AQMA No.14 Junction of Birchwood and London Roads, Swanley



3 Sevenoaks District Council's Air Quality Context and Priorities

This chapter presents the main drivers and the approach taken by Sevenoaks District Council for the development and subsequent selection of measures that have been included within this AQAP. Included within this section of the AQAP are descriptions of the existing strategies and policies that relate to air quality within the district.

A source apportionment study has been completed across the district, focusing on the seven AQMAs whereby a detailed assessment was completed (AQMAs 1, 2, 3, 4, 6, 10 and 13). The source apportionment study has allowed the most significant sources of oxides of Nitrogen (NO_x) vehicle contributors to be identified. NO_x are predominantly emitted into the atmosphere in the form of nitric oxide (NO) which is then converted to nitrogen dioxide (NO₂) through chemical processes in the atmosphere. Under most atmospheric conditions, the dominant pathway for NO₂ formation is via the reaction of NO with ozone (O₃).

In conjunction, with the strategies and policies that are currently in place, the conclusions of this apportionment exercise have been used to identify and prioritise the action measures presented within Section 5.

3.1 Public Health Context

There is increasing scientific evidence that poor ambient air quality has a significant negative impact on health. Research shows that the most common air pollutants of concern, NO₂, PM₁₀ and PM_{2.5} (particulate matter in the fractions of less than 10 microns and 2.5 microns in diameter), are linked to various health complications, impacting the cardiovascular and respiratory systems. Exposure to these pollutants can bring about symptoms such as nose and throat irritation, followed by bronchoconstriction and dyspnoea, alongside increasing reactivity to natural allergens, increasing the risk of respiratory infections through the pollutants interaction with the immune system⁵, and may lead to reduced lung function. Alongside this, there is increasing interest and pressure from members of public for Local Authorities to actively tackle and reduce air pollution in their areas. Previously, there had been no deaths officially linked to air pollution, however in 2020 the first person in the UK had 'air pollution' listed as a cause of death. Although currently

⁵ Marilena Kampa and Elias Castanas, Human Health Effects of Air Pollution, June 2007

there are no legislative outcomes as a result of this, this further increases the pressure and duty of care that Local Authorities have in order to protect their residents. Poor air quality is considered to be a significant contributory factor to the loss of life, shortening lives by an average of 5 months. In 2010, the Department of Health's Committee on the Medical Effects of Air Pollutants (COMEAP) reported that long-term exposure to outdoor air pollution contributes to the equivalent of 29,000 deaths in 2008 in the UK, and an associated loss to the population of 340,000 life-years. A further report by the Royal College of Physicians reported in 2016 that it contributed to the equivalent of 40,000 deaths in 2015.

Local authorities have a range of powers which can effectively help to improve air quality. However, the involvement of public health officials is crucial in playing a role to assess the public health impacts and providing advice and guidance on taking appropriate action to reduce exposure and improve the health of everyone within Sevenoaks District Council.

The Air Quality Indicator in the Public Health Outcomes Framework (England) provides further impetus to join up action between the various local authority departments which impact on the delivery of air quality improvements. The "Air Quality – A Briefing for Directions of Public Health" document published in March 2017 provides a one-stop guide to the latest evidence on air pollution, guiding local authorities to use existing tools to appraise the scale of the air pollution issue in its area. It also advises local authorities how to appropriately prioritise air quality alongside other public health priorities to ensure it is on the local agenda.

The document comprises the following key guides:

- Getting to grips with air pollution – the latest evidence and techniques
- Understanding air pollution in your area
- Engaging local decision-makers about air pollution
- Communicating with the public during air pollution episodes
- Communicating with the public on the long-term impacts of air pollution
- Air Pollution: an emerging public health issue: Briefing for elected members

Besides NO₂, there is an increasing focus on fine particulate matter. PM_{2.5} is a pollutant of concern meaning particulate matter which is 2.5 microns or less in

diameter. The AQMA has not been declared for PM_{2.5} and the modelling as part of the detailed assessment has shown predicted levels below the annual mean objective of 25µg/m³.

The Public Health Outcomes Framework data tool compiled by Public Health England quantifies the mortality burden of PM_{2.5} within England on a county and local authority scale. The 2019 fraction of mortality attributable to PM_{2.5} pollution in Sevenoaks is 5.3%, which is above the national average of 5.1%, and the regional average (South East) 5.2%. It should be noted that this figure only accounts for one pollutant (PM_{2.5}) for which stronger scientific evidence on links with mortality exist, and not NO₂, for which the AQMA is declared, so the true figure is possibly even higher.

Furthermore, following on from a review of research into the death burden associated with the air pollution mixture rather than single pollutants acting independently, the Committee on the Medical Effects of Air Pollutants (COMEAP) are currently reviewing the ability to link deaths to one specific pollutant.

With regards to health impacts as a result of air pollution within Sevenoaks, this is largely associated to concentrations of NO₂ exceeding the annual mean objectives, as well as the hourly-mean objective in some areas. Levels of PM₁₀ are currently shown to comply with the AQS objectives. Evidence continues to show that there is no real safe threshold for PM_{2.5} and the UK government should achieve reductions in levels of PM_{2.5} as low as reasonably practicable below the current air quality standard. Monitoring of PM_{2.5} shows that concentrations reported are considerably well below the recommended AQS objective. It is expected that some of the measures implemented within this action plan for the achievement of reductions in NO₂ will have co-benefits in additionally reducing concentrations of PM₁₀ and PM_{2.5}.

3.2 Planning and Policy Context

This Air Quality Action Plan outlines the Sevenoaks District Council's plan to effectively tackle air quality issues within its control. There are numerous existing and impending policies and strategies adopted at all levels (local, regional and national) that can exert significant effects, both positive and negative, on air quality across Sevenoaks. It is important to identify and consider these plans and strategies at an early stage of the development of the plan, as these will aid the establishment of the

context in which specific options for improving air quality can be implemented.

Whilst certain policies and / or strategies may be outside of the influence of Sevenoaks District Council, there are a number of related policies and strategies at local and regional levels that can be tied directly with the aims of this AQAP. Some of these have a focus on air quality improvements within the district, whilst others relate to transportation issues and therefore have the added benefit of contributing to overall improvements in air quality across Sevenoaks.

The review of these strategies and policies also assists in preventing duplication of work within the AQAP but can instead work in concordance for mutual benefit whilst also focusing on direct measures outside those considered within the already developed strategies and policies. This section outlines the strategies and policies that have the most significant potential to impact on pollutant concentrations within Sevenoaks District. Given their importance, the majority of measures listed below have been included as action measures within this Action Plan.

The most relevant policies and strategic documents are detailed below.

3.2.1 Clean Air Strategy 2019

The Clean Air Strategy⁶ has been published to set out the case for action at a national level, identifying a number of sources of air pollution within the UK including road transportation (relevant in terms of the AQMAs currently present within Sevenoaks) and sets out the actions required to reduce the impact upon air quality from these sources. It has been developed in conjunction with three other UK Government Strategies; the Industrial Strategy, the Clean Growth Strategy, and the 25 Year Environment Plan.

Key actions that are detailed within the strategy aimed at reducing emissions from transportation sources include the following:

- The publication of the Road to Zero strategy, which sets out plans to end the sale of new conventional petrol and diesel cars and vans by 2040;
- New legislation to compel vehicle manufacturers to recall vehicles and non-road mobile machinery for any failures in emission control systems, and to take effective action against tampering with vehicle emissions control systems;

⁶ Department for Environment, Food and Rural Affairs (2019), Clean Air Strategy

- Develop new standards for tyres and brakes to reduce toxic non-exhaust particulate emissions from vehicles. This action would not necessarily target reductions in NO₂ for which the majority of AQMAs within Sevenoaks has been declared;
- The encouragement of the cleanest modes of transport for freight and passengers; and
- Permitting approaches for the reduction of emissions from non-road mobile machinery, especially in urban areas.

3.2.2 UK Plan for Tackling Roadside Nitrogen Dioxide Concentrations

Published in July 2017, the UK Plan for Tackling Roadside Nitrogen Dioxide Concentrations (Detailed Plan)⁷ is the UK governments plan for bringing concentrations of NO₂ within statutory limits within the shortest possible time. It is identified that the most immediate air quality challenge within the UK is tackling the issue of NO₂ concentrations close to roads, especially within towns and cities. The plan identifies a number of local authorities that were required to complete feasibility studies to define NO₂ concentrations on road links identified by the national Pollutant Climate Mapping (PCM) model as being in exceedance of the NO₂ annual mean AQS objective.

Sevenoaks District Council were not one of the authorities identified, regardless, the UK Plan provides a high level of detail on possible solutions, and their implementation, to reduce NO_x emissions from vehicles, and therefore lower NO₂ concentrations. The actions detailed within the UK Plan include the following:

- Implementation of Clean Air Zones (CAZs);
- New real world driving emissions requirements for light passenger and commercial vehicles;
- Additional funding to accelerate the uptake of low emissions buses and also for the retrofitting of older buses;
- Additional funding to accelerate the uptake of hydrogen vehicles and associated infrastructure;

⁷ Department for Environment, Food and Rural Affairs, Department for Transport (2017), UK Plan for Tackling Roadside Nitrogen Dioxide Concentrations (Detailed Plan)

Sevenoaks District Council

- New mandatory emissions standards for non-road mobile machinery; and
- Local cycling and walking investment plans.

3.2.3 Sevenoaks District Council Plan

The SDC Council Plan⁸ was adopted in April 2019 and focuses on 5 themes, two of which are the Environment and Health. There is a strong focus on “protecting the very special environment of the district” whilst also delivering “first class health prevention”. Through reducing air pollution and improving air quality within the district, this will help preserve the high quality environment that exists within Sevenoaks. This in turn is strongly linked to improving the overall health of the residents, by helping promote a more active lifestyle but also reducing the burden on the existing health service and infrastructure. Another one of the 5 themes is the Economy. By improving the environmental conditions and overall quality of life in the district, it will become a more attractive place for both new residents and businesses and aid in strengthening the District’s economy.

3.2.4 Sevenoaks District Council Local Plan

Sevenoaks District Council’s Core Strategy⁹ (adopted in February 2011) and the Allocations and Development Management Plan (ADMP) form the adopted Local Plan for Sevenoaks District, however, this is currently being updated. The Core Strategy sets out the long-term vision and objectives of the district together with strategic policies for shaping new development up until 2026. Specific development management policies and site specific allocations are set out in the ADMP. Strategic objectives are set out for both the urban population centres within the district, which includes the towns of Sevenoaks, Swanley, Edenbridge and Westerham, but also in rural areas and across the district as a whole. There is a significant focus on maintaining and enhancing the quality of environment across the district in a sustainable manner, reducing the need to travel, encouraging sustainable transport modes and to mitigate and adapt to climate change.

In direct relation to air quality, the Core Strategy states that:

⁸ [The Council Plan](#)

⁹ [Core Strategy](#)

“Poor air quality is an issue in certain parts of the District alongside main roads. Eleven Air Quality Management Areas have been declared and the Council has an Air Quality Action Plan (2009) that includes measures to improve air quality.

Road traffic is the main contributor to poor air quality and the level of traffic, particularly through traffic is largely outside the control of the District. Policies in the LDF will have some impact on traffic levels though they can only be part of the solution. Locating new development where it is accessible to services and facilities will have a beneficial impact in reducing the need to travel, while applying policies to retain services and facilities that meet a local need together with promoting alternatives to car travel should also reduce the need to travel by car to reach essential services.

Future development should avoid adverse impact on air quality, particularly in Air Quality Management Areas where there is a need to improve air quality. In areas of poor air quality careful design of new development will be needed to ensure an acceptable environment for future occupiers.”

In addition, Policy SP 2 is relevant to air quality and transport:

Transport

The Council will support and promote measures to reduce reliance on travel by car both in providing for new development and in supporting measures promoted through the Transport Strategy. Specifically it will:

- 1. Support improvements to enhance the safety and convenience of public and community transport.*
- 2. Seek improved facilities for cyclists and pedestrians*
- 3. Require the inclusion of Travel Plans and other appropriate measures in new developments that generate significant traffic volumes*

Air Quality

The design and location of new development will take account of the need to improve air quality in accordance with the District’s Air Quality Action Plan. Development in areas of poor air quality or development that may have an adverse impact on air quality will be required to incorporate mitigation measures to reduce impact to an acceptable level. New development in areas of poor air quality will be required to

incorporate measures in the design and orientation that demonstrate an acceptable environment will be created for future occupiers. Permission will be refused where unacceptable impacts cannot be overcome by mitigation.

3.2.1 Sevenoaks District Strategy for Transport

The Sevenoaks District Strategy for Transport 2010 – 2016¹⁰ was adopted in July 2010 and prepared in parallel with the Core Strategy. The strategy identifies four priority objectives:

- Improving accessibility;
- Tackling congestion;
- Providing safer roads; and
- Improving air quality

It recognises that air pollution is a key challenge with a significant impact on local communities. There are a range of initiatives that link into the air quality action plan, such as developing a traffic management control system to reduce congestion, designating lorry routes and developing a freight quality partnership, and promoting alternative forms of transport. The priority objectives and initiatives have been used to identify priorities in different parts of the district. In direct relation to air quality, these are as follows:

Sevenoaks Urban Area

- Improve public transport interchange facilities, in particular at the main bus and train stations in Sevenoaks District;
- Bring forward measures to alleviate congestion and tackle air quality issues at Riverhead, Bat and Ball and Sevenoaks Town Centre; and
- Improve facilities for walking and cycling.

Swanley

¹⁰ [Strategy for Transport](#)

- Improve accessibility to Swanley Station by walking and cycling;
- Ensure that development in Swanley does not have a significant negative impact on traffic on the Strategic Road Network;
- Improve bus interchange facilities in Swanley;
- Improve facilities for walking and cycling; and
- Bring forward measures to alleviate congestion and tackle air quality issues near Swanley town centre.

Edenbridge

- Increasing the number of destinations that can be accessed via train services from Edenbridge, including services to Gatwick Airport / improved services to Redhill; and
- Improve facilities for walking and cycling.

Villages and Rural Areas

- Maintain and improve accessibility to jobs, shops and services by non-car means, including walking, cycling, public transport and community transport; and
- Bring forward measures to alleviate congestion and tackle air quality issues, including those along the A25 corridor, at Seal and Westerham, and on the Strategic Road Network.

Sevenoaks District Transport Assessment

A transport study¹¹ for Sevenoaks District was conducted in December 2018 as part of the evidence base for the emerging Local Plan. This identifies existing transport issues and opportunities from the delivery of the emerging Local Plan in addition to mitigation measures.

¹¹ [Sevenoaks District Transport Assessment](#)

Sevenoaks District Council

In relation to air quality, the study identifies Sevenoaks District being situated within a network of strategic roads including the M25, M20, A21 and A25. Traffic on the motorway and strategic road network, particularly during peak hours, causes congestion and air quality problems exacerbating this on local roads and in town centres. The study's analysis has indicated that where new development is proposed, it will need to be focused in sustainable locations that enable trips to be made by foot, cycle and public transport. To mitigate further exacerbating the district's congestion and air quality issues, the study identifies active travel as an emerging transport mitigation measure. It is considered that encouraging active travel is not only a way to promote healthy living but can also be an important intermediary function of the public transport network. The following infrastructure measures are suggested to encourage active travel:

- Ensure all existing pedestrian crossing facilities and bus stops comply with current DDA requirements.
- Enhance pedestrian footways and crossings throughout the District to provide a connected, permeable and safe pedestrian environment that will help encourage modal shift away from the car.
- Ensure that the current and future cycle route network conforms with currently applicable Cycle Design Standards upgrading where necessary.
- Enhance connectivity through the provision of new cycle routes
- Ensure safer cycling is developed across all wards using a systematic approach to ensure consistency in standard of provision.
- Support the implementation of quietways throughout the District to reduce any network gaps.
- Ensure sufficient off-road cycle parking is provided at key destinations
- Use the planning process to ensure sufficient active travel infrastructure is provided through developer funding.

3.2.2 Sevenoaks District Cycling Strategy

The Sevenoaks District Cycling Strategy¹² was developed in partnership with Kent County Council and adopted in 2012. This aims to enable the residents of the district to cycle more safely and to encourage a shift towards more sustainable transport choices. A number of priority areas for action have been identified to achieve this:

1. **Creating New Routes and Linkages** – seeking opportunities to develop new routes and linkages which 1) connect population centres to key services such as local schools, employment areas and transport interchanges in the main urban areas of Sevenoaks, Swanley and Edenbridge; and 2) promote leisure cycling through the identification of attractive longer leisure routes which connect to the main urban centres
2. **Safer Cycling** – ensuring infrastructure is well designed, prioritising routes on quiet residential streets away from busy main roads and junctions and providing road safety education
3. **Improvements to Cycle Parking** – identifying locations for additional cycle parking facilities and positioning them to maximise security
4. **Promotion and Encouragement** – raising awareness of cycling and its benefits amongst the community
5. **Maintenance** – ensuring existing and any future facilities are well maintained

3.2.3 Net Zero 2030

The Council have committed to working towards achieving Net Zero emissions by 2030 on Council assets and services.

It has also been agreed that the Council will be a “community leader” and encourage low carbon measures across the District through education, best practice, incentives, policy and opportunities. This includes working collaboratively with Kent County Council, Parish and Town Councils, Local Interest Group and the Local Government Association.

¹² [Cycling Strategy](#)

Reducing carbon emissions goes hand in hand with improving air quality. Transport remains the largest carbon emitting sector in the UK and accounts for 63% of total carbon emissions in Sevenoaks District. By reducing vehicle emissions, we will improve air quality and also reduce carbon emissions from transport.

3.2.4 Low Emission and Electric Vehicle Strategy

The Low Emission and Electric Vehicle Strategy for Sevenoaks District Council¹³ was adopted in September 2021. This intends to assist the Council in achieving net zero carbon emissions by 2030, which also has benefits to improving air quality. The focus of this strategy is on promoting low carbon travel, improving the electric vehicle charging network across the district, and continuing the transition to a zero-carbon emissions vehicle fleet. This strategy identifies that ownership of electric vehicles has rapidly increased over the past decade and has the highest level of electric vehicle ownership in Kent.

3.3 Source Apportionment

The AQAP measures presented in this report are intended to be targeted towards the predominant sources of emissions within the district. Vehicular activity has been identified as the principal source of emissions, therefore the relative contributions from different vehicle types (cars, HGVs, LGVs, Buses) have been determined to identify whether a particular vehicle type represents the most significant source of pollution within each AQMA.

A source apportionment exercise was carried out using ADMS-Roads air dispersion modelling to assess the overall emission profiles of the vehicles present within each AQMA. It should be noted that emission sources of NO₂ are dominated by a combination of direct NO₂ (f-NO₂) and oxides of nitrogen (NO_x), the latter of which is chemically unstable and rapidly oxidised upon release to form NO₂. Reducing levels of NO_x emissions therefore reduces levels of NO₂. As a consequence, the source apportionment study has considered the emissions of NO_x which are assumed to be representative of the main sources of NO₂.

¹³ [Low Emission and Electric Vehicle Strategy](#)

The following sections describe the source apportionment results in each of the AQMAs. A breakdown of NO_x is given according to vehicle class within the AQMAs and based on the following criteria:

- Contributions based on average NO_x levels across all monitored locations;
- Contributions based on NO_x levels across all modelled locations where NO₂ concentrations exceed 40µg/m³ (where applicable); and
- Contributions based on NO_x levels at the highest NO₂ concentration receptor in the AQMA.

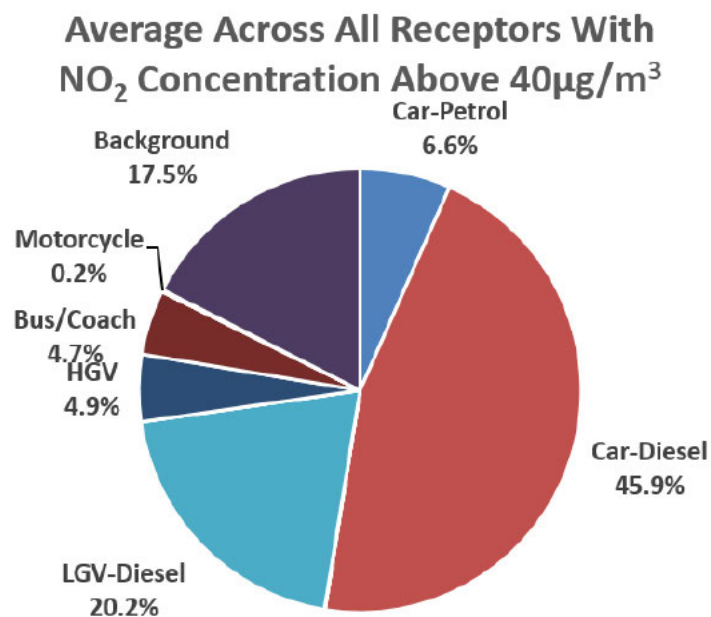
3.3.1 AQMA No.10 Sevenoaks High Street

Table 3.1 provides a breakdown in NO_x emissions according to vehicle class within AQMA No.10, and Figure 3.1 displays the average NO_x emissions at across all modelled receptors within AQMA No.10 where the modelled annual mean NO₂ concentration was greater than 40µg/m³. At modelled locations where the annual mean NO₂ concentration exceeds 40µg/m³, the average NO_x emissions are predominantly associated with diesel cars whereby they contribute 55.7% of the total road NO_x concentration. This is followed by diesel LGVs at 24.4%, and petrol cars at 8.0% closely followed by HGVs (5.9%) and Buses/Coaches (5.7%). This is consistent with both the average across all modelled receptors and the worst-case receptor, located along the A225 High Street in between Dorset Street and Locks Yard. This indicates that measures to reduce emissions from diesel cars and LGVs are considered to be most important as they have the most significant influence on emissions within this AQMA.

Table 3.1 – NO_x Source Apportionment Results: AQMA No.10

Results	All Vehicles	Car			LGV			HGV	Bus and Coach	Motorcycle	Background
		Petrol	Diesel	EV/LPG	Petrol	Diesel	EV/LPG				
Average across all modelled receptors											
NO _x Concentration (µg/m ³)	54.6	4.4	30.3	0.0	0.0	13.4	0.0	3.2	3.1	0.1	16.7
Percentage of Total NO _x	76.6%	6.1%	42.5%	0.0%	0.0%	18.9%	0.0%	4.6%	4.3%	0.1%	23.4%
Percentage Contribution to Road NO _x	100.0%	8.0%	55.5%	0.0%	0.1%	24.6%	0.0%	5.9%	5.7%	0.2%	-
Average Across All Receptors With NO₂ Concentration exceeding the AQS Annual Mean Objective											
NO _x Concentration (µg/m ³)	78.6	6.3	43.8	0.0	0.0	19.2	0.0	4.6	4.5	0.1	16.7
Percentage of Total NO _x	82.5%	6.6%	45.9%	0.0%	0.0%	20.2%	0.0%	4.9%	4.7%	0.2%	17.5%
Percentage Contribution to Road NO _x	100.0%	8.0%	55.7%	0.0%	0.1%	24.4%	0.0%	5.9%	5.7%	0.2%	-
At the Receptor With the Maximum Road NO_x Concentration (ID 32)											
NO _x Concentration (µg/m ³)	121.9	10.2	71.1	0.0	0.1	26.6	0.0	5.9	7.8	0.2	16.7
Percentage of Total NO _x	88.0%	7.3%	51.3%	0.0%	0.0%	19.2%	0.0%	4.2%	5.7%	0.2%	12.0%
Percentage Contribution to Road NO _x	100.0%	8.3%	58.4%	0.0%	0.0%	21.8%	0.0%	4.8%	6.4%	0.2%	-

Figure 3.1 – Average NO_x Contribution by Vehicle Class, where Modelled Annual NO₂ Concentrations are >40µg/m³ within AQMA No.10



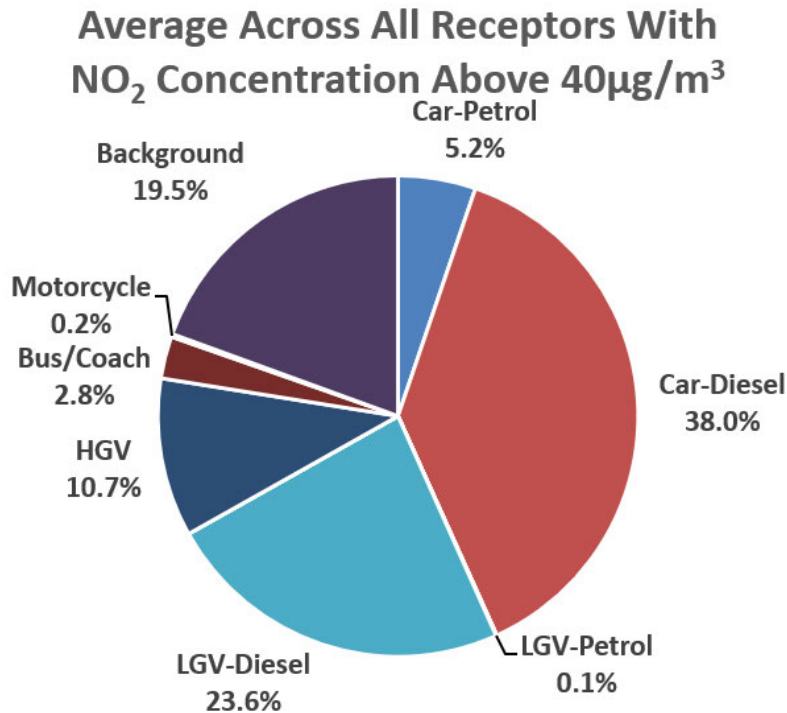
3.3.2 AQMA No.13 A25

Table 3.2 provides a breakdown in NO_x emissions according to vehicle class within AQMA No.13 and Figure 3.2 displays the average NO_x emissions at across all modelled receptors within AQMA No.13 where the modelled annual mean NO₂ concentration was greater than 40µg/m³. The majority of NO_x emissions at locations where annual average NO₂ concentrations were exceeding the AQS objective, and the worst-case location (along London Road off of the A25 in Westerham) results from vehicles (80.5% and 87.6% of the total, respectively). At the locations where the AQS objective was exceeded, the majority of the road emissions come from diesel cars (47.2%), followed by diesel LGVs (29.2%). Additionally, HGVs also have a significant proportion, being 13.2%. This indicates that measures to reduce emissions in this AQMA should largely be focused on diesel cars and LGVs, however some consideration should also be taken to reducing emissions from HGVs as well.

Table 3.2 – NO_x Source Apportionment Results: AQMA No.13

Results	All Vehicles	Car			LGV			HGV	Bus and Coach	Motorcycle	Background
		Petrol	Diesel	EV/LPG	Petrol	Diesel	EV/LPG				
Average across all modelled receptors											
NO _x Concentration (µg/m ³)	42.3	2.7	19.8	0.0	0.0	13.0	0.0	5.3	1.4	0.1	18.5
Percentage of Total NO _x	69.6%	4.4%	32.6%	0.0%	0.0%	21.4%	0.0%	8.8%	2.3%	0.2%	30.4%
Percentage Contribution to Road NO _x	100.0%	6.3%	46.8%	0.0%	0.1%	30.7%	0.0%	12.6%	3.3%	0.2%	-
Average Across All Receptors With NO₂ Concentration exceeding the AQS Annual Mean Objective											
NO _x Concentration (µg/m ³)	76.2	4.9	36.0	0.0	0.0	22.3	0.0	10.1	2.7	0.2	18.4
Percentage of Total NO _x	80.5%	5.2%	38.0%	0.0%	0.1%	23.6%	0.0%	10.7%	2.8%	0.2%	19.5%
Percentage Contribution to Road NO _x	100.0%	6.5%	47.2%	0.0%	0.1%	29.2%	0.0%	13.2%	3.5%	0.2%	-
At the Receptor With the Maximum Road NO_x Concentration (ID 268)											
NO _x Concentration (µg/m ³)	111.1	7.8	55.9	0.0	0.1	32.1	0.0	13.2	1.8	0.2	15.7
Percentage of Total NO _x	87.6%	6.2%	44.0%	0.0%	0.1%	25.3%	0.0%	10.4%	1.4%	0.2%	12.4%
Percentage Contribution to Road NO _x	100.0%	7.0%	50.3%	0.0%	0.1%	28.9%	0.0%	11.9%	1.6%	0.2%	-

Figure 3.2 – Average NO_x Contribution by Vehicle Class, where Modelled Annual NO₂ Concentrations are >40µg/m³ within AQMA No.13



3.4 Required Reduction in Emissions

In line with the methodology presented in Box 7.6 of LAQM.TG(16), calculations have been carried out to determine the necessary reduction in road NO_x required to bring AQMA No.10 and No.13 to compliance. These focus largely on the reductions required at the worst-case scenarios, however the reductions at all exceeding locations within the AQMAs have been considered. It is important to understand that although reducing NO_x emissions from vehicles will in turn reduce NO₂ concentrations, there is a non-linear relationship between NO_x and NO₂ concentrations and therefore a greater relative reduction in NO_x may be required.

3.4.1 AQMA No.10 Sevenoaks High Street

The worst-case receptor within AQMA No.10 is located along the High Street between Dorset Street and Locks Yard. The reduction in NO_x required to achieve compliance with the annual mean NO₂ objective of 40µg/m³ at this location is **59.0%**. Across all modelled receptors where an annual average NO₂ concentration of 40µg/m³ or greater was reported, a reduction of **25.0%** NO_x is required, which would lead to general improvements overall throughout the AQMA but it will not achieve compliance at the worst-case location. This therefore suggests that a target NO_x

reduction of between 25% and 59% will have improvements on NO₂ concentrations throughout this AQMA.

3.4.2 AQMA No.13 A25

The worst-case receptor within AQMA No.13 is located along London Road, just off of the A25 in Westerham. The reduction in NO_x required to achieve compliance with the annual mean NO₂ objective at this location is **49.2%**. Across all modelled receptors where the annual average NO₂ objective was exceeded, a reduction of **25.8%** in NO_x emissions is required, however similarly as noted in Section 3.4.1, this will not achieve compliance at the worst-case location. A target NO_x reduction of between 26% and 49% is therefore required to have improvements on NO₂ concentrations throughout this AQMA.

3.5 Key Priorities

- **Priority 1 – Public Health and Wellbeing** (Behaviour change/modal shift, Health Promotion)
 - Air pollution has a significant impact on public health and is therefore a major reason why the Council wishes to improve air quality. This will largely be driven by a change in attitude and travel behaviours, and as a Council, we have strong role in encouraging and facilitating this change.
 - We will seek to show the health impacts associated with poor air quality and provide information and guidance to our residents as to how they can help to bring about improvements. This will include changing travel patterns and providing information about lower emission alternatives for domestic heating.
 - We will seek to promote the health benefits associated with ‘greener travel’ and will develop policies to remove perceived barriers.
- **Priority 2 - Transport** (Licensing, Parking, Public Transport, Procurement)
 - Road traffic and transport is the major contributor for emissions within the district. The Council therefore wishes to control these via measures contained within this AQAP as a priority.

Sevenoaks District Council

- The Council is able to influence this via areas of direct control, such as taxi licensing, the composition of its own fleet, encouraging the use of, and facilitating electric charging points to encourage electric vehicle uptake.
- The Council will work with its wider strategic partners, such as Kent County Council, on matters of traffic management and public transport that extend beyond the SDC's direct control. This will help mitigate existing areas of traffic and transport issues, whilst also allowing us to seek opportunities for alternatives and improvements.
- We will lead by example by looking to improve our own vehicle fleet and operations in order to reduce harmful emissions whilst increasing efficiency.
- We will look to reduce the need to travel by supporting sustainable development and initiative that help support the local economy, services and facilities. Additionally, where travelling is required, we will encourage the uptake of alternatives to private and single occupancy vehicles. There will be a focus on active travel, but also supporting sustainable multi-occupancy modes of travel and encouraging the uptake of electric vehicles.
- **Priority 3 - Planning and Infrastructure**
 - As the local planning authority our objectives are:
 - To strengthen and broaden the local economy;
 - To provide sufficient housing to meet local housing need and support economic growth;
 - To protect the built and natural environment; and
 - To develop sustainable communities, and seek to ensure adapt community facilities are provided
 - We believe that applicants should be aware of the air quality impact of their development and that they consider appropriate mitigation as part of the design process.

- We will ensure that new developments do not exasperate any areas of existing poor air quality and provide appropriate mitigation measures where this is unavoidable.
- **Priority 4 - Policy Guidance**
 - A number of relevant and related policy documents are already in place within the Council. It is therefore considered a priority to utilise these and introduce measures that share benefits with other policies and strategies as key mechanisms to reduce emissions from road transport. For example, the Council's Cycling Strategy and Low Emission and Electric Vehicle Strategy identifies that uptake of electric vehicles within Sevenoaks' has increased rapidly over the past decade, already focuses on continuing to encourage this shift to low emission vehicles alongside encouraging the update of alternative modes of transport.

4 Development and Implementation of Sevenoaks District Council AQAP

4.1 Consultation and Stakeholder Engagement

In developing this AQAP, we have worked with other local authorities, agencies, businesses and the local community to improve local air quality. Schedule 11 of the Environment Act 1995 requires local authorities to consult the bodies listed in Table 4.1.

The response to our consultation stakeholder engagement is given in Appendix A.

Table 4.1 – Consultation Undertaken

Yes/No	Consultee
Yes	the Secretary of State
Yes	the Environment Agency
Yes	the highways authority
Yes	all neighbouring local authorities
No	other public authorities as appropriate, such as Public Health officials
Yes	bodies representing local business interests and other organisations as appropriate

In addition we have consulted the following bodies:

- All Sevenoaks District Council Departments
- Kent County Council
- Kent Health Protection Team
- Local Clinical Commissioning Groups
- Local Chambers of Commerce
- Federation of Small Businesses
- Logistics UK
- Friends of the Earth

- Green Peace
- Natural England
- Places for People
- Greater London Authority
- Surrey County Council
- East Sussex County Council
- West Kent Housing Association

The public consultation completed on the draft AQAP was undertaken in Spring 2022.

4.2 Consultation Outcomes

The results of the consultation were...

4.3 Steering Group

A steering group was established at the start of the update process to drive forward the development of the new AQAP. The core aim of the steering group was to identify measures for inclusion within the AQAP that would be effective both in terms of reducing NO₂ concentrations and also feasible in terms of implementation and delivery.

Sevenoaks District Council set up a steering group in Summer 2021, chaired by the Environmental Health Manager. Membership of the group includes representatives from: Environmental Health, Development Control, Planning Policy, Net Zero Working Group, Parking Services, Direct Services, Economic Development, Communications Team and the Transformation and Strategy Team. This group meets quarterly alongside the Net Zero Working Group and is chaired by the Deputy Chief Executive and Chief Officer for Planning and Regulatory Services. The group reports progress via the Cleaner and Greener Advisory Committee.

5 Indicative AQAP Measures

Table 5.1 shows the Sevenoaks District Council indicative AQAP measures to be considered. It contains:

- a list of the actions that form part of the plan
- the responsible individual and departments/organisations who will deliver this action
- estimated cost of implementing each action (overall cost and cost to the local authority)
- expected benefit in terms of pollutant emission and/or concentration reduction
- the timescale for implementation
- how progress will be monitored

NB: Please see future ASRs for regular annual updates on implementation of these measures

Table 5.1 – Air Quality Action Plan Measures

Measure No.	Measure	Category	Classification	Lead Authority	Planning Phase	Implementation Phase	Key Performance Indicator	Target Pollution Reduction in the AQMA	Progress to Date	Estimated Completion Date	Initial Thoughts/Comments
1	Local Plan policy and guidance	Policy Guidance and Development Control	Air Quality Planning and Policy Guidance	SDC / KCC	2021	Local Plan progress – Local Development Scheme	Implementation of policy	NO ₂ Whilst guidance already exists, it is important to keep these up-to-date as policies and strategies evolve.	Draft policies and allocations	Local Plan timetable: Adoption 2024 Local Plan dated to 2040	Guidance is already provided to developers on a case by case basis. The emerging Local Plan will include a policy on Air Quality. Air Quality will be considered in the site selection for allocations.
2	Junction improvements at Bat & Ball and the A224/A25 in Riverhead	Traffic Management	UTC, Congestion management, traffic reduction	SDC	2021	Local Plan	Reduction in NO ₂ concentrations	NO ₂ To be confirmed if considered for further assessment.	Draft policies and allocations Transport evidence base	Local Plan timetable: Adoption 2024	Bat & Ball junction is currently under review by KCC.. Difficulties in improving A224/A25 junction in Riverhead, however, could benefit from further assessment. The Local Plan will consider the impact of development on these junctions and potential improvements.
3	Road improvements along the A225 in Sevenoaks High Street, A25 in Seal, and the A25 in Brasted	Traffic Management	UTC, Congestion management, traffic reduction	SDC	2021		Reduction in NO ₂ concentrations	NO ₂ To be confirmed if considered for further assessment.	SDC working with KCC	Ongoing	Sevenoaks Town centre was previously considered to be made one way however was later discounted. Councillors raised concerns about traffic entering and exiting Knoke Park

Page 63

Agenda Item 6a

Measure No.	Measure	Category	Classification	Lead Authority	Planning Phase	Implementation Phase	Key Performance Indicator	Target Pollution Reduction in the AQMA	Progress to Date	Estimated Completion Date	Initial Thoughts/Comments
4	Bike rental schemes	Transport Planning and Infrastructure	Public cycle hire scheme	SDC	2021		Number of bikes available and rentals	NO ₂ Small impact upon NO ₂ concentrations from measure individually, estimated to be less than 1µg/m ³ based upon a low to medium uptake.	Feasibility work	Linked to Net Zero 2030	Currently being considered for feasibility
5	Promotion of active travel schemes	Promoting Travel Alternatives	Promotion of cycling	SDC	2021		Number of promotion events	NO ₂ Measure is more an awareness raising tool to encourage uptake and use of existing schemes	Movement Strategy to be adopted Spring 2022 Recruitment of an Air Quality Promotions Officer	Part of the Net Zero 2030 work	Consider promoting to a wider audience as part of the Movement Strategy and the Net Zero 2030 work
6	Development of new walking and cycle routes	Transport Planning and Infrastructure	Cycle network	SDC / KCC	2021		Completion of cycle routes	NO ₂ Small impact upon NO ₂ concentrations from measure individually, estimated to be less than 1µg/m ³ based upon a low to medium uptake.	Procurement stages	LCWIP for SUA 2022/23	The first Local Cycling and Walking Infrastructure Plan for Sevenoaks Urban Area in early stages. Expected to be completed during 2022 LCWIPs will be prepared for other parts of the District.
7	District wide promotion of active travel	Promoting Travel Alternatives	Intensive active travel campaign & infrastructure	SDC	2021		Number of promotion events	NO ₂ Measure to increase public awareness	Movement Strategy to be adopted Spring 2022 Recruitment of an Air Quality Promotions Officer	Part of the Net Zero 2030 work	Part of the Movement Strategy and the Net Zero 2030 work

Measure No.	Measure	Category	Classification	Lead Authority	Planning Phase	Implementation Phase	Key Performance Indicator	Target Pollution Reduction in the AQMA	Progress to Date	Estimated Completion Date	Initial Thoughts/Comments
8	Behavioural change campaigns to reduce single use occupancy car journeys	Public Information	Other	SDC	2021		Number of campaigns	NO ₂ Measure to increase public awareness	Recruitment of an Air Quality Promotions Officer	Part of the Net Zero 2030 work	Would need to consider how best to reach audiences
9	Reducing vehicle idling	Traffic Management	Anti-idling enforcement	SDC	2021		Reduction in NO ₂ concentrations	NO ₂ Measure largely to increase public awareness, but will help reduce pollutant levels in key hotspot areas	Recruitment of an Air Quality Promotions Officer	Part of the Net Zero 2030 work	Could be cost effective, especially if focused around primary schools
10	Educational campaigns for schools	Public Information	Other	KCC	2021		Number of campaigns	NO ₂ Measure to increase public awareness	Recruitment of an Air Quality Promotions Officer		DEFRA grant has been received in Kent for the production of educational resources.
11	Collaboration with bus operators to introduce ultra-low emission vehicles into the fleets	Vehicle Fleet Efficiency	Promoting Low Emission Public Transport	KCC	2021		Fleet composition	NO ₂ To be confirmed if considered for further assessment. NO _x emission reduction will be able to be calculated annually depending on the change in fleet composition	Initial discussions with KCC following the national bus strategy		Working with KCC to consider how we can work together to bring forward low emission schemes
12	Transitioning the Council's fleet to low emission vehicles	Promoting Low Emission Transport	Company Vehicle Procurement - Prioritising uptake of low emission vehicles	SDC / KCC	2021		Fleet composition	NO ₂ To be confirmed if considered for further assessment. NO _x emission reduction will be able to be calculated annually depending on the change in fleet composition	Part of the recently published Low Emission and Electric Vehicle Strategy	Part of the Net Zero 2030 work	Part of the recently published Low Emission and Electric Vehicle Strategy Vehicle Replacement Plan to be considered by Members in 2022

Measure No.	Measure	Category	Classification	Lead Authority	Planning Phase	Implementation Phase	Key Performance Indicator	Target Pollution Reduction in the AQMA	Progress to Date	Estimated Completion Date	Initial Thoughts/Comments
13	Improving and developing the EV infrastructure within the district	Promoting Low Emission Transport	Procuring alternative Refuelling infrastructure to promote Low Emission Vehicles, EV recharging, Gas fuel recharging	SDC / KCC	2021		Number of EV charging points	NO ₂ Small impact upon NO ₂ concentrations from measure individually, estimated to be less than 1µg/m ³ based upon a low to medium uptake.	Part of the recently published Low Emission and Electric Vehicle Strategy	Part of the Net Zero 2030 work	Part of the recently published Low Emission and Electric Vehicle Strategy EV Technical Study to be undertaken in 2022
14	Installing EV charging points within all Council owned carparks	Promoting Low Emission Transport	Procuring alternative Refuelling infrastructure to promote Low Emission Vehicles, EV recharging, Gas fuel recharging	SDC / KCC	2021		Number of EV charging points	NO ₂ Small impact upon NO ₂ concentrations from measure individually, estimated to be less than 1µg/m ³ based upon a low to medium uptake.	Part of the recently published Low Emission and Electric Vehicle Strategy	Part of the Net Zero 2030 work	Part of the recently published Low Emission and Electric Vehicle Strategy
15	Improving public transport infrastructure	Transport Planning and Infrastructure	Public transport improvements- interchanges stations and services	KCC	2021		Public transport usage	NO ₂ Small impact upon NO ₂ concentrations from measure individually, estimated to be less than 1µg/m ³ based upon a low to medium uptake.	Movement Strategy to be adopted Spring 2022	Ongoing	Continue working with KCC
16	Promote the use of public transport	Promoting Travel Alternatives	Promote use of rail and inland waterways	SDC	2021		Number of promotional events	NO ₂ Measure is more an awareness raising tool to encourage uptake and use of available infrastructure	Recruitment of an Air Quality Promotions Officer	Ongoing	Public transport within SDC is fragmented, but initiatives are currently underway to encourage use of rail (Rail Projects Community Officer has been employed).

Measure No.	Measure	Category	Classification	Lead Authority	Planning Phase	Implementation Phase	Key Performance Indicator	Target Pollution Reduction in the AQMA	Progress to Date	Estimated Completion Date	Initial Thoughts/Comments
17	On and off-street parking charges linked to vehicle emissions standards	Promoting Low Emission Transport	Priority parking for LEV's	SDC	2021		Number of discounted permits	NO ₂ Small impact upon NO ₂ concentrations from measure individually, estimated to be less than 1µg/m ³ based upon a low to medium uptake.	Residential on-street permits are already discounted for hybrid vehicles.	Part of the Net Zero 2030 work	Residential on-street permits are already discounted for hybrid vehicles.
18	Car Club / Sharing schemes	Alternatives to private vehicle use	Car Clubs	SDC	2021		Number of car sharing individuals	NO ₂ Small impact upon NO ₂ concentrations from measure individually, estimated to be less than 1µg/m ³ based upon a low to medium uptake.	Movement Strategy to be adopted Spring 2022	Ongoing – Local Plan dated to 2040	Car Club schemes to be encouraged in new development through the Local Plan. Included within the Movement Strategy
19	Exploring flexible working and home working	Promoting Travel Alternatives	Facilitate flexible and home-working	SDC	2021		Levels of home working	NO ₂ Measure to increase public awareness	Initial Local Plan work	Ongoing	Local Plan to facilitate flexible working options. Working with businesses to explore how flexible working can contribute to reducing emissions
20	Working to school incentives/encouragement	Promoting Travel Alternatives	School Travel Plans	SDC	2021		Reduction in school vehicle drop-offs / pick-ups	NO ₂ Measure to increase public awareness	Recruitment of an Air Quality Promotions Officer	Part of the Net Zero 2030 work	Could have a big impact and is supported by Councillors

Measure No.	Measure	Category	Classification	Lead Authority	Planning Phase	Implementation Phase	Key Performance Indicator	Target Pollution Reduction in the AQMA	Progress to Date	Estimated Completion Date	Initial Thoughts/Comments
21	Complete a detailed modelling assessment of the Swanley Area to quantify the local air quality	Traffic Management	Other	SDC	2021/2022	2022	Completion of the report			2022	A number of developments are due to take place in and near to Swanley, therefore understanding the existing air quality will help inform planning decision making.
22	Hire an Air Quality Promotions Officer	Public Information	Other	SDC	2021	2022	Vacancy fulfilled			2022	This role will be specific to focusing efforts on achieving the measures as set out within this action plan.

Appendix A: Response to Consultation

Table A.1 – Summary of Responses to Consultation and Stakeholder Engagement on the AQAP

Consultee	Category	Response
e.g. Chamber of Commerce	Business	E.g. Disagree with plan to remove parking on High Street in favour of buses and cycles; consider it will harm business of members.

Appendix B: Reasons for Not Pursuing Action Plan Measures

Table B.1 – Action Plan Measures Not Pursued and the Reasons for that Decision

Action category	Action description	Reason action is not being pursued (including Stakeholder views)
Active Travel Campaigns	Permanent or temporary lane closures	Not considered to be appropriate unless supported by evidence of health and AQ benefit
Behavioural Change Campaigns	Provision of high quality, bespoke and accessible information on sustainable travel, e.g. on a dedicated travel website with route/mode options	SDC are not the highways authority and therefore have limited resources for a dedicated resource. However, SDC will work with KCC to deliver the priorities in the AQAP and the Movement Strategy which include encouraging behaviour change.
Behavioural Change Campaigns	Encourage home working	Although hybrid working is being trialled at SDC, it is not considered appropriate for the District Council to dictate to businesses a mode of operation. An action on encouraging flexible working has been included this could include home working, but also local offices, flexible work hours/commuting times etc. SDC will work with the business community to help reduce emissions.
Behavioural Change Campaigns	District wide Clean Air Days	Would need a very light touch and alternative transport would be necessary. The Net Zero 2030 communications plan includes promotion of sustainable transport events including Car Free Day.
Low Emission Vehicle Encouragement	HGV/LGV recognition schemes, ECO Stars	SDC do not have the expertise or resources to run this scheme independently, however we will work with KCC to

Page 70

Agenda Item 6a

		reduce emissions from transport and increase the uptake of low emission vehicles.
Low Emission Vehicle Encouragement	Detection and prosecution of vehicles removing diesel particle filter	SDC do not have the resources or expertise to run this scheme
Public Transport Encouragement	Council funding to provide free buses for all schools	KCC Controlled- SDC does not have funding available. We will work with schools and KCC to encourage sustainable transport and active travel.
Public Transport Encouragement	Park and Ride Schemes	Park and Ride schemes have previously been explored and have not been feasible. No such schemes have been included in the Local Plan at this stage.
General Travel Planning Improvements	Business delivery time variations away from peak hours	Unaware of any specific issues that result from delivery times. However, the Local Plan may require mitigation measures for new commercial development if necessary and appropriate.

Appendix C: Add Additional Appendices as Required>

INSTRUCTIONS

The Council should add additional supporting appendices as required.

For example, where the selection of AQAP measures has been supported by further studies, e.g. quantitative appraisal of action plan measures through dispersion modelling, or other feasibility studies, this work should be included here.

Glossary of Terms

Abbreviation	Description
AQAP	Air Quality Action Plan - A detailed description of measures, outcomes, achievement dates and implementation methods, showing how the local authority intends to achieve air quality limit values'
AQMA	Air Quality Management Area – An area where air pollutant concentrations exceed / are likely to exceed the relevant air quality objectives. AQMAs are declared for specific pollutants and objectives
AQS	Air Quality Strategy
ASR	Air quality Annual Status Report
Defra	Department for Environment, Food and Rural Affairs
EU	European Union
LAQM	Local Air Quality Management
NO ₂	Nitrogen Dioxide
NO _x	Nitrogen Oxides
PM ₁₀	Airborne particulate matter with an aerodynamic diameter of 10µm (micrometres or microns) or less
PM _{2.5}	Airborne particulate matter with an aerodynamic diameter of 2.5µm or less
SDC	Sevenoaks District Council
KCC	Kent County Council
AQS	Air Quality Strategy

References

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**Item 6(b) - White Oak Leisure Centre New Build and Operator
Procurement - Progress Report**

The attached report was considered by the Cabinet on 10 February 2022, and the relevant minute extract was therefore not available prior to printing of these papers and will follow when available.

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**WHITE OAK LEISURE CENTRE: NEW BUILD AND OPERATOR PROCUREMENT -
PROGRESS REPORT**

Council - 22 February 2022

Report of: Strategic Head of Property and Commercial

Status: For Decision

Also considered by:

- Cabinet - 10 February 2022

Key Decision: No

Executive Summary:

On 21 April 2020 Council granted approval for the construction of a new leisure centre and the demolition of the existing White Oak Leisure Centre. Works commenced on site in May 2020 and construction has taken place at a steady pace. The Council has demonstrated prudent financial and project management discipline on this project and has under originally planned circumstances incurred a total project cost variance of 2.18%. However, unforeseen abnormal site conditions were encountered during ground works, resulting in unexpected costs and delays to the envisaged programme. The new leisure centre is now due to achieve practical completion on the 11 February 2022. Despite unforeseen challenges the Council has avoided disruptions and has been able to keep the disruption to leisure services for residents in Swanley to an absolute minimum.

This report provides an update of progress made on the scheme and details of additional costs associated with the construction.

This report supports the Key Aim of: safe and caring communities, green and healthy environment and a dynamic and sustainable economy.

Portfolio Holder: Cllr. Peter Fleming

Contact Officers: Detlev Munster, Ext. 7099

Adrian Rowbotham, Ext. 7153

Recommendation to Cabinet:

That:

(a) recommendations (a) to (c) below are recommended to Council.

Recommendation to Council:

- (a) Notes the progress made on the scheme despite difficult market conditions associated with the Covid-19 pandemic and abnormal site conditions encountered and notes the Council's ability to minimise disruptions to leisure services for the local community.
- (b) Notes that due to unforeseen circumstances that additional costs associated with the construction of the scheme had to be incurred.
- (c) Approves an increase to the Capital Programme by up to £2,995,379 recognising that a significant portion of this amount is a risk assessed contingency and may not materialise.

Reason for recommendation: To allow completion of the new leisure centre and demolition of the existing White Oak Leisure Centre by providing additional funding for this important community resource in Swanley.

Introduction and Background

- 1 In 2020 Sevenoaks District Council (SDC) embarked on its largest project in over 30 years. The building work for the new White Oak Leisure Centre in Swanley began in May 2020. The new modern, energy efficient, bright and open facility will replace the existing leisure centre, which due to its age and condition had reached the end of its serviceable life.
- 2 The new leisure centre is being constructed adjacent to the existing White Oak Leisure Centre so that the existing leisure centre can be kept operational during construction. This will allow the Council to maintain continuity of leisure services for the local community.
- 3 The scheme is phased in three parts:
 - a) Phase 1 - Construction of the new leisure centre;
 - b) Phase 2 - Demolition of the existing leisure centre and construction of new car parking; and
 - c) Phase 3 - Construction of enabling residential development on the site of the demolished leisure centre to partly fund the new leisure centre.
- 4 The construction project operates a robust formal change control process managed by an external contract administrator with close oversight by the Council's internal project management team. All proposed changes and alternative options are appraised in terms of cost, time and quality implications. While these appraisals are undertaken collaboratively with the contractor, both the contractor administrator and the Council undertake further independent detailed investigations where possible, prior to making a project decision.
- 5 To date there have been several Change Instructions administered under the contract and many of these changes were covered by contingency allowances.

Update on Progress of the Development Scheme

- 6 On 13/02/2020 the Development Control Committee approved a hybrid planning application (reference 19/02951/HYB) for:
 - Full application for a new leisure centre and associated parking at White Oak Leisure Centre site in Swanley
 - Outline application for enabling residential development on the site of the current White Oak Leisure Centre
- 7 SDC entered into a Development Management Agreement with Alliance Leisure Services (ALS) for the construction of a new leisure centre and demolition of the existing leisure centre; and a Leisure Operating Contract with Sport and Leisure Management (SLM).

Agenda Item 6b

- 8 The construction contractor, ISG, was appointed and started works on site on 26/05/2020.
- 9 Works to date include: site set up; archaeological investigation; sewer diversion; piling; soakaways and voids mapped and remedial works; ground beams; drainage; pool construction; steelwork superstructure; roof and wall cladding; brise soleil; flooring; block and brickwork; drylining; lift shafts and stairs; mechanical and electrical works, and fitting out the new premises with equipment. See Appendix A showing current pictures of the Leisure Centre.
- 10 Due to the Covid-19 pandemic the contractor has implemented additional site control measures in accordance with construction industry guidelines including engaging with their supply chain regarding labour and material issues, social distancing, increased hygiene and welfare facilities.
- 11 Planning conditions have been discharged, Building Control has undertaken regular site inspections and the Council's Clerk of Works has issued regular reports.
- 12 The contractor ISG has also prepared and implemented a social value plan. This has included donating PPE to a local swimming club, installing top soil and seeding an outdoor play area at Oaks Day Nursery and supporting the charity 'We Are Beams', which supports over 450 families. In addition to this, ISG has installed bat boxes, removed rubbish and weeds and pruned trees and shrubs around White Oak. The contractor has also provided an education out-reach programme by attending local schools to give insight into the 'built environment'.
- 13 Officers have worked closely with Orchards Academy and The Kemnal Academies Trust (TKAT) regarding improvements to their sports hall. TKAT's Asset Programme Manager has taken the lead on delivering the improvement plan for Orchard Academy's sports hall, which will enable them to work agilely through the procurement process and ensure value for money. Officers have assisted the school to secure the additional funding required to complete the project. The Council and TKAT have also agreed a community use plan that will allow local community groups the ability to use the sports facilities at the school. TKAT remain committed to supporting the local community, but are currently in liaison with KCC and the Department for Education regarding a recent unforeseen drainage issue, which resulted in significant flooding of school buildings, including the sports hall, and may impact the school's improvements timescales and proposals.
- 14 A Deed of Variation was completed in July 2020 to accommodate the works to the site at the Leisure Centre which falls within the demise of Sencio's lease. In June 2021, in accordance with the terms of their lease, Sencio were served a break notice to terminate the lease at White Oak Leisure Centre on 16th January 2022. Applicable Sencio staff will TUPE to the new leisure operator Everyone Active on 17th January 2022.

- 15 The old leisure centre will no longer be operational from the 13 January 2022, and arrangements are in place to remove, decant and dispose any remaining inventory and to disconnect existing services. On the 17 January, the old leisure centre will be handed over to the main contractor to finalise the existing building's decommissioning and commence with demolition works, which includes the removal of asbestos.

Soakaways and Voids

- 16 A series of soakaways (5 concrete manhole chambers 1.8m wide and 18m deep) and large voids (33m³, 23m³, 3m³ some 15m below ground) located within the footprint of the new leisure centre were discovered during the ground works. They were not identified in the pre-construction ground investigation surveys nor in the due diligence investigations and searches undertaken. Kent County Council (KCC) was also not aware of the soakaways as they did not appear on their asset register, but following investigation, KCC confirmed the soakaways were their assets.
- 17 The soakaways and voids were consequently surveyed to determine their full extent and additional geotechnical and structural engineering advice was obtained. The soakaways and voids were subsequently infilled and piling foundations had to be reconfigured around the soakaways and voids. The discovery and remedial works undertaken has resulted in delays and additional costs.
- 18 Despite having agreed a new drainage system with KCC, Thames Water and the local planning authority, a new permanent drainage system needed to be re-engineered and a temporary drainage solution had to be agreed for an interim period. KCC also required additional investigations and modelling of the areas drainage network be undertaken before a permanent solution could be agreed. Discussions with Thames Water and KCC were protracted due to poor records held by all three parties, but the Council undertook additional survey works to expedite the matter. A permanent drainage system was finally agreed in November 2021. The temporary and new permanent drainage systems together with associated impacts (such as for example the need to provide temporary access arrangements to the new leisure centre), have resulted in additional costs.

Covid and Brexit

- 19 Proactive Covid-19 and supply chain management has ensured that these two issues would not have a significant detrimental impact on the project. However, not all issues could be fully mitigated and delays with the receipt of some materials caused programme slippage of up to 7 weeks. This in turn has placed pressure on costs.

Asbestos

- 20 While asbestos surveys were undertaken of the existing leisure centre, given the need for the existing leisure centre to remain operational, R&D asbestos

Agenda Item 6b

surveys could not be undertaken. While an allowance for asbestos was made at the start of the contract, further investigations undertaken in September and October 2021, revealed the existence of asbestos in unexpected areas and the allowance originally made is no longer considered to be sufficient.

Additionally, the full extent of the presence of asbestos cannot be ascertained with certainty at this point in time. It will only become known once the existing centre is no longer operational and demolition works commence.

Decommissioning of the existing leisure centre

- 21 Several costs associated with the decommissioning of the leisure centre only became apparent following the termination notice that was issued to Sencio in June 2021. Such costs included the need to remove certain fittings and furniture and soft strips associated with demolition, and contract penalty clauses associated with the early termination of certain services. In addition, the final cost for demolishing the old leisure centre and making good adjacent site boundaries need to be brought in scope, and these works were only tendered in October 2021.

New operator

- 22 A good working relationship has been established with the new operator, Everyone Active (EA), which is part of Sports and Leisure Management (SLM) Limited, and their input has been sought throughout the construction period and advice sought on proposed Change Requests.
- 23 EA has updated its operational plans to reflect the revised opening date in February 2022. A membership marketing suite was established in November 2021. EA will oversee the TUPE transfer of Sencio staff on 17 January 2022 and the new leisure centre's opening in February 2022.

Project Timetable

- 24 Table 1 below provides an overview of the project's programme and highlights overall slippage to the project by circa 3 months.

Table 1 Key Dates			
Stage	Detail	Original	Revised
Statutory approvals	Planning consent	13 February 2020	Achieved
Building Control	Building Regs approval	12 March 2020	Achieved
Project approval	Council project approval process	22 April 2020	Achieved
Project approval	Development agreement	22 April 2020	Achieved
Project approval	Instruct contractor	24 April 2020	Achieved
Construction	Mobilisation	22 May 2020	Achieved

Construction	Start on site	25 May 2020	Achieved
Construction	Phase 1 complete	12 November 2021	17 January 2022
Operator	Sencio WOLC lease terminates		23.59 16 January 2022
Construction	Centre handover	15 November 2021	12 February 2022
Construction	Fit out and training	26 November 2021	January 2022
Construction	Asbestos R&D of existing centre	3 December 2021	February 2022
Operator	New Centre opens (TBC by EA)	29 November 2021	12 February 2022
Construction	Existing centre strip out and demolition	3 December 2021	From 17 January 2021
Construction	Car park works	13 May 2022	August 2022

Costs

- 25 The original project budget approved for this project in April 2020 was £20m. Prior to approving this budget, numerous discussions took place with ALS to establish the budget, review the risk register and establish an appropriate client contingency allowance. Based on due diligence work undertaken at the time a contingency allowance of £657,308 was made. This allowance included provision for asbestos removal and demolition works, as well as an allowance for potential risk items and client changes.
- 26 The client contingency allowance made at the time was considered prudent and represented 3.9% of the total build cost and this is in addition to a 2% provisional sum allowance made by the contractor. ALS has advised that these figures closely align with other leisure centre projects they have and are managing.
- 27 The draw-down to date against the provisional sum allowance and the client contingency is considered reasonable and would have been sufficient if the scheme would not have encountered unforeseen events. The additional costs associated with the unforeseen events and forecast overspend are shown in Table 2. The additional costs have been reviewed by Alliance Leisure and internally within the Council.
- 28 The Council together with ALS, their consultants and the main contractor has carefully assessed any potential outstanding risks (See Appendix B). While the need for as much cost certainty as possible is appreciated, the process of quantifying remaining risk is not a precise exercise. However, appropriate mitigation has been applied as much as possible. The remaining risk items have consequently been given an assessed value.

Table 2: Additional Costs Summary

	Item	£
1	Covid 19 site control measures	£76,500
2	Void mapping and remedial works (includes cost of delay to programme)	£474,373
3	Soakaway temporary solution (includes cost of delay to programme)	£419,907
4	Soakaway permanent solution	£288,687
5	Changes to specification (e.g. power for electric sub-station, drainage diversion, gym finishes, temporary entrance footpath, post completion hoarding)	£245,658
6	Increase to asbestos removal to existing White Oak Leisure Centre and party wall area with Bowls Club	£451,833
7	Decant of existing White Oak Leisure Centre	£230,182
8	Expenditure outside works contract (e.g. consultants, surveys, cctv upgrade, soakaways downstream, Sencio contract penalty payments, capitalisation of salaries)	£300,932
	<i>Sub Total</i>	<i>£2,488,073</i>
9	Unforeseen costs estimate to end of construction project	£1,164,614
	Project Budget Contingency	-£657,308
	Total Construction Project Forecast Overspend	£2,995,379

- 29 From Table 2 it can be noted that the largest part of the additional costs incurred relates to the soakaways and the voids (c. £1.3m).
- 30 Details of the contract variations (Instructed and Anticipated), are shown in the background document Financial Statement no 19, 22/12/2021. It is worth noting that there have been seven variations that have had nil financial cost to SDC and £21,826 variations funded by others (SLM and ALS). Additionally, SDC negotiated £66,000 savings relating to an attenuation pump and new electrical service.
- 31 A provision of c. £450,000 (originally £230,000) has now been made for the removal of asbestos, but because this remains an unknown element, it has been given a high outstanding risk weighting, and an additional contingency allowance has been made (included under item 9).
- 32 As ground conditions under the existing leisure centre cannot be assessed, and given the abnormal ground conditions encountered during the construction of the new leisure centre, a prudent allowance has also been included under the revised contingency Item 9.
- 33 Item 9 in Table 2 therefore provides an assumed risk based assessed contingency for unforeseen works during the demolition of the existing White Oak Leisure Centre, further potential Brexit/Covid related delays and costs, and extra consulting/staffing costs. Appendix B, provides an overview of remaining risks which are been closely managed by ALS, the contractor and the Council.
- 34 A review of fixtures, fittings and furniture at White Oak Leisure Centre has taken place together with any contractual penalties associated with terminating existing services and contracts. Sencio has confirmed that assets belonging to them will be removed from site and stored elsewhere

prior to the termination of their lease on 16th January 2022. Sencio and Everyone Active are liaising with customers and clubs who currently store assets on site to ensure that these are also removed or if applicable, moved to the new leisure centre. The Council is under a statutory obligation to store any unclaimed items, and the removal and temporary storage of these items has been factored into the additional cost budget.

- 35 The remaining assets, which form part of the White Oak Leisure Centre lease, have been divided into two; those identified as operationally advantageous to be transferred from the White Oak Leisure Centre lease to Sencio's other facilities and those remaining which the Council will remove by 31st January 2022. The costs to carry out this decant of the building are £230,000 and will be managed by ISG who will take full responsibility of the building and contents during this time.
- 36 Due to long-term sickness issues within the Council, the Council has also had to bring in additional staffing resources to closely manage the project, and has also needed to seek external specialist advice on the unforeseen events. These have resulted in additional costs.
- 37 Close on £2m of additional costs can be attributed to the abnormal ground conditions and asbestos issues. The remaining contingency for unforeseen events of £1.164m is an assessed risk allowance. As such this funding will only be drawn down if needed.
- 38 In benchmarking this project against other similar projects, excluding the additional risk contingency being provided, the final accounts for the project would suggest an overspend of £436,000, which represents a total project cost variance of 2.18%. This is considered to be exceptionally good given the type of project and nature of contract the Council has entered into and demonstrates good project discipline and project management by the Council.

Income

- 39 Delay in the construction programme (due to the impacts of unforeseen site conditions, Covid-19 and Brexit causing issues with the supply of materials and personnel) has pushed back the completion date from November 2021 to early February 2022. The expected net income from the new operator contract has therefore been adjusted accordingly by Sport and Leisure Management (SLM) trading as Everyone Active. This has seen a reduction of c. £1,000 to the 15-year net income to the Council which has been re-profiled across the contract, with operator costs continuing to be incurred by the Council in years 1 and 2 of the contract. There is an option to extend the contract for a further 5 years with indicative income for that period remaining at the same level or higher.

Funding

Agenda Item 6b

40 Various options were considered to fund the identified budget shortfall. These ranged from identifying potential value engineering options, including specification changes to reduce costs, changes to the construction programme, and reviewing the administrative and contract arrangements for the project. Further details are provided in Section 47 under Options.

41 The funding previously approved for this scheme is as follows:

Table 3:

Funding Source	£m
CIL funding	0.9
Capital receipts	10.1
External borrowing	8.0
Total	20.0

42 It is proposed that the budget shortfall of £2.995m is funded as follows:

Table 4:

Funding Source	£m
External borrowing	1.900
Use of reserves	1.095
Total	2.995

43 The initial £8m of external borrowing was obtained via a 20-year annuity loan from the Public Works Loan Board (PWLB) on 19 November 2021 at an interest rate of 1.7% which results in an annual cost of £472,000. The original report assumed an annual cost of £508,000 to match the average annual payment from the operator. Therefore, a further £600,000 could be borrowed on the same basis at the current rate of 1.99% (12/01/22) without having an additional revenue impact. Every £1m borrowed in excess of the above amounts would result in an additional annual revenue cost of £62,000. In addition to the £600,000 above, a further £1.3m could be borrowed on the same basis by adjusting the ongoing increase assumption for the superannuation fund deficit. This will be reviewed during the 2023/24 budget process after the next triennial valuation of the fund later in 2022.

44 A review of reserves has taken place as part of the annual budget setting process and £1.095m could be removed from the Budget Stabilisation Reserve to fund part of the budget shortfall on this scheme.

45 The original scheme included funding of £10.1m from the future sale of Council assets (capital receipts) but the amount available will depend on actual sale proceeds in the coming years. In the meantime, any shortfall will be funded by internal borrowing which will have a revenue impact via a Minimum Revenue Provision (MRP) from the financial year after the scheme is completed as included in the Council's Treasury Management Strategy.

- 46 The split of funding may change due to actual development costs, the cost of borrowing at the time loans are taken out and the amount of capital receipts received. As noted in Section 28, the additional contingency of £1.164m is risk assessed and many of these risks may not materialise.

Options

- 47 The following options were also considered to fund the unexpected additional costs associated with the construction.
- a. Identify routes to recover costs from third parties. Officers continue to explore all appropriate avenues including seeking legal advice.
 - b. Identify further cost savings by value engineering the remaining scheme. Several review exercises were undertaken by SLM/ALS/SDC. Only £31,217 modest savings were achieved as other potential VE options would adversely affected quality/specification or compromise the operator contract. The Project VE Summary Report 17/02/2021 sets out pre-contract VE aimed at reducing the overall budget of the scheme, and possible VE items remaining (finishes, furniture, fittings and equipment).
 - c. Re-programme the projects timeline to seek savings by reducing overall project duration. Consideration was given to closing and demolishing the existing leisure centre in November 2021 per the original programme. This was rejected since the estimated £50-70,000 capital build cost saving by closing the leisure centre on 12/11/2021 would be outweighed by obligations to the future leisure operator, including to provide membership data and TUPE issues.
 - d. Consideration is being given to increase densities on the residential phase to provide additional capital receipts. However, it is important to note that this approach to raise funding is not guaranteed and further detailed feasibility work is required. Additionally, the residential scheme will need to obtain planning consent and the entire scheme is subject to market and economic conditions.
 - e. Status quo option. This option involves not increasing the project budget. This option is not considered feasible as the Council is under a contractual obligation to fund the scheme despite other avenues available to it to seek alternative funds. Were the Council not to increase the budget there is a very high probability that the contractor will stop further works, which not only will delay the project but could result in additional costs associated with the contractor's remobilisation. Additionally, non-payment could result in legal action being undertaken against the Council.

Financial Implications

Agenda Item 6b

- 48 The Sencio lease agreement dated 2004 notes that there are fittings and furniture items that belong to the Council. From an accounting perspective these assets would have fully depreciated over the past 16 years. However, a residual value is anticipated but this value is nominal on an item by item basis. A comprehensive analysis of remaining inventory/assets was undertaken, and confirmed that remaining items would have a nominal value, but no individual item was found to have a value exceeding £10,000. The potential cumulative value of remaining items is also considered to be no more than £10,000. The Council's Financial Standing Orders requires Cabinet approval to dispose non-property related assets that may have a value exceeding £10,000. As such the disposal of these redundant items has been approved by the S151 Officer in accordance with the Council's Financial Regulations.
- 49 Council approved the funding of this capital scheme in April 2020 and allocated a budget of £20m. A contract was entered into with Alliance Leisure Services and the additional cost and anticipated spend of £2.995m identified in Table 2 above will require additional funding. While the project had made adequate contingency provisions, the issues encountered were unexpected and significantly exceeded the contingency allowance included in the original budget.
- 50 The additional funding is to be allocated from the sources included in table 4.

Legal Implications and Risk Assessment Statement

- 51 Due diligence exercises were commissioned to ensure known potential risks were mitigated including investigations of the site's present condition and its past history. Additionally, appropriate contingencies were originally put in place for potential unforeseen circumstances. Given the due diligence exercises commissioned, including investigations of the site's present condition and its past history, these outcomes could not have been reasonably foreseen by the Council in advance and in the early stages of this project.
- 52 Whilst stringent mitigation measures are being undertaken and the project is being bolstered with additional funds, the risk of future cost escalation cannot be fully ruled out. Several significant risks to the project still remain. These include: obtaining final sign-off from KCC for the soakaway permanent solution; decommissioning of the existing leisure centre; unknown factors regarding the demolition of the existing leisure centre where the exact extent of asbestos is unknown despite survey investigation undertaken. The client contingency and costs associated to these unforeseen works has been revised in 'Table 2 Additional Cost' above to reflect these based on the current information available. As such an additional contingency allowance (Item 9 Table 2 above) has been made on an assessed risk value basis.

- 53 Officers are continuing to consider all appropriate routes for recuperation from third parties.
- 54 It is important to note, that this report is being presented to Council to approve a revised budget allocation in accordance with its Financial Regulations. It does not imply acceptance of the costs.

Equality Assessment

- 55 As per the approved 21 April 2020 Council report.

Sustainability

- 56 A sustainability checklist has been completed and a positive impact is anticipated as per the approved 21 April 2020 Council report.

Conclusion

- 57 The scheme's development has been impacted by issues beyond the Council's control. Despite commissioning all the normal expected pre-construction ground investigation surveys and due diligence and having a robust contingency in place, these were not sufficient to mitigate against the additional cost incurred by the project.
- 58 The Council has demonstrated prudent financial and project management discipline on this project as evidenced by a reasonable total project cost variance of c 2.18% excluding the unforeseen and unfortunate events encountered.
- 59 Additional funding is therefore required to achieve scheme completion and ensure the new leisure centre is operational for local residents.
- 60 The Council continues to pursue options that will reduce costs and avoid further delays.

Appendices

Appendix A: Photos

Appendix B: Risk Register Summary

Appendix C: Costs (Commercially confidential) exempt from publication

Background Papers

Report to Council - 21 April 2020 'White Oak Leisure Centre: New build and Operator Procurement'

'Soakaways and Voids Cost Breakdown (from 'New White Oak Leisure Centre, Swanley. Soakaways And Voids Cost Split Summary; 06 August 2021' Axiom Project Services)

'Alliance Leisure Services Ltd, New Leisure Centre Development, White Oak, Swanley. Historical Soakaway System Summary; 03 March 2021' Axiom Project Services

Axiom Project Services, White Oak Leisure Centre, Swanley; Financial Statement No.19, 21 December 2021'

Alliance Leisure Services Limited, New Leisure Development, White Oak Leisure Centre, Swanley, Remaining Critical Path and Risk Items, Revised 06 December 2021. (exempt from disclosure under paragraph 3 of Schedule 12A of the Local Government Act 1972)

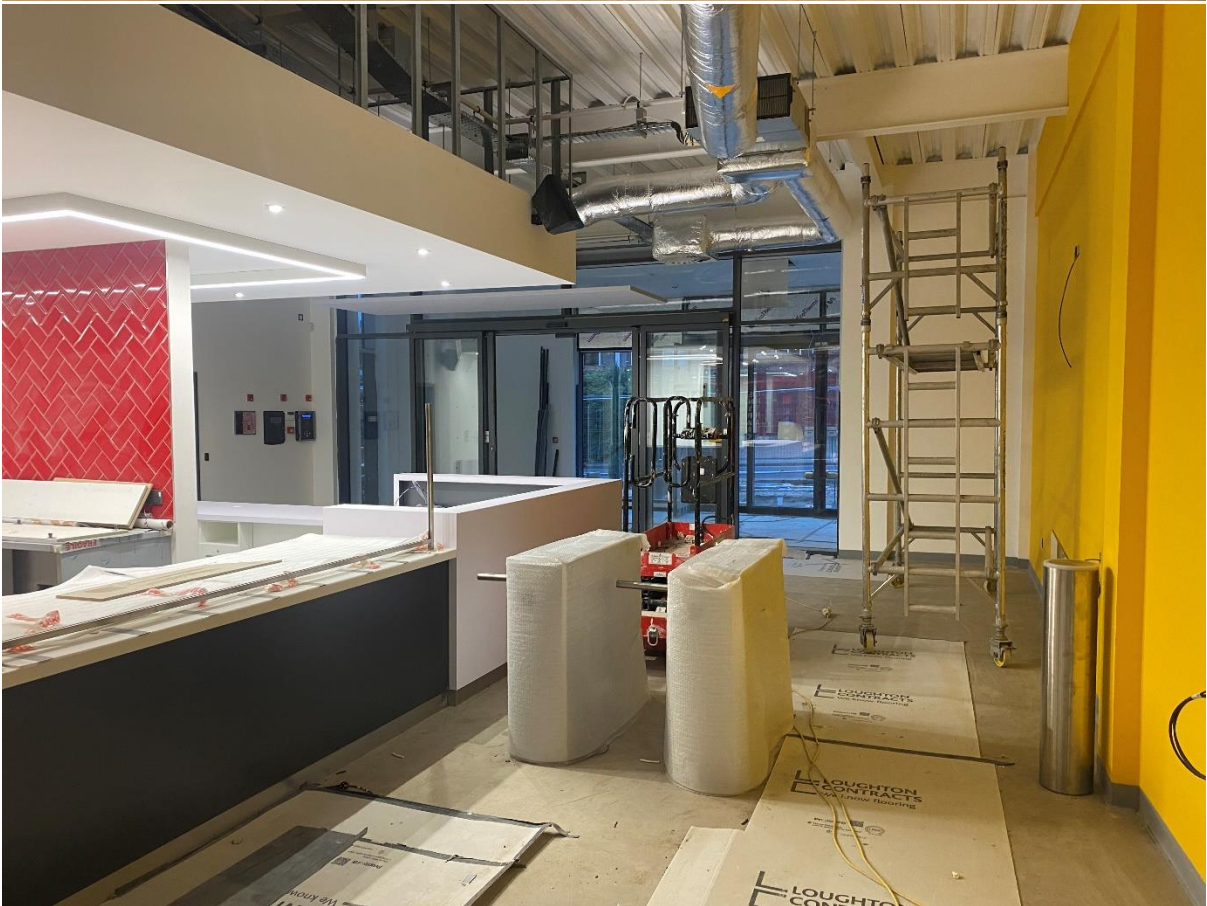
'Alliance Leisure Services Limited, New Leisure Development, White Oak Leisure Centre, Swanley; Project Value Engineering Summary 17 February 2021' (exempt from disclosure under paragraph 3 of Schedule 12A of the Local Government Act 1972)

Detlev Munster
Strategic Head of Property & Commercial

Appendix A - Photos



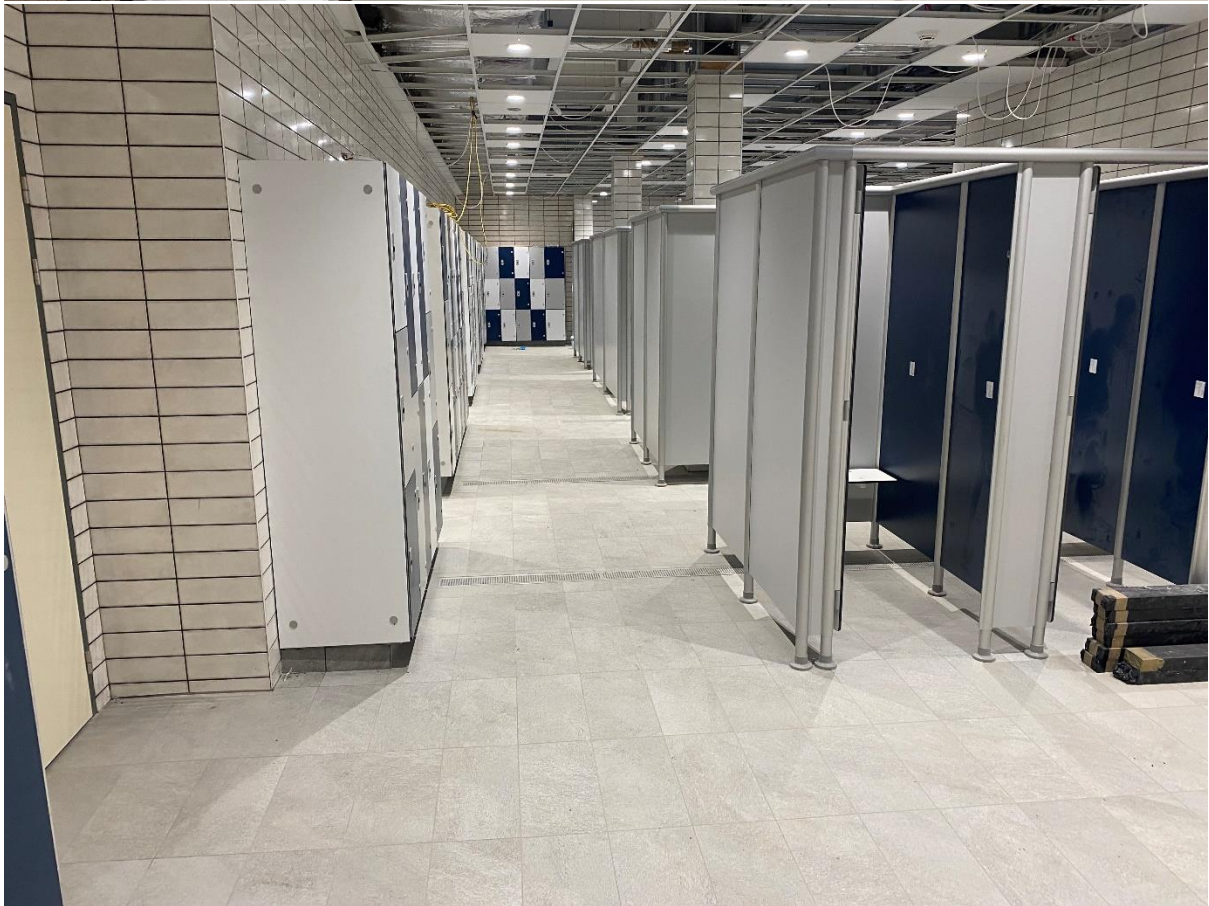
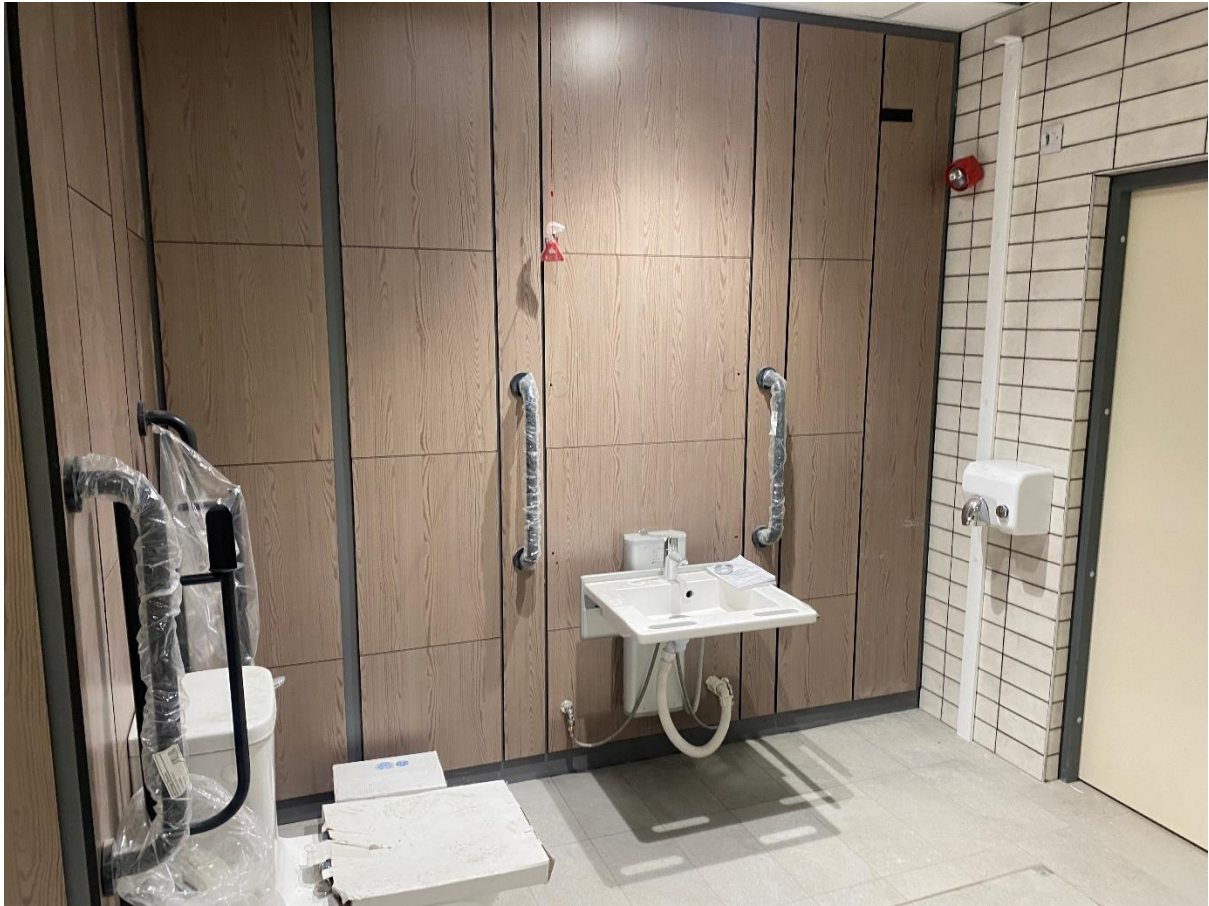
Agenda Item 6b
Appendix A - Photos



Appendix A - Photos



Agenda Item 6b
Appendix A - Photos



Appendix A - Photos



Agenda Item 6b
Appendix A - Photos



Appendix A - Photos



Agenda Item 6b
Appendix A - Photos



Appendix A - Photos



Agenda Item 6b
Appendix A - Photos





APPENDIX B: RISK REGISTER

Agenda Item 6b

Project risk overview

Project name: White Oaks Leisure Centre

Rev 01

Date 03 / 11 / 2021

NOTE: Where the owner is noted as SDC (Sevenoaks District Council) and it refers to SDC as being the ultimate risk owner, for the purpose of the JCT Contract between ISG Construction Ltd (ISG) and Alliance Leisure Services Ltd (ALS) where the risk owner is noted as SDC the risk is borne by ALS

REF	DESCRIPTION	Status	CONTROL STRATEGY	OWNER
SDC01	Planning Conditions	Active	Refer to planning tracker, discharge of conditions where practical to be prior to construction	SDC (as per planning condition tracker)
SDC02	Party Wall Conditions	Active	Bowls club notice to be served.	SDC
SDC03	Construction Inflation (rising costs)	Active	If there are variations this could have an impact on the level of costs.	SDC
SDC04	Ground conditions	Active	This relates to demolition of slab in Phase 2 in relation to asbestos found in the slab and any other unknowns including in the new car park area.	SDC
SDC05	Cost risk to provisional sums	Active	There are only two provisional costs to resolve which are service diversions and permanent highways cost.	SDC
SDC06	Dealing with local community issues and concerns	Active	Any issues with neighbours or local groups.	SDC
SDC07	Exceptionally adverse weather conditions	Active	The construction programme takes into account weather conditions that could be reasonably be expected for the time of year the relevant operations are being undertaken. Regular monitoring of forecast weather conditions and planning to prevent costs being incurred for abortive site visit.	SDC
SDC08	Client Design Change	Active	Any further changes could now have an impact on the programme due to the close proximity of completion date.	SDC
SDC09	Location of unknown existing services and wayleaves	Active	Any unknown services found could delay the programme.	SDC
SDC10	Brexit Implications	Active	Any delays due to materials or drivers shortages	SDC
SDC11	Isolation / Disconnection of Privately Owned Services	Active	SDC to organise disconnection of existing leisure centre.	SDC
SDC12	Right of access to land outside SDC ownership affected by works	Active	SDC to liaise with adjacent land owners	SDC
SDC13	Flooding of existing leisure centre	Active	SDC are responsible for the flooding issues in relation to existing leisure centre.	SDC
SDC14	IT Requirements	Active		SDC

Project risk overview

Project name: White Oaks Leisure Centre

Rev 01

Date 03 / 11 / 2021

NOTE: Where the owner is noted as SDC (Sevenoaks District Council) and it refers to SDC as being the ultimate risk owner, for the purpose of the JCT Contract between ISG Construction Ltd (ISG) and Alliance Leisure Services Ltd (ALS) where the risk owner is noted as SDC the risk is borne by ALS

REF	DESCRIPTION	Status	CONTROL STRATEGY	OWNER
SDC15	Coronavirus	Active	Whilst the impact is unknown the situation is being closely monitored both in respect of supply chain and site impact. In all cases the team will seek to mitigate covid-19 related impact as far as practically possible.	SDC
SDC16	Planning Conditions	Active		SDC
ISG01	Supply chain subcontractor and/or supplier insolvency	Active	ISG operate regular robust commercial reviews of all our supply chain subcontractors and suppliers to ensure that there is a reduced risk of selection subcontractors / suppliers that are at risk of insolvency. On larger work packages then PCGs and Bonds are requested as a matter of course.	ISG
ISG02	Out of Hours Site Security	Active	ISG have secure timber hoardings / heras fencing with lockable gates in place, the site compound is secured by solid hoardings / heras fencing (as appropriate) with lockable secure gates. All cabins are secured out of hours.	ISG
ISG03	Service Strike	Active	ISG have a rigorous safe system of works process for all activities that involve breaking ground. This includes having all record/utility plans, undertaking CAT Scan, line marking services and trial pit inspections, followed by control of excavations using a Permit to Dig system.	ISG
ISG04	Vehicle / pedestrian interface	Active	Robust traffic management plan with pedestrian & vehicle segregation measures implemented.	ISG
ALS01	Co-ordination and implementation of ALS /EA Fit Out Works	Active	ALS & EA Fit Out items include Tag Active, Soft Play, Fitness equipment and Loose FFE.	ALS / EA

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Item 6 (c) - Bevan Place, Swanley Development Proposal

The attached report was considered by the Cabinet on 10 February 2022, and the relevant minute extract was therefore not available prior to printing of these papers and will follow when available.

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BEVAN PLACE, SWANLEY - DEVELOPMENT PROPOSAL

Council - 22 February 2022

Report of: Strategic Head of Property and Commercial

Status: For Decision

Also considered by:

- Housing & Health Advisory Committee - 17 January 2022
- Cabinet - 10 February 2022
- Finance & Investment Advisory Committee - 11 January 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.

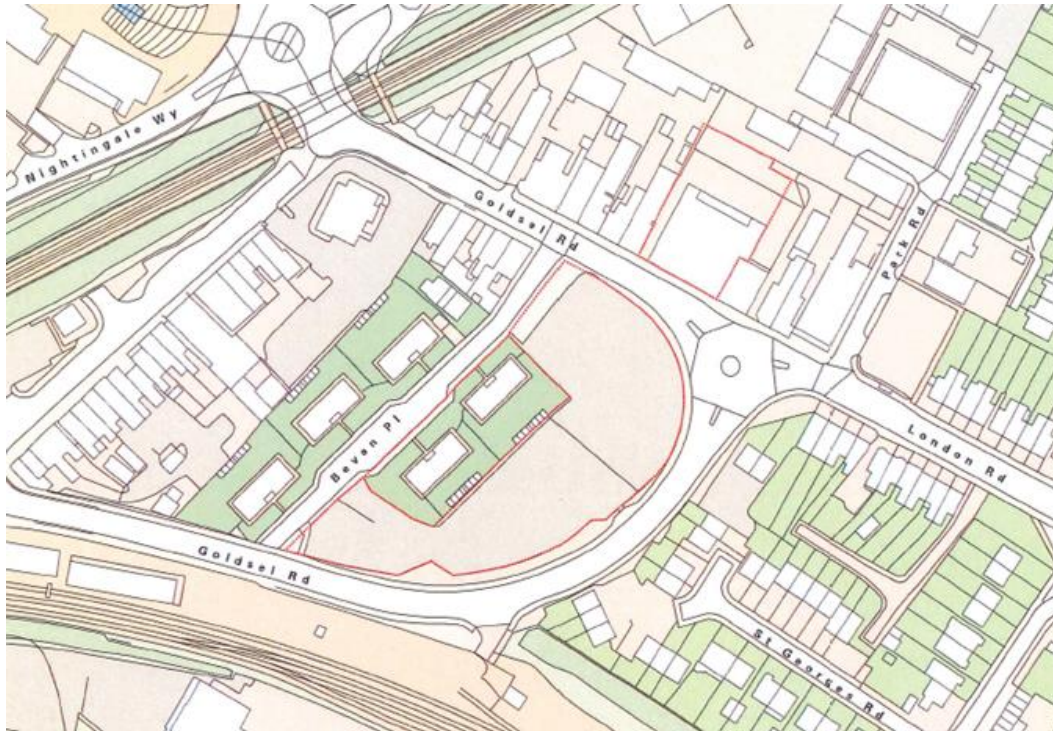
Introduction and Background

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.

Agenda Item 6c

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%)

Agenda Item 6c

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).

Agenda Item 6c

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:

Agenda Item 6c

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

Agenda Item 6c

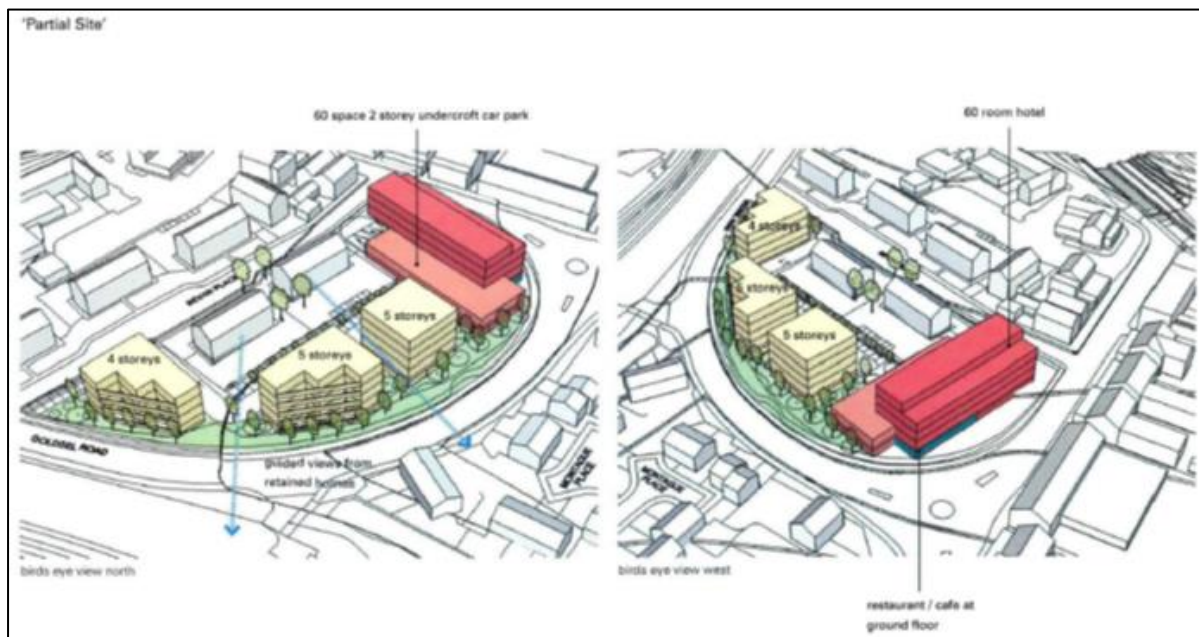
submitted monthly to the CPB. The CPB consists of senior officers within the Council and is chaired by the Chief Executive.

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.

Agenda Item 6c

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.

Agenda Item 6c

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>

Agenda Item 6c

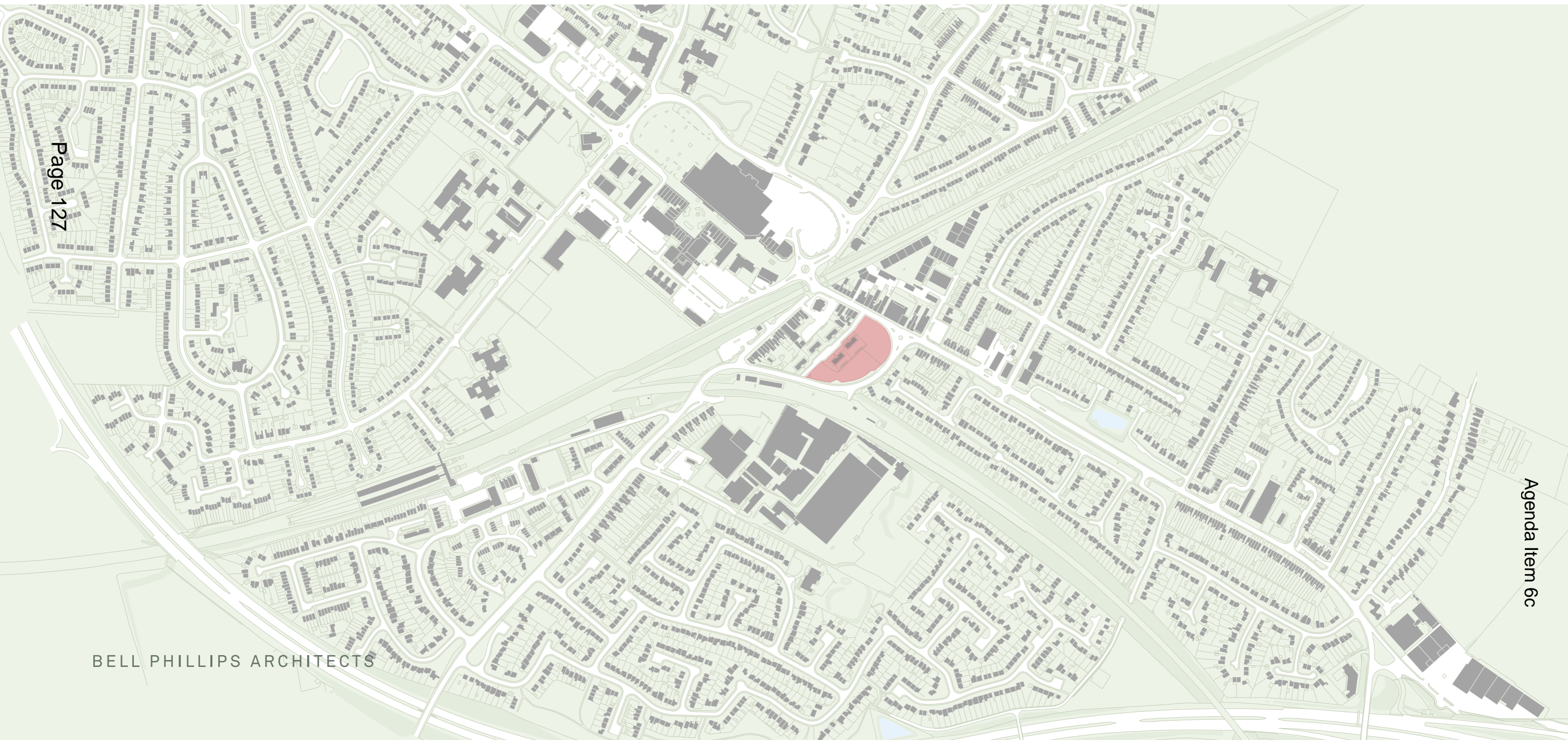
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	<p>1972: Information relating to the financial or business affairs of any particular person (including the authority holding that information). This is because it could prejudice the returns of a commercial tender that the Council will be undertaking 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



Page 127

Agenda Item 6c

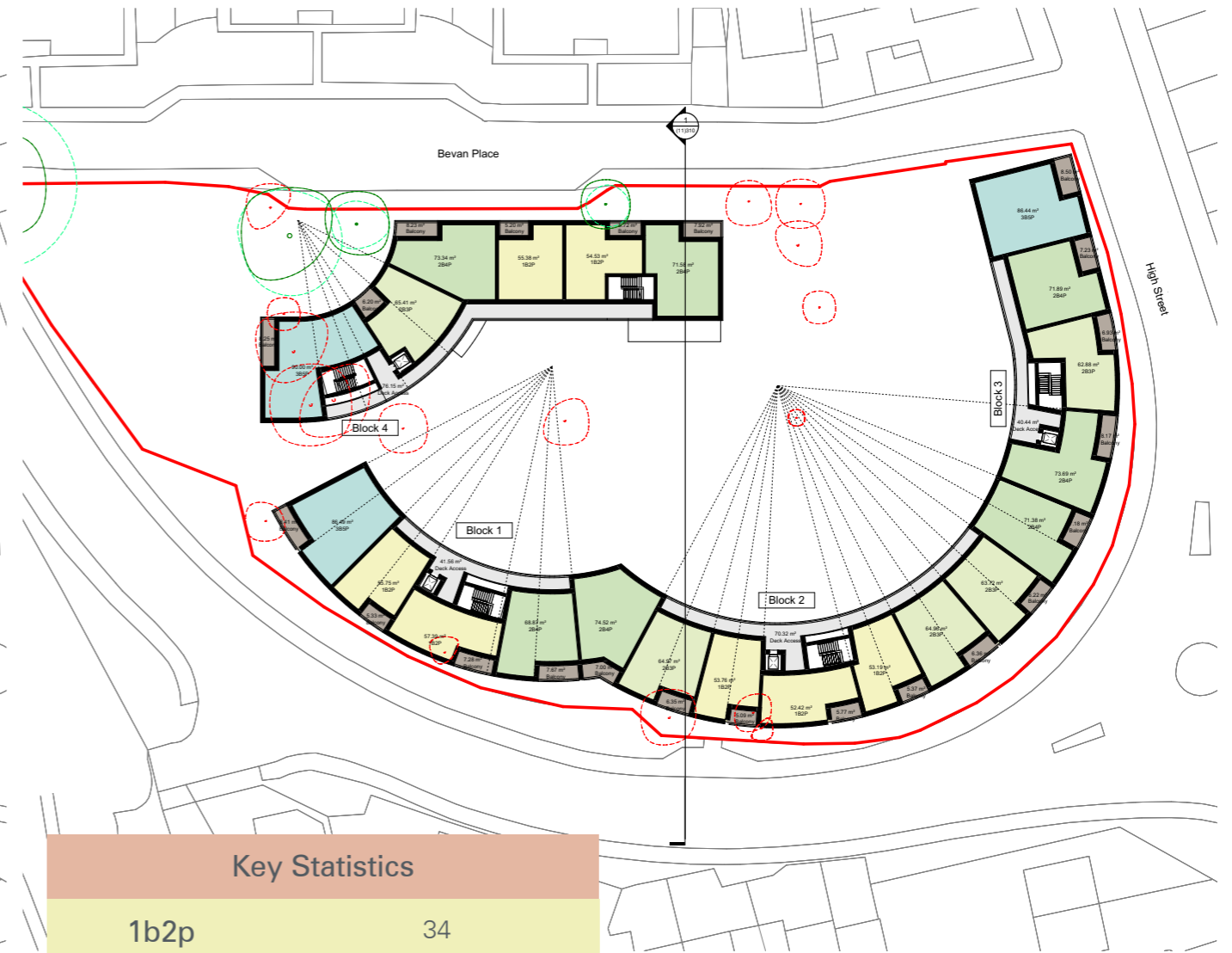
Stage 1 scheme

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

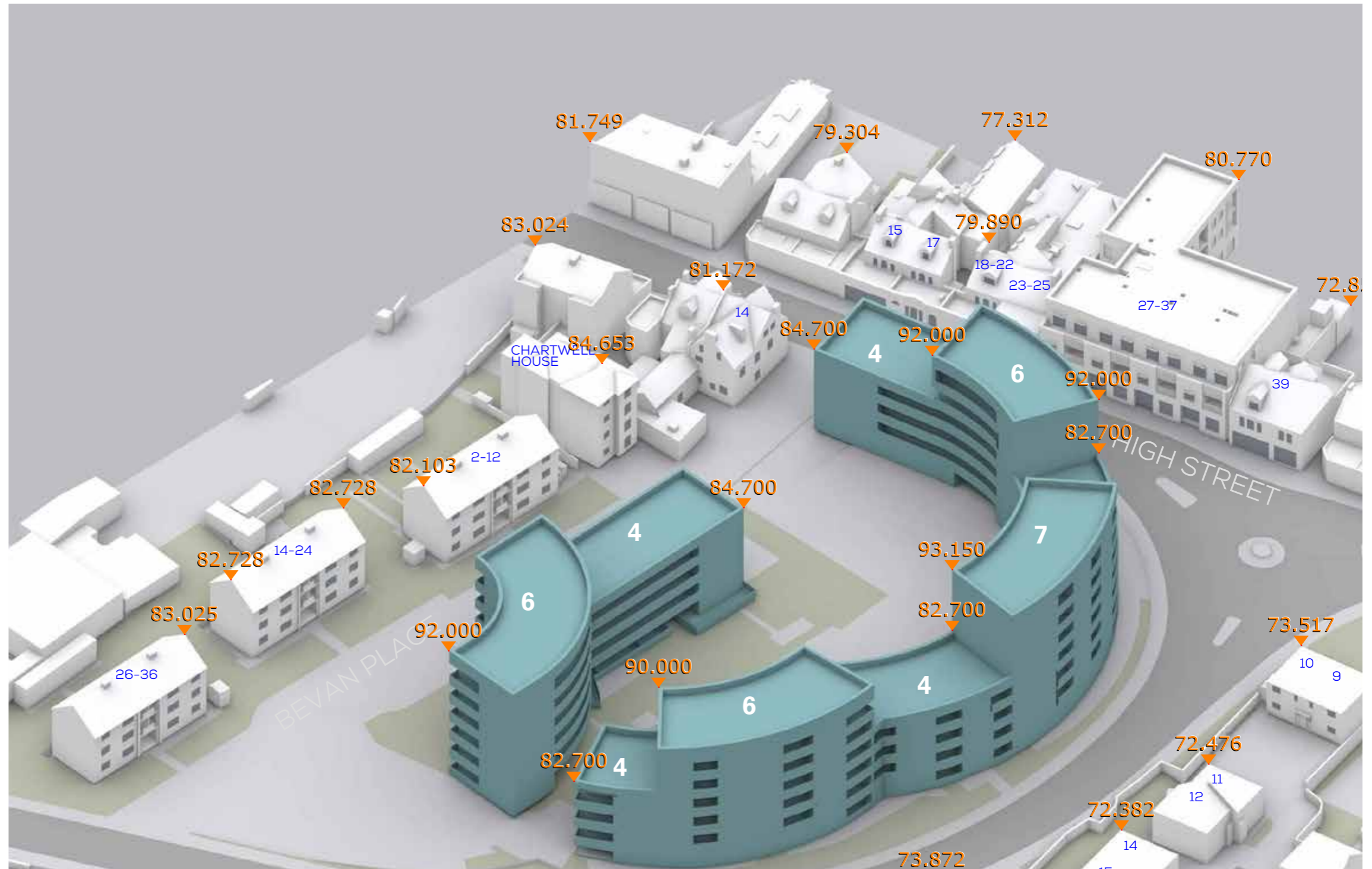


Figure 03: Phase 2 of the Proposed Development shown in Teal

Stage 2 - Design Development

Typical Floor

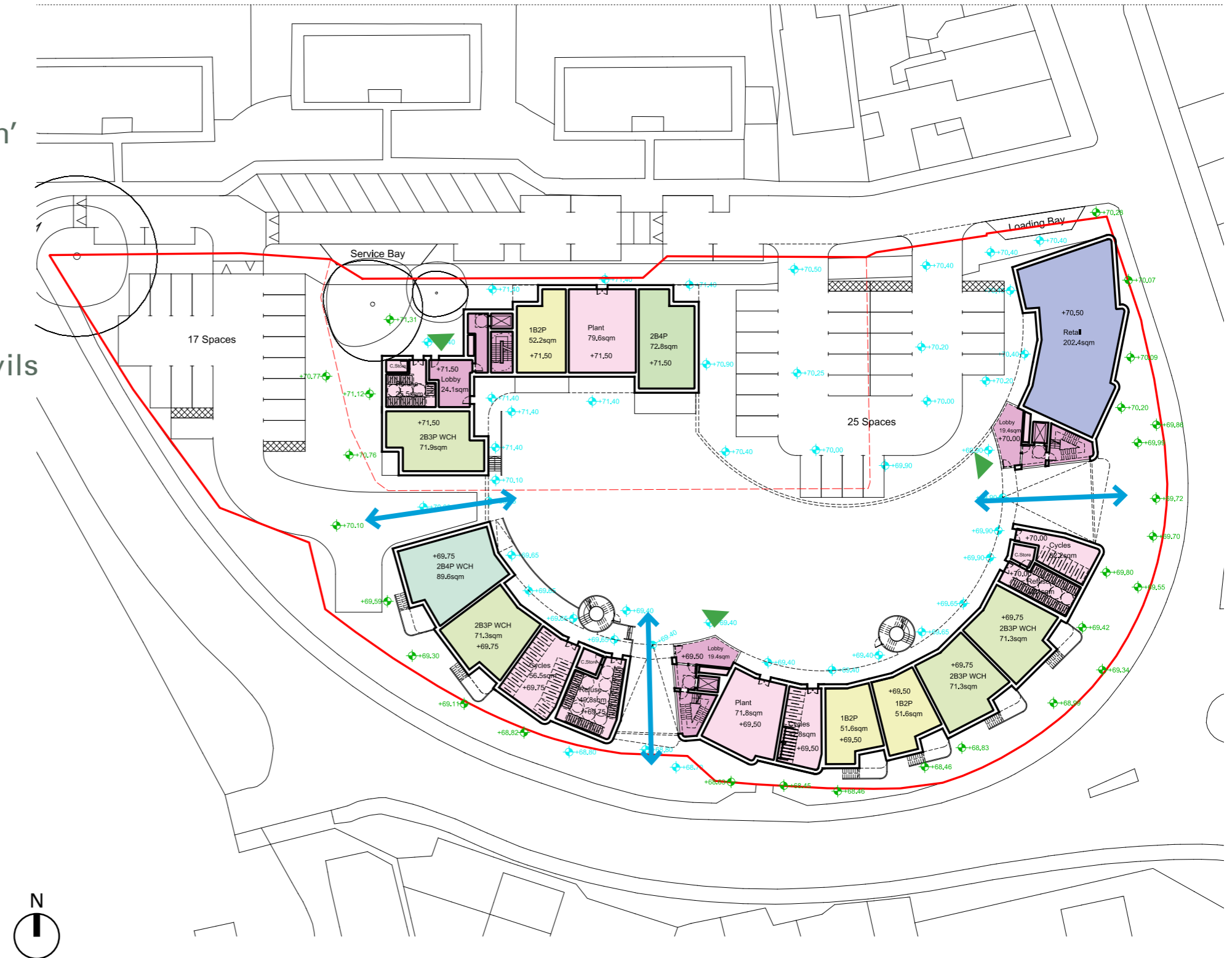
- Reduced number of cores
- Regular flat layouts
- Change of height
- Improved efficiencies
- Fewer steps and less overall external envelope
- 3 repeated curves - all based on the same radius - repeated elements
- stepped away from the High Street to improve DSO



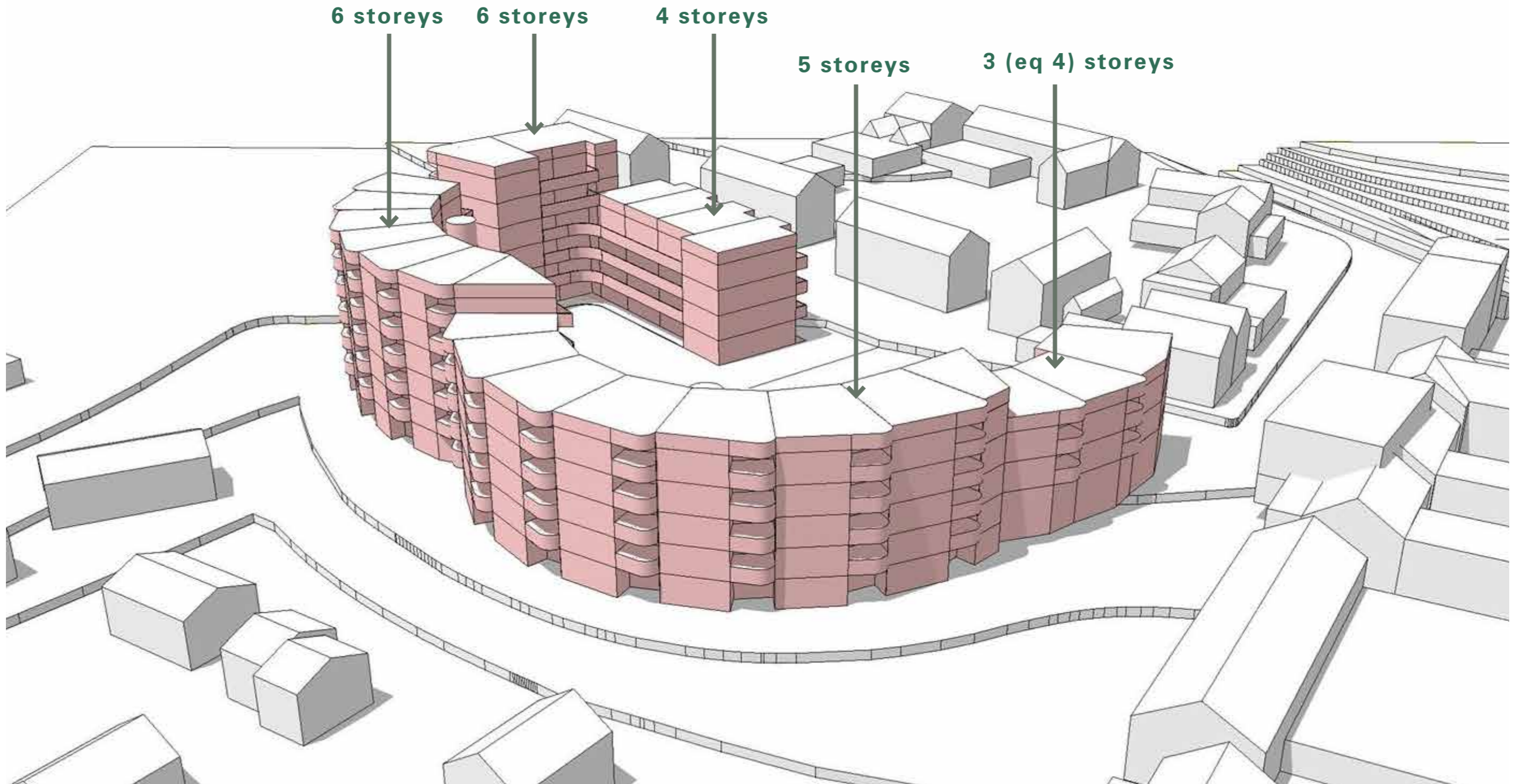
Stage 2 - Design Development

Ground Floor

- 3 principal entrances
- Entrances located at the 'pinch'
- Tweaked highway proposal
- Bike stores within landscape
- Bin stores internal
- Levels to be reviewed with Civils



Stage 2 - Aerial View 1

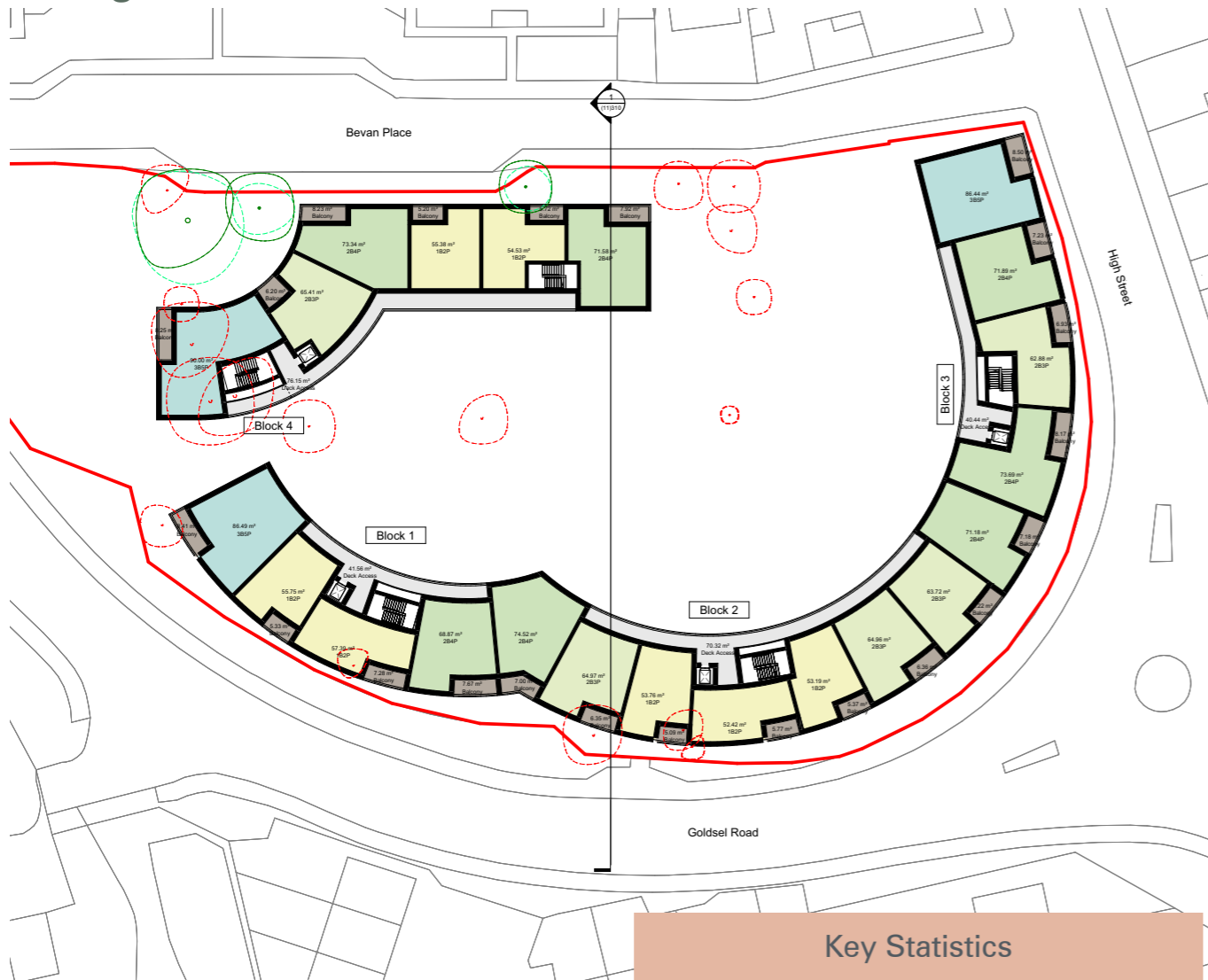


Stage 2 - Aerial View 2



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)

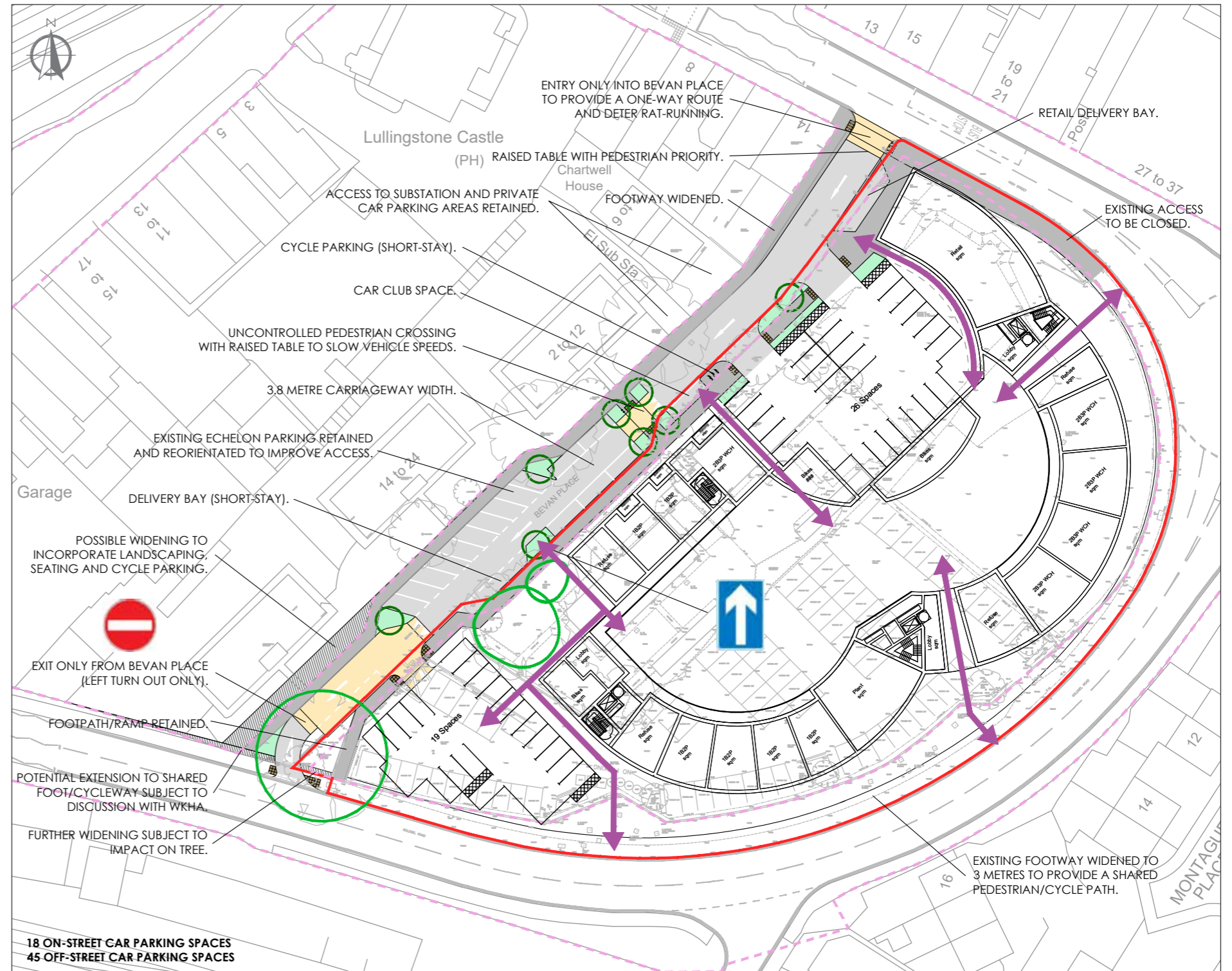
Stage 2 - Highways

Proposed Strategy

- one-way access from High Street with left turn egress at Goldsel Road
- on street parking layout proposes minor adjustments
- raised tables to slow speed

KCC Initial Feedback

- Work to Bevan Place would be subject to a S278 agreement
- Final arrangement would need review to ensure it meets adoption criteria
- Alteration to one-way road would require a Traffic Regulation Order which will be subject to public consultation
- Refuse access arrangements to be reviewed by Design Team



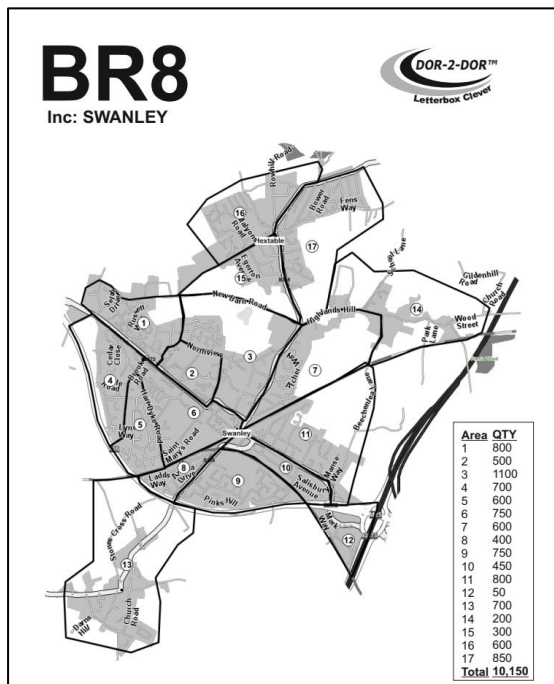
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Appendix B - Public Consultation

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

Agenda Item 6c

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

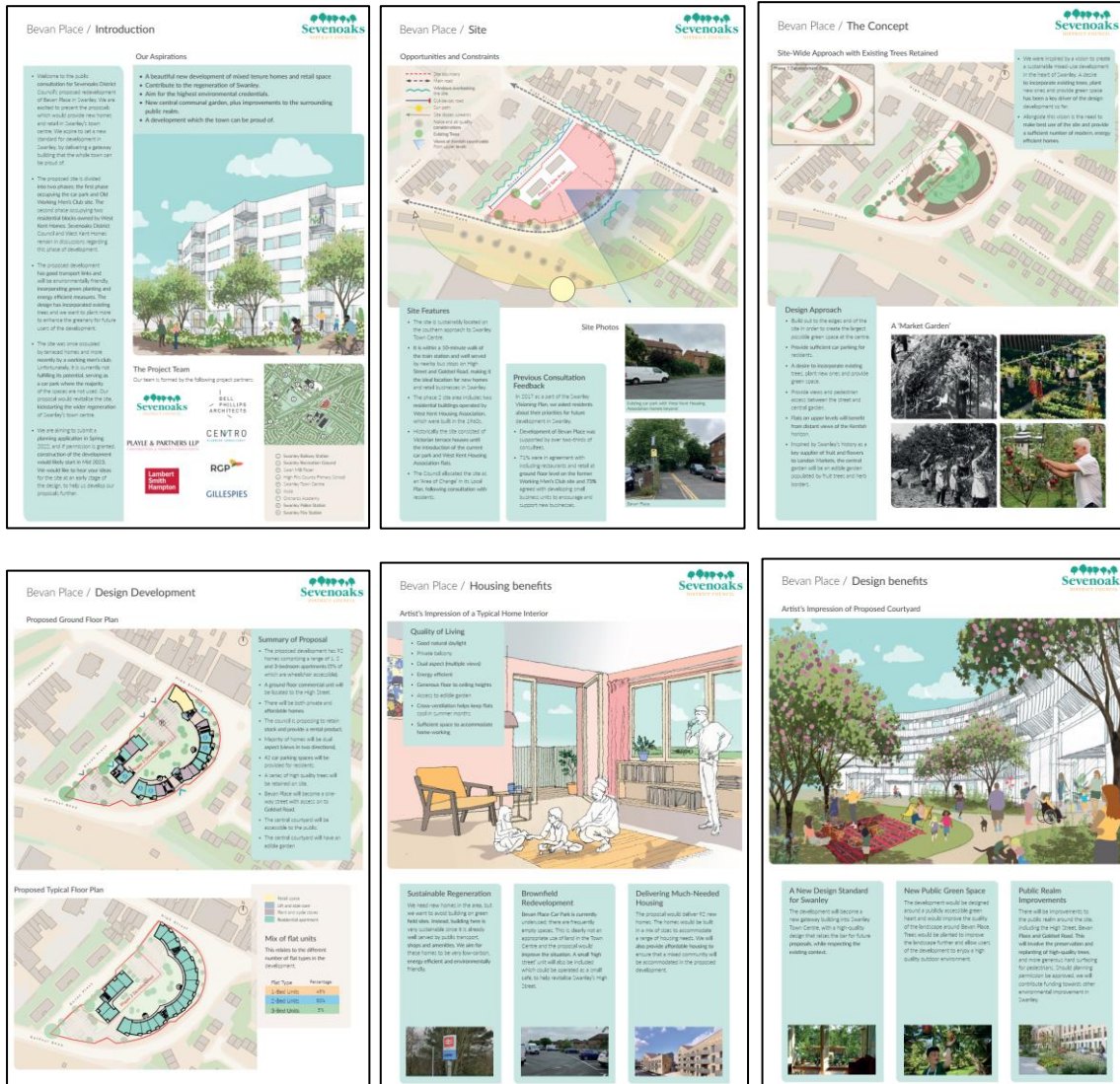
Asda

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



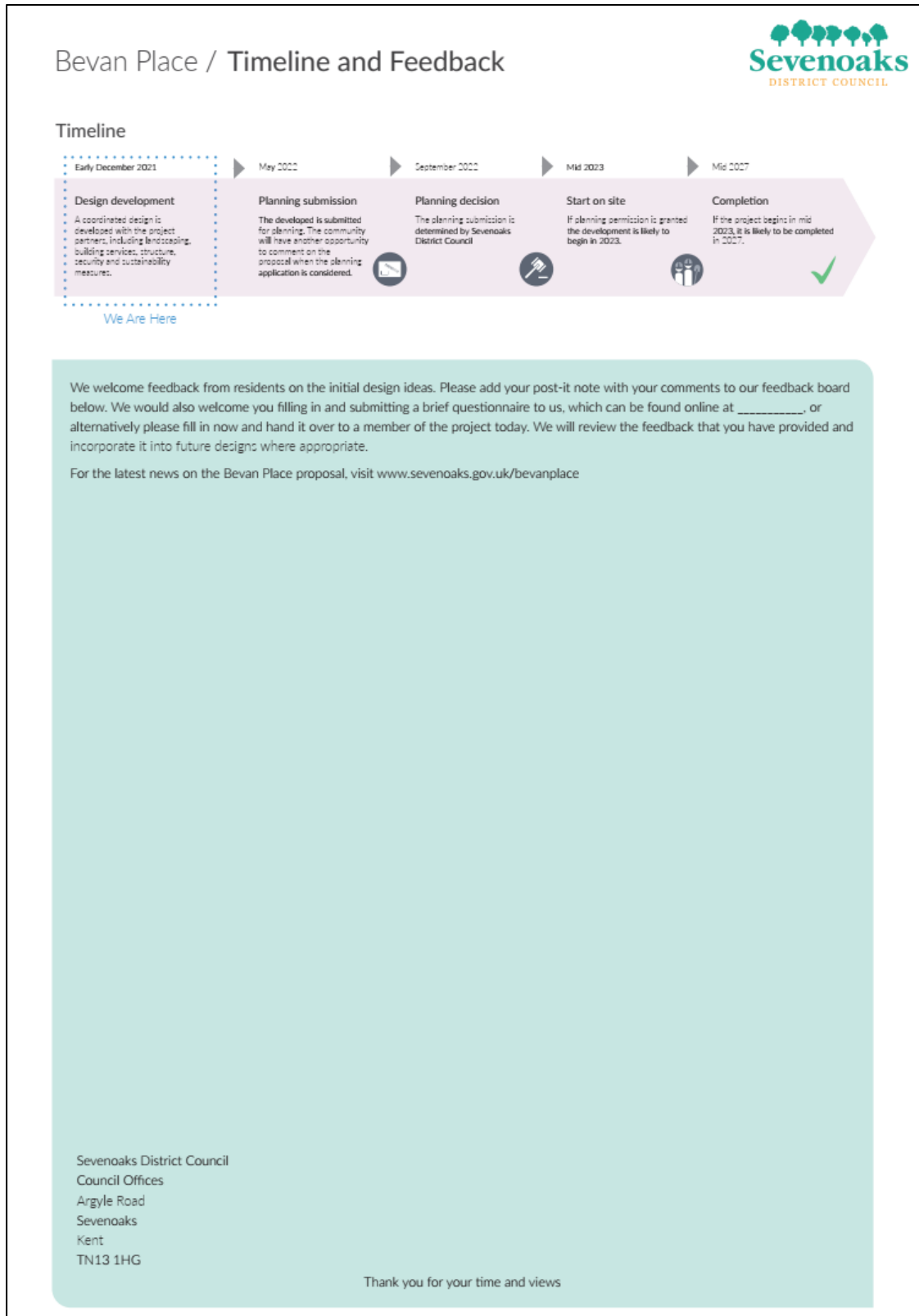
7. At the consultation events, attendees had the opportunity to discuss the proposed scheme with members of the project team, consisting of Council officers and project consultants. Attendees were invited to attach comments to the consultation board (see figure B4) and were also encouraged to submit 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

Agenda Item 6c

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

Figure B4 - Comment Board



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.

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

Agenda Item 6c

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>

Agenda Item 6c

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

Agenda Item 6c

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

Agenda Item 6c

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

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

Agenda Item 6c

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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**Item 6 (d) - Swanley White Oak Leisure Centre Residential Quarter,
Swanley - Development Proposal**

The attached report was considered by the Cabinet on 10 February 2022, and the relevant minute extract was therefore not available prior to printing of these papers and will follow when available.

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WHITE OAK LEISURE CENTRE RESIDENTIAL QUARTER, SWANLEY - DEVELOPMENT PROPOSAL

Council - 22 February 2022

Report of: Strategic Head of Property and Commercial

Status: For Decision

Also considered by:

- Finance & Investment Advisory Committee - 11 January 2022
- Housing & Health Advisory Committee - 17 January 2022
- Cabinet - 10 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.

Agenda Item 6d

- 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	

Agenda Item 6d

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).

Agenda Item 6d

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

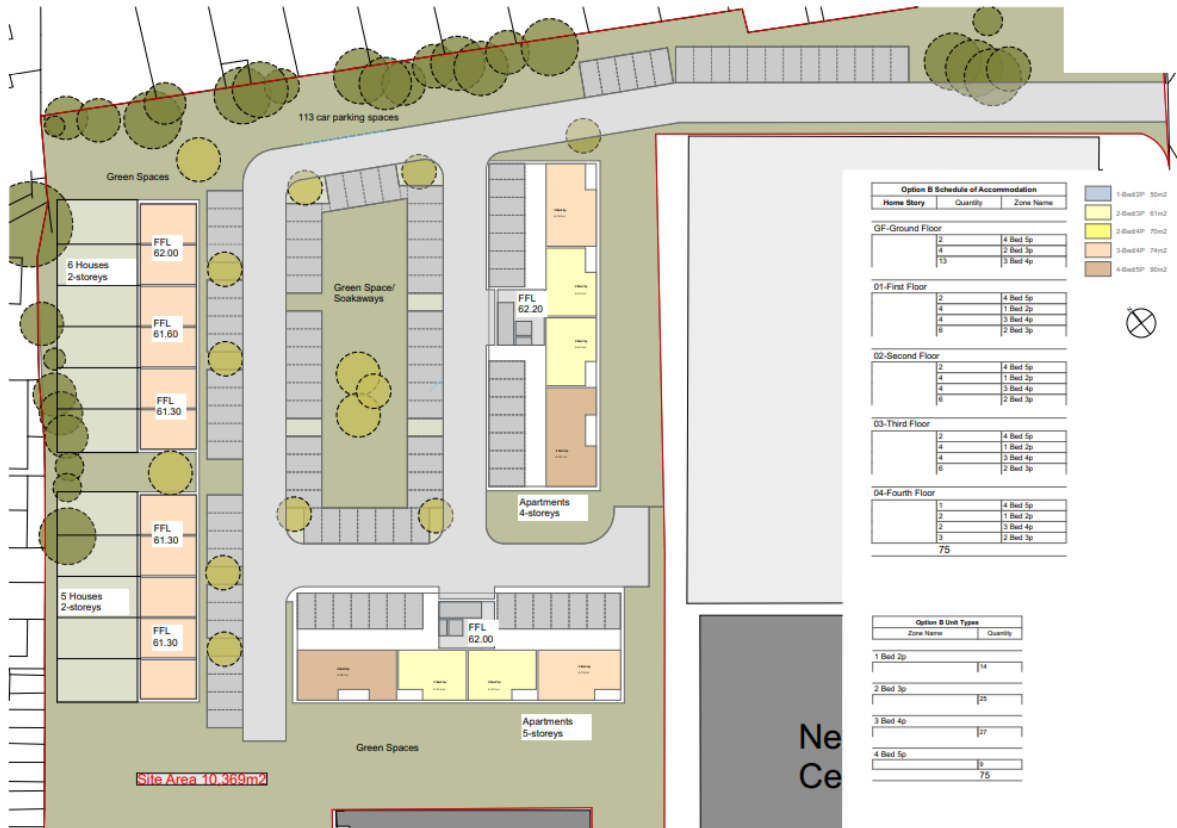
The following background documents are exempt from publication. The applicable reason for this redaction is paragraph 3 of Schedule 12A of the Local Government Act 1972: Information relating to the financial or business affairs of any particular person (including the authority holding that information).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

Agenda Item 6d

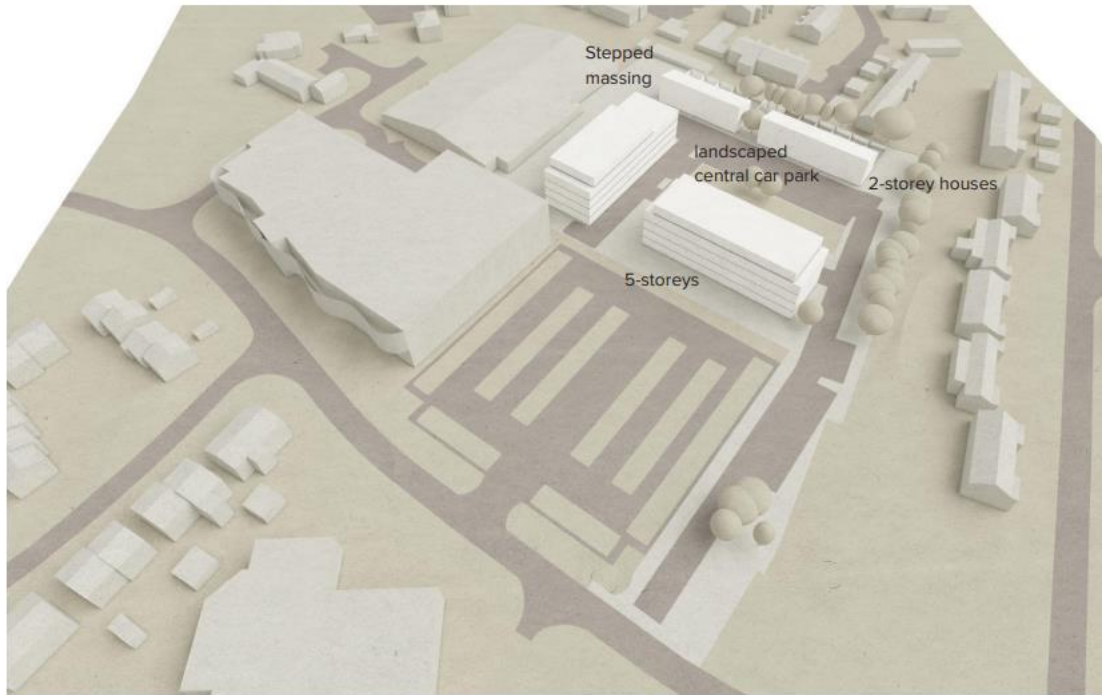
- Pathfinders Development Consultant (October 2021): White Oak Residential Viability Appraisal
- LSH's Residential Market Assessment - Bevan Place
- Playle and Partners (October 2021): White Oak Residential Order of Cost Estimate

Detlev Munster, Strategic Head of Property & Commercial

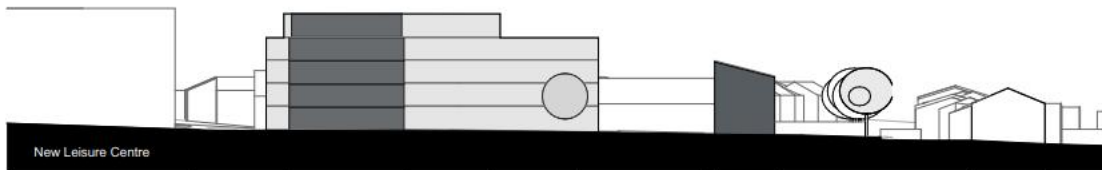
Appendix A: Appraisal Plans and Layouts



Agenda Item 6d



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.

Agenda Item 6d

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.

Appendix D - SUSTAINABILITY CHECKLIST:

Name of Officer completing this form: Jessica Bolsin

Date checklist completed: 30th November 2021

Title of policy/strategy/project: White Oak Residential

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			0	-ve			?	N/A	Action to minimise or eliminate negative impacts or enhance benefits
	+	+	+	0	-	-	-			
A. Community Safety										
1) Help to reduce fear of crime		✓								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		✓								Through examples above, design will help to reduce opportunities for crime
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		✓								Specific action to design out crime
5) Encourage individual/community responsibility				✓						Development will not directly encourage responsibility but it is expected that the design will help to improve general attitude towards crime and safety
B. Economy & Work										

Agenda Item 6d

Categories	+ve			-ve			?	N/A	Action to minimise or eliminate negative impacts or enhance benefits
	+	+	+	0	-	-			
6) Increase employment opportunities for local people			✓						Contractor will be given targets on local employment directly or through supply chain
7) Link local production with local consumption								✓	
8) Help local and community based businesses to set up and grow and promote rural diversity								✓	
9) Value and support unpaid work								✓	
C. 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
11) Improve access to training, education and self-development opportunities for all			✓						Contractor will be given targets on local apprenticeships and training
12) Encourage the adoption of sustainable lifestyles and practices			✓						Residential units directly adjacent to new leisure centre
D. Equitable Access to Local Facilities & Services									
13) Address inequalities through allocating resources based on need								✓	
14) Improve access to local services and facilities for local people			✓						Residential units directly adjacent to new leisure centre
15) Protect local shops and services			✓						81 new residential units bringing additional residents to Swanley to support local services
16) Ensure access to usable open spaces and meeting places			✓						Design will ensure access to local open space is facilitated
17) Improve facilities, access and opportunities for people with disabilities, wheelchair users, people with pushchairs and elderly people			✓						Designs will provide accessible units in line with planning policy

Categories	+ve			-ve			?	N/A	Action to minimise or eliminate negative impacts or enhance benefits
	+	+	+	0	-	-			
18) Improve opportunities, facilities and access for children & young people				✓					Residential units directly adjacent to new leisure centre
E. Health									
19) Reduce factors contributing to ill health (e.g. poverty, safety, diet, lifestyle, pollution)			✓						New quality housing contributing to health and wellbeing
20) Provide support for elderly people and young people and their families			✓						Development will provide a mix of new homes including family homes
21) Provide access to housing, appropriate to need	✓								81 new homes with a mix of sizes
22) Increase opportunities for residents to partake in regular physical activity		✓							Residential units directly adjacent to new leisure centre
23) Increase accessible leisure/ recreation opportunities for young people (i.e. in terms of cost/transport/supervision)			✓						Residential units directly adjacent to new leisure centre
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.
25) Contribute to local distinctiveness and promote design quality in new buildings	✓								New homes provided will help set a precedent in the area for high quality design
26) Increase enjoyment/participation in arts, local culture and heritage								✓	
G. Natural Environment									
27) Protect/enhance wildlife habitats (e.g. open spaces, trees, hedgerows, private gardens, some buildings, designated sites)			✓						New trees will be planted and improved landscaping to encourage and enhance biodiversity
28) Increase tree cover, especially broad-leaved woodland			✓						Planting of additional trees within design

Agenda Item 6d

Categories	+ve			-ve			?	N/A	Action to minimise or eliminate negative impacts or enhance benefits
	+	+	+	0	-	-			
29) Improve/maintain public access to open spaces, wildlife areas and the countryside								✓	
30) Protect/enhance landscape quality/heritage and retain open land/countryside			✓						The scheme will provide new landscaped areas
31) Protect/enhance the welfare of captive, domestic and wild animals			✓						Development will include landscaped areas to protect/enhance animal's welfare
H. Participation, Democracy & Partnership									
32) Involve people in action			✓						The development will involve a minimum of 1 consultation event to encourage residents to be involved in the design development
33) Involve appropriate partner organisations								✓	
34) Increase access to information by communicating in different ways				✓					SDC Communications team will be involved in consultation and general publicity to help 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 events to encourage residents to be involved in the design development.
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

Categories	+ve				-ve			?	N/A	Action to minimise or eliminate negative impacts or enhance benefits
	+	+	+	0	-	-	-			
38) Prevent/reduce land contamination and dereliction	✓									Redeveloping previously developed land to reduce contamination on areas of undeveloped land
39) Prevent/reduce air, noise and light pollution			✓							To be considered in design
40) Ensure the appropriate use and disposal of hazardous materials	✓									All hazardous materials will be appropriately dealt with via contractor
41) Prevent an increase in waste production, fly-tipping, littering, dog fouling			✓							Design will avoid areas that might encourage fly-tipping. 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
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 tender docs
46) Ensure the use of wood from sustainably managed sources			✓							Opportunities to incorporate into scheme will be identified as scheme progresses

Agenda Item 6d

Categories	+ve				-ve			?	N/A	Action to minimise or eliminate negative impacts or enhance benefits
	+	+	+	0	-	-	-			
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						✓				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 at the new development to encourage people to take methods of sustainable transport
51) Improve conditions and facilities for pedestrians and cyclists	✓									Cycle parking will be provided at the new development. Pedestrian connectivity around the new development and into the adjacent area will be enhanced 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									✓	

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
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

Agenda Item 6d

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 White Oak Leisure Centre car park will provide a positive contribution to all areas covered as part of the Sustainability checklist. This is particularly 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 areas of improved landscaping within the new scheme, 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.

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.

Item 6(e) - Treasury Management Strategy 2022/23

The attached report was considered by the Cabinet on 13 February 2022 and the relevant minute extract was therefore not available prior to printing of these papers and will follow when available.

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TREASURY MANAGEMENT STRATEGY 2022/23

Council - 22 February 2022

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

Status: For Decision

Also considered by:

- Finance & Investment Advisory Committee - 11 January 2022
- Cabinet - 10 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.

Agenda Item 6e

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

Agenda Item 6e

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.

Agenda Item 6e

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. For the purposes of calculating MRP assets are only deemed as operational once they have received a full practical completion certificate.
- 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

Agenda Item 6e

cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential 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

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:

Agenda Item 6e

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

Agenda Item 6e

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):

Agenda Item 6e

	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.

Agenda Item 6e

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

Agenda Item 6e

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

Prospects for interest rates

- 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

- 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.
- 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.

Agenda Item 6e

Appendix B

- 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,

Agenda Item 6e

Appendix B

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

Agenda Item 6e

Appendix B

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

Agenda Item 6e

Appendix B

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

Agenda Item 6e

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.

Agenda Item 6e

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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Item 6 (f) - Property Investment Strategy Update report

The attached report was considered by the Cabinet on 13 February 2022, and the relevant minute extract was therefore not available prior to printing of these papers and will follow when available.

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PROPERTY INVESTMENT STRATEGY UPDATE REPORT

Council - 22 February 2022

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

Status: For Decision

Also considered by:

- Financed & Investment Advisory Committee - 11 January 2022
- Cabinet - 10 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.

Agenda Item 6f

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

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:

Agenda Item 6f

- 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.

Agenda Item 6f

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	

Agency Item 6f

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 						Agenda Item 6f
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

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

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 6f

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? 						Agenda Item 6f
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

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

Page 269

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

Agenda Item 6f

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>											

Item 6 (g) - Budget and Council Tax Setting 2022/23

The attached report was considered by the Cabinet on 13 February 2022, and the relevant minute extract was therefore not available prior to printing of these papers and will follow when available.

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BUDGET AND COUNCIL TAX SETTING 2022/23

Council (Budget) - 22 February 2022

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

Status: For Decision

Also considered by:

- Cabinet - 10 February 2022

Key Decision: No

Executive Summary:

The Council has an excellent track record in identifying, planning for and addressing financial challenges. In light of the challenging financial position facing all authorities eleven years ago, for 2011/12 the Council produced a 10-year budget together with a savings plan for the first time. This will be the twelfth year this method has been used and provides the Council with a stable basis for future years.

This report sets out the proposed budget and required level of Council Tax for 2022/23.

Based on the changes detailed in this report, **this Council will once again have a balanced 10-year budget.**

The report proposes a net expenditure budget of £17.297m in 2022/23 (£16.783m in 2021/22). Subject to any further changes this would result in a **Council Tax increase of 2.2% in 2022/23, with the District's Council Tax being £229.86 for a Band D property for the year (£224.91 in 2021/22), an increase of £4.95.**

The report also contains details of the precepts received from other authorities (Council report only), the Collection Fund position and an opinion on the robustness of the budget and the adequacy of the reserves.

Portfolio Holder: Cllr. Matthew Dickins

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

Alan Mitchell, Ext. 7483

Recommendation to Cabinet:

- (a) Consider the savings proposals in Appendix E (ii) and recommend including them in the budget.
- (b) That recommendations (a) to (e) below be recommended to Council.

Recommendation to Council:

- (a) The Summary of Council Expenditure and Council Tax for 2022/23 set out in Appendix F be approved.
- (b) Approve the 10-year budget 2022/23 to 2031/32 which is the guiding framework for the detailed approval of future years' budgets set out in Appendix C to the report, including the growth and savings proposals set out in Appendix E to the report, and that where possible any variations during and between years be met from the Budget Stabilisation Reserve.
- (c) Approve the Capital Programme 2022/25 and funding method set out in Appendix J(i) and Capital Strategy 2022/23 set out in Appendix J(iii).
- (d) Approve the changes to reserves and provisions set out in Appendix K.
- (e) That the Local Council Tax Reduction Scheme 2021/22, be rolled forward to 2022/23, with effect from 1 April 2022 (Appendix M).

Due to their length and complexity, the further recommendations have been produced as a separate document (Appendix Q).

Introduction and Background

- 1 The Council's financial strategy continues to aim for long-term financial health and continues to work towards increasing financial sustainability. It has been successful through the use of a number of actions including:
 - implementing efficiency initiatives.
 - significantly reducing the back-office function.
 - improving value for money.
 - maximising external income.

- the movement of resources away from low priority services.
 - an emphasis on statutory rather than non-statutory services.
- 2 Over this period the Council has focused on delivering high quality services based on Members' priorities and consultation with residents and stakeholders.
- 3 In setting its budget for 2011/12 onwards, the Council recognised the need to address both the immediate reduction in Government funding as well as the longer-term need to reduce its reliance on reserves. The outcome was a 10-year budget, together with a four-year savings plan, that ensured the Council's finances were placed on a stable footing but that also allowed for flexibility between budget years.
- 4 With the Revenue Support Grant provided by Government having ceased from 2017/18 it is important that the council remains financially self-sufficient by having a financial strategy that is focused on local solutions. These solutions include:
- continuing to deliver financial savings and service efficiencies.
 - growing the council tax and business rates base.
 - generating more income.
- 5 At the Cabinet meeting on 16 September 2021, Members considered a report setting out the Council's financial prospects for 2022/23 and beyond. That report set out the major financial pressures the Council is likely to face, together with a proposed strategy for setting a balanced and sustainable budget for 2022/23 and beyond.
- 6 As part of the budget process officers put forward their Service Dashboards to the Advisory Committees between September and November, which set out a summary of current and future challenges and risks. The Advisory Committees recommended new growth and savings items which will be considered at this meeting.
- 7 Cabinet have received Budget Update reports on 9 December 2021 and 13 January 2022 which contained updates to the Financial Prospects report and considered further growth and savings items.
- 8 The financial future for councils will remain challenging as highlighted in the Institute for Fiscal Studies (IFS) 'What's Happened and What's Next for Councils?' document published in October. It included the following highlights:
- Government funding during 2020-21 exceeded councils estimated in-year covid pressures, however the partial compensation for lost income means shire districts in particular were 'under-compensated'.
 - Shire district councils on average faced forecast financial pressures of £46 per person, and received government support of only £34, leaving

Agenda Item 6g

them with a shortfall of £12 per person. This ‘unfunded pressure’ reflects high reliance on Sales Fees and Charges, especially from parking and culture & leisure facilities, and is equivalent to 6.6% of average pre-COVID budgets.

- The pandemic’s impact is likely to be felt for the next few years in terms of spending and income-generating capacity, while underlying growth in service demands and costs continues, suggesting above-inflation rises in council tax will be needed to maintain service levels and quality.

Financial Strategy

- 9 In order to maintain a viable Council that continues to deliver on its main priorities and the services it provides to its residents, the Council continues to adopt a Financial Strategy that embraces the following principles:
- Remain financially self-sufficient.
 - Be clear about the Council’s future financial prospects, with a ten-year budget as an integral part.
 - Ensure a strategic approach is taken to the management of the Council’s finances, Council Tax, and budget setting.
 - Make effective use of reserves and capital receipts.
 - Manage our money carefully, monitor monthly and constantly strive for better value from our spending.
- 10 A two-page summary of the Financial Strategy can be found at **Appendix B**.
- 11 An audit of the 10-year budget process has been completed by Mazars (working for Internal Audit) and their findings were that the Council has adequate, effective and reliable controls in place over budget setting and long-term financial planning.

Financial Self-Sufficiency

- 12 The Council’s Corporate Plan 2013-2018 set out an ambition for the Council to become financially self-sufficient which was achieved in 2016/17. The current Council Plan aims to continue with this approach. This means that the Council no longer requires direct funding from Government, through Revenue Support Grant or New Homes Bonus, to deliver its services.
- 13 This approach was adopted in response to the financial challenges the Country was faced with in bringing its public spending down to ensure it was able to live within its means. In practice this has seen Government funding to local authorities dramatically reduced since 2010/11 with Sevenoaks District Council receiving no Revenue Support Grant from 2017/18.
- 14 The decision to become financially self-sufficient is intended to give the Council greater control over its services, reducing the potential for decision

making to be influenced by the level of funding provided by government to local authorities.

- 15 The Council's decision to seek to become financially self-sufficient was subject to scrutiny by the Local Government Associations Peer Challenge of the District Council during December 2013. In their closing letter to the Council, they concluded that they 'fully support that aspiration and given the existing and anticipated squeeze upon public finances this makes much sense'. A further Peer Challenge has recently been completed and the outcome will be provided to Members.
- 16 With the Council receiving no Revenue Support Grant from 2017/18 and New Homes Bonus reducing from 2018/19, this approach remains appropriate. The attached 10-year budget assumes no Revenue Support Grant or New Homes Bonus. Any funding received from these sources will be put into the Financial Plan Reserve which can be used to support the 10-year budget.
- 17 Cabinet are keen to remain financially self-sufficient which has served the Council well and ensured it is one of the most financially stable local authorities in the country. In the 2020/21 budget, a new target was set to replace reliance on Business Rates income over the coming years. However, due to the impact of Covid-19 and the greater uncertainty as Government funding reviews have been deferred, this was not addressed during the 2021/22 budget process but remains a future aim. This ambition will allow the Council to move ahead in the knowledge that it has the financial resources to provide the services that the district's residents need into the future.

Covid-19 Impact

- 18 A number of Covid-19 related financial adjustments were made in the last budget cycle relating to both reduced income and increased expenditure. These have continued to be monitored throughout this budget process.

Local Government Finance Settlement

- 19 The Provisional Local Government Finance Settlement for 2022/23 was announced on 16 December 2021. The most relevant elements for this Council are included below.
- 20 The settlement relates to 2022/23 only.
- 21 A **Lower Tier Services Grant** of £103,000 has been included for 2022/23. This one-year payment is to ensure that no authority has a total Core Spending Power less than in 2021/22.
- 22 A **Services Grant** of £159,000 has been included for 2022/23. It would appear that this is to fund the additional cost to councils of the new Health and Social Care Levy.

Agenda Item 6g

- 23 **New Homes Bonus (NHB)** funding of £810,000 has been included for 2022/23. The attached 10-year budget assumes no NHB. As previously agreed, any amounts received will be put into the Financial Plan Reserve to support the 10-year budget including 'invest to save' initiatives and support for the Property Investment Strategy.
- 24 **Council Tax increase** - It was announced that the referendum limit for 2022/23 was an increase of 2% or £5 for a Band D property if higher.
- 25 **The Final Local Government Finance Settlement** for 2022/23 had not been released at the time of writing this report. Members will be updated of any relevant differences in the final settlement compared to the provisional settlement.

Updates on Assumptions

- 26 **Government Support: Revenue Support Grant (RSG)** (£nil received in 2011/22) - This formula-based grant has significantly reduced since 2010/11 as the emphasis of Government Support has changed, in fact this council has continued to receive no RSG since 2017 and is not expected to receive any in future years. The attached 10-year budget assumes no RSG, if any amounts are received in future years, they will be put into the Financial Plan Reserve to support the 10-year budget including 'invest to save' initiatives and support for the Property Investment Strategy.
- 27 Negative RSG (i.e. where councils pay government) has previously been proposed by government. It has not been implemented but remains a threat going forward.
- 28 **New Homes Bonus (NHB)** (£1.2m received in 2021/22 but not used to fund the revenue budget) - the Government started this new funding stream in 2011/12 from funds top sliced from RSG with the intention that local authorities would be rewarded for new homes being built over a six-year period. The basis of NHB was changed with effect from 2017/18. Previously it was based on cumulative figures for 6 years, but this was reduced to 5 years from 2017/18 and 4 years from 2018/19. In addition, NHB is only received on tax base growth above 0.4% instead of on all growth (known as the deadweight).
- 29 In the same way as RSG, the attached 10-year budget assumes no NHB resulting in there being no reliance on this funding source to support the revenue budget. Any funding received will be put into the Financial Plan Reserve for the same purpose as noted above.
- 30 It is expected that NHB will soon end.
- 31 **Council Tax** (£11.4m) - in the Provisional Local Government Finance Settlement it was announced that the referendum limit for 2022/23 was an increase of 2% (or £5 for a Band D property if higher). The Final Local Government Finance Settlement had not been announced at the time of writing this report so the referendum limit may change. At the Cabinet

meeting on 13 January 2022 Members recommended to change the Council Tax increase assumption for 2022/23 to £4.95 for a Band D property (2.2%).

- 32 This recommendation would result in Band D Council Tax increasing from £224.91 in 2021/22 to £229.86 in 2022/23.

2022/23 Council Tax	Original Assumptions	Proposed Assumptions
% Increase	2.00%	2.2%
£ increase (Band D pa)	£4.50	£4.95
£ (Band D pa)	£229.41	£229.86

- 33 Due to the uncertainty of future Council Tax increase referendum limits, if maximum increases are not taken there will be an ongoing detrimental impact on the ability to increase Council Tax in future years.
- 34 The Council Tax Base has increased from 50,876.85 to 51,514.27 Band D equivalent properties. That is an increase of 637.42 (1.25%) which is below the previously assumed increase of 717 (1.41%).
- 35 The tax base increases each year due to the general increase in the number of residential properties and future developments as well as the continuing work to check the validity of Council Tax discounts awarded. The assumption going forward reflects the increases achieved in recent years and the ongoing work. The increased tax base results in additional Council Tax income which is assumed to be greater than the incremental cost of servicing the additional properties although it should be recognised that there are likely to be step changes in costs for some services in the future such as refuse collection. The Local Plan may also affect future Council Tax assumptions.
- 36 **Business Rates Retention** (£2.2m) - The basis for allocating Government Support from 2013/14 changed to the Business Rates Retention Scheme. This scheme initially allows billing authorities, such as this council, to keep 40% of Business Rates received. However, tariffs and top-ups are applied to ensure that the funding received by each local authority is not significantly different to pre 2013/14 amounts. This Council is due to collect £32m of Business Rates in 2021/22.
- 37 A Business Rates Pool operates in Kent and Medway which generally results in councils retaining more Business Rates than if they were not in the pool. To maximise the benefit of the pool across the county, this council and others are not part of the pool but benefit as if they were in the pool.
- 38 Due to the large number of business rates appeals being outstanding with the Valuation Office Agency (VOA) and the limited opportunities to increase the number of businesses in the district, the assumption in the 10-year budget remains at the safety-net level, which is the amount of business

Agenda Item 6g

rates the council is assured of retaining in the current scheme if it were not in a pool.

- 39 The Government has continued to delay carrying out the 'Fair Funding Review' and 'Business Rates Retention Reform'. There is a risk that this council may no longer retain any Business Rates in the future. This would result in a funding gap that would need to be replaced by additional income or further savings.
- 40 **Interest receipts** (£0.2m) - Returns have continued to be significantly lower than they were a few years ago due to low interest rates and the Council's Investment Strategy taking a low-risk approach. As supported by Members, the Council is in the process of investing £5m in Multi-Asset Income Funds (MAIF) with the aim of obtaining greater returns and achieving the budget assumption.
- 41 The Treasury Management Strategy will continue to be reviewed and a separate report on the strategy is being reported at this meeting.
- 42 **Property Investment Strategy** - The strategy was approved by Council on 22 July 2014 with the intention of building on an approach of property-based investment in order to deliver increased revenue income. This was set against a background of reducing Government Support and continued low rates of return through existing treasury management arrangements.
- 43 To date six assets have been purchased or built by the Council and five by Quercus 7 at a combined cost of £35m.
- 44 As explained in the Property Investment Strategy Update report being presented at this meeting, the income assumptions have not been amended this year. Changes to the Public Works Loan Board (PWL) and Prudential Code will impact the opportunities to make further property investments within the strategy. Since the Property Investment Strategy Update report was written, SCIA11 has been approved by Cabinet which reduced the annual transfer to the Property Reserve for void periods by £10,000 therefore increasing the Property Investment Strategy net income assumption by £10,000.
- 45 **Pay costs** (£16.9m) - Agreement has not been reached between the National Employers for Local Government Services and the unions regarding the national pay award for 2021/22. The latest offer was 1.75%.
- 46 Discussions on the 2022/23 pay award have not yet commenced.
- 47 The assumption in the attached 10-year budget is a 2% increase in all years.
- 48 The Government has announced a new Health and Social Care Levy. The Levy will be obtained by a 1.25% increase to both employee and employer National Insurance Contributions. This is expected to cost the Council £140,000 in 2022/23. This additional cost will be covered by the Services

Grant which was announced in the Provisional Local Government Finance Settlement.

- 49 It is uncertain whether any funding will be provided to fund this extra cost in later years and is therefore a new risk to the budget process.
- 50 The Council's latest Council Plan was launched in 2018. In order to ensure the effective delivery of the Council Plan, some services are being redesigned so that they are better aligned to customer needs and with a much stronger emphasis on wrapping services around the customer.
- 51 In order to achieve this, the Customer Solutions Centre is in operation. The Customer Solutions Centre is resourced with a wider skill set in order to deal with more interactions at first point of contact and in parallel more effective processing is being investigated. It is anticipated that the cost of these changes will continue to be met within approved budgets and therefore a SCIA has not been proposed.
- 52 **Superannuation fund** - the last pension fund triennial valuation, which was the fourth by the actuaries Barnett Waddingham, took place in November 2019.
- 53 The funding level increased from 75.5% to 86.6% since the previous valuation in 2016 and the deficit recovery period for the fund has reduced from 17 years to 13 years. The 10-year budget includes the contribution amounts set by the actuaries up to 2022/23 and includes an additional £100,000 from 2023/24 when the next triennial valuation will come into effect.
- 54 **Non-pay costs** - The budget assumes non-pay costs will increase by an average of 2.25% in all years. In practice, items such as rates and energy costs often rise at a higher rate, so other non-pay items have been allowed a much lower inflation increase. Inflation is currently at 5.4% (CPI) and 7.5% RPI (as at December 2021).
- 55 **Annual Savings** - an annual Net Savings/Additional Income assumption of £100,000 is included for all years in the 10-year budget.

White Oak Leisure Centre

- 56 On 21 April 2020 Council granted approval for the construction of a new leisure centre and demolition of the existing White Oak Leisure Centre.
- 57 The funding method agreed, included the net payment from the operator over the 20-year contract period being used to repay the £8m loan from the Public Works Loan Board (PWLb).
- 58 A 'White Oak Leisure Centre: New Build and Operator Procurement - Progress Report' is being presented at this meeting. The financial impacts of that report are included in the budget being proposed in this report but can be reversed if not approved. This includes an additional loan of £1.9m.

- 59 The revenue impacts of both loans, payments to and from the operator and other changes mentioned in the ‘Progress Report’ are included in the attached 10-year budget (Appendix C (i)). Due to the operator contract consisting of payments to the contractor in the first year then increasing payments from the contractor from year 2 onwards, there is an increase to the Net Service Expenditure of £235,000 in 2022/23 and contributions from reserves increasing by the same amount. However, over the period of the loans there is no overall impact on the revenue budget position.

Collection Fund - Council Tax Surplus/Deficit Calculation

- 60 Rules governing the operation of the collection fund require the Council to make an estimate on 15 January (or the next working day) each year of the fund’s likely surplus or deficit at the end of the current financial year, in respect of council tax transactions. The amount so estimated is to be shared between the District Council, County Council, Fire and Police in proportion to their precepts on the collection fund. Each authority’s share is to be taken into account by the authority in calculating its council tax for the year following the year in which the surplus or deficit has been estimated.
- 61 The estimated surplus at 15 January 2021 was £540,104, whilst the actual deficit balance at 31 March 2021 was £142,861. The change from an estimated surplus to an actual deficit was due to a review of the provision for likely bad debts resulting from the Covid-19 pandemic. The balance is relatively small in the context of the gross council tax collectible during 2020/21 of approximately £99.5m.
- 62 The purpose of the calculation at 17 January 2022 is to estimate the likely surplus or deficit balance on the collection fund at 31 March 2022. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.
- 63 As a result of the Covid-19 pandemic, the rules were changed regarding recovery of an estimated deficit on the collection fund in relation to council tax transactions for the year 2020/21 (the overall surplus or deficit on the collection fund covers all financial years). In simple terms, rather than the full amount of an estimated deficit for the year 2020/21 being taken into account by the billing and precepting authorities in the year ending 2021/22, it had to be spread equally over 2021/22 and the following two financial years. This was designed to reduce the effect on an authority’s General Fund in 2021/22. The rules do not apply to an estimated surplus, the full amount of which will be taken into account by the billing and precepting authorities in the year in question.
- 64 This Council’s share of the estimated surplus as at 31 March 2022 is £30,656 and our one-third share of the estimated deficit for 2020/21 is £4,146 resulting in a net surplus of £26,510 to be taken into account in the year ending 31 March 2023. A similar apportionment has been carried out for the

County Council, Fire and Police, based on the relative level of their precepts.

Consultation

- 65 A resident survey was completed between 6 to 26 September 2021. It was a telephone survey contacted by an independent market research company. The survey consisted of 300 responses and was a representative sample of the District population.
- 66 The responses to the budget related questions were as follows:
- The Council should continue to generate income to help pay for services - 87% strongly agree / agree.
 - Continue to change and improve the way the Council provides services to make them more efficient - 96% strongly agree / agree.
 - Look to make savings from the back office and bureaucracy so the Council can continue to invest in services - 93% strongly agree / agree.
 - Sevenoaks District Council provides value for money - 63% (Note the LGA National Benchmark figure for Council value for money is 49%).
 - Satisfaction with the way in which Sevenoaks District Council runs things - 81% (Note the LGA National Benchmark figure for Council value for money is 68%).

Current Budget Position

- 67 The 10-year budget (**Appendix Ci**) shows a fully funded 10-year position. By continuing to use the 10-year budget strategy, this council remains in a strong position going forward.
- 68 **Appendix E (i)** shows the changes in the 10-year Budget since it was last approved by Council in February 2021.
- 69 ***Progress on the savings plan*** - 2022/23 is the twelfth year of using the 10-year budget. Prior to the current budget setting process, 189 savings items have been identified totalling £8.3m. The majority of these savings have already been achieved and Portfolio Holders, Chief Officers, Heads of Service and Service Managers have worked closely to deliver these savings.
- 70 ***Changes since the 10-year budget started*** - The table below shows how the Net Service Expenditure has changed since 2010/11. This shows that the budget has reduced by £4m (23%) in real terms.

Agenda Item 6g

Net Service Expenditure	£000
2010/11 (budget)	16,711
2021/22 (2010/11 budget +2% inflation per year)	20,778
2021/22 (budget)	16,783
Difference	3,995

2022/23 Budget and Council Tax

- 71 After allowing for the growth and savings agreed and the key changes made during this budget process, the resulting net expenditure for 2022/23 is £17.297m. As shown in **Appendix F** this results in Council Tax income of £11.841m, meaning that the District element of the Band D charge will be £229.86.
- 72 When the other preceptors announce their increases, details will be included in **Appendix N**.
- 73 Further details of the budget can be found in the following appendices:
- 10-year budget - Revenue (**Appendix C(i)**)
 - 10-year budget - Balance Sheet (**Appendix C(ii)**)
 - Summary of Council Expenditure and Council Tax (**Appendix F**)
 - Summary of 2022/23 service analysis in Budget Book format (**Appendix G**)
 - Analysis of 2022/23 pay costs (**Appendix H**)

Capital Programme

- 74 A report setting out the proposed 2022/25 Capital Programme, with supporting documentation in a standard format for individual scheme bids was presented to the Finance and Investment Advisory Committee on 11 January 2022.
- 75 Scheme bid documents were received for all new schemes which included the proposed funding methods.

- 76 Unspent budgets in the current year's programme (2021/22) can be carried forward to 2022/23, subject to Cabinet approval, when the outturn is known.
- 77 **Appendix J(i)** summarises the position if all schemes are approved and indicates the funding method proposed. **Appendix J(ii)** contains the bids for each capital scheme.
- 78 The Capital Strategy 2022/23 was also presented to FIAC and is included at **Appendix J(iii)**.
- 79 Council will be informed at the meeting of any changes recommended by Cabinet. Council are requested to approve the 2022/25 Capital Programme and the Capital Strategy 2022/23.

Integration with other budget reports on the Cabinet Agenda

- 80 Separate reports on the Treasury Management Strategy and Property Investment Strategy are being presented to Cabinet and Council.
- 81 The attached revenue budgets take into account the recommendations and revenue implications set out in the Capital Programme.

Opinion under Section 25 of the Local Government Act 2003 (LGA 2003)

- 82 Under the LGA 2003 the Statutory Finance Officer (Deputy Chief Executive and Chief Officer - Finance and Trading) is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves.
- 83 In terms of the robustness of the budget, the following sources of assurance were taken into account:
- The Strategic Business and Financial Planning process used for the 2022/23 budget.
 - The Financial Strategy, including a 10-year Budget, clear financial objectives and sensitivity analysis.
 - Growth and savings suggestions proposed.
 - The strong financial control structure and effective performance management within the Council, confirmed by feedback from external auditors.
 - Clear budget responsibilities at individual officer level.
 - Effective monitoring regime giving early notification of potential financial issues through the use of the Finance and Investment Advisory Committee.

Agenda Item 6g

- Effective Internal/External audit system, with risk-based audits, reporting through the Audit Committee.
- Set aside of earmarked funds for potential liabilities in the medium term.
- Effective strategic and operational risk management.

84 The budget complies with the principles and standards within the CIPFA (Chartered Institute of Public Finance and Accountancy) Financial Management Code.

85 As is the case every year, inevitably there are a number of risk factors within the 2022/23 budget proposals; these are set out in some detail in **Appendix L**. This Appendix was also considered by the Finance and Investment Advisory Committee on 11 January 2022. Some of the more significant items are set out below.

a) Pay costs

Pay costs are budgeted on 100% basis, with a 2% inflationary pay award assumption in 2022/23 included and with a separate vacancy saving target. With controls over the appointment of any staff and monitoring of staff numbers as well as costs, pay costs are subject to a high level of control. However, the national pay award for 2021/22 has not yet been agreed.

b) Income

In-depth monitoring of income budgets will continue throughout the year and will be given regular consideration by the Finance and Investment Advisory Committee. This includes considering the current and potential impact of the COVID-19 pandemic on certain income streams.

c) Pensions funding

The next actuarial valuation will take effect from 2023/24 and an increased assumption has been included in the 10-year budget from then.

d) Retained Business Rates

The Government intends to review how business rates income is distributed but the timeline keeps being put back therefore it remains uncertain what the impact on this Council will be.

e) COVID-19

There remains uncertainty around the ongoing impacts of COVID-19 on the Council, but the proposed budget takes into account the information currently available.

f) Investments

The Treasury Management Strategy will be kept under review and brought back to Members for consideration as necessary during the year. The proposed Strategy for 2022/23 will be reported separately.

g) Changes in service demand

The 10-year budget has no allowance for growth until 2027/28 as it is anticipated that where possible this will be met through additional savings or the Budget Stabilisation Reserve.

- 86 Members will recognise that budget risk cannot be avoided completely. However, the structures already in place and the actions being put in place should ensure that next year's overall revenue spend figure is achieved, particularly through the Council's flexible approach to budgeting allowing the risk areas to be compensated by those that are underspent or overachieve on income.

Adequacy of Reserves

- 87 Ensuring the adequacy and sustainability of the Council's reserves continues to be a key part of the budget process. Individual balances have been reviewed as part of writing this report and the detailed work is set out in **Appendix K**. This review should ensure that all provisions and earmarked reserves are adequate for their purposes.
- 88 It is recommended that the Council hold a minimum General Fund reserve balance of 10% of its net Revenue Budget, for emergencies.
- 89 The strong formal advice of the Deputy Chief Executive and Chief Officer - Finance and Trading to the Council is that every effort must be made to achieve the agreed savings in order to ensure financial sustainability and preserve the level of reserves for future commitments. The Council should avoid the General Fund Reserve balance reducing below 10% of its Net Service Expenditure (for 2022/23 this equates to £1.7m).
- 90 The Deputy Chief Executive and Chief Officer - Finance and Trading (Section 151 officer) is satisfied with the robustness of the estimates and adequacy of reserves.

Referendums relating to council tax increases

- 91 Section 72 of the Localism Act 2011 inserted Section 52ZB into the Local Government Finance Act 1992. This sets out the duty on local authorities, fire authorities and Police and Crime Commissioners (PCCs) to each determine whether the amount of council tax they plan to raise for a

Agenda Item 6g

financial year is excessive. If an authority's relevant basic amount of council tax is excessive, the provisions in relation to the duty to hold a referendum apply.

- 92 The Secretary of State has published draft thresholds in relation to 2022/23 council tax levels. District councils will be allowed a Band D council tax increase of the higher of 2% or £5 (for a Band D property). This council is therefore able to increase Band D council tax by up to 2.2% (£5 for a Band D property) without requiring a referendum. As in previous years, no equivalent principles are being proposed for Town and Parish Councils although the Government has said that they will keep this under review and take action if necessary.

Local Council Tax Reduction Scheme 2022/23

- 93 The Council Tax Reduction scheme replaced Council Tax Benefit with effect from 1 April 2013.
- 94 Under the Council Tax Reduction provisions, the scheme for pensioners is determined by Central Government and the scheme for working age applicants is determined by the Council. Pensioners broadly receive the same level of support that was previously available under the Council Tax Benefit scheme.
- 95 Schedule 1A (5) of the Local Government Finance Act 1992 as amended requires local authorities to consider the following:
- For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.
 - The authority must make any revision to its scheme, or any replacement scheme, no later than 11th March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 96 The 2021/22 Local Council Tax Reduction Scheme was approved by Council on 23 February 2021.
- 97 Further details can be found in **Appendix M** and a copy of the full scheme is available upon request.
- 98 It is recommended that the Local Council Tax Reduction Scheme 2021/22, be rolled forward to 2022/23, with effect from 1 April 2022.

Key Implications

Financial

All financial implications are covered elsewhere in this report.

Legal Implications and Risk Assessment Statement

There are no legal implications.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered. The budget risk analysis is included as **Appendix L**.

Current and future challenges together with risks were included in the Service Dashboards presented to the Advisory Committees and/or Cabinet and each Service Change Impact Assessment (SCIA) included the likely impacts including a risk analysis.

An effective integrated policy and priority driven long-term financial and business planning process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future changes to Business Rates Retention. The risk will be mitigated by continuing to review assumptions and estimates, remaining financially self-sufficient and by updating Members throughout the process.

The Council has in place a number of specific reserves and provisions to address identified risks.

Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.

Individual equalities assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision-making process is fair and transparent.

Net Zero Implications

Members are reminded of the Council's stated ambition to be Net Zero with regards to carbon emissions by 2030.

Agenda Item 6g

Individual net zero implication assessments have been completed for all Service Change Impact Assessments (SCIAs).

Community Impact and Outcomes

In making any budget proposals, Members need to consider the impact on customers, service quality and staff well-being, to ensure that the budget supports the Council's aspirations for customer-focused services.

Conclusions

The budget process has once again been a major financial challenge for a council that already provides value for money services to a high standard. The 10-year budget shows a fully funded position over the whole period which keeps this council in a strong position going forward.

The future financial prospects for the public sector remain difficult however, this budget ensures the Council remains in a financially sustainable position.

If the council tax resolution attached in **Appendix Q** is approved, the Sevenoaks District Council element of the band D council tax will be £229.86.

Appendices

Appendix A - Budget timetable

Appendix B - Financial Strategy

Appendix C (i) - 10-year budget - Revenue

Appendix C (ii) - 10-year budget - Balance Sheet

Appendix D - Summary of the Council's agreed savings and growth items

Appendix E (i) - Summary of changes to the 10-year Budget

Appendix E (ii) - Service Change Impact Assessment forms (SCIAs) for the new savings/additional income proposals in Appendix D (i) (only in Cabinet report)

Appendix F - Summary of Council Expenditure and Council Tax

Appendix G - Summary of service analysis in budget book format

Appendix H - Analysis of pay costs

Appendix J (i) - Capital Programme 2022-25 (also considered by Finance and Investment Advisory Committee on 11 January 2022)

Appendix J (ii) - Capital Programme bids (also considered by Finance and Investment Advisory Committee on 11 January 2022)

Appendix J (iii) - Capital Strategy 2022/23 (also considered by Finance and Investment Advisory Committee on 11 January 2022)

Appendix K - Reserves

Appendix L - Risk analysis (also considered by Finance and Investment Advisory Committee on 11 January 2022)

Appendix M - Local Council Tax Reduction Scheme 2022/23

Appendix N - Latest information on precepting authorities (only in Council report)

Appendix P - Town and Parish Council precepts and council tax rates (only in Council report)

Appendix Q - Council tax setting recommendations (only in Council report)

Appendix R - Council tax rates across the district (only in Council report)

Agenda Item 6g

Background Papers

Report to Cabinet 13 January 2022 - Budget Update 2022/23

Report to Cabinet 9 December 2021 - Budget Update 2022/23

Report to Cabinet 16 September 2021 - Financial Prospects and Budget Strategy 2022/23 and Beyond

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

2022/23 Budget Setting Timetable

Stage 1: Financial Prospects and Budget Strategy 2022/23 and Beyond

7 September - Finance & Investment AC

16 September - Cabinet

Stage 2: Review of Service Dashboards and Service Change Impact Assessments (SCIAs)

28 September - Housing and Health AC

6 October - People & Places AC

7 October - Improvement & Innovation AC

12 October - Cleaner & Greener AC

19 October - Development & Conservation AC

4 November - Finance & Investment AC

Stage 3: Budget Update (incl. Service Change Impact Assessments (SCIAs), feedback from Advisory Committees)

9 December - Cabinet

Stage 4: Budget Update (incl. Government Settlement information)

13 January - Cabinet

Stage 5: Budget Update and further review of Service Change Impact Assessments (if required)

January to February - Advisory Committees

Stage 6: Budget and Council Tax Setting Meeting (Recommendations to Council)

10 February - Cabinet

Stage 7: Budget and Council Tax Setting Meeting (incl. Council Tax setting)

22 February - Council

Note: The Scrutiny Committee may 'call in' items concerning the budget setting process.

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Financial Strategy








INTRODUCTION

In the years preceding this Strategy Sevenoaks District Council has proven itself to be highly successful in some of the most austere and challenging times faced by local government. This was only possible because of our award winning financial strategy and the achievement of a self-sufficient balanced budget within our unique 10-year budget framework.

The absolute need and desire to support our local businesses and people in our communities during the Covid-19 pandemic placed an unforeseen and difficult challenge on the Council and its finances. Using our previous experience and following our principles, we acted early, bringing forward our budget setting, making incredibly difficult but necessary savings to maximise the opportunity for a much stronger financial position in the medium to long-term.

Our Financial Strategy enables the Council to deliver its services effectively, in accordance with the priorities set out in the Corporate Strategy. At the same time, it ensures that our spending is prioritised to deliver the promises our Members set out in the **Council Plan themes**:

-  Environment
-  Economy
-  Housing
-  Community Safety
-  Health

OUR FINANCES

Our Vision

Long-term financial health to deliver exceptional services and achieve the promises set out in the Council Plan.

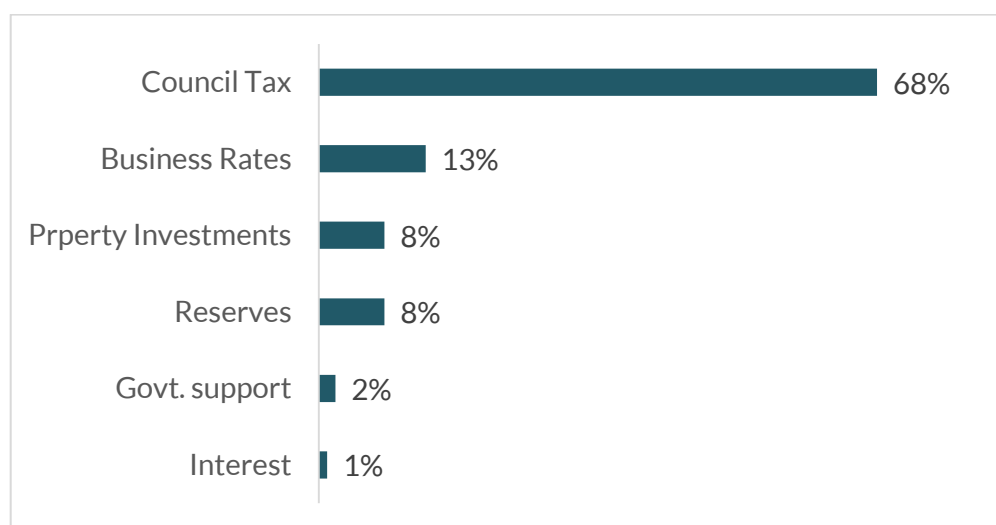
What's important to us:

- Our budget supports the Council's vision and priorities
- Taxpayers and customers receive quality services and value for money
- Innovation, efficiency and cost-effectiveness
- Maximising income from grants and other funding opportunities
- Taking a commercial approach where it will benefit our budgets and our residents and local businesses
- Good quality, risk managed investments to generate more income for local priorities

To be successful, we must:

- Remain financially self-sufficient
- Be clear about the Council's future financial prospects, with a ten-year budget as an integral part
- Ensure a strategic approach is taken to the management of the Council's finances, Council Tax, and budget setting
- Make effective use of reserves and capital receipts
- Manage our money carefully, monitor monthly and constantly strive for better value from our spending

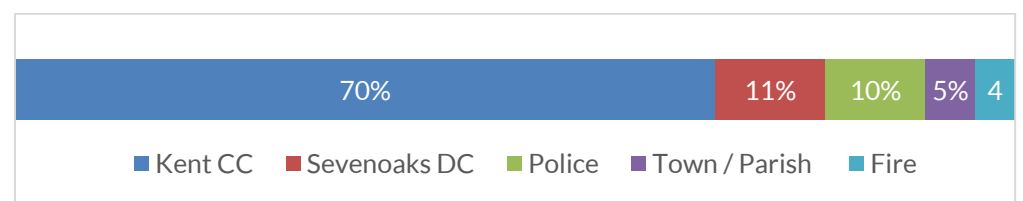
WHERE OUR MONEY COMES FROM



COUNCIL TAX

Sevenoaks District Council collects the Council Tax charge for itself but also for Kent County Council, Kent Fire & Rescue Service, Kent Police & Crime Commissioner and all the local town and parish councils. Each authority sets its own charge that contributes to the total.




Sevenoaks District Council's part of the charge at Band D is £224.91, 11% of the total. Council Tax contributes about £11.4million to District Council services.



WHERE OUR MONEY IS SPENT

In 2021/22 the Council will spend about £16.8million on services for local people

	Cleaner & Greener £5.7m
	Development & Conservation £0.9m
	Housing & Health £1.0m
	People & Places £0.6m

	Finance & Investments £3.1m
	Improvement & Innovation £5.7m
	Other -£0.2m

OUR PRIORITIES | By keeping a focus on our priorities we will deliver our vision

Financial self-sufficiency



No longer relying on direct government funding gives greater certainty to our financial planning. It allows for long-term plans to be developed over our 10-year budget period.

- We will produce high quality financial reports and monitor our budgets every month
- We will address growth items and service pressures annually through the budget planning process
- We will manage inflationary pressures and prudent assumptions about future pressures and keep them under regular review

Savings & reserves



Creating a culture where there is a continuous drive for better value in our spend helps to create savings to balance our budgets. Alongside flexible and effective use of reserves, it allows for sustainable solutions to financial pressures

- We will seek to deliver a minimum of £100,000 in savings annually
- We will regularly review the use of reserves and maintain a minimum balance of 10% of the Net Service Expenditure budget.
- We will make flexible use of the Budget Stabilisation Reserve to increase resilience in the budget setting process

Income & investments



Making best use of the Council's reserves and carefully managed borrowing generates 10% of the Council's annual budget. Seeking new opportunities for funding from grants and investments is increasingly essential to the Council's financial sustainability.

- We will bid for external funding
- We will adopt a commercial approach where it will be of benefit to our budgets and support the delivery of Council priorities
- We will make investments in property and banks and institutions to bring in income to support the delivery of Council services

Delivering our Financial Strategy

Our Financial Strategy is supported by a number of related strategies and an action plan to help us achieve our vision and to deliver the ambitions set out by Members in the Council Plan.

How we work as a team of officers is critical to the success of the organisation and to help us achieve our aims, the Financial Strategy seeks to unite us all behind the same priorities and approach.

The outcomes we hope to achieve and the measures that will help us to determine whether we have been successful are set out below.



Outcomes and success measures

Financial self-sufficiency					
	Financial plans ensure there are no unplanned reductions to Council services		Overall proportion of Council budgets funded by income from council tax does not increase		A balanced 10-year budget is delivered annually
Savings & Reserves					
	Annual savings exceed the £100,000 target whilst continuing to protect services		The General Fund reserves retains at least 10% of the Net Service Expenditure budget		Specific savings agreed as part of the annual budget process are achieved as planned.
Income & Investments					
	Successful bids for external funding generate new income and opportunities for the Council		Income from paid for services is in accordance with budget costs, is comparable to neighbouring authorities and is considered to provide value for money		Treasury Management, Property and commercial investments exceed expected yield

	Budget 2021/22	Plan 2022/23	Plan 2023/24	Plan 2024/25	Plan 2025/26	Plan 2026/27	Plan 2027/28	Plan 2028/29	Plan 2029/30	Plan 2030/31	Plan 2031/32
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	15,581	16,783	17,297	17,565	17,304	17,477	17,680	18,270	18,823	19,368	19,997
Inflation	616	510	518	524	513	519	527	537	545	554	564
Superannuation Fund deficit	0	0	100	0	0	50	0	0	0	0	0
White Oak Leisure Centre	0	235	(19)	(205)	(34)	(57)	62	16	1	76	(111)
Net growth/(savings) (approved in previous yrs)	586	(481)	(169)	(206)	(206)	(209)	1	0	(1)	(1)	0
New growth	0	496	(156)	(300)	0	0	100	100	100	100	100
New savings/Income	0	(246)	(6)	(75)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Net Service Expenditure b/f	16,783	17,297	17,565	17,304	17,477	17,680	18,270	18,823	19,368	19,997	20,450
Financing Sources											
Govt Support: Revenue Support Grant	0	0	0	0	0	0	0	0	0	0	0
: Lower Tier Services Grant	(98)	(103)	0	0	0	0	0	0	0	0	0
: Services Grant	0	(159)	0	0	0	0	0	0	0	0	0
: Local Council Tax Support (LCTS)	(245)	0	0	0	0	0	0	0	0	0	0
New Homes Bonus	0	0	0	0	0	0	0	0	0	0	0
Council Tax	(11,443)	(11,841)	(12,309)	(12,729)	(13,161)	(13,604)	(14,023)	(14,453)	(14,894)	(15,347)	(15,799)
Business Rates Retention	(2,182)	(2,226)	(2,271)	(2,316)	(2,362)	(2,409)	(2,457)	(2,506)	(2,556)	(2,607)	(2,659)
Collection Fund Deficit/(Surplus)	17	(27)	4	0	0	0	0	0	0	0	0
Interest Receipts	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)	(188)
Property Investment Strategy Income	(1,372)	(1,518)	(1,568)	(1,568)	(1,568)	(1,665)	(1,665)	(1,665)	(1,706)	(1,706)	(1,706)
Contributions to/(from) Reserves	(337)	(189)	(170)	(607)	176	176	176	176	176	176	176
Total Financing	(15,848)	(16,251)	(16,502)	(17,408)	(17,103)	(17,690)	(18,157)	(18,636)	(19,168)	(19,672)	(20,176)
Budget Gap (surplus)/deficit	935	1,046	1,063	(104)	374	(10)	113	187	200	325	274
Contribution to/(from) Stabilisation Reserve	(935)	(1,046)	(1,063)	104	(374)	10	(113)	(187)	(200)	(325)	(274)
Unfunded Budget Gap (surplus)/deficit	0	0	0	0	0	0	0	0	0	0	0

Assumptions	
Revenue Support Grant:	nil all years
Business Rates Retention:	Business Rates Retention safety-net plus 2% per year
Council Tax:	2.2% in 22/23, 2% in later years
Council Tax Base:	Increase of 730 Band D equivalent properties p.a. from 22/23, 580 p.a. from 27/28, 530 p.a. from 31/32
Interest Receipts:	£188,000 in all years
Property Investment Strategy:	£1.518m in 22/23, £1.568m from 23/24, £1.665m from 26/27, £1.706m from 29/30
Pay award:	2% in all years
Other costs:	2.25% in all years
Income:	2.5% in all years except for off-street car parks which are an average of 3.5% per annum from 19/20 - 23/24. Note 21/22 Car Parking inflation deferred for one year

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Ten Year Budget - Balance Sheet

Balance Sheet		31/3/21	31/3/22	31/3/23	31/3/24	31/3/25	31/3/26
		Plan	Plan	Plan	Plan	Plan	Plan
Note		£000	£000	£000	£000	£000	£000
Long Term Assets							
Property, Plant and Equipment	1	38,863	52,298	59,514	60,228	60,334	60,090
Investment Property		32,708	32,708	32,708	32,708	32,708	32,708
Long Term Investments		4,012	4,012	4,012	4,012	4,012	4,012
Long Term Debtors		6,756	6,670	7,716	7,712	7,708	7,704
		<u>82,340</u>	<u>95,688</u>	<u>103,951</u>	<u>104,661</u>	<u>104,763</u>	<u>104,515</u>
Current Assets							
Short-term Investments		4,014	2,011	(170)	(1,234)	(2,130)	(2,528)
Cash and Cash Equivalents		6,516	6,516	6,516	6,516	6,516	6,516
Inventories		3,311	3,311	3,311	3,311	3,311	3,311
Short Term Debtors		13,651	13,651	13,651	13,651	13,651	13,651
Assets held for Sale		266	266	266	266	266	266
Payments in Advance		0	0	0	0	0	0
		<u>27,756</u>	<u>25,754</u>	<u>23,572</u>	<u>22,509</u>	<u>21,612</u>	<u>21,214</u>
Current Liabilities							
Receipts in Advance		(13,075)	(13,075)	(13,075)	(13,075)	(13,075)	(13,075)
Short Term PWLB Loan		126	129	133	136	140	144
Short Term Creditors		(15,454)	(15,454)	(15,454)	(15,454)	(15,456)	(15,456)
Short Term Provisions		(3,597)	(3,597)	(3,597)	(3,597)	(3,597)	(3,597)
		<u>(32,000)</u>	<u>(31,997)</u>	<u>(31,993)</u>	<u>(31,990)</u>	<u>(31,988)</u>	<u>(31,984)</u>
NET CURRENT ASSETS		(4,243)	(6,243)	(8,421)	(9,481)	(10,375)	(10,770)
Long Term Liabilities							
Long Term Creditors		(345)	(344)	(343)	(342)	(341)	(340)
Long Term PWLB Loan		(4,766)	(12,592)	(13,129)	(11,560)	(11,036)	(10,505)
Long Term Provisions		(256)	(256)	(256)	(256)	(256)	(256)
Net Pensions Liability	2,3	(76,745)	(75,255)	(73,765)	(72,275)	(70,785)	(69,295)
Capital Grants Receipts in Advance		(1,798)	(1,798)	(1,798)	(1,798)	(1,798)	(1,798)
		<u>(83,911)</u>	<u>(90,246)</u>	<u>(89,292)</u>	<u>(86,232)</u>	<u>(84,217)</u>	<u>(82,195)</u>
TOTAL NET ASSETS		(5,814)	(800)	6,238	8,948	10,171	11,550
USABLE RESERVES							
Usable Capital Receipts Reserve		(4,317)	(4,317)	(4,317)	(5,317)	(5,263)	(5,263)
Earmarked Reserves		(28,388)	(26,405)	(25,444)	(24,550)	(23,824)	(23,596)
General Fund		(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
		<u>(34,406)</u>	<u>(32,423)</u>	<u>(31,462)</u>	<u>(31,568)</u>	<u>(30,788)</u>	<u>(30,559)</u>
UNUSABLE RESERVES							
Capital Adjustment Account		(22,147)	(27,658)	(34,171)	(35,289)	(35,805)	(35,927)
Revaluation Reserve		(21,719)	(21,719)	(21,719)	(21,719)	(21,719)	(21,719)
Accumulated Absences Account		327	327	327	327	327	327
Pensions Reserve	2,3	76,745	75,255	73,765	72,275	70,785	69,295
Collection Fund Adj Account		21	21	21	21	21	21
NNDR Collection Fund Revenue Account		7,130	7,130	7,130	7,130	7,130	7,130
Deferred Capital receipts		(138)	(134)	(130)	(126)	(122)	(118)
		<u>40,220</u>	<u>33,223</u>	<u>25,224</u>	<u>22,620</u>	<u>20,617</u>	<u>19,009</u>
TOTAL RESERVES		5,814	800	(6,238)	(8,948)	(10,171)	(11,550)

Notes to Balance Sheet

- Property will depreciate and will not be replaced, vehicles will depreciate and be
- Pensions figures are based on the actual FRS17 figures required to be included in the statutory accounts. An actuarial revaluation is completed every three years which is used to calculate the true position of the pension
- Pensions liability decrease due to payments being made to reduce the deficit.

Ten Year Budget - Balance Sheet

Balance Sheet continued		31/3/27	31/3/28	31/3/29	31/3/30	31/3/31	31/3/32
	Note	Plan £000	Plan £000	Plan £000	Plan £000	Plan £000	Plan £000
Long Term Assets							
Property, Plant and Equipment	1	59,847	59,603	59,359	59,115	58,872	58,628
Investment Property		32,708	32,708	32,708	32,708	32,708	32,708
Long Term Investments		4,012	4,012	4,012	4,012	4,012	4,012
Long Term Debtors		7,700	7,696	7,692	7,688	7,684	7,680
		<u>104,267</u>	<u>104,020</u>	<u>103,772</u>	<u>103,524</u>	<u>103,276</u>	<u>103,029</u>
Current Assets							
Short-term Investments		(2,899)	(2,971)	(3,195)	(3,559)	(3,896)	(4,478)
Cash and Cash Equivalents		6,516	6,516	6,516	6,516	6,516	6,516
Inventories		3,311	3,311	3,311	3,311	3,311	3,311
Short Term Debtors		13,651	13,651	13,651	13,651	13,651	13,651
Assets held for Sale		266	266	266	266	266	266
Payments in Advance		0	0	0	0	0	0
		<u>20,844</u>	<u>20,772</u>	<u>20,548</u>	<u>20,183</u>	<u>19,846</u>	<u>19,265</u>
Current Liabilities							
Receipts in Advance		(13,075)	(13,075)	(13,075)	(13,075)	(13,075)	(13,075)
Short Term PWLB Loan		147	151	155	160	164	168
Short Term Creditors		(15,457)	(15,458)	(15,459)	(15,460)	(15,461)	(15,462)
Short Term Provisions		(3,597)	(3,597)	(3,597)	(3,597)	(3,597)	(3,597)
		<u>(31,981)</u>	<u>(31,978)</u>	<u>(31,975)</u>	<u>(31,972)</u>	<u>(31,969)</u>	<u>(31,965)</u>
NET CURRENT ASSETS		(11,138)	(11,206)	(11,428)	(11,789)	(12,123)	(12,701)
Long Term Liabilities							
Long Term Creditors		(339)	(338)	(337)	(336)	(335)	(334)
Long Term PWLB Loan		(9,968)	(9,425)	(8,876)	(8,321)	(7,759)	(7,190)
Long Term Provisions		(256)	(256)	(256)	(256)	(256)	(256)
Net Pensions Liability	2,3	(67,805)	(66,315)	(64,825)	(63,335)	(61,845)	(60,355)
Capital Grants Receipts in Advance		(1,798)	(1,798)	(1,798)	(1,798)	(1,798)	(1,798)
		<u>(80,167)</u>	<u>(78,133)</u>	<u>(76,093)</u>	<u>(74,047)</u>	<u>(71,994)</u>	<u>(69,934)</u>
TOTAL NET ASSETS		12,963	14,681	16,252	17,689	19,160	20,394
USABLE RESERVES							
Usable Capital Receipts Reserve		(5,263)	(5,263)	(5,263)	(5,263)	(5,263)	(5,263)
Earmarked Reserves		(23,396)	(23,494)	(21,877)	(21,683)	(21,516)	(21,104)
General Fund		(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
		<u>(30,359)</u>	<u>(30,457)</u>	<u>(28,841)</u>	<u>(28,646)</u>	<u>(28,479)</u>	<u>(28,068)</u>
UNUSABLE RESERVES							
Capital Adjustment Account		(36,055)	(36,188)	(37,889)	(38,034)	(38,188)	(38,347)
Revaluation Reserve		(21,719)	(21,719)	(21,719)	(21,719)	(21,719)	(21,719)
Accumulated Absences Account		327	327	327	327	327	327
Pensions Reserve	2,3	67,805	66,315	64,825	63,335	61,845	60,355
Collection Fund Adj Account		21	21	21	21	21	21
NNDR Collection Fund Revenue Account		7,130	7,130	7,130	7,130	7,130	7,130
Deferred Capital receipts		(114)	(110)	(106)	(102)	(98)	(94)
		<u>17,396</u>	<u>15,777</u>	<u>12,589</u>	<u>10,958</u>	<u>9,319</u>	<u>7,674</u>
TOTAL RESERVES		(12,963)	(14,681)	(16,252)	(17,689)	(19,160)	(20,394)

Year	SCIA No.	Description	2011/12 - 2021/22 £000	2022/23 £000	Later Years £000	Total £000
		Cleaner and Greener Advisory Committee				
2021/22	2	Car Parking income inflation 21/22: deferred for one year (reversal of temporary growth item)		(118)		
2021/22	10	Direct Services: new commercial services		(100)		
		Development and Conservation Advisory Committee				
		No savings or growth agreed from 2022/23 onwards				
		Finance and Investment Advisory Committee				
2021/22	13	Property Investment Strategy: Tenant in administration (reversal of temporary growth item)		(96)		
2021/22	17	Internal Audit: ongoing impact of 2019 staff restructure		(8)		
2020/21	10	Insurance contract renewal (reversal of temporary savings item)			87	
		Housing and Health Advisory Committee				
		No savings or growth agreed from 2022/23 onwards				
		Improvement and Innovation Advisory Committee				
2021/22	22	Review efficiency of partnerships		(100)		
2020/21	1	Apprenticeship Levy (reversal of temporary growth item)			(50)	
		People and Places Advisory Committee				
		No savings or growth agreed from 2022/23 onwards				
		Minor movements between years				
		Total Savings/additional income	(8,192)	(208)	87	(8,313)
		Total Growth	2,677	(214)	(50)	2,413
		Net Savings	(5,515)	(422)	37	(5,900)

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Changes to the 10-year Budget

SCIA	Description	2022/23 £000	10-year Budget £000	
	Net savings assumption	100	1,000	
	Position after Cabinet on 16/09/21: Budget gap/(surplus)		1,000	i.e. £100,000 per annum gap
	SCIAs: Savings/additional income			
2	Housing: Temporary accommodation placement charge	(36)	(360)	
3	Housing: Rent income	(7)	(70)	
4	Housing: Site licence monitoring income	(2)	(20)	
	SCIAs: Growth			
1	Housing: Homelessness	300	600	
5	Finance: increase in IT system licence costs and need for maintenance and development	20	200	
6	Direct Services: Enforcement Investigation Software	20	200	
7	Internal Audit: Audit software upgrade	16	16	
	Position after Cabinet on 09/12/21: Budget gap/(surplus)		1,566	i.e. £157,000 per annum gap
	Additional SCIAs: Savings/additional income			
8	Car Parking: Business Rates below budget	(12)	(120)	
9	Planning - Dev Mgt: Possible surplus of additional application fee income after more capacity has been secured (assumed 2 yrs only)	(25)	(50)	
10	IT: Reduced use of printers	(9)	(90)	
11	Property: Reduced voids budget	(10)	(100)	
	Govt: Lower Tier Services Grant	(103)	(103)	
	Govt: Services Grant	(159)	(159)	
	Council Tax: Collection rate increased from 98.4% to 98.9% in 2022/23 only	(60)	(60)	
	Council Tax: 2022/23 tax base increase less than assumption	81	897	
	Council Tax: tax base increased in later years	0	(888)	
	Council Tax: Collection fund surplus (estimate)	(36)	(49)	
	Staff pay: Health and Social Care Levy (additional 1.25% national insurance charge)	140	140	
	Position in Cabinet report 13/01/22: Budget gap/(surplus)		984	i.e. £98,000 per annum gap
	Additional SCIAs: Savings/additional income			
12	Building Control: reduction in staffing costs	(26)	(260)	
13	Corporate Management: adjustments to reflect accurate salaries budget and required funding to respond to changes in legislation	(35)	(350)	
14	Swanley Sunday market: 6-month pilot	(94)	(94)	
	White Oak Leisure Centre	235	468	
	Pension Fund inflation assumption from 24/25 onwards reduced from £69,000 to £50,000	0	(468)	
	Council Tax: Collection fund surplus (final)	(8)	(8)	
	Council Tax increase 2022/23 changed from 2% to 2.2%	(23)	(276)	
	Current position (if SCIAs are supported by Cabinet): Budget gap/(surplus)		(4)	i.e. no budget gap

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Appendix F

<u>Summary of Council Expenditure & Council Tax</u>	2021/22 Budget Net Expenditure £000	2022/23 Budget Net Expenditure £000		
Service expenditure before Support Services and Capital Charges including trading accounts (see Appendix E)	17,015	17,529		
Capital Charges and Support Services charged outside the General Fund	(232)	(232)		
Sub Total	16,783	17,297		
Non allocated expenditure:				
Collection Fund adjustment	0	0		
Net Service Expenditure excluding capital charges	16,783	17,297		
Govt Support: Revenue Support Grant	0	0		
Govt Support: Lower Tier Services Grant	(98)	(103)		
Govt Support: Services Grant	0	(159)		
Govt Support: Local Council Tax Support (LCTS)	(245)	0		
New Homes Bonus	0	0		
Council Tax Requirement - Sevenoaks DC	(11,443)	(11,841)		
Business Rates Retention	(2,182)	(2,226)		
Collection Fund Deficit / (Surplus)	17	(27)		
Grant & Council Tax income	(13,951)	(14,356)		
Net Expenditure after Grant & Council Tax, before interest	2,832	2,941		
Less: Interest and Investment income	(188)	(188)		
Less: Property Investment Strategy Income	(1,372)	(1,518)		
Amount to be met from Reserves	1,272	1,235		
Contributions (to) / from reserves:				
Earmarked Reserves				
Capital	(148)	(148)		
Budget Stabilisation	935	1,046		
Pension fund valuation	46	10		
Financial Plan	501	327		
Net Zero Transition	(62)	0		
Planned contribution from General Fund Reserve	0	0		
	1,272	1,235		
	2021/22	2022/23		
Taxbase	50,877	51,514		
	£	£		
Council Tax @ Band D	224.91	229.86		
Council Tax Summary (Band D Charge)			% Change	% Share
Kent County	1,418.76	1,461.24	2.99	69.6
Kent Fire	80.82	82.35	1.89	3.9
Kent Police	218.15	228.15	4.58	10.9
	1,717.73	1,771.74		
Sevenoaks District	224.91	229.86	2.20	11.0
Average Town/Parish	93.93	96.61	2.85	4.6
	2,036.57	2,098.21	3.03	100.0

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Net Service Expenditure analysed by Service

	Actuals 20/21	Budget 21/22	Budget 22/23
Summary	£'000	£'000	£'000
Assistant Chief Executive	1,656	1,834	1,803
Customer & Resources	4,054	3,944	3,960
Finance & Trading	7,234	6,526	6,318
People & Places	1,805	1,548	2,061
Planning & Regulatory Services	1,769	1,626	1,801
Strategic Head Commercial and Property	1,673	1,536	1,586
	<u>18,191</u>	<u>17,015</u>	<u>17,529</u>
Items outside General Fund		(232)	(232)
		<u>16,783</u>	<u>17,297</u>

	Actuals 20/21	Budget 21/22	Budget 22/23
Summary	£'000	£'000	£'000
Pay Costs	17,042	17,374	18,113
IAS19	0	0	0
Premises and Grounds	2,280	2,260	2,298
Transport	3,167	3,448	3,504
Supplies & Services	2,593	2,618	2,667
Supplies & Services IT	992	1,000	1,079
Agency & Contracted	7,928	3,882	3,546
Agency & Contracted - Partnerships	2,567	1,764	1,717
Agency & Contracted - Direct Services	4,300	4,484	4,620
Transfer Payments - Benefits	21,391	22,138	22,138
Transfer Payments - Other	1,245	329	539
Support Services	274	326	326
Funds drawn to/from Reserves	414	51	121
Capital Charges	317	445	646
Income - Other	(5,719)	(2,503)	(2,353)
Income - Gov Gnts	(24,329)	(22,519)	(22,552)
Income - Fees and Charges	(7,443)	(8,586)	(9,241)
Recharges	(6,506)	(6,968)	(7,121)
Recharges - Partnerships and Capital charges	<u>(2,323)</u>	<u>(2,527)</u>	<u>(2,516)</u>
	<u>18,191</u>	<u>17,015</u>	<u>17,529</u>
Items outside General Fund		(232)	(232)
		<u>16,783</u>	<u>17,297</u>

Analysis of budget changes between 21/22 and 22/23

Base Budget 2021/22	16,783
Inflation and other adjustments	510
Net Savings agreed previous years	(481)
New Growth	496
White Oak Leisure Centre	235
New savings/income	(246)
Proposed Budget 2022/23	<u><u>17,297</u></u>

Net Service Expenditure analysed by Service	Actuals	Budget	Budget
	20/21	21/22	22/23
	£'000	£'000	£'000
Assistant Chief Executive			
Action and Development	1	8	8
Consultation and Surveys	0	4	4
Corporate Management	1,008	1,146	1,287
Corporate - Other	30	169	(27)
Elections	135	125	127
External Communications	192	222	227
Performance Improvement	0	(0)	(0)
Register of Electors	237	204	211
Administrative Expenses - Legal and Democratic	0	0	0
Administrative Expenses - Transformation and Strategy	4	5	6
Support - General Admin (Print Shop)	50	(49)	(41)
Total Service Expenditure	1,656	1,834	1,803

Net Service Expenditure analysed by Service

Net Service Expenditure analysed by Service	Actuals	Budget	Budget
	20/21	21/22	22/23
	£'000	£'000	£'000
Assistant Chief Executive			
Pay Costs	1,310	1,359	1,516
Premises and Grounds	0	0	0
Transport	0	0	0
Supplies & Services	380	259	265
Supplies & Services IT	83	65	66
Agency & Contracted	95	379	188
Agency & Contracted - Direct Services	0	0	0
Funds drawn to/from Reserves	93	42	42
Income - Other	(42)	0	0
Income - Gov Gnts	(65)	(7)	(7)
Income - Fees and Charges	(177)	(237)	(243)
Recharges	(22)	(25)	(25)
Total Service Expenditure	1,656	1,834	1,803

Analysis of budget changes between 21/22 and 22/23

Base Budget 2021/22	1,834
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	26
Planned Savings agreed previous years	0
<u>SCIAs 2022/23</u>	
22/23 SCIA13 Corp Mgt:	(35)
22/23 NI Levy per Fin Plan	140
Other Adjustments	(162)
Proposed Budget 2022/23	<u><u>1,803</u></u>

Net Service Expenditure analysed by Service

	Actuals 20/21 £'000	Budget 21/22 £'000	Budget 22/23 £'000
Customer & Resources			
Asset Maintenance IT	289	296	302
Benefits Admin	(45)	148	48
Benefits Grants	(36)	(25)	(25)
Civic Expenses	16	17	18
Corporate Projects	109	71	39
Democratic Services	162	168	172
Dartford Rev&Ben Partnership Hub (SDC costs)	0	0	0
Land Charges	(55)	(118)	(115)
Local Tax	359	(85)	(78)
Administrative Expenses - Corporate Services	6	23	24
Administrative Expenses - Legal and Democratic	58	72	72
Administrative Expenses - Human Resources	10	9	9
Administrative Expenses - Property	0	0	0
Administrative Expenses - Revenues and Benefits	0	0	0
Street Naming	(2)	2	2
Support - Rev & Ben Control	215	224	232
Support - Counter Fraud	56	52	52
Support - Contact Centre	703	855	874
Support - Central Offices - Facilities	273	279	239
Support - General Admin	1	5	5
Support - General Admin (Post/Scanning)	173	219	247
Support - Health and Safety	12	8	5
Support - IT	1,114	1,071	1,149
Support - Legal Function	219	259	267
Support - Local Offices	0	0	0
Support - Nursery	1	0	0
Support - Human Resources	414	398	421
Total Service Expenditure	4,054	3,944	3,960

Net Service Expenditure analysed by Service

	Actuals 20/21 £'000	Budget 21/22 £'000	Budget 22/23 £'000
Customer & Resources			
Pay Costs	4,312	4,539	4,593
Premises and Grounds	68	68	70
Transport	6	10	10
Supplies & Services	480	639	635
Supplies & Services IT	720	916	956
Agency & Contracted	3,042	171	123
Agency & Contracted - Partnerships	1,288	1,446	1,370
Agency & Contracted - Direct Services	20	24	25
Transfer Payments - Benefits	21,391	22,138	22,138
Transfer Payments - Other	1	0	0
Support Services	0	0	0
Funds drawn to/from Reserves	435	(285)	(236)
Income - Other	(3,095)	(152)	(152)
Income - Gov Gnts	(22,382)	(22,512)	(22,512)
Income - Fees and Charges	(199)	(773)	(785)
Recharges	(199)	(202)	(209)
Recharges - Partnerships	(1,834)	(2,082)	(2,064)
Total Service Expenditure	4,054	3,944	3,960

Analysis of budget changes between 21/22 and 22/23

Base Budget 2021/22	3,944
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	110
Planned Savings agreed previous years	(100)
<u>SCIAs 2022/23</u>	
22/23 SCIA 5 Agresso Systems Support and Development	20
22/23 SCIA 10 IT Reduced Use of Printers	(9)
Other Adjustments	(5)
Proposed Budget 2022/23	<u><u>3,960</u></u>

Net Service Expenditure analysed by Service

	Actuals 20/21 £'000	Budget 21/22 £'000	Budget 22/23 £'000
Finance & Trading			
Asset Maintenance CCTV	18	19	19
Asset Maintenance Countryside	8	9	9
Asset Maintenance Direct Services	58	42	42
Asset Maintenance Playgrounds	12	16	16
Asset Maintenance Public Toilets	0	16	16
Car Parks	60	(1,198)	(1,495)
CCTV	274	262	281
Civil Protection	50	49	52
Corporate Management	0	0	0
Car Parking - On Street	179	(245)	(271)
Emergency	70	81	83
Parking Enforcement - Tandridge DC	(80)	(39)	(36)
Estates Management - Grounds	139	125	133
Housing Advances	(0)	1	1
Kent Resource Partnership	0	0	0
Markets	(111)	(217)	(343)
Members	421	473	483
Misc. Finance	276	1,580	1,640
Parks - Greensand Commons Project	4	0	0
Parks and Recreation Grounds	130	132	139
Parks - Rural	185	165	181
Public Transport Support	0	0	0
Refuse Collection	2,807	2,913	2,868
Administrative Expenses - Chief Executive	14	20	20
Administrative Expenses - Direct Services	9	0	0
Administrative Expenses - Finance	46	26	27
Administrative Expenses - Transport	5	7	7
Street Cleansing	1,489	1,539	1,564
Support - Audit Function	186	187	214
Support - Exchequer and Procurement	159	158	207
Support - Finance Function	214	256	256
Support - General Admin	171	178	182
Support - Direct Services	50	50	71
Support - Procurement	7	7	7
Direct Services Trading account	213	(253)	(217)
Public Conveniences	54	47	36
Treasury Management	120	124	126
Total Service Expenditure	7,234	6,526	6,318

Net Service Expenditure analysed by Service

	Actuals	Budget	Budget
	20/21	21/22	22/23
	£'000	£'000	£'000
Finance & Trading			
Pay Costs	5,474	5,804	6,069
Premises and Grounds	1,154	1,136	1,149
Transport	3,137	3,414	3,474
Supplies & Services	1,471	1,490	1,519
Supplies & Services IT	86	17	53
Agency & Contracted	3,310	2,507	2,294
Agency & Contracted - Partnerships	178	178	192
Agency & Contracted - Direct Services	4,255	4,421	4,555
Support Services	274	274	274
Funds drawn to/from Reserves	169	(63)	(37)
Capital Charges	317	445	472
Income - Other	(1,096)	(859)	(653)
Income - Gov Gnts	(1,668)	0	(33)
Income - Fees and Charges	(3,408)	(5,404)	(6,047)
Recharges	(6,255)	(6,530)	(6,666)
Recharges - Partnerships	(163)	(302)	(296)
Total Service Expenditure	7,234	6,526	6,318

Analysis of budget changes between 21/22 and 22/23

Base Budget 2021/22	6,526
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	228
Planned savings agreed previous years	(431)
<u>SCIA's 2022/23</u>	
22/23 SCIA 6 Environmental Enforcement Software	20
22/23 SCIA 7 Audit Software Upgrade	16
22/23 SCIA 8 Car Parks Business Rates	(12)
22/23 SCIA14 Markets: Swanley Sunday Market 6 month trial	(94)
Other Adjustments	65
Proposed Budget 2022/23	6,318

Net Service Expenditure analysed by Service

	Actuals 20/21 £'000	Budget 21/22 £'000	Budget 22/23 £'000
People & Places			
All Weather Pitch	(5)	(5)	(5)
Business Area Improvement Fund	0	0	0
Practical Support Self-Isolating COVID 19	0	0	0
Compliance & Enforcement	0	0	0
Community Safety	190	160	130
Community Development Service Provisions	(6)	(6)	(6)
Community Housing Fund	0	0	0
The Community Plan	47	21	38
Contain Outbreak Management Fund 2021/22	0	0	0
Domestic Abuse Duty	0	0	0
Dunton Green Projects - S106	0	0	0
Energy Efficiency	0	0	0
Grants to Organisations	182	185	200
Gypsy Sites	(1)	(11)	(6)
Health Improvements	42	48	34
Homeless	427	429	671
Housing Clinically Extremely Vulnerable 21/22	0	0	0
Housing Register	58	37	46
Kent Housing Group Grant	0	0	0
Disabled Facilities Grant Administration	(50)	(50)	(50)
Housing	160	186	162
Housing Initiatives	49	56	63
Next Steps Accommodation Programme	20	0	0
Housing Pathway Co-ordinator	0	0	0
Homelessness Prevention	128	0	0
Needs and Stock Surveys	0	0	0
Housing Energy Retraining Options (HERO)	48	130	64
KCC- Household Support Fund	0	0	0
KCC Helping Hands	0	0	0
Leisure Contract	118	112	341
Leisure Development	20	21	21
Local Strategic Partnership	0	0	4
Partnership - Home Office	0	0	0
Police & Crime Commissioners (PCCs)	0	0	0
Private Sector Housing	295	284	265
Rough Sleepers Initiative (4)	0	0	0
Admin Expenses - People & Places Communities	27	22	23
Admin Expenses - People & Places Housing	7	0	0
Sevenoaks Switch and Save	3	0	0
One You - Your Home Project	0	0	0
One You KPH	0	0	0
Community Sports Activation Fund	0	0	0
Dementia Area Project - Run Walk Push	0	0	0
One You Health Checks	0	0	0
Homelessness Funding	3	(122)	0
PCT Initiatives	0	0	0
Sportivate Inclusive Archery Project	0	0	0
Sport Satellite Clubs	0	0	0
Troubled Families Project	0	0	0
KCC Specialist Weight Management	0	0	0
Youth	45	50	66
Total Service Expenditure	1,805	1,548	2,061

Net Service Expenditure analysed by Service

	Actuals	Budget	Budget
	20/21	21/22	22/23
	£'000	£'000	£'000
People & Places			
Pay Costs	1,594	1,442	1,471
Premises and Grounds	10	10	10
Transport	11	14	10
Supplies & Services	93	75	79
Supplies & Services IT	36	0	0
Agency & Contracted	811	396	430
Agency & Contracted - Direct Services	2	0	0
Transfer Payments - Other	1,242	329	539
Funds drawn to/from Reserves	(318)	284	279
Capital Charges	0	0	174
Income - Other	(851)	(786)	(816)
Income - Gov Gnts	(213)	0	0
Income - Fees and Charges	(609)	(217)	(116)
Recharges	(3)	0	0
Total Service Expenditure	1,805	1,548	2,061

Analysis of budget changes between 21/22 and 22/23

Base Budget 2021/22	1,548
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	30
Planned savings agreed previous years	0
<u>SCIAs 2022/23</u>	
22/23 SCIA 1 Temporary Accommodation 2 years only	300
22/23 SCIA 2 Temporary Accommodation Charge	(36)
22/23 SCIA 3 Hever Road Rental Collection	(7)
22/23 SCIA 4 Mobile Home Inspections	(2)
22/23 White Oak Leisure Centre	235
Other Adjustments	(7)
Proposed Budget 2022/23	2,061

Net Service Expenditure analysed by Service

	Actuals 20/21 £'000	Budget 21/22 £'000	Budget 22/23 £'000
Planning & Regulatory Services			
Building Control Partnership Members	0	0	0
Building Control Partnership Hub (SDC Costs)	0	0	0
Building Control	(135)	(130)	(161)
Conservation	134	120	129
Dangerous Structures	1	3	3
Dartford Environmental Hub (SDC Costs)	0	0	0
EH Commercial	282	304	320
EH Animal Control	13	22	23
EH Environmental Protection	371	346	375
Licensing Partnership Hub (Trading)	(11)	0	0
Licensing Partnership Members	0	0	0
Licensing Regime	17	44	56
Planning Policy	476	483	500
LDF Expenditure	0	0	0
Decarbonisation Fund Net ZERO 2030	0	0	65
Planning - Appeals	211	202	215
Planning - CIL Administration	(51)	(66)	(68)
Planning - Counter	(2)	(6)	(6)
Planning - Development Management	38	(69)	(72)
Planning - Enforcement	357	289	341
Planning Performance Agreement	0	0	0
Planning - Development Management - Software Project	0	0	0
Administrative Expenses - Building Control	2	12	13
Administrative Expenses - Health	2	5	5
Administrative Expenses - Licensing	2	7	7
Administrative Expenses - Planning Services	55	49	50
Taxis	8	11	7
Air Quality (Ext Funded)	0	0	0
Total Service Expenditure	1,769	1,626	1,801

Net Service Expenditure analysed by Service

	Actuals	Budget	Budget
	20/21	21/22	22/23
	£'000	£'000	£'000
Planning & Regulatory Services			
Pay Costs	3,476	3,306	3,459
Premises and Grounds	3	5	5
Transport	4	10	11
Supplies & Services	127	128	140
Supplies & Services IT	65	2	2
Agency & Contracted	529	360	439
Agency & Contracted - Partnerships	1,102	141	155
Agency & Contracted - Direct Services	21	39	40
Transfer Payments - Other	2	0	0
Support Services	0	11	11
Funds drawn to/from Reserves	29	72	72
Income - Other	(478)	(426)	(432)
Income - Gov Gnts	0	0	0
Income - Fees and Charges	(2,783)	(1,880)	(1,946)
Recharges	(2)	0	0
Recharges - Partnerships	(325)	(143)	(155)
Total Service Expenditure	1,769	1,626	1,801

Analysis of budget changes between 21/22 and 22/23

	1,626
Base Budget 2021/22	
Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15)	34
Planned Savings agreed previous years	50
<u>SCIAs 2022/23</u>	
22/23 SCIA 9 Dev Management Additional Fee Income 2 years only	(25)
22/23 SCIA12 Building Control:	(26)
Other Adjustments	142
Proposed Budget 2022/23	1,801

Net Service Expenditure analysed by Service

	Actuals 20/21 £'000	Budget 21/22 £'000	Budget 22/23 £'000
Strategic Head Commercial and Property			
Asset Maintenance Argyle Road	77	79	80
Asset Maintenance Other Corporate Properties	34	35	36
Asset Maintenance Hever Road	41	40	41
Asset Maintenance Leisure	202	190	193
Asset Maintenance Support & Salaries	192	138	142
Asset Maintenance Sewage Treatment Plants	0	9	9
Bus Station	15	8	8
Economic Development	34	38	39
Economic Development Property	441	443	455
Estates Management - Buildings	69	(16)	(13)
Housing Other Income	(15)	(14)	(14)
Housing Premises	(0)	16	17
Asset Maintenance Operatives	(12)	5	7
Administrative Expenses - Property	1	3	3
Administrative Expenses - Strategic Property	4	0	0
Support - Central Offices	504	483	496
Support - Property Function	59	52	55
Tourism	26	30	33
Leader Programme	5	0	0
West Kent Business Rates Retention	0	0	0
West Kent Enterprise Advisor Network	0	0	0
West Kent Kick Start	0	0	0
West Kent Partnership	0	0	0
West Kent Partnership Business Support	(4)	0	0
Total Service Expenditure	1,673	1,536	1,586

Net Service Expenditure analysed by Service

	Actuals	Budget	Budget
	20/21	21/22	22/23
	£'000	£'000	£'000
Strategic Head Commercial and Property			
Pay Costs	876	923	1,005
Premises and Grounds	1,110	1,137	1,064
Transport	10	0	0
Supplies & Services	60	40	41
Supplies & Services IT	2	0	0
Agency & Contracted	482	18	19
Agency & Contracted - Direct Services	2	0	0
Support Services	0	41	41
Funds drawn to/from Reserves	106	100	90
Capital Charges	150	150	150
Income - Other	(285)	(429)	(301)
Income - Gov Gnts	0	0	0
Income - Fees and Charges	(814)	(232)	(301)
Recharges	(25)	(211)	(222)
Total Service Expenditure	1,673	1,536	1,586

Analysis of budget changes between 21/22 and 22/23

Base Budget 2021/22 1,536

Inflation (inc pay increments and terms and conditions SCIA 62; 63 14/15) 43

Planned Savings agreed previous years

SCIAs 2022/23

Other Adjustments 7

Proposed Budget 2022/23 1,586

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PAY COST ESTIMATES SUMMARY 2022/23**Appendix H**

Serivces	Line No.	2021/22 BUDGET £	2022/23 BUDGET £	2021/22 FTE	2022/23 FTE
People & Places - Communities	1a	389,902	330,206	5.00	4.50
People & Places - Housing	1b	770,726	874,451	15.20	17.31
Strategic Properties	1c	804,467	851,525	14.65	19.95
Corporate Services	2a	2,942,886	2,957,177	68.25	67.72
Revenues & Benefits	2b	1,659,553	1,693,109	43.33	43.78
Assistant Chief Executive	3a	891,725	892,123	20.35	19.35
Finance & Audit	3b	1,167,317	1,238,046	17.08	18.81
Operational Services	3c	4,382,235	5,131,527	125.97	141.30
Parking Services	3d	499,760	0	14.00	0.00
Planning	4a	1,963,941	2,004,533	41.47	40.75
Building Control	4b	381,398	347,809	8.00	7.00
Environmental Health	4c	711,910	646,425	12.57	11.72
Licensing	4d	483,192	501,183	10.59	10.59
Total		17,049,012	17,468,114	396.46	402.78
Other Salary Costs					
Vacancy Savings	5	(153,334)	(156,401)	0.00	0.00
SUB-TOTAL		16,895,678	17,311,713	396.46	402.78
People & Places - Communities (Ext)	6	264,058	135,767	6.08	3.35
People & Places - Housing (Ext)	7	149,410	153,758	4.00	4.00
Kent Resource Partnership (Ext)	8	126,069	0	2.00	0.00
Strategic Property (Ext)	9		198,995	0.00	5.95
GRAND TOTAL		17,435,215	17,800,233	408.54	416.08

NOTES 1) Externally funded posts (lines 6 to 9) have been excluded from earlier lines. The income will show elsewhere in the 2022/23 budget.

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Appendix J (i)

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								
White Oak Leisure Centre	Capital Receipts & External funding, External borrowing	19,870	8,362	11,508				19,870
White Oak Leisure centre - Orchards Academy	Capital Receipts	130		30	100			130
Burlington Mews	Capital Receipts	95		79	8	8		95
27-37 Swanley High street (meeting Point)	Capital Receipts & External funding	6,114	142	1,566	4,106	300		6,114
White Oak Residential	Capital Receipts	50		50	-	-	-	50
Affordable Housing	External Borrowing	1,050			1,050			1,050
Bevan Place	Mixed	730		350	380			730
Sevenoaks Town Centre Regeneration	Mixed	2,850	189	25	2,636			2,850
Feasibility & Due Diligence costs*	Mixed	1,220	-	20	200	650	350	1,220
Sewage Treatment Plant - replacement	Reserves	30			30			30
Farmstead Drive (Spitals Cross)	Capital Receipts	50		50	0	0	0	50
Finance and Trading								
Commercial vehicle replacements	Vehicle Renewal Res.	-	-	582	582	582	582	2,328
Disabled Facilities Grants (gross)	Better Care Fund	-	-	1,128	1,128	1,128	1,128	4,512
TOTAL			8,693	15,388	10,220	2,668	2,060	39,029

* 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		11,166	1,873	300	1,000
Financial Plan Reserve & Cap Receipts					
Vehicle Renewal Reserve		582	582	582	582
Better Care Fund (KCC)		1,128	1,128	1,128	1,128
Reserves			30		
Internal Borrowing use / (repaid)	8,693	(6,784)	851	8	(1,000)
Mixed funding depending on scheme funding		395	3,216	650	350
External Borrowing		8,000	1,050		
Grant Funding		900	1,490		
	8,693	15,388	10,220	2,668	2,060

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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).

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. As these are assets the Council will not own 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

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

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.

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

The Capital Strategy 2022/23

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;
 - 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

- 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.

- 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.

Statement of Reserves and Provisions

1. This appendix sets out details of the reserves and provisions held by the council. These balances have been subject to a detailed review as part of the budget process. **The items in bold show the changes that are being recommended.**
2. One of the requirements of the Financial Planning Strategy is to have flexible use of the Budget Stabilisation Reserve. The fund incorporates any annual under-spends and absorbs any annual over-spends. **It is recommended that any variance in the 2022/23 budget is put into this reserve or absorbed by this reserve.**
3. As explained in the separate ‘White Oak Leisure Centre: New Build and Operator Procurement - Progress Report’ **it is recommended to move £1.095m from the Budget Stabilisation Reserve to fund part of the additional costs of the new leisure centre.** The split of funding may change due to actual development costs, the cost of borrowing at the time loans are taken out and the amount of capital receipts received.
4. The table below sets out the reserves and provisions held as at 1 April 2021.

	Balance as at 01/04/21 £000	Purpose (some further details are included in the Statement of Accounts)
Provisions		
Business Rates Appeals	3,270	The Council has to provide for its share of the costs arising from successful appeals by business ratepayers.
Accumulated Absences	327	Absorbs the difference that would otherwise arise on the General Fund Balance from accruing for compensated absences (e.g. annual leave) earned but not taken in the year. Opposite entry in Unusable Reserves.
Municipal Mutual Insurance (MMI)	256	A solvent run-off of MMI is now unlikely which may result in Councils being liable to clawback of monies paid out.
Sub Total	3,853	
Capital Receipts		
Capital Receipts	1,876	Balance from previous asset sales. Can be used to fund future capital expenditure.
Earmarked Reserves		
Action and Development	296	To fund ad hoc and unplanned expenditure (e.g. due to an emergency).
Asset Maintenance	500	To fund emergency works to assets.
Budget Stabilisation	9,820	To support decisions required to continue to produce a balanced budget in future years.
Business Rates Retention	8,071	To manage the volatility in yearly cash flows in the Collection Fund caused by the complexities in the Business Rates Retention Scheme.
Capital Financing	221	Annual contributions from revenue to fund some capital projects.
Carry Forward Items	1,218	For specific items agreed by Cabinet, e.g. if a project has slipped between years.
Community Infrastructure Levy Administration	185	To be spent on the administration of the levy.
Corporate Project Support	212	To fund investigation and development of corporate projects.
Development Services	113	To fund ongoing and future projects.
Financial Plan	2,653	To support the 10-year budget and Property Investment Strategy.

	Balance as at 01/04/21 £000	Purpose (some further details are included in the Statement of Accounts)
Housing and Commercial Growth Fund	566	To fund projects as part of the West Kent Partnership within the district
Housing Benefit Subsidy	550	Provides a cushion against large movements in reclaimable sums in any year.
IT Asset Maintenance	779	To fund future IT asset maintenance costs.
Local Plan	318	To help support the Local Plan.
New Homes Bonus (NHB)	406	To support the 10-year budget including 'invest to save' initiatives and support for the Property Investment Strategy.
Pension Fund Valuation	441	To contribute towards downturns in future pension fund actuarial valuations.
People and Places	204	External funding received for ongoing and future projects.
Property Investment Strategy Maintenance	233	To fund future maintenance and void periods.
Vehicle Insurance	258	Own vehicle damage for the commercial vehicle fleet.
Vehicle Renewal	696	To fund future commercial vehicle replacements.
Others	648	Includes District Elections, Rent Deposit Guarantee, Local Strategic Partnership, Electoral Registration etc.
Sub Total	28,388	
General Fund	1,700	Acts as a working balance to meet unexpected issues during the year, for which a minimum of 10% of net service expenditure recommended. It also meets any planned deficits on the revenue account.
TOTAL	35,817	

Definitions:

Provisions - funds to provide for liabilities or losses which are known obligations but are uncertain as to amounts or dates.

Capital Receipts - money obtained on the sale of a capital asset (normally land and buildings). Such receipts can only be used to repay debt, or to finance capital investment.

Earmarked Reserve - amounts set aside for purposes falling outside the definition of Provisions. Expenditure should not be charged direct to reserves but shown in the Revenue Account with the transfer to or from the reserve distinguished from service expenditure.

Unallocated Reserve - the General Fund balance. This amount is not set-aside for a specific purpose.

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

Page 341

- No matrix for risk 9, 12

Agenda Item 69

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 target. 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 and Detlev Munster											
21) Asset base maintenance <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) Disposal of Surplus Assets <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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Local Council Tax Reduction Scheme 2022/23

Summary

- 1 To recommend the rolling forward of the Local Council Tax Reduction Scheme 2021/22, effective from 1 April 2022.

Background and discussions

- 2 The Council is required to approve a local scheme of support for council tax each year and this has to be done by 11 March of the preceding financial year. The local scheme was therefore updated for 2021/22 on 23 February 2021. It is now recommended that the scheme approved for 2021/22 be rolled forward to 2022/23, with effect from 1 April 2022.
- 3 This scheme provides protection for pensioners in line with the Government's decision that pensioners would see no reduction in their entitlement from that under the old council tax benefit rules. It also reduces the entitlement of working age claimants by 20%.
- 4 The award of council tax reduction is by way of a discount which reduces the amount of council tax collected. Most of this reduction is borne by the major preceptors, with the Council suffering a reduction of approximately 12% of the total.

Financial Implications

- 5 The annual cost of the current CTRS is £6.861m of which £3.899m relates to working-age claimants. A large proportion of this cost is borne by the major preceptors.

Legal Implications

- 6 The scheme is governed by the Local Government Act 2013.

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COUNCIL 22 FEBRUARY 2022

COUNCIL TAX SETTING 2022/23

LATEST INFORMATION ON PRECEPTING AUTHORITIES

Town and Parish Councils

- 1 A list of town and parish council precepts is attached at Appendix P and total £4,977,049. The increase in the average band D council tax for Town and Parish Councils is 2.85% and results in an average band D council tax figure of £96.61 for 2022/23.

Kent County Council

- 2 Kent County Council met on 10 February 2022 and their precept is £75,274,712. This will result in a band D council tax of £1,461.24. These are the figures including the addition of the council tax flexibility offer for authorities responsible for adult social care.

Kent Police and Crime Commissioner

- 3 The Kent Police and Crime Panel met on 2 February 2022 and approved the Kent Police and Crime Commissioner's proposed precept of £11,752,981. This will result in a band D council tax of £228.15.

Kent and Medway Towns Fire Authority

- 4 Kent and Medway Towns Fire Authority met on 18 February 2022 and their precept is £4,242,200. This will result in a band D council tax of £82.35.

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TOWN & PARISH COUNCIL PRECEPTS							
	2021/22			2022/23			
Town / Parish Council	Tax Base	Precept £	Council Tax Band D (£)	Tax Base	Precept £	Council Tax Band D (£)	Band D Change (%)
Ash-cum-Ridley	2,426.35	118,338	48.77	2,444.31	121,888	49.87	2.26
Badgers Mount	328.16	27,420	83.56	331.71	17,180	51.79	-38.02
Brasted	775.49	37,900	48.87	781.61	38,658	49.46	1.21
Chevening	1,445.79	65,000	44.96	1,450.67	68,000	46.87	4.25
Chiddingstone	602.21	41,325	68.62	609.13	43,000	70.59	2.87
Cowden	442.50	23,000	51.98	440.01	23,250	52.84	1.65
Crockenhill	654.75	81,457	124.41	655.21	81,515	124.41	0.00
Dunton Green	1,329.09	138,000	103.83	1,343.85	139,500	103.81	-0.02
Edenbridge	3,730.15	582,722	156.22	3,819.62	656,364	171.84	10.00
Eynsford	944.94	83,392	88.25	951.52	85,894	90.27	2.29
Farningham	661.54	46,422	70.17	669.26	47,430	70.87	1.00
Fawkham	289.59	25,855	89.28	297.59	23,300	78.30	-12.30
Halstead	767.03	50,491	65.83	778.64	52,035	66.83	1.52
Hartley	2,532.03	136,451	53.89	2,556.47	137,768	53.89	0.00
Hever	618.74	41,300	66.75	638.60	50,000	78.30	17.30
Hextable	1,677.33	156,150	93.09	1,693.66	162,388	95.88	3.00
Horton Kirby & S Darenth	1,276.35	104,735	82.06	1,277.99	106,829	83.59	1.86
Kemsing	1,825.81	149,000	81.61	1,854.08	154,250	83.19	1.94
Knockholt	633.11	44,677	70.57	633.16	45,973	72.61	2.89
Leigh	945.82	48,000	50.75	966.25	50,500	52.26	2.98
Otford	1,723.77	215,471	125.00	1,721.95	221,935	128.89	3.11
Penshurst	826.26	48,812	59.08	840.95	40,045	47.62	-19.40
Riverhead	1,246.83	54,275	43.53	1,258.50	55,877	44.40	2.00
Seal	1,298.29	74,480	57.37	1,343.85	78,580	58.47	1.92
Sevenoaks Town	9,648.91	1,239,898	128.50	9,766.28	1,295,675	132.67	3.25
Sevenoaks Weald	611.46	46,200	75.56	626.83	46,200	73.70	-2.46
Shoreham	686.73	43,200	62.91	701.30	44,118	62.91	0.00
Sundridge	928.01	65,000	70.04	941.03	65,909	70.04	0.00
Swanley	5,640.98	630,366	111.75	5,665.09	645,709	113.98	2.00
Westerham	2,037.57	252,000	123.68	2,079.47	267,000	128.40	3.82
West Kingsdown	2,321.26	107,758	46.42	2,375.68	110,279	46.42	0.00
Totals	50,876.85	4,779,095		51,514.27	4,977,049		
Average			93.93			96.61	2.85

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COUNCIL 22 FEBRUARY 2022
COUNCIL TAX SETTING 2022/23

RECOMMENDATIONS

- (a) that it be noted that at the Cabinet meeting on 13 January 2022 the Council calculated as its council tax base for the year 2022/23:
- (i) for the whole Council area as 51,514.27 being Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended, (the “Act”); and
 - (ii) for dwellings in those parts of its area to which a parish precept relates as in the attached Appendix P;
- (b) that the council tax requirement for the Council’s own purpose for 2022/23 (excluding Town and Parish precepts) be calculated as £229.86;
- (c) that the following amounts be calculated for the year 2022/23 in accordance with Sections 31 to 36 of the Act:
- (i) £56,157,629 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Town and Parish Councils.
 - (ii) £39,339,510 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (iii) £16,818,119 being the amount by which the aggregate at (c)(i) above exceeds the aggregate at (c)(ii) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year (Item R in the formula in Section 31B of the Act).
 - (iv) £326.47 being the amount at (c)(iii) above (Item R), all divided by (a)(i) above (Item T), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its council tax for the year (including Town

and Parish precepts).

- (v) £4,977,049 being the aggregate amount of all special items (Town and Parish precepts) referred to in Section 34 (1) of the Act (as per the attached Appendix P).
 - (vi) £229.86 being the amount at (c)(iv) above, less the result given by dividing the amount at (c)(v) above by the amount at (a)(i) above (Item T), calculated by the Council, in accordance with Section 34 (2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no Town or Parish precept relates.
- (d) that it be noted that for the year 2022/23 the Kent County Council, the Kent Police & Crime Commissioner and the Kent & Medway Towns Fire Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each category of dwellings in the Council's area as indicated in the table below:-

<u>Valuation Bands</u>	<u>Precepting Authority</u>			
	Sevenoaks District Council £	Kent County Council £	Kent Police & C.C. £	Kent & Medway Towns Fire Authority £
A	153.24	974.16	152.10	54.90
B	178.78	1,136.52	177.45	64.05
C	204.32	1,298.88	202.80	73.20
D	229.86	1,461.24	228.15	82.35
E	280.94	1,785.96	278.85	100.65
F	332.02	2,110.68	329.55	118.95
G	383.10	2,435.40	380.25	137.25
H	459.72	2,922.48	456.30	164.70

- (e) that the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in Appendix R as the amounts of council tax for the year 2022/23 for each part of its area and for each of the categories of dwellings; and
- (f) that the Council's basic amount of council tax for 2022/23, shown in (c)(vi) above, is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.

NOTES ON COUNCIL TAX RECOMMENDATIONS

<u>Recommendation</u>	<u>Note</u>
(a)	This is the tax base in terms of band D equivalents approved by the Cabinet on 13 January 2022.
(b)	The District's council tax requirement (band D).
(c)(i)	Estimated gross revenue expenditure for 2022/23 including reserves and parish precepts.
(c)(ii)	Estimated gross revenue income for 2022/23 including Government support but excluding net council tax requirement.
(c)(iii)	Net council tax requirement in cash terms including Town and Parish precepts.
(c)(iv)	Net council tax requirement in band D terms including Town and Parish precepts.
(c)(v)	Total of Town and Parish precepts.
(c)(vi)	The District's council tax requirement (band D).
(d)	The District Council, County Council, Police & Crime Commissioner and Fire Authority precepts expressed for each valuation band.
(e)	The aggregate tax demand set out over each valuation band. Shown in Appendix R in case of last minute amendments.
(f)	Confirmation that any increase in the council tax requirement is not excessive and, hence, that no referendum is required.

PARISHES ONLY

Part of the Council's area	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
Ash-cum-Ridley	33.25	38.79	44.33	49.87	60.95	72.03	83.12	99.74
Badgers Mount	34.53	40.28	46.04	51.79	63.30	74.81	86.32	103.58
Brasted	32.97	38.47	43.96	49.46	60.45	71.44	82.43	98.92
Chevening	31.25	36.45	41.66	46.87	57.29	67.70	78.12	93.74
Chiddingstone	47.06	54.90	62.75	70.59	86.28	101.96	117.65	141.18
Cowden	35.23	41.10	46.97	52.84	64.58	76.32	88.07	105.68
Crockenhill	82.94	96.76	110.59	124.41	152.06	179.70	207.35	248.82
Dunton Green	69.21	80.74	92.28	103.81	126.88	149.95	173.02	207.62
Edenbridge	114.56	133.65	152.75	171.84	210.03	248.21	286.40	343.68
Eynsford	60.18	70.21	80.24	90.27	110.33	130.39	150.45	180.54
Farningham	47.25	55.12	63.00	70.87	86.62	102.37	118.12	141.74
Fawkham	52.20	60.90	69.60	78.30	95.70	113.10	130.50	156.60
Halstead	44.55	51.98	59.40	66.83	81.68	96.53	111.38	133.66
Hartley	35.93	41.91	47.90	53.89	65.87	77.84	89.82	107.78
Hever	52.20	60.90	69.60	78.30	95.70	113.10	130.50	156.60
Hextable	63.92	74.57	85.23	95.88	117.19	138.49	159.80	191.76
Horton Kirby & S Darenth	55.73	65.01	74.30	83.59	102.17	120.74	139.32	167.18
Kemsing	55.46	64.70	73.95	83.19	101.68	120.16	138.65	166.38
Knockholt	48.41	56.47	64.54	72.61	88.75	104.88	121.02	145.22
Leigh	34.84	40.65	46.45	52.26	63.87	75.49	87.10	104.52
Otford	85.93	100.25	114.57	128.89	157.53	186.17	214.82	257.78
Penshurst	31.75	37.04	42.33	47.62	58.20	68.78	79.37	95.24
Riverhead	29.60	34.53	39.47	44.40	54.27	64.13	74.00	88.80
Seal	38.98	45.48	51.97	58.47	71.46	84.46	97.45	116.94
Sevenoaks Town	88.45	103.19	117.93	132.67	162.15	191.63	221.12	265.34
Sevenoaks Weald	49.13	57.32	65.51	73.70	90.08	106.46	122.83	147.40
Shoreham	41.94	48.93	55.92	62.91	76.89	90.87	104.85	125.82
Sundridge	46.69	54.48	62.26	70.04	85.60	101.17	116.73	140.08
Swanley	75.99	88.65	101.32	113.98	139.31	164.64	189.97	227.96
Westerham	85.60	99.87	114.13	128.40	156.93	185.47	214.00	256.80
West Kingsdown	30.95	36.10	41.26	46.42	56.74	67.05	77.37	92.84

GRAND TOTAL

Part of the Council's area	Valuation Bands							
	A £	B £	C £	D £	E £	F £	G £	H £
Ash-cum-Ridley	1,367.65	1,595.59	1,823.53	2,051.47	2,507.35	2,963.23	3,419.12	4,102.94
Badgers Mount	1,368.93	1,597.08	1,825.24	2,053.39	2,509.70	2,966.01	3,422.32	4,106.78
Brasted	1,367.37	1,595.27	1,823.16	2,051.06	2,506.85	2,962.64	3,418.43	4,102.12
Chevening	1,365.65	1,593.25	1,820.86	2,048.47	2,503.69	2,958.90	3,414.12	4,096.94
Chiddingstone	1,381.46	1,611.70	1,841.95	2,072.19	2,532.68	2,993.16	3,453.65	4,144.38
Cowden	1,369.63	1,597.90	1,826.17	2,054.44	2,510.98	2,967.52	3,424.07	4,108.88
Crockenhill	1,417.34	1,653.56	1,889.79	2,126.01	2,598.46	3,070.90	3,543.35	4,252.02
Dunton Green	1,403.61	1,637.54	1,871.48	2,105.41	2,573.28	3,041.15	3,509.02	4,210.82
Edenbridge	1,448.96	1,690.45	1,931.95	2,173.44	2,656.43	3,139.41	3,622.40	4,346.88
Eynsford	1,394.58	1,627.01	1,859.44	2,091.87	2,556.73	3,021.59	3,486.45	4,183.74
Farningham	1,381.65	1,611.92	1,842.20	2,072.47	2,533.02	2,993.57	3,454.12	4,144.94
Fawkham	1,386.60	1,617.70	1,848.80	2,079.90	2,542.10	3,004.30	3,466.50	4,159.80
Halstead	1,378.95	1,608.78	1,838.60	2,068.43	2,528.08	2,987.73	3,447.38	4,136.86
Hartley	1,370.33	1,598.71	1,827.10	2,055.49	2,512.27	2,969.04	3,425.82	4,110.98
Hever	1,386.60	1,617.70	1,848.80	2,079.90	2,542.10	3,004.30	3,466.50	4,159.80
Hextable	1,398.32	1,631.37	1,864.43	2,097.48	2,563.59	3,029.69	3,495.80	4,194.96
Horton Kirby & S Darenth	1,390.13	1,621.81	1,853.50	2,085.19	2,548.57	3,011.94	3,475.32	4,170.38
Kemsing	1,389.86	1,621.50	1,853.15	2,084.79	2,548.08	3,011.36	3,474.65	4,169.58
Knockholt	1,382.81	1,613.27	1,843.74	2,074.21	2,535.15	2,996.08	3,457.02	4,148.42
Leigh	1,369.24	1,597.45	1,825.65	2,053.86	2,510.27	2,966.69	3,423.10	4,107.72
Otford	1,420.33	1,657.05	1,893.77	2,130.49	2,603.93	3,077.37	3,550.82	4,260.98
Penshurst	1,366.15	1,593.84	1,821.53	2,049.22	2,504.60	2,959.98	3,415.37	4,098.44
Riverhead	1,364.00	1,591.33	1,818.67	2,046.00	2,500.67	2,955.33	3,410.00	4,092.00
Seal	1,373.38	1,602.28	1,831.17	2,060.07	2,517.86	2,975.66	3,433.45	4,120.14
Sevenoaks Town	1,422.85	1,659.99	1,897.13	2,134.27	2,608.55	3,082.83	3,557.12	4,268.54
Sevenoaks Weald	1,383.53	1,614.12	1,844.71	2,075.30	2,536.48	2,997.66	3,458.83	4,150.60
Shoreham	1,376.34	1,605.73	1,835.12	2,064.51	2,523.29	2,982.07	3,440.85	4,129.02
Sundridge	1,381.09	1,611.28	1,841.46	2,071.64	2,532.00	2,992.37	3,452.73	4,143.28
Swanley	1,410.39	1,645.45	1,880.52	2,115.58	2,585.71	3,055.84	3,525.97	4,231.16
Westerham	1,420.00	1,656.67	1,893.33	2,130.00	2,603.33	3,076.67	3,550.00	4,260.00
West Kingsdown	1,365.35	1,592.90	1,820.46	2,048.02	2,503.14	2,958.25	3,413.37	4,096.04

Item 7 (a) - Future Appointment of External Auditors

The attached report was considered by the Audit Committee on 25 January 2022 and the relevant minute extract is below:

Audit Committee - 25 January 2022 (Minute 34)

The Deputy Chief Executive, and Chief Officer - Finance and Trading presented the report which set out the need for Full Council to make a decision to either opt into the national framework for the procurement of external audit as supported by the Local Government Association (LGA) or to run a separate procurement exercise for the future appointment of external auditors.

Resolved: That it be recommended to Full Council that the Council opt into the sector-led option for the appointment of external auditors for five financial years from 1 April 2023.

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FUTURE APPOINTMENT OF EXTERNAL AUDITORS

Council - 22 February 2022

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

Status: For Decision

Also considered by:

- Audit Committee - 25 January 2022

Key Decision: No

Executive Summary:

This report sets out the need for Full Council to make a decision to either, opt into the national framework for the procurement of external audit as supported by the Local Government Association (LGA) or to go it alone and run a separate procurement exercise. All other local authorities in Kent are expected to opt into the national framework.

The Council spent £53,065 on external audit fees for the 2019/20 accounts, procured by Public Sector Audit Appointments Ltd (PSAA), the body nominated by the Government to run the national arrangements.

The council is currently part of the 98% of principal authorities that previously opted-in the national scheme.

The decision relates to the procurement of external audit from the financial year 2023/24 to 2027/28, the practical deadline for this decision is 11 March 2022.

Portfolio Holder: Cllr. Matthew Dickins

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

Recommendation to Audit Committee:

That the Audit Committee proposes to Full Council that the Council opt into the sector-led option for the appointment of external auditors for five financial years from 1 April 2023.

Recommendation to Council:

That the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Introduction and Background

- 1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 2 Grant Thornton are the Council's current external auditors.
- 3 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. All local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
- 4 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period started on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

Options for the appointment of an External Auditor

Option 1: To make a stand-alone appointment

- 5 In order to make a stand-alone appointment the Council would need to set up an Auditor Panel. The Members of the panel must be wholly or a majority independent Members as defined by the Act. Independent Members for this purpose are independent appointees; this excludes current and former elected Members (or officers) and their close family and friends. This means that elected Members would not have a majority input into assessing bids and recommending which firm of accountants to award a contract for the Council's external audit. The role of an Auditor Panel would be to advise the Council on:
 - The selection and appointment of a local auditor.
 - The maintenance of an independent relationship with the local auditor appointed to audit its account.
 - Any proposal by the Council to enter into a liability limitation agreement.
 - Whether to adopt a policy on purchasing non-audit services from the local auditor.

- The outcome of any investigation of an auditor's resignation from office, if this occurs, or on any proposal to remove a local auditor from office.

Option 2: Set up local joint procurement arrangements

- 6 The Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this would need to be constituted of wholly or a majority of independent appointees (Members). Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act.

Option 3: Opt into a sector-led body (recommended option)

- 7 Councils are able to 'opt-in' to a Sector Led Body appointed by the Secretary of State under the Act.
- 8 The Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. This means that PSAA can make auditor appointments for audits of the accounts from 2023/24 of authorities that choose to opt into its arrangements. Before an authority opts into these arrangements it must formally accept an invitation to become an opted in authority. This decision would be a matter for Full Council.
- 9 PSAA will have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.
- 10 If the Council was to decide on this option then there is no requirement to establish an Auditor Panel.
- 11 The Local Government Association (LGA) are supportive of this option.

Key Implications

Financial

The external audit fees for the 2019/20 accounts were £53,065. The revised baseline fee for the 2020/21 accounts is £42,230 but the final fee is not yet known.

The level of external audit fees levels may increase when the current contract ends. Options 2 and 3 would allow the Council to take advantage of economies of scale through a larger joint procurement exercise.

The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above are not known at this stage but are likely to include recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members' fees and allowances.

Agenda Item 7a

Opting-in to a national Sector Led Body provides maximum opportunity to limit the extent of any increases by entering into a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel. 98% of authorities have opted into the current scheme.

Legal Implications and Risk Assessment Statement

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.

Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

Section 19 of the Local Audit (Appointing Person) Regulations 2015 specifies that the decision to accept an invitation to become an opted in authority is a matter for Full Council.

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.

Conclusions

The sector-wide procurement conducted by PSAA (option 3) is likely to produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:

- Collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements.
- If it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract.
- It is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement.
- Supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

Appendices

Appendix A - Invitation to opt into the national scheme for auditor appointments from April 2023

Background Papers

None

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

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22 September 2021

To: Dr Ramewal, Chief Executive
Sevenoaks District Council

Copied to: Mr Rowbotham, S151 Officer
Councillor McGarvey, Chair of Audit Committee or equivalent

Dear Dr Ramewal,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

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AUDIT COMMITTEE INDEPENDENT MEMBERS

Council - 22 February 2022

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

Status: For Decision

Executive Summary:

Within the Constitution of the Council, the Audit Committee may request the appointment of up to two additional co-opted non-voting members.

This has been discussed at two Audit Committee meetings and the Committee have requested that Council approve the appointment of these members.

The allowance proposed is similar to that offered by other Kent districts.

Portfolio Holder: Cllr. Matthew Dickins

Contact Officer: Adrian Rowbotham, Ext. 7153

Recommendation to Council:

Approve the appointment of up to two additional co-opted non-voting members with an allowance of £800 per annum each.

Introduction and Background

- 1 Within the Constitution of Sevenoaks District Council (Part 6 - Audit Committee, section 2.3) is the following:
- 2 *'The Audit Committee shall be entitled to recommend to Council the appointment of up to two additional co-opted non-voting members. Any co-opted members must have the necessary technical knowledge and skills to be of value to the business of the Committee.'*
- 3 The Audit Committee has never previously requested to take up this option but should give it consideration on a periodic basis.

Other Kent Councils

- 4 The following table shows whether the other thirteen Kent councils have independent members or not.
- 5 Nine councils have no independent members, two councils have one, one council has two and one council has four.

Agenda Item 7b

Council	Independent Members
Ashford	None
Canterbury	None
Dartford	None but currently being considered.
Dover	None
Folkestone & Hythe	One non-voting independent member. Allowance of £834 per annum.
Gravesham	None
Kent CC	One independent member since January 2020. Allowance of £1,500 per annum.
Maidstone	Two non-voting parish representatives, appointed by Council. Allowance of £350 each per annum.
Medway	None
Swale	None
Thanet	None
Tonbridge & Malling	None
Tunbridge Wells	Two independent members who do not have a vote. Allowance of £800 each per annum. There is a formal recruitment process for their appointment, they are for a four-year term which can be extended to a maximum of eight years. There are also two parish council representatives on the committee who cannot vote. Their allowance is also £800 each per annum.

Redmond Review: Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

- 6 The Local Audit and Accountability Act 2014 (the 2014 Act) introduced a new Audit regime for local government to replace the previous arrangements, under which the Audit Commission performed that role. This Review examined the effectiveness of local audit as now practised.
- 7 The purpose of the Review is to test not only the impact of external audit activity in local government but also to look, critically, at how this helps to demonstrate public accountability, particularly to service users and council taxpayers. In a similar context the brief of the Review extends to the issues of transparency in financial reporting of local authorities, with attention being directed towards whether the annual accounts and associated published financial information can be readily understood by the public.
- 8 The review was published in September 2020 and a link to the full review can be found in the background documents section of this report.
- 9 Most of the recommendations included in the review relate to external audit provision and the annual statement of accounts. However, the following recommendation relates to the Audit Committee:
- 10 The governance arrangements within local authorities be reviewed by local councils with the purpose of:
 - an annual report being submitted to Full Council by the external auditor;
 - **consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee;** and
 - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner (Grant Thornton) at least annually.
- 11 CIPFA also endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee.

Audit Committee 15 July 2021

- 12 A report on Audit Committee Independent Members was presented to the Audit Committee on 15 July 2021. The minutes are as follows:

The Chief Officer Finance & Trading presented the report which detailed that within the Terms of Reference, the Committee is entitled to recommend to Council the appointment of up to two additional co-opted non-voting members. The Redmond Review which was completed last year included a recommendation that consideration was given to the appointment of independent members to the Audit Committee and CIPFA also endorsed this approach.

Agenda Item 7b

Members discussed the value that an independent member could bring to the Committee, and whether other Councils had Independent Members. It was noted that an appointment from 2023 would be for a 4-year period. Some Members expressed concern for the length of the appointment and whether this could be reduced. Members discussed the need for more information before making a final decision and that consideration could be given for making a 1-year appointment in 2022 (to 2023) before the next election cycle.

Resolved: That Officers and the Chairman of Audit Committee continue to investigate the value of an Independent Member and a report be brought back to the meeting in January 2022.

Further Investigation

- 13 Following the Audit Committee on 15 July 2021 it was arranged for Cllr McGarvey (Chairman of the Audit Committee) to attend Audit Committees, or their equivalent, at other councils who currently have independent members.
- 14 Cllr McGarvey's thoughts are based on assessing the value-for-money and input of the independent members.
- 15 The independent members had a range of backgrounds including in IT, in banking and a retired engineer who had previously worked in finance in central government. The contributions made varied greatly including one who said absolutely nothing (it is not known what his contribution(s) might have been prior to the meeting) and one who was the most involving/involved of all members present. Their Committee was all the richer for his presence
- 16 Our Audit Committee could be enriched by appointment of an independent member if a recruit of high calibre could be found - with understanding of how local government functions and with expertise/experience in the fields that Audit covers; and displaying the confidence, interest and ability to add value. Finding the right candidate is key in deciding whether or not to do it.

Audit Committee 25 January 2022

- 17 An Update report was presented to the Audit Committee on 25 January 2022. The minutes are as follows:

The Deputy Chief Executive and Chief Officer - Finance and Trading presented the reported which updated Members on the investigatory work carried out by the Chairman of Audit Committee for the consideration of appointing Independent Members to the Audit Committee.

Members discussed the report, noting that that any appointment should be given to candidates that have the necessary technical knowledge and skills

to be of value to the business of the Committee. Members also discussed remuneration of the posts.

Resolved: That it be recommended to Council that up to two additional co-opted non-voting members be appointed, at a rate similar to other Kent Districts, which may be reviewed after 1 year. The Committee were also supportive of working with Dartford BC on joint appointments.

- 18 Dartford Borough Council are also currently considering whether to appoint independent members to their Audit Board.
- 19 Audit Committee Members discussed the benefits of a joint recruitment approach with Dartford BC and sharing independent members and were supportive of this approach.
- 20 The level of allowance for the roles was also discussed and the general view was that it should be similar to that offered by other Kent districts at £800 per annum. Dartford BC are likely to offer a similar allowance.

Process for the Appointment of Independent Member/s

- 21 If Members of the Audit Committee wish to request an independent member or members join the Committee, they are required to make a recommendation to Council.
- 22 If Council are supportive, the Deputy Chief Executive and Chief Officer - Finance and Trading be authorised to advertise for co-opted non-voting member/s of the Audit Committee.
- 23 Also, the Deputy Chief Executive and Chief Officer - Finance and Trading in consultation with the Chairman of the Audit Committee be authorised to form a panel to interview candidates, such interview to be designed to test that candidates have the necessary technical knowledge and skills to be of value to the business of the Committee.
- 24 Any appointment would run until May 2023. Subject to review by Audit Committee, the role of Independent Member(s) would subsequently be renewed for 4-year terms thereafter, subject to appointment or re-appointment of suitable candidate(s).

Key Implications

Financial

There is currently no specific budget for Independent Audit Committee Member Allowances and any additional allowance would be required to be approved by Council.

Agenda Item 7b

The allowances paid by other Kent councils are included in the table in the report. For information the allowances paid to the independent persons in the Standards Committee are currently £493 per annum.

Legal Implications and Risk Assessment Statement

The legal implications are as set out in the report. Please note that Part 6 of the Constitution (as set out above) permits the Audit Committee to recommend the appointment of up to two additional co-opted non-voting members. Any such recommendation will be referred to the next meeting of Full Council for a final decision.

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.

Appendices

None

Background Papers

Audit Committee Independent Members report - Audit Committee 15 July 2021

Audit Committee Independent Members - Update - Audit Committee 25 January 2022

Redmond Review: Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf

Adrian Rowbotham

Deputy Chief Executive and Chief Officer - Finance & Trading

PAY POLICY STATEMENT

Council - 22 February 2022

Report of: Chief Executive

Status: For Decision

Key Decision: No

This report supports the Council promise to provide value for money

Portfolio Holder: Cllr. Fleming

Contact Officer: Lee Banks, Ext. 7161

Recommendation to Council:

The Pay Policy Statement is adopted by the Council and is published on the Council's website.

Reason for recommendation: To fulfil the Council's statutory requirements under the Localism Act 2011 to agree a Pay Policy Statement for the forthcoming year and to ensure it is available to the public.

Introduction and Background

- 1 Gaining its Royal Assent in November 2011 the Localism Act introduced, amongst a range of other duties, a requirement for local authorities to publish a Pay Policy Statement by 31 March each year. The Council's first Pay Policy Statement was approved by Council in February 2012.
- 2 Pay Policy Statements were introduced with the stated aim of making local authorities more accountable and transparent about their policies on senior officer pay.
- 3 Nothing in the pay accountability provisions supersede existing responsibilities and duties placed on local authorities in their role as employers. It is recognised that local authorities are individual employers in their own right and have the autonomy to make decisions on pay that are appropriate to their local circumstances and which deliver value for money for local taxpayers.

Pay Policy Statement

- 4 The draft Pay Policy Statement is attached at Appendix A to this report for Members consideration. Its content is defined by the regulations set out within sections 38 to 43 of the Localism Act 2011 and associated guidance issued by the Secretary of State for Communities and Local Government.

Agenda Item 8a

- 5 The Pay Policy Statement is required to set out the authority's policies relating to the remuneration of each of its chief officers, the remuneration of its lowest paid employees and the relationship between the two. The Statement must be approved by full Council by 31 March 2022 and will take effect from 1 April 2022. The Policy Statement is forward looking and any recruitment decisions taken between 1 April 2022 and 31 March 2023 regarding chief officers must take account of the commitments made in the Pay Policy Statement
- 6 It is a requirement of the Localism Act that the Pay Policy Statement is approved annually by full Council, and this is a function that cannot be delegated. As a minimum, once the Statement is approved, it must be published on the Council website

Other options Considered and/or rejected

None. It is a statutory requirement to produce and publish a Pay Policy Statement

Key Implications

Financial

The Pay Policy Statement sets out the policies by which senior officers will be remunerated by the Council. Any such decisions on recruitment would be made within the wider context of the Council's 10 year budget framework.

Legal Implications and Risk Assessment Statement

Failure to publish a Pay Policy Statement, approved by full Council, by 31 March 2022 will be a breach of the Localism Act 2011.

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.

Conclusions

The Pay Policy Statement sets out the elements of senior officer pay that enable the Council to attract high quality officers whilst protecting value for money to the community. Its approval by Council and publication on the Council website improve transparency and accountability whilst ensuring adherence to the Localism Act 2011.

Appendices

Appendix A - Pay Policy Statement

Background Papers

Localism Act, Chapter 8, Pay Policy Statements

<http://www.legislation.gov.uk/ukpga/2011/20/part/1/chapter/8/enacted>

Openness and accountability in local pay: Guidance under section 40 of the Localism Act (Communities and Local Government)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5956/2091042.pdf

Openness and accountability in local pay: supplementary guidance

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85886/Final_Supplementary_Pay_Accountability_Guidance_20_Feb.pdf

Dr Pav Ramewal

Chief Executive

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**Sevenoaks District Council
Pay Policy Statement 2022/23**

1. Introduction

- 1.1 The Council's Pay Policy Statement sets out its policies for 2022/23 relating to:
- The remuneration of its chief officers,
 - The remuneration of its lowest-paid officers, and
 - The relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.
- 1.2 The Pay Policy Statement is prepared in accordance with the requirements of the Localism Act 2011 and associated guidance published by the Secretary of State for Communities and Local Government.
- 1.3 The Statement has been approved by resolution of the full Council and the commitments made in the Pay Policy Statement will be applied to remuneration of chief officers during 2022/23.

2. Definitions

- 2.1 The following definitions have been applied in preparing the Pay Policy Statement:
- (a) Remuneration – the officers salary¹, any bonuses payable, any charges, fees or allowances payable, any benefits in kind, any increase or enhancement to pension entitlement and any amounts payable to the officer on them leaving the authority²
 - (b) Chief Officers – the Head of Paid Service (the 'Chief Executive'), Statutory Chief Officers (Section 151 Officer & the Monitoring Officer), Non Statutory Chief Officers (Chief Officers).
 - (c) Lowest-paid officers – this corresponds to the lowest pay point on which a full time, permanent officer can be appointed to when joining the Council. It does not relate to an individual job role. This definition has been adopted as a true and fair representation of the lowest paid salary point offered by the Council, although it does not necessarily mean that any officer working for the Council currently receives this level of pay. This definition provides a fair and accurate description for an entry level position into the authority, roles that require full supervision that have little, if any responsibility.

¹ In the case where an officer is engaged under a contract for services, the salary is equal to the payments made by the Council to the officer for those services.

² Other than amounts that may be payable by virtue of any enactment

3. Terms and Conditions

- 3.1 The general terms and conditions of employment are in accordance with those agreed by the National Joint Council for Local Government Services.
- 3.2 As Head of Paid Service, the Chief Executive shall have responsibility for the management of all officers, including the number and grade of officers and their organisation and structures.
- 3.3 The Council shall appoint such officers as it thinks necessary for the proper discharge of its functions or of another local authority's functions as fall to be discharged by the Council. All appointments shall be made on merit and in accordance with the Council's agreed policies and procedures.
- 3.4 Only under exceptional circumstances, where there is a proven benefit that will deliver clear value for money to residents, will the Council re-employ officers who have left with a severance or redundancy payment or are in receipt of a pension under the Local Government Pension Scheme. This may include re-engagement on a self-employed basis with a contract for services. This Policy applies to both ex-employees of Sevenoaks District Council and of other local government organisations.
- 3.5 All officers appointed by the Council are paid as individuals with the correct personal national insurance and income tax contributions applied. The Council does not make permanent appointments through any other arrangements.

4. Remuneration of Chief Officers

4.1 Head of Paid Service

- 4.1.1 The Head of Paid Service holds the title of Chief Executive or any equivalent as determined by Council.
- 4.1.2 The Head of Paid Service is one of three statutorily required posts at the Council, alongside the Section 151 Officer and the Monitoring Officer. The Head of Paid Service holds overall responsibility for corporate management and operational functions. This includes:
 - Overall management responsibility for all Officers;
 - Provision of professional advice to all parties in the decision-making process;
 - Advising whether decisions of the Cabinet are in accordance with the budget and policy framework (in consultation with the Section 151 Officer (where they are not the same person) and the Monitoring Officer);

- Providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Members (in consultation with the Section 151 Officer (where they are not the same person) and the Monitoring Officer);
- To be the Returning Officer and Electoral Registration Officer for the Council; and
- To represent the Council on partnership and external bodies as required by statute or the Council.

4.1.3 The remuneration for the Head of Paid Service will include:

- Salary in line with the Sevenoaks District Council Chief Executive pay scale, inclusive of the outer fringe allowance;
- Car Allowance of £6,000 per annum;
- Payment for acting as the Returning Officer at elections. Payments for each election are determined by the size of the electorate in the district, with the payment for national elections being set nationally and the payment for local elections set at county level; and
- An employer contribution to their pension of the amount required under the nationally determined terms of the Local Government Pension Scheme.

4.1.4 At the point of recruitment the salary of the Head of Paid Service will be determined by the level of skill and experience that they are evaluated as bringing to the role. In any case the salary will not exceed the top pay point of the Sevenoaks District Council Chief Executive pay scale.

4.1.5 The Head of Paid Service will, like all other officers, be able to increase their salary on an annual basis by demonstrating excellent performance when assessed through full participation in the Council's appraisal scheme, until the top point of the pay band is reached. The Head of Paid Service will also be entitled to receive any national pay award determined by the National Joint Council.

4.1.6 The Council does not adopt a performance related pay system for any officers outside of the appraisal scheme, including the Head of Paid Service.

4.1.7 The Council does not pay bonuses for any officers, including the Head of Paid Service, other than those determined by the appraisal scheme upon achieving outstanding performance.

4.1.8 The Council will not make payment to the Head of Paid Service if they are summarily dismissed.

Agenda Item 8a

4.1.9 If the Council makes the Head of Paid Service redundant a payment will be made to them based on their length of service (up to a maximum of 20 years) based on their actual weeks' pay.

4.1.10 If the Head of Paid Service resigns their post they will not be entitled to any compensatory payment from the Council.

4.1.11 The following terms and conditions will also apply to the Head of Paid Service:

- The Head of Paid Service may be the Section 151 Officer, but may not be the Council's Monitoring Officer; and
- The post of Head of Paid Service is politically restricted.

4.2 Non Statutory Chief Officers

4.2.1 Non statutory chief officers are defined in the Local Government and Housing Act 1989 as a person for whom the Head of Paid Service is directly responsible.

4.2.2 The remuneration for non-statutory chief officers designated as Chief Officer will include:

- Salary in line with the Sevenoaks District Council Chief Officer pay scale, inclusive of the outer fringe allowance;
- Car Allowance of £4,500 per annum;
- Consideration of additional responsibility allowances; and
- An employer contribution to their pension of the amount required by the Local Government Pension Scheme.

4.2.3 At the point of recruitment an officer holding the post of a non-statutory chief officer will be determined by the level of skill and experience that they are evaluated as bringing to the role.

4.2.4 An officer holding the post of a non-statutory chief officer will, like all other officers, be able to increase their salary on an annual basis by demonstrating excellent performance when assessed through full participation in the Council's appraisal scheme, until the top point of the pay band is reached. An officer holding the post of a non-statutory chief officer will also be entitled to receive any national pay award determined by the National Joint Council.

4.2.5 The Council does not adopt a performance related pay system for any officers outside of the appraisal scheme, including officers holding the post of a non-statutory chief officer.

4.2.6 The Council does not pay bonuses for any officers, including officers holding the post of a non-statutory chief officer, other than those

determined by the appraisal scheme upon achieving outstanding performance.

- 4.2.7 The Council will not make payment to officers holding the post of a non-statutory chief officer if they are summarily dismissed.
- 4.2.8 If the Council makes a non-statutory chief officer redundant a payment will be made to them based on their length of service (up to a maximum of 20 years) based on their actual weeks' pay.
- 4.2.9 If an officer holding the post of a non-statutory chief officer resigns their post they will not be entitled to any compensatory payment from the Council.
- 4.2.10 The following terms and conditions will also apply to an officer holding the post of a non-statutory chief officer:
- The posts held by non-statutory chief officers are politically restricted.

4.3 Statutory Chief Officer – Monitoring Officer

- 4.3.1 The role of the Monitoring Officer is designated to the post of Head of Legal & Democratic Services, or an equivalent officer as determined by the Head of Paid Service.
- 4.3.2 The Monitoring Officer is one of three statutorily required posts at the Council, alongside the Head of Paid Service and the Section 151 Officer. The Monitoring Officer is responsible for:
- Maintaining the constitution;
 - Ensuring lawfulness and fairness of decision making;
 - Supporting the Standards Committee;
 - Advising whether decisions of the Cabinet are in accordance with the budget and policy framework (in consultation with the Head of Paid Service and the Section 151 Officer); and
 - Providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Members (in consultation with the Head of Paid Service and the Section 151 Officer).
- 4.3.3 The Monitoring Officer cannot be the Section 151 Officer or the Head of Paid Service.
- 4.3.4 The remuneration of the Monitoring Officer will include:
- Salary in line with the Sevenoaks District Council Head of Service pay scale, inclusive of the outer fringe allowance;
 - Car Allowance of £3,700 per annum;

Agenda Item 8a

- Consideration of additional responsibility allowances; and
- An employer contribution to their pension of the amount required by the Local Government Pension Scheme.
- Terms as set out at 4.2.3 to 4.2.10 above.

4.4 Statutory Chief Officer – Section 151 Officer

4.4.1 The Section 151 Officer is one of three statutorily required posts at the Council, alongside the Head of Paid Service and the Monitoring Officer. The role of Section 151 Officer is designated to the Chief Officer Finance & Trading, or any suitably qualified officer as determined by the Head of Paid Service.

4.4.2 The Section 151 Officer is responsible for:

- Ensuring lawfulness and financial prudence of decision-making;
- Administration of financial affairs;
- Contributing to corporate management;
- Providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Members and will support and advise Members and Officers in their respective roles; and
- Providing financial information to the media, members of the public and the community.

4.4.3 The pay policies applicable to this post are detailed at section 4.2.2 to 4.2.10 above.

4.4.4 The following terms and conditions will also apply to the Section 151 Officer post:

- The post of the Section 151 Officer is politically restricted; and
- The Section 151 Officer cannot be the Monitoring Officer but may hold the post of Head of Paid Service.

5. Transparency and Publication of Chief Officer Salaries

5.1 Further information about responsibilities and appointment of Chief Officers is published in the Council's Constitution. The provisions within this Pay Policy Statement do not alter the requirements and powers, which the Constitution sets out.

5.2 Further information about the salaries of Chief Officers is available on the Council's website. The Council's Statement of Accounts is published annually and includes a full breakdown of payments made to Chief Officers for the past year.

- 5.3 The transparency section of the Council's website includes the publication of the pay scales of all officers at the council who receive a full time equivalent salary in excess of £50,000 per annum.

6. Remuneration of lowest-paid officers

- 6.1 The salary of the lowest-paid role at the Council will be equivalent to the lowest pay point within Band A of the Council's salary scales inclusive of the outer fringe allowance.
- 6.2 All Council officers are able to increase their salary on an annual basis, until the top point of the pay band is reached by demonstrating excellent performance when assessed through full participation in the Council's appraisal scheme. All officers are also entitled to receive any national pay award determined by the National Joint Council. There is no other performance related or bonus payment payable to officers.
- 6.3 All Council officers are eligible to join the Local Government Pension Scheme. As their employer the Council will contribute to each officers pension the amount required by the Local Government Pension Scheme.

7. The Pay Relationship

- 7.1 The National Joint Council salary scales offer a fair and non-discriminatory approach to pay and grading reflected through a job evaluation scheme. Each role is individually assessed and evaluated to ensure an accurate level of pay. The result of evaluations reflects the level of responsibility associated with each respective post.
- 7.2 In 2021/22 the median average salary at Sevenoaks District Council was £26,107, which lies at pay point C4.
- 7.3 The pay multiple between the Chief Executive's salary and the median salary point is 5.8.
- 7.4 The Council is clear that pay at all levels is properly assessed and evaluated to ensure it accurately and fairly reflects the level of skill and responsibility associated with each respective post. Maintaining this approach will ensure that the Council is committed to a fair pay relationship and maintaining a proportionate pay ratio between the average pay level and that of the Chief Executive.

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Cllr Fleming - Leader's Report to Council

From: 1 November 2021 - 4 February 2022

Date	Event
2 November	<ul style="list-style-type: none"> • Photo at electric charging point - Sevenoaks • Kent Environment Strategy Conference - Detling
3 November	<ul style="list-style-type: none"> • Sevenoaks Town Council Annual Liaison Meeting - STC offices • Meeting re Electric Car Club via Zoom
4 November	<ul style="list-style-type: none"> • Kent Property Market Report 2021 via Zoom • Homes England pre meet via Zoom • LGA Member Peer Conference - Chair - via Zoom
5 November	<ul style="list-style-type: none"> • Panel member Sevenoaks & Swanley Climate Change Conference - Laura Trott MP - via Zoom • LGA Member Peer Conference - Chair - via Zoom • Informal Members' Meeting - East of England and South East Councils - via Teams
8 November	<ul style="list-style-type: none"> • Meet Audit Manager Candidates - SDC
9 November	<ul style="list-style-type: none"> • LGA Business Rates & LG Finance Reform Task & Finish Group - London • MOVE Conference - Excel, London • Staff Briefing - via Zoom
10 November	<ul style="list-style-type: none"> • Rural Landowners' Meeting - via Zoom • Speaker at The Local Government Commercialisation Conference - via Zoom • Staff Briefing - via Zoom
11 November	<ul style="list-style-type: none"> • Armistice Service - SDC • Homes England Meeting - SDC • Cabinet - SDC
14 November	<ul style="list-style-type: none"> • Sevenoaks Remembrance Day Parade & Service • Swanley Remembrance Day Parade & Service
15 November	<ul style="list-style-type: none"> • Visit to Provender Nurseries - Swanley • Meeting re Fawkham Manor Hospital - via Zoom
16 November	<ul style="list-style-type: none"> • SDC Peer Challenge - pre visit call with Member Peer Council - The Stag, Sevenoaks • Quercus 7 & Quercus Housing AGMs - The Stag, Sevenoaks • Homelessness Count - Sevenoaks
17 November	<ul style="list-style-type: none"> • Kent Council Leaders' Meeting - via Teams
18 November	<ul style="list-style-type: none"> • Visit to Next Door Hextable - Vicar Johnny Douglas - Hextable • Corporate Induction - SDC
19 November	<ul style="list-style-type: none"> • Meeting re a new green venture - Sevenoaks • Filming for White Ribbon Campaign - SDC • SDC Peer Challenge - pre visit call with Member Peer
22 November	<ul style="list-style-type: none"> • Swanley Station Opening - Swanley • Bevan Place Update with SDC Councillors via Zoom
23 November	<ul style="list-style-type: none"> • Bevan Place Update with Swanley Town Councillors via Zoom

Agenda Item 11

Date	Event
24 November	<ul style="list-style-type: none"> • Sevenoaks Welcomes Hope - The Stag, Sevenoaks • DCN Member Board Meeting - via Zoom
25 November	<ul style="list-style-type: none"> • Net Zero catch-up with officers - SDC • Improvement & Innovation Advisory Committee - SDC
26 November	<ul style="list-style-type: none"> • Photo at opening of Hospice in the Weald Shop, High Street, Sevenoaks • Speaker at Sevenoaks School Green Week re SDC's Net Zero Plans - Sevenoaks
29 November	<ul style="list-style-type: none"> • LGA Corporate Peer Challenge - SDC
30 November	<ul style="list-style-type: none"> • LGA Corporate Peer Challenge - Swanley Sites Tour & Sevenoaks Tour • Meeting re planting scheme around Argyle Road
1 December	<ul style="list-style-type: none"> • LGA Corporate Peer Challenge - Feedback session - SDC • Net Zero 2030 Cabinet Working Group - via Zoom
3 December	<ul style="list-style-type: none"> • Corporate Induction - SDC • Knole Academy AGM - via Zoom
6 December	<ul style="list-style-type: none"> • Meeting with SDC/KCC/Tarmac re Bat & Ball Junction via Zoom • Christmas Meeting of Sevenoaks Town Council - Bat & Ball Centre, Sevenoaks
7 December	<ul style="list-style-type: none"> • Meet candidates for Head of Housing role - SDC • Film Christmas message to staff - SDC
9 December	<ul style="list-style-type: none"> • SDC Staff Carol Service - Sevenoaks • Cycle UK Webinar - via Zoom • LGA Executive Advisory Board - via Zoom • Swanley Bevan Place Consultation - Swanley • Quercus 7 Trading Board & Quercus Housing Guarantor Board via Zoom • Cabinet - SDC
10 December	<ul style="list-style-type: none"> • LGA Creating better streets for people - via Teams • DCN all-member call relaunch - via Zoom
13 December	<ul style="list-style-type: none"> • Corporate Induction - SDC
14 December	<ul style="list-style-type: none"> • Meet candidate for Head of Housing - SDC • Parliamentary Boundary Review webinar
15 December	<ul style="list-style-type: none"> • Kent Council Leaders' Meeting - via Teams
16 December	<ul style="list-style-type: none"> • Chair LGA Improvement & Innovation Board - via Zoom • Meeting with officers re Movement Strategy - SDC
23 December	<ul style="list-style-type: none"> • Corporate Induction - via Zoom
2022	
4 January	<ul style="list-style-type: none"> • DCN Local Leadership Workstream meeting via Zoom
5 January	<ul style="list-style-type: none"> • DCN Members' Board Meeting via Zoom
7 January	<ul style="list-style-type: none"> • Bevan Place Design Revisions via Teams
12 January	<ul style="list-style-type: none"> • Meeting with PwC re Kent Leaders' Non Structural Reform Work via Zoom • Judging Panel - Making it Happen Community & Voluntary Awards - SDC

Date	Event
	<ul style="list-style-type: none"> • Meeting with John Lewis Homes via Zoom
13 January	<ul style="list-style-type: none"> • Asset Review Meeting via Teams • Cabinet - SDC
14 January	<ul style="list-style-type: none"> • Annual Kent & Medway Business Summit via Zoom
17 January	<ul style="list-style-type: none"> • Corporate Induction - SDC • Meeting with Cllr Hogarth & JD O'Brien via Zoom
19 January	<ul style="list-style-type: none"> • Kent & Medway Business Fund Investment Advisory Board via Teams • Kent Council Leaders' Meeting via Teams
21 January	<ul style="list-style-type: none"> • SEC & EELGA Meeting with Jules Pipe & Cllr Rodwell via Teams
26 January	<ul style="list-style-type: none"> • Chair IDeA Board via Zoom
27 January	<ul style="list-style-type: none"> • LGA Councillors' Forum via Teams • LGA Executive Advisory Board via Teams • Bradbourne Residents Association Stakeholder meeting via Zoom
28 January	<ul style="list-style-type: none"> • Visit to Swanley Sites with Cllr Bayley - Swanley
31 January	<ul style="list-style-type: none"> • Attend Scrutiny Working Group - Covid-19 Response Meeting - SDC
1 February	<ul style="list-style-type: none"> • Visit Hadlow College with Cllr Dyball - Hadlow • Planning meeting for KCC Leaders' via Teams
2 February	<ul style="list-style-type: none"> • DCN Executive Members' Board Meeting - London
4 February	<ul style="list-style-type: none"> • South East Councils Winter All Member Meeting via Zoom

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REPORT ON SPECIAL URGENCY DECISIONS

Council - 22 February 2022

Report of: Chief Executive

Status: For Decision

Key Decision: No

Portfolio Holder: Cllr. Peter Fleming

Contact Officer: Charlotte Sinclair, Ext. 7165

Recommendation: That the report be noted.

Reason for recommendation: To comply with the Council's governance arrangements.

Introduction

- 1 This report satisfies the requirement of quarterly reporting on Special Urgency Decisions as set out in Appendix A - Access to Information Procedure Rules, paragraph 18.3

'In any event the Leader will submit a quarterly report to the Council on the Cabinet decisions taken in the circumstances set out in Rule 17 (special urgency) or annually where there have been none. The report will include particulars of each decision made and a summary of the matters in respect of when each decision was made.'

- 2 It also satisfies the requirement as set out in Appendix C - Scrutiny Committee Procedure Rules paragraph 18.17, that decisions 'taken as a matter of urgency must be reported to the next available meeting of the Council, together with the reasons for urgency.

Decisions

- 3 One urgency decision has been taken, which has been reported to Cabinet, and are attached as an Appendix.

Officer Decision 01 (2021/22) - Omicron Hospitality and Leisure Grants (OHLG) and COVID-19 Additional Relief Fund (CARF) Business Support Schemes

- 5 The decisions set out their reasons for urgency.

Agenda Item 12

Key Implications

Financial

None directly arising from this report. The financial implications of these decisions is set out within the attached decision.

Legal Implications and Risk Assessment Statement

All relevant legislation and constitutional requirements were adhered to. Each decision sets out its reason for urgency.

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.

Conclusions

In compliance with the Council's Constitution Members are asked to note this report.

Appendices

Appendix A: Officer Decision 01 (2021/22)

Background Papers

Council's Constitution

Dr. Pav Ramewal

Chief Executive

Officer Decision Statement

Openness of Local Government Bodies Regulations 2014/2095

Subject:	Omicron Hospitality and Leisure Grants (OHLG) and COVID-19 Additional Relief Fund (CARF)
Key Decision	Yes
Notice of the Key Decision	Notice has been given as per Regulation 11 of The Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012
Details of Decision taken	
<p>The endorsement of the Omicron Hospitality and Leisure Grants (OHLG) and COVID-19 Additional Relief Fund (CARF) Schemes providing payments or reliefs to those businesses within the District who meet the eligibility criteria set out within the relevant policies.</p> <p>The new support schemes have been developed in response to an announcement made by Government which sets out circumstances whereby a payment may be made by the Council to a business that has met the criteria in the accompanying guidance and relevant policies.</p>	
Reason for Decision	
<p>With the special circumstances surrounding the impact on businesses as a result of restrictions due to coronavirus (Covid 19), the Council must deliver on the Government direction quickly in line with Government guidance and legislation.</p>	
Reason for Urgency	
<p>In order to have a positive and immediate impact it is not possible to wait until the next meeting of Cabinet and following government advice, prudent to mitigate the impact on local businesses</p> <p>An urgent decision is required on the adoption of these schemes. It is imperative that we are ready to take applications and process payments in the timeframe mandated by Government.</p> <p>Pursuant to Appendix C, paragraph 18 of the Council's Constitution, it is deemed that the decision proposed is reasonable in these circumstances to be treated as a matter of urgency and the call-in procedure does not apply.</p>	
All Documents considered:	
Scheme documents attached	

Details of any alternative options considered and rejected by the Officer when making the Decision: None.

Financial implications

Central government will provide funding of for both the main scheme and for the discretionary element, by way of a grant under section 31 of the Local Government Act 2003.

Legal Implications and Risk Assessment Statement

This decision is taken by the Chief Executive acting in accordance with Paragraph 12 (d) of Part 13 of the Constitution, which authorises him as follows:

(d) In cases of urgency, after consultation with the Leader and Deputy Leader of the Council [and, where possible, the Leader(s) of the Opposition], to take any decision which could be taken by the Cabinet or by a Committee and to report such actions to Cabinet or Committee as appropriate.

Furthermore, this being an urgent Key Decision, Notice has been duly given and the agreement of the Chairman of the Scrutiny Committee has been sought to enable the decision to proceed as per Regulation 11(1)(a) of The Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012.

Furthermore, this being an urgent Key Decision, the agreement of the Chairman of the Council has been sought to disapply the call-in procedure set out in Paragraph 18 of Appendix C of the Constitution, for the reasons set out in Paragraphs 18.13 - 18.18.


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.

Local Member(s), Portfolio Holders and/or Chief Officer/Heads of Service Consulted

Councillors Fleming and Dickins
Chief Officer - Customer and Resources

Agreement of Chairman of Scrutiny Committee pursuant to 11 (1)(a) of The Local Authorities (Executive Arrangements)(Meetings

and Access to Information)(England) Regulations 2012, obtained on: On 18/01/2022	
Agreement of the Chairman of the Council pursuant to Appendix C, para.18.16 of the Council’s Constitution, obtained on: On 18/01/2022	
Details of any conflicts of interest a) declared by any member who was consulted or was part of the body giving specific express authorisation b) and any details of dispensations granted by the Chief Executive in respect of any declared conflict	
Decision taken by:	The Chief Executive
Signed by Officer	
Date of Decision	18/01/22
Record made by:	Charlie Sinclair
Date of record:	19/01/22

This decision takes immediate effect

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Background Information for Emergency Expenditure Request

Emergency: Coronavirus Pandemic
Subject: Omicron Hospitality and Leisure Grants (OHLG) and COVID-19
 Additional Relief Fund (CARF) Business Support Schemes
Date: 18/01/2022
Chief Officer: Jim Carrington-West

Council Constitution

Appendix D - Financial Procedure Rules

2d. Emergency Expenditure

Why is this important?

The Council needs to have in place a procedure for meeting immediate needs in the case of an emergency situation arising in the District.

General

2.32 The Chief Executive and s.151 Officer/Chief Finance Officer shall have the authority to approve expenditure on any item which is essential to meet any immediate needs created by an emergency or which is referable to Section 138 of the Local Government Act 1972, subject to a subsequent report to Cabinet and/or Full Council depending on whether or not the expenditure can be met from within the current budget framework.

2.33 The Chairman or Vice-Chairman of the Council together with the Leader or Deputy Leader of Council, having received a report from the Chief Executive and the Chief Executive and s.151 Officer/Chief Finance Officer, shall have power to incur expenditure which is essential to meet any immediate needs created by an emergency or which is referable to Section 138 of the Local Government Act 1972 (or other subsequent legislation) which is not otherwise authorised or where it is necessary in the Council's interest to settle legal proceedings which have been commenced against the Council. A subsequent report shall be submitted to Cabinet and/or the full Council depending on whether or not the expenditure can be met from within the current budget framework.

Detail

In response to the Coronavirus pandemic, the government has announced additional support to businesses affected in line with published guidance and the supporting policies.

Agenda Item 12

It is for individual authorities to adopt local schemes and to determine in each individual case when, having regard to the guidance issued, to provide payments under Section 1 of the Localism Act 2011.

It is imperative that we deliver much needed support to the business community in the form of grants to preserve the local economy

Financial Impact

Central government will provide funding of for these schemes by way of a grant under section 31 of the Local Government Act 2003.

Requesting Chief Officer: Jim Carrington-West - Deputy Chief Executive and Chief Officer Customer and Resources

Approval

Chief Executive:



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





Sevenoaks District Council
Omicron Hospitality and Leisure Grant
Scheme
December 2021

Contents

Definitions	3
1.0 Purpose of the Scheme, background, and funding.....	4
2.0 Eligibility criteria	4
Hospitality.....	5
Leisure.....	5
Accommodation.....	5
3.0 Awards.....	6
4.0 Excluded businesses – general exclusions	6
5.0 The Effective Date	6
The hereditament	6
The Ratepayer	7
6.0 How will grants be provided to Businesses?	7
7.0 Subsidies and EU State Aid	8
8.0 Scheme of Delegation.....	8
9.0 Notification of Decisions.....	8
10.0 Reviews of Decisions	9
11.0 Complaints.....	9
12.0 Taxation and the provision of information to Her Majesty’s Revenues and Customs (HMRC)	9
13.0 Managing the risk of fraud	9
14.0 Recovery of amounts incorrectly paid.....	10
15.0 Data Protection and use of data.....	10

Definitions

The following definitions are used within this document:

‘COVID-19’ (coronavirus); means the infectious disease caused by the most recently discovered coronavirus;

‘Department for Business, Energy & Industrial Strategy (BEIS); means the Government department responsible for the scheme and guidance;

‘Effective date’; means, for eligibility of the grant. For the purpose of this scheme, the date cannot be before 30th December 2021;

‘Hereditament(s); means the assessment defined within Section 64 of the Local Government Finance Act 1988;

‘Hospitality, Leisure and Accommodation’; as defined within this scheme;

‘In-person services’ means services which are wholly or mainly provided by the business to their customers face to face and which **cannot** be provided by other means such as online or remotely by telephone, email, video link, or written communication;

‘Local lockdown’; means the same as **‘Local restrictions’;**

‘Local rating list’; means the list as defined by Section 41 of the Local Government Finance Act 1988

‘Local restrictions’; and **‘Localised restrictions’** means legally binding restrictions imposed on specific Local Authority areas or multiple Local Authority areas, where the Secretary of State for Health and Social Care requires the closure of businesses in a local area under regulations made using powers in Part 2A of the Public Health (Control of Disease) Act 1984 in response to the threat posed by coronavirus and commonly as part of a wider set of measures;

‘Rateable value’; means the rateable value for the hereditament shown in the Council’s local rating list at the date of the local restrictions;

‘Ratepayer’; means the person who will receive the grant will be the person who, according to the Council’s records, was the ratepayer liable for occupied rates in respect of the hereditament at the date of the local restrictions;

‘State Aid Framework’; means the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak published on 19 March 2020;

‘Subsidies’; means the Government’s replacement scheme for the previous state aid framework; and

‘Temporary Framework for State aid’; means the same as the **‘State Aid Framework’.**

1.0 Purpose of the Scheme, background, and funding

- 1.1 The purpose of this document is to determine eligibility for a payment under the Council's Omicron Hospitality and Leisure grant scheme. The scheme is effective from 30th December 2021 and is not retrospective.
- 1.2 The grant scheme has been developed by the Council in response to an announcement made by Government on 21st December 2021 which introduced additional grant support for hospitality and leisure businesses in England.
- 1.3 The scheme provides support to hospitality, leisure, and accommodation businesses, in recognition that the rise of the Omicron variant means that some businesses are likely to struggle over the coming weeks.
- 1.4 Whilst the awarding of grants will be the Council's responsibility, the Department for Business, Energy & Industrial Strategy (BEIS) has set down criteria which **must** be met by each business making an application. The Department has also indicated the types of business which should be given the grant.
- 1.5 This support will take the form of a one-off grant funding scheme. Funding is available for the 2021/22 financial year only and is to be administered by the Council as the Billing Authority.
- 1.6 No grant shall be paid for any period prior to 30th December 2021.

2.0 Eligibility criteria

- 2.1 Government, whilst wanting Councils to exercise their local knowledge and discretion, has set national criteria for these funds. In all cases, the Council will only consider businesses for grants where **all** of the criteria are met.
- 2.2 Businesses that are eligible are those that:
 - (a) are liable for local non-domestic rating (business rates) and have premises (hereditaments) on the Council's local rating list on 30th December 2021;
 - (b) the hereditament must be occupied on 30th December 2021;
 - (c) the business must be trading on 30th December 2021; and
 - (d) the business must fall into scope as hospitality, leisure and accommodation as defined within this section.
- 2.3 Businesses will only be eligible where their main service falls within hospitality, leisure, or accommodation. If a business operates services that could be considered hospitality or leisure, and falls into another category, the Council has decided the main service can be determined by assessing which category constitutes 50% or more of their overall income. The main service principle will determine whether a business receives funding.

- 2.4 For the purposes of this grant scheme, a business is considered to be trading if it is engaged in business activity. This should be interpreted as carrying on a trade or profession or buying and selling goods or services in order to generate turnover.
- 2.5 Fully constituted businesses in liquidation, dissolved, struck off or subject to a striking-off notice are not eligible under these conditions.

Hospitality

- 2.6 For the purposes of this scheme, a hospitality business is defined as a business whose main function is to provide a venue for the consumption and sale of food and drink.
- 2.7 The Council will use the following criteria to assess whether a business is eligible for a grant under this threshold:
- Businesses offering in-person food and drink services to the general public; and
 - Businesses that provide food and/or drink to be consumed on the premises, including outdoors.
- 2.8 For these purposes, the definition of a hospitality business excludes food kiosks and businesses whose main service (generating 50% or more of income) is a takeaway.
- 2.9 This is not applicable to those businesses that have adapted to offer takeaways during periods of restrictions, in alignment with previous COVID-19 business grant schemes.

Leisure

- 2.10 For the purposes of this scheme, a leisure business is defined as a business that provides opportunities, experiences, and facilities, in particular for culture, recreation, entertainment, celebratory events and days and nights out.
- 2.11 The Council has decided that for these purposes, the definition of a leisure business excludes all retail businesses, coach tour operators, and tour operators.

Accommodation

- 2.12 For the purposes of this scheme, an accommodation business can be defined as a business whose main lodging provision is used for holiday, travel and other purposes. The Council will take into account the following when making its decision:
- Does the business provide accommodation for 'away from home' stays for work or leisure purposes? and
 - Does the business provide accommodation for short-term leisure and holiday purposes?
- 2.13 The Council has decided that the definition of an accommodation business will **exclude**:
- private dwellings;
 - education accommodation;

- residential homes and care homes; and
- residential family centres.

3.0 Awards

3.1 The Omicron Hospitality and Leisure grant is a one-off grant as follows:

- Businesses occupying hereditaments appearing on the local rating list with a **rateable value of exactly £15,000 or under** on 30 December 2021 will receive a payment of **£2,667**;
- Businesses occupying hereditaments appearing on the local rating list with a **rateable value over £15,000 and less than £51,000** on 30 December 2021 will receive a payment of **£4,000**;
- Businesses occupying hereditaments appearing on the local rating list with a **rateable value of exactly £51,000 or over** on 30 December 2021 will receive a payment of **£6,000**

3.2 Any business failing to meet the criteria will not be awarded a grant. However, subject to subsidy allowance conditions, businesses will be entitled to receive a grant for each eligible hereditament.

4.0 Excluded businesses – general exclusions

4.1 The following businesses will **not** be eligible for an award:

- (a) Businesses that are not within the rating system;
- (b) Businesses that have already received grant payments that equal the maximum permitted subsidy allowances will not be eligible to receive funding; and
- (c) Businesses that are in administration, insolvent or where a striking-off notice has been made, are not eligible for funding under this scheme.

5.0 The Effective Date

5.1 The effective date for eligibility is determined as the 30th December 2021

The hereditament

5.2 In **all** cases, the following must have existed at the effective date:

- The hereditament **MUST** be shown in the local rating list;
- Any changes to the local rating List (Rateable Value or to the hereditament) after the effective date, including changes which have been backdated to this date, will be ignored for the purposes of eligibility;
- The Council is not required to adjust, pay or recover grants where the local rating list is subsequently amended retrospectively to the effective date;
- In cases where it was factually clear to the Council that, at the effective date, the local

rating List was inaccurate on that date, the Council *may* withhold the grant and/or award the grant based on their view of who would have been entitled to the grant had the list been accurate. (The Department for Business, Energy and Industrial Strategy (BEIS) has stated that this provision is entirely at the discretion of the Council and is **only** intended to prevent manifest errors. It is not intended for ratepayers who subsequently challenge their Rateable Value); and

- Where a hereditament is exempt from rating as at the effective date, no grant shall be payable.

The Ratepayer

5.3 In **all** cases the following shall apply:

- The person who will receive the grant will be the person who, according to the Council's records, was the ratepayer in respect of the hereditament at the effective date;
- The ratepayer must be liable to occupied property rates at that date. It should be noted that grants will not be awarded where the hereditament is unoccupied;
- Where the Council has reason to believe that the information it holds about the ratepayer at the effective date is inaccurate, it may withhold or recover the grant and take reasonable steps to identify the correct ratepayer;
- Where, it is subsequently determined that the records held are incorrect, the Council reserves the right to recover any grant incorrectly paid; and
- Where any ratepayer misrepresents information or contrives to take advantage of the scheme, the Council will look to recover any grant paid and take appropriate legal action. Likewise, if any ratepayer is found to have falsified records in order to obtain a grant.

6.0 How will grants be provided to Businesses?

6.1 The Council is fully aware of the importance of these grants to assist businesses and support the local community and economy. The Omicron Hospitality and Leisure grant scheme together with the Council's Additional Restrictions Grant (ARG) scheme will offer a lifeline to businesses who are struggling to survive during to the COVID-19 crisis.

6.2 Details of how to obtain grants are available on the Council's website:
www.sevenoaks.gov.uk/localrestrictions

6.3 The closing date for applications is 28th February 2022 and **no** payments can be made by the Council after 31st March 2022.

6.4 In all cases, businesses will be required to confirm that they are eligible to receive the grant. Businesses are under an obligation to notify the Council should they no longer meet the eligibility criteria for any additional grants.

6.5 The Council reserves the right request a further application or any supplementary information from businesses, and they should look to provide this, where requested, as soon as possible.

- 6.6 An application for an Omicron Hospitality and Leisure grant is deemed to have been made when a duly completed application form is received via the Council's online procedure.
- 6.6 Businesses should be aware that the Council will undertake extensive pre and post payment checks to prevent and detect fraud whether actual or attempted

7.0 Subsidies and EU State Aid

- 7.1 The EU State aid rules no longer apply to subsidies granted in the UK following the end of the transition period.
- 7.2 The United Kingdom, however, remains bound by its international commitments, including subsidy obligations set out in the Trade and Cooperation Agreement (TCA) with the EU.
- 7.3 The Council can still pay out subsidies under previously approved schemes and this includes subsidies related to COVID-19 that have previously been given under the EU State aid Temporary Framework.
- 7.4 Businesses should make themselves aware of their obligations under Government's subsidies arrangements available on via the following link:

<https://www.gov.uk/government/publications/complying-with-the-uks-international-obligations-on-subsidy-control-guidance-for-public-authorities>

8.0 Scheme of Delegation

- 8.1 The scheme has been approved by the Chief Executive acting in accordance with Paragraph 12 (d) of Part 13 of the Council's Constitution.
- .
- 8.2 Officers of the Council will administer the scheme and the Deputy Chief Executive and Chief Officer – Customer and Resources is authorised to make technical scheme amendments to ensure it meets the criteria set by the Council and, in line with Government guidance.

9.0 Notification of Decisions

- 9.1 Applications will be considered on behalf of the Council by the Revenues and Benefits Service.
- 9.2 All decisions made by the Council shall be notified to the applicant either in writing or by email. A decision shall be made as soon as practicable after an application is received.

10.0 Reviews of Decisions

- 10.1 The Council will operate an internal review process and will accept an applicant's request for a review of its decision.
- 10.2 All such, requests must be made in writing to the Council within 14 days of the Council's decision and should state the reasons why the applicant is aggrieved with the decision of the Council. New information may be submitted at this stage to support the applicant's appeal.
- 10.3 The application will be reconsidered by a senior officer, as soon as practicable and the applicant informed in writing or by email of the decision.

11.0 Complaints

- 11.1 The Council's 'Complaints Procedure' (available on the Council's website) will be applied in the event of any complaint received about this scheme.

12.0 Taxation and the provision of information to Her Majesty's Revenues and Customs (HMRC)

- 12.1 The Council has been informed by Government that all payments under the scheme are taxable.
- 12.2 The Council does not accept any responsibility in relation to an applicant's tax liabilities and all applicants should make their own enquiries to establish any tax position.
- 12.3 All applicants should note that the Council is required to inform Her Majesty's Revenue and Customs (HMRC) of all payments made to businesses.

13.0 Managing the risk of fraud

- 13.1 Neither the Council, nor Government will accept deliberate manipulation of the schemes or fraud. Any applicant caught falsifying information to gain grant money or failing to declare entitlement to any of the specified grants will face prosecution and any funding issued will be recovered from them.
- 13.2 For the avoidance of doubt, the Council is required to undertake pre- payment checks and post-payment checks for all Omicron Hospitality and Leisure grant payments. This is a stricter position than that taken for previous COVID-19 business support grant schemes. This will include access to and cross-checking with Government data as well as data already held by the Council.

14.0 Recovery of amounts incorrectly paid

- 14.1 If it is established that **any** award has been made incorrectly due to error, misrepresentation or incorrect information provided to the Council by an applicant or their representative(s), the Council will look to recover the amount in full.

15.0 Data Protection and use of data

- 15.1 All information and data provided by applicants shall be dealt with in accordance with the Council's Data Protection policy and Privacy Notices which are available on the Council's website.



Policy for the granting of COVID-19 Additional Relief Fund Discretionary Non-Domestic Rate Relief

Contents

1.0	Purpose of the Policy.....	3
2.0	Discretionary Relief – Legislative Background.....	4
	Introduction.....	4
3.0	Eligibility for discretionary relief under the COVID-19 Additional Relief Fund (CARF) scheme.....	4
4.0	Discretionary Relief to be awarded under the COVID-19 Additional Relief Fund.	5
5.0	Excluded hereditaments.....	6
6.0	Subsidy Control.....	6
7.0	Effect on the Council’s Finances	7
8.0	Administration of Discretionary Relief	7
	Applications and Evidence.....	7
	Granting of relief	8
	Variation of a decision.....	8
9.0	Scheme of Delegation	9
	Granting, Varying, Reviewing and Revocation of Relief	9
	Reviews.....	9
	Appeals.....	9
10.0	Reporting changes in circumstances	10
11.0	Fraud	10
	Appendix A Ratepayers / hereditaments excluded from the scheme.....	11

1.0 Purpose of the Policy

- 1.1 The purpose of this policy is to determine the level of discretionary relief payable under the Council's COVID-19 Additional Relief Fund (CARF) scheme.
- 1.2 Central Government has provided the authority with funding to assist those ratepayers whose businesses have been (and continue to be) affected by the pandemic but that are ineligible for existing support linked to business rates.
- 1.3 The Government has not changed the legislation relating to the business rates reliefs available to properties. Instead, the Government will, in line with the eligibility criteria set out in this policy, reimburse local authorities where relief is granted using discretionary relief powers under section 47 of the Local Government Finance Act 1988.
- 1.4 Whilst funding is provided by Central Government, it is for the Council to decide its own local scheme and determine in each individual case whether to grant this particular relief.
- 1.5 Relief under the CARF scheme will only be available to reduce chargeable amounts in respect of the 2021/22 financial year. I
- 1.6 This document outlines the following areas:
 - Details of the criteria for receiving Discretionary Reliefs under the COVID-19 Additional Relief Fund (CARF) scheme;
 - The Council's policy for the granting the relief;
 - General guidance on granting and administering the reliefs and awards;
 - Subsidy Controls applicable; and
 - The Council's Scheme of Delegation.
- 1.7 Where ratepayers apply for relief they will be granted (or not granted) relief under the COVID-19 Additional Relief Fund (CARF) scheme in line with the following policy.

2.0 Discretionary Relief – Legislative Background

Introduction

- 2.1 The original purpose of discretionary relief was to provide assistance where the property does not qualify for mandatory relief, or to ‘top’ up cases where ratepayers already receive mandatory relief.
- 2.2 Over recent years and particularly since 2011, the discretionary relief provisions have been amended to allow authorities the flexibility to provide more assistance to businesses and organisations.
- 2.3 The range of bodies, which are eligible for discretionary rate relief, is wide and not all of the criteria laid down by the legislation will be applicable in each case.
- 2.4 The Council will expect all businesses to provide such information and evidence as required in order to determine whether relief should be awarded.
- 2.5 There is no statutory appeal process or Tribunal against any decision made by the Council although, as with any decision of a public authority, decisions can be reviewed by Judicial Review. The authority will however, upon request, review decisions made. Details of the internal review process are given within this policy.
- 2.6 The decision to grant or not to grant discretionary relief is a matter purely for the Council.

3.0 Eligibility for discretionary relief under the COVID-19 Additional Relief Fund (CARF) scheme

- 3.1 Whilst the Council has determined its own scheme, the Department for Levelling Up, Housing and Communities has stated that, in order for the Council to receive the allocated funding, it must:
 - (a) **not** award relief to ratepayers who for the same period of the relief either are or would have been eligible for the Expanded Retail Discount (covering Retail, Hospitality and Leisure), the Nursery Discount or the Airport and Ground Operations Support Scheme (AGOSS);
 - (b) **not** award relief to a hereditament for a period when it is unoccupied (other than hereditaments which have become closed temporarily due to the government’s advice on COVID-19, which should be treated as occupied for the purposes of this relief), and
 - (c) direct their support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.

- 3.2 In line with section 47(8) of the Local Government Finance Act 1988, the Council must not grant any relief to itself or to either local or major precepting authorities.
- 3.3 The relief will be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where the Council has provided relief using its wider discretionary relief powers introduced by the Localism Act 2011 which are not funded by section 31 grants.
- 3.4 Where any reduction or remission is granted to a ratepayer under S49 Local Government Finance Act 1988 (where hardship is proven to the Council), then there will be no requirement to grant CARF Discretionary Rate Relief for that amount.
- 3.5 In certain cases, the order in which relief is granted is specified. Mandatory relief shall be granted in all cases where the relevant criteria are met irrespective of whether discretionary relief can be granted or not.

4.0 Discretionary Relief to be awarded under the COVID-19 Additional Relief Fund.

- 4.1 Over the past few years, a number of schemes (such as the COVID-19 Additional Relief Fund) have been led by Central Government but without specific legislative changes.
- 4.2 The Council is keen to support such initiatives especially where they are designed to help local businesses and will look to maximise both the reliefs given as well as maximise any grants receivable.
- 4.3 In view of this, the Council has decided that where a ratepayer meets **all** of the relevant criteria, relief will be **xx%** of the 2021/22 liability **after** any other reliefs and reductions have been applied.
- 4.4 The criteria for the COVID-19 Additional Relief Fund are as follows:
 - (a) the ratepayer is **not** eligible (or would **not** be eligible) for the Expanded Retail Discount (covering Retail, Hospitality and Leisure), the Nursery Discount or the Airport and Ground Operations Support Scheme (AGOSS);
 - (b) the ratepayer is not entitled to either Small Business Rate Relief or Rural Rate Relief granted at 100%;
 - (c) the ratepayer is **not** entitled to mandatory relief (80%) and discretionary (top up) of 20% which is funded through business rates retention;
 - (d) the hereditament is treated as occupied by the Council;
 - (e) the ratepayer confirms that they have been adversely affected by the pandemic and have been unable to adequately adapt to that impact;

- (f) the ratepayer is **not** subject to Subsidy Control as defined within section 6; and
- (g) the hereditament is not excluded under the section 5 below

5.0 Excluded hereditaments

- 5.1 The Council has decided that the hereditaments / ratepayers within Appendix A will be excluded from relief under the Council's COVID-19 Additional Relief Fund (CARF) scheme.

6.0 Subsidy Control

- 6.1 The Council's COVID-19 Additional Relief Fund (CARF) scheme is subject to the subsidies chapter within the UK-EU Trade and Cooperation Agreement (TCA). However, for CARF there is an exemption for subsidies under the value of approximately £2,243,000 per economic actor (broadly speaking, for example, a holding company and its subsidiaries).
- 6.2 This allowance comprises 325,000 Special Drawing Rights (at current exchange rates about £343,000) for Small Amounts of Financial Assistance and a further £1,900,000 for COVID-19 related subsidy.
- 6.3 Therefore, to be awarded CARF the ratepayer must not have claimed over the period 2019/20 to 2021/22 more than £2,243,000 from schemes which fell within the Small Amounts of Financial Assistance or COVID-19 related allowances.
- 6.4 Any COVID-19 business grants a ratepayer has received from local government generally and the 2019/20 Retail Relief should count towards this limit, but the ratepayer should not count any Extended Retail Discount they have received since 1 April 2020.
- 6.5 Further details of subsidy control can be found at:
<https://www.gov.uk/government/publications/covid-19-additional-relief-fund-carf-local-authority-guidance>
- 6.6 The ratepayer will need to indicate to the Council:
 - if they have not to date received any subsidy which fell within the Small Amounts of Financial Assistance or COVID-19 related allowances; or
 - if the ratepayer has received other such subsidies, they will be required to provide the name and total value of those subsidies.
- 6.7 A ratepayer must not apply for CARF if they have already exceeded the £2,243,000 allowance. However, the Council will still consider applications for support under the CARF scheme if they have reached this limit provided you can evidence that they:
 - (a) Intend to use the support to fund uncovered fixed costs (costs not covered by profits for insurance etc) during the period of COVID-19. Economic actors may

claim for up to 70% of their uncovered costs (although this 70% limit does not apply to small businesses with less than 50 employees and less than £9 million turnover where the limit is instead 90%); and

(b) Have shown a decline in turnover of at least 30% within the April 2020 to March 2021 period, compared to the same 2019 to 2020 period.

6.8 The ratepayer may claim up to a further £10 million of additional allowance (on top of the £2,243,000) if they meet the above tests and they have not claimed any other support from the additional allowance up to an aggregate £10 million limit (such as from the COVID-19 business grants).

6.9 Government and the Council will not tolerate any business falsifying their records or providing false evidence to gain this relief including claiming support above these thresholds.

6.10 A ratepayer who falsely applies for any relief or provides false information or makes false representation in order to gain relief may be guilty of fraud under the Fraud Act 2006.

7.0 Effect on the Council's Finances

7.1 As Central Government leads this initiative, funding will be provided through section 31 of the Local Government Act 2003. This is not automatic and Central Government will look to the Council to adopt the recommended approach when granting in these areas.

7.2 In order to guarantee funding, the Council will ensure that the criteria in this policy are met in full

8.0 Administration of Discretionary Relief

8.1 The following section outlines the procedures followed by officers in granting, amending, or cancelling discretionary relief and reduction. This is essentially laid down by legislation¹

Applications and Evidence

8.2 The Council will specify how (and if) applications are to be made and received. This may vary from time to time.

8.3 Where appropriate, ratepayers are required to provide such evidence necessary to allow the Council to make a decision. Where insufficient information is provided, then no relief will be granted. In some cases, it may be necessary for

¹ The Non-Domestic Rating (Discretionary Relief) Regulations 1989

Agenda Item 12

officers to visit premises and we would expect ratepayers claiming relief to facilitate this where necessary.

- 8.4 **The Council will provide this service and provide guidance free of charge. Ratepayers are encouraged to approach the Council direct and NOT pay for such services through third parties. Applications will be accepted from ratepayers only.**

Granting of relief

- 8.5 In all cases, the Council will notify the ratepayer of decisions made.
- 8.6 Where an application (if required) is successful, then the following will be notified to them in writing:
- The amount of relief granted and the date from which it has been granted;
 - If relief has been granted for a specified period, the date on which it will end.
 - The new chargeable amount;
 - The details of any planned review dates and the notice that will be given in advance of a change to the level of relief granted; and
 - A requirement that the applicant should notify the Council of any change in circumstances that may affect entitlement to relief.
- 8.7 Where relief is not granted, then the following information is provided, again in writing:
- An explanation of the decision within the context of the Council's statutory duty; and
 - An explanation of the appeal rights (see below).
- 8.8 Discretionary relief is to be granted from the beginning of the financial year in which the decision is made or when liability begins whichever is the later. Since 1997 decisions can be made up to 6 months after the end of the financial year for which the application was made. In such cases, the Council *may* backdate its decision. Given the timing of this relief, awards will only be made for the 2021/22 financial year. I

Variation of a decision

- 8.9 Variations in any decision will be notified to ratepayers as soon as practicable and will take effect as follows:
- Where the amount is to be increased due to a change in rate charge (excluding rateable value increases) or a change in the Council's decision which increases the award – this will apply from a date determined by the Council as appropriate;

- Where the amount is to increase for any other reason, it will take effect at the expiry of a financial year unless it is granted for a fixed period;
- Where the amount is to be reduced due to a reduction in the rate charge or liability including any reduction in rateable value, awarding of another relief or exemption this will apply from the date of the decrease in rate charge; and
- Where the amount is to be reduced for any other reason, it will take effect from a date determined by the Council as appropriate;

8.10 A decision may be revoked at any time and a one-year period of notice will be given and the change will take effect at the expiry of a financial year. However, the Council will terminate the relief at any time the ratepayer fails to meet **any** of the relevant eligibility criteria.

9.0 Scheme of Delegation

Granting, Varying, Reviewing and Revocation of Relief

- 9.1 All powers in relation to reliefs are given under the Local Government Finance Act 1988, the Local Government and Rating Act 1997, the Local Government Act 2003 and the Localism Act 2011. However section 223 of the Local Government Act 1992 allows for delegation of decisions by the Council to Cabinet, Committees, Sub-Committees or Officers.
- 9.2 The Council's scheme of delegation allows for the Business Rates Manager to award, revise or revoke any discretionary relief applications. However, any application which is considered to be of a significant nature, will be subject to consultation with the Council's Deputy Chief Executive & Chief Officer for Customer and Resources , prior to final determination.
- 9.3 Applications that are refused will, on request, be reconsidered if additional supporting information is provided or the refusal is subsequently considered to be based on a misinterpretation of the application.

Reviews

- 9.4 The policy for granting relief will be reviewed annually or where there is a substantial change to the legislation or funding rules. At such time, a revised policy will be brought before the relevant committee of the Council.

Appeals

- 9.5 Where the Council receives an appeal from the ratepayer regarding the granting, non-granting or the amount of any discretionary relief, the case will be reviewed by the Business Rates Manager. Where a decision is revised then the ratepayer shall be informed, likewise if the original decision is upheld.

- 9.6 Where the ratepayer wishes to appeal the decision of the Business Rates Manager, the case will be considered by the Council's Deputy Chief Executive & Chief Officer for Customer and Resources whose decision on behalf of the Council will be final.
- 9.7 Ultimately the formal appeal process for the ratepayer is Judicial Review although the Council will endeavour to explain any decision fully and openly with the ratepayer.

10.0 Reporting changes in circumstances

- 10.1 Where any award is granted to a ratepayer, the Council will require any changes in circumstances which may affect the relief, to be reported as soon as possible or in any event within 21 days of the change. This will be important where the change would result in the amount of the award being reduced or cancelled e.g., where the premises comes unoccupied or is used for a purpose other than that determined by the Council as eligible for relief.
- 10.2 Where a change of circumstances is reported which would cease or revise eligibility, the relief will, if appropriate, be revised or cancelled as appropriate. Where any award is to be reduced, the Council will look to recover the amount from the date the change of circumstances occurred.

11.0 Fraud

- 11.1 Where a ratepayer falsely applies for any relief, or where the ratepayer provides false information, makes false representation, or deliberately withholds information in order to gain relief, prosecutions will be considered under the Fraud Act 2006.

Appendix A Ratepayers / hereditaments excluded from the scheme

Agenda Item 12

Valuation Office Agency Scat code	Special category description	SIC code	SIC definition
	RETAIL SECTOR		
021	Banks/Insurance/Building Society Offices and Other A2Uses	K	Financial Services
	Retail - Shops Sub-sector		
024	Betting Offices	X	J-N: Information, Communication, Financial Intermediation, Real Estate and Business Services
139	Hypermarkets/Superstores (over 2500m ²)	G	Wholesale and Retail
152	Large Food Stores (750 -2500m ²)	G	Wholesale and Retail
154	Large Shops (750 - 1850m ²)	G	Wholesale and Retail
155	Large Shops (Over 1850m ²)	G	Wholesale and Retail
235	Retail Warehouses and Foodstores	G	Wholesale and Retail
429	Post Offices	G	Wholesale and Retail
738	Builders Merchant	G	Wholesale and Retail
	OTHER SECTOR		
	Education Sub-sector		
065	Colleges of Further Education (National Scheme)	P	Education
085	Day Nurseries/Play Schools	P	Education
159	Local Authority Schools (National Scheme)	P	Education
	Health Sub-sector		
134	Hospitals and Clinics NHS (National Scheme)	Q	Health
436	Surgeries Clinics Health Centres (Contractors Valuation)	Q	Health
437	Surgeries Clinics Health Centres (Rental Valuation)	Q	Health
	Non Residential Institutions Sub-sector		
067	Community Day Centres	Q	Health
	Other - Other Sub-sector		
003	Advertising Right	J	Information and Communication
039	Car Parks (NCP and Multi-Storey)	Y	Transport
040	Car Parks (Surfaced Open)	Y	Transport
043	Car Spaces	Y	Transport
111	Funeral Parlours/Chapels of Rest	S	Other Services
	Other - Retail Sub-sector		
018	ATMs	K	Financial Services
250	Showhouses (National Scheme)	G	Wholesale and Retail

432	Sales Offices	L	Real Estate Activities
	Utilities Sub-sector		
066	Communication Stations(National Scheme)	J	Information and Communication
149	Landfill Gas Generator Sites	D	Energy
246	Sewage Works (NationalScheme)	E	Water and Waste Management
742	Independent DistributionNetwork Operator	D	Energy
743	Renewable Power Generator - Photovoltaic	D	Energy
	INDUSTRY SECTOR		
	General Industrial Sub-sector		
289	Vehicle Repair Workshops andGarages	G	Wholesale and Retail
	Industry - Storage & Distribution Sub-sector		
148	Land Used For Storage	Z	Storage and Distribution
267	Storage Depots	Z	Storage and Distribution
	Industry Other Sub-sector		
071	Concrete Batching Plants	C	Manufacturing
095	Exhaust and Tyre Centres	G	Wholesale and Retail
176	Mineral Producing Hereditament - Inert	E	Water and Waste Management

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AUDIT COMMITTEE REPORT TO COUNCIL - 22 FEBRUARY 2022

Council - 22 February 2022

Report of: Cllr McGarvey, Chair of the Audit Committee

Status: For Consideration

Introduction and Background

- 1 This is our report to the Council on the work of the Audit Committee since Council last met in November 2021.
- 2 The Audit Committee is responsible for discharging the functions conferred by the Accounts and Audit Regulations 2015. The key responsibilities include approving the Council’s Annual Statement of Accounts, approving the Annual Governance Statement, approving the Annual Internal Audit Plan and monitoring and reviewing the work of Internal Audit, and reviewing the arrangements for the management of business risks.
- 3 In line with its Terms of Reference, the Audit Committee meets four times per year and has met once since the last report to Council.
- 4 As Chair of the Committee, I have continued to hold monthly briefings with Officers.
- 5 Details of the range of issues considered by the Committee on 25 January are set out below:

Internal Audit

Date of Meeting	Agenda Items
January 2022	<ul style="list-style-type: none"> • Internal Audit Progress Report 2021/22

Governance, Risk & Anti-Fraud

Date of Meeting	Agenda Items
January 2022	<ul style="list-style-type: none"> • Risk Management Strategy • Audit Committee Independent Members - Update

Accounts and External Audit

Date of Meeting	Agenda Items
January 2022	<ul style="list-style-type: none"><li data-bbox="584 360 1219 398">• Future Appointment of External Auditors

- 6 The Audit Committee maintains a constructive dialogue and effective working relationship with the Council's external auditors, Grant Thornton.
- 7 Training of Audit Committee Members is important to ensure that they can add value to the discussions at the Committee. A Member Development Plan has been agreed by the Committee.
- 8 The 2020/21 Statement of Accounts are now due to be presented at the next Audit Committee in March. Recent correspondence has been received from DLUHC which highlighted the national issue regarding completing the accounts.
- 9 At the July Audit Committee, a report on having independent member(s) on the committee was discussed. It was agreed that the Chairman would attend Audit Committee meetings at other councils that have independent members and report back in January. An update was provided at the January Committee where Members *approved* recommending to Council the principle of recruiting Independent Member(s). A separate report is being presented at this Council meeting.
- 10 It is my opinion that the work of the Committee has a positive impact on the overall control environment within the Council and has developed good working relationships with officers and External Audit, and has offered constructive comments on a range of issues. The Committee continues to develop and improve its understanding of the many technical issues presented to it.
- 11 I thank all members of the Audit Committee for their personal contribution to the work of the Committee. I also thank Officers, in particular Adrian Rowbotham, Fran Chivers and Alan Michell, for the help and support they have given the Committee.
- 12 Fran Chivers, Audit Manager, left the Council in December to take on a role at the London Borough of Bromley and I am pleased to inform you that Jen Warrillow has been appointed as the new Audit Manager and is due to start on 21 February.

Cllr Philip McGarvey, Chairman, Audit Committee

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