

## FINANCE & INVESTMENT ADVISORY COMMITTEE

Minutes of the meeting held on 5 September 2023 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Maskell (Vice- Chairman)

Cllrs. Bayley, Clayton, Hogarth, Kitchener, Lindop, Malone, James Morgan, Scott and Silander

An apology for absence was received from Cllr. Williams

Cllr. Skinner was also present.

Cllr. Dyball was in attendance via a virtual media platform, which did not constitute attendance as recognised by the Local Government Act 1972.

### 13. Minutes

Resolved: That the Minutes of the meeting of the Finance and Investment Advisory Committee held on 19 June 2023, be agreed and signed by the Chairman as a correct record.

### 14. Declarations of Interest

Cllr. Morgan declared for Minute 24 - Farmstead Drive, Spitals Cross, Edenbridge - Development that he was the Local Member.

Cllr. Grint declared for Minute 23 - Disposal of Land - Tranche 2 in relation to land at Clarks Lane, Halstead that he was the Local Member.

Cllr. Silander declared for Minute 23 - Disposal of Land - Tranche 2 in relation to land at Forstall, Leigh that he was the Local Member.

### 15. Actions from Previous Meeting

Members noted the completed action.

### 16. Update from Portfolio Holder

The Portfolio Holder – Finance and Investment gave an update to the Committee. Since the last Committee meeting, he had been in budget discussions with Officers, the Chief Executive and the Leader and received regular updates on the financial position. He had been involved in discussions regarding assets and disposal proposals

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to be brought forward to Members. In addition, he had attended a consultation event with the Department for Levelling Up, Housing and Communities (DLUHC) concerning the restructuring and timings for Local Authority Audits. Proposals included ensuring that National Local Authority Auditing processes were uniform and completed in a timely manner.

He reported that he had visited TopHat which was a provider of 280 Modular Homes at Kitchener Barracks in Chatham. The company would be delivering 61 homes at the Council's White Oak Residential development, subject to the scheme receiving planning consent.

In response to questions, he explained he had engaged in constructive discussions with Officers and representatives from TopHat regarding the financial feasibility of their modular home construction project.

### 17. Referral from Cabinet or the Audit Committee

There were none.

### 18. Treasury Management Annual Report 2022/23

The Senior Principal Accountant presented the report and associated appendices, which provided a review of investment and borrowing activity from 2022/23. She explained that the Council had taken a cautious approach to investing over the past year. During 2022/23, the Council maintained an underborrowed position. In addition, due to rising interest rates, investment receipts were higher than budgeted for the year.

She updated the Committee on minor typographical errors in paragraph 2 of the report, which should be corrected to include that an annual treasury strategy in advance of the year was submitted to Council on February 22, 2022. A mid-year (minimum) treasury update report was presented to Cabinet on November 10, 2022. She also explained that there had been alterations to the figures in the report to reflect that the maximum gross borrowing position hadn't incorporated the addition of temporary cash flow borrowing at year-end. The total investment also included a £3 million investment that had matured. This had an effect on changes to figures as follows (all figures in £000):

- In the table in paragraph 7, for 31/03/2023 actual Capital expenditure financed in the year should be corrected to £9,631 and unfinanced capital expenditure for 31/03/2023 actual should be corrected to £2,986;
- In the table in paragraph 15 for 31/03/2023 actual: Gross borrowing position should be corrected to £13,798 and Over/ (under) funding of CFR for 31/03/2023 should be corrected to £37,520;
- In the table in paragraph 18, the maximum gross borrowing position during the year 2022/23 should be corrected to £13,798;

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- In the table in paragraph 19, Total debt for 31/03/23 Principal should be corrected to £13,798 and Over/(under) borrowing for 31/03/23 Principal should be corrected to £37,520 and Total investments for 31/03/23 Principal should read as £7,929 and net debt/investments for 31/03/23 Principal should be corrected to £5,869;
- In the table in paragraph 21, The maturity structure of debt under 12 months for 31/03/2023 Actual should be corrected to £1,500.

Members considered the report and requested that up-to-date information on rates that were being achieved on investments be circulated to the Committee.

*Action: For Officers to circulate up-to-date information to the Committee on rates that were being achieved on investments.*

### Public Sector Equality Duty

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

Resolved: That it be recommended to Cabinet that the Treasury Management Annual Report for 2022/23 be approved.

### 19. Financial Monitoring 2023/24 - to the end of July 2023

The Head of Finance presented the report and associated appendices, which presented the financial position of the authority and the forecast to March 2024. The Committee were advised that as of the end of July 2023, the position was a forecast year-end unfavourable variance of 8.03%, or £1.489 million, against a net revenue budget of £18.765 million.

He informed Members that the interim leisure contract was showing an unfavourable forecast of £1.338 million, but as agreed by Members at Council in April 2023, this was part of the approved £1.83 million budget over two years. A report would be brought to the next People and Places Advisory Committee regarding the future plans and position of the interim leisure operator.

Members discussed the report.

### Public Sector Equality Duty

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

Resolved: That the report be noted.

### 20. Financial Performance Indicators 2023/24 - to the end of July 2023

The Head of Finance presented the report and appendix in the supplementary agenda, which detailed the internally set performance indicators as of the end of July

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2023. It was explained that the housing benefit indicators were showing as red because the team had faced staff sickness but was working on bringing these back into target. Members were also informed the indicators were calculated over calendar days.

### Public Sector Equality Duty

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

Resolved: That the report be noted.

## 21. Financial Prospects and Budget Strategy 2024/25 and Beyond

The Portfolio Holder - Finance and Investment, presented the report and associated appendices, which was the first report of the Council's budget-setting process for 2024/25 onwards. It set out the financial pressures the Council was likely to face in the coming years and suggested an appropriate strategy, utilising the 10-year budget framework, which had proved successful to date and put the Council in a much stronger financial position than most other Councils. He explained that the 2024/25 budget setting process was likely to be undertaken during the most challenging financial position the Council had faced for a decade, and Members would be required to play a major role in reaching a successful outcome by putting forward their ideas.

The Chief Officer - Finance and Trading, informed Members that the Council faced an annual budget gap of £1.368 million and that there was an annual savings assumption of £100,000 included in the budget for 2024/25. As a result, Officers had begun the budget-setting process earlier this year. He explained that many of the reasons for the budget gap were raised with Members as part of the 2023/24 budget setting process, and they continued to impact the finances of the council. Growth and savings proposals were to be presented to the Advisory Committees and Cabinet, and Members would be fully engaged in this process. The recommendations would be considered as part of the process to tackle the budget gap. He then detailed the budget-setting timetable for the 2024/25 year.

Members discussed the report and took the opportunity to ask questions that focused around areas for savings, and the impact of the pay award on this year's budget setting process. The Chief Officer - Finance and Trading explained that the Council was undertaking a thorough review of fees and charges this year. In addition, at the time of writing the report, the pay award offer for 2023/24 was an average increase of 5.7% which was significantly higher than the budget assumption of 2%. The Council's budget setting process would continue on this assumption. This was a significant risk but further consideration would be given to the pay award if necessary once an agreement was reached.

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### Public Sector Equality Duty

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

Resolved: That it be recommended to Cabinet that

- (a) the financial planning approach and principles set out in the report be endorsed;
- (b) the Advisory Committees be requested to review the Service Dashboards and advise Cabinet of possible growth and Savings options; and
- (c) officers be requested to continue to review the assumptions as detailed within the report and consider options to address the budget gap and report back to Cabinet on 14 December 2023.

### 22. Work Plan

The work plan was noted.

### 23. Disposal of Land - Tranche 2

The Senior Estate Surveyor presented the report along with the exempted appendix, which highlighted two Council-owned parcels of land that had been identified as no longer required by the Council. The sites were located at the Forstall, Leigh, and Land to the rear of 42 Clarks Lane, Halstead. Members were asked to endorse the recommendation to declare these sites surplus and approve the disposal of land by auction or private treaty. The Council had sought independent valuation advice, which was set out in the exempted appendix.

Members asked questions of clarification from officers and discussed the need for affordable housing and the best disposal for the land at Halstead. The Senior Estate Surveyor explained that since writing the report, an adjacent developer had been granted permission for 10 affordable homes on the land behind the Council site. She reported that the Council had considered whether the Council owned site should be developed for additional affordable housing. However, various parties had shown interest in the site; therefore, it was considered fairer to place it in an auction.

She confirmed that, as set out in the report, the disposal of local authority land was legislated by the Local Government Act 1972. Among other key requirements, this legislation placed an obligation on the Council to seek the best consideration for disposing of the land. If there was a strong and compelling reason, the Council could also consider whether to transfer the land to another organisation at less than best consideration, such as the Parish Council. She advised that disposal provided an opportunity to obtain capital receipts and mitigate risks. Following queries Officers

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also explained that conditions for the development of affordable housing on the site could be imposed upon disposal if necessary.

In response to queries regarding the land at Forstall, Leigh, The Strategic Head of Property and Commercial confirmed that the land at Leigh was not designated as an asset of community value and that no nomination had been received by the Council. He explained the process for nominating land, which could allow the local community to submit a bid for the site to be considered by the Council.

Members debated the recommendations and expressed initial concern at the sites being marked as surplus to the Council's requirement.

Members further discussed the report, asking additional questions of clarification and gave consideration to the potential community value of the sites and the need for affordable housing and further discussed the alternative options for the disposal of the sites. The Committee agreed that the respective Parish Councils should be consulted for the best alternative use before any disposal of land was undertaken.

### Public Sector Equality Duty

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

In summing up the discussion, the Chairman advised that he perceived the Committee believed there was danger of the land being disposed of, against the wishes of the local community and therefore there should be some preliminary discussion between the District Council and the local Parish Councils about the future of the land. The Committee was prepared to say that there needed to be discussions, which resulted in being content for the land being surplus to the District Council's requirements.

The Chairman moved that it be recommended to Cabinet that the properties were surplus to the Council's requirements, but before any steps were taken to dispose of the land there needed to be discussions with the Parish Councils and it was

Resolved: That it be recommended to Cabinet that

- a) the land at the Forstall, Leigh and land at Clarks Lane, Halstead be declared as surplus to the Council's requirements; and
- b) before any steps be taken to dispose of the land by any means, there should be discussions between District Council and the Parish Councils.

\*Cllr. Hogarth requested that his abstention from voting be recorded.

24. Farmstead Drive, Spitals Cross, Edenbridge - Development

The Regeneration Development Project Manager presented the report and associated appendices which set out the Council's development plans at Farmstead Drive, Edenbridge. It was highlighted that during the intervening period since options appraisals were finalised and approval for the scheme was previously granted back in November 2021, there has been global economic and market events which have had a significant impact on the scheme's finances. As a result of increases to interest rates, construction and material costs and the revised scheme design the initial budget required had increased. Members were asked to endorse the recommendations and the increased budget to Cabinet and Council. He informed the Committee that additional funding of £375,000 had been secured from the Brownfield Land Release Fund and planning permission had been granted on 17th August of this year, subject to the completion of the necessary s106 agreement and in accordance with the relevant planning conditions. Members were also advised that Quercus Housing were considering whether to purchase two units on the site for affordable housing use.

Members were advised that the scheme would provide a community and economic benefit led redevelopment that would contribute to the economic, social and environmental well-being of the area. It was important to note that the Council were able to successfully negotiate a fixed works lump sum price from the contractor, so the cost plan had a very high degree of cost certainty.

Members took the opportunity to ask questions of the Officers, which focused on the financial viability of the scheme. In response to a question Members were informed that projected property values were supported by independent valuation reports and extensive survey work had been carried out with the contractor. In response to a further question Members were also informed that Officers were satisfied as to the financial stability of the contractor, Oakwood.

The Committee discussed the report and agreed that the project was at best only marginally viable, and then only on the assumption of a 5% growth in property values. When looked at in purely financial terms, therefore, the financial rationale for the project was weak. It was recognised, however, that there were significant social and community benefits to the project, which were beyond the scope of the Committee to evaluate. The Committee agreed that Cabinet should assess whether the social and community benefits outweighed the weakness of the purely financial evaluation.

### Public Sector Equality Duty

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

The Chairman moved the recommendations contained within the report subject to the amendment that Cabinet notes the scheme remained only marginally viable in

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purely financial terms and Cabinet assesses whether the social & community benefits of the project outweigh the weakness of the purely financial evaluation and it was

Resolved: That it be recommended to Cabinet that

- (a) the impacts on the project budget outlined in the report, including; recent global events and economic pressures impacting regeneration and construction and changes to the scheme design, including the provision of fewer homes, additional parking, open space improvements and community facilities as a result of feedback from the public consultation be noted; and
- (b) the scheme remained only marginally viable in purely financial terms, be noted; and
- (c) the social & community benefits of the project, be assessed to consider whether it outweighed the weakness of the purely financial evaluation; and
- (d) subject to approval of recommendation (f) by Council and planning approval being obtained, authority be delegated to the Strategic Head of Property and Commercial following consultation with the Chief Officer - Finance and Trading and the Head of Legal Services 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 and commercial units; and
- (e) the development sites as outlined red in the Plan (Appendix D) for planning purposes be appropriated in accordance with the section 122 of the Local Government Act 1972 (in reliance on section 227 of the Town and Country Planning Act 1990) consequentially facilitating the Council's powers under sections 203 to 206 of the Housing & Planning Act 2016 to override any outstanding interests be approved;
- (f) that it be recommended to Council that an increase to the total project budget by £2,741,785 to £10,351,405 be approved and the Capital Programme be amended accordingly;

THE MEETING WAS CONCLUDED AT 9.39 PM

CHAIRMAN