

**TANDRIDGE DISTRICT COUNCIL**

**STRATEGY & RESOURCES COMMITTEE**

Minutes and report to Council of the meeting of the Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 1<sup>st</sup> December 2022 at 7.30pm.

**PRESENT:** Councillors Langton (Chair), Crane (Vice-Chair), B.Black, Bloore, Botten, Caulcott, Cooper, Gillman, Hammond, Pursehouse and Sayer (substitute in place of S.Farr)

**ALSO PRESENT:** Councillors Allen, Swann and N.White

**ALSO PRESENT (Virtually):** Councillors C.Farr and Moore

**APOLOGIES FOR ABSENCE:** Councillors S.Farr and Jones

**177. MINUTES OF THE MEETING HELD ON THE 29TH SEPTEMBER 2022**

These minutes were confirmed and signed as a correct record.

**178. COUNTY DEAL WORKING GROUP - 1ST NOVEMBER 2022**

Councillor Sayer updated the Committee regarding item 2 of the minutes of this meeting. She confirmed that a joint proposal from the eleven Surrey Districts / Boroughs, for inclusion within a County Deal submission to Government, had been sent to the Leader of Surrey County Council (Councillor Tim Oliver) on the 17th November. This included all the points identified by Tandridge Members (minutes of the Working Group's meeting on 9th August refer) plus suggestions from elsewhere. A further meeting of the District / Borough Leaders and Councillor Oliver was expected to take place shortly. Councillor Oliver had also requested views on what powers should be devolved from central government to SCC under a County Deal.

Furthermore, District / Borough Leaders were considering a draft response to SCC's 'Surrey strategy for accommodation, housing and homes' to be sent in advance of its 'Housing Summit' on the 7th December.

**RESOLVED** – that the minutes of the County Deal Working Group meeting held on the 1st November 2022, attached at Appendix A, be received.

**179. CHIEF OFFICER SUB COMMITTEE - 1ST NOVEMBER 2022**

**RESOLVED** – that the minutes of the Chief Officer Sub-Committee held on the 1<sup>st</sup> November 2022, attached at Appendix B, be received.

## 180. INVESTMENT SUB COMMITTEE - 4TH NOVEMBER 2022

**RESOLVED** – that the minutes of the Investment Sub-Committee held on the 1<sup>st</sup> November 2022, attached at Appendix C, be received.

## 181. QUARTER 2 (2022/23) BUDGET MONITORING

An analysis of forecast expenditure against the Council's overall revenue budget of £11,351k, as at the end of September 2022 (Month 6) was presented. A £447k overspend was forecast, split between the four policy committees as follows:

- Community Services: £324k overspend
- Housing (General Fund): £44k underspend
- Planning Policy: £86k overspend
- Strategy & Resources: £111k overspend
- corporate items: £31k underspend

This represented a £126k improvement from Quarter 1. The Chief Finance Officer confirmed that the £484k contingency provision made a balanced budget achievable, without the need to draw upon underlying reserves. However, he emphasised the importance of taking mitigating actions to preserve those contingencies for 2023/24 and beyond, given the likely emergence of additional budgetary pressures.

The Chief Finance Officer also confirmed that:

- the savings plan was on track, with 88% of the £1.1m savings target having already been achieved or set to be delivered
- regarding debt management:
  - sundry debt had increased since Q1, largely reflecting the cost of living crisis
  - efforts to recruit an accounts receivable officer in line the Debt Improvement Plan had not been successful to date, although an alternative staffing strategy was now being pursued, together with a more holistic approach to debt recovery by in-house teams, and a potential County Council initiative to assist Districts and Boroughs with the collection of Council Tax and Business Rates
- net slippage of £1,272k within the capital programme was forecast, predominantly relating to Community Infrastructure Levy and council house building expenditure.

**RESOLVED** – that the forecast revenue and capital budget positions as at Quarter 2 / M6 (September) 2022 be noted.

## 182. DRAFT BUDGET 2023/24 AND FUTURE TANDRIDGE PROGRAMME UPDATE

The Committee was presented with a draft budget for 2023/24 and a medium-term financial strategy to 2024/25. The draft budget had been prepared based on a 'neutral scenario', which assumed the same level of funding as 2022/23, with reductions in government support offset by increases in Council Tax and, potentially, business rates income. The position would be clarified by the provisional local government finance settlement expected later in the month. At this stage, a budget gap of £0.25m remained. Although the savings plan was broadly unchanged since the previous meeting, budget pressures had increased from £1.7m to £1.9m, primarily due to inflation and concerns regarding the delivery of budgeted fee income. Therefore, unless external funding increased, further savings would be required to balance the budget, the final version of which would be submitted to Full Council on 9th February 2023 following further consideration by policy committees in January.

The draft budget report included commentary on funding assumptions, with reference to anticipated future Government reforms; the gross Council Tax base for 2023/24; and collection fund performance. A Council Tax increase of £5 (2.2%) for households in Band D properties had been assumed, notwithstanding the Government's recent decision to raise the District Council ceiling for such increases to 3%. The report also confirmed the need to augment reserves (in the context of the CIPFA resilience index) and the intention to resubmit a capitalisation request to the Government for this purpose.

The following updates were provided on the Future Tandridge Programme which underpinned the draft budget:

- the progress of service reviews and a proposed savings plan for 2022/23 and 2023/24;
- business cases for the future delivery of 'communications' and 'assets & facilities management' services
- the 'operations, locality and waste services' and 'digital / customer services' workstreams.

In response to the debate, the Chief Finance Officer confirmed that efforts had focused on developing tailored, achievable saving targets for each service area, as examined at the various Member workshops during the previous month. However, it was accepted that the service reviews and associated business cases were at varying stages of progress. This prompted discussion about the wording of Recommendation C to the report. Some Members said they were unhappy to "approve" the business cases, but would accept "to note". The Chair and Leader made it very clear that, although the business cases had reached different levels of maturity, simply noting them would not provide the required foundation on which TDC could base the 2023/24 budget. They added that, having had the opportunity via the workshops for Members to comment and contribute to these business cases, it was now unacceptable to consider them as not fit for purpose. The discussion concluded with the Chair proposing wording for an amendment which Councillors Botten and Caulcott developed, the result then being seconded by Councillor Pursehouse:

*"Approve the following ~~business cases and updates~~ to form the basis of the budgets to be finalised during the January 2023 committee cycle ..."*

Upon being put to the vote, this amendment was agreed. Other issues raised by Members during the debate included:

- the need to assess the impact of emerging savings plans upon staff and residents

- a desire to explore the potential for partnership initiatives with Parish Councils to mitigate the impact of savings which the District Council would have to make
- arguments for and against the case for generating additional income from parking charges.

**RESOLVED** – that:

- A. the draft budget for 2023/24 and medium-term financial strategy to 2024/25, set out in Appendix A to the report (to form the basis of reports to Committees in January 2023) be approved;
- B. the gross Council Tax Base for 2023/24, determined at 39,377.5 after taking account of the Council's agreed Council Tax Support Scheme, and the net Council Tax Base for 2023/24, be determined at 38,904.9 after adjustment by 1.2% to allow for irrecoverable amounts, appeals and property base changes, be approved;
- C. the following be approved to form the basis of the budgets to be finalised during the January 2023 committee cycle:
  1. the 'communications' business case which sets out the proposed new structure of the communications service and provides an update on future operating models being pursued by the service in consultation with Members (set out in Appendix D to the report)
  2. the 'assets & facilities management' business case which recommends an integrated property service delivery model, corporate landlord approach and provides an update on the recent strategic asset review and details how this will be taken forward (set out in Appendix E to the report)
  3. the direction of travel for the operations and localities service review, as provided to the Community Services Committee on 18<sup>th</sup> October 2022 and updated in Appendix F to the report)
  4. the updated direction of travel for digital transformation (set out in Appendix G to the report)
  5. the overall savings plan (set out in section 7 and Appendix B to the report) noting that further consideration may be required pending the local government finance settlement;
- D. the progress to date on delivering the Future Tandridge Programme, the direction of travel for the service reviews and associated savings targets included in section 7 and Appendix C to the report, be noted;
- E. it be noted that Officers will continue to update their business cases where these are required to achieve the target savings and will bring these for Committee approval where necessary over the coming months;
- F. the intention to re-submit the request for a capitalisation direction (from the Department for Levelling Up, Housing and Communities) to use the part of the receipt from the Redstone House property to replenish general fund reserves, be noted.

## 183. REPORT OF THE INDEPENDENT REMUNERATION PANEL ON MEMBERS' ALLOWANCES 2023/24

The Committee considered a report of the Independent Remuneration Panel which had been convened to review the Members' Allowances Scheme in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003. The report acknowledged that, in normal circumstances, the Panel would be advocating an increase in allowances. However, given the financial context and following feedback from Group Leaders, the Panel had recommended that rates be maintained at current levels, index linked to the annual staff pay award process. The Chair, seconded by Councillor Crane, proposed that this recommendation be adopted.

The Regulations required Members' Allowances to be reviewed every four years. Nevertheless, in view of the Future Tandridge Programme and the electoral review being conducted by the Boundary Commission, the Panel had recommended that a further review be conducted in the second half of 2024.

### **COUNCIL DECISION** (subject to ratification by Council)

**RECOMMENDED** – that, in accordance with the recommendations of the Independent Remuneration Panel:

- A. with effect from the beginning of the 2023/24 Municipal Year:
  - 1. the Basic Allowance be retained at the current level (£4,317) and remain index linked to staff pay awards
  - 2. Special Responsibility Allowances be retained at the current level and remain index linked to staff pay awards
  - 3. travel and subsistence expenses and Dependents' Carers' Allowance be retained at the current level
- B. a full review of Members' Allowances be undertaken in Autumn 2024.

## 184. REVIEW OF THE REDUNDANCY POLICY

A report was submitted with an option to reduce the impact of redundancy payments on the Council's finances.

Under the statutory minimum redundancy scheme, payments were calculated according to an employee's age, length of continuous service and weekly pay with reference to a ready reckoner. At present, such calculations were capped in respect the years of service (i.e. 20) and weekly pay (i.e. £571). The Council's current policy was to enhance redundancy payments by removing the weekly pay cap and multiplying weekly pay by a factor of 1.5. It was standard practice for Councils to enhance the statutory scheme in this way although, as evidenced by benchmarking against other Surrey Boroughs and Districts, weekly pay multipliers varied. The report presented an option for the 1.5 multiplier to be removed, which would reflect the schemes in place at Epsom & Ewell and Reigate & Banstead.

Since the publication of the report, the Administration had prepared an alternative option having considered representations from staff, including concerns expressed at the staff briefing (attended by Councillor Sayer) on the 24th November. Representations from UNISON had also been sent to Members on the day of the meeting. Councillor Langton, seconded by Councillor Botten, proposed the alternative option (resolution at A below). During the debate, reference was made to the Council's obligations under equalities legislation concerning age. Nonetheless, it was acknowledged that the alternative proposal reflected Surrey County Council's redundancy policy which had been in place for over a year. Upon being put to the vote, the alternative option was agreed.

**RESOLVED** – that:

- A. with immediate effect, regarding the calculation of redundancy pay:
- (i) the Council offers a multiplier of 1.5 to existing employees in the event that the individual, at the date of leaving, is not entitled to immediate payment of pension benefits
  - (ii) the Council offers a multiplier of 1.0 to existing employees in the event that the individual, at the date of leaving, is entitled to immediate payment of pension benefits
  - (iii) in any event, the Council will offer a multiplier of 1.0 to all new employees
- B. the Chief Executive, in consultation with the Chair of the Committee, make any necessary amendments (relating to resolution A above) to paragraph 8 of the Council's Pay Policy Statement (which references a multiplier of 1.5) and any change to the current redundancy policy.

Note: In accordance with Standing Order 25 (3), Councillors Bloore, Cooper and Hammond wished it recorded that they abstained from voting on A and B above.

## **185. ENERGY REBATE PAYMENT - CONFIRMATION OF DECISION TAKEN UNDER URGENCY POWERS (STANDING ORDER 35)**

On 3<sup>rd</sup> January 2022, the Government announced the £150 energy rebate payment for most households in Council Tax Bands A to D, plus those in Band E in receipt of a Disabled Band Reduction. A discretionary energy rebate scheme (not applicable for recipients of the other scheme) of up to £150 was announced at the same time.

A report was presented regarding the way in which the discretionary scheme had been implemented by the Council. This advised that £284,850 had been received for local distribution. The report outlined the principals of the scheme, including eligibility criteria, which had been implemented under the urgency provisions of Standing Order 35. The Chief Finance Officer confirmed that the £284,850 had been fully allocated following a second tranche of payments to original recipients to utilise the remaining balance before the prescribed deadline.

**RESOLVED** – that the decision taken under urgency powers in accordance with Standing Order 35 of the Constitution to approve the energy rebate payment discretionary scheme be ratified.

## 186. FREEDOM LEISURE UPDATE

The Committee resolved to consider this matter following the exclusion of the press and public in accordance with Section 100A (4) of the Local Government Act 1972 (as amended) on the grounds that:

- (i) the item involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act; and
- (ii) the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Freedom Leisure had requested financial support to offset increases in the cost of utilities needed to run their facilities. A report, which had been prepared in light of this request, was discussed.

**RESOLVED** – that the report be noted.

## 187. QUADRANT HOUSE, CATERHAM AND OTHER ACTIONS ARISING FROM 4TH NOVEMBER 2022 INVESTMENT SUB-COMMITTEE

The Committee resolved to consider this matter following the exclusion of the press and public in accordance with Section 100A (4) of the Local Government Act 1972 (as amended) on the grounds that:

- (i) the item involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act; and
- (ii) the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

A report was presented regarding the Council's development of Quadrant House (Croydon Road, Caterham). This included:

- information about funding arrangements, including the contribution from the Coast to Capital Local Enterprise Partnership
- details of the Phase 1 and 2 refurbishments which had been completed by September 2022
- estimates of the associated overspends against the £5.64m budget and explanations about why they had occurred.

Members were also informed of confidential actions agreed by the Investment Sub-Committee on 4th November 2022 in respect of Quadrant House and other properties. A further discussion on some of those matters ensued.

Members acknowledged the positive impact of the Quadrant House project and the efforts undertaken to secure its delivery. However, the size of overspend, its relatively late discovery and the implementation delays had all highlighted the need to publish the lessons learnt from this project so that progress from the resulting actions can be reviewed and future re-occurrences prevented.

***RESOLVED*** – that:

- A. the report be noted; and
- B. it be noted that decisions in relation to Gryllus Properties are made by the Gryllus board of directors, but that comments and questions from Councillors (made either directly or via the Investment Sub-Committee) are welcomed.

Rising 9.48 pm



## TANDRIDGE DISTRICT COUNCIL

### COUNTY DEAL WORKING GROUP

Minutes of the meeting of the Working Group held in the Lyndsay Narcisi Room, Council Offices, Station Road East, Oxted, on the 1st November 2022 at 11.30 a.m.

**PRESENT:** Councillors Sayer (Chair), Bloore, Botten, Cooper, C.Farr, Gray, Langton and Pursehouse.

#### 1. MINUTES OF THE MEETING OF THE GROUP HELD ON THE 9<sup>TH</sup> AUGUST 2022

These were approved as a correct record.

#### 2. COUNTY DEAL SUBMISSION / UPDATE FROM COUNCILLOR SAYER FOLLOWING LIAISON WITH OTHER DISTRICTS AND BOROUGHES

At its previous meeting on 9th August, the Group had discussed what they thought TDC should be seeking from a 'Level 2\* County Deal for Surrey', both in terms of additional powers and the retention of control and influence over other things. The process for co-ordinating input from the eleven Districts and Boroughs (D&Bs) had since been delayed due to the cancellation of meetings in light of the Queen's passing. SCC had therefore extended the deadline for considering input from D&Bs before finalising its submission to Government.

Councillor Sayer updated the Group following a 'District and Borough workshop' held on the 21<sup>st</sup> October at Epsom. She highlighted the significant concerns expressed by representatives of all D&Bs in attendance about recent examples of SCC seeking greater centralisation, as opposed to enabling D&B's to deliver additional services at more local levels, e.g.

- the emerging '*Surrey strategy for accommodation, housing and homes*' with the potential to diminish D&Bs' housing and planning powers; and
- termination of agency agreements for on-street parking enforcement and grass verge cutting (while the latter did not affect Tandridge, the current on-street parking agency agreement with Sevenoaks District Council would end in March 2023, whereupon direct service provision would revert to SCC).

Other D&Bs supported TDC's proposals for inclusion within a County Deal submission to Government (the minutes of the Group's 9<sup>th</sup> August meeting refer). A joint response from the D&Bs to SCC, incorporating these proposals, was being prepared.

D&B representatives favoured amalgams of three cluster authorities throughout Surrey as the basis for future joint services, or unitary authorities in the event of the current two-tier local government structure being challenged. This would mirror the ‘three cluster’ model identified by KPMG in 2020 (as an alternative to the single Surrey unitary initiative being promoted by SCC at the time) which included a potential East Surrey unitary covering Tandridge, Reigate & Banstead, Mole Valley and Epsom & Ewell.

Other outcomes from the workshop included a recommendation for a ‘*way we work charter*’ to be agreed with SCC for underpinning future joint working arrangements. This would emphasise the need for SCC to consult D&Bs regarding proposed service changes that affect residents and other key issues.

The workshop on 21<sup>st</sup> October had been facilitated by Rob Moran, the transformation consultant to Epsom & Ewell and former Elmbridge Chief Executive. The possibility of D&Bs contributing to the cost of his on-going services to support them with the County Deal and other related matters was being considered. Councillor Sayer was seeking clarification about the terms of his likely engagement before committing funding from TDC.

A further meeting of D&B representatives was scheduled for 11<sup>th</sup> November in advance of the SCC consultation events regarding the above mentioned ‘*Surrey strategy for accommodation, housing and homes*’. The event for the East Surrey area would be hosted by Tandridge on 16<sup>th</sup> November.

It was acknowledged that some functions undertaken by D&Bs might be discharged more effectively at a cluster level, or on a regional basis in some cases. Furthermore, the Group reflected that D&Bs should seek to work constructively with SCC (recognising the pressures it was under from Central Government) in pursuit of the most effective means of serving local residents.

In summary, it was agreed that the possibility of developing a service delivery model for the East Surrey cluster should be explored with the other relevant authorities, including the possibility of utilising the consultancy support from Rob Moran. In any event, such an approach would be in keeping with the aims of the Future Tandridge Programme, aside from any issues arising from the County Deal discussions.

The meeting closed at 12:38 p.m.

*\* in line with the ‘Level 2’ powers defined within the Levelling Up White Paper Devolution Framework, which would rely on effective partnership working between existing local authorities, with no change to the structure of local government throughout Surrey*

**TANDRIDGE DISTRICT COUNCIL**

**CHIEF OFFICER SUB COMMITTEE**

Minutes and report to Council of the meeting of the Sub-Committee held in the Lyndsay Narcisi Room, Council Offices, Station Road East, Oxted, on the 1<sup>st</sup> November 2022 at 1:30pm.

**PRESENT:** Councillors Bloore, Botten, Langton and Sayer

**1. ELECTION OF CHAIR FOR THE MEETING**

Councillor Langton was elected Chair for the meeting.

**2. RECRUITMENT OF A DEPUTY CHIEF EXECUTIVE**

The Sub-Committee resolved to deal with this matter in 'Part 2' by virtue of Paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972 (information relating to an individual).

Four shortlisted candidates were interviewed for the post of Deputy Chief Executive.

***RESOLVED*** – that the post of Deputy Chief Executive be offered to Taryn Pearson-Rose.

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**TANDRIDGE DISTRICT COUNCIL**  
**INVESTMENT SUB-COMMITTEE**

Minutes and report to Council of the meeting of the Sub-Committee held in the Council Chamber, Council Offices, Station Road East, Oxted on the 4<sup>th</sup> November 2022 at 10.00am.

**PRESENT:** Councillors Langton (Chair), Booth, Botten, Cooper, C.Farr, Hammond and Jones

**ALSO PRESENT:** Councillor Sayer

**1. MINUTES OF THE MEETING HELD ON THE 17<sup>TH</sup> JUNE 2022**

These minutes were approved and signed as a correct record.

**2. SUMMARY INVESTMENT AND BORROWING POSITION AT 30TH SEPTEMBER 2022**

The Sub-Committee was presented with a summary of the Council's investment and borrowing position as per Annexes A and B, together with updates on the following three matters:

**Statutory override update**

This referred to the 'override' of usual accounting practice, which meant that gains and losses in the capital value of investments did not impact on the revenue budget. The Government had still not decided whether to extend, amend or remove the override beyond 31<sup>st</sup> March 2023.

Officers had responded to a Government consultation in August, advocating that the override should be made permanent as it represented the lowest risk to the revenue budget and enabled options to change the mix of investment portfolios if deemed appropriate. The previous analysis of TDC's investment options in light of whether or not the override continued (submitted to the 17<sup>th</sup> June meeting) was re-presented.

**Cash flow strategy and Funding Circle loans**

Members were advised that the use of redeemed proceeds from Funding Circle had been under continual refinement since the adoption of a more robust, software-based approach to cash flow forecasting. In this respect, the Council had updated its cash flow projections to 30th September 2023 and a detailed 12-month cash flow analysis had been circulated to members of the Sub-Committee separately. In accordance with advice from Arlingclose (the Council's treasury advisors) cash balances, including redeemed Funding Circle proceeds, were being used to both:

- avoid or delay the need to borrow to fund the capital programme; and
- invest in money market funds.

This would remain the case whilst PWLB loan rates were in the region of 5%, as it represented a positive yield on the cash balances whilst avoiding undue risk.

## **Prudential Indicators**

Performance data against the Council's prudential indicators (PIs) was presented.

The Chief Finance Officer confirmed that the internal auditors had recently upgraded their assurance opinion on the Council's arrangements for treasury management from 'limited' to 'reasonable'. Outstanding actions were to comply with key recommendations, namely training for Members; the provision of performance information to the Sub-Committee regarding PIs; and more regular reconciliation of investment balances to the finance system.

In response to Members' questions, the Chief Finance Officer advised that:

- Officers were endeavouring to obtain current information from Funding Circle about redemption proceeds arising from the repayment of its peer-to-peer loans.
- Information would be provided to members of the Sub-Committee to inform them about how Council's £3M investment holding with UBS was being applied.
- Arlingclose had recommended that TDC should consider whether surplus returns from money market funds (generated via rising interest rates) should be allocated to a financial reserve to mitigate against other potential budgetary deficits. The Sub-Committee supported this approach which would ultimately be discussed by the Strategy & Resources Committee, pending confirmation of the surplus position at outturn.
- Arlingclose had confirmed that the method of calculating revenue yields from money market funds (i.e. forecast return ÷ Net Asset Value) reflected the industry standard.

***RESOLVED*** – that:

- A. the Council's investment and borrowing position at 30<sup>th</sup> September 2022, as set out in Annexes A and B, be noted;
- B. the update on the future of the statutory override be noted;
- C. the update on the Council's cash flow position and review of the use of redeemed proceeds from Funding Circle loans be noted; and
- D. the update on the Council's performance against its prudential indicators, as set in the Capital, Investment and Treasury Management Strategy for 2022/23, be noted.

## **ACTIONS:**

	<b>Action</b>	<b>Responsible Person</b>	<b>Deadline</b>
1.	Current information to be circulated to the Sub-Committee about loan redemption proceeds from Funding Circle	Mark Hak-Sanders	TBA
2.	Details of the Council's £3M investment holding with UBS to be circulated to the Sub-Committee	Mark Hak-Sanders	TBA

### **3. INVESTMENT PROPERTY UPDATE**

The Sub-Committee resolved to move into 'Part 2' for this item in accordance with Paragraph 3 (information relating to financial or business affairs) of Part 1 of Schedule 12A of the Local Government Act 1972.

A report was presented to update the Sub-Committee about the commercial investment properties owned by the Council and its subsidiary company, Gryllus properties. The properties concerned and the issues discussed were:

#### **TDC properties:**

##### **Linden House, Caterham on the Hill**

The renewal of the lease completed on 26th August 2022.

##### **Quadrant House, Caterham Valley**

The refurbishment scheme had reached practical completion at the end of September 2022 with an official re-opening event held on 6th October. Efforts were ongoing to secure tenants for unlet suites. Members were advised that, due to contract variations and inflationary pressures, the cost of works could exceed budget by a significant margin. The exact adverse variance wasn't yet clear as the final account was still being negotiated, although greater clarification would be provided for the Strategy & Resources Committee meeting on 1st December.

While Members welcomed the many positive aspects of the project and acknowledged the complex challenges associated with bringing it to fruition, the potential level of overspend was an issue of great concern. The Chair requested that a detailed report be submitted to the next meeting and cascaded throughout the Council to raise awareness of the lessons learned for future project management purposes. These included the need for:

- financial risks to be shared by third parties commissioned to provide professional advice to the Council, upon which the financial viability of projects relies; and
- a more realistic contingency fund in future to protect against unforeseen circumstances.

### **Village Health Club, Caterham on the Hill**

The implications of the financial challenges facing Freedom Leisure (the Council's tenant) were discussed.

### **Gryllus properties:**

#### **30-32 Week Street, Maidstone**

The lease to Marks & Spencer had expired on 28<sup>th</sup> September, although they had not traded from the property since March 2020. A temporary letting had been secured for up to one year. Details about a further offer to rent the property were discussed as part of a future options analysis.

#### **Castlefield House, Reigate**

#### **80-84 Station Road East, Oxted**

The report also confirmed that the sale of Redstone House, South Nutfield completed at a price of £1,400,000 on 16<sup>th</sup> August 2022.

#### ***RESOLVED*** - that

- A. the content of the report be noted; and
- B. the options analysis for 30-32 Week Street, Maidstone be noted and concerns be raised with the Gryllus board about the actions to be taken.

Rising 11.10 am



## Summary of Investments and Borrowing

Investment	Investment Amount 31/03/22 £	Net Asset Value 30/09/22 £	Yield Rate Note 1 %	Forecast Return 2022/23 £
<b><u>Non - Specified (Financial Investments)- Long Term (over 12 mths)</u></b>				
CCLA Property Fund	4,000,000	4,848,829	3.33	161,569
Schroders Bond Fund	3,000,000	2,452,677	5.98	146,567
UBS Multi Asset Fund	3,000,000	2,178,270	8.50	185,183
CCLA Diversification Fund	2,000,000	1,871,049	3.82	71,500
Funding Circle (Note 2)	391,191	236,668	-	-
<b>Sub Total Non-specified (Financial Investments)</b>	<b>12,391,191</b>	<b>11,587,493</b>		<b>564,819</b>
<b><u>Non - Specified (Non-Financial Investments)- Long Term (over 12 mths)</u></b>				
Gryllus Property Company Loan - Maidstone	2,394,000	2,394,000	5.81	139,023
Freedom Leisure- Loan (TLP)	674,857	484,286	5.50	31,963
Freedom Leisure- Loan (de Stafford)	496,571	310,357	7.58	28,230
Gryllus Property Company Loan - 80-84 Station Rd East	1,012,500	1,012,500	5.43	54,979
Gryllus Property Company Loan - Castlefield	11,664,000	11,664,000	6.10	711,504
Gryllus Property Company Share Capital Note 2	5,251,500	5,251,500	-	-
<b>Sub Total Non-specified (Non-Financial Investments)</b>	<b>21,493,428</b>	<b>21,116,643</b>		<b>965,699</b>
<b>Total Non-Specified Investments</b>	<b>33,884,619</b>	<b>32,704,136</b>		<b>1,530,518</b>
<b><u>Specified Investments-Short Term (less than 12 mths)</u></b>				
Notice Accounts	4,000,000	1,990,648	1.01	20,010
Money Market Funds	3,250,000	14,600,000	0.05	142,148
<b>Total Specified Investments</b>	<b>7,250,000</b>	<b>16,590,648</b>		<b>162,158</b>
<b>Total Non- Specified and Specified Investments</b>	<b>41,134,619</b>	<b>49,294,784</b>		<b>1,692,676</b>
<b>Total Investment Income Budget 2022/23</b>				<b>1,495,700</b>
<b>Over/(under) budget</b>				<b>196,976</b>

<b>Borrowing</b>	<b>Loan Amount</b>	<b>Interest</b>	<b>Actual Cost</b>
	<b>£</b>	<b>%</b>	<b>2021/22</b>
			<b>£</b>
<b>General Fund Borrowing</b>			
Gryllus Loan	3,420,000	2.46	84,132
Freedom Leisure Loan	2,225,000	2.45	54,513
Village Health Club	938,678	2.38	22,341
Linden House	4,175,000	2.69	112,308
Linden House	254,000	2.42	6,147
Quadrant House	15,340,000	2.41	369,694
Quadrant House	800,000	2.28	18,240
Gryllus - 80-84 Station Road	724,400	2.28	16,516
Gryllus - Castlefield	15,549,000	2.91	452,476
<b>Sub Total General Fund Borrowing</b>	<b>43,426,078</b>		<b>1,136,366</b>
<b>Total GF PWLB Budget 2022/23</b>			<b>1,137,000</b>
<b>Over/(under) budget</b>			<b>(634)</b>
<b>HRA Borrowing</b>			
Public Works Loan Board	58,839,000	2.70	1,640,708
<b>Sub Total HRA Borrowing</b>	<b>58,839,000</b>		<b>1,640,708</b>
<b>Total HRA PWLB Budget 2022/23</b>			<b>1,639,600</b>
<b>Over/(under) budget</b>			<b>1,108</b>
<b>Total Borrowing</b>	<b>102,265,078</b>		<b>2,777,074</b>
<b>Total Budget 2022/23</b>			<b>2,776,600</b>
<b>Total Over/(under) budget</b>			<b>474</b>

**Notes:**

1. Yield Rate - forecast return divided by net asset value. Arlingclose have advised that this is the standard approach, which allows for comparison of the current return to alternative investment options.
2. Return from Funding Circle investment has not been forecast as this is dependent upon information that is still to be received.

## Market Value of Long Term Investments at 30/09/2022

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Carrying Value	31.3.2018	31.3.2019	31.03.2020	31.03.2021	31.03.2022	30.09.2022
	£	£	£	£	£	£
CCLA Property Fund	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Schroders Bond Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
UBS Multi Asset Fund	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
CCLA Diversification Fund	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>Total</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Market Value	31.3.2018	31.3.2019	31.03.2020	31.03.2021	31.03.2022	30.09.2022
	£	£	£	£	£	£
CCLA Property Fund(mid-market value)	4,276,854	4,276,005	4,188,063	4,158,183	4,888,056	4,848,829
Schroders Bond Fund	2,912,837	2,865,130	2,539,938	2,908,911	2,775,151	2,452,677
UBS Multi Asset Fund	2,918,160	2,868,479	2,520,713	2,777,398	2,639,592	2,178,270
CCLA Diversification Fund(indicative market value)	1,921,257	1,982,167	1,804,193	1,955,874	2,046,513	1,871,049
<b>Total</b>	<b>12,029,108</b>	<b>11,991,781</b>	<b>11,052,907</b>	<b>11,800,366</b>	<b>12,349,312</b>	<b>11,350,825</b>

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Surplus/(Deficit)	31.3.2018	31.3.2019	31.03.2020	31.03.2021	31.03.2022	30.09.2022
	£	£	£	£	£	£
CCLA Property Fund	276,854	276,005	188,063	158,183	888,056	848,829
Schroders Bond Fund	(87,163)	(134,870)	(460,062)	(91,089)	(224,849)	(547,323)
UBS Multi Asset Fund	(81,840)	(131,521)	(479,287)	(222,602)	(360,408)	(821,730)
CCLA Diversification Fund	(78,743)	(17,833)	(195,807)	(44,126)	46,513	(128,951)
<b>Total</b>	<b>29,108</b>	<b>(8,219)</b>	<b>(947,093)</b>	<b>(199,634)</b>	<b>349,312</b>	<b>(649,175)</b>

Full Year forecast at 30.09.22		
Yield	Yield	Yield
2022/23	2022/23	2022/23
£	£	%
161,569	161,569	3.33%
146,567	146,567	5.98%
185,183	185,183	8.50%
71,500	71,500	3.82%
<b>564,819</b>	<b>564,819</b>	

Full Year forecast at 30.09.22		
Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)
2022/23	2022/23	2022/23
£	£	%
(39,227)	(39,227)	-0.81%
(322,474)	(322,474)	-13.15%
(461,322)	(461,322)	-21.18%
(175,464)	(175,464)	-9.38%
<b>(998,487)</b>	<b>(998,487)</b>	

Full Year forecast at 30.09.22		
Net Yield	Net Yield	Net Yield
2022/23	2022/23	2022/23
£	£	%
122,342	122,342	2.52%
(175,907)	(175,907)	-7.17%
(276,139)	(276,139)	-12.68%
(103,964)	(103,964)	-5.56%
<b>(433,668)</b>	<b>(433,668)</b>	

Gross Revenue Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield	Yield
	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22	2021/22	2021/22
	£	%	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	193,758	4.53%	183,989	4.30%	185,240	4.42%	179,910	4.33%	158,867	3.25%	158,867	3.25%
Schroders Bond Fund	105,413	3.62%	120,508	4.21%	124,418	4.90%	125,529	4.32%	128,455	4.63%	128,455	4.63%
UBS Multi Asset Fund	146,788	5.03%	116,513	4.06%	137,531	5.46%	140,171	5.05%	120,654	4.57%	120,654	4.57%
CCLA Diversification Fund	62,732	3.27%	67,030	3.38%	66,284	3.67%	62,069	3.17%	48,871	2.39%	48,871	2.39%
<b>Total</b>	<b>508,691</b>		<b>488,040</b>		<b>513,473</b>		<b>507,679</b>		<b>456,847</b>		<b>456,847</b>	

Surplus/(Deficit)- Capital Value	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)	Surplus/ (Deficit)
	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22	2021/22	2021/22
	£	%	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	193,868	4.53%	(849)	-0.02%	(87,942)	-2.10%	(29,880)	-0.72%	729,873	14.93%	729,873	14.93%
Schroders Bond Fund	(50,726)	-1.74%	(47,707)	-1.67%	(325,192)	-12.80%	368,973	12.68%	(133,760)	-4.82%	(133,760)	-4.82%
UBS Multi Asset Fund	(100,545)	-3.45%	(49,681)	-1.73%	(347,766)	-13.80%	256,685	9.24%	(137,806)	-5.22%	(137,806)	-5.22%
CCLA Diversification Fund	-78,743	n/a	60,910	3.07%	(177,974)	-9.86%	151,681	7.76%	90,639	4.43%	90,639	4.43%
<b>Total</b>	<b>(36,146)</b>		<b>(37,327)</b>		<b>(938,874)</b>		<b>747,459</b>		<b>548,946</b>		<b>548,946</b>	

Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield	Net Yield
	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22	2021/22	2021/22
	£	%	£	%	£	%	£	%	£	%	£	%
CCLA Property Fund	387,626	9.06%	183,140	4.28%	97,298	2.32%	150,030	3.61%	888,740	18.18%	888,740	18.18%
Schroders Bond Fund	54,687	1.88%	72,801	2.54%	(200,774)	-7.90%	494,502	17.00%	(5,305)	-0.19%	(5,305)	-0.19%
UBS Multi Asset Fund	46,243	1.58%	66,832	2.33%	(210,235)	-8.34%	396,856	14.29%	(17,152)	-0.65%	(17,152)	-0.65%
CCLA Diversification Fund	n/a	n/a	127,940	6.45%	(111,690)	-6.19%	213,750	10.93%	139,510	6.82%	139,510	6.82%
<b>Total</b>	<b>488,556</b>		<b>450,713</b>		<b>(425,401)</b>		<b>1,255,138</b>		<b>1,005,793</b>		<b>1,005,793</b>	

Peer to Peer Investment Note 1** Funding Circle	2017/18	2017/18	2018/19	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22	2022/23	
	£	%	£	%	£	%	£	%	£	%	£	%
Carrying Value	2,075,341		2,056,664		1,831,028		863,160		391,191		236,668	
Interest Paid by Borrowers	181,014		184,654		193,170		127,982		66,749			
Less FC Service fee	(19,668)		(19,729)		(19,611)		(12,462)		(6,279)			
Promotions/Transfer payment			-		470		0		0			
Bad Debts	(61,288)		(111,152)		(127,649)		(80,881)		(36,103)			
Recoveries	14,780		27,428		30,253		42,431		62,769			
<b>Net Yield</b>	<b>114,838</b>	<b>5.53%</b>	<b>81,201</b>	<b>3.95%</b>	<b>76,633</b>	<b>4.19%</b>	<b>77,070</b>	<b>8.93%</b>	<b>87,136</b>	<b>13.89%</b>	<b>0</b>	<b>0.00%</b>
<b>Provisions for future losses</b>	<b>0</b>		<b>(10,000)</b>									

**Notes:**

1. Funding Circle yield has not been forecast for 2022/23 as this is dependent upon information that is still to be received.

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