



Overview and Scrutiny Committee

Notice of a Meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane,
Ashford, Kent TN23 1PL on Tuesday 24th March at 7.00 pm.

The Members of this Committee are:-

Cllr Chilton (Chairman)

Cllr Davison (Vice-Chairman)

Cllrs. Apps, Bartlett, Buchanan, Burgess, Feacey, Hodgkinson, Mrs Hutchinson, Miss Martin, Mrs Martin, Mortimer, Sims, Conservative vacancy, Labour vacancy, Liberal Democrat vacancy.

Agenda

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Nos. |
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| 1. Apologies/Substitutes – To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii) | |
| 2. Declarations of Interest:- To declare any interests which fall under the following categories, as explained on the attached document: | (i) |
| a) Disclosable Pecuniary Interests (DPI) | |
| b) Other Significant Interests (OSI) | |
| c) Voluntary Announcements of Other Interests | |
| See Agenda Item 2 for further details | |
| 3. Minutes – to approve the Minutes of the Meetings of this Committee held on the 24 th February 2015 | |

Part I – Matters Referred to the Committee in Relation to Call-In of a Decision made by the Cabinet

None for this meeting

Part II – Responses of the Cabinet to Reports of the Overview and Scrutiny Committee

None for this Meeting

Part III – Ordinary Decision Items

- | | | |
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| 4. | Report of the Budget Scrutiny Task Group on the HRA business account 30 year business plan | 1 - 4 |
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Part IV – Information/Monitoring Items

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| 5. | S106 agreements and education provision | 5 - 13 |
| 6. | Purchase of Commercial Property – International House | 15 - 34 |
| 7. | Future reviews and report tracker. | 35 - 39 |

JV/VS
13 March 2015

Declarations of Interest (see also “Advice to Members” below)

- (a) **Disclosable Pecuniary Interests (DPI)** under the Localism Act 2011, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the meeting for that item (unless a relevant Dispensation has been granted).

- (b) **Other Significant Interests (OSI)** under the Kent Code of Conduct as adopted by the Council on 19 July 2012, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares an OSI in relation to any item will need to leave the meeting before the debate and vote on that item (unless a relevant Dispensation has been granted). However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

- (c) **Voluntary Announcements of Other Interests** not required to be disclosed under (a) and (b), i.e. announcements made for transparency reasons alone, such as:

- Membership of outside bodies that have made representations on agenda items, or
- Where a Member knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position.

[Note: an effect on the financial position of a Member, relative, close associate, employer, etc; OR an application made by a Member, relative, close associate, employer, etc, would both probably constitute either an OSI or in some cases a DPI].

Advice to Members on Declarations of Interest:

- (a) Government Guidance on DPI is available in DCLG’s Guide for Councillors, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/240134/Openness_and_transparency_on_personal_interests.pdf
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, with revisions adopted on 17.10.13, and a copy can be found in the Constitution at <http://www.ashford.gov.uk/part-5---codes-and-protocols>
- (c) If any Councillor has any doubt about the existence or nature of any DPI or OSI which he/she may have in any item on this agenda, he/she should seek advice from the Head of Legal and Democratic Services and Monitoring Officer or from other Solicitors in Legal and Democratic Services as early as possible, and in advance of the Meeting.

Overview and Scrutiny Committee

Minutes of a Meeting of the Overview and Scrutiny Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **24th February 2015**.

Present:

Cllr. Davison (Vice-Chairman in the Chair);

Cllrs. Apps, Burgess, Mrs Dyer, Feacey, Mrs Hutchinson, Miss Martin, Mrs Martin, Mortimer, Sims.

In accordance with Procedure Rule 1.2(iii) Councillor Mrs Dyer attended as a Substitute Member for Councillor Bartlett.

Apologies:

Cllrs. Adby, Bartlett, Hodgkinson.

Also Present:

Cllrs. Cloughton, Galpin.

Chief Inspector Mitchell Fox – Kent Police.

Head of Health, Parking and Community Safety, Health, Parking and Community Safety Manager, Policy and Performance Officer, Senior Scrutiny Officer, Member Services & Scrutiny Support Officer.

365 Declaration of Interest

Councillor	Interest	Minute No.
Sims	Made a 'Voluntary Announcement' as the Neighbourhood Watch Co-ordinator for his area.	367

366 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 27th January 2015 be approved and confirmed as a correct record.

367 Ashford Community Safety Partnership: an update on the Community Safety Partnership activity in the Borough

The Head of Health, Parking and Community Safety introduced the item. She

advised the Committee that the report represented the annual report on the work undertaken by the Community Safety Partnership (CSP). The Committee had a statutory responsibility to review the work of the CSP; she welcomed feedback from the Committee on this. She wished to highlight some of the achievements of the CSP over the past 12 months and some areas for improvement. Anti-social behaviour (ASB) had reduced in the Borough by 42% during 2013/14; this was due to a number of initiatives including Operation Claxon, co-ordinated by the Police. The levels of fly-tipping in the Borough had however increased throughout this period and it was clear that this needed to be an area to focus on. Criminal damage had also decreased, however incidents of domestic abuse continued to rise. The latter had been supported through the implementation of the One Stop Shop at the Willow Centre, Brookfield Road, which was the busiest in Kent. The Council had committed £50,000 over the next three years to support the work around domestic abuse and had appointed a One Stop Shop and Freedom Co-ordinator.

Referring to road safety, the Head of Health, Parking and Community Safety advised that road traffic accidents had increased, with the number of under-16's being killed or seriously injured being the highest in the County. This would be another area of focus over the coming year.

Chief Inspector Fox wished to highlight the successful work carried out by the CSP in relation to ASB, with the level now being the lowest in Kent. The CSP involved partners working together to resolve issues throughout the Borough. KCC Wardens played a large part of this work and attended daily meetings with the Police Community Support Officers (PSCO's) and the Police. Operation Claxon, which targeted ASB, was an ongoing success story. As part of this, two PCSO's were assigned daily to focus on ASB.

Referring to rural crime, the Chief Inspector acknowledged that around 45% of residents lived in rural, isolated areas and highlighted the significant work being undertaken to reduce crime in these areas. This was an ongoing target and he assured the Committee that they were not complacent about this. The Chief Inspector then commended the work undertaken at the One Stop Shop in respect of domestic abuse. This work had resulted in partners being able to protect a number of vulnerable people who had effectively walked in off the street for help. Overall the resources available to the Police were tighter than before, with reductions in officer numbers being inevitable. The importance of partnership working would be key in terms of mitigating the effect of reduced resources.

The Head of Health, Parking and Community Safety drew Members' attention to page 14 of the report and the feedback received from other partners involved in the CSP. The next CSP meeting, in March, would look at the terms of reference of the CSP and its membership. It was hoped that the membership could be increased, with potential new partners such as Tenterden Town Council and Victims Support (Ashford).

The Vice-Chairman in the Chair then opened up the discussion and the following points were raised:

- The Portfolio Holder for Health & Wellbeing, Education & Skills and Community Safety welcomed the potential new partners for the CSP.

Partnership working could not be emphasised strongly enough. The report was comprehensive and he wanted to thank the Officers for their hard work. It was beneficial to have all of the statistics available. It was important not to be complacent; there were areas that remained cause for concern, including violent crime and domestic abuse. The perception of crime was important too. The reduction in ASB should be commended but there was still more to do in this area. The Portfolio Holder also highlighted the work undertaken by the Street Pastors, who worked in co-operation with the Police. This was an example of an initiative that had worked well in the Borough.

- In response to a question regarding the expected increase in population in the Borough due to development and the number of Police Officers, Chief Inspector Fox advised there were going to be large scale reductions which would mean less Police Officers and PCSO's on the street. This reduction meant that the Police Service needed to find ways to work smarter. Partnership working would enable this to a degree. The Chief Inspector acknowledged the importance of ensuring a visible presence. Planning of new developments was key to 'designing out crime', recent developments in the area had low crime rates and this should be commended. If areas appeared run-down then they attracted a criminal element. Responding to community safety issues quickly was important.
- A number of Members drew attention to the levels of oil thefts from rural areas and questioned what could be done about this. Chief Inspector Fox advised that the level of oil thefts had been low for a long time, however, the level had increased recently. These thefts bore a huge financial cost to the victims and the level of time between theft and realisation of the theft could be as long as three months. These were not easy thefts to commit and he urged residents to be vigilant. A Member, who had experience working in the oil industry, advised that residents should ensure that their oil tanks were hidden. If suspicious activity was taking place then instead of looking for oil tankers at strange times residents should be vigilant of transit style vans that smelt of oil, as it was possible that the vans had high capacity tanks installed in the back of them. Chief Inspector Fox added that the Police were mindful of the level of oil thefts which was a cross border issue. The Police undertook operations in connection with HMRC, who could access any land without a warrant, to ascertain if any oil/diesel was present where the relevant tax had not been paid. In conjunction with this they were working with the farming community to encourage them to be on the lookout for and report any suspicious activity.
- Members felt that an area in which the Police could improve was keeping victims informed of progress with their case. Members provided a number of examples of instances of crime being reported where the victim was not kept informed. Chief Inspector Fox acknowledged that this was an area consistently highlighted in satisfaction surveys. There were difficulties with 24 hour policing and the shifts that many Officers worked meant that contacting people at sociable hours was not always possible. The introduction of tablets for Officers would make a big difference for the taking of statements and enabling faster working practices.
- In connection with rural crime Chief Inspector Fox advised that work was

being undertaken to recruit Special Constables, they would be based in a Parish and would only undertake work there. This was an opportunity to increase a Police presence in the area.

- The Heath, Parking and Community Safety Manager advised Members of Operation Cleansweep, a cross partnership operation that involved people gaining intelligence, passing on advice to residents as well as security devices. This had been carried out in Smarden 18 months previously following a rise in oil thefts and resulted in these thefts dropping considerably. This was a worthwhile approach and had also been carried out in Newtown and Willesborough recently.
- A Member raised concern about the number of priorities detailed in the report. He was concerned that there were too many with the possibility that the list was simply stating all the things that the CSP worked on. Chief Inspector Fox felt that this was a valid point, however, the list reflected the diverse make up of the CSP partners. For example, road safety would be a focus of Kent Fire and Rescue Service. The Head of Health, Parking and Community Safety advised that the extra priorities were areas for partners to have 'in mind' when developing their own delivery plans. She acknowledged that the programme of work was ambitious and they would not always meet all of the targets set. It had been agreed that a Council Officer be given responsibility to keep on top of the Tactical Delivery Plan and progress being made against the various targets set.
- Members suggested that Neighbourhood Watch be promoted more. Chief Inspector Fox added that this would be looked into. In addition an 'App' was due to be launched that would enable people to report issues directly to Kent Police which would be reviewed and forwarded to the relevant department. This would be a modern twist on Neighbourhood Watch.
- Concern was raised regarding safeguarding children and its connection to the priority list. Chief Inspector Fox advised that there were established practices in place to deal with safeguarding issues; these were set out in statute. Police were dedicated to this and he assured Members that interventions took place when necessary.
- Members questioned whether there had been any connections drawn between the turning off of street lights by the County Council and increase in crime. Chief Inspector Fox advised that Kent Police had been consulted regarding the light switch off and had given their advice on the matter, it was however Kent County Council who had made the decision to proceed. At the current time there was no statistical evidence to show that there had been an increase in crime, however the public perception on this matter differed. He urged Members to raise their concerns directly with Kent County Council.
- Several Members raised the issue of dangerous parking near schools. The Health, Parking and Community Safety Manager advised that Officers were aware of this issue and this was addressed through Operation Cleansweep and other methods. Kent Fire and Rescue Service's road safety plan aimed

to address this and they could attempt to drive a Fire Appliance down the road to draw attention to this issue. Work can be, and was, undertaken with schools to encourage children to influence their parents about safe parking and driving near schools. The Head of Health, Parking and Community Safety added that this could be discussed at the next CSP meeting and encouraged Members to email with feedback on any specific evidence relevant to this issue.

- There was some discussion regarding legal highs and the availability of them in the Borough. Chief Inspector Fox advised that the Police worked closely with Trading Standards on this and had co-ordinated a raid on the shop in the Town Centre. A close watch had since been maintained on the goings on around this shop. This was an issue that was taken very seriously. Work was needed with young people on this subject and it was hoped that the involvement of a Headteacher at future CSP meetings would help to progress this. In respect of a query regarding the making of a Public Space Protection Order to prevent the taking of substances in the Town, Members were advised that this was very new legislation which would be looked at and recent Orders elsewhere in the country would be reviewed.
- Policing of licenced premises was carried out to ensure that ASB did not occur as a result of binge drinking in the Borough. The Street Pastors had contributed greatly to the work in this area and had made a big difference to date.
- The Health, Parking and Community Safety Manager advised that since the installation of the gate at St Mary's churchyard, Ashford the number of instances of ASB had dropped considerably. This had been considered a success and therefore Kent County Council have agreed to extend the gating order to allow this to be in place.
- Fly-tipping remained a problem in the Borough and a lot of work was needed in this area. Assurances had been given from the relevant post-holder at the Council that work in this area would commence this year. This would be monitored through the CSP.

Resolved:

That the report be received and noted.

Recommended:

The Overview and Scrutiny Committee recommends to Cabinet that the report be promoted as an excellent example of partnership working.

368 ABC Business Plan Performance Report Q3 2014-15

The Portfolio Holder for Finance, Budget and Resource Management commended the report to the Committee. He felt that it showed the achievements of the Borough and the positive influence of the Council. After the Election, the format and

information presented in the report would be assessed and the Portfolio Holder welcomed any comments from Members on this.

The Policy and Performance Officer introduced the report. He highlighted a number of areas that had seen improvement, included a decrease in benefits cases, the impact of Christchurch Road on B&B stays and strong performance in relation to planning applications. In the subsequent discussion the following points were raised:

- Universal Credit would be introduced in April which would work in favour of those actively looking for work. A lot of work had gone into preparing for this, and a partnership initiative 'The HUB' had been implemented to assist with this.
- A Member was concerned about the number of properties with a current gas safety certificate. The Policy and Performance Officer advised that the process was carried out over a 12 month rolling programme hence the slight fluctuation in figures. He would request for and provide the Member with the month by month statistics relating to this.
- In respect of food premises those that failed to meet the requirements were given guidance on how to improve, giving them the opportunity to rectify any issues highlighted.

Resolved:

That the report be received and noted.

369 Future Reviews and Report Tracker

The Vice-Chairman in the Chair reminded Members that the April meeting of the Overview and Scrutiny Committee had been cancelled due to election commitments.

The Senior Scrutiny Officer advised that the report requested in respect of Commercial Property would be on the agenda for the March meeting. It was requested that any questions from Members be directed to the Senior Scrutiny Officer by 9th March to enable Officers to consult the professional advisers and report the answers at that meeting.

There was discussion regarding whether the Committee should undertake a review of each department given the changes to staffing and structure over the past few years. Members felt that the Budget Scrutiny Task Group undertook this work and they should be left to do so. It was also felt that any decision on this should be left until after the Elections in May.

Resolved:

That the report be received and noted.

Queries concerning these Minutes? Please contact Kirsty Morland:
Telephone: 01233 330499 Email: kirsty.morland@ashford.gov.uk
Agendas, Reports and Minutes are available on: www.ashford.gov.uk/committees

Agenda Item No: 4
Report To: Overview and Scrutiny
Date: 24 March 2015
Report Title: Housing Revenue Account 30 year business plan
Report Author: Senior Scrutiny Officer
Portfolio Holder: Portfolio Holder for Social, Local Needs & Special Care Housing



Summary:

At the Cabinet meeting in November 2014 the O&S Committee were invited to agree the HRA Business Plan 2014 - 2044 report as part of the budget scrutiny process. The Budget Scrutiny Task Group have reviewed the plan and are happy with it. They invite the full Committee to join with them in commending it to Cabinet.

Key Decision: NO

Affected Wards: All – none specifically

Recommendations:

- 1. The Overview and Scrutiny Committee receives an update report in about 18 months' time on the effect of the roll-out of Universal Credit on the council**
- 2. The Overview and Scrutiny Committee recommends that the Cabinet:-**
 - Be advised that the O&S Committee has reviewed and is happy with the HRA Business Plan**

Policy Overview: N/A

Financial Implications: N/A

Risk Assessment N/A

Equalities Impact Assessment N/A

Background Papers: HRA Business Plan 2014-2014: Report to Cabinet 13.11.2014

Contacts: julia.vink@ashford.gov.uk – Tel: (01233) 330491

Report Title: Housing Revenue Account 30 year business plan

Purpose of the Report

1. At the Cabinet meeting in November 2014 the O&S Committee were invited to agree the HRA Business Plan 2014 -2044 report as part of the budget scrutiny process. The Budget Scrutiny Task Group have reviewed the plan and are happy with it. They invite the full Committee to join with them in commending it to Cabinet.

Issue to be Decided

2. The O&S Committee are asked to support the two recommendations from the Task Group: to commend the HRA business plan to the Cabinet and to request an update to O&S on the impact of the roll-out of universal credit on the Council (in about 18 months' time).

Background

3. When the HRA Business Plan 2014 – 2044 was presented to the Cabinet in November 2014 the O&S Committee was asked to agree the plan as part of the budget scrutiny process.
4. When the Budget Scrutiny Task Group reviewed the plan last year it was decided that it would be best to consider the plan after the series of meetings to consider the Council's draft 2014/15 budget were completed. The same approach was adopted this year.
5. The Council is required to have a 30 year Business Plan for the Housing Revenue Account. To support this a 30 year financial model is maintained which forecasts the cash flows for the HRA and allows the long term viability of the service to be modelled and tested.
6. The HRA buyout enabled the Council to focus on its key priorities for council housing and the following HRA priorities were agreed at the July 2012 Cabinet :
 - Continue to build new homes for council tenants and consider future new build by the Council be funded from outside the HRA where funding is not available
 - Plan to rebuild/remodel the Council's sheltered accommodation across the borough over a 15 year period
 - Decent Homes standard to be maintained over the 30 year Business Plan cycle
 - Additional sums to be set aside to spend on adaptations in accordance with details of the debt calculation
 - Develop specific and agreed neighbourhood improvements across the borough.

7. The business plan report presented to the Task Group explained that the business plan model had to be drawn up afresh each year and had been updated based on the current outturn for 2014/15. Subsequent years had been updated to include the following changes and updates:-
 - Appropriation of the garages to the General Fund from 1 April 2015 for the sum of approximately £3million
 - Conversion of void 2 bed flats and 2/3 bedroom houses from social to affordable rents from 1 April 2015 for 3 years
 - While the assumption that Supporting People income (currently £260,000) will reduce by 25% per annum has not changed, officers are anticipating that 40% of this loss will be recovered through service charges, this increase in service charges has been included in the model
 - Inflation has been reviewed and lowered to reflect current inflation trends as reported by the Office of National Statistics
 - Additional spend (£500k) at Farrow Court has been included to reflect the expected impact of construction inflation
 - Additional HRA adaptation spend has been included (agreed by Cabinet July 2014)
 - The Affordable Homes Programme 2015-18 has been included
 - Increase in the HRA debt cap as part of the Local Growth Fund – HRA borrowing programme
 - Growth in staff numbers and associated salary costs to meet growing demand.
8. Because government requirements, guidelines and other circumstances do change, the model allows for a number of different scenarios to be modelled and is able to be flexed to take into account changing conditions within a project. In order that the plan is realistic all the estimates are included on the basis of their probability rather than as either best or worst case scenarios.
9. The Task Group, with the support of the Portfolio holders for Social, Local Needs & Special Care Housing and Finance, Budget & Resource Management considered the business plan carefully and were able to ask for additional information/explanation from the housing and finance officers present.
10. Members were particularly asked to be aware of the potential future accounting issue around the impairment and revaluation of HRA assets. There was at present a central government 'fix' which dealt with this, but this measure would expire in 2017. It was expected that the Communities and Local Government Office would be issuing guidance to mitigate this issue, but this had not happened yet.
11. During the discussion Members enquired about the roll-out of Universal Credit and what sort of effect the change to direct payments could have on the Council in the future. Members asked Officers if they could have an update on the situation in about 18 months' time to see what, if any, impact direct payments had made.

Conclusion

12. Having reviewed the HRA business plan 2014 -2044, the Task Group would like to recommend that the O&S Committee commend the HRA Business Plan to Cabinet and request the O&S Committee support this. The Task Group also recommend that, in about 18 months' time, O&S receive an update on the impact of the roll-out of Universal Credit – especially in relation to direct payments.

Portfolio Holder's Views

13. “As the full rolling out of Universal Credit is still someway off for Ashford, we cannot anticipate the true effect that might have on our budget. However, every reasonable step has been taken to deliver a realistic budget and margins built in, and our housing officers will be working closely with tenants to obtain a secure rental income. Thus a review in the future seems to be a realistic goal, but that date may need to be reviewed at a later date.”

Contact: Julia Vink, Senior Scrutiny Officer

Email: julia.vink@ashford.gov.uk

Overview & Scrutiny Committee – 24th March 2015

Section 106 contributions and education provision

At the meeting of the Overview & Scrutiny Committee in November, Members resolved to request the County Council to appear at a future meeting to explain:-

1. when there is a development that will generate a S106 contribution, how do they (KCC) assess the need for school places from that development, and,
2. when they have the money, how do they allocate it to meet the needs for facilities for students arising from that development/across the Borough

With the introduction of the Community Infrastructure Levy (CIL) as a mechanism for providing developer funding towards strategic infrastructure, such as primary and secondary schools, the role of Section 106 Agreements as the traditional means for providing such funding is due to change shortly. From April 2015, local planning authorities shall no longer be able to pool more than 5 Section 106 contributions towards generic infrastructure ‘types’ such as education – and in practice, that may restrict the ability to levy developer funding until a CIL Charging Schedule for the Borough has been adopted, unless a specific education facility is to be provided.

Borough and County Council officers are currently liaising to assess this issue and how best to ensure that education facilities are provided in a timely fashion to serve new developments as they come forward.

Contact: Simon Cole, Policy Manager, ABC

Email: simon.cole@ashford.gov.uk

Report Title: Kent County Council's management of s106 Developer Contributions secured from housing schemes in Ashford

Purpose of the Report

This report is to advise members of how Kent County Council manages and monitors the securing and allocation of s106 developer contributions for school infrastructure projects instigated to accommodate pupil demands from new housing developments.

Background

KCC carries out assessments of Ashford planning applications for housing development and makes requests for developer contributions wherever it can substantiate that a development will result in a deficit in the number of available local school places. Funding contributions secured under s106 planning obligations help to meet the cost of providing additional pupil places.

Developer contributions are key to assisting KCC to meet the net demand on service capacity arising from house building. KCC predicts the number of additional pupil places needed at primary schools within two miles, and secondary schools within three miles, of the housing site. KCC has robust pupil forecast data based on GP registration data for pre-school aged children, school census information, travel-to-school patterns and family migration trends. Applications are assessed against other housing applications in the vicinity comprising permitted developments as well as undetermined planning applications.

Applicable distances

The two and three miles distances are based on "walking distance" as defined in the Education Act 1996: two miles for children under the age of eight and three miles for children who have attained the age of eight. Actual travel-to-school patterns and parental preferences are leaning KCC towards analysing service need across larger strategic areas such as whole towns or natural sub-divisions of larger urban areas. Although these distances are used in the wording of s106 agreements, they should not represent barriers to school expansion. Children can be transported to school located further afield and expanding schools more than two/three miles away can free up places when local children from new developments displace those living further away and, maybe, closer to the expanded school. Ideally, KCC would wish to seek the borough's cooperation to apply contributions to school projects beyond the conventional walking distances. The introduction of the Community Infrastructure Levy will, in time, provide greater flexibility for applying appropriate funding amounts to school projects where they are required.

Planning obligations

Planning obligations are conventionally enshrined in s106 agreements, unilateral undertakings and, to a lesser extent these days, planning conditions.

Community Infrastructure Levy

The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. It came into force on 6 April 2010 through the Community Infrastructure Levy Regulations 2010. Development may be liable for a charge under CIL if the local planning authority has chosen to set a charge in its area.

CIL may be more streamlined and flexible than s106 obligations but as it will not generate the same level of contributions as s106, as evidenced by other authorities who have implemented CIL, KCC is concerned about the levy's ability to raise sufficient capital to fund the cost of service infrastructure provision. There are implications for KCC and the borough resulting in a potential loss of benefit from planning obligations, eg the securing of s106 contributions post April 2015 until the borough has implemented CIL, assuming it intends to do so.

Financial assessments and forward planning have highlighted that under CIL there will be a resultant funding gap and uncertainty about alternative funding streams to plug the gap, ie from Basic Need grant, capital receipts from disposals, direct government funding and bids to growth funds, etc. Although KCC has a statutory duty to ensure that sufficient school places are available, it may be prevented from delivering the necessary pupil places in the appropriate location or in time to address increasing pupil pressures.

Changes in planning obligation legislation – pooling of obligations

There have been changes in the procedure to secure planning obligations as a result of introducing CIL legislation. Advice from the Planning Advisory Service is that:

- After April 2015 there can be no more than five planning obligations that secure contributions towards a specific project or type of infrastructure and which have been entered into since April 2010 (ie signed after April 2010 – the relevant date being the date the obligation was signed regardless of when or whether the permission was/has been implemented).
- A specific named project needs to be identified if KCC wishes to secure s106 contributions post April 2015. That project must name a school that requires expansion or is to be newly built and be supported with adequate justification.
- It would appear to be acceptable to have five planning obligations towards the first FE at a particular school and a further five for the subsequent expansion with a second FE, assuming that they are undertaken as separate projects.

Five planning obligations towards one classroom and a further five towards a second classroom, etc, will not be acceptable.

- The expectation is that these projects would appear in the district's Infrastructure Delivery Plan and the county's capital expenditure programme. Careful consideration will need to be given to the synergy between future planning obligation projects, CIL Regulation 123 lists and the county's capital programme: projects are likely to need funding from other sources as well.
- Apparently, planning obligations with generic descriptions of how the contributions will be spent on education provision within the borough, say, and that are current at April 2015, can still be used for projects after April 2015.

If planning obligations were introduced to make acceptable developments that would otherwise have been refused permission, it follows that if fewer planning obligations and inadequate levels of developer contribution are secured to enhance service capacity then more developments are therefore to be deemed unsustainable. KCC and the borough need to identify sites where it is unlikely that future contributions can be secured under s106 as alternative funding solutions will be needed in order to avoid greater demands being placed upon existing education service delivery – to the detriment of both local and new residents. To this end, KCC proposes to circulate its s106 schedules to the borough for confirmation of accuracy or for amendment, as necessary, so that options and areas of concern can be jointly tackled.

Changes in planning obligation legislation – sites of ten units or less

Additionally, government has published a response to their consultation on “Planning Performance and Planning Contributions” (March 2014) and is making further changes to national policy with regard to planning obligations. Affordable housing and tariff style contributions should not be sought on small scale developments, ie sites of 10 units or less and which have a maximum combined gross floor space of 1,000 square metres. This is to reduce the disproportionate burden of developer contributions on small-scale developers. This will also apply to all residential annexes and extensions. It is appreciated that Ashford BC does not generally seek contributions on sites of less than 10 units but if this government advice is adopted then it would be useful to learn how KCC will be notified of those applications where planning obligations will not be sought as it wishes to avoid wasting resources responding to applications where the request for contributions will not be supported.

Use and direction of s106 developer contributions

Section 106 agreements clearly state when contributions are due, the amounts, what they are to be used for, how long we have to use them and when contributions not spent are to be paid back. These conditions relate directly to the development. Legislation now states that contributions should be:

- (a) necessary to make the development acceptable in planning terms;
- (b) directly related to the development; and

(c) fairly and reasonably related in scale and kind to the development.

KCC records s106 agreements entered into, the amount and phasing of contribution payments and the permissible uses of that money. Contributions received are allocated to capital infrastructure works in accordance with the requirements stipulated in the legal agreements. Returns are generally made annually to each district detailing contributions secured, received and to which projects they have been allocated. Their use is in line with the infrastructure requirements corresponding to the provision identified and without which the development's planning application would otherwise be refused.

Contributions secured under s106 agreements are assessed against the prevailing service needs that are identified when planning permission is granted. There is then likely to be a time lapse before the development commences, the trigger points for payment of the contribution (or part thereof), the demand on services is such that a project is instigated and to which the contribution is allocated. In the event that a service need does not materialise for a number of reasons then the monies are not redirected elsewhere (unless permitted by the s106 agreement) and, ultimately, could be returned to the developer unspent and with interest.

KCC Education's ability to identify and quantify a net pupil demand or pressure resulting from new housing is based on robust pupil forecasting data that takes into account the number of births each year, the extent of surplus capacity with local schools, parental preferences, other developments in the vicinity and other population influences. Notwithstanding the time delays mentioned above, these forecast data are reviewed and updated annually to provide the most accurate illustration of the capacity situation in our schools and where capacity needs have to be met.

The challenges of reduced or no planning obligations

When planning obligations are not straightforward they can disrupt the smooth process of meeting pupil demand by enhanced facilities funded from developer contributions. In some cases, requests for contributions are turned down or the developer petitions against payment on grounds of viability. Others may offer reduced contributions (again usually because of viability reasons) or deferred contributions with payment conditional on market forces – a factor that is independent of the education needs and project programme. Whilst this helps to make new housing more sustainable, it results in education projects being unsustainable but no less vital. This results in funding needed for additional pupil place projects not forthcoming or, at best, subject to delay. KCC may have committed to implementing the project only to find that in the absence of developer funding the county has to fund the project itself from, most probably, Basic Need funding which government grants primarily for meeting indigenous school population demands not to satisfy needs caused by house building.

Other developments have provided for “pay regardless” contributions with unspecified uses attached and allocation of monies at the discretion of the borough. Project planning cannot be carried out with certainty if the amount of funding is unknown. Developers can also ask not to make contributions by appealing to the planning authority under s106A of the Town and Country Planning Act 1990.

Commissioning Plan for Education Provision in Kent 2015-19

The chapter in the commissioning plan focusing on Ashford describes the forecast pupil context in which s106 developer contributions need to be secured to provide sufficient new school places to accommodate the demands of new housing developments. KCC presumes that at some stage within the Local Plan period to 2031 the borough will adopt a CIL approach to funding community infrastructure including schools. In the meantime, the county has to operate acknowledging the restrictions placed on it, in terms of s106 funding, by the changes in planning legislation described above. It seems that new schools provision for the Chilmington Green development will be funded through s106 contributions and negotiations with the developers over phased payments and school delivery are well advanced.

The commissioning plan goes on to state:

“In the medium term (by 2016-17) the Plan identified the need to commission a new school for the Cheeseman’s Green development, now known as Finberry.

“House-building in the area is set to continue, with 7,000 to 10,000 new houses anticipated by 2021. The provision of new schools is being factored into the planning for the Borough, with up to six schools and sites being requested or secured via developer contributions, including a new Secondary school. As these schools are built to serve these new communities, the timings are linked to those of the housing developments. As mentioned above we anticipate new school provision in Cheeseman’s Green opening in September 2015, and 1FE of new provision being commissioned for Chilmington Green for 2017.”

The schools commissioning position to 2018-19 for Ashford and beyond has been re-created in the table on the following page.

Ashford Primary School Commissioning

Planning Group or set of Planning Groups	Commissioning Position (by 2015-16)	Commissioning Position (by 2016-17)	Commissioning Position (by 2017-18)	Commissioning Position (by 2018-19 and after)
Ashford Central		Commission 30 Year R places	Commission 30 Year R places	Commission a new 2FE school.
Ashford South East	Open new academy (initially off-site) for Finberry (Cheeseman's Green). Open with Years R, 1 and 2 (1FE).	Relocate Finberry Academy to its permanent building and expand by 1FE.		
Ashford South	Commission 30 Year R places.	Commission 30 Year R places.	Subject to commencement of Chilmington Green's housing development commission the first 1FE of a new 2FE school.	<ul style="list-style-type: none"> • Expand the new Chilmington Green Academy by 1FE. • Commission two further 2FE and one further 1FE schools at Chilmington Green.
Willesborough				Commission a new 2FE school.

Ashford Secondary School Commissioning

Commissioning Position (by 2015-16)	Commissioning Position (by 2016-17)	Commissioning Position (by 2017-18)	Commissioning Position (by 2018-19 and After)
			Subject to commencement of the Chilmington Green development, commission the first 4FE of a new 8FE school to open by 2022/23.

Future State

We are looking to streamline the processes we operate to ensure these are as efficient as possible. We are, with colleagues at Ashford, exploring how we might arrive at an agreed position regarding schools sites which can support further pupils/expansion, and those that cannot. This might help inform future land use allocations, as well as identifying projects for both CIL and s106 purposes.

We are also exploring whether annual needs assessments can be produced and accepted; for example, areas in which we know any planning application would trigger a need for additional infrastructure, and those where (based on the housing trajectory) needs could be met. If we are able to develop initiatives like these, there would be meaningful time savings for both the county and borough officers.

Conclusion

This paper seeks to acquaint members of the methods by which KCC operates and manages the process to secure and apply s106 developer contributions to infrastructure projects implemented to mitigate pupil demands from new housing. It describes the difficulties being encountered and the changes in legislation as local authorities transition into a landscape where the provision of community services to meet housing needs will be funded mainly by the Community Infrastructure Levy. KCC wishes to build on the past cooperative working relationship it has enjoyed with the borough as future Local Plan housing provisions are implemented and the supporting infrastructure, such as schools, is instigated.

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Agenda Item No: 6

Report To: Overview & Scrutiny Committee

Date: 24th March 2015

Report Title: **International House Update**

Report Author: Stewart Smith
Senior Commercial Development Manager

Portfolio Holder: Councillor Neil Shorter
Portfolio Holder for Resource Management and Control

Summary:	This report seeks to update the Overview & Scrutiny Committee on the position following the acquisition of International House, particularly with regard to asset and building management, current voids and budget forecast.
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Key Decision: No

Affected Wards: Victoria (Ashford)

Recommendation: **That the Overview and Scrutiny Committee notes the update report.**

Financial Implications: None

Contact: stewart.smith@ashford.gov.uk – tel: (01233) 330828

Report Title: International House Update

Purpose of the Report

1. To update the Overview & Scrutiny Committee on the position following the acquisition of International House, particularly with regard to asset and building management, current voids and budget forecast.

Issue to be Decided

2. N/A

Background

3. At the Overview & Scrutiny Committee of 27th January 2015 some Members expressed concern regarding the risks for the Council in relation to the acquisition of International House, and requested that a report be submitted back to the Committee to address these concerns.

Asset Management

4. Since completing on the purchase of International House in April 2014 the Council has undertaken work to maximise the (already good) return that this asset provides. This has included:
 - Securing vacant possession and carrying out the refurbishment of the first floor. These works will be completed by the end of this month (March) and will result in the creation of 5300 square foot of office space which will achieve circa £84,800 per annum in additional rent. At the time of writing negotiations are at an advanced stage in relation to the letting of 1800 square foot of this new space.
 - A reconfiguration of the office accommodation on the second and third floors which has resulted in the creation of an additional 730 square foot of office space. This will generate an additional rental income of £11,000 per annum. Negotiations have been completed in relation to all 730 square feet and leases issued.
 - Entering in to negotiations with high street coffee shop chains with a view to establishing a cafe on the ground floor of the building thereby generating additional rental income. Negotiations are currently ongoing.
 - Addressing the building management strategy to see where savings can be made in relation to the Service Charge expenditure. This has resulted in provisional savings which reduce the budgeted itemised heads of expenditure by £25,000 for the next financial period 15/16. Some of this saving may be lost to additional costs incurred as a result of improvements made to the existing service (higher grade CCTV

installation) but this will have the effect of increasing the value in the asset. Service Charge expenditure will continue to be examined annually to identify where savings can be made.

Building Management

5. A Business Case is currently being put together exploring the idea that the management of the building is brought in-house.

Current Voids

6. Save for the available space on the first floor, referred to above, there is currently only one void in the whole of the office block (Suite 1, Third Floor - totalling 474 square feet). This available space is being actively marketed with local agents.

Budget Forecast

7. There has been the requirement to manage a number of voids in the opening financial period, partly as a result of the works being carried out on the first floor. The impact of this has to a large part been mitigated by pro-active treasury management. The outturn for the coming financial period 15/16 is in line with the forecast (Feb 14) of £870,000.

Recommendation

That the Overview and Scrutiny Committee notes the update report.

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Appendix 2

International House - Due Diligence - Questions from Councillors

Councillor		Question	Answer
Councillor Bartlett	1	What is the view by agents on the risk that the building will not be occupied as tenants vacate (we will need to see the letting schedule including lease terms) such that income falls below the cost to the Council (i.e. interest on the loan). A financial model would be of use.	Market evidence from the appointed valuer at the time of purchase , demonstrated there is a strong market for good quality office space, to reasonably modern standards. This has been further evidenced more recently, whereby the Council undertook a soft market testing exercise for the new office block on Dover Place, which concluded there is significant interest and potential pre lets are already expressing interest in the space.
Councillor Bartlett	2	What is the Council's view of alternative use should the income from office letting dry up?	This was included within the Cabinet Report of February 2014 as attached, which considered the risk assessment of purchase. At the time discussion had taken place with a local architect as to whether the building could be converted in to residential and it was confirmed this was possible.
Councillor Bartlett	3	What public liability insurance has the Council taken out to protect itself should there be a claim arising from its ownership?	International House is covered under the Councils Public Liability policy, this was recently reviewed and retendered by our brokers AON who advised that the Limits of indemnity were increased to £30m per claim. The limits of the Councils policy have been increased in line with this advice from AON.
Councillor Bartlett	4	Did the Council consider using a Special Purpose Vehicle (SPV) to ring fence the risk of liabilities arising from the building falling on the Council?	Yes, however, the property was purchased as an investment asset and as such income was included with the Council's MTFP without payment of any tax. The Council concluded there were no additional advantages including International House within an SPV. As the sole owner of the SPV, the Council would have had to manage the reputational risk of any such liability in any event. However, the risk assessment did not suggest any unusual or uninsurable risks. The insurability of the building is In line with the Council's policy and was appropriately insured see question 3
Councillor Bartlett	5	What tax planning was taken to ensure the Council does not trigger VAT, corporation tax or Capital Gains Tax arising from its ownership?	Corporation tax would only arise if the building were put into a company, as the Council does not pay corporation tax. Capital Gains Tax is a personal tax and doesn't apply to the Council and wouldn't apply to a SPV either, although it is recognised that capital gains may generate corporation tax able profits (subject to capital allowances).
Councillor Bartlett	7	Is land title clean?	Yes if by clean you mean that the title enables the building and land to be used for its existing use without onerous covenants or charges.
Councillor Bartlett	8	What is the EA view of the site regarding risk of flooding?	The eastern section of the International House car park adjacent to the River Stour is situated in the Environment Agency's designated Flood Zone 2 . This means that it has between a 1 in 100 and 1 in 1,000 annual probability of flooding. The building itself is on higher ground just above the flood plain.
Councillor Bartlett	9	What access rights from Station Access Road are available? (I recall the Council entering into an agreement with the landowners regarding access from the Station Access Road and wonder if the former owners of International House have needed to do the same).	Yes, an easement is in place for the benefit of the land on which International House sits in respect of Station Approach, in similar terms to that of the easement that the Council has.
Councillor Davison	10	Are the building survey and due diligence reports available to Councillors?	Yes available at request
Councillor Davison	11	Which Councillors were consulted on the purchase?	The acquisition report went to Cabinet with the Council's recommendations agreed by full Council in February 2014, Councillors Clarkson and Shorter together with the CEX then "signed off" the final due diligence report before exchange of contracts in accordance with the Council's decision.

Councillor Davison	12	Who made the decision to purchase?	Cabinet, Meeting February 2014, the Cabinet Minute number is 305/02/14 (13 th February 2014) which in turn was approved by Council on 20 th February 2014 – Minute number 328(b)(ii)/02/14.
Councillor Davison	13	What is the gross floor space and how much is let?	Total 79,280 sqft less non lettable space 2,280 which gives lettable space of 77,000 sqft. All is let save the first floor of 5,720 which is currently being refurbished, following the relocation of the community groups who had rent free leases. Prelets for the majority of the 1st Floor are in place.
Councillor Davison	14	What is the ABC business plan for the building?	Council agreed to purchase International House for investment purposes to strengthen its resilience against future central government funding cuts. Net income is budgeted £728k and £754k for next year before financing. This significantly improved the Council's financial position and as such was reported within the Cabinet Preliminary draft Budget Report 8.12 .14 appendix E. Further efficiency drivers are in place for next year to reduce operational costs.
Councillor Davison	16	What was the source of the purchase funding?	The Council modelled the acquisition based upon borrowing from the PWLB on a 25 year fixed interest loan (4.25%). The Council has not yet taken out this funding and has borrowed it from internal cash balances (costing between 0.5% and 1% in lost investment returns) due to relatively cheap short term funding costs. Since the acquisition there has been a reduction in long term rates which now are just below 3%. The Councils treasury management advisor, Arlingclose, have been monitoring this and do not advise that the council takes long term borrowing to finance the purchase at this stage.
Councillor Davison	17	What type of insurance has been taken out and its cost?	The Councils Public Liability cover is discussed in the response to question 3, as this is priced on the councils entire risk portfolio it is not possible to separate a cost for International House. The Councils building insurance covers damage to the property to rebuild cost (£15.5m) and covers the loss of rent (£1.2m) per year. For International House this costs £11,312.05 (including IPT) The Councils Employers Liability policy would cover any staff employed to manage the building (currently this is outsourced). The Council has Terrorism cover which means the Policy is valid in the event of an act of Terror affecting the property. Best advice was sought from the Councils broker at renewal and we have put in place cover at the levels recommended by AON.
Councillor Davison	18	If any outside funding is involved. What type and at what cost?	Funded wholly by the Council.

Agenda Item No: 8
Report To: Cabinet
Date: 13th February 2014



Report Title: **Commercial Quarter**

Portfolio Holders: Councillor Neil Shorter

Portfolio Holder for Resource Management and Control.

Report Author: Paul Mckenner
Strategic Housing and Property Manager

John Bunnett
Chief Executive

Summary:

The Council has an ambitious programme to deliver a number of key projects before May 2015 and has established the Ashford Strategic Delivery Board to oversee the **Big 6 Projects**. One of these major projects for the Borough is to support the redevelopment and to re-invigorate the Commercial Quarter. The Public Sector has been involved in securing a number of sites within the Commercial Quarter such as International House and the former Crouch's garage site (including Dover Place) to facilitate a comprehensive redevelopment of this area that will form part of a mixed use redevelopment to include retail, leisure, commercial floor space, residential accommodation and high quality public realm space.

As a growing borough, the Council wants to attract sustained economic growth and the commercial quarter is key to Ashford's prospects overall. The commercial quarter has always been seen as the 'driver' for that growth and an essential part of overall plans for the town and the regeneration of the town centre. The new office quarter – complemented by more conventional business parks with good motorway access – is essential to the balanced growth of the town and for taking full advantage of HS1. With economic growth will come housing demand and of course we are planning for that too. The Council now has an ideal opportunity to deliver this by the purchase of International House and the former Crouch's Garage site in this financial year and the potential to redevelop a 50,000 sq ft of office on part of Dover Place car park.

Homes and Community Agency (HCA) has allocated a significant amount of their own monies to deliver considerable public realm works around the Commercial Quarter, these works are subject to the necessary approvals being in place and will further enhance the visual appearance of the area and will endorse the linkages in to the town centre.

The scale of the Commercial Quarter is significant, providing

enormous scope to have available in Ashford strategically located, serviced development land capable of attracting and retaining a wide range of high value employment uses. At the same time, these strategic asset acquisitions will provide an invaluable revenue stream to replace in part the loss of Central Government funding.

This report recommends the Council making the acquisition in order to strengthen the Commercial offer and help support the long term financial stability in line with the agreed Corporate Plan "Focus 2013-15". It is proposed, subject to the satisfactory conclusion of the due diligence process, that Members agree to fund the acquisition through Prudential borrowing.

Key Decision: Yes

Affected Wards: All

Recommendations: **The Cabinet be asked to recommend to Council:-**

- 1. to purchase International House and the former Crouch's Garage site as outlined within the exempt appendix 1 subject to detailed due diligence being carried out to the satisfaction of the Leader, Portfolio Holder for Resource Management and Control and the Chief Executive.**
- 2. to finance the cost of purchase and repairs from Prudential Borrowing.**
- 3. to commence design proposals for an office block on Dover Place once the acquisition of the former Crouch's garage site has been completed.**
- 4. to fund the cost of those designs of £120,000 from revenue reserves.**
- 5. to note the significant public realm works to be undertaken around the Commercial Quarter.**
- 6. to give authority to the Head of Legal and Democratic Services, in consultation with the Strategic Housing and Property Manager, to execute and complete all necessary documentation to give effect to the above recommendations.**

Policy Overview: There is an overwhelming need to enhance the commercial offer to sustain the economic agenda and to ensure such offer is high quality to provide long term sustainability for employment uses. There is also an ever increasing pressure on the public sector to strategically manage and operate their property assets and to think commercially about property decisions. At the same time there is continuing pressure to provide better local services and raise standards, whilst operating under financial constraints. Many authorities are now acting to strengthen their funding base and reduce reliance on Government

Grant by building asset portfolios that provide a commercial return.

The Council has powers to acquire and dispose of properties under the Local Government Act 1972. There are a number of Government policies aimed at achieving efficiencies, transforming public services, giving communities more power (Localism Act 2011), improving infrastructure and addressing climate change, this proposal would compliment these objectives.

Financial Implications:

The purchase of these acquisitions has been considered as a viable proposition in order to enable the Council to secure an income stream and increase our financial resilience over time rather than be reliant on continually decreasing Central Government Funding. The funding of these proposed purchases are to be financed from Prudential Borrowing.

Risk Assessment

This will form part both of Council's overall Corporate Risk Assessment and the risks which are contained within the report.

Exemption Clauses:

Exempt Appendix 1 and 3 A Not For Publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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Appendices

Exempt Appendix 1 – Business Case/Proposed Purchase
Appendix 2 Location plan of the assets to be acquired and photographs.
Exempt Appendix 3 Cash Flow Forecast for International House

Report Title: Commercial Quarter

Purpose of the Report

1. To seek Cabinet approval to purchase International House and the former Crouch's Garage site as outlined within the exempt appendix 1.
2. To approve the use of Prudential Borrowing to fund the purchase of these assets.
3. To demonstrate to members both the value of strategic capital investment and the impact such investments have on placing less reliance on government grants and more importantly enhancing the commercial offer of the Borough

Issues to be decided

4. To purchase both International House and the former Crouch's garage as investment properties and to approve the release of revenue reserves to fund the design proposals for an office block redevelopment on Dover Place.

PROPOSED PURCHASE OF INTERNATIONAL HOUSE AND FORMER CROUCH'S GARAGE SITE.

Background

5. The Public Sector has been involved in securing a number of sites within the Commercial Quarter such as International House and the former Crouch's Garage site (including Dover Place car park, workshop, former grain store, single storey building, old corn store and yard) to facilitate a comprehensive redevelopment of this area that will form part of a mixed use redevelopment to include retail, leisure, commercial floor space, residential accommodation and high quality public realm.
6. As a growing borough, the Council wants to attract and grow our commercial offer to further the economic growth and prosperity of the town and the borough. The Council now has the perfect opportunity to deliver this by purchasing International House and the former Crouch's garage site in this financial year with the potential to develop 50,000 sq ft of office space on part of the current Dover Place car park.
7. The development and commercial opportunity represented by the Commercial Quarter will represent the single largest opportunity ever undertaken by the Council to help grow the local economy by attracting significant investment and job opportunities.
8. During the last eight months or so, the Council has been exploring the possibility of purchasing the HCA freehold interests in the Commercial Quarter, which includes the former Crouch's Garage, Dover Place (comprising a public car park and several older buildings with existing occupiers) and a multi let office space of approximately 80,000 sq ft fronting Station approach and known as International House together with the associated car park.

9. With the full support of the Leader, Portfolio Holder for Resource Management and Control and the Chief Executive, gave an undertaking to purchase the HCA freehold interests in the Commercial Quarter subject to the usual pre contract due diligence and full endorsement by the Council.
10. The Council is working towards completion of the purchase of both sites by 1st April 2014.
11. Once the Council has purchased the freehold interest in Dover Place Car, this would provide the Council with the ideal opportunity to develop the site. Initial discussions have taken place with a leading architectural practice and have developed a design proposal that could deliver a 50,000 sq ft office complex built out at around £150 sq ft, equating to £7.5m of capital costs.
12. The Leader of the Council supported by senior officers is keen to see the development progress to further assist the reshaping and to improve the prominence of the Commercial Quarter both locally and nationally. This site is ideally placed to take advantage of the economic benefits of its location to both the International and Domestic railway stations and to support the continuing growth of Ashford
13. It is proposed to progress the initial designs to planning stage and during this time the Council would look to market the site to commercial operators and or consider alternative ways of funding the office development.
14. Members are asked to release £120,000 to fund the costs associated to take the design proposals through to planning approval stage.
15. HCA is committed to deliver a considerable package of public realm works to redesign and construct new shared surface area within the Commercial Quarter. The site is located adjacent to Ashford International High Speed Rail Station, and links International House to Station Road via Dover Place.
16. HCA have appointed designers and will be working closely with both the Planning Authority and the Council's property team to develop a scheme which significantly improves the visual appearance of this area. The programme is envisaged to start after the proposed completion date and there will be a need to enter in to a legal agreement with both Kent County Council and the Borough Council to enable this.
17. The proposed purchase by the Council is not connected or conditional upon HCA progressing a possible transaction with Royal Mail in respect of the Post Office Sorting Operation, which occupies the site immediately to the north of HCA's existing ownership. Similarly, we understand that HCA will progress a sale of its freehold interest in the former Rimmel site on the open market within the next 5 months and that this process is entirely unconnected with the proposed sale and purchase.





DUE DILIGENCE:

18. The Council and the HCA jointly commissioned the appointment of an independent valuer to assess the open market value of the properties on the basis that both parties accepted and agreed to complete the sale at the independently assessed valuation. (The Council also understood that HCA will need to realise the Net Book Value of its assets at the agreed valuation date).
19. **Due diligence**

The usual legal conveyancing process is taking place including consideration of the legal title to the properties, details of the occupancy arrangements that are in place with the tenants of the various buildings, and detailed enquiries made of the HCA's solicitors regarding the properties. This due diligence will be completed in readiness for exchange of contracts prior to 31st March 2014.
20. The Council commissioned detailed surveys of all of the buildings to be acquired to determine the current condition, any repairs immediately necessary and long term maintenance costs. The reports are very detailed, lengthy and comprehensive and are available to Members on request.
21. These include the following:-
 - I. Building Survey Report
 - II. Mechanical and Electrical Report
 - III. Curtain Wall and Cladding Report
 - IV. Structural Survey Report
 - V. Further reports such as Asbestos Survey Reports are being produced by the HCA as part of the standard enquires to purchase.
22. The Council is nearing its completion of the due diligence and we are awaiting the outcome of the Structural Survey report for International House. It is pleasing to report the findings of the reports received thus far, indicate the fabric of the building is sound, with no major issues of concern. There have been a number of remedial issues which the HCA have agreed to carry out before purchase is carried out.

23. International House which was constructed in the early 1970's is generally in a very sound condition considering its age and use. Ongoing refurbishment work has been undertaken since its construction, most recently since HCA acquired the building to the common parts and the entrance. In addition to 8th, 9th and 10th floors.
24. Elements of the building are, in some cases, coming naturally to the end of their economic life. External glazing, roof covering and car park are three elements requiring investment to extend the life of the building, these will be managed by adopting a just in time approach which enables the Council to review the timing of the repairs to be carried out and to carry out the repairs when required to do so.
25. There is no planned maintenance programme in place at this time and it is therefore proposed to address this by setting aside £500,000 of borrowing to carry out necessary repairs to address the elements above and to have funds to carry out planned maintenance work in due course.
26. Reports for the former Crouch's Garage site have identified that significant investment is required and will be subject to a further report, once the long term options for the buildings have been considered.

INTERNATION HOUSE LOCATION:

27. International House is situated on the northern side of the access road to Ashford International Station on the southern periphery of Ashford town centre. The northern entrance into the railway station and the entrances to two of the station car parks are situated opposite International House. The building is bounded by the Dover Place car park to the west, the car park to the Civic Centre and Stour Centre to the east and industrial/warehouse buildings to the north. Photographs are contained within appendix 2.

DESCRIPTION:

28. International House is a purpose built office building which provides office accommodation on the 1st – 11th floors. The building is approximately 40 years old. It is of reinforced concrete framed construction forming two wings, the main, Block A, facing the station and the smaller, Block B, facing Dover Place. The floors within the building are all of solid concrete construction. The elevations to the main, 12 storey, and part of the building have small areas of brick cladding. The main front and rear elevations are clad principally with steel faced panels which incorporate single glazed aluminium framed windows.
29. The eastern and western flank elevations to the 5 storey rear wing have similar claddings. The northern and southern elevations to the rear wing are brick clad.
30. Both the main 12 storey part of the building and the 5 storey rear wing has mono-pitched roofs. The roof to the rear wing is finished with asphalt which has been overlaid with concrete slabs.
31. On the ground floor of the building there is an entrance/reception area which has a glazed frontage. The floor is principally tile clad. There is a suspended ceiling. Access to the upper floors of the building can be obtained either via one of three 12 person passenger lifts or the staircase which is situated at the rear of the core area.
32. At each floor level in the core area there is a landing/lift lobby and male and female W.C. On some of the floors there are also tea making rooms. The accommodation on the 1st, 2nd, 3rd & 4th floors is L-shaped. Within floors 5-11 the accommodation is rectangular in shape.

33. The specification of the office accommodation varies from floor to floor. Within Block A (the 12 storey part of the building) the 2nd, 3rd, 4th & 6th-11th floors have been refurbished. The fit out includes suspended ceilings which incorporate recessed Category 2/LG7 lighting, perimeter panel hot water radiators and perimeter trunking.
34. Within Block B (the rear 5 storey wing) the accommodation on the 1st & 2nd floors has been upgraded to include suspended ceilings although the original perimeter fin pipe heating system is in situ.
35. Within the 3rd and 4th floors of Block B and on the 5th floor of the building the accommodation has not been subject to any significant refurbishment. The specification includes solid ceilings with ceiling mounted fluorescent lights and perimeter fin pipe heating.
36. A limited refurbishment has been carried out to part of the 1st floor within Block A.
37. On the 3rd, 4th & 8th floors of the building the accommodation has been divided by partitions to form a number of suites which are capable of being let as separate units.
38. Within the void above the core to the 11th floor there is a former caretaker's flat and a plant room.
39. The building is situated on a basically L-shaped site which has an area of approximately 1.845 acres (0.746 hectares). Within the site there is a barrier controlled access, of which there are approximately 220 marked parking spaces.

ACCOMMODATION & FLOOR AREAS:

Total internal floors areas for Block A are 62,218 sq. ft. (5780.01 m²) and for Block B are 17,072 sq ft. (1,585.98m²) which provides an overall total of 79,280 sq ft (7,365.99 m²)

LEASES & TENANCIES:

40. We have been provided with a schedule of leases and income. We have now concluded due diligence of the leases and tenancies and are now satisfied as to their terms.
41. The leases and tenancies vary across the buildings in their length, rent levels and whether the rent is inclusive or exclusive of service charges. There are a few historic leases that are on terms that would not be best practice if granted in today's market, but these are not detrimental to the Landlord's position.
42. There are no units currently unoccupied and there is a wide range of tenants in terms of nature of their business and their strength of covenant.
43. Proactive management of the tenancies will commence after purchase to establish a long term strategy for the building.
44. The independent valuer has assessed the valuation of International House and the former Crouch's Garage site having regard to the leases as at October 2013. The valuation opinion is contained within Exempt appendix 1.
45. The former Crouch's Garage leases are predominately short term tenancies all at peppercorn rent, which includes the Youth Theatre building, Old Corn store (empty) Gateway furniture store and a former garage forecourt.

46. The valuation advice received shows there is a difference of £150,000 to the HCA Net Book Value of International House from that of the independent valuation. Former Crouch's Garage site is at the same value. Although there is a difference between the two valuations, there have been a number of changes in the position regarding tenancies since the valuation was carried out. Furthermore, the Council recognises a small premium payment is worth paying to act as a catalyst for improving both the economic prosperity of Ashford and as well as assisting in delivering additional revenue income.
47. The Council has been provided with budget estimates for managing and maintaining International House, this currently shows an operating budget cost in the region of £450,000. Of which, just less than 50% is recovered through service charge arrangements leaving a balance of £237,000 to be met by the Council as the freeholder of the building. This is as a result of the rent levels for those tenants that pay an inclusive rent being incorrectly set; as a result there are some service charge costs that are not directly recoverable. This will be addressed by the Council as the Landlord when these units become available for re-letting.
48. The Council proposes to continue with the current management arrangements with the existing management company GVA Grimley for the immediate future and would look to review the day to day operation once the management arrangements are fully understood. Marketing of the facility will also be left unchanged at this time and will be reviewed.
49. The overall financial position of the proposal to purchase the freehold interests of the HCA assets is contained within the Exempt Appendix 1.

Financial

50. The purchase of this property has been included in the draft budget with assumptions made on the income generated and saving in rental payments for the car park. This has been included in the risk register for the draft budget.
51. A cash flow forecast has been completed for the project allowing for purchase costs (including Stamp Duty) with an allowance for refurbishment, operating costs that have been provided by the agent and rental income based on the current tenancy agreements. This is contained within exempt **appendix 3**.
52. The gross yield excluding service charge costs amounts to 15.03%, net of financing and other charges amounts to 3.21%.
53. The Council's Property acquisition strategy requires that financial modelling is completed using the 25 year PWLB rate giving a benchmark for the investment at a long term borrowing rate and mitigating against refinancing risk. The modelling is based on fixed borrowing costs of 4.25%. however there is an opportunity to fund this using short term borrowing which will reduce these costs but will however create a re-financing risk (as interest rates could increase in the future). This will impact upon the surplus generated for the general fund. Borrowing will be managed by the Deputy Chief Executive to optimise the return and manage the refinancing risk.
54. The Financial model has allowed for a 5% level of bad debts and voids which is felt to be a prudent assumption.

55. The Council will not have completed the due diligence process when this report is issued, but work undertaken to date strongly suggests the investment is sound and that the proposed purchase makes good sense. Subject to due diligence completion to the satisfaction of both the Leader, Portfolio Holder and the Chief Executive it is proposed to complete purchase on or before the 31st March 2014.

Risks Assessment

56. In January the Cabinet adopted a property acquisition policy that outlined the risk assessment criteria that would be applied when making an acquisition. These risks are as follows:-
57. **Acquisition risk** – negotiations for the purchase of this property are at an advanced stage with the valuation agreed and therefore the risks in this area are considered to be minimal.
58. **Due to the nature of the property market** – the property is not being actively marketed by the owners and negotiations are at an advanced stage so there is a low risk of the property market changing and affecting this property.
59. **Cost risk** – Due to the advanced stage to discussions this is a low risk of incurring abortive costs; however some costs have already been incurred and would be lost should the purchase not continue.
60. **Lack of suitable sites**- Not applicable for this purchase as the asset has been identified.
61. **Property market risk**- This investment is not looking to speculate on an increasing asset value and the cash flows of the assets will be used to reduce the debt linked to this purchase and therefore a reduction in the property value should not cause a significant risk.
62. **Void risk**- the financial modelling has assumed a 5% level of voids and bad debts however a protracted period of voids is a risk to this investment. The Council is going to continue the existing management arrangement which has experience in the management and marketing of the property.
63. It is suggested that the provision for voids and bad debts is put aside in a reserve to cover for a fall in income levels.
64. **The primary risk** in this area is the eventuality that tenants exercise break clauses within their leases and suitable alternative tenants cannot be found. The length of existing tenancies is staggered and there is a reasonable duration remaining on existing tenancies which mitigates this risk. Given the towns focus on growth and the reasonable prospect for recovery this is not seen to be a short term risk.
65. Long term voids will have an impact on the overall revenue budget with no income to offset the costs of owning a property. To mitigate this eventually the Council may need to consider whether the property could be sold or redeveloped.
66. **Refinancing risk**- the Council exposure to increasing debt will need to be considered as part of its Treasury Management function and will be reviewed annually. Therefore when assessing investment opportunities we will use the PWLB 25 year interest rate.
67. This acquisition represents the second property purchase under the property acquisition policy. Whilst these properties have incurred some debt the Council is comfortable with the

level of general fund debt on its balance sheet with debt forecast to be circa £11m and general fund assets forecast to be £65m.

Conclusion

68. As one of the big six projects it is an exciting time to attract and grow our businesses, the Council seeks to create a Commercial Quarter that will provide a significant increase in jobs. The mixed use development will create a showcase for Ashford with its own special atmosphere and quality of life, sympathetic and fully integrated with its existing concept.
69. The Quarter will be a highly connected part of Ashford, linked by High Speed One and international rail services together with cycle ways, improved public realm and access into the Town Centre. The Commercial Quarter will provide a key base for business, creating jobs and sparking economic growth.
70. With the expansion of the Designer Outlet, nearby College Campus and Elwick Road, the Commercial Quarter plays an important part of Ashford's growth and sustainability as well as providing an invaluable income stream to the Council.

Portfolio Holder's Views

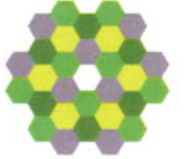
71. The opportunity to gain control of this key site should be grasped with both hands. Not only does the revenue stream from International House make the finances deliver a net gain to the Council and assist our revenue budget position in these challenging times, the ability to directly influence the future development of a strategically important site is an exciting opportunity.
72. I am satisfied that the appropriate level of due diligence is being undertaken. I am equally satisfied that the negotiations undertaken prior to this proposal coming before Cabinet have been robust and have delivered a "good deal" for the residents of Ashford.
73. I fully support this proposal and recommend its agreement by Cabinet and then to full Council.

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Land Registry Illustrative plan

Title number **K299048**
Ordnance Survey map reference **TR0142SW**
Scale **1:1250** enlarged from 1:2500
Administrative area **Kent: Ashford**



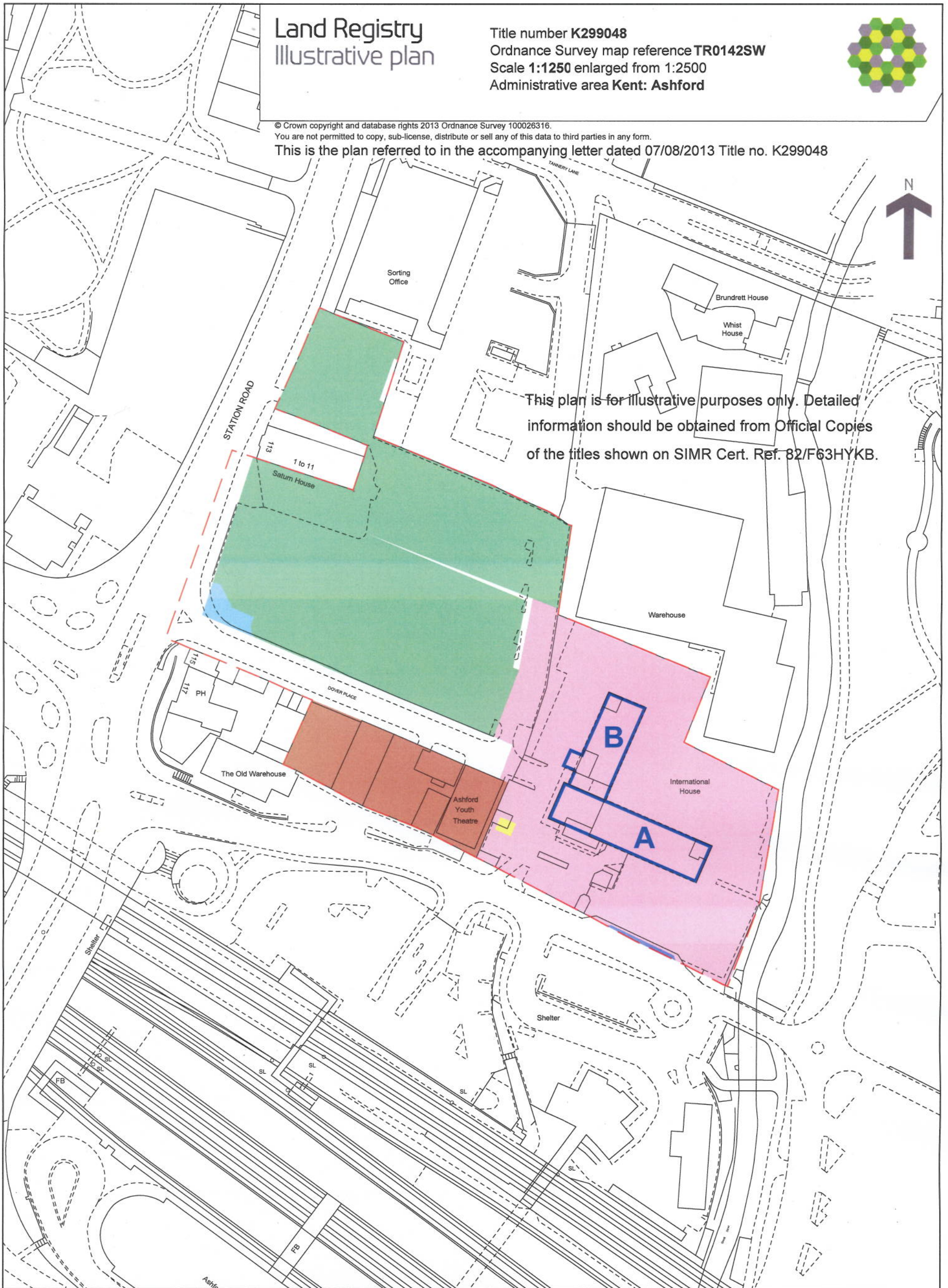
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This is the plan referred to in the accompanying letter dated 07/08/2013 Title no. K299048



This plan is for illustrative purposes only. Detailed information should be obtained from Official Copies of the titles shown on SIMR Cert. Ref. 82/F63HYKB.



This plan shows the general position, not the exact line, of the boundaries. It may be subject to distortions in scale. Measurements scaled from this plan may not match measurements between the same points on the ground. See Land Registry Public Guide 19 - Title Plans and Boundaries.

Future Reviews and Report Tracker

April – meeting cancelled

Next meeting June 2015

New items:- This is the last O&S meeting of this Municipal Year. After the election, once the new O&S Committee has been established and has received some specific O&S training, members of the new Committee may wish to consider if there are any items they wish to suggest the Committee considers as part of its 2015/16 work programme, or if there are any items on the current list that they would prefer not to be carried forward. If there are any such items members of the Committee should advise the Chairman well in advance of the first O&S meeting of the municipal year – and these items could be put on the agenda for discussion.

Year Plan 2014/15

Month	items	Task Group
May	<ul style="list-style-type: none"> • ABC Business Plan quarterly performance report (Q4) • Fly tipping 	
June	<ul style="list-style-type: none"> • Call-in meeting re Cabinet Minute No. 397 	
July	<ul style="list-style-type: none"> • Sickness & Absenteeism annual report. • Housing Strategy Action Plan Monitoring Report and annual review of Homelessness strategy 	Budget Scrutiny TG meeting
August	No meeting	
September	<ul style="list-style-type: none"> • ABC Business Plan quarterly performance report Q1 • BSTG Report back on 'Informing the next 5 Years' 	
October	<ul style="list-style-type: none"> • BSTG – Information report • Update on new waste and recycling scheme. 	
November	<ul style="list-style-type: none"> • ABC Business Plan quarterly performance report Q2 • Update on Conningbrook • S106 agreements 	
December	<ul style="list-style-type: none"> • Update on Portas Pilot project • Progress on Focus 2013/15 	Council's draft 2015/16 budget - Budget Scrutiny TG meetings
January	<ul style="list-style-type: none"> • Report of Budget Scrutiny Task Group • Update and progress report on ABC Commercial Companies and the O&S Call-in recommendations 	Budget Scrutiny TG meetings
February	<ul style="list-style-type: none"> • ABC Business Plan quarterly performance report(Q3) • Annual review of Community Safety Partnership 	
March	<ul style="list-style-type: none"> • S106 contributions and education provision • Commercial property • Budget Scrutiny Task Group report on HRA 30 year business plan 	
April	Meeting cancelled	

O&S Committee – Report Tracker – Current position

Minute No.	Report Title	Officer	Date due	Current position	Recommended action
405/04/14	Overview and Scrutiny Annual Report	Senior Scrutiny Officer	May/June 2015		Timetable for May/June each year
142/09/12	3 year review of Mayoralty		Sept 2015		
431/04/12	ABC Business Plan performance reports – 2013/14	Policy & Performance Officer	Sept/Nov/ Feb/ May		
62/06/12	Sports & Leisure		TBA		
398/03/13	Refurbishment of the Stour Centre	TBA	TBA	Final Report from Task Group to be presented to O&S	
367/02/15	Community Safety Partnership – annual update	Health, Parking & Community Safety Manager	February 2016		
216/11/13	Council play parks	TBA	TBA	Awaiting confirmation of date of report	
102/07/14	Annual report on Housing framework	Housing Strategy Manager/Head of Housing	July 2015		

103/07/14	Sickness and Absenteeism – annual report	Head of Personnel & development	June/July 2015		
301/12/14	Disabled Adaptations	TBA	TBA		