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South Cambridgeshire
District Council

2 November 2021

To: Chair – Councillor Grenville Chamberlain
Vice-Chair – Councillor Judith Rippeth
Members of the Scrutiny and Overview Committee – Councillors Anna Bradnam, Dr. Martin Cahn, Nigel Cathcart, Sarah Cheung Johnson, Graham Cone, Dr. Claire Daunton, Peter Fane, Sally Ann Hart, Geoff Harvey, Steve Hunt, Dr. Aidan Van de Weyer and Dr. Richard Williams

Quorum: 4

Substitutes:	Councillors Heather Williams, Mark Howell, Sue Ellington, Bunty Waters, Gavin Clayton, Henry Batchelor, Alex Malyon, Jose Hales, Dr. Ian Sollom and Paul Bearpark

There is a pre-meeting session at 4pm on Tuesday 9 November, for members of the Committee only, to plan their lines of enquiry.

Dear Councillor

You are invited to attend the next meeting of **Scrutiny and Overview Committee**, which will be held as a **Virtual meeting - Online** on **Thursday, 11 November 2021** at **4.30 p.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution ***in advance of*** the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
Liz Watts
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. If you have any specific needs, please let us know, and we will do what we can to help you.

Agenda

		Pages
1.	**Chair's announcements**	
2.	**Apologies** To receive apologies for absence from committee members.	
3.	**Declarations of Interest**	
4.	**Minutes of Previous Meeting** To authorise the Chairman to sign the Minutes of the meeting held on 14 October 2021 as a correct record.	**1 - 6**
5.	**Public Questions** To answer any questions asked by the public. The Council's scheme for public speaking at remote meetings may be inspected here: Public Questions at Remote Meetings guidance	
6.	**Planning Performance - Follow-up review (Internal Audit)**	**7 - 24**
7.	**Planning Performance - Overview for period from 1 September 2019 to 30 September 2021**	**25 - 44**
8.	**Investment Strategy (Key)**	**45 - 90**
9.	**Empty Homes Strategy 2021 - 2025 (Key)**	**91 - 118**
10.	**Work Programme**	**119 - 130**
11.	**To Note the Date of the next Meeting** Thursday 16 December 2021 at 5.20pm	

Exclusion of Press and Public

The law allows Councils to consider a limited range of issues in private session without members of the Press and public being present. Typically, such issues relate to personal details, financial and business affairs, legal privilege and so on. In every case, the public interest in excluding the Press and Public from the meeting room must outweigh the public interest in having the information disclosed to them. The following statement will be proposed, seconded and voted upon.

"I propose that the Press and public be excluded from the meeting during the consideration of the following item number(s) ….. in accordance with Section 100(A)(4) of the Local Government Act 1972 on the grounds that, if present, there would be disclosure to them of exempt information as defined in paragraph(s) ….. of Part 1 of Schedule 12A of the Act."

If exempt (confidential) information has been provided as part of the agenda, the Press and public will not be able to view it. There will be an explanation on the website however as to why the information is exempt.

Agenda Item 4

South Cambridgeshire District Council

Minutes of a meeting of the Scrutiny and Overview Committee held on Thursday, 14 October 2021 at 5.20 p.m.

PRESENT: Councillor Grenville Chamberlain – Chair
Councillor Judith Rippeth – Vice-Chair

Councillors:

Anna Bradnam	Dr. Martin Cahn
Gavin Clayton (substitute)	Graham Cone
Dr. Claire Daunton	Peter Fane
Sally Ann Hart	Geoff Harvey
Steve Hunt	Dr. Aidan Van de Weyer
Dr. Richard Williams	

Officers in attendance for all or part of the meeting:
Stephen Kelly (Joint Director of Planning and Economic Development), Peter Maddock (Head of Finance), Matt Paterson (Strategic Planning Consultant for Cambridge City Council and South Cambridgeshire District Council), and Ian Senior (Scrutiny and Governance Adviser)

Councillor John Williams (Lead Cabinet Member for Finance) was in attendance, by invitation.

1. Chair's announcements

The Chair made several brief housekeeping announcements.

2. Apologies for absence

Councillors Nigel Cathcart and Sarah Cheung Johnson sent apologies. Councillor Gavin Clayton substituted for Councillor Cathcart.

3. Declarations of Interest

Councillors Anna Bradnam and Judith Rippeth declared non-pecuniary interests in Minute 7 (In Principle Commitment to Delivery of Area Action Plan for North East Cambridge) as local Members for the ward of Milton and Waterbeach which would be impacted by the proposed Area Action Plan.

4. Minutes of Previous Meeting

The Committee authorised the Chair to sign, as correct records, the minutes of the meetings held on 20 July 2021 and 21 September 2021.

5. Public Questions

Daniel Fulton of the Fews Lane Consortium withdrew his public question and apologised for not having done so prior to the meeting.

6. General Fund Medium Term Financial Strategy

The Scrutiny and Overview Committee reviewed a report on the Council's Medium-Term Financial Strategy (MTFS) and financial forecasts. The report covered the MTFS up to the financial year 2026-27 and set out the updated medium term financial plan following the outcome of a mid-year review of financial forecasts.

Committee members noted that an early draft of the MTFS had already been considered by Full Council as part of the new process for developing the Budget. This review by the Scrutiny and Overview Committee was another part of that process.

Councillor John Williams (Lead Cabinet Member for Finance) briefly introduced the report, and then Committee members engaged in debate about the following.

The potential impact of inflation – especially wage inflation

In response to a question from Councillor Dr. Claire Daunton, the Head of Finance highlighted inflation as being one of the uncertainties in developing a Strategy taking the Council through to the year 2026-27. He summarised several other challenges and said that, at a time of such financial uncertainty, various assumptions had had to be made. Inflation was just one of those assumptions likely to vary over time.

Nature of the savings outlined in the report

The Head of Finance confirmed that predicted savings were on-going savings at this stage. He said that the extent of such savings might be reduced in the event of enhanced levels of service provision. Members cautioned against an over-reliance on efficiency savings to make the budget balance and attempting to claim all the savings from transformation but overlook service provision. Underlying that there was the assumption that once one round of efficiency savings had been made, subsequent ones would be harder to achieve.

Business Rates

The Head of Finance said that South Cambridgeshire District Council is in the top ten for business rates growth above the baseline. This had resulted in the Council benefitting from a substantial increase in income from business rates in recent years. He therefore acknowledged and highlighted the potential implications for the Council of the impending review of that source of local authority revenue. In response to a request to clarify a statement in his report that "…The financial forecast assumes neither a surplus or deficit in the period to 2026-27…", the Head of Finance said that there was a significant gap between revenue and expenditure but that the Council's Transformation Project might reduce that gap by up to 50%. In response to a query about a deficit in the Collection Fund, he said that this had been identified as a one-off occurrence. The Council's exposure to the possible abolition of Business Rates needed to be recognised and guarded against.

The impact of Brexit

The Head of Finance acknowledged the possible increase in costs.

Covid-19 costs

In response to a request to quantify reduced income aligned to business confidence (commercial rents, planning applications), the Head of Finance said there would be additional costs in 2022-23 and that the extent of the reduced income should become clearer in the next two to three months. In terms of income from planning applications, the Joint Director of Planning and Economic Development said that the Greater Cambridge Planning Service was constantly monitoring anticipated planning applications and revising its forecast of fees income. He said the current position was better than anticipated, but officers were continuing to assess matters and engage with developers, especially those whose applications were likely to generate higher levels of income.

Comparison between South Cambridgeshire District Council and other local authorities

Councillor Gavin Clayton wondered whether there were local authorities elsewhere with more certain forecasts. In reply, the Head of Finance said that South Cambridgeshire District Council was not alone in facing an uncertain financial future: while Councils had control over Council Tax revenue, the impending review of Business Rates was a major concern.

Council Tax

The Head of Finance said the figure for Council Tax was assessed on three elements: an increase of 1.99% or £5 whichever is the higher, an increased charging base, and Increased income from the Council Tax Counter-Fraud project.

Information

Councillor Peter Fane said that South Cambridgeshire District Council should endeavour to acquire first-hand information from Central Government rather than relying on information provided by third parties, no matter how trusted those third parties were.

Conclusion by the Scrutiny and Overview Committee

The Committee applauded the work being undertaken by the Head of Finance and his team. The Chair observed that the only certainty seemed to be uncertainty. He thanked the Head of Finance for giving the Scrutiny and Overview Committee the opportunity to understand the financial challenges that lie ahead.

7. In Principle Commitment to Delivery of Area Action Plan for North East Cambridge

The Scrutiny and Overview Committee considered a report concerning the deliverability of a joint Area Action Plan (AAP) being prepared by Cambridge City Council and South Cambridgeshire District Council for North East Cambridge. An AAP was likely to promote future structural change in the layout and land use of parts of the area, including new strategic walking and cycling connections; residential use of Nuffield Industrial Estate; the consolidation of industrial uses around the aggregate railhead; and the relocation of incompatible uses.

Noting some confusion as to the purpose of the report, Councillor John Williams, the Lead Cabinet Member for Finance, said that South Cambridgeshire District Council (and Cambridge City Council) needed to approve an 'In Principle' commitment to delivery of an AAP for North East Cambridge to show intent to landowners. However, he undertook to consider clearer report headings in future while maintaining the purpose behind using technical language. To clarify, the Committee Chair emphasised that this report was concerned solely with financial matters and the Council's commitment to back the project. He said that a further report would be brought before the Scrutiny and Overview Committee in December, which would focus on planning issues.

The Scrutiny and Overview Committee saw the process as positive, demonstrating the two Councils' commitment to the project and willingness to use all means available to carry it through.

The Strategic Planning Consultant for Cambridge City Council and South Cambridgeshire District Council explained that the use of compulsory purchase powers was a tool of last resort, and that the two Councils would seek to further their ambitions first through other means.

Councillor Anna Bradnam recognised the need for an 'in principle' report highlighting the fact that different parts of the site were owned by South Cambridgeshire District Council, Cambridge City Council, Milton Parish Council and by private landowners.
Referring to paragraph 24 of the report, Councillor Peter Fane noted how the AAP would strive to provide housing that was truly affordable for everyone to live in.

In response to a question from the Chair, the Strategic Planning Consultant said that Cambridge City Council had approved a similar report.

The Scrutiny and Overview Committee supported the officer recommendation to Cabinet.

8. Work Programme

The Scrutiny and Overview Committee received and noted its work programme for 2021-2022. This indicated that the meeting on 11 November would consider a report on planning performance, referred to the Committee by Full Council on 23 September 2021. The Chair announced that, provisionally, there would be four other substantive agenda items, namely

- North East Cambridge Area Action Plan (Proposed Submission)
- Investment Strategy
- Empty Homes Strategy
- HRA Asset Management

In response to Councillor Gavin Clayton, the Chair said that a decision on whether to establish a Task and Finish Group to review the needs of Gypsy, Traveller and Roma people in South Cambridgeshire was currently on hold pending clarity on how that matter was to be addressed as part of ongoing work on the Greater Cambridge Local Plan.

9. To Note the Dates of Future Meetings

The next Scrutiny and Overview Committee meeting would be on Thursday 11 November 2021. The Chair emphasise that the meeting would be held in the Guildhall, Cambridge, and would start at 4.30pm.

The Meeting ended at 6.25 p.m.

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South Cambridgeshire District Council

Report to:	Scrutiny and Overview Committee 11 November 2021
Lead Officer:	Stephen Kelly – Joint Director of Planning and Economic Development

Planning Performance – follow-up review

Executive Summary

1. The purpose of this report is to inform the Scrutiny & Overview Committee of the Internal Audit review of Planning – Performance Management.

Recommendations

2. It is recommended that the Scrutiny and Overview Committee notes the contents of the report included at Appendix A.

Reasons for Recommendations

3. The Council requested that Internal Audit complete a review of Planning Performance and data, and this was previously reported to the Scrutiny & Overview Committee in April 2021. It is good practice to follow-up the implementation of agreed management actions, and the Committee requested an update on their progress. The appended report summarises the findings of this latest review.

Details

4. Our objective was to review if the agreed management actions, included from our previous report, had been implemented. We supplemented this by reviewing the calculation process, and the supporting evidence used to complete the calculations in the next available quarter of data from the planning system.
5. The outcome of our review is detailed in the appended report.

Implications

6. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:

Risks/Opportunities

7. We consider the risks related to review as part of our planning process. The key risks that we identified were non-compliance with policy and procedure, leading to reputational risk and the unplanned consumption of resources and expenditure to rectify errors. Developing improvements in the internal controls will help to mitigate this risk.

Alignment with Council Priority Areas

8. This review supports the Growing local businesses and economies priority area in the Business Plan, as the Council aims to provide our customers with high-quality services, and make decisions in a transparent, open and inclusive way.

Background Papers

Previous report to Scrutiny and Overview Committee – April 2021.

Appendices

Appendix A: Internal Audit Report: Planning - Performance Management

Report Author:

Jonathan Tully – Head of Shared Internal Audit, Greater Cambridge Shared Audit

Internal Audit Report

GREATER CAMBRIDGE
SHARED AUDIT

Planning – Performance Management

Customer:	South Cambridgeshire District Council
Assurance rating:	Reasonable
Organisational impact:	Moderate
Corporate priorities:	Growing local businesses and economies

Actions	Number
Critical	
High	2
Medium	1
Low	
Total	3

Audit completed by
Greater Cambridge Shared Audit Team
24 September 2021
Authorised by
Jonathan Tully, Head of Internal Audit
24 September 2021

Report status	Final - public
Report to Committee	Yes - the committee will receive a specific update

Contents

Executive Report

Introduction

New buildings, or major changes to existing buildings and the local environment, need consent which is known as planning permission.

South Cambridgeshire District Council (SCDC) is a Local Planning Authority and is responsible for issuing planning permission within the district. Planning is delivered by the Greater Cambridge Shared Planning Service and they can issue in the region of 5,000 decisions per year, some of which are delegated to Officers and others which are considered by the Planning Committees of SCDC and Cambridge City Council Council, including the Joint Development Control Committee. The Planning Service implemented a new computer system in February 2020 and has been working remotely during the Coronavirus pandemic.

Planning Performance is reported to Ministry of Housing, Communities & Local Government (MHCLG, now DLUHC) on a quarterly basis and this is reported on their website. These performance indicators include the amount of time taken to process a planning application. The target time scale depends upon the size and complexity of application. Extensions of Time may be agreed where there is a legitimate reason which is agreed with the applicant. The Planning Performance Report PS2 illustrates/identifies where decisions have been made within this timeframe.

This report follows up management agreed actions from our previous review, which was finalised in April 2021.

Our previous review provided '**Limited'** assurance on the overall adequacy and effectiveness of the internal controls ability to mitigate the identified risks. The original report contained 3 high category agreed actions.

Scope & Objectives

Background

Our original review was completed in response to independent concerns raised about the Planning Performance Management Statistics. We were asked by the Scrutiny and Overview Committee to review the planning performance for Quarter 2 of 2020, known as PS2 data. MHCLG reports data on a calendar year and this period was April 2020 to June 2020.

We reported our results in April 2021, and actions for improvement were scheduled from that date. We were also asked to undertake a prompt follow-up report to establish that the controls have been implemented and reviewed evidence from Quarter 2 of 2021 as this was the next available dataset. The data was quality assured and provided to MHCLG by August, and they published the data in September.

Guidance on submitting performance information is documented in various places including legislation, the application process, and guidance from professional bodies such as the Planning Advisory Service (PAS). Following the last review, the Council wrote to the then MHCLG directly to seek clarification on the approach being following by the Council in the reporting of Extensions of Time. MHCLG confirmed that the Councils approach to accounting for Extensions of Time, in both its January 2021 and post January 2021 methods were acceptable and in accordance with the guidance.

Objectives

Our objective was to follow-up the actions from our previous audit, and review records in Quarter 2 of 2021. We considered:

- how decisions are recorded on the planning system;
- how supporting evidence is recorded and maintained on the planning system;
- how data is calculated to report planning performance to MHCLG;

A proportion of planning decisions made in the quarter will relate to applications submitted in previous quarters, and the new processes were introduced midway through this quarter. Consequently, only a proportion of the decisions in the quarter would be based on the new procedures, and this needs to be recognised when reading our test results reported below. Completing our review at this early stage does provide an opportunity to promptly check that controls have been implemented and identify further opportunities for continuous improvement.

We did not review the planning applications themselves, and whether they were compliant with planning policy, as there are already existing processes for reviewing, appealing or challenging planning applications.

To complete our review we considered procedure notes, discussed the events with officers, and reviewed system records. Planning application records are stored online on the Uniform system. Documents associated with the planning application are loaded onto the publicly accessible online Planning Portal: https://applications.greatercambridgeplanning.org/online-applications/

Key risks

We consider, as part of our review, the risks related to the planning process. The key risks that we identified were data input error, plus non-compliance with policy and procedure, leading to reputational risk and the unplanned consumption of resources and expenditure to rectify errors.

Professional Standards

The audit was conducted in accordance with the principles contained in the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN).

Summary of Findings

The Planning Service developed an updated procedure for Extension of Time Agreements (EOTAs) in May 2021, following our initial review. The procedure includes clear instructions and also includes a standardised letter template for communicating with their customers. This was promptly shared with Planning Officers and has driven consistency in recording supporting information.

Statistical analytics

We reviewed planning performance data for Quarter 2 of 2021 and our testing approach was similar to the previous review.

This quarter contained 465 decisions which was a significant increase (57%) from the previous review which had 296 decisions in the same quarter. In comparison the DLUHC report highlights a 36% increase in decisions made nationally.

	2021 Q2	2020 Q2
Total decisions made in the Quarter (applications)	465	296
Applications dealt with in time	79%	85%
Applications identified exceeded the Target Date	21%	15%

Data accuracy

Firstly, we focussed on reviewing the calculation methodology, as this is a complex in-house designed process. Ongoing quality assurance is good practice and minor adjustments can be reported to DLUHC if required. This process is working well. Our testing identified that 6 of the 465 records (1%) were reported in a different PS2 categorisation. This was due to the type of "rounding" methodology applied, which is not specified and subject to interpretation. The difference does not materially impact the statistical data reported (*the overall result for "Percentage decided in time (all)" was the same – 79%*), and this calculation approach has been reviewed as good practice.

Our previous review recommended the team retains data exports at the point of extract / submission to support quarterly performance calculations. This has been implemented and will help to support future quality assurance work.

Data quality and supporting information

Secondly, we reviewed supporting information for the decisions, as we wanted assurance that the decisions were recorded accurately on the system. Any errors at this stage could be transferred into the calculation process.

The Planning Team have implemented new procedures, during the quarter, to help improve data quality. Consequently, the sampling from the complete quarter will contain data from before the implementation of revised procedures.

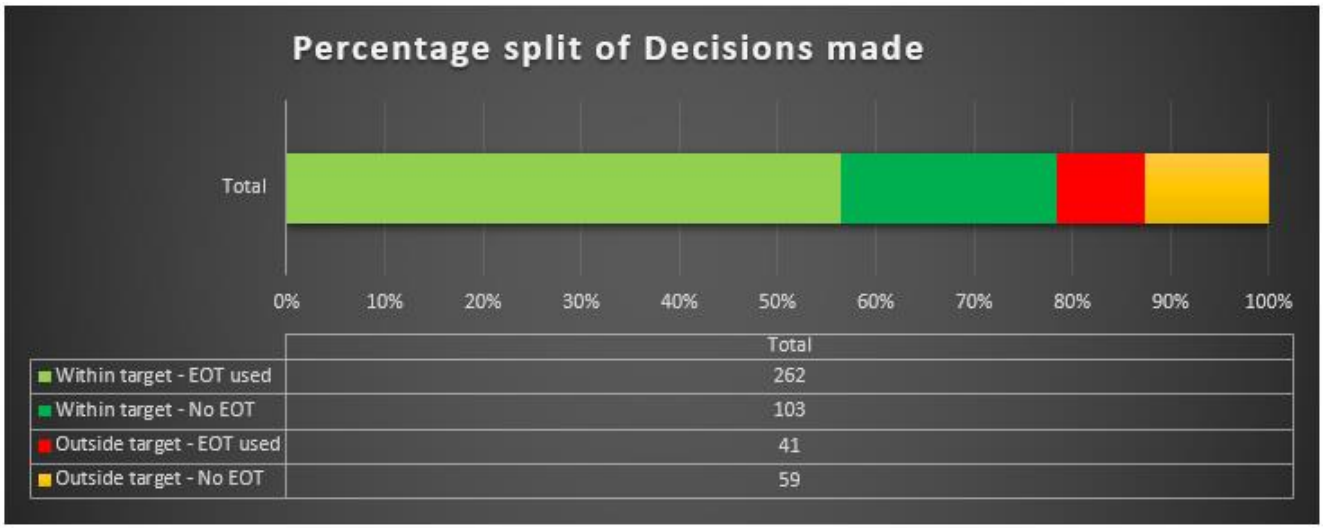
From the population of 465 planning applications reported through the PS2, a total of 303 applications made use of an Extension of Time agreements (EOTA). Of these 303 applications, 262 applications were decided within the terms of the EOTA, whilst 41 exceeded the EOTA expiry date.

We selected a sample of 96 applications which used an EOTA to test (made up of 55 where the EOTA was met and 41 where the EOTA was exceeded).

Dataset	Observation
Uniform data	Our previous review recommended using fields in the Uniform System to record information regarding EOTA. These fields include “Letter type”, “Reason for use” and “Date printed”. The revised procedure note is well written and provides clear instructions on completing the details in Uniform. There is evidence that these fields are starting to be used, although the sampling did not contain a decision with all three fields completed. In summary: • 61 did not have a Reason for EOTA Code • 42 did not have an EOTA Letter type • 59 did not have an EOTA Letter Print Date Omissions will not impact the PS2 returns. It is positive to see these fields being used as the data could be used to help manage performance and identify training and development needs.
IDOX data	EOTA’s are normally completed via an email agreement as this helps provide a quick way of corresponding with the applicant. Informal correspondence can be misinterpreted. Our previous review recommended introducing a template letter and using a standardised approach for storing records in the IDOX Document Management System (DMS). The process has been improved by introducing a standardised letter to request an EOTA, however this has not been fully embedded in Quarter 2. There were cases where we could not locate supporting information on the Document Management System (DMS) for the EOTA. Reasons for this could be administrative, such as documents not yet being transferred from mailboxes to the DMS. Also, there were cases where EOTAs were unsigned or coded as “sensitive” documents when they should be “public”. Ideally a full copy would be retained as a sensitive document, and a redacted version would be made public. In summary: • 21 used the new letter template to request an EOTA • 64 used an email to request an EOTA • 10 were not viewable on the DMS • 1 was unreadable Of the 21 using the new template to request an EOTA: • 8 were fully compliant • 13 were unsigned (which would help to demonstrate the EOTA was agreed) Of the 64 using an email to request an EOTA: • 15 were listed as Sensitive • 49 were listed as Public The Planning Service is reviewing the cases we have highlighted, and we would anticipate compliance will continue to improve as processes are embedded in the following quarter.

Overall position

In total 303 decisions were based on using an EOTA and 162 decisions did not use an EOTA. Of these 365 applications received a decision within the target date, whilst 100 applications exceeded the target date.



Management Action progress

An update on the current status of the agreed actions is shown in the table below:

Actions	Completed	In progress	Outstanding	Cancelled	New
Critical					
High	1	2			
Medium		1			
Low					
Total	**1**	**3**	**0**	**0**	**0**

One of the high category management agreed actions from our previous review have been completed and satisfactory progress is being made on two.

We would normally expect high category actions to have been completed within six months, which is September 2021. There is evidence that the Planning Service have implemented the actions during the middle of the performance quarter being reviewed, which is April to June 2021. Two actions are recorded as "*in progress*" because, whilst controls have been implemented, the processes are not yet embedded in the quarter being reviewed. It is reasonable to expect improved compliance in the following quarter. The one medium category management action is also "*in progress*". Full details are contained in our Management Agreed Actions section below.

Conclusion

A '**Reasonable**' assurance rating has been given based on the processes and controls examined at the time of the review. This is an improvement since the previous review which was had a Limited rating.

New processes have been implemented and this has driven improvement. There remain instances of non-compliance, which was expected considering the early timing of our review. We would support periodic refresher training to help embed the new processes.

Improved compliance with the new processes, over the next quarter, will continue to help support the performance management.

Acknowledgement

Internal Audit would like to thank everyone consulted in the course of this review for their time and assistance in conducting the review.

Jonathan Tully | Head of Shared Internal Audit Service

The Internal Audit Team conforms to the Public Sector Internal Audit Standards.

Our mission is: *To enhance and protect organisational value, by providing risk-based and objective assurance, advice and insight.*

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SCDC https://insite.scambs.gov.uk/accountancy/internal-audit

Management Agreed Actions

As part of the review we have identified opportunities for improvement, which have been shared with Management. These are developed into actions to improve the effectiveness of the governance, risk management arrangements, and the internal control environment.

Management are responsible for implementing their actions and providing assurance when they are completed. Timescales for implementing actions should be proportionate and achievable to the available resources. To help prioritise the actions we have produced guidance below:

Priority	Description	Timescale for action	Monitoring
Critical	Extreme control weakness that jeopardises the complete operation of the service.	To be implemented immediately.	Within 1 month
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	To be implemented as a matter of priority.	Within 6 months
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	To be implemented at the first opportunity.	Within 12 months
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	To be implemented as soon as reasonably practical.	Within 24 months

1	Recording data on the Planning System	Updated status	
Risk ID:	938 - Delay in response to planning applications	**Implementation status:** In Progress	**Comments:** The control has been implemented, and the updated procedure identifies actions which need to be taken in order for an EOTA to be used. However, testing at this early stage cannot demonstrate full compliance. Our 96 decisions sampled (where an EOTA was reported to have been used) demonstrated that fields in Uniform are starting to be completed, but there was not full compliance as yet: • 61 did not have a Reason for EOTA Code • 42 did not have an EOTA Letter type • 59 did not have an EOTA Letter Print Date It would be good practice to issue refresher training to Case Officers to help embed this control.
Action Required:	Consider making use of optional fields in the Uniform System to record information regarding Extensions of Time.		
Action owner:	Assistant Director Delivery		
Action Priority:	High		

2	Recording supporting evidence on the Planning System	Updated status	
Risk ID:	938 - Delay in response to planning applications	**Implementation status:** In progress	**Comments:** The control has been implemented, and a standard template has been introduced during the middle of the quarter being reviewed. Testing at this early stage cannot demonstrate full compliance across the quarter. The test sample has identified applications where EOTAs were used. Of the 96 sampled, 22% used the new template. Further testing on the following quarter could help to validate that the procedure is embedded and actively used by all Case Officers.
Action Required:	Adopt a standardised template for agreeing an Extension of Time with the applicant to help to ensure consistency within the Planning Service, and help maintain an evidence trail to support Planning Performance Statistics.		
Action owner:	Assistant Director Delivery		
Action Priority:	High		

3	Recording supporting evidence on the Planning System	Updated status	
Risk ID:	938 - Delay in response to planning applications	**Implementation status:** In progress	**Comments:** The control has been implemented but there is not yet full compliance. A standard code has been added to the system to identify the EOTA. 85 decisions contained supporting evidence in the IDOX system, made up of 21 using the new template and 64 by email. 15 of the 64 emails (23%) were listed on IDOX as a "Sensitive" document instead of "Public". These have been shared with the Planning Service so they can be reclassified.
Action Required:	A single standardised code and approach should be adopted for adding records to the DMS. Records should be redacted and flagged as publicly accessible.		
Action owner:	Assistant Director Delivery		
Action Priority:	Medium		

4	Calculation of planning performance data to MHCLG	Updated status	
Risk ID:	938 - Delay in response to planning applications	**Implementation status:** Completed	**Comments:** We previously suggested that the datasets are formally held in a segmented location of the network so that these can be historically retained, and we have seen evidence that this has been implemented. This will help support the Quality Assurance process.
Action Required:	Retain data exports at the point of extract / submission to support quarterly performance calculations.		
Action owner:	Assistant Director Delivery		
Action Priority:	High		

Distribution list

Name	Title
Liz Watts	Chief Executive
Stephen Kelly	Joint Director of Planning and Economic Development
Sharon Brown	Assistant Director Delivery
Rory McKenna	Monitoring Officer
Peter Maddock	S151 Officer and Head of Finance
Bridget Smith	Leader of the Council
Cabinet / Scrutiny & Overview	Members of the Committee
External Audit	

This Internal Audit report is confidential within the service it relates to, and the information contained within it should not be disclosed to third parties without the consent of the appropriate Head of Service or the Head of Internal Audit.

Summary information will be shared with committees and boards that have responsibility for monitoring the governance risk and control arrangements for the Council.

Glossary of terms

Assurance ratings

Internal Audit provides management and Members with a statement of assurance on each area audited. This is also used by the Head of Shared Internal Audit to form an overall opinion on the control environment operating across the Council, including risk management, control and governance, and this informs the Annual Governance Statement (AGS).

Term	Description
Full Assurance	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
Reasonable Assurance	Controls exist to enable the achievement of service objectives and good corporate governance, and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
Limited Assurance	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure for the Authority.
No Assurance	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

Organisational impact

The overall impact may be reported to help provide some context to the level of residual risk. For example, if no controls have been implemented in a system it would have no assurance, but this may be immaterial to the organisation. Equally a system may be operating effectively and have full assurance, but if a risk materialised it may have a major impact to the organisation.

Term	Description
Major	The risks associated with the system are significant. If the risk materialises it would have a major impact upon the organisation.
Moderate	The risks associated with the system are medium. If the risk materialises it would have a moderate impact upon the organisation.
Minor	The risks associated with the system are low. If the risks materialises it would have a minor impact on the organisation.

Appendices

Glossary of Planning Terms

We have detailed below a number of common planning acronyms used throughout this report:

Term	Description
DLUHC	Department for Levelling Up Housing & Communities (previously MHCLG)
EIA	Environmental Impact Assessment
EOTA	Extension of Time Agreement
DOX DMS	Documents associated with the planning application are loaded onto Document Management System
PA	Local Planning Authority
MHCLG	Ministry of Housing, Communities & Local Government
PAs	Performance Agreements – an umbrella term that refers to PPA, EOTEOT, EIAs.
PAS	Planning Advisory Service
PPA	Planning Performance Agreement
PS2	'District' planning matters return- decisions made during the quarter
Uniform	Planning application data is stored online on the Uniform system.

Re-performance of statistical data

The table below shows our reperformed calculation of the PS2 statistics in comparison to the data reported by MHCLG / DLUHC. Our calculation agrees with the total 79% decided in time.

	Total decisions (all)	Total granted (all)	Percentage granted (all)	Total decisions (exc PAs)	Total decided in time (exc PAs)	Percentage decided in time (exc PAs)	Total decisions (PAs only)	Total decided in time (PAs only)	Percentage decided in time (PAs only)	Total decided in time (all)	Percentage decided in time (all)
MHCLG	465	417	90%	162	106	65%	303	262	86%	368	79%
Our calculation	465	417	90%	162	104	64%	303	262	86%	366	79%

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South Cambridgeshire District Council

Report to:	Scrutiny and Overview Committee 11 November 2021
Lead Cabinet Member:	Councillor Dr. Tumi Hawkins Lead Cabinet Member for Planning Policy and Delivery
Lead Officer:	Stephen Kelly, Joint Director of Planning and Economic Development

Planning Performance Overview for Period from 1 September 2019 to 30 September 2021.

Executive Summary

1. This report provides an overview of SCDC planning performance in relation to decisions made on planning applications during the time period between 1 September 2019 and 30 September 2021. It includes information and analysis in relation to the numbers of decisions made within the governments statutory targets, numbers of decisions made with and without extensions of time (EOTs) together with the numbers of applications on hand/outstanding at the end of each month within the assessment period. Whilst the government's target indicator for decision times is not the single determinant of the "quality of the service" it remains an indicator that government values and upon which national performance standards are based. The use of EOT to extend the "benchmark" statutory indicators around decision times has in recent years become widespread across local planning authorities (LPAs).

2. The report has been prepared in response to a motion from Councillor Heather Williams at Full Council on 23 September 2021 which was referred to Scrutiny and Overview Committee.

3. In the period September 2019 – September 2021, the shared planning service received 8,887 applications in SCDC area. It also made 8,586 decisions. The period corresponds with a time of considerable disruption across the service and local government as it sought to progress with its integration (of systems and teams) and address the effects/limitations/changed practices arising from the Covid 19 Pandemic. The data that accompanies the report (Appendix A) points to times over the last 24 months of particular challenge – and the consequent effect on throughput – whilst also highlighting how the overall number of decisions made each month has remained broadly consistent across the whole assessment period. More recent data also points to some positive signs - with September 2021 representing the highest number of decisions within the 24-month assessment period as additional resources and measures have started to take effect.

4. The data shows the pattern in the use of EOTs. It also shows how the total numbers of applications on hand has increased through 2020-2021 compared to 2019 -despite the significant commitment of the team. Whilst the numbers on hand of Minor and Other applications increased during 2020- 2021, it can be seen from the data that September 2021 also saw a 28 % reduction in the numbers of Other applications outstanding. The numbers of Major applications on hand has meanwhile remained stable during the assessment period. The reduction in Other applications as well as the increase in the total number of decisions made in September 2021 shows a more positive trajectory starting to take effect, as a result of recent initiatives and new additional staff to fill vacant posts.

5. In recognition of the challenges facing the service, a planned service wide review has been brought forward from 2022 to 2021, with the support of the Transformation Team. Changes have also been made which seek to optimise the use of the available planning resource and to tackle areas contributing to delays. The service is also currently reviewing options for tackling the legacy of those applications which remain undetermined for some time whilst continuing to seek early determination of new and recently submitted proposals.

6. Key Decision
   No

Recommendations

7. It is recommended that Scrutiny and Overview Committee note the contents of this report.

Reasons for Recommendations

8. This is an information update report only and has been prepared in response to a Full Council motion. There are no decisions for Scrutiny and Overview Committee arising from the report.

Details

Background

9. For the Full Council meeting on 23 September 2021, a motion was tabled by Councillor Heather Williams that:

"At the next meeting of Full Council a report will be presented to Council in relation to planning performance. It will clearly show the number of applications determined within the statutory time period, how many of those had extensions agreed and how many applications were awaiting determination at the end of each month. This report will cover the last 24 months (September 2019 to September 2021)"

The motion was referred to Scrutiny and Overview Committee and accordingly this report has been prepared in response.

10. The dataset that provides the basis for the report is contained in Appendix A and is cross-referenced throughout the report. This includes information on numbers of planning applications determined within the defined timescales by category together with numbers of decisions made with and without extensions of time (EOTs) and numbers of planning applications outstanding/on hand at the end of each month within the assessment period of September 2019 to September 2021. Analysis and contextual background are also provided.

11. The assessment period covered by the report was one of significant change for the Shared Planning Service and included the implementation of the new planning software system and further ICT upgrade projects, the creation of the three Development Management (DM) planning teams and merging of the former City and SCDC Technical Support Teams. In parallel, this part of the service was significantly affected by issues and outcomes arising from Covid19/lockdown during 2020/2021, including the validation backlog and changes to the operation of Planning Committees, as the Council moved to virtual Committees in spring 2020 and then to in person/hybrid Committees in spring 2021.

Overall number of planning applications decided

12. The Shared Planning Service received some 8,887 applications for consideration between 1 September 2019 and 30 September 2021. In the same period, it determined 8,586 applications. The appendices point to variations in throughput over the two years but overall through the 24-month assessment period the output of the DM Teams has remained reasonably consistent in terms of the overall/average numbers of planning applications decided per month. Using the data in Chart 1 in Appendix A as a basis, the average number of decisions made on a per monthly basis between September and December 2019 was 306; for 2020 the average per month across the year was 291 and for 2021 for the period from January to September, it was 335. The lowest number of decisions made during the assessment period were in February and May 2020, at 165 and 186 respectively. This period coincided with the implementation of the Uniform/IDOX planning software system upgrade and the onset of Covid19/lockdown and issues arising from the implementation of lockdown measures - including reduced numbers of site visits carried out by case officers, a period when no site notices were posted and the change from in person to virtual Planning Committees.

13. September 2021 saw the highest number of total decisions made during the whole 24-month assessment period at 406 decisions made in September 2021, compared to the next highest monthly figure in the assessment period which was October 2020 at 374. This is likely to be an outcome of changes to processes – including restrictions on amendments - starting to take effect and the impact of the additional staff who have started with the service in recent months.

Numbers of applications decided within and outside statutory time periods

14. The total numbers of applications decided within the statutory time periods has, again, remained relatively consistent for most months during the assessment period, with 15 out of the 24 months period at 70% or more. There was a significant dip in performance in February - May 2020 when the percentage of overall number of decisions made within statutory periods ranged between 47% in February to 64% in May. The context for this is explained in paragraph 10 above. In 2021, following Scrutiny's consideration of the approach to EOT's and despite MHCLG's confirmation of its validity, the service changed its process around EOT in line with the recommendations of the internal audit report. There was also a reduction in the number of overall decisions made within the statutory time periods in the early part of 2021 -at 63% in January and 62% in February. This coincided with a period of staff turnover and some agency staff contracts not being renewed.

15. Chart 4 shows that in terms of the numbers of Major applications decided within the statutory period, these have remained relatively stable with performance generally above 75%. Chart 7 shows that for Minor Applications, performance has been more variable and affected by the validation backlog, changes to the EOT procedure in 2021 and variations in the available staff resource. The period of between February and May 2020 also reflects reduced performance which correlates with the planning system software upgrade and Covid 19/lockdown restrictions. Performance then improved but declined again between October 2020 and May 2021 because of a range of factors including a growing delay at the validation stage and higher staff turnover. Performance on the Others category of planning applications shows the same pattern of variations in performance as can be seen in Chart 10. A higher number of decisions were made from September 2020, with the same dip in performance during early 2020.

Extensions of Time

16. Chart 2 shows the number of EOTs relative to the number of total decisions/ decisions made within the statutory time periods. The use of EOTs has increased over the assessment period. The use of EOTs was low during the 2019 part of the assessment period -at 21% in September 2019. The increase in EOTs began in March 2020, coinciding with the implementation of the new planning software system, process integration challenges which caused delays at the validation stage and the effect of Covid19/lockdown. By September 2020, EOTs were at 42% of total decisions, at January 2021 at 34% and July 2021 at 36%. Graph 1 shows the impact that the use of EOTs has had on planning performance. Alongside the shared planning service integration, in 2020 a number of exceptional factors also impacted upon decision times and required the increased use of EOT's. Agents and applicants recognised that travel and access restrictions for example meant officers could not undertake site visits, post site notices or visit the office to undertake activities critical to the process at that time such as scanning and printing operations and the processing of land charges records. This early delay in the validation phase continued through 2020 and meant that case officers were having to request EOTs almost as soon as they received applications. Following a successful development programme

in that team, through 2021, the validation performance has improved significantly so that this phase of the process is now substantially quicker. The service has also (see above) reviewed its processes for seeking EOT and some outstanding applications were accordingly caught (out of time) under the revised process.

17. In parallel with delays at the validation stage, the DM Teams also experienced a period of staff turnover and a number of vacant posts during the first part of 2021. Recruitment has been undertaken into vacant posts since early summer, with mixed success. Although the DM and Strategic Sites teams have been successful in recruiting senior planners, it has been difficult to recruit planners and a third recruitment round for planners is currently under way.

18. To optimise the use of the available staff resource, and to combat the very high caseloads being experienced by case officers, the Delivery Teams recently introduced a no amendments approach to planning applications and discharges of conditions, subject to a set of published criteria setting out the exceptional circumstances when amendments will be accepted. It is still too early to assess the impact that this is likely to have on the use of EOTs. Initial feedback has bene mixed, with some agents beginning to decline to agree EOTs whilst for third parties, the reduction in the number of revisions to an application upon which they may wish to comment, could be viewed more positively.

19. In terms of Major planning applications, Chart 5 shows the total number of applications subject to EOTs as compared to those that were not. A high proportion of Major applications were subject to EOTs. This is not surprising given that these are the more complex types of applications, where the need for amendments and public re-consultation would normally be expected. Chart 6 shows the positive impact on performance that EOTs have had on performance on Major applications. Chart 8 shows the total number of Minor Applications subject to EOTs. The average has increased from 39% in September 2019 to 76% in more recent months. Chart 9 illustrates the positive impacts that use of EOTs has had on performance. Charts 11 and 12 show a similar pattern of the positive impacts of use of EOTs on Other categories of planning applications.

Number of applications on hand/outstanding

At the end of September 2021, the service had 1278 planning and related applications live and “on hand” for SCDC. This compares to 1027 in September 2019. Graph 1 shows that the number of applications on hand/outstanding has increased gradually since 2019. The main factors that have influenced this are highlighted in previous paragraphs. It should be noted that the number of Major planning applications has remained relatively stable in terms of numbers during the assessment period. The number of Minor planning applications outstanding has increased by 106 since 2019 and the number of Others by about 140 (this includes householders). The figures reflect turnover in application numbers but also some specific proposals that take some considerable time to resolve because of their complexity and history. Some cases were also impacted by the need, to focus on committee work stalled through the early stages of lockdown

(with up to four planning committees being held per month in summer 2020 across both Councils). The longstanding cases are not distributed evenly across the three area teams and the service is currently reviewing the most appropriate means to address these cases – and to remove them from officers current work in progress in order to reduce the adverse impact upon current officer caseloads.

Service Improvement and transformation programme

20. Despite a significant commitment by staff in the development management teams between September 2019 and 2021 the service has found that the “on hand” cases have increased, and that performance in terms of the determination of planning applications has suffered. The causes of these increases have been set out above.

21. In response, the service has made a number of material changes to its processes, ways of working and protocols. Considerable additional information has been moved online, the new Idox system is now, according to the supplier, being used effectively and a number of improvements from the validation process to Parish and Agent engagement are underway. The service has also brought forward its service wide review from 2022 to 2021. Additional resources are also now being deployed (including an external support partner) to explore how performance, and the on-hand work within the department can be managed down to create more positive conditions for officers, but also enhance the experience of using the shared planning service for all users, including members.

22. In conclusion, the assessment period contained a number of unusual and one-off type events which impacted on planning performance during this period. Whilst the number of overall decisions made has remained relatively consistent, with the highest number of decisions made during the 24-month assessment period having occurred in September 2021.The number of EOTs and number of planning applications on hand have increased overall during the assessment period (Minors and Others) However, September 2021 also saw a 28% reduction in Other applications. The variety of measures that have been introduced in recent months including the no amendments strategy appear to be starting to take effect and the recent trajectory is positive. The Planning Service transformation process is continuing to address these issues including through the proposed use of temporary agency staff, to focus on reducing the current DM backlog of applications as soon as possible, to reduce staff workloads and increase service capacity.

Appendices

Appendix A: Planning performance summary tables and graphs for period from 1 September 2019 to 30 September 2021:
Schedule of Charts and Graphs contained in Appendix A -
Chart 1 -Total Decisions vs Total Decided in Time -All Applications
Chart 2 -Total Applications Extended vs Not Extended -All Applications
Chart 3 – Extension Effects On Performance -All Applications
Chart 4- Total Decisions vs Total Decided in Time -Major Applications

Chart 5 -Total Applications Extended vs Not Extended Major Applications
Chart 6 -Extension Effects on Performance -Major Applications
Chart 7- Total Decisions vs Total Decided in Time -Minor Applications
Chart 8 -Total Applications Extended vs Not Extended -Minor Applications
Chart 9 -Extension Effects on Performance -Minor Applications
Chart 10 -Total Decisions vs Total Decided in Time -Other Applications
Chart 11 -Total Applications Extended vs Not Extended –Other Applications
Chart 12 -Extensions Effects on Performance -Other Applications
Graph 1 -On Hand Cases by Type
Graph 2 -On Hand Cases -Major Applications
Graph 3 -On hand Cases -Minor applications
Graph 4 -On hand Cases -Other Applications

Report Author:

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Telephone: 07725 751708

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Appendix A

Planning Performance Overview -Decisions, Extensions of Time & On Hand Data

September 2019 to September 2021

Chart 1 Total Decisions vs Total Decided in Time - All Applications

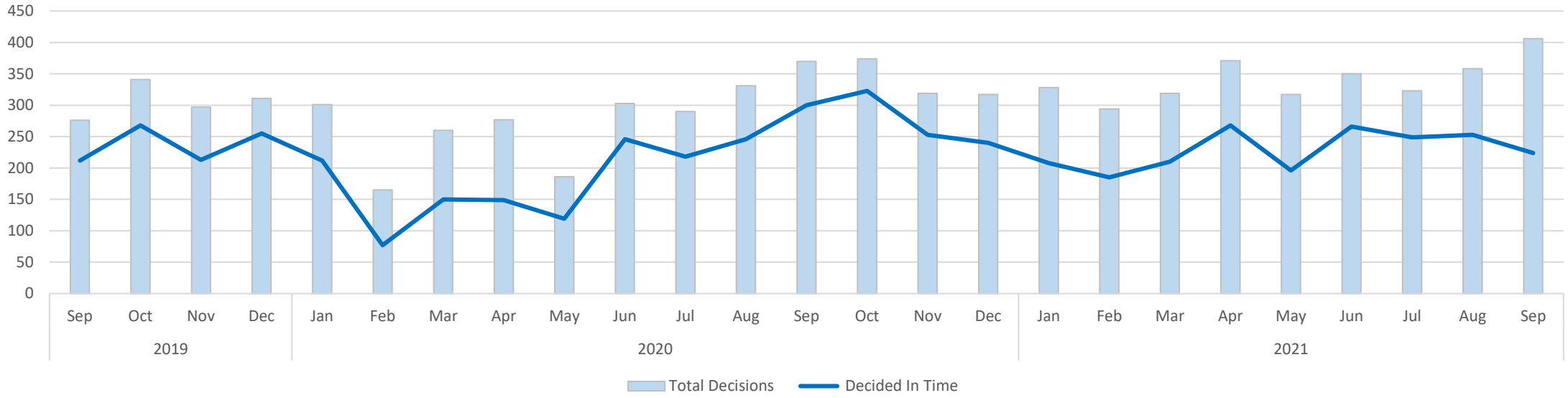


Chart 2 Total Applications Extended vs Not Extended - All Applications

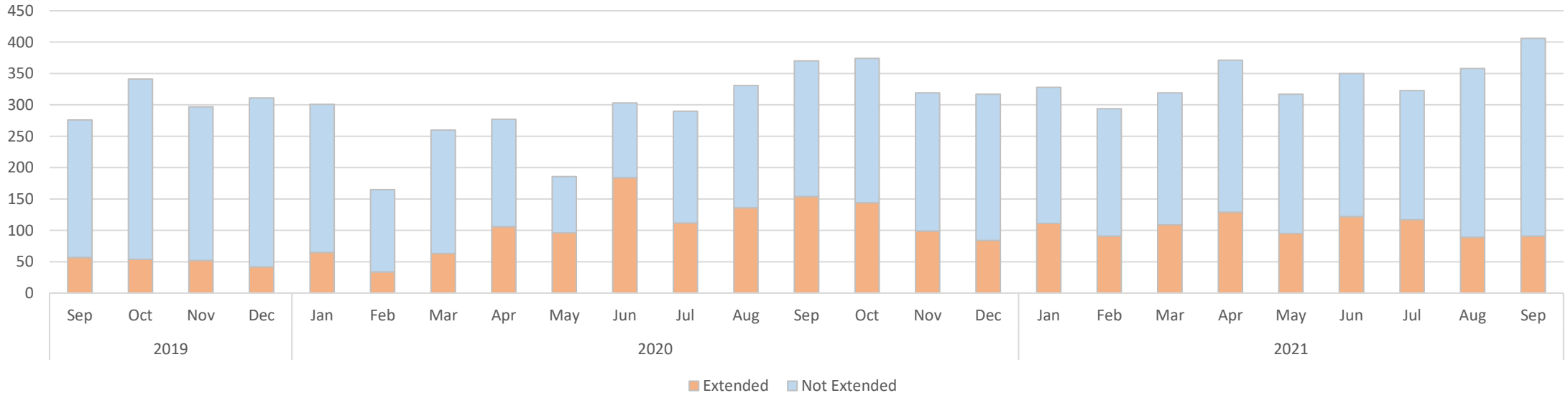
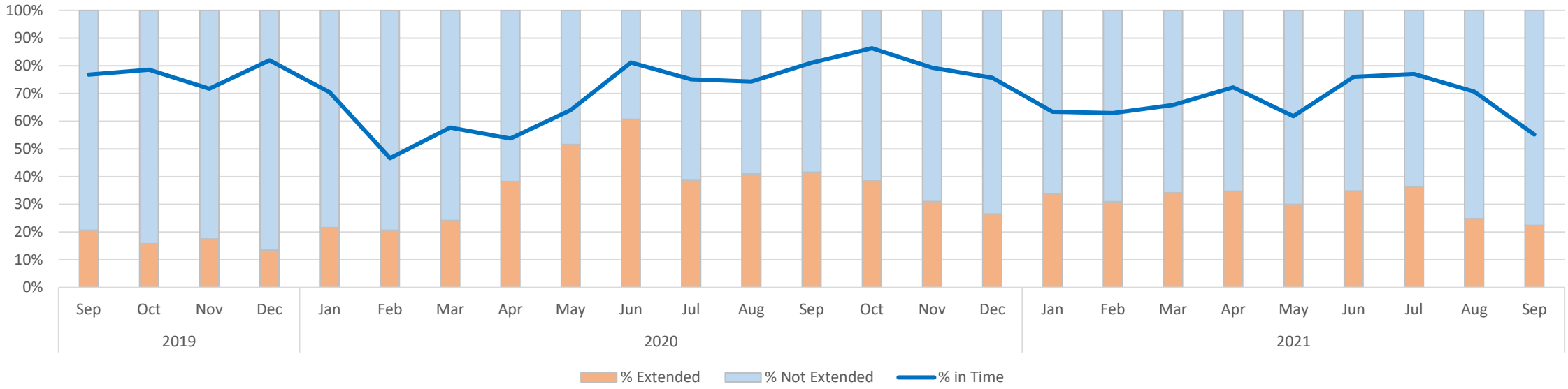
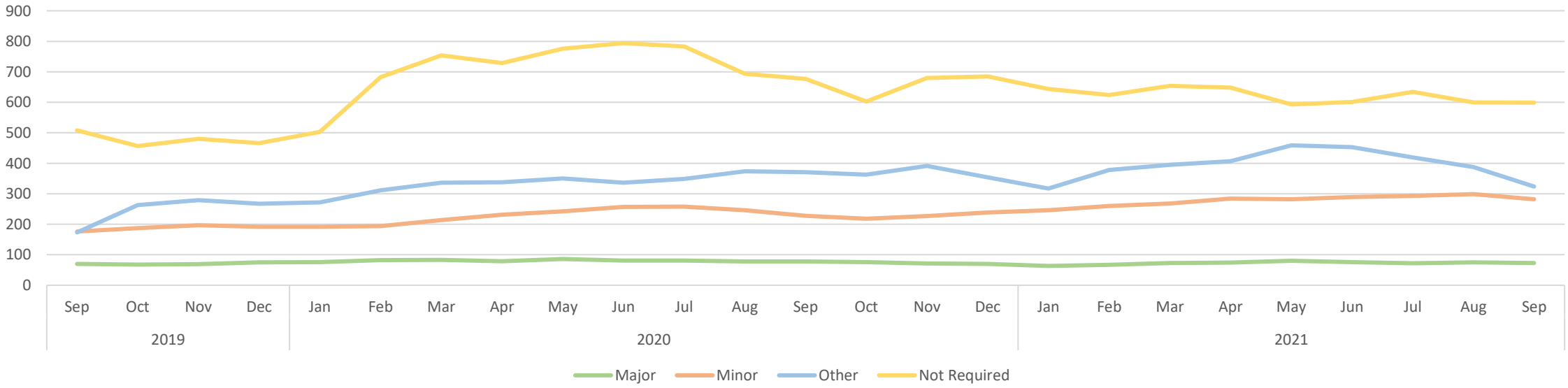


Chart 3 Extension Effects on Performance - All Applications



Graph 1 On Hand Cases by Type



Major Application Breakdown

Chart 4 Total Decisions vs Total Decided in Time - Major Applications

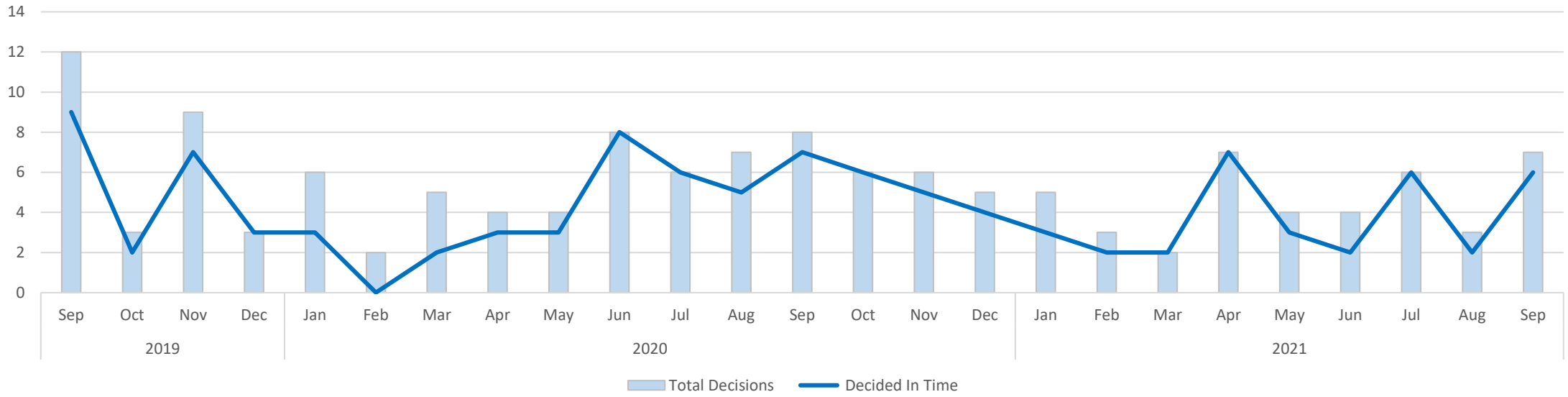


Chart 5 Total Applications Extended vs Not Extended - Major Applications

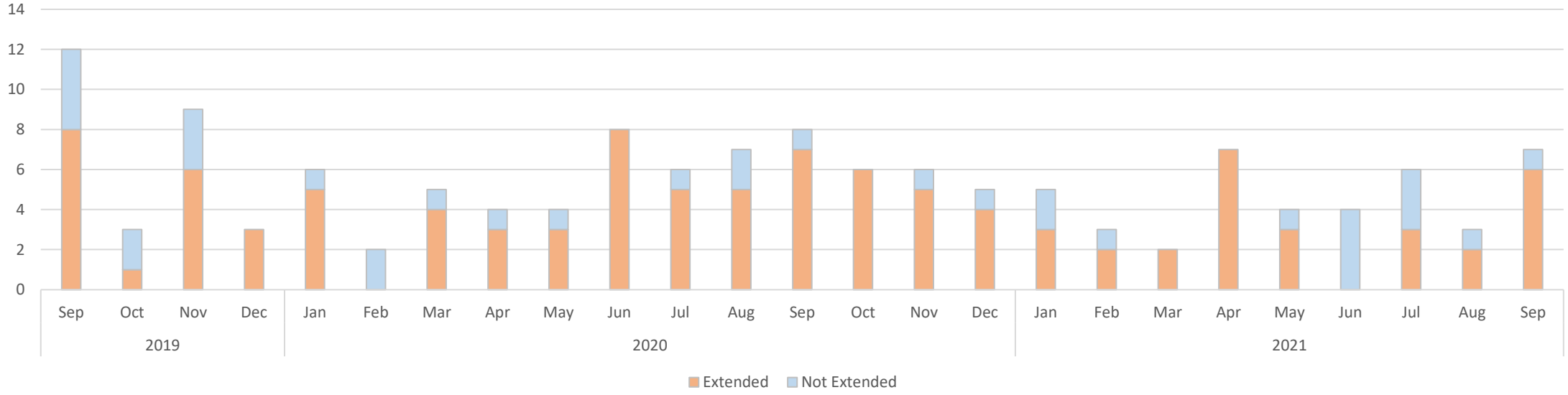
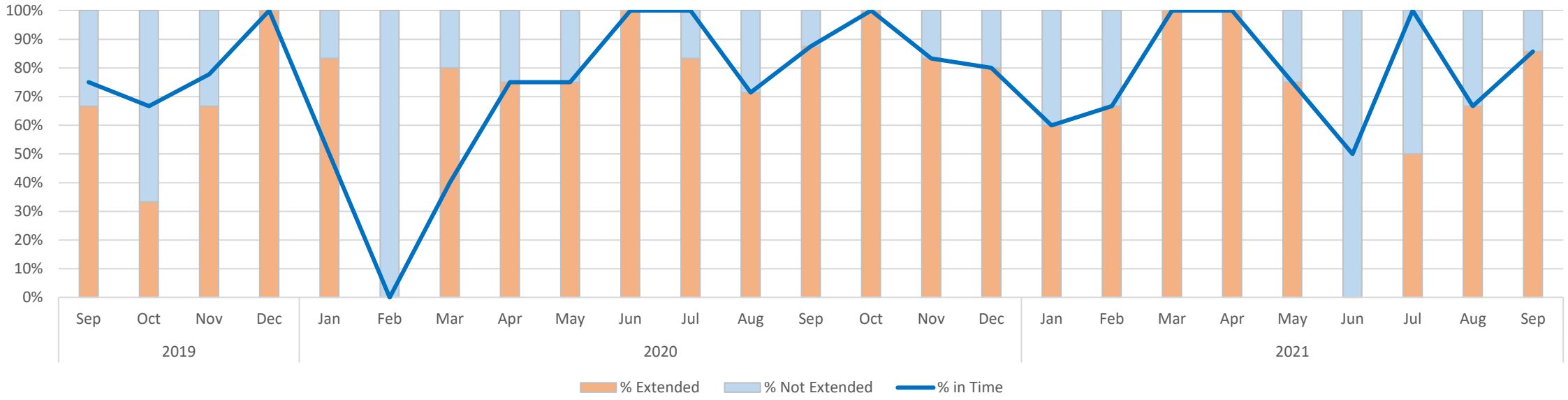


Chart 6 Extension Effects on Performance - Major Applications



Graph 2 On Hand Cases – Major Applications

Minor Application Breakdown

Chart 7 Total Decisions vs Total Decided in Time - Minor Applications

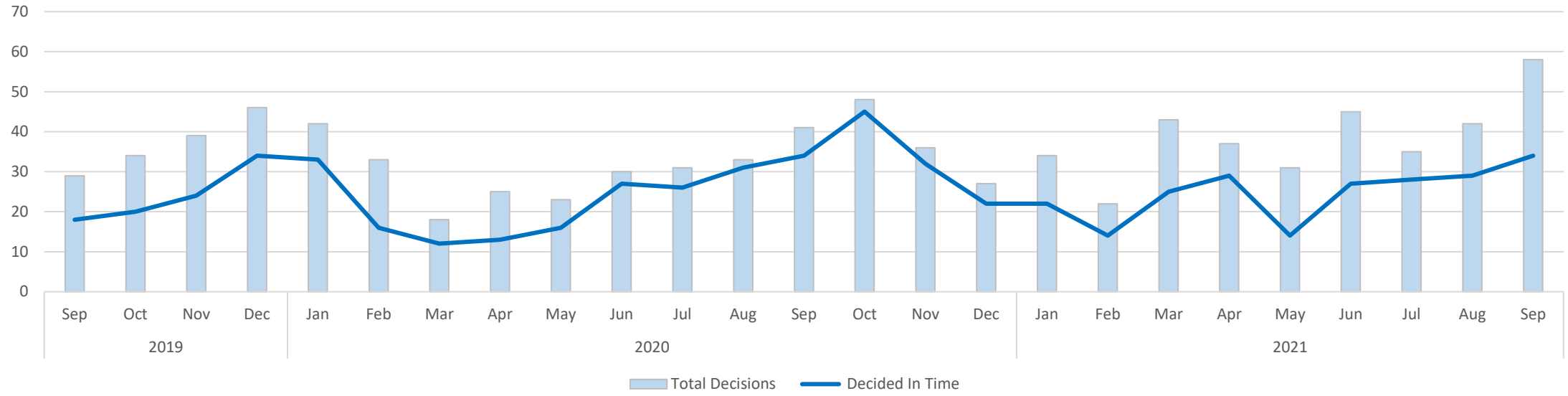


Chart 8 Total Applications Extended vs Not Extended - Minor Applications

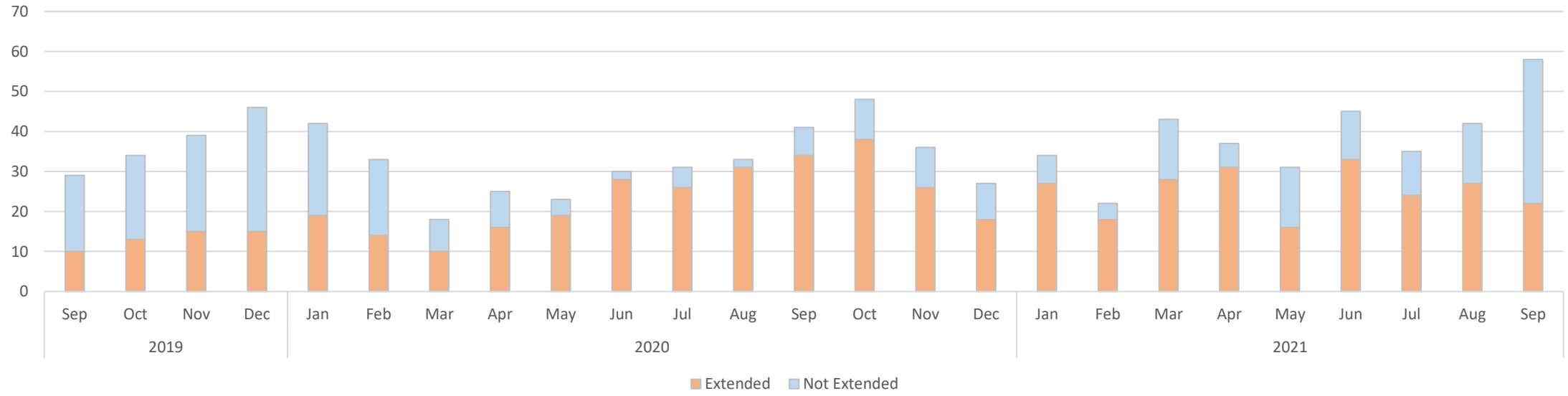
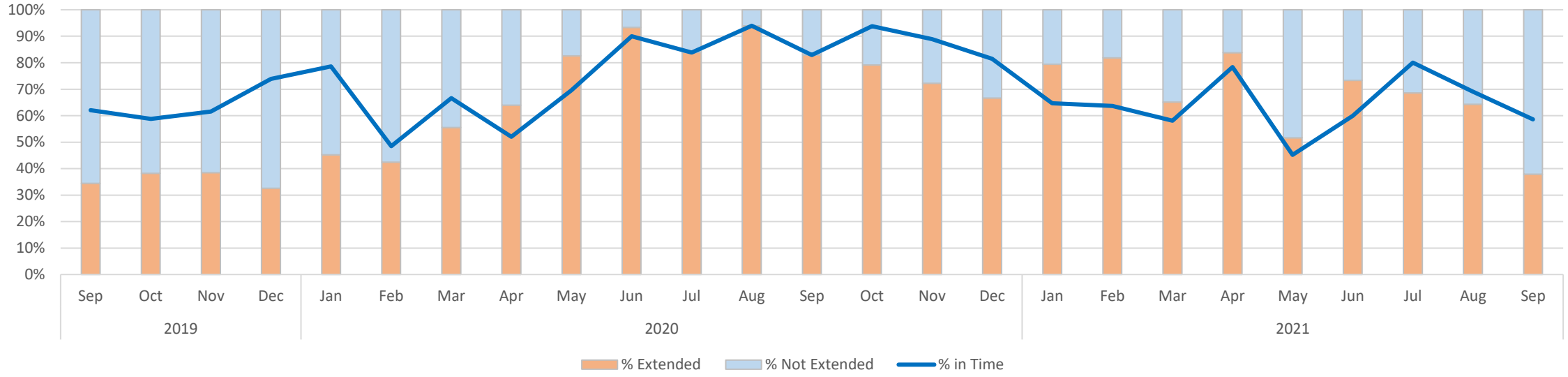
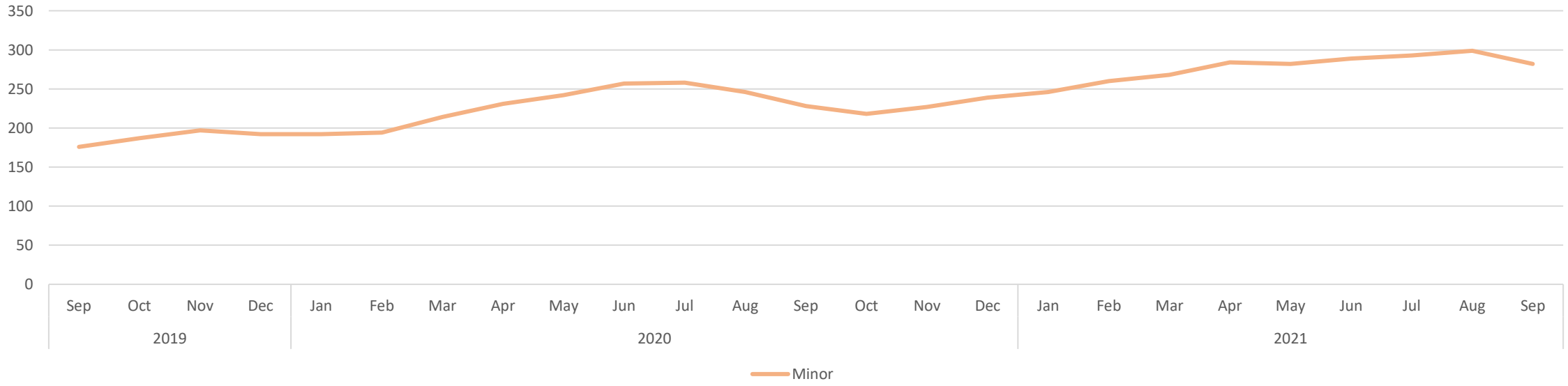


Chart 9 Extension Effects on Performance - Minor Applications



Graph 3 On Hand Cases – Minor Applications



Other Application Breakdown

Chart 10 Total Decisions vs Total Decided in Time - Other Applications

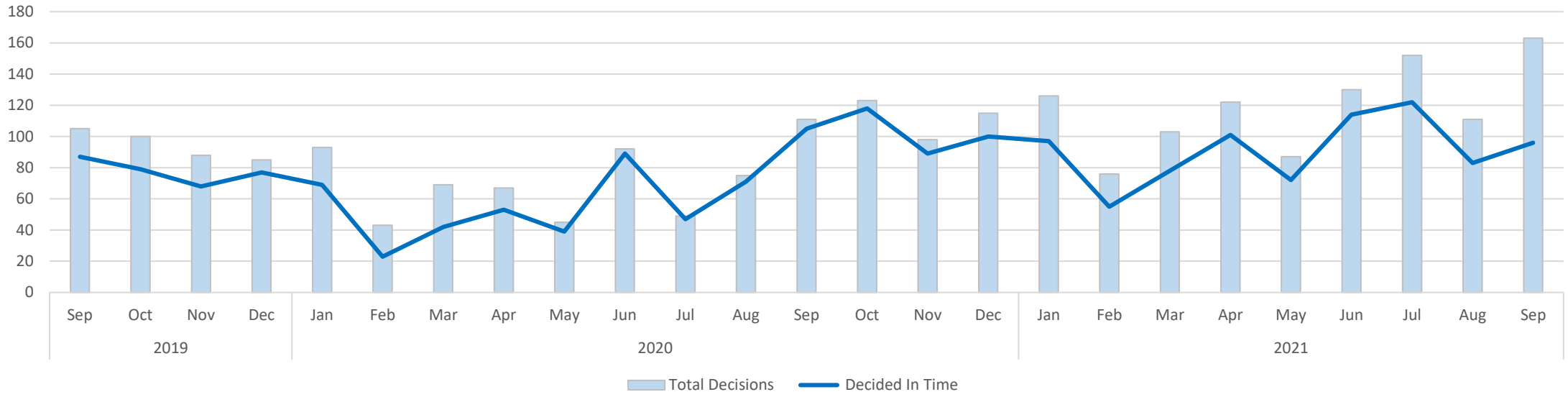


Chart 11 Total Applications Extended vs Not Extended - Other Applications

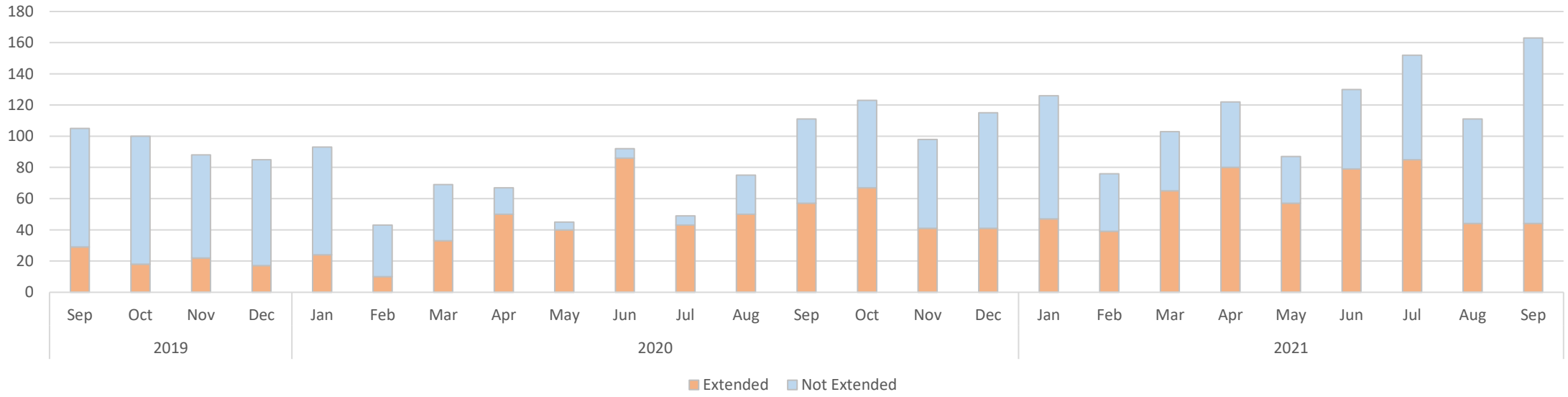
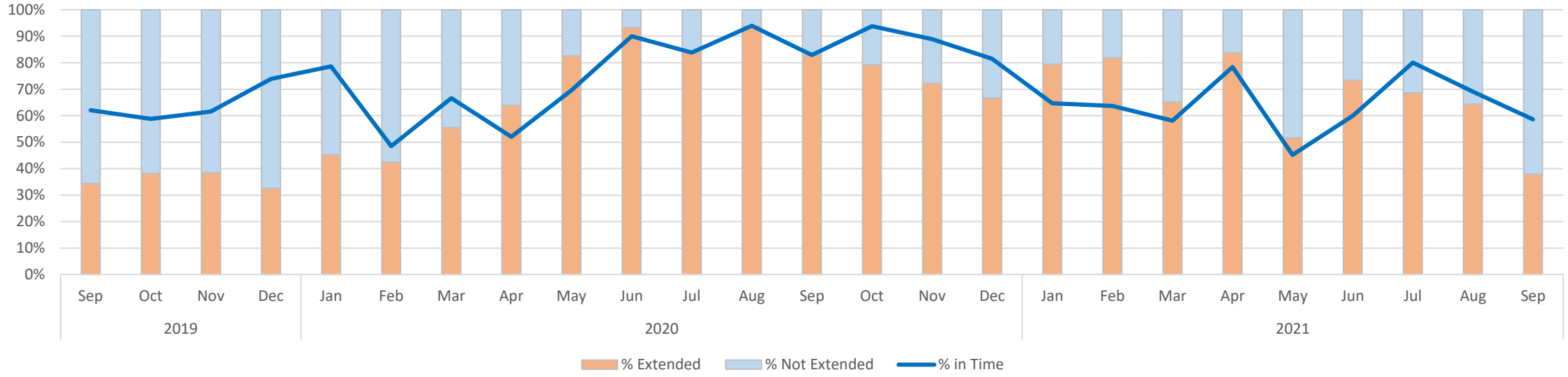
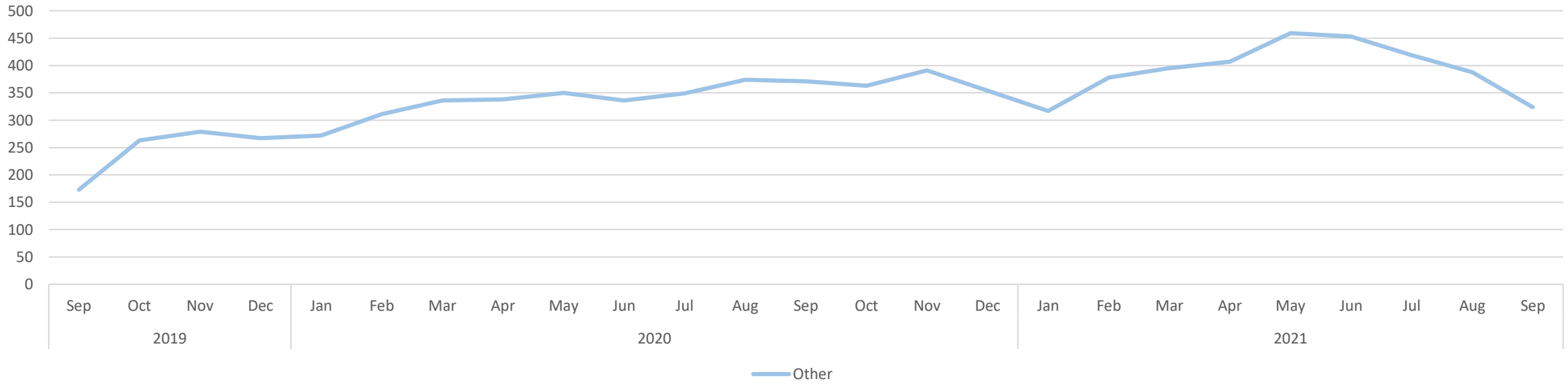


Chart 12 Extension Effects on Performance - Minor Applications



Graph 4 On Hand Cases – Other Applications



Agenda Item 8

South Cambridgeshire District Council

REPORT TO:	Scrutiny & Overview Committee	11 November 2021
LEAD CABINET MEMBER:	Councillor John Williams, Lead Cabinet Member for Finance	
LEAD OFFICER:	Peter Maddock, Head of Finance Adele Gritten, Head of Economic Development & Commercial Investment	

Investment Strategy

Executive Summary

1. To undertake a review of the Investment Strategy in response to new borrowing rules for commercial investments introduced from 26 November 2020 and to consider a refreshed version of the Strategy for consideration and adoption by the Council.

2. This is a key decision as the report seeks to establish a strategy that is designed to provide a robust and viable framework for the acquisition of commercial property investments and the pursuance of redevelopment and regeneration opportunities that contribute to Business Plan objectives and can deliver positive financial returns.

Recommendations

3. **The Scrutiny & Overview Committee is requested to consider and comment on the report that invites Cabinet, at its meeting on 6 December 2021, to recommend to Full Council the updated Investment Strategy attached at Appendix A which includes (i) a range of investment indicators to comply with the Statutory Guidance on Local Government Investments and (ii) the governance arrangements that enable the Council to seek approval for priority investments in a timely manner in response to market conditions.**

Reason for Recommendation

4. To establish and approve an updated Investment Strategy that complies with CIPFA's revised Prudential Code for Capital Finance in Local Authorities (2017 edition) and Prudential Code Guidance Notes for Practitioners (2018 edition), CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2017 edition), revised Statutory Guidance on Local Government Investments (3rd Edition) issued in February 2018 and new rules on borrowing from the Public Works Loans Board effective from 26 November 2020.

Details

Statutory Guidance on Local Government Investments

5. The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, the CIPFA Treasury Management Code of Practice (the Code) and Investment Guidance (the Guidance) issued by The Ministry of Housing

Communities and Local Government (MHCLG) in order to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

6. The revised Statutory Guidance in relation to Local Government Investments, issued in February 2018, widened the definition of an investment to include all the financial assets of a local authority as well as other non-financial assets held primarily or partially to generate a profit. This wider definition includes investment property portfolios as well as loans made to wholly owned companies or associates, joint ventures or third parties. The Guidance applies for financial years commencing on or after 1 April 2018 and was reflected in the new Investment Strategy that was considered and approved by Council at its meeting on 21 February 2019.

7. Previous editions of the Guidance covered treasury investments only, but the current edition focuses on non-treasury investments including:

- Loans made for service purposes e.g. to wholly owned companies, suppliers, local businesses, to support local public services and stimulate local economic growth;
- Shares in companies bought for service purposes;
- Debt Instruments (Loans) and Equity in subsidiaries;
- Non-financial assets (e.g. property) held primarily or partially to generate profit.

8. The Guidance requires the Strategy to be approved by Full Council on an annual basis and sets out the disclosure and reporting requirements. Any mid-year material changes to the Strategy must also be subject to Full Council approval. The Strategy should also be publicly available on the local authority's website.

9. In March 2020 the Public Works Loan Board (PWLB) launched a consultation on the terms of its lending and proposed reform aimed at tackling perceived abuse of borrowing powers by some authorities. The consultation ended in July 2020 and a response was published immediately following the spending review by HM Treasury on 26 November 2020 along with guidance on the new borrowing terms. The implications of these new borrowing rules were outlined in the report to Council on 23 February 2021 in respect of the annual review of the Treasury Management Strategy.

Investment Strategy

10. The Investment Strategy was approved by Council at its meeting on 28 November 2019. It seeks to ensure compliance with the Government's requirements, including the need for an Investment Strategy to include:

- the contribution that investments make towards the service delivery objectives and/or place making role of the authority, recognising that each investment can make more than one type of contribution. This could include:
    - Yield/Profit;
    - Regeneration;
    - Economic benefit/business rates growth;
    - Responding to local market failure;
    - Treasury management;

and, where the authority, classifies an investment as contributing to regeneration or local economic growth, it should be able to demonstrate that the investment forms part of a project in its Local Plan;

- quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions;
- how investments are funded and the rate of return and, where investment decisions are funded by borrowing, the indicators should reflect the additional debt servicing costs taken on;
- indicators to assess the risks and opportunities of the investment;
- the security of the investment as a paramount consideration to protect the capital sum invested from loss. Treasury management investments should consider security, liquidity and yield in that order of importance whilst other types of investment (such as property investments) should consider the balance between security, liquidity and yield based upon the risk appetite and the contribution the investment activity makes;
- demonstration that total financial exposure to loans (e.g. to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth) is proportionate and formally setting out limits on the total level of loans;
- for investment property, with a fair value above cost, the Strategy should include a statement that a fair value assessment has been made within the past twelve months, and that the underlying assets provide security for the capital investment;
- for investment property, with a fair value below cost, the Strategy should detail of the mitigating actions that the local authority is taking or proposes to take to protect the capital invested;
- how the authority has assessed the market that it is/will be competing in, the nature and level of competition, how it thinks that the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements;
- whether and, if so how, a local authority uses external advisors be they treasury management advisors, property investment advisors or any other relevant persons; and how it monitors and maintains the quality of advice provided by external advisers;
- the sources of information used to assess and monitor risk;
- for financial investments that are not treasury management investments or loans (e.g. equity investments) the Strategy should set out procedures for determining the maximum periods for which funds may prudently be committed; what those maximum periods are; and how the local authority will stay within its stated investment limits;
- for non-financial investments (e.g. property) the Strategy should set out the procedures for ensuring that the funds can be accessed when they are needed, for example to repay capital borrowed, and the local authority's view of the liquidity of the investments that it holds, recognising that assets can take a considerable period to sell in certain market conditions;

- the extent to which funding expenditure to meet the service delivery objectives and/or place making role of the local authority is dependent on achieving the expected net profit from investments and the local authority's contingency plans should it fail to achieve the expected net profit;
- the commitment not to borrow more than, or in advance of needs, purely in order to profit from the investment of the extra sums borrowed and, where the authority plans to borrow or has borrowed purely to profit from the investment of the extra sums borrowed, why the local authority has decided not to have regard to the Guidance and the local authority's policies for investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing;

- the steps taken to ensure that those elected members and statutory officers involved in the investments decision making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the local authority and to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority;

- the steps taken to ensure that those negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate;

- the corporate governance arrangements that have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the Council's corporate values.

11. The review has identified some updates to the Investment Strategy as follows:

- the need to recognise the changing health and economic climate since the current version of the strategy was developed and adopted.

- Give due regard to the new rules in relation to local authority borrowing from the PWLB and, in particular, the impact of borrowing for the acquisition of commercial assets on the Council's wider borrowing requirements.

- Remove the emphasis towards an "investment for yield" approach.

- Distinguish between "Service" and "Commercial" Investments, rather than "Streams" of investment - thus reflecting the commitment towards (i) service investment to support local public services, primarily loans to third parties (including the Council's a wholly owned housing development company called South Cambs Limited trading as Ermine Street Housing) and (ii) commercial investment to support economic regeneration.

- The need to recognise that the Council now has a small, established commercial property estate that provides a degree of diversity (and is governed in accordance with an adopted Corporate Asset Plan).

- Ensure that the "Principles" associated with "Responsible Investment" are embraced.

- Sharpen the "Security", "Financing" and "Risk Assessment" sections of the Strategy in the context of Service Investments and Commercial Investments.

- Update the capital programme values, recognising that this will be further reviewed.

- a review of the application of the Minimum Revenue Provision (MRP) on investment properties to reflect the annual valuation of these properties.
- to recognise, given the nature of commercial investments, that returns could be in the form of capital receipts from the sale of a constructed asset, potentially developed in phases depending on the scale of the project.

- to better reflect, given experience and market factors, the profile of investment between financial years.

- to undertake the annual review and update of Prudential Indicators that are identified in the adopted Strategy (at Section 8 of **Appendix A**).

- changes to reflect the time period of the updated Strategy and staff changes within the Council.

12. An updated version of the Investment Strategy is attached at **Appendix A** which seeks to meet the requirements of the statutory investment guidance and effective governance arrangements. Proposed changes to the current version of the Strategy, approved on 28 November 2019, are identified in red and crossed through text.

13. The Medium Term Financial strategy has recently been updated and reduced levels of investment income included as the level of investment now possible look rather less than that included in the strategy agreed in November 2019.

OPTIONS

14. The option of not reviewing the Investment Strategy is not considered to be appropriate. Local authorities are required to have regard to guidance issued in relation to investments and are accountable to their communities for the performance of them. Local politicians and officers operate within local governance frameworks of checks and balances to ensure that decision-making is lawful, informed by objective advice, transparent and consultative. Good governance means that proper arrangements are in place to ensure that intended objectives are achieved, and the security, liquidity and yield of investments are paramount commitments.

15. The Council is required to obtain approval for the Investment Strategy each financial year and, where the Council proposed to make a material change to its Strategy during the year, a revised Strategy must be presented to Council for approval before the change is implemented. The impact of the new borrowing rules necessitates a full review of the Strategy, removing the emphasis towards investments for yield.

IMPLICATIONS

16. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Policy

17. The Investment Strategy has been developed to fulfil the requirements of the revised Statutory Investment Guidance, and provides the framework for:

- governance of service loans, equity investments and commercial property investment;
- assessing risk of providing loans, equity investments and investing in commercial property;
- borrowing in advance of need;
- income generating investment activities.

Legal

18. The Local Authorities (Capital Finance and Accounting) Regulations 2003 provides operational detail and specifically states that Authorities must have regard to CIPFA's Prudential Code when setting and reviewing borrowing limits. Local Authorities must also have regard to the Investment Guidance issued by Secretary of State under section 15(1)(a) of the Local Government Act 2003.

Financial

19. The Investment Strategy sets out how the Council determines its capital investment priorities in particular in relation to corporate priorities taking into account the capital resources available including borrowing in line with the Council's approved Prudential Indicators. There are no additional resource requirements as a result of the refreshed Investment Strategy, but it does provide the framework for determining investment priorities for the Council from allocated capital resources.

20. The Investment Strategy currently identifies the sum of £153 million for Service and Commercial Investments as follows:

Funding Allocation	2021/21 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Loans to ESH	10,000	-	-	-	-
Investment Strategy	23,000	30,000	30,000	30,000	30,000
Total Investment	**33,000**	**30,000**	**30,000**	**30,000**	**30,000**

21. A full review of the capital programme, including new scheme bids, will also be reported to Cabinet in Autumn 2021.

Risk

22. The Investment Strategy is a key financial planning and resource management tool for the Council. An effective strategy for capital investment provides the framework for eliminating the risk of approving schemes which:

- are not affordable in either capital or ongoing revenue terms.
- do not meet legal obligations or the Council's key stated priorities.

Environmental

23. There are no environmental implications arising directly from the report. The environmental impacts of each capital investment opportunity will need to be considered as part of the feasibility assessments and evaluations.

Equality Analysis

24. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. It is considered that the report has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation.

25. An equality analysis is not needed. Individual capital investments may, however, have specific equality impacts that need to be considered and evaluated.

BACKGROUND PAPERS

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

(a) at all reasonable hours at the offices of South Cambridgeshire District Council;

(b) on the Council's website; and

(c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Corporate Asset Plan – Report to Cabinet: 2 October 2019
- Investment Strategy – Report to Council: 28 November 2019
- Medium Term Financial Strategy – Report to Cabinet: 7 December 2020
- Medium Term Financial Strategy – Report to Council: 23 February 2021
- General Fund Budget Report – Report to Cabinet: 3 February 2021
- General Fund Budget Report – Report to Council: 23 February 2021
- HM Treasury Document entitled "Public Works Loan Board: future lending terms – Response to the consultation" issued on 25 November 2020.

APPENDICES

A Investment Strategy – Revised December 2021

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Appendix A

Investment Strategy

~~**November 2019**~~ **December 2021**

1. Introduction

The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, the CIPFA Treasury Management Code of Practice (the Code) and Investment Guidance (the Guidance) issued by The Ministry of Housing Communities and Local Government (MHCLG) to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

In February 2018 the Secretary of State issued new guidance on Local Government Investments (the Guidance), which widened the definition of an investment to include all the financial assets of a local authority as well as other non-financial assets held primarily or partially to generate a profit. This wider definition includes investment property portfolios as well as loans made to wholly owned companies or associates, joint ventures or third parties. The Guidance applies for financial years commencing on or after 1 April 2018.

The Guidance requires the Investment Strategy to be approved by Full Council on an annual basis and sets out the disclosure and reporting requirements. Any mid-year material changes to the Strategy will also need to be subject to Full Council approval.

Due regard has also been given to the prevailing rules in relation to local authority borrowing from the Public Works Loan Board (PWLB) and, in particular, the impact of borrowing for the acquisition of commercial assets on the Council's wider borrowing requirements. Due regard has been given to the guidance published by HM Treasury on 25 November 2020 and, accordingly, the Council does not intend to buy commercial assets primarily for yield (even by using available reserves).

The Investment Strategy focusses on the following categories of investments:

- Investment to support local public services by lending to or buying shares in other organisations (known as **Service Investments**), and

- Investment to generate economic growth through providing facilities and infrastructure that will enable business start-up and growth, create employment opportunities and strengthen the local economy, including the management of the Council's commercial property estate (known as **Commercial Investments**).

The Council has set out within this Strategy its approach to risk and risk mitigation, including the requirement for fully tested and scrutinised business cases, sound due diligence indicators and the need for regular and formal reporting and the effective scrutiny of investment decisions and performance.

2. The Investment Strategy

2.1 South Cambridgeshire is located centrally in the East of England region at the junction of the M11/A14 roads and with direct rail access to London and to Stansted Airport. It is a largely rural district which surrounds the city of Cambridge and comprises over 100 villages and 1 town, none currently larger than 8,000 persons. It is surrounded by a ring of market towns just beyond its borders, which are generally 10–15 miles from Cambridge. Together, Cambridge, South Cambridgeshire and the Market Towns form the Cambridge Sub-Region. South Cambridgeshire has long been a fast growing district and in 2011 had a population of 146,800 persons (bigger than Cambridge itself) and has become home to many of the clusters of high technology research and development in the Cambridge Sub-Region.

2.2 The Council ~~recognises that it faces a unique set of challenges to deliver~~ is committed to support local public services, generate economic growth and ensure responsible investment. This commitment includes:

(a) Investment which can generate regeneration or economic development benefits as well as positive financial returns for the Council, including the services and infrastructure required to support the new communities on the strategic growth sites within the Greater Cambridge area, where the District will see the majority of the 22,000 jobs and 19,500 homes to be delivered between 2011 to 2031. ~~To meet this challenge, against further funding uncertainty from central government to deliver essential services, the Council has recognised the need to make investments to ensure it has the capacity to continue to grow and deliver essential services.~~ This category of investment includes the development of Investment Partnerships. Financial return is also a key objective (i.e. not subsidised provision) to generate a financial payback from investments and acquisitions.

(b) Investment to support local public services, including the wholly owned housing development company, South Cambs Ltd (Trading as Ermine Street Housing) in line with an approved Business Plan.

(c) Full compliance with the Responsible Investment Policy, reproduced at **Appendix 1**, that aims to ensure that environmental, social and governance factors are incorporated into investment decisions to better manage risk and generate sustainable long-term returns.

2.3 This Investment Strategy relates only to the General Fund; the Housing Revenue Account will develop its own investment strategy relating to maintenance and acquisitions.

2.4 The Council has taken independent advice during the development of the Strategy and continues to engage with commercial advisors and regulators to ensure that its officers and members are engaged in continual professional development in relation to property investment activities by local authorities.

2.5 **Aims:** The Investment Strategy aims to provide a robust and viable framework for the acquisition of commercial property investments and the pursuance of redevelopment and regeneration opportunities that contribute to Business Plan objectives and can deliver positive financial returns for the Council.

2.6 **Value:** The Investment Strategy identifies the sum of £153 million between 1 April 2021 and 31 March 2026 for Service and Commercial Investments that are ~~prime and close to prime commercial real estate investment, investment which can generate regeneration or economic development benefits as well as positive financial returns for the Council and for investment partnerships with third party developers to deliver new homes. These streams of investment are~~ outlined in more detail at Section 7. The Strategy also covers the existing portfolio of investments comprising of the following loans to third parties:

(a) A loan to Cambridge Ice Arena with a value of £2.4 million for a term of 25 years at a rate of 4.31%. The interest cost for the loan is based on a PWLB rate of 2.56% plus a margin of 1.75%;

(b) Loans to South Cambs Ltd, Trading as Ermine Street Housing (ESH), with a value of ~~£63.317 million (at September 2019)~~ £83.993 million (as at March

2021) at a rate of 3.78% (reviewed annually). The Council earmarked a total investment of £100 million to Ermine Street in its capital programme to enable the supply of 500 private rented housing stock; loans are based on an opportunity cost of 1% plus a margin of 2.78% (subject to review). At the point of drafting this strategy, loans to Ermine Street have been on the basis of interest only repayment; following the review by Savills, this may be reviewed to consider some capital repayment.

2.7 **Contribution:** The Council has an established commercial property estate that is managed in accordance with an approved Corporate Asset Plan. ~~invests in local commercial property with the intention that profits will be spent on local public services.~~ The following table provides details of the current portfolio by the various categories and purchase price:

Category	Fair Value £000
Offices	43,860
Industrial	2,900
Development Land	18,559
Other	0
TOTAL	**65,319**

2.8 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for the capital investment. Should year end accounts preparation and audit processes value these properties below their purchase cost, then an updated Investment Strategy will be presented to Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

In relation to third party loans, the Council will ensure that the total exposure to loans remains proportionate to the size of the Council. The Council has significant control over ESH being its only shareholder. However, the risk that the borrower, ESH, will be unable to repay loans provided by the Council represents a significant risk. In order to limit this risk, and ensure that total exposure to loans remains proportionate, an upper limit on outstanding loans to ESH has currently been set at £100 million. This will be kept under review. Accounting standards require the Council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts will, therefore, be shown net of this loss allowance.

2.9 **Financing the Strategy:** The Council will fund Service and Commercial and Regeneration Investments ~~the investment property acquisitions~~ by utilising the most appropriate and efficient funding strategy available at the time ofinvestment. The Council has the option of utilising prudential borrowing, capital receipts, and reserves and may consider other structures such as joint ventures ~~with pensions and insurance funds~~. Financing decisions will link to the Council's Medium Term Financial Strategy and Treasury Management Strategy.

As a condition of accessing the PWLB, Local Authorities must submit a high-level description of their capital spending and financing plans for the following three years,

including their expected use of the PWLB. As part of this, the Head of Finance will need to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment is based on the Head of Finance's professional interpretation of guidance issued. When applying for a new loan, the Local Authority must confirm that the plans they have submitted remain current and provide assurance that they do not intend to buy investment assets primarily for yield.
The new borrowing rules, therefore, restrict the ability of local authorities to borrow from PWLB for pure investment in commercial property and the Council is aware that, if it intends to buy commercial assets primarily for yield (even by using reserves), then they will be prevented from taking any PWLB borrowing and will need to consider alternative sources of funding. The Council is not, therefore, permitted to reprofile the capital programme so that borrowing is only used on allowed projects, with internal borrowing used for commercial activities and will respect the guidance issued on investments. Accordingly, there is a presumption against primarily for yield investments, such as prime and close to prime commercial real estate investment.

2.10 **Risk Assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments. The Council is engaged in the market through the proactive management of the investment portfolio, the asset valuation exercise and the economic growth activity and, through this, gaps/opportunities in the market are identified. Each asset is reviewed on an annual basis in order to review its performance, investment requirements and whether it should remain in the portfolio. The Council intends to develop a more detailed Acquisitions and Disposal Policy to sit alongside this Strategy.

The Council assesses the risk of loss before entering into loans with third parties. Loans to ESH will be provided on a commercial basis to comply with Subsidy Controls (previously State Aid Rules) taking into account the level of risk, with a clear schedule of repayment of interest and principal that enable ESH to deliver its Business Plan and meet the Council's overall objectives. External advisors will be brought in as required to support Council officers in assessing the legal and financial risks of making loans.

In relation to the commercial property estate, typical measures for monitoring individual assets and the portfolio as a whole are summarised in the table below:

Outcome/Risk	Potential Measure	Benchmarks
Individual acquisitions are achieving strategy objectives	• Gross and Net Initial Yield measured against targets for the investments (stress tested by providing pessimistic as well as realistic scenarios) • Net Present Value and Internal Rate of Return Calculations to show longer term financial returns • Cumulative Year break-even	• Industry benchmarks for type of investment • Other acquisitions in the portfolio • Overall portfolio and theme averages • Other Local Authorities
Acquisitions can be operationally managed effectively	• Operating expenses as a proportion of gross effective income • Operating expenses and debt service costs as proportion of effective income	• Established sector benchmarks
Acquisitions and portfolio are	• Asset by asset as well as portfolio measurement of asset	• Other acquisitions in the portfolio

appreciating in value	valuation against price paid and outstanding debt (initial borrowing minus accumulated Minimum Revenue Provision)	• Established sector benchmarks • Other Local Authorities
The Investment Strategy income target is being met	• Close and regular financial monitoring of average yield as well as growth of the portfolio	• Actual v. Budget - variance explained by average yield and portfolio use

The Council's established commercial property estate (see table at 2.6 above) provides some degree of diversification, allowing ~~intends to adopt~~ a risk spread profile. ~~but its commercial portfolio is, at this stage, limited and not diversified It is recognised, therefore, that the Council is potentially exposed to greater risk in the early period of the Investment Strategy through the absence of diversification.~~

The Council recognises, however, that there is a ~~As the portfolio develops, there will be a~~ need to assess the continuing appeal of the Council's existing property investments in the market. In some property investment classes this could be more significant than others, for example functional obsolescence in the industrial sector may have less impact on market appeal and rental growth than in the office sector. Economic obsolescence risk may be higher in markets which are more susceptible to social change and popular culture.

The economic landscape has changed immensely in the last 12 months, initially as a result of the uncertainty over the withdrawal process from the European Union, and recently the financial challenges as a result of the Coronavirus pandemic (COVID-19) which has had an impact on property markets with increased market uncertainty. The Royal Institution of Chartered Surveyors (RICS) considers market impacts and publishes regular guidance on property valuations, with recommendations to reflect the uncertainty (such as the insertion of Market Uncertainty Clauses [MUCs] within property valuations). Due regard should be given to the guidance issued given the continuing uncertainty around the property sector.

~~The Head of Commercial Development & Investment is responsible for ensuring that each investment decision is measured against the investment criteria set out in the Investment Strategy, which includes an assessment of risk.~~ Asset investment advice is provided by retained agents and, where necessary, additional specialist advice is procured from suitably experienced external advisers. This will include the provision of pre-purchase reports and building surveys and other due diligence required to support the business case. The advice by the retained agents will include an assessment of the market and how it will evolve over time, the nature and level of competition and the impact that any asset acquisition or disposal could have on the projected income generated. The retained agent advice is monitored against the specification of requirements detailed in the invitation to tender and contract.

2.11 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The Council has no immediate plans or needs to sell any of the property investment assets. However, lower yielding assets may be sold and replaced with higher yielding assets within manageable risk tolerances.

2.12 **Loan Commitments:** Although not strictly counted as investments, since no money has exchanged, loan commitments and financial guarantees carry similar risks to the Council. The Council has no such loan commitments or financial guarantees.

3 Proportionality

3.1 In setting a balanced budget (as required by statute) the Council takes into account the contribution of income that is generated by its investment activity and, in doing this, it recognises that such investment activity meets wider economic and service objectives of the Council. The table below shows the extent to which expenditure planned to meet the service delivery objectives and/or place making role of the Authority is funded by the expected net income from investments over the lifecycle of the Medium Term Financial Strategy.

Investment Net Rate of Return	2021/2022 Budget £000	2022/2023 Budget £000	2023/2024 Budget £000	2024/2025 Budget £000	2025/2026 Budget £000
Net Revenue Stream	21,722	22,182	19,566	20,306	21,063
Net Investment Income	5,031	6,306	6,720	6,959	7,197
PROPORTION (%)	**23.2**	**28.4**	**34.3**	**34.3**	**34.2**

3.2 An appropriate level of contingency within the General Fund Reserve is assessed annually as part of the outturn position each year. The Council also has a revenue contingency allocation of ~~£75,000~~ £250,000 ~~cover specified "precautionary" items~~ to enable unforeseen and "one off" needs (i.e. having no long term ongoing revenue commitment) to be considered for funding during the financial year. These contingencies cover any net reduction in income sources, including rental income from investment properties, compared to the levels estimated.

4 Borrowing in Advance of Need

4.1 Government guidance is that local authorities must not borrow more than, or in advance of their needs, purely in order to profit from the investment of the extra sums borrowed.

4.2 Where exceptionally the Council chooses to disregard the CIPFA Prudential Code and Government Guidance in respect of borrowing to fund investment activity, the rationale for this decision must be explained in the Strategy.

4.3 The Council has noted and has had regard to the Guidance and has no plans to borrow in advance of need and is, therefore, compliant with the CIPFA Prudential Code in respect of this matter. The Council will only depart from it in exceptional cases, within the parameters set out in this Strategy, for the purposes of delivering Business Plan objectives and maintaining a robust financial position. In these exceptional cases, the reasons for so doing will be fully explained, together with the Council policies for investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.

5 Capacity, Skills and Use of External Advisors

5.1 The Guidance requires that elected members and officers involved in the investment decision making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment. In addition, it places a duty on the Council to ensure that advisors negotiating deals on behalf of the Council are aware of the core principles of the prudential framework and the regulatory regime in which the Council operates. This will be achieved by ensuring an adequate and effective training programme, obtaining appropriate advice to inform the decision-making process and by ensuring that procurement arrangements provide

relevant information to potential advisers of the specific principles, regulations and governance relevant to the local authority sector.

6.2 The Council will appoint specialist advisors to provide training to ensure that relevant Officers and Members have the required skills to make informed decisions and assess the associated risks. This training will take place before any investment decisions associated with the Strategy are considered and on a regular basis to ensure that Officers are engaged in continual professional development in relation to property investment activity and that Members, as decision makers, have the skills, knowledge and relevant information to effectively assist the decision-making process. This will include training for new Members of the Council.

5.3 The Council recognises that investing in land and property to achieve business objectives and to generate returns is a specialist and potentially complex area. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Where skills, or capacity are lacking, the Council will engage the services of professional property, legal and financial advisors, where appropriate, to access specialist skills and resources to inform the decision-making process associated with this Strategy. The Council measures the impact of investment decisions on borrowing and affordability through Investment Indicators to ensure that the overall risk exposure remains within acceptable levels.

6 Governance Arrangements

6.1 It is necessary to have a framework for determining which properties and development opportunities should be invested in.

6.2 A designated Investment Selection Team (IST), structured as outlined in **Appendix 2,** provides the setting for senior property, finance, service and legal professionals to share details of investment proposals ensuring that the core principle of the CIPFA Prudential Framework and the regulatory regime within which the Council operates are adhered to.

6.3 The Investment Team has day to day oversight of asset management issues, and is responsible for reviewing the extent, condition and value of the Council's corporate estate in line with the approved Corporate Asset Plan 2020-2024 and supporting Asset Management Plan which is continually monitored by IST.

6.4 The IST will advise a designated Investment Governance Board (IGB) on potential purchases and development opportunities that meet the pre-determined selection criteria contained within the Investment Strategy. The IST will scrutinse investment opportunities identified by the Investment Team, based on the selection criteria set out in this Strategy, will carry out all necessary due diligence and will present a full business case to the IGB for approval. The structure of the IGB is also outlined in **Appendix 2**. The purpose of the IGB is to challenge and scrutinise investment opportunities identified by the IST, ensuring that only credible options are progressed. It also provides the forum for the strategic management of the overall portfolio of investments, consistent with the aims of the Strategy.

6.5 Investment decisions taken by Cabinet will be subject to the fulfilment of the minimum criteria set out within the Strategy, satisfaction with the business case and risk assessment, and will have regard to the recommendation of the IGB. Acquisitions and development opportunities that do not meet the minimum criteria set out within the

Strategy may still be considered, where they would bring other compelling benefits to the District, but would require Cabinet approval.

6.6 Cabinet is required to approve investment in new capital schemes prior to any expenditure being incurred (subject to 6.6 below) and Council approval will be required if additional, or the reprofiling of, funding is required. There may be occasions when an investment opportunity may be lost by the market need for speed; in these exceptional cases, decisions may be taken by the Leader after consultation with IGB and in accordance with the Access to Information Procedure Rules as set out in the Constitution and a full report will be prepared to inform the decision, fully outlining the opportunities and risks. The requirements relating to the giving of notice of the decision in the Forward Plan and for call-in of any decision shall apply unless the urgency procedures in the Council's Constitution are required to be used for urgent investment decisions.

6.7 To enable the timely and decisive decision making which is essential in this type of industry, to respond to opportunities as they arise, regular meetings of the IGB will be scheduled. The Council's Scheme of Delegations provides the basis for enabling Officers to progress investment opportunities, including due diligence checks and the submission of non-binding offers in line with market practice.

7 Service and Commercial Regeneration Investments ~~Streams~~

7.1 Investments will be focussed within the District, the Greater Cambridge Partnership area and the Travel to Work Area as shown in **Appendix 3**.

7.2 The Investment Strategy identifies the sum of £153 million for Service and Commercial Regeneration Investments as follows: ~~for potential commercial investments into three streams of activity outlined in 7.3 below. This provides (i) an allocation for Stream 1 investments in line with the potential investment pipeline, (ii) a £10 million per annum allocation in Stream 2 investments (e.g. energy storage projects or investments with regeneration benefits) and (iii) the capacity to deliver the level of investment with the two approved framework suppliers in line with Member Agreements. The projection of likely investments in all three streams as follows:~~

Funding Allocation	2021/2022 £'000	2022/2023 £'000	2023/2024 £'000	2024/2025 £'000	2025/2026 £'000
Loans to ESH	10,000	-	-	-	-
Investment Strategy	23,000	30,000	30,000	30,000	30,000
Total Investment	**33,000**	**30,000**	**30,000**	**30,000**	**30,000**

7.3 Investment relating to commercial premises will be directed towards the following types of investment ~~three streams of activity~~:

7.3.1 **Service Investments** ~~**Stream 1**~~

This category of investment is to support local public services. The Council may lend money or acquire shareholding in subsidiaries, suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth. The main risk when making these investments is that the borrower will be unable to repay the principal and interest due. The Council will, therefore,

assess the risk of loss before entering into and whilst holding such investments and mitigate this risk where practicable.

The Council has a wholly owned housing company called Ermine Street Housing (ESH). The Council's main objectives for creating the company is to provide good quality flexible rental housing and to meet housing needs and gaps in the housing by operating a commercial entity to manage both purchased and leased properties for the purpose of residential lettings. ESH acquire properties on the open market, borrowing at market interest rates via the Council, then lets the property at market rents to facilitate a reasonable pay back on the investment. ESH also brings the benefit of contributing to housing supply in the District with its implications for the economic and social well-being of residents and the local economy. The Council will provide capital loans to ESH on commercial terms to enable the company to deliver its objectives in line with an approved business plan.
~~Prime and close to prime commercial real estate investment let on long leases to good covenants which will provide a secure long-term income over and above their ability to pay back the purchase price debt. The minimum target yield for a stream 1 assessment is 5% per investment, excluding Minimum Revenue Provision (MRP) and the cost of borrowing.~~

~~The contributions from Stream 1 investments will include:~~

- ~~Yield / profit.~~
- ~~Long term capital uplift.~~

~~Commercial lease arrangements in relation to the Council's portfolio are ordinarily classified as operating leases. International Financial Reporting Standard (IFRS) 9 relates to treatment of various financial instruments. Sundry Debtor Balances are classed as a financial instrument and all financial instruments need to be subject to impairment when the expected recoverable amount is less than the actual amount outstanding. All outstanding amounts relating to leases will be recorded at the net recoverable amount after allowing for an appropriate provision for bad and doubtful debts (If any).~~

7.3.2 Commercial Regeneration Investments ~~Stream 2~~

This category covers investment which can generate regeneration or economic development benefits as well as positive financial returns for the Council. Financial returns for the Council may come in the form of increased business rates income, New Homes Bonus where the investment is within the District and residential letting income from Build to Rent developments. The minimum target yield for ~~a stream 2~~ commercial regeneration investments of this nature is 5%, excluding MRP and the cost of borrowing. IRR may also be appropriate as a measure of an investment's rate of return.

The contributions from ~~Stream 2~~ commercial regeneration investments will include positive financial returns for the Council, and may also include the following:

- ~~Investment loans to 3rd parties~~
- Assets that provide accommodation for essential businesses and services that are critical to the health of the local economy.
- Investing in climate and environmental initiatives, including ~~green energy investments within Stream 1~~ assets that can be developed to

deliver green energy generation, in line with business plan objective of being "green to our core", and investment in green energy bonds/funds in so far as they meet PWLB criteria.

- Investing in Social Capital
- Redeveloping Council owned assets
- Building homes and commercial premises
- Using public land and buildings to achieve long-term socio-economic development within the District and wider Greater Cambridgeshire Area, as identified in the Local Plan and **Appendix 3**.

To provide a longer term perspective for ~~Stream 2~~ commercial regeneration investments, the Internal Rate of Return (IRR) may be an appropriate metric to assess the strength of an investment. The IRR is the interest rate at which the net present value of all cash flows arising from an investment is equal to zero.

7.3.3 **Commercial Investments: Investment Partnerships ~~Stream 3~~**

Investment partnerships with third party developers to deliver new homes and regeneration opportunities that will include:

- Acquisition of 3rd party land
- ~~Include~~ Public sector and bank debt
- Incorporation of grants and other funding
- A sharing of risk and reward between partners

By the nature of these investments, returns are likely to be in the form of capital receipts from the sale of a constructed asset, potentially developed in phases depending on the scale of the project. These capital receipts will be identified in the capital programme as financing for priority capital projects determined by the Council. Capital projects may relate to the range of services provided by the Council, or for investments in redevelopment and regeneration projects that contribute to Business Plan objectives and which may deliver positive financial returns for the Council.

7.3.4 Further information about commercial investments (including Investment Partnerships), including the scope for investment, investment objectives, development methodology, green energy opportunities and risk management arrangements, is provided in **Appendix 4**, the expected business case coverage is identified in **Appendix 5** and investment assessment criteria for ~~all three streams are~~ commercial investments is shown in **Appendix 6**.

8. Prudential Indicators

8.1 The Guidance requires local authorities to develop quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of commercial property investment decisions.

8.2 Local Authorities are required to charge to their revenue account each year a Minimum Revenue Provision (MRP) to make provision for the repayment of debt, as measured by the underlying need to borrow. The MRP should be prudent and, although it is for each authority to determine the amount, the published guidance by the Government is "local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits". Provision has, therefore, been made for MRP in the performance indicators in line with the approved Capital and Treasury Management Strategies and based on the equal instalment method, amortising expenditure equally over the estimated useful life of the asset for which borrowing is required. The application of MRP will be adjusted to reflect the annual valuation of Investment properties and will be determined on a property by property basis

8.3 The approved Treasury Management Strategy does, however, confirm that where a loan is made to a wholly owned subsidiary of the Council, the loan is deemed to be secured on the assets of the company. Evidence of the ability to repay the loan will be based on the company's business plan and asset valuation, and no MRP will be made. Exceptionally, where capital expenditure is part of a loan agreement to other than a wholly owned subsidiary – such as the loan to Cambridge Ice Arena – MRP will be applied in these cases.

8.4 The indicators associated with the Council's proposed Commercial Property Investment Strategy are detailed below.

8.4.1 **Debt to Net Service Expenditure (NSE) Ratio**

This indicator measures the gross debt (as cash or loan financing) associated with Commercial ~~Property~~ Investments and loans to third parties as a percentage of the Council's net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.

Estimate £'000	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Third Party Loans (a)	96,900	96,828	96,256	96,184	96,112
Commercial Investments (b)	88,319	118,319	148,319	178,319	208,319
Funding Allocation (a + b)	185,219	215,147	245,147	275,147	305,147
Net Service Expenditure (c)	21,828	20,992	21,659	22,101	22,823
Debt to NSE Ratio (a+b)/c	**849%**	**1024%**	**1132%**	**1245%**	**1337%**

The indicator shows that the debt level proposed by the Strategy will be approximately 14 times the level of the Council's net revenue budget if the proposed investment in the Strategy is funded solely from cash or loan financing.

Given that the Strategy will take the risk profile of investments into account in the decision-making process and the Council sees property investments as a long-term investment. ~~this ratio is reasonable. A maximum limit of 1,4800% has been set for this indicator.~~

8.4.2 **Net Commercial Income to NSE Ratio**

This indicator measures the Council's dependence on the income from commercial property investments to deliver core services.

The commercial income is the gross income from all investments made through the strategy less all operational costs. ~~including the operational costs shown in indicator 8.4.7~~. All income forecasts should allow for void periods where applicable. The table below identifies gross income:

Estimate £'000	2021/22	2022/23	2023/24	2024/25	2025/26
Third Party Loan income (a)	3,271	3,461	3,461	3,461	3,461
Commercial income (b)	5,031	6,306	6,720	6,959	7,197
Total Net Income (less MRP) (a + b)	6,982	8,050	8,325	8,439	8,813
Net Service Expenditure (c)	21,828	20,992	21,659	22,101	22,823
Net Commercial income to NSE Ratio (a+b)/c	**32.0%**	**38.3%**	**38.4%**	**38.2%**	**38.6%**

The additional income generated from the investments set out within this Strategy will be equivalent to 38.6% of the Council's Net Service Expenditure by 2025/2026. ~~This ratio is considered reasonable and a maximum limit of 5% has been set for this indicator.~~

The ratio shows an increase over time and, given the potential risk in respect of reliance on this income, effective measuring of progress will be undertaken against income targets, both in terms of portfolio yield and size.
The indicator allows for MRP in accordance with the approved Treasury Management Strategy with the following allowance for each year:

Estimate £'000	2021/22	2022/23	2023/24	2024/25	2025/26
Minimum Revenue Provision	1,320	1,717	1,856	1,981	1,845

8.4.3 Investment Cover Ratio

This indicator measures the total net income from property investments compared to interest expense:

Estimate £'000	2021/22	2022/23	2023/24	2024/25	2025/26
Net Commercial income	5,031	6,306	6,720	6,959	7,197
Interest cost	910	2,345	2,606	2,911	3,242
Investment cover Ratio	5.52	2.69	2.58	2.39	2.22

The net investment cover ratio increases throughout the medium term. This is because interest payable is growing at a faster rate than commercial income due to the externalisation of some debt. Current loans are shorter term loans and the ratio in 2021/22 reflects this.

For commercial investments from 2022/23 ~~within Streams 1 to 3~~, the rate of 2% (reflecting current medium to long term PWLB rates) is used to determine the interest expense in the above ratio through to 2025/2026. The interest rates on loans to third parties are determined on a case by case basis. ~~range from 4.31% to 3.78%.~~ The assumptions will be revised in future years as the size of the portfolio develops.

8.4.4 Loan to Value (LTV) Ratio

This indicator measures the amount of debt compared to the total asset value. In the period immediately after purchase it is normal for the directly attributable costs of purchasing commercial property investments to be greater than the realisable value of the asset (e.g. because of non-value adding costs such as stamp duty). Current market advice indicates that commercial property values are likely to be volatile for a while due to the effects of the pandemic and Brexit, however, borrowings will be repaid.

Estimate £'000	2021/22	2022/23	2023/24	2024/25	2025/26
Funding Allocation	185,219	215,147	245,147	275,147	305,147
Total asset values	188,900	222,700	257,100	292,200	328,000
LTV Ratio	1.02	1.03	1.05	1.06	1.07

Each year the Council will assess whether assets purchased via the Strategy retain sufficient value to provide security of investment using the fair value model in International Accounting Standard 40: Investment Property. If the fair value of assets is not sufficient to provide security for the capital investment the Strategy will provide detail of the mitigating actions that are being taken, or are proposed to be taken, to protect capital investment. The IST will also provide a liquidity assessment of the portfolio when undertaking the Fair Value assessment (see Section 2.7 of the Strategy).

8.4.5 Target Income Returns (Yield)

This indicator shows the target gross yield for each stream of investment activity and is a measure of the minimum expected return for the property investment portfolio. Green investments may deliver a lower return.

Target income returns	2021/22	2022/23	2023/24	2024/25	2025/26
Service Investments ~~**Stream 1**~~	2.5%	2.5%	2.5%	2.5%	2.5%
Commercial Investments ~~**Stream 2**~~	5%	5%	5%	5%	5%
~~**Stream 3**~~	~~5%~~	~~5%~~	~~5%~~	~~5%~~	~~5%~~

8.4.6 Gross and Net Income

For this indicator, "Gross Income" means the revenues received in the form of commercial rents before the deduction of management costs and interest repayments. "Net Income" means the net income available, after the deduction of management costs.

Estimate £'000	2021/22	2022/23	2023/24	2024/25	2025/26
Gross Income:	5,031	6,306	6,720	6,959	7,197
Net Income	4,599	5,865	6,271	6,501	6,729

The achievement of the target income required from the Investment Strategy will be closely monitored as part of the Council's budget monitoring process.

8.4.7 **Operating Costs**

Estimate £'000	2021/22	2022/23	2023/24	2024/25	2025/26
Operating Costs	432	441	449	458	468

The above operating costs relate to the cost of acquiring and maintaining the investments made through the Strategy. The costs shown reflect the estimated cost of internal staff, external asset management and a budget for feasibility work to conduct due diligence prior to investment.

8.4.8 **Vacancy Levels and Tenant Exposures**

Estimate	2021/22	2022/23	2023/24	2024/25	2025/26
Void levels	3%	3%	3%	3%	3%

This indicator measures and sets a maximum threshold ~~targets~~ for the vacancy ~~void~~ periods and tenant exposures within the property portfolio.

The target of 3% reflects the strong tenant covenant strengths that will be required under the ~~Stream 1~~ commercial investment criteria. Void periods will be factored into the financial appraisals as part of the assessment criteria where relevant, therefore this indicator may be revised once investments are made.

9. Overall Portfolio Management

9.1 The Council has established a robust and ambitious strategy for capital investment. The level of investment anticipated and the returns from that investment are significant and, as the strategy outlines, significant potential rewards come with equally significant risks. Closer performance management over and above the prudential indicators at Section 8 above and identified in the Capital Strategy will, therefore, be undertaken to help address potential fundamental risks such as:

- The financial returns as set out in the strategy are difficult to achieve resulting in lower than budgeted investment and rental income.
- Delays in investment, for any other reason, result in lower than budgeted investment and rental income;
- Wider economic impacts depress the value of investments in the short-term reducing balance sheet health;
- Access to borrowing is restricted by Government changes to PWLB lending rules.

9.2 The additional monitoring of the Investment Strategy and its resulting impact on Balance Sheet health will comprise:

9.2.1 The relationship between the Capital Financing Requirement, asset valuations and the Capital Adjustment Account and Revaluation Reserve as shown on the balance sheet, and

9.2.2 Measures of portfolio progress:

	Budget £	Actual £	Variance £
Service Investments:			
Capital Invested			
Yield			
Rental Income			
Commercial Regeneration Investments:			
Capital Invested			
Yield			
Rental Income			
Commercial Property Estate:			
Capital Invested			
Yield			
Rental Income			

Appendix 1: Responsible Investment Policy

1. INTRODUCTION

1.1 This Responsible Investment Policy details the approach that will be followed in fulfilling the Council's commitment to integrate sustainable environmental policies across all areas of the Councils operations and activities. It also covers other responsible investment issues, which are set out below.

1.2 The policy will be reviewed annually as part of the annual refresh of the Treasury Management Strategy before being approved by Cabinet and Full Council.

2 PRINCIPLES

2.1 Responsible Investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable long-term return.

2.2 The Principle for Responsible Investment (PRI) is the world's leading advocate for responsible investment. The PRI enables investors to publicly demonstrate commitment to responsible investment with signatories committing to supporting the six principles for incorporating ESG issues into investment practice.

2.3 The six principles are as follows:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

2.4 The principles are based on the notion that ESG issues, such as climate change, can affect the performance of investment portfolios and should, therefore, be considered alongside more traditional financial factors if investors are to properly fulfil their fiduciary duty.

3 PRINCIPLES

3.1 The Council takes a long-term approach to investing core balances and believes that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide improved financial returns for investors. ESG issues can have a material impact on the value of financial assets and on long-term performance of investments and, therefore, need to be considered in order to better manage risk and generate sustainable, long-term returns.

3.2 Well-managed organisations with strong governance are more likely to be successful long-term investments.

4 POLICY OBJECTIVES

4.1 As a long-term investor and asset owner the Council will, therefore, hold companies and asset managers to account regarding environmental, social and governance factors that have the potential to impact corporate value. The Council will incorporate ESG factors into investment analysis and decision-making, enabling long-term sustainable investment performance.

4.2 As a shareholder, the Council has a responsibility for effective stewardship of the companies it invests in but also acknowledges that it has limited influence over individual companies being a small unit holder in a large fund pooled with many other institutional investors. Asset managers, who also take their stewardship role seriously, through dialogue and use of voting rights, are key influencers for more responsible corporate behaviour and long-term sustainability. The Council's preference is, therefore, for active ownership of companies to rest with asset managers and for asset managers to engage with companies on behalf of the Council and other investors to improve the environmental and social performance of the asset or company in which they invest.

4.3 The Council will practice active ownership through its choice over asset managers and asset management strategies. The Council will monitor and report the approach taken by asset managers in integrating ESG risks and opportunities into their modelling as part of their value assessment.

5 GOVERNANCE

5.1 The Responsible Investment Policy is owned by the Investment Governance Board and approved by Cabinet and Full Council. The Chief Operating Officer is accountable for implementation of the policy, with the Head of Finance responsible for other treasury management policies and practices.

6 APPLICATION

6.1 The policy beliefs are applicable to the Council's long term strategic investment portfolio only. ESG integration and reporting in short term low volatility net asset money market funds is less developed so the scope of this policy does not extend to them but will be kept under review. However the Council will expect funds to be signatories of the Stewardship Code 2012 and working towards the 2020 Code that is being implemented in 2021.

6.2 External asset managers used by the Council should have Responsible Investment and ESG policies in place and a high UN PRI Assessment Score (awarded annually). A high score is defined as the highest possible bands being A or A+.

6.3 The Investment Governance Board will receive annually a report detailing how each asset management firm integrates ESG risks into their financial assessment and decisions. This will include a summary of the annual United Nations Principle for Responsible Investment (PRI) Assessment Scores

~~Appendix 1: Property Investment Stream 1~~

1. Objective

~~The objective of the Stream 1 investment criteria is to establish a framework for the identification of commercial property investments which, if acquired, would contribute to established Business Plan priorities and provide the Council with a positive rental return and capital growth.~~

~~The investment criteria are designed to ensure that funds are invested in properties that deliver yield and security commensurate with the Council's risk appetite.~~

~~Each potential investment will be evaluated to ensure the income received is sufficient to provide an acceptable rate of return following the payment of borrowing costs, acquisition costs, management fees and any running costs. Borrowing from the PWLB will not be considered where it is intended to buy commercial assets primarily for yield.~~

~~Purchases will take regard of the need to diversify the Council's property portfolio to manage risks across the entire portfolio.~~

~~The Council will procure external advisors to act on its behalf for the acquisition of investments, who will provide pre-purchase reports and building surveys to support the business case. These consultants will be managed by the Commercial Development & Investment Team, who will be responsible for monitoring the service that is provided.~~

2. Market Analysis and Background

~~As with other forms of investment at their most basic level, property investment is a trade-off between risk and return. A traditional well diversified property portfolio (spread across different property sectors and geographical regions) will deliver long term rental and capital growth with relatively low risk. Prime property in the target regions covered by this Strategy will typically provide an initial yield of between 5-7% with the additional prospect of capital growth leading to a higher total return to the Council.~~

~~The Strategy will adopt the same underlying principle of diversification in acquiring property investments offering a similar return profile. The three main property sectors will be included (industrial, office and retail) and in turn, these will be additionally diversified on criteria including location, the lease term and lot size. When added to the existing portfolio this will assist in protecting the Councils overall risk and return profile should an individual property investment cease to be income producing (for example, it is undergoing refurbishment or awaiting a new tenant).~~

3. Property Acquisition Methodology

~~Identification, consideration and recommendation of assets suitable for acquisition will be undertaken by the IST in conjunction with outside specialist guidance and professional support, procured in accordance with the Council's established Contract Procedure Rules.~~

~~The IST, through the designated Head of Commercial Development & Investment and appointed agents, will undertake a search of the market which will include approaches and introductions of opportunities direct from the sellers, their agents and third parties. Introductions from third party agents will be accepted on a first-come first-served basis by verbal or written communication to the Head of Commercial Development & Investment.~~

~~Investment opportunities will initially be submitted to IST for consideration and subsequently to the Investment Governance Board (IGB). If after the introduction is made, the Council wishes to pursue the purchase further written agreement on the "basis of engagement" and fees will be required.~~

~~The use of independent consultants will be required to assess properties prior to bidding and any purchase will be subject to due diligence on all physical, financial and legal aspects of the property to address its suitability as an asset for long term security and growth.~~

~~All investments considered for purchase that meet pre-determined criteria and strategy aims (see section 4 below) will undergo qualitative and quantitative appraisal to establish portfolio suitability which will consider rental levels, location, property type, rent review and lease expiry pattern, tenant(s), industry sector, tenure, lease covenants, market exit constraints and physical and environmental factors. In addition, 3rd party advice will be called upon where specialist market knowledge is required. It is recognised that some of the cost of feasibility work and technical appraisal and assessment will be abortive.~~

~~Property investment markets are, in general, controlled by national and regional commercial property agencies and establishing links and relationships with several such property agents is the best method of sourcing suitable properties for acquisition. Staffing resources will need to be made available to source suitable property assets for acquisition that match the criteria set under the Strategy. This can be done by both recruitment into the IST team and by employing additional external expertise as required.~~

~~All commercially based investments involve risk and, at each stage of the process, the commitments made will be at risk as there can be no guarantee that a fully successful development will be achieved. The terms of the agreement between the parties will seek to~~

~~mitigate the inherent risks. Moreover, the timing of the exercise can also be a critical factor in achieving optimum success, particularly in terms of market conditions, the state of the national economy and levels of investment confidence within the development industry.~~

4. Minimum Investment Criteria

~~For a Stream 1 property investment to be considered by the IGB for recommendation to Cabinet for approval it must:~~

~~**4.1** Achieve a minimum weighted score of 100 from the investment criteria matrix shown in **Appendix 1 (1a)**;~~

~~**4.2** Have a Net Initial Yield of 5% after making allowance for purchase costs;~~

~~**4.3** Be accompanied by a full business case prepared by the IST.~~

~~Each potential property investment will undergo a qualitative and quantitative appraisal, together with a risk assessment, to establish portfolio suitability and the legal and financial implications of the purchase.~~

~~The findings of these appraisals will be reported to the IGB as part of the business case. **Appendix 1 (1b)** details the specific areas that will be included in the business case as a minimum.~~

~~All acquisitions, where relevant, will be subject to building and plant survey, independent advice and valuation.~~

~~An investment opportunity that does not meet the minimum criteria under investment stream 1 may have separate investment or regeneration benefits and, therefore, may be considered separately under Stream 2 of the strategy.~~

5. Risk Management

~~**5.1** **Financing Risk:** As with all investments, there are risks that capital values and rental values can fall as well as rise. To mitigate against future unfavourable market forces, Stream 1 acquisitions will be made on the basis that the Council is willing and capable of holding property investments for the long term i.e. 35 years +. This will ensure income and capital returns are considered over the long term thereby smoothing out any cyclical economic/property downturns.~~

~~Where the purchase of a property is reliant on increases in borrowing the business case will factor in fixed rate borrowing costs. By utilising fixed rate borrowing options the Council will be protected from future increases in financing costs. The Council can mitigate the limitations that come with the term commitment characteristic of fixed rate options through using a portfolio of loans of different terms at different rates, as part of its wider Treasury Management Strategy, thereby creating options to 'recycle' loans for other purposes, should net disposals of assets held within the Investment Strategy exceed the value of net acquisitions.~~

~~**5.2** **Portfolio Risk – void periods:** To mitigate the risk of void periods where the property is either partially or fully vacant, or a tenant has defaulted on its rental obligations, the investment portfolio will be actively managed. The investment criteria specified in the~~

~~scoring matrix will tend to favour secure property investments i.e. high-quality buildings in prime locations, thus mitigating the risk of void periods on re-letting.~~

~~Void periods for commercial investment properties acquired under this Strategy will be monitored and vacancy levels will be reported to the IGB throughout the year so that they can be actively managed.~~

6. Portfolio Management

~~Newly purchased property acquired under this Strategy would be added to the existing portfolio and the Commercial Development & Investment Team (currently comprising the Head of Commercial Development & Investment, the Delivery & Innovations Officer and the Green Energy Investment Officer), would undertake asset and property management to maintain and improve the performance of an investment property; with established core staff supplemented, as required, by external commercial asset investment/management advisors from approved budgets. This would include ensuring statutory and regulatory compliance, tenant compliance, landlord responsibilities, securing receipt of rents, dealing with voids and insurance matters. The costs associated with these areas would be considered in the financial appraisal for the property acquisition.~~

~~The property asset management will be subject to an annual review and incorporated within the Asset Management Plan (Housing Revenue Account) and Corporate Asset Plan (General Fund) which are presented to Full Council annually.~~

Appendix 1 (1b) – Stream 1 Business Case

~~The IST will prepare a business case for Stream 1 investments where the minimum weighted score target has been met. The business case will include as a minimum:~~

Financial Appraisal

~~A detailed financial appraisal setting out the projected income and costs associated with a potential acquisition along with an assessment of the proposed financing options and associated risks and considerations. This will include an assessment of the net yield over various scenarios up to a 50 year period, and include the following inputs:~~

- ~~anticipated void periods at the end of the initial and subsequent occupiers lease(s);~~
- ~~anticipated Capital Expenditure required by the Landlord, taking into account the age and condition of the premises and Landlords repairing obligations;~~
- ~~assumptions in the approved Capital and Treasury Management Strategies.~~

Lease Classification

~~A lease should be classified, for accounting purposes, as an operating lease rather than finance lease, to ensure that all rental income can be treated as revenue income (rather than a mix of capital receipt and revenue income). Operating leases are those where the risks and rewards of ownership are retained by the lessor (the Council) and must meet certain criteria. The main criteria being that the lease term should not be for the major part of the property's economic life and at the start of the lease, the total value of minimum lease payments (rents) should not amount to a significant proportion of the value of the property.~~

Risk Management Assessment

~~A detailed risk assessment of the potential purchase, including but not limited to:~~

- ~~Specific risks associated with individual assets;~~
- ~~Tenant default on rental payment (covenant risk);~~
- ~~Risk of failure to re-let (void risks);~~
- ~~Costs of ownership and management;~~
- ~~Differing lease structures (e.g. rent review structure, lease breaks);~~
- ~~Sector risk (portfolio spread);~~
- ~~Provide an exit strategy financial assessment as a 'worse case' scenario;~~
- ~~Liquidity assessment/LTV ratio assessment.~~

~~Market Risks, including risks of structural change or market failure, which may affect the market as a whole or particular subsectors or groups of property:~~

- ~~Illiquidity upon sale (e.g. lot size, transaction times, availability of finance);~~
- ~~Failure to meet market rental expectations (forecast rental growth);~~
- ~~Failure to meet market yield expectations (forecast yield shift);~~
- ~~Risk of locational, economic, physical and functional depreciation through structural change;~~
- ~~Risks associated with legislative change (e.g. planning or changes in fiscal policy).~~

Portfolio Assessment

~~An assessment to establish suitability against the Council's existing property portfolio which will consider rental levels, location, property type, rent review and lease expiry patterns, industry sector, tenure, lease covenants, market exit constraints and physical and environmental factors.~~

Report on Title

~~To confirm ownership.~~

Appendix 2: Governance Arrangements

Full Council

Scrutiny & Overview

Cabinet

Investment Governing Board – approves recommendations within approved scheme of delegations, with recommendations to Council as appropriate

- Chief Operating Officer
- S151 Officer
- Leader
- Deputy Leader and Lead Cabinet Member for Finance

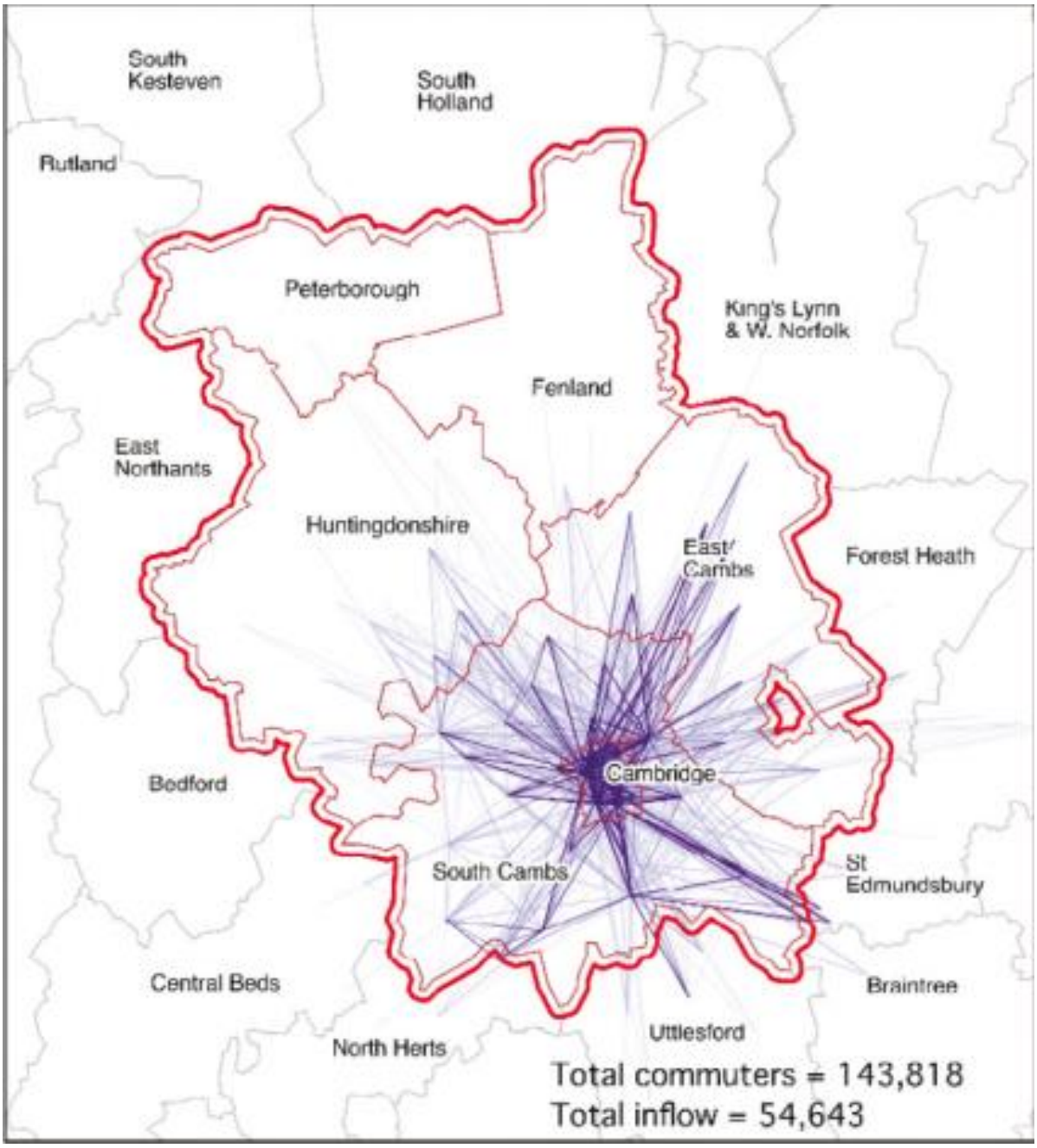
Investment Selection Team – develops commercial ~~Stream 1, 2 & 3~~ investment recommendations for IGB approval

- Chief Operating Officer
- S151 Officer
- ~~Head of Commercial Development & Investment~~ Head of Economic Development and Investment
- Head of Housing
- Monitoring Officer

Appendix 3: Investment Area

Investment Target Area

The investment target area outside of the Local Plan boundary follows the definition of the Greater Cambridge commuting pattern, as identified in the Cambridgeshire and Peterborough Independent Economic Review (September 2018):



In the south of the district the commuting area could include a number of districts outside the county and consideration will be given to including those within the investment target area.

Appendix 4: Commercial Regenration ~~Property~~ Investments ~~Stream 2~~

1. Objective

The objective of commercial regeneration investments ~~the Stream 2 investment criteria~~ is to establish a framework for the identification of properties or land for redevelopment. These opportunities may deliver placemaking, environmental or economic development benefits, as defined in the Councils Business Plan, as well as positive financial returns for the Council in the form of future revenue income streams or capital uplifts. Future revenue income streams could include increases in retained business rates income and New Homes Bonus.

A key outcome of this category of investment will be the generation of economic growth through providing facilities and infrastructure. This includes the delivery of environmental benefits for the area.

Developed properties may be retained for the benefit of their long-term rental income and will become an investment asset after completion.

The decision on whether or not these investments would meet the overall objectives of this Strategy will be informed by a detailed financial appraisal. The commercial regeneration ~~Stream 2~~ investment criteria will be designed to ensure that the financial returns delivered from investments are commensurate with the deemed levels of associated risk. A higher risk investment will, therefore, require the delivery of greater financial returns.

2. Scope of Investment ~~Market Analysis and Background~~

Commercial Regeneration~~Stream 2~~ investment opportunities could come in a diverse range of forms. Examples include, but are not limited to:

- Assets that provide accommodation for essential businesses and services that are critical to the health of the local economy.
- Investing in climate and environmental initiatives, further exploiting and supporting green energy generation and maximising energy efficiency.
- Investing in Social Capital.
- Redeveloping Council owned assets.
- Building homes and commercial premises.
- Using public land and buildings to achieve long-term socio-economic development within the District and wider Greater Cambridgeshire Area, as identified in the Local Plan and Appendix 3 of this Strategy.

In line with Government guidance, commercial investment will need to be categorised for the purpose of “service delivery”, “housing”, “regeneration” or “preventative”. Given the new borrowing rules, there is a presumption against the acquisition of commercial assets primarily for yield, such as prime and close to prime commercial real estate investment (even by the use of existing reserves for this purpose).

Regeneration projects are permissible and are described in the guidance as having characteristics that fall into one of four areas:

(a) The project is addressing an economic or social market failure by providing services, facilities, or other amenities of value to local people and that would not otherwise be provided by the private sector.

(b) The Local Authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment.

(c) The project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value.

(d) While some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services.

The "preventative" category can involve direct investments in companies or other assets to prevent social or economic decline (distinct from the regeneration category). The Government has defined this activity in the published guidance as action with all of the following characteristics:

(a) The intervention prevents a negative outcome, such as by buying and conserving assets of community value that would otherwise fall into disrepair, or providing support to maintain economic activity that would otherwise cease.

(b) There is no realistic prospect of support from a source other than the local authority.

(c) The local authority has an exit strategy and does not propose to hold the investment for longer than is necessary to achieve the objectives that justified the intervention.

(d) The intervention takes the form of grants, loans, sale and leaseback, equity injections, or other forms of business support that generate a balance sheet asset.

The Housing category covers the continuation of HRA schemes and General Fund housing activity, or housing delivered through Council owned companies and thus does not restrict the borrowing for the purpose of social or affordable housing.

Individual projects and schemes may have characteristics of several different categories of spending. In these cases, the Section 151 Officer will need to use his professional judgment to assess the main objective of the investment and consider which category is the best fit.

The categorisation does not prevent the Council from borrowing for projects that are primarily for other purposes, which also happen to generate a financial yield. The challenge will be finding projects that deliver much more than financial yield, such that the Section 151 Officer is satisfied that the investment is not primarily for yield and that the yield in such projects will be secondary to another prime purpose. This could include:

(a) Land assembly for development or regeneration purposes.

(b) Using borrowing to acquire or build new service assets (e.g. a new administrative office building, or a new leisure centre) and then re-purposing the existing redundant building into a 'yield' asset.

(c) Projects where the intention is to inject further investment beyond the initial purchase price; this could be through refurbishing or re-purposing the acquired asset. For example, purchasing an office building with the intention of converting it say into residential or other uses, for yield. Alternatively, acquiring a run-down industrial estate with a view to gaining vacant possession, demolishing it, and then redeveloping the site to create a new business or retail park.

(d) Ring-fencing revenue income from existing yield-based assets to invest on that asset, or other yield bearing assets, to improve investment performance and yields.

(e) Reviewing the existing 'legacy' property portfolio and identifying opportunities where investment could generate greater yields.

Every scenario will need to be reviewed on a case-by-case basis, and the S151 Officer will need to be satisfied that the scheme or acquisition meets the borrowing rules and will not fetter the ability to access PWLB borrowing.

~~As with other forms of investment there is a trade-off between risk and return. Given the more speculative nature of this type of investment activity the risks associated with this type of investment may, in some cases, be higher than those associated with Stream 1 activity. It may be possible to share risks and rewards of Stream 2 activities with adjoining councils and other public sector and private sector partners.~~

3. Property Acquisition/Development Methodology

Identification, consideration and recommendation of assets suitable for acquisition and/or development will be undertaken by the Invesment Team ~~designated Head of Commercial Development & Investment~~ in conjunction with internal resource and outside specialist guidance and professional support, as required, procured in accordance with the Council's established Contract Procedure Rules. This may involve approaches and introductions of opportunities direct from sellers, their agents and third parties. In such cases, fees may be payable if, after an introduction is made, the Council wishes to pursue the purchase further.

All investments considered for purchase will undergo qualitative and quantitative appraisal to establish portfolio suitability and risks. In addition, 3rd party advice will be called upon where specialist market knowledge is required. Any purchase will be subject to due diligence on all physical, financial and legal aspects of the commercial investment to address its suitability as an asset for long term security and growth. It is recognised that some of the cost of feasibility work and technical appraisal and assessment will be abortive.

These investment opportunities will initially be submitted to IST for consideration and subsequently to the IGB.

All commercially based investments and/or developments involve risk and, at each stage of the process, the commitments made will be at risk as there can be no guarantee that the investment will be secured or a fully successful development will be achieved. The terms of the agreement between the parties will seek to mitigate the inherent risks. Moreover, the timing of the exercise can also be a critical factor in achieving optimum success, particularly in terms of market conditions, the state of the national economy and levels of investment confidence within the development industry.

4. Investment Partnerships

This category of investment includes the identification of properties or land for development of new homes and other assets through Investment Partnerships. Investment Partnerships could come in a diverse range of forms. Examples include, but are not limited to:

- Building homes and commercial premises;
- pursuing redevelopment and regeneration opportunities;
- Enabling long-term stalled developments;
- Using public land and buildings to achieve long-term socio-economic sustainability for the District and wider Greater Cambridgeshire Area, as identified in the Local Plan and **Appendix 3** of this strategy.

These opportunities may deliver regeneration or economic development benefits as well as positive financial returns for the Council in the form of future revenue income streams or capital uplifts. Future income streams may include:

- Rental income from Council Housing (HRA Affordable Homes);
- Rental income from Private Rented Sector Housing (PRS) through Ermine Street Housing;
- Capital receipts from Intermediate Home Ownership stair-casing;
- Capital receipts from Right to Buy and the sale of constructed assets;
- Increases in retained business rates;
- New Homes Bonus.

By the nature of these investments, returns are likely to be in the form of capital receipts from the sale of a constructed asset, potentially developed in phases depending on the scale of the project. Developed properties may, however, be retained for the benefit of their long-term rental income and will become an investment asset after completion.

The investment criteria will be designed to ensure that the financial returns delivered from investments are commensurate with the deemed levels of associated risk. A higher risk investment will, therefore, require the delivery of greater financial returns.

5. Green Energy Projects

The approved Business Plan 2020-2025 identifies the following Actions and Measures which relate to green energy investments within the 'Green to our core' priority:

Action	Measure

In response to the global climate crisis, we will continue to work towards a zero-carbon future by 2050	• Identify and deliver further opportunities to reduce carbon emissions from our estate and operations. • Develop planning policies consistent with zero carbon by 2050 for adoption in the Greater Cambridge Local Plan, in partnership with Cambridge City Council. • Identify and deliver opportunities to install publicly accessible electric vehicle charging points in priority locations in the district, working with partners. • Continue to pursue opportunities to invest in green energy schemes.
Retrofit our Council Commercial Property including South Cambs Hall with renewable energy generation and energy efficiency measures	• Complete retrofit of Cambourne office • Reduce mains gas and electricity demands from our Cambourne office by over 50% per year (from March 2021 onwards compared to baseline in 2019). • Reduce carbon emissions from our Cambourne office by 49% per year (from March 2021 onwards compared to baseline in 2019). • Undertake energy
Continue to transition to Electric recycling and waste vehicles, including the investigation of on-site solar panel energy generation and green power storage	• Implement depot changes to prepare for electric refuse collection vehicle (eRCV) charging. • Procure five eRCVs to replace diesel version. • Develop outline business case for onsite solar panel energy generation with partners. • Investigate power storage systems.
Support Parish Council and community group projects to reduce reliance on fossil fuels and move toward the zero-carbon target and help Double Nature through habitat enhancement, advisory support for community land acquisition, local green space designation and tree planting	• Deliver a third round of funding through our Zero Carbon Communities grant scheme, awarding grants totalling £100,000 to community-based projects. • Continue to strengthen the Zero Carbon Parish and Community Network through our programme of workshops, web based resources and e-bulletins for community based zero carbon and nature recovery initiatives.
Upgrade our stock of 1,800 streetlights to LED, which will reduce energy consumption and save Parish Councils money	• Install energy saving LED fittings in all Council owned streetlights

The Investment Strategy will develop projects identified in the Green Energy Programme, which is responsible for co-ordinating transformation activities within the South Cambridgeshire District Council commercial estate and assess these using the same criteria as other ~~Stream 2~~ commercial regeneration investments.

6. Minimum Investment Criteria

For a commercial regeneration ~~Stream 2 property~~ investment to be considered by the IGB it must:

(a) Deliver a rate of return commensurate with the deemed level of risk associated with the investment.

(b) Be accompanied by a full business case, using the outline business case template at **Appendix 5**. If relevant to the form of commercial regeneration investment, the investment criteria matrix at **Appendix 6**, should be used. The minimum score target will be determined by IST having regard to Business Plan objectives.

(c) Include an assessment of the carbon equivalent tonnes to allow proposals to be scored against the context of reducing the Council's carbon footprint.

(d) Include an assessment of the strategic fit of the investment proposed against the Objectives and Focus Areas contained within the 2020-2025 Business Plan.

The assessment criteria ~~for Stream 2 activities~~ needs to be agile enough to allow significantly different schemes to be assessed using the same overarching principles.

The investment opportunities ~~considered under Stream 2~~ could vary significantly and, due to the speculative nature of some schemes, there will be higher risks attached to some investment opportunities. Each potential ~~Stream 2~~ investment will undergo a qualitative and quantitative appraisal and risk assessment to establish the financial returns, financial and legal implications and risks associated with the purchase. The findings of these appraisals will be reported to the IGB as part of the business case.

An investment opportunity that does not meet the minimum criteria ~~under investment stream 2~~ may have separate investment or regeneration benefits and, therefore, may still be considered for progression, however, decision making in this case is to be reserved to the Cabinet. For investments where there is a variable revenue stream, such as some energy projects, or a long time gap between investment and first revenue, such as development projects, alternative valuation options, such as the Internal Rate of Return (IRR) may be appropriate as a measure of an investment's rate of return.

~~In addition to the investment criteria matrix in **Appendix 1 (1a)**, Stream 2 investments will be assessed for their strategic fit against the Objectives and Focus Areas contained within the 2019-2024 Business Plan.~~

~~**5.1 Business Plan Objectives**~~

~~The IGB will from time to time advise the target scores for the business plan objectives, and the weighting to be given to individual focus areas within each business plan area~~

7. Risk Management

7.1 **Financing Risk:** As with all investments, there are risks that capital values, rental values and development values can fall as well as rise. Where the acquisition or development is reliant on increases in borrowing the business case will factor in fixed rate borrowing costs commensurate with the anticipated holding period of the asset. By utilising fixed rate borrowing options the Council will be protected from future increases in financing costs.

Financial returns ~~from Stream 2 activities~~ may come in the form of capital receipts either in place of or in addition to revenue returns. This would need to be considered carefully as part of the overall Investment Strategy given the requirement to achieve net revenue returns of 2.5% overall.

7.2 **Portfolio Risk:** To mitigate portfolio risk, the Council will seek to maintain a diverse commercial property portfolio and, in this regard, future decisions on its established commercial property estate will have regard to diversification. Each asset is reviewed on an annual basis in order to review its performance, investment requirements and whether it should remain in the portfolio. Void periods for commercial investment

properties held by the Council will be monitored and vacancy levels reported to the IGB during the year to ensure active management.

7.3 **Development Risk:** The Council assesses the risk of loss before entering into and whilst holding property investments, including adequate due diligence checks, surveys and technical reports to support the business case.

8. ~~Business Case~~

~~The IST will prepare a business case for Stream 2 investments where the minimum weighted score target has been met (**Appendix 6**).~~

~~The minimum score target will be determined by the Head of Commercial Development & Investment and their Team, in consultation with the Lead Member for Finance, once Business Plan objectives and focus areas have been finalise~~

~~Appendix 3: Property Investment Stream 3 – Investment Partnerships~~

1. ~~Objective~~

~~The objective of the Stream 3 investment criteria is to establish a framework for the identification of properties or land for development of new homes through Investment Partnerships. These opportunities may deliver regeneration or economic development benefits as well as positive financial returns for the Council in the form of future revenue income streams or capital uplifts. Future income streams may include:~~

- ~~Rental income from Council Housing (HRA Affordable Homes);~~
- ~~Rental income from Private Rented Sector Housing (PRS) through Ermine Street Housing;~~
- ~~Capital receipts from Intermediate Home Ownership stair-casing;~~
- ~~Capital receipts from Right to Buy;~~
- ~~Increases in retained business rates;~~
- ~~New Homes Bonus.~~

~~By the nature of these investments, returns are likely to be in the form of capital receipts from the sale of a constructed asset, potentially developed in phases depending on the scale of the project. Developed properties may, however, be retained for the benefit of their long-term rental income and will become an investment asset after completion. The decision on whether or not these investments would meet the overall objectives of this Strategy will be informed by a financial appraisal as described in Appendix 1.~~

~~The Stream 3 investment criteria will be designed to ensure that the financial returns delivered from investments are commensurate with the deemed levels of associated risk. A higher risk investment will, therefore, require the delivery of greater financial returns.~~

2. ~~Market Analysis and Background~~

~~Stream 3 Investment Partnerships could come in a diverse range of forms. Examples include, but are not limited to:~~

- ~~Building homes and commercial premises;~~
- ~~pursuing redevelopment and regeneration opportunities;~~
- ~~Enabling long-term stalled developments;~~
- ~~Using public land and buildings to achieve long-term socio-economic sustainability for the District and wider Greater Cambridgeshire Area, as identified in the Local Plan and **Appendix A4** of this strategy.~~

3. ~~Acquisition/Development Methodology~~

~~Identification, consideration and recommendation of assets suitable for acquisition and/or development will be undertaken by the designated Head of Commercial Development & Investment in conjunction with internal resource and outside specialist guidance and professional support, as required, procured in accordance with the Council's established Contract Procedure Rules. These investment opportunities will initially be submitted to IST for consideration and subsequently to the IGB.~~

~~All investments considered for purchase will undergo qualitative and quantitative appraisal to establish portfolio suitability and risks. In addition, 3rd party advice will be called upon where specialist market knowledge is required. It is recognised that some of the cost of feasibility work and technical appraisal and assessment will be abortive.~~

~~All commercially based investments and/or developments involve risk and, at each stage of the process, the commitments made will be at risk as there can be no guarantee that the investment will be secured or a fully successful development will be achieved. The terms of the agreement between the parties will seek to mitigate the inherent risks. Moreover, the timing of the exercise can also be a critical factor in achieving optimum success, particularly in terms of market conditions, the state of the national economy and levels of investment confidence within the development industry.~~

~~In addition to the investment criteria matrix in **Appendix 1 (1a)**, Stream 3 investments will be assessed for their strategic fit against the Objectives and Focus Areas contained within the 2019-2024 Business Plan.~~

~~The IGB will from time to time advise the target scores for the business plan objectives, and the weighting to be given to individual focus areas within each business plan area.~~

4. ~~Minimum Investment Criteria~~

~~For a Stream 3 property investment to be considered by the IGB it must:~~

- ~~Deliver a rate of return commensurate with the deemed level of risk associated with the investment;~~
- ~~Be accompanied by a full business case prepared by the IST, and other officers where relevant.~~

~~The scoring matrix for Stream 3 investments will be based on the targets for Stream 2 investments. Schemes with higher risks will be expected to deliver higher levels of return to cover the risk considerations, and only schemes that deliver the assessed rate of return will pass the minimum assessment criteria.~~

~~Each potential Stream 3 investment will undergo a qualitative and quantitative appraisal and risk assessment to establish the financial returns, financial and legal implications and risks associated with the purchase. The findings of these appraisals will be reported to the IGB as part of the business case.~~

~~An investment opportunity that does not meet the minimum criteria under investment stream 3 may have separate investment or regeneration benefits and, therefore, may still be considered for progression, however, decision making in this case is to be reserved to the Cabinet rather than the IGB. For investments where there is a variable revenue stream, such~~

~~as some energy projects, or a long time gap between investment and first revenue, such as development projects, alternative valuation options, such as the Internal Rate of Return (IRR) may be appropriate as a measure of an investment's rate of return.~~

5. ~~Risk Management~~

~~**5.1. Financing Risk:** As with all investments, there are risks that capital values, rental values and development values can fall as well as rise. Where the acquisition or development is reliant on increases in borrowing the business case will factor in fixed rate borrowing costs commensurate with the anticipated holding period of the asset. By utilising fixed rate borrowing options the Council will be protected from future increases in financing costs.~~

~~Financial returns from Stream 3 activities may come in the form of capital receipts either in place of or in addition to revenue returns. This would need to be considered carefully as part of the overall Strategy given the requirement to achieve net revenue returns of 2.5% from the investment strategy overall.~~

6. ~~Business Case~~

~~**6.1** The IST will prepare a business case for Stream 2 investments where the minimum weighted score target has been met (**Appendix 6**).~~

~~The minimum score target will be determined by the Head of Commercial Development & Investment and their Team, in consultation with the Lead Member for Finance, once the Business Plan objectives and focus areas have been finalised.~~

Appendix 5: ~~Stream 2 and 3~~ Business Case Outline

The business case will include the following as a minimum:

Reasons: Why is the investment needed?
Options: What are the options available?
Benefits: What would be the benefits of the investment? How would it help deliver the Business Plan objectives?

Investment Appraisal: A detailed financial appraisal setting out the projected income and costs associated with a potential acquisition along with an assessment of the proposed financing options and associated risks and considerations.

Risk Management Assessment: A detailed risk assessment of the potential investment, including mitigation measures that can be employed:

Specific risks associated with the proposed investment:

- Risk of failure (sales/letting void risks)
- Costs of ownership and management
- Differing ownership structures (e.g. wholly owned subsidiaries).
- Sector risk (portfolio spread)
- Provide an exit strategy financial assessment as a 'worse case' scenario
- Liquidity assessment
- LTV ratio assessment

Market Risks, including risks of structural change or market failure, which may affect the market as a whole or particular subsectors or groups of property:

- Illiquidity upon sale (e.g. lot size, transaction times, availability of finance)
- Failure to meet market value expectations (forecast value growth)
- Failure to meet market yield expectations (forecast yield shift)
- Risk of locational, economic, physical and functional depreciation through structural change
- Risks associated with legislative change (e.g. planning or changes in fiscal policy)

Portfolio Assessment: An assessment to establish suitability against the Council's existing property portfolio which will consider rental levels, location, property type, rent review and lease expiry patterns, industry sector, tenure, lease covenants, market exit constraints and physical and environmental factors.

Legal Status/Advice: Including the following:

- Report on title (to confirm ownership)
- Options for legal structures (e.g. use of wholly owned subsidiaries)
- Advice on SDLT and VAT linked to use of legal structure options

Estimated Timescale: Including the following:

- Proposed start date/Estimated end date/duration

Estimated Project Resources: Including the following:

- Identify role and name of officers
- Estimate the demand on officer time
- Identify resource gaps and whether these can be met
- Identify external resources required and estimated budget cost

Appendix 6 – Commercial Regeneration Investment Criteria Matrix

For appropriate transactions, the IST will score the ~~property~~ investment against the scoring criteria shown below. The criteria will apply to the acquisition of new and existing assets and in these cases the ~~in order of priority. The~~ minimum score for the investment would ~~Stream 1~~ at least 100 out of a maximum score of 184/

The criteria will not, however, cover all commercial investment scenarios, including regeneration opportunities and, in these cases, there a detailed business case would need to be prepared in line with the outline at appendix 6, balancing the level of return with the project risk ~~and the score. For example, a high return would reflect higher risk and consequently a lower score; conversely, a lower level of return would reflect a lower level of risk and a higher score.~~

The Investment Criteria Matrix is based upon CIPFA guidance and is comparable with methods used by other local authorities, such as New Forest, Kettering and Redditch, which all broadly follow a format recommended by CIPFA. The table below shows the suggested scoring criteria to be applied when considering an investment ~~property~~ opportunity.

Appendix A

Score		4	3	2	1	0
Scoring Criteria	Weighting Factor	Excellent / very good	Good	Acceptable	Marginal	Unacceptable
Location	~~12~~ 10	Major Prime	Micro Prime	Major Secondary	Micro Secondary	Tertiary
Tenancy Strength	~~10~~ 8	Single tenant with strong financial covenant	Single tenant with good financial covenant	Multiple tenants with strong financial covenant	Multiple tenants with good financial covenant	Tenants with poor financial covenant strength / vacant
Single/Multi Let	6	Single Let	2-3 Tenants	4-6 Tenants	6+ Tenants	Vacant
Occupiers lease length	5	Greater than 10 years	Between 7 and 10 years	Between 4 and 7 years	Between 2 and 4 years	Less than 2 years; vacant
Re-letting prospects (Void Period)	5	< 3 months	3-6 months	6-12 months	12-18 months	18+ months
Tenure	~~9~~ 4	Freehold	Lease 125 years plus	Lease between 50 & 125 years	Lease between 20 & 50 years	Lease less than 20 years
EPC/Sustainability	4	Highly Sustainable A-B	Mainly Sustainable C	Moderate but some works would be beneficial - D	Unlikely to be problematic when re-letting or selling - E	Unsustainable - F or worse
Repairing Terms ~~obligations~~	~~4~~ 3	Full repairing and insuring	Internal repairing – 100% recoverable	Internal repairing – partially recoverable	Internal repairing – no recoverable	Landlord
Building Quality / obsolescence	~~4~~ 2	Newly Built ~~(useful life 50+ years)~~	Recently refurbished (within the past 5 years)	Average condition and likely to continue to be fit for current use for 25+ years	Aged property with redevelopment potential	Nearing end of useful life / unlikely to continue when lease expires
Income Profile	2	10% Reversionary	0-10% Reversionary	Rack Rented	Over Rented -10%	Over Rented - 10%+
Lot size	~~2~~ 1	Between £6m and £12m	Between £4m & £6m or 12m and £18m	Between £2m & £4m or £18m and £20m	Between £1m & £2m or £20m & £25m	Less than £1m or more than £25m

Investment Criteria Definitions

Location - property is categorised as prime, secondary or tertiary in terms of its location desirability. For example, a shop located in the best trading position in a town would be prime, whereas a unit on a peripheral neighbourhood shopping parade would be considered tertiary.

Tenancy Strength – the financial strength and risk of failure of a tenant determines the security of the property's rental income. A financially weak tenant increases the likelihood that the property will fall vacant. Rating agencies, such as Dun & Bradstreet are often used to evaluate covenant strength, ranging from "5A" to "HH" to reflect company size based upon worth or equity, and a Composite Credit Appraisal from 1 to 4 to reflect the assessment of the firm's creditworthiness. The minimum acceptable financial strength for any given tenant will be determined through financial appraisal of company accounts and the use of appropriate methods of risk assessment and credit scoring. To minimise management and risk, the preference will be for single occupancy investments wherever possible.

Tenure – anything less than a freehold acquisition will need to be appropriately reflected in the price**.** If leasehold, is the lease free from unencumbered/onerous terms? Is the rent periodically reviewed to take into account inflation and upward market movement?

Occupational Lease Length – the lease term will determine the duration of the tenant's contractual obligation to pay rent. The most attractive investments offer a long lease with a strong tenant covenant. The lease term will reflect any tenant break clauses. The optimum lease length will depend on the sector, with commercial B1 offices typically 7+years and 10+ years for industrial. Retained agents will be expected to qualify the quality of the length lease in their pre-acquisition report.

Building Quality – a brand new or recently refurbished building with an anticipated life of at least 40 years will not usually require capital expenditure for at least 15 years. This is attractive for income investors requiring long term rental income with the minimum of ongoing capital expenditure.

Repairing Obligations – under a Full Repairing & Insuring Lease (FRI), the tenant is responsible for the building's interior and exterior maintenance/repair. The obligation is limited to the building's interior under an Internal Repairing & Insuring Lease (IRI). The preference will be to favour FRI terms (or FRI by way of service charge i.e. all costs relating to occupation and repairs are borne by the tenants and administered through a service charge).

Lot Size – to maintain portfolio balance the preference will be for no single property investment to exceed £12m for a single let property.

In addition to the above criteria the IGB should, when assessing the merits of an investment, specifically consider compatibility with all SCDC policies on matters relating to use such as: -

- Alcohol or tobacco production or sale;
- Animal exploitation;
- Environmentally damaging practices;
- Gambling;
- Pornography.

South Cambridgeshire District Council

Report to:	Scrutiny & Overview Committee 11 November 2021
Lead Cabinet Member:	Councillor John Batchelor – Lead Member for Housing
Lead Officer:	Peter Campbell – Head of Housing

Empty Homes Strategy 2021 - 2025

Executive Summary

1. The purpose of this report is to consider the draft Empty Homes Strategy (Appendix A) for wider public consultation.

2. The Strategy sets out the position of empty homes in the District and the tools available to the Council to help bring empty homes back into use. A survey of owners of empty properties was also undertaken in July 2021, the results of which are attached at Appendix B.

Key Decision

3. Yes

   Definition of key decision:
   (b) it is significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.

   The key decision was first published in the 2 August 2021 Forward Plan.

Recommendations

4. It is recommended that the Scrutiny and Overview Committee considers the Draft Empty Homes Strategy 2021-2025, as set out at Appendix A, to go out to wider

public consultation, and supports Cabinet delegating authority to the Lead Cabinet Member for Housing to approve the final Strategy subject to minor amendments, if any, arising from the consultation.

Reasons for Recommendations

5. To ensure we have an up to date Strategy, setting out how we deal with empty homes in the District.

Details

6. The draft Empty Homes Strategy was previously considered at Informal Cabinet in January 2021. At that time further work was requested to better understand the reasons why empty homes were left empty and what additional measures could be taken to help bring empty homes back into use. Following this, a survey was undertaken to all owners of empty properties, and an enforcement working group and a 'Challenging Buildings Forum' with Cambridge City and Huntingdonshire District Council have since been established. An Empty Homes Annual Report will also be published each year following the Strategy's publication to provide an update to Members.

7. The Strategy sets out the current situation with regards to empty homes both locally and nationally. There were 663 properties classed as empty for 6-24 months within the District in October 2021, which was a decrease from the previous year of 843 properties. The high rise in the number of short-term empty homes can be attributed to the restrictions due to covid 19 affecting people being able to sell, relet or return to properties. It should also be noted that these properties include those that are in the process of being sold, and whilst the overall trend may stay relatively stable, there will be a certain amount of churn.

8. The more relevant figures to note in terms of empty homes are the number of long-term properties empty for two years or more. There are currently 207 empty properties (October 2021) which have been empty for more than two years which represent 0.3% of the overall housing stock. Whilst any empty home is a wasted resource, the number of enquiries the Council receives regarding empty

properties that are causing an issue is low, averaging around 5 properties per year. These issues are usually dealt with by environmental health and/or planning enforcement and often relate to the visual amenity such as the upkeep of the garden or condition of the property.

9. South Cambridgeshire does not suffer the same problems as urban areas that have high levels of empty homes in particular hotspots that can lead to a haven for crime, vandalism, anti-social behaviour and squatting. The issue of empty homes within the District is more about the lack of housing available rather than empty homes being problematic. We will always try to work with owners to resolve issues rather than resorting to enforcement action where possible. Where properties are being well looked after, council tax paid and are not causing a particular nuisance or harm, the Council has very little powers to bring a property back into use.

10. Results from the survey, indicated that the main reason for properties remaining empty was because the property was on the market to be sold or that it was being repaired or renovated. When asked if the costs of repair were a factor in the property remaining empty, over 85% of respondents said no, with only 12% (15 respondents) indicating that they would be interested in grants for renovations. However, it is likely that any grant made available would need to be substantial in order to be attractive, as previous grants offered at £10,000 had no take up.

11. The main outcome from the survey identified that the lack of money was not the main reason for properties remaining empty and the majority of owners were not interested in services to help them bring properties back into use. A further breakdown of the survey results can be found at Appendix B.

12. On balance, there is only a handful of properties that particularly cause the Council an issue during the year and therefore the Empty Homes Strategy sets out a proportionate and balanced approach to tackling empty homes in the District. The Strategy sets out the tools available to the Council which include:

    - Incremental increases in council tax dependent on the length of time the property remains empty.

- Signposting to support, such as through Ermine Street Housing and Shire Homes Lettings.

- Providing letters of confirmation that the property has been empty so that the owner can apply for a reduced VAT rate of 5% for renovation works.

- Enforcement action through the use of legal notices. These notices can be applied where the property is adversely affecting the amenity of the neighbourhood, or where premises are in such a state as to be prejudicial to health or a nuisance. This type of action does not mean that the property has to be occupied but must be brought up to a certain standard. In most cases, failure by the owner to comply with a legal notice can lead to councils arranging for the works to be carried out in default and charging the costs to the owner.

- Enforcement action to recover the property. This type of action is seen as a last resort and is very resource intensive in terms of staffing and costs, with no guarantee of a successful outcome. Compulsory purchase powers can only be used where it is expedient to do so, and only where there is a compelling case in the public interest. Unless there are associated problems, it is unlikely that an empty home that was in a deteriorating state would be reason enough to justify a case in the wider context of public interest to require the local authority to compulsory purchase a property.

13. The establishment of the 'Challenging Buildings Forum' will collectively look at properties where there are significant issues in terms of disrepair, health and safety. Properties may not necessarily be empty, but this will be a forum to discuss such properties and agree the most appropriate form of action to take. The enforcement working group, is an internal cross-departmental group, that will ensure there is a joined-up approach to any enforcement action and that the measures taken are proportionate and appropriate to the issue. Again this group will not only look at empty homes enforcement action, but other areas of enforcement within the Council.

14. The Council does not currently have a dedicated officer who deals with empty homes. Whilst the issues of empty properties in the area are not significant, we

do take the matter of empty homes seriously. Whilst measures have already been put in place through the Challenging Buildings Forum and Enforcement Working Group, we are looking to secure funding for the 2022/23 budget to recruit a dedicated officer who would take the lead on complaints received relating to empty homes and any relevant action.

Options

15. To approve the Draft Empty Homes Strategy 2021-25 to go out to public consultation. To delegate authority to the Lead Cabinet Member for Housing to approve the final Strategy subject to any minor changes arising from the consultation.

16. To reject the draft Empty Homes Strategy 2021-25. Without an up-to-date Empty Homes Strategy, the Council is unable to demonstrate how it is tackling empty homes in the District.

Implications

17. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

18. There are no significant implications.

Equality and Diversity

19. An equality impact assessment has been carried out and no specific impacts on any protected groups have been found.

Consultation responses

20. Consultation with owners of empty properties has been carried out by way of a survey to find out why their property is empty and what barriers they face to bring it back into use. A breakdown of the survey responses can be found at Appendix B.

Alignment with Council Priority Areas

Housing that is truly affordable for everyone to live in

21. This Strategy looks to bring empty homes back into use as demand for housing in our District is high. There are currently around 1600 people waiting for affordable rented homes on the Housing Register. We are offering the owners of empty homes the services of our Private Lettings Scheme (Shire Homes) as well as our arm's length private lettings company (Ermine Street Housing) as possible options to bring their homes back into use.

Being green to our core

22. We will also look to signpost home-owners of empty properties to any grants and initiatives available at the time to make their home more energy efficient.

Background Papers

https://www.gov.uk/government/collections/council-taxbase-statistics

Appendices

Appendix A: Draft Empty Homes Strategy 2021-2025
Appendix B: Survey of owners of empty homes (July 2021)

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Appendix A

DRAFT

South Cambridgeshire District Council

Empty Homes Strategy

2021 – 2025

Published: December 2021

Contents

1. Introduction

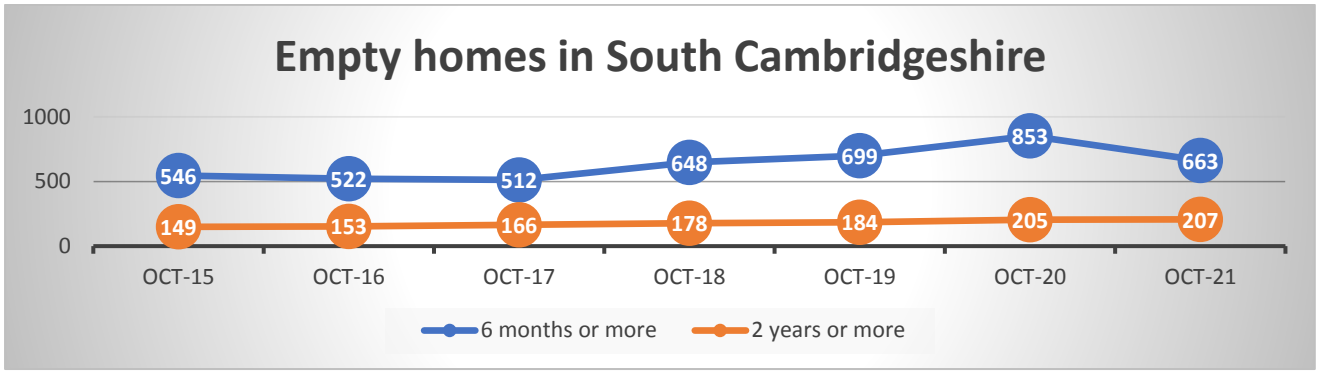
1.1. The overall aim of the Empty Homes Strategy is to understand the impacts of long-term empty homes in the District and what measures the Council can take in terms of bringing empty homes back into use.

1.2. Whilst any empty home is a wasted resource in terms of housing available for people to live in, South Cambridgeshire District does not suffer significant issues in terms of the number of homes left empty for long periods of time. This Strategy therefore sets out a balanced approach to tackling empty homes in the District that is both fair and proportionate in relation to the overall supply of housing in the area.

2. Empty homes in the district

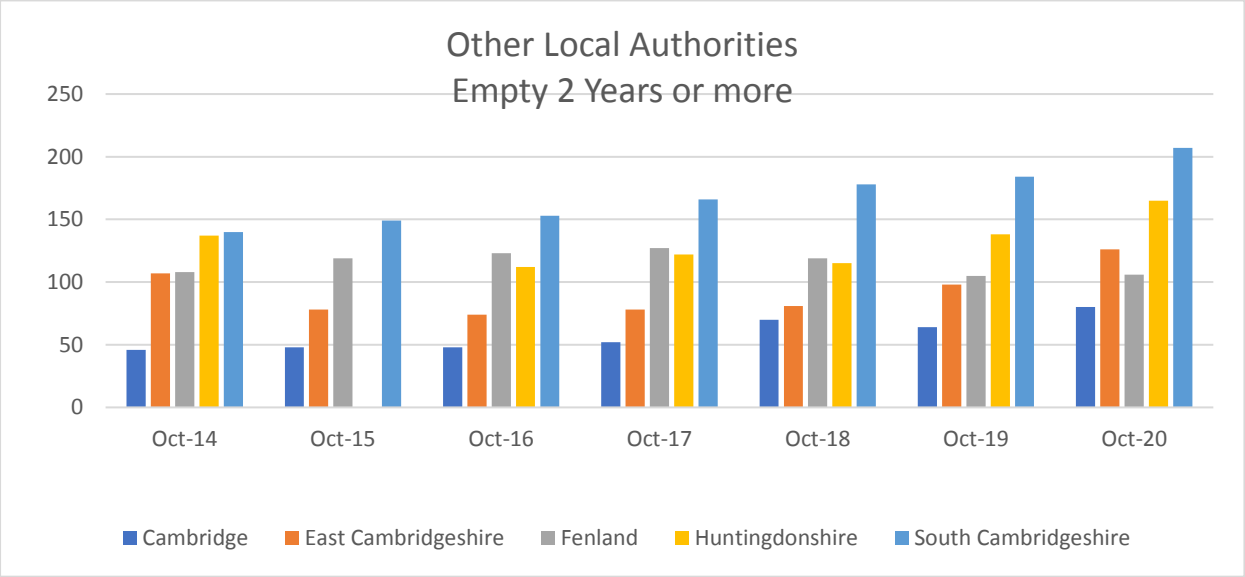
2.1. The number of empty properties (*uninhabited for six months or more*) within South Cambridgeshire has decreased over the last year to 663 properties recorded in October 2021 following a spike in October 2020 of 853 properties. The high rise in the number of short-term empty homes can be attributed to the restrictions due to covid 19 affecting people being able to sell, relet or return to properties. It should also be noted that properties included in this figure will include those that are in the process of being sold, and whilst the trend may stay relatively stable, there will be a certain amount of churn.

2.2. The more relevant figure to note, is the number of long-term empty homes (*empty over 2 years*), currently at 207 properties recorded in October 2021. As a proportion to the overall number of homes in the District, the number of long-term empty homes is not a significant issue and represents just 0.3% of the overall housing stock. Of those that are empty, there are 32 properties that have been empty for between 5 and 10 years and 21 properties empty more than ten years. Only a handful of properties cause issues for the Council which generally relate to the condition of the property or the upkeep of the gardens.



[1]*Figure 1*

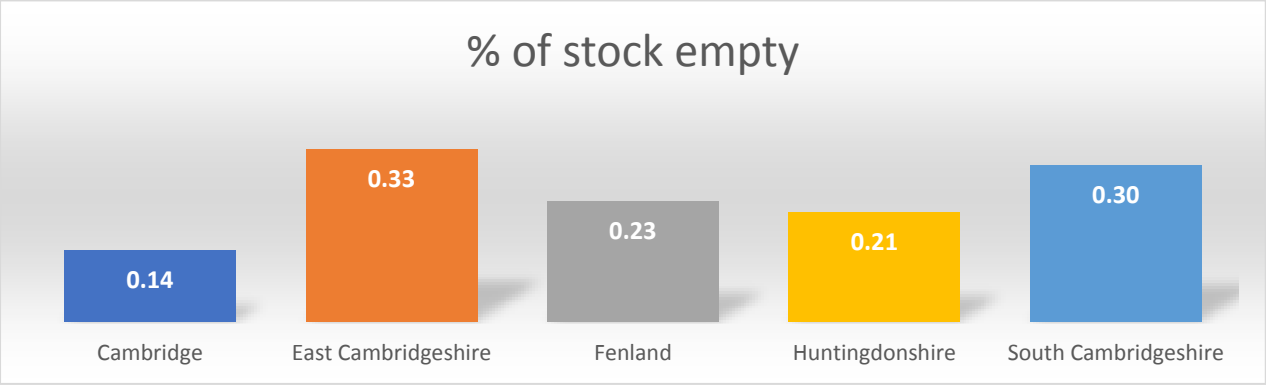
2.3. In comparison with other local authorities in the sub region, South Cambridgeshire District has a slightly higher number of empty homes, although in terms of the percentage of properties that are empty for two years or more the difference is negligible. Nationally the average percentage of stock that is empty for two years or more is 0.93%, compared to 0.30% for South Cambridgeshire.



[2]*Figure 2*

[1] Data from CTB1 Council taxbase reports https://www.gov.uk/government/collections/council-taxbase-statistics

[2] Data from CTB1 Council taxbase reports https://www.gov.uk/government/collections/council-taxbase-statistics



[2]*Figure 3*

3. Why it is important to bring empty homes back into use?

3.1. There is a significant lack of affordable homes in South Cambridgeshire and by bringing unoccupied properties back into use we can increase the supply of housing that is available.

3.2. Increasing the number of properties in use provides more housing options to residents and helps in reducing the pressure on the current housing stock.

3.3. Empty properties may attract opportunities of squatting and anti-social behaviour and can be detrimental to the look and environment of the District.

3.4. Empty properties can also increase the demand on services, such as dealing with complaints arising from empty homes and calls to the police/fire service to attend an empty property.

3.5. For owners of empty properties, it costs money to leave a property empty; the longer the property is empty, the higher the charge for council tax. (see section below: Council Tax). There are also additional costs which may include those relating to dilapidation, pest control, security and insurance.

3.6. It is therefore in everyone's interest to bring empty homes back into use as soon as possible.

4. Why are homes left empty?

4.1. There are many reasons why a property is left empty and it is difficult to pinpoint a particular reason why homes are left empty in the District. For properties that are empty for over 6 months, this includes new build properties that can sometimes take longer to sell, especially on the growth sites where there are a large number of properties becoming available at the same time.

4.2. Generally, it is the longer term empty properties of two years or more that can cause nuisance to an area, where problems may arise in terms of their condition and upkeep.

4.3. South Cambridgeshire is an affluent area and often the homes being left empty do not cause a financial burden to the owner and are being relatively well maintained so do not pose a danger or health and safety risk. Similarly, financial incentives or penalties, such as offering grants or raising the council tax, are not always as effective in this area.

4.4. In some cases, property owners have more than one empty home (*empty over 2 years*). The reasons for these being empty often comes down to a re-development of a site. If there is a larger re-development being planned, properties may remain empty while the rest of the development site is being cleared and other properties are still tenanted or owned.

4.5. Within the properties empty over 2 years there were over 50 properties with the Executor of the deceased listed as the contact. This gives an indication of the number of properties that remain empty after the death of an owner. This can sometimes be due to protracted legal issues in terms of probate.

4.6. Empty homes are also dispersed across the District and there is no one area that has a high concentration of empty homes. They are often in the countryside and not as obviously visible as they might be in a more densely populated area such as a city or town.

4.7. The number of enquiries we receive about empty properties causing an issue is relatively low, averaging 5 in a year. These issues are usually dealt with by environmental health and/or planning enforcement and often relate to issues of visual amenity such as the upkeep of the garden or condition of the property.

4.8. The number of repeated complaints or action on the longer-term empty properties is also very low. This indicates that these properties are being fairly well kept or are in such a rural location that the effects on neighbouring properties aren't causing wide spread issues or complaints.

4.9. The reasons for homes being left empty are often complex and individual to a persons' circumstance. As an example, following a complaint from a neighbour regarding an overgrown garden, it was established that the property was planned for refurbishment and had been empty for some time. Unfortunately, the owner became unwell and had to move into a care home. In this instance, our planning enforcement team worked with an agent on behalf of the owner to carry out the garden maintenance required.

4.10. It is therefore important that any action taken by the Council is both proportionate and appropriate to the individual circumstances.

5. Survey of owners of empty homes.

5.1. In July 2021 a survey was undertaken to owners of empty homes as part of the Council Tax yearly review of empty homes. We wrote to all owners of empty properties with a paper copy of the survey and a return envelope as well as an option to respond online.

5.2. In total, 279 responses were received, which represents a 30% response rate. Of those responses only 93 (44%) have confirmed that they are still the owner of the property and that the property is still empty. This would suggest that the number of empty properties is lower than currently recorded. The council tax statement sent out each year to all owners of empty homes, asks for any change in circumstances to be notified to the Council, such as the

property now becoming occupied. Possibly one of the reasons why owners do not inform the Council of such a change is if it doesn't affect the council tax levy, and therefore only notify the Council when additional council tax charges are applied.

5.3. As part of the survey, we asked the question: 'How did you come to be responsible for the property?'. The top answers were:

- Inherited it (25%) / Bought to live in myself (25%)
- Bought as an investment (8%) / Included with other properties (8%)
- Executor of the estate (7%) / Bought for family/friend to live in (7%)

5.4. When asked why the property remained empty, the top three reasons were:

- Trying to sell it - 40%
- It is being repaired/renovated – 24%
- It needs repairs/renovations – 11%

5.6. When asked the question 'what services the Council should consider providing to help owners bring empty properties back into use:

- 15 respondents said grants for repairs or renovations would help,
- 5 said help or advice to find a buyer,
- 96 respondents (79%) stating 'none of these' would help them.

5.7. Of all the respondents with an empty property, 85% also stated that the cost of repairs or renovations were not a reason for the property remaining empty. This indicated that making grants available may not be an effective way to encourage properties back into use.

6. Options available to bring Empty Homes back into use.

6.1. The Council's preference is always to work with the owner of the empty home to encourage them to bring the property back into use. We will

signpost and offer advice where possible, apply disincentives through council tax and as a last resort take enforcement action where homes are causing a nuisance or harm to the community.

Advice & Practical Support

6.2. Shire Homes

6.2.1. Shire Homes is our in-house private sector leasing scheme and offers home owners a hassle-free way to rent out their properties. We will signpost empty home owners to this scheme where they are interested in renting out their property. Properties must be of a lettable standard to qualify for this scheme.

6.3. Ermine Street Housing

6.3.1. Ermine Street Housing, the Council's arm's length private sector letting agent, has previously brought empty homes back into use through a leasing agreement with the Ministry of Defence. In total 53 properties have so far been occupied through this agreement in South Cambridgeshire.

6.3.2. Ermine Street Housing also purchase properties to rent out privately. We will also signpost owners of empty homes to Ermine Street as an option if they are interested in selling their property.

6.4. Being Green to our Core

6.4.1. Renovating properties to bring back into use will generally mean the energy efficiency of homes will be improved, new heating systems installed, new doors and windows, etc. We encourage and support owners to make the most efficient use of their properties and will signpost to the latest government initiatives and grants available as part of our promotional and advisory work.

6.5. Reduced VAT for long term empty homes

6.5.1. Since 1 January 2008, renovations and alterations to residential properties that have been empty for at least 2 years have been eligible for a reduced VAT rate of 5%. This applies to labour and materials associated with repairs, alterations, construction of associated garages and hard landscaping. The Council will issue letters of confirmation upon request where evidence is required for owners to apply for the reduced VAT. Further information can be found on the government's website.

7. Disincentives through Council Tax

7.1. When Council Tax legislation was changed in April 2013, local councils were given the option to set the level of discount on certain types of properties. After consultation with local residents and property owners the Council announced that the six-month exemption in respect of properties that were unoccupied and unfurnished (Class C properties) would no longer be available (meaning that full Council Tax would be payable on these types of properties from as soon as they become unoccupied and unfurnished). In addition the Council took the option to raise Council tax to 150% for dwellings that had been unoccupied for a period of 24 months or more. There are some exceptions to the additional premium charges for unoccupied properties such as annexes or if a property is undergoing structural work or major repairs (they may get up to 12 months exemption (from the date the property was empty) from the additional premuim charge for empty homes).

7.2. It was also agreed to withdraw the 10% discount for furnished second homes; this now means that the full rate would be charged.

7.3. Class B properties, those that are unoccupied and owned by a charity (either furnished or unfurnished), will still be able to receive a six month void period followed by the full charge if still unoccupied.

7.4. From April 2019 the Council implemented further charges on long term empty properties to incentivise homeowners to bring properties back into use, rather than sitting empty. Homes that are empty for two years or more will be charged double their regular council tax (i.e. an additional premium of 100%)

7.5. From 1 April 2020 homes that are empty for five years or more are being charged a 200% premium on top of their regular Council Tax. From 1 April 2021 there is a 300% premium charged on top of their regular council tax for properties that have been empty for ten years or more.

7.6. If council tax is not paid on an empty property it is dealt with through the usual steps of any non payment of council tax. Reminders will be sent, followed by a Court Summons seeking a Liability Order. A Liability Order can be used in a number of ways to recover the money owed to the Council, including applying for a Charging Order to put a legal charge on the property for the amount due, plus costs, when the property is sold. The Council can also apply to the court to request that a forced sale is made to the property. See section 8. below for further information.

8. Tackling the problem of empty homes where they become an issue

8.1.1. A Challenging Buildings Working Group has been established in partnership with Cambridge City Council and Huntingdonshire District Council. The objectives of the group are to:

- Prioritise the buildings that are known to the Councils in terms of repair, location and number of complaints and determine the scale of the issue.
- Develop a prioritised strategy that will enable choices to be transparent, also identify resource to support action.

- Be proactive and implement a standard procedure to bring a building back into use thus regenerating the local area.

- Provide a consistent approach from all three Councils and sharing of expertise.

8.1.2. The Council has also set up an Enforcement Working Group that looks at all enforcement issues within the Council. Where there are issues relating to empty properties that cannot be resolved, this will be escalated to the Enforcement Working Group to ensure we have a joined-up approach to any action identified.

8.2. Enforcement options to bring empty homes back into use

8.2.1. Exercising the option to utilise enforcement action requires considerable staff input, time, legal, and financial resource. Taking enforcement action will always be as a last resort when all other options in terms of engagement and support have been exhausted. Enforcement action must be proportionate and reasonable taking into account the harm and nuisance caused to the surrounding environment and the likely success of any court application. For some enforcement there needs to be an application to the Secretary of State or a Third Party Tribunal, who ultimately decides whether to take a case forward.

8.2.2. Although there are empty homes dispersed across the District we do not suffer the same problems as urban areas that have high levels of empty homes in particular hotspots that can lead to a haven for crime, vandalism, anti-social behaviour and squatting. For South Cambridgeshire it is more the lack of housing available and these properties being a wasted resource rather than empty homes being problematic, and we will always try to work with owners to resolve issues rather than resorting to enforcement action. Where properties are being well looked after, council tax paid and are not causing a particular nuisance or harm, the Council has very little powers to bring a property back into use.

8.2.3. In cases where a property causes major issues in terms of non payment of council tax, significant harm or nuistance to others and the owner shows a clear unwillingness to engage with the Council, there are legal enforcement options available to use.

8.3. Empty Dwelling Management Order (EDMO)

8.3.1. EDMOs are a legal power contained within the Housing Act (2004) that enables councils to take over the management of an empty dwelling with the aim of securing its occupancy.

8.3.2. An EDMO allows councils to take over the running of the property, carry out repairs and then rent it out. These may be considered if the owner has refused/ignored all reasonable solutions to bring it back into use and would usually only be considered for those that have been empty for a significant period of time and are a nuisance to the community. It involves building a case and making an application to a residential property tribunal for approval to make an interim EDMO.

8.4. Compulsory Purchase Order (CPO)

8.4.1. Specific powers set out in Section 17 of the Housing Act 1985 and Section 226 of the Town and Country Planning Act 1990 allow councils to compulsorily purchase individual empty homes to enable them to be used for housing.

8.4.2. Compulsory purchase powers should be used where it is expedient to do so, and only where there is a compelling case in the public interest. Unless there are associated problems, it is unlikely that an empty home that was in a deteriorating state would be reason enough to justify a case in the wider context of public interest to require the local authority to compulsory purchase the property.

8.4.3. The Council's Compulsory Purchase Order Policy published in October 2020 sets out the approach, circumstances and conditions under which the Council will consider the use of compulsory purchase powers.

8.5. Enforced sale of empty homes

8.5.1. Homes that have become an eyesore, or pose a danger to the public can be subject to a range of enforcement measures using legislation. "Land that adversely affects the amenity of the neighbourhood" can be served with a Legal Notice under Section 215 of the Town & Country Planning Act 1990; or where "premises are such a state as to be prejudicial to health or a nuisance", Notice can be served under the Buildings Act (1984). In most cases, failure by the owner to comply with a legal notice can lead to councils arranging for the works to be carried out in default and charging the costs to the owner, or registering a charge against the property. If this goes unpaid councils can enforce the sale of the property to recover all costs.

8.5.2. Where there is debt incurred due to an absent owner not paying council tax due on an abandoned property, a similar procedure can be followed to place a charging order on the property.

9. Equality and diversity

9.1. Equality is about treating individuals fairly, supported by legislation designed to promote equality and eliminate discrimination, harassment and victimisation. Diversity is about the recognition and valuing of difference for the benefit of the Council and the individual. Equality and diversity are not interchangeable but are interdependent. There is no equality of opportunity if difference is not recognised and valued.

9.2. An equality impact assessment has been carried out. There have been no barriers identified for any specific protected characteristics.

9.3. We are committed to identifying, understanding and eliminating all barriers that prevent access to services, information and employment.

9.4. As a major employer and provider of services, South Cambridgeshire District Council is committed to actively promoting equality and diversity, and working to combat discrimination across all nine protected characteristics:

- Age
- Pregnancy and Maternity
- Sex
- Race
- Marriage and Civil Partnership
- Gender Reassignment
- Religion or Belief
- Disability
- Sexual Orientation

10. Contacts

10.1. This Strategy has been prepared by the Housing Strategy Team. If you have a query relating to the Strategy or an empty property, please contact:

Email: strategic.housing@scambs.gov.uk
Tel: 01954 713 000

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Appendix B

South Cambridgeshire District Council

Empty Homes Survey of Owners July 2021

Empty homes survey July 2021

Number of responses

- Letters were sent to all owners of properties registered with council tax as empty and unfurnished.
- 279 responses have been received as at 21/07/2021, that is over 30% response rate.
- When asked 'Are you still the owner of the property?', 27% of respondents answered 'No', they are no longer the owner of the property.
- Of the 70% that do still own the property, the answer to 'Is the property still empty?' 40% state 'no' the property is no longer empty.
- The results are from the 122 respondents that do still own an empty property.

Why are only 44% of the responses actually empty properties?

- Council tax undergo a yearly review of empty property owners, asking them to confirm the property is still empty and that they are still the owner.
- Our website has an online form to be able to report changes to your council tax account
- Our online portal 'My South Cambs' enables residents to manage their council tax accounts online.

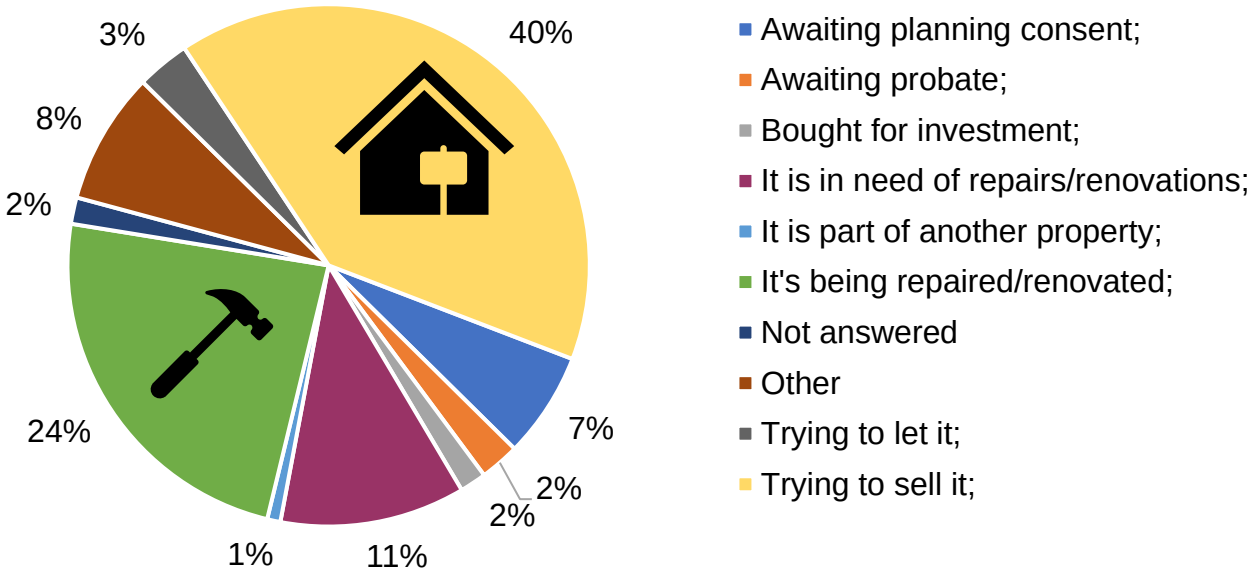
Possible reasons

- The council tax charge does not change until the property is empty over 2 years.
- The last 18 months of dealing with a pandemic means people may have had other priorities or other issues to deal with.

Conclusions from the survey results

- The main reason for properties remaining empty are that it is on the market to be sold or it is being repaired or renovated. When asked if the costs of repairs is a factor in the property remaining empty, over 85% said 'No'. Costs were not a factor in the property remaining empty.
- When asked 'which services might encourage you to bring your property back into use' only 12% responded to Grants for renovations. 79% of respondents answered 'None'.
- This indicates that money is not the main reason these properties are remaining empty and the majority of owners are not interested in services to help them bring them back into use.
- The number of empty homes has also still risen despite the rise in council tax charges on homes empty over 2 years. This is another indicator that money is not an incentive for empty home owners to bring their properties back into use.

Why is the property currently empty?



What condition is the property in?

Ready to move into
39%

Complete renovation inside
23%

Needs some minor repairs and decoration
17%

Needs updating-re-wiring, new windows, kitchen or bathroom
14%

Derelict with major structural damage
2%

How did you come to own the empty property?

Inherited it
25%

Bought to live in myself
25%

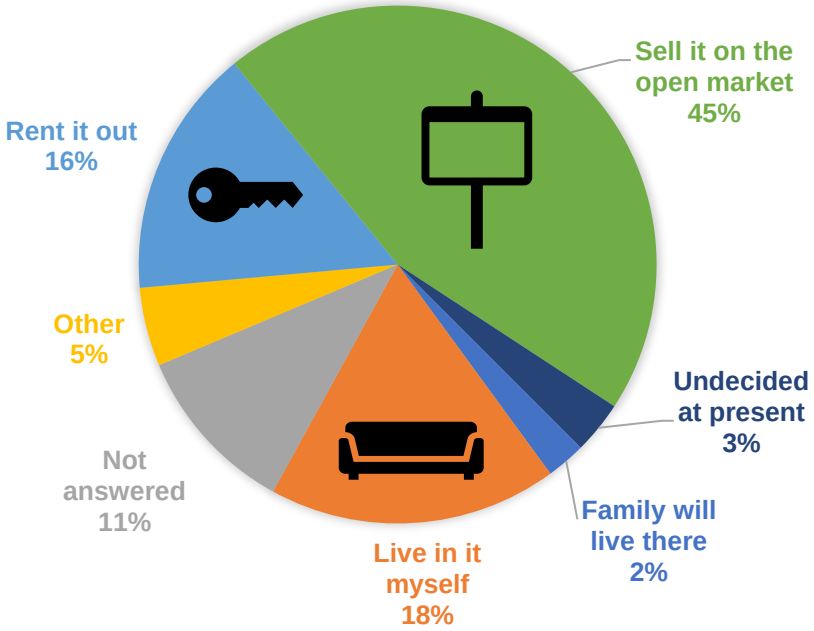
Bought as an investment
8%

Included with other properties I bought
8%

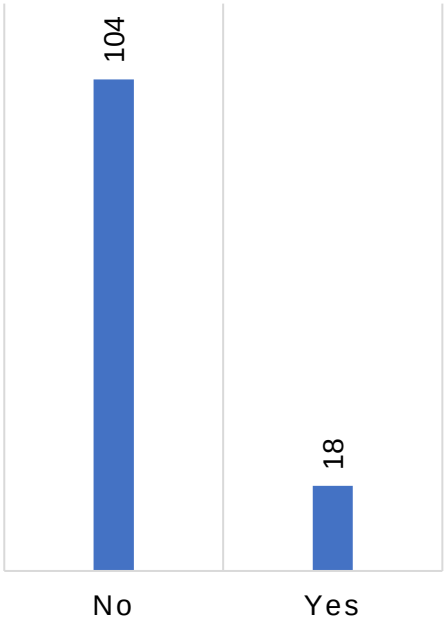
Bought for family/friend to live in
7%

Executor of estate
7%

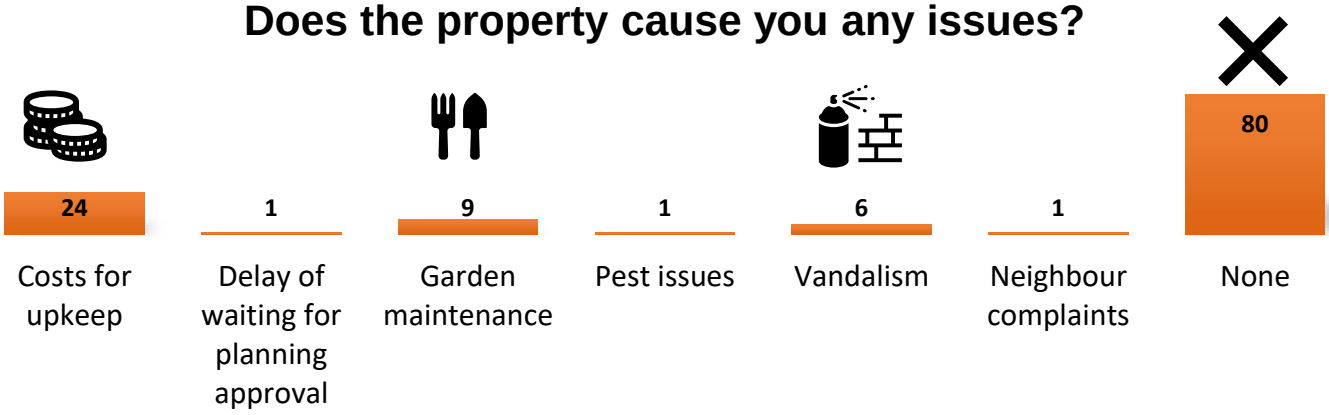
What do you plan to do with the property?



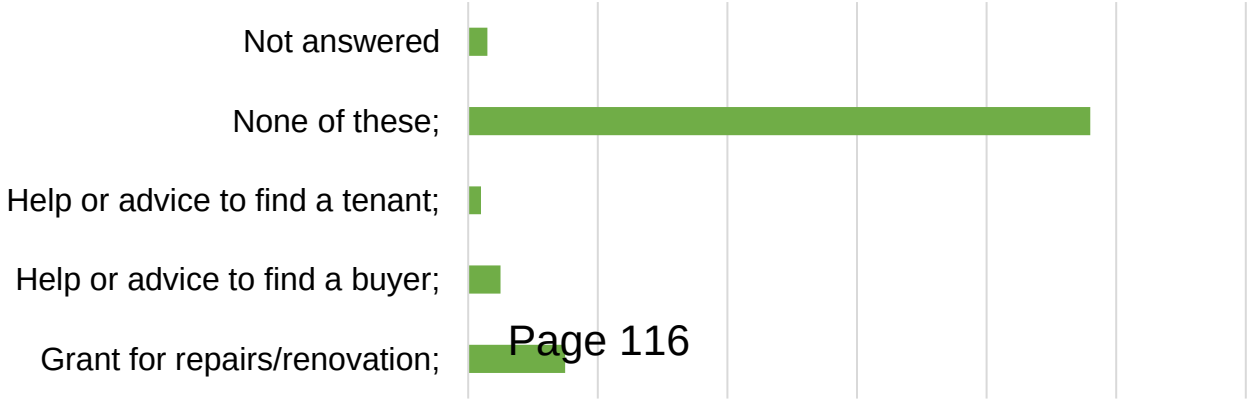
Is the cost of repairs a factor in the property remaining empty?



Does the property cause you any issues?



Which of these services might encourage you to bring your property back into use?



Empty homes in numbers Oct 21

Number of enquiries or complaints about an empty property - 5

Action taken:

Letters and a copy of our empty homes leaflet sent to the owners of the empty homes outlining the options available to them, such as our private sector leasing scheme. Enquiries about pests or overgrown gardens passed to environmental health to investigate.

Only one empty home owner has responded to the letters sent to explain that work is being done to the property to bring it back into use.

Number of enquiries from owners of an empty home about the reduced VAT government scheme – 5

Action Taken:

Confirmation sent to the owners that the property has been empty for 2 years or more to qualify for the reduced VAT rate of 5% on renovations and alterations.

Empty Over 6 months

663

Empty over 2 years

207

Responses to survey

279

Enquiries from the public

10

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Scrutiny and Overview Committee Work Programme 2021-22

Meeting date	Potential Agenda item (subject to prioritisation by Chair and Vice Chair)	Task and Finish/Working Groups
Every meeting	Selected Key Decision items prior to Cabinet Selected Non-Key Decision items prior to Cabinet Work programme Feedback from task and finish groups	
22 June 2021	• Private Sector Housing Policy (Environmental Health: Enforcement and licensing) – Chair has confirmed (30 March 2021) the committee will consider this item. Officers (Lesley Beever and Trevor Nicoll) have been informed (30 March 2021) • Q4 Performance	
20 July 2021	• To adopt the Local Government (Miscellaneous Provisions) Act 1982 to enable Street Trading controls to be applied District-wide. Adoption of the Act District-wide, together with designating the whole of the District (with the exception of the A11 and A14), would enable a new Street Trading Policy to be implemented which would be fair, consistent and equitable across the District. This would give the Licensing Authority greater control over street trading and would ensure that all traders are subject to the same application, enforcement, and conditions regardless of where they trade in the District. • Recovery Plan	
14 Sept 2021	Cancelled	

21 Sept 2021	• Greater Cambridge Local Plan: Preferred Options (Regulation 18) – For consultation	
14 October 2021	• NEC AAP Delivery report • MTFS	
11 Nov 2021	• Planning performance (referred by Council motion) • Investment strategy • Empty homes strategy	
16 Dec 2021	• North East Cambridge Area Action Plan: Proposed Submission (Regulation 18) • HRA asset management	
Jan 2022	•	
Feb 2022w	•	
March 2022	•	
April 2022	•	
May 2022	•	

NOTICE OF KEY AND NON KEY DECISIONS

To be taken under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 from Start/Valid/Date

South Cambridgeshire District Council

Notice is hereby given of:

- Key and Non Key decisions that will be taken by Cabinet, individual Lead Cabinet Members or Officers
- Confidential or exempt executive decisions that will be taken in a meeting from which the public will be excluded (for whole or part)

A Key Decision is a decision by the Cabinet, or an individual Cabinet Member or officer, which is likely to either incur significant* expenditure or make significant savings, or to have a significant impact on those living or working in 2 or more wards.

*A decision to:

1. Incur expenditure or savings in excess of £200,000; or
2. Acquire or dispose of land or property with a value in excess of £1,000,000 shall be treated as significant for these purposes. However, a decision to invite a tender or award a contract shall not be treated as a key decision where the purpose of the contract is to fulfil the intention of any policy or scheme included in the policy framework or budget or involves a continuation of an existing policy or service standard.

A notice / agenda, together with reports and supporting documents for each meeting will be published at least five working days before the date of the meeting. In order to enquire about the availability of documents and subject to any restriction on their disclosure, copies may be requested from Democratic Services, South Cambridgeshire District Council, South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridge, CB23 6EA. Agenda and documents may be accessed electronically at www.scambs.gov.uk

Formal notice is hereby given under the above Regulations that, where indicated (in column 4), part of the meetings listed in this notice may be held in private because the agenda and reports for the meeting will contain confidential or exempt information under Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. See overleaf for the relevant paragraphs.

If you have any queries relating to this Notice, please contact
Patrick Adams on 01954 713408 or by e-mailing Patrick.Adams@scambs.gov.uk

Paragraphs of Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended)
(Reason for a report to be considered in private)

1. Information relating to any individual
2. Information which is likely to reveal the identity of an individual
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings
6. Information which reveals that the authority proposes:
   (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or
   (b) to make an Order or Direction under any enactment
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime

The Decision Makers referred to in this document are as follows:

Cabinet

Councillor Bridget Smith	Leader of the Council
Councillor Neil Gough	Deputy Leader, Strategic Planning & Transport and Transformation & Projects
Councillor John Batchelor	Housing
Councillor Bill Handley	Community Resilience and Health & Wellbeing
Councillor Tumi Hawkins	Planning Policy and Delivery
Councillor Peter McDonald	Business Recovery
Councillor Brian Milnes	Environmental Services and Licensing
Councillor John Williams	Finance

Key and non-key decisions expected to be made from 1 November 2021

Decision to be made	Description of Decision	Decision Maker	Date of Meeting	Reason for Report to be considered in Private	Portfolio Holder and Contact Officer	Documents submitted to the decision maker
Greater Cambridge Local Plan: Preferred Options (Regulation 18) - For consultation Key	To agree the Greater Cambridge Local Plan: Preferred Options and supporting documents, topic papers and evidence for public consultation	Cabinet	01 October 2021		Lead Cabinet member for Planning Jonathan Dixon, Planning Policy Manager	Report (publication expected 23 September 2021)
Creating a Vision for the Oxford-Cambridge Arc - response to consultation Non-Key	To agree a joint response to the government consultation 'Creating a vision for the Oxford-Cambridge Arc' with Cambridge City Council.	Cabinet	01 October 2021		Deputy Leader Caroline Hunt, Strategy and Economy Manager	Report (publication expected 23 September 2021)
Health and Wellbeing Strategy Update Non-Key	This is for information only, but has been requested by Cabinet to provide	Cabinet	19 October 2021		Lead Cabinet Member for Community Resilience and Health &	Report (publication expected 11 October 2021)

	a 6 month update.				Wellbeing Lesley McFarlane, Development Officer - Health Specialist	
North East Cambridge "In Principle" Commitment to Delivery of AAP Non-Key	To agree that the Council is committed to the delivery of the NEC AAP.	Cabinet	19 October 2021		Lead Cabinet member for Planning Julian Sykes, Principal Planning Policy Officer	Report (publication expected 11 October 2021)
Cambridgeshire Council Tax Compliance and Counter-Fraud Initiative Non-Key	Agreement to proceed with the project and delegation of authority for the signing of any agreements required to the CFO.	Cabinet	19 October 2021		Lead Cabinet member for Finance Katie Kelly, Revenues Manager	Report (publication expected 11 October 2021)
Investment Strategy Key	To agree an updated strategy.	Cabinet	06 December 2021		Lead Cabinet member for Finance Peter Maddock, Head of Finance	Report (publication expected 23 November 2021)
Empty Homes	Approval of the	Cabinet	06 December		Lead Cabinet	Report

Strategy Key	draft Empty Homes Strategy to go out for wider consultation.		2021		member for Housing Julie Fletcher, Head of Housing Strategy	(publication expected 26 November 2021)
Fees and Charges Key		Cabinet	06 December 2021		Lead Cabinet member for Finance	Report (publication expected 26 November 2021)
Bids and Savings Key		Cabinet	06 December 2021		Lead Cabinet member for Finance	Report (publication expected 26 November 2021)
HRA Asset Management Strategy 2021-2026 Key	Approval of the Strategy	Cabinet	10 January 2022		Lead Cabinet member for Housing Peter Campbell, Head of Housing	Report (publication expected 30 December 2021)
North East Cambridge Area Action Plan: Proposed Submission	To agree the North East Cambridge Area Action Plan.	Cabinet	10 January 2022		Lead Cabinet member for Planning Julian Sykes,	Report (publication expected 2 January 2022)

(Regulation 19) Key					Principal Planning Policy Officer	
Annual Equality Scheme Update and Progress Report Non-Key	Review progress towards the equality objectives set out within the Council's Equality Scheme 2020-24.	Cabinet	10 January 2022		Deputy Leader Kevin Ledger, Senior Policy and Performance Officer	Report (publication expected 30 December 2022)
Local Government (Miscellaneous Provisions) Act 1982 - Street Trading Non-Key	Subject to above to agree new Street Trading Policy.	Cabinet	02 February 2022		Lead Cabinet member for Environmental Services and Licensing Rachel Jackson, Principal Licensing Officer	Report (publication expected 25 January 2022)
Biodiversity Supplementary Planning Document Key	This SPD is reflective of the Council's desire to not only amplify existing policies where they impact biodiversity, but also indicate its commitment to new and ambitious policies	Cabinet	02 February 2022		Lead Cabinet member for Planning John Cornell, Natural Environment Team Leader	Report (publication expected 25 January 2022)

	which might emerge in the new Local Plan process currently underway.					
Q3 Performance Report Non-Key	This report forms the basis of our quarterly performance reporting activities.	Cabinet	22 March 2022		Deputy Leader Kevin Ledger, Senior Policy and Performance Officer	Report (publication expected 14 March 2022)
South Cambridgeshire Recovery Plan Key	The Plan will outline the approach SCDC will take to supporting our residents, businesses and communities as we move out of the pandemic. The decision will be whether the Council agrees this approach, and any associated financial or resource implications	Cabinet			Leader of Council Anne Ainsworth, Chief Operating Officer	Report (publication expected 11 October 2021)

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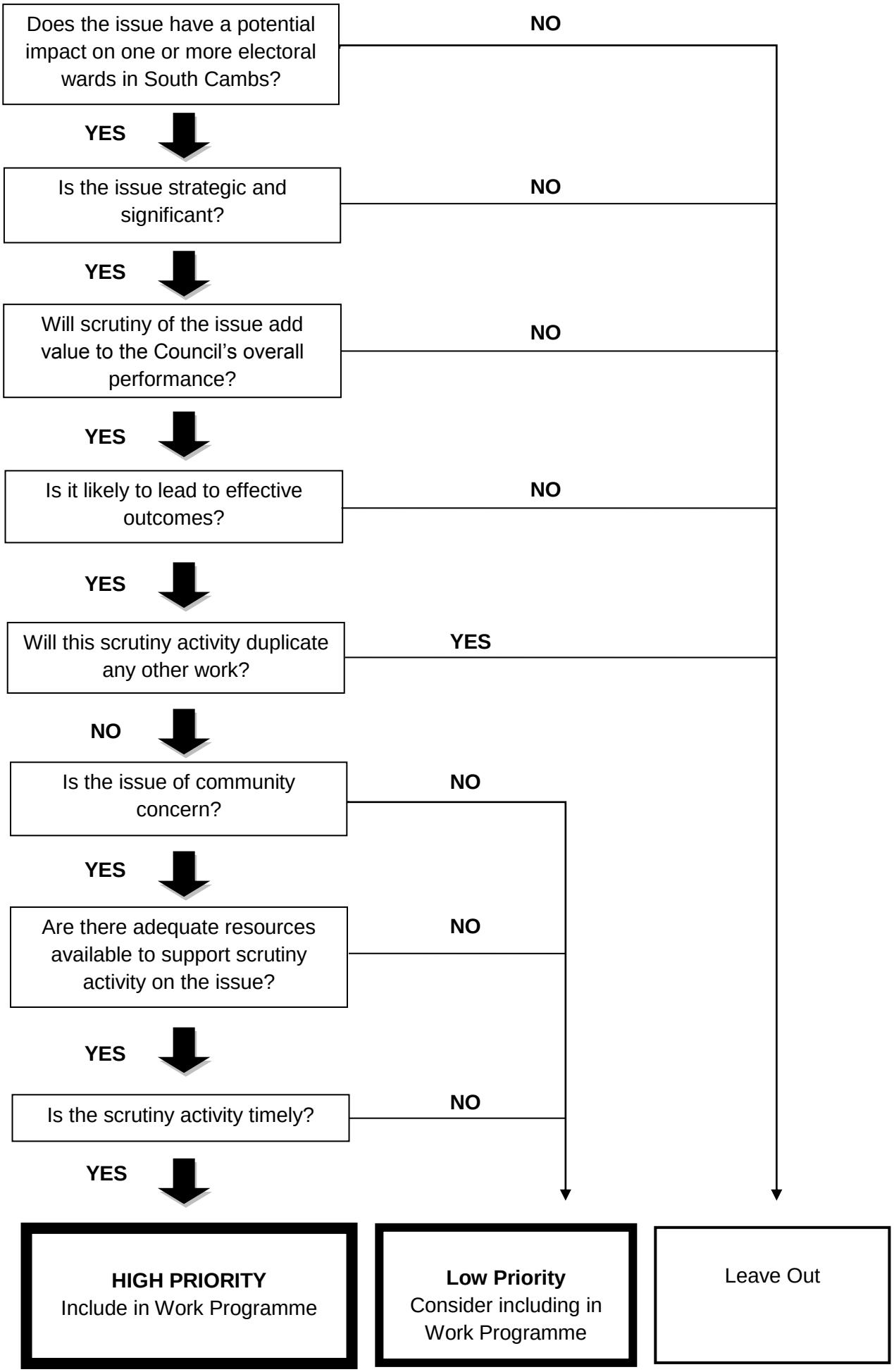
Scrutiny Work Programme Prioritisation Tool



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