



## **Resources Policy Advisory Group**

**Tuesday, 25 September 2018 at 6.00 pm**

**Room 6, Capswood, Oxford Road, Denham**

### **A G E N D A**

This Policy Advisory Group meeting is not open to the public

#### Item

1. Evacuation Procedure
2. Apologies for Absence
3. Minutes (*Pages 3 - 6*)  
  
To approve the minutes of the Resources PAG held on 13 June 2018.
4. Declarations of Interest
5. Gerrards Cross Car Park (*To Follow*)
6. Redevelopment of Gerrards Cross Police Station (*Pages 7 - 16*)  
  
*Appendix A: Site Plan (Pages 17 - 18)*  
  
*Appendix B: Business Case (Pages 19 - 20)*  
  
*Appendix C: Action Plan / Proposed Communications Activities (Pages 21 - 22)*
7. Treasury Management – Quarterly Report Quarter 1 2018/19 (*Pages 23 - 26*)

8. Exempt Information

To resolve that under Section 100(A)(4) of the Local Government Act 1972 the following item(s) of business is not for publication to the press or public on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act.

9. Bad Debt Write Off Request (*Pages 27 - 32*)

*Reasons for restriction: Paragraphs 1, 2, 3*

**Note:** All reports will be updated orally at the meeting if appropriate and may be supplemented by additional reports at the Chairman's discretion.

**Membership: Resources Policy Advisory Group**

Councillors: B Gibbs (Chairman)  
R Bagge  
S Chhokar  
D Dhillon  
J Jordan  
P Kelly

**Date of next meeting – Thursday, 6 December 2018**

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**RESOURCES POLICY ADVISORY GROUP (SBDC)  
13 June 2018**

Present: B Gibbs (Chairman)  
S Chhokar, D Dhillon and P Kelly

Apologies for absence: R Bagge and J Jordan

**39. MINUTES**

The minutes of the Resources PAG held on 22 March 2018 were approved subject to an amendment to minute item 35 (para 5) to read: 'Members were informed that proposals for extra parking had the support of the Town Council and local businesses.'

**40. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**41. REDEVELOPMENT OF FORMER GERRARDS CROSS POLICE STATION SITE**

Members received the draft business case for the redevelopment project and an update on matters relating to construction costs. Revised proposed site plans were tabled at the meeting.

It was reported that the contractors cost estimates were within the target agreed with the contractor following a review of their initial feasibility cost estimates. Further, that a fixed cost was due to be received on 18 June 2018. Members enquired as to the rate of return, and were advised this was estimated at 3.67%.

It was noted that the first bat survey had been carried out, and a second survey was scheduled to be carried out July 2018, with the third and final survey provided to Natural England.

The PAG expressed thanks to the Head of Environment and the team for the work undertaken on the project to date in helping to meet the districts affordable housing needs.

Having considered the advice of the Policy Advisory Group, the Portfolio Holder agreed to **RECOMMEND** to Cabinet:

- 1. to note the current position;**
- 2. to note the final business case for the project;**

3. to note that the anticipated fixed cost of £7,831,569 is in line with the amount approved in the current Capital Programme; and
4. to increase the current approved pre-construction budget from £800,000 to £950,000 to allow detail design to be developed. However, this does not reflect an increase in the total estimated project cost but is merely a timing issue to allow the works to proceed to programme.

#### 42. **TREASURY MANAGEMENT ANNUAL REPORT 2017/18**

Members received the annual report on the Treasury Management performance of the Council for 2017/18, as required under the Code of Practice for Treasury Management. Members noted a modest underachievement of £37k from the budget during 2017/18 owing to market conditions and an anticipated further reduction in reserves as the Council's projects progress.

#### **RESOLVED:**

**that the Treasury Management performance for 2017/18 as required by the Code of Practice for Treasury Management be noted.**

#### 43. **WRITE OFFS 2017/18**

Members considered a report on the final position for write offs for the year 2017/18.

It was advised that the main area of write offs was sundry debts. Members were reassured that the higher figures were owing to the ongoing arrears collection project. It was noted that the project had been undertaken following the shared review in which large amounts of arrears were identified.

Certain circumstances were noted in which write offs are requested for instance, if a business is bankrupt, or if the Council is no longer able to trace a debtor.

Members were informed that a progress report on the arrears collection project would be considered by the Customer Services and Business Support Policy Advisory Group on 18 June 2018. It was noted that the Council had reduced debt significantly and that, at present, collection rates had improved and income was exceeding the projected figure set out in the business case. It was advised that the report would contain comparative information on write offs and collection rates.

Members raised a concern with regards to debts that were irrecoverable due to being outside the statutory time limit for recovery, and were assured that the Council would be taking additional recovery action on debts when the service is in house from November 2018.

Members of the PAG expressed thanks to the Customer Services and Finance Teams for their work on the project to date.

**RESOLVED:**

**That the write offs for 2017/18 be noted.**

The meeting terminated at 6.34 pm

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<b>SUBJECT:</b>	Redevelopment of former Gerrards Cross Police Station site Business Case	
<b>REPORT OF:</b>	Resources Portfolio Holder - Cllr Barbara Gibbs	
<b>RESPONSIBLE OFFICER</b>	Chris Marchant	Head of Environment
<b>REPORT AUTHOR</b>	Anwar Zaman Rodney Fincham	Client Project Manager Head of Finance
<b>WARD/S AFFECTED</b>	Denham Parish Council and Gerrards Cross Town Council	

***Members of the PAG are requested to advise the Portfolio Holder on the proposed recommendations below that will be considered by Cabinet on 17<sup>th</sup> October 18***

## **1. Purpose of Report**

1.1 The purpose of this report is to:

- Present the final business case for the design and construction of the scheme, and
- Seek approval to progress the project.

The PAG is asked to advise the Portfolio Holder on the following recommendations to Cabinet.

### **RECOMMENDATIONS to Cabinet:**

- 1 That Cabinet approve the final business case for the project.**
- 2 That Members note the total proposed spend of £8.331m, which will be funded from the current approved Capital Budget for this scheme.**
- 3 That the Head of Environment be authorised to conclude the delivery agreement between Wilmot Dixon and the Council for the construction phase.**
- 4 That the Head of Finance be authorised to carry out the necessary arrangements to obtain the loan finance.**
- 5 That the Head of Environment be authorised to negotiate and conclude any necessary agreements to allow the development to proceed through to completion and note that the Head of Environment has exercised his delegated authority to make an application to the Secretary of Transport for a stopping up order pursuant to Section 247 of the Town and Country Planning Act 1990.**

**6 That the Director of Resources be authorised to dispose of the development to Consilio (the Council's wholly owned subsidiary).**

**2. Executive Summary**

- 2.1 Planning consent has been granted for the redevelopment of the Gerrards Cross Police station site for 34 apartments which will provide 20 private rent apartments and 14 affordable rent apartments - to meet the 40% affordable housing requirement.
- 2.2 To enable this project to proceed, the Council will need to invest an estimated £8.3m for a traditional brick and block cavity form of construction and any associated fees.
- 2.3 The proposal is for the project cost to be financed by way of a loan from the Public Works Loan Board (PWLB).
- 2.4 The estimated annual net rental from the development is £271,591.
- 2.5 The business case indicates that the rental return on this development will be sufficient to repay the capital expenditure over the lifetime of the asset.

**3. Reasons for Recommendations**

- 3.1 Due to the Council's projected financial position over the next few years, it is clear that the Council needs to maximise income generating opportunities in order to counter reductions in Government grant. This development opportunity can deliver a financial return whilst also meeting housing need.
- 3.2 As well as the financial return, one of the key drivers for the Council on this project is the provision of 40% affordable housing on site which has been consistently challenged by developers with limited affordable housing built on site for the past 10 years through the planning process.

**4. Background**

- 4.1 The site was acquired by SBDC from Thames Valley Police on the 31 March 2017 for £4m.



- 4.2 The site is shown edged in red on the plan at **Appendix A** which extends 0.784 Hectares (7,835m<sup>2</sup>) and comprises the now disused Gerrards Cross Police Station, with eight number residential properties. The site is located adjacent to Oxford Road in Tatling end in Denham.
- 4.3 The proposed development comprises 34 residential dwellings which are to be delivered in four separate buildings - A three-storey building which seeks to replace the former Police Station, and three two-storey pitched roofed properties to be developed across the remainder of the site.

## 5. Planning Permission

- 5.1 Planning Permission for the Gerrards Cross Police station site was issued on the 17 August 18 subject to 22 conditions, of which 10 have to be discharged prior to commencement (Planning application Ref 17/02396/FUL).
- 5.2 Willmott Dixon has reviewed these conditions and are taking steps to comply with these. Overall the conditions are unlikely to have a significant impact on the project.

## 6. Cost of Development

- 6.1 Following Cabinet 17 April 2018 the framework contractor Willmott Dixon was asked to provide a fixed price using the framework Surety route.
- 6.2 The current estimated cost is £8.3m as set out in the table below.

Cost Element	Cost £
Willmott Dixon surety route fixed price bid for design and build including demolition. With provisional sums for discharge of planning conditions, contamination, asbestos and bats mitigation (upto £200k contamination cost are recoverable as part of purchase agreement).	7,454,363
Project Management & Planning Design consultant Fees (Pick Everard / Perfect Circle)	532,854
Surveys	72,277
SBDC Internal cost	74,610
Contamination cost recoverable as part of purchase agreement by 31 May 2020 (Max £200k)	-200,000
<b>Total project cost</b>	<b>7,934,104</b>
Client Contingency (5%) held by SBDC	396,705
<b>Total</b>	<b>8,330,809</b>

- 6.3 There is a total of £8.62m within the approved capital budget for this scheme.
- 6.4 The Willmott Dixon bid has been scrutinised by external financial consultants Pick Everards and they report that the majority of costs have been verified and agreed, and the remaining provisional sums will be subject to further verification. The consultants advise that a sum be held as client contingency.
- 6.5 The bid includes provisional sums which are potentially client risk for items below, and mitigation measures have been arranged to minimise the risk:
- Asbestos removal – further asbestos surveys planned as soon as the existing residential properties are decanted.
  - Ecology (bat) – mitigation report approved as part of planning permission and application for licence to Natural England being progressed.
  - Contamination - further surveys planned to develop remediation strategy and verification plan as also required by planning conditions.
  - Statutory services – quotations being finalised with statutory authorities.
  - Planning conditions discharge – highway alterations improvements.
- 6.6 Cost does not include project risks such as archaeology, ordinance, judicial review cost and de-contamination beyond the provisional sum allowance.

## 7. Business Case

- 7.1 The current business case is detailed in **Appendix B**.
- 7.2 In summary the current business case figures are as follows.

<b>Current Cost Estimate</b>	8,330,809
Figures include sunk costs	
<b>Net Income (full year)</b>	271,591
Net income as percentage of build cost	3.26%
<b>Business Case Model</b>	40 yrs
IRR - should be more than borrowing cost	4.09%
Net Present Value - negative is good	1,816,860
(Profit) / Loss - negative is good	-4,596,312

- 7.3 Investing in the construction of 34 new apartments, will generate a financial return from the resulting rental income. This shows that the estimated annual net rental income of c£271,500 will be sufficient to cover the loan interest and any repairs & maintenance costs. Furthermore the profit on rental income will be sufficient to repay the build cost over the lifetime of the asset.

## 8. Assumptions Regarding Rental Income

8.1 The Business Case has made the following assumptions about rental income.

- The rental income from a 1 bed flat will be approximately £800 a month, and a 2 bed flat will be approximately £950 a month.
- The affordable units will be let at 80% of market value.
- Voids have been assumed at 2 weeks per property per year.
- The cost of managing the units and collecting the rent has been budgeted at £60,000 a year.
- Rents will rise by approximately 3% a year.

## 9. Sensitivity Analysis

9.1 The Business Case is based on various assumptions. Changing any of the assumptions will affect the return. For instance

- If the build cost goes down, the profitability goes up
- If the loan rate goes down, the profitability goes up
- If we increase the rent assumptions, the profitability goes up

And of course vice versa.

9.2 The following table shows the effect on the Internal Rate of Return, Net Present Value and Profitability figures if we change some of these assumptions.

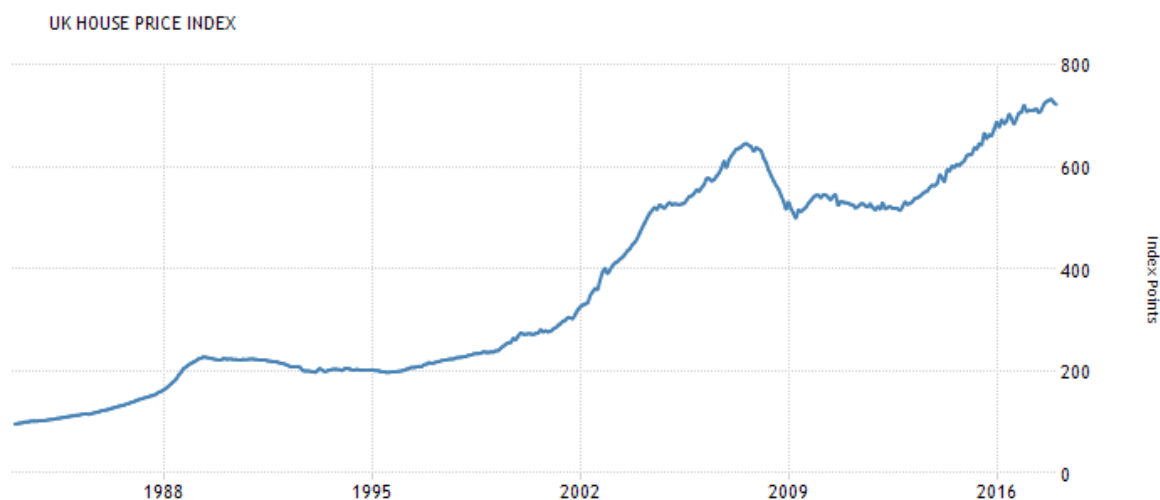
9.3

	Base Model	Interest rate 0.25% higher	Rents 10% higher	Increase rents by rpi +0.5%
Build Cost (Including sunk costs)	£8,330,809	£8,330,809	£8,330,809	£8,330,809
Loan Interest Rate	2.58%	2.83%	2.58%	2.58%
Annual Rent	£271,591	£271,591	£298,751	£271,591
Annual increase in rent	RPI	RPI	RPI	RPI+0.5%
Internal Rate of Return (IRR) (Should be above loan interest rate)	4.09%	4.09%	4.68%	4.63%

Net Present Value over 40 years (Negative is good)	£1,816,860	£2,205,038	£764,333	£754,210
Total Profit over 40 years (Negative is good)	£4,596,312	£4,010,241	£6,641,882	£7,081,106

9.4 Any delay in the project could result in the build cost increasing due to construction inflation.

9.5 In addition there is the potential for SBDC to benefit from capital growth. The following chart shows the growth in UK house prices over recent years



## 10. Funding

10.1 This project will be funded by borrowing from the Public Works Loan Board (PWLb).

10.2 The financing cost is based on borrowing at a fixed rate from the PLWB, on an annuity basis, over 40 years. The rate as at 22 August 18 is 2.58%. The actual rate will be fixed on the day the loan is organised.

10.3 The precise timing and structure of the loan will be determined by the Director of Resources and will reflect the proposed disposal to Consilio.

10.4 The Treasury Management Strategy that was approved by full Council on 27 February 18 set an Authorised Borrowing Limit of £35m and an Operational Borrowing Limit of £30m for 2018/19.

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The Authorised Limit for South Bucks represents the maximum temporary borrowing limit. The Operational Limit is the limit beyond which external debt is not normally expected to exceed. SBDC does not currently have any borrowing.

## 11. Consilio

- 11.1 Under the 'general power of competence' introduced by Section 1 of the Localism Act 2011 local authorities have a general power that enables them to do anything that a private individual is entitled to do, subject to certain statutory limitations. However things done for a commercial purpose even under the Localism Act 2011 must be done through a company.
- 11.2 As it is intended that the property is held in order to make a financial return, this requires the Council to do this via a company. Consilio Property Limited has been set up by SBDC as a wholly owned company, and it is therefore proposed to dispose of the development to Consilio.
- 11.3 SBDC will still have ultimate ownership and control of this development, as the sole shareholder of Consilio. The effect of the disposal will be that rather than SBDC obtaining its return directly from rental income, Consilio will earn the rental income and the profit will be paid over to SBDC via dividend or as a profit margin on loans to Consilio.

## 12. Communication Plan

- 12.1 An updated communication plan is attached at **Appendix C**.

## 13. Risks

- 13.1 Once the Delivery Agreement has been signed the contractor takes on the majority of the construction risks.
- 13.2 The main remaining risks to this project are:
- Provisional sums included within the contract for various items, these remain unexpended and may change once verified.
  - The need for an agreement to extinguish highway rights which may delay the commencement of the project.
  - Relocating the current tenants in the existing 8 police houses in time for the enabling works to start. These houses are currently occupied by the housing association tenants on a short term lease basis.

- Future rental income is estimated in the business case.

## **14. Options**

14.1 SBDC has the following options.

- Progress with this scheme now. This option provides additional homes and an income stream as quickly as possible.
- Delay the project in order to have more time to complete all contractual agreements and / or seek alternative build prices. This would delay generating rental income, and may not result in a reduction in build cost due to the impact of construction inflation.
- Decide not to progress with the scheme. This option would not provide additional homes and would not provide an income stream.

## **15. Corporate Implications**

15.1 Financial – The detailed business case is shown in Appendix B

15.2 Legal –The Council is required to obtain a stopping up order pursuant to Section 247 of the Town and Country Planning Act 1990 in order to comply with a pre-commencement planning condition to extinguish the highway rights over the front access road contained within the former Gerrards Cross Police Station site. The Section 247 Order will enable the Council to stop up the front access road and provide parking spaces in association with the development on this front access road to provide amenity for the future occupiers of the site. Cabinet should note that the Head of Environment exercised his delegated powers on 5 September 2018 to make an application on behalf of the Council to the Secretary of State of Transport for a Section 247 Order. There will be a public consultation carried out by the Secretary of State on the Section 247 Order. The Secretary of State usually processes applications within 13 weeks and it is estimated that the Section 247 Order will be made by the Secretary of State in early December 2018 subject to no objections being made to the proposed Order. Once the Section 247 Order has been made, the Council will be in a position to enter into any legal agreement required by Buckinghamshire County Council (as the local highway authority) pursuant to Section 278 of the Highways Act 1980 to improve the existing highway access into the site. Cabinet will need to authorise the Head of Environment to agree any Section 278 agreement that may be required by the County Council with any associated costs being met within the proposed spend of £8,331 million that Cabinet is requested to authorise for this project.

## 16. Links to Council Policy Objectives

- 16.1 This matter is related to the Council's corporate aims to deliver cost effective, customer focused services, and to promote local communities.
- 16.2 This report also progresses the aims of the Council's asset management plan.
- 16.3 This scheme will help towards meeting the affordable housing need in our district and provides an income for the Council.

## 17. Next Steps

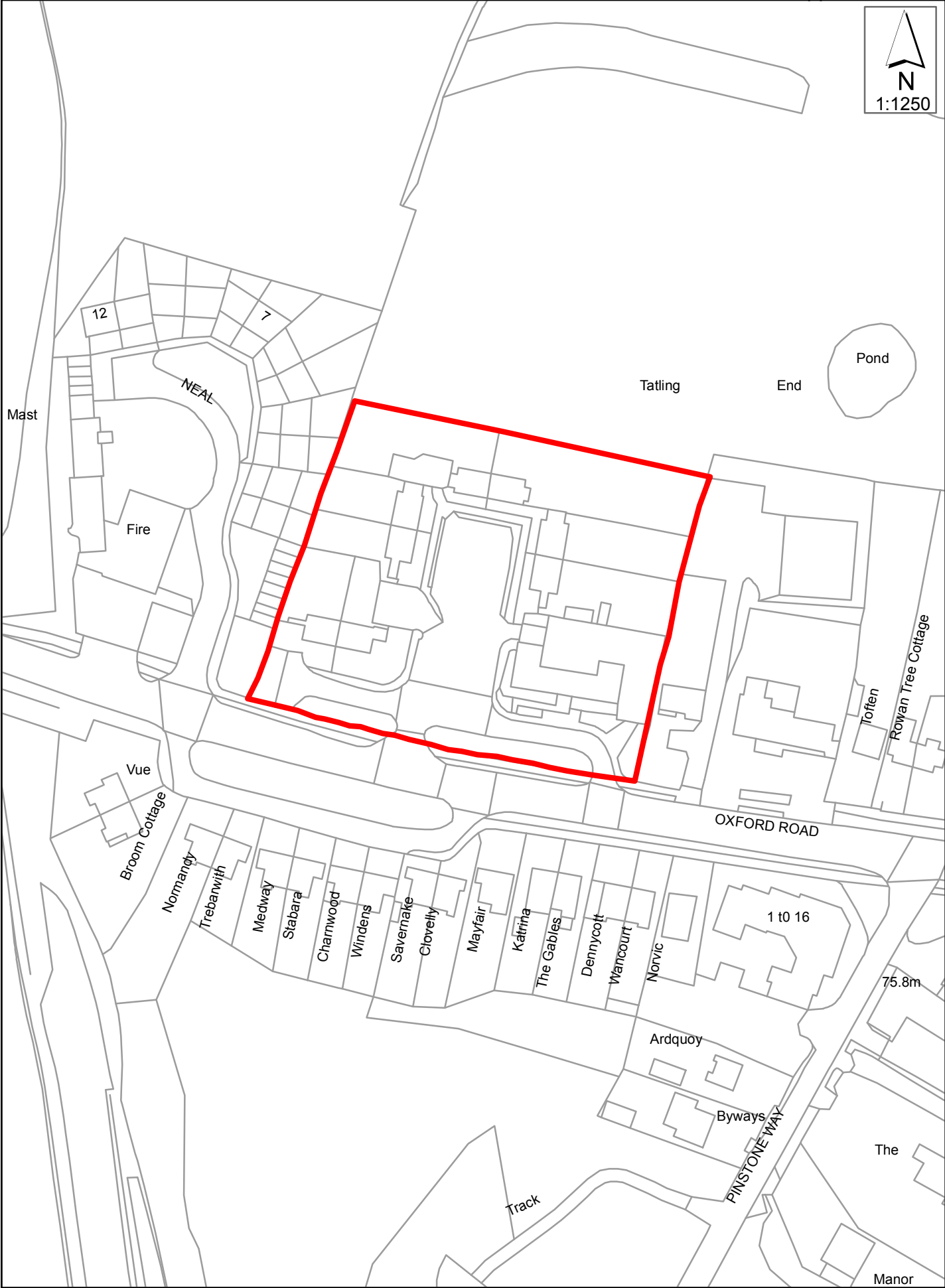
- 17.1 The proposed programme is as follows:

Activity	Date
Planning JR period ends	26 <sup>th</sup> Sept 18
Cabinet meeting – Business Case final approval	17 <sup>th</sup> Oct 18
Execution of Delivery Agreement	22 <sup>nd</sup> Oct 18
Completion of stopping up Highways agreement	Early Dec 18
Decant of residential buildings (Residents moving out)	Early Dec 18
Disconnection of existing utilities	Dec 18
Determination of Natural England Bat License	Dec 18
Contractor Mobilisation on site	Jan 19
Completion of de-contamination related works	31 <sup>st</sup> Mar 19
Bat relocation (subject to Natural England licence) Watching brief by Ecology consultant being provided to ensure this is done correctly.	Mar/Apr 19
<b>Commencement of Construction works</b>	<b>Apr 19</b>
<b>Completion and handover</b>	<b>1<sup>st</sup> May 20</b>

<b>Background Papers:</b>	<p>Cabinet report 4 Jul 16 – Acquisition of site</p> <p>Council 19 Jul 16 – Acquisition of site</p> <p>Cabinet report 8 Feb 17 – Acquisition of site</p> <p>Cabinet report 7 Feb 18</p> <p>Cabinet report 17 Apr 18</p> <p>Cabinet report 27 Jun 18</p> <p>SBDC Planning Application Ref 17/02396/FUL</p>
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**Gerrards Cross police Station Houses, Oxford Road, Denham  
APPENDIX A - SITE PLAN**

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Appendix B - Financial Business Case

Year			Capital Expenditure	R&M	Rental	Total	40 Year New	Total	Net Present	Repayment	Annual	Return	Loan Repayment Annuity			
			(Excluding VAT)	Inflationary rise	Inflationary rise	Cashflow	PWLB Loan	Cashflow	Value (NPV)	Construction	(Profit) / Loss	on Investment	Opening	Loan	Principal	Closing
			A	B	C	D=A+B+C	E	F=D+E	F Discounted	/ Depreciation	H=B+C+E+G		£	£	£	£
Sunk	2017/18	Preliminary Works	352,003													
Sunk	2018/19	Preliminary Works	384,524													
0	2019/20	Construction	7,594,282	0	0	7,594,282	214,935	7,809,217	7,809,217	116,708	331,643	-4.4%	8,330,809	-116,708	-331,643	8,214,101
1	2020/21	Letting income from May 20		30,000	-248,959	-218,959	211,924	-7,035	-6,830	119,719	112,684	-1.5%	8,214,101	-119,719	-331,643	8,094,382
2	2021/22			30,900	-279,739	-248,839	208,835	-40,004	-37,708	122,808	82,804	-1.1%	8,094,382	-122,808	-331,643	7,971,575
3	2022/23			31,827	-288,131	-256,304	205,667	-50,638	-46,341	125,976	75,338	-1.0%	7,971,575	-125,976	-331,643	7,845,599
4	2023/24			32,782	-296,775	-263,993	202,416	-61,577	-54,710	129,226	67,649	-0.9%	7,845,599	-129,226	-331,643	7,716,373
5	2024/25			33,765	-305,678	-271,913	199,082	-72,831	-62,825	132,560	59,729	-0.8%	7,716,373	-132,560	-331,643	7,583,812
6	2025/26			34,778	-314,849	-280,071	195,662	-84,408	-70,691	135,980	51,572	-0.7%	7,583,812	-135,980	-331,643	7,447,832
7	2026/27			35,822	-324,294	-288,473	192,154	-96,319	-78,316	139,489	43,170	-0.6%	7,447,832	-139,489	-331,643	7,308,343
8	2027/28			36,896	-334,023	-297,127	188,555	-108,572	-85,707	143,087	34,516	-0.5%	7,308,343	-143,087	-331,643	7,165,256
9	2028/29			38,003	-344,044	-306,041	184,864	-121,177	-92,872	146,779	25,602	-0.3%	7,165,256	-146,779	-331,643	7,018,477
10	2029/30			39,143	-354,365	-315,222	181,077	-134,145	-99,817	150,566	16,421	-0.2%	7,018,477	-150,566	-331,643	6,867,911
11	2030/31			40,317	-364,996	-324,679	177,192	-147,487	-106,547	154,451	6,964	-0.1%	6,867,911	-154,451	-331,643	6,713,460
12	2031/32			41,527	-375,946	-334,419	173,207	-161,212	-113,071	158,435	-2,776	0.0%	6,713,460	-158,435	-331,643	6,555,025
13	2032/33			42,773	-387,224	-344,452	169,120	-175,332	-119,392	162,523	-12,809	0.2%	6,555,025	-162,523	-331,643	6,392,502
14	2033/34			44,056	-398,841	-354,785	164,927	-189,859	-125,519	166,716	-23,142	0.3%	6,392,502	-166,716	-331,643	6,225,786
15	2034/35			45,378	-410,806	-365,429	160,625	-204,803	-131,455	171,017	-33,786	0.4%	6,225,786	-171,017	-331,643	6,054,768
16	2035/36			46,739	-423,131	-376,392	156,213	-220,178	-137,208	175,430	-44,749	0.6%	6,054,768	-175,430	-331,643	5,879,338
17	2036/37			48,141	-435,824	-387,683	151,687	-235,996	-142,782	179,956	-56,041	0.7%	5,879,338	-179,956	-331,643	5,699,383
18	2037/38			49,585	-448,899	-399,314	147,044	-252,270	-148,182	184,599	-67,671	0.9%	5,699,383	-184,599	-331,643	5,514,784
19	2038/39			51,073	-462,366	-411,293	142,281	-269,012	-153,414	189,361	-79,650	1.0%	5,514,784	-189,361	-331,643	5,325,423
20	2039/40			52,605	-476,237	-423,632	137,396	-286,236	-158,482	194,247	-91,989	1.2%	5,325,423	-194,247	-331,643	5,131,176
21	2040/41			54,183	-490,524	-436,341	132,384	-303,957	-163,392	199,258	-104,698	1.4%	5,131,176	-199,258	-331,643	4,931,918
22	2041/42			55,809	-505,240	-449,431	127,243	-322,188	-168,147	204,399	-117,788	1.6%	4,931,918	-204,399	-331,643	4,727,518
23	2042/43			57,483	-520,397	-462,914	121,970	-340,944	-172,754	209,673	-131,271	1.7%	4,727,518	-209,673	-331,643	4,517,846
24	2043/44			59,208	-536,009	-476,801	116,560	-360,241	-177,215	215,082	-145,159	1.9%	4,517,846	-215,082	-331,643	4,302,763
25	2044/45			60,984	-552,089	-491,106	111,011	-380,094	-181,535	220,631	-159,463	2.1%	4,302,763	-220,631	-331,643	4,082,132
26	2045/46			62,813	-568,652	-505,839	105,319	-400,520	-185,719	226,324	-174,196	2.3%	4,082,132	-226,324	-331,643	3,855,808
27	2046/47			64,698	-585,712	-521,014	99,480	-421,534	-189,770	232,163	-189,371	2.5%	3,855,808	-232,163	-331,643	3,623,645
28	2047/48			66,639	-603,283	-536,644	93,490	-443,154	-193,692	238,153	-205,002	2.7%	3,623,645	-238,153	-331,643	3,385,493
29	2048/49			68,638	-621,381	-552,744	87,346	-465,398	-197,490	244,297	-221,101	2.9%	3,385,493	-244,297	-331,643	3,141,196
30	2049/50			70,697	-640,023	-569,326	81,043	-488,283	-201,166	250,600	-237,683	3.1%	3,141,196	-250,600	-331,643	2,890,596
31	2050/51			72,818	-659,224	-586,406	74,577	-511,828	-204,725	257,065	-254,763	3.4%	2,890,596	-257,065	-331,643	2,633,531
32	2051/52			75,002	-679,000	-603,998	67,945	-536,053	-208,169	263,698	-272,355	3.6%	2,633,531	-272,355	-331,643	2,369,833
33	2052/53			77,252	-699,370	-622,118	61,142	-560,976	-211,503	270,501	-290,475	3.8%	2,369,833	-290,475	-331,643	2,099,332
34	2053/54			79,570	-720,351	-640,781	54,163	-586,619	-214,729	277,480	-309,139	4.1%	2,099,332	-309,139	-331,643	1,821,852
35	2054/55			81,957	-741,962	-660,005	47,004	-613,001	-217,850	284,639	-328,362	4.3%	1,821,852	-328,362	-331,643	1,537,213
36	2055/56			84,416	-764,221	-679,805	39,660	-640,145	-220,871	291,983	-348,162	4.6%	1,537,213	-348,162	-331,643	1,245,231
37	2056/57			86,948	-787,147	-700,199	32,127	-668,072	-223,793	299,516	-368,556	4.9%	1,245,231	-368,556	-331,643	945,715
38	2057/58			89,557	-810,762	-721,205	24,399	-696,806	-226,619	307,243	-389,562	5.1%	945,715	-389,562	-331,643	638,472
39	2058/59			92,244	-835,085	-742,841	16,473	-726,369	-229,353	315,170	-411,199	5.4%	638,472	-411,199	-331,643	323,302
40	2059/60			95,011	-860,137	-765,126	8,341	-756,785	-231,998	323,302	-433,484	5.7%	323,302	-433,302	-331,643	0
Including sunk costs			8,330,809	2,262,038	-20,455,700	-10,599,380	5,266,541	-5,332,839	1,816,860	8,330,809	-4,596,312					
					IRR	4.09%			Negative is good		Negative is good					

It is beneficial to proceed if:

- The Total NPV over the 40 years is negative (ie income exceeds expenditure)
- The Annual Return on Investment is reasonable.

Notes:

This capital expenditure figure excludes decontamination costs (as these are reclaimable from TVPA). It also excludes the cost of purchasing the site, as the intention is to retain the ownership of the site and thus the Council will always retain the value of the land.

Rental Income	Rent / Month	Max Rent	Occupancy 2 void weeks in 12 mths	Mgt Fee	Mgt Fee £	Net Rent	
6	1 bed flat	800	57,600	-2,215	10%	-5,760	49,625
14	2 bed flat	950	159,600	-6,138	10%	-15,960	137,502
14	2 bed flat - A	760	127,680	-4,911	30%	-38,304	84,465
<b>34</b>			<b>344,880</b>	<b>-13,265</b>		<b>-60,024</b>	<b>271,591</b>

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## Appendix C

### GX Police Station action plan / proposed communications activities

<b>Date</b>	<b>Activity</b>	<b>Who is involved</b>
27 September	End of six weeks JR period	
17 October	Cabinet	Estates team/PHs
25 October	End of Call In period	
TBC if needed	Overview & Scrutiny Committee if Call In activated	
October	Delivery agreement sign off	Wilmot Dixon / Comms Team (photo opportunity)
January 2019	Mobilisation and enabling works start on site	Wilmot Dixon
March 2019	Work starts on site/Regular communications during build/Corporate Social Responsibility publicity	Wilmot Dixon/ SBDC/ Comms team Press release?
TBC	Development Progress	Wilmot Dixon / Comms team Newsletters, Press release
TBC	Topping out ceremony	Wilmot Dixon /SBDC/Comms team
TBC	Official Opening	Wilmot Dixon / SBDC/Comms team

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<b>SUBJECT:</b>	<i>Treasury Management – Quarterly Report Quarter 1 2018/19</i>
<b>REPORT OF:</b>	<i>Jim Burness, Director of Resources</i>
<b>RESPONSIBLE OFFICER</b>	<i>Helen O’Keeffe, Principal Accountant</i>
<b>REPORT AUTHOR</b>	<i>Helen O’Keeffe, <a href="mailto:hokeeffe@chiltern.gov.uk">hokeeffe@chiltern.gov.uk</a> 01494 732781</i>
<b>WARD/S AFFECTED</b>	<i>All</i>

## 1. Purpose of Report

- 1.1 To report on the Treasury Management operation of the Council for April – June 2018.

The PAG is asked to note the following recommendation:

### **RECOMMENDATION**

**Members are requested to note the Treasury Management performance for Quarter 1 2018/19.**

## 2. Background

- 2.1 The Council is required to comply with the CIPFA Code of Practice on Treasury Management. The primary requirements of the revised code are:
- (i) Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies, objectives and approach to risk management of the Council’s treasury management activities.
  - (ii) Creation and maintenance of Treasury Management Practices, setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
  - (iii) Receipt by the Cabinet and Council of an annual strategy report for the year ahead, a mid-year review and an annual review report of the previous year.
  - (iv) The delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

### 3. Quarterly Report on Treasury Management Quarter to June 2018

- 3.1 As a debt free authority the treasury management activities of the Council are exclusively concerned with the investment of its reserves, as the Council does not currently undertake any borrowing.
- 3.2 The base rate was decreased from 0.5% to 0.25% in August 2016, with the rate having remained at 0.5% since March 2009. The base rate was increased to 0.5% in November 2017 with a further increase to 0.75% in August 2018.
- 3.3 The total of loans outstanding at the end of the quarter was £14,000,000 as detailed in the table below.

UK Institutions	Fitch Credit Rating	Principal £	Interest Rate	Invested	Matures	Length in Days
Standard Life Money Market Fund		5,000,000	Currently 0.55%	On call		
Invesco Money Market Fund		1,000,000	Currently 0.53%	On call		
Lloyds Banking Group	A+					
Fixed Deposit		1,000,000	0.65%	02/08/17	02/08/18	365
Royal Bank of Scotland	BBB+					
Fixed Deposit		3,000,000	3 mth LIBOR	09/02/15	09/02/20	1826
Santander	A					
Fixed Deposit		1,000,000	0.80%	04/06/18	04/12/18	183
Close Brothers						
Fixed Deposit		3,000,000	0.80%	15/09/17	14/09/18	364
<b>Total Deposits</b>		<b>14,000,000</b>				

- 3.4 In addition, funds are held on a short term basis for day to day cashflow purposes with our bankers, Barclays. At the end of June £5,470k was held in an instant access account.
- 3.5 The following corporate bonds were held at the end of the June 2018, valued as at 31 March 2018:

Bond held	Valuation £	Coupon Interest Rate	Effective Interest Rate	Maturity date
Asif II (a)	94,983	6.38%	5.49%	05/10/20
Asif II (b)	31,288	6.38%	5.33%	05/10/20
Asif II (c)	50,285	6.38%	6.41%	05/10/20
UK Treasury	171,380	8.00%	4.77%	07/06/21

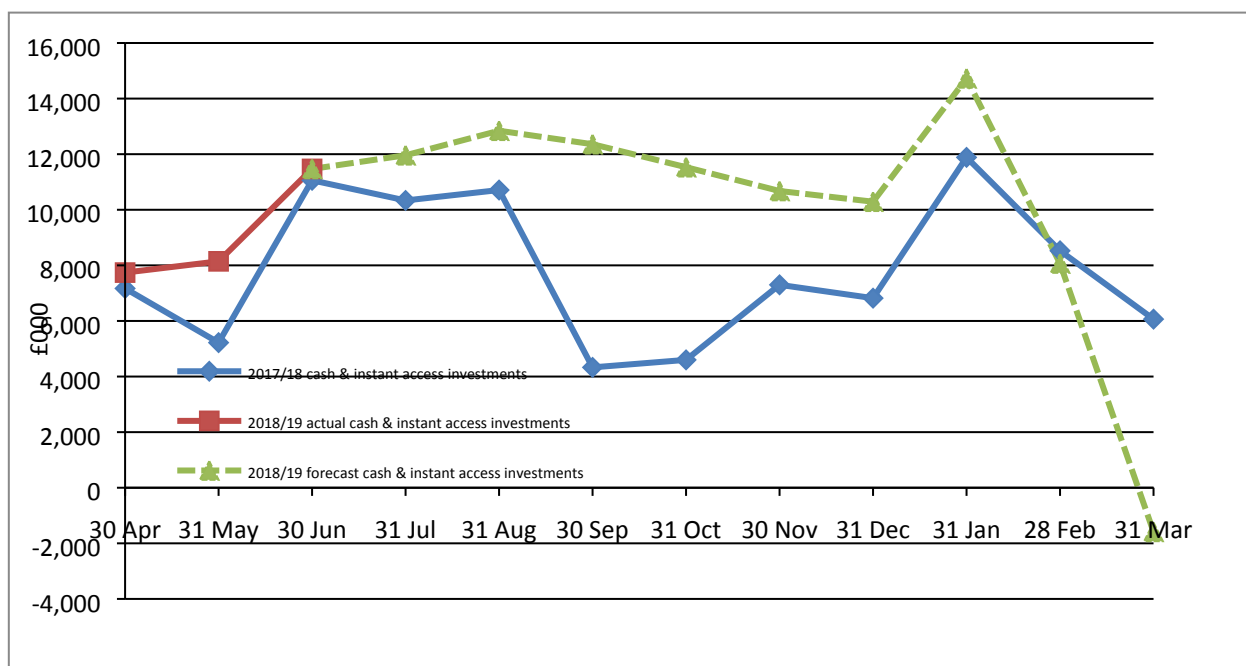


Atlantia SPA (a)	67,336	6.25%	5.65%	09/06/22
Atlantia SPA (b)	106,320	6.25%	5.55%	09/06/22
UK Treasury	68,274	6.00%	4.76%	07/12/28
<b>Total</b>	<b>589,866</b>			

3.6 The weighted average interest rate earned on fixed rate investments in the quarter was 0.74%.

3.7 Link Asset Services is engaged by the Council as its Treasury Management consultants providing advice on investment, performance and regulations where necessary.

3.8 The following graph shows how the level of cash and instant access investments fluctuated in 2017/18, and the forecast levels of cash and instant access investments in 2018/19. The graph demonstrates the level of cash and excludes fixed term investments which will be returned before the end of the year.



**4. The Prudential Capital Code – Prudential Indicators**

4.1 In accordance with the Prudential Capital Code the Council reviews its Prudential Indicators on a quarterly basis. Movements in the Prudential Indicators for the year 2018/19 to date are as follows:

## 4.2 Interest rate exposures

The interest rate exposure on investments has moved as follows:

Date	Investments as a % of total	
	Fixed	Variable
31/03/18	90%	10%
30/06/18	59%	41%

This Prudential Indicator sets an upper limit on fixed interest rate exposures of 100% and variable interest rate exposures of 80% of net outstanding principal sums. Exposures have been managed within this limit.

## 4.3 Principal sums invested for periods longer than 364 days.

The upper limit for sums invested for periods longer than 364 days is £15m. As at the end of June the figures are as follows:

Date	Total investments (excluding bonds)	Sums invested for greater than 364 days	% of total investments
31/03/18	£9m	£5m	56%
30/06/18	£14m	£4m	29%

Of the £4m that is invested for greater than 364 days, £1m is for 1 loan for a period of 365 days and £3m is invested for greater than 365 days. Sums invested reflect the current level of rates that do not incentivise long term cash investments.

## 5 Corporate Implications

- 5.1 The budgeted income from investments for 2018/19 has been set at £150,000. Investment income earned in the year to June is £32k. The impact of the recent bank base rate increase is still an unknown at this time, however it is likely that there may be a modest interest rate increase in the medium term. The budget assumed an interest rate of 0.9% on medium term loans and 0.35% on short term loans.

<b>Background Papers:</b>	None
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