Finance & Resources Select Committee agenda

Date: Thursday 25 March 2021

Time: 2.00 pm

Venue: Virtual Meeting via MS Teams

Membership:

R Bagge (Chairman), J Jordan (Vice-Chairman), D Anthony, M Appleyard, M Bateman, T Butcher, S Chhokar, A Christensen, R Gaffney, G Harris, H Mordue, D Shakespeare OBE, M Smith, M Stannard and C Whitehead

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Agenda Item		Time	Page No
1	**Apologies for absence / Changes in membership**	**14:00**	
2	**Declarations of Interest**		
3	**Minutes** The minutes of the meeting held on 28 January 2021 to be confirmed as a correct record.		**5 - 8**

4	**Public Questions** No public questions have been received.		
5	**Chairman's update**		
6	**Financial Sustainability – comparison to London Borough of Croydon** The Committee will consider a report on financial sustainability, a comparison to the London Borough of Croydon which was discussed by Cabinet at its meeting on 2 March. **Contributors:** Martin Tett, Leader Katrina Wood, Deputy Leader and Cabinet Member for Resources Richard Ambrose, Service Director for Corporate Finance (Section 151 Officer) **Papers:** Cabinet report L.B. Croydon Public Interest report Action plan for improvements	**14:10**	**9 - 22**
7	**12 month progress report on 2020 budget scrutiny recommendations** The Committee will consider a 12 month review of recommendations from the 2020 Budget Scrutiny Task and Finish Group. **Contributors:** Martin Tett, Leader Katrina Wood, Deputy Leader and Cabinet Member for Resources Richard Ambrose, Service Director for Corporate Finance (Section 151 Officer) **Paper:** 12 month review paper	**14:40**	**23 - 44**
8	**Budget Performance Monitoring Q3** The Quarter 3 Budget Monitoring Report as presented to Cabinet at its meeting on 16 February is attached for the Committee to consider.	**15:00**	**45 - 64**

Contributors:
Katrina Wood, Deputy Leader and Cabinet Member for Resources
Richard Ambrose, Service Director for Corporate Finance (Section 151 Officer)

Paper:
Q3 Budget Monitoring Report

9 Date and time of the next meeting

Due to the elections taking place on 6th May 2021, this is the last Select Committee meeting before the new Council. Dates of future meetings to be advised.

10 Exclusion of the Public

To resolve that under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting on the grounds that discussion will involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act.

Paragraph 3 – information relating to the financial or business affairs of any particular person (including the authority that holds that information).

11 Overview of Aylesbury Vale Estates and draft business plan 2021-2024 — **15:20** — **65 - 124**

The Committee will receive the draft business plan of Aylesbury Vale Estates for 2021-2024.

Contributors:
John Chilver, Cabinet Member for Property and Assets
Ian Thompson, Corporate Director for Planning, Growth and Sustainability
John Reed, Service Director for Property and Assets

Papers:
Aylesbury Vale Estates Business Plan report and appendices presented to Cabinet on 16 February *(contains confidential appendices)*

12 Verbal update on Consilio draft business plan — **15:50**

The Committee will receive a verbal update on the draft business plan of Consilio.

Contributors:
John Chilver, Cabinet Member for Property and Assets
Ian Thompson, Corporate Director for Planning, Growth and Sustainability
John Reed, Service Director for Property and Assets

If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

For further information please contact: Leslie Ashton on 01895 837227, email democracy@buckinghamshire.gov.uk.

Buckinghamshire Council

Finance & Resources Select Committee

Minutes

MINUTES OF THE MEETING OF THE FINANCE & RESOURCES SELECT COMMITTEE HELD ON THURSDAY 28 JANUARY 2021 VIA VIDEO CONFERENCE, COMMENCING AT 2.00 PM AND CONCLUDING AT 3.45 PM

MEMBERS PRESENT

R Bagge (Chairman), J Jordan (Vice-Chairman), D Anthony, M Appleyard, M Bateman, T Butcher, S Chhokar, A Christensen, R Gaffney, G Harris, H Mordue, D Shakespeare OBE, M Smith, M Stannard and C Whitehead

OTHERS IN ATTENDANCE

J Chilver and K Wood

Agenda Item

1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

There were no apologies for absence.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MINUTES

The minutes of the meeting held on 26 November 2020 were agreed as an accurate record.

4 PUBLIC QUESTIONS

No public questions had been received.

5 CHAIRMAN'S UPDATE

The Chairman reported that Members of this Committee had formed the Budget Scrutiny Inquiry Group which held a series of meetings between 11 and 14 January 2021 to assess the robustness of the draft revenue budget and capital programme and questioned Cabinet Members directly on budget proposals. The report and recommendations of the group would be presented to and discussed by Cabinet at its meeting on 16 February 2021, following which the final budget would be presented to Full Council for approval on 24 February 2021.

The Chairman paid thanks to members of this Committee for their commitment and participation in the process and to Cabinet Members and Officers for attending the sessions and responding to a wide range of questions.

6 STAFFING UPDATE

Katrina Wood, Deputy Leader and Cabinet Member for Resources presented an update on staffing and engagement nine months into the Council's unitary journey and invited comments from the Committee. The Cabinet Member was supported by Sarah Murphy-Brookman, Corporate Director for Resources and John McMillan, Service Director for HR & OD.

Councillor Wood summarised the report which was appended to the agenda pack and reported that the staffing update was broadly positive against a backdrop of the covid-19 pandemic, transition to unitary and ongoing service reviews. The following key points were raised by the Committee during discussion:

- A turnover level of 10-15% was considered 'normal', the level of 7.6% noted in the report was a result of the ongoing pandemic having decreased the rate of turnover, a trend that had been seen nationally.
- As part of the transition to unitary there had been challenges for staff in getting accustomed with new software and processes. Online training had been initiated and webinars held to support staff. Colleagues from Finance and HR along with employee representatives had formed a small working group to help address issues and review training materials to ensure consistency.
- In relation to the high percentage of mental health absence, the Committee was informed that this was a theme seen across local authorities. Mental health was recognised as a significant issue, however members were informed that one reason the percentage appeared high was due to a significantly reduced number of absences linked to colds and illnesses due to the majority of the workforce working from home. As such, the sickness absence base was not at the level it would be in an 'ordinary' year which resulted in absence reasons appearing to have magnified numbers.
- In terms of mental health support available, members heard that the PAM Assist service was available free of charge for all staff and seminars had been held for colleagues in customer service, many of whom were having to handle difficult calls at home. The Council's intranet contained a health and wellbeing section with a range of sources staff could go to for support, including specific guidance for line managers on how they could support colleagues. The Council has health and wellbeing champions, and the Chief Executive promoted the range of support services through her regular all staff briefings.
- Concerns were raised about safety measures for staff should they be assisting with election duties and it was explained that the Council's elections team were taking guidance from the Cabinet Office and specific issues would be managed by the Returning Officer and Public Health Team.
- Members were advised that there was a group of officers from Property, IT and HR looking at longer term plans on rationalising office space following the relative success of working from home for so many staff. This longer term accommodation strategy would be brought before members to review and the Committee was keen to have an understanding of how the new ways of working would be designed, what they would deliver and how the long term impact on staff would be managed at the earliest opportunity.
- The Committee discussed concerns that the Better Buckinghamshire Service reviews may have caused staff some anxiety and heard that there was a clear programme for the reviews to commence and staff were being kept informed throughout. The covid pandemic had affected some of the timescales for these reviews but thirteen were already underway and positive results had been seen in the staff survey around managing change. In relation to co-design, the Committee was advised that managers, staff, external partners and service users had been given the opportunity to have input in

the way services were delivered.

The Chairman thanked Councillor Wood and senior officers for their report, noting that the contents were very positive under the circumstances staff currently found themselves in.

7 WORK PROGRAMME

The Committee noted the work programme as appended to the agenda pack.

8 DATE AND TIME OF THE NEXT MEETING

The next meeting would take place on Thursday 25th March 2021 at 2 p.m.

9 EXCLUSION OF THE PUBLIC

Resolved to exclude the public from the meeting by virtue of Section 100(A)(4) of the Local Government Act 1972 on the grounds that discussion will involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act, namely paragraph 3 – information relating to financial or business affairs of any particular person (including the authority holding that information).

10 AYLESBURY VALE ESTATES / CONSILIO UPDATE

John Chilver, Cabinet Member for Property and Assets introduced an overview of Aylesbury Vale Estates (AVE) and Consilio, two land and property Companies set up by Aylesbury Vale and South Bucks District Councils respectively which have now transferred to Buckinghamshire Council. The Cabinet Member was supported by John Reed, Service Director for Property and Assets.

The business plans for AVE and Consilio would be presented at the next meeting of this Committee on 25 March. During the presentation, Mr Reed advised the Committee of each company's performance over the last 12 months; the challenges and risks within the respective portfolios; and the impact of the covid pandemic on performance.

Members held a detailed discussion where they questioned at length a range of issues including governance arrangements; respective investment strategies; estate valuation timescales; affordable housing opportunities; potential for Consilio to register as a provider of social housing; and other future use of land opportunities. The Committee felt that there were opportunities to explore for both companies in the coming year and looked forward to reviewing the respective business plans at its next meeting.

The Chairman thanked Councillor Chilver and Mr Reed for their presentation and attendance.

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Report to Cabinet

Date:	**02 March 2021**
Title:	**Financial Sustainability – comparison with LB Croydon**
Relevant councillor(s):	Martin Tett, Leader
Author and/or contact officer:	Richard Ambrose, s151 Officer
Ward(s) affected:	None specific
Recommendations:	**(1) Note the contents of the report, including appendix 1, which sets out the Buckinghamshire Council position compared to the key finding from the LB Croydon public interest report.** **(2) Consider the proposed actions in Appendix 2 to further strengthen financial management arrangements across the Council.**
Reason for decision:	It is imperative that the authority has strong financial management and grip, especially in light of being in the middle of a global pandemic and being in the first year of its existence.

1. Executive summary

1.1 Following the issuing of a Section 114 notice by Croydon LBC this report reviews the findings of the recent public interest report over Croydon's financial failures, together with other reported issues around financial sustainability in local government, which has been exacerbated as a result of Covid-19.

1.2 The report then goes on to compare Buckinghamshire Council with the findings from the public interest report. In conclusion Buckinghamshire is in a very different place to LB Croydon and no concerns have been raised by the external auditor. The authority compares well with others and there is a good record in terms of the

legacy authorities managing spend within their overall budgets. Furthermore, there are sufficient levels of reserves (unallocated and earmarked), there is high member involvement in the budget setting process and a strong Audit & Governance Committee exists.

1.3 However, national pressures in relation to the uncertainty caused by the pandemic as well as demand and supplier failure pressures, particularly within children's and adults services, are still pertinent and there is no room for complacency. Furthermore, in the medium term there is huge uncertainty around future funding following the increased government debt as a result of Covid-19.

1.4 A number of potential enhancements to financial management are highlighted in section 4 of the report, including a review of the council's strategy around commercial acquisitions, more regular reporting and transparency around subsidiary interests of the Council, regular reviews of all external loans provided, the reviewing and strengthening of the finance model / relationships with directorates, the establishment of budget boards across all directorates and a more regular review of the Council's reserves. Appendix 2 sets out a proposed action plan.

2. National Context

2.1 There has been much reported recently in both the trade and national press about the financial sustainability of local government, particularly those authorities with care responsibilities. Financial concerns have been heightened as a result of both the risks surrounding commercial acquisitions and the implications of the pandemic on authorities with low levels of reserves.

2.2 A few years ago, the National Audit Office (NAO) published a report around the financial sustainability of local authorities that spoke about the real term reductions in Central Government funding together with the increasing overspends, particularly relating to Social Care due to rising demand pressures. The NAO noted that recent spending review periods had been characterised by one-off short-term fixes and that "this increasingly crisis-driven approach to managing local authority finances also risks value for money." This approach has continued over the last few years.

2.3 In 2018 Northamptonshire County Council (NCC) attracted much media attention for being the first local authority in over 20 years to issue a Section 114 notice which means that, in the opinion of the Chief Finance Officer, "the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure". Prior to this notice the Secretary of State had already sent in an Inspector to carry out a best value review of the authority. The external auditor had also qualified their value for money audit opinion in the two preceding years.

2.4 The headline findings from the Best Value review was that NCC had failed to comply with its duty to provide best value in the delivery of its services and went on to recommend that two new authorities be created. These will come into existence on the 1st April 2021. Some authorities, including Buckinghamshire County Council (BCC), reviewed its position and practices in relation to the findings and although this showed that BCC was in a very different place to NCC it did result in a review of Financial Management across the Council with a detailed finance improvement plan being implemented, which helped tighten grip around finance.

2.5 Ministers have recently launched reviews at two councils. Nottingham City Council is undergoing a government review into its handling of "Robin Hood Energy" over which the authority incurred millions of pounds in losses, while Croydon LBC is the subject of a separate rapid review following the issuing of a Section 114 notice in the middle of November. This review is to focus on its governance, culture and risk management. Both reviews came after public interest reports by their external auditors after feeling that their warnings were not prompting enough action. It is likely that there will be more interventions over the next year as other authorities get into financial difficulties, which is being brought to a head as a result of Covid.

2.6 There has also been recent speculation about some authorities being in talks with government about requesting a capitalisation directive in order to assist with their short-term revenue position. Rob Whiteman, Chief Executive of CIPFA, recently spoke about a number of authorities being in talks with Government over capitalisation directives although MHCLG has refused to reveal the number and names of the councils.

2.7 Capitalisation would help smooth out previous revenue costs incurred and allow time to achieve financial stability over the medium term. LB Bexley has confirmed that it has been considering this and it is believed that some other authorities such as Wiltshire Unitary, Worcestershire CC and Cheshire East Unitary are also in talks with government about a possible capitalisation directive. All these authorities have relatively low levels of reserves.

3. Croydon LBC

3.1 On the 12th November Croydon LBC issued a Section 114 notice, the first since Northamptonshire County Council in 2018, meaning there is a high likelihood that the authority cannot balance its books (effectively bankrupt). This followed the publication of a public interest report (only issued in exceptional circumstances) over Croydon's financial failures in October by the external auditors (Grant Thornton). It stated that senior officers and councillors displayed a "collective corporate

blindness" to the urgency of the council's financial position and repeatedly failed to act to tackle increasing overspends.

3.2 The Grant Thornton report says that at Croydon "financial resilience" had deteriorated over a number of years with pressures around children's and adults social care and dwindling reserves. Their solution was the hope that they would be given approval to capitalise day to day expenditure to address immediate problems.

3.3 The report's findings included: -

- Croydon borrowed £545m during the past three years to invest in housing and commercial property. This included a £200m loan to its own housing development arm Brick by Brick, which has yet to return a dividend as originally forecast;

- In 2018-19 the council invested £30m in the local Croydon Park Hotel, and £46m on a retail park (The Colonnades). The hotel fell into administration, and the retail park was closed in June. The report states that these investments "were not grounded in sufficient understanding of the retail and leisure market" and again demonstrate the council's strategy to "invest its way out of financial challenge rather than pay attention to controlling expenditure on core services" which was "inherently flawed";

- Across the past three years, it allowed a combined £39.2m overspend on adult and children's social care, with the Council failing to have any credible plans to address this;

- Errors in budget monitoring reports during 2019-20 forecasted a £0.2m overspend, after having made "one-off corporate adjustments" of £17.7m; an explanation, which was accepted at Cabinet "without challenge";

- In response to this problem, the council appointed a financial consultant who identified a budget gap for 2020- 21 of £65m together with £21m of in-year savings needed, which the auditors concluded exceeded the reserves, but neither the cabinet nor scrutiny and overview committee referred this to full council. Grant Thornton stated that "this was a failure of governance and showed a lack of understanding of the urgency of the financial position."

3.4 The auditors main concern was that repeated signs of financial mismanagement were ignored and that this demonstrated a significant failure of governance. The report also reveals concerns around the council's subsidiary companies and suggests that members did not provide sufficient challenge to officers' claims of how the budget could be brought back under control.

3.5 There has been a recent independent strategic review of its two property development vehicles. This reviewed governance arrangements between LB Croydon and the companies as well as a financial and operational review of the subsidiaries. The findings included the unavailability of any robust financial information, the lack of management accounts, significant underperformance against the business plans, poor governance arrangements and a loan portfolio that has not been properly managed by the council or companies.

3.6 Local Government secretary, Robert Jenrick, said that "the situation in Croydon is deeply concerning. There does appear to have been catastrophic financial mismanagement. Ultimately, it is the people in Croydon who will suffer as a result of the failed council." The findings of the public interest report have been fully accepted by the council. Croydon's new leader has recognised that "these problems have deep roots" and apologised to residents, staff and partners, whilst recognising that sorting out the issues was the absolute priority of the council.

4. The Position at Buckinghamshire Council

4.1 It is important given the general and specific concerns around local government finance that Buckinghamshire Council reviews its current position and practices. *Appendix 1* sets out a detailed comparison between Buckinghamshire Council and LB Croydon against the key findings from the public inspection report. We have concluded that we are not in the same position as Croydon although there are actions that we can take to further strengthen our position.

4.2 The external auditors have raised no concerns over the finances and the council has a reasonably healthy level of reserves, both General Fund (unallocated) and earmarked. Croydon had applied virtually all of its reserves to propping up its recurrent spend. At Buckinghamshire Council the level of unallocated reserves equates to circa 10% of the net operating budget. This compares favourably with other authorities and is above the old recommended level of 5% that used to be quoted for guidance. Levels of reserves should be based on the financial risks facing an authority.

4.3 Despite being a new authority there is a lot of member involvement linked to the finances of the council, including with the budget setting process. The draft budget undergoes a thorough budget scrutiny process. Furthermore, there is a strong Audit & Governance Committee (together with a risk management sub-committee) at Buckinghamshire. The Committee scrutinises and challenges internal audit findings, including financial governance and controls, and the risks facing the authority (strategic risks, directorate risks, Covid risks and financial risks).

4.4 Treasury management reporting, including the strategy, will be considered by the Audit & Governance Committee at their next meeting. Benchmarking borrowing information against unitary and shire counties, as at 30 September 2020, shows that the average debt per authority is £404m compared to £358.5m for Buckinghamshire Council. When comparing the average debt per head of population then the average debt for unitary/counties is £940 compared to Buckinghamshire's at £662 (based on ONS mid-year 2019 population figures). This is 30% lower for Buckinghamshire.

4.5 Although both the underlying financial position and the operational practices in Buckinghamshire compare favourably with Croydon there is no room for complacency and there have been legacy issues linked to systems integration. The review of how the council compares with Croydon has identified some areas of improvement. These include: -

- Ensuring a strong grip of the finances in each of the directorates and consideration should be given to setting up formal budget boards across each directorate, as already exist in some of the directorates;
- Review of all current commercial properties to re-assess the strategy and risks for the new authority, with consideration being given to the current economic conditions;
- More regular review and assessment of earmarked reserves, including their purpose and future planned movements;
- Stronger governance and reporting arrangements around subsidiary interests, including Farnham Park Trust Fund, Higginson Park Trust Fund, Consilio and Aylesbury Vale Estates;
- Carrying out regular reviews of loans made to external bodies to ensure that repayments are being made promptly and a financial viability assessment is made to assess any potential risk to future repayments.

4.6 There is a current finance improvement plan that has been looking to establish a common finance vision, operating principles and a consistent culture across both corporate and service finance, as well as addressing legacy issues around processes and systems. Furthermore, there has been a focussed task & finish group to understand and address the legacy systems issues experienced. These have led to an action plan having been developed around four themes: -

- Working as a great team – having clear roles & responsibilities with a clear purpose and set of team priorities;
- Looking after each other – support and understanding of challenges;
- All using the best tools, systems and processes – ensuring one council processes (not legacy), easy systems & processes and access to fundamental training;

- All with the right skills, knowledge and behaviours – learning and growing and being solution focussed.

4.7 A further work-strand to take forward is that around the financial model and how finance best works with the directorates to ensure strong financial management and grip. This is critical to the future success of the finance function and requires a consistent and appropriate approach across all directorates.

4.8 Now, more than ever with the uncertainties surrounding the financial implications of the pandemic, it is important for councils to scrutinise their financial positions and governance practices. These public interest reports point to a solution in which good governance practices (with appropriate challenge as necessary) sit at the heart of budget setting, financial oversight and well-run subsidiary undertakings. It is imperative that any issues identified are addressed early and urgently.

4.9 In conclusion there is a strong approach to financial management at Buckinghamshire Council and the Council compares well with others, especially in terms of levels of reserves and not being over-reliant on borrowing. Furthermore, there is a culture of openly talking about issues so that these can be addressed appropriately. The review has identified a limited number of improvement areas and *Appendix 2* sets out a proposed action plan for these based on the findings from comparing Buckinghamshire Council with that of LB Croydon.

5. Other Options

5.1 Not applicable.

6. Legal and financial implications

6.1 There are no legal implications arising directly from this report. Recent changes to guidance around the issuing of s114 notices means that Chief Finance Officers must now first discuss their financial position with MHCLG in order to explore what further options and/or financial assistance may be available.

6.2 Taking forward any actions may require some additional resource capacity, but this is likely to be time limited. The report is all about ensuring that the authority has good financial management / financial sustainability.

7. Corporate implications

7.1 It is important that all members and managers within the organisation remain alive to the environmental conditions prompting this report and take appropriate action to mitigate the risks and issues emerging in order to provide the most effective service to residents within the resources available and to avoid reputational damage.

8. Local councillors & community boards consultation & views

Not applicable

9. Communication, engagement & further consultation

This will depend on any actions agreed.

10. Next steps and review

Progress against the agreed action plan will be reported back to CMT and Cabinet Members on a quarterly basis.

11. Background papers

Appendix 1 – Croydon Public Interest Report and comparison with Buckinghamshire Council.

Appendix 2 – Action plan for Improvements.

12. Your questions and views (for key decisions)

If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.

L.B. Croydon – Public Interest Report

The external auditors (Grant Thornton) issued a public interest report on 23rd October 2020 following the auditor's longstanding concerns relating to the council's financial sustainability.

Headlines

- An unsustainably low level of reserves for some time (lowest level of all London Boroughs) which had continued to decrease in each of the previous three years.
- Adverse qualification on the 'value for money' conclusion for the last three years.
- Prioritisation given to delivering service improvement over reigning in budget overspends.
- Council accused of "collective corporate blindness" and fostering a governance culture in which poor spending decisions were not robustly challenged or scrutinised by councillors.
- Serious concerns of governance failure, and the impact of not acting urgently to financial concerns.
- High borrowing during the past three years (£545m) to invest in housing and commercial property, in which the investments "were not grounded in sufficient understanding of the retail and leisure market."
- Large overspends on adult and children's social care with no plans to address this.

Key findings that are relevant to Buckinghamshire Council include the following: -

Key Points	**Buckinghamshire Council Assurance**
External auditor's gave adverse value for money opinions for the last three years. Reports not taken seriously or reported onwards.	The external auditors have given an unqualified opinion of the financial statements (true and fair view) for all the legacy authorities and, with the exception of the Ofsted findings (BCC), they 'are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March'.
Across the past three years, it allowed a £39.2m overspend on adult and children's social care and has failed to have an impact on demand, savings or costs in this area.	Overall overspend across Adults and Children's has been as follows over recent years: - 2016/17=£3.3m (adults=£1.8m, children's=£1.5m) 2017/18=£1.7m (adults=£0.0m, children's=£1.7m) 2018/19=£6.4m (adults=£1.6m, children's=£4.8m) 2019/20=£3.7m (adults=£0.4m, children's=£3.3m) Corporate contingencies have been budgeted for in these areas in recognition of the financial risks. Modelling undertaken as part of the MTFP to address any issues together with transformation programmes (e.g. Better Live's).
Low level of reserves which have continued to deteriorate in each of the last three years.	All legacy authorities have had adequate levels of reserves (general fund and earmarked reserves).

	General Fund reserves are currently £47m (over 10% of the net budget) and revenue earmarked reserves as at 1st April 2020 are £130m.
Lack of data analysis and accountability around non-delivery of savings or budget overspends. Just accepted and added into the budget.	A savings plan tracker is reported to CMT as part of monthly monitoring as well as at Directorate Boards, where these exist. ***Consideration should be given to setting up budget boards for all directorates to ensure a tight grip of the finances, including savings plans.***
No real support for the budget strategy approved by Council and a lack of scrutiny in existence.	Cabinet Members are fully involved in the budget process and "Member Priority Groups" were established, involving members of the ruling administration. There is a strong and thorough review of the budget proposals by a cross-member scrutiny committee in January and the final budget considered the recommendations of this committee.
Scrutiny of the financial accounts by the Audit Committee is not effective.	The Audit & Governance Committee has received training on the annual accounts before they are then presented to the Committee. This is to aid Members with their understanding of the accounts and to ensure that any potential issues, being identified as part of the external audit of the accounts, are understood. The committee also receive regular reports around internal audit findings, including financial governance and controls.
Poor Risk Management with the Audit Committee struggling to get it to be taken seriously in the council.	A strong Risk Management Group exists (sub-group to Audit & Governance Committee) in which strategic risks, directorate risks, Covid risks and financial risks are regularly reviewed and challenged.
Insufficient rigour and control of investment decisions in housing and commercial property (including retail and leisure) that have been taken to generate income.	Some of the legacy councils have invested in property for a return over recent years. Careful due diligence has been undertaken and diversification of the portfolio considered. A proper approval process has been followed with clear transparency of decision-making. There are a couple of commercial acquisitions within a company (Consilio). The gross yield on old BCC commercial investments is 5.46% (net yield of 1.15%). ***A review of all existing commercial properties is recommended that fully consider the strategy, economic conditions and the overall position / risk profile now that we are one organisation.***
The Council (including Cabinet and Scrutiny and Overview Committee) should challenge the adequacy of the reserves assessment which should include a risk assessment before approving the budget.	A reserves assessment is included within the CFO report that is considered as part of approving the budget. CMT receive a report on reserves a couple of times a year. ***This could be made quarterly and then reported to Cabinet members as part of the monitoring report from 2021/22 onwards***.

The Chief Executive should oversee a review of the outcomes achieved from the use of transformation funding to demonstrate that the funding has been applied in accordance with the aim of the scheme.	A Service Improvement Board has been established to oversee the Better Buckinghamshire Programme and this board considers all requests for funding. It also monitors the use of this funding as well as the savings achieved. Regular reports are presented to CMT.
The Cabinet reports on the financial position need to improve the transparency of reporting of any remedial action taken to address in-year overspends.	Financial reports are taken to Cabinet on a quarterly basis setting out both the financial position and the actions being taken to address any overspends. All legacy authorities had a good track record in managing overall spend to the approved budget.
The Council (including Cabinet and Scrutiny and Overview Committee) need to show greater rigour in challenging underlying assumptions before approving the budget including understanding the track record of savings delivery.	Underlying assumptions are discussed at CMT and with Cabinet Members. Furthermore, there is a "Check & Challenge" process for the Leader and Deputies to scrutinise all budget proposals and the budget scrutiny committee also look at all assumptions (corporate and service) and make recommendations to the Cabinet.
The Cabinet and Council needs to re-consider the Treasury Management Strategy for ongoing affordability of the borrowing strategy, the associated risks and identify whether alternative options can reduce the financial burden.	The Treasury Management Strategy sets out how the Council manages its cash, including its borrowing and investments. The security of funds is a key component of the strategy and this always comes before yield. The strategy also sets out key indicators around borrowing and investments to ensure that there is adequate diversification and adherence to best practice. Furthermore, the Council uses advisors (Arlingclose) to assist with the borrowing strategy and to help identify opportunities to mitigate risks / reduce costs. Current external borrowing is £358.5m. All capital schemes to be financed from borrowing are subject to a business case, that clearly sets out the financial implications of the scheme. Borrowing to fund the capital programme is only considered for schemes where there is a net benefit of investment. Furthermore, such schemes are taken through Cabinet.
The Chief Executive should arrange detailed Treasury Management training to assist Members to better understand and challenge the long-term financial implications of matters reported within the Treasury Management Strategy.	The Members of the Audit & Governance Committee received detailed treasury management training in July from our treasury management advisors (Arlingclose). This will be undertaken on an annual basis. Furthermore, a Treasury Management Group meets on a quarterly basis and includes the Cabinet Member for Resources and the s151 Officer. Arlingclose often present to this group.
The s151 officer should revisit the Minimum Revenue Provision policy to demonstrate that a prudent approach is being taken.	The Minimum Revenue Provision policy was reviewed as part of bringing the five legacy authorities together. This is based on an annuity basis over the life of the asset.

The Cabinet and Council should review its arrangements to govern its interest in subsidiaries, how the subsidiaries are linked, the long-term impact of the subsidiaries on the Council's financial position and how the Council's and tax-payers interest is safeguarded.	Buckinghamshire Council has several subsidiary interests, including a 100% owned company, trust funds and a joint venture. ***Governance arrangements need to be reviewed and regular reporting established to ensure that the financial position, performance and outcomes against their business plans are clearly being monitored and understood.***

Appendix 2

Action Plan for Improvements

	Action	Lead Officer(s)	Timeline
1	Establishment of a monthly budget board for each Directorate (as already exist in some of the directorates).	David Skinner	March 2021
2	Review of all current commercial properties to re-assess the future strategy and understand the risks for the new authority.	John Reed Mark Preston	July 2021
3	Quarterly reporting of earmarked reserves, including the purpose and future planned movements.	Richard Ambrose	March 2021
4	Stronger governance arrangements and regular reporting of financial position & performance against approved business plans: -		
4(i)	Farnham Park Trust and Higginson Park Trust - Review of operations and financial position (historic and projected) for Farnham Park. - Review of operations and financial position (historic and projected) for Higginson Park. - Strategic review of trust arrangements and agreement of future approach (informed by leisure strategy).	Sophie Payne Head of Finance (Fiorella / Ramesh)	March 2021 May 2021 March 2022
4(ii)	Consilio and Aylesbury Vale Estates - Set up a Companies & Partnerships Oversight Board to provide structure and visibility to the monitoring and governance arrangements. - Governance and oversight arrangements to be formalised and published and subject to an internal audit review. - Annual report to be presented to CMT and Informal Cabinet to enable the Council to exercise its rights as a Shareholder (incl. review of accounts and business plan). - Due to Consilio being a small, young company that is closely knit to the Council consider and shape the future direction of the management of the company as it grows. To be directed by Companies Oversight Board.	Ian Thompson John Reed Claire Hunter	March 2021 Sept 2021 Before AGM (Sept) On-going from March 2021
5	Review of loans made to external bodies (e.g. Consilio, AVE, Enterprise Zones, Silverstone) to ensure repayments are being made promptly and an evaluation of risks is undertaken.	Mark Preston	July 2021 (6-monthly)
6	Review the financial model and how service finance currently work with directorates to ensure strong financial management and grip that adds value and enhances decision-making: (i) Complete current assessment of arrangements. (ii) Implement required changes to model (as part of service review).	David Skinner	June 2021 Dec 2021

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Budget Scrutiny 2020 – Recommendations from the Budget Scrutiny Task & Group

Response from Buckinghamshire Council – Cllr Martin Tett, Leader

Recommendation	Response – Y/N & comments	6- Month Update	12 Month Update	Officer
1. **a) There should be a consistent approach to how inflation and salary increases are applied across the budget.** **b) Where budgets include monies released from a reserve, this should be clearly noted in a separate budget line.** **c) Further work should be undertaken on Years 2 & 3 of the MTFP to ensure the robustness of the budgets in light of a number of external factors which are outside of the Council's control.**	Agreed. In developing the budget for Buckinghamshire Council, we started with the existing budget plans of the 5 predecessor Councils. These budgets were set in different ways and in pulling them together some compromises were required. Buckinghamshire Council will continue to develop and improve the presentation of its budgets in future year to ensure transparency and robustness.	a) Given the increased complexity of pay budgets, with 20 different sets of Terms and Conditions in the Council, a review of the approach to budgeting for pay awards is currently underway and will be presented to SABC for consideration. b) The future presentation of the use of and contribution to reserves within budget papers will ensure transparency to ensure confidence that reserves are used sustainably. c) The 2021-25 MTFP process will ensure the robustness of the 2021-22 and 2022-23 budgets as well as those	a) There is a central budget for salary increases which is held within corporate contingencies pending the final pay award decision, which will be made by SAPC. b) Minimal use of reserves is included within the budget presented to Council in February (£2,047k from general fund reserves) – see appendix 1 of budget papers. c) Although much work has been undertaken to ensure the robustness of future year	Lead Cabinet Member: Martin Tett Richard Ambrose, Service Director for Corporate Finance

	December 2020	for 2023-25. This process will see proposals challenged through both 'Member Check & Challenge' Groups and Scrutiny processes.	budgets only a 1-year revenue budget was presented to Council in February due to the huge uncertainties as a result of Covid-19.	
2. The Corporate Plan for Buckinghamshire Council should include a stronger commitment to Climate Change, with the aim of the Council being net Carbon Neutral by 2035(subject to consideration of the results of the Council's Carbon Audit) and the County generally by 2050. This commitment should be explicit and transparent and will require strong political leadership to ensure delivery.	In part. The Corporate Plan sets out a clear ambition to address climate change. The detailed objectives will need to be developed by the leadership of the new council, once it has the chance to review the results of the carbon audit which is currently underway.	A Notice of motion regarding Climate Change was taken to full Council on the 15th July and agreed. This sets out the Council's position in terms of dates for achieving net zero with respect to our own Council's emissions as well Buckinghamshire wide emissions. The carbon audit for our own emissions has been completed and the results will feed into actions to be set out in a Climate Change Strategy of which, following the Full Council resolution, is intended to be presented to Cabinet later this year.	Complete.	Lead Cabinet Member: Bill Chapple Ian Thompson, Corporate Director, Planning, Growth and Sustainability
3. The budget should include specific budget lines which demonstrate how it will deliver the Council being net Carbon Neutral by 2035.	Agreed. As the new council develops its detailed climate change plan, in response to the carbon audit, it will need to clearly identify the associated budget.	A sum of £5m has provisionally been allocated towards climate change within specific reserve as part of 20/21 budget setting process. Following Full Council resolution in July, the profile of spend is now being agreed with the Cabinet Member for Climate Change and Environment.	We are starting to receive more queries about making our spend on climate change more transparent and visible in budgets. In a practical sense it is not straightforward to designate budgets this way as many areas of our work that support carbon neutrality	Lead Cabinet Member: Bill Chapple Ian Thompson, Corporate Director, Planning,

		As the Climate Change strategy and associated projects and actions become clear, this will then feed into the forthcoming MTFP cycle.	are often bound up as part of larger, complex running cost and project budgets. We will, however, look to ways of separating and tracking such costs in the future on a periodic basis, given the continuing level of enquiry in this area. £1m of the funding carried over to 2021/22 by Community Boards will be focussed on locally determined actions on climate change which align with the overall council policy. Details of these schemes will be made pubic during the course of the year as they are developed and delivered.	Growth and Sustainability
4. A specific Portfolio and Portfolio Holder should be nominated to be responsible for driving the Climate Change & Carbon Neutral agenda forward across Buckinghamshire Council and to take a leading role in championing this across the County and beyond.	Whilst the Shadow Executive has a Portfolio Holder leading on the Environment, the organisation of future portfolios will be the responsibility of the new Leader of Buckinghamshire Council, following the elections in May	The Cabinet Member responsible for climate change is the Cabinet Member for Environment and Climate Change (Bill Chapple).	The Cabinet Member responsible for climate change is the Cabinet Member for Environment and Climate Change (Bill Chapple). During the year, the portfolio holder has developed a Climate Change Strategy for the County to 2050 and this was considered by Cabinet on 16th February 2021.	Lead Cabinet Member: Bill Chapple Ian Thompson, Corporate Director, Planning, Growth and Sustainability

5. An overall recruitment and workforce strategy for Buckinghamshire Council as a whole should be developed as a priority.	Agreed. A council wide strategy will be developed by October 2020	The planned start of work to develop the recruitment and workforce strategy has been delayed as a result of Covid. The strategy will be developed in liaison with service areas and will now take into consideration our experiences of Covid and the way in which we are currently operating, together with the changes to the employment market. In recognition of the impact on timeframes and the critical need to engage with service areas in developing the strategy this is now likely to be completed in November 2020.	A resourcing strategy has been developed which recognises our recruitment and retention challenges and addresses these through an internal and external focus on developing pipelines for current and future skills requirements at Organisational and Service levels.	Lead Cabinet Member: Katrina Wood Sarah Murphy Brookman, Corporate Director Resources
6. A strategy to reduce the number of agency staff should also be prioritised. The delivery & performance of this strategy should be monitored regularly.	Agreed. Whilst recognising that there are areas of the council's business where it is helpful to draw on agency staff and that agency staff provide organisational flexibility, there is a key priority to ensure that the use of Agency staff is appropriate and that an Agency worker's tenure is minimised through a clear exit plan. This will be one area of focus within the new recruitment and workforce	Reports on agency worker and High Cost Interims usage are reported to CMT on a monthly basis. An agency and high cost interim strategy has been developed and, working in liaison with services, tailored support is being put in place to manage down the reliance on agency assignments. Performance against this strategy will be reviewed on a quarterly basis.	Reports on agency worker and High Cost Interims usage are reported to CMT on a monthly basis. An agency and high cost interim strategy has been developed and working in liaison with services, tailored support is being put in place to manage down the reliance on agency assignments, whilst retaining flexibility in the workforce so that Services can respond at pace to changes in demand.	Lead Cabinet Member: Katrina Wood Sarah Murphy Brookman, Corporate Director Resources

	strategy. In addition, each service area will monitor its performance on the use of agency staff, and this will be reviewed on a quarterly basis by the Directorate Workforce Boards and CMT.		Performance against this strategy is reviewed on a quarterly basis.	
7. Buckinghamshire Council should ensure that there is sufficient capacity to deliver existing savings plans and an ambitious capital programme, as well as managing far-reaching service transformation.	Agreed. As the new Council develops its transformation programme, and reviews individual service areas, a key focus will be on ensuring that the organisation has the right skills and capacity to deliver the Corporate Plan ambitions.	All recovery, improvement and priority business as usual activity for the new Council (including capital and savings plans) has been captured through Directorate Recovery & Improvement plans, which aim to ensure activity during 2020/21 is focused on the right priorities, and the appropriate capacity and skills are in place to deliver. A budget has been established to support the delivery of the transformation programme.	Capacity to deliver the Council's priorities is kept under regular review, including most recently through the development of the current MTFP. A budget is in place to support the Better Buckinghamshire transformation programme (see recommendation 16).	Lead Cabinet Member: Martin Tett Sarah Ashmead, Deputy Chief Executive
8. Buckinghamshire Council should invest in Key Worker Housing as a priority, to aid recruitment, reduce staff turnover and unlock additional skills capacity in the County.	Agreed. Alternative options for developing Key Worker housing will be reviewed and business cases developed over the next year.	A preliminary set of sites has been identified and scoping, budgetary and preliminary business cases are being prepared. The ambition is to bring forward a report to Members in the Autumn.	Work continues on the emerging strategy but there has been some slippage in progress, because of commitments of the property team elsewhere and in the response to Covid. The ambition is now to get the report to Members in the Spring.	Lead Cabinet Member: John Chilver Ian Thompson, Corporate Director, Planning,

				Growth and Sustainability
9. A robust centralised management system is put in place to manage all Developer Contributions across the County, including CIL, S106 and S278 monies which are so integral to successful delivery of the Capital programme	Agreed. A harmonised approach to manage all developer contributions will be developed in the first year.	A report went to Planning, Growth & Sustainability Management team in July in terms of how S106 could be managed. Next step is to agree an approach with the Portfolio Holder. The outcome is likely to be picked up as part of the current Planning and Environment service review as a quick win.	The relevant officers have reviewed the existing financial/accounts side of CIL and S106 and will propose a single account to manage the CIL and S106 payments. The process for managing CIL and s106 is being picked up by a separate review team as part of the overall P&E service review. This includes staffing, process and procedure. In addition, the existing team are pulling together a proposal for periodic updates on the current position (i.e., money held, money yet to be spent/allocated etc).	Lead Cabinet Member: Warren Whyte Ian Thompson, Corporate Director, Planning, Growth and Sustainability
10. Risks around funding bids from Housing Infrastructure Fund and other government bodies are acknowledged and implications on cash flow/borrowing/interest and the timing of building projects should be clearly identified.	Agreed. The final budget report to Shadow Executive / Shadow Authority will include a section on key risks, including those relating to cash flow and the potential need for temporary borrowing.	Complete.	Complete.	Lead Cabinet Member: Martin Tett Richard Ambrose, Service Director for

	February 2020.			Corporate Finance
11. Capital programme should be divided into those schemes which are fully funded, with deliverable business cases and those that are more aspirational, in order to give members and residents a clearer understanding of the programme. This detail should be included in the final budget.	Agreed. A further review of the capital programme will be undertaken post vesting day. This will include reviewing how the capital programme is presented with the aim to enhance both consistency in approach and transparency. September 2020.	A Capital Review is currently being undertaken of the Council's Capital Programme. There has been some slippage due to COVID-19, but this is being considered as part of the review. A review of the status of each project and the funding arrangements forms part of the review and will enable better classification of schemes and a much clearer understanding of the Capital Programme during the MTFP process. The review is now expected to be completed in Nov 2020.	The outcome of the Capital Review has been to remove the aspirational projects from the Capital Programme so that the only schemes left in the programme are those with clear plans and a reasonable expectation of funding. From the recent Budget Scrutiny process we recognise that the Capital Programme doesn't necessarily present the full extent of the Council's ambitions, but at the same time in the current financial climate, this approach helps to remove an element of deliverability risk and ensures that Cabinet are able to fully review any strong business cases that emerge and can justify using prudential borrowing to fund them.	Lead Cabinet Member: Katrina Wood Richard Ambrose, Service Director for Corporate Finance

12. A detailed breakdown of the funding for each Community Board should be included in the final budget.	Agreed. A detailed breakdown of funding has been presented to the Shadow Executive. A review of the presentation of the budget will be undertaken for future budget setting with the aim of enhancing transparency.	Complete.	Complete.	Lead Cabinet Member: Martin Tett Richard Ambrose, Service Director for Corporate Finance
13. Responsibility for Community Boards and the associated budgets should sit with the Communities Portfolio to drive Localism forward and have visibility of community grants and support in one place.	The organisation of future portfolios will be the responsibility of the new Leader of Buckinghamshire Council, following the elections in May	Complete The responsibility for community board funding and community grants sits within the Localities and Strategic Partnerships which falls under the Cabinet Member for Communities and Public Health.	Completed (see six-month update).	Lead Cabinet Member: Gareth Williams Sarah Ashmead, Deputy Chief Executive
14. Increased funding for feasibility work in years 2 & 3 should be investigated to reflect the quantum of Capital projects (£493m over 3 years)	Agreed. This will be considered as part of the next budget round. December 2020.	The current base budget for feasibility work is £1.2m p.a. Furthermore, some earmarked reserves exist. Future funding requirements will be reviewed as part of the MTFP.	This was considered as part of the recent MTFP. There are earmarked reserves which can be used to support development costs for current capital projects and emerging strategies. A detailed pipeline of future requirements is being compiled by the Economic Growth and Regeneration	Lead Cabinet Member: Martin Tett Richard Ambrose, Service Director for Corporate Finance

			team to feed into the MTFP 22/23.	
15. The balance of the Unitary Implementation transition fund should be added to the £14m transformation pot.	Agreed. This will be amended as part of the final budget. February 2020.	Complete. £2.7m of unused transition funding has been moved to the transformation pot.	Complete.	Lead Cabinet Member: Martin Tett Richard Ambrose, Service Director for Corporate Finance
16. Further assessment should be made during 2020-21 as to whether the £14m Transformation Pot will be sufficient to enable the required service transformation over the 3-year period of the MTFP.	Agreed. The process around how the transformation pot will be allocated out is to be agreed and any future investment requirements will be considered as part of the next budget round. December 2020.	The process for allocating service improvement funding (transformation pot) through a Service Improvement Board is currently being considered.	Completed. Clear governance of the transformation fund has been established through the Service Improvement Board, with monthly reporting on commitments to date, the associated savings delivery and the future pipeline of bids which are anticipated as the service review programme progresses.	Lead Cabinet Member: Martin Tett Sarah Ashmead, Deputy Chief Executive
17. As soon as plans are finalised for the priority order of service transformation, these should be shared with all staff to enable them to understand the	Agreed. The senior leadership team is currently developing a programme of service reviews, in order to be able to provide all employees with	A schedule of service reviews across the next two years was shared with all staff in June, clarifying when services can expect to commence their reviews as part of the Better Buckinghamshire	Completed (see six-month update). Engagement with staff on the service reviews has been a key focus over the past year. We regularly hear	Lead Cabinet Member: Martin Tett

implications for them as individuals over the next 3 years.	clarity about the implications for their own individual roles. March 2020	programme. A commitment has been made to engage staff throughout the review programme, ensuring that there is sufficient opportunity for individuals to discuss changes that might impact them, as well as contribute to the discovery and design process.	positive feedback from staff about the communications and engagement on the programme as it affects individual services.	Sarah Ashmead, Deputy Chief Executive
18. A robust and clearly understood approach to risk management be adopted by Buckinghamshire Council as a priority.	Agreed. Risk Management is a key element of assessment of both individual proposals and the overall budget proposal, and this needs to be clearly evidenced in budget proposals. December 2020	The Council's Risk Management Strategy has been approved and is being embedded across all Directorates. Key financial risks are identified as part of the routine risk management process, and mitigating actions are monitored through Directorate Boards. The Risk Management Group will be established in September 2020 as a sub-group of the Audit and Governance Committee. This group will play a key role in reviewing the key financial risks.	Complete.	Lead Cabinet Member: Katrina Wood Richard Ambrose, Service Director for Corporate Finance
19. The option of the Home to School Transport team being integrated in the Education service and the Client Transport team being integrated in Adult Social Care, to realise savings	In part. Further alignment with the teams will be considered as part of a wider review and improvement plan of the client transport service.	A staffing restructure was successfully completed in Transport Services in July 2020. This was the first transformation service review under the new Council and is designed to ensure that the right structures are in	As per the 6-month update. Positive progress continues to be made with the Transport Services Improvement programme.	Lead Cabinet Member: David Martin Richard Barker,

and improve outcomes for residents should be explored.	September 2020	place to support improved transport outcomes for residents. The service provides integrated support for mainstream, social care (both children's and adults), fleet services and public transport in order to ensure efficiencies in management and staffing and a coordinated offer for service users. Alternative options of splitting teams and then allocating them to other service areas would require additional managers and decrease service resilience as currently staff work flexibly in client transport to ensure transport needs are met across the different activity areas. It would also reduce the capacity to ensure a coordinated approach across the provider market (including commercial services, Council contracted services and public transport services) which has proved to be essential during the Covid pandemic. A client transformation improvement programme is underway which includes actions to reduce costs on	To further improve transparency and accountability, the budget for Home to School transport will be transferred from Children's Services to Transport Services from 1st April 2021.	Corporate Director, Communities

		home to school transport through managing demand and re-tendering contracts and will seek to provide a resilient and financially sustainable service. Given the transformation programme is underway, as the staff restructure has only very recently been completed and the continuing complexities of Covid with transport services, a further review is not recommended at this stage.		
20. A management reporting system should be established which enables a true comparison of costs and key performance indicators, in particular the quality of service, between in-house and contracted services on a like-for-like basis to support Buckinghamshire Council's future decision-making.	Agreed. The finance, procurement and business intelligence teams will develop a methodology which will support service areas in evaluating options for future models of service delivery as part of the transformation programme.	The Better Buckinghamshire service review methodology incorporates value for money (cost vs. outcomes) comparisons to enable services to challenge their current service models, including in relation to best practice delivery models. Zero based budgeting principles will be used to design new service models - costing the asset, people, process and technology elements and ensuring these costs are tied to the Council's strategic priorities.	Completed. The two-year programme of service reviews is now underway and incorporates the methodology as set out at the six-month update.	Lead Cabinet Member: Martin Tett Sarah Ashmead, Deputy Chief Executive
21. Priority should be given to the recruitment of experienced staff to support the Planning service in dealing with increased	Agreed. The recruitment of experienced planning staff is a priority, and this will need to be reflected in the wider	The service is about to go out for a recruitment campaign for planning staff from graduate to senior officers to fill vacant posts and reduce the	The management structure of the service has recently been reviewed and a new structure with managers in post was	Lead Cabinet Member: Warren Whyte

	demand and Members would recommend that a 'Grow your Own' programme such as those in Social Care should be investigated.	recruitment and workforce strategy mentioned in item 5 above. As part of this work, consideration will be given to whether a grow your own programme would be the right solution	reliance on consultants. We are working with the recruitment team to undertake a comprehensive campaign to support this process.	implemented on 8th March 2021. We have also recently concluded interviews for the 7 planning officer and graduate roles and have made offers of employment. In addition, now that the management structure for the service is settled, we are preparing to go out for advertisement on the vacant senior and principal roles (these have been held as vacant to ensure appropriate deployment opportunities exist for those displaced by the management restructure).	Ian Thompson, Corporate Director, Planning, Growth and Sustainability
22.	**Additional funding should be set aside for the Local Plan reserve as £3m over the next three years is likely to be inadequate.**	As work commences on the Buckinghamshire Local Plan, we will develop a project plan including estimated costs for supporting evidence and the eventual Examination in Public. We will review the figure in the reserve on the basis of this work in the next 12 months.	The Planning Policy Managers are meeting to discuss and develop the project plan. The costs estimate for the evidence needed to support the Local Plan will be informed by an assessment of the actual costs incurred in the preparation of the three district local plans, and the possible impact of the new Planning white paper. This information is being collated prior to the meeting.	Work has commenced on the new Buckinghamshire Local Plan. As work continues, we will develop a detailed project plan including estimated costs for supporting evidence and the eventual Examination in Public. Many of the aspects of the new Local Plan are still unknown given the proposed changes to the planning system through the Governments Planning White Paper. There is also no evidence to suggest	Lead Cabinet Member: Warren Whyte Ian Thompson, Corporate Director, Planning, Growth and Sustainability

			that the budget set aside is not appropriate. Therefore, we will review the figure in the reserve on the basis of this work in the next 12 months.	
23. When the Planning Service is reviewed, adequate resources should be allocated to enable an effective and timely response to planning enforcement issues.	Agreed. We are preparing a paper on the harmonised enforcement service looking at working practices and resources and will report back on the findings this year.	A new enforcement plan was adopted by Cabinet in July 2020. Structures will be considered as part of P&E service review which has just started.	The service review commenced during 2020 and is due to conclude in 2021. The first step, a management restructure is concluded and will be implemented from March 2021. The next stage of the review will look at service design, effectiveness of each of the teams and response to customers. Delivery of the planning enforcement plan remains a key pillar of the review and a focus of the design of the new service.	Lead Cabinet Member: Warren Whyte Ian Thompson, Corporate Director, Planning, Growth and Sustainability
24. Development of a parking strategy, including how to increase capacity, should be a matter of priority for Buckinghamshire Council after the elections in May 2020.	Agreed. This work will be progressed during 2020/21. March 2021	This has not progressed as a result of the Covid – 19 pandemic and its impact on travel patterns in the short and long term. A programme will be established once post-pandemic travel patterns emerge.	As per the 6-month update.	Lead Cabinet Member: David Martin Richard Barker, Corporate Director, Communities

25. A review should be undertaken ahead of the parking enforcement procurement, to investigate how the Council's on street and off street parking enforcement can be integrated to deliver an improved service and to review future requirements in light of the new parking strategy, to ensure quality service delivery and value for money.	Agreed - this work is already being progressed through the programme workstream and will be presented for decision by the new Council in 2020/21. October 2020	Work to establish an integrated parking team, for on and off-street parking management, including enforcement, is progressing. This will include opportunities to improve efficiency and effectiveness along with any wider enforcement benefits that may be achievable. A report will be brought forward in the autumn of 2020.	Positive progress is being made with the integration of on and off-street parking functions. Recruitment to a single Head of Parking Services is progressing to align managerial responsibility and the operational team for 'on street' functions will be insourced into the direct responsibility of the Council in 21/22 which will align with arrangements for off street car parks. A dedicated service review programme is being implemented for the parking service to maximise economies of scale and opportunities for alignment including management, operations, systems and processes and back office functions.	Lead Cabinet Member: David Martin Richard Barker, Corporate Director, Communities
26. During 2020-21, as Community Access Points are reviewed, consideration should be given to their future funding.	Agreed. As the plans for moving from Council Access to Community Access Points are developed, business cases will be developed which assess the financial implications of	The initial focus has been on ensuring council access points are fully operational. The launch of the access points was affected by the Covid lockdown and, therefore, it is	The use of council access points as opportunities for face to face contact with the Council has obviously been heavily impacted by the pandemic. We have seen a significant increase	Lead Cabinet Member: Martin Tett Sarah Ashmead,

	individual proposals. The Council will then be able to consider the need for any funding provision. December 2020	anticipated that the review will now take place in summer 2021. The Localities service will look to explore opportunities for community access points with partners and business cases will be developed around these.	in use of telephone and online solutions for resolving issues during this period. As we move out of the current restrictions and develop our understanding of the longer-term impact on customer behaviour, we will consider the future model for customer access, and council access points will be included as part of that review in summer 2021.	Deputy Chief Executive
27. There should be continued investment in the Social Work Academy, which utilises the apprenticeship levy and will provide more stability in the Adult Social Care workforce and positive outcomes for clients.	Agreed. The first cohort of students are due to be recruited in April and then a further cohort in September. Their progress will be closely monitored to ensure that the programme delivers the right outcomes and that a case can be demonstrated for ongoing investment.	Any cohort requires a minimum of 10 people to ensure it is cost-effective for the training provider to run the programme. Despite receiving 15 applications for the first cohort in April, a number of those did not meet the requirement of having maths and English at the required level. We have worked with a number of staff to help them gain English and maths qualifications and are delighted to now have 11 applicants who have been successful in the first stage of recruitment for the Social Work Apprenticeship Degree programme. The panel interviews with Buckinghamshire Council and the	Complete.	Lead Cabinet Member: Angela MacPherson Gillian Quinton, Corporate Director Adults, Health

		Training Provider (Bucks Uni) will take place on the 3rd September 2020. The Apprenticeship Levy will be used to fund the Apprentices during the three-year programme which will commence on the 23rd October 2020. The value of each programme is £23,000 over the three years. We also have a pipeline of 17 applicants who are interested in applying for the next cohort in 2021. We are working with ten of these applicants to upskill their Maths and English with the support of our partner Bucks Adult Learning.		
28. There should be further investment in the ASYE Academy to enable Children's Services to recruit and retain more qualified staff, which will stabilise the workforce and lead to improved outcomes for children and families. In turn, this should also support the pace of change required for Ofsted Improvement.	Agreed. We will increase the ASYE academy by another two cohorts of up to 20 each between now and 2021. Work is underway to achieve this subject to applications and successful appointments.	The initial plan was to have a new cohort of up to 20 ASYEs join our academy in April 2020; however, this was unable to happen due to Covid-19. Covid-19 has also affected social work students as all placements ceased, delaying the completion of their qualification and subsequent social work registration. As a result, the next cohort of up to 20 ASYEs will not be	Sixteen ASYEs have been recruited in the January 2021 cohort and started with the Council on 11th January 2021. Three ASYEs have already been recruited for the July 2021 intake and recruitment is about to start for the remaining 17 for this cohort.	Lead Cabinet Member: Mark Shaw Tolis Vouyioukas, Corporate Director Children's Services

		ready to join the academy until January 2021. The plan at this stage is to have a further intake of up to 20 ASYEs in July 2021; however, this is reliant on (a) successfully recruiting the first cohort in January, and (b) no further delays to the completion of social work qualifications.		
29. A specific line should be included in the budget for Special Expenses.	Agreed. Special Expenses income will be specifically identified on the face of the budget and an appendix presented with the final budget papers showing the budgets for Special Expense areas. February 2020.	Complete.	Complete.	Lead Cabinet Member: Martin Tett Richard Ambrose, Service Director for Corporate Finance
30. Voluntary sector organisations which provide vital community services at minimal cost should be nurtured and a full review carried out to establish how they have been funded to date and how grants and other funding from Buckinghamshire Council should be offered going forward	Agreed. A review of the council's relationship with the voluntary, community and charity sector will be undertaken during 2020/21, with a view to developing new funding arrangements for 2021/22. October 2020	VCS organisations remain a critical partner for the council, which was demonstrated throughout the coronavirus response where there was intense collaboration. The Localities service is working with the sector to develop a VCS Strategy, which will build on the positive partnership work highlighting the	The VCS strategy, developed in partnership with the sector, is due to be presented to Cabinet in March 2021. The detailed review of the Council's grants to the VCS was deferred as a result of the pandemic. The terms of reference for the review have	Lead Cabinet Member: Gareth Williams Sarah Ashmead, Deputy Chief Executive

to deliver improved outcomes for residents.		importance and value of the sector as well as what a good relationship looks like. The Localities service is also undertaking a grants and public spend review to understand the range of financial assistance and support the council provides to the voluntary and community sector and develop options for the future. The timing of the review has been delayed due to the Covid situation and a detailed review timetable is currently under development.	now been agreed and the review is due to be completed by November 2021. Where appropriate, it is proposed that those VCS organisations in receipt of grant funding ending in March 2021 will be offered an extension until March 2022.	
31. A strategy for Homelessness and Rough Sleeping should be developed as a priority for Buckinghamshire Council.	Agreed – the strategy will be developed in the first year of operation of the new Council, using a collaborative approach with key partners.	The existing Homelessness and Rough Sleeping Strategies have been carried forward from the former District Councils. To date in 2020/21 the Council's Housing Service has had to focus its homelessness resources on the Covid-19 response by initially bringing Rough Sleepers off the street and now planning for the next phase of supporting and moving on clients (including submitting a bid for funding to the Government Next Steps Accommodation programme). Consequently, work has not yet commenced on developing the new Buckinghamshire Council Homelessness and Rough Sleeping	The Next Steps Accommodation Programme bid for rough sleepers was successful and funding has been awarded for the Council to work with partners and secure nomination rights to 9 single beds for high need clients and to secure nomination rights to 15 more on units for lower need clients. A review of the three legacy homelessness and rough sleeping strategies will be completed in Q1 21/22 (pending the ongoing service	Lead Cabinet Member: Isobel Darby Ian Thompson, Corporate Director, Planning, Growth and Sustainability

		Strategy. During Quarter 3 of 2020/21 (following the outcome of the Next Steps Accommodation bid) a timetable and plan will be agreed for the development of the new Buckinghamshire Council strategy.	transformation and restructuring). Formulation of the new strategy and consultation will commence thereafter with anticipated completion in late Q2 ready for adoption and publication in Q3.	
32. A consistent approach to licensing for HMOs and Taxis should be applied across the County as soon as practicable after 1st April 2020.	Agreed - a country wide taxi licencing policy will be progressed during 2020/21. February 2021	A new Taxi Licensing Policy is now in development and is likely to go to the Licensing Committee meeting for approval to proceed to consultation in Autumn 2020. It is envisaged that a new harmonised policy for Taxis will be adopted in the Spring of 2021. All other Licensing policies will be harmonised by the end of 2021.	Positive progress is being made with a single Taxi Licencing Policy for the County and following a thorough consultation process with residents and the taxi trade, a new policy is being recommended for approval by Cabinet, the Licencing Committee and Full Council. It is anticipated that the new policy will be in place from 1st April 2021.	Lead Cabinet Member: Fred Wilson Richard Barker, Corporate Director, Communities
33. The evaluation of the Wycombe Street Warden scheme, should be reported to the new Cabinet as part of a wider review of Community Safety/Anti-Social Behaviour.	Agreed. The evaluation will be included as part of a wider review of enforcement activity across the new Council December 2020	A review of the community safety service is currently taking place as part of the Better Buckinghamshire Programme. The evaluation of the street warden scheme is being progressed as part of this review and it is on track on meet the timetable of December 2020.	The community safety service review has been deferred in order to focus resources on the Covid response. A new Head of Community Safety has been appointed and will join the Council in March 2021. The review is now planned to commence in March 2021 and	Lead Cabinet Member: Gareth Williams Sarah Ashmead, Corporate

			will include the review of the Street Warden scheme.	Director, Deputy Chief Executive

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Report to Cabinet

Date:	16 February 2021
Reference number:	N/A
Title:	**Quarter 3 Budget Monitoring Report**
Relevant councillor(s):	Cllr Katrina Wood
Author and/or contact officer:	Matt Strevens, Head of Corporate Finance, ext. 3181
Ward(s) affected:	None specifically
Recommendations:	**Cabinet are asked to note the current forecast outturn for the financial year 2020/21 and the latest estimates of impacts and funding related to Covid-19.**
Reason for decision:	To understand the current financial position of the Council.

1. Executive summary

1.1 This report sets out the Revenue and Capital outturn position for Buckinghamshire Council for the financial year 2020/21.

1.2 A full analysis of the forecast outturn for each of the Council's six Directorates is contained within the appendices to this report. As well as narrative information, the financial performance against their associated targets is shown.

1.3 Forecast Revenue outturn is an overspend of **£0.1m,** which has reduced from the £4.9m reported for Quarter 2 through additional funding and active management of overspends.

1.4 The forecast Capital outturn is **£160.0m**, representing slippage of **£27.7m**. This is an increase of £12.0m from the £15.7m reported at Quarter 2. However, the position may deteriorate further as a result of the latest lockdown.

1.5 Mitigating actions to address the slight in-year forecast revenue overspend include continued lobbying of government for the full recovery of all additional expenditure and lost income in relation to Covid-19, action within Directorates to identify additional mitigations, as well as the review of commitments against earmarked reserves and corporate contingencies included within the budget. Actions already identified have contributed to the reduction in the forecast overspend.

2. Content of report

2.1 Revenue Budget Outturn

The forecast revenue budget outturn is summarised in Table 1 below. The key Directorate variances are explained in Appendix 1. The outturn forecasts represent the anticipated year end position reflecting knowledge and understanding about the outcome of events and management actions within the remainder of 2020/21, and variances are split between Business as Usual and those relating to the Covid-19 response. The reported position does not include the impacts of the third lockdown which commenced in January, and for which the financial implications are yet to be quantified. Clearly circumstances are continuing to change and consequently the forecast outturn position will continue to be monitored closely.

Nationally many Councils find themselves in difficult financial positions, both as a result of existing pressures, and exacerbated by the impact of Covid-19. Whilst Buckinghamshire Council is clearly experiencing pressures both in Business as Usual budgets and as a result of Covid-19, we currently hold circa £47m of General Fund Reserves, whilst a significant number of Local Authorities have depleted their reserves in managing pressures over previous years. Relative to the sector we are in a significantly healthier position to address these issues this year and into future years.

All directorates appear to be forecasting an overspend this year, with the major driver behind this being the loss of income and increased costs in relation to the Council's response to Covid-19. Un-ringfenced grant funding to cover the impact of Covid-19 is being held corporately meaning that the overall position linked to the pandemic is an adverse position of £0.2m. In terms of Business as Usual budgets then there is a favourable variance of £0.1m, meaning that the **overall forecast revenue position is a £0.1m overspend**. This compares to an overall position of £4.9m that was reported for Quarter 2.

The most significant movements in Directorate Business as Usual budgets are within Planning, Growth & sustainability, where the overspend has increased by £1.0m. This is as a result of a review of pressures reported between Covid-19 and BAU, and an

increase in the lost income from rental properties, which is not recoverable through the Government's Sales, Fees & Charges scheme. In Children's Services the forecast BAU overspend has decreased by £1.2m to £4.1m. The overspend largely relates to additional demand in Social Care which is not directly Covid-19 related, and ongoing pressures in Home to School transport budgets. The reduction in BAU overspend is due to costs being classified as Covid-19 related rather than a reduction in the overall pressures.

Corporate & Funding are forecast to underspend by £46.8m, due to an additional £42.8m of un-ringfenced grant income from central government in response to Covid-19. At Quarter 2 this was expected to be £39.6m; however, further funding announcements to support the ongoing costs of Covid-19 have been made during the latest reporting quarter. This comprises **£32.3m** of un-ringfenced grants to cover expenditure pressures and an estimate of **£10.5m** of grant income from the Sales, Fees and Charges lost income compensation scheme (£9.6m has already been claimed for). In addition, £4m of corporate contingencies are not currently forecast as committed.

Appendix 1 provides further detail on the revenue forecast outturn by Directorate.

Appendix 2 presents a breakdown of pressures arising from Covid-19. The 2020/21 pressure resulting from Covid-19 differs from the total pressure as approximately £0.4m of costs and lost income were absorbed within 2019/20, and £0.5m of grant was applied to cover other Covid-19 costs within 2019/20.

Table 1 – Summary of Council Revenue budget outturn

		Budget	Forecast	Variance		Variance: COVID	Variance: BAU
		£m	£m	£m	%	£m	£m
	Expenditure	214.4	264.0	49.6	*23%*	35.7	13.9
	Income	(64.4)	(104.9)	(40.5)	*63%*	(26.4)	(14.1)
Adults & Health		**150.0**	**159.1**	**9.1**	***6%***	**9.3**	**(0.2)**
	Expenditure	600.9	603.2	2.3	*0%*	3.7	(1.4)
	Income	(496.8)	(491.2)	5.6	*(1%)*	0.1	5.5
Children's Services		**104.1**	**112.0**	**7.9**	***8%***	**3.8**	**4.1**
	Expenditure	91.5	95.9	4.4	*5%*	6.2	(1.8)
	Income	(33.6)	(19.8)	13.8	*(41%)*	12.4	1.4
Communities		**57.9**	**76.1**	**18.2**	***31%***	**18.6**	**(0.4)**
	Expenditure	25.2	28.4	3.2	*13%*	1.0	2.2
	Income	(2.7)	(5.9)	(3.2)	*...*	-	(3.2)
Deputy Chief Executive		**22.5**	**22.5**	**-**	**-**	**1.0**	**(1.0)**
	Expenditure	52.8	55.8	3.0	*6%*	3.8	(0.8)
	Income	(40.1)	(34.2)	5.9	*(15%)*	3.5	2.4
Planning, Growth & Sustainability		**12.7**	**21.6**	**8.9**	***70%***	**7.3**	**1.6**
	Expenditure	171.9	153.9	(18.0)	*(10%)*	1.8	(19.8)
	Income	(131.1)	(110.3)	20.8	*(16%)*	1.2	19.6
Resources		**40.8**	**43.6**	**2.8**	***7%***	**3.0**	**(0.2)**
Directorates		**388.0**	**434.9**	**46.9**	**12%**	**43.0**	**3.9**
	Corporate	51.4	47.4	(4.0)	*(8%)*	-	(4.0)
	Funding	(439.4)	(482.2)	(42.8)	*10%*	(42.8)	(0.0)
Corporate & Funding		**(388.0)**	**(434.8)**	**(46.8)**	**12%**	**(42.8)**	**(4.0)**
Total		**-**	**0.1**	**0.1**	*...*	**0.2**	**(0.1)**

Mitigating actions to address the in-year Covid-19 overspend include continued lobbying of government for the full recovery of all additional expenditure and lost income, Directorate action to identify additional mitigations within their budgets, as well as the release of uncommitted earmarked reserves and corporate contingencies included within the budget.

2.2 Capital Budget Outturn

The capital programme forecast outturn position reflects underspend/slippage of **£27.7m** (14.7%). This reflects the impacts of Covid-19, the establishment of the new Council and the fact that the programme is based mainly on legacy schemes that the new Council inherited. In future years the programme will have been developed by the new Council and, as such, key decisions will have been made and it will be easier to profile spend and ensure that underspends are minimised.

The current forecast position is summarised in Table 2 below. Slippage may increase further if Covid-19 restrictions continue to impact on delivery of the capital programme.

Significant slippage / underspends are reported in Children's Services (£3.9m), Communities (£6.6m) and Planning, Growth & Sustainability (£16.6m). Children's Services slippage relates to the School Places programme, where restricted site access has delayed progress. Communities slippage relates to Culture, Sport & Leisure of £2.4m, and Highways & Technical Services slippage of £5.6m largely on car park projects either delayed or cancelled due to current uncertainties. Planning, Growth and Sustainability slippage largely comprises reprofiling of schemes with unrealistic expenditure profiles inherited from the legacy councils.

Detail of the projects this relates to can be found in **Appendix 1**.

Table 2 – Summary of Council Capital budget outturn

Directorate	Actuals to Date £000	Released Budget £000's	Unreleased Budget £000's	Total Budget £000's	Forecast Outturn Released £000's	Forecast Unreleased £000's	Forecast Outturn £000's	Forecast Variance £000's
Adults & Health	55	491	0	491	60	0	60	-431
Children's Services	17,483	33,081	4,776	37,857	33,522	400	33,922	-3,935
Communities Directorate	45,482	70,444	11,234	81,678	71,513	3,595	75,107	-6,571
Planning Growth & Sustainability	26,668	47,540	11,959	59,499	41,325	1,539	42,864	-16,635
Resources Directorate	1,124	5,643	2,561	8,204	5,608	2,500	8,108	-96
Grand Total	**90,812**	**157,198**	**30,530**	**187,728**	**152,027**	**8,034**	**160,060**	**-27,668**

3. Other options considered

3.1 None arising directly from this report.

4. Legal and financial implications

4.1 This is a Finance report and all the financial implications are included in the report.

4.2 There are no legal implications arising from the report.

5. Corporate implications

5.1 Actions resulting from consideration of this report may influence future expenditure in areas of concern / interest.

6. Local councillors & community boards consultation & views

6.1 N/A

7. Communication, engagement & further consultation

7.1 N/A

8. Next steps and review

A further paper will be brought to Cabinet outlining the forecast outturn for the financial year 2020/21 following the conclusion of the financial year.

9. Background papers

Appendix 1 – Directorate level summaries.

Appendix 2 – Covid-19 impacts.

10. Your questions and views (for key decisions)

If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone [01296 382343] or email [democracy@buckinghamshire.gov.uk].

1 Directorate Summary

Adults & Health Directorate

Revenue Table

	Budget £m	Y/E Out-turn £m	Forecast Variance £m	%	of which COVID £m	of which BAU £m
Expenditure	29.2	31.0	1.8	6%	2.0	(0.2)
Income	(29.2)	(31.2)	(2.0)	(7%)	(2.0)	-
3-ADM Public Health & Commissior	**-**	**(0.2)**	**(0.2)**	**.**	**-**	**(0.2)**
Expenditure	185.2	233.0	47.8	26%	33.7	14.0
Income	(35.2)	(73.8)	(38.6)	(110%)	(24.4)	(14.2)
3-ADS Adult Social Care	**150.1**	**159.2**	**9.1**	**6%**	**9.3**	**(0.2)**
Total	**150.1**	**159.0**	**9.0**	**6%**	**9.3**	**(0.3)**

Capital Table

Service / Project	Actuals to Date £000	Released Budget £000's	Unreleased Budget £000's	Total Budget £000's	Forecast Outturn Released £000's	Forecast Unreleased £000's	Forecast Outturn £000's	Forecast Variance £000's
Respite Care	55	491	0	491	60	0	60	-431
Adult Social Care Total	55	491	0	491	60	0	60	-431
Grand Total	**55**	**491**	**0**	**491**	**60**	**0**	**60**	**-431**

The overall Business as Usual revenue forecast is an underspend of £0.3m. There are underlying pressures of £1.7m in learning Disabilities more than offset by a number of smaller underspends.

The £9.3m reported Covid-19 overspend is covered from un-ringfenced government grant that is held corporately.

Significant risks remain around the ongoing funding for clients within the Hospital Discharge programme and Provider failure.

Capital slippage of £0.4m relates to Seeleys Short Break Service replacement. This has been subject to a 6-month freeze period, whilst a review about its suitability in light of Covid-19 takes place.

Children's Services Directorate

Revenue Table

	Budget £m	Y/E Out-turn £m	Forecast Variance £m	%	of which COVID £m	of which BAU £m
Expenditure	487.1	484.2	(2.9)	(1%)	-	(2.9)
Income	(487.1)	(484.2)	2.9	1%	-	2.9
3-CHD Education - DSG	**-**	**(0.0)**	**(0.0)**	.	**-**	**(0.0)**
Expenditure	39.0	41.1	2.1	6%	1.2	1.0
Income	(7.5)	(5.5)	1.9	26%	0.1	1.9
3-CHE Education	**31.5**	**35.6**	**4.1**	**13%**	**1.2**	**2.8**
Expenditure	75.5	78.7	3.1	4%	2.5	0.6
Income	(2.1)	(1.5)	0.7	31%	-	0.7
3-CHR Children's Social Care	**73.4**	**77.2**	**3.8**	**5%**	**2.5**	**1.3**
Expenditure	(0.8)	(0.8)	(0.0)	(1%)	-	(0.0)
3-CHB Business Management	**(0.8)**	**(0.8)**	**(0.0)**	**(1%)**	**-**	**(0.0)**
Total	**104.1**	**112.0**	**7.8**	**8%**	**3.7**	**4.1**

Capital Table

Service / Project	Actuals to Date £000	Released Budget £000's	Unreleased Budget £000's	Total Budget £000's	Forecast Outturn Released £000's	Forecast Unreleased £000's	Forecast Outturn £000's	Forecast Variance £000's
Children's Homes	386	486	485	971	428	0	428	-542
Children's Social Care Total	386	486	485	971	428	0	428	-542
Health Pupil Projects	146	186	0	186	182	0	182	-4
HS2 Funded Schemes	36	389	0	389	389	0	389	0
Practically Complete / Final Accounts	11	266	0	266	268	0	268	2
Primary School Places	3,936	7,711	651	8,362	8,797	100	8,897	535
Provision for Early Years	193	559	484	1,043	559	200	759	-284
Provision for SEN	1,360	2,101	115	2,216	2,401	0	2,401	185
School Property Maintenance	2,550	3,356	0	3,356	3,356	0	3,356	0
School Suitability Issues	304	386	0	386	407	0	407	20
Secondary School Places	8,561	17,641	3,041	20,682	16,736	100	16,836	-3,846
Education Total	17,097	32,595	4,291	36,886	33,094	400	33,494	-3,392
Grand Total	**17,483**	**33,081**	**4,776**	**37,857**	**33,522**	**400**	**33,922**	**-3,935**

Children's Services is projecting a Business as Usual overspend of £4.1m. The main variances are: Education (non DSG) 2.8m including £3.0m on Home to School Transport and Social Care £1.3m in respect of External Placements for looked after children and accommodation costs for care leavers, offset by a projected underspend against the Social Care Academy.

Covid-19 pressures of £3.7m are covered from un-ringfenced government grant that is held corporately. This includes Home to School Transport £0.9m, Adult Education Fee and grant income, Children's Social Care Placements £1.1m and Aftercare Placements £1.3m.

These forecasts do not include any impact of the current lock down restriction – potential impacts have been identified, though not quantified and allowance is being made within corporate contingencies.

Dedicated Schools Grant (DSG) budgets are projected to overspend by £3.8m. An underspend on Schools Block budgets (£1,1m) will need to be carried forward for use next year. The largest pressure (£5m) is in High Needs Block. Any deficit at the end of the year will result in a deficit in the DSG Reserve. A DSG Recovery Board is to be established chaired by the Service Director for Education and including council officers and Head Teacher representation. The work of the Recovery Board will link with the development of the SEND Sufficiency Strategy and the purpose of the Board will be to develop and oversee mitigating actions to reduce high needs spend and other DSG pressures

Capital budgets are currently projected to have £3.9m net slippage or underspend. This includes an overspend against the Chesham Grammar School of £0.9m & accelerated spends of £5.1m on Primary and Secondary Schemes. Also, slippage is predicted on projects of £7.7m for secondary schools, £1.6m for primary school projects and £0.5m on Children's Homes.

Communities Directorate

Revenue Table

	Budget £m	Y/E Out-turn £m	Forecast Variance £m	%	of which COVID £m	of which BAU £m
Expenditure	9.2	11.8	2.6	28%	4.1	(1.5)
Income	(3.8)	(0.9)	2.9	76%	1.7	1.2
3-CMA Culture, Sport & Leisure	**5.4**	**10.9**	**5.5**	**102%**	**5.8**	**(0.3)**
Expenditure	37.4	39.4	2.0	5%	2.0	(0.0)
Income	(12.3)	(9.7)	2.6	21%	2.2	0.3
3-CMB Neighbourhood Services	**25.1**	**29.7**	**4.6**	**18%**	**4.3**	**0.3**
Expenditure	34.3	33.3	(0.9)	(3%)	0.1	(1.0)
Income	(16.3)	(7.4)	8.9	55%	8.5	0.4
3-CMH Highways & Technical Servi	**17.9**	**25.9**	**8.0**	**44%**	**8.6**	**(0.6)**
Expenditure	10.5	11.2	0.7	7%	-	0.7
Income	(1.2)	(1.8)	(0.6)	(54%)	-	(0.6)
3-CMR Transport Services	**9.3**	**9.3**	**0.1**	**1%**	**-**	**0.1**
Expenditure	0.2	0.2	(0.0)	(0%)	-	(0.0)
3-CMW Corp Director	**0.2**	**0.2**	**(0.0)**	**(0%)**	**-**	**(0.0)**
Total	**57.9**	**76.0**	**18.1**	**31%**	**18.6**	**(0.5)**

Capital Table

Service / Project	Actuals to Date £000	Released Budget £000's	Unreleased Budget £000's	Total Budget £000's	Forecast Outturn Released £000's	Forecast Unreleased £000's	Forecast Outturn £000's	Forecast Variance £000's
Culture Sport & Leisure Total	15,625	27,407	280	27,687	25,034	230	25,264	-2,423
Highways & Technical Services Total	25,631	38,674	932	39,606	35,868	348	36,216	-3,390
Neighbourhood Services Total	4,225	4,362	10,022	14,385	10,611	3,016	13,627	-758
Grand Total	**45,482**	**70,444**	**11,234**	**81,678**	**71,513**	**3,595**	**75,107**	**-6,571**

The overall Business as Usual revenue forecast is an underspend of £0.5m. The main variances are in Highways and Technical Services (£0.6m). This includes underspends on business rates and savings on staff costs due to vacancies, turnover and higher than budgeted recharges to capital.

The total £18.6m Covid-19 overspend is covered from un-ringfenced government grant that is held corporately. These relate to;

- Culture, Sport & Leisure of £5.8m – being closure impacts on Leisure Centres (£4.8m), Arts & Culture (£0.1m), Libraries (£0.3m) and Country Parks and Play Areas (£0.6m).

- Neighbourhood Services £4.3m - being closure impacts on Waste (£1.6m), Cemeteries and Crematoria (£0.1m), EFW & Residual Waste (£1.7m), Household Waste Recycling Centres (£0.4m), Waste Strategy and Management (£0.2m), Licencing (£0.2m) and Street Cleansing (£0.1m).
- Highways & Technical Services £8.6m - being impact of suspension of parking charges, Parking Operations (£7.1m) and Highways Contract (£1.5m).

Capital position shows an overall forecast slippage / underspend of £6.6m on gross expenditure: £3.4m slippage/underspend within Highways & Technical Services. This includes an underspend for Wycombe area car parks and Swan Theatre car parks scheme (£0.7m) as further works initially identified are no longer required. Slippage is on: car park scheme improvements and enhancements works (£0.8m) not required this financial year; £1.2m on strategic highway maintenance and £0.6m on flood defence schemes.

The £0.8m slippage in Neighbourhood Services includes (£0.4m) in Waste and (£0.4m) in Cemeteries & Crematoria.

£2.4m slippage within Culture, Sport & Leisure includes: (£1.7m) relating to Country Parks and (£0.1m) relating to play equipment in 2 Parks & Play Areas, (£0.5m) relating to facilities for Young People and Libraries of (£0.1m).

Deputy Chief Executive Directorate

Revenue Table

	Budget £m	Y/E Out-turn £m	Forecast Variance £m	%	of which COVID £m	of which BAU £m
Expenditure	8.5	8.3	(0.2)	(2%)	0.0	(0.3)
Income	(0.8)	(1.1)	(0.3)	(37%)	-	(0.3)
Localities & Strategic Partnerships	**7.7**	**7.2**	**(0.5)**	**(6%)**	**0.0**	**(0.5)**
Expenditure	1.0	1.1	0.2	17%	-	0.2
Income	-	-	-	.	-	-
Senior Management	**1.0**	**1.1**	**0.2**	**17%**	**-**	**0.2**
Expenditure	3.7	3.8	0.0	1%	0.2	(0.1)
Income	(0.1)	(0.1)	-	-	-	-
Service Improvement	**3.7**	**3.7**	**0.0**	**1%**	**0.2**	**(0.1)**
Expenditure	4.4	4.1	(0.3)	(7%)	-	(0.3)
Income	(0.5)	(0.5)	(0.1)	(12%)	-	(0.1)
Policy & Comms	**3.9**	**3.5**	**(0.4)**	**(10%)**	**-**	**(0.4)**
Expenditure	7.6	11.2	3.5	46%	0.8	2.7
Income	(1.4)	(4.3)	(2.9)	(208%)	0.0	(2.9)
Legal & Democratic Services	**6.3**	**6.9**	**0.6**	**10%**	**0.8**	**(0.2)**
Total	**22.5**	**22.5**	**(0.0)**	**(0%)**	**1.0**	**(1.1)**

Capital Table

No current programmes

DCE Directorate is projecting that spending will be very close to the budgeted level (£0.02m underspend).

This comprises a £1.1m underspend on Business as Usual, which relates from vacancies and through savings on supplies & services.

The £1.0m COVID-19 overspend is covered by un-ringfenced government grant held corporately and is largely from the delay to elections impacting on the cost of member allowances as well as impacts on services such as loss of income (LLC fees).

Planning Growth & Sustainability Directorate

Revenue Table

	Budget £m	Y/E Out-turn £m	Forecast Variance £m	%	of which COVID £m	of which BAU £m
Expenditure	3.5	3.0	(0.5)	(14%)	0.1	(0.6)
Income	(0.5)	(0.5)	(0.0)	(8%)	-	(0.0)
3-PSB Economic Growth & Regener	**3.1**	**2.5**	**(0.5)**	**(17%)**	**0.1**	**(0.7)**
Expenditure	14.6	17.1	2.5	17%	2.5	(0.0)
Income	(10.9)	(9.2)	1.8	16%	-	1.8
3-PSD Planning & Environment	**3.7**	**8.0**	**4.3**	**115%**	**2.5**	**1.8**
Expenditure	19.0	19.0	0.0	0%	0.6	(0.5)
Income	(23.1)	(19.5)	3.7	16%	2.7	1.0
3-PSH Property & Assets	**(4.2)**	**(0.5)**	**3.7**	**89%**	**3.3**	**0.4**
Expenditure	3.0	3.0	(0.0)	(1%)	-	(0.0)
Income	(1.1)	(0.8)	0.3	26%	0.1	0.2
3-PSJ Strategic Transport & Infrastr	**1.9**	**2.2**	**0.2**	**13%**	**0.1**	**0.2**
Expenditure	12.6	13.6	1.0	8%	0.6	0.4
Income	(4.5)	(4.3)	0.2	5%	0.7	(0.5)
3-PSR Housing & Regulatory Servic	**8.1**	**9.3**	**1.2**	**15%**	**1.3**	**(0.1)**
Total	**12.6**	**21.5**	**8.9**	**71%**	**7.3**	**1.6**

Capital Table

Service / Project	Actuals to Date £000	Released Budget £000's	Unreleased Budget £000's	Total Budget £000's	Forecast Outturn Released £000's	Forecast Unreleased £000's	Forecast Outturn £000's	Forecast Variance £000's
Economic Growth & Regeneration Total	6,252	21,903	5,640	27,543	12,952	1,248	14,200	-13,343
Housing & Regulatory Services Total	8,364	13,996	1,200	15,196	13,816	0	13,816	-1,380
Property & Assets Total	2,810	3,948	0	3,948	2,463	0	2,463	-1,485
Strategic Transport & Infrastructure Total	9,242	7,693	5,119	12,812	12,094	291	12,385	-427
Grand Total	**26,668**	**47,540**	**11,959**	**59,499**	**41,325**	**1,539**	**42,864**	**-16,635**

The Directorate is forecasting a Business as Usual overspend of £1.6m. Business as Usual overspends are reported in both Planning & Environment (£1.8m) and Property & Assets (£0.4m). Property & Assets pressures relate to excess voids impacting property rental income targets. Planning & Environment pressures are staffing related. These are partially mitigated in-year by underspends in other service areas and use of one-off reserves and will be permanently addressed through future service transformation proposals.

The £7.3m reported Covid-19 overspend is covered from un-ringfenced government grant that is held corporately.

Resources Directorate

Revenue Table

	Budget £m	Y/E Out-turn £m	Forecast Variance £m	%	of which COVID £m	of which BAU £m
Expenditure	13.1	12.8	(0.3)	(2%)	-	(0.3)
Income	(0.7)	(0.8)	(0.0)	(2%)	-	(0.0)
Business Operations	**12.3**	**12.1**	**(0.3)**	**(2%)**	**-**	**(0.3)**
Expenditure	8.9	8.9	(0.0)	(0%)	0.4	(0.4)
Income	(3.3)	(3.1)	0.2	5%	-	0.2
Corporate Finance	**5.6**	**5.8**	**0.1**	**2%**	**0.4**	**(0.3)**
Expenditure	5.3	5.7	0.4	8%	0.1	0.3
Income	(0.7)	(0.5)	0.2	35%	0.0	0.2
HR/OD	**4.6**	**5.2**	**0.7**	**14%**	**0.2**	**0.5**
Expenditure	12.7	13.7	0.9	7%	0.9	0.1
Income	(0.7)	(0.7)	-	-	-	-
ICT	**12.0**	**13.0**	**0.9**	**8%**	**0.9**	**0.1**
Expenditure	132.1	112.8	(19.3)	(15%)	0.1	(19.4)
Income	(125.7)	(105.2)	20.4	16%	1.1	19.3
Service Finance	**6.4**	**7.5**	**1.1**	**17%**	**1.2**	**(0.1)**
Expenditure	(0.2)	0.1	0.3	180%	0.3	-
Resources Directorate	**(0.2)**	**0.1**	**0.3**	**180%**	**0.3**	**-**
Total	**40.8**	**43.7**	**2.9**	**7%**	**3.0**	**(0.1)**

Capital Table

Service / Project	Actuals to Date £000	Released Budget £000's	Unreleased Budget £000's	Total Budget £000's	Forecast Outturn Released £000's	Forecast Unreleased £000's	Forecast Outturn £000's	Forecast Variance £000's
CDC/SBDC/WDC Customer Experience	-10	0	0	0	0	0	0	0
Business Operations Total	-10	0	0	0	0	0	0	0
Delivery of Technology Strategy	1,190	2,838	983	3,822	2,838	1,000	3,838	17
ICT Hardware	0	0	1,500	1,500	0	1,500	1,500	0
Social Care Systems	0	2,804	78	2,882	2,769	0	2,769	-113
Recent Old Codes	-56	0	0	0	0	0	0	0
ICT Total	1,134	5,643	2,561	8,204	5,608	2,500	8,108	-96
Grand Total	**1,124**	**5,643**	**2,561**	**8,204**	**5,608**	**2,500**	**8,108**	**-96**

Resources Directorate is projecting a £0.1m Business as Usual underspend. This is made up of underspends in both pay and non-pay in teams within Business Operations, Corporate Finance and Service Finance, partially offset by overspends in HR & OD (£500k pay and non-pay).

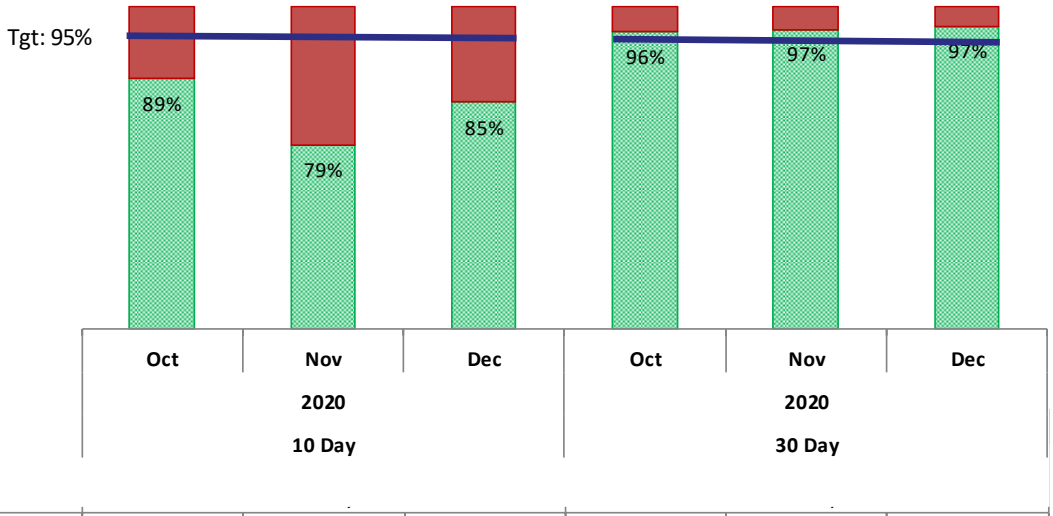
The £3m reported Covid-19 overspend is covered from un-ringfenced government grant that is held corporately.

2 Corporate Costs & Funding

Corporate & Funding are forecast to underspend by £46.8 million. £42.8m is due to additional grant income from central government in response to Covid-19 and offsets the Covid-19 pressures being highlighted within the Directorates. The remainder is £4.0m of corporate contingency which is forecast as uncommitted and is currently offsetting some of the directorate overspends.

Note: Approximately £500k of the initial un-ringfenced COVID-19 grant was applied to costs incurred in 2019/20.

3. Late Payments

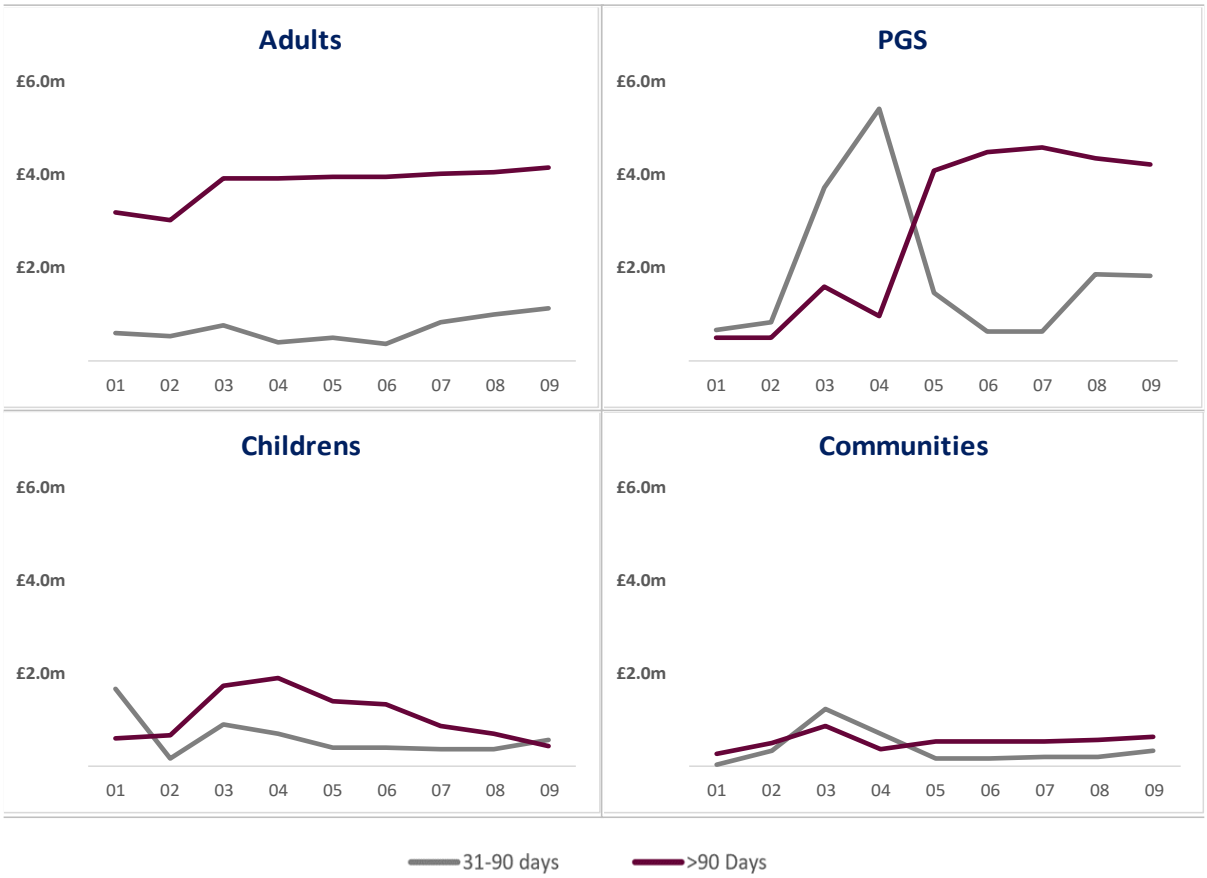


	Oct	Nov	Dec	Oct	Nov	Dec
No. Late	49	121	74	390	311	364
No. Paid	390	443	425	9,552	8,595	11,643
No. Invoices	439	564	499	9942	8906	12007

The underlying performance across all payments is slightly above the target 95%. However specific one-off issues in Q1 have brought the performance for the year to date down to 91.6%.

4. Outstanding debt

Unsecured Debt >30 Days and >90 days by Directorate



The reduction in debt figures in December is due to the newly established Debt Team focusing on areas of high value or high demand. Reductions have been seen in Adult Social Care (£8m collected), Children's Services (£4.5m collected). Work is continuing with Planning, Growth and Sustainability and meeting with targeted customer groups to devise approach and action plan for recovering debts.

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Appendix 2

Summary of pressures, lost income and funding

Expenditure pressures	Forecast £000's
Deputy Chief Executive	1,128
Communities	6,862
Adults & Health	9,311
Planning, Growth & Sustainability	1,849
Children's Services	2,237
Resources	1,372
Corporate	-
National policy responses	186,089
Total expenditure pressures	208,848
Income losses	**Forecast £000's**
Deputy Chief Executive	209
Communities	13,272
Adults & Health	587
Planning, Growth & Sustainability	6,475
Children's Services	884
Resources	1,265
Corporate	-
Total income lost	22,692
TOTAL PRESSURE	**231,540**
Funding	**£000's**
Emergency Funding - ringfenced	- 188,132
Emergency Funding - unringfenced	- 42,810
TOTAL FUNDING	- 230,942
UNFUNDED PRESSURE	**599**

Note: The total pressure differs from Budget Monitoring reporting as £0.4m of costs and loss income were absorbed in 2019/20.

Note: Covid-19 pressures reported by Directorates are net of ringfenced grant funding, whilst here all grant funding is reported outside of Directorates.

Sales, Fees & Charges Lost income compensation

On 24 August the government published detailed guidance on the Sales, Fees & Charges Lost income compensation scheme. This scheme compensates Local Authorities in part for income lost as a result of Covid-19. The scheme operates such that the Local Authority bears the first 5% of losses and losses beyond that are compensated at 75p/£ for genuine Sales, Fees and Charges losses, excluding commercial and rental income.

This scheme has now been extended to include such losses incurred for April 2021 – June 2021.

The first claim was submitted at the start of October and covered the period April to August. The second claim was submitted in December, with an expected value of £4.3m.

The total expected claim for the year is £13.5m, on income losses of £20.2m.

The table below shows the total losses incurred and the Claim submitted for the period August – November;

				P1-8 CLAIM			P1-4 CLAIM	P5-8 CLAIM
Directorate	**Full year Budget**	**TOTAL LOSS P1-8**	**FY forecast loss**	**5% deductible (BC cost)**	**25% share of P1-8 balance (BC cost)**	**75% share of P1-8 balance (GRANT DUE)**	**P1-4 claim**	**P5-8 Claim**
Adults & Health	- 621	385	587	31	89	266	121	144
Planning, Growth & Economy	- 11,387	2,291	2,650	569	430	1,291	912	380
Children's Services	- 3,271	816	816	164	163	490	490	-
Resources	- 1,868	804	1,276	93	178	533	212	321
Deputy Chief Executive	- 920	85	95	46	10	30	98	- 68
Communities	- 23,904	10,553	14,788	1,195	2,340	7,019	3,474	3,545
TOTAL	**- 41,970**	**14,935**	**20,212**	**2,099**	**3,209**	**9,627**	**5,306**	**4,322**

Report to Cabinet

Date:	16 February 2021
Reference number:	N/A
Title:	Overview of Aylesbury Vale Estates (AVE), and draft business plan 2021-2024
Relevant councillor(s):	Cllr John Chilver
Author and/or contact officer:	John Reed
Ward(s) affected:	Not specific
Recommendations:	Cabinet note the performance of AVE against the strategy and action plan for 2020-2021 Comment on the strategy and action plan as set out in the draft business plan for 2021-2024, the detail of which is set out in Appendix 1 and 2 of Part 2 of this report.
Reason for decision:	summarise why the recommended option is preferred

1. Executive summary

1.1 This report provides an overview of how the joint venture Aylesbury Vale Estates (AVE), which is 50% owned by the council, operates. It also summarises how AVE is performing against the current business plan and presents the draft business plan for 2021-2024 and the strategy for delivery. The Cabinet is invited to provide comments on the future business plan for consideration by the AVE Board.

2. Content of report

Overview of Aylesbury Vale Estates (AVE)

2.1 AVE was formed as a 20-year Joint Limited Partnership (JLP) after a 15-month full OJEU procurement process completing in October 2009.

2.2 It's a 50-50 partnership between the council and private investors who collectively form Akeman Partnership LLP.

2.3 At the time of the OJEU procurement process, AVDC owned and managed a substantial and varied property portfolio comprising commercial, community and operational assets. However, with falling rents and increasing voids, AVDC was looking to find an alternative business model – a model which would provide access to bespoke, private sector asset and property management expertise, improve the performance of the portfolio, whilst allowing the AVDC to replace insecure rents with security of interest payments on loans made by the council to the new vehicle.

2.4 In addition, there was an expectation that as the portfolio performance strengthened, partners would receive a distribution, but the timing and amount would be a matter for the Board to decide.

2.5 Most of the portfolio was transferred to AVE thus contained but operational buildings assets were excluded. Several community assets such scout huts, doctors' surgeries were also transferred but no sale or development could take place without AVDC approval.

2.6 As part of the joint venture formation with Akeman Partnership LLP, the management was also contracted at the time of formation from AVE to Akeman Asset Management LLP. The latter was granted a 20-year contract to operate the portfolio from rent collection, asset management, debt management, accounting and reporting.

2.7 A Members' Agreement, signed by both sides of the Partnership, sets out in detail how the Partnership will operate including the process if the council and the private sector partnership do not agree on a voting issue.

2.8 The management contract provides for quarterly asset management and financial reports to be presented at a meeting of the AVE representative members, with interim monthly reports as necessary. The agreement sets out in detail the delegation process, responsibilities, fee calculation, Key Performance Indicators and Key Performance Targets. Akeman report on these quarterly with an annual review.

2.9 As an LLP, AVE doesn't have a "board" of directors as such but representatives of both parties have 3 seats at the table. BC is currently represented by two cabinet

members and one officer. Each side of the JV has one vote at any decision making stage.

2.10 The stated aims of the JV are as follows: -

1. to improve, repair (if applicable) and maintain the Property to support AVDC's aims as set out in AVDC's Corporate Plan;

2. to enhance, maintain and improve AVDC's income stream generated from the Property;

3. to facilitate the improvement of the Property to provide new opportunities for the local economy;

4. to positively influence and promote development and economic growth in the Area through the development, improvement, maintenance of the Property and pro-active asset management;

5. to enhance the economic vitality of the Area to its full potential and promote economic, social and environmental improvement and well-being for local residents; and

6. to maintain current business activity and employment in the Area and create new employment opportunities.

2.11 Financially, the JV is designed to distribute surplus profits both from revenue and capital sales, but it is not allowed to distribute any of the original equity. This means that an asset acquired for £1m if sold for £1.25m, then £250,000 could be distributed but the remaining £1m must be reinvested.

2.12 The JV is now nearly 10 years old and overall has performed well over this period. The starting portfolio was valued at £36.1m and the purchase by the JV was financed by non-interest bearing loans from each member of £4m plus two loans from AVDC. The senior loan was for £27.08m at 6% interest and the second £3.61m of mezzanine loan at 20% pa interest. After set up costs this gave the members a combined net asset value of £5.9m

2.13 The senior loan was not repayable for 20 years but did have amortisation at known rates commencing in year 3 of the partnership. The mezzanine debt had no amortisation but was repayable after 5 years. AVE paid down the expensive debt as soon as it was able.

2.14 A further loan was made to AVE to enable it to purchase the Hale Leys Shopping Centre. The acquisition was felt to be important (particularly by AVDC) to the longer term regeneration plans of the town centre and recognised, Hale Leys strategic location and its adjacency to other AVDC assets. The first loan was for £2.9m at 7% interest. £1m of this has already been paid back. The second loan replaced the HSBC loaned at point of purchase - £5.5m at 4%.

2.15 The portfolio is valued annually and at the end of March 2019, the portfolio was valued at £44.94m with total debt of £32.42m giving members a net asset value of £12.5m an increase over the 9 years of 111% or £6.59m. When considering returns to members over the life of the JV, the total return earned (income distributed plus value gained) comes to 11.2% per annum average over those 9 years.

2.16 AVE produces an annual 3 year rolling business plan towards the end of each calendar year for the members to agree. Comments from the council democratic process are fed back to the AVE Board where the private investor partnership has the opportunity to review and raise any concerns. If this were the case, the matter would be referred back by the AVE Board to the council. Once agreed the plan is instituted for the following financial year which commences at the end of March. The AVE portfolio ie the assets included in the original transfer, is always reported separately to Hale Leys which has a sperate account.

Summary of the 2020-2021 business plan and performance to date

2.17 The overall aim for the past few years has been to as to produce a self-sufficient portfolio, not reliant on sales, which pays all the AVE overheads, all amortisation and distributes £600,000 pa and still retains an annual profit.

2.18 The strategy in 2020-2021 to achieve this is:

- Maintain high levels of occupancy across the commercial industrial and wider portfolio
- Maintain current tenants at Hale Leys
- Target annual distribution of £600,000
- Sale of high value land with low income - £300k for the council
- Improve Raban's Lane management

2.19 **Occupancy Levels:**

- Very low (0%-2%) vacancy rates for past 2-years across the main multi-let industrial estates
- As at 30 Sept, the overall vacancy for the combined portfolio was 6.3% v 5.8% year-end target (Mar-21). This is due to Askeys surrendering their lease at the Stocklake site.
- Hale Leys vacancy of 7.7% and AVE (rest of portfolio) – 5.9%

2.20 **Maintain Current Tenants at Hale Leys:**

- Boots continues to be an important tenant for Hale Leys and a driver of footfall. It renewed its lease is 2019.
- In 2020, the Centre continued to diversify its offer, with The Manor restaurant opening alongside Soft Play.
- The Centre trading will have been impacted by the latest lockdown – still to be assessed.
- Negotiations are on-going for vacant units which include another food and beverage offer.

2.21 **Target Distribution:**

- Distribution of £600,000 for 2019/20 paid in November 2020
- Distribution of £600,000 for 2020/21 will be forecast to be paid in March 2021

2.22 **Sale of High Value Land with Low Income:**

- Gateway Phase 2 – sale to Shanly Homes - completed April 2020*.
- Hayloaders, Brill – sale to Emblem Developments (occupier) - completed July 2020*.
- Moreton Road – sale to Romdox UK - completed September 2020*
- Meadowcroft Surgery – sale to occupier - completed October 2020*.

* These sales were all above the valuation.

2.23 **Raban's Lane Management:**

- Relationship development – on-going tenant's meetings*
- On-going roof, drainage and tree works
- Improvements to the Edison Workspace

*Since Covid, the tenant relationship work has intensified across the portfolio contributing to the relatively successful rent collection rate and low voids.

2.24 It is difficult to predict with great certainty (because of the on-going Covid impact), what the final performance of the portfolio will be at 31 March. However, demand for industrial units continues to be high and as and when a unit becomes vacant, new potential tenants are quickly coming forward

2.25 During 2020-2021, AVE have also been working hard to bring forward development sites at Stocklake and Raban's Lane. These developments which will significantly impact the 2021-2024 business plan (summarised in the next paragraphs and described in more detail in Part 2 of the report). A planning application has already

been submitted for a mixed commercial/residential development at the site in Raban's Lane, and a planning application for a commercial development at the Stocklake site, is expected to be submitted in early 2021.

2.26 AVE expects to be able to meet its on-going amortisation payback commitments to the council. The risk of not being able to do this is considered by AVE to be low.

Summary of the 2021-2024 business plan and strategy

2.27 The objectives for 2021-2024, remain the same as the current business plan. However, there are some variations in the proposed strategy to achieve these:

- Sale of high value/low income assets, for reinvestment in the portfolio through redevelopment of current sites
- Redevelopment of key assets and renewal / upgrade of old industrial stock
- Pay off expensive debt to reduce cost of finance and reduce amortisation
- Target a distribution of £600,000 pa
- Maintain current levels of occupancy within the industrial portfolio
- Hale Leys - maintain current tenants, let vacant units and improve future income stream
- Review all non-core and Category B (community assets) and sell/develop where possible

2.28 In the 2021-2024 draft business plan, AVE is presenting a base and enhanced case for the AVE portfolio but just a base case for Hale Leys. Each case is based on a different set of assumptions relating to the above strategy. The assumptions are largely based around timing, value and market conditions.

The AVE **base** case

2.29 More detail covering the whole period of the business plan, is set out in Part 2 of the report but in summary, the base case for 2021-2022 assumes:

Anticipated Sales

- The sales of part of the land at Raban's Lane

Reinvestment

- No new property investments are made, and instead surplus funds are used to pay-down debt and / or fund redevelopment of existing properties.

Development

- Finance is procured for the redevelopment of the Stocklake and Raban's Lane site

The AVE **enhanced** case

2.30 Whilst the strategy remains the same, the enhanced case makes different assumptions around:

1. The level and timing of capital receipts that will be generated based on the planning approvals granted and specifically in the case of the Raban's Lane site the number of residential units permitted
2. The rent levels that will be achieved from both AVE and Hale Leys

The Hale Leys **base** case

2.31 The Hale Leys base case makes a key assumption about the level of rent that might be collected during 2021-2022 and assumes:

Letting assumptions:

- Amended ERV assumptions to reflect market conditions
- Vacant units do not re-let

Capital expenditure is incurred to:

- Extend unit 1-2 with frontage to High Street
- Enhance/modernise Market Square entrance

2.32 The 2021-2024 business strategy also proposes a review of what are classified as 'non-core assets'. These are listed in the Part 2 of the report but include small areas of land with a low valuation and no ERV. They may, however, be incurring costs to AVE such as maintenance.

The risks and challenges

2.33 It is important that the planning applications for the Stocklake and Raban's Lane sites are processed in a timely manner. A pre-app agreement has already been entered

into for the Raban's Lane scheme. The Stocklake application will be submitted early in the New Year.

2.34 The timing of any decision will impact AVEs ability to fund re-development of the above sites which are fundamental to improving portfolio revenue flows.

2.35 The impact of Covid will require on-going proactive management of the portfolio by the Asset Managers to support and retain existing tenants and where vacancies occur, attract new tenants. AVE will seek to continue to diversify the offer within Hale Leys as it has done in the last few years.

3. Other options considered

3.1 This report does not present alternative options to the current joint venture business model but it does invite comment on the proposed strategy and alternative actions.

4. Legal and financial implications

Legal

4.1 As detailed in the Appendix the high-level requirements for the operation of AVE are set out in the Members Agreement and associated documents and are also briefly summarised in the Appendix. The ongoing operation of AVE is based on the agreed Business Plan and any actions pursuant to the Business Plan will not generally be a breach of AVE's obligations. Any material variation to the Business Plan must be approved by the members.

Financial

4.2 As at 30th September, gross rent for 2020/21 was forecast to be below budget mainly due to reduction in rent invoiced and anticipated shortfall due to the impact of covid. This is reflected in the cash flows (appendix B). Capital receipts are forecast to be significantly higher than budget through realisation of four freehold sales. Appendix B also reflects the cash flow forecasts for the budget period 2021/24. The distribution target for these years will remain at £600k per annum.

4.3 AVE currently has three loans outstanding with the council. The main loan (arising from when AVE was first set up with a 6% coupon), acts like a residential repayment mortgage, the quarterly payments from AVE to the lender stay constant but the proportion of interest and amortisation change as the debt gets paid down. The schedule was designed to get the loan to value ration down to 50% by the end of the 20th year and AVE is on track to do this. There are two loans outstanding on the purchase of Hale Leys Shopping Centre with 4% and 7% interest

rates. Both these loans can be paid off at any time by AVE without penalty and in 2019, AVE paid down £1m of the loan with the 7% interest rate.

4.4 The distributions received in 2020/2021 (£600k in total to the council by 31 March 2021), were not fully planned for in the baseline budget so have helped reduce pressure on the revenue budget.

4.5 AVE's strategy in 2021-24 to focus on delivering developments combining capital receipts with creating an on-going revenue stream should enable future distributions to be made, amortisation commitments to the council to be met and the value of the portfolio maintained and preferably enhanced. The financial detail of this is strategy is set out in the cash flows which form Appendix B.

5. Corporate implications

a) Property - the AVE portfolio includes some assets adjacent to the council's assets which may provide added opportunities for the benefit of both parties. Collaboration on the requirements of new tenants to ensure that voids in either the council or AVE portfolio are minimised is also advantageous to both parties.

b) HR – no impact

c) Climate change – no impact. AVE has its own programme of investment in carbon reduction measures as and when feasible opportunities arise.

d) Sustainability - AVE has its own programme of investment in carbon reduction measures as and when feasible opportunities arise

e) Equality - no

f) Data - no

g) Value for money – the objectives of the partnership set out the financial expectations each side of the partner can expect over the life of the partnership.

6. Consultation with local councillors & community boards

6.1 The AVE business plan is not subject to consultation with local councillors and community boards.

7. Communication, engagement & further consultation

7.1 The draft business plan has been reviewed by the Property Board and will be considered by the Finance and Resources Select Committee on 28 January.

8. Next steps and review

8.1 All feedback on the draft business plan will be reported back to the Board for consideration. If the Board feels unable to make any changes required to the plan as a result of the feedback, this will be reported back to the council.

9. Background papers

9.1 Aylesbury Vale Estates Business Plan 2021-2024
Aylesbury Vale Estates Business Plan 2020-2023

10. Your questions and views (for key decisions)

10.1 If you have any questions about the matters contained in this report, please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider, please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk

Aylesbury Vale Estates LLP – Property Portfolio Business Plan April 2021 to March 2024

CONTENTS

1 EXECUTIVE SUMMARY

1.1 KEY OBJECTIVES OF AYLESBURY VALE ESTATES

The key objectives below were agreed at the inception of AVE in 2009 and are constant in every Business Plan. The strategy for achieving them varies depending on a range of circumstances including market conditions, development opportunities and the target distribution figure agreed for each financial year.

The strategy for 2021/24 is summarised under each objective below.

1. To improve, repair (if applicable) and maintain the Property:
   - Redevelopment of sites
   - Consideration of refurbishment requirements of vacant units on a case-by-case basis
   - Replacement of roller shutter doors and frontages, where required.
2. To enhance, maintain and improve income stream generated from the Property:
   - Redevelopment of assets, where possible, which will enable distribution to investors to be sustained at £600,000 per annum through increased revenue generation and efficient active asset management
3. To positively influence and promote development and economic growth in the Area through the development, improvement and maintenance of the Property, together with pro-active asset management:
   - Continuation with sales and development projects and refurbishment of assets
   - Develop strong relationships with tenants to understand their requirements, facilitating movement within the portfolio and thereby fostering economic growth
   - Any surplus capital will be reinvested into income producing assets, or redevelopment of existing stock.

Please note, the above are the original main AVE objectives, however the Business Plan is formulated with the aim of meeting all of these and improving the portfolio performance.

1.2 HIGHLIGHTS OF THE 2021-24 BUSINESS PLAN

The table below sets out the three-year headline figures which will facilitate achievement of the objectives above. These show a Base Case assumption which is predicated on planning being achieved on 2 main sites and the following milestones being achieved on those sites:

- Planning granted Rabans Lane redevelopment – Q1 2021/22
- Planning granted Stocklake redevelopment – Q2 2021/22
- Sell residential part of Rabans Lane – Q2 2021/22 - £7,000,000
- Sell part commercial Rabans Lane* – Q2 2021/22 - £1,800,000
- Procure finance for redevelopment (linked to residential sales as above) of Stocklake (£6,295,200 total development cost) and Rabans Lane (£6,753,600 total development cost).
- Gateway Phase 3** – Q3 2022/23 - £1,500,000.

*Assumption for the Base scenario is to sell part of the Rabans Lane site for commercial industrial. Preferred option is to sell this portion of the site with outline residential consent.

** The development of the remaining AVE owned land at Gateway has been programmed into Business Plans for a number of years in line with the policy of realising value from under-utilised assets. BC have asked for development action (initially planning) to be put on hold for a period whilst future Council car parking requirements are ascertained, including monitoring car parking use post Covid.

It is considered that a deferral of activity is justified for development management and funding phasing reasons on the basis that solid progress is made, as per Business Plan assumptions, on development at Rabans Lane (Cinram and 1 Rabans Lane) and Askeys, Stocklake sites.

The main financial highlights of the 3-year Base Case business plan are as follows:

	2021/22	2022/23	2023/24
1. Forecast Gross rent	£2,935,976	£2,615,442	£3,015,903
1a. Forecast unpaid rent*	-£855,620		
2. Net Operating Income	£464,454	£1,305,137	£1,817,113
3. Total cash	£5,866,340	£2,615,731	£1,342,025
4. Capital Receipts	£8,800,000	£1,500,000	£0
5. Capital Expenditure and development funding	£3,136,107	£3,178,893	£65,000
6. New Investments	£0	£0	£0
7. Void level	18.60%	16.70%	16.00%
8. Debt amortisation	£899,951	£933,698	£969,516
9. Debt repayment	£0	£0	£0
10. Proposed distribution	£600,000	£600,000	£600,000

*2021/22 - allowance for unpaid rent (20% for AVE and 60% for Hale Leys)

1. <u>Gross rent receivable:</u>

From a rental perspective the Base Case assumes the relatively strong industrial market conditions continue with limited vacancy. However, the assumption on voids is that for medium and larger units, the void period will be 6 or 9 months to reflect the softening in the market, which is mainly anticipated to be caused by Covid-19 throughout 2021.

Rental income reduces significantly from forecast portfolio rent invoiced for 2020/21 of £3,357,861 to £2,935,976 for 2021/22 and £2,615,442 for 2022/23. The reason for this drop is due to a number of key factors:

1. Sale of Hayloaders, Brill – reduction in annual rent of £170,000 in Q2 2020/21
2. Surrender of Askeys, Stocklake lease – reduction in annual rent of £120,000 in Q2 2020/21
3. Termination of Rabans Lane leases (Cinram Novum, Integral Memory and Perry's) – reduction

in annual rent in Q2 21/22 of £667,000.

Whilst the drop in rent will cause an impact in the short-term, both the Rabans Lane and Stocklake premises are old and beyond their economic life. It would, therefore, not be possible to re-let them in the open market as cost to get them into a lettable state would be too high and they are not up to specification.

Once redeveloped it is anticipated Rabans Lane commercial industrial will generate c. £620,000 per annum, although this is only on a third of the overall site. Stocklake is anticipated to generate £565,000 per annum, which overall, more than balances out the loss of rent suffered in the short-term and is key to delivering a number of main aims of AVE, such as improving the income stream, positively upgrading the stock, promoting development and economic growth in the area.

2. Capital Receipts:

The main capital receipts for the Business Plan are outlined above. In addition, Akeman will assess the non-core assets (see section 4) within the portfolio and present sales / development opportunities to the Board as they arise. Please note, these are not shown in the Base Case figures above or included in the business plan financials which are in the cash flow appendices.

By completing the expected sales this will enable a combination of solutions to be achieved i.e. debt to be reduced, thereby reducing future amortisation obligations, and / or part-finance of development schemes.

3. Capital expenditure:

The Business Plan includes construction costs for the re-development of the Stocklake site, for a total of £6,295,200 and also the re-development of the (non-residential part) of the Rabans Lane site, for a total of £6,753,600.

Additionally, £30,000 is allocated to provide an additional entrance to unit 1-2 (unit on right hand side as you enter from the High Street) in Hale Leys Shopping Centre and enhancements to the Market Square entrance.

Capital expenditure also includes an allowance for electrical upgrades and roller shutter door on the multi-let industrial estate. This varies and has been estimated depending on expiry profile of the individual leases.

4. Reinvestment

The decision of Askeys to leave their long-established site on Stocklake Road presents AVE with an exciting possibility to redevelop that site for new commercial uses, creating modern units, new jobs and increased income for AVE. All of which meets the AVE prime objectives. Based on the anticipated total capital receipts and debt repayments it is anticipated there will be a surplus of £10,300,000 by Q2 2021/22 which will be partly used for the Stocklake re-development project. By using surplus funds in this way, AVE will be both increasing revenue for the investors but also creating new commercial accommodation and opportunities in the local economy.

Additionally, the intention is also to redevelop part of the Rabans Lane (Cinram) site which will enable AVE to continue to hold the asset as a new investment, whilst the remainder of the land will be sold for either residential or commercial development, for employment use, by others. The Rabans site is simply too large for AVE to develop the whole and thus sale of part will provide part of the funding for the retained-developments. Whilst the Base Case scenario assumes part of the site, with commercial

industrial consent will be sold, the preferred option would be to achieve outline consent for residential and sell to a developer, the net receipt should be higher.

5. Void level of portfolio:

Hale Leys continues to present significant challenges for the portfolio, with numerous tenants seeking improvement on terms as the sector battles to right itself from the effects of the ongoing pandemic. Occupancy has, for the time being, remained at a similar level to before the crisis and the main challenges moving forwards will be maintaining these levels, reducing landlord's overheads and growing net rent collectable.

The main industrial estates have been at or above 98% occupancy for nearly 2-years and, as at the end of September 2020, there was only one vacant unit. The aim is to continue to keep as close as possible to this level of occupancy. However, it should be born in mind that over the long term, multi-let industrial estates have a structural void of between 5% and 10%, so it will be unreasonable to assume a sub 2% void level indefinitely, especially with the continued uncertainty around the Covid pandemic.

The increase in the void percentage to 18.6% in 2021/22 is due to Stocklake and part-Rabans Lane becoming vacant. As previously discussed, this is for redevelopment purposes and strictly should not be considered "void" during that development period.

6. Debt Repayment:

The remainder of the Hale Leys Sub Debt stands at £1,900,000 (7% pa interest). The intention is for this to be paid off, however, this is not currently included in the business plan and repayment of the loan will depend on timing of the capital receipt for Rabans Lane and requirement to fund the re-development projects.

The main loan in AVE has a coupon of 6% and a fixed amortisation schedule currently totalling £518,155 per annum and this will be paid as normal.

7. Distributions:

Currently distributions are forecast in the 2021-24 Business Plan at £600,000 annually, as in the current Business Plan. The 2019/20 distribution has been paid in October 2020. The 2020/21 distribution is forecast to be paid in Q4 2021/21. If the distribution target is met this will help achieve the aim of improving the income stream for investors.

8. KPTs:

It is anticipated that the majority of the KPTs will be met in the Business Plan period.

2 PERFORMANCE AGAINST 2019-20 BUSINESS PLAN

The 2019-20 Business Plan followed on from the strategy of the 2018-19 Business Plan where AVE were required to meet the core objectives plus increased investor revenue flows and support for the council's economic development programme.

The strategy outlined to achieve this was as follows:

- Sale of high value land with low income - improved planning consents to maximise land value of low-income sites, for either development or sale and reinvestment
- Pay off expensive debt in order to reduce cost of finance and de-risk the portfolio
- Reduce amortisation, which soaks up surplus income
- Target a distribution of £600,000 pa
- Occupancy levels:
    - Maintain low levels of vacancy within the industrial portfolio
    - Maintain current tenants at Hale Leys, let vacant units and improve future income stream

Achievement against the above strategies was as follows:

2.1 SALE OF HIGH VALUE LAND WITH LOW INCOME

- Stocklake – sale to Lidl of vacant part of the Stocklake site completed in April 2019, following intensive and lengthy involvement in the planning process, at a gross price of £2,000,000 plus VAT.
- Adams Close, Buckingham – vacant site sale completed to Brickhill Properties for £240,000 plus VAT in July 2019. Development of 4 x 3-bed houses has completed.
- Gateway Phase 2 – as at the end of FY 2019/20 further delays caused by the planning process meant the vacant land sale completion had not occurred. Completion of the sale has subsequently occurred (April 2020).
- Rabans Lane redevelopment – Design and planning of the redevelopment of the site at Rabans Lane (Cinram site) and 1-2 Rabans Lane had started. These areas formed part of the HEELA submission, put forward within the Local Plan for redevelopment as commercial/residential space. The planning application has now been submitted (July 2020).

Despite the sales outlined above, rent invoiced increased year-on-year by 8% overall from £3,299,616 to £3,552,461, although as at the year-end £463,000 of this was unpaid, mainly due to Cinram Novum situation.

2.2 PAY OFF EXPENSIVE DEBT AND REDUCE AMORTISATION

During 2019/20 £1,000,000 of Hale Leys debt was paid down following the Stocklake sale. Hale Leys Loan now stands at £1,900,000 and this has reduced quarterly payments accordingly.

2.3 TARGET DISTRIBUTION

A distribution of £600,000 for 2019/20 was due to be made in Q3 2020/21, delayed due to the uncertainty created by the Covid-19 process. This has now been paid (October 2020).

2.4 Occupancy Levels

- At the end of March 2020, vacancy of the portfolio was 3.0% versus a year-end (March 2020) target of 9.2%. This high occupancy was achieved by very low vacancy level across the industrial portfolio of 1.7% combined with low vacancy at Hale Leys of 7.5%.
- Various asset management initiatives were implemented on the Rabans Lane Industrial Estate to enhance the estate, attract and retain tenants and build relationships:
    - Installation of speed bumps and bollards on Bessemer Crescent and Edison Road
    - Line painting to improve parking efficiency
    - Installation of a defibrillator
    - Clearing fire escape routes and putting pathways in on Edison Road units
    - Continuation of quarterly tenant's meetings to greater understand tenant's issues and develop relationships.
- The main lease completion within the industrial portfolio to YE March 2020 was Hayloaders, Brill (May 2019) – 15-year lease to Emblem Developments at an annual rent of £150,000 plus VAT. This has subsequently been surrender, due to the sale of the site to the occupier.
- There were 25 new leases across the portfolio (excluding Hale Leys) with a total annual rent of £358,125. Additionally, there were 17 renewals with an annual rent of £205,300.

Several key transactions occurred in 2019/20 at Hale Leys, which improved the occupancy of the centre:

- Bar Noosh Ltd took unit 6 Market Square on a 10-year lease from 24.05.19. Annual rent of £15,000 with 6-months' rent free and a rent review in year 5.
- Poundstretcher Limited t/a Bargain Buys signed a 3-year lease on unit 5-8 from 24.06.19 with an annual rent of £100,000 inclusive of insurance, service charge and rates. Poundstretcher has subsequently announced their CVA process (June 2020).
- The Aylesbury Bar Company t/a The Manor agreed a 15-year lease for 15A to operate a bar and restaurant. Base rent of £40,000 per annum with turnover top-up and 24-months' rent free.
- Stay and Play Aylesbury Limited completed a 10-year lease from 25.09.20 paying annual rent of £55,000 with 12-months' rent free and 12 months' half-rent.

2.5 Maintain Current Tenants at Hale Leys

Hays Travel Limited took over occupation of the former Thomas Cook unit following their demise in September 2019. 10-year lease from 01.02.20 with annual rent of £45,000 and 12-months' rent-free period.

2.6 Management of Rabans Lane Industrial Estate

In addition to the projects carried out on the main industrial estate as mentioned above i.e. installation of speed bumps and bollards, line painting, clearing fire escape routes there were also works carried out to Edison Workspace which included upgrading lighting, new heating, reception area upgrade and re-carpet throughout the shared areas.

Overall annual costs attributed to Edison Workspace have reduced from £50,000 to £28,000 mainly through reduced electricity charges and transferring business rates to tenants, which have had minimal adverse effects on tenants due to their ability to claim small business rates relief.

2.7 KEY PERFORMANCE TARGETS

Income

Portfolio income increased year-on-year by 8% overall from £3,299,616 in 2018/29 to £3,552,461 in 2019/20, although as at the year-end £463,000 of this was unpaid, mainly due to Cinram Novum situation. Hale Leys was slightly lower than budget (£1,289) and the commercial industrial section of the portfolio was £34,040 ahead of budget at £2,882,124.

Bad debts

No bad debts were written-off in the year ending March 2020.

Collection rates

The 3-month collection rate for the whole portfolio for the March 2020 quarter was 80.5% which was under the 3-month KPI of 90% due to the continued arrangement with Cinram Novum. The 12-month collection rate was 99.75%, well above the 12-month KPI of 95%.

Portfolio Performance

The Loan to Value as at 31 March 2020 was 69%, below the maximum limit of 72%. The portfolio value was £44,086,500, which was stable compared to the previous year (£43,871,500), with the 4.1% increase of the AVE portfolio offsetting the write down of Hale Leys (£1.5m).

AVE's gross assets (including cash) at the end of March 2020 fell from £44,900,000 in 2019 to £42,890,000, solely due to sales. However, debt also fell, from £32,420,000 to £30,400,000 due to amortisation of senior debt within AVE and the loan from AVDC on Hale Leys plus the repayment of £1,000,000 of the subordinated debt on Hale Leys.

Net asset value was £12,410,000 down marginally from £12,500,000 which is unsurprising as we are reusing last year's values, using cash from sales to pay down debt and nearly £600,000 was distributed. This produces an overall total return since inception of 10.13% pa. Total return is calculated using the starting value of the portfolio at inception, writing off one twentieth of the set-up costs each year then including any distributions made and the end of current year value.

3 PERFORMANCE AGAINST 2020-21 BUSINESS PLAN

The core objectives and strategy for the current year are the same as the previous year.

3.1 SALE OF HIGH VALUE LAND WITH LOW INCOME

- Gateway Phase 2 – sale to Shanly Homes for net sale price of £2,078,588 plus VAT completed in April 2020.
- Hayloaders, Brill – sale to Emblem Developments of £2,570,000 completed in July 2020. This compared to March 2019 valuation of £1,750,000.
- Moreton Road – sale to Romdox UK Ltd for £620,000 plus VAT completed in September 2020. This compared to a valuation of £80,000.
- Meadowcroft Surgery – sale to occupier for £100,000 plus VAT completed October 2020. This compares to a valuation of £5,000 (for entire site).

Of the above sales, only Hayloaders (£170,000 per annum) provided a significant income. The decision to proceed with the sale was due to risk around the site (one tenant had already gone into administration), the potential for residential development was reduced (not identified in the Local Plan) and also the sale price was significantly higher than valuation. The decision was therefore taken to proceed with the sale and use the capital receipt to either pay down expensive debt or contribute to other development activity.

3.2 PAY OFF EXPENSIVE DEBT AND REDUCE AMORTISATION

No additional debt (above agreed amortisation level) has been paid off in the current financial year. Ideally, the remaining Hale Leys debt of £1,900,000 would be paid off, however consideration needs to be given to the timing of equity requirements for redevelopment projects.

3.3 TARGET DISTRIBUTION

It is anticipated that a distribution of £600,000 for 2020/21 will be achievable before the end of the financial year and this is forecast to be paid in Q4 2020/21.

3.4 OCCUPANCY LEVELS AND RABANS LANE MANAGEMENT

- At the end of September 2020, vacancy of the portfolio was 6.3% versus a year-end (March 2021) target of 5.8%. Hale Leys vacancy was 7.7% and the rest of the portfolio 5.9%. The increase was due to surrender of Askeys lease at Stocklake, which would not be suitable for re-letting and is due to be redeveloped as soon as possible. This will now be excluded from vacancy calculations until the development is completed.
- Akeman continue to work hard to maintain and develop relationships with tenants across the portfolio. This has been of increasing importance during the pandemic as it has enabled a deeper understanding of individual businesses needs to be gained for the longer-term benefit of the

tenants and the portfolio as a whole. Akeman has been proactive in promoting Government support available to businesses during the pandemic and will continue to be flexible as the impact of the pandemic continues to be felt.

- Various asset management initiatives have been carried out or are underway on the Rabans Lane Industrial Estate to enhance the estate, attract and retain tenants and build relationships:
    - On-going roof works – increase of frequency of bad weather conditions have caused problems which are being dealt with
    - Drainage works – on-going maintenance to ensure smooth-running of drainage system such as root clearance, clearing blockages, repairing broken pipes, etc.
    - Tree works – on-going programme of tree works to ensure safety and reduce leaf fall which causes blocked gutters
    - Continued works to Edison Workspace including kitchenette upgrade
    - Continuation of tenant's meetings – whilst these have not occurred since the start of Covid-19 they will proceed through on-line forum with individual meetings being offered should tenants require them.

- In the first half of 2020/21 there were 6 new leases across the portfolio (excluding Hale Leys) with a total annual rent of £57,450. Whilst this is lower than previous years, occupancy levels have generally been maintained. Additionally, there were 14 renewals with an annual rent of £143,000.

3.5 Maintain Current Tenants at Hale Leys

Discussions have been had with almost all the tenant within Hale Leys to agree some sort of concession on the rent, to assist with the pressures and effects of Covid-19. Where appropriate, rent free periods have been granted in exchange for extending the term certain on the lease.

- There was the launch of the CVA for Poundstretcher, t/a Bargain Buys which was voted for in June 2020. Under the terms of the CVA they trade rent free after the initial 6-week period following the CVA vote. Their rent is an all-inclusive rent which means they currently do not pay anything towards service charge. The agents are instructed to secure alternative tenants for this unit to reduce / eliminate the shortfall.
- Accessorize went through their CVA in 2019 with reduction to 45% of the contractual rent payable. Subsequently they went into Administration in June 2020 and were immediately bought out in a pre-pack sale. A deal has been agreed for a lease on a base rent of £10,000 plus 10% turnover top-up. The deal is in solicitors' hands.
- Card Factory renewed their lease on unit 15 for a further 3 years from April 2020 with rent-free partly to deal with the lockdown period.
- Sparks E-Cig went into administration; however, a new company has been set up, and a deal has been agreed for them to continue to occupy Unit 17 on a reduced base rent and turnover basis. The deal is in solicitors' hands.
- Toys UK served their break notice and vacated unit 11&12 in early August 2020.
- Boots remain in occupation having been granted 1-month rent free to settle their arrears.
- Calendar Club are occupying units 1 & 2 on a temporary basis from October through to January 2021 on a turnover only basis. This is to mitigate the landlord's rates liability.
- There is also a short term letting on unit 9 to Nigel's Handbags and Travel Goods, who pay a base rent plus a turnover top-up. The lease has annual mutual breaks.

It is anticipated that all units will be occupied over Christmas due to two short term tenants. Unit 9 has now been occupied by a retailer who has traded in Aylesbury for 30 years. This signals a move away from the main high street name shops and provides another opportunity of the type of tenant Hale Leys could attract moving forward.

4 BUSINESS PLAN – 1ST APRIL 2021 ONWARDS

The core objectives are set out in Section 1, however in summary are:

- Increase the value of the estate;
- Increased investor revenue flows; and
- Support for the Council's economic development programme

The key strategies identified to achieve these objectives for 2021/24 are:

- Sale of high value/low income assets, for reinvestment in the portfolio through redevelopment of current sites or into higher income assets
- Redevelopment of key assets and renewal of old industrial stock
- Pay off expensive debt to reduce cost of finance and reduce amortisation
- Target a distribution of £600,000 pa
- Maintain current levels of occupancy within the industrial portfolio
- Hale Leys - maintain current tenants, let vacant units and improve future income stream
- Review all non-core and Category B assets and sell/develop where possible (subject to the necessary BC approvals as set down in the Members' Agreement).

As in previous Business Plans, the financial cash flow assumes the most likely scenario that may occur – this is laid out in the "Base Case." In addition, there are potential scenarios which are less likely to occur and this is included in the "Enhanced Case."

Base Case assumptions

The key elements of the Base Case scenario are as follows:

- All tenants remain at the break clause point, however all vacate at lease expiry
- In 2021/22 the cash flow assumes only 70% income will be collected due to the on-going difficulties surrounding Covid-19. This is based on the assumption that for Hale Leys only 40% of rent will be collecting in the first 12-months of the business plan (April 2021 to March 2022) and only 80% for the rest of the portfolio.
- Redevelopment of Askeys at Stocklake – McDonalds drive-through and the remaining as commercial industrial. Development to commence 2021/22 Q3.
- Part sale and part redevelopment of the Rabans Lane site with 5.7 acres commercial industrial retained in the portfolio and 8.6 acres sold with outline residential consent and an assumption of 3 acres being sold with detailed commercial industrial consent. Sales assumed in 2021/22 Q2.
- Sale of Gateway Phase 3 for £1,500,000 in Q3 2022/23.
    - The development of the remaining AVE owned land at Gateway has been programmed into Business Plans for a number of years in line with the policy of realising value from under-utilised assets. BC have asked for development action (initially planning) to be put on hold for a period whilst future Council car parking requirements are ascertained, including monitoring car parking use post Covid.
    - It is considered that a deferral of activity is justified for development management and funding phasing reasons on the basis that solid progress is made, as per Business Plan assumptions, on development at Rabans Lane (Cinram and 1 Rabans Lane) and Askeys, Stocklake sites.

The following Base Case letting assumptions were made for individual units in Hale Leys:

- The Base Case assumes that the currently vacant Hale Leys units (1&2, 11&12 and 22-24) remain vacant i.e. the rental forecast does not assume re-letting of these units due to the current uncertainty.
- ERVs generally have been re-assessed due to the on-going issues the retail sector is experiencing.

Enhanced Case assumptions

The Enhanced scenario assumes the following:

- 100% of the income is received i.e. no allowance for lower rent receipt due to Covid-19.
- Planning consent achieved as per submission made i.e. 5.7 acres of commercial industrial on part of Rabans Lane (Cinram) site with the balance being sold with outline residential consent for £9,000,000.

The following table provides a summary of each of the scenarios and the anticipated capital receipts under each of these.

	Base Case Scenario - A	Enhanced Case Scenario -differences to Base Case
2021/22 Q1	1.Assumes 70% of rent received (due to covid) for 2021/22 (12 months) i.e. 80% for AVE (non-Hale Leys) and 40% for Hale Leys.	1. Assumes 100% of rent received for AVE (non-Hale Leys) and 40% of Hale Leys rent collected
2021/22 Q2	1. Sell resi-part of Cinram (Rabans Lane) site (8.6 acres) - £7m 2.Sell 1 – 2 Rabans Lane (commercial) 3 acres - £1.8m 2. Procure finance for re-development of Stocklake (£6.3m) and Rabans Lane commercial (£6.6m)	1. Sell resi-part of Rabans Lane (11.6 acres) - £9m
2021/22 Q3	1. Re-development of Stocklake site commences 2. Re-development of Rabans Lane commences; this includes 5.7 acres on Cinram site	
2021/22 Q4		
2022/23 Q1		
2022/23 Q2		
2022/23 Q3	1.Gateway Phase 3 receipt of £1,500,000	
2022/23 Q4	1.Re-development of Stocklake complete 2. Re-development of Rabans Lane complete	
2023/24 Q1		
2023/24 Q2	1. Commence income receipt for Rabans Lane	
2023/24 Q3	1. Commence income receipt for part Stocklake	
2023/24 Q4		

NB There is no Enhanced Case scenario for Hale Leys.

The opportunity outlined in previous business plans remains i.e. site disposals to release substantial capital for reinvestment which will increase revenue flows. The main challenge will be getting to the point of realising increased revenue flows whilst suffering reduced income for a period of time whilst redevelopments occur. Annual rent reduces by £957,000 due to loss of Hayloaders rent (£170,000), Askeys, Stocklake (£120,000) and Rabans Lane (£667,000). Notice has been served on Integral Memory Ltd, however a short-term lease renewal is being proposed with a rolling option to break the lease. The Rabans Lane tenancies will all need to be managed to ensure maximum rent is extracted before sales are progressed and redevelopments commence.

There is continued uncertainty with Cinram Novum however, they cleared £250,000 in Q4 2019/20 and, up to end of September 2020, have managed to adhere to agreed payment plans. Arrears as at end of September 2020 was £190,000 plus VAT. The Base Case assumes they continue to pay rent as per their contracted amounts up to July 2021 i.e. when planning is assumed to be granted on Rabans Lane.

The current three-year business plan has been designed to take the portfolio to a position where the revenue flows from rent alone can comfortably cover all running costs, asset enhancements and amortisation and leave a surplus for distribution to investors on an ongoing basis. This is part of the core aim of increasing investor revenue flows.

To achieve the key strategies outlined above the focus of this business plan is as follows:

4.1 Redevelopment of Key Assets

Stocklake

Whilst the decision of Askeys to relocate their operations to other facilities will temporarily reduce income in the portfolio by £120,000 per annum, it does also present an exciting redevelopment opportunity. The Base-Case business plan assumes a planning application will be submitted prior to commencement of the 2021 financial year.

The re-development will require taking proceeds from the part-sale of Rabans Lane site and borrowing to finance the development.

It is anticipated that planning could be achieved and development commence by Q3 2021/22 with income being generated on the site by the end of the business plan period i.e. Q3 2023/24.

The development proposal comprises a drive-through operator on the front portion of the site, with new commercial industrial units on 3-acres to the rear of the site.

- Terms have been agreed with McDonalds for a 25-year lease with a 20-year break at £120,000 per annum. Build cost - £670,000 (for drive-through unit only)
- Proposed plan for commercial industrial will be 11 units totalling 49,400 sq ft of GF accommodation, ranging from 1,750 sq ft to 10,600 sq ft. Total parking of 90 spaces. Build cost - £4,700,000.
- Total development costs are anticipated to be £6,430,000

- It is anticipated that, once completed, income generated from the development could be c. £560,000.

Rabans Lane

A planning application was submitted for Rabans Lane site in July 2020.

Proposed development comprises 200 residential units made up of 66 x 1-3 bed apartments and maisonettes and 134 x 3-5-bed houses as well as commercial industrial of 69,000 sq ft split over 18 units.

The Base Case scenario assumes planning in achieved within 12 months. Part of the site is then sold for residential development for £7,000,000. The proceeds can then be used to part fund the re-development of the Stocklake and Rabans Lane commercial units (industrial and Stocklake drive-through pod). The balance of the site (3-acres on 1-2 Rabans Lane) will also be sold as commercial industrial, estimated in the Base Case scenario at £1,800,000.

This scenario would involve an amendment to the submitted planning application and assumes that residential consent is not achievable on the eastern side of Rabans Lane. The Enhanced scenario, however, assumes that it will be possible to sell this area for residential development as well.

It is anticipated development costs for the commercial industrial Rabans Lane units will be £6,800,000.

4.2 SALES OF ASSETS

Base Case

Sale of Rabans Lane Site is included in the Base Case scenario as follows:

- Sell residential part of Rabans Lane (8.6 acres) – Q2 2021/22 - £7,000,000
- Sell part commercial Rabans Lane (3 acres) – Q2 2021/22 - £1,800,000

The Base Case also assumes Gateway Phase 3 will be sold in Q3 2022/23 for £1,500,000.
NB - The development of the remaining AVE owned land at Gateway has been programmed into Business Plans for a number of years in line with the policy of realising value from under-utilised assets. BC have asked for development action (initially planning) to be put on hold for a period whilst future Council car parking requirements are ascertained, including monitoring car parking use post Covid.

It is considered that a deferral of activity is justified for development management and funding phasing reasons on the basis that solid progress is made, as per Business Plan assumptions, on development at Rabans Lane (Cinram and 1 Rabans Lane) and Askeys, Stocklake sites.

<u>Rabans Lane</u>

- The Rabans Lane site is included in VALP as a residential location for 200 units, with the remaining 3-acres identified as commercial development within the VALP.
- The Base Case scenario assumes that achieving outline consent as applied for i.e. residential on the 3-acre plot currently identified as commercial land within the VALP, is not possible.

Therefore, the application will achieve consent for commercial industrial and be sold for £1,800,000 rather than retained and developed out.

- It is assumed that 8.6 acres of the Rabans Lane (Cinram) site will achieve outline consent for residential. This will be sold on at that point to a housing developer for £7,000,000. The balance of the site will be retained and developed as commercial industrial to be retained within the portfolio

Enhanced Case Sales

There are no additional sales, however the Enhanced scenario assumes that planning consent for residential development is granted as per the planning application i.e. on the majority of the Rabans Lane site (Cinram) site as well as the 3-acre site of 1-2 Rabans Lane.

- Sale of Rabans Lane Site (Residential) £9,000,000 forecast Q3 2021/22

Additional non-core assets (further details in section 4.7)

There are a number of non-core assets which will be reviewed that are currently generating negative net revenue for the portfolio (see section 6 for details of net negative revenue properties). These have the potential to realise additional capital receipts, which could be reinvested in the portfolio. Please note, these have not been included in the Base Case or Enhanced scenarios due to the uncertainty of selling the sites.

Acquisitions

The current business plan does not assume new acquisitions outside the portfolio and focuses on redevelopment of existing sites to provide new commercial premises and attract new tenants paying market rents.

4.3 PAY OFF EXPENSIVE DEBT

As set out in the previous Business Plan AVE has paid down the expensive (7% pa) debt in Hale Leys. This loan started out at £2,900,000 and thus costs have now been reduced by £203,000 per annum.

To reach a steady state whereby AVE can cover its annual running costs from rent receipts alone and still pay £600,000 pa distribution to members has been the aim of the asset management team to meet the target set by the AVE board.

This Business Plan, therefore, proposes new debt is only taken on to assist in the redevelopment of the Stocklake and/or Rabans Lane sites. The rent generated will need to more than cover interest and any amortisation costs and enhance net returns of AVE. Currently, due to Covid-19, banks are lending less and generally being very cautious, AVE therefore need to monitor both the availability and cost of debt to insure the use of debt to facilitate those developments adds to the income returns as well as capital returns.

The remaining debt in Hale Leys from Buckinghamshire Council outside the overall AVE facility amounts to £3,512,500 at March 2021 is at a rate of 4% pa. This is a good interest rate and unlikely to currently be bettered in this market. However, it also has an aggressive amortisation schedule at £350,000 per annum.

The previous Business Plan assumed this debt would be repaid but given the proposals on Stocklake and Rabans Lane, it seems sensible to keep this low interest loan in place despite the amortisation requirements, rather than borrow more at a higher interest rate to help finance the two development schemes.

4.4 DISTRIBUTION

The Board have decided that ongoing distribution should aim to be at £600,000 per annum to Members and thus the Business Plan has been constructed to try to achieve this. Members will appreciate that the quantum and timing of distributions in the short term may need to be flexible to achieve the long-term aim of a robust positive net income stream and sustained annual distribution.

4.5 MAINTAIN CURRENT LEVELS OF OCCUPANCY WITHIN INDUSTRIAL PORTFOLIO

Investment improvements

The Rabans Lane multi-let industrial estate continues to experience a high level of occupancy which has been facilitated by high demand, but also through the significant investment made on over-cladding the roofs, replacing frontages and upgrading the units internally, which has enabled a desirable product to be presented to the market. This is also evidenced by the increased rents that are being achieved. Akeman has sought to make the AVE assets both affordable to tenants whilst offering some of the best facilities in the area.

The rolling refurbishment programme has now come to an end as all the long-term vacant units that were in poor condition have been refurbished and let. Now, the only units that require work are ones that come back due to failing businesses, lease expiries with tenants not renewing or break notices served and the work required is reduced, where possible, by the tenant carrying out dilapidations works.

Relationship Development

Regular quarterly tenants' meetings continue, however, these will move to online meetings, with individual meetings being offered as well. The asset managers attend site on a regular basis to try to develop strong relationships with tenants and this certainly helps with lease renewals and ensuring the smooth running of the estate.

Marketing

The joint agency appointment is working well and AVE have been able to capitalise on local level market improvement, completing numerous new lettings across the Rabans Lane Industrial Estate reducing the number of void units. Monthly letting meetings will continue to take place where activity and initiatives are reviewed for implementation.

The e-based marketing campaign continues, with the agents making properties in the AVE portfolio available on their own websites.

4.6 HALE LEYS

Opportunities

Despite the Covid-crisis, there are still significant opportunities to enhance and repurpose retail units. With the addition of two non-traditional tenants, The Manor and Stay & Play, the centre was showing signs of recovery pre-lockdown. This demonstrates how non-traditional retail can lift the Centre and there may be opportunities in the future for vacant units to also be re-purposed.

One potential opportunity within the Centre is New York Deli taking occupation of Unit 22-24 which may also allow Unit 1-2 to be seen in a new light. Hopefully, once the Deli is open unit 1-2 will also lend itself to another food and beverage tenant allowing new possibilities to the High Street entrance to the mall. There are plans to separate off the mall area between unit 22-24 and 1-2 and secure a 'food market' type operator for unit 1-2, utilising the mall area for seating and bringing more people to the centre.

The largest hurdle to overcome for both Tenants and Landlords is Business Rates. Whilst currently Tenants enjoy a rates-free period up to April 2021, landlords do not. Neither party knows what will happen in April 2021 when the potential to be hit with 100% liability will possibly cripple any new business looking to take retail space. FHP Property Consultants have been tasked with carrying out a rates appeal in early 2021. It is anticipated the following units could achieve successful rates appeals:

Units 1-2:	Short term let to Colander Club currently then vacant.
Units 5-8:	Let to Poundstretcher t/a Bargain Buys on a fully inclusive lease
Unit 9:	Now tenanted but the tenant is not liable for the rates.
Unit 22-24:	Vacant, but hopeful New York Deli will occupy soon.

Relationship Development

Akeman will continue to maintain a regular dialogue with tenants, both at store level and with head office departments, where applicable. In addition, all tenants will be encouraged to continue to provide monthly turnover figures to enable Akeman to identify trends in the market and, if necessary, to act upon them as appropriate. Akeman and the Centre Manager will continue to attend the quarterly Town Centre Partnership meetings ensuring that Hale Leys is properly represented. By building relationships with other TCP Members, it will enable Akeman to keep abreast of what is happening within the town centre.

Capital Investment

It is proposed to extend the frontage of units 1-2 the same as units 22-24 (these are the units on the right and left hand sides as you enter the Centre from the High Street). This will allow out of hours trade to help facilitate the letting of the unit. The entrance from Market Square requires updating, however, this may have to wait until finances become clear due to Covid. An allowance of £30,000 has been made for these items in Q1 2021/22.

Footfall

Hale Leys continues to have the highest footfall of any retail destination in Aylesbury. It is essential that we use this high level of footfall as a positive marketing tool. Footfall is currently higher than

reported as we don't have a counter on the doors to The Manor or to the Arcade entrance of Stay & Play.

4.7 REVIEW OF NON-CORE AND COMMUNITY ASSETS

There are a number of assets which cost AVE money to own. These are reviewed on an ongoing basis and will be discussed with the Board as necessary. These are sites where the level of revenue (in terms of rent) is less that the cost to hold them in the portfolio i.e. they reduce net income from the portfolio.

Please note - the comments relating to these assets below have not yet been discussed by the Board and are intended to give a flavour of the options that will be considered by the Board in due course and any decisions will follow the governance arrangements set down in the Members' Agreement.

Each of these sites will be reviewed and assessed with a view to making a recommendation to the Board on whether they should be retained within the portfolio, sold or re-developed and retained.

Negative net value sites (not included in discussion elsewhere)

Asset	Type	Mar-19 Val	Comments
Dover Hedge, Scout Hut Land	Scout Hut	£5,000	Holds no strategic value to AVE. Have agreed sale price of £15,000 plus VAT for the Scout Association to purchase; they are raising funds.
Land at Lower Green, Westcott	Farmland	£50,000	Large rural site in attractive village. No intention to sell the freehold. The plot is currently let for agricultural purposes but may have much longer-term residential potential. Savills have reviewed and no re-development opportunity at this time.
Land at Mitre Street, Buckingham	Small strip of vacant land	£5,000	Part sold during 2017, remainder holds no strategic value to AVE. Decision taken by Board not to progress any further individual sales to house owners.
Land at Douglas Road	Retail and Salvation Army	£1,000	Holds no strategic value to AVE. Consider transfer to occupier
Land at Eagles Road	Vacant land	£50,000	Holds no strategic value to AVE. VAHT not interested in purchasing site. Other options to be considered, such as auction.
Land Ross Road	Land in residential area	£500	Holds no strategic value to AVE. Consider transfer to occupier
Land at Jackson Road	Pub and retail premises	£5,000	Holds no strategic value to AVE. Surgery sold for £100,000 plus VAT to occupier. Pub and convenience store leaseholders are not interested in purchasing the FH elements of their sites.

Land at Haddenham	Farmland	£60,000	The potential of this site has not been progressed due to political sensitivities, which should be addressed in due course. There is significant potential residential development value attributed to this large site immediately adjacent to Haddenham station.
Stratford Fields Land, Buckingham	Football Club	£25,000	Buckingham Football Club have not responded to requests for an update on purchasing the FH
Lands Wing, Scout Hut Land	Scout Hut	£5,000	Holds no strategic value to AVE. Transfer for nominal price to Scouts Association agreed but they have now failed to progress. Trying to follow-up.
Mandeville Surgery Land	Land - car park	£5,000	Holds no strategic value to AVE. Consider transfer of freehold to tenant
Friars Square Shopping Centre Land	LLH Shopping Centre	£50,000	Retain ground lease asset as part of the larger town centre holding. Albeit there is no income or significant capital value attributable to this asset.
Cinema site, Exchange Street Land	LLH Cinema site	£10,000	Town centre large site. Retain asset as part of the larger town centre holding. Albeit there is no income or significant capital value attributable to this asset.

Other Non-Core Assets

The following are the remaining non-core assets which are positive net revenue sites and they provide good diversification across the portfolio or if sold, reinvestment would not produce a higher income.

Opportunities will be considered should they arise, however generally speaking the strategy is to hold these assets within the portfolio and any deviation from that will be discussed fully with the Board prior to any action being taken.

Asset	Type	Mar-19 Val	Comments
Round House	Offices	£85,000	Offices – Provides diversity within the portfolio and sound income. Lease has recently been renewed.
71-77 High Street	Retail premises	£420,000	Terrace of four small retail units. Although not adjoining main town centre holdings this should be held as part of larger plans to improve the lower end of the High Street. Would also require the acquisition of the Hale Street Car Park (Option Property).
Slade Recreation Club, Buckingham	Bowls Club	£250,000	21-year lease renewal completed in 2015. Retain asset for income as very little appeal to commercial buyers on open market
79-81 Mandeville Road	Retail units	£285,000	Two retail units – Holds no strategic value to AVE. Lease expiries in 2021 and 2022 respectively. Good income so hold as good diversifier
143-145 Meadowcroft Land	Land – let to charities	£25,000	Property comprises two parcels of land let to charities. Retain asset as occupants not in position to buy freehold and have very little commercial appeal to buyers on market
Oakfield Road, Scout Hut Land	Scout Hut	£5,000	Holds no strategic value to AVE. In discussions with Scout Association to purchase the FH. Have proposed £10,000 plus VAT.
Land at Harroell, Long Crendon	Farmland	£10,000	Site let on long lease to tenant with automatic rights for renewal. AVE to retain the freehold
Haywoods Way Sports & Social Club Land	Football Club	£5,000	Retain. New lease completed

4.8 FINANCIAL SUMMARY

This section identifies the high-level financial summary.

4.8.1 Base Case

The below table sets out the three-year headline figures given a Base Case assumption which is predicated on the current site sales all occurring in the next financial year and reinvestment of the majority of those receipts.

	2021/22	2022/23	2023/24
1. Forecast Gross rent	£2,935,976	£2,615,442	£3,015,903
2. Forecast unpaid rent	-£855,620		
2. Net Operating Income	£464,454	£1,305,137	£1,817,113
3. Total cash	£5,866,340	£2,615,731	£1,342,025
4. Capital Receipts	£8,800,000	£1,500,000	£0
5. Capital Expenditure and development funding	£3,136,107	£3,178,893	£65,000
6. New Investments	£0	£0	£0
7. Void level (entire portfolio)	18.60%	16.70%	16.00%
8. Debt amortisation	£899,951	£933,698	£969,516
9. Debt repayment	£0	£0	£0
10. Proposed distribution	£600,000	£600,000	£600,000

Notes to table:

1. Gross rent receivable is split between AVE and Hale Leys respectively as follows:

2021/22 – AVE: £2,264,913 Hale Leys: £671,062*
2022/23 – AVE: £1,937,120 Hale Leys: £678,322
2023/24 – AVE: £2,343,571 Hale Leys: £672,332
*Less £452,983 unpaid for AVE (non-Hale Leys) due to Covid-19 and £402,637 for Hale Leys

2. Capital Receipts

Estimated sale of sites as listed below:

- Sale of Rabans Lane (residential) £7,000,000 forecast Q2 2021/2022
- Sale of Rabans Lane site (Commercial) £1,800,000 forecast Q2 2021/2022
- Sale of Gateway Phase 3 £1,500,000 forecast Q3 2022/2023

3. Estimated capital expenditure covers:

- Allowance for various enhancement works – AVE Variable per annum
- Development Costs – Stocklake (excl finace) £6,295,200
- Development Costs – Rabans Lane (excl finance) £6,753,600
- Extend Unit 1-2 with a frontage to High Street £15,000 (Q1 21-22)
- Enhance/modernise Market Sq entrance £15,000 (Q1 21-22)

4. Forecast of void position – further details can be found in section 6.

5. The remaining Hale Leys Sub Debt of £1,900,000 (7% pa coupon) is not currently expected to be repaid. Whilst this is the ultimate intention, due to potential uncertainty around timing of planning on Rabans Lane, this will be paid off (following board agreement) if there are sufficient funds to do so, bearing in mind the redevelopment proposals.

6. Distributions to be set at a prudent level and will be approved by the Board at the end of each financial year. Currently forecast at £600,000 for 2021/22 and subsequent years, as in the previous Business Plan.

4.8.2 Base Case Cash Flow Summary

The Board has directed that the Business Plan should aim for AVE to become self-funding through revenue alone whilst also being in a position to distribute at least £600,000 in each year of the Plan and be able to continue distributions of this level going forward. This is reflected in the Base Case scenario, however a Board decision will be made at the time with respect to this depending on cash flow.

4.8.3 Enhanced Scenario

This follows the Base Case but assumes that planning consent for residential development is granted on part of the Rabans Lane site (200 units) and that AVE re-develops the commercial proportion of Rabans Lane Site, which is as per the submitted planning application.

	2021/22	2022/23	2023/24
1. Gross rent receivable	£2,935,976	£2,615,442	£3,015,903
1a. Forecast unpaid rent (Hale Leys)	-£402,637		
2. Net Operating Income	£917,437	£1,305,137	£1,817,113
3. Total cash	£6,786,267	£3,535,658	£2,261,952
4. Capital Receipts	£9,000,000	£1,500,000	£0
5. Capital Expenditure and development funding	£3,136,107	£3,178,893	£65,000
6. New Investments	£0	£0	£0
7. Void level (entire portfolio)	18.60%	16.70%	16.00%
8. Debt amortisation	£899,951	£933,698	£969,516
9. Debt repayment	£0	£0	£0
10. Proposed distribution	£600,000	£600,000	£600,000

1. Additional income:
   - It is assumed that 100% of the rent invoiced in 2021/22 is received for AVE (non-Hale Leys) tenants. It is assumed that Hale Leys still receives a reduced amount of rent invoiced i.e. 40% in FY 2021/22.

2. Additional Capital Receipts:
   - Sale of Rabans Lane Site (Residential) £9,000,000 forecast Q2 2021/22

4.8.4 Portfolio Profile (including Hale Leys)

The Loan to Value as at 31 March 2020 was 69%, below the maximum limit of 72%. The portfolio value was £44,086,500, which was stable compared to the previous year (£43,871,500), with the 4.1% increase of the AVE portfolio offsetting the write down of Hale Leys (£1.5m).

AVE's gross assets (including cash) at the end of March 2020 fell from £44,900,000 in 2019 to £42,890,000, solely due to sales. However, debt also fell, from £32,420,000 to £30,400,000 due to amortisation of senior debt within AVE and the loan from AVDC on Hale Leys plus the repayment of £1,000,000 of the subordinated debt on Hale Leys.

The annual rent, at all times, must be 120% of the annual finance cost. As at 30 September 2020 the vacancy rate would need to exceed 39.8% to break the ratio. The portfolio would also need to have a vacancy rate of 50.1% before interest would be unable to be covered. The vacancy rate as at 30 September 2020 was 6.3%.

5 MARKET OVERVIEW

5.1 UK ECONOMY

1. Brexit has occurred and by the start of this plan we will know whether the UK has reached a trade deal with the EU or not. It is therefore very difficult to accurately predict the effects of either outcome on the UK economy. The local economy is not specifically susceptible to international trade but undoubtedly will be affected by changes to the wider UK economy.

2. Added to these uncertainties we have also been hit with Covid-19 and all its effects on individual's jobs, businesses and general changes to the way we all behave and work. Government legislation and advice is changing weekly and the retail market currently must continue to adapt very quickly. For the struggling retailers pre Covid, most have now gone into administration, launched a CVA, or entered some other form of corporate restructuring. Lockdowns have converted new customers to the online market and reduced the number of shoppers venturing out to the high street or shopping centre.

3. AVE have suffered greatly on its retail exposure within Hale Leys where tenants have closed or been unable to pay their rent. Only 40% of rent due has been collected and there are no legal means to pursue arrears until later in the year or next year. Retail is in great difficulty across the globe and will not recover quickly if ever. Hale Leys does have more than an average exposure to non-retail uses but food and beverage has also suffered but may recover more rapidly once the pandemic is under control.

4. In the UK many retail and leisure tenants have taken advantage of the ability to use Creditor Voluntary Administration (CVA) to effectively offload their less profitable stores. This has made retail virtually un-investable as even large companies can and do take advantage of this legal route which is very unfair to landlords. When buying a retail investment, the covenant on day one can change completely within months, so it is becoming a highly risky sector.

   Uncertainty over Covid has virtually stopped the UK investment market with very few transactions being done and hence no evidence to support valuations or bank lending. Volumes are down over 75% on the previous year.

5. Depending on how long the pandemic takes to come under control or we get a workable vaccine, the UK GDP will be damaged and Government borrowing is at an all-time high. This will undoubtedly mean low interest rates for the foreseeable future but probably also see tax rises, possibly corporation tax or VAT rather than income tax being raised. This will hurt businesses generally and slow their expansion and growth.

5.2 LOCAL ECONOMY

1. After a serious economic shock, UK businesses tend to struggle on for 12 to 18 months before we see the peak of business failures, so one might expect the number of business failures and shrinkage to increase in 2021 across the UK.

2. However, unlike previous recessions, such as 2008, the Government has introduced a wide-range of financial incentives to help support the business community during the crisis so market is much more active than had been expected and many businesses seem to be taking a longer-term view on success, having adapted to the changes to business practices, space usage and the economic environment.

3. The industrial sector that was already performing very well before Covid shows no signs of cooling down, although some of the new schemes in the region are seeing a slower deal velocity than might have been expected. Developers and letting agents seem not to be unduly concerned about this.

4. Industrial rents and freehold values have pushed onto new high levels, compared to just 5 years ago and in Aylesbury there have been some high-profile lettings on the Woodlands development sitting at the foot of the A41.

5. Industrial land values have been increasing as the sector continues to strengthen nationally. Recent letting activity would have done much to encourage the development sector, with many developments being pre-funded as institutions look to create investments that have proved difficult to buy in the investment sector. The AVE industrial portfolio is still close to being fully let and there are new tenants waiting for units to become available. There is also demand on the estate for tenants wanting to take additional expansion units.

6. The office sector is probably the most challenged at the moment, with many businesses still using work from home, having not returned to their previous office usage levels. The past 15 years have seen a trend towards greater density within offices, something that of course now is positively unwelcome. The City of London and to a lesser extent the West End have been significantly impacted by working from home and there is much speak in the property market about the longer term trend towards moving teams out of London on a hub and spoke model. Aylesbury is probably currently regarded as too remote to be a spoke, but in the long-term East West Rail and other infrastructure projects will improve connectivity.

7. The demand for housing development remains very strong and commercial sites are still selling to residential developers, as well as office buildings for conversion. The recent changes to the planning system have assisted the release of commercial sites and in a county like Buckinghamshire there remains tension between building houses and retaining employment floorspace. Around Aylesbury there are significant development proposals that will see tens of thousands of new homes over the next 20 years or so. These communities will need to be supported by commercial floor space, or at least this is a logical outlook.

6 PORTFOLIO PERFORMANCE

6.1 VALUATION AND VACANCY ANALYSIS

In the table below the portfolio has been split into Core Assets, Non-Core Assets and Category 2 (Community) Assets. Along with the March 2019 valuation results the table shows the fully let ERV, target rent over the next 3 years and resulting forecast vacancy.

		Valuation	Fully Let	2021/22		2022/23		2023/24	
CORE ASSETS		Mar-19	ERV	Rent	%	Rent	%	Rent	%
Bessemer Crescent	Ind	£3.300m	300,900	283,243	5.9%	295,948	1.6%	260,558	13.4%
Edison Road	Ind	£8.000m	686,700	627,198	8.7%	639,208	6.9%	636,167	7.4%
Edison Road Business Centre	Off	£0.275m	68,765	61,036	11.2%	59,873	12.9%	61,597	10.4%
Rabans Close	Ind	£6.250m	550,200	520,162	5.5%	526,591	4.3%	490,191	10.9%
Rabans Lane	Ind	£7.850m	753,000	382,583	49.2%	102,005	86.5%	118,000	84.3%
Stocklake	Ind	£2.127m	120,000	-	100.0%	-	100.0%	-	100.0%
Land at Lower Green, Westcott	Lnd	£0.050m	400	400	0.0%	400	0.0%	400	0.0%
Friars Square Shopping Centre Land	Lnd	£0.050m	20	20	0.0%	20	0.0%	20	0.0%
Cinema Site Land, Exchange Street	Lnd	£0.010m	1	-	0.0%	-	0.0%	-	0.0%
		£27.912m	£2.480m	£1.875m	24.4%	£1.624m	20.0%	£1.567m	22.8%
NON CORE ASSETS									
Gatehouse Close	Ind	£1.300m	115,003	115,190	0.0%	108,053	0.0%	124,000	0.0%
Smeaton Close	Ind	£0.950m	72,000	56,800	0.0%	15,800	0.0%	72,000	0.0%
Gatehouse Way and Griffin Lane	Ind	£1.275m	109,006	109,000	0.0%	103,293	5.2%	104,659	4.0%
71-77 High Street	Ret	£0.420m	47,500	44,000	0.0%	36,250	0.0%	47,500	0.0%
79-81 Mandeville Road	Ret	£0.285m	28,500	28,500	0.0%	28,500	0.0%	28,500	0.0%
Slade Recreation Club, Buckingham	Ind	£0.250m	25,000	20,000	0.0%	20,000	0.0%	20,000	0.0%
The Round House	Off	£0.085m	10,000	10,000	0.0%	10,000	0.0%	10,000	0.0%
Land at Cambridge Street	Lnd	£0.090m	4,500	4,500	0.0%	4,500	0.0%	4,500	0.0%
Land at Mitre Street, Buckingham	Lnd	£0.005m	52	54	0.0%	54	0.0%	54	0.0%
Land at 143-145 Meadowcroft	Lnd	£0.005m	1,643	-	0.0%	-	0.0%	-	0.0%
Land at Telford Close	Lnd	£0.010m	-	-		-		-	
Land at Jackson Road	Lnd	£0.025m	-	-		-		-	
Land at Douglas Road	Lnd	£0.001m	-	-		-		-	
Land at Ross Road	Lnd	£0.001m	-	-		-		-	
Mandeville Surgery Land	Lnd	£0.005m	-	-		-		-	
Land at Eagles Road	Lnd	£0.050m	-	-		-		-	
		£4.757m	£0.413m	£0.388m	0.0%	£0.326m	0.0%	£0.411m	0.0%
CATEGORY 2 ASSETS									
Land at Harroell, Long Crendon	Lnd	£0.010m	400	400	0.0%	400	0.0%	400	0.0%
Stratford Fields Land, Buckingham	Lnd	£0.025m	360	360	0.0%	360	0.0%	360	0.0%
Oakfield Road - Scout Hut Land	Lnd	£0.005m	305	252	0.0%	252	0.0%	252	0.0%
Land at Haddenham	Lnd	£0.060m	861	512	0.0%	512	0.0%	512	0.0%
Dover Hedge - Scout Hut Land	Lnd	£0.005m	100	101	0.0%	101	0.0%	101	0.0%
Haywoods Way Sports & Social Club Land	Lnd	£0.005m	500	500		500		500	
Western Avenue - Scout Hut Land	Lnd	£0.000m	-	-		-		-	
Lands Wing - Scout Hut Land	Lnd	£0.005m	-	-		-		-	
		£0.115m	£0.003m	2,125	0.0%	2,125	0.0%	2,125	0.0%
Total AVE Portfolio		£32.784m	£2.896m	£2.265m	21.8%	£1.953m	20.2%	£1.980m	19.0%
Total Hale Leys		£5.250m	£0.712m	£0.671m	5.7%	£0.678m	4.7%	£0.672m	5.6%
TOTAL PORTFOLIO		£38.034m	£3.608m	£2.936m	18.6%	£2.631m	16.7%	£2.653m	16.0%

Notes to TABLE 1

KEY
Ind – Industrial Asset
Off – Offices
Lnd – Land
Ret – Retail units

NB March 2020 valuation was not carried out due to Covid-19.

It is forecast that the overall vacancy of the core assets which includes the major multi-let industrial estates will increase due to Stocklake and Rabans Lane (part) becoming vacant for re-development purposes. Please note, these are average void levels over a 12-month period.

Further detail on the key multi-let industrial assumptions can be found in section 7.1 of this report, which also includes an explanation on the rental performance of Hale Leys over the next 3 years.

6.2 Net Income Analysis

1. The income profile of the portfolio has also been looked at in detail to identify the assets that reduce income available for distribution. All of the larger assets with low or no income are dealt with in the main asset initiatives.

2. The tables in section 4.7 show any discussions that are underway relating to future sales, however none of these sales have been included in the Base or Enhanced case scenarios. The first table in 4.7 shows those assets that are negative Net Revenue performers and where possible potential sales or developments will be progressed. The second table in the section also lists the remaining non-core assets in the portfolio, gives their March 2019 valuation and a description of the asset.

3. The remaining portfolio has also been reviewed and the results of this analysis by property can be seen in the table overleaf, which organises the properties into the highest to lowest net revenue performing assets. Note, no account of capital appreciation or depreciation is included, no special purchasers assumed an no planning changes anticipated. This is purely produced to highlight assets not currently contributing to net income and where something needs to be done i.e. sale or redevelopment.

	Valuation	Rent	Cost of Debt	Mgmnt Fee	Op Costs	NET REVENUE	Return on Value pa
Rabans Lane	£7.850m	753,000	- 353,886	- 33,946	15,954	381,122	4.9%
Edison Road	£8.000m	670,750	- 360,648	- 30,238	16,258	296,122	3.7%
Rabans Close	£6.250m	542,250	- 281,756	- 24,445	12,702	248,750	4.0%
Bessemer Crescent	£3.300m	238,900	- 148,767	- 10,770	6,707	86,069	2.6%
Gatehouse Close	£1.300m	115,885	- 58,605	- 5,224	2,642	54,697	4.2%
Edison Road Business Centre	£0.275m	59,415	- 12,397	- 2,678	559	44,898	16.3%
Smeaton Close	£0.950m	72,000	- 42,827	- 3,246	1,931	27,858	2.9%
71-77 High Street	£0.420m	47,500	- 18,934	- 2,141	854	27,278	6.5%
Gatehouse Way	£0.650m	56,500	- 29,303	- 2,547	1,321	25,971	4.0%
Griffin Lane	£0.625m	50,000	- 28,176	- 2,254	1,270	20,841	3.3%
79-81 Mandeville Road	£0.285m	28,500	- 12,848	- 1,285	579	14,946	5.2%
Slade Recreation Club, Buckingham	£0.250m	20,000	- 11,270	- 902	508	8,336	3.3%
The Round House	£0.085m	10,000	- 3,832	- 451	173	5,890	6.9%
Land at 143-145 Meadowcroft	£0.005m	1,200	- 225	- 54	10	931	18.6%
Land at Cambridge Street	£0.090m	4,500	- 4,057	- 203	183	423	0.5%
Haywoods Way Sports & Social Club Land	£0.005m	500	- 225	- 23	10	262	5.2%
Oakfield Road - Scout Hut Land	£0.005m	250	- 225	- 11	10	23	0.5%
Land at Ross Road	£0.001m	-	- 23	-	1	(22)	-4.3%
Land at Douglas Road	£0.001m	-	- 45	-	2	(43)	-4.3%
Land at Harroell, Long Crendon	£0.010m	400	- 451	- 18	20	(49)	-0.5%
Dover Hedge - Scout Hut Land	£0.005m	100	- 225	- 5	10	(120)	-2.4%
Land at Mitre Street, Buckingham	£0.005m	50	- 225	- 2	10	(167)	-3.3%
Lands Wing - Scout Hut Land	£0.005m	-	- 225	-	10	(215)	-4.3%
Mandeville Surgery Land	£0.005m	-	- 225	-	10	(215)	-4.3%
Cinema Site Land, Exchange Street	£0.010m	-	- 451	-	20	(430)	-4.3%
Land at Telford Close	£0.010m	-	- 451	-	20	(430)	-4.3%
Stratford Fields Land, Buckingham	£0.025m	360	- 1,127	- 16	51	(732)	-2.9%
Land at Jackson Road	£0.025m	-	- 1,127	-	51	(1,076)	-4.3%
Land at Lower Green, Westcott	£0.050m	400	- 2,254	- 18	102	(1,770)	-3.5%
Land at Haddenham	£0.060m	510	- 2,705	- 23	122	(2,096)	-3.5%
Friars Square Shopping Centre Land	£0.050m	20	- 2,254	- 1	102	(2,133)	-4.3%
Land at Eagles Road	£0.050m	-	- 2,254	-	102	(2,152)	-4.3%
Stocklake	£2.127m	-	- 95,887	-	4,323	(91,565)	-2.3%
	£32.784m	£2.673m	(1,477,913)	(373,848)	(359,530)	1,141,202	

7 PROJECTED CASH FLOW

7.1 REVENUE

AVE

3 year Forecast Rental Receipts – excluding Hale Leys

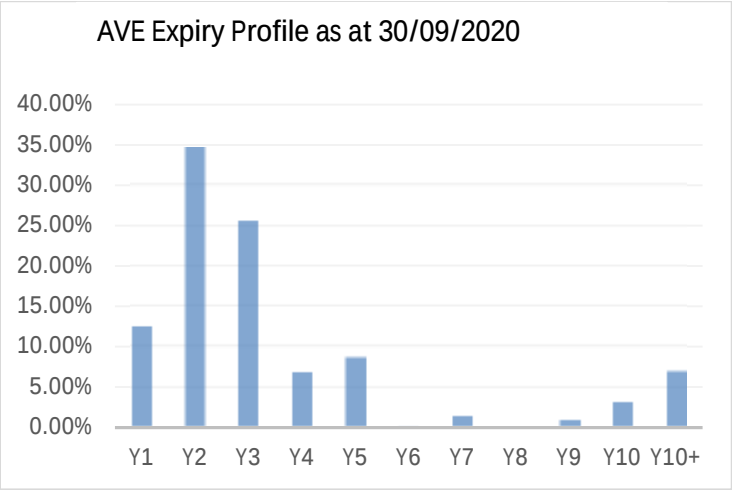
	2020/21	2021/22	2022/23	2023/24
Base Case (invoiced)	£2,782,878	£2,264,913	£1,937,120	£2,343,571
Less forecast unpaid rent	£558,555	£452,983	£0	£0
Total	£2,224,323	£1,811,931	£1,937,120	£2,343,571

1. For all expiries due within the Business Plan period, where a tenant is expected to leave, a void period has been included before a new tenant is found. This is either 3, 6 or 9-months depending on the size of the unit.

2. Key Leasing Events over the coming 18 months:
   2.1. There are 2 major lease events in the first 18 months of the Business Plan cycle:
   - Palletworks, Smeaton Close – January 2022 - £72,000 annual rent – discussions have commenced with the tenant regarding potential renewal.
   - Cinram Novum, Rabans Lane – June 2022 - £450,000 annual rent – any potential extension will depend on the planning application progression. The intention within the business plan, however, is to serve the rolling 6-month break notice to achive vacant possession.

   2.2. 72.5% of leases are due to expire over the next 3 years (from 30.09.20). This high percentage is due to Rabans Lane development site tenants and Palletworks.

3. Lease Expiry Profile as at 30/09/2020



Y = no. of years

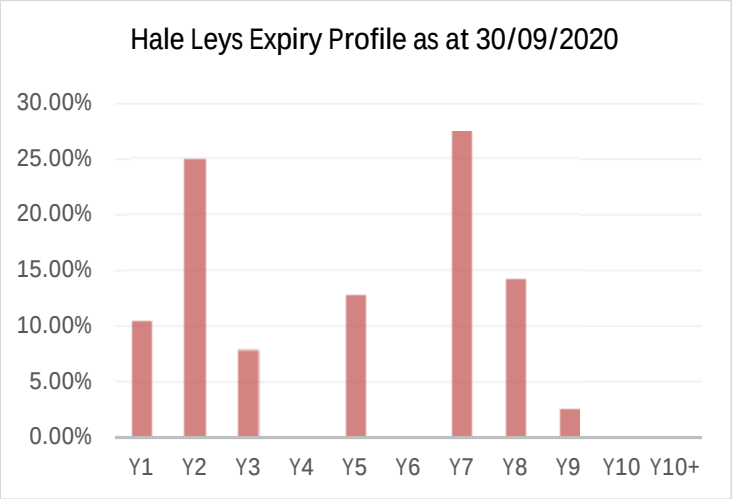
The above graph shows the current lease expiry profile of the AVE portfolio as at 30 September 2020. 12% of the portfolio has an expiry date within 12 months or less. This is a position that is closely managed by Akeman and is not considered to hold a significant threat to the portfolio, especially considering the on-going discussions with tenants. The main challenge, however, is in agreeing satisfactory terms considering the uncertainty due to the Covid-19 situation.

Hale Leys - Key Assumptions

3 year Forecast Rental Receipts

	2020/21	2021/22	2022/23	2023/24
Base Case (invoiced)	£574,983	£671,062	£678,322	£672,332
Less forecast unpaid rent	£376,121	£402,637	£0	£0
Total	£198,863	£268,425	£678,322	£672,332

The main increase in forecast rent from 20/21 to 21/22 were the following; Harrisons Jewellers, Nigel's Handbags, increase in Stay and Play rent and The Manor rent free expiring.



Y = no. of years

Key Leasing Events over the coming 3 years:

- Unit 1-2 – Currently let to Calendar Club on a short-term deal to January 2021. It has historically proved to be a difficult unit to let due to its length to depth ratio, if New York Deli move into unit 22-24 then it is hoped this will become easier to let.
- Unit 4a – lease to Chiltern Jewellers expires in November 2020, they have indicated they want to stay until January on a turnover basis but into 2021 is not decided yet.
- Unit 5-8 – Currently let to Poundstretcher on a fully inclusive lease unit 2022 at £100,000 pa., however, as part of the CVA they are now paying nothing. If no tenant can be found to replace them, the lease may have to be renewed on similar terms.

- Unit 9 – has been let to Nigel's Handbags on a 3-year deal with a 12-month term certain at £10,000 per annum. It is hoped they will trade well after moving from the town.
- Unit 11-12 – this is now vacant after Toys UK left in August. It is hoped this will be let within 12 months, however this re-letting has not been included in the Base Case scenario.
- Unit 16 - Accessorize- are currently in occupation until 30th June 2021 on 6 months breaks.
- Unit 17 - E Sparks- are currently signing up to a new lease after going into administration.
- Unit 19 - Adorn Spa Ltd are in occupation until January 2022, it is hoped they may sign a new lease in exchange for rent free; however, it may be on a highly turnover based lease.

7.2 Operating Costs

AVE Portfolio (non Hale-Leys)

Year 1 (2021/22) figures shown are as follows. The Board will, where appropriate, approve expenditure in line with Members' Agreement.

- Management Fees - £374,848 – this is a fixed fee calculated as 0.91% of the Gross Asset Value (excluding Hale Leys). This is set at the current value and will be updated once the March 2021 valuation has been received.
- Void Rates - £10,000 – The 2021-22 void rates budget has been set by aligning the cost of void rates on individual units with the letting assumptions.
- Service Charge Voids - £3,000 – This is a reduction from last year due to a decrease in the service charge budget and vacancy assumptions.
- Utilities – The budget has been set at £6,000 per annum.
- Repairs and Maintenance - £100,000 – This covers reactive maintenance and minor refurbishment works to the multi-let industrial estate between lettings.
- Rent Review Fees - £500 – this is to cover the legal and advisory fees on rent reviews
- Letting Fees (agents fees) - £20,000 – AVE currently use a joint agency of Brown & Lee and Chandler Garvey, the two largest commercial agents in Buckinghamshire. The majority of new lettings are sourced by the local agents with any leads coming directly to Akeman being forwarded on, thus giving a consistent process to new tenants. Any lease renewals or movement around the estate is dealt with by Akeman.
- Debt Recovery Costs - £3,000 – Annual allowance for legal costs incurred chasing bad debts
- General Legal Costs - £30,000 – advice on legal situations within the portfolio including lease renewals, new leases, serving notices. This also includes an allowance for legal fees on FH sales as well as EPC reports, LR compliant lease plans, asbestos surveys and building surveyors/structural surveyors' advice.
- Portfolio Valuation - £30,000 – Prior year budget maintained, apportioned pro rata.
- AVE Marketing/Communications - £4,000 – An allowance to cover marketing of portfolio
- Audit Fees - £21,500 – Prior year budget increased by £1.5k, split 1/3 HL and 2/3 AVE.
- Other Costs - £20,000 – Ad hoc legal and tax advice for the LLP.

Hale Leys

1. Assumptions behind each of the key operating costs are as follows:

- *Asset Management Fee* - £75,000 – set at a fixed fee. £40,000 is recoverable and being recovered via service charge.
- *Management of Service Charge* - £44,000 credit – part recovery of management fee via service charge
- *Contribution to Centre Marketing* - £12,500 – this is for the general marketing budget for the centre based on previous years spend
- *Marketing Lettings* - £2,000 – an allowance for marketing to attract new tenants, reduced from the previous year
- *Letting Fees* – £7,500 - based on new major lettings projected to complete during the financial year.
- *Other costs* (£25,700) – *general allowance* for ad hoc costs. The budget has been maintained to cover the cost of both the audit and valuation.

8 KPIs/KPTs

1. Serving of Rent Review Notices
   - Akeman will continue to take the position that whilst all Rent Reviews falling due in the coming Financial Year will be reviewed internally, not all will be actioned. This is firstly to reduce fees in instances where no rental uplift is expected and secondly to leave open the option of a future rent review in the case that the lease contains a rolling rent review. The action taken on each Rent Review will be assessed on a case by case basis depending on the individual lease clause.
   - Rent reviews are all currently highlighted in the Quarterly Report, whether actioned or not and where actioned the outcome is reported in the normal way.

2. Serving of Break Notices

Break notices are reported on in the quarterly report with additional detail provided on all tenants where there is a significant risk to income. In the event that any tenants do serve their notice the unit will be offered out to the market as soon as possible to try to reduce or eliminate any vacant period. Akeman always investigate why tenants wish to leave in order to try to retain them in alternative accommodation if their current space has become too large or too small for their operations.

3. Requests for Rent Notices

The property management system used by Akeman Asset Management is Qube. This generates an automatic rent roll. A pre-list of periodic charges due is printed and passed to the Asset Manager for authorisation before the rent demands are produced. Thus, these are always on time.

4. Requests for Service Charge

The service charge budget will come into effect on 1 April 2020. AVE Service charge is demanded half yearly in advance and Hale Leys is charged quarterly in advance. The procedure for raising service charge demands is exactly the same as for rent demands. The service charge accounts are prepared yearly and signed off internally.

5. Rent Collection

The Key Performance Indicators and Targets for Rent Collection are as follows:

<u>Key Performance Indicators</u>

3-month collection rate	90%
12-month collection rate	95%

<u>Key Performance Targets</u>

3-month collection rate	97%
6-month collection rate	99%
12-month collection rate	100%

- The collection rates are calculated by taking the total quarters rent collected and dividing it by the total rent demanded for that quarter. No adjustment is made for debtors that may be considered to be bad debts. Potential bad debts remain a part of the collection percentage until Board Approval is received to transfer these debts from the debtors report across to the bad debt

provision account. This will only occur if all possible avenues to collect this debt have been exhausted.

- Once a debt has been transferred to the bad debt provision account, this will enable AVE to reclaim the VAT. It is also an audit requirement that all bad debts are transferred to a provision account once it has been established that they are unlikely to be collected. This does not however mean that Akeman will not continue to attempt to recover as much of the outstanding debt as possible.

6. Report Production
   - Reporting over the coming financial year will continue in the same format as the previous financial year. A detailed report is produced on a quarterly basis summarising all activity over the quarter along with a detailed cash flow and summary financial statements. An interim report is then produced in the intermediate months up to the next quarterly report providing a quick summary of any key events that have occurred in the portfolio during the month.
   - Akeman endeavours to have these reports distributed within 10 working days after the last day of each month.

<u>KPT's requested by the Shareholders</u>

1. Insurance Cover Renewal

Insurance was renewed for 3 years commencing 14th April 2019.

2. Prepare and Distribute Annual Accounts

Accounts for AVE will be prepared at the end of the Financial Year and distributed as required and in accordance with AVDC statutory accounting timetables and deadlines.

3. Health and Safety Files
   - As duty holders, AVE has a responsibility to maintain a health and safety file for the Edison Workspace. As part of the legislative requirement, Akeman instructed Codrus Fire to inspect the premises and produce a fire risk assessment. As a result of the new lettings in the building, there are now more than five people on site at any one time which necessitates the need for a practice fire drill to be implemented twice yearly. Tenants have been made aware of the requirement and suitable dates diarised for all. Safety certification has also been produced for the electrical installation throughout the building, in accordance with the legislative requirement to inspect the condition every 5 years.
   - Where new developments become operational, Health and Safety files will be prepared and maintained for AVE and stored by Akeman in the Edison Workspace.

4. Service Charge Budget

The service charge budget for 2021/22 will be produced in February 2021. The final position for the current financial year will be reported in the 2020/21 Year End report, due out in April 2021.

5. Prepare Service Charge accounts for audit

The service charge accounts will be prepared in accordance with RICS guidance. These will then be signed off internally due to the small size of the service charge cost.

6. Void levels

- The 2020/21 Year End vacancy forecast is 5.8%. The 2020/21 Business forecast figure was 9.2%. The multi-let industrial estates were 1.9% vacant as at end of September 2020.
- The Business Plan outlines in detail the initiatives to be implemented in order to reduce potential forthcoming voids.

Hale Leys

1. Key Performance Indicators are formally stipulated within the Asset Management Agreement between Akeman and AVE and performance for Hale Leys is accounted for in the main AVE business plan.

2. Key Performance Targets are set out below, with comments as appropriate:

Target	Comment
Achieve 100% occupancy of the retail space	Hale Leys has performed reasonably well in terms of occupancy during Covid-19 with only Toys UK vacating their unit. Notwithstanding this, numerous CVAs and other tenant actions have significantly reduced the income stream. There were transactions that were put on hold due to Covid-19 however these are now back in solicitors hands. No tenants were lost as a result of any form of corporate restructuring.
Let the office suites in Tower House	The offices are fully let
Reduce irrecoverable outgoings	For the 12 months ending 31st March 2020 the irrecoverable outgoings show a figure of £289,959 (£282,571 for 2019 and£65,399 for 2018).
Maintain the service charge budget at the same level	The service charge rose 8.5% this year, the main reason for this was the increase of the national living wage which increased staffing costs and security.
Continue to achieve 100% rent and service charge collection within 21 days	Collection of rent and service charge is hugely skewed this year (2020/2021) due to Covid19. We expect 100% of Service Charge to be settled by the end of the year at year end reconciliation.

3. Key Performance Targets for the forthcoming 12 months will remain as above.

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of the Local Government Act 1972.

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