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Fenland CAMBRIDGESHIRE

Fenland District Council

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AGENDA

CABINET

MONDAY, 12 DECEMBER 2022

2.00 PM

COUNCIL CHAMBER, FENLAND HALL, COUNTY ROAD, MARCH

Committee Officer: Linda Albon
Tel: 01354 622229
e-mail: memberservices@fenland.gov.uk

Whilst this meeting will be held in public, we encourage members of the public to view the meeting via our You Tube channel: https://youtu.be/MVePxeThIGg

1 To receive apologies for absence

2 Previous Minutes (Pages 5 - 8)

To confirm and sign the minutes of 14 November 2022.

3 To report additional items for consideration which the Chairman deems urgent by virtue of the special circumstances to be now specified

4 To receive members' declaration of any interests under the Local Code of Conduct or any interest under the Code of Conduct on Planning Matters in respect of any item to be discussed at the meeting

5 Draft Business Plan 2023/24 (Pages 9 - 24)

For Cabinet to approve the Draft Business Plan 2023-24 for public consultation.

6 Draft Budget & MTFS 2023/24 (Pages 25 - 48)

To consider and approve: the revised General Fund Budget and Capital Programme for 2022/23; the Draft General Fund Budget Estimates 2023/24 and the Draft Medium-Term Financial Strategy 2023/24 to 2027/28 for consultation; and the Capital Programme 2023-2026.

7 Treasury Management Strategy Statement & Annual Investment Strategy Mid-Year review 2022/23 (Pages 49 - 58)

The purpose of this report is to review the Council's Treasury Management activity for the first six months of 2022/23 and to provide members with an update on matters pertinent to future updates to the Council's Treasury Management Strategy.

8 FDC Formal Response to Fens Reservoir Consultation (Pages 59 - 74)

The purpose of this report is to inform and seek agreement from Cabinet on the FDC formal consultation response to the proposed Fens Reservoir to be located north of Chatteris.

9 Carbon Reduction and Climate Adaptation (Pages 75 - 84)

Further to the carbon reduction and climate adaptation Council Motion of 11th July 2022 to present an action plan for review by Cabinet and referral as appropriate to Council for approval.

10 Land Transfer - Wisbech & Chatteris (Pages 85 - 168)

This paper seeks Cabinet approval to transfer Council owned land to Fenland Future Ltd at market value to enable development to progress as agreed by the Investment Board.

Appendices A and B to this report comprise exempt information – to exclude the public (including the press) from a meeting of a committee it is necessary for the following proposition to be moved and adopted: "that the public be excluded from the meeting for Items which would involve the likely disclosure of exempt information as defined in the paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) as indicated."

11 Wisbech High Street Update (Pages 169 - 172)

To provide Cabinet with an update regarding ongoing work related to 11–12 and 24 High Street Wisbech and to ask approval for acceptance of a grant to support the building work at 24 High Street.

12 Draft 6 Month Cabinet Forward Plan (Pages 173 - 174)

For information purposes.

13 Items which the Chairman has under item 3 deemed urgent

Friday, 2 December 2022

Members: Councillor C Boden (Chairman), Councillor Mrs J French (Vice-Chairman), Councillor I Benney, Councillor S Clark, Councillor S Count, Councillor Miss S Hoy, Councillor Mrs D Laws, Councillor P Murphy, Councillor C Seaton and Councillor S Tierney

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CABINET

MONDAY, 14 NOVEMBER 2022 - 4.00 PM

Fenland CAMBRIDGESHIRE Fenland District Council

PRESENT: Councillor C Boden (Chairman), Councillor Mrs J French (Vice-Chairman), Councillor I Benney, Councillor S Clark, Councillor S Count, Councillor Miss S Hoy, Councillor Mrs D Laws, Councillor P Murphy, Councillor C Seaton and Councillor S Tierney

CAB37/22 PREVIOUS MINUTES

The minutes of the meeting held on 3 October 2022 were confirmed and signed as an accurate record.

CAB38/22 FREEDOM LEISURE UTILITIES

Members considered the Freedom Leisure Utilities report presented by Councillor Clark.

Councillor Hoy commented that this is not an ideal situation, but it is good that we are keeping swimming pools open when they are closing in other areas. Swimming is a vital life skill for children, and in her view this is good use of taxpayer's money.

Councillor Tierney said it is a disappointing situation to be in and he did not support the initial plans for the centres to be run by Freedom Leisure; things can be handled in different ways so he does not accept that the position would be the same if the Council was still running them. Freedom sold themselves as experts in their field, but they always come to the Council when they hit problems. He does not want the Council to be seen as a soft touch, but he agrees with Councillor Hoy. Not only is it vital for people to have access to swimming lessons, but it also combats loneliness, particularly for the elderly. Also, few people could afford to go private. In his view, this is a good plan to mitigate the problems; the Council has financial difficulties of its own so cannot go too far but it must be made clear that Freedom cannot expect the Council to bail them out every time there is a hiccup.

Councillor Boden said it should be noted that Freedom Leisure is a charitable trust so does not make any profit.

Councillor Mrs French said she disagreed with some of Councillor Tierney's comments. A lot of additional children are coming into the district, and we cannot put them in jeopardy. Leisure centres are so important and must be kept open.

Councillor Mrs Laws said she agreed with Councillor Tierney's comment that the Council should not be the first port of call over finance, but Covid did a lot of damage to sports facilities, and we are all facing financial pressures. However, it is so important to have the leisure centres open, particularly swimming pools, not only for swimming but for health and social benefits. Although she appreciates this is taxpayers' money it is a good investment for our residents.

Councillor Murphy said Councillor Tierney was spot on. We have a good plan in place, we cannot afford to shut anything down and agrees the Council should carry on with the options we have.

Councillor Count said that this is one of the services that the Council provides but it is not in the statutory category. We have the right match in that there are four leisure centres in the four towns and this paper provides us with a way forward in difficult times for everyone. Councillor Count said he finds the report to be fully prepared and researched. He is in support of all the options, some of which are an investment for the future, i.e., energy performance, and others are a reaction to the current situation. His only concern is the facility of a loan; because Freedom operates a large area, they may be at risk if other areas do not behave in the same way this authority is planning to. Therefore, the way that the loan is structured should provide protection and the terms and conditions must be right.

Councillor Boden said the Council has been keeping abreast of Freedom Leisure and the other areas they deal with. To the best of his knowledge, Fenland District Council is the only authority issuing loans rather than grants. It seems appropriate for the Council to be able to get recompense from Freedom Leisure if later we need to do so, hence the loan. It is not fixed, the Council has no charge over the company, but if they come through this and the rest of the period of the contract is successful, then we will get a larger proportion of that funding back then would otherwise have been the case.

Proposed by Councillor Clark, seconded by Councillor Boden and Cabinet AGREED to:

- **note the considerable impact that the energy crisis has had on leisure businesses across the country,**

- **note the good work being carried out by Freedom Leisure in the leisure centres following the Covid pandemic, particularly with regard to the increased number of children on the learn to swim programme every week,**

- **recognise the essential role that the Council's leisure facilities play in helping to maintain the health of our community,**

- **recognise the significant financial challenges that the Council itself is facing,**

- **Option 2 (Section 9) - changes to opening hours for the 4 centres from 1 December 2022-31 March 2023, saving Freedom approximately £45,000.**

- **note Option 3 (Section 9) regarding energy billing adjustments saving £27,000.**

- **note Option 4 (Section 9) regarding the pending NNDR relief application.**

- **advise officers to add items at Option 5 (Section 9) on additional Solar PV (£350,000) and swimming pool LED lighting (£40,000) to the Council's Capital Programme and adjust the programme as per Option 6.**

- **note the price rises as set by Freedom in Option 8 (Section 10) of the report and agree the above CPI rises for swimming for children and concessions.**

- **delegate to the Section 151 Officer, working in consultation with the Portfolio Holders for Finance and Leisure, to offer direct financial support to Freedom Leisure in the form of a repayable loan, on an open book basis, up to a sum of £281,254, reduced by the implementation of any of the mitigating measures as set out in the Options table in the report.**

  Any repayable loan shall become payable through an annual deduction of 75% of any profit generated in excess of the levels predicted in the Leisure Operators Base Trading Account (LOBTA). This is a change from the current 50/50 profit share, and will be subject to the performance of the business over the contract period.

(Councillor Clark declared that she is a member of the Freedom Leisure Centre).

(There was an exempt appendix to this report but there was no requirement to enter into exempt session for this item).

CAB39/22 LEVELLING UP FUND - WISBECH MASTERPLAN

Members considered the Levelling Up Fund – Wisbech Masterplan report presented by Councillor Seaton.

Councillor Seaton added that given the length of the document, it would be appropriate that a written response to questions following this meeting could be appended to the minutes.

Councillor Hoy said she heard that the MP for Mansfield had said that they were announcing their levelling up bids this coming Thursday, so we may hear very soon. In the meantime, she feels that generally this is a very good plan; the Boat House is not included in the bid because it is being progressed by the Investment Board, but she would ask that they know we are keen for them to include a number of items in their plan. Realistically it is not viable to include everything for that area, but there are some quite low value items, such as nice lighting along the pathways, which would look good for the town whilst being affordable. Councillor Seaton thanked Councillor Hoy for her suggestions which he said would be taken on board.

Councillor Tierney said he is always a little concerned by the term 'Masterplan' as it may give the public the impression that we believe it will solve all the issues in Wisbech, which is not the case. When bidding for levelling up funds, the rules we must follow are strict and limit what the money can be spent on. We are not thinking for example that a visitor centre will solve everything in Wisbech, but these are things that people think will help and improve the town overall. In his opinion it is a great set of bids, he hopes we get them all and he would just like to endorse what Councillor Hoy said about the Boathouse area. Councillor Seaton thanked Councillor Tierney, he noted what he was saying and agreed it would be ideal if the work can be done at the Boathouse. It would not solve every problem but hopefully this is the start of a journey that will enhance Wisbech.

Proposed by Councillor Seaton, seconded by Councillor Hoy and Cabinet AGREED to:

- **note the current position in relation to the Council's LUF bid.**
- **recognise the importance of the Wisbech Masterplan in the future development of funding applications and investment opportunities for the town.**
- **recommend that the Wisbech masterplan is included within the next draft of the Local Plan, giving the masterplan significance for any future regeneration work developed for Wisbech.**

CAB40/22 DRAFT 6 MONTH CABINET FORWARD PLAN

Councillor Boden presented the draft six-month Cabinet Forward Plan for information.

Councillor Mrs French commented that she is disappointed there is nothing on Civil Parking Enforcement. Discussions are ongoing between County Council; the Combined Authority and Cambridge Greater Partnership and she wonders if there is any update. Councillor Boden responded that we have been trying to get this on the agenda for a long time, but unfortunately we are waiting for County Council to progress matters.

<u>CAB41/22</u>   <u>WISBECH HIGH STREET UPDATE - CONFIDENTIAL</u>

Members considered the confidential Wisbech High Street Update report presented by Councillor Seaton.

Proposed by Councillor Seaton, seconded by Councillor Hoy and Cabinet AGREED to note the current position in relation to the two significant projects in Wisbech High Street.

4.36 pm   Chairman

Agenda Item No:	**5**	
Committee:	**CABINET**	
Date:	**12 December 2022**	
Report Title:	**DRAFT BUSINESS PLAN 2023-24**	

1 Purpose / Summary

- For Cabinet to approve the Draft Business Plan 2023-24 for public consultation.

2 Key issues

- Our Draft Business Plan 2023-24 identifies the key challenges and opportunities for Fenland. Its structure outlines our key Corporate Priorities (Communities, Environment, Economy and Quality Organisation), and an additional cross cutting 'Council for the Future' section. This section outlines transformative projects which aim to tackle areas of need within the district, or to transform services or the wider organisation to be fit for the future. These transformation projects are chosen by our Cabinet members.
- Just as the country started to recover from the aftermath of Covid, the war broke out in Ukraine with profound economic consequences. Now the UK is facing a soaring cost-of-living crisis. This, partnered with over a decade of continued public sector austerity, is putting real pressure on local government resourcing. Nevertheless, the Council remains committed to delivering high-quality services and lobbying for appropriate investment to tackle important issues. Millions of pounds of investment is already secured and projects are underway as part of 'Partnership Investment in Fenland.'
- The Draft Business Plan 2023-24 will be presented to the Overview and Scrutiny Panel on 16 January 2023.
- The public will be invited to comment on the Draft Business Plan between 3 January and 3 February 2023 through an online survey. Feedback will be incorporate into the final version of the Business Plan that will be considered by Cabinet and Council on 20 February 2023.

3 Recommendations

- For Cabinet to approve the Draft Business Plan 2023-24 for public consultation.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Councillor Chris Boden, Leader of the Council Councillor Steve Tierney, Portfolio Holder for Transformation and Communication

Report Originators & Contact Officers	Paul Medd, Chief Executive Peter Catchpole, Corporate Director Carol Pilson, Corporate Director David Wright, Head of Policy & Communications
Background Paper(s)	Budget and Medium Term Financial Strategy

Fenland
CAMBRIDGESHIRE
Fenland District Council

Fenland District Council
Business Plan 2023/24

CONTENTS

Introduction by the Leader and Chief Executive

Paul Medd
Chief Executive

Chris Boden
Leader of the Council

Welcome to Fenland District Council's Business Plan for 2023/24.

When we published our 2022/23 Business Plan last year, setting out our ambitions and priorities for the coming 12 months, little did we know that a health pandemic wouldn't be the only crisis to impact us all so greatly, so quickly.

Just as the country started to get back on its feet in the aftermath of Covid, the war broke out in Ukraine, with profound economic consequences. Energy markets and supply chains have destablised the world over, leaving the UK and many other European countries facing a soaring cost-of-living crisis.

Inflation is at its highest rate in three decades; fuel, food, gas and electricity prices are rising, and millions of households across the country are in need of help.

We understand that many residents and businesses in Fenland are struggling to cope, especially those in more deprived communities and including those experiencing financial difficulties for the first time, and we are fully committed to doing everything we can to help.

Through our ongoing Cost-of-Living Support Campaign we will ensure that everyone who needs help has access to the support and guidance available to them both in the short-term and long-term as we learn more about how this crisis will impact our economy, our health and social wellbeing.

We know the cost-of-living will impact our own finances as it now costs far more to provide the essential services that people rely on.

But while we can't solve the national or international problems, we are on the side of our residents and businesses and will do everything we can with the resources available to help our communities through these difficult times.

As you'll see in this Business Plan, we have set out how we will continue to work in collaboration with partners, businesses and our communities to deliver important services for local people whilst lobbying for appropriate investment to tackle important issues.

We're also emphasising the fundamental and vital importance of transformation of service provision by the Council to achieve a long-term sustainable model of operation.

Times may be challenging but we will continue to seek opportunities to sustainably maximise Fenland's potential and make it a great place to live, work and visit: both now, and for future generations to come.

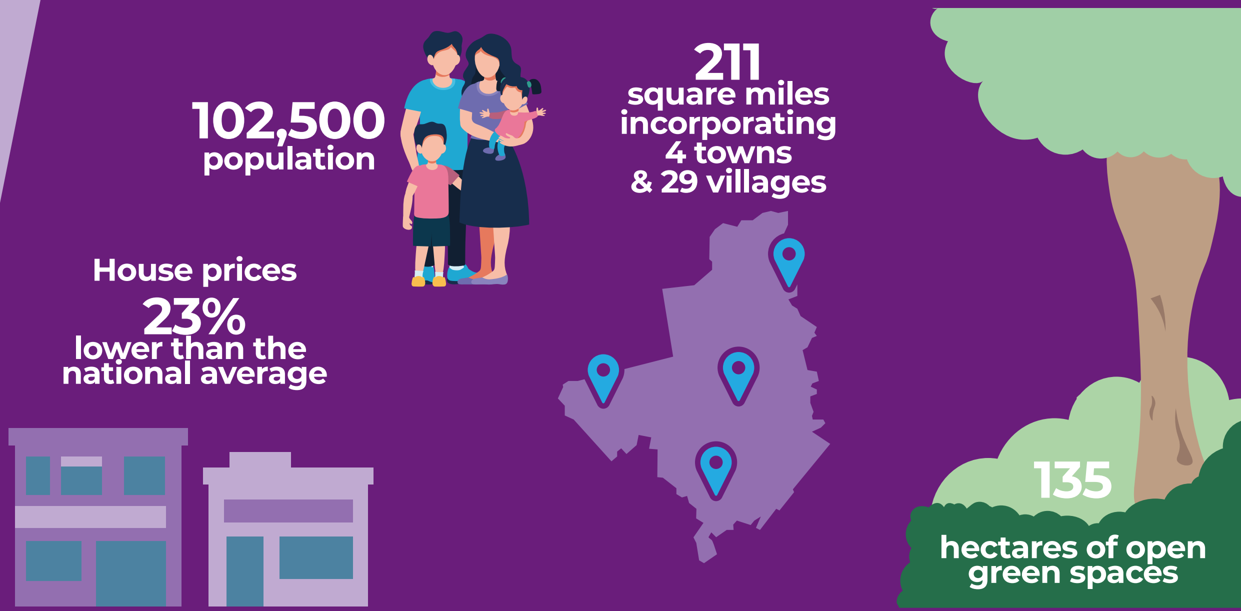
About Fenland

Fenland has strong community spirit and pride in its heritage. There are 102,500 people living in the Fenland District (ONS: 2021), which covers 211 square miles within North Cambridgeshire. Over 70% of residents live within our four market towns of Chatteris, March, Whittlesey and Wisbech. Our beautiful rural landscape is home to 29 villages and attracts visitors from nationwide.

Fenland has the lowest house prices in Cambridgeshire, with the average house priced at £239,184 (UK HPI May 2022); 23% less than the national average. This, along with plentiful commercial land and proximity to large urban centres such as Cambridge and Peterborough, contributes to Fenland's rapid population growth. By 2041, it is expected that our population will have increased by 23% to 126,160 (ONS: 2020). As outlined within this plan, we have plans in place to maximise the positive opportunities that growth could bring.

Our population is getting older. 30,000 residents (29%) are aged over 60; above average compared to Cambridgeshire and the UK (ONS: 2021). Alongside partners, we are working to enable residents to access the support they need to live happily, healthily and independently.

We also face some challenges around deprivation, particularly around education and health. We are the 80th (out of 326) most deprived area in the country (IMD: 2019) and have England's lowest primary literacy attainment rate at 64.5% (UK Prosperity Index: 2022). Nevertheless, we continue to work closely with other organisations to positively overcome these challenges.



Our Priorities

Our Business Plan sets out the priorities we aim to deliver over the next 12 months. These priorities have been developed to address the most important needs of our communities.

Our priorities are split into three headings: Communities, Environment and Economy. These priorities primarily focus on the statutory and wide variety of core services that we provide day-to-day. In a typical year we empty 3 million bins, clean 210 square miles of town centres and open spaces, answer 78,000 telephone enquiries and determine 1,300 planning applications – and more!

The fourth priority, Quality Organisation, sits alongside everything we do. It aims to ensure that the Council runs effectively, transparently and sustainably. We invest in and support our workforce to ensure they have the skills and resources they need to work to the best of their ability. Our unique 'one- team' culture enables officers, elected members and partners to work effectively together without the constraints of traditional department silos.

This approach results in excellent staff satisfaction, with 87% of staff saying they were proud to work for us in our latest Staff Survey (2022).

Each priority is underpinned by a series of performance indicators, which is reported to all Members at our Council meetings. These public reports are summarised to provide end of year performance updates in our Annual Report, which is available to download on our website. This explains what the Council has been doing over the previous financial year to achieve its objectives.

We also have a fifth cross cutting priority: Council for the Future. This priority is formed from a selection of transformative projects which aim to address the future needs of residents and our organisation as a whole.

Summary of our Corporate Priorities

Council for the Future

Communities

- Support vulnerable members of our community
- Promote health and wellbeing for all
- Work with partners to promote Fenland through Culture and Heritage

Environment

- Deliver a high performing refuse, recycling and street cleansing service
- Work with partners and the community on projects that improve the environment and our street scene
- Work with partners to keep people safe in their neighbour hoods by reducing crime and anti-social behaviour and promoting social cohesion

Economy

- Attract new businesses, jobs and opportunities whilst supporting our existing businesses in Fenland
- Promote and enable housing growth, economic growth and regeneration across Fenland
- Promote and lobby for infrastructure improvements across the district

Quality Organisation

Council for the Future

Our Cabinet members have selected a number of projects to contribute towards our 'Council for the Future' agenda. These projects have a variety of aims; from tackling areas of particular need within the district, to transforming services and the wider organisation sustainably to be fit for the future. Although these projects are influenced by external factors, the aim is to have a programme of projects completed by the end of the current Council leadership term.

Modernising council services
Cllr Steve Tierney
Transforming council services to improve customer experience and make it even easier for people to interact with the Council.

A more commercial outlook
Cllr Chris Boden & Cllr Ian Benney
Identifying external investment opportunities and developing our own sites and assets in order to generate additional income for our services and help deliver our growth and regeneration aspirations.

Protecting our environment
Cllr Peter Murphy & Cllr Samantha Hoy
Delivering and developing a wide range of environmental services to help protect our open green spaces, tackle environmental nuisances and issues, and improve air quality – ensuring a clean, safe, and healthy environment for all.

Better railways for Fenland
Cllr Chris Seaton
Delivering on our Fenland Railway Station Masterplans to upgrade and improve facilities at March, Manea and Whittlesea railway stations, on behalf of the Hereward Community Rail Partnership, and pushing forward ambitions for the March to Wisbech railway line.

Better online services
Cllr Steve Tierney
Developing the Council's website to provide residents and businesses with even better online services.

Healthy you
Cllr Sam Clark
Working with partners to provide sports and physical activity sessions in community settings across Fenland and supporting residents to lead more physically active and healthier lifestyles.

Putting communities first
Cllr Andrew Lynn
Delivering the Community Safety Grant Agreement with the Police and Crime Commissioner between January 2022 and March 2025.

Safer homes for tenants
Cllr Samantha Hoy
Working with property owners, landlords and letting agents to raise standards within the private rented sector, ensuring that tenants are provided with safe, warm, and healthy homes.

Clamping down on poor parking
Cllr Jan French
Developing plans for Civil Parking Enforcement (CPE) in order to assume responsibility from the police and enforce against poor and dangerous parking across the district.

Competitive trade waste service
Cllr Peter Murphy
Developing services to better support our commercial waste customers.

Planning for the future
Cllr Dee Laws
Developing a new Local Plan for Fenland, which will set out the strategic priorities for development in the future, covering housing, commercial, public and private development, including transport infrastructure, and protection for the local environment.

Corporate building review
Cllr Chris Boden & Cllr Ian Benney
Undertake a strategic review of the Council's property portfolio to ensure most effective use; adapting, investing in, and reducing the existing estate where a strong and clear business case exists.

Bringing empty homes back into use
Cllr Samantha Hoy
Working with property owners to bring empty properties back into use as much-needed new homes for the district.

Partnership Investment in Fenland

We're working hard to attract the crucial external funding needed to unlock Fenland's potential and bolster its prosperity and resilience in the coming years.

Our previous policy of applying for any and all funding opportunities will now have to be tempered by any potential financial liability that the Council could face, particularly in respect of rising capital costs and the new requirement upon the s151 Officer to guarantee that the Council will meet any additional unanticipated costs when applying for some Government funding opportunities.

The diagram shows some of the projects currently in progress across the district thanks to millions of pounds worth of inward investment already secured.

The projects include development and regeneration of key sites, investment to improve transport and digital connectivity, and innovation and technology centres.

The opportunities will help to boost our economy, support new skills opportunities, and create much-needed new jobs.

Although many of these funding schemes are focused on our four market towns, our local villages will also benefit, as will neighbouring communities across Cambridgeshire, Norfolk, and Lincolnshire. Improvements to our rural communities are equally as important and are included in our investment work.

Our Priorities - Communities

Support vulnerable members of our community

- Enable residents to claim the Housing Benefit and Council Tax Support they are entitled to through our shared service (Anglia Revenues Partnership; ARP)
- Support residents to manage the effects of the cost of living
- Use our housing powers to prevent homelessness, reduce rough sleeping, meet housing needs, improve housing conditions and keep homes safe and accessible
- Encourage a range of partners to support the delivery of the Golden Age programme and support older people

Promote health and wellbeing for all

- Update the Council's Leisure Strategy in 2022 and work collaboratively with Freedom Leisure and other partners to deliver the Strategy
- Work collaboratively with partners to deliver our Health and Wellbeing Strategy in order to tackle local health priorities and help people to be healthier
- Create healthier communities through activities developed by Active Fenland

Work with partners to promote Fenland through Culture and Heritage

- Work collaboratively within the Integrated Care Partnership to tackle local health and wellbeing priorities and help people to be healthier.
- Support community groups to hold safe and successful public events

Performance Indicators

- Days taken to process new claims to changes for Council Tax Support
- Days taken to process new claims and changes for Housing Benefit
- Total number of private rented homes where positive action has been taken to address safety issues
- The proportion of households presenting to the Council as homeless whose housing circumstances were resolved through housing options work
- Number of empty properties brought back into use
- Number of Active Fenland sessions delivered per year
- Customer satisfaction: Net promoter score for Freedom Leisure Centres

Our Priorities - Environment

Deliver a high performing refuse, recycling and street cleansing service

- Work with partners, the community and volunteers to divert at least 50% of Cambridgeshire's household waste from landfill
- Maximise the value of materials collected for recycling, including through Getting It Sorted Recycling Champions
- Deliver our effective, self-funding Garden Waste collection service
- Deliver clean streets and public spaces as set out in the national code of practice
- Work with key stakeholders to deliver an effective waste partnership and update the Cambridgeshire and Peterborough Waste Strategy

Work with partners and the community on projects to improve the environment and streetscene

- Use education, guidance and Council powers to fairly enforce environmental standards and tackle issues such as fly tipping, illegal parking, dog fouling, littering and antisocial behaviour
- Ensure well maintained open spaces by working with our grounds maintenance contractor and through supporting community groups such as Street Pride, In Bloom, Green Dog Walkers and Friends of Groups
- Work with Town Councils and the community to provide local markets and market town events

Work with partners to keep people safe in their neighbourhoods by reducing crime & antisocial behaviour and promoting social cohesion

- Manage the Community Safety Partnership to reduce crime, hate crime and anti-social behaviour
- Support the Fenland Diverse Communities Forum to deliver the Fenland-wide Community Cohesion Action Plan
- Deliver the Community Safety Grant Agreement with the Police and Crime Commissioner

Performance Indicators

- Rapid or Village response requests actioned the same or next day
- % of inspected streets meeting our cleansing standards
- % of household waste recycled through the blue bin service
- Customer satisfaction with our Refuse and Recycling services
- Customer satisfaction with our Garden Waste service
- Number of Street Pride, Green Dog Walkers and Friends of Community Environmental Events supported
- % of those asked satisfied with events

Our Priorities - Economy

Attract new businesses, jobs and opportunities whilst supporting our existing businesses

- Work with external stakeholders, local businesses and the Combined Authority to attract inward investment and establish new business opportunities
- Provide responsive business support to encourage business growth, job diversity, skills development and increased grant
- Promote and develop our Business Premises at South Fens, The Boathouse and Light Industrial Estates to encourage investment, business development, job creation and skills diversification

Promote and enable housing growth, economic growth and regeneration

- Enable appropriate growth, development and infrastructure through delivering a proactive and effective Planning service
- Drive forward the development and delivery of new homes and commercial space by using our surplus property and land assets to deliver sustainable economic and residential growth
- Identify and bid for external funding that aligns with and supports our housing, economic and growth objectives

Promote and lobby for infrastructure improvements

- Promote sustainable road, rail and concessionary transport initiatives to improve access to employment and local services
- Engage with the Combined Authority and Cambridgeshire County Council on the feasibility and delivery of major road and rail infrastructure projects
- Work with the Combined Authority to influence how housing and infrastructure funding is used to stimulate housing development and economic growth in the district

Performance Indicators

- % of major planning applications determined in 13 weeks
- % of minor applications determined in 8 weeks
- % of other applications determined in 8 weeks
- % occupancy of Business Premises estates
- % occupancy of our Wisbech Yacht Harbour
- Local businesses supported and treated fairly

Our Priorities - Quality Organisation

Governance, Financial Control and Risk Management

- Maintain robust and effective financial standards, internal controls and organisational management
- Comply with data protection and General Data Protection Regulation requirements

Transformation and Efficiency

- Sustainably deliver required savings whilst pursuing transformation and commercialisation opportunities to ensure the organisation is fit for the future
- Engage with the Combined Authority's Public Service Reform agenda

Performance Management

- Set relevant and robust performance targets to ensure the effective delivery of Business Plan priorities
- Report regularly on service performance to the Corporate Management Team, Councillors and the public

Consultation and Engagement

- Appropriately consult with residents about our service and proposals as outlined in our Consultation Strategy

Excellent Customer Service

- Maintain our Customer Service Excellence accreditation to ensure we continue to deliver the most effective service to our communities
- Help residents to self-serve and access our services digitally to allow us to provide greater support for vulnerable customers and complex queries

Equalities

- Meet our Public Sector Equality duty by delivering the requirements of the 2010 Equality Act and 1998 Human Rights Act through our core service delivery and publication of a statutory Annual Equality Report

CUSTOMER SERVICE EXCELLENCE®

Our Priorities - Quality Organisation

Asset Management and Commercialisation

- Ensure our asset base is sustainable, suitable and fully utilised to maximise income opportunities and financial efficiencies
- Deliver our adopted Capital Programme in line with our Corporate Asset Management Plan to maintain the integrity and safety of our assets
- Work jointly with public, private and third sector partners to improve access to our services, including from co-located facilities
- Continue with our Commercial Investment Strategy to make informed decisions about the purchase and management of property assets through Fenland Futures Limited

Workforce Development

- Equip our workforce with the right skills to effectively deliver our priorities
- Support and empower our staff to make effective decisions

Enforcement

- Use a fair and proportionate approach to improve living, working and environmental standards as set out in our Enforcement Policies

Health and Safety

- Maintain effective Health and Safety systems to comply with relevant legislation and local requirements
- Deliver all aspects of the Council's Health and Safety action plan to ensure the safety and wellbeing of our workforce, partners and wider community

Performance indicators

- % of customer queries resolved at first point of contact
- Contact Centre calls answered within 20 seconds
- Contact Centre calls handled
- Council Tax collected
- Council Tax net collection fund receipts
- NNDR collected
- NNDR net collection fund receipts
- Number of online forms submitted via FDC Website

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Agenda Item No:	6	
Committee:	Cabinet	
Date:	12 December 2022	
Report Title:	Revised General Fund Budget and Capital Programme 2022/23; Draft General Fund Budget Estimates 2023/24 and Draft Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28; Capital Programme 2023 - 2026	

1 Purpose / Summary

To consider and approve:

- the revised General Fund Budget and Capital Programme for 2022/23;
- the Draft General Fund Budget Estimates 2023/24 and the Draft Medium Term Financial Strategy 2023/24 to 2027/28 for consultation;
- Capital Programme 2023-2026.

2 Key issues

- The Provisional Local Government Finance Settlement announcement is expected week commencing 19 December 2022. **Consequently, until the details of the Finance Settlement have been received, the figures detailed in this report should be treated as being provisional.**
- In accordance with the motion adopted by Council in July 2019, a 0% Council Tax increase has been included in the MTFS for 2023/24 and over the medium term.
- Council Tax Referendum limits for 2023/24 will be set at an increase of 3% or £5 whichever is the higher.
- Current forecasts for 2023/24 show a shortfall of £459k based on the assumptions detailed in Appendix C. This shortfall increases year on year, reaching £2.044m in 2027/28.
- At this time, more detailed work is required on a number of issues which could potentially both increase funding and increase costs (as detailed in paragraph 7.9 of the report). Further information is expected over the next few weeks and this will be incorporated where possible, into the final budget report in February 2023.
- Although there are currently many uncertainties regarding the budget for 2023/24 and the MTFS, there remains a significant structural deficit which the Council will need to address.
- The final deficits for 2022/23 and 2023/24 will have to be funded from Council reserves (current balances shown in Appendix E). At this stage, due to the many uncertainties around the potential deficits, there is no requirement to formally approve any amounts to be funded from reserves.
- An updated Capital Programme for 2022/23 and for the medium term 2023-26 is proposed.

3 Recommendations

- It is recommended that:-
  - (i) the draft budget proposals for 2023/24 outlined in this report be approved for consultation;
  - (ii) the revised General Fund Budget and revised Capital Programme for 2022/23 be approved;
  - (iii) the proposed Capital Programme for 2023-2026 be approved.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Contact Officer(s)	Paul Medd, Chief Executive Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Background Paper(s)	Provisional Finance settlement – Department for Levelling Up, Housing & Communities (DLUHC). Autumn Statement 2022 (HM Treasury) Medium Term Financial Strategy working papers. Government announcements since February 2022.

Report:

1 INTRODUCTION

1.1 This report sets out the financial implications of the council's priorities described in the draft Business Plan 2023/24. Revenue budget estimates are draft at this stage and along with the draft Business Plan will be subject to public and stakeholder consultation prior to final budget and council tax setting for 2023/24 in February 2023.

1.2 Much of the financial information provided is necessarily based on a number of assumptions which are wholly or partly influenced by external factors. Some of these factors, such as the outcome of the Local Government Finance Settlement, the impact of Business Rates Retention arrangements incorporating the effect of the Business Rates revaluation and the level of Government set fees, will not be known until later in the process and any amendments will be reported to Cabinet and Council at the February 2023 budget setting meeting.

2 AUTUMN STATEMENT 2022

2.1 On 17 November 2022, the Chancellor delivered his Autumn Statement and confirming the Government's spending plans for the next two years, 2023-24 and 2024-25.

2.2 The relevant points for this Council from these announcements are as follows:

Council Tax

- A proposed Council Tax referendum limit of 3% (or £5 whichever is the higher), together with an additional 2% increase for authorities with responsibilities for Adult Social Care;

Business Rates

- The 2023 Revaluation will go ahead as planned and the following measures are designed to help off-set the impact of the revaluation as well as other financial pressures on businesses;
- **Transitional relief scheme** (government funded) for 2023 Revaluation (£1.2bn in 2023-24). This has no effect on billing authorities, it simply makes the transitional scheme more generous;
- **Retail, Hospitality and Leisure Relief (RHL)** will continue in 2023-24 with the level of relief increasing from 50% to 75% with a maximum of £110,000 per business. Local authorities will be compensated in the usual way through S31 grants;
- **3-year support for small businesses** (scheme for properties losing Small Business Rates Relief or Rural Rates Relief), Again, local authorities will be fully compensated;
- **The business rates multiplier in 2023/24 will be frozen** (normally this would increase in line with inflation as determined by the CPI rate as at September 2022, ie.10.1%). Local authorities will be fully compensated for the decision to freeze the multiplier;
- Local authorities' business rate baseline funding levels will be amended as a result of the impact of the revaluation. This could potentially have either a positive or negative impact on the Council's overall business rates income;

Core Spending Power and Other Announcements

- There will be cash-terms growth in Core Spending Power (CSP) in 2023-24 and 2024-25 because of the increases in social care funding and Band D thresholds. Growth is likely to be less than inflation, however.
- No change in the allocations from SR21 means that the Settlement Funding Assessment should remain unchanged in 2023-24 and 2024-25. Looking further ahead, unprotected services are likely to reduce by 0.7% in real terms after 2025.
- Funding provided in 2022-23 for the 1.25% increase in National Insurance Contributions (now reversed) is being clawed back from the additional grant funding provided to Councils, by approximately £200m in 2023-24 and 2024-25. Consequently, we have assumed a reduction in our Services Grant allocation.
- Full details of the allocation of funding within CSP will be announced later this month in the 2023-24 Finance Settlement. There are still a number of issues remaining to be resolved, even though there is no change in the overall allocations. Decisions will have to be made about Lower Tier Services Grant (LTSG), 2022-23 Services Grant and the New Homes Bonus.
- Local government funding reforms (Fair Funding Review and business rates retention changes) have been pushed back to at least 2025/26;
- There has been no further announcement on the future of the New Homes Bonus (NHB). It is expected that the amount of NHB will reduce although there is likely to be some form of housing growth incentive;

2.3 Details of how this will be converted into specific funding allocations for individual local authorities will be announced as part of the provisional local government finance settlement which is expected week commencing 19 December 2022.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 The Provisional Finance Settlement for 2023/24 is expected to be announced during the week commencing 19 December 2022. Consequently, the figures included in this report are estimates based on the funding announcements detailed in section 2 above. It is therefore, almost certain that the figures announced in the Provisional Settlement will be different from those detailed in this report. An update on any changes will be given to members as soon as they are available.

3.2 For the purposes of this report, it has been assumed that the Council's Settlement Funding Assessment for 2023/24 (Business Rates Baseline and Tariff Payments) will remain the same as 2022-23 as a result of the decision to freeze the business rates multiplier. The figure included in the draft budget is detailed below.

Table 1 – Settlement Funding Assessment (Core Funding) – Estimate prior to provisional settlement

	Actual 2022/23 £000	Estimate 2023/24 £000	2023/24 % Increase
Settlement Funding Assessment			
Business Rates income	**9,729**	**9,729**	
Tariff Payment to government	**-6,027**	**-6,027**	
Business Rates Baseline Funding	**3,072**	**3,072**	**0.0%**

3.3 Business Rates Baseline Finding levels for 2023/24 will be updated to take into account the revaluation. At this time, it is not possible to determine what impact this will have on the Council's overall Business Rates income.

3.4 The Medium-Term forecasts detailed in Appendix B have assumed a continuation of the current policy of increasing business rates baselines by CPI inflation from 2024/25 onwards, based on current Treasury forecasts over the medium term.

Fair Funding Review

3.5 Local government funding reforms (Fair Funding Review or business rates retention changes) have been pushed back to at least 2025/26.

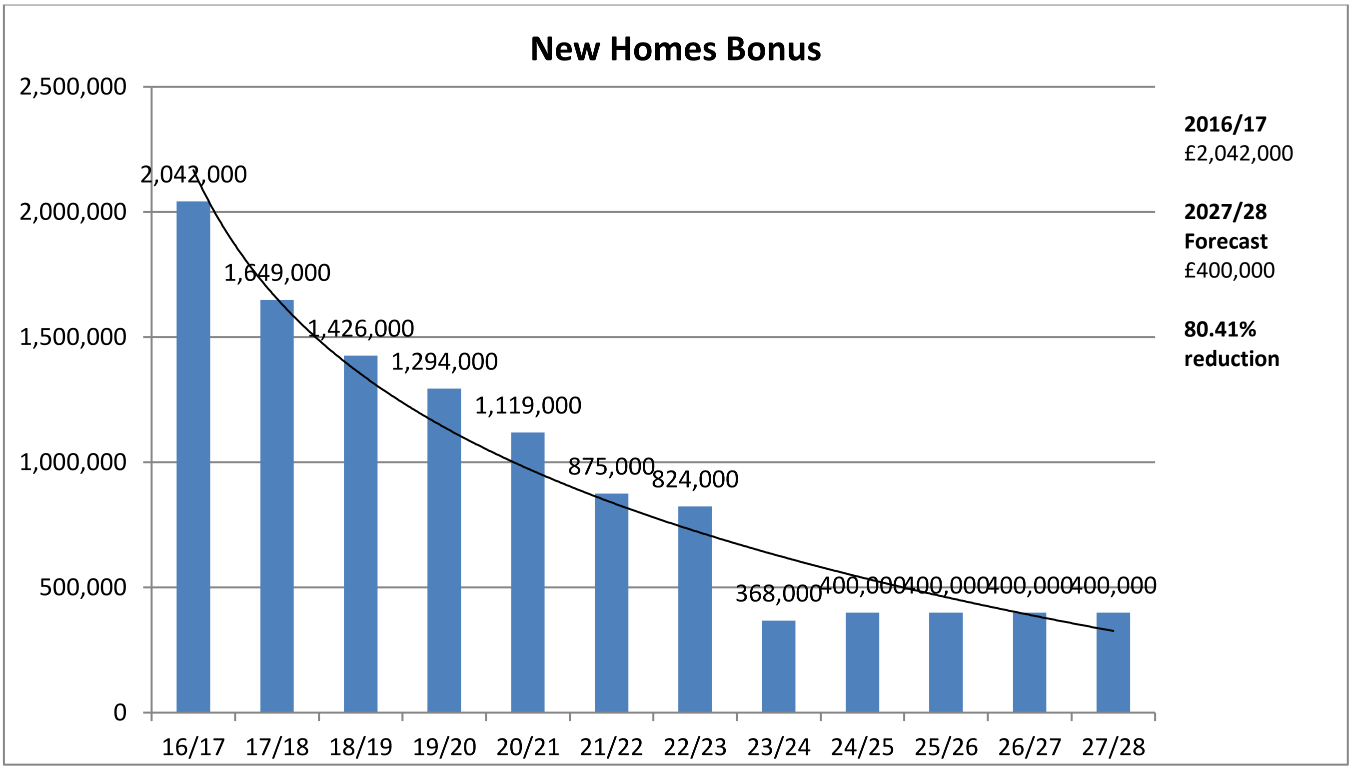
4 NEW HOMES BONUS

4.1 In 2017/18, reforms to the allocation methodology of the New Homes Bonus (NHB) were made which significantly reduced this Council's allocation. In addition, from 2017/18, a national baseline for housing growth of 0.4% was introduced, below which New Homes Bonus is not paid, reflecting a percentage of housing that would have been built anyway.

4.2 Actual NHB received in 2020/21 was £1.119m, in 2021/22 it was £875k and in 2022/23 it is £824k. No announcement was made on the future of the New Homes Bonus in the Autumn Statement 2022 and for the purposes of this report, it has been assumed that only the in-year amount (calculation based on dwelling numbers at October 2021 – October 2022) will be received in 2023-24 and over the medium term, with no further legacy payments due.

4.3 This produces a New Homes Bonus allocation of £368k in 2023/24, rounded to £400k per annum over the medium-term forecasts. This assumes no additional allocations from whatever system is introduced to replace the NHB.

4.4 The graph below shows how the amount received from NHB has significantly changed over the past six years together with forecasts over the medium term.



4.5 We wait to see what the Provisional Finance Settlement includes (if anything) for New Homes Bonus allocations for 2023/24.

4.6 The Future of the New Homes Bonus is very uncertain. The current national total of £556m allocated by way of NHB may also change in future spending reviews. There is however expected to be some form of housing growth incentive scheme. The impact on this Council's funding could be significant. We have included £400k of NHB funding in the MTFS from 2024/25 onwards. These could be replaced by allocations we receive from whatever the new Housing Incentive system will look like.

4.7 **The lack of clarity around the future of the NHB is a significant risk to the MTFS.**

5 BUSINESS RATES

5.1 Members will be aware that the Business Rates Retention system was introduced in April 2013. Under this system, authorities would benefit if their actual Business Rates income collected in a year was higher than the baseline funding determined by government.

5.2 There has been real business rates growth in Fenland over the last six years, however how this impacts on the resources available to this Council is complex, due to the rules and the operation of the current 50% Business Rates Retention system. The complexity of the system has been exacerbated by the number of business rates relief schemes and multiplier caps and freezes implemented by the government over the last few years.

Business Rates Pooling Arrangement – 2023/24

5.3 The Council has joined with the County Council, Peterborough City Council, Fire Authority, East Cambridgeshire and South Cambridgeshire to become part of a pooling arrangement for business rates for 2020/21, 2021/22 and 2022/23. Unlike the Business Rates Pilot schemes, this is not a bidding process against other pools but is part of the existing system whereby authorities can choose to apply to become a pool with the agreement of the constituent authorities.

5.4 The benefit of being in a pool is that authorities will not be liable to levy payments on their business rates growth, which is then shared amongst the pooled authorities by a mutually agreed method. This will be based on where the growth has originated from with an appropriate share allocated to the County Council and Fire Authority.

5.5 Depending on actual business rates received in 2022/23, the net effect of the pooling arrangement could be considerable for the authorities in the pool. Current forecasts indicate that this Council could receive up to £300k additional income according to the sharing methodology agreed between the pooled authorities.

5.6 The members of the current pooling arrangement have notified MHCLG of their intention to remain as a pool for 2023/24 as there is still expected to be a net benefit to each authority. For the purposes of the 2023/24 estimates, an amount of £350k has been included as this Council's share of the potential benefit. These figures will be firmed up over the coming weeks as all authorities in the pool complete the annual statutory business rates estimate, the NNDR1 form, due to be returned to MHCLG by the end of January 2023. This Council's estimated share of any additional resources will then be calculated and included in the final budget report in February 2023.

5.7 Following announcements in the SR2021 and subsequently in the Autumn Statement 2022, it is now unlikely that there will be any major changes to the rates retention system until 2025/26. Consequently, assuming the current pooling arrangements continue, an amount of £350k per annum has been included in the MTFS as a pooling benefit to this Council.

Business Rates Reform – 2025/26 onwards

5.8 As stated earlier, no major changes will take place until 2025/26 at least. At that time, it is likely that the Baseline Funding Level of all Councils will be reset with all 'growth' income being taken into account nationally and redistributed in the new system. In the estimate for 2023/24 and the medium-term forecasts, around £1.2m of business rates above the Council's Baseline Funding Level is being retained. Under a baseline reset, this would mean that initially the additional £1.2m business rates income would be removed and redistributed. What remains unclear, is how much of this £1.2m will be returned to the Council as part of its recalculated Baseline Funding Level.

5.9 In theory therefore, the Council could lose all of this additional £1.2m in the absolute worst-case scenario. However, this is unlikely and would create significant volatility within future funding allocations nationally, which the government does not wish to see. There will also undoubtedly be some kind of transitional arrangements which would also limit the extent of any gains and losses in funding arising from the new system.

5.10 Although it is extremely difficult to exemplify the impact of this redistribution, in broad terms, if the Council were to lose 50% of its growth income then this would add a further £600k per annum from 2025/26 to the current forecast MTFS shortfalls. A 20% loss of growth income would add a further £240k per annum to the current shortfalls.

5.11 In addition, the current system of retaining 100% of business rates from businesses generating Renewable Energy (estimated £1.478m in 2023/24) and the benefits from current pooling arrangements (estimated £350k in 2023/24) could also be reviewed and amended.

5.12 **At the time of writing, the Fair Funding Review, the implementation of Business Rates Reform and the changes to the New Homes Bonus are all major risk areas for this Council over the medium term.**

6 FORECAST OUTTURN 2022/23

6.1 The approved budget set by Council in February 2022, showed a shortfall of £203k which was to be funded from the Budget Equalisation Reserve to the extent that it was needed at the end of 2022/23.

6.2 The latest projected outturn for 2022/23 is set out at Appendix A and show the likelihood of a shortfall in the region of £197k by the end of this financial year.

6.3 There have been numerous significant variations during this year to date which have contributed to the projected shortfall remaining close to the budgeted position. The main additional cost variations include for the pay award for 2022/23 (£1,925 flat rate increase recently agreed compared to a budgeted 2% increase). This has increased our salary costs by £450k. In addition, the budgeted vacancy factor of £181k has not materialised in this year.

6.4 Other cost pressures include an additional net cost of £220k from housing benefit subsidy not recoverable from homelessness benefit payments. Officers are progressing a number of initiatives to minimise this additional cost in future years. There have also been higher costs relating to Repairs and Maintenance (£92k), Diesel fuel (£110k), other Vehicle costs (40k) and additional Leisure Contract support (£130k). In addition, there has been a significant reduction in Marine Services income (£157k) due to Port Sutton Bridge ceasing operations in March 2022 and with the new operator not yet started.

6.5 To off-set these additional cost increases, there has been a number of higher income variances including Planning Fees (£130k), Investment Income (£344k from higher cash balances and higher investment interest rates) and Retained Renewable Energy Rates (£985k). Further savings of £118k in financing costs and Minimum Revenue Provision have been achieved as a result of reprofiling of the capital programme.

6.6 There are still many uncertainties around the potential shortfall for 2022/23 and there is no requirement at this time to formally approve an amount to be funded from reserves. At the present time, Corporate Management Team, Senior Managers and the Accountancy Team are managing and monitoring the position carefully and will continue to review spending levels to ensure where possible, the amount to be funded from reserves at the year-end is minimised.

6.7 Use of reserves to fund any potential shortfall in 2022/23 will have a consequential impact on the Council's ability to fund the shortfall in 2023/24 from reserves. Details of the Council's reserves are at Section 10 and Appendix E.

7 DRAFT BUDGET ESTIMATES 2023/24 AND MTFS

7.1 The Council's MTFS has to ensure that the commitments made in the Business Plan are funded not only in the year for which formal approval of the budget is required (2023/24) but for forecast years as well, within a reasonable level of tolerance.

7.2 The impact of the issues identified in Section 6 above on the Council finances in 2022/23 will largely continue into 2023/24 and the medium term. The impact of the Provisional Local Government Finance Settlement (expected to be announced during week commencing 19 December 2022) will also need to be clarified and the figures in this report make no assumptions about any potential changes to government funding.

7.3 The Council's medium-term forecasts are shown at Appendix B and summarised in Table 2 below. The table includes a 0% Council Tax increase in 2023/24 and the medium term.

Table 2 - MTFS - 0% increase in 2023/24 onwards

Summary Medium Term Financial Plan					
	Estimate	Forecast	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Expenditure					
Net Service Expenditure	15,104	15,450	15,738	16,261	16,603
Corporate Items	932	1,138	1,097	1,098	1,440
Contribution from Earmarked Reserves	-22	-191	-54	-54	-54
Contribution from Business Rates Reserve	-748	0	0	0	0
Net Expenditure (before use of balances)	**15,266**	**16,397**	**16,781**	**17,305**	**17,989**
Funding					
Business Rates Funding *(detailed in Appendix B)*	-7,409	-7,391	-7,526	-7,664	-7,415
Business Rates Collection Fund Deficit	748	0	0	0	0
Council Tax Collection Fund Surplus(-)	-56	-50	-50	-50	-50
Council Tax *(increases of 0% in 23/24 onwards)*	-8,090	-8,187	-8,285	-8,383	-8,480
Total Funding	**-14,807**	**-15,628**	**-15,861**	**-16,097**	**-15,945**
Shortfall(+) before use of balances	**+459**	**+769**	**+920**	**+1,208**	**+2,044**
Contribution from General Fund Balance	0	0	0	0	0
Shortfall(+) after use of balances	**+459**	**+769**	**+920**	**+1,208**	**+2,044**

7.4 Government support for 2023/24 will be announced as part of the provisional finance settlement. This Council currently only receives retained business rates from the finance settlement. The projections for 2023/24 onwards are based on the best estimates and information available and are consistent with the announcements on business rates in the Spending Round 2021 and the Autumn Statement 2022. However, subject to further clarity on the detailed implementation of the announcements and the impact of the revaluation, there remains significant uncertainty in these projections.

7.5 The net budget requirement for 2023/24 is currently estimated at **£15.266m** after all identified savings, contingencies and reserve transfers are included. This includes the assumptions detailed at Appendix C. With the provisional funding assumptions and a 0% increase in Council Tax a shortfall of £459k is currently forecast for 2023/24.

7.6 The development of the Commercial and Investment Strategy has the potential to generate additional significant returns over the MTFS. Currently, recharges to Fenland Future Ltd (FFL) for officer time and loan interest receipts have been included in the forecasts at Appendix A and B. These are based on the current business plan of FFL over the next three years. Additional returns may also be realised depending on the type and timing of investment opportunities. Consequently, no allowance for these further potential returns (over and above the recharges and loan interest to FFL) have been included in the MTFS at the current time.

7.7 No allowance has been made for any additional savings associated with the My Fenland transformation programme. It is envisaged that a transformation programme to reflect how the Council wishes to deliver services in the future and to address the forecast deficits in the MTFS will be initiated during the course of 2023/24 with an expectation that the associated savings will be delivered over the current MTFS.

7.8 Taking into account the proposals in the Table 2 above, the estimated net budget requirement in 2023/24 is detailed in Appendix A. The level of forecast resources available to the Council and the estimated levels of expenditure over the medium term are set out in detail in Appendix B. These show a funding gap of £2.044m by the end of 2027/28.

7.9 There is still considerable uncertainty around the estimates for 2023/24 and the forecasts for the medium term. Currently there are a number of ‘unknowns’ which could both positively and negatively impact on the forecasts including:

Risks associated with the MTFS forecasts:

- Potential impact of the Provisional Finance Settlement (announcement in mid-December 2022) on 2023/24 and the medium term;
- Impact of potential changes to the New Home Bonus methodology and allocations from April 2023;
- Impact of the business rates revaluation from April 2023 and longer-term changes to the Business Rates Retention system from April 2025;
- Impact of potential additional costs and income in 2024/25 from the Extended Producer Responsibility scheme for managing packaging waste;
- Impact on income streams being greater than anticipated due to external factors such as Port Income (sale of Port Sutton Bridge);
- Continuing impact of homelessness temporary accommodation costs in 2023/24 and the medium term and the impact on recovery of housing benefit subsidy;
- Potential for additional support for the Leisure Management contactor in 2023/24 as a result of the energy costs crisis. A full year’s Management Fee income from the Leisure Contractor has currently been included in the 2023/24 estimates and each subsequent year of the MTFS;
- Impact of increases in Fees and Charges (where feasible) on the 2023/24 estimates and MTFS;
- Impact of service developments eg. Car Parking Enforcement (CPE);
- Revenue impact of funding new capital schemes not currently included in the capital programme;
- Potential impact of the Council’s future transformation programme with associated savings. Further detailed work is required to quantify the scope of this programme and associated savings;

- Review of the recharge of staff time to the LATCO (Fenland Future Ltd) to quantify potential revenue savings. Currently recharges of £125k in 2022/23 onwards have been assumed in the MTFS;
- Potential net benefits from FFL of loan interest and dividends from future developments over and above already included in the MTFS generating revenue income;
- Commercial and Investment Strategy and future potential positive returns to the Council;
- Review of the General Fund Balance and Earmarked Reserves to ensure they align with the future requirements of the Council;
- Potential positive impact over the MTFS of implementing the outcomes from the Accommodation Strategy.

7.10 Further details relating to several of the above issues should become clearer with the publication of the Provisional Finance Settlement expected to be announced in mid-December 2022.

7.11 Between now and the final budget report in February 2023 further analysis will be carried out on the impact of the issues detailed above, as and when further information becomes available. Consequently, the estimate for 2023/24 could change significantly from that detailed at Appendix A.

7.12 **Whatever impact the above issues may have however, there will remain a significant structural deficit for the Council to address over the medium term.**

7.13 The forecasts for the years 2024/25 – 2027/28 are provisional at this stage and should be considered with extreme caution. The Provisional Finance Settlement announcements regarding local government funding are imminent and therefore, the figures could be different to those included in the forecast. Future announcements and consultation outcomes will also determine government policy and therefore the funding in the future years. In addition, the forecasts are dependent on permanently maintaining the savings identified through the My Fenland transformation initiative.

7.14 As detailed earlier in this report, Business Rates Retention Reform, Fair Funding Review and changes to the New Homes Bonus could have a significant impact on the Council's forecast resources over term of the MTFS. Further to the risks associated with these externally determined funding streams the Council should also ensure that income budgets are achieved, and new income streams considered and implemented for medium to long term sustainability in combination with any operational and transformational benefits that the Council realises. The use of general reserves to support revenue expenditure adds to the overall risks to the Council as such reserves can only be used once but the cumulative impact of such use will continue to be felt into the future.

<u>Other Risks</u>

Capital Programme – Future Funding

7.15 The Council is increasingly relying on borrowing (Internal and Prudential) to fund its future programme as the amount of capital receipts and the level of reserves available to fund the capital programme are reducing considerably over the next two years. Consequently, any new capital schemes (which do not generate a return to repay borrowing costs) will have to be funded through borrowing which will result in revenue costs and therefore will impact on the MTFS and future shortfalls.

7.16 For example, a £1m scheme with a 20-year life, funded by prudential borrowing, would result in around an additional £90,000 per annum in interest (4%) and repayment costs.

7.17 Consequently, a review of the current capital programme and its ongoing revenue cost impact will be undertaken to ensure the programme is sustainable within the context of the Council's Medium Term Financial Strategy.

7.18 To exemplify the effect on the MTFS of potential additional costs arising from the above risks, Table 3 below details a scenario whereby the Council loses 50% of its business rates growth income following the reforms in 2025/26.

Table 3: MTFS Potential Impact of Major Risks – for illustrative purposes only

	Estimate	Forecast	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
MTFS Shortfall - Appendix B	**459**	**769**	**920**	**1,208**	**2,044**
(0% CT increase in 2023/24 onwards)					
50% loss of NNDR growth income			600	600	600
Increasing NHB threshold by 0.1%			100	150	200
Revised Shortfall	**459**	**769**	**1,620**	**1,958**	**2,844**

7.19 As stated earlier, it is important to note that the figures detailed in the above table are purely illustrative as no decisions have yet been made regarding changes to these funding streams and the potential impact on this Council.

8 FEES AND CHARGES

8.1 The Overview and Scrutiny Panel will consider all fees and charges for 2023/24 at its meeting on 16 January 2023 and recommend the Schedule of Fees and Charges to Cabinet at its meeting on 30 January 2023.

8.2 For the purposes of this report, no increase in fees over and above what has already been agreed (eg. Garden Waste Subscriptions) has been included in the estimates for 2023/24 and the medium term. Income forecasts within the figures in this report are based on current fees and projected activity levels.

8.3 Members will be aware that several of our fees and charges are set by government (eg. Planning Fees) and we have no discretion to amend these. The number of fees and charges which we have discretion to amend and the extent to which any increases significantly impact the Medium-Term Forecasts detailed in this report are limited.

9 COUNCIL TAX – 2023/24

9.1 As part of the Autumn Statement 2022, the government has set the referendum limit at 3% or £5, whichever is higher for 2023/24 for District Councils. A 3% increase on the Band D Council Tax equates to £7.74 per annum (a 2.97% increase due to roundings).

9.2 Social care authorities, such as Cambridgeshire County Council can also increase their element of council tax by a further 2% (5% in total which would equate to £73.44 on the County Council's Band D Council Tax if increase taken in full).

9.3 Council at its meeting on 18 July 2019, agreed to re-position the MTFS to show 0% Council Tax increases through to 2023/24. This report extends the MTFS period and 0% increases to 2027/28. The motion agreed by Council emphasised that 0% increases in Council Tax throughout the MTFS period is an ambition and it was recognised that the Council continues to face significant financial challenges and uncertainties that may not allow this ambition to be met. These challenges and uncertainties have been exacerbated by Covid-19.

9.4 The motion also stated that Members of the Council need to act responsibly each year when setting the precept to balance the ambition of achieving a 0% Council Tax rise with the legal need to balance the budget. It was agreed that raising Council Tax in any of the next four years will be a last resort in order to minimise the financial effects of Council Tax on all of Fenland's households.

9.5 For information, an additional 1% increase in Council Tax in 2023/24 would generate in the region of £81,000 of revenue per annum to the Council. Even with this additional revenue included, the estimates for future years show a significant and increasing shortfall (see Table 4 below).

Council Taxbase

9.6 The amount of Council Tax income recognised in the estimates is determined by the Council Taxbase (Band D equivalents) and the level of Band D Council Tax. For 2023/24, the Council Taxbase has been calculated using the number of dwellings (as notified by the Valuation Office Agency), the impact of exemptions and discounts (eg. Single Person discount) and the amount of Council Tax Support awarded as reported in the Council Tax Base return submitted to DLUHC in October 2022.

9.7 In addition, an allowance for growth and for non-collection is included to produce the estimated taxbase. For 2023/24, the draft taxbase has been calculated as 31,059 (Band D equivalents), an increase of 395 (1.29%) on 2022/23.

9.8 The number of dwellings included on the VOA valuation list will be kept under review together with further analysis of growth within the district to ensure the final taxbase calculation reflects the latest position.

9.9 After the estimates of expenditure and income have been prepared, and the Final Settlement has been received, the next step is to set the council tax for 2023/24 for Fenland District Council. This is the final piece of the "jigsaw" that identifies the balance of the total resources required to fund the Council's services.

9.10 In line with the motion agreed by Council on 19 July 2019, assumed Council Tax increases of 0% have been included for 2023/24 and over the period of the MTFS.

9.11 At this level of Council Tax, there will be a significant deficit to fund over the period of the MTFS. Consequently, the Council will need to continually consider its strategy to meet the estimated shortfalls shown at Table 2 and in Appendix B.

9.12 The implications of not increasing Council Tax over the MTFS is that the Council will be reducing its financial base permanently as it would not be able to recover potential revenue foregone due to the cumulative year on year impact. The consequences of continually setting zero Council Tax levels and not achieving the necessary savings/additional income have been clearly demonstrated by the events at other Councils. The ability to achieve significant year on year savings (without increasing existing and/or introducing new revenue streams together with transformational change) to balance the budget becomes progressively difficult without eventually impacting on front-line services and delivery.

9.13 Council can of course agree to a higher increase (up to the referendum limit of 3%) and a 1% increase in Council Tax raises around £81,000 revenue per annum. Table 4 shows the implications of increasing the Council Tax in 2023/24 by 2.97% per annum and thereafter compared to freezing the Council Tax in 2023/24 and throughout the MTFS period.

Table 4: MTFS Deficits at Differing Council Tax increases in 2023/24 onwards

Deficits based on different % increases	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Deficits at 0% increase *(as shown in Table 2/Appendix B)*	+458	+769	+920	+1,208	+2,044
Additional CT with 2.97% increase p.a. from 2023/24	-240	-493	-759	-1,041	-1,338
Deficits at 2.97% increase	+218	+276	+161	+167	+706

10 REVIEW OF GENERAL FUND BALANCE AND EARMARKED RESERVES

10.1 An important part of any budget strategy is the review and consideration of reserves. Earmarked Reserves are typically held and used in a planned way to deal with issues where it is foreseen that resources need to be set aside to meet a specific need, but the exact amount and timing is not known. General Reserves are held to cushion the impact of an event or events that cannot be foreseen whilst maintaining these resources at a consistent and reasonable level over the medium term.

10.2 Sufficient levels of reserves are necessary to provide for various contingent and unplanned items that could include:-

- significant increased costs of providing statutory services
- significant increased contractual costs
- an unexpected and/or significant event or disaster, e.g., civil emergency
- an unexpected major liability in law
- the need to make significant payments in relation to prior year adjustments under the direction of the external auditor

10.3 The Council's current uncommitted General Fund Balance is £2m. It is good practice to keep the balance on this reserve under review alongside ensuring that the purposes for which other earmarked reserves were allocated remain consistent with and relevant to the Council's Medium Term Financial Strategy.

10.4 Consequently, a review of the level of the General Fund Balance and the number and purpose of the earmarked reserves will be undertaken and any amendments will be presented to Cabinet and Council in the final budget report in February 2023. It is envisaged that the level of the General Fund Balance could be reduced and a Transformation Reserve be created from merging several existing earmarked reserves.

10.5 The Budget Equalisation Reserve was established in 2019/20 to provide a smoothing mechanism between financial years which could provide resources to help achieve balanced budgets in future years. The current balance on this reserve is £1.067m and is available to meet potential budget shortfalls for 2022/23 and 2023/24.

10.6 The analysis of reserves at Appendix E details the projected General Fund and earmarked reserves position as of 31 March 2023 and 31 March 2024 before any use of these reserves to fund the potential shortfalls detailed at Appendix A. The final budget report to be considered by Cabinet and Council on 20 February 2023 will consider the use of these reserves.

11 CAPITAL PROGRAMME

11.1 Capital Expenditure and Income plans have been prepared through the Council's service and financial planning cycle. The Council's capital resources are dependent on government funding, external grants or through the ongoing disposal of assets.

11.2 In July 2022, Cabinet approved the updated capital programme and resources statement incorporating any changes since the programme was agreed in February 2022.

11.3 Members have continued to receive regular updates on several high-profile schemes including Wisbech High Street and the Future High Street Fund, March.

11.4 An updated Capital Programme for 2022-26 is presented at Appendix D for approval. The programme has been updated to ensure it adequately reflects the cost and anticipated timing of schemes previously approved. At this stage, no further capital schemes over and above those already approved have been included in the updated programme.

11.5 No allowance has yet been made for the following developments which will significantly impact the Council's capital programme.

Accommodation Strategy

Currently members and officers are working closely with the Council's professional advisors to produce an Accommodation Strategy. The decisions taken will inform the level of work required at Fenland Hall and The Base over the life of the capital programme. When decisions are taken regarding members' preferred option/s the capital programme will be adjusted accordingly. On this basis no commitments relating to Fenland Hall and the Base have been included in the current programme.

Structural Works – Wisbech Port

11.6 Major capital works commenced in the 2020/21 financial year to address health and safety risks identified following a survey of Crab Marsh quay. These works completed within budget in the 2021/22 financial year. During the 2021/22 financial year a further survey was commissioned covering the remaining stretch of operational quay at the Port of Wisbech. Officers are working with external consultants to determine the cost of rectifying the structural deficiencies identified. A separate report will be brought to Cabinet when further information is available.

Commercial and Investment Strategy Schemes

11.7 From February 2020 the programme has reflected the Council's decision to allocate £25m to take forward schemes in accordance with the Council's Commercial and Investment Strategy. The remaining allocation has been profiled to reflect the anticipating timing of future projects, including those due to be delivered by Fenland Future Limited. However, the Investment Board retains the discretion to vary when the available funds are utilised over the life of the programme.

11.8 Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure including through borrowing. Reviews of the programme and resources available are carried out regularly during the year.

11.9 The Council's Borrowing Strategy which is incorporated into the Council's Treasury Management Strategy Statement, recognises that some prudential borrowing will be required over the life of the capital programme. The projected additional annual revenue costs for the Council are reflected in the medium-term forecasts at Appendix B.

11.10 As stated earlier, a review of the current capital programme and its ongoing revenue cost impact will be undertaken to ensure the programme is sustainable within the context of the Council's Medium Term Financial Strategy.

12 RISK ASSESSMENT

12.1 There is an element of risk inherent in any process that looks into the future to make forecasts, particularly in the current economic climate and other national and international events now or in the future that may impact on the Council either directly or indirectly. The Council has a strong track record in good financial management as recognised in the recent Annual Audit Letter. This risk is further minimised by adopting the following methodology when preparing the estimates:-

- Service managers and the Accountancy Team working together to define likely service income/expenditure patterns matched with service delivery plans;
- Maintaining "earmarked" reserves for expenditure that it is known will occur but the exact amount and timing of the expenditure is not known;
- Maintaining an adequate level of general reserves to meet sudden and or unforeseen expenditure;
- Adopting clear guidelines and control systems (robust revenue and capital budget management and monitoring procedures, Financial Regulations and Contract Procedure Rules etc.) to alert service managers, and members before variances reach tolerance levels;
- Using professional and expert advice and economic forecasts where these are available, e.g., treasury management, interest rates;
- Maintaining a rolling review of forecast estimates beyond the current year.

13.2 These assumptions are made with all available information but are necessarily calculated based on broad assumptions. In the current economic climate, some of these assumptions are particularly volatile. The MTFS will be prepared annually on a rolling basis so that as information becomes more certain the figures will be updated and early consideration can be given to any action or changes in direction that may be required.

APPENDIX A

FENLAND DISTRICT COUNCIL

Summary of Revenue Estimates

	Current Approved Estimate 2022/23	Projected Outturn 2022/23	Estimate 2023/24
Service Summary	**£**	**£**	**£**
Growth & Infrastructure	1,074,930	1,393,994	1,036,204
Communities, Environment, Leisure & Planning	4,020,860	4,506,914	4,767,720
Resources & Customer Services	7,885,550	8,511,540	9,278,650
Pay Award 2022/23 : £1,925 flat rate increase	0	700,000	0
NET COST OF GENERAL FUND SERVICES	**12,981,340**	**15,112,448**	**15,082,574**
Corporate Items			
Drainage Board Levies	1,721,530	1,707,950	1,759,200
Contributions to/ (from) Earmarked Reserves	-101,020	-760,410	-221,920
Contributions to/(from) Business Rates Reserve	-1,415,206	-760,789	-748,052
RTB/VAT Sharing Income	-70,000	-70,000	-20,000
Financing Charges - *Interest/Minimum Revenue Provision*	1,063,314	945,035	1,141,715
Investment Income and Property Funds Income	-286,000	-630,000	-800,000
New Homes Bonus	-823,959	-823,959	-368,000
Vacancy Factor (1.5%)	0	0	-197,000
Lower Tier Services Grant	-169,351	-169,351	-169,351
Services Grant	-255,198	-255,198	-193,000
Corporate Items	**-335,890**	**-816,722**	**183,592**
Net Expenditure	**12,645,450**	**14,295,726**	**15,266,166**
Contribution from General Fund Balance/Reserves	**0**	**0**	**0**
NET EXPENDITURE after use of balances	**12,645,450**	**14,295,726**	**15,266,166**
Core Funding			
Revenue Support Grant	-589	-589	**0**
Business Rates			
Business Rates Funding	-9,319,912	-9,319,912	-9,157,348
Tariff Payment to Government	6,027,242	6,027,242	6,027,242
Renewable Energy Rates Retained	-969,602	-1,954,839	-1,478,151
Business Rates Pool - FDC Share of Benefit	-350,000	-300,000	-350,000
Business Rates S31 Grants due in year	-2,290,722	-2,860,614	-3,094,346
Business Rates Levy due in year	656,303	505,355	643,114
Business Rates Collection Fund Deficit(+)	1,835,529	1,835,529	748,052
	-4,411,162	**-6,067,239**	**-6,661,437**
Council Tax Collection Fund Deficit(+)/Surplus(-)	**-43,760**	**-43,760**	**-56,458**
Council Tax	**-7,986,741**	**-7,986,741**	**-8,089,623**
Business Rates and Council Tax Funding	**-12,442,252**	**-14,098,329**	**-14,807,518**
Surplus(-)/Shortfall(+)	**203,198**	**197,397**	**458,648**

APPENDIX B
(0% Council Tax increase)

Medium Term Financial Strategy	Projected 2022/23 £000	Estimate 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000	Forecast 2027/28 £000
Expenditure						
Service Expenditure/Income						
Gross Service Expenditure	26,194	25,360	25,701	25,985	26,502	26,889
Gross Service Income	-11,085	-10,278	-10,251	-10,247	-10,241	-10,286
Total Net Service Expenditure	***15,109***	***15,082***	***15,450***	***15,738***	***16,261***	***16,603***
Corporate Items						
Corporate Expenditure/Savings						
Drainage Board Levies	1,708	1,759	1,812	1,866	1,922	1,980
Financing Charges - Interest on External Borrowing	528	632	710	710	710	710
Financing Charges - Current Capital Programme - MRP	420	510	600	620	630	630
Vacancy Factor (1.5%)	0	-197	-202	-207	-212	-217
	2,656	*2,704*	*2,920*	*2,989*	*3,050*	*3,102*
Corporate Income Items						
Contribution to(+)/from(-) Earmarked Reserves	-760	-222	-191	-54	-54	-54
Contribution to(+)/from(-) Business Rates Reserve	-761	-748	0	0	0	0
RTB/VAT Sharing Income	-70	-20	-20	-20	-20	-20
Investment and Property Fund Income	-630	-800	-1,000	-1,110	-1,170	-880
New Homes Bonus	-824	-368	-400	-400	-400	-400
Lower Tier Services Grant	-169	-169	-169	-169	-169	-169
Services Grant	-255	-193	-193	-193	-193	-193
	-3,470	*-2,520*	*-1,973*	*-1,946*	*-2,006*	*-1,716*
Total Corporate Items	***-814***	***184***	***947***	***1,043***	***1,044***	***1,386***
Gross Service/Corporate Expenditure	**28,850**	**28,064**	**28,621**	**28,974**	**29,552**	**29,991**
Gross Service/Corporate Income	**-14,555**	**-12,798**	**-12,224**	**-12,193**	**-12,247**	**-12,003**
Net Budget Requirement	**14,295**	**15,266**	**16,397**	**16,781**	**17,305**	**17,989**
Funding - Business Rates/Council Tax						
Business Rates						
Business Rates Baseline Funding	-9,320	-9,157	-10,317	-10,426	-10,536	-10,748
Tariff Payment to Government	6,027	6,027	6,329	6,392	6,456	6,566
Renewable Energy Rates Retained	-1,955	-1,478	-1,193	-1,256	-1,321	-1,014
Business Rates Pool - FDC Share of Benefit	-300	-350	-350	-350	-350	-350
Business Rates S31 Grants due in year	-2,861	-3,094	-2,534	-2,570	-2,607	-2,590
Business Rates Levy due in year	505	643	675	684	694	721
Business Rates Collection Fund Deficit	1,836	748	0	0	0	0
Total Business Rates Funding	**-6,067**	**-6,661**	**-7,391**	**-7,526**	**-7,664**	**-7,415**
Council Tax						
Council Tax Collection Fund Surplus(-)/Deficit	-44	-56	-50	-50	-50	-50
Council Tax *(increases of 0% in 23/24 onwards)*	-7,987	-8,090	-8,187	-8,285	-8,383	-8,480
Total Council Tax Funding	**-8,031**	**-8,146**	**-8,237**	**-8,335**	**-8,433**	**-8,530**
Total Funding - Business Rates/Council Tax	**-14,098**	**-14,807**	**-15,628**	**-15,861**	**-16,097**	**-15,945**
Surplus(-)/Shortfall(+)	**+197**	**+459**	**+769**	**+920**	**+1,208**	**+2,044**

Assumptions built into Budget and Medium Term Financial Strategy (MTFS)

Within the forecasts are a number of assumptions which are necessary to produce the overall budget strategy. However, there is an element of risk associated with this process although the aim is to mitigate these risks as detailed in section 12 of the main report.

The main assumptions are as follows:

- 0% Council Tax increase for 2023/24 and thereafter (1% increase generates around £81k of resources and 2.97% around £240k of resources).
- 1.29% increase in Council Tax base in 2023/2024 (Tax-base 31,059) and 1.20% thereafter (increase of 375 Band D equivalent properties per annum).
- Inflation increases in Retained Business Rates income from 2024/25 onwards. Future net benefits from Business Rates will be dependent upon the impact of any potential system re-set and other changes from April 2025 onwards.
- Inclusion of this Council's share (£350k) of the potential benefit arising from the continuation of the Cambridgeshire Business Rates Pool in 2023/24 onwards. Potential benefit from the Pool in future years will be dependent on any changes to the Business Rates Retention System from April 2025.
- Continuation of the Lower Tier Services Grant (£169k received in 2022/23) and Services Grant (£255k received in 2022/23) in 2023/24 onwards albeit at a slightly lower level to adjust for removal of funding for Social Care ERS NI. Although the national totals of these grants will remain in the Local Government sector in future years, they may be allocated differently.
- The New Homes Bonus has been included at £368k for 2023/24 and at £400k per annum from 2024/25 onwards as detailed in Section 4 of the report. Future allocations will be dependent upon the scheme design and national totals of any replacement Housing Growth initiative.
- 4% pay award in 2023/24 (£460k cost) and 2% thereafter together with an allowance for pay increments of around 1% p.a. (£115k cost) reflecting the continuing impact of the pay grades re-modelling following the national pay award agreement effective from April 2019.
- Employer's Pension Contributions – following the triennial valuation as at 31.03.2022, the contribution rate for 2023/24 – 2025/26 is to increase slightly to 17.6% of salary (17.4% in 2022/23) with an additional past deficit lump sum payment of £950k for 2023/24, £910k for 2024/25 and £870k for 2025/26 representing an overall increase of 1% p.a. in total contributions.
- Inclusion of a vacancy factor for 2023/24 onwards, equivalent to a reduction in staff costs of 1.5% (£197,000 in 2023/24).
- Specific allowance for inflation where required eg: employee costs (as detailed above), business rates, external contracts, energy and water, fuel costs, drainage board levies etc. Otherwise, no allowance for inflation has been included.
- Investment interest rates are forecast to increase to a peak of 4.5% in Q2, 2023 before subsequently decreasing back to 2.5% in Q3, 2025 (£550k estimated income in 2023/24).

- Investment income includes the £4m investment in property funds in March 2022 (£150k p.a. income net of costs in 2023/24).
- Assumptions regarding forecast income levels from increases in fees and charges have not yet been included in 2023/24 and the medium term. There are only a limited number of these which we have discretion over setting. These will be reviewed by Overview & Scrutiny Panel and Cabinet in January 2023 for inclusion in the final budget report in February 2023. Income levels are currently included in the forecasts at current levels taking into account projected activity levels.
- For 2023/24 onwards, a full years' worth of Management Fee being received from the Leisure Management contractor has been assumed. This follows two years of significant additional Council support for the Leisure Management contract in 2020/21 and 2021/22 as a result of Covid-19, through deferral of the management fee and also cash support. Further support has been agreed in 2022/23 to mitigate the significant impact of rising energy costs. It is highly likely that further support will be sought in 2023/24 but at this stage no allowance has been made in the estimates.
- For 2022/23 onwards, additional provision has been included for a continuation of the high demand for bed and breakfast and temporary accommodation for the homelessness and rough sleeper's service. Further work is being caried out to determine the level and type of ongoing support required.
- Recharges to Fenland Future Limited to reflect the use of FDC officer time on the company's behalf has been included (£125k in 2022/23 and future years). This amount could vary depending on the amount of time and types of activities being carried out for the company.
- Potential net benefits from Fenland Future Ltd of loan interest and dividends from future developments have been included. These amounts could vary depending on the timing and profitability of developments being carried out by the company.
- No potential additional income (or costs) from the Extended Producer Responsibility scheme for managing packaging waste (effective from 2024/25) has been included as there are currently no indications of the level of this income.
- No allowance has been included for further potential savings from the My Fenland transformation programme. It is envisaged that a new transformation programme will be initiated in 2023/24 with an expectation that associated savings will be achieved over the current MTFS period.

APPENDIX D

CAPITAL PROGRAMME AND FUNDING 2022 - 2026

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Capital Programme (excluding Commercial and Investment Strategy Schemes)	12,203	16,125	2,029	1,250
Commercial and Investment Strategy Schemes	1,000	8,500	9,500	1,977
CURRENT FORECAST EXPENDITURE	**13,203**	**24,625**	**11,529**	**3,227**
FORECAST RESOURCES AVAILABLE				
Capital Grants	8,445	10,205	950	950
Usable Capital Receipts - In Year	265	100	100	100
Reserves used in year to fund Capital	255	0	0	0
Section 106s and Other Contributions	196	46	0	0
Borrowing (Internal and Prudential)	4,042	14,274	10,479	2,177
Total Forecast Resources	**13,203**	**24,625**	**11,529**	**3,227**

CAPITAL PROGRAMME SUMMARY 2022/23 - 2025/26

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Leisure Centres								
1 Condition Survey Improvements	821	1,266	464		**2,551**	2,551		
Regeneration Programmes								
2 Fenland Renaissance and Place Shaping	16				**16**	16		
3 Heritage Lottery Fund - Non-FDC Properties	135				**135**	81	54	£54k HLF Grant.
4 Heritage Lottery Fund - 24 High Street, Wisbech	200	2,800			**3,000**	2,762	238	£238k HLF Grant.
5 Railway Station Master-Planning	350				**350**	73	277	£277k CPCA Grant, £40k S106
6 Future High Street Fund, March	750	7,622			**8,372**	197	8,175	£2,000k CPCA, £6,122k DLUHC Future High Streets, £53k DLUHC 'Changing Places' Grant
7 Growing Fenland - Capital Grants	33				**33**		33	£33k CPCA Grant
Cemeteries								
8 Cemetery Chapels Condition Survey Works	315				**315**	315		
9 Remedial Works in Closed Cemeteries	130	240	50		**420**	420		
Highways								
10 Category 2 Street Lights - FDC Lights	174				**174**	174		
11 Street Name Plates/District Facilities Signage	18				**18**	18		
12 Street Light Improvements - Parishes (Contribution to Cat 2 Replacements)	6				**6**	6		£6k Capital Contribution Reserve
13 Growing Fenland - Civil Parking Enforcement	100	252			**352**		352	£352k CPCA Grant
14 Huntingdon Road Improvements, Chatteris	90				**90**	90		
Environment								
15 Replacement and Grant-Funded Additional Litter Bins	53				**53**	53		
Port								
16 Boat/Vessels - Replacement Deck, Hull and Engines	47				**47**	47		
Sub Total	**3,238**	**12,180**	**514**	**0**	**15,932**	**6,803**	**9,129**	

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Brought Forward	**3,238**	**12,180**	**514**	**0**	**15,932**	**6,803**	**9,129**	
Parks and Open Spaces								
17 Parks, Play Areas and Open Space - Chatteris	40				**40**	40		£6k S106 money
18 Parks, Play Areas and Open Space - Doddington	75				**75**	75		£21k S106 money
19 Parks, Play Areas and Open Space - Guyhirn	50				**50**	50		£48k S106 money
20 Parks, Play Areas and Open Space - Wisbech	20	20	15		**55**	55		£25k S106 money
21 Parks, Plays Areas and Open Space - Whittlesey	46				**46**	46		
22 Wisbech Water Park	245				**245**	95	150	£148K CPCA Grant, £2K Wisbech Town Council, £41k S106
23 Wisbech Park Pavillion	200	440			**640**	41	599	£240K Cambs CC Capital Communities Fund Grant, £299K CPCA Grant, £60K DLUHC Changing Places Grant, £41k S106
24 Wisbech Park - Tree Works and Play Park Refurbishment	87				**87**	20	67	£67k DLUHC Levelling Up Parks Fund, £20k S106
Vehicles and Plant								
25 Vehicles	364	80	200	200	**844**	844		
ICT System Replacement Programme & Upgrades								
26 Replacement & Upgrade Programme	348	200	100	100	**748**	748		£249k Management of Change Reserve
Improvement of Assets								
27 Sewage Treatment Works Refurbishment	507	250	250		**1,007**	1,007		
28 Birch Fen Silt Removal and Outfall Maintenance	19				**19**	19		
29 March Moorings Renewals		24			**24**	24		
30 Lattersley Nature Reserve - Capping Layer		40			**40**	40		
31 Energy Efficiency Improvements to Clarion Properties	5,203				**5,203**		5,203	£5,203k BEIS 'Wave 1' Funding
32 Nene Waterfront Infrastructure Improvements	100	100			**200**		200	£200k Brownfield Land Release Fund
Car Parks								
33 Eastwood, Chatteris	100				**100**	100		
Economic Estates								
34 Replacement of AV Equipment at Business Centres	50				**50**	50		
35 South Fens Business Park Expansion	100	1,841			**1,941**	1,000	941	£941k CPCA 'Business Space' Funding
Private Sector Housing Support								
36 Private Sector Renewal Grants	240	40	40	40	**360**		360	£360k Govt Grant
37 Disabled Facilities Grants	1,171	910	910	910	**3,901**		3,901	£3,901k Govt Grant
Total - Approved Programme	**12,203**	**16,125**	**2,029**	**1,250**	**31,607**	**11,057**	**20,550**	

	2022/23	2023/24	2024/25	2025/26	Total
Capital Grants	8,445	10,205	950	950	**20,550**
Usable Capital Receipts - In Year	265	100	100	100	**565**
Reserves used in year to fund Capital	255	0	0	0	**255**
Section 106s and Other Contributions	196	46	0	0	**242**
Borrowing (Internal and Prudential)	3,042	5,774	979	200	**9,995**
	12,203	**16,125**	**2,029**	**1,250**	**31,607**

EARMARKED AND GENERAL RESERVES - Revised 2022/23 and Estimated 2023/24

APPENDIX E

Reserve Name	**Balance 01.04.22 £**	Capital Funding £	Revenue Contributions to(+)/from(-) 2022/23 £	**Revised Balance 31.03.23 £**	Capital Funding £	Revenue Contributions to(+)/from(-) 2023/24 £	**Estimated Balance 31.03.24 £**	*Comments / Conditions of Use*
Travellers Sites	**388,244**		31,400	**419,644**		46,220	**465,864**	Can only be used for specific future maintenance liabilities.
CCTV - Plant & Equipment	**31,128**		10,000	**41,128**		10,000	**51,128**	Available for future CCTV maintenance & replacement liabilities.
Station Road, Whittlesey - Maintenance	**7,600**		2,800	**10,400**		2,800	**13,200**	Required for future road maintenance.
Management of Change	**494,600**	-249,000		**245,600**			**245,600**	Available for the effective management of any organisational changes required to meet the Council's future priorities.
Business Rates Equalisation Reserve	**2,016,333**		-760,789	**1,255,544**		-748,052	**507,492**	Available to assist the Council in smoothing out volatility in the business rates retention system.
Capital Contribution Reserve	**134,794**	-6,000		**128,794**			**128,794**	Available to fund specific spending commitments in future years.
Port - Buoy Maintenance	**146,999**		-19,000	**127,999**			**127,999**	Available for future buoy maintenance to service windfarms.
Repairs and Maintenance	**544,706**			**544,706**			**544,706**	Available to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.
Heritage Lottery Fund (HLF) - Wisbech	**51,682**		-11,310	**40,372**			**40,372**	To manage the Heritage Lottery Funded scheme in Wisbech.
Highways Street Lighting	**46,675**		19,230	**65,905**		19,230	**85,135**	Available to fund future repairs and maintenance relating to street lighting.
Solid Wall Remediation	**100,000**			**100,000**			**100,000**	Available to fund potential costs linked to solid wall installations in the District.
Investment Strategy Reserve	**1,340,168**			**1,340,168**			**1,340,168**	Established to provide future funding for Commercial and Investment Strategy projects.
Budget Equalisation Reserve	**1,066,644**			**1,066,644**			**1,066,644**	Year-end surpluses are transferred to this reserve. If a deficit is forecast this reserve can be used to offset the expected shortfall.
Planning Reserve	**283,117**		-100,000	**183,117**		-100,000	**83,117**	Available to fund additional planning costs not reflected in the annual budget, including the development of the Local Plan.
Elections Reserve	**60,000**		30,000	**90,000**		30,000	**120,000**	Available to fund four-yearly District-wide elections. Transfers are made to this reserve each year to fund the cost of the next District-wide election.
Port - Pilots Staff Development Training	**24,000**			**24,000**			**24,000**	Available to fund the training of maritime pilots to fulfill the authority's statutory functions.
Cambridgeshire Horizons - A14 Contribution	**1,008,000**			**1,008,000**		-42,000	**966,000**	Monies received from Cambridgeshire Horizons specifically for contribution to A14 improvements. To be paid over 25 years at £42k per annum.
Cambridgeshire Horizons	**2,691,679**		-162,940	**2,528,739**		-120,200	**2,408,539**	Available for the Council's future use in accordance with the conditions attached to the receipt.
Specific Government Grants (received in previous years)	**1,902,720**		-560,590	**1,342,130**		-67,970	**1,274,160**	Available to fund specific spending commitments in future years.
TOTAL EARMARKED RESERVES	**12,339,086**	-255,000	-1,521,199	**10,562,887**	0	-969,972	**9,592,915**	
General Fund Balance	**2,000,000**			**2,000,000**			**2,000,000**	Unallocated general reserve required for various and unplanned for contingencies, to mitigate risks associated with future financial planning as well as for general day to day cash flow needs.
TOTAL RESERVES	**14,339,086**	-255,000	-1,521,199	**12,562,887**	0	-969,972	**11,592,915**	

NB: In accordance with the Council's Financial Rules and Scheme of Financial Delegation (Part 4, Rule 6 of the Constitution), paragraphs B57 - B60 delegates authority to the Chief Finance Officer to approve expenditure from these reserves in accordance with their approved use as detailed above.

Agenda Item No:	**7**	
Committee:	**Cabinet**	
Date:	**12 December 2022**	
Report Title:	**Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2022/23**	

1 Purpose / Summary

The purpose of this report is to review the Council's Treasury Management activity for the first six months of 2022/23 and to provide members with an update on matters pertinent to future updates to the Council's Treasury Management Strategy.

2 Key issues

- The Council has operated within its Treasury Management Strategy Statement (TMSS), Annual Investment Strategy, treasury limits and prudential indicators set by Council for the first six months of 2022/23.
- Forecasts are that Bank Rate will increase from its current rate of 3% to a peak of 4.50% in Q2, 2023 before subsequently decreasing back to 2.5% in Q3 of 2025.
- PWLB certainty rates are forecast to remain high in the near-term, given the extent to which market expectations are already priced in and then to fall back once inflation starts to fall through 2023.
- The Prudential indicators for capital expenditure and capital financing requirement (CFR) have been adjusted reflecting the updates to the capital programme since February 2022.
- No new external borrowing has been taken out to date in 2022/23. The current Medium Term Financial Strategy assumes that some external borrowing will be required over the three-and-a-half-year period to 31 March 2025.
- Investment income received from temporary investments (call accounts and fixed term deposits) for the first six months of 2022/23 was £164k. Due to the rise in investment returns as a consequence of Bank Rate increases, the projected outturn for 2022/23 has been revised to £500k against an original budget of £100k.
- Projected Income from property funds for 2022/23 is forecast at £130,000 against an original budget of £150,000.

3 Recommendations

It is recommended that Members note the report.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Chief Finance Officer and Corporate Director Mark Saunders, Chief Accountant
Background Paper (s)	Link Asset Services template Council Report - 24 February 2022 - General Fund Budget 2022/23 and Capital Programme 2022-25 Cabinet Report – 11 July 2022 - Capital Programme Update Cabinet Report – 12 December 2022 – Draft Budget 2023/24 and Medium-Term Strategy

Report:

1 Context

1.1 The Council's responsibilities in relation to Treasury Management are defined as part of the Local Government Act 2003 ('the Act'). The Act requires the Council to have regard to the Treasury Management Code published by the Chartered Institute of Public Finance and Accountancy, (CIPFA).

1.2 Additionally, there is a statutory requirement for the Council to comply with the Prudential Code. There is a close interaction between the Treasury Management Code and the Prudential Code. The Prudential Code establishes a framework for the Council to self-regulate the affordability, prudence and sustainability of its capital expenditure and borrowing plans whilst the Treasury Management Code is concerned with how the Council uses its Treasury Management function to progress the future plans developed with reference to the Prudential Code.

1.3 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments

1.4 The Council's Capital Strategy for 2022/23 was approved by Full Council on the 24 February 2022.

Treasury Management

1.5 Treasury management is defined as "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."

1.6 The Council complies with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2017 & 2021).

1.7 The primary requirements of the Code applicable to the 2022/23 financial year are as follows:

- Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices, which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by Full Council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies (including Mid-year Review Report) to a specific named body. For this Council the delegated body is the Audit and Risk Management Committee.

1.8 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the following:

- an economic update for the first six months of 2022/23 taking account of expert analysis provided by the Council's Treasury Management Advisors, Link Asset Services;

- a review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- the Council's capital plans;
- a review of the Council's investment portfolio for 2022/23;
- a report of the Council's borrowing strategy for 2022/23;
- a report of debt rescheduling during 2022/23;
- a review of compliance with Treasury and Prudential Limits for 2022/23.

2 Economic Update

2.1 The second quarter of 2022/23 saw signs of economic activity losing momentum as production fell, inflation increased with domestic price pressures showing little sign of abating in the near-term, and bank base rate was raised to 3%. The unemployment rate has fallen to a 48-year low of 3.6% due to a large shortfall in labour supply.

2.2 In September and October 2022 there had been a step change in government policy and the fiscal loosening from its proposed tax cuts were likely to add to existing domestic inflationary pressures and could have potentially left a legacy of higher interest rates and public debt. Gilt yields had increased, and sterling had fallen following the "fiscal event" of the new Prime Minister and Chancellor on 23rd September 2022 adding further upward pressure to interest rates.

2.3 However, following the reversal of the Truss/Kwarteng fiscal policies and Rishi Sunak's appointment as the UK's new Prime Minister has ushered in a period of calm in UK financial markets. Much of the extra political risk percentages on gilts that emerged in the wake of the mini-budget on 23rd September appears to have unravelled.

2.4 The new Chancellor, Jeremy Hunt, delivered his Autumn Statement on 17th November announcing a fiscal tightening package peaking at £55bn per year, or just over 2% of GDP, in 2027/28, suggesting that after a period in which fiscal policy has provided the economy with support, it is about to become a major drag.

2.5 Market interest rate expectations have been pared back in recent weeks as fiscal policy has become tighter and although tighter fiscal policy may go some way to reducing the upward pressure on interest rates, stickier inflation means that Bank Rate is still expected to peak at around 4.50 – 4.75% next year.

2.6 The Bank of England Monetary Policy Committee has increased interest rates to their highest level since the Global Financial Crisis to date.

3 Interest Rate Forecast

3.1 The Council's treasury advisor, Link Group, provided the following forecasts on 8th November 2022 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

3.2 As shown in the forecast table above, the forecast in Bank Rate is that it will increase from its current rate of 3% to a peak of 4.50% in Q2, 2023 before subsequently decreasing back to 2.5% in Q3 of 2025.

3.3 Gilt Yields/PWLB Rates - The general situation is for volatility in bond yields to endure as investor fears for inflation and/or recession ebb and flow. The overall longer-run trend is for gilt yields and PWLB rates to remain high in the near-term, given the extent to which market expectations are already priced in and then to fall back once inflation starts to fall through 2023. PWLB rates and interest rates will both be kept under review by officers to inform the Council’s strategy

4 Treasury Management Strategy Statement and Annual Investment Strategy Update

4.1 The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved by Council on 24 February 2022. There are no policy changes to the TMSS.

4.2 Changes are required to some of the prudential indicators as a result of the forecast 2022/23 capital outturn. The following table compare the previous prudential indicators (agreed on 24th February) against the latest revised indicators.

Prudential Indicator	2022/23 Previous £000	2022/23 Revised £000
Capital Programme	16,039	13,203
Capital Financing Requirement	16,185	11,100

5 The Council's Capital Position

5.1 This part of the report is structured to update:

- the Council’s capital expenditure plans;
- how these plans are being financed;
- the impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- compliance with limits in place for borrowing activity.

5.2 At its meeting on 11 July 2022 the Cabinet approved revised estimates for the 2022/23 capital programme and the financing of that programme. The revised estimate addressed amendments to the programme since February, including re-profiling schemes from 2021/22, the allocation of further capital funds for the redevelopment of 24 High Street, Wisbech and a re-assessment of resources available in the period 2022-25. An updated programme is being considered at this meeting as part of the Draft Budget Report at a separate agenda item. The tables in this report reflect this updated programme.

5.3 From February 2020 the programme has reflected the Council’s decision to allocate £25m to take forward schemes in accordance with the Council’s Commercial and Investment Strategy. Members will be aware that the Investment Board approved the purchase of an investment and residential property in previous years. The remaining allocation has been profiled to reflect the anticipating timing of future projects, including those due to be delivered by Fenland Future Limited. However, the Investment Board retains the discretion to vary when the available funds are utilised over the life of the programme.

5.4 The table below compares the revised estimates with the original capital programme which was incorporated into the 2022/23 Treasury Management Strategy Statement (TMSS).

Capital Programme	**2022/23 Original Estimate £000**	**2022/23 Revised Estimate £000**
Capital Programme (Excluding Commercial and Investment Strategy Schemes)	13,567	12,203
Commercial and Investment Strategy Schemes	2,472	1,000
Forecast Expenditure	**16,039**	**13,203**
Financed by:		
Capital Grants	6,722	8,445
Section 106's & Contributions	115	196
Capital Receipts	215	265
Capital Reserves	200	255
Total Financing	**7,252**	**9,161**
Borrowing Requirement	**8,787**	**4,042**

5.5 The table below shows the anticipated CFR at 31 March 2023, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period; this is termed the Operational Boundary. The revised estimated CFR is significantly lower than the original budget forecast (see paragraph 5.2 above).

Prudential Indicators	**2022/23 Original Estimate £000**	**2022/23 Revised Estimate £000**
Capital Financing Requirement as at 31 March 2023	**16,185**	**11,100**
External Debt / Operational Boundary		
Borrowing	14,500	14,500
Other Long Term Liabilities Finance Leases	1,000	1,000
Commercial Activities/ Non Financial Investments	21,302	2,000
Total Debt 31 March	**36,802**	**17,500**

5.6 The Council has made provision to repay all 'borrowing' liabilities through increased Minimum Revenue Provision (MRP) in the General Fund revenue budget.

5.7 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need. The policy permits borrowing in advance of need where it is prudent to do so. Members should note that the current limits and estimates set out below have been determined with reference to the existing capital programme.

Limits to Borrowing Activity	**2022/23 Original Estimate £000**	**2022/23 Revised Estimate £000**
Gross Borrowing (Excluding Commercial and Investment Strategy Schemes)	14,349	10,868
Plus Other Long Term Liabilities Finance Leases	23	23
Commercial Activities/ Non Financial Investments	2,472	1,000
Anticipated Gross Borrowing as at 31 March 2023	**16,844**	**11,891**
Anticipated Capital Financing Requirement as at 31 March 2023	**16,185**	**11,100**

5.8 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit, which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level for borrowing which, while not desired could be afforded in the short term but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised Limit For External Debt	2022/23 Original Estimate £000	2022/23 Revised Estimate £000
Debt	19,500	19,500
Plus Other Long Term Liabilities Finance Leases	1,000	1,000
Commercial Activities/ Non Financial Investments	21,302	1,000
Total Borrowing	**41,802**	**21,500**

5.9 The Corporate Director & Chief Finance Officer reports that no difficulties are envisaged for the current year in complying with the above prudential indicators.

6 Investment Portfolio

6.1 In accordance with the Treasury Management Code, it is the Council's priority to ensure security of capital and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite.

6.2 The current forecasts for bank rate are shown in paragraph 3.1 above.

6.3 Following the Governments fiscal event on 23 September 2022, both Standard and Poor's (S&P) and Fitch have placed the UK sovereign debt rating on a Negative Outlook reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook

6.4 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

6.5 The Council held £34.250m of investments, including property funds at 30th September 2022 (35.850m at 31st March 2022). The investment portfolio yield from temporary investments (call and fixed term deposits) for the first 6 months of the year was 1.10% (7 day backward looking average Sonia Rate 1.19%).

6.6 It should be noted that the value of investments remains high due to the distorting impact on working capital of some of the mechanisms government introduced in 2021/22 to mitigate the liquidity impact of the pandemic on local authorities and revenue and capital grants paid in advance of the 2022/23 financial year. Some of this funding has not been spent in the first six months of this year. However, it is expected that a significant proportion of this grant funding and the unravelling of the working capital previously advanced will be spent or repaid in the next 6 months and consequently investment balances will be lower by the end of this financial year.

6.7 The Council has achieved investment income of £164k to 30th September 2022. The 2022/23 projected outturn is £500k against a budget of £100k. With the Bank of England base rate rising steadily since December 2021 coupled with the recent volatile market conditions driven by global political events interest rates and therefore income returns have increased significantly.

6.8 £4m of the Council's investments are held in externally managed pooled property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds are currently generating an average income return of 3.1% which is used to support services in year.

6.9 As the Council's externally managed funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns are expected to exceed cash interest rates. The 2022/23 projected outturn for property fund income is £130k against a budget of £150k.

6.10 The Corporate Director and Chief Finance Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2022/23.

7 Borrowing Strategy

7.1 The Council's estimated CFR for 2022/23 is £11.100m (including finance lease borrowing facilities). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

7.2 No new external borrowing has been undertaken during 2022/23 to date. The Council has utilised surplus cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

7.3 The current Medium Term Financial Strategy assumes that some external borrowing will be required over the three-and-a-half-year period to 31 March 2025. Assumptions about the level of external interest payable are included within the budget. Responsibility for deciding when to borrow externally, together with details of the amount to borrow and the term and type of any loan, rests with the Chief Finance Officer. The Chief Finance Officer's decision will be informed by advice from the Council's treasury management advisors and information regarding the progress of schemes set out in the capital programme. Any borrowing decisions will be reported to Cabinet through the annual treasury management report.

8 Debt Rescheduling

8.1 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken in the current financial year

8.2 However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

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Agenda Item No:	**8**	Fenland CAMBRIDGESHIRE
Committee:	**Cabinet**	
Date:	**12 December 2022**	
Report Title:	**FDC Formal Response to Fens Reservoir Consultation**	

1 Purpose / Summary

- The purpose of this report is to inform and seek agreement from Cabinet on the FDC formal consultation response to the proposed Fens Reservoir to be located north of Chatteris.

2 Key Issues

- Anglian Water and Cambridge Water announced in October 2022 that they are proposing to build a large new reservoir (a little smaller than Grafham Water) in an area north of Chatteris and east of the A141.
- The reservoir is needed to enable sufficient water supplies for future growth in the region in the face of a changing climate and to avoid damage to the natural environment.
- A non-statutory public consultation is currently underway to seek views on the proposed reservoir which closes on 21st December 2022. A link to the consultation can be found here: [Welcome - Anglian Water - Fens Reservoir]
- The details of the reservoir's design and associated facilities are at the very earliest stages of development and consequently this is a high-level consultation.
- Two further (formal) consultations are planned for 2024 and 2025 prior to the submission of an application for a Development Consent Order to the Secretary of State. The size of the reservoir is such that it is a National Strategic Infrastructure Project (NSIP) is to be determined independently by the Planning Inspectorate rather than FDC's Planning Committee.
- If approved and constructed, it is forecast that the reservoir will be operational by around 2040.
- The reservoir will be a major investment in the district which has the potential to provide significant benefits for local people, businesses and the natural environment as well as being a catalyst for future growth.
- This report briefly explains the background to the need for the reservoir, some of the key issues arising from it and the potential impacts on the district and residents.
- FDC's formal response is subject to Cabinet's approval of this report and the attached documents comprising answers to the set consultation

questions and a letter (presently in draft form) from the Leader of the Council.

- Appendix 1 sets out FDC's formal response to the set questions asked.
- Appendix 2 comprises a draft letter from the Leader of the Council.

3 Recommendations

- That Cabinet approves the Council's formal response to the Fens Reservoir consultation and the draft letter from the Leader of the Council, Portfolio Holder for Planning and Portfolio Holder for Economic Growth and recommends to Full Council that these be agreed.
- Where any changes might be required that these be delegated to the Corporate Director in consultation with the Leader of the Council, Portfolio Holder for Planning and Portfolio Holder for Economic Growth.

Wards Affected	All, but particularly Manea, Doddington and Wimblington, Slade Lode, Birch, Wenneye, and The Mills.
Forward Plan Reference	
Portfolio Holder(s)	Cllr Chris Boden - Leader of the Council Cllr Dee Laws - Portfolio Holder for Planning Cllr Ian Benney – Portfolio Holder for Economic Growth
Report Originator(s)	Gareth Martin - Senior Development Officer - Planning Policy Nick Harding - Head of Planning Jo Blackmore - Head of Corporate Support
Contact Officer(s)	Carol Pilson - Corporate Director Gareth Martin - Senior Development Officer - Planning Policy Nick Harding - Head of Planning Jo Blackmore - Head of Corporate Support
Background Papers	

Report:

1 BACKGROUND AND INTENDED OUTCOMES

1.1 Anglia Water and Cambridge Water have been seeking a site in the northern part of Cambridgeshire and western part of Norfolk to locate a new reservoir which will cover approximately 5 sq. km (a little smaller than Grafham Water).

1.2 The reservoir is needed to guarantee water supplies in the future taking into account projected population growth, the changing climate and future agricultural demand, and the need to ensure that the environment, including river ecological systems, are not adversely affected.

1.3 Development of the reservoir is being speedily progressed through the RAPID process where three water regulators (OFWAT, the Environment Agency and the Drinking Water Inspectorate) work to ensure new infrastructure best meets the needs of its customers. There are five 'gates' to the process with Gate 2 having been reached in November 2022.

1.4 The need for a reservoir in this area is recognised in the emerging draft Regional Water Resources Plan for Eastern England being produced by Water Resources East. The purpose of the plan is to better understand and address the environmental and water resource needs of the region. In addition to a reservoir in the Fens, a new reservoir is also proposed in South Lincolnshire.

1.5 A total of 81 potential sites in the area were initially considered. This list was subsequently reduced to 16 and then finally to a shortlist of 4 locations. Two of these were in East Cambridgeshire, one in Norfolk and the fourth within Fenland, north of Chatteris.

1.6 The main criteria for selection included the underlying geology and construction costs but also a range of other matters such as potential benefits to local communities and the environment. The criteria were produced in partnership with a wide range of stakeholders, including FDC, through the Fens Water Partnership and following Member briefings. The Fens Water Partnership has been in discussions with the proponents of the scheme over the past two years to agree the best site for the reservoir.

1.7 In October this year, the site north of Chatteris was announced as the preferred site. The main body of water is to be east of the A141, north of the Forty Foot (or Vermuden's) Drain, west of the Sixteen Foot Drain and south of Block Fen Drove with supporting infrastructure and facilities provided to the south and north of the main site and along the Forty Foot Drain as far as the Ouse Washes.

1.8 This consultation is non-statutory, but Anglian Water and Cambridge Water are keen to hear the views of local people and organisations, particularly regarding:

- the principle of development in the area
- what are considered to be the main effects of this development
- how any detrimental effects may be lessened
- opportunities that the reservoir might bring to the area.

2 Considerations

2.1 The location of the reservoir will directly impact a number of residents and businesses as they will be required to move permanently from the site. Businesses directly affected include the North London Sky Diving Centre and a number of farms. The proponents have contacted all landowners and are in discussions about purchasing the land in line with the statutory processes.

2.2 Whilst is regrettable that these homes and business will be lost, the location of any significant new infrastructure inevitably impacts on one or more landowners and this needs to be balanced against the wider benefits of the scheme.

2.3 The height of the proposed reservoir embankments will impact on the Fenland landscape. In pre-consultation discussions through the Fens Water Partnership, the likely heights of embankments were reported to be between 10-15 metres. The current consultation specifies potential heights of up to 20 metres. However, it will only be through detailed design work that the heights of the embankments will be finally established.

2.4 It should be possible to lessen any impact on the landscape by ensuring the embankments slope gently upwards rather than being constructed as a solid vertical barrier. In addition, if the shape of the reservoir were to have a more naturalistic form rather than the predominantly straight-line structure suggested in the consultation, this would also reduce its impact on the landscape. In addition, suitable strategic tree planting is likely to reduce its visual impact.

2.5 The likely disruption during construction will also need to be considered. Construction is currently programmed to last for around ten years, from 2029 to 2039. This has the potential to have an impact on the surrounding highway network although the site is adjacent to the A141 which should provide relatively easy access. To lessen the impact on road traffic, it will be important that all key infrastructure improvements in the area are provided at the earliest stages of construction.

2.6 The nearby location of the Whitemoor Yard Rail Recycling Centre in March with its proximity to the A141 provides an ideal opportunity to transfer materials and equipment to the reservoir. There is also potential to explore the opportunity to transfer materials and equipment to the site in an environmentally friendly way via the major waterway network adjacent to the site.

2.7 Despite these adverse impacts, the reservoir has many potential benefits and could have a significantly positive impact on the district. It offers an unprecedented opportunity for place making which, if fully realised, could be transformational for the district.

2.8 In addition to providing a guaranteed water supply resource for this area and Cambridge, the development of the reservoir could see improvements in the ecological status of rivers and other water bodies in the region and provide opportunities for Nature Recovery Strategies and Biodiversity Net Gain as required by the Environment Act 2021. It could assist with carbon sequestration and, depending on its design, it could be constructed and operated in ways that will contribute to achieving Net Zero.

2.9 The reservoir has the potential to become a major visitor attraction in the region, similar to Rutland Water and Grafham Water, and to provide a recreational resource for local residents and visitors to the area. There are likely to be many opportunities for a range of leisure activities which could positively contribute to the health and well-being of local people. Provision of a visitor centre and education facilities would become another valuable resource for local people providing leisure, educational and employment opportunities. However, it will be important to ensure that access to this resource is retained in perpetuity for local people irrespective of a change in ownership or other circumstances.

2.10 As a visitor attraction, the reservoir should help stimulate the local hospitality industry as well as other businesses. In its construction phase the reservoir has the potential to provide employment for local people and in its operational phase training opportunities in water management. As details of the reservoir are worked up, it will be important to lobby the proponents to secure these benefits for local residents.

2.11 The reservoir should provide significant improvements to the local infrastructure. In addition to necessary highway improvements, residents of local settlements should be able to access the site safely and conveniently by walking and cycling with details being developed with the proponents.

2.12 The site of the reservoir is directly on the route of the potential rapid transit system from St Ives to Chatteris and March. An investigation study is included in the draft Fenland Transport Strategy recently subject to public consultation - see maps on pages 66 and 68, and Action TS015 on page 67 at this link: ATS (amazonaws.com)

2.13 The reservoir is likely to provide additional weight to the case for the rapid transit system which not only will help rebalance the lack of public transport infrastructure in the district and the historic isolation and social deprivation issues that have resulted, but will also provide a direct, sustainable public transport infrastructure option for visitors to the area.

2.14 Finally, the reservoir has the potential to be the catalyst for growth in both housing and employment in Fenland.

2.15 The announcement of the preferred site occurred after the draft Local Plan had been published for consultation and is therefore not mentioned in the plan. However, in moving to the submission stage of the Local Plan next year, policies will be included setting out the Council's objectives for the site which will be subject to further scrutiny by Cabinet and Council.

2.16 FDC officers have worked successfully in partnership with Anglian Water, Cambridge Water and other stakeholders to date and will continue to do so to ensure that the full potential of the reservoir for the district and local people is realised.

3 Effect on corporate objectives

3.1 The potential benefits that the reservoir can bring are fully aligned with the Council's corporate objectives which, amongst other things, embrace growth for the area to improve the health, well-being, and provide development opportunities for Fenland residents.

4 Community impact

4.1 The reservoir is likely to have a significant impact on Fenland's residents in the short and long term as highlighted above with the potential for many long-term benefits.

5 REASONS FOR RECOMMENDATIONS

5.1 FDC recognises that the reservoir could bring many potential benefits to the district and be transformational for the local area whilst recognising the regrettable permanent loss of homes and businesses.

5.2 It is recommended that Cabinet members support the proposed site location and will seek, in future partnership working, to ensure that the likely impacts are successfully addressed, and the full benefits realised.

6 CONSULTATION

6.1 The details of FDC's proposed consultation response to the set questions are set out in Appendix 1.

7 ALTERNATIVE OPTIONS CONSIDERED

7.1 No alternative options considered.

6 IMPLICATIONS

6.1 **Legal Implications**

6.1.1 There are no legal implications associated with the recommendations of this report.

6.2 **Financial Implications**

6.2.1 There are no financial implications associated with the recommendations of this report.

6.3 **Equality Implications**

There are no specific equality implications associated with the recommendations of this report.

Fens Reservoir – FDC response to non-statutory public consultation October – December 2022 – DRAFT

1. Do you have any comments about the pink area we have identified or the effects of us using it?

Fenland District Council (FDC) is supportive in principle of the broad areas (both pink and grey) identified for the reservoir and associated infrastructure.

FDC welcomes the choice of the Chatteris site for the reservoir over the other three shortlisted sites and considers that it has great potential to provide major long-term benefits for the district.

FDC is supportive of the location of the reservoir near the market town of Chatteris and the villages of Doddington and Wimblington which will enable easy access for local people but without causing detriment to these settlements. It also acknowledges that residents in March to the north and Manea to the east should also be able to access the reservoir by active travel modes.

However, FDC is mindful that there will be significant effects in terms of a loss of homes and businesses, an adverse impact on the landscape due to the potentially high embankments of the reservoir, and disturbance during the long construction period.

2. Are there ways you think we can improve or reduce any of these effects?

Yes, Fenland District Council considers there are many ways is which the proposals for the reservoir can be improved and harmful effects reduced.

The details of the reservoir's design in this consultation are very limited and it is therefore very difficult to comment on specific issues. FDC accepts that the details will emerge as the scheme develops and would welcome ongoing dialogue about these through continuing joint working with Anglian Water (AW) and Cambridge Water (CW) including through the Fens Water Partnership. FDC are very keen to work with AW and CW and other stakeholders to ensure that adverse effects are limited and the optimum benefits from the reservoir are realised.

FDC accepts that a number of homes and business will by necessity be extinguished. FDC would only support the reservoir in this location should these homeowners and businesses be compensated in full for their losses in accordance with all legal requirements.

It is noted that the reservoir embankments may be up to 20 metres in height. This is significantly taller than the heights discussed in pre-consultation meetings and workshops where heights were given at around 10-15 metres.

Nonetheless the impacts of the height of the reservoir embankments should be able to be successfully addressed through good design.

This can happen by ensuring that there is a variety in the shape of the reservoir i.e. a more naturalistic shape (or shapes) which can be more easily visually blended into the landscape rather than the simple generally square box shape shown in the consultation diagrams, which as proposed will have a negative impact on visual amenity and the wide, open landscape. A more natural shape would also be more visually interesting and create better opportunities for recreation and nature.

In addition, ensuring that the embankments slope gently rather than being a sudden vertical barrier with a 'Great Wall of China' effect, will also assist in successfully assimilating the reservoir into the landscape.

Finally suitable tree planting in particular locations should also assist in reducing the visual impact on the landscape.

Good planning for the construction phase should help reduce any adverse impacts. Necessary highway infrastructure should be provided at the earliest stages of consultation to reduce impacts on the highway network.

Consideration should be given to making maximum use of the nearby Whitemoor Yard Rail Recycling Centre in March with its easy access to the A141 for transferring materials and equipment to the reservoir.

The major waterway network adjacent to the site also provides a potential opportunity to transfer materials and equipment to the site in an environmentally friendly way and this should be explored.

During the construction phase as much supporting infrastructure which could be used as a visitor attraction should be provided at the earliest opportunity. For instance, an education/visitor centre/viewing area from the outset (even if temporary structures) would help inform people about progress. This will help in ensuring continual support for the project and be interesting and inspiring for local people, and particularly the young.

3. Do you have any comments about the grey area we have identified or the effects of us using it?

In terms of the grey areas shown on the consultation maps all of the comments made by Fenland District Council to Questions 1 and 2 (pink area) are also relevant.

FDC has no objections in principle to the grey areas being used for facilities in association with the main reservoir site.

The majority of the land shown in grey falls within Flood Zone 3a (High Risk) of the Environment Agency's Flood Map (Rivers and Sea). As such care will be needed on the types of buildings and facilities that can be provided in these locations in accordance with national and local flood risk guidance.

Buildings and facilities should also take into account of the relatively flat, open nature of the area and how these might be successfully assimilated into the landscape.

Care is also required to not have any adverse impact on the adjacent Wimblington Common Gravel Pits (County Wildlife Site) north of Block Fen Drove.

A number of public footpaths traverse the site (both grey and pink areas) and currently effectively form a continuous loop around the whole area. Wherever not needed for construction purposes, these should be incorporated into a new public rights of way (active travel) network which allows circumnavigation of the reservoir and associated facilities in its entirety.

Where facilities are to be provided to the south of the Forty Foot Drain a sufficient number of foot /cycle bridges should be provided over the Forty Foot to allow safe and convenient access to the main reservoir site.

It is noted that the associated facilities will be required along the Forty Foot Drain as far as Welches Dam adjacent to the the Ouse Washes. FDC would want to see the existing public rights of way along the Forty Foot Drain retained and upgraded for all types of active travel purposes (walking, cycling, horse riding).

Welches Dam itself will need upgrading and repair and FDC would be seeking for this to be re-instated for use by navigation craft.

There is also an opportunity to provide a marina adjacent to the reservoir along the Forty Foot, potentially on the south side of the drain to enable easy access to facilities in Chatteris.

It will be important to ensure all supporting infrastructure and facilities are realistically funded and delivered prior to the operation of the reservoir.

Furthermore, providing an education/visitor centre/viewing area from the outset will be important to inform people about the construction of the reservoir as it happens. These will help ensure interest and support from local people.

4. Are there ways you think we can improve or reduce any of these effects?

Yes, Fenland District Council's response to Question 3 explains how the effects can be improved or reduced and in summary are:

- Ensure developments take heed of and are compatible with national and local flood risk policy and guidance.
- Avoid adverse impacts on the wide-open landscape through sensitive design and location of buildings and facilities.
- Link to, but do not adversely affect surrounding businesses, tourist destinations and protected nature areas.

- Provide active travel routes to fully circumnavigate the reservoir and associated facilities.
- Provide all necessary supporting infrastructure to link the grey and pink areas to include foot/cycle bridges in appropriate locations.
- Upgrade Welches Dam to be fully operational and useable by navigation craft.
- Ensure all associated infrastructure is realistically funded and delivered prior to the operation of the reservoir.
- Provide an education/visitor centre/viewing area from the outset during the construction of the reservoir to ensure interest and support from local people.

5. Is there anything else you think we should know about the areas we have identified?

The archaeological value of the area is currently unknown, but due to the geology and ground conditions the Fens are rich in archaeological deposits. Flexibility should therefore be built into the design and construction phases to ensure that any finds can be properly recorded and wherever possible retained in situ as standalone features and/or incorporated into the visitor/heritage centre.

6. As part of this consultation we have provided a very early concept design for the reservoir to help stimulate thought and discussion. This will be developed further as the project progresses taking into account your feedback, so we are keen to understand your initial views. Do you have any comments on the early concept design at this stage?

As proposed the early concept design is not inspiring. At the outset of the project Fenland District Council was advised that the ambition of Anglian Water and Cambridge Water was that the reservoir should be innovative and exciting and the design exemplary and ground-breaking. However, FDC considers that the proposed concept design does not satisfy these ambitions.

A more naturalistic design would be much preferred and would help reduce the visual impact of the projected heights of the reservoir embankments on the landscape. FDC would welcome opportunities to discuss the design with AW and CW and other stakeholders through the Fens Water Partnership as further details emerge.

Whilst it is acknowledged that the vast majority of the local landscape is man-made through the historic drainage and farming of the traditional fen and comprises many straight features (roads and drains), the reservoir provides an ideal opportunity to introduce a more naturalistic feature within this flat, straight-lined landscape.

A more natural shape would provide a more interesting and exciting feature within the landscape, captivate the imagination, and provide greater opportunities for recreation and nature. In FDC’s view a variety in the landscape would be warmly welcomed in this location. A straight-lined design justified by what predominates in the landscape at the present time and particularity with embankments of potentially up to 20 metres in height might contribute to the utilitarian functioning of the reservoir but do little to stimulate the imagination of people or entice repeat visitors. It would run the risk of being an uninspiring and disappointing body of water to visit.

7. Below are some of the features we could potentially include as we develop the proposals for the reservoir. Are there any you have a preference for? (Tick all that apply)

- Wildlife enhancement and conservation (such as for birds and other species)
- Ecological enhancements (such as wetland areas and woodlands)
- Recreational water sports (such as sailing, angling and wind surfing)
- Education facilities (such as nature trails, visitor centres)
- Social and recreational facilities (such as picnic areas, playgrounds)
- Landscape enhancements (such as tree planting)
- Green infrastructure (including cycle paths, EV charging and renewables)
- Creating a recognised visitor destination for local people and tourists
- Local enterprise and economic opportunities
- Water for wider sector uses (such as agriculture and commercial use)
- Other

All of the above are potential opportunities which Fenland District Council hopes will be fully realised. FDC would support other water-based activities such as swimming and scuba-diving as well as camping and caravanning. In developing proposals FDC would want the following to also be taken into consideration:

- Overall, the reservoir should be a lasting positive legacy for the area.
- As a recreational facility it should be available in perpetuity for local people and visitors from elsewhere to use, irrespective of any changes in ownership or other circumstances.
- Provide education and training opportunities for local people in water management.
- Provide employment for local people during construction and as a visitor attraction.
- Provide a heritage centre to explain the history of the Fens and the development of the water management network (both drainage and potable supply) to the current day.
- Be mindful of the historic struggles and achievements in creating the Fens landscape and give reference to these in such things as the design of facilities, the visitors centre and in public art installations.
- Provide upgrades to the local highway infrastructure where relevant.
- Provide active travel routes to circumnavigate the reservoir and associated facilities, including new bridges where required.
- Make the reservoir as widely and easily accessible as possible by active travel modes (walking, cycling, horse riding etc) particularly to local settlements including March and Manea by new and safe (off-road with safe crossings) walking and cycling routes and with links to existing pedestrian cycle pathways such as the route from Ely to Sutton along the A142.
- Provide new, and link to existing equestrian routes

- Provide tourist facilities to include an adjacent marina accessed from the extensive drainage and navigation network operated by the Middle Level Commissioners and the Environment Agency.
- Link to the existing tourist attractions and businesses in the locality e.g. the Skylark holiday accommodation, and nearby Stonea Iron Age camp to the north of the site.
- In its construction utilise the adjacent extensive waterway network for the movement of materials wherever possible. Also utilise Whitemoor Yard Rail Recycling Centre in March for the import and export of materials.
- Incorporate renewable energy opportunities into the reservoir's design.
- Seek opportunities to utilise the extensive size and surrounding area of the reservoir in water quality improvements.
- Be mindful of the opportunity to link to and provide a dedicated stopping off point to the potential Rapid Transit System proposed to link St Ives with Chatteris and March and potentially onto Wisbech. A study to investigate such a project is now included in the draft Fenland Transport Strategy being produced jointly by Cambridgeshire County Council, FDC and the Cambridgeshire and Peterborough Combined Authority. If found feasible it is almost certain that the route would pass by the reservoir. See maps on pages 66 and 68, and Action TS015 on page 67 at this link: ATS (amazonaws.com)
- Be mindful of the role the reservoir might play in emerging Local Nature Recovery Strategies and Biodiversity Net Gain as required by the Environment Act 2021.
- When considering water supply sources for the reservoir, subsequent supply elsewhere, and how flood risk management might be improved, take a 'whole system' approach to solutions taking into account the entire river and drainage system in the region and the impacts the reservoir might have on these elements. In this way the interrelationship of these elements can be fully understood, and informed solutions achieved.
- Explore how and where carbon sequestration and peat restoration can be incorporated into the reservoir's design and the associated facilities to be provided.

8. Do you have any have any additional feedback about our proposals that you have not included above?

Doubling Nature

The proposed reservoir is a very significant step for the doubling nature here in Fenland and could be an excellent opportunity to provide more wildlife corridors to other locally important County Wildlife Sites such as the local fishing lakes near Skylarks and internationally important sites with designations of RAMSAR, SPA SAC SSSI that are nearby. There are also opportunities to improve access to tourism in a new way in Fenland and increase nationally and internationally important wildlife populations.

Invasive Species in the area

Mitten crabs are slowly working their way here. This site could provide a wildlife corridor to Doddington/ Wimblington village and Chatteris and plague residents. They undermine flood defences, damage fishing equipment, and eat nearly everything in their path, and they nip. They are edible so perhaps they could be served in a restaurant there.

What will be done to prevent the introduction of other invasive species from recreational activities to Fenland?

Will Fishermen/ boaters/ recreational water sporters have a place to decontaminate their equipment before and after use to help stop the spread of *Crassula helmsii*, zebra mussels and killer shrimp and others to Fenland? If not, the problem species could financially cripple the site and wider area costing millions to de-clog pipes for water and sewage, filtering equipment, ditches and rivers. It is nearly impossible to keep under control once on a site, not to mention the ecological impact of the pests and the spread to other places.

Transport

From a Transport perspective, FDC supports the development of the Fen Reservoir in principle and welcome the opportunities it can provide for Fenland. It is suggested that there is potential for a range of transport opportunities across several modes of travel.

Walking & Cycling

We would like to draw your attention to the Fenland Walking, Cycling and Mobility Aid Improvement Strategy that was adopted by FDC Cabinet in October 2022. Further details can be found from the following website link:

Fenland Cycling, Walking and Mobility Aid Improvement Strategy - Fenland District Council

This new strategy includes ambitious proposals for new active travel infrastructure across Fenland.

The location of the reservoir proposal aligns closely with recommendations and ambitions set out in our Fenland Cycling, Walking and Mobility Aid Improvement Strategy to which we would like to draw to your attention. A segregated walking/cycling route along the A141 corridor (page 31) and the proposal for a controlled crossing on the A142 at Fenland Way, Chatteris (Appendix 3) are essential opportunities to maximise walking and cycling to the site. Connecting surrounding communities to the reservoir, through new or improved walking and cycling links is also a key priority, particularly for Chatteris, Doddington and Wimblington given their proximity to the site. To maximise the potential for travel by sustainable transport, wider connectivity should be explored to March and Guyhirn along the route of the

A141 as well as to Manea Railway Station for access to rail travel and to the Ouse Washes Nature Reserve at Welches Dam.

We strongly support options to encourage and enable walking and cycling as the first choice for accessing and exploring the Fen Reservoir. We therefore recommend and encourage the provision of cycle hire facilities on site and suggest this include mobility scooters to support disabled access. Opportunities to extend hire/loan provision of cycles to residents in surrounding towns and villages on a longer-term basis could also support access to education and employment in the area.

There is also an opportunity to provide infrastructure (bridges and linking bridleways) to link national cycle routes 11 and 63 which should be considered.

Vehicle Access, Car Parking & Bus Services

Car parking provision at the reservoir, including options to accommodate buses and coaches is essential to enable people with mobility issues and people who live further away to access the site. Provision to introduce or improve public transport to the site should also be explored. The site access point for these vehicles and how this affects traffic on the A141 will be an important consideration. It is recommended that early conversations take place with Cambridgeshire County Council as the Local Highway Authority. Highway proposals need to be developed in line with their requirements.

Highway Network

A concern from our perspective is the effect increased HGV activity and higher traffic volumes to and from this development will have on the highway network, particularly during the construction phase. A detailed Transport Assessment should be submitted to Cambridgeshire County Council which includes a review of the suitability of surrounding roads and includes mitigation measures to minimise the impact of construction traffic. Contact should be made with Cambridgeshire County Council at the earliest opportunity to understand their requirements.

We acknowledge that the project for the Fen Reservoir is currently at a very early stage. However, we feel this is an ideal time for us to engage given the size and significance of this project and the impact it will have on Fenland. We therefore welcome the opportunity to meet and discuss the project either face to face or via TEAMs at your earliest convenience.

9. How did you hear about the consultation?

- Received information to my address
- Social media
- Online advertising or search

- Local media news story or advertising
- Posters or information points in the area
- Notified by someone else
- Other (please provide details)

Through the Fens Water Partnership meetings.

10. Did you find the consultation materials informative in helping to provide feedback on our proposals?

Yes, to a degree. As this is a high-level consultation it is difficult to comment in detail on matters which at this stage can only be speculated on.

11. Do you have any comments on your experience of the consultation overall, or things we could have done differently?

Work better with FDC's (and other organisations') Comms Teams to ensure the consultation and especially consultation events are more widely publicised at the outset. For the welcome pop-up events use locations with the highest footfall. For instance, Sainsburys in March on a Saturday morning is probably the busiest location in the town rather than the marketplace where the pop-up event was held.

DRAFT Letter from Cllr Chris Boden, Leader of the Council, Cllr Dee Laws, Portfolio Holder for Planning and Cllr Benney, Portfolio Holder for Economic Growth

Re Fens Reservoir consultation – October to December 2022

To: Anglian Water and Cambridge Water

Fenland District Council (FDC) welcomes the opportunity to respond to the consultation for the location of the proposed reservoir north of Chatteris.

The Council supports the choice of Chatteris over the other three short listed sites and considers the reservoir could be a lasting positive legacy for the district.

FDC regrets that the reservoir will result in the permanent loss of long-established homes and businesses in the area and would expect, as a minimum, that all statutory processes for compensation for affected property owners are followed.

However, FDC also recognises that the proposed reservoir constitutes a significant investment in the area, unprecedented for the Fenland district in recent times. The Council recognises that this facility, when built and operational, will help to guarantee future water supplies both for this area and Cambridge, as well as helping to mitigate against the changing climate and provide environmental and social benefits.

The Council welcomes the potential benefits that will result, including the recreational benefits for local people and the likely positive impact on the health and well-being of residents. It also welcomes improvements to the local infrastructure that will be required and will seek to ensure that these are provided at the earliest phases of construction.

The Council sees it as essential, irrespective of a change in ownership or other circumstances, that the reservoir will remain as a resource for local people in perpetuity and will seek guarantees that this happens.

The Council is also mindful that the benefits are all ‘potentials’ and that a substantial amount of further work and investment from a variety of sources will be required for these to be realised in full.

We recognise that the partnership approach established by yourselves, which has included a wide range of stakeholders through the Fens Water Partnership and associated workshops, has helped to ensure the most appropriate site, taking all relevant constraints into consideration, has been selected. FDC would strongly urge that the successful partnership approach continues in working up the details of the design of the scheme.

We recognise that this is a non-statutory but important public consultation and would be keen to continue to have ongoing input in how the scheme develops including through further rounds of formal consultation.

Your sincerely,

Cllr Chris Boden – Leader of the Council
Cllr Denise Laws – Portfolio Holder for Planning
Cllr Ian Benney – Portfolio Holder for Economic Growth

Agenda Item No:	9	
Committee:	Cabinet	
Date:	12 December 2022	
Report Title:	Carbon Reduction and Climate Adaptation	

Cover sheet:

1 Purpose / Summary

1.1 Further to the carbon reduction and climate adaptation Council Motion of 11th July 2022 to present an action plan for review by Cabinet and referral as appropriate to Council for approval.

2 Key Issues

2.1 As early as 2007, the Council signed up to the Nottingham Declaration which required monitoring and reporting of carbon emissions for all council assets and activities.

2.2 This work was taken forward through the Fenland Strategic Partnership and included the development of an Energy Plan for the Council.

2.3 The Council undertook capital works over several years to reduce energy needs across our buildings and assets whilst accessing funding through the Salix scheme. The Salix scheme came to an end in 2021.

2.4 The Climate Change Act 2008 commits the UK government by law to achieving net zero carbon emissions by 2050 which will require action by all local authorities.

2.5 The Environment Act 2021 places responsibilities on local authorities in the fields of waste, resources, air quality, water, and nature conservation. The government are developing guidance for local authorities to follow in achieving these requirements. This guidance is expected in late 2022.

2.6 The Home Energy Conservation Act 1995 requires English Local Authorities to produce a report that sets out the energy conservation measures that the Authority considers practicable, cost- effective and likely to result in significant improvement in the energy efficiency of residential accommodation in its area.

2.7 The Cambridgeshire and Peterborough Combined Authority (CPCA) have developed an action plan following their commissioning of an Independent Climate Change Report in 2020. The action plan contained in this report complements many of the priorities within the CPCA report.

2.8 The Council has a good track record of supporting residents and businesses in accessing support to reduce the cost of energy, support being focussed on the most vulnerable and offering choices to residents for energy efficiency measures.

2.9 Fenland's unique geography presents challenges, such as a natural susceptibility to fluvial and tidal flooding. In addition, our transport network makes households highly reliant on the motor car.

2.10 With energy costs continuing to rise, addressing increasing fuel poverty remains a key issue.

2.11 The developing action plan will integrate the objectives of the July motion by embedding the principles within the work of the council generally. This will establish an accumulative annual estimate of CO_{2e} the reductions achieved through the council's activities and through the funding of schemes to third parties, using 2018 as the base year.

3 Recommendations

3.1 That Cabinet recommend Council approve the adoption of the Carbon Reduction and Climate Adaptation report and the related action plan.

3.2 That Appendix A of Part 3, Table 4 of the Constitution is amended so as to also include reference to the Environment Act 2021 and so as to enable officer to fulfil Fenland District Council's obligations under that Act in accordance with their ordinary delegations; and

3.3 That Cabinet delegate responsibility to portfolio holders to take forward the actions in the plan in line with their portfolio holder responsibilities.

Wards Affected	*All*
Forward Plan Reference	[*Insert Reference No. From Forward Plan. (It is a legal requirement to include key executive decisions on the forward plan for 28 days before the decision requested in this report is taken).*
Portfolio Holder(s)	Councillor Chris Boden Council Leader Councillor Steve Tierney Portfolio Holder for Communication and Environment
Report Originator(s)	Annabel Tighe - Head of Environmental Health and Compliance Mark Mathews - Head of Environmental Services Jo Blackmore - Head of Corporate Support
Contact Officer(s)	Paul Medd Chief Executive Carol Pilson Corporate Director Peter Catchpole Corporate Director
Background Papers	C19/22 Council Motion presented by Councillor Tierney CPCA recommendations on climate change Cabinet minutes - 11 July 2007 Council 3R's approach

Report:

1 BACKGROUND AND INTENDED OUTCOMES

1.1 The Climate Change Act 2008 has set out national net zero carbon targets. With the introduction of the Environment Act 2021 local authorities are expecting further statutory responsibilities relating to waste, resources, air quality, water, and nature conservation.

1.2 As a district council with a unique set of challenges, the focus in Fenland has always been to create opportunities, lever in funding to those most in need and not to lose sight of local priorities. For example, the reliance on motor cars for transport in Fenland is critical to many households for school, work and healthcare.

1.3 In July 2022 a council motion set out the direction for the Council in addressing carbon reduction and climate adaptation. The motion included 3 specific actions:

a. to promote measures which alleviate the anticipated effects in Fenland of future global climate change, that are affordable and financially viable, and which we believe have a good chance of achieving their proposed end results.

b. to commit to meeting all carbon reduction and climate adaptation targets which are legally required by the UK Government.

c. to measure accumulatively the CO_2 emission reductions achieved by the Council's actions, both through FDC's own activities and through the funding of schemes directed by or channelled via FDC to third parties in the District, using 2018 as the base year.

1.4 The Council's approved approach to resource management was approved within the 3R's Statement of Intent to "Reduce, Reuse and Recycle when considering all of its activities" The statement has been successful in its adoption of these guiding principles across the organisation with a focus on financial savings or the facilitation of grant funding.

1.5 Many projects have been delivered to make our own buildings more energy efficient. These actions were possible through grant funding and match funding including boiler replacement within our leisure centre buildings, lighting schemes in our council buildings and heat recirculation within our ICT facilities.

1.6 The environmental services fleet of vehicles has been on a journey of efficiency for many years, with investment in technology, fuel efficiency through logistics software, reduced emissions from modern diesel engines, hybrid-electric bin lifts, and implementing modern shift working. All this means that fuel usage has decreased by more than 20% in the past 10 years, whilst the number of properties has increased by 12%.

1.7 Fenland has since 2004 collected a large range of recycling materials from domestic and commercial customers. Data provided by Wrap, a Defra funded environmental charity, from 2019/20 showed the average weight of recycling per property in Fenland was above both the national average and the weights achieved by local authorities with similar demographics to Fenland.

1.8 Since 2007 the Council has been a part of the Cambridgeshire Action on Energy and Retrofit Partnership. The partnership provides greater opportunities for the council to access government funds for residents to insulate and retrofit their properties. Currently government grants are being made available to local authorities through several schemes. These include Local Authority Delivery Grants and the Social Housing Demonstrator Fund.

1.9 The Cambridgeshire Energy and Retrofit Partnership has successfully bid for a grant of £6.5 million for energy efficiency upgrades to domestic properties. £1 million of this fund is allocated to be distributed in Fenland which will be targeted at on- gas and off-gas properties in the owner occupied and private rented sectors. These opportunities include insulation and heating upgrades. This will complement the work currently being undertaken in the district to improve the energy efficiency of social housing, through the Social Housing Decarbonisation Fund (SHDF) demonstrator project with Clarion Housing and now the Wave 1 Social Housing Decarbonisation fund.

1.10 The Council has also continued to support wider environmental enhancement projects to increase access to green space and enhance the environment, often through the work of volunteers.

1.11 In April 2022 the Cambridgeshire and Peterborough Combined Authority (CPCA) Board approved an action plan to tackle carbon reduction and climate adaptation. The action plan covers a range of areas for focus including energy, buildings, transport, waste, water, business and commercial, nature, soils and peat, engagement, and finance. These priority areas link closely to the requirements of the Environment Act 2021. Although the council is not signed up directly to the actions within the CPCA action plan, there are areas of work which complement this plan.

1.12 Local authorities are uniquely placed to work together with residents, businesses, and partners to develop knowledge, strategies and practices that equip the local community to take reasonable steps to become more resilient and to play a part in reducing potential future consequences of changes to climate, rising energy costs and issues such as flooding.

1.13 Creating an integrated approach to water management for the Fens is important for the region to reduce the risk of flooding whilst also providing water for communities, industry, agriculture and the natural environment. Part of the long-term approach is a proposed reservoir for the area, along with developing improved means of water management. These should be delivered to ensure that they benefit the local Fenland environment, economy and community. An action plan has been developed, based on the Council motion on carbon reduction and climate adaptation, taking account of Fenland’s uniqueness with a focus on no unnecessary duplication of existing plans or strategies.

1.14 Many of the issues raised within this report are also identified within the Emerging Local Plan for Fenland and are consistent with the objectives of this report, including potential changes to planning regulations.

1.15 Where revenue funding is available this will be sought, and any new funding or actions will be subject to financial scrutiny to ensure they are viable and of benefit to Fenland communities.

2 REASONS FOR RECOMMENDATIONS

2.1 To approve an updated action plan to meet the priorities of the Council motion dated 11 July 2022, to work towards the requirements of the Climate Change Act 2008 and the Environment Act 2021 and mitigate against rising energy costs.

3 CONSULTATION

3.1 There are no requirements to consult on this action plan, however the plan has been developed jointly with portfolio holders and relevant partners.

4 ALTERNATIVE OPTIONS CONSIDERED

4.1 Fenland Council could sign up to the Cambridgeshire and Peterborough Acton Plan.. These actions cover a broad area of responsibility and are not sufficiently focussed on the direct needs of and benefits to the Fenland community.

5 IMPLICATIONS

5.1 Legal Implications

5.2 The actions proposed in this plan meet the current requirements of the Climate Change Act 2008, Home Energy Conservation Act 1995. and the Environment Act 2021.

5.3 During 2022 local authorities are expecting further guidance which will set out any statutory requirements of the Environment Act 2021.

5.4 Financial Implications

5.5 The current action plan can be delivered within existing budgets. If further statutory responsibilities are to be placed on local government, the action plan will be reviewed regarding future financial implications.

5.6 Funding referred to in relation to energy saving projects has been secured by the Cambridgeshire Energy Partnership is managed by the lead council for that partnership, Cambridge City Council. This funding has included revenue funding for officer time and these projects are only deliverable with this officer recourse in post. Further funding is being requested to cover the future work programme; home upgrade funding covers a 2-year period.

5.7 Government and other relevant grant schemes will be accessed where appropriate and available.

5.8 Equality Implications

5.9 There are no equality implications.

5.10 Associated Strategies and Plans

- Fenland's Emerging Local Plan
- Fenland Cycling, Walking and Mobility Aid Improvement Strategy
- Recap Waste Strategy for Cambridgeshire and Peterborough
- Air Quality Action Plan
- Fenland's Business Plan
- Rail Development Strategy
- Cambridgeshire and Peterborough Digital Connectivity Strategy
- Asset Management Plan

REDUCING THE COUNCILS ENERGY AND FUEL USE - Projects relating to the internal day to day running of the Councils services. These contribute the 'Council for the Future' agenda by ensuring that service delivery processes are continually refined to reduce energy and fuel use and to ensure that the Council's operational accommodation is able to meet changing business and working needs.

Strategic Aim	Actions	Measure	Timescale	Target/Output
ENERGY - Reducing the energy use of Council buildings.	Monitor energy use and carbon emissions from Council buildings against a baseline year of 2018 and publish these figures annually.	Publication of Council's CO_2e emissions data	Jun-23	Report Annually
	Build on the success of retrofit measures already installed in Council buildings, by identifying 'invest to save' measures and securing funding to implement these in buildings to be retained within the Council's portfolio.	Scheduled in line with the Council's future Accommodation Strategy, measures identified, funding secured and projects completed at all sites.	Subject to review, likely 2024	Reduce CO_2/Costs
	Secure funding to Improve the energy efficiency of commercial properties owned by the Council and explore the installation of renewable energy sources at these sites.	Energy Performance Certificate EPC ratings of Council owned commercial properties improved and renewable energy generated.	Completed 2025	Reduce CO_2/Costs
TRANSPORT- Fleet Management	Monitor fuel use and carbon emissions from council fleet vehicles against a baseline year of 2018 and publish emissions figures annually.	Annual publication of CO_2 emissions data.	Jun-23	Report Annually
	Utilising logistics software, to regularly review fleet operations to maintain efficiency and incorporate development.	Capture and publicise the results of periodic route optimisation.	Ongoing	Accommodating growth with limited fleet miles
	Maximise the benefits of using In-cab technology, by using it to provide real time information, to ensure that collections and deliveries are completed in the most efficient manner.	Reduction in fuel use, miles travelled and repeat visits to properties.	Ongoing	Reduced mileage
	Recognising the embodied emissions in new vehicle purchases, to maintain the council's vehicle fleet to the highest standards, maximising fuel efficiency and extending the life of refuse vehicles to 9 - 10 years, and exploring viability of alternative fuels upon end of life.	Litres fuel used/CO_2 produced on an annual basis	Ongoing	Reduce CO_2/Costs

SUPPORTING HOMES TO REDUCE ENERGY USE AND ENCOURAGING ACTIVE TRAVEL - Ensuring homes are warm, cheap to heat, comfortable and healthy places in which to live, encouraging active travel and transport options across Fenland.

Strategic Aim	Actions	Measure	Timescale	Target/Output
ENERGY - Improve the energy efficiency of residential and non-residential buildings. Work with partners to provide advice to	Publish the annual emissions data for the District provided by central government and monitor the CO_{2e} reductions achieved as a result of projects being undertaken to reduce emissions within the district.	Annual publication of CO_{2e} emissions for the District Of Fenland	Jun-23	Report Annually
	Work collaboratively with neighbouring authorities as part of the Cambridgeshire Energy and Retrofit Partnership (CERP) to allocate central government funding to upgrade the energy efficiency of owner occupied homes and those in the private rented sector.	Amount of Green Homes Grant Local Authority Delivery (LAD) and Home Upgrade Grant (HUG) funding received and homes upgraded as a result.	Completed 2025	Measures installed
	Work with Peterborough Environment City Trust (PECT) and Citizens Advice to provide advice and sign post assistance for those at risk of fuel poverty.	Number of residents at risk of fuel poverty assisted annually.	Ongoing	Advice Calls Annually
	Continue to invest in improving the energy efficiency of Social Housing using funding secured under the Social Housing Decarbonisation Fund.	Amount of grant funding received and number of homes improved.	Completed 2024	Homes Improved

residents at risk of fuel poverty.	Continue to give residents the opportunity to install Solar PV and battery storage systems through the Cambridgeshire Solar Together Scheme	Number of Solar PV and Battery storage systems installed annually.	Annually	Number of Installations
	Heat Pump Ready Cambridgeshire Feasibility Funding (Phase 1) received to assess the barriers to installing Air Source Heat Pumps in 25% of the properties in a single off-gas community.	Feasibility study leads to a successful capital bid to government Nov 2022.	Phase 2 from 2023	Report Completed
	As part of Social Housing Decarbonisation Fund, to hold learning events for businesses in the District to consider how they can take advantage of business opportunities in the energy efficiency/renewables sector.	Number of events held and businesses attending.	Completed 2025	Number of Events
WASTE - Minimising the creation of waste and increasing the awareness of recycling and composting.	Working with both domestic and commercial customers, to promote waste as a resource and encouraging waste reduction, recycling, the composting of municipal food and garden waste	Maintaining consistently high recycling tonnages, when compared to similar authorities.	Annual	kg/hh/yr
	Maintain the best possible level of contamination of domestic dry recycling bin through education, communication and direct engagement via the 'Getting it Sorted' network of community volunteers.	Levels of incorrect materials maintained and improved.	Ongoing	92% or more good quality recycling
	To deliver the waste collection service improvements as required within the Environment Act	Increased recycling as a result of improved range of materials available for domestic and commercial recycling.	Timeline anticipated from Defra	Compliance
TRANSPORT - Encouraging local active travel and ensure that new and existing developments are served by good transport links.	Create the best conditions and infrastructure for walking, cycling and mobility aid across Fenland particularly for access to places of education and employment.	The implementation of Active Travel schemes in the district in collaboration with partners including the County Council and Combined Authority.	Ongoing	Number of schemes
	Enable home working and business development through supporting further development of full fibre broadband connections for the Fenland communities and businesses.	Percentage of local communities with full fibre broadband connections	Ongoing	Performance
	Continued implementation of the Fenland Rail Development Strategy 2011/2031 designed to improve the railway in Fenland.	Implementation of the measures included in the 'Getting On Track' action plan.	Ongoing	Measures installed

BUILDING RESILIENCE - Ensuring Communities remain resilient and thrive.

Strategic Aim	Actions	Measure	Timescale	Target/Output
FLOOD RISK MANAGEMENT - Working with partners to address the risk of flooding.	Work with Cambridgeshire County Council and other partners in the Cambridgeshire Flood Risk Management Partnership to manage flood risks.	Continue to engage fully with the Cambridgeshire Flood Risk Management Partnership.	Ongoing	Reduced flood Risk
	Work with partners including Anglian Water and the Environment Agency to promote household level flood defence advice and defence measures.	Identify funding to allow individuals to benefit from household level flood defence measures.	Ongoing	Reduced flood Risk
	Reduce the risk and impact of 'flash flooding' on the road network by influencing partners to review maintenance regimes for the clearance of roadside gullies, culverts and drainage assets.	Maintenance regimes provide suitable drainage capacity.	Ongoing	Reduced flood Risk
HEATWAVES - Ensuring the district is resilient to hotter drier	Work with partners to address the impacts of excess heat and ensure that when a heatwave is declared action is taken in line with the National Heatwave Plan.	Vulnerable residents are protected through the provision of support and advice on how to reduce health risks during heatwaves.	Ongoing	Reduced Excess Deaths

summers.	Support the long term development of infrastructure able to cope with increased summer temperatures, in the public realm and by supporting individuals to make adaptations.	The provision of advice through the planning process regarding the design of buildings to assist in reducing internal temperature and also in existing buildings and public spaces.	Ongoing	Advice Provided
WATER CONSERVATION - Delivery of an integrated approach to water management in the area.	Participation in the Future Fens Integrated Adaptation (FFIA) Project. Led by Anglian Water, the Environment Agency and the CPCA to deliver an integrated approach to water management for the Cambridgeshire Fens.	Food security maintained, new water resources developed to help meet future needs, drought and flood risks alleviated.	Ongoing	FDC Engagement
	Work with partners including Anglian Water and the Environment Agency to promote water saving messages to householders and businesses.	Information provided, numbers of households and businesses reached.	Ongoing	Measures installed
	Work with partners including Anglia Water to ensure that the Future Fens Reservoir Plan benefits the local environment, economy and community.	National infrastructure project timescales and success criteria.	Ongoing	Project Timescales
	Aspire towards water neutrality by meeting high water efficiency standards of 110 litres per person per day and incorporating facilities to recycle, harvest and conserve water resources.	Homes built using enhanced Building Regulations standard for water efficiency.	Ongoing	New Homes Compliant

PROTECTING OUR ENVIRONMENT - Work closely with all sections of the community to maintain and enhance the district.

Strategic Aim	Actions	Measure	Timescale	Target/Output
COMMUNITY ENGAGEMENT - Continuing to work closely with local Communities to Develop pride in the district.	Getting it Sorted Volunteer network - Focusing on recycling, reducing and reusing waste – volunteers share what they have been doing to inspire others, upcoming events etc…	Number of Volunteers/ Number of Subscribers to E -newsletter	Ongoing	Number of Volunteers
	Street Pride Groups - Support for and development of the network of voluntary Street Pride Groups across the District, providing communities with resources to help them undertake environmental activities locally.	Number of Street Pride Groups active across Fenland. Number of Street Pride events and volunteers participating	Ongoing	Number of Groups
	Administer and promote the successful Community Environment Funds in the District. Distribute grants from 3 section 106 funds to communities in the catchment area of wind turbines.	Grants issued, measures installed and carbon reductions achieved.	Annually	Grants issued
	Golden Age Fair Events - Working with partners offering help with energy advice, claiming benefits, health checks, fitness tips, home safety, and much more.	Number of Golden Age fairs held Annually	Ongoing	Number of Events
	Increase in tree planting where appropriate to provide shading and help regulate temperatures and mitigate CO_2e emissions.	Additional trees planted in partnership with community groups.	Ongoing	Number of trees planted
	Using existing networks and communications, signposting of any financial assistance available to residents and businesses for improvements such as energy storage, power generation and similar.	Number of campaigns promoted	Ongoing	Campaigns promoted
	River Care Project - Working in Partnership with the Environment Agency to hold clean-up of Town Centre river locations in the District.	Number of Clean-up events held annually	Ongoing	Clean Rivers/Riversides

FURTHER MONITORING AND REPORTING

Strategic Aim	Actions	Measure	Timescale	Target/Output
Ongoing commitment to carbon reduction and climate adaptation	Continue to reduce CO2e and put in place cimate adaptations wherever possible	Calculate and publish the cumulative CO2e savings since 2018	Ongoing	Report Annually

Agenda Item No:	**10**	
Committee:	**Cabinet**	
Date:	**12 December 2022**	
Report Title:	**Land Transfer to Fenland Future Ltd**	

This item comprises EXEMPT INFORMATION in Appendices A and B which are not for publication by virtue of Paragraph 3 of Schedule 12A of the Local Government Act, 1972 (as amended).

Cover sheet:

1 Purpose / Summary

1.1 This paper seeks Cabinet approval to transfer Council owned land to Fenland Future Ltd at market value to enable development to progress as agreed by the Investment Board.

2 Key Issues

2.1 The Investment Board has asked Fenland Future Ltd to progress work on the development of two Council owned sites namely The Elms in Chatteris and the Nene Waterfront in Wisbech.

2.2 Fenland Future Ltd has been progressing these sites and has included them in their Business Plan which was approved by the Investment Board on 11th July 2022.

2.3 The Business Plan assumed that the land would be transferred using the existing use plus hope valuation methodology and formal valuations have been carried out to support the proposed transfer values.

2.4 Outline Planning permission has now been applied for by Fenland Future Ltd on both sites and the outcome of these submissions is still awaited.

2.5 Both sites have been allocated for a significant period of time but have stalled mainly due to viability issues.

2.6 Market Value has been determined by an independent valuation report and conforms to the definition of market value as required by VPS4 of the RICS “Red Book” governing valuation standards.

2.7 Fenland Future Ltd, being a Council owned Company, has carried out appraisal work on both sites and feel that both sites are viable for development although at a lesser return than a traditional developer expected profit.

2.8 As Fenland Future Ltd will be fully financed by the Council it is anticipated that a lower capital receipt for the land initially is significantly offset by the potential revenue return offered when these developments complete. These returns include financing and recharge of Council costs.

2.9 The benefits of progressing with the land transfers for both sites are summarised as:

- FDC receiving a capital receipt during 2022/23
- Removal of the liability from FDC to FFL

- Enables FFL to progress the delivery of each site once Outline Planning Approval achieved (winter 2022).
- Speeds up delivery and financial returns to FFL and ultimately the Council
- Enables the delivery of new homes in FDC

3 Recommendations

3.1 Cabinet are requested to

- approve the land transfer of FDC owned land at The Elms, Chatteris at the value of £200,000 to FFL as determined by the independent red book valuation in the attached appendix A
- approve the land transfer of FDC owned land at Nene Waterfront, Wisbech at the value of £1 to FFL as determined by the independent red book valuation in the attached appendix B
- instruct the FDC legal team to prepare land transfer documents

Wards Affected	All Wards
Forward Plan Reference	
Portfolio Holder(s)	Cllr Chris Boden – Leader of the Council and Chairman of the Investment Board Cllr Benney – Portfolio Holder for Economic Growth and Vice- Chairman of the Investment Board Cllr Steve Tierney – Portfolio Holder for Transformation and Comms and Member of the Investment Board
Report Originator(s)	Peter Catchpole, Corporate Director and CFO Mark Greenwood, Head of Property, Assets and Major Projects
Contact Officer(s)	Peter Catchpole, Corporate Director and CFO Mark Greenwood, Head of Property, Assets and Major Projects Amy Brown, Head of Governance and Legal
Background Papers	Investment Board papers Valuation report, The Elms, Chatteris - Appendix A Valuation report, Nene Waterfront, Wisbech – Appendix B

Report:

1 REASONS FOR EXEMPTION

1.1 Appendices 1 and 2 of Appendices A and B to this report are NOT FOR PUBLICATION in accordance with paragraph 3 Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of a third party. The public interest test has been applied to the information contained within this exempt report and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

2 PURPOSE

2.1 The purpose of this report is to seek Cabinet approval to transfer the land at The Elms, Chatteris and the Nene Waterfront in Wisbech to Fenland Future Ltd at market value as determined by the red book valuations carried out by Carter Jonas.

3 BACKGROUND AND INTENDED OUTCOMES

Nene Waterfront

3.1 This project is the final phase in the redevelopment of the Nene Waterfront Regeneration area in Wisbech, Cambridgeshire. Significant redevelopment works have already been completed as part of the regeneration scheme, including:

- The construction of the Foyer Project, a supported living and training facility;
- The Boathouse Business Centre, a flagship quality designed facility;
- Significant commercial and leisure marine related works and public realm enhancements.
- The establishment of the Wisbech Yacht Harbour Moorings adjacent to the site which has generated new activity and lead to an enhancement in the town’s retail and tourism role.

3.2 The final phase seeks the delivery of a residential-led mixed-use scheme, to provide high quality sustainable urban housing, together with assisted living, retail and commercial provision. The vacant sites, which extend to approximately 2.47 acres (1.57 Ha) are owned by Fenland District Council and were fully remediated in June 2009 (a lotting plan is attached).

3.3 Work to assemble the sites began in 2003 and was aided by public sector investment from the East of England Development Agency and English Partnerships. In 2007 the developer Taylor Wimpey (TW) was appointed to build-out the residential element of the scheme. TW subsequently submitted a planning application for 370 units but decided not to proceed with the development as a direct result of the housing market crash in 2008.

3.4 Since 2008 FDC has continued to deliver a number of other elements of the waterfront regeneration. These include:

- The construction of a link road between Chase Street and De Havilland Road;
- Road junction improvements to Lynn Road and Freedom Bridge,
- High quality pubic realm and pedestrianisation of Nene Parade.

3.5 Such improvements were all requirements of the original S.106 obligations and FDC have strived to ensure the site is 'spade ready' wherever possible.

The Elms, Chatteris

3.6 The history of the land at Wenny Road and FDC's involvement with the other Landowners dates back over 17 years. FDC own approximately 10.20 acres (4.13 Ha's) of the 'Wenny Road' site in Chatteris which equates to approximately 15.7% of the overall area and forms part of the East Chatteris Broad Location for Growth area, a plan is provided at Appendix 2 (FDC's land is shown shaded blue).

3.7 Of the total site the subject site amounts to 8.6 acres (3.48 ha) and is numbered 1 on the attached plan at Appendix 2

3.8 At its meeting of 21st October 2020 Cabinet noted that discussions with adjoining land owners had broken down and authorised officers to proceed with the development of the FDC land in isolation.

4 REASONS FOR RECOMMENDATIONS

4.1 Full Council at their meeting of 9th January 2020 agreed to the establishment of Fenland Future Ltd (FFL) as a wholly owned subsidiary of Fenland District Council (FDC). FFL was established in June 2020 to carry out commercial activities primarily to provide income returns to Fenland District Council.

4.2 Legal advice is clear that the transfer off market can be made between FDC and FFL at market value

4.3 Carter Jonas Surveyors have been commissioned by FDC to provide formal valuations of the sites in a report format consistent with and complying with the requirements of the RICS Red Book on valuation governance.

4.4 The valuation being reported on the basis of Market Value (MV) as defined in VPS4 of the RICS 'Red Book' as being: '*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'*

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 Both sites have been subject to various proposals by developers over the years and nothing has come to fruition mainly due to viability issues. After years of little or no progress the Council has decided to oversee the development themselves and plan to progress these sites through its own limited company.

5.2 Various options are detailed below with some pros and cons for each considered.

Option	Positives	Negatives
Do Nothing	• Reduced cost to FDC in officer time • Land Values may increase although development appraisals including a developer profit indicates that this may not be significant • Reduced potential for legal challenge from FFL transfer	• Land remains undeveloped leading to public criticism • Land values may reduce • Management and resource required to secure site and avoid adverse possession claims • No initial capital receipt (£200k) • No potential ongoing revenue stream through the funding and development of the sites. (£1m-£4m as extracted from the FFL 5 year business plan)
Sell without Consent to FFL	• Land is sold for development triggering an immediate capital receipt for FDC (£200k) • Potential for ongoing financial return to FDC from success of FFL (£1m-£4m as projected in the FFL 5 year business plan) • Vacant problem sites sold, risk transferred and delivered for redevelopment	• Deliverability reliant on ongoing FDC support of FFL • Evidence required to support best value being achieved due to lack of consent • Land could potentially be worth more with consent although developer appraisals indicate that this could be minimal. • Potential higher capital receipt more than offset by decreased revenue returns
Sell with Outline Consent to FFL	• Land is sold for development and potentially a higher capital receipt for FDC. Likely to only apply to The Elms though. • Potential for ongoing financial return to FDC from success of FFL (£1m-£4m as projected in the FFL 5 year business plan) • Vacant problem sites sold, risk transferred and delivered for redevelopment	• Deliverability reliant on ongoing FDC support of FFL • Additional resource within FDC required to achieve outline consent • No material change in value as sites are already allocated • Delay in capital receipt whilst planning obtained
Sell with Full	• Land is sold for development and potentially	• Deliverability reliant on ongoing FDC support of FFL

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Consent to FFL	a higher capital receipt for FDC. Again, likely to only apply to The Elms. • Potential for ongoing financial return to FDC from success of FFL (£1m-£4m as projected in the FFL 5 year business plan) • Full control over delivered scheme and service delivery • Vacant problem site delivered for redevelopment	• Additional extensive resource required within FDC to secure consent • Approved scheme may not be what the market sees as deliverable and therefore no significant added value
Sell without consent, with outline consent or with full consent on the open market	• Reduced cost in officer time particularly if sold with no consent • Risk transferred • Reduced potential for legal challenge from FFL transfer • Potential capital receipt although why this would differ much from the FFL option is unclear • Vacant problem sites sold, risk transferred and delivered for redevelopment although this has proved difficult historically • Delivery not reliant on FFL and therefore FDC funding	• Control of the development lost • Land could remain undeveloped leading to public criticism • Both sites have been marketed previously and have failed to come to fruition • Development appraisals indicate that a full developers profit is challenging on both sites particularly on the Nene waterfront • No potential ongoing revenue stream through the funding and development of the sites.

6 IMPLICATIONS

6.1 **Legal Implications**

6.1.1 Power to sell the sites to FFL

- The disposal of the sites, even to FFL as a wholly owned entity, is subject to section 123 of the Local Government Act 1972 (the 1972 Act). This provides FDC with the power to dispose of land for best consideration i.e. it must get the best consideration that can be reasonably be obtained.

- It is not necessary to market the sites in order to dispose of them for best consideration. Caselaw makes it clear that section 123 imposes a duty to achieve a particular outcome and not a duty to conduct a specific process. In order to assess what is the best consideration for the purposes of section 123 FDC should consider:

    - The Royal Institution of Chartered Surveyors Valuation Professional Standards (the **Red Book**), which includes a definition of Market Value and UK Guidance Notes on “Local

authority disposal of land for less than best consideration". The latter also includes guidance on the definition of unrestricted value and under-value.
Circular 06/03: Local Government Act 1972 General Disposal Consent (England) 2003 - Disposal of land for less than the best consideration that can reasonably be obtained.

The Council must comply with normal and prudent commercial practices including obtaining the view of a professionally qualified valuer (which can include the District Valuer) as to:

- what consideration it should expect to achieve (and consideration does not necessarily have to include money); and

- the likely amount of any under-value.

For the purposes of section 123, the only consideration to which regard may be had is that which consists of those elements of the transaction of commercial or monetary value, capable of being assessed by valuers i.e. not wider public benefit considerations.

Carter Jonas's reports state that their basis of value is Market Value (MV) as defined in VPS4 of the 'Red Book' i.e.:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

6.1.2 Sale at less than best consideration

The recommendations are to sell the sites to FFL at market value in line with the Carter Jonas reports. It is therefore not necessary to set out here how FDC could satisfy the requirements of section 123.

6.1.3 Subsidy control

6.1.4 By developing housing, FFL is undertaking "economic" activity and so is deemed to be an economic actor or enterprise for subsidy control purposes, so FDC needs either to ensure that no specific economic advantage is granted to FFL from public resources which will amount to an unlawful subsidy. To the extent that any "advantage" is received from FDC, this will be received from public resources. FDC does need to ensure that either:

- it engages with FFL on market terms to ensure that no "advantage" is provided; or

- it ensures that any subsidy is appropriately addressed.

6.1.5 If FDC obtains market value for the sites it sells to FFL, then generally these transactions would not amount to a subsidy. FDC should consider, however, the economic merits of selling before or after outline or full planning consent is obtained, as the market value of the sites will be different in each case. In making that decision, FDC should consider what a private sector developer would do i.e. look at the comparative risks and benefits to FDC (and benefits will include which route is likely to result in the greatest economic benefit overall to FDC, via dividends, interest payments, land sale price and so on). FDC should not (for this purpose) take into account “public sector” considerations, such as the policy benefits of more affordable housing or regeneration generally).

6.2.1 Stamp Duty Land Tax

FDC has taken eternal advice on whether SDLT will be payable on the sales of the sites to FFL and, subject to compliance with anti-avoidance clawback provisions, the advice is that full relief can be claimed on the sales. SDLT is payable on any land transaction over £150,000 and at the values indicated in this report a liability of circa £1,000 could materialise if group relief is not applicable.

7.1 **Financial Implications**

7.1.1 General

It is difficult to assess the full financial implications at this time as if the transfer of the sites is agreed at these values then FFL will have to update their business plan to reflect this and carry out full appraisals on each development. Equally it is recognised that will be no negative impact on the Councils budget if the transfers take place as no capital receipt is as yet included in the Councils figures. It should also be stated that based on the FFL original Business Plan a revenue return to the Council derived from funding, cost recharges etc. could be in the range of £1m-£4m over the period of the MTFS along with a capital receipt in this financial year. The alternative is of course that we can retain these sites in FDC ownership and hope for a rise in market values to obtain a larger capital receipt although these sites have been dormant for a number of years now. The current MTFS being worked on for the Council assumes a revenue contribution in the range indicated above although this is only at draft stage at present.

It is also worth stating that once the land is transferred to FFL it will be the decision of the Board of that Company to determine the final viability of developing these sites.

7.1.2 Nene Waterfront

7.1.3 The attached report shows a Nil land value after allowing for no affordable housing within the scheme. The full appraisal is shown in the report however, after allowing for a developers profit of circa 20% a negative land value of (£1,679,404) is produced although it is recognised that FFL does not have to make a full development profit margin.

7.1.4 It is also worth noting that if the land is transferred to FFL at NIL value all risks and liabilities are transferred to FFL.

7.1.5 With FFL being wholly owned and financed by the Council other financial benefits to the Council include loan interest for funding the development, cost recharges and any excessive profits arising from FFL. Secondary financial benefits will eventually include additional council tax, NNDR etc.

7.1.6 Additionally, the Council and the district will benefit in terms of this site being finally developed after years of inactivity.

7.1.7 <u>The Elms, Chatteris</u>

7.1.8 The attached report shows a £200,000 land value after including for a 20% affordable housing element within the scheme. The full appraisal is shown in the report and is again after allowing for a developers profit of circa 20%. It is course as stated previously recognised that FFL does not have to make a full development profit margin.

7.1.9 It is also worth noting that if the land is transferred to FFL all risks and liabilities are transferred to FFL.

7.1.10 With FFL being wholly owned and financed by the Council other financial benefits to the Council include loan interest for funding the development, cost recharges and any excessive profits arising from FFL. Secondary financial benefits will eventually include additional council tax, NNDR etc.

7.1.11 Additionally, the Council and the district will benefit in terms of this site being finally developed after years of little progress.

7.1.12 Detailed advice is being sought on whether Stamp Duty land tax (SDLT) is payable on any transfer and initially it looks likely that we can rely on group relief to negate this liability as FFL is an FDC wholly owned company.

7.2 Equality Implications

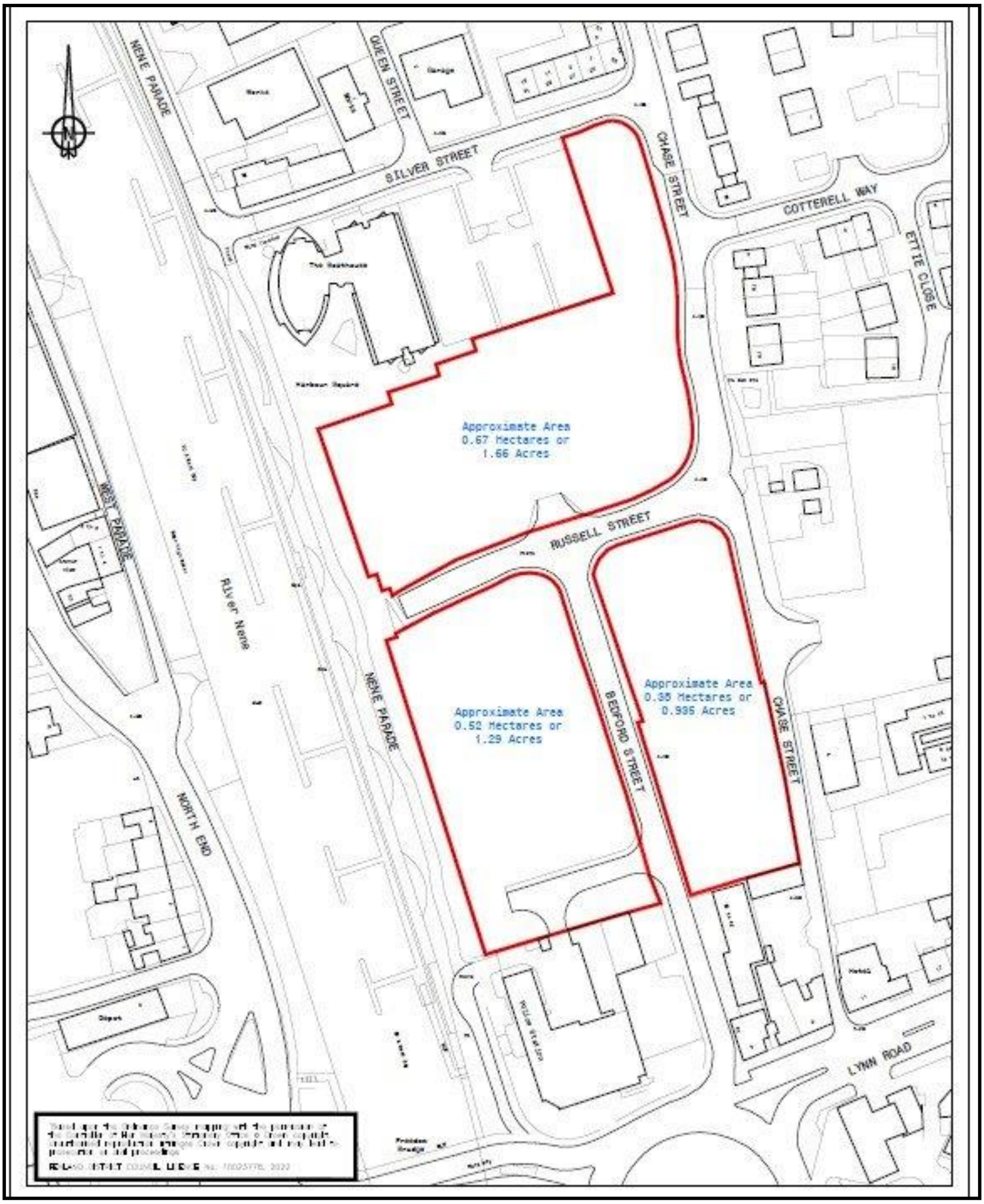
N/A

8 Recommendations

8.1 Cabinet are requested to

- approve the land transfer of FDC owned land at The Elms, Chatteris at the value of £200,000 to FFL as determined by the independent red book valuation in the attached appendix 3
- approve the land transfer of FDC owned land at Nene Waterfront, Wisbech at the value of £1 to FFL as determined by the independent red book valuation in the attached appendix 4
- instruct the FDC legal team to prepare land transfer documents

Appendix 1



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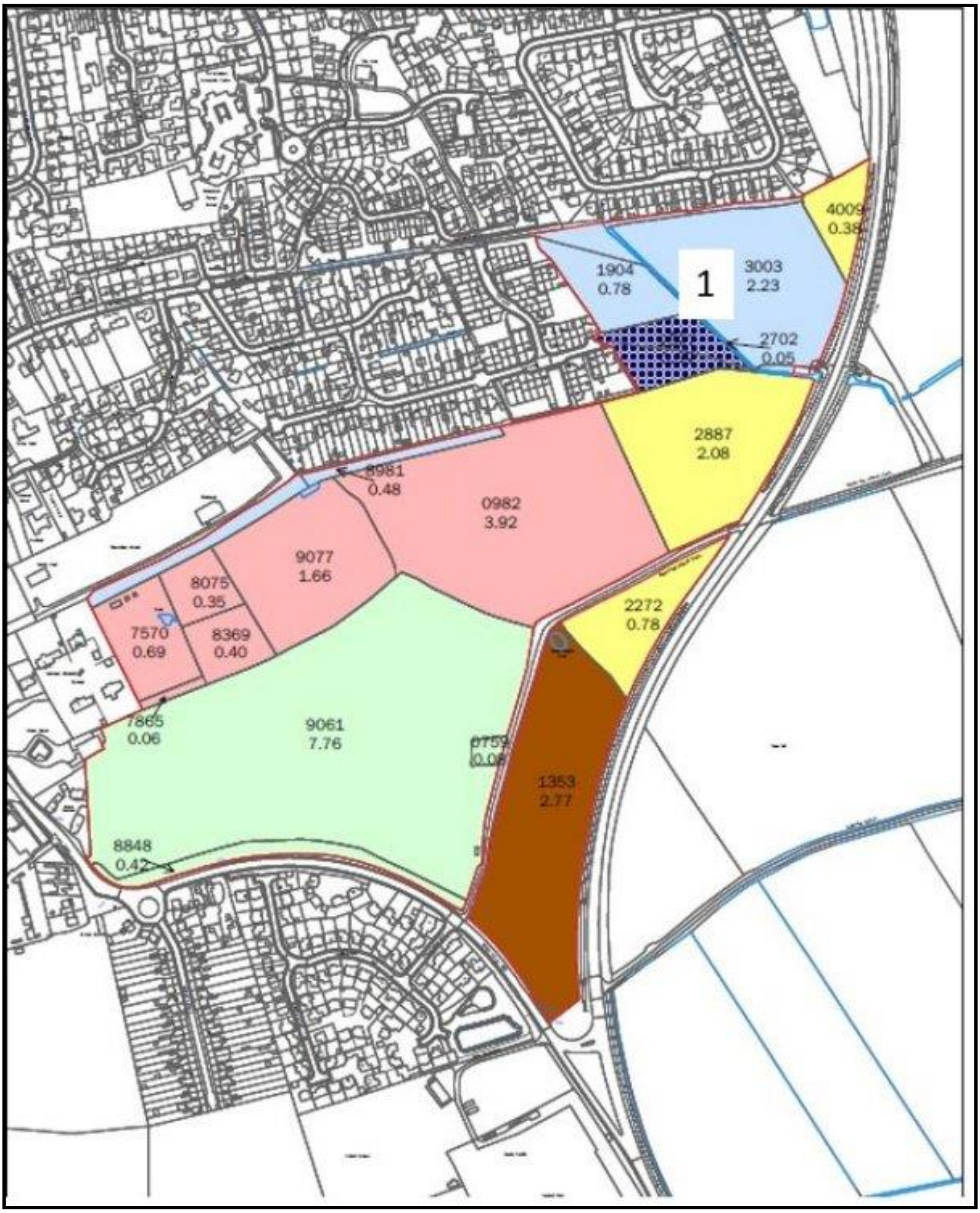
Appendix 2



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Carter Jonas

Valuation Report

One Station Square
Cambridge
CB1 2GA

T: 01223 368771

Land East of The Elms
Chatteris
Cambridgeshire
PE16 6JW

On behalf of Fenland District Council
For the attention of Mark Greenwood, Head of Property, Assets and Major Projects

Purchase Order No.: 600025105

As at 1 September 2022

Contents

EXECUTIVE SUMMARY

Land East of The Elms, Chatteris, Cambridgeshire, PE16 6JW

The following provides a brief synopsis only and should be read in conjunction with the main body of the Report, the Assumptions and Recommendations contained therein.

The Site

Site Plan

Summary Description	The Property comprises three parcels of land that are intended to form a single development site
Site Area	1.51 hectares (3.65 acres)
Proposed Development	Outline planning (reference F/YR22/0967/FDL) was submitted 21 June 2022 to 'Erect up to 80 x dwellings'
Tenure	Freehold with Vacant Possession
Planning Status	No planning permission in place

Special Assumptions

- Market Value is provided on the Special Assumption that suitable power is connected to the Property

Principal Valuation Considerations

Strengths	Weaknesses
• Located adjacent to existing residential development • Popular Fenland Town	• Relatively low values in the area, compared to the East of England average • Site constraints reduce development density and dictate layout
Opportunities	**Threats**
• If consent could be granted with reduced affordable housing requirements this might improve the value of the Property	• There is currently a high level of economic and geopoltical uncertainty which may impact the UK property market

Recommendations

- We recommend that viability analysis work is undertaken. If consent could be granted with reduced affordable housing requirements this might improve the value of the Property

Valuation as at 1 September 2022

Market Value 1 (MV1): £200,000 (Two Hundred Thousand Pounds) Freehold with vacant possession subject to the Special Assumption that that suitable power is connected to the Property

INSTRUCTIONS & RICS COMPLIANCE

1 Client ('Client')

Fenland District Council
Fenland Hall
County Road
March
Cambridge
PE15 8NQ

Purchase Order No.: 600025105
For the attention of Mark Greenwood, Head of Property, Assets and Major Projects

Neither the whole nor any parts of the Report nor any reference to it may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and content in which it may appear.

2 Instructions ('Instructions')

Our Report for potential disposal purposes is submitted on the basis of our Letter of Engagement agreed with you (**Appendix 1**).

Our Valuation Report is prepared in accordance with the appropriate sections of the current RICS Valuation – Global Standards incorporating the IVSC International Valuation Standards and the current UK National Supplement (the 'Red Book').

This Report may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

This Report is provided for the stated purpose and for the sole use of the named Client. It will be confidential to the Client and its professional advisors. The Valuer accepts responsibility to the Client alone that the Report has been prepared with the skill, care and diligence reasonably to be expected of a competent Chartered Surveyor but accepts no responsibility whatsoever to any parties other than the Client. Any such parties rely upon the Report at their own risk.

We shall rely upon information provided by the Client and / or the Client's legal or other professional advisors relating to tenure, leases and all other relevant matters.

Additional information, in respect of planning status (Fenland District Council) title (Land Registry) and flooding (Environment Agency), has been sourced by the Valuer.

3 Identification and Status of the Valuer ('Valuer')

This valuation has been undertaken by [redacted], for and on behalf of Carter Jonas LLP.

We confirm that the Valuer has the following known material connection or involvement:

- Carter Jonas have previously provided development advice in relation to the Property

The Valuer is an RICS Registered Valuer and is in a position to provide an objective and unbiased valuation. The Valuer has sufficient current local knowledge of the particular market together with the skills and understanding required and is competent to undertake the valuation.

4 The Subject of the Valuation (the 'Property')

Land East of The Elms
Chatteris
Cambridgeshire
PE16 6JW

The Property comprises three parcels of land that are intended to form a single development site. Proposed Use Class C3 (Dwellinghouse).

We understand the Property is, or is intended to be, the subject of a development.

5 Basis of Value

Market Value (MV) as defined in VPS4 of the 'Red Book' being:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

6 Valuation Date

Our valuation is as at 1 September 2022.

It should be noted that values change over time and a valuation given on a particular date may not be valid on an earlier or later date.

7 Inspection

The Property was inspected on 7 October 2022 by [redacted]. The weather conditions were dry and sunny. We were not accompanied during the inspection.

We have assumed there have been no changes in the physical characteristics of the Property between the valuation date and the publication of the Report.

8 Disclosure and Publication

The contents of this valuation Report must not be disclosed to any third parties without first obtaining our written approval to the form and context of the proposed disclosure. Our consent must be obtained even if we are not referred to by name or our valuation Report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

We therefore confirm that the parties that may rely on this Report are Fenland District Council.

PROPERTY REPORT

Land East of The Elms, Chatteris, Cambridgeshire, PE16 6JW

9 Location

The Fenland market town of Chatteris lies within the Fenland administrative area lying approximately 15 miles north east of Huntingdon and 27 miles north of Cambridge. In the 2011 Census (ONS, 2011) the population was recorded as approximately 10,500.

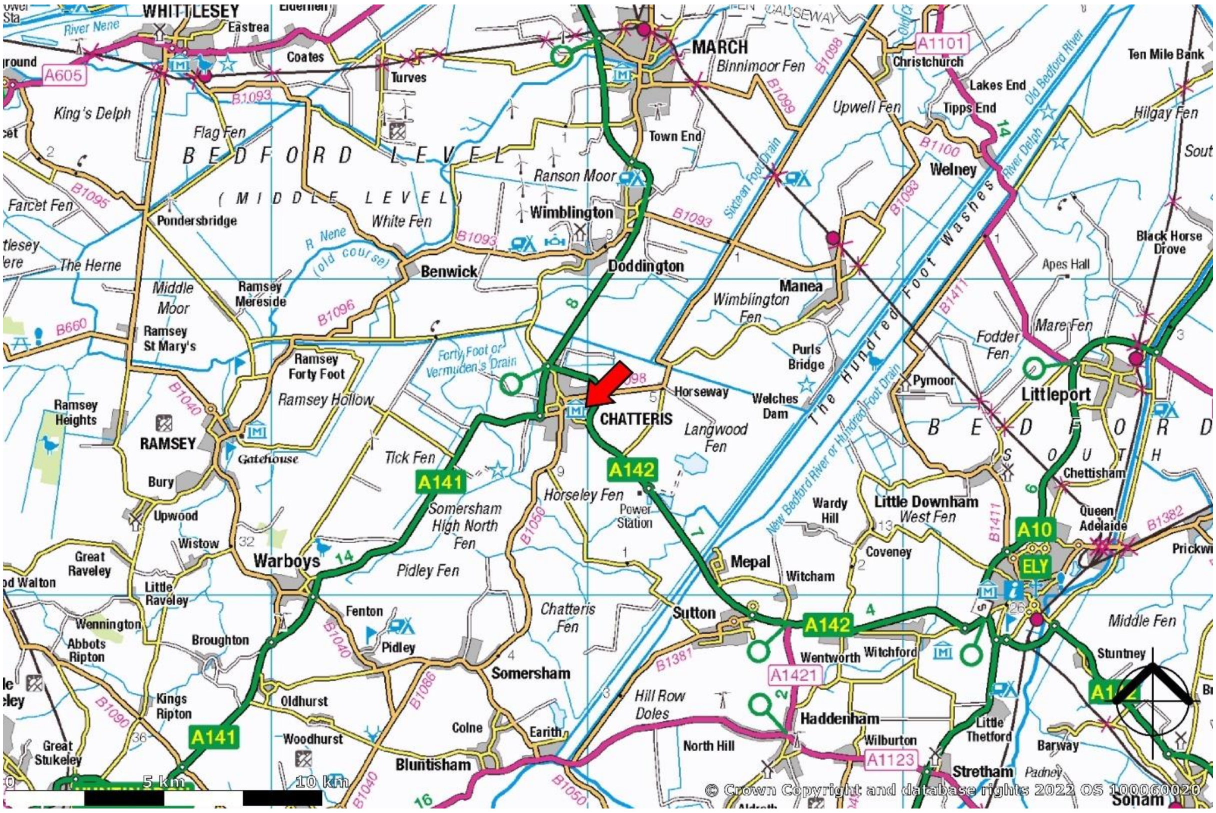
Chatteris has a range of local amenities including Cromwell Community College (OFSTED Good), several public houses, restaurants and takeaways. There is also a historic church, two supermarkets and a mix of local retail units.

The town is almost encompassed by two bypass roads, the A141 to the west and A142 to the east. The former leads to Huntingdon to the south which provides access to both the A1 and A14, and March to the north leading to the A47 providing access to Wisbech and Kings Lynn to the North and Peterborough and Leicester to the west. The A142 terminates in Chatteris and links the town to Ely and Newmarket to the east.

The population within the Fenland District Council area are of below average means with 39% being classed as Major Groups 1-3 (Managers, Directors, Senior Officials / Professional Occupations / Associate Professional & Technical) compared to the national average of 51.4% (ONS Annual Population Survey, June 2022). This still represents the largest employment sector.

Approximately 19.4% of the population work within a skilled trade which is significantly higher than the national average of 9.4% (ONS Annual Population Survey, June 2022). The unemployment rate in Fenland is 2.9% which is below the national average of 3.8%.

The Property lies to the east of the town centre. It is bordered to the north and west by residential developments, The Elms and Green Park, and to the east by the A142 bypass. Adjacent to the subject Property is Wenny Road Meadow.



The Location Plans (Edozo) reproduced above are for context only; they are not to scale.

10 Site

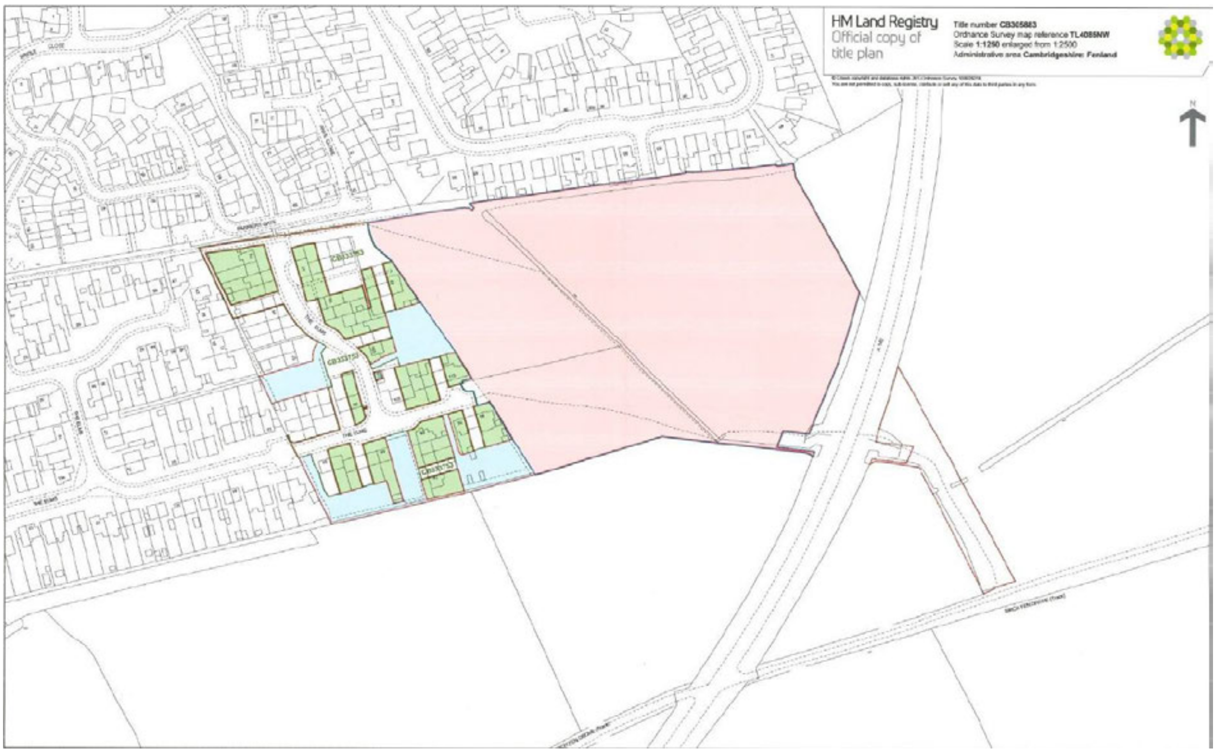
The Property comprises three parcels of land that are intended to form a single development site which is irregular in shape and is of a broadly level topography. There is a power line running from the western boundary towards the north east. A ditch, with flowing water, traverses the site.

The south western field has been maintained with the grass being short. There are two raised concrete drain inspection covers and two sets of wooden goalposts. The boundaries are mixed with some parts being concrete posts and timber fencing and hedgerows, while some parts remain open. There is a public footpath which starts in the second field which runs along the western boundary and links to a small metal bridge footpath leading to the eastern section.

The north western field is also broadly level, however, it is covered in long grass. There was evidence of fly tipping, with both general household waste and bulkier plastics. There were also horse droppings found on the ground in some of the shorter grass. This field has an entrance leading from the communal parking behind the houses on The Elms. The site boundaries are open or hedgerow.

The eastern field is the largest of the three and features a mix of long grass and shrubs. The public footpath forks, with one part leading over the A142 bypass and into the fields on the other side, and the other leading around the perimeter of the field. To the western boundary of this field there is timber post and barbed wire fencing, this part of the site also houses several young oak trees.

The extent of the Property is indicated on the Site Plan produced below.



The Site Plan reproduced above is for context only; it is not to scale.

The total site area is 1.51 hectares (3.65 acres). The site area has been provided by the Client.

Photographs taken at the time of our inspection are reproduced below.


Access from The Elms


South western field


North western field


Eastern field


Evidence of fly tipping, north western field


Ditch


Raised concrete inspection cover


Powerline across Site


Pedestrian access to A142


Pedestrian access from Green Park

11 Proposed Development

Outline planning (reference F/YR22/0967/FDL) was submitted 21 June 2022 to 'Erect up to 80 x dwellings'.

Proposed Units

We have been provided by the Client with the following indicative schedule and site layout plan:

	Min. National Space Standards Areas	No Units	House Type	House Type Areas	Area Totals (sqm)
2B 3P (Bungalow)	61sqm	8	A	61	488
2B 3P	70sqm	11	B	77	847
2B 4P	79sqm	8	C	79	632
3B 4P	84sqm	8	D	84.3	674.4
3B 5P	93sqm	19	F	84	1596
3B 5P	93sqm	3	G + int garage	96.7	290.1
4B 6P	106sqm	3	E + garage	114.5	343.5
4B 6P	106sqm	6	H + int garage	114.8	688.8
4B 7P	115sqm	6	J	135.4	812.4
1B 2P	50sqm	4	K - House Flats	50	200
	Total Units:	76	Site Total:		6572.2

We have analysed and adopted this scheme as follows:

Unit Type / Description	No. of Units	Sq M	Sq Ft	Total (Sq Ft)
1B2P Flat	4	50.00	538	2,153
2B3P Bungalow	8	61.00	657	5,253
2B3P House	11	77.00	829	9,117

Unit Type / Description	No. of Units	Sq M	Sq Ft	Total (Sq Ft)
2B4P House	8	79.00	850	6,803
3B4P House	8	84.30	907	7,259
3B5P House	19	84.00	904	17,179
3B5P House	3	96.70	1,041	3,123
4B6P House	3	114.50	1,232	3,697
4B6P House	6	114.80	1,236	7,414
4B7P House	6	135.40	1,457	8,745
Total	**76**	**896.70**	**9,652**	**70,743**

The above are derived from areas stated on a schedule of accommodation provided by Fenland District Council. They are assumed to be accurate.

Affordable Housing

We have been informed by the Client that an affordable housing contribution of 20% is required.

We have therefore assumed the following market and affordable housing split:

Type	Total Units	Affordable Housing Units	Market Housing Units
1B2P Flat	4	1	3
2B3P Bungalow	8	2	6
2B3P House	11	2	9
2B4P House	8	1	7
3B4P House	8	1	7
3B5P House	19	4	15
3B5P House	3	1	2
4B6P House	3	1	2
4B6P House	6	1	5
4B7P House	6	1	5
	76	**15**	**61**

Section 106 and Community Infrastructure Levy

Due to the early stages of the proposed development the Section 106 liability has not been crystallised. Therefore, we have not made an allowance for the Section 106 liability (other than affordable housing).

Fenland District Council has not adopted a Community Infrastructure Levy.

Build Costs

To establish the likely build costs we have a consulted the BCIS database and adopted the following rates:

Building Type	Parameter	£/sq m	£/sq ft
Flats	BCIS Flats (General) Rebased to 4Q 2022 and Fenland - Mean	£1,677	£156
Houses	BCIS Estate Housing (General) Rebased to 4Q 2022 and Fenland - Mean	£1,427	£133

12 Services

Electricity	Assumed connected
Water	Not connected
Foul Drainage	Not connected
Gas	Not connected
Broadband / Telephone	Not connected

Written confirmation has not been obtained from the service providers and we are unable to report on condition or offer any warranty.

13 Apparent State of Repair

This Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services. Our valuation has taken account of the general condition of the Property as observed from the valuation inspection.

Due regard has been paid to the apparent state of repair and condition of the Property, but a building survey has not been undertaken. We have not inspected roof voids or those parts of the Property which are covered, unexposed or inaccessible. Therefore, we are unable to report that the Property is structurally sound or is free from any defects. We have made an assumption that the Property is free from structural faults, design defects, rot, infestation and adverse toxic chemical treatments other than as mentioned herein.

For the purposes of this Report we make the following observations where visible from this limited form of inspection:

- The fences, where present, are poorly maintained
- There is evidence of fly tipping

14 Contamination / Environmental Issues

14.1 Contamination

No indications of past or present contaminative land uses were noted during the inspection. Our inspection was only of a limited visual nature and we cannot give any assurances that previous uses on the site or in the surrounding areas have not contaminated subsoils or ground waters. In the event of contamination being discovered, further specialist advice should be obtained.

14.2 Other Environmental Factors

The Property is shown by the Environment Agency (www.flood-warning-information.service.gov.uk) to have a risk to flooding as follows:

Flooding Type	Risk
Rivers and Seas	Very Low Risk - 0.1% - 1% chance of flooding annually
Surface Water	High Risk - greater than 3.3% chance of flooding annually

The flood map reproduced below is for context only; it is not to scale.

Our inspection identified the existence of high voltage electrical supply equipment close to the Property. The possible adverse health effects of such equipment have been the subject of occasional media coverage, and there is risk that public perception may affect marketability.

Radon gas is a naturally occurring radioactive gas which is normally associated with areas based upon granite rock subsoils. The area in which the subject Property is situated is identified by Public Health England as being one where the maximum radon potential is less than 1%. However, we would note that to the north of the subject property towards Block Fen is identified by Public Health England as having radon potential of 1 – 5%.

Noting the limits to our inspection no Japanese Knotweed or Giant Hogweed was evident within the boundary of the Property.

14.3 Hazardous and Deleterious Materials

Many building components contain asbestos but these can be difficult to identify particularly if encapsulated. There are significant health hazards associated when ingesting dust containing asbestos fibres. Once asbestos based materials have been identified, care should be taken to avoid their disturbance or removal. Such work should only be undertaken by a licensed asbestos contractor and this can be a significant cost.

As the proposed units will be newly constructed after 1999, when asbestos containing materials were banned, we have assumed that no asbestos will be used in their construction.

The valuation given in this Report assumes that no further specialist removal of asbestos material is required in the foreseeable future. If this proves not to be the case this could affect the value now reported.

We have assumed that no other deleterious or hazardous materials have been incorporated in the land.

15 Statutory Enquiries

15.1 Fire Risk Assessment

The Regulatory Reform (Fire Safety) Order 2005 (SI 2005 No. 1541) came into effect on 1 October 2006. This requires the responsible persons for all non-domestic properties to prepare a Fire Risk Assessment (FRA).

The Regulations are not thought to apply to the Property in its current use.

We are not specialists in cladding of buildings. We will inspect any cladding on the buildings being valued from the ground, as best as reasonable and practical, and comment on the apparent construction / composition. It is however often difficult to comment on the method of attachment / hanging and the actual materials used in the cladding's composition, particularly with regard to fire retardant properties. Our comment can only therefore be considered a cursory inspection. If we are uncertain regarding the composition of the cladding we may recommend a specialist report is commissioned. In the meantime we will complete our Report on the assumption the cladding is compliant with all statutory building and fire regulations and on the assumption there will be no future replacement or refurbishment costs, nor indeed liabilities.

15.2 Equality Act 2010

The Equality Act 2010 has replaced Part 3 of the Disability Act 2005. It imposes a duty on employers and businesses offering a service to the public to make reasonable changes to practices and procedures to enable disabled people to do their jobs, or remove or alter any feature that makes it impossible or unreasonably difficult for a disabled person to make use of the service provided. The duty of compliance rests with the occupier.

The Acts are not thought to apply to the Property in its current use.

16 Sustainability

16.1 Energy Performance Certificate

In England and Wales the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) to be made available for all properties (with limited exceptions), residential and commercial, when bought, sold or rented. The Certificate is valid for ten years and includes an Energy Efficiency Rating between A (most efficient) and G.

We assume that upon completion of the proposed development that the proposed units will be assessed for EPC purposes and will benefit from an EPC rating in line with other new build properties of a similar specification.

16.2 Sustainability in Property

Achieving sustainability in property requires a combination of interdependent objectives which have environmental, social and economic benefits. It is difficult to establish the social and economic elements which would affect a property's overall sustainability. However, we are more able to assess the environmental factors, which are fast becoming one of the main considerations for occupiers when looking to acquire property.

The demands from occupiers when acquiring on a freehold or leasehold basis are starting to have a greater focus on sustainability in line with their adapting business strategies and the requirement to demonstrate green credentials and carbon offsetting. More specifically a focus on renewable / low carbon energy generation and reducing their carbon footprint. As green technology advances we are seeing more examples of these within commercial and residential property.

We are not aware that the completed units at the Property will benefit from any features which improve their sustainability.

17 Local Authority

Fenland District Council
https://www.fenland.gov.uk/

18 Planning

18.1 Planning Enquiries

We have made online enquiries of the Local Planning Authority and in so doing have assumed that all information obtained is correct and accurate.

- Current Use/Lawful Planning Use: Proposed C3 Dwellinghouses
- Listed Building Status: Not listed
- Conservation Area: No
- Outstanding Planning Applications: Yes

18.2 Local Planning Policy

Adopted Local Plan

The Fenland Local Plan was adopted on 8 May 2014. It contains the policies and broad locations for the growth and regeneration of Fenland over the next 20 years. The key aims of the Local Plan are listed as:

- Being underpinned by a desire to strengthen the health and wellbeing of Fenland's residents
- Aiming to build 11,000 new homes between now and 2031, with large new housing areas on the edge of Wisbech, March, Chatteris and Whittlesey
- To provide new land to attract new businesses and jobs
- To set out policies to ensure development is of high quality, sustainable and meets the needs of everyone
- To set out policies to ensure all the infrastructure, such as play areas, new schools and upgraded sewerage disposal, are provided at the same time as the new homes

The Proposals Map shows the Property to be undesignated except for lying within the Fenland District boundary.

The Council has decided not to introduce a Community Infrastructure Levy (CIL) for the time being due to a lack of development viability. This will be reviewed through the emerging Local Plan process.

Emerging Local Plan

Fenland District Council is preparing a new Local Plan. Once adopted, the new Local Plan will replace the current Fenland Local Plan (May 2014). Consultation on the new draft Local Plan was undertaken between 25 August 2019 and 19 October 2022. Any changes arising from the consultation will be made to the draft Local Plan.

A Proposed Submission version is due to be published in summer 2023 for public consultation. This version of the plan will then be submitted to central government who will appoint an independent Planning Inspector to carry out a public examination into the document.

The timetable for the Emerging Local Plan is as follows:

'Live' Timetable for Production of the Fenland Local Plan (October 2022)

The Covid-19 pandemic and second call for sites exercise has resulted in some delay to the timetable. A revised Local Development Scheme (LDS) was approved by Cabinet on 3rd February 2022 with target dates set out below.

No.	Stage	Description	LDS Target Date	Actual & Scheduled Dates
1	Consult on a Sustainability Appraisal (SA) scoping report	The SA scoping report sets out the sustainability objectives proposed to be used to appraise the economic, social and environmental effects of the emerging Local Plan policies. The SA scoping report is subject to consultation.	N/a	SA Consultation - 11th October to 21st November 2019
2	Public participation (Regulation 18)	Opportunities for interested parties and statutory consultees to consider the options for the plan before the final document is produced. This stage may involve one or more public consultation rounds. We intend two rounds for the new Local Plan: an Issues and Options Consultation and a Draft Local Plan Consultation.	October 2019 June/July 2022	Issues and Options Consultation - 11th October to 21st November 2019 Draft Local Plan approved for consultation by Cabinet (with amendments) on 13 June 2022. Consultation - 25th August to 19th October 2022
3	Pre-Submission Publication (Regulation 19)	The Council publishes the Local Plan which is followed by a 6-week period when formal representations can be made on the Local Plan.	January 2023	
4	Submission (Regulation 22)	The Council submits the Local Plan to the Secretary of State together with the representations received at Regulation 19 stage.	April 2023	
5	Independent Examination Hearing	Held by a Planning Inspector into objections raised on the Local Plan.	From the day it is 'submitted'	
6	Inspector's Report	This will report whether if the Plan is 'Sound' or 'Not Sound'. The Inspector may make recommendations to make the plan 'Sound'.	January 2024 (estimate – could be earlier or later, and subject to the examination)	
7	Adoption of DPD (Local Plan)	Final stage, the Council will formally need to adopt the Local Plan and it will then be used in making planning decisions.	March 2024 (estimate - could be earlier or later, and subject to the examination)	

18.3 Planning Permissions

We summarise below the relevant planning history as available on the Local Planning Authority website:

Application No.	Details	Decision Date	Decision
F/YR22/0967/FDL	Erect up to 80 x dwellings (outline application with matters committed in respect of access)	N/a	Pending Decision

We have assumed that the proposed lawful use of the Property is C3 (Dwellinghouses).

18.4 Listed Status

We are advised that the Property is not listed as a building of special architectural or historic interest and not within the curtilage of a building so listed.

18.5 Potential for Change of Use

We do not consider there to be an alternative use for which a planning consent would be forthcoming which would generate a value higher than that now reported.

19 Local Taxation

The Property will be assessed for council tax purposes on completion of construction / first occupation.

20 Highways

The Property appears to be accessed directly from the adopted highway, but we would recommend this be confirmed by your solicitor.

21 Tenure

We are instructed to value the freehold interest in the Property with vacant possession.

The Property is held freehold under part of Land Registry title CB305883. We assume that the title could be split to exclude any parts that do not form part of this valuation.

We have not inspected the deeds of the Property and for the purposes of our valuation have assumed that they contain no onerous terms, restrictions, covenants, encumbrances or outgoings that would adversely affect the usual value and that good title can be shown.

We have assumed that the Property and its value are unaffected by any matters which will be revealed by a local search and replies to the usual enquiries, or by any statutory notice, and that neither the Property nor its condition, nor its use, nor its intended use is or will be unlawful.

22 VAT and Taxation

We have not made any adjustments to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

We have not been able to ascertain the VAT status of the Property and have accordingly assumed that VAT would not be payable on the values now reported.

23 Current Reinstatement Cost

The Property comprises bare land and as such there are no buildings to reinstate, therefore our estimate of current reinstatement cost is nil.

24 Special Assumptions

As agreed with the Client the following Special Assumption(s) have been made:

- Market Value is provided on the Special Assumption that suitable power is connected to the Property

25 Summary of Recommendations

We recommend that viability analysis work is undertaken. If consent could be granted with reduced affordable housing requirements this might improve the value of the Property.

26 Market Conditions

26.1 National Market Commentary

Market Overview

The recent turmoil in financial markets precipitated by the mini budget has calmed somewhat with the reversal of many of the proposed tax cutting measures and a renewed focus from the new Chancellor on balancing the government's books. However, the political turmoil is far from resolved, the UK economy is on the brink of recession, and further rises in the Bank of England base rate are inevitable.

All this is feeding through to consumer confidence, which remains at a near-record low, and is reflected in the latest gloomy retail sales figures. The labour market remains a bright spot, with a further fall in the unemployment rate to another record low.

In the residential market, house price growth is still robust, but the pace of growth is clearly decelerating. This is driven mainly by slowing buyer demand (in the face of rapidly rising mortgage rates) as the lack of supply is what is propping up price rises. The rental market is also showing strong rental growth and again, a lack of supply in this market is behind this and forcing many would-be tenants to wrestle over dwindling availability.

Executive Summary

GDP fell by an unexpected 0.3% in August with the main contribution to this decline coming from a 1.8% fall in production. Output from arts, entertainment and recreation also fell substantially suggesting that consumers are pulling back on preventable costs.

Retail sales volumes fell again in September, down 1.4% over August. This now marks the ninth month out of the last eleven that volumes have fallen, and they are still 1.3% below pre-COVID levels.

Consumer confidence remains well entrenched in negative territory even though it moved up two points to -47 in the last four weeks. The Major Purchase sub-Index fell a further three points, further enforcing a downward trend that began in July 2021.

The Manufacturing Purchasing Managers Index (PMI) contracted for the second month in a row while the Services PMI remained flat at '50'. Construction PMI on the other hand grew to 52.3 but this increase seems to be due to supply chains finally loosening after years of backlogs and long wait times, rather than any increase in demand.

Motor fuel and petrol price inflation continues to soften but it is still high and one of the main contributions to inflation in September, together with rising energy costs and food prices. Overall CPI inflation grew by 10.1% annually.

Unemployment fell to a record-low 3.5%, although job vacancies declined for the third quarter in a row. Wages also continue to grow, averaging 6.2% annually in the private sector, although this is wiped out by the record-high rates of inflation.

Average house price growth has now fallen slightly below the double-digits for the first time in many months. Nationwide and Halifax recorded 9.5% and 9.9% annual growth, respectively. For Nationwide, this was the lowest rate of growth since April 2021.

There was an unexpected jump in mortgage approvals in August, according to the Bank of England. But this was mainly as households rushed to secure mortgages before the expected jump in interest rates in the coming months.

Annual rental growth continued to climb in September, up 9.2% according to HomeLet. Demand in the lettings market in September is traditionally strong which may partly account for the rise, including monthly growth of 2.5% in London.

UK Economic Backdrop

GDP fell by 0.3% in August (month on month), below the consensus expectation of zero. The main contribution to the fall in growth came from production which declined 1.8% in August following a 1.1% fall in July. Manufacturing (a sub-sector of production) alone declined by 1.6%. Services also declined slightly, falling 0.1% on the month with arts, entertainment and recreation output declining by a sizable 5%, reflecting consumers who are reining in discretionary spending.

Retail sales volumes fell 1.4% month-on-month in September, little changed from last month's decline of 1.6%. This marks the ninth month out of the last eleven where sales volumes have fallen and clearly reflects consumers restricting their spending amid rapidly rising prices. Officially, the ONS has said that the added September Bank Holiday impacted retail trading but considering online retailing is so prevalent it seems the effect would have been negligible. Food store sales declined 1.8% while non-food spending declined 0.6%.

UK consumer confidence 'increased' just two points over the latest four weeks, moving from -49 in September to -47 currently. All five sub-measures remain firmly in negative territory with the Major Purchase Index the only measure that declined in the month, down three points to -41. This is further evidence that consumers are unwilling to make any unnecessary big spends while the current cost of living and economic / political uncertainty provides too many unknowns and turmoil.

The S&P Global / CIPS UK Manufacturing PMI pointed to the second month in a row of contraction, with a reading of 48.4 for September. New business orders dropped for the fourth month in a row while new exports fell by the strongest figure since May 2020. Exporters cite worries of rising inflation and the cost-of-living crisis as reasons for orders and new business declining. Employment, on the other hand, continued to rise with businesses saying they are now finding it slightly easier to fill vacancies.

The services PMI has only just avoided contraction by posting a flat '50' in September, down from 50.9 in August and now the lowest figure since March 2021. Feedback from the sector is that client demand is shrinking fast due to squeezed household budgets and rapidly rising external costs and inflation. The outlook for the economy is highly pessimistic and jobs growth slowed although input cost inflation in the sector has slowed now for the fourth consecutive month.

Construction output on the other hand is indicating a modest rise in September as the UK Construction sector PMI moved to 52.3, up from 49.2 in August. House building grew to a five-month high while commercial work also increased. Civil engineering work decreased for the third consecutive month. The key takeaway from this data is that rather than demand increasing it seems that supply chain issues are easing greatly, thereby reducing backlogs and increasing output. Indices are showing the shortest wait-times for raw materials in over 2½ years while staff shortages are also now easing.

CPI inflation rose again, reaching 10.1% in September, up from 9.9% in August. The largest upward contribution again came from electricity, gas, motor fuels, food and non-alcoholic beverages. And although still high, inflation from petrol has actually decreased recently, but its downward contribution was offset by rapidly rising food prices. Food price growth is linked to past import and producer price rises which are now feeding into consumer prices at the supermarkets.

There is no Monetary Policy Committee meeting in October, with the next one scheduled for 4 November. At time of publishing therefore interest rates remain at 2.25% however we expect rates to continue to rise over the coming months with a possible rise of up to 100 basis points in the November meeting (to 3.25%), before reaching a peak of around 4% late this year or early 2023.

Employment figures rose again in the three months to August, to 75.5%, while unemployment fell once again to its lowest level since 1974, to 3.5%. This is also now the third consecutive quarter where job vacancies have decreased (down by 46,000 on the quarter to September), but despite this the number of job vacancies remains at historically high levels.

Wages grew by an average of 5.4% (regular pay, excluding bonuses) in the three months to August, buoyed by a strong increase of 6.2% in the private sector compared with an average of 2.2% in the public sector. Despite these being some of the highest growth rates (outside of the pandemic period), in real terms regular pay has fallen by 2.9% when adjusted for inflation. This is now one of the largest falls in real incomes since records began in 2001.

We expect that into next year firms will be hiring less and possibly reducing employment to combat rising external costs. As a result, unemployment will probably rise but this will also mean less movement in the jobs market which will translate to less pressure on businesses to continue to raise wages.

Residential Property Market

Sale Prices and Rents

House prices grew by 9.5% on an annual basis, according to Nationwide's September data. This is down only very modestly over August's 10% figure but marks the first time growth has been under 10% since October 2021 and is the lowest figure since April 2021. On a monthly basis prices were unchanged. Regionally, the South West again remained the strongest performer with annual growth of 12.5% although this is down from 14.7% in the second quarter. This was followed by the East Midlands (12.3%), and Wales (12.1%) while London again recorded the lowest growth of 6.7% (although this marks an increase from 6.0% in Q2).

Halifax's September annual growth figure largely matched that from Nationwide at 9.9%. On a monthly basis prices fell by 0.1%, meaning a typical property in the UK is now £293,835. The report goes on to say that annual inflation slowed in all but one region (the North East) during September. Wales was top of the price growth table at 14.8% while London was at the bottom, showing the slowest rate of annual growth of 8.1%.

September's asking prices rose by an annual average of 8.7% according to Rightmove (four weeks to early September). This is up from 8.2% in August and reflects a 0.7% rise on a monthly basis. The report notes that it is the middle to high-end sectors that are driving price rises this month, with strong demand still coming from 'second-steppers' seeking larger homes and more space.

According to Rightmove, average asking prices have increased by around 7.8% over the same period last year, down from 8.7% last month. On a monthly basis, though, October prices were still rising, up by an average of 0.9% over September. Their report notes that there is no evidence that prices on existing properties for sale are declining.

Official house price growth figures from the ONS show that house prices grew by an average 13.6% in the 12 months to August, down from 16.0% in July. On a monthly basis prices grew by an average of 0.9%. The average UK house price is now £295,903, reflecting a nearly one-third increase since the start of the COVID pandemic in March 2020.

Regionally, there was double-digit price growth in every UK region and country apart from London, with the strongest growth yet again seen in the South West (17%) followed by the East Midlands (16.9%) the North West (15.3%) and the South East at 14.8%. London was again at the bottom of the table with average house price growth of 8.3%.

In our Carter Jonas locations house prices grew by an average of 14% in the year to August, with Devon recording 18% increases followed by Cambridgeshire (16.9%), Dorset (16.8%) and Harrogate at 16.5%. Harrogate also posted a punchy monthly growth figure of 4.6%. Of our 21 tracked locations there are now just two areas left where house prices average below £300,000: North Northamptonshire (£276,678) and Leeds (£240,854). Compare this with two years ago when 12 of our locations were posting average prices below £300,000.

There is little change in the house price growth story across London this month: the outer London suburban locations again posted stronger growth (9.7%) than those of the inner boroughs (5.7%). Harrow again topped the table at 15.9% growth followed by Southwark (14%), Barking and Dagenham (13.4%) and Bromley (12.4%). Four locations recorded falling house prices over the last 12 months

(Westminster, Kensington and Chelsea, Hammersmith and Fulham, Camden) which are the same locations with the highest average London house prices.

Again, this month the RICS residential market survey notes that although activity seems to be losing steam, prices are still rising, albeit the pace of growth has slowed. The lack of supply is clearly underpinning prices, with a net balance of +32% of respondents saying prices had continued to rise over the last three months (although this is down substantially from a peak of +78% in April 2022). Going forward though the picture has turned negative with a net balance of -18% of survey participants expecting a fall in prices over the next 12 months.

HomeLet's September rental report indicates a national average rental growth rate of 9.2% over the last 12 months, a somewhat surprising increased from last month's 8.5%. Regionally, Northern Ireland has posted the highest annual rental growth of 14.6%, followed by Scotland (14.2%) and the South West (11.5%). Rents in London have grown by 11% annually and a strong 2.5% on the month.

Activity

There was a surprise jump in mortgage approvals in August, to 74,340 according to the Bank of England's latest data. This is an increase of nearly 17% over July's figure and is the highest number of approvals since January. However, rather than being a sign of any increase in demand this is rather reflective of the number of households rushing to get their mortgage approved before the expected rise in interest rates through the latter months of 2022.

Provisional figures for August found that property transactions reached 104,980, up marginally from July's figure of just under 104,000. This figure is still slightly above the pre-COVID long-run average, and while it seems that transaction activity is holding up well, these exchanges would have been negotiated and accepted months before.

The latest Rightmove House Price Index noted that demand from first time buyers is down 21% compared with the same two-week period last year as this group are more exposed to rising external cost pressures and interest rates. Having said that it is still 24% above the 2019 pre-pandemic average. Of all buyers, demand is still 20% higher than back in 2019 but is down 15% compared with the same two week-period last year (early October).

Buyer demand continues to decline according to the latest RICS residential survey, with a net balance of -36% citing a fall in enquiries. New instructions have also fallen to historic lows with an average of just 34 available properties available per agent / branch. Looking ahead the picture is no less austere with both sales expectations and market appraisals returning firmly negative responses at -30% and -20%, respectively.

Demand in the rental market is still robust according to the RICS survey, with a net balance of +42% of contributors noting a rise although this is down from +50% last month. Yet again though landlord instructions continued to fall with a reading of -13% of respondents (unchanged over September's reading).

The increase in rental growth in September recorded by HomeLet points to some early signs that there may be more households opting (or being forced) to stay in the rental market due to rising mortgage rates and the increasing unaffordability in the owner occupier market. This, coupled with more and more landlords choosing to leave the sector is resulting in yet further divergence in the supply demand imbalance.

The number of new tenant registrations per member branch rose yet again in August, to a new peak of 141 according to ARLA Propertymark's September Housing Insight. At the same time, the supply of available properties has remained flat for the last three months at just 11 properties per branch. This imbalance continues to put upward pressure on rents, with 77% of agents reporting rent prices increased during August.

HM Treasury Forecasts for the UK Economy, Oct 2022

	2022	2023	2024	2025	2026
Official Bank Rate (%)	3.4	4.3	2.63	2.71	2.75
House price inflation (annual, %)	7.1	-3.3	-0.8	1.0	2.8
CPI inflation rate (annual average, %)	10.3	4.7	2.5	2.6	2.5
Unemployment rate (%)	3.8	4.4	4.0	3.8	3.9
GDP (annual, %)	3.9	-0.3	1.5	1.8	1.8
Average earnings growth (annual, %)	6.0	4.5	3.6	3.4	3.4

Sources: HM Treasury Consensus Forecasts (2022 & 2023: Oct 2022, 2024-2026: August 2022)

Select Market Indicators, latest versus previous data

	Current	Previous	Direction of change
GDP monthly (month-on-month)	-0.3%	+0.1%	**down**
Retail sales volume (monthly % change)	-1.4%	-1.6%	**up**
GfK Consumer Confidence Index	-47	-49	**up**
S&P Global / CIPS Manufacturing PMI	48.4	47.3	**up**
S&P Global / CIPS Construction PMI	52.3	49.2	**up**
S&P Global / CIPS Services PMI	50.0	50.9	**down**
Inflation rate (CPI)	10.1%	9.9%	**up**
Interest rate	2.25%	2.25%	**no change**
Employment rate	75.5%	75.4%	**up**
Unemployment rate	3.5%	3.6%	**down**
Weekly earnings growth, regular pay (excl bonuses)	5.4%	5.2%	**up**
Nationwide annual house price inflation	9.5%	10.0%	**down**
Halifax annual house price inflation	9.9%	11.5%	**down**
Official UK House Price inflation (annual)	13.6%	16.0%	**down**
Rightmove House Price Index (annual, asking)	7.8%	8.7%	**down**
HomeLet Rental Index (annual growth, UK)	9.2%	8.5%	**up**
£ Sterling: $ USD	$1.13	$1.14	**down**
£ Sterling: € Euro	€1.15	€1.14	**up**
Brent Crude Oil (USD)	$89.47	$93.01	**down**
Gold (USD)	$1,645.92	$1,671.27	**down**
FTSE 100	6,932.38	7,229.69	**down**
UK 5 Year Gilt Yield	3.9195	3.2985	**up**

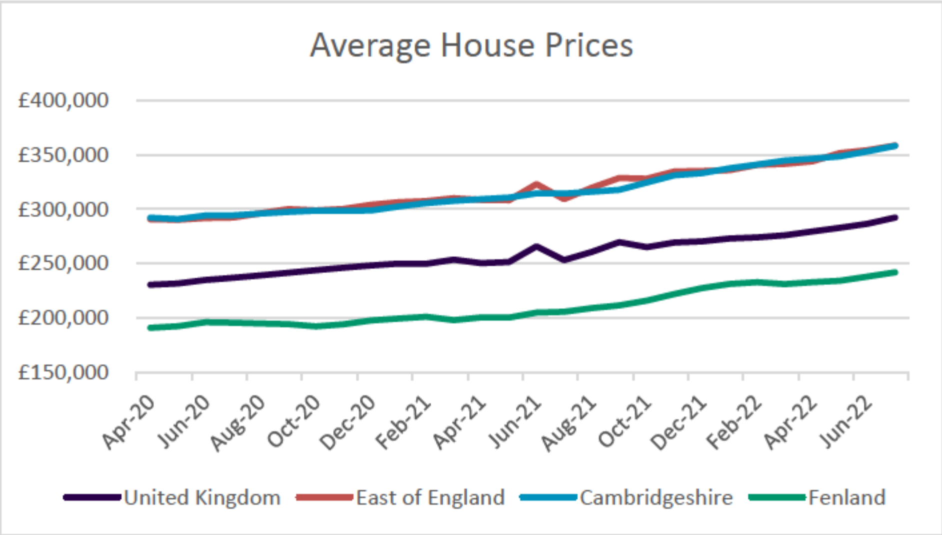
Sources: ONS (unless otherwise indicated) (final six indicators retrieved 24 October)

26.2 Local Market Commentary

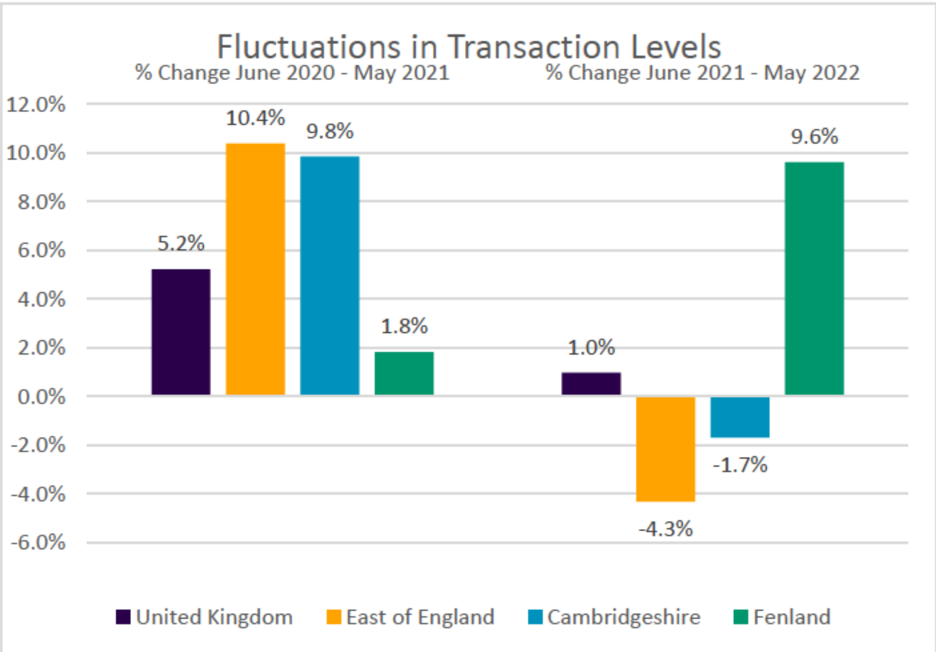
Local Residential Market

In terms of value, data from the Land Registry reveals the average residential property price in the Fenland administrative area, as at July 2022 was £241,769. This was 32 % lower than the Cambridgeshire average price, 33% lower than the regional average and a significant 17% lower than the national average.

The price growth trend in Fenland was positive over the 12 months to June 2022 where the average price increased by 15%. This compares with a 12% increase in Cambridgeshire, 10% in the East of England and 9% nationally.



Transaction levels have increased significantly in Fenland in the last 12 months (May 2021 to May 2022) with a 9.6% increase, the United Kingdom also increased slightly by 1.0%. Both the East of England and Cambridgeshire saw decreased level of transactions. This is in stark contrast to the year before where all areas saw an increase.



There were 1,780 transactions in the Fenland administrative area in the 12 months up to May 2022 compared with 1,113 the year before.

27 Valuation Considerations

27.1 Sale Price

The subject Property has not recently been sold, or marketed for sale.

27.2 Location / Situation and Competition

As demonstrated in the market commentary above Wisbech is a comparatively low value area in terms of residential values.

There has been very little new home development in Chatteris in the last few years.

27.3 Proposed Building Design / Condition / Suitability

We have not been supplied details of the proposed specification, but have assumed that the completed units would be comparable to other newly built residential and commercial property in the area.

27.4 Site / Environmental Issues

The Environment Agency states that the site has a "High Risk" (greater than 3.3% chance of flooding annually) of surface water flooding.

27.5 Planning / Statutory Issues

Outline planning consent for the erection of 80 dwellings was submitted 21 July 2022 (reference: F/YR22/0967/FDL). As at the valuation date this consent has not been determined.

27.6 Tenure

Freehold with vacant possession.

28 Valuation Approach and Reasoning

28.1 Market Value

In valuing the Property we have adopted the residual method of valuation. The methodology assesses the Gross Development Value (GDV) (i.e. the estimated values of the completed scheme) and deduct all development costs including the cost of construction, professional fees, finance costs and a developer's profit. The GDV and development costs are incorporated into a cash flow over an appropriate development and sale period to calculate a residual land value, or Market Value.

The assessment of the GDV adopts the comparable method of valuation, whereby we consider and analyse recent market transactions, supported by market knowledge derived from our valuation and agency experience.

In arriving at our opinion of value for the residential elements we have, through our research, identified limited comparable evidence in Chatteris and have therefore extended our search to Manea and Wimblington. The evidence for houses demonstrates an average achieved rate of £220 per sq ft and the evidence for bungalows shows an average achieved rate of £288 per sq ft. The evidence is from sales between March 2020 and September 2021. We have made allowances for the price growth over time and for the relative values of the different areas, with Manea and Wimblington both being higher value areas. For the flatted accommodation we have reviewed a number of sales of second hand flats in Chatteris, due to the dearth of new build evidence.

With residential property the capital value paid for each type of unit is often more prevalent than the rate per sq ft as this is the basis on which most buyers make their decision. We have reviewed the evidence for capital sums paid for each property that is comparable to the proposed dwelling type and considered this in line with the broader evidence.

For the affordable housing elements we have adopted a blended rate of 55% of Market Value.

The above results in a total gross development value of £15,367,750 .

We have undertaken a residual valuation based on the proposed development. We have adopted BCIS build costs plus an additional 10% for plot externals and servicing. We have allowed for a contingency of 7% and professional fees of 7%. We have also adopted sales agent's fees of 1.0%, sales legal fees of 0.25%, marketing costs of 1%, finance costs at an interest rate of 7.5% and a developer's profit of 17.50% of Gross Development Value for the market housing and 6.0% of GDV for the affordable housing. We have adopted an 18 month pre-construction period, 18 month build period with an 18 month sales period commencing 9 months into construction.

Our appraisal produces a sensibly rounded residual land value of £225,000 after allowing for the usual purchaser's costs. A copy of our valuation printout is attached at **Appendix 2**.

As the Property does not have planning consent, we consider it prudent to apply a planning risk discount. Considering the nature of the site, the emerging Local Plan and the submitted consent, we have applied a discount of 10%.

Therefore:

Residual Land Value - £225,000 less 10% Planning Risk Discount = £202,500.

Say £200,000.

29 Valuations

Market Value 1 (MV1) – Freehold with vacant possession subject to the Special Assumption that that suitable power is connected to the Property

We are of the opinion that subject to the Assumptions and Special Assumptions in this Report the Market Value as at the valuation date was £200,000 (Two Hundred Thousand Pounds) exclusive of VAT.

This Report and valuation has been carried out by [redacted], an RICS Registered Valuer ([redacted]) qualified for the purpose.

……………………………….. [redacted]

[redacted])

[redacted]

………………………………..

For and on behalf of Carter Jonas LLP
Date of Report: 26 October 2022
Carter Jonas LLP Reference: J0058243/2[redacted]

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Carter Jonas

Valuation Report

Carter Jonas
One Station Square
Cambridge
CB1 2GA

T: 01223 368771

Land at Nene Waterfront
Wisbech
Cambridgeshire
PE13 3BT

On behalf of Fenland District Council
For the attention of Mark Greenwood, Head of Property, Assets and Major Projects

Purchase Order No.: 600025104

As at 1 September 2022

Carter Jonas

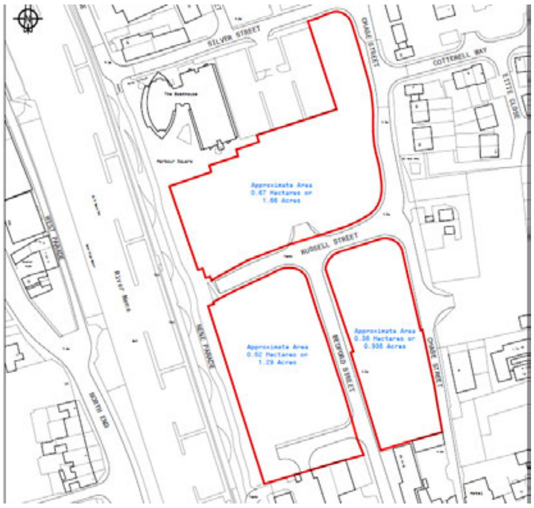
Contents

EXECUTIVE SUMMARY

Land at Nene Waterfront, Wisbech, Cambridgeshire, PE13 3BT

The following provides a brief synopsis only and should be read in conjunction with the main body of the Report, the Assumptions and Recommendations contained therein.

The Site



Site Plan

Summary Description	The Property comprises several plots of bare grassland which are proposed to be redeveloped to provide a mixed use scheme
Site Area	1.57 hectares (3.89 acres)
Proposed Development	There is a proposal to provide a total of 59 dwellings (30 flats and 29 houses), 8 commercial units and 70 extra care units
Tenure	Freehold with Vacant Possession
Planning Status	No planning permission in place

Special Assumptions

- Market Value is provided on the Special Assumption that suitable power is connected to the Property

Principal Valuation Considerations

Strengths	Weaknesses
• Located close to waterfront and town centre • Multiple access points to adopted highway • No affordable housing requirement	• Low commercial and residential values in the wider area significantly impact viability
Opportunities	**Threats**
• Significant cost controls may improve viability	• There is currently a high level of economic and geopoltical uncertainty which may impact the UK property market

Recommendations

- None.

Valuation as at 1 September 2022

Market Value 1 (MV1): £nil (nil pounds) Freehold with vacant possession subject to the Special Assumption that that suitable power is connected to the Property

INSTRUCTIONS & RICS COMPLIANCE

1 Client ('Client')

Fenland District Council
Fenland Hall
County Road
March
Cambridge
PE15 8NQ

Purchase Order No.: 600025104
For the attention of Mark Greenwood, Head of Property, Assets and Major Projects

Neither the whole nor any parts of the Report nor any reference to it may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and content in which it may appear.

2 Instructions ('Instructions')

Our Report for potential disposal purposes is submitted on the basis of our Letter of Engagement agreed with you (**Appendix 1**).

Our Valuation Report is prepared in accordance with the appropriate sections of the current RICS Valuation – Global Standards incorporating the IVSC International Valuation Standards and the current UK National Supplement (the 'Red Book').

This Report may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

This Report is provided for the stated purpose and for the sole use of the named Client. It will be confidential to the Client and its professional advisors. The Valuer accepts responsibility to the Client alone that the Report has been prepared with the skill, care and diligence reasonably to be expected of a competent Chartered Surveyor but accepts no responsibility whatsoever to any parties other than the Client. Any such parties rely upon the Report at their own risk.

We shall rely upon information provided by the Client and / or the Client's legal or other professional advisors relating to tenure, leases and all other relevant matters.

Additional information, in respect of planning status (Fenland District Council), title (Land Registry) and flooding (Environment Agency), has been sourced by the Valuer.

3 Identification and Status of the Valuer ('Valuer')

This valuation has been undertaken [redacted] for and on behalf of Carter Jonas LLP.

We confirm that the Valuer has the following known material connection or involvement:

- Carter Jonas have previously provided development advice in relation to the Property

The Valuer is an RICS Registered Valuer and is in a position to provide an objective and unbiased valuation. The Valuer has sufficient current local knowledge of the particular market together with the skills and understanding required and is competent to undertake the valuation.

4 The Subject of the Valuation (the 'Property')

Land at Nene Waterfront
Wisbech
Cambridgeshire
PE13 3BT

The Property comprises several plots of bare grassland which are proposed to be redeveloped to provide a mixed use scheme.

We understand the Property is intended to be the subject of a development. Proposed Use Classes C3 (Dwellinghouse), C2 (Residential Institutions) and E (Business).

5 Basis of Value

Market Value (MV) as defined in VPS4 of the 'Red Book' being:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

6 Valuation Date

Our valuation is as at 1 September 2022.

It should be noted that values change over time and a valuation given on a particular date may not be valid on an earlier or later date.

7 Inspection

The Property was inspected on 7 October 2022 by [redacted]. The weather conditions were dry and partially cloudy. We were not accompanied during the inspection.

We have assumed there have been no changes in the physical characteristics of the Property between the valuation date and the publication of the Report.

8 Disclosure and Publication

The contents of this valuation Report must not be disclosed to any third parties without first obtaining our written approval to the form and context of the proposed disclosure. Our consent must be obtained even if we are not referred to by name or our valuation Report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

We therefore confirm that the parties that may rely on this Report are Fenland District Council.

PROPERTY REPORT

Land at Nene Waterfront, Wisbech, Cambridgeshire, PE13 3BT

9 Location

The Fenland market town of Wisbech lies within the Fenland administrative area lying approximately 13 miles west of Kings Lynn and 21 miles west of Peterborough. In the 2011 Census (ONS, 2011) the population was recorded as approximately 31,500.

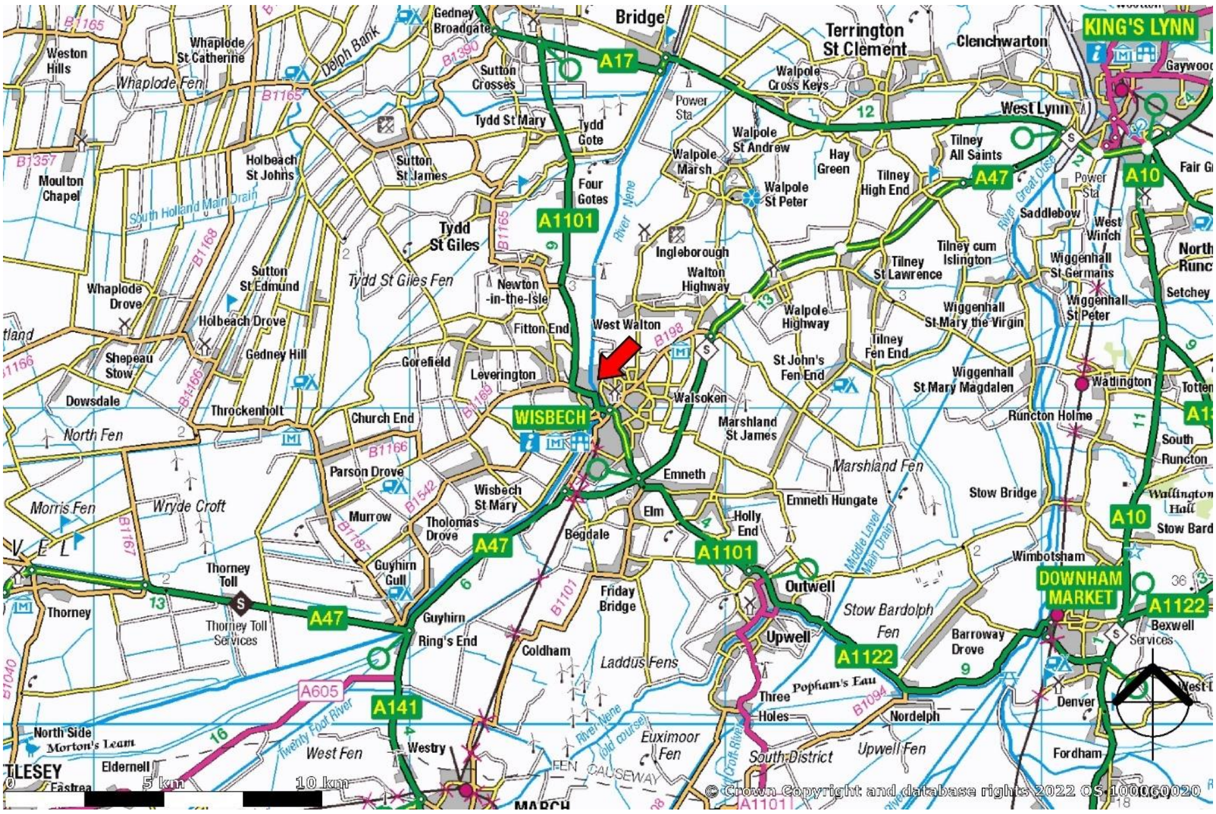
Wisbech has a variety of local amenities including, two cinemas, a Grammar school, public houses, takeaways, restaurants and retail.

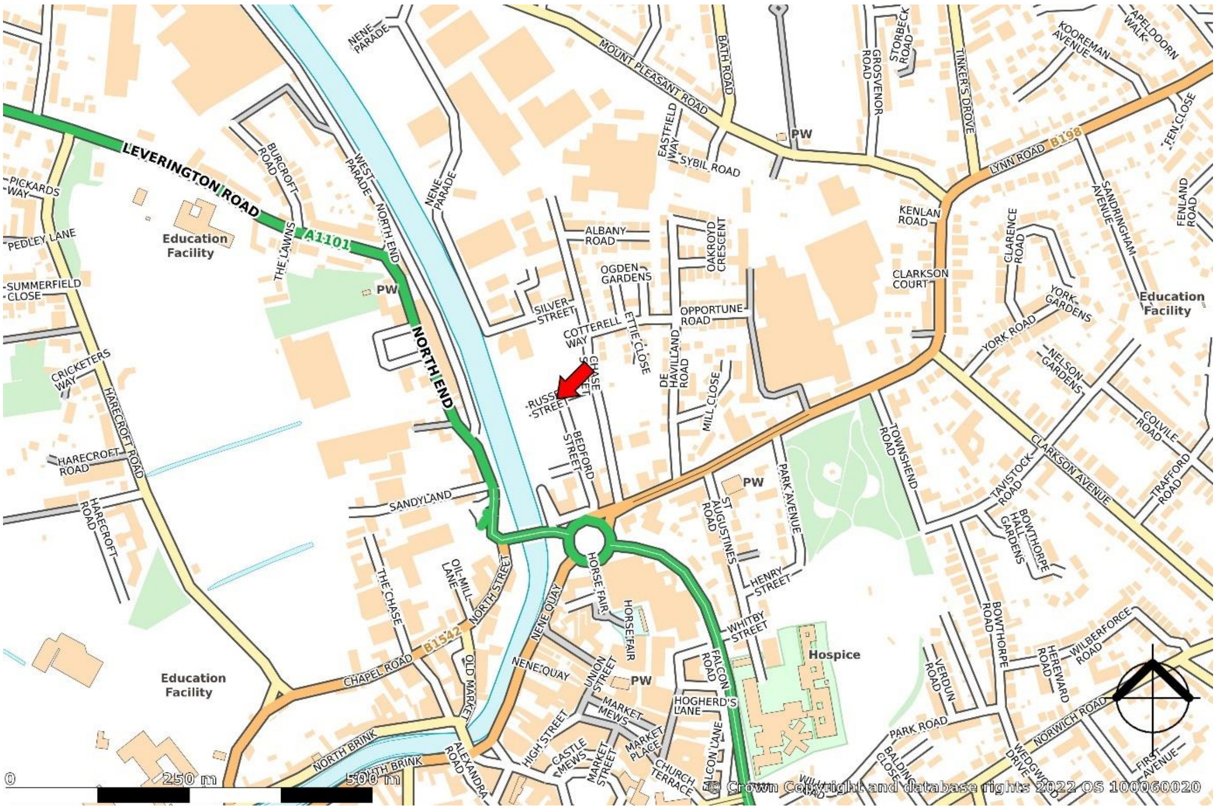
The main arterial road serving Wisbech is the A47 which leads to Peterborough in the west and to Norwich in the east.

The population within the Fenland District Council area are of below average means with 39% being classed as Major Groups 1-3 (Managers, Directors, Senior Officials / Professional Occupations / Associate Professional & Technical) compared to the national average of 51.4% (ONS Annual Population Survey, June 2022). This still represents the largest employment sector.

Approximately 19.4% of the population work within a skilled trade which is significantly higher than the national average of 9.4% (ONS Annual Population Survey, June 2022). The unemployment rate in Fenland is 2.9% which is below the national average of 3.8%.

The Property lies just north of the town centre, sitting adjacent to Chase Street and Nene Parade, a pedestrianised area to the east of the River Nene. Russell Street dissects the site. North of the subject Property is the Horsefair shopping centre, which acts as the main retail area for the town and leads through to Market Place.





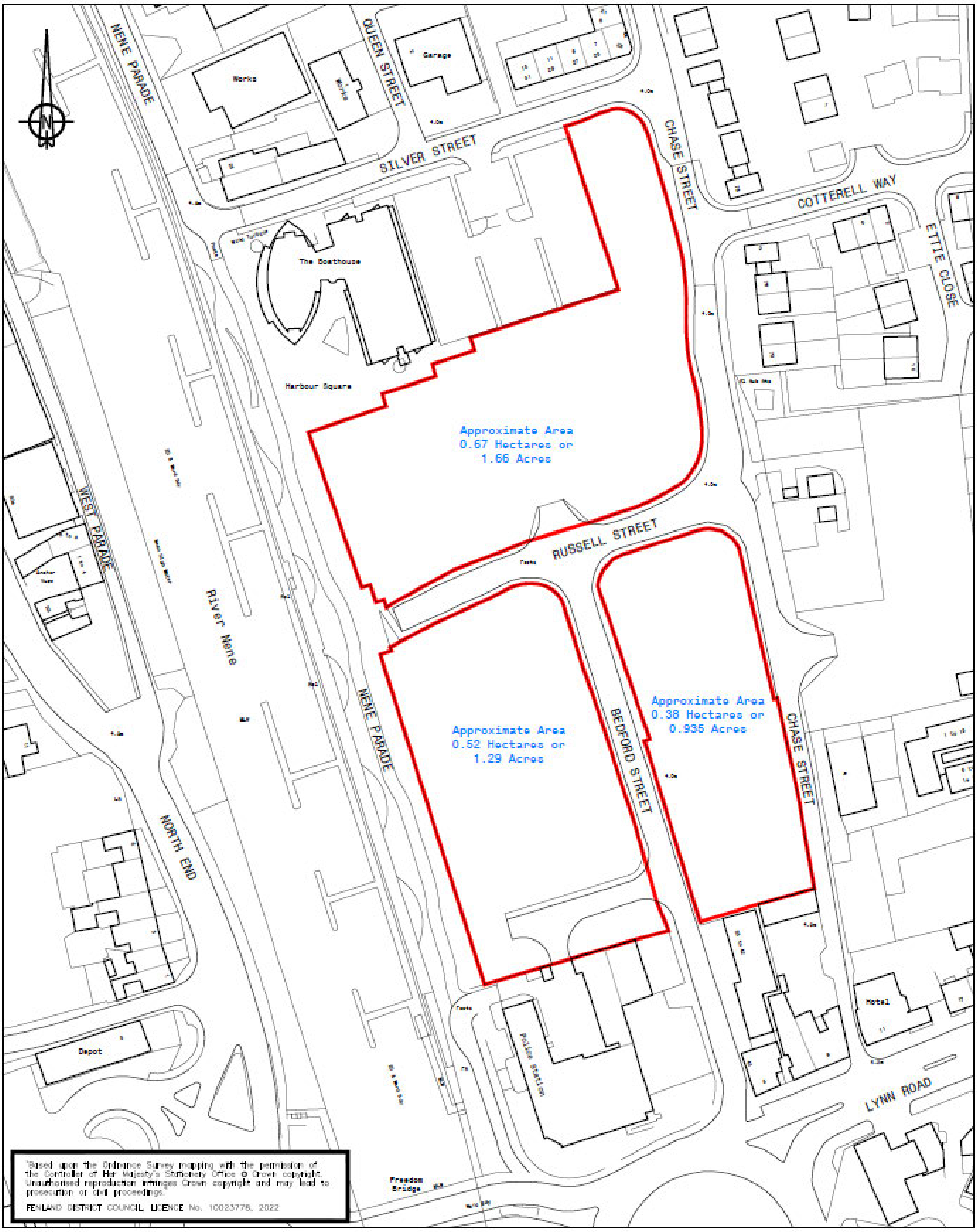
The Location Plans (Edozo) reproduced above are for context only; they are not to scale.

10 Site

The site is split into three parcels, two to the south and one to the north. The parcels are not secured, but there are some dirt bunds in places and some close board timber fencing. Where present, the fencing is in poor condition. There is a vehicular access gate from Russell Street providing access to the northern parcel.

All the parcels are broadly level, however, the Property is notably lower than Nene Parade.

The extent of the Property is indicated on the site plan (Edozo) produced below.



The site plan reproduced above is for context only; it is not to scale.

The total site area is 1.57 hectares (3.89 acres). The site area has been provided by the Client.

Photographs taken at the time of our inspection are reproduced below.


Site from Chase Street


Site from Nene Parade


Site from Russell Street


Access from Chase Street


Access from Russell Street


Russell Street


Access from Nene Parade


Nene Parade


Silver Street and Chase Street


Partial timber board fencing


Dirt bund adjacent to Chase Street

11 Proposed Development

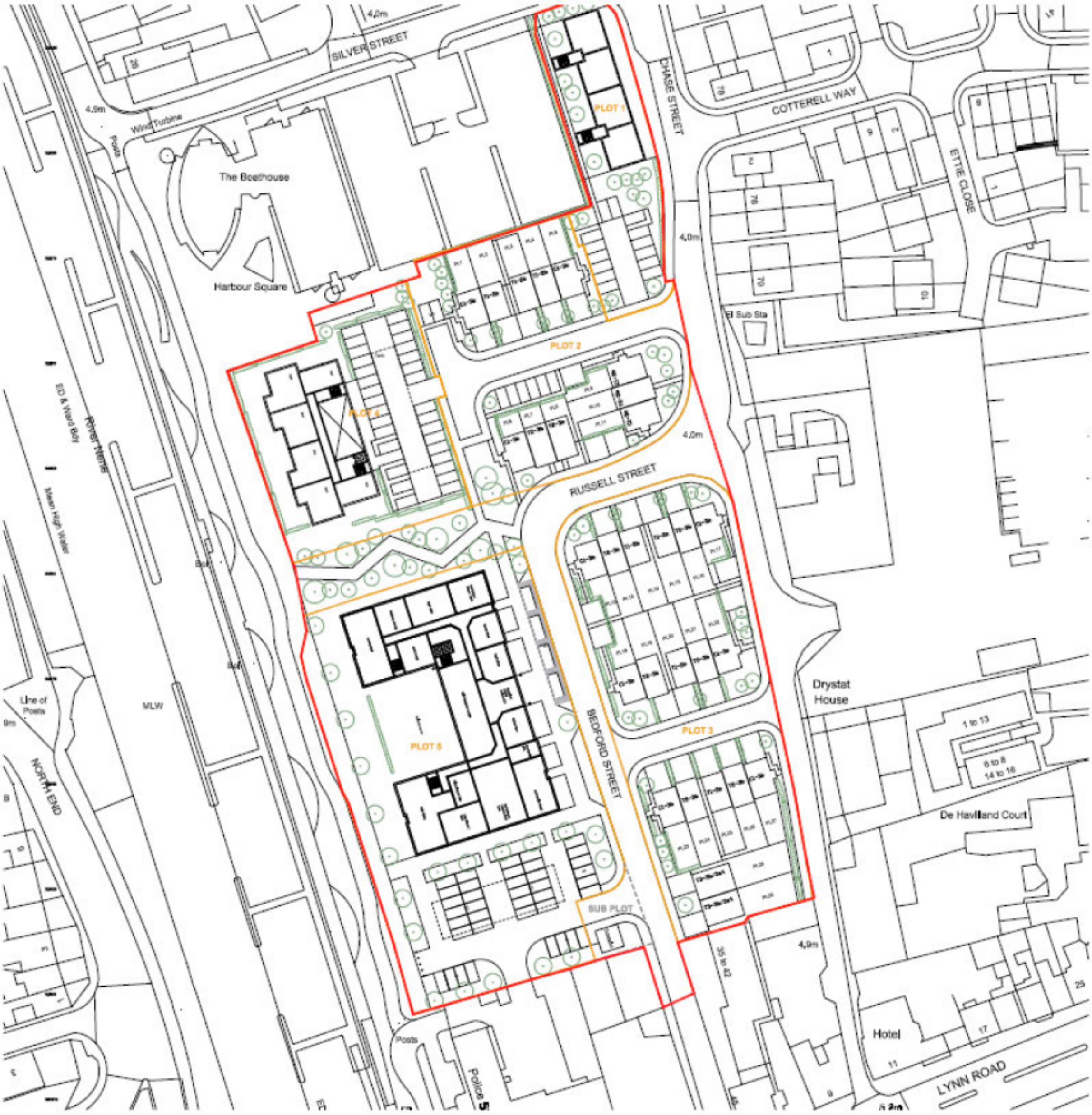
An indicative scheme of the proposed development has been produced and an outline planning application (reference: F/YR22/0914/FDL) was submitted 13 July 2022.

Proposed Units

We have been provided by the Client with the following indicative schedule and site layout plan:

Schedule of Areas

Plot 1 (Block D) - Retail and Flats	Retail – 70sqm – 4no. Flats - 73qm – 8no.
Plot 2 – Housing	Type C1 - 84sqm - 3B4P 5no. Type T1 - 73sqm - 3B3P 3no. Type T2 - 84sqm - 3B4P 3no.
Plot 3 – Housing	Type C1 - 84sqm - 3B4P 6no. Type T1 - 73sqm - 3B3P 4no. Type T2 - 84sqm - 3B4P 6no. Type T3 (3st) – 110sqm – 3B6P 2no.
Plot 4 – Apartments	1 bed(2P) flats - 10no. @ 50sqm ea 2 bed(4P) flats - 12no. @ 72sqm ea
Plot 5 – Extra Care	1 bed flats - 48no. @ 56sqm ea 2 bed flats - 12no. @ 71sqm ea Includes 225sqm cafe bistro (inc kitchen) Includes 100sqm commercial unit Includes 145sqm 'unit' - hairdresser Additional commercial130sqm unit tbc Different sized sub divisions are also possible



We have analysed and adopted this scheme as follows:

Unit Type / Description	No. of Units	Sq M	Sq Ft
Plot 1 Flat	8	73.00	786
Plot 2 House (1)	5	84.00	904
Plot 2 House (2)	3	73.00	786
Plot 2 House (3)	3	84.00	904
Plot 3 House (1)	6	84.00	904
Plot 3 House (2)	4	73.00	786
Plot 3 House (3)	6	84.00	904

Unit Type / Description	No. of Units	Sq M	Sq Ft
Plot 3 House (4)	2	110.00	1,184
Plot 4 Flat (1)	10	50.00	538
Plot 4 Flat (2)	12	72.00	775
Plot 1 Retail Unit 1	1	70.00	753
Plot 1 Retail Unit 2	1	70.00	753
Plot 1 Retail Unit 3	1	70.00	753
Plot 1 Retail Unit 4	1	70.00	753
Plot 5 Retail Unit 1	1	225.00	2,422
Plot 5 Retail Unit 2	1	100.00	1,076
Plot 5 Retail Unit 3	1	145.00	1,561
Plot 5 Retail Unit 4	1	130.00	1,399
Care Home	Up to 70		

This provides a total of 59 dwellings (30 flats and 29 houses), 8 commercial units and 70 extra care units. The residential accommodation totals 46,920 sq ft (excl. the extra care units) and the commercial accommodation totals 9,472 sq ft.

The above are derived from areas stated on a schedule of accommodation provided by the Client. They are assumed to be accurate.

Affordable Housing

We have been informed by the Client that there is no affordable housing requirement in Wisbech.

Section 106 and Community Infrastructure Levy

Due to the early stages of the proposed development the Section 106 liability has not been crystallised. Therefore, we have not made an allowance for the Section 106 liability.

Fenland District Council has not adopted a Community Infrastructure Levy.

Build Costs

To establish the likely build costs we have a consulted the BCIS database and adopted the following rates:

Building Type	Parameter	£/sq m	£/sq ft
Flats	BCIS Flats (General) Rebased to 4Q 2022 and Fenland - Mean	£1,677	£156
Houses	BCIS Estate Housing (General) Rebased to 4Q 2022 and Fenland - Mean	£1,427	£133
Houses	BCIS Estate Housing (3 Storey) Rebased to 4Q 2022 and Fenland - Mean	£1,492	£139
Shops	BCIS Shops (General) Rebased to 4Q 2022 and Fenland - Mean	£1,722	£160

12 Services

Electricity	Assumed connected
Water	Not connected
Foul Drainage	Not connected
Gas	Not connected
Broadband / Telephone	Not connected

Written confirmation has not been obtained from the service providers and we are unable to report on condition or offer any warranty.

13 Apparent State of Repair

This Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services. Our valuation has taken account of the general condition of the Property as observed from the valuation inspection.

Due regard has been paid to the apparent state of repair and condition of the Property, but a building survey has not been undertaken. We have not inspected roof voids or those parts of the Property which are covered, unexposed or inaccessible. Therefore, we are unable to report that the Property is structurally sound or is free from any defects. We have made an assumption that the Property is free from structural faults, design defects, rot, infestation and adverse toxic chemical treatments other than as mentioned herein.

For the purposes of this Report we make the following observations where visible from this limited form of inspection:

- The site is not secured and elements of fence or gates that do exist are in poor condition

14 Contamination / Environmental Issues

14.1 Contamination

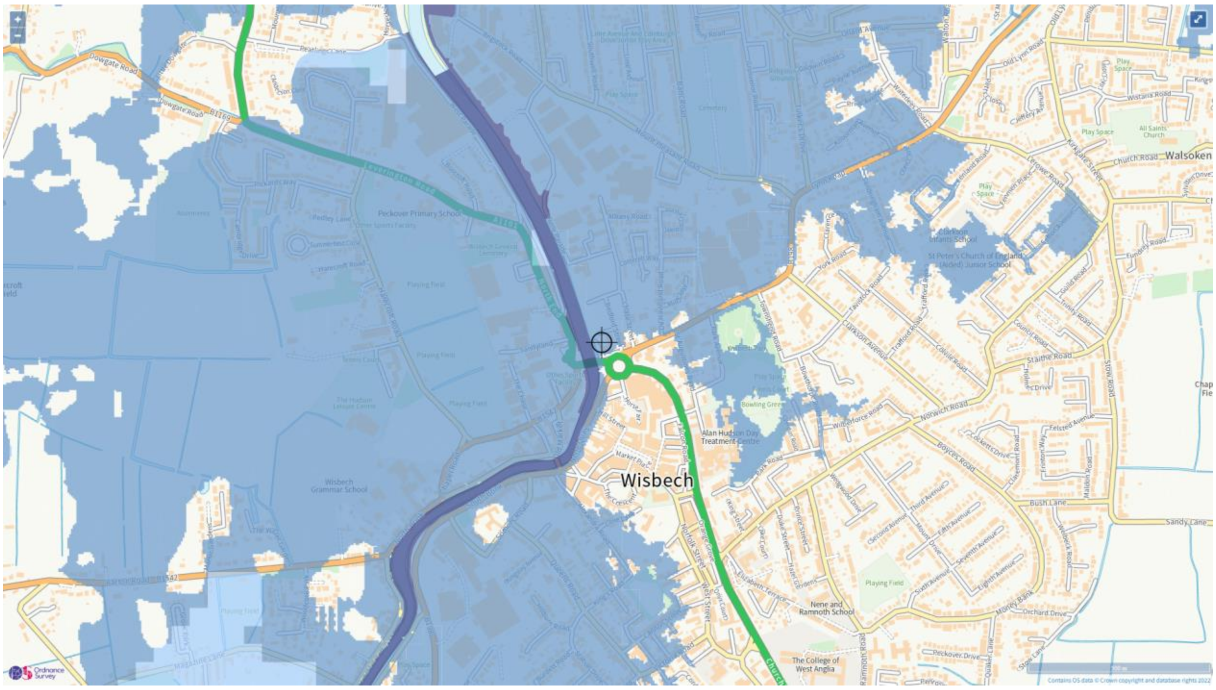
No indications of past or present contaminative land uses were noted during the inspection. Our inspection was only of a limited visual nature and we cannot give any assurances that previous uses on the site or in the surrounding areas have not contaminated subsoils or ground waters. In the event of contamination being discovered, further specialist advice should be obtained.

14.2 Other Environmental Factors

The Property is shown by the Environment Agency (www.flood-warning-information.service.gov.uk) to have a risk to flooding as follows:

Flooding Type	Risk
Rivers and Seas	Medium Risk - 1% - 3.3% chance of flooding annually
Surface Water	Very Low Risk - less than 0.1% chance of flooding annually

The flood map reproduced below is for context only; it is not to scale.



Radon gas is a naturally occurring radioactive gas which is normally associated with areas based upon granite rock subsoils. The area in which the subject Property is situated is identified by Public Health England as being one where the maximum radon potential is less than 1%.

Noting the limits to our inspection no Japanese Knotweed or Giant Hogweed was evident within the boundary of the Property.

14.3 Hazardous and Deleterious Materials

Many building components contain asbestos but these can be difficult to identify particularly if encapsulated. There are significant health hazards associated when ingesting dust containing asbestos fibres. Once asbestos based materials have been identified, care should be taken to avoid their disturbance or removal. Such work should only be undertaken by a licensed asbestos contractor and this can be a significant cost.

There are no existing structures on the Property, however as already noted we believe that part of one of the small agricultural buildings to the north east corner of the site previously was situated on the site, this element of building has been demolished and as revealed by the Intrusive Ground Survey Report this has resulted in fragments of asbestos cement being left on the ground.

As the proposed units will be newly constructed after 1999, when asbestos containing materials were banned, we have assumed that no asbestos will be used in their construction.

The valuation given in this Report assumes that no further specialist removal of asbestos material is required in the foreseeable future. If this proves not to be the case this could affect the value now reported.

We have assumed that no other deleterious or hazardous materials have been incorporated in the land.

15 Statutory Enquiries

15.1 Fire Risk Assessment

The Regulatory Reform (Fire Safety) Order 2005 (SI 2005 No. 1541) came into effect on 1 October 2006. This requires the responsible persons for all non-domestic properties to prepare a Fire Risk Assessment (FRA).

The Regulations are not thought to apply to the Property in its current use.

We are not specialists in cladding of buildings. We will inspect any cladding on the buildings being valued from the ground, as best as reasonable and practical, and comment on the apparent construction / composition. It is however often difficult to comment on the method of attachment / hanging and the actual materials used in the cladding's composition, particularly with regard to fire retardant properties. Our comment can only therefore be considered a cursory inspection. If we are uncertain regarding the composition of the cladding we may recommend a specialist report is commissioned. In the meantime we will complete our Report on the assumption the cladding is compliant with all statutory building and fire regulations and on the assumption there will be no future replacement or refurbishment costs, nor indeed liabilities.

15.2 Equality Act 2010

The Equality Act 2010 has replaced Part 3 of the Disability Act 2005. It imposes a duty on employers and businesses offering a service to the public to make reasonable changes to practices and procedures to enable disabled people to do their jobs, or remove or alter any feature that makes it impossible or unreasonably difficult for a disabled person to make use of the service provided. The duty of compliance rests with the occupier.

The Acts are not thought to apply to the Property in its current use.

16 Sustainability

16.1 Energy Performance Certificate

In England and Wales the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) to be made available for all properties (with limited exceptions), residential and commercial, when bought, sold or rented. The Certificate is valid for ten years and includes an Energy Efficiency Rating between A (most efficient) and G.

We assume that upon completion of the proposed development that the proposed units will be assessed for EPC purposes and will benefit from an EPC rating in line with other new build properties of a similar specification.

16.2 Sustainability in Property

Achieving sustainability in property requires a combination of interdependent objectives which have environmental, social and economic benefits. It is difficult to establish the social and economic elements which would affect a property's overall sustainability. However, we are more able to assess the environmental factors, which are fast becoming one of the main considerations for occupiers when looking to acquire property.

The demands from occupiers when acquiring on a freehold or leasehold basis are starting to have a greater focus on sustainability in line with their adapting business strategies and the requirement to demonstrate green credentials and carbon offsetting. More specifically a focus on renewable / low carbon energy generation and reducing their carbon footprint. As green technology advances we are seeing more examples of these within commercial and residential property.

We are not aware that the completed units at the Property will benefit from any features which improve their sustainability.

17 Local Authority

Fenland District Council
https://www.fenland.gov.uk/

18 Planning

18.1 Planning Enquiries

We have made online enquiries of the Local Planning Authority and in so doing have assumed that all information obtained is correct and accurate.

- Current Use/Lawful Planning Use: Proposed C3 (Dwellinghouses), C2 (Residential Institutions) and E (Business)
- Listed Building Status: Not listed
- Conservation Area: No
- Outstanding Planning Applications: Yes

18.2 Local Planning Policy

Adopted Local Plan

The Fenland Local Plan was adopted on 8 May 2014. It contains the policies and broad locations for the growth and regeneration of Fenland over the following 20 years. The key aims of the Local Plan are listed as:

- Being underpinned by a desire to strengthen the health and wellbeing of Fenland's residents
- Aiming to build 11,000 new homes between now and 2031, with large new housing areas on the edge of Wisbech, March, Chatteris and Whittlesey
- To provide new land to attract new businesses and jobs
- To set out policies to ensure development is of high quality, sustainable and meets the needs of everyone
- To set out policies to ensure all the infrastructure, such as play areas, new schools and upgraded sewerage disposal, are provided at the same time as the new homes

The Proposals Map shows the Property to be undesignated except for lying within the Fenland District boundary.

The Council has decided not to introduce a Community Infrastructure Levy (CIL) for the time being due to a lack of development viability. This will be reviewed through the emerging Local Plan process.

Emerging Local Plan

Fenland District Council is preparing a new Local Plan. Once adopted, the new Local Plan will replace the current Fenland Local Plan (May 2014). Consultation on the new draft Local Plan was undertaken between 25 August 2019 and 19 October 2022. Any changes arising from the consultation will be made to the draft Local Plan.

A Proposed Submission version is due to be published in summer 2023 for public consultation. This version of the plan will then be submitted to central government who will appoint an independent Planning Inspector to carry out a public examination into the document.

The timetable for the Emerging Local Plan is as follows:

'Live' Timetable for Production of the Fenland Local Plan (October 2022)

The Covid-19 pandemic and second call for sites exercise has resulted in some delay to the timetable. A revised Local Development Scheme (LDS) was approved by Cabinet on 3rd February 2022 with target dates set out below.

No.	Stage	Description	LDS Target Date	Actual & Scheduled Dates
1	Consult on a Sustainability Appraisal (SA) scoping report	The SA scoping report sets out the sustainability objectives proposed to be used to appraise the economic, social and environmental effects of the emerging Local Plan policies. The SA scoping report is subject to consultation.	N/a	SA Consultation - 11th October to 21st November 2019
2	Public participation (Regulation 18)	Opportunities for interested parties and statutory consultees to consider the options for the plan before the final document is produced. This stage may involve one or more public consultation rounds. We intend two rounds for the new Local Plan: an Issues and Options Consultation and a Draft Local Plan Consultation.	October 2019 June/July 2022	Issues and Options Consultation - 11th October to 21st November 2019 Draft Local Plan approved for consultation by Cabinet (with amendments) on 13 June 2022. Consultation - 25th August to 19th October 2022
3	Pre-Submission Publication (Regulation 19)	The Council publishes the Local Plan which is followed by a 6-week period when formal representations can be made on the Local Plan.	January 2023	
4	Submission (Regulation 22)	The Council submits the Local Plan to the Secretary of State together with the representations received at Regulation 19 stage.	April 2023	
5	Independent Examination Hearing	Held by a Planning Inspector into objections raised on the Local Plan.	From the day it is 'submitted'	
6	Inspector's Report	This will report whether if the Plan is 'Sound' or 'Not Sound'. The Inspector may make recommendations to make the plan 'Sound'.	January 2024 (estimate – could be earlier or later, and subject to the examination)	
7	Adoption of DPD (Local Plan)	Final stage, the Council will formally need to adopt the Local Plan and it will then be used in making planning decisions.	March 2024 (estimate - could be earlier or later, and subject to the examination)	

18.3 Planning Permissions

We summarise below the relevant planning history as available on the Local Planning Authority website:

Application No.	Details	Decision Date	Decision
F/YR22/0914/FDL	Erect a care home for up to 70 apartments, a commercial unit (Class E) up to 900 square metres and up to 60 dwellings (outline application with all matters reserved)	N/a	Pending Consideration
F/YR04/0036/O	Residential Development and 640 sq. metres mixed use including A1, A2, A3, B1 and D2 uses (0.79 ha)	30 April 2004	Granted
F/YR03/0810/O	Residential Development (0.79 ha)	22 December 2003	Refused
F/YR02/1461/O	Residential Development (0.79 ha)	18 December 2002	Withdrawn
F/0751/89/F	Erection of 150 flats (33 elderly units, 49 x 2 bed, 68 x 1 bed in one part 3, part 4 storey block and one 3 storey block, together with 187 parking spaces (including a part 2, part 3 storey multi-level car park)	14 October 1992	Granted

The permission granted for residential development in April 2004 (reference: F/YR04/0036/O) expired in October 2005 as a condition of that consent was that Reserved Matters approval be made within 18 months. There is no record of such an application having been made.

We have assumed that the lawful proposed use of the Property is C3 (Dwellinghouses), C2 (Residential Institutions) and E (Business).

18.4 Listed Status

We are advised that the Property is not listed as a building of special architectural or historic interest and not within the curtilage of a building so listed.

18.5 Potential for Change of Use

We do not consider there to be an alternative use for which a planning consent would be forthcoming which would generate a value higher than that now reported.

19 Local Taxation

The Property will be assessed for council tax purposes on completion of construction / first occupation.

20 Highways

The Property appears to be accessed directly from the adopted highway, but we would recommend this be confirmed by your solicitor.

21 Tenure

We are instructed to value the freehold interest in the Property with vacant possession.

The Property is held freehold under part of Land Registry title CB105867. We assume that the title could be split to exclude any parts that do not form part of this valuation.

We have not inspected the deeds of the Property and for the purposes of our valuation have assumed that they contain no onerous terms, restrictions, covenants, encumbrances or outgoings that would adversely affect the usual value and that good title can be shown.

We have assumed that the Property and its value are unaffected by any matters which will be revealed by a local search and replies to the usual enquiries, or by any statutory notice, and that neither the Property nor its condition, nor its use, nor its intended use is or will be unlawful.

22 VAT and Taxation

We have not made any adjustments to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

We have not been able to ascertain the VAT status of the Property and have accordingly assumed that VAT would not be payable on the values now reported.

23 Special Assumptions

As agreed with the Client the following Special Assumption(s) have been made:

- Market Value is provided on the Special Assumption that suitable power is connected to the Property

24 Summary of Recommendations

None.

25 Market Conditions

25.1 National Market Commentary

Market Overview

The recent turmoil in financial markets precipitated by the mini budget has calmed somewhat with the reversal of many of the proposed tax cutting measures and a renewed focus from the new Chancellor on balancing the government's books. However, the political turmoil is far from resolved, the UK economy is on the brink of recession, and further rises in the Bank of England base rate are inevitable.

All this is feeding through to consumer confidence, which remains at a near-record low, and is reflected in the latest gloomy retail sales figures. The labour market remains a bright spot, with a further fall in the unemployment rate to another record low.

In the residential market, house price growth is still robust, but the pace of growth is clearly decelerating. This is driven mainly by slowing buyer demand (in the face of rapidly rising mortgage rates) as the lack of supply is what is propping up price rises. The rental market is also showing strong rental growth and again, a lack of supply in this market is behind this and forcing many would-be tenants to wrestle over dwindling availability.

Executive Summary

GDP fell by an unexpected 0.3% in August with the main contribution to this decline coming from a 1.8% fall in production. Output from arts, entertainment and recreation also fell substantially suggesting that consumers are pulling back on preventable costs.

Retail sales volumes fell again in September, down 1.4% over August. This now marks the ninth month out of the last eleven that volumes have fallen, and they are still 1.3% below pre-COVID levels.

Consumer confidence remains well entrenched in negative territory even though it moved up two points to -47 in the last four weeks. The Major Purchase sub-Index fell a further three points, further enforcing a downward trend that began in July 2021.

The Manufacturing Purchasing Managers Index (PMI) contracted for the second month in a row while the Services PMI remained flat at '50'. Construction PMI on the other hand grew to 52.3 but this increase seems to be due to supply chains finally loosening after years of backlogs and long wait times, rather than any increase in demand.

Motor fuel and petrol price inflation continues to soften but it is still high and one of the main contributions to inflation in September, together with rising energy costs and food prices. Overall CPI inflation grew by 10.1% annually.

Unemployment fell to a record-low 3.5%, although job vacancies declined for the third quarter in a row. Wages also continue to grow, averaging 6.2% annually in the private sector, although this is wiped out by the record-high rates of inflation.

Average house price growth has now fallen slightly below the double-digits for the first time in many months. Nationwide and Halifax recorded 9.5% and 9.9% annual growth, respectively. For Nationwide, this was the lowest rate of growth since April 2021.

There was an unexpected jump in mortgage approvals in August, according to the Bank of England. But this was mainly as households rushed to secure mortgages before the expected jump in interest rates in the coming months.

Annual rental growth continued to climb in September, up 9.2% according to HomeLet. Demand in the lettings market in September is traditionally strong which may partly account for the rise, including monthly growth of 2.5% in London.

UK Economic Backdrop

GDP fell by 0.3% in August (month on month), below the consensus expectation of zero. The main contribution to the fall in growth came from production which declined 1.8% in August following a 1.1% fall in July. Manufacturing (a sub-sector of production) alone declined by 1.6%. Services also declined slightly, falling 0.1% on the month with arts, entertainment and recreation output declining by a sizable 5%, reflecting consumers who are reining in discretionary spending.

Retail sales volumes fell 1.4% month-on-month in September, little changed from last month's decline of 1.6%. This marks the ninth month out of the last eleven where sales volumes have fallen and clearly reflects consumers restricting their spending amid rapidly rising prices. Officially, the ONS has said that the added September Bank Holiday impacted retail trading but considering online retailing is so prevalent it seems the effect would have been negligible. Food store sales declined 1.8% while non-food spending declined 0.6%.

UK consumer confidence 'increased' just two points over the latest four weeks, moving from -49 in September to -47 currently. All five sub-measures remain firmly in negative territory with the Major Purchase Index the only measure that declined in the month, down three points to -41. This is further evidence that consumers are unwilling to make any unnecessary big spends while the current cost of living and economic / political uncertainty provides too many unknowns and turmoil.

The S&P Global / CIPS UK Manufacturing PMI pointed to the second month in a row of contraction, with a reading of 48.4 for September. New business orders dropped for the fourth month in a row while new exports fell by the strongest figure since May 2020. Exporters cite worries of rising inflation and the cost-of-living crisis as reasons for orders and new business declining. Employment, on the other hand, continued to rise with businesses saying they are now finding it slightly easier to fill vacancies.

The services PMI has only just avoided contraction by posting a flat '50' in September, down from 50.9 in August and now the lowest figure since March 2021. Feedback from the sector is that client demand is shrinking fast due to squeezed household budgets and rapidly rising external costs and inflation. The outlook for the economy is highly pessimistic and jobs growth slowed although input cost inflation in the sector has slowed now for the fourth consecutive month.

Construction output on the other hand is indicating a modest rise in September as the UK Construction sector PMI moved to 52.3, up from 49.2 in August. House building grew to a five-month high while commercial work also increased. Civil engineering work decreased for the third consecutive month. The key takeaway from this data is that rather than demand increasing it seems that supply chain issues are easing greatly, thereby reducing backlogs and increasing output. Indices are showing the shortest wait-times for raw materials in over 2½ years while staff shortages are also now easing.

CPI inflation rose again, reaching 10.1% in September, up from 9.9% in August. The largest upward contribution again came from electricity, gas, motor fuels, food and non-alcoholic beverages. And although still high, inflation from petrol has actually decreased recently, but its downward contribution was offset by rapidly rising food prices. Food price growth is linked to past import and producer price rises which are now feeding into consumer prices at the supermarkets.

There is no Monetary Policy Committee meeting in October, with the next one scheduled for 4 November. At time of publishing therefore interest rates remain at 2.25% however we expect rates to continue to rise over the coming months with a possible rise of up to 100 basis points in the November meeting (to 3.25%), before reaching a peak of around 4% late this year or early 2023.

Employment figures rose again in the three months to August, to 75.5%, while unemployment fell once again to its lowest level since 1974, to 3.5%. This is also now the third consecutive quarter where job vacancies have decreased (down by 46,000 on the quarter to September), but despite this the number of job vacancies remains at historically high levels.

Wages grew by an average of 5.4% (regular pay, excluding bonuses) in the three months to August, buoyed by a strong increase of 6.2% in the private sector compared with an average of 2.2% in the public sector. Despite these being some of the highest growth rates (outside of the pandemic period), in real terms regular pay has fallen by 2.9% when adjusted for inflation. This is now one of the largest falls in real incomes since records began in 2001.

We expect that into next year firms will be hiring less and possibly reducing employment to combat rising external costs. As a result, unemployment will probably rise but this will also mean less movement in the jobs market which will translate to less pressure on businesses to continue to raise wages.

Residential Property Market

Sale Prices and Rents

House prices grew by 9.5% on an annual basis, according to Nationwide's September data. This is down only very modestly over August's 10% figure but marks the first time growth has been under 10% since October 2021 and is the lowest figure since April 2021. On a monthly basis prices were unchanged. Regionally, the South West again remained the strongest performer with annual growth of 12.5% although this is down from 14.7% in the second quarter. This was followed by the East Midlands (12.3%), and Wales (12.1%) while London again recorded the lowest growth of 6.7% (although this marks an increase from 6.0% in Q2).

Halifax's September annual growth figure largely matched that from Nationwide at 9.9%. On a monthly basis prices fell by 0.1%, meaning a typical property in the UK is now £293,835. The report goes on to say that annual inflation slowed in all but one region (the North East) during September. Wales was top of the price growth table at 14.8% while London was at the bottom, showing the slowest rate of annual growth of 8.1%.

September's asking prices rose by an annual average of 8.7% according to Rightmove (four weeks to early September). This is up from 8.2% in August and reflects a 0.7% rise on a monthly basis. The report notes that it is the middle to high-end sectors that are driving price rises this month, with strong demand still coming from 'second-steppers' seeking larger homes and more space.

According to Rightmove, average asking prices have increased by around 7.8% over the same period last year, down from 8.7% last month. On a monthly basis, though, October prices were still rising, up by an average of 0.9% over September. Their report notes that there is no evidence that prices on existing properties for sale are declining.

Official house price growth figures from the ONS show that house prices grew by an average 13.6% in the 12 months to August, down from 16.0% in July. On a monthly basis prices grew by an average of 0.9%. The average UK house price is now £295,903, reflecting a nearly one-third increase since the start of the COVID pandemic in March 2020.

Regionally, there was double-digit price growth in every UK region and country apart from London, with the strongest growth yet again seen in the South West (17%) followed by the East Midlands (16.9%) the North West (15.3%) and the South East at 14.8%. London was again at the bottom of the table with average house price growth of 8.3%.

In our Carter Jonas locations house prices grew by an average of 14% in the year to August, with Devon recording 18% increases followed by Cambridgeshire (16.9%), Dorset (16.8%) and Harrogate at 16.5%. Harrogate also posted a punchy monthly growth figure of 4.6%. Of our 21 tracked locations there are now just two areas left where house prices average below £300,000: North Northamptonshire (£276,678) and Leeds (£240,854). Compare this with two years ago when 12 of our locations were posting average prices below £300,000.

There is little change in the house price growth story across London this month: the outer London suburban locations again posted stronger growth (9.7%) than those of the inner boroughs (5.7%). Harrow again topped the table at 15.9% growth followed by Southwark (14%), Barking and Dagenham (13.4%) and Bromley (12.4%). Four locations recorded falling house prices over the last 12 months (Westminster, Kensington and Chelsea, Hammersmith and Fulham, Camden) which are the same locations with the highest average London house prices.

Again, this month the RICS residential market survey notes that although activity seems to be losing steam, prices are still rising, albeit the pace of growth has slowed. The lack of supply is clearly underpinning prices, with a net balance of +32% of respondents saying prices had continued to rise over the last three months (although this is down substantially from a peak of +78% in April 2022). Going forward though the picture has turned negative with a net balance of -18% of survey participants expecting a fall in prices over the next 12 months.

HomeLet's September rental report indicates a national average rental growth rate of 9.2% over the last 12 months, a somewhat surprising increased from last month's 8.5%. Regionally, Northern Ireland has posted the highest annual rental growth of 14.6%, followed by Scotland (14.2%) and the South West (11.5%). Rents in London have grown by 11% annually and a strong 2.5% on the month.

Activity

There was a surprise jump in mortgage approvals in August, to 74,340 according to the Bank of England's latest data. This is an increase of nearly 17% over July's figure and is the highest number of approvals since January. However, rather than being a sign of any increase in demand this is rather reflective of the number of households rushing to get their mortgage approved before the expected rise in interest rates through the latter months of 2022.

Provisional figures for August found that property transactions reached 104,980, up marginally from July's figure of just under 104,000. This figure is still slightly above the pre-COVID long-run average, and while it seems that transaction activity is holding up well, these exchanges would have been negotiated and accepted months before.

The latest Rightmove House Price Index noted that demand from first time buyers is down 21% compared with the same two-week period last year as this group are more exposed to rising external cost pressures and interest rates. Having said that it is still 24% above the 2019 pre-pandemic average. Of all buyers, demand is still 20% higher than back in 2019 but is down 15% compared with the same two week-period last year (early October).

Buyer demand continues to decline according to the latest RICS residential survey, with a net balance of -36% citing a fall in enquiries. New instructions have also fallen to historic lows with an average of just 34 available properties available per agent / branch. Looking ahead the picture is no less austere with both sales expectations and market appraisals returning firmly negative responses at -30% and -20%, respectively.

Demand in the rental market is still robust according to the RICS survey, with a net balance of +42% of contributors noting a rise although this is down from +50% last month. Yet again though landlord instructions continued to fall with a reading of -13% of respondents (unchanged over September's reading).

The increase in rental growth in September recorded by HomeLet points to some early signs that there may be more households opting (or being forced) to stay in the rental market due to rising mortgage rates and the increasing unaffordability in the owner occupier market. This, coupled with more and more landlords choosing to leave the sector is resulting in yet further divergence in the supply demand imbalance.

The number of new tenant registrations per member branch rose yet again in August, to a new peak of 141 according to ARLA Propertymark's September Housing Insight. At the same time, the supply of available properties has remained flat for the last three months at just 11 properties per branch. This imbalance continues to put upward pressure on rents, with 77% of agents reporting rent prices increased during August.

HM Treasury Forecasts for the UK Economy, Oct 2022

	2022	2023	2024	2025	2026
Official Bank Rate (%)	3.4	4.3	2.63	2.71	2.75
House price inflation (annual, %)	7.1	-3.3	-0.8	1.0	2.8
CPI inflation rate (annual average, %)	10.3	4.7	2.5	2.6	2.5
Unemployment rate (%)	3.8	4.4	4.0	3.8	3.9
GDP (annual, %)	3.9	-0.3	1.5	1.8	1.8
Average earnings growth (annual, %)	6.0	4.5	3.6	3.4	3.4

Sources: HM Treasury Consensus Forecasts (2022 & 2023: Oct 2022, 2024-2026: August 2022)

Select Market Indicators, latest versus previous data

	Current	Previous	Direction of change
GDP monthly (month-on-month)	-0.3%	+0.1%	**down**
Retail sales volume (monthly % change)	-1.4%	-1.6%	**up**
GfK Consumer Confidence Index	-47	-49	**up**
S&P Global / CIPS Manufacturing PMI	48.4	47.3	**up**
S&P Global / CIPS Construction PMI	52.3	49.2	**up**
S&P Global / CIPS Services PMI	50.0	50.9	**down**
Inflation rate (CPI)	10.1%	9.9%	**up**
Interest rate	2.25%	2.25%	**no change**
Employment rate	75.5%	75.4%	**up**
Unemployment rate	3.5%	3.6%	**down**
Weekly earnings growth, regular pay (excl bonuses)	5.4%	5.2%	**up**
Nationwide annual house price inflation	9.5%	10.0%	**down**
Halifax annual house price inflation	9.9%	11.5%	**down**
Official UK House Price inflation (annual)	13.6%	16.0%	**down**
Rightmove House Price Index (annual, asking)	7.8%	8.7%	**down**
HomeLet Rental Index (annual growth, UK)	9.2%	8.5%	**up**
£ Sterling: $ USD	$1.13	$1.14	**down**
£ Sterling: € Euro	€1.15	€1.14	**up**
Brent Crude Oil (USD)	$89.47	$93.01	**down**
Gold (USD)	$1,645.92	$1,671.27	**down**
FTSE 100	6,932.38	7,229.69	**down**
UK 5 Year Gilt Yield	3.9195	3.2985	**up**

Sources: ONS (unless otherwise indicated) (final six indicators retrieved 24 October)

Commercial Property Market

The commercial property sector is operating within the context of the second economic contraction in three years, a rapid rise in the costs of debt, and high inflation, together with the ongoing long-term structural shifts in demand precipitated by the pandemic.

In its Q2 2022 UK Commercial Property Survey, the RICS reports an aggregate net balance of +17% of respondents seeing an increase in tenant demand during Q2, down from +32% in Q1. Occupier enquiries fell for retail space and only grew modestly for offices, whilst industrial demand remained very strong at +49%, albeit below recent highs. Both the office and retail sectors continued to see a rise in availability, with net balances of +22% and +27% respectively, but supply in the industrial market continued to tighten, with a balance of -35%.

Respondents to the RICS survey expect prime and secondary industrial rents, as well as prime office rents, to rise over the next 12 months (although expectations are less buoyant than in Q1). Unsurprisingly, secondary office rents, prime and secondary retail rents are expected to fall, and again, the outlook has deteriorated compared with Q1.

Overall, the commercial market remains characterised by a dearth of the quality supply that occupiers now require in sectors such as offices (key city centres), last mile delivery and distribution warehousing. With developers facing elevated building costs, supply chain challenges and economic uncertainty, we do not expect a significant increase in construction levels, and the lack of stock will continue to act as a constraint on take-up.

Retail Occupier Market

Retail sales volumes fell by 1.4% in September and are now 1.3% below their pre-pandemic level, according to the ONS. Whilst the September figure was impacted by the additional Bank Holiday, the overall trend over the last year has been downwards. In the three months to September 2022, sales volumes fell by 2.0% when compared with the previous three months.

UK consumer confidence ‘increased’ by two points over the latest four weeks, moving from -49 in September to -47 currently. All five sub-measures remain firmly in negative territory with the Major Purchase Index the only measure that declined in the month, down three points to -41. This is further evidence that consumers are currently unwilling to make any unnecessary expenditure.

The collapse in consumer confidence and falling retail sales reflects the rapid rise in inflation, which is creating the biggest fall in real household disposable incomes since records began in the 1960s, as well as rising interest rates (which will increasingly feed through to significantly higher mortgage payments for many homeowners), rising energy bills and a deteriorating economic outlook. With inflation set remain high for some time, confidence is likely to remain weak.

A further decline in real household incomes looks inevitable. Although the Government’s Energy Bills Support Scheme is helping, it is now scheduled to finish at the start of April 2023, which is likely to mean further significant rises in household energy bills next year.

This will inevitably impact consumer spending levels. Indeed, a recent ONS survey reported that just over 60% of households were already spending less on non-essentials, and almost 50% were spending less on food. On the positive side, consumer spending should fall by less than incomes, as some households (typically higher income ones) are able to tap into savings accumulated during the pandemic or reduce the proportion of their income that they save. Discretionary spending will be most under pressure, as households delay big-ticket and non-essential purchases.

The proportion of retail sales conducted online was 26.4% in September 2022, broadly unchanged since May 2022. It remains significantly above pre-coronavirus levels (19.8% in February 2020), and over the medium term, online sales are likely to resume their upward trend as a proportion of total sales.

UK town centre footfall remains below its pre-pandemic levels, due mainly to the higher level of the remote working. This now appears to be a structural shift, to which retailers will need to permanently adjust. On the positive side, many local high streets continue to benefit, but at the expense of larger town and city centres.

Average retail rental values had been declining for 18 months prior to the pandemic, a trend that accelerated sharply during the lockdowns, and rental values are now 17.4% below their 2018 peak (MSCI Monthly Index, September). However, the rate of decline has been moderating recently, and average all-retail rental values have seen a very modest rise over the last few months (+0.2% from March to September). This does mask significant variation, depending on the type of property and location.

The retail warehouse subsector has fared considerably better than most of the wider retail sector. Average rental values saw only a modest fall during the pandemic, and have been rising steadily, by 1.2% over the 12 months to September 2022 (MSCI).

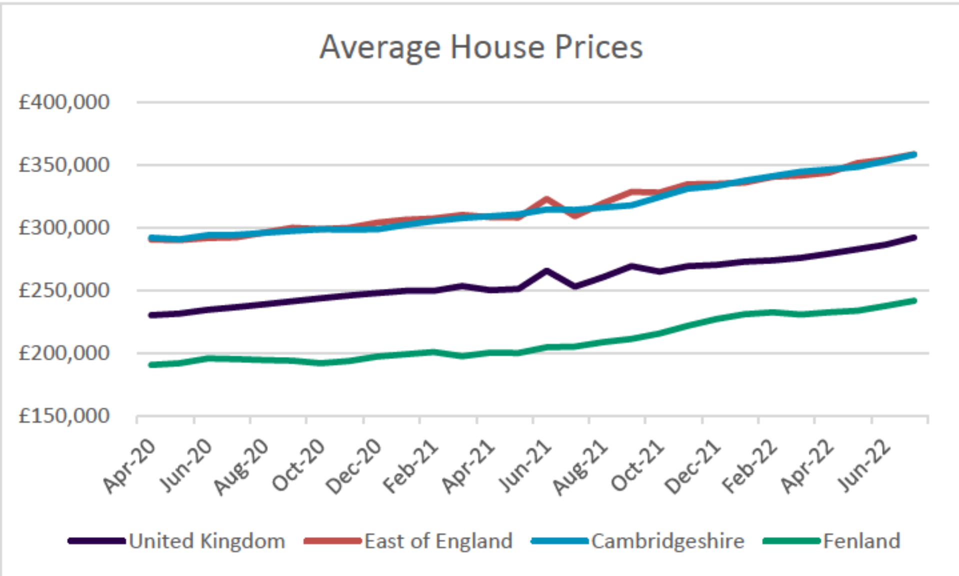
Average shopping centre rental values are 22% lower than five years ago (MSCI) but appear to have found a floor. Indeed, average rental values increased by 0.4% over the three months to September 2022. Average rental values for standard (high street) shops are still falling, by -3.8% over the last year (to September, MSCI) and by -0.6% over the last three months

25.2 Local Market Commentary

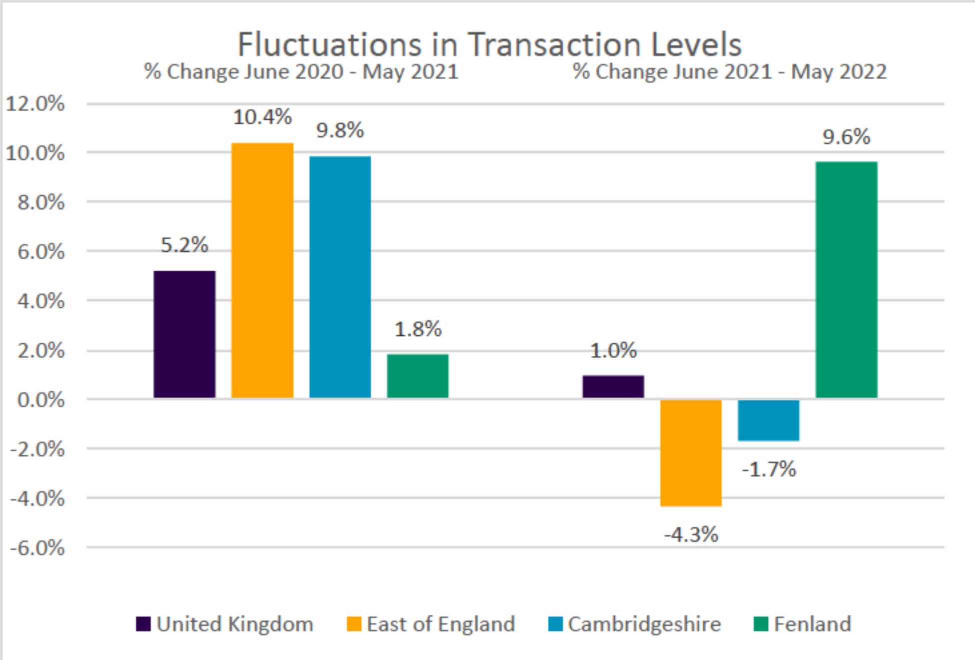
Local Residential Market

In terms of value, data from the Land Registry reveals the average residential property price in the Fenland administrative area, as at July 2022 was £241,769. This was 32% lower than the Cambridgeshire average price, 33% lower than the regional average and a significant 17% lower than the national average.

The price growth trend in Fenland was positive over the 12 months to June 2022 where the average price increased by 15%. This compares with a 12% increase in Cambridgeshire, 10% in the East of England and 9% nationally.



Transaction levels have increased significantly in Fenland in the last 12 months (May 2021 to May 2022) with a 9.6% increase, the United Kingdom also increased slightly by 1.0%. Both the East of England and Cambridgeshire saw decreased level of transactions. This is in stark contrast to the year before where all areas saw an increase.



There were 1,780 transactions in the Fenland administrative area in the 12 months up to May 2022 compared with 1,113 the year before.

Local Retail Market

Retail vacancies in Fenland were slightly elevated relative to the five-year average during the fourth quarter, but they compressed in the past year. The rate also comes in below the region's average. Meanwhile, retail rents have inched up by 0.3% on a year-over-year basis.

While some retail space has delivered over the past few years in Fenland, developers at present are not particularly active.

Retail investors are reasonably active in Fenland, and deal flow over the past year largely continued along that course. At £154 per sq ft, market pricing is considerably lower than the region's average pricing.

26 Valuation Considerations

26.1 Sale Price

The subject Property has not recently been sold, or marketed for sale.

26.2 Location / Situation and Competition

As demonstrated in the market commentary above Wisbech is a comparatively low value area in terms of residential and commercial values.

There is limited commercial development in the area, with the most recent example being the retail and leisure development on Cromwell Road.

There has been some residential development in the last few years including the former football ground, the land at Churchill Road and Sutton Park.

26.3 Proposed Building Design / Suitability

We have not been supplied details of the proposed specification, but have assumed that the completed units would be comparable to other newly built residential and commercial property in the area.

26.4 Site / Environmental Issues

None.

26.5 Planning / Statutory Issues

Outline planning consent for the erection of a care home for up to 70 apartments, a commercial unit (Class E) up to 900 square metres and up to 60 dwellings was submitted 13 July 2022 (reference: F/YR22/0914/FDL). As at the valuation date this consent has not been determined.

Former outline planning consent for Residential Development and 640 sq. metres mixed use including A1, A2, A3, B1 and D2 uses (0.79 ha) (reference: F/YR04/0036/O) was granted on 30 April 2004 (now lapsed).

26.6 Tenure

Freehold with vacant possession.

27 Valuation Approach and Reasoning

27.1 Market Value

In valuing the Property we have adopted the residual method of valuation. The methodology assesses the Gross Development Value (GDV) (i.e. the estimated values of the completed scheme) and deduct all development costs including the cost of construction, professional fees, finance costs and a developer's profit. The GDV and development costs are incorporated into a cash flow over an appropriate development and sale period to calculate a residual land value, or Market Value.

The assessment of the GDV adopts the comparable and investment methods of valuation. For the residential element we have considered and analysed recent market transactions. For the care home we have adopted a similar approach through consideration and analysis of recent land transactions. For the commercial element we have adopted the speculative investor approach by establishing the likely Market Rent of the completed units which we have then capitalised using an appropriate yield, having allowed for void periods and associated costs, that is derived from comparable evidence. Each determination is supported by market knowledge derived from our valuation and agency experience.

In arriving at our opinion of value for the residential elements we have, through our research, identified 21 comparable new build house sales. These sales are all newly built dwellings that range from smaller, sub 10 dwelling developments, to larger 80 plus dwelling developments. The evidence is from sales between January 2021 and September 2022. The evidence shows and average achieved rate of £214 per sq ft.

For the flatted element of the development there is limited new build evidence in the area. We have therefore expanded our search to include second hand sales of comparable flats. This research has resulted in the identification of nine sales, six of which are comparable. The comparable units sold between March 2021 and January 2022 and demonstrate an average achieved rate of £188 per sq ft.

With residential property the capital value paid for each type of unit is often more prevalent than the rate per sq ft as this is the basis on which most buyers make their decision. We have reviewed the evidence for capital sums paid for each property that is comparable to the proposed dwelling type and considered this in line with the broader evidence.

For the care home element we note that there is no single model of extra care housing. The term extra care housing is used to describe developments that comprise self-contained homes with design features and support services available to enable self-care and independent living. Extra care housing is housing first with people living in their own self-contained homes.

The aspirations of older people are also changing with many older people preferring to stay living in their own home for as long as possible. There are, however, people who would like to move house and live in accommodation that is better located, more accessible and easier to maintain.

The UK care sector is considered favourable with a shortfall in care beds and living accommodation and an ageing population. Institutional and listed investors now account for a significant proportion of market activity.

In terms of evidence for senior living land sales, we are aware of the following:

- Waveney Place, Harleston, Norfolk IP20 9DN. A 1.184 acre site sold in June 2021 for £700,000. Land value equates to £591,000 per acre.

- Thomas Wolsey Place, Lower Brook Road, Ipswich IP4 1AQ. A 1.388 acre site sold in June 2021 for £1,680,000. Land value equates to £1,210,375 per acre

- 28 Mousehold Lane, Norwich. Site of 2.08 acres sold in October 2020 for £1,500,000 with the developer proposing to build a 78 bed care home and 40 assisted living units on site. Our analysis indicates a blended rate of £12,711 per unit and a land rate of £721,154 per acre.

- Homestead Place, Upper Staithe Road, Stalham, Norfolk NR12 9FZ. A site of 2.53 acres sold in October 2018 for £750,000 equating to £296,422 per acre.

- Foundry Place, Gosford Road, Beccles, Suffolk, NR34 9SQ. A site of 1.048 acre site sold in December 2019 for £604,275 equating to £576,598 per acre.

- Elliot Garwood Gardens, Beccles, Suffolk NR34 9RA. A site of 2.085 acres sold in December 2019 for £1,374,870 equating to £659,410 per acre.

The land sales for the flatted retirement/assisted living schemes indicate land values per acre of between circa £300,000 per acre, albeit slightly historic to more than £1.2 million per acre. These rates differ depending upon the nature and location of the sites. Excluding the historic sale and the Ipswich sale an average value of £637,000 per acre is derived.

Whilst the subject site overlooks the river, we believe the rates will be at the lower end of the value range at circa £500,000 per acre.

We also note that Fenland District Council are intending to sell a site of 0.67 acres with planning consents for 26 residential units and 22 units. In addition, there is public open space amounting to 1.32 acres, but which could be used to amend the layout subject to planning. The land has a guide price of £1 million equating to £500,000 per acre although this is a gross figure and includes public open space.

For the residential care element, we are of the opinion that a rounded value of £625,000 is appropriate assuming planning consent has been forthcoming for the development.

For the commercial elements we have reviewed the proposed uses and are of the opinion that they would all be developed as retail style units in order to appeal to a broad range of potential occupiers.

We have reviewed the market evidence for recent rents in Wisbech and have adopted a rate of £15 per sq ft, per annum. This assumes a minimum three year lease on usual market terms. We have then reviewed investment transactional evidence from the area which demonstrates an average of 8.19%. Considering the specifics of the proposed units and the location we have adopted a yield of 9.0% to reflect the inherent risk of vacant property.

The above results in a total gross development value of £12,125,000.

We have undertaken a residual valuation based on the proposed development. We have adopted BCIS build costs plus an additional 10% for plot externals and servicing. We have allowed for a contingency of 7.0% and professional fees of 7.0%. We have also adopted sales agent's fees of 1.0%, sales legal fees of 0.25%, marketing costs of 1.0%, finance costs at an interest rate of 7.5% and a developer's profit of 17.50% of Gross Development Value. We have adopted an 18 month pre-construction period, 18 month build period with an 18 month sales period commencing 12 months into construction.

Our appraisal produces a sensibly rounded residual land value of -£1,680,000 after allowing for the usual purchaser's costs. A copy of our valuation printout is attached at **Appendix 2**.

28 Valuations

Market Value 1 (MV1) – Freehold with vacant possession subject to the Special Assumption that that suitable power is connected to the Property

We are of the opinion that subject to the Assumptions and Special Assumptions in this Report the Market Value as at the valuation date was £nil (nil pounds) exclusive of VAT.

This Report and valuation has been carried out by [redacted], an RICS Registered Valuer ([redacted]) qualified for the purpose.

.... [redacted]

[redacted]

.... [redacted]

For and on behalf of Carter Jonas LLP
Date of Report: 26 October 2022
Carter Jonas LLP Reference: J0058243/1/

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item No:	11	Fenland CAMBRIDGESHIRE
Committee:	**CABINET**	
Date:	**12 December 2022**	
Report Title:	**Wisbech High Street update**	

1. Purpose / Summary

To provide Cabinet with an update regarding ongoing work related to 11 – 12 and 24 High Street, Wisbech and to ask approval for acceptance of a grant to support the building work at 24 High Street.

2. Ongoing work to secure a future for 11- 12 High Street, Wisbech

2.1 As Cabinet has been made aware previously, two options are under consideration for the site. An assessment of option 2 is still ongoing, with further details from the third sector organisation recently received. The changing rates for borrowing are impacting the assessment and affordability of the project.

2.2 Option 1

- **Development of a façade on the High Street**

  Whilst this option is not an ideal solution, given the constraints of the site and the current costs of any building development, a façade may be a pragmatic approach. A façade would ensure that the High Street is brought back to look how the community and visitors expect, albeit with no building behind. Please note that any façade would match the look of the front of the building as designed in the approved planning application.

  A quantity surveyor has worked up estimated costs for a front façade. The cost, at this time, is estimated at £292,571. Additional cost for project management would be incurred, along with traffic management, and preliminaries and compound for the contractor.

  If this approach was followed this money would be a sunk cost as any future development – if that became affordable – would require the removal of the façade.

  If it could be shown that this was the only practical approach to securing the High Street's appearance, then it is anticipated that National Lottery Heritage Fund (NLHF) would be sympathetic to supporting this approach and fund 65% of any costs.

  This option would also need to consider the costs that the Council is currently responsible for in terms of the scaffolding in place and ongoing annual costs for this to remain in place.

2.3 Option 2

Development of 11 -12 to the agreed design by a 3rd sector organisation operating in the housing sector

Officers have been in discussions with a 3rd sector organisation with a view to the development of the site to the agreed design to facilitate more affordable housing in Wisbech. The organisation sees the value in the development of the site, allowing housing right in the heart of the town centre. This approach will bring Homes England funding into the equation, adding further public sector financial support. A further quantity surveyor report has been developed by the Council and the charitable trust has used this work to sense check the previous work of the third-party developer. Whilst very keen to pursue the possibility of development, there still remains a significant gap in affordability, despite the £1m NLHF grant.

Options to plug the funding gap continue to be investigated with a cashflow developed and further assessment works necessary. The project will depend on a Homes England grant, a successful Brownfield Land renewal Fund bid, as well as FDC potentially using Public Works Loan Board borrowing to be paid back over many years by the development partnership.

Partners are currently working on the further assessment work following the receipts of recently revised cashflow and borrowing cost information and a report to Cabinet with further details will follow.

2.4 It should be noted that the NLHF grant of £1m is still available for this site. However, time is running short, with the NLHF expecting to see the Council in contract on the site before the end of March 2023. An extension beyond that period is unlikely. If all potential options have been exhausted and the start of development of 11 -12 was not possible in that period, the Council would ask NLHF to consider applying some of the £1m grant to support the building works at number 24.

2.5 Officers have discussed with the Combined Authority the possibility of additional supportive housing funding, should the development option be possible. Unfortunately, the business case for this work already includes supportive funding from Homes England. As the Combined Authority Funding is a similar source, double funding for one project is not possible.

3 Progress to develop 24 High Street

3.1 The project to redevelop 24 High Street continues following Cabinet's recommendation and Council's decision to enter into a contract with a preferred bidder to develop the site. A pre contract services agreement is in place with the contractor assessing engineering issues at the site as well as working up a detailed construction phase plan.

3.2 To assist the Council with the cost of the building work, an application was submitted to the Combined Authority for a £210,000 grant. The Council has been successful with this bid. The Council will retain ownership of 24 High Street once completed, with an agent managing the commercial unit let, alongside the letting of the residential units. This £210,000 grant is conditional that 6 residential flats are let. A specific lettings policy for these flats will be developed upon build completion. The policy will conform with the grant funding agreement.

4 Recommendations

4.1 That Cabinet notes the current position in relation to these two significant projects in Wisbech High Street.

4.2 That Cabinet authorises the S151 Officer to enter into a grant funding agreement with the Combined Authority to accept the grant funding of £210,000 to support 24 High Street's development costs.

4.3 That Cabinet notes that 6 residential units in 24 High Street would be let with a specific lettings policy for these flats being developed upon build completion and that the policy will conform with the grant funding agreement, should Cabinet approve acceptance of the grant referred to in in paragraph 4.2.

Wards Affected	Medworth Ward	
Forward Plan Reference	KEY21APR22/01	
Portfolio Holders	Cllr Chris Seaton Cllr Ian Benney Cllr Chris Boden	Portfolio Holder for Social Mobility and Heritage Portfolio Holder for Economic Growth Leader of the Council and Portfolio Holder for Finance
Report Originator Contact Officers	Phil Hughes Paul Medd Peter Catchpole Amy Brown	Head of Service Chief Executive Corporate Director and S151 Officer Assistant Director

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DRAFT 6 MONTH CABINET FORWARD PLAN – Updated 29 November 2022

(For any queries, please refer to the published forward plan)

CABINET

CABINET DATE	ITEMS	LEAD PORTFOLIO HOLDER
30 Jan 2023	1. Fees and Charges	Cllr Boden
	2. 24 High Street, Wisbech - Update (TBC)	Cllr Seaton / Cllr Hoy / Cllr Tierney
	3. Freedom Leisure	Cllr Clark
	4. Investment Board Update	Cllr Boden / Cllr Benney / Cllr Tierney
	5. Inward Investment from Central Government to support Gypsy & Traveller Site improvements (TBC)	Cllr Hoy
	6. Senior Manager Pay Report	Cllr Boden
	7. Cabinet Draft Forward Plan	Cllr Boden
	8. Wisbech High Street Update (confidential) (TBC)	Cllr Seaton / Cllr Hoy / Cllr Tierney
20 Feb 2023	1. Business Plan 2023/24	Cllr Boden
	2. Budget & Mid Term Financial Strategy 2023/24	Cllr Boden
	3. Investment Board Update	Cllr Boden / Cllr Benney / Cllr Tierney
	4. 24 High Street, Wisbech - Update (TBC)	Cllr Seaton / Cllr Hoy / Cllr Tierney
	5. RECAP Partnership Waste Strategy Review	Cllr Tierney / Cllr Murphy
	6. Allocation of DEFRA Grant for Air Quality Monitoring	Cllr Clark / Cllr Tierney
	7. Whittlesey Neighbourhood Planning Referendum	Cllr Laws
	8. Cabinet Draft Forward Plan	Cllr Boden
	9. Wisbech High Street Update (confidential) (TBC)	Cllr Seaton / Cllr Hoy / Cllr Tierney
16 Mar 2023	1. Award of Gas Supply Contract	Cllr Benney
	2. 24 High Street, Wisbech - Update (TBC)	Cllr Seaton / Cllr Hoy /

CABINET DATE	ITEMS	LEAD PORTFOLIO HOLDER
	3. Cabinet Draft Forward Plan 4. Wisbech High Street Update (confidential) (TBC)	Cllr Tierney Cllr Boden Cllr Seaton / Cllr Hoy / Cllr Tierney
17 Apr 2023 (Reserve date)	1. Cabinet Draft Forward Plan 2. Wisbech High Street Update (confidential) (TBC)	Cllr Boden Cllr Seaton / Cllr Hoy / Cllr Tierney
TBC May 2023	1. Cabinet Draft Forward Plan	Cllr Boden
TBC Jun 2023	1. Appointments to Outside Bodies 2. Cabinet Draft Forward Plan	Cllr Boden Cllr Boden

TBC = To be confirmed