Policy and Resources Committee	
Meeting Date	13th July 2026
Report Title	Financial Losses Linked to Levelling-Up Fund Displacement
EMT Lead	Emma Wiggins Director of Regeneration and Neighbourhoods
Head of Service	Joanne Johnson Head of Place
Lead Officer	Joanne Johnson Head of Place
Classification	**Part exempt**
Recommendations	1. That members agree to underwrite from reserves the loss of rental income to Sheppey Matters from any delay in the return of GP provision to the Healthy Living Centre for the remainder of the financial year 2026-2027, following the ability to reoccupy. 2. That members agree in principle that future rental income from the provision of GP or related ICB services within the Healthy Living Centre equivalent to the 2025 rental sum be passported to Sheppey Matters (reflecting the terms of their original lease) and that this sum be revised in future alongside rent reviews for the Sheppey Matters and GP / health tenancies and in accordance with any such changes. 3. That members agree to consider underwriting any loss of income from any delay in the return of GP provision to the Healthy Living Centre which persists into the new financial year as part of the 2027-28 budget setting process. 4. That members agree to use reserves to fund the loss of income experienced by Sheppey Matters from regular casual hire arrangements during the Levelling-Up Fund (LUF) displacement period (as set out in the exempt appendix).

1 Purpose of Report and Executive Summary

1.1 This report sets out financial losses incurred by the charity Sheppey Matters due to their temporary displacement during the Levelling Up Fund (LUF) improvement works at Beachfields in Sheerness.

1.2 The report is part exempt, in accordance with Section 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of particular persons (including the authority holding that information), in this case, Sheppey Matters and Minster Medical Practice.

2 Background, Context and Proposals

2.1 The contract for the new build and renovation works at Beachfields in Sheerness was awarded in December 2024. The occupiers of the council-owned Healthy Living Centre which includes the charity, Sheppey Matters, the GP surgery, Minster Medical Practice, and the leisure provision operated by Swale Community Leisure, decanted the building and relocated to alternative temporary locations in January 2025 to continue their services and operations as best as possible for the duration of the works.

2.2 Sheppey Matters is a health and wellbeing charity which delivers a range of community-focussed programmes across the Isle of Sheppey, and which has been based at the Healthy Living Centre since 2003.

2.3 Sheppey Matters was awarded the Queen's award for voluntary service in June 2022, recognising excellence in 'supporting well-being, reducing loneliness and isolation and creating opportunity in Sheppey'. Example services include a community radio station, support for young people and parents, accessible transport, digital inclusion support and support for people who are lonely or experiencing physical or mental health concerns.

2.4 Since January 2025, Sheppey Matters has been operating from a combination of bases across the Sheppey Gateway, a rented unit on Sheerness High Street, and their existing outreach hubs in Eastchurch and other local venues. The cost of the temporary accommodation has been a legitimate cost to the LUF budget.

2.5 Sheppey Matters were also offered rent-free use of the Council-owned Neptune Building in Sheerness but, having tested the used of the building, declined an ongoing tenancy as unsuitable for the delivery of community support.

2.6 Prior to the requirement for all tenants to surrender their leases (in order to decant the building and to pave the way for new leases reflecting revised and extended footprints) Minster Medical Practice was a sub-tenant of Sheppey Matters. Sheppey Matters' lease with Swale Borough Council specifically permitted a sub-tenancy for GP purposes only.

2.7 Prior to, and following the surrender of the leases, it was agreed that direct tenancies (i.e. the GP and Sheppey Matters both being separate tenants of Swale Borough Council) would make for clearer, less onerous lease arrangements.

2.8 The loss of income from the GP tenancy during displacement has been a legitimate cost to the LUF budget and Sheppey Matters has been, and is being, reimbursed from programme funds accordingly. Loss of income from casual hire, or rent arrangements not permitted under lease terms is not eligible expenditure.

2.9 Unfortunately, it was not possible to find local premises of a suitable scale and configuration to allow all hirers to continue with existing arrangements. As such, Sheppey Matters has lost income from regular casual hire to the value shown in (exempt) Appendix II as a direct result of the displacement.

2.10 Sheppey Matters are continuing a hire arrangement free of charge for the displacement period (at the temporary High Street premises) because they do not consider these temporary premises to be wholly appropriate for the hirer. The reasons for this included lack of natural light and central heating in the allocated space, as well as conflicting building uses which restrict the hirer's activities

2.11 During the course of the building works, Minster Medical Practice announced its intention not to return to the Healthy Living Centre, but to continue to solely operate from its temporarily consolidated base at the Community Hospital.

2.12 In order to effect this change, the practice has to apply to the Integrated Care Board (ICB) for a change to their contractual arrangements. Public consultation is a pre-requisite for this application, and this closed on 10th June 2026. The Council's response to this consultation is attached at Appendix I.

2.13 It is not known at the time of writing this report whether the Medical Practice intend to proceed with an application to permanently relocate, following the conclusion of their consultation exercise, although this remains strongly indicated.

2.14 A proposal to close a GP's site constitutes a material change to the contract between a GP and the ICB. The ICB must therefore be satisfied that patients will continue to have access to essential services and that access will remain reasonable, taking account of geography, transport, deprivation and protected characteristics. They will also require evidence that there would be no disproportionate impact on vulnerable groups or health inequalities. The ICB have been clear that they must be appropriately assured of these matters before any permanent change is implemented.

2.15 The ICB has confirmed that if a premises closure application is received, they will work with Swale Borough Council, Medway & Swale Health and Care Partnership and other stakeholders to explore the options of another GP practice delivering services from the new Health Living Centre site, or a form of integrated primary and community health services.

2.16 Senior officers met with Sheppey Matters officers and trustees in May to discuss the impact of the displacement beyond that which has been compensated for by the LUF budget, and concerns regarding the uncertain timescale relating to the return of GP provision.

2.17 Sheppey Matters set out that the loss of casual hire income has impacted their reserves. This in turn has impacted operational resilience and grant income (as some funders require evidence of a level of reserves which Sheppey Matters are currently unable to provide). The withdrawal of GP rental income would significantly compound this difficulty. Both parties committed to positively seek to redress these issues.

2.18 Full reoccupation of the Healthy Living Centre is currently foreseen for the autumn. It could be appropriate to assume that the loss of income from the GP rental can continue to be recompensed from the LUF budget until 31st October. Beyond this point (or the actual date at which the building can be reoccupied), it will no longer be eligible expenditure.

3 Recommendations

3.1 That members agree to underwrite from reserves the loss of rental income to Sheppey Matters from any delay in the return of GP provision to the Healthy Living Centre for the remainder of the financial year 2026-2027, following the ability to reoccupy.

3.2 That members agree in principal that future rental income from the provision of GP or related ICB services within the Healthy Living Centre equivalent to the 2025 rental sum be passported to Sheppey Matters (reflecting the terms of their original lease) and that this sum be revised in future alongside rent reviews for the Sheppey Matters and GP / health tenancies and in accordance with any such changes.

3.3 That members agree to consider underwriting any loss of income from any delay in the return of GP provision to the Healthy Living Centre which persists into the new financial year as part of the 2027-28 budget setting process.

3.4 That members agree to use reserves to fund the loss of income experienced by Sheppey Matters from regular casual hire arrangements during the displacement period (as set out in the exempt appendix).

4 Alternative Options Considered and Rejected

4.1 The use of the Levelling Up Fund investment has been considered. However, extended loss of income claims beyond the project delivery period, and loss of income related to hire arrangements are not legitimate expenditure. Moreover, the LUF allocation is fully committed to existing programme commitments.

4.2 The use of the Pride in Place Impact Fund (PIPIF) investment has been considered. However, this can only fund capital investment, so is not suitable for this type of request. Moreover, the PIPIF budget was fully allocated by members in February 2026, so utilising PIPIF, even if possible, would require removing funds from an agreed project.

4.3 The use of the Pride in Place (PIP) investment has been considered. However, PIP funding decisions sit with an independent Neighbourhood Board and are outside of the Council's control. In addition, this investment will not be received until spring 2027. Whilst the Council will receive 'quick wins' delivery funding this financial year, spend proposals must be informed by the wider community, and this budget is ringfenced for capital investment.

4.4 Member grants could be used to (a) provide partial financial support to Sheppey Matters, without the use of reserves, or (b) to reduce the amount required to be found from reserves.

4.5 Members could decide not to provide any additional funding, but to encourage Sheppey Matters to seek additional grant income to address the shortfall, or to revise services accordingly. This is not recommended as the financial impact is a direct result of the refurbishment and expansion of the Healthy Living Centre, which was not intended to negatively impact the Council's tenants. Moreover, grant funding not related to specific projects and initiatives is difficult to secure.

4.6 Members could decide to provide a lower sum than that identified as the full financial loss linked to the displacement and which can not be recovered from the LUF budget (as set out in exempt Appendix II). This may be appropriate considering (1) the decisions of Sheppey Matters not to accept the Neptune Building as an additional temporary base, and not to charge rental income for casual hire at the temporary High Street premises and (2) the consideration that, once available, the remodelled, bespoke Sheppey Matters footprint within the Healthy Living Centre will increase income generating potential. This option has been rejected, given (a) the operational reasons cited for Sheppey Matters' choices, (b) the fact that the temporary accommodation arrangements have not provided a like-for-like opportunity to continue regular hire income and (c) since future potential is not necessarily an appropriate offset for lost income, or impact on reserves, resilience and funder confidence.

5 Consultation Undertaken or Proposed

5.1 No consultation has been undertaken beyond internal officer discussions.

5.2 Regular dialogue with Sheppey Matters officers and Trustees has taken place before and during the capital works.

6 Implications

Issue	Implications
Corporate Plan	This report supports the Corporate Plan action to - Use the Levelling-Up Fund as a catalyst for further regeneration on the Isle of Sheppey.

	Services delivered by Sheppey Matters support a range of Council Plan priorities related to health and community wellbeing.
Financial, Resource and Property	The GP rental and lost regular casual hire income is set out in exempt Appendix II. When the Sheppey Matters new lease is signed, it will be subject to the Voluntary and Community Sector Lettings Policy. The impact of this is provisionally forecast in exempt Appendix II and will represent additional rental income for the Council. GP rental income has been an established core funding mechanism for Sheppey Matters since the Healthy Living Centre was first opened in 2003 and this was set out in the lease agreement. There will be an uplift in rental income from the GP demise, as the footprint has increased (at the request of the Minster Medical Practice). Under the report's recommendations, Swale Borough Council would retain the income above that previously received by Sheppey Matters, which will represent additional income for the Council. Loss of income from tenancies (rather than contracts) is eligible LUF expenditure. The LUF budget is fully committed across the programme of works (Beachfields, Sheppey College and Masters House).
Legal, Statutory and Procurement	There are no legal, statutory or procurement implications arising from this report. It is part exempt for the reasons set out in section 1.2.
Crime and Disorder	There are no crime and disorder implications arising from this report.
Environment and Climate/Ecological Emergency	There are no environment and climate or ecological emergency implications arising from this report, although elements of Sheppey Matters' activity have a positive impact on the environment.
Health and Wellbeing	Sheppey Matters' activities have positive impacts on the physical and mental health and wellbeing of many local residents and any impact on their financial footing will impact on the services they can provide.
Safeguarding of Children, Young People and Vulnerable Adults	There are no direct safeguarding implications arising from this report, although elements of Sheppey Matters' activities prioritise vulnerable residents.

Risk Management and Health and Safety	Many funders look for applicants to have reserve levels meeting certain threshholds in order to demonstrate resilience for delivery. Should Sheppey Matters not be able to replenish the reserves which have been required to support their temporary displacement, funders may withdraw or decline support, with an impact on services which can be delivered to the community. There could be a negative reputational impact for Swale Borough Council if the LUF works were considered to be to the detriment, rather than benefit, of Sheppey Matters.
Equality and Diversity	There are no direct equality and diversity impacts arising from this report.
Privacy and Data Protection	There are no privacy and data protection implications arising from this report.
Local Government Reorganisation	No impact in terms of the immediate financial request for 2026/27. Future relations between the new unitary and Sheppey Matters may change depending on the new authority's priorities.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Swale Borough Council's response to Minster Medical Practice's Consultation
- Appendix II (exempt): Financial Information relating to the Displacement.

8 Background Papers

None.