NEWARK & SHERWOOD
DISTRICT COUNCIL

Castle House
Great North Road
Newark
NG24 1BY

Tel: 01636 650000
www.newark-sherwooddc.gov.uk

Chairman: Councillor R.V. Blaney
Vice-Chairman: Councillor D.J. Lloyd

Members of the Committee:

Councillor R.J. Jackson
Councillor R.B. Laughton
Councillor P. Peacock
Councillor A.C. Roberts
Councillor D. Staples (Opposition Spokesperson)

Substitute Members

Councillor Mrs A.C. Brooks
Councillor K. Girling
Councillor Mrs L.J.M. Tift
Councillor T. Wendels

MEETING: Policy and Finance Committee

DATE: Thursday 21 September 2017 at 6.00pm

VENUE: Civic Suite, Castle House

You are hereby requested to attend the above Meeting to be held at the time/place and on the date mentioned above for the purpose of transacting the business on the Agenda as overleaf.

If you have any queries please contact Nigel Hill on 01636 655243.

AGENDA

None.

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of the **POLICY & FINANCE COMMITTEE** held in Room G21, Kelham Hall, Newark on Thursday, 29 June 2017 at 6.00pm.

PRESENT: Councillor R.V. Blaney (Chairman)

Councillors: R.J. Jackson, R.B. Laughton D.J. Lloyd, P. Peacock, A.C. Roberts and D. Staples.

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. DECLARATIONS OF INTERESTS BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

There were no declarations of interest.

3. DECLARATIONS OF INTENTIONS TO RECORD THE MEETING

The Chairman advised that the proceedings were being audio recorded by the Council.

4. MINUTES FROM THE MEETING HELD ON 6 APRIL 2017

The minutes from the meeting held on 6 April 2017 were agreed as a correct record and signed by the Chairman.

5. RECONSTITUTION OF WORKING PARTIES/TASK AND FINISH GROUPS

The Committee considered the report of the Deputy Chief Executive which sought to reconvene the Working Parties / Task and Finish Groups established by the Policy & Finance Committee. Details of the groups which were still operational were detailed in the appendix to the report.

The Committee were also invited to appoint a member to the Local Development Task and Finish Group which had been reconvened by the Economic Development Committee.

AGREED (unanimously) that:

(a) the Working Parties / Task & Finish Groups, as set out in the appendix to these minutes, be reconvened, with the memberships as detailed; and

(b) Councillor R.V. Blaney be appointed as the Committee's representative on the Local Development Framework Task Group.

Reason for Decision

To reconvene the appropriate Working Parties/Task & Finish Groups.

6. DEVELOPMENT COMPANY

The Chief Executive presented a report which set out the recommendations of the Working Party established to consider proposals to form a development company, and informed the Committee of the progress to date in respect of developing a business case.

The Working Party met on 3 May to consider the background and context for the Council to set up a development company. The Working Party considered what should be the Council's aims and objectives in setting up a company and broadly supported the following objectives, with an emphasis upon the first objective as an overriding priority:

1. Provide an income stream for the Council to replace lost rate support grant and maintain service levels across the District;
2. Increase the rate of house building to help meet the Local development Framework and increase the Council tax base;
3. Re-build the capacity of SME's in the construction sector;
4. Bring forward sites for development; and
5. Build commercial and industrial property to support the economy.

In accordance with the recommendations of the Working Party it was proposed to progress with the drawing up of a business case for the establishment of a wholly owned company which would include identification of sites for future development together with the identification of sites that could be developed as pilot schemes. It was noted that in order to meet the cost of establishing the company and to fund the initial set up costs it was suggested that £105,000 should be set aside and this had been included for 2017/18 in the Council's Medium Term Financial Plan.

AGREED (unanimously) that:

(a) the Working Party's recommended aims and objectives for setting up the development company, as set out above, with an emphasis upon the first objective as an overriding priority, be approved;

(b) a business case be developed, taking into account the agreed aims and objectives, for consideration by the Committee at its meeting in September 2017;

(c) further work be undertaken by officers to assess sites within the Council's ownership for development, and possible purchase of additional sites; and

(d) a recommendation be made to the Council that a sum of £105,000 be provisionally allocated to fund the production of the business case and the initial set up costs of the company.

Reason for Decision

To progress the Council's strategic priority of establishing a development company to act as a vehicle for new housing development.

7. EQUALITIES UPDATE

The Business Manager – Human Resources, Legal and Organisational Development presented a report which provided the Committee with an update on the progress made over the last year towards the Council's corporate equalities objectives.

The report detailed what the Council was doing and provided a summary of the work planned over the next 12 months. It was noted that one of the key pieces of work over the last year had been to incorporate equality objectives into Business Unit action plans. The report also set out the actions that been undertaken to achieve a more representative employment base.

The Committee expressed some concerns over the potential for some inconsistency of wording in certain aspects of the strategy, for example the provision of face-to–face equalities training and use of translation and interpretation services in certain Business Units, which in fact needed to be considered on a corporate basis. In addition the Committee considered the proposal to appoint a member champion for equality issues who would take on a lead role in driving equality on behalf of members. Reservations about this role were expressed given that some members may consider that having such a champion would derogate them of their own responsibilities. The Committee requested further information to a future meeting about how it was envisaged this role might work within current structures.

AGREED (unanimously) that the report and progress made against the Council's equality and diversity objectives be welcomed and noted.

Reason for Decision

To keep Members informed of progress made against the objectives included within the Council's adopted Equality and Diversity Strategy.

8. GENERAL FUND BUDGET PERFORMANCE REPORT TO 31 MARCH 2017

The Assistant Business Manager – Financial Services presented a report which compared the General Fund Policy and Finance Committee net expenditure for the period ending 31 March 2017 with the profiled budget for the period. The appendices to the report detailed performance against budget for the period to 31 March 2017 for all General Fund service budgets.

The total for direct service net expenditure showed an under spend of £1,550,864 against the profiled budget for the period to 31 March 2017. However it was noted that after applying the 'below the line' adjustments and non-service specific expenditure and income to the figures, at the end of the year it was possible to transfer a surplus of £973,069 to reserves. The detailed performance figures were given in Appendix A to the report and the variations from the profiled budget to 31

March 2017 were detailed. A full report on the final position in respect of the 2016/17 budget would be reported to the Audit and Accounts Committee in July.

The Committee expressed concerns about the level of sustainable underspends and sought appropriate action to ensure that the 2018/19 budget would not give a similar underspend total.

AGREED (unanimously) that the overall position of the Council's net expenditure compared to budget at 31 March 2017 be approved.

Reason for Decision

To advise Members of the draft outturn monitored against service budgets for the period ending 31 March 2017.

9. CAPITAL PROGRAMME OUTTURN AND FINANCING 2016/17

The Financial Services Accountant presented a report which advised the Committee of the Capital Programme for 2016/17 and sought to request formal approval to re-profile specific programme budgets into 2017/18.

The final capital budget for 2016/17 was £22,100,944 with the outturn position being £18,430,452. The underspend of £3,670,492 was to be made available in 2017/18. A review of the completed schemes was attached as Appendix A to the report, a detailed breakdown of all the projects undertaken in the course of the year was set out in Appendix B, along with the financing arrangements in Appendix C.

Variations to the 2017/18 to 2021/22 Capital Programme since the budget was approved on 9 March 2017, a summary of the changes for approval, along with explanations, and the financing of the current and proposed programme were detailed in Appendices D, E and F of the report.

In response to a question concerning the rural broadband project, the Chief Executive advised that there was now 98% broadband coverage across Nottinghamshire. A report detailing specific outcomes of the project could be taken to a future meeting of the Economic Development Committee.

AGREED (unanimously) that:

(a) the outturn position as shown in Appendix B to the report be accepted;

(b) the following determinations be approved in accordance with the Local Government Act 2003:

i. £770,736.01 of the Council's useable capital receipts be applied to meet expenditure incurred for capital purposes as shown in Appendix C;

ii. £2,739,212.38 of expenditure for capital purposes be met out of contributed by third parties as shown in Appendix C;

iii. a total of £776,157.46 be set aside from the revenue account to meet credit liabilities; and

(c) the Project Variations as detailed in Appendix D and summarised in Appendix E and F to the report be approved.

Reason for Decision

To ensure that the Council complies with the Local Government Act 2003 and to complete the overall capital cycle for 2016/17.

10. MEDIUM TERM FINANCIAL PLAN 2017/18 TO 2020/21

The Interim Director of Resources presented the Council's Medium Term Financial Plan (MTFP) for 2017/18 to 2020/21. The MTFP which was attached as an appendix to the report was the Corporate Plan to assist Members and Officers manage the Council's finances within a clear framework. It set out the Council's spending plans to support its strategic priorities and detailed how that spending would be funded through grants, fees and charges, local taxation, reserves and other income.

In the past a MTFP was presented to Council with the budget for the forthcoming financial year in March. During 2016/17, due to a fast changing economic and political environment, with further funding cuts promised by central government, the Council decided to delay the production of the MTFP until there was more certainty of the three year settlement and the position of the Council in respect of reserves and balances available for future funding of the capital programme and potential for future investments.

The MTFP showed that whilst the Council managed to balance the budget for 2017/18 because of prudent decisions made in the past, future funding of its services would depend on its ability to raise additional income; otherwise it would need to make up funding gaps by increasing Council Tax and/or depleting its general fund reserves. The report identified the funding gap at 3 different levels of average Band D Council Tax for the years 2018/19 to 20/21 based on Council tax freeze; increase of 1.94% and an increase by £5.

The MTFP highlighted that the Council, since 2010, had made efficiency savings of £5.67m, or 33% of its service budgets. Further savings would inevitably have an impact on the delivery of services. The alternative to savings was to increase income however there were statutory, ethical and political restrictions on the amount of additional income could be raised through increases in fees and charges. Similarly, there were constraints on the ability to raise revenue through Council tax increases. There was, therefore, a need to earn "new" income streams in order to bridge the gap in funding. It was reported that the Council was in a good position to utilise its reserves and potential to borrow to fund capital investment projects that would generate "new" income streams to the Council; this included direct investments in corporate bonds, property funds and the establishment of a development company. It was noted that a Commercialisation and Investment Plan that support this MTFP would be brought to the next meeting of the Committee.

AGREED (unanimously) that the Medium Term Financial Plan for 2017/18 to 2020/21 be recommended to Council for approval, subject to expenditure forecasts being recalculated to reflect higher inflation figures.

Reason for Decision

To provide a framework to support the Councils future spending plans.

11. APPROVAL OF WRITE-OFFS ABOVE £10,000

The Assistant Business Manager – Financial Services presented a report which sought approval to write-off a business rates debt of £12,661.58. The Committee were required to approve any debt write-off over £10,000.

The Committee were advised that Newark Industrial Gym Ltd. ceased to trade in June 2016 leaving unpaid business rates of £7,441.46 relating to 2015 and £5,220.12 relating to 2016. There was no avenue open to the Council to pursue these debts and it was therefore proposed to write-off these amounts.

AGREED (unanimously) that the write-off of the debt totalling £12,661.58 be approved.

Reason for Decision

To ensure that only income which is collectible is included in the Council's accounts.

12. MOVING AHEAD PROGRAMME- DECOMMISSIONING KELHAM HALL

The Business Manager – Administration presented a report which provided an update to Members in respect of the final decommissioning process and vacation of Kelham Hall. It was reported that the final handover of the building to Kelham Hall Ltd. would take place on 2 November 2017 at which point the building must be clear of all Council property and meet the requirements of the contract of sale. It was reported that the first group of staff would move over to Castle House on 4 September enabling those offices to be emptied immediately. All staff would move over a three week period.

In respect of data protection the Committee were informed of the data protection controls that would be put in place during the decommissioning process.

AGREED (unanimously) that the report be noted.

Reason for Decision

To ensure Members are kept informed of all work relating to the Moving Ahead programme.

13. MOVING AHEAD PROGRAMME- ECONOMIC BENEFITS

The Moving Ahead Programme Manager presented a report which provided the Committee with an update in respect of the economic benefits during construction and post move for both Castle House and Gladstone House. Full details of the economic impact were set out in the report.

In presenting the report the Moving Ahead Programme Manager advised that Castle House was subject to practical completion on Monday 26 June 2017 and as such the Council were now responsible for the building. She added that details of Member familiarisation visits would be issued in due course.

AGREED (unanimously) that the report be noted.

Reason for Decision

To ensure members are kept informed of all work relating to the Moving Ahead Programme.

14. ANNUAL STANDARDS REPORT FOR THE PERIOD 1 APRIL 2016 TO 31 MARCH 2017

The Business Manager – Democratic Services presented the Annual Standards Report for the period 1 April 2016 to 31 March 2017. In respect of Code of Conduct complaints the Monitoring Officer received six complaints, four relating to Parish/Town Councillors and two relating to District Councillors, none of which resulted in any further action. The report also advised of a Code of Conduct Hearing which took place on 9 September 2016 in respect of three complaints relating to the same Councillor on Fernwood Parish Council. The Hearing Panel concluded that the Parish Councillor had breached the Code of Conduct in respect of two of the complaints and made specific recommendations to Fernwood Parish Council in respect of training for the Member concerned however it was noted that the Parish Council rejected the recommendations of the Panel.

AGREED (unanimously) that the report be noted.

Reason for Decision

To provide Members with details of the standards complaints in 2016/17.

15. URGENCY ITEM - NATIONAL CIVIL WAR CENTRE- NEWARK MUSEUM - FINAL ACCOUNT

The Committee noted the decision to take £156,000 from the Council's capital reserves to settle the final account for the National Civil War Centre – Newark Museum project at £4,507,525.

AGREED (unanimously) that the urgency item be noted.

Reason for Decision

To make full and final payment to formally close the capital project.

16. URGENCY ITEM - CASH COLLECTION FROM CAR PARK MACHINES

The Committee noted the decision to appoint Security Plus Ltd. as the as the Council's preferred supplier for the contract to provide a car parks cash collection contract.

AGREED (unanimously) that the urgency item be noted.

Reason for Decision

To review the provision of this service following the introduction of devolution arrangements with Newark Town Council.

17. EXCLUSION OF THE PRESS AND PUBLIC

AGREED (unanimously) that under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting during discussion of the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

18. URGENCY ITEM – LOWFIELD LANE - BALDERTON

The Committee noted the exempt urgency item in relation to the purchase of land at Lowfield Lane, Balderton.

(Summary provided in accordance with 100C(2) of the Local Government Act 1972).

Meeting closed at 7.18pm.

Chairman

WORKING PARTIES AND TASK & FINISH GROUPS **APPENDIX**

Working Party/Task & Finish Group	**Date First Established**	**Date of Last Meeting/ *(Next Scheduled Meeting)***	**Previous Membership**	**Remit**
Development Vehicle Working Party ***Karen White***	1 December 2016 (Policy & Finance Committee)	3 May 2017 *(To be arranged)*	• All Members of the Policy & Finance Committee. • Vice-Chairman and Opposition Spokesperson (Homes & Communities Committee)	• To undertake a detailed analysis of the Council's aims and objectives in setting up a housing delivery vehicle • To assess the aims and objectives against the Authority's strategic housing sites and different housing delivery models available • To report back to the Committee with recommendations as to progressing the establishment of the most appropriate vehicle
Member Development and Training Working Party ***Kirsty Cole***	18 December 2006 (Policy Overview and Scrutiny Committee) 30 June 2016 (Policy and Finance reconvened)	9 September 2015 *(To be arranged)*	• Leaders of the three political groups on the Council • Additional 3 Members from the Conservative Group (Councillors Duncan, Mison and Rainbow) • Additional 2 Members from the Labour Group (Councillors Buttery and Peacock)	• To review the Member Induction Programme • To produce a Member Training & Development Strategy for the life of the current Council • To consider the feasibility of pursuing the Member Development Charter
Non Domestic Discretionary Rate Relief Review Panel ***Nicola Lovely***	7 June 2007 (Cabinet) 30 June 2016 (Policy and Finance reconvened)	30 October 2012 *(when required)*	• Panel of 3 Members drawn from Policy & Finance Committee Note: Local Ward Members to be invited to attend if considered appropriate	• To hear appeals in respect of applications for Discretionary NNDR Relief
Ollerton Hall Task and Finish Group ***Kirsty Cole***	26 January 2017 (Policy and Finance Committee)	29 March 2017 *(To be arranged)*	• All Members of the Policy & Finance Committee. • The three local Ward Members (Cllrs Mitchell, Truswell and Wells) as observers unless acting as a substitute for a Policy & Finance Committee member Note: Cllr Wells to act as a member in substitution for Cllr Peacock	• To consider options as to the future use of Ollerton Hall and to make recommendations to Policy & Finance Committee accordingly

Working Party/Task & Finish Group	**Date First Established**	**Date of Last Meeting/ *(Next Scheduled Meeting)***	**Previous Membership**	**Remit**
Strategic Housing Liaison Panel ***Karen White***	4 July 2013 (Policy Committee) 30 June 2016 (Policy and Finance reconvened)	10 April 2017 (*19 June 2017*)	• Chairman, Vice-Chairman and Opposition Spokesman (Policy & Finance Committee) • Chairman & Opposition Spokesman (Homes & Communities Committee)	• To strengthen the relationship, joint working and common purpose and understanding between the Council and its housing Company • To discuss the Council's longer term strategic view and direction for the Company • To develop the forward Delivery Plan; Key Performance Indicators and outcomes; • To review progress against the Delivery Plan at a strategic level

POLICY & FINANCE COMMITTEE **AGENDA ITEM NO. 5**
21 SEPTEMBER 2017

HOUSING INFRASTRUCTURE FUND BIDS

1.0 Purpose of Report

1.1 To offer support to 2 no. bids to be made by Officers to the Housing Infrastructure Fund (HIF), a new government capital grant programme set up with the aim of delivering up to 100,000 new homes in England.

2.0 Background Information

2.1 The Government have recently announced the launch of the HIF (see https://www.gov.uk/government/publications/housing-infrastructure-fund). This is a national funding pot of up to £2.3 billion which will provide grant assistance to Local Authorities and developers to unlock or significantly escalate delivery of new homes. The HIF guidance reports that any funding will be "awarded to local authorities on a highly competitive basis, providing grant funding for new infrastructure that will unlock new homes in the areas of greatest housing demand."

2.2 The HIF bidding process is split into 2 no. strands as follows:

1. Marginal Viability Funding (Up to £10m):

This funding is aimed at types of development where grant funding may provide the final, or missing, piece of infrastructure funding to get additional sites allocated or existing sites unblocked quickly. The Government expects that infrastructure to be built soon after schemes have been awarded funding, and for the homes to follow at pace. Single and Lower Tier Authorities can submit bids (not precluding joint bids with other Authorities of course).

2. Forward Funding (up to £250m):

The Government proposes to back a "small number" of "strategic and high-impact infrastructure schemes". The example offered is that HIF may put in the first amount of funding, which then gives the market confidence to provide further investment and make more land available for development and future homes. These bids must be submitted by Higher Tier Authorities, in our case either the County Council or Combined Authority.

2.3 The Government have clarified that 'in between' bids may be acceptable (i.e. those which meet the Marginal Viability Funding aims and narrative but which exceed £10m and fall well short of £250m). In terms of the overall size of the funding pot the Government makes clear that they may decide, on the basis of the bids received, not to allocate all of the £2.3 billion in this wave, meaning that additional waves may follow in the future.

2.4 The HIF guidance makes clear that funding bids will need to demonstrate that grant funding is necessary to delivering physical infrastructure with strong evidence to demonstrate that new homes will either not be unlocked or will be significantly delayed without it. A formal Department for Communities and Local Government (DCLG) process must be followed to demonstrate this.

2.5 Authorities can submit multiple bids, albeit submissions will need to be ranked in order of priority. Bids will be assessed in order of a submitting authorities ranking. All bids must:

- support delivery of an up to date plan or speed up getting one in place;
- have support locally;
- spend the funding by 2020/21
- take a strategic approach, with strong local leadership and joint working to achieve higher levels of housing growth in the local area;
- demonstrate value for money, on the basis of an economic appraisal

The deadline for bid submissions, which must be submitted on a raft of templates provided, is 23.59hrs on 28 September 2017.

3.0 <u>The Proposed HIF bids</u>

3.1 It is clear that bids must be linked to both delivering infrastructure and unlocking housing development. It is equally clear that such housing developments must already be planned or envisaged strategically (eg. allocated, emerging, or have planning permission). In officers submission there are 2 no. clear pieces of infrastructure which require investment linked to unlocking housing growth:

1. The Newark Southern Link Road (SLR).

Members will be aware that the SLR is linked to the delivery of 3150 houses to the South of Newark. Delivery of this housing is critical to the Council's ability to meet its housing requirements over the coming 15-20 years. Phase 1 of the SLR has now been constructed with the first housebuilder (Avant Homes) being on-site building out 173 dwellings. As Members will be aware the full SLR requires a further two phases to be completed (the connection from the A46 and the connection to the Great North Road at Balderton allowing a connection to the A1). The final phases of the road are already linked to grant from both the HCA (£7m) and NSDC (£2.5m). The road has now been designed to technical approval stage with the next stage being the commissioning tenders with contractors. That will then allow a start on site. The costs of the SLR have continued to escalate during this technical approval process, primarily due to changes in standards (eg. highways, flooding, and archaeology) and construction costs. At present there remains a significant funding gap and the HIF will provide an opportunity to bridge this gap and allow a start on what would be a 'shovel ready' scheme which can unlock the residual quantum of dwellings on the site.

2. Ollerton Roundabout

Members will be aware that Ollerton Roundabout has been identified as in need of improvement, even without planned development, for many years. Indeed, a scheme for its improvement has been designed by Nottinghamshire County Council (NCC) as the highway authority and land has been safeguarded where possible (such as with the sale of the old tourist information centre to Marstons Pub Group) which will facilitate this scheme. Moreover, this Council now has aspirations to promote development at the former Thoresby Colliery site in the form of up to 800 houses and employment. The developer has agreed to contribute to such works but the level of likely costs (c£5.5m) is beyond what a single application for 800 houses can support. Members will note that it will be for NCC to ultimately provide a scheme given that highway CPO powers will be required. However, given that the roundabout is linked to the overall delivery of Thoresby it is considered appropriate for NSDC to bid with NCC support. NCC are likely to promote much wider schemes to the HIF bid given their upper tier authority status.

3.2 Given the tightness of the timescales Officers have progressed at pace in preparing the bids. A team comprising NSDC officers, the relevant developers and their consultants, economic advisors, and the Homes and Community Agency (the latter merely to provide advice) has been assembled with a view to preparing bid submissions. Both bids will likely be jointly badged with NCC and LEP support and will be accompanied by a suite of supporting statements by local MP's, stakeholders, and businesses. For the avoidance of doubt not additional capital grant or loan is proposed by NSDC as part of this process. Nor, at this time is additional Officer support/resource albeit that may change as the bids progress through the process.

4.0 Equalities Implications

4.1 None identified.

5.0 RECOMMENDATION

That the submission by Officers of the Housing Infrastructure Fund (HIF) bids detailed at Section 3 of this report on or before 28 September 2017 be supported.

Reason for Recommendation

To ensure grant opportunity is maximised in order to unlock significant infrastructure and housing on Strategic housing and employment sites.

Background Papers

Nil

For further information please contact Matt Lamb on Ext. 5842.

K.H. Cole
Deputy Chief Executive

POLICY & FINANCE COMMITTEE **AGENDA ITEM NO. 6**
21 SEPTEMBER 2017

ESTATE REGENERATION

1.0 Purpose of Report

1.1 To provide the Committee with an update on the work being progressed further to the Council successfully receiving 'Capacity and Enabling' funding through the Department for Communities and Local Government's (DCLG) Estate Regeneration Programme, which is designed to accelerate and improve estate regeneration schemes.

1.2 Detail is also provided in the report on the outcome of the Council's Expression of Interest submitted to the Homes & Communities Agency's (HCA) Accelerated Construction Programme.

2.0 Background Information

2.1 At the Committee meeting on 26 January 2017 background detail was provided on the Bridge Ward Neighbourhood Study (2012) and the key output relating to the 'transformational project' focussing on the growth and regeneration of the Yorke Drive estate (*predominantly Housing Revenue Account assets*) in Newark; along with proposals for delivering new homes on the Lincoln Road playing fields (*general fund land*) and enhancing the local sport and play provision offer and creating a community hub.

2.2 The Yorke Drive estate and Lincoln Road playing fields is an allocated housing site in the Council's Allocations & Development Management Development Plan Document.

2.3 The Study identified, in principle, a viable regeneration scheme of the Yorke Drive estate when cross subsidised by development of the adjacent Lincoln Road playing fields. However, work to progress this has been stifled due to the lack of: capital finance; internal officer resources; and skills and knowledge of the commercial sector.

2.4 In December 2016, DCLG published details of their £140m 'Estate Regeneration Fund' (https://www.gov.uk/government/publications/estate-regeneration-fund) and subsequently announced that an additional £32m funding was available for 'Capacity & Enabling' to assist local authorities with the completion of viability assessments, planning and community engagement.

2.5 As reported to the Committee in April, the Council's 'Capacity & Enabling' fund was successful in order to give the opportunity to appraise and refresh the key transformational project identified in the Neighbourhood Study. The Council received £686,799 for enabling grant and £300,000 capacity building grant.

3.0 <u>Estate Regeneration - Progress</u>

3.1 In accordance with the delivery timetable as set out below, officers undertook a procurement exercise over July and August to procure a suitably qualified consultant to action the early deliverables around enhancing the commercial capacity of the Council and re-appraising the financial elements of the estate regeneration scheme to ensure that it is still a viable proposition and to then enable progression of the remaining deliverables, including engaging with residents, the local Ward Members and all other local stakeholders.

Deliverable	**Indicative Timeframe**
(1) Commissioning commercial capacity building	April - August 2017
(2) Due diligence	Spend throughout programme up until indicative December 2018 target
(3) Feasibility studies	August 2017 - April 2018
(4A) Refresh viability assessment	September 2017 - December 2017
(4B) Financial modelling completed	September 2017 – December 2017
(5) Engagement strategy	December 2017- December 2018
(6) Technical studies *(including the pre-planning application stage and initial outline master plan refresh)*	December 2017 –August 2018
(7A) Procurement of a development partner	May 2018 - September 2018
(7B) Revise and review the master planning & design	August - October 2018
(7C) Planning application submitted and presented to Planning Committee for a decision.	November - December 2018

3.2 Further to the procurement process, Campbell Tickell have now been appointed as consultants to project manage and undertake the following activities, in relation to delivering this 'transformational project':

a) Provide an up-to-date and refreshed viability appraisal of the master-plan (including sensitivity analysis) through the appropriate financial modelling to include but not limited too; financing requirements, funding mechanisms, cash flow, phasing, development costs, demolition costs, testing of design scenarios;
b) Update the original master plan to include but not limited to; layout, mix and type of units, scheme design, phasing, infrastructure, demolition scenarios, relationship between the site and surrounding areas;
c) Provide intelligence to add value to the proposals, including re-appraising the wider Bridge Ward master-plan and potential additional development sites;
d) Identify the range of due diligence activities that will be required and take these forward where appropriate and agreed;
e) Undertake a procurement exercise to identify the most appropriate public/private partnership delivery vehicle, appraising all legal and financial implications, risks and considerations (e.g. treatment of tax). *(This activity will need to consider the intention of the Council to establish a development company)*;

f) Commission the relevant 'enabling' feasibility/technical studies set against the Council's procurement rules and procedures;
g) Support the development of a stakeholder and resident engagement programme;
h) Ensure knowledge transfer and upskilling of appropriate Council officers;
i) Validate and provide commentary on the stages of appropriate Council officers; and
j) Ensure that the requirements of the DCLG estate regeneration 'Capacity & Enabling' fund are met and if approved support the Council in its application to the main 'Estate Regeneration Fund'.

3.3 At the time of writing this report an inception meeting has been set with Campbell Tickell for 13 September 2017 with key officers of the Council and Newark & Sherwood Homes to discuss the overall programme, key milestones and risks of the project, contract arrangements, the project team and resource requirements of the Council.

3.4 In taking forward this work reference will be paid to the three key requirements of the wider 'Estate Regeneration Fund', being able to demonstrate:

1. Viability
2. Local Authority backing
3. Community support

3.5 The Committee should also note that the activities to be undertaken within the delivery plan are a precursor to formal Committee consideration and approval to submit a bid to the main 'Estate Regeneration Fund' of £140m. The government states that this element of funding:

'…..is designed to accelerate and improve estate regeneration schemes through recoverable investments, helping to boost housing supply and improve the quality of life for residents in estates across England.'

HCA Accelerated Construction Programme

3.6 The Committee at its meeting on 23rd February 2017 approved the submission of an Expression of Interest to the HCA's Accelerated Construction programme for the Council owned site at Lincoln Road playing fields, associated with the growth and regeneration of the Yorke Drive estate in Newark.

3.7 The Accelerated Construction principles are to see:

- Homes subsequently built out at up to twice the local market pace.
- Increased diversification in who builds these homes.
- Increased use of modern methods of construction in the development of these homes.

Full details of the programme can be found below:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/581520/Accelerated_construction_EoI.pdf

3.8 The HCA have now reviewed all the Expressions of Interest and shortlisted 222 sites to go forward for due diligence on the basis of the criteria identified at **Appendix A.** The Council's submission for the Lincoln Road Playing Field and Yorke Drive Estate has been included in this short list.

3.9 The due diligence process is designed to assess each site's suitability for a tailored offer of support. The process will involve an assessment of legal, planning, technical and viability issues. This will help the HCA to form a picture about investment requirements and the extent to which the site can meet the Accelerated Construction principles.

3.10 Once the due diligence process is complete all sites included in the shortlist will be assessed against a wider portfolio of sites in central government ownership, to inform final investment decisions. The final assessment will include value for money, additionality and strategic fit considerations and the HCA hope to complete the assessment process within three months.

3.11 The HCA will cover the up-front costs of the due diligence process if the Council provides in principle agreement that it will use the Accelerated Construction principles to develop the site identified. The HCA have also advised that that it will need to recover some or all of its investment, including due diligence costs, where possible once development is complete.

3.12 As the site is already subject to successful funding under DCLG's Estate Regeneration Programme, officers are now liaising with both DCLG and HCA officials to ensure the work proposed to be undertaken through the Accelerated Construction Programme complements and does not duplicate the work already being taken forward. This is to ensure there is additional value in the Council going forward to the due diligence stage. An update on this matter will be provided at the Committee meeting.

4.0 Proposals

4.1 In considering the detail contained within the above paragraphs it is proposed that the Committee note the work progressed through 'Capacity and Enabling' funding of DCLG's Estate Regeneration Programme and approve the Council progression of work to the due diligence stage of the HCA's Accelerated Construction Programme pending the outcome of discussions identified at paragraph 3.12.

5.0 Equalities Implications

5.1 Equality implications will be considered and assessed against delivery of this proposed estate regeneration scheme, to ensure the evidenced housing need across all tenures and communities is addressed.

6.0 Impact on Budget/Policy Framework

6.1 Within the contents of the main report all the budgetary and policy framework requirements have been considered.

7.0 Comments of Business Manager & Chief Financial Officer – Financial Services

7.1 As previously mentioned in the report, there is a lack of capital finance to progress the 'transformational project' for funding growth and regeneration of the Yorke Drive estate and the Lincoln Road playing fields. As the Council has now been successful in its Capacity and Enabling funding bid with DCLG, we can progress our timetable for the key activities ensuring the Council would be in a strong position to successfully bid for part of the main 'Estate Regeneration Fund.

8.0 RECOMMENDATIONS that:

a) the progress being made under DCLG's Estate Regeneration Programme for the Yorke Drive estate and Lincoln Road playing fields, making any observations as appropriate, be noted; and

b) approval be given to support the work being undertaken to progress to the 'due diligence' stage of the HCA's Accelerated Construction Programme, subject to the outcome of the discussions referred to in paragraph 3.12 of the report that the ACP complements and doesn't duplicate the work already being taken forward on the Estate Regeneration Programme for the York Drive Estate.

Reason for Recommendations

To progress the key outputs from the Bridge Ward Neighbourhood Study relating to the 'transformational project' focussing on the growth and regeneration of the Yorke Drive estate and Lincoln Road playing fields.

Background Papers

Nil

For further information please contact Karen White (5240) or Rob Main (5930).

Karen White
Director – Safety

APPENDIX A

HCA Accelerated Construction Programme

Criteria used to shortlist sites for the due diligence stage:

1. Surplus public sector land in local authority ownership;

2. Can deliver starts on site in line with the required timescales;

3. Can demonstrate clear additionality, for example by bringing forward sites that might otherwise not be sold for housing development, and in particular sites that are not currently in a local authority's Local Plan or 5 year land supply;

4. Where the site size is between 50-500 homes, or form part of a portfolio of smaller sites;

5. Respond to meeting housing needs locally by freeing up surplus land for housing where it is needed most; and

6. Are not, or, subject to successful application, will not be held in a Local Authority's Housing Revenue Account. Proposals for the delivery of mixed tenure sites will be welcomed, where they meet the Government's wider objectives (e.g. Right to Buy). Proposals for the provision of serviced custom build plots were also welcomed.

POLICY & FINANCE COMMITTEE **AGENDA ITEM NO. 7**
21 SEPTEMBER 2017

CAPITAL PROGRAMME – FINAL ACCOUNTS ON THE NEWARK SPORTS AND FITNESS CENTRE AND THE PALACE THEATRE AND NATIONAL CIVIL WAR CENTRE INTEGRATION

1.0 Purpose of Report

1.1 The purpose of this report is to appraise Policy & Finance Committee on the final accounts for the Newark Sports & Fitness Centre and the integration between the Palace Theatre and the National Civil War Centre.

2.0 Background Information

Newark Sports and Fitness Centre

2.1 The Newark Sports & Fitness Centre opened in April 2016, following a construction programme which began in January of 2015. Following the contractual completion of the defect period, the Council can state that the final account for the work was £9,352,654. That figure represents an underspend against the £10,321,999 sum contained in the capital programme of £969,345.

2.2 The Newark Sports & Fitness Centre opened on programme and under budget and has been very successful since opening. NSFC is 50 percent larger than the Grove Leisure Centre, which it replaced and because it is not a joint-use site, access to the sports hall and swimming pools are available for customers all day rather than just outside of curricular hours.

2.3 Since opening, Active4Today, the Council's wholly owned company which operates its leisure centres and sports development services, has seen a 43 percent year on year increase in adult memberships and a 16% increase in children's memberships.

2.4 Overall, the cost of the Council's leisure and sports development services have reduced from £1,271,356 in 2011/12 to a current figure in 17/18 of £117,000. That represents a 91% reduction in costs through efficiencies, the move to Active4Today, which generated VAT and NNDR benefits and investment in a fit-for-purpose Newark Sports & Fitness Centre which is able to meet demand and generate new income.

The Palace Theatre and National Civil War Centre Integration

2.5 The integrated Palace Theatre and National Civil War Centre opened in March 2016, following a seven-month construction period which began in September 2015. The works saw the creation of an extended Visitor Information Centre reception point, increased retail space and a new café bar, kitchen and continental-style courtyard. The management teams with the NCWC and theatre were operationally integrated under a single management structure as part of the changes.

2.6 The final account for the works, which were delivered on programme, was £1,528,137, representing an underspend against budget of £87,482. The combined centre now has an estimated 84,000 visitors annually, generating more than £1-million in income and boasts unrivalled and unique conferencing and event spaces for up to 600 people in the theatre auditorium, to 100-plus in the café bar, as well as more intimate settings for parties of up to 25 in a range of interesting rooms. In its first year of opening, the combined site hosted 37 events in its function rooms including two wedding receptions and several conferences for companies such as Santander and Virgin Trains East Coast. Room hire in 17/18 is forecast to be 20 per cent up year on year. Furthermore, now in its second year of opening, daytime income from the Nineteen20 café bar is up 25 per cent year on year.

2.7 The works to create an integrated site has generated savings through a single management structure for both the Palace Theatre and the NCWC and new revenue opportunities through cross-selling between the theatre and the NCWC. The works have also facilitated the release of Keeper's Cottage, the former site of the Tourism Information Centre, for sale through the re-location of the TIC service to the new Visitor Information Centre.

2.8 The integration project was the 2016 winner of the Newark Civic Trust Awards for its positive impact on the historic built environment of Newark.

3.0 Policy/Budget Implications

3.1 The Final Accounts for both the Newark Sports & Fitness Centre and the Palace Theatre and National Civil War Centre Integration are contained in the Capital Programme Monitoring Report later on the agenda.

4.0 RECOMMENDATION

That the final accounts for both the Newark Sports & Fitness Centre and the Palace Theatre and National Civil War Centre Integration be agreed and included within the Council's Capital Programme.

Reason for Recommendation

To ensure Members are appraised of the final accounts of the Newark Sports and Fitness Centre and the Palace Theatre and National Civil War Centre Integration.

Background Papers

Nil

For further information please contact Matthew Finch on ext. 5716

Matthew Finch
Director – Customers

POLICY & FINANCE COMMITTEE **AGENDA ITEM NO. 8**
21 SEPTEMBER 2017

CAPITAL PROGRAMME MONITORING TO 31 JULY 2017

1.0 Purpose of Report

1.1 To enable Members to monitor the progress of the overall capital programme since the last progress report on 29 June 2017. The current five year programme was approved by Council on 9 March 2017 and regular reports on progress and variations are required.

2.0 Issues for Consideration

2.1 Details of the capital projects over their whole life illustrating total budget, expenditure, progress and explanations for any amendments on general fund schemes can be found at **Appendix A** along with the Housing Revenue Account (HRA) and Affordable Housing schemes at **Appendix B.**

2.2 Variations to the capital programme since it was reported to this committee on 29 June 2017 can be found in **Appendix C.**

2.3 The overall Capital Programme for 2017/18 to 2021/22 (including any variations above) and the financing of, can be found at **Appendix D and E.**

3.0 RECOMMENDATION

That the variations listed in Appendix C are approved and the Programme shown in Appendices D and E be accepted as the latest approved Capital Programme.

Reason for Recommendation

To enable the Capital Programme to be amended to reflect changes to resources available and better clarity of the cost and phasing of projects.

Background Papers

Nil

For further information please contact Jenna Norton on extension 5327.

Sanjiv Kohli
Director - Resources and S151 Officer

Capital - General Fund - Whole life **APPENDIX A**

Project	Capital Description	Project Manager	Original Budget - Whole life	Revised Budget Whole life	Actuals to Period 4	Projected future costs	Projected Total costs - Life of project	Revisions - Whole life	Revisions since Policy & Finance 29.06.17	Comments - Revisons over project life
TA1211	Newark, New Leisure Centre	Matt Finch	10,122,000	10,321,999	9,130,468	222,186	9,352,654	-769,346	**-969,345**	Extended defects period is now complete, with all matters resolved satisfactorily. Awaiting imminent final account.
TA3050	National Civil War Centre	Matt Finch	6,066,825	6,222,825	6,222,824	0	6,222,825	156,000	**0**	Project Complete.
TA3052	Palace Theatre/Museum Integration	Matt Finch	1,460,846	1,615,620	1,507,860	20,278	1,528,137	67,291	**-87,482**	Final Payment made w/c 28 August 2017. The whole life budget for this project was £1.6m and total spend incurred over the life is £1.5m.
TA3053	Museum Improvements	Matt Finch	750,000	750,000	288,236	461,764	750,000	0	**0**	
TA3286	Information Technology Investment	Sharon Parkinson	2,017,510	2,017,510	806,416	1,211,095	2,017,510	0	**0**	
TA	**CUSTOMERS**		**20,417,181**	**20,927,954**	**17,955,804**	**1,915,323**	**19,871,126**	**-546,055**	**-1,056,827**	
TB2253	Vehicles & Plant (NSDC)	Andrew Kirk (Veh) / Matt Finch (Leis Equip)	5,500,375	5,500,375	3,116,625	2,383,750	5,500,375	-0	**0**	
TB3154	Castle Gatehouse Project	Phil Beard	60,000	117,600	0	117,600	117,600	57,600	**0**	As per P&F on 01.12.16
TB3158	Hawtonville School Playing Field	Phil Beard	107,742	107,742	84,619	23,123	107,742	0	**0**	
TB3159	Humberstone Road Open Space, Southwell	Phil Beard	54,837	54,837	54,837	0	54,837	0	**0**	
TB6145	Grant to Farndon Sports Pavilion	Phil Beard	43,100	43,100	28,469	14,631	43,100	-0	**0**	
TB6147	Contribution to Cycle Route Improvements	Phil Beard	32,634	32,634	25,000	7,634	32,634	0	**0**	
TB6148	Lorry Carpark Extension	Alan Batty	792,000	792,000	49,061	742,939	792,000	0	**0**	
TB6149	Lorry Carpark - Health and Safety	Alan Batty	19,700	19,700	19,700	0	19,700	0	**0**	
TB	**COMMUNITY**		**6,610,388**	**6,667,987**	**3,378,310**	**3,289,677**	**6,667,987**	**57,599**	**0**	
TC1000	New Council Offices	Matt Finch	6,302,000	7,676,128	6,803,000	873,127	7,676,128	1,374,128	**0**	As per P&F 25.02.16. Total cost £7.6m
TC2000	Land at Lowfield Lane, Balderton	David Best	4,540,000	4,540,000	492	4,539,508	4,540,000	0	**0**	
TC3017	Workshop Frontage Improvements	David Best	111,100	111,100	106,919	4,181	111,100	0	**0**	
TC	**RESOURCES**		**10,953,100**	**12,327,228**	**6,910,411**	**5,416,816**	**12,327,228**	**1,374,128**	**0**	
TE3266	Growth Point	Andrew Muter	558,453	558,453	109,332	449,121	558,453	0	**0**	
TE3268	Southern Link Road Contribution	Andrew Muter	2,500,000	9,500,000	1,019,215	8,480,785	9,500,000	7,000,000	**0**	increased in line with grant allocation.
TE	**GROWTH**		**3,058,453**	**10,058,453**	**1,128,547**	**8,929,906**	**10,058,453**	**7,000,000**	**0**	
TF3220	Major Flood Alleviation	Ben Adams	150,000	150,000	10,000	140,000	150,000	0	**0**	
TF3223	CCTV	Ben Adams	500,000	521,100	436,683	84,417	521,100	21,100	**0**	whole life cost increased as per P&F 29.6.17
TF	**SAFETY**		**650,000**	**671,100**	**446,683**	**224,417**	**671,100**	**21,100**	**0**	
TF6011	Private Sector Disabled Facilities Grants	David Turton	2,898,696	3,033,054	659,307	2,373,746	3,033,054	134,358	**0**	See appendix D
TF6012	Discretionery DFG	David Turton	175,000	175,000	28,234	146,766	175,000	0	**0**	
TF	**HOUSING GENERAL FUND**		**3,073,696**	**3,208,054**	**687,541**	**2,520,513**	**3,208,054**	**134,358**	**0**	
	TOTALS		**44,762,818**	**53,860,775**	**30,507,297**	**22,296,651**	**52,803,948**	**8,041,130**	**-1,056,827**	

Capital - Housing Revenue Account and Affordable Housing - Whole life **APPENDIX B**

Project	Capital Description	Project Manager	Original Budget - Whole life	Revised Budget Whole life	Actuals to Period 4	Projected future costs	Projected Total costs - Life of project	Revisons - Whole life	Revisions since Policy & Finance 30.06.16	Comments - Revisons over project life
S9****	Property Investment	NSH	26,210,800	26,210,800	864,250	25,346,550	**26,210,800**	-0	-0	This expenditure is managed by NSH as part of their Business Plan.
SA1013	25 supported dwellings - Bilsthorpe	Rob Main / Peter Harley	2,330,141	2,386,915	2,290,545	96,370	**2,386,915**	**56,774**	**0**	Tender agreed for works to be completed was at a higher price by £56,774 than originally estimated when project first considered for capital approval.
SA1015	Affordable Rural Housing Grant	Rob Main / Peter Harley	260,000	260,000	150,000	110,000	**260,000**	**0**	**0**	
SA1016	Site A - Wolfit Avenue, Balderton	Rob Main / Peter Harley	424,434	313,344	277,633	35,711	**313,344**	**-111,090**	**0**	Tender agreed for works to be completed was at a lower price of £111,090 than originally estimated when project first considered for capital approval.
SA1017	Site B - Wolfit Avenue, Balderton	Rob Main / Peter Harley	441,846	357,952	322,740	35,212	**357,952**	**-83,894**	**0**	Tender agreed for works to be completed was at a lower price of £83,894 than originally estimated when project first considered for capital approval.
SA1018	Coronation Street/Grove View Rd, Balderton	Rob Main / Peter Harley	709,628	728,351	656,783	71,568	**728,351**	**18,723**	**0**	Tender agreed for works to be completed was at a higher price of £18,723 than originally estimated when project first considered for capital approval.
SA1019	Lilac Close	Rob Main / Peter Harley	941,415	747,544	672,236	75,308	**747,544**	**-193,871**	**0**	Tender agreed for works to be completed was at a lower price of £193,871 than originally estimated when project first considered for capital approval.
SA1020	Second Avenue, Edwinstowe	Rob Main / Peter Harley	545,809	493,203	430,570	62,634	**493,203**	**-52,606**	**0**	Tender agreed for works to be completed was at a lower price of £60,723 than originally estimated when project first considered for capital approval
SA1021	Ash Farm Farnsfield	Rob Main / Peter Harley	1,176,000	1,171,169	890,326	280,843	**1,171,169**	**-4,831**	**0**	Budget adjusted to match whole life budget approved at outset approved at P&F on 29.6.17
SA1022	St Leonards Hospital Trust	Rob Main / Peter Harley	330,000	330,000	0	330,000	**330,000**	**0**	**0**	
SA1023	Bowbridge Road	Rob Main / Peter Harley	8,937,121	8,841,734	4,521,819	4,319,915	**8,841,734**	**-95,387**	**0**	Budget adjusted to match whole life budget approved at outset approved at P&F on 29.6.17
SA1030	HRA Site Development	Rob Main / Peter Harley	500,000	400,000	290,985	109,015	**400,000**	**-100,000**	**0**	Report to P&F 01.12.16 - Reduce capital programme by £100k and use this reduction in HRA reserve required to fund associated project revenue costs
SA1031	Site Acquisition (Inc RTB)	Rob Main / Peter Harley	2,000,000	2,000,000	0	2,000,000	**2,000,000**	**0**	**0**	
SA1032	New Build Programme	Rob Main / Peter Harley	27,444,500	27,444,500	156,021	27,288,479	**27,444,500**	**0**	**0**	Report to P&F 23.02.17 seeking approval of New Build Programme. Total costs equals anticipated actuals for next 5 years, the total programme costs come to £33.5m
SA1033	Estate Regeneration	Rob Main / Peter Harley	986,799	986,799	0	986,799	**986,799**	**0**	**0**	
					0					
	Total - Affordable Housing		**73,238,493**	**72,672,311**	**11,523,909**	**61,148,402**	**72,672,311**	**-566,182**	**-0**	

Exemption report - Amendments post Policy and Finance 29.06.17 **APPENDIX C**

General Fund Additions

Project	Capital Description	Additions/Reductions - 17-18	Additions/Reductions - 18-19	Additions/Reductions - 19-20	Additions/Reductions - 20-21	Additions/Reductions - 21-22	Comments
TA1211	Leisure Centre	-969,345					Scheme complete. Due to pay retention invoice early September.
TA3052	Palace Theatre/Museum Integration	-87,482					Scheme complete. Final account paid W/C 28th August.
TC1000	New Offices	61,020					This addition brought the full life cost back to that approved on 25.02.16
TF6011	Private Sector Disabled Facilities Grants	134,358					Additional Grant received. This scheme is fully funded by grant.
	Total additions/Reductions	**-861,449**	**0**	**0**	**0**	**0**	

						APPENDIX D
CAPITAL PROGRAMME 2016/17 - 2020/21						
		2017/18	*2018/19*	*2019/20*	*2020/21*	*2021/22*
	SCHEME	REVISED	REVISED	REVISED	REVISED	REVISED
HOUSING REVENUE ACCOUNT						
PROPERTY INVESTMENT PROGRAMME						
S91100	ROOF REPLACEMENTS	0	432,000	432,000	432,000	432,000
S91113	Roof Replacement Works 17/18	270,000				
S91114	Flat Roof Replacement Wrks 17/18	162,000				
S711	**ROOF REPLACEMENTS**	**432,000**	**432,000**	**432,000**	**432,000**	**432,000**
S91200	KITCHEN & BATHROOM CONVERSIONS	0	1,620,000	1,620,000	1,620,000	1,620,000
S91217	Kitchen & Bathrooms 17/18	1,620,000				
S712	**KITCHEN & BATHROOM CONVERSIONS**	**1,620,000**	**1,620,000**	**1,620,000**	**1,620,000**	**1,620,000**
S91300	EXTERNAL FABRIC	0	324,000	324,000	324,000	324,000
S91334	Ext Fab Works Area 1 2017/18	162,000				
S91335	Ext Fab Works Area 2 2017/18	162,000				
S713	**EXTERNAL FABRIC**	**324,000**	**324,000**	**324,000**	**324,000**	**324,000**
S91400	DOORS & WINDOWS	0	183,600	183,600	183,600	183,600
S91412	Doors & Windows 17/18	183,600				
S714	**DOORS & WINDOWS**	**183,600**	**183,600**	**183,600**	**183,600**	**183,600**
S91500	OTHER STRUCTURAL	37,960	54,000	54,000	54,000	54,000
S91511	Walls Re-Rendering	54,000	54,000	54,000	54,000	54,000
S91525	Structural Various Addresses	11,880				
S91526	Greendale Crescent Fencing	4,160				
S715	**OTHER STRUCTURAL**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**
S93100	ELECTRICAL	0	648,000	648,000	648,000	648,000
S93113	Rewires 2017/18	54,000				
S93114	Disturbance allowance 2017/18	594,000				
S731	**ELECTRICAL**	**648,000**	**648,000**	**648,000**	**648,000**	**648,000**
S93200	SMOKE ALARMS	0				
S93205	Carbon Monoxide Detectors	0	270,000	270,000	0	0
S732	**SMOKE ALARMS**	**0**	**270,000**	**270,000**	**0**	**0**
S93500	HEATING	0	594,000	594,000	594,000	594,000
S93509	Heating /Boilers 17/18	594,000				
S735	**HEATING**	**594,000**	**594,000**	**594,000**	**594,000**	**594,000**
S93600	ENERGY EFFICIENCY	162,000	162,000	162,000	162,000	162,000
S736	**ENERGY EFFICIENCY**	**162,000**	**162,000**	**162,000**	**162,000**	**162,000**
S95100	GARAGE FORECOURTS	0	81,000	81,000	81,000	81,000
S95109	Garages	0	27,000	27,000	27,000	27,000
S95113	Resurfacing works 2017/18	81,000				
S95114	Garage Works 17/18	27,000				
S751	**GARAGE FORECOURTS**	**108,000**	**108,000**	**108,000**	**108,000**	**108,000**
S95200	ENVIRONMENTAL WORKS	153,900	162,000	162,000	162,000	162,000
S95250	Communal Lighting	0	21,600	21,600	21,600	21,600
S95252	Flood Defence Systems	10,800	10,800	10,800	10,800	10,800
S95253	Play Areas	21,600	21,600	27,000	27,000	21,600
S95254	Estate Remodelling	70,200	70,200	70,200	70,200	70,200
S95279	St Marys Gardens	33,576				
S95297	Communal Lighting 2017/18	21,600				
S95298	Caunton Reed Bed Replacement Phase 1	8,100				
S752	**ENVIRONMENTAL WORKS**	**319,776**	**286,200**	**291,600**	**291,600**	**286,200**

	SCHEME	*2017/18* REVISED	*2018/19* REVISED	*2019/20* REVISED	*2020/21* REVISED	*2021/22* REVISED
S97100	ASBESTOS	0	54,000	54,000	54,000	54,000
S97113	Asbestos Surveys 2017/18	64,800				
S97114	Asbestos Removal 2017/18	43,200				
S771	**ASBESTOS**	**108,000**	**54,000**	**54,000**	**54,000**	**54,000**
S97200	FIRE SAFETY	32,400	54,000	54,000	54,000	54,000
S97219	Fire Doors Rainworth	21,600				
S772	**FIRE SAFETY**	**54,000**	**54,000**	**54,000**	**54,000**	**54,000**
S97300	DDA IMPROVEMENTS	0	21,600	21,600	21,600	21,600
S97308	DDA WORKS 2017/18	21,600				
S773	**DDA IMPROVEMENTS**	**21,600**	**21,600**	**21,600**	**21,600**	**21,600**
S97400	DISABLED ADAPTATIONS	0	432,000	432,000	432,000	432,000
S97413	Major Adaptations 17/18	378,000				
S97414	Minor Adaptations 17/18	32,400				
S97415	Adaptations Stair Lifts/Hoists	21,600				
S774	**DISABLED ADAPTATIONS**	**432,000**	**432,000**	**432,000**	**432,000**	**432,000**
S97500	LEGIONELLA	0	32,400	32,400	32,400	32,400
S97503	legionella Works 2017/18	32,400				
S791	**UNALLOCATED FUNDING**	**32,400**	**32,400**	**32,400**	**32,400**	**32,400**
S99100	UNALLOCATED FUNDING	54,000	54,000	54,000	54,000	54,000
S791	**UNALLOCATED FUNDING**	**54,000**	**54,000**	**54,000**	**54,000**	**54,000**
	SUB TOTAL PROPERTY INVESTMENT	**5,201,376.00**	**5,383,800**	**5,389,200**	**+5,119,200**	**+5,113,800**
AFFORDABLE HOUSING						
SA1013	25 supported dwellings - Bilsthorpe	43,016				
SA1015	Affordable Rural Housing Grant	110,000				
SA1016	Site A - Wolfit Avenue, Balderton	28,276				
SA1017	Site B - Wolfit Avenue, Balderton	26,763				
SA1018	Coronation Street/Grove View Rd, Balderton	55,262				
SA1019	Lilac Close	58,472				
SA1020	Second Avenue, Edwinstowe	51,589				
SA1021	Ash Farm Farnsfield	431,708				
SA1022	St Leonards Hospital Trust	330,000				
SA1023	Bowbridge Road	6,115,843				
SA1030	HRA Site Development	242,090				
SA1031	Site Acquisition (Incl RTB)	800,000	600,000	600,000		
SA1032	New Build Programme	5,529,000	5,404,250	5,511,250	5,500,000	5,500,000
SA1033	Estate Regeration	986,799				
		14,808,818.02	**6,004,250**	**6,111,250**	**5,500,000**	**5,500,000**
	SUB TOTAL HOUSING REVENUE ACCOUNT	**20,010,194**	**11,388,050**	**11,500,450**	**10,619,200**	**10,613,800**
HOUSING GENERAL FUND						
TF6011	Private Sector Disabled Facilities Grants	643,562	465,000	465,000	465,000	465,000
TF6012	Discretionary DFG	154,810	0	0	0	0
		798,372.20	**465,000**	**465,000**	**465,000**	**465,000**
	TOTAL HOUSING REVENUE ACCOUNT	**20,808,566**	**11,853,050**	**11,965,450**	**11,084,200**	**11,078,800**
GENERAL FUND						
TA1211	Newark, New Leisure Centre	226,763				
TA3050	National Civil War Centre	341,976				
TA3052	Palace Theatre/Museum Integration	20,278				
TA3053	Museum Improvements	465,734				
TA3286	Information Technology Investment	657,273	320,000	80,000	155,000	250,000
TA	**CUSTOMERS**	**1,712,024**	**320,000**	**80,000**	**155,000**	**250,000**

	SCHEME	*2017/18* REVISED	*2018/19* REVISED	*2019/20* REVISED	*2020/21* REVISED	*2021/22* REVISED
TB2250	Vehicles & Plant (NSH)		675,000			
TB2253	Vehicles & Plant (NSDC)	18,000	182,000	1,079,750	712,000	392,000
TB3154	Castle Gatehouse Project	117,600				
TB3158	Hawtonville School Playing Field	23,123				
TB3159	Humberstone Road Open Space, Southwell	575				
TB3265	Sconce & Devon Visitor Centre Extension	0				
TB6145	Grant to Farndon Sports Pavilion	14,631				
TB6147	Contribution to Cycle Route Improvements	7,634				
TB6148	Lorry Carpark Extension	792,000				
TB6149	Lorry Carpark - Health and Safety	15,820				
TB	**COMMUNITY**	**989,383**	**857,000**	**1,079,750**	**712,000**	**392,000**
TC1000	New Council Offices	3,086,917	159,280			
TC2000	Land at Lowfield Lane, Balderton	4,540,000				
TC3017	Workshop Frontage Improvements	17,110				
TC3133	BIC Internal Reconfiguration	75,000				
TC	**RESOURCES**	**7,719,028**	**159,280**	**0**	**0**	**0**
TE3266	Growth Point	449,121				
TE3268	Southern Link Road Contribution	1,200,000	1,950,000	2,250,000	3,080,785	
TE	**GROWTH**	**1,649,121**	**1,950,000**	**2,250,000**	**3,080,785**	**0**
TF3220	Major Flood Alleviation	140,000				
TF3223	CCTV Relocation	254,444				
TF3224	Seven Hills	10,485				
TF3225	Maps & Signage Newark Town Centre	46,957				
TF	**SAFETY**	**451,887**	**0**	**0**	**0**	**0**
	TOTAL GENERAL FUND	**12,521,442**	**3,286,280**	**3,409,750**	**3,947,785**	**642,000**
	TOTAL PROGRAMME	**33,330,008**	**15,139,330**	**15,375,200**	**15,031,985**	**11,720,800**

					APPENDIX E
CAPITAL PROGRAMME FINANCING SUMMARY					
	2017/18	***2018/19***	***2019/20***	***2020/21***	***2021/22***
	REVISED	**REVISED**	**REVISED**	**REVISED**	**REVISED**
COMMITTED SCHEMES EXPENDITURE					
Housing Services	20,808,566	11,853,050	11,965,450	11,084,200	11,078,800
Other Services	12,521,442	3,286,280	3,409,750	3,947,785	642,000
Total Expenditure	**33,330,008**	**15,139,330**	**15,375,200**	**15,031,985**	**11,720,800**
CAPITAL EXPENDITURE FINANCING					
Net Internal and External Borrowing Approval	1,188,211	902,300	2,865,228	2,878,026	1,649,250
Government Grants	3,500,171	2,415,000	2,715,000	3,179,779	465,000
Contributions from Third Parties	5,599,446	0	0	0	0
Community Infrastructure Levy	0	0	0	0	0
Capital Receipts	6,983,256	2,755,068	75,000	75,000	75,000
Capital Reserve	2,928,331	8,500	8,500	8,500	8,500
Revenue Support	13,130,593	9,058,462	9,711,472	8,890,680	9,523,050
Total Resources Available	**33,330,008**	**15,139,330**	**15,375,200**	**15,031,985**	**11,720,800**
Net resources before allowing for Earmarked Funds	**0**	**0**	**0**	**0**	**0**

POLICY & FINANCE COMMITTEE **AGENDA ITEM NO. 9**
21 SEPTEMBER 2017

COUNCIL'S ANNUAL BUDGET 2018/19 – OVERALL CORPORATE STRATEGY

1.0 Purpose of Report

1.1 To set out the Budget Strategy for 2018/19 for consideration by Members before detailed work commences.

2.0 Introduction

2.1 The Council's Constitution sets out the process for developing the Council's Annual Budget.

2.2 The process requires that the Council's Section 151 Officer presents a report on the overall budget strategy to the Policy & Finance Committee.

2.3 The Policy & Finance Committee is then required to consider the report of the S151 Officer and to approve the budget strategy for the forthcoming financial year.

2.4 This strategy takes into consideration financial policies previously approved by Policy and Finance Committee and is set in the context of the Council's Medium Term Financial Plan which was approved by Policy and Finance Committee on 29 June 2017.

3.0 2016/17 Revenue Budget Update

3.1 The Council's Medium Term Financial Plan sets out the estimated service expenditure, net budget requirement and the total settlement funding to arrive at the possible funding gap for 2018/19, (and subsequent years), at three levels of increases in Council Tax, as follows:

	2018/19 £000
Net Service Expenditure	12,796
Net Budget Requirement	12,053
Total Settlement Funding	4,557
Best : Increase Av. Band D Council Tax by £5	**706**
Forecast: Increase Av Band D Council Tax by 1.94%	**774**
Worst : Freeze Council Tax at Average Band D	**898**

3.2 The table above identifies a range of the funding gap from £706K, if Council Tax at average Band D is increased £5, to a gap of £898K if Council Tax at average Band D is frozen at the 2017/18 average Band D level.

3.3 The Council will continue to make efficiency savings in order to reduce the funding gap, however (as emphasised in the MTFP), further significant savings will start to impact on future service delivery. The Council will, therefore, introduce a Commercial Plan which will be supported by an Investment Strategy. The measures set out in the Commercialisation Plan will, when implemented, bridge the funding gap.

3.4 The Commercial Plan for Newark and Sherwood will include:

- Continuous improvement in procurement
- Selling services externally.
- Shared services with other public bodies or/and the private sector.
- Pricing analysis based on service cost evaluation.
- More efficient and effective contract management.
- Investments as set out in the Investment Strategy
- Evaluation of fitness of traded services.
- More effective and economic use of council owned assets.

The Plan will advocate that the commercialisation approach is open to all services (or elements of services). This approach will enable the council to ensure that organisational learning is built up, processes are refined, and projects can be resourced without the need for extensive external support.

3.5 The principles of commercialisation include:

- Open to all options for service delivery.
- Willingness to take considered risks – acceptance that some ideas may fail.
- Honesty about current performance – not all current traded services will be market ready
- Preparedness to invest now for a return in the future.
- A requirement for concessions to be carefully considered.

3.6 The key objectives of commercialisation will be will be:

- Deliver a financial contribution in order to invest in services we have to run where at present we cannot recover adequate or any income;
- Invest in new projects that will save costs, increase revenue, or both;
- Help enable non-statutory services to at least cover all costs, including overheads (and potential opportunity cost) in order to reduce risk of closure and be profit generating where possible.
- Actively engage in market development and market shaping where no such market currently exists and using insight to manage specification and demand;
- Apply our financial strength to invest in order to deliver on going positive returns;
- Ensure that outcomes in the local community are delivered on a sustainable basis;
- Strengthen our reputation with residents, local businesses, the Local Government sector, staff, other customers, partners, and stakeholders in general;
- Become a services provider to new and existing customers both from within the local authority environment and beyond, particularly where we are uniquely placed to do so;
- Develop and cultivate our commercial/transformational knowledge.

3.7 The Council will follow a **three tier** approach to the delivery of the Commercial Plan:

Tier 1: Business Units Commercialisation
Tier 2: Shared Services/Collaboration
Tier 3: Corporate Investment and Trading

The delivery of the Plan will be supported by a communications and training programme delivered as part of the roll-out of the project. The development and roll out of both tiers of Commercialisation will be conducted as formal projects.

In support of the development of the commercial business plan framework and subsequent implementation and delivery, a new internal team will be formed: the Commercial Projects Development Team and CMT will assume some new, specific responsibilities.

Further detail can be read in the Commercialisation Plan and the Investment Strategy.

4.0 Budget Proposals

4.1 Budget Presentation

4.1.1 The budget process will result in setting the budget and the Council Tax for 2018/19, and will be approved by Council at its meeting on 8 March 2018

4.2 Financial Policies

4.2.1 The Council has agreed policies on Budgeting and Council Tax, Reserves and Provisions, Value for Money and also a set of Budget Principles which set out the approach to be taken to the budget process. These policies were reviewed by the Policy and Finance Committee in September 2016 and further considered as part of the Medium Term Financial Plan on 29 June 2017. The policies and principles have been reviewed and updated where necessary and are attached as **Appendices A(i) to A(v)**.

4.3 Financial Environment and Current Position

Government support for the economy means that there continues to be severe reductions in funding across the public sector and this looks set to continue for a number of years in order to reduce the level of government debt.

At the time of writing this strategy, the UK economy is in a state of uncertainty following the “leave” decision of the referendum on membership of the European Union and the Prime Minister formally given notice to leave under Article 50. The Prime Minister, following the triggering of Article 50, also announced that there would be a snap general election on the 8 of June 2017. The result of the election and the current negotiations on the terms of the exit from the European Union has added greater uncertainty to the economic and financial market place. The situation will be kept under review with any impact(s) on the budget for 2018/19 will be included before final approval by Council.

4.4 Business Rates

4.4.1 For 2017/18, Newark & Sherwood District Council’s retained business rates have been assessed as £3.435m. This does not include any additional growth or amount generated through the Nottinghamshire Business Rates Pool.

Following the recent changes of the NDR valuations and the Government’s change in the multiplier to reflect losses on appeals, there is growth of £1.1m in the 2017/18 financial year. However, since Government had indicated that these recent changes would have a neutral effect on the amount of retained business rates, members of the Policy & Finance Committee, at their meeting on 23 February 2017, agreed to recommend to full Council that it would be prudent to earmark this growth in a reserve until the level of tariff payment is determined for certain next year. If the tariff does not increase, the money will be released back into the general fund to support the 2018/19 budget. At the date of writing this strategy, the Council has not received any notification of “claw back”.

Since the potential impact of determination of historic appeals could have an impact on the Council's future funding plans, the Council, in 2016/17, sought independent external advice from Analyse Local who produced prudent estimates of potential losses in business rates resulting from historical and current appeals lodged with the Valuation Office. There are a number of very large companies who make up a significant amount of the Council's NDR base and if a successful appeal from any one of these companies is awarded, it would lead to the Council paying out a substantial sum of money. It was therefore considered prudent to set aside a provision of £7.459m for appeals within the NDR collection fund. Accordingly, it was agreed at the Policy & Finance meeting of 23 February 2017 to increase the provision for appeal liabilities in the 2017/18 budget. No further changes are anticipated to this provision in 2018/19.

4.4.2 The Baseline funding level for Newark & Sherwood District Council set by the Government for 2017/18 is £3.435m. Over the three years of the settlement, this is estimated to rise to £3.67m, an increase of £0.24m. In reality, however, it is expected that the actual income the Council achieves from Business Rates will be higher than the baseline over this period. The estimated amount of Business Rates income for 2017/18 shows that of the £42,028m collectable in the Newark and Sherwood area, the Council's share (after allowing for recovery of deficits) is expected to be £4.588m which includes a forecast growth of £1.153m.

Given the uncertainty of the timing of new development or/and new businesses moving into the District, the financial forecast assumes that growth in business rate income will reflect the Government forecast growth. This suggests that broadly income will rise by 2% per annum. The forecasts for retained business rates are as follows (the figures for 2016/17 have been included for comparison purposes):

	2016/17 (actual) £	**2017/18 (budget) £**	**2018/19 £**	**2019/20 £**	**2020/21 £**
Base line	3,365,800	3,434,500	3,545,020	3,671,140	3,714,820
Forecast Growth	(110,380)	1,100,000	420,000	420,000	420,000
Retained	3,255,420	3,534,500	3,965,020	4,091,140	4,134,820

In accordance with the table above, £420,000 will be included in the 2018/19 budget for business rates growth.

4.4.3 <u>Move towards 100% retention of Business Rates</u>

The government has consulted on proposals to allow local government to retain 100% of business rate income locally. In total this Council collects in the order of £42.028m of business rate income net of reliefs and exemptions. Irrespective of the changes that are finally agreed it is envisaged that the existing system of tariffs and safety nets will still be in place in some form and that the level of income retained from business rates will be broadly similar to the current level. Interestingly, the move to 100% business rates retention was not included in the Queen's speech following the result of the general election in May 2017 and it is now widely felt that this change will not happen by 2020/21 as previously suggested.

4.4.4 The table below shows the settlement figures for the years 2016/17 through to 2019/20. The key figure is the "Settlement Funding Assessment" which is part Revenue Support Grant and part retained Business Rates and forms the overall amount of funding receivable by the Council.

Under the current business rates retention scheme introduced in April 2013, Councils are able to keep

	2016/17	2017/18	2018/19	2019/20	2020/21 (est)	Change since 2016/17
	£	£	£	£	£	£
Revenue Support Grant	1,776,668	1,048,592	**592,374**	82,785	0	(1,776,668)
Retained Business Rates	3,365,803	3,434,519	**3,545,017**	3,671,114	3,714,820	349,017
Total Settlement Funding Assessment	5,142,471	4,483,111	**4,137,391**	3,753,899	3,714,820	(1,427,651)

The total settlement assessment amount of £4,137,391 will be included in the funding of the 2018/19 budget.

4.4.5 The position with regard to general inflation remains complex. The latest (July 2017) CPI figure for inflation shows an annual increase of 2.6%. The Bank of England forecast is for CPI inflation to remain around 2% by the end of 2017/18.

4.4.6 One of the major areas of the budget affected by inflation is the cost of salaries and wages. The 2016 -2018 pay deal comprised a 1% increase per annum with substantial bottom loading of between 10.28% and 2.3% to start towards the introduction of a new National Living Wage (NLW) by 2020. There was agreement to revise the pay spine to meet the requirements of the NLW. This will impact on the Council's budget and it will be necessary to assess the position on this as further details are announced.

4.4.7 The 2018 pay claim asks for a 5% increase on all pay points with the deletion of points 6-9 to ensure that no NJC pay points fall below the Foundation Living Wage of £8.45 per hour. With this in mind it has been decided to include a 2.5% increase is salary costs in 2018/19, with future years' increases remaining at 1%

5.0 <u>Income from Fees and Charges</u>

The generation of income from fees and charges is an essential element of the Council's revenue budget. The overall level of fees and charges is substantially affected by legislation with many chargeable services prevented from recovering more than their costs. The objective therefore is where services are chargeable (and the level of charges is determined by the Council) then they should achieve break-even. Opportunities will also be explored for premium pricing for discretionary services where the Council is able to deliver variable levels of service. The total income from fees and charges included in the MTFP projections is as follows:

	2017/18 (budget) £	2018/19 (est) £	2019/20 (est) £
Statutory Charges	1,201,360	**1,203,740**	1,208,210
Discretionary Charges	4,530,110	**4,656,970**	4,669,870

Castle House income from partners £121,130, full year 2018/19 £242,260

The estimates for fees and charges for 2018/19 will be updated and included in the budget preparation.

6.0 <u>Budget Strategy</u>

6.1 Whilst there is always a need to improve efficiency and review existing budgets, the Council's budget gap in future years means that, as well as further efficiencies, the Council needs to generate "new" revenue streams. Savings from leisure commissioning (Active4Today), devolution and collaboration and savings following the move to the new offices and associated working practices, have been built into the Medium Term Financial Plan and will accordingly be included in the base budget for 2018/19.

6.2 The following underlying assumptions (derived from the Council's approved MTFP) will be applied in compiling the draft budget for 2018/19:

6.2.1 Base Budget

The base budget for 2018/19 will be derived from the **actual** income and expenditure for 2016/17. This is a change from previous years when the base budget was derived from the original budget for the previous year (in this case this would be the original budget for 2017/18). This change in strategy will produce a "tighter" budget and reduce the levels of year- end underspends reported in previous years.

This base position will be adjusted for known one off items of income and expenditure incurred in 2016/17 and for new on-going growth items included in the 2017/18 original budget, plus any on-going estimates approved, by delegation, after approval by Council of the original 2017/18 budget.

6.2.2 Staff Costs

Figures for salaries and wages will be built up from the detailed base position as set out in 6.2.1 taking into account the numbers and salary of each employee per service unit. It has been assumed that within the Service Unit budgets, the Council will employ 100% of the establishment throughout the year with the exception of known unfilled vacancies where salaries are budgeted to commence on the anticipated starting date.

A prudent increase in wages and salaries of 2.5% will be assumed for 2018/19. This increase in estimate from 1% increase to 2.5% increase is in acknowledgement of the national debate, political pressure, and negotiations by Trade Unions to remove the 1% cap for public service workers and to increase the National Living Wage. This estimate will be kept under constant review during the budget setting process and the final figures included in the budget will be based on financial modelling of the proposed, or agreed, changes.

Increases in the National Living Wage will have a knock on impact on all salary pay grades of the Council. The financial implications of these increases will also be kept under constant review and the budget, if required, will be revised before presentation to Policy & Finance Committee on 22 February 2018.

A vacancy provision of 3.5% of the total salary budget for 2018/19 will be made to allow for natural savings being made from posts remaining vacant before being filled. As it is not possible to predict precisely which business units will experience vacancies in the year, an overall saving will be set aside. The estimated amount of this provision based on the 2016/17 outturn is £320,000.

6.2.3 Employer's Superannuation

The actuarial review carried out as at 31 March 2016 increased the employer's superannuation contributions from 12.5% to 14.5% from 2017/18. An average amount of £1,070,010 per year for 3 years has been provided in 2017/18, 2018/19 and 2019/20 for historical debt. A further provision will be made at 14.5% for 2018/19.

6.2.4 Provision for Inflation

The budget will be prepared by applying forecast RPI increases to non -staff costs in accordance with the estimate used in the MTFP. In May 2017 RPI was 3.6% and is forecast to remain at this level for the remainder of 2017/18, followed by a drop to around 3% by the end of 2017/18. An inflation rate, therefore, of 3% will be applied to non- salary costs, unless a different specific rate is specified in a contract for the supply of goods and services.

6.2.5 Fees and Charges

The increase in fees and charges will be subject to specific, detailed review by business managers who will compare the Council's fees for discretionary services to other neighbouring and family group authorities that provide the same services. The business managers will also bench mark the fees with other commercial organisations where similar services are provided. Business managers will also assess and evaluate whether new fees and charges can be introduced for discretionary services that are not currently being charged for.

Where comparative benchmarking information is not available, an increase equivalent to inflation, 3%, will be applied.

6.2.6 Interest Rate

The current approved capital programme can be financed without the need for any new borrowing. However, for any new schemes this will not necessarily be the case and it will be necessary to assess the extent to which new borrowing may be required.

Unlike many local authorities, the Council has not yet used any of the New Homes Bonus (NHB) to support the revenue budget and allocations to date have been transferred to earmarked reserves.. There remains scope for use of NHB to fund capital schemes to reduce the revenue impact of borrowing costs.

The forecast for NHB for 2018/19 and future years is as follows:

Year	2018/19 £000	2019/20 £000	2020/21 £000
2015/16	320		
2016/17	402	402	
2017/18 (est)	390	390	390
2018/19 (est)	390	390	390
2019/20 (est)		390	390
2020/21 (est)			390
TOTAL	1502	1572	1560

The Council does not have any general fund borrowing. It may, however, in order to deliver the actions in the Commercialisation Plan, need to borrow externally for General Fund related projects. This will be on the basis of prudential borrowing and the cost will depend on the prevailing rates at the time the funding is needed. Any cost of borrowing will need to be included in the Council's revenue budget. Based on current rates, the cost of borrowing £1m will be approximately £60,000. This includes an estimate of Minimum Revenue Provision which will vary depending on the life of the asset.

6.2.7 It will not be possible to finalise funding in the budget strategy until government announcements on future funding levels are published later in the year. Members are asked to approve the budget strategy as set out in this report, subject to future announcements.

7.0 Risks in Preparation of the Budget

7.1 Although the budget strategy will deliver a balanced budget on the basis of information known at the moment, there are risks that may cause expenditure to increase or income to reduce. Consequently income and expenditure levels will be kept under review throughout the budget process.

7.2 It is essential to ensure that the strategic budget efficiencies and additional income are delivered as this is central to ensuring that the Council has a balanced budget. The delivery of the efficiencies and additional income will be kept under continuous review throughout the budget process.

8.0 Timetable

The Budget Timetable is dictated by the corporate timetable for Policy & Finance and operational Committees. The essential deadline is that the Council is able to set the level of Council Tax for 2017/2018 at its meeting on 8 March 2018. Working back from this date a timetable has been drawn up and is attached at **Appendix B.** This timetable enables sufficient time for the budget proposals to be considered by operational Committees and Policy & Finance Committee and also sufficient time for the work to be completed within the Financial Services and other Business Units.

9.0 Consultation

9.1. As in previous years, consultation on the budget will take place with the public and the Commercial Ratepayers.

9.2 The operational committees will have the opportunity during the budget process to make suggestions to Policy and Finance Committee prior to final budget approval by the Council.

10.0 Capital Programme 2018 - 20223

10.1 Prioritisation General Fund Schemes

(a) When business cases for new schemes are brought to Committee, financing implications of capital expenditure are included in order to assess the viability of the scheme and to enable members to make informed decisions. Once the capital expenditure has been incurred, the financing of the Capital Programme as a whole is arranged by the Section 151 Officer, in line with the Council's Constitution.

(b) In line with the Council's current Treasury Plan, wherever possible, it has been assumed that projects within the capital programme will be financed by temporarily 'borrowing' from internal reserves and balances.

(c) The Council may consider revising this Policy to take advantage of low PWLB borrowing rates on schemes/projects where the borrowing is affordable and sustainable. (The analysis of the Council's Balance Sheet by its external Treasury advisers, Arlingclose, shows that as at 31 March 2016, the Council has head room for General Fund borrowing of £35m).

(d) Any new scheme will initially be commissioned by the Corporate Management Team. It will then be assessed against the prioritisation criteria (see **Appendix D**). Based on this assessment a report will be prepared for submission to Policy and Finance Committee in December before final approval by Council.

(e) Council will consider all schemes and either: a) allocate resources to enable a scheme to be carried out; b) place it on the uncommitted list pending identification of resources; or c) reject it.

10.2 Prioritisation for the Housing Revenue Account

The Council's HRA investment programme is currently delivered by Newark and Sherwood Homes (NSH). The current programme reflects the latest available information agreed by NSH with the Council's Strategic Housing team. It comprises capital investment in the existing Council Housing stock, the continuation of a five year new build programme commenced in 2017/18, and the completion of the Gladstone House Extra Care Scheme on Bowbridge Road, Newark. Resources for future years will reflect the ability of the Housing Revenue Account to support any necessary borrowing, and other funding opportunities which may arise. The Council, along with its delivery arm NSH, are also seeking Government approval, along with two other local authorities, to accelerate the new build programme by putting forward a three year programme whereby permission is granted to extend the Council's borrowing limit and relax the use of RTB and 1-4-1 receipts. The

Council is currently awaiting a response from the appropriate Government Office (DCLG). Housing rents are set to fall by 1% in 2018/19. This based on the Government announcement made on 8 July 2015 that local authorities must secure that the amount of rent in the relevant year by a tenant of social housing is 1% less than the amount that was payable by the tenant in the previous 12 months. This 1% per year rent reduction is for two more years from 2018/19. Garages and shop rents, along with service charges collected by the HRA will rise by the Consumer Price Index (CPI) for September 2017.

11.0 <u>RECOMMENDATIONS</u> that:

(a) the overall budget strategy be approved;

(b) budget officers continue work on the assessment of various budget proposals affecting services for consideration in setting the Council's budget;

(c) budget managers work with finance officers in increasing income from fees and charges and in identifying new income; and

(d) officers develop an action plan to support the Commercialisation Plan.

<u>Reason for Recommendations</u>

To enable the Council's budget process to proceed encompassing agreed inflation and salaries and wages rates for 2018/19 to 2020/21

<u>Background Paper</u>

Nil

For further information please contact Sanjiv Kohli on extension 5303 or Amanda Wasilewski on extension 5738.

Sanjiv Kohli
Director - Resources

APPENDIX A(i)

Policy on Budgeting and Council Tax

Introduction

Each year the Council is required to set a Council Tax in accordance with the provisions of the Local Government Finance Act 1992. It is a requirement of the Act that the Council Tax must be set by 11 March each year.

The Council sets its Annual Revenue Budget in March each year in accordance with the provisions of the Budget Process, which forms part of the Council's Constitution.

The District Council is also responsible for collecting the Council Tax requirement (precepts) for Nottinghamshire County Council, Nottinghamshire Police & Crime Commissioner and Nottinghamshire Fire and Rescue Service and any precepts set by the Parish and Town Councils or Parish meetings within the District. All of these Councils are required to notify the District Council of their requirements before 1 March.

The District Council has no control over the level of Council Tax or precept set by the precepting bodies. This policy covers the District Council element of the Council Tax only. Nevertheless, it is recognised that public perception is influenced by the overall level of Council Tax and it can be difficult to appreciate that the requirements of the District Council form only a part of this. In fact, the District Council's spending requirements account for less than 10% of the total Council Tax bill.

The Government has powers to require local authorities setting "excessive Council Tax increases" to hold a local referendum on the level of Council Tax. The level of excessiveness is set at 2% but may be different in subsequent years.

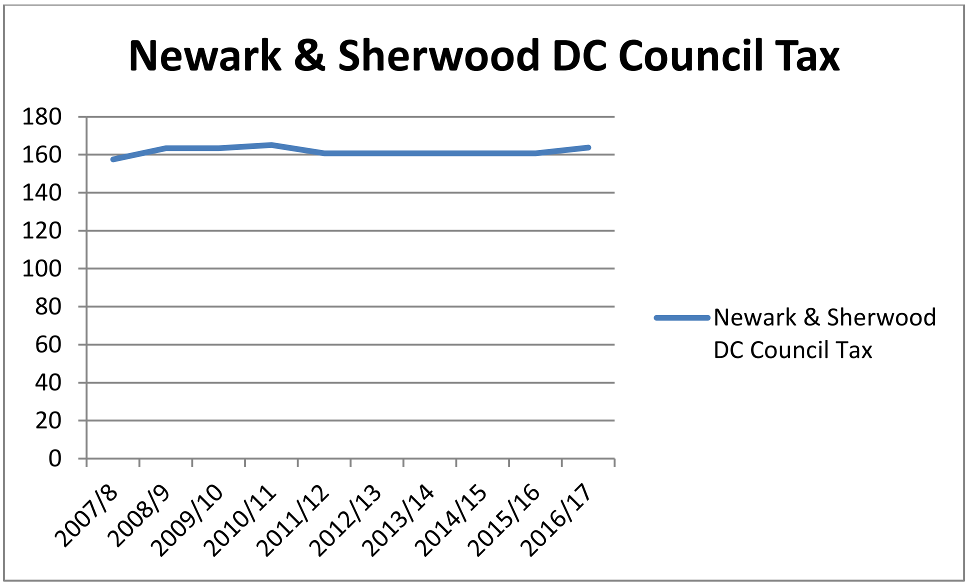
The District Council's spending requirement includes an amount levied upon it by other bodies. For this Council an annual levy is made by the Trent Valley and Upper Witham Internal Drainage Boards. Since 2014/15, if the levies set by the drainage boards cause the Council to have an excessive increase in Council Tax this would trigger a local referendum.

Current Level of District Council Tax

The District Council's level of Council Tax for 2017/2018 is £167.03 for a Band D property. This represents a 1.94% increase in council tax on 2016/2017. The total bill, including all precepts, is £1,777.71 plus average Parish Precepts of £71.63.

Trends Over Time

Over time, the Council has had a policy of keeping the level of Council Tax to a minimum. The level of Council Tax for the Council is shown in the chart below:



Consultation

Newark and Sherwood District Council believes in the value of wide consultation on its budget proposals. As such, the Council will consult where there are financial decisions of public interest prior to setting the level of Council Tax. The Council will have regard to the results of any consultation. Consultation may include the following:

- Public
- Parish Councils
- Commercial Ratepayers
- Local Strategic Partnership
- Committees

Proposals

The absolute level of Council Tax, and any annual increase, will depend on the demands facing the District Council, external funding available, and the Council's assessment of the appropriate level of Council Tax. Whilst these factors will vary from year to year, the following criteria will be taken into account when considering the level of Council Tax:

- The Aims and Priorities of the Council
- Inflation
- Consultation Responses
- The level of Council Tax considered to be acceptable to the public
- Government views on grant levels and referendum criteria
- Service demands

Newark and Sherwood District Council aims to set the minimum level of Council Tax consistent with the achievement of its Aim and Priorities and other financial and service demands.

APPENDIX A(ii)

General Fund Balances and Reserves Policy

The Local Government Act 2003 requires all Councils to maintain adequate balances, reserves and provisions to help ensure that their activities are sustainable. This policy covers General Fund Balances and separate policies cover reserves and provisions and Housing Revenue Account balances.

The Council holds General Fund balances to ensure that it has sufficient funds to manage its day to day finances and to enable the Council's financial position to remain secure in the event of unforeseen circumstances.

Each year the Section 151 Officer of a local authority is required under Section 26 of the Local Government Act 2005 to review the amount of reserves and provisions that the authority holds. This review is carried out primarily to ensure that reserves and provisions are not allowed to be 'run down' to an imprudent low level, taking into account their purpose and likely use. In undertaking this review it is also necessary to ensure that amounts do not become over provided for. With this in mind, a review of reserves held by the Council has been undertaken and the movements in earmarked reserves and general fund balances contained in the forecasts for each year have been influenced by this review.

At its meeting in September 2016, Policy & Finance Committee approved a recommendation that the District Council should aim to maintain General Fund balances at approximately £2.9m. In order to maintain this level of balances in each year of the financial forecast, it has been assumed that all other earmarked reserves will be used in the first instance to fund any one-off costs arising and balances will only be used when these reserves have been fully utilised.

After reviewing the level of Balances and Earmarked Reserves, it is proposed that the level of General Fund Balance be maintained at 15% of Net Budget Requirement. For 2017/18 this level will be £1,665,000. This will release almost £1.3million in to General Fund in 2017/18.

The Council also holds reserves for specific areas of expenditure. Each reserve has a specific purpose. They are subject to annual review by the Section 151 officer as part of the budget process and if no longer required are used for other purposes. It is proper accounting practice to maintain reserves for these purposes.

It is recommended that:

a) **Reserves should be subject to an annual review by the Section 151 officer;**
b) **Reserves should not be over-provided;**
c) **Reserves should be used for the purpose for which they are provided (subject to a and b above)**
d) **Reserves should not be used to support ongoing general fund expenditure (subject to recommendations a and b, above)**

APPENDIX A(iii)

Budgeting Principles

The Council will prepare its budget in accordance with the following principles:

Council Objectives:

The purpose of the budget is to enable the Council to achieve its objectives and meet its statutory duties. In setting the budget and Council Tax, the Council will also have regard to Government requirements, including the Local Government Finance Settlement and the latest Comprehensive Spending Review.

Balanced Budget:

The Council is required to set a "balanced budget" with sources of funding identified to cover all expenditure proposed.

Affordable Budget:

In setting the budget, the Council will consider the affordability of proposals and their impact on the level of Council Tax.

Inflation:

The Council will have regard to the level of inflation when considering budget proposals. It may consider different indices of inflation for different purposes. For example, the retail prices index (RPI) and the consumer prices index (CPI) do not always reflect the rate of inflation faced by the Council and this may be better measured by specific indices such as those widely available for construction costs or energy.

Sustainable Budget:

The Council will set a budget to be sustainable over time. This will be reflected in the Council's Medium Term Financial Plan and Capital Programme. The budget will include an overall risk assessment and will incorporate appropriate sensitivity analysis in order to ensure a robust final budget.

Budget Demands:

Any developments in the Council's revenue and capital budgets will be required to go through the Council's formal bidding process. Only those items approved as part of this will be included in the final budget.

Use of 3rd Party Funding:

Where third party funding is used to contribute towards the Council's budgets, a plan is required to ensure that this element of the budget is sustainable if and when the 3rd party funding ceases. Where appropriate, an exit strategy is required.

Adequate Reserves and Provisions:

The Council aims to have adequate, but not excessive, reserves to cover unforeseen expenditure. Specific provisions are also in place to cover items of expenditure that are certain but where their timing is not known. Further details are set out in the policy on balances and reserves.

Asset Management:

The Council aims to manage its assets efficiently in accordance with best practice. Full details are set out in the Asset Management Plan.

Council Tax Levels:

In accordance with this policy, the Council aims to set the minimum level of Council Tax possible consistent with the achievement of its Aim and Priorities and other financial and service demands.

Value for Money:

The Council aims to achieve value for money in the provision of all of its services. This is set out in the Council's Value for Money Strategy.

Risk Assessment:

In accordance with section 25 of the Local Government Act 2004, the s151 officer will conduct an annual risk assessment of the robustness of the estimates made in the Council's budget.

Sensitivity Analysis:

The s151 officer will carry out a review of the impact of variations to key elements of the proposed budget (a "sensitivity analysis") on an annual basis.

APPENDIX A(iv)

NEWARK AND SHERWOOD DISTRICT COUNCIL

CORPORATE CHARGING POLICY

Revised: July 2017
Date of next revision: July 2018

CONTENTS

1. Introduction

This Policy applies to external fees and charges other than those prescribed by the government. It provides a guide to internal charging arrangements but is subject to CIPFA's 'Best Value Accounting Code of Practice' and has regard to the Audit Commission's publication "*Positively Charged*".

It is not intended to apply to the disposal of Council assets, rents, internal charges or rechargeable works, nor will it apply where charges are governed by statutory regulation or guidance.

The Policy does apply if we have discretion, but not if there is a prescribed fixed charge.

Over the period of the Medium Term Financial Plan services will align their charges and processes with this policy.

This policy must be read in conjunction with the other related Council polices and strategies, including Financial Regulations, Equalities Policy, VFM Strategy, Corporate Plan.

If after reading this Code you require further guidance or clarification, or you are not sure how best to comply with the Policy then please contact your Business Manager or the Director of Resources.

2. Purpose of the Policy

To establish a policy within which fee and charge levels will support the Medium Term Financial Strategy and Corporate Plan; and,

To encourage a consistent approach to the setting and reviewing of charges for services provided by Newark and Sherwood District Council by:

- specifying the processes and frequencies for reviewing existing charging levels or introducing new charges for areas of the council's work for which charges could in principle be set;
- providing guidance on the factors that need to be taken into consideration when charges are reviewed on an annual basis;
- establishing parameters for calculating different levels of charges;
- recommending the criteria for applying concessions or discounted charges on a consistent council wide basis;
- requiring more active use of market intelligence relating to different services.

3. Processes and Frequencies for Reviewing Charges

The following arrangements for reviewing charges will be applied throughout all areas of the Council where charges for services already exist or could in principle be set:

- all discretionary charges will be considered and approved by Council as part of the Budget and Council Tax setting process in March of each year.

- a major review of each business unit's charging strategy will take place at least once every three years to ensure consistency with the council's priorities, policy framework, service aims, market sensitivity, customer preferences, and income generation needs, and the justification for any subsidy that the council as a whole makes to the service.
- annual reviews will be carried out for all of these services as part of the budget process, and shall have regard for the budget strategy approved in September each year.
- where fees are not to be increased or are proposed to be increased below inflation, this must be reported to CMT by the budget officer clearly stating the financial implications and budget shortfall before the deadline for completion of the revenue budget.
- these formal reviews will be overseen by the appropriate Director.
- where decisions on fees and charges, including any concessions or discounts, are taken outside the budget process approved by CMT and Policy and Finance Committee, any proposals must have due regard to the Medium Term Financial Plan.

4. Factors Relevant to the Annual Review of Charges

Annual reviews of charges will consider the following factors:

a. inflationary pressures generally and input costs specific to the service;
b. any statutory framework relating to the service
c. the actual or potential impact of any competition in terms of price or quality;
d. trends in user demand and the forecast effect of price changes;
e. equality and access to services;
f. customer survey results;
g. benchmarking results;
h. council wide and service budget targets;
i. cost structure implications arising from developments such as investments made in the service;
j. consistency with other charges;
k. alternative charging structures that could be more effective;
l. validity of continuing any concessions;
m. proposals for targeted promotions during the year, and evaluation of any that took place in the previous year;
n. where less than the full cost is being recovered (including nil charges), the justification for the decision is reviewed and documented to ensure that this decision remains valid and that significant income is not being lost.

5. Processes for Setting Charges for New Sources of Income

All Business Managers should explore new business opportunities with a view to generating additional income.

All guidance in this Policy must be considered when setting new fees and charges.

A business plan must be prepared.

Any potential new income streams will need to be approved by CMT and Policy and Finance Committee.

The setting of the fees and charges must be made in accordance with the current VAT regulations.

The proposed billing and recovery administrative process must be agreed with the S151 officer prior to the charges being implemented.

A central record will be maintained by the relevant Business Manager of any decisions made not to charge for a service where a charge could be made.

6. Calculation of Charges

Charges will apply to all users, and will be set at a level to maximise take-up and income targets and wherever possible covering or exceeding the full cost of providing the service in question.

It is the responsibility of the Business Manager to ensure that the proposals comply with the appropriate legal framework and any legal restrictions. Advice should be taken from the Council's Legal section before any proposal is finalised.

This calculation of full cost should be based on the direct cost of service provision including staff, supplies and services, equipment, premise costs. Overheads and capital asset depreciation charges should be included but consideration may be given to a less than full cost recovery of these elements where inclusion would distort competition.

Where less than the full cost is being recovered, the justification for the decision must be documented and retained by the appropriate Business Manager and clearly state the financial implications and budget shortfall.

All fees and charges must be calculated in accordance with the current V.A.T. regulations.

7. Concessionary Charges

In some circumstances the Council will offer subsidies to all users or concessions to specific user groups where this is consistent with achieving its priorities.

Entitlement to concessionary charges must have regard to equalities legislation and is designed to reduce barriers to participation arising from:

- Age;
- Level of income;
- Family circumstances;
- Health
- Educational circumstances.

Concessions will not apply to retail sales from shops or cafes.

Concessionary charges may also be made available to organisations whose purpose is to assist the Council in meeting specific objectives in its priorities and policy framework, or which contribute to the aims of key local partnerships in which the Council has a leading role.

Concessionary charges should not normally apply to peak times or in situations that would result in the loss of income from customers paying standard charges. Neither would they normally be available to organisations that are based outside of the Council's area other than on a reciprocal basis.

Only one concession can be applied to the standard charge at any given time.

Services wishing to adopt a concessionary charging scheme must demonstrate the scheme is practicable in terms of assessment, collection and evidencing for audit purposes.

8. Discounts

For certain services it will be normal practice to set promotional discounts, Frequent User discounts or group Discounts.

Promotional discounts are defined as short-term charges that are targeted to increase take-up or awareness of the services that are available.

Frequent User discounts are to be used only for commercial reasons such as generating customer loyalty where alternative provision from competitors exists, and where market analysis shows a real risk of reduced income if they are not offered.

Group discounts are to be used to encourage take up by organisations able to block book and Family discounts to encourage parents and children's take up.

Discounts can be applied to both the standard charge and the concessionary charge.

Discounts can only be applied where the Service has received prior approval of the principle to apply a discount to the charge for this service.

9. The Use of Market Intelligence

All managers of discretionary services for which a charge is made should take steps to identify competitors offering similar or related services, and make use of comprehensive and dynamic market intelligence in evaluating:

- their charging strategy;
- the range of services provided;
- the quality of services provided;
- their cost structure.

All managers of services for which a charge is made should consult with customers, relevant partners and stakeholders on the range, quality and cost of services provided prior to the triennial review.

Consultation should also take place with potential customers and target groups to determine improvements needed to encourage participation at least every five years.

Comprehensive and accurate usage statistics will be maintained for all services and at all facilities where charges are made, to enable analysis of usage, justification of any subsidy given by the Council, and accurate forecasting of the effect of price changes on usage.

Benchmarking should be undertaken at least annually regularly with other Councils in the local area and with relevant national groupings of authorities, to ensure that charges are at comparable levels and that significant differences are understood and justified.

10. Further Guidance

Charges should be payable in advance wherever possible or collected by direct debit or through the corporate income system.

All fees/charges must be reported annually to the Financial Services Business Unit as part of the budget process for publishing in the annual budget book.

All fees/charges must be published on the Councils website.

APPENDIX A(v)

NEWARK & SHERWOOD DISTRICT COUNCIL

Value for Money Strategy

Revised: Sept 2016

Next revision due: Sept 2017

Introduction

Newark & Sherwood District Council recognises its responsibility to achieve value for money from all its activities, however they may be funded.

The council is committed to the pursuit of economy, efficiency and effectiveness as part of its corporate strategy. It will seek to achieve value for money in the pursuit of its objectives and in the delivery of all services.

The council has a neutral position on service delivery methodologies. It will consider all service delivery options, including in-house provision, partnerships with other public sector organisations (including shared services), partnerships with private sector organisations, and bought in services as appropriate for individual services or groups of services.

With the current focus on reducing the national deficit leading to reduced government funding, it is inevitable that the annual revenue and capital budget setting will be challenging each year. The council has a range of methodologies in place to ensure that its aims and priorities are delivered within an acceptable level of council tax. The Value for Money Strategy is a key element of this process.

Value for Money Principles

The principles involved in achieving value for money are:

Efficiency:	Considering the relationship between the amount of resources used (inputs) and the level of performance.
Effectiveness:	The ability to achieve stated goals or objectives, judged in terms of both output and impact.
Economy:	The acquisition or use of resources of an appropriate quality at minimum cost.

There are several aspects to be considered:

- Balancing effectiveness with efficiency
- Balancing efficiency with economy
- Sustaining the funding arrangement (where this is desirable)
- Demonstrating the most appropriate use of resources

Value for money can be defined as: **the use of available resources in an efficient and economical way to deliver effective services or achieve desired outcomes.**

The council is accountable for using resources efficiently to avoid wasting public funds, but this does not mean always seeking the lowest short-term cost. Waste occurs when a service – no matter how cheap or expensive – is ineffective. Effectiveness and efficiency needs to be balanced to achieve value for money.

The costs and benefits of each arrangement must be evaluated in terms of what the council seeks to achieve.

The council will manage any risks to its own interests, and use arrangements and processes such as monitoring, review and evaluation to demonstrate effectiveness and value for money.

At the planning stage, the council should be able to justify how it intends to apply its resources. After implementation it should be able to demonstrate that the policy is having the desired effects, and that the money is not going to waste. If there are unintended outcomes from its policies the council needs to adapt its funding arrangements to take them into account.

Objectives

To achieve value for money, the council will:

- target resources towards achieving the council's objectives and meeting the needs of local people;
- integrate VFM principles within existing planning, management and review processes;
- adopt recognised good practice as appropriate;
- analyse potential budget issues for the following financial year at an early stage and take a corporate approach to developing solutions;
- ensure that VFM principles are taken into account during the commissioning process;
- benchmark activities against other similar activities and organisations where appropriate;
- respond to opportunities to enhance the economy, efficiency and effectiveness of activities;
- promote a culture of continuous improvement;
- demonstrate actively to both internal and external stakeholders that the achievement of VFM is sought in all activities undertaken;
- ensure that all staff recognise their continuing obligation to seek VFM for the council as part of their activities;
- seek external funding where appropriate to support the council's services if the external funding assists the achievement of the council's objectives.

Methodologies for achieving VFM

The council has a number of different methodologies that contribute to the achievement of VFM.

These include:

- the Commissioning process;
- identification of growth and savings through the budget process;
- effective use of ICT (supported by the ICT Strategy);
- service reviews;
- scrutiny by service Committees;
- Audit & Accounts Committee;
- corporate procurement mechanisms (supported by the Procurement Strategy and policies);
- partnership working including consideration of shared services and public/private partnerships;
- customer feedback.

Responsibility for delivering VFM

The Council is required to satisfy itself that VFM is being sought, and achieved from the use of public funds.

The responsibility for achieving VFM lies with all Members and staff and is not restricted to those with resource or financial responsibilities. All Members and staff should endeavour to seek and achieve VFM in all activities and to bring to management's attention any opportunities for improvement.

Managers have the responsibility to maintain an awareness of good practices in their own area of operation and ensure that these are followed appropriately.

The corporate management team will provide a corporate overview of VFM to ensure that initiatives are not restricted to individual service areas.

The council has an expectation that bodies with which the Council has partnership arrangements and organisations in receipt of grant aid from the council will follow VFM guidelines.

APPENDIX B

2018/19 REVENUE BUDGET TIMETABLE				
Action	**Base Budget & General Principles of Budget**	**Draft Budget**	**Draft Final Budget**	**Final Budget Approval & Council Tax Setting**
Medium Term Financial Strategy	Policy & Finance 29 June 2017			
Base budget & general principles of budget	Policy & Finance 21 September 2017			
Support services – agree basis for charging		8 September 2017		
Working papers issued to budget officers		31 July 2017		
First draft of treasury estimates based on capital programme reported to September Policy & Finance Committee		6 October 2017		
Draft budgets complete – no support services allocated		22 September 2017		
Budgets uploaded onto eFinancials		25 – 29 September 2017		
Coordination & review of first draft budget and reports prepared		2 – 4 October 2017		
First draft budget presented		Homes & Communities 6 November 2017 (papers 04/10/17)		

First draft budget presented		Leisure & Environment 14 November 2017 (25/10/17) Economic Development 22 November 2017 (papers 25/10/17) Policy & Finance 30 November 2017 (papers 08/11/17)	Policy & Finance 30 November 2017 (papers 08/11/17)	
Final treasury estimates completed based on capital performance reported to December Policy & Finance			29 December 2017	
Support services allocated and uploaded to efinancials			1 December 2017	
Final committee budgets approved for consideration by Policy & Finance Committee on 23 February 2018			Homes & Communities 15 January 2018 (papers 13/12/17) Economic Development 17 January 2018 (papers 13/12/17) Leisure & Environment 23 January 2018 (papers 31/12/17) Policy & Finance	

			25 January 2018 (papers 03/01/18)	
Housing Revenue Account budget and rent setting report				Policy & Finance 25 January 2018 to refer to Council for approval on 13 February 2018 (papers 03/01/18)
Council Tax Discounts Scheme determined				Council 12 December 2017
Council Tax Base 2017/18				Officer decision – determined between 1 December 2017 and 31 January 2018
Revenue budget setting				Policy & Finance 22 February 2018 (papers 11/01/18)
Parish Council Precept information received			(up to) 28 February 2018	
Council Tax setting				Council 8 March 2018 (papers 28/02/18)

APPENDIX C

CAPITAL PROGRAMME TIMETABLE 2017-2022

Date	Corporate	Council/Policy & Finance Committee/Operational Committees
Continuous	Possible asset disposals are identified; the likely level of receipts and the revenue implications are estimated.	Approval by Policy & Finance Committee.
April - September	CMT approve the commissioning of new schemes.	Consultation with Policy & Finance Committee and operational Committees where relevant
April - September	Appraisal forms complete for all schemes to be considered in the Capital Programme process. The Key corporate priorities to be targeted with key service plans priorities and Smart Focus.	Consultation with Portfolio holder and relevant Committee.
By 30 September	Revenue implications of bids included in budget bids	
By 31 October	Existing schemes are revised for timing and, where relevant, whether they can now proceed e.g. if failed to get external finance allocation is lost	Report submitted to Policy & Finance Committee in December on changes to existing programme (if necessary)
By 31 October	Detailed appraisal using prioritisation scheme process and report produced for CMT on results of appraisal. CMT consider report and agree prioritisation it relevant	
December		Policy & Finance Committee consider draft programme based on prioritised schedule including revenue implications
January 2018		Operational Committees consider Policy & Finance Committee reports
By 31 January 2018	Revised estimates of resources available completed including levels of Borrowing, Revenue Contribution and Capital Receipts targets.	
By 31 January 2018	Prepare summary of comments from operational Committees for Policy & Finance Committee to consider. Includes clarification by Directors/Business Managers	
4 February 2018	Final report produced for Policy & Finance Committee including comments from operational Committees	
22 February 2018		Policy & Finance Committee consider revenue and capital budgets and financial implications and recommend programme to Council
8 March 2018		Council tax setting meeting.

APPENDIX D

NEWARK & SHERWOOD DISTRICT COUNCIL
CAPITAL PROGRAMME 2017 - 2022 PRIORITISATION SCHEME

	STAGE 1 FACTOR	Comments	STAGE 2 DETAILED PRIORITISATION	STAGE 2 WEIGHTING
1	**Key Priorities** Scheme must link to at least one of the Council's priorities and be an objective contained within a Service Plan.	If a scheme does not clearly relate to these areas it will not be considered further.	Each scheme to be marked as to how well it fits with the following- • Prosperity • People • Place • Public Service	**35%**
2	**Evidence of Need** Service Strategy National Strategy or Guidelines Statutory Obligation	In some cases local demands are in excess of national guidelines and strategies and this tries to acknowledge that the two must be balanced. This will cover Health and Safety related schemes.	The following factors will receive equal weighting :- • Statutory Obligation • National Strategy • Validity of consultation in relation to project. e.g. How specific to this project? Who was consulted, was this comprehensive? • Quality of evidence of need for project .e.g. size of sample base, date of evidence, format of evidence	**10%**
3	**Partnership** Eligibility under existing criteria can be demonstrated.	Show that work has been done to ensure that the obtaining of external finance is realistic. The degree to which the partnership will add value to the project.	The proportion of finance which will be met by third party. The likelihood of receiving support. Assessment of the value the partner will add to the project.	**15%**

	STAGE 1 FACTOR	Comments	STAGE 2 DETAILED PRIORITISATION	STAGE 2 WEIGHTING
4	**Outputs and Outcomes** These have been clearly identified and can be justified from supporting evidence. Specific comments should be made as to how the scheme represents value for money when compared to other options	This will enable the council to improve the way it reports its work and clearly show what is being achieved. The comments should refer to any performance indicators which the proposal is addressing specifying what the improvement target is.	Assessment then made on what the scheme will achieve.	**15%** Assessment of all factors or group of factors
5	**Financial** Capital costs have been based on internal or external professional advice Revenue implications have been properly developed	Capital costs include both works and land purchase and cover all associated costs. Try and avoid "guesstimates" which result in schemes requiring increased finance or having to be reduced to meet finance available.	<u>Capital</u> will be based on the quality of work which has been put into estimate. e.g. costed feasibility studies. <u>Revenue</u> will be based on whether the effect is positive, neutral or negative on the revenue budget. Positive effect scores 10 Neutral effect scores 3 Negative effect scores 0	**15%** Capital marked 1 to 5 Revenue marked 0 to 10
6	**Risk Assessment** Identify the level of risk in a project not being able to proceed. For example planning appeals, listed building consent. Over subscription of partnership funds	Try and ensure that not all schemes selected are high risk with the danger that there will be delays in delivery or no-delivery.	The following will all need to be considered:- Technical Issues Financial Uncertainty Partnership uncertainty Planning Issues Legal issues Timescale	**10%**

POLICY & FINANCE COMMITTEE **AGENDA ITEM NO. 10**
21 SEPTEMBER 2017

COMMERCIAL STRATEGY

1.0 Purpose of Report

1.1 To seek approval of the Commercial Strategy for recommendation to Council.

1.2 To seek approval for the establishment of a budget of £20,000 for external mentoring support to the Commercial Projects Developments Team. This will be allocated from the Change Management Reserve.

2.0 Background Information

2.1 This Commercial Strategy follows up on the key messages in the Council's Medium Term Financial Plan (MTFP), which was approved by Council on 29 June 2017.

2.2 The MTFP states that whilst the Council managed to balance the budget for 2017/18, because of prudent decisions made in the past, future funding of its services will depend on its ability to raise additional income; otherwise it will need to make up funding gaps by increasing Council Tax or/and depleting its general fund reserves.

2.3 The MTFP highlights that the Council, since 2010, has made efficiency savings of 33% of its service budgets. Further savings will inevitably have an impact on the delivery of its services. The alternative to savings is to increase income; however there are statutory, ethical and political restrictions on the amount that additional income can be raised through increases in fees and charges. Similarly, there are constraints on the ability to raise revenue through council tax increases. There is, therefore, a need to earn "new" income streams, as well as continually striving to make efficiency savings, in order to bridge the future gap in funding.

2.4 The Council is in a good position to utilise its reserves and its potential to borrow, to fund capital investment projects that will generate "new" income streams to the Council; this includes direct investments in government bonds, corporate bonds, property funds and the establishment of a wholly owned development company.

2.5 The MTFP also sets out forecasts of other funding available to the Council such as New Homes Bonus and growth in business rates, which could be invested in projects to improve the Council's future sustainability.

2.6 This Commercial Plan sets out how the Council can address and meet the funding challenges identified in the MTFP.

3.0 Proposals

3.1 **What is meant by Commercialism?**
Commercialisation for Newark & Sherwood will involve the following:

- Continuous improvement in procurement
- Pricing analysis
- Selling services
- Shared services
- Fitness of traded services
- Contract management
- Investments
- Development Company

3.2 This Strategy advocates that the commercialisation approach is open to all services (or elements of services). This approach enables us to ensure organisational learning is built up, processes are refined and projects can be resourced without the need for extensive external support.

3.3 **Principles**

The principles of commercialisation will include:

- Open to all options for service delivery
- Willingness to take considered risks – acceptance that some ideas may fail
- Honesty about current performance – not all current traded services will be market ready
- Preparedness to invest now for a return in the future
- A requirement for concessions to be carefully considered.

3.4 **Key Aims & Objectives:**

The overarching aim of this strategy is to deliver positive financial returns to the Council's General Fund.

It will be important to develop clearer commissioning intentions and medium term delivery strategies across all major service areas, e.g. by making decisions around collaborative working, shared services, seeking more innovative approaches to delivery, challenging existing approaches and having a clear vision of what the Authority will look like in 2020.

The key objectives will be:

- Deliver a financial contribution in order to re-invest in current services where at present we cannot recover adequate, or any, income;
- Invest in new projects that will save costs, increase revenue, or both;
- Help enable non-statutory services to at least cover all their costs including overheads (and potential opportunity cost) in order to reduce risk of closure and be profit generating where possible.
- Actively engage in market development and market shaping where no such market currently exists and using insight to manage specification and demand;
- Apply our financial strength to invest in order to deliver on going positive returns;
- Ensure that outcomes in the local community are delivered on a sustainable basis;
- Strengthen our reputation with residents, local businesses, the Local Government sector, staff, other customers, partners, and stakeholders in general;

- Become a services provider to new and existing customers both from within the local authority environment and beyond, particularly where we are uniquely placed to do so;
- Develop and cultivate our commercial/transformational knowledge.

3.5 **How will the Strategy be delivered?**

Newark & Sherwood will follow a **three tier** approach to the delivery of this strategy:

Tier 1: Business Units commercialisation
Tier 2: Shared Services (with public and/or private sector)
Tier 3: Corporate Investment and Trading

This strategy will be supported by a communications (internal and external) and training programme delivered as part of the roll-out project.

The development and roll out of the three tiers of Commercialisation will be conducted as formal projects.

In support of the development of the commercial business plan framework and subsequent implementation and delivery, a new internal team will be formed: the **Commercial Projects Development Team (CPDM)** and the Corporate Management Team (CMT) will assume some new, specific responsibilities.

The CPDM will require upskilling and development and therefore a budget of £20,000 is requested to fund any external advice, training and mentoring.

4.0 Equalities Implications

4.1 There are no equalities implications of approving this Commercial Strategy. Equality implications will be considered and assessed on delivering the objectives set out in this Strategy.

4.0 Impact on Budget/Policy Framework

5.1 There is no established budget for the implementation of the Commercialisation Plan and therefore a budget of £20,000 is requested to fund any mentoring/development support to the CPDT. This amount can be allocated from the Change Management reserve and therefore there are no implications to the base budget.

5.2 There are no financial implications of adopting the Commercial Strategy. The implementation of the measures and actions contained in the strategy will have cost, savings and income implications which will reported on a case by case basis.

6.0 Comments of Director

6.1 This Commercial Strategy supports the MTFP and presents a framework that includes the need for an Investment Plan, which will be presented for approval by Policy & Finance Committee as a separate agenda item.

7.0 RECOMMENDATIONS that:

(a) the Commercial Strategy be recommended to Council for approval; and

(b) the establishment of a Commercial Support budget of £20,000, to be funded from the Change Management Reserve, be recommended to Council for approval.

Reason for Recommendations

The strategy consolidates the Council's existing commercial activity and provides a framework, with defined objectives for the delivery of future commercial activity and projects.

Background Papers

Corporate Plan
Medium Term Financial Plan (MTFP), approved by Council 29 June 2017
Commercial Plan, 21 September 2017

For further information please contact Sanjiv Kohli on 01636 655303.

Sanjiv Kohli
Director – Resources
Deputy Chief Executive and Section 151 Officer

Newark & Sherwood District Council

Commercial Plan

2017/18 to 2020/21

Newark and Sherwood Commercial Strategy 2017/18 to 2020/21

1.0 Introduction and Main Drivers

The changes to Local Government Finance over the past 5 to 7 years have been unprecedented with successive reductions in funding as government seeks to address the high levels of government debt. The Council has so far responded positively to these reductions in funding by being forward thinking in identifying strategic areas where savings have been achieved without impacting on the quality and extent of service delivery. This has been achieved, for example, through devolution of services to Town and Parish Councils, the setting up of the partnership with the Council's wholly owned company, Active4Today to manage the Council's leisure facilities and through collaboration and joint working with other Nottinghamshire Authorities. The development of the visitor hub with the Palace Theatre, National Civil War Centre-Newark Museum and the Newark Tourist Information Centre has delivered savings and the move to Castle House which will be the new Council Headquarters to be shared with other public sector partners to, not only deliver financial savings for all partners, but also, improve accessibility and provision of seamless services to the people of Newark and Sherwood. In addition, these initiatives have improved services to local residents and have enhanced the economy of Newark.

Since 2010, the Council has made efficiency savings in total of £5.67m in response to central government funding reductions. These savings have only been achieved through the close work of elected members, senior management and most importantly the staff who work for the Council. However, the funding pressures will continue to at least 2020 as central government moves towards greater devolution of funding, as well as greater devolution of services to local government. The Council is, however, now in a position where further cost savings will start to have a detrimental impact on the quality and types of services delivered to the residents of Newark and Sherwood and therefore the Council will need to be even more innovative about the way it delivers services and how those services are funded.

This Commercialisation Plan aims to build upon the good work done so far and is continuing to be done by elected members, corporate management team, business unit managers, front line staff and support staff. The Strategy will now seek to include all aspects of service reviews and redesign, the commissioning cycle, pricing, shared services, multi-borough joined-up services, and new opportunities for revenue generation; including direct property investment and operating a wholly owned development company.

The main driver, therefore, for greater commercialism is financial necessity (due to successive central government funding reductions) and the opportunity that exists at present of using existing reserves and available prudential borrowing powers to generate new income.

1.1 **Central government funding**

Central Government Funding for Newark and Sherwood has reduced from £8.5m in 2013/14 to £5.9m in 2016/17. This represents a reduction in core funding of 30.5% over this 3 year period. In response to this reduction in funding, the Council has reduced its net service expenditure over this same period from £12m to £10.8m and is budgeted to reduce this requirement further by £1m in 2017/18 to £9.8m.

Further reductions in government funding are, however, anticipated to 2020, when Revenue Support Grant (RSG) may be replaced by 100% business rates retention. It is very unlikely that this anticipated change will mean retention of 100% business rates billed and collected in Newark and Sherwood as there will certainly be a national system of equalisation to accompany the new funding regime. Furthermore, government have already stated that new responsibilities will be passed on to Local Government resulting in additional funding pressures. The deficits in funding, that Local Government has, by now, become accustomed to, will therefore continue.

1.2 The **Council's income from fees and charges** has been maintained over the period of the reductions in central government funding at around £4.5m and at present is forecast to be maintained at this level, as follows:.

	2015/16 (actual) £	**2016/17 (budget) £**	**2017/18 (budget) £**	**2018/19 (est) £**	**2019/20 (est) £**
Discretionary Charges	4,522,380	4,326,290	4,530,110	4,656,970	4,669,870

Notes: New from 2017/18: Castle House income from partners £121,130, full year 2018/19 £242,260

The total income needs to be increased significantly if the Council is to bridge the gap in funding in order to continue to deliver its current services and if it wants to meet the expectations and ambitions of the people of Newark and Sherwood.

1.3 The Council is limited as to how much additional funding it can (or is willing to) generate **through Council Tax increases**. The government has, in the past, applied a cap to Council Tax increases and this Council has chosen to increase average Band D Council Tax by 1.94% for the last two years. A 1% increase in Council Tax, at average Band D, equates to around £63,000. Therefore, although future increase will make a contribution to the budgetary pressures, this alone will not be significant enough to bridge the gap in future funding.

1.4 The Council, through past financial planning, has built up **cash reserves and balances** that are now available to invest in programmes that will deliver further efficiency savings and earn new income to fund future services.

1.5 The Council has no General Fund borrowing and therefore has the ability to **prudentially borrow** in order to invest in projects that will return a positive net income to the Council, which is sustainable over the term of the project.

2.0 Commercialisation Vision:

"Our vision is to be an innovative and entrepreneurial Council that continually achieves positive annual financial contributions; by generating new revenue and delivering cost reductions, through trading and business improvements"

There will increasingly be a culture of business units actively looking for additional opportunities for increasing net revenue, without losing focus upon their existing customer base and the quality of service delivery.

Staff will be involved in actively seeking out potential for reviewing services, and will have a reputation for being aware, willing, and able.

We will have an understanding of our abilities, knowing what we can deliver and what we cannot, supported with a clear understanding of where it is desirable to be able to increase our capabilities and where we do not wish to. We will have an understanding of our portfolio of external service offerings, and understand not only which ones offer a greater return than others, but also what our approach needs to be in order to deliver efficient services.

3.0 Meaning and Principles of Commercialisation:

Commercialisation for Newark and Sherwood involve the following:

- Continuous improvement in procurement
- Pricing analysis
- Selling services
- Shared services
- Fitness of traded services
- Contract management
- Investments

This strategy advocates that the commercialisation approach is open to all services (or elements of services). This approach enables us to ensure organisational learning is built up, processes are refined, and projects can be resourced without the need for extensive external support.

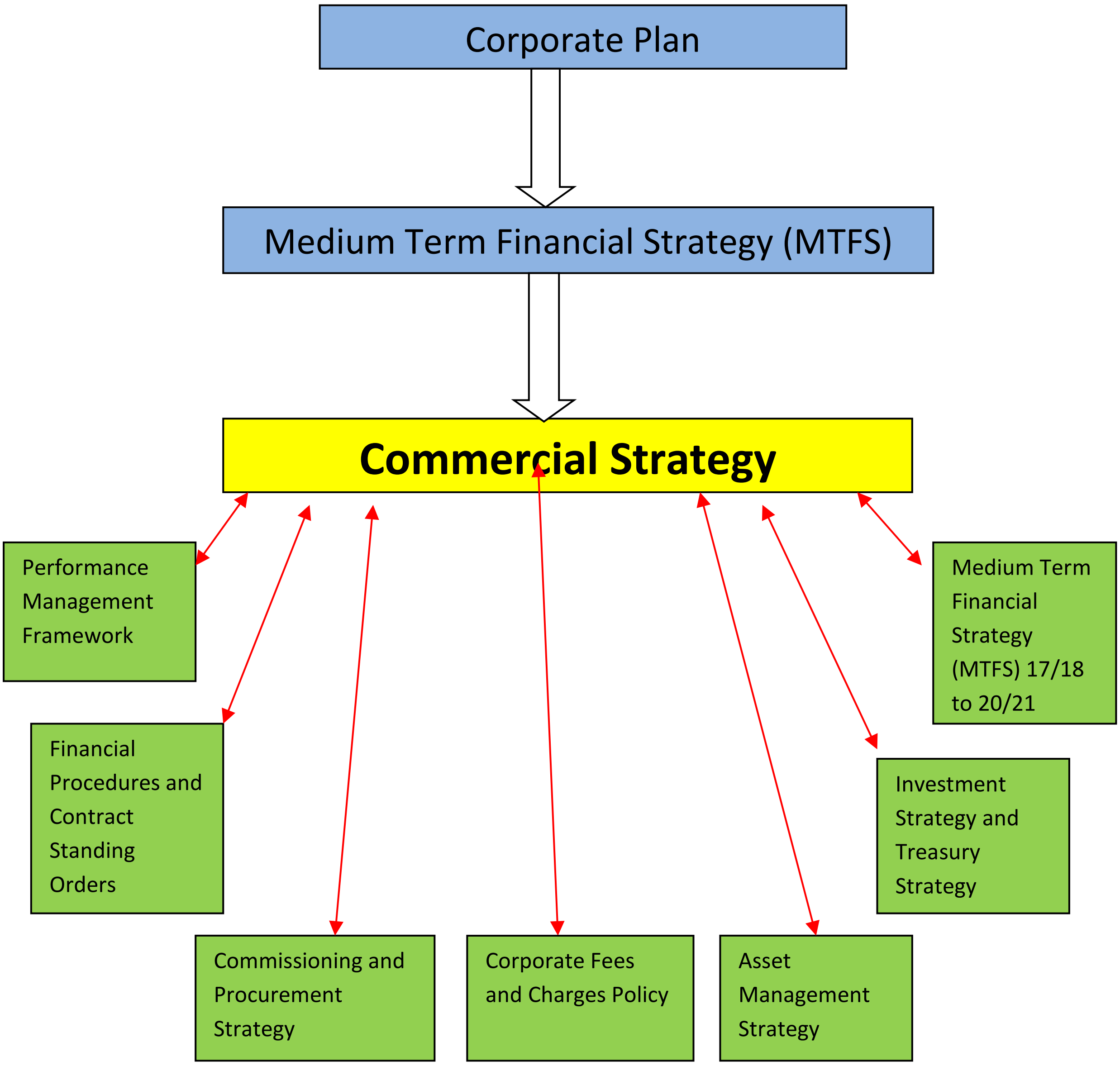
The principles of commercialisation include:

- Open to all options for service delivery
- Willingness to take considered risks – acceptance that some ideas may fail
- Honesty about current performance – not all current traded services will be market ready
- Preparedness to invest now for a return in the future
- A requirement for concessions to be carefully considered.

Newark and Sherwood
Commercial Strategy
2017/18 to 2020/21

4.0 Links to Other Council Strategies:

The hierarchy and interdependence of The Commercialisation Strategy within and to other Newark and Sherwood strategies and policies is shown below:



5.0 Key Aims & Objectives:

The overarching aim of this strategy is to deliver positive financial returns to the Council's General Fund.

It will be important to develop clearer commissioning intentions and medium term delivery strategies across all major service areas, e.g. by making decisions around collaborative working, shared services, seeking more innovative approaches to delivery, challenging existing approaches and having a clear vision of what the Authority will look like in 2020.
The key objectives will be:

- Deliver a financial contribution in order to re-invest in current services where at present we cannot recover adequate, or any, income;
- Invest in new projects that will save costs, increase revenue, or both;
- Help enable non-statutory services to at least cover all their costs including overheads (and potential opportunity cost) in order to reduce risk of closure and be profit generating where possible.
- Actively engage in market development and market shaping where no such market currently exists and using insight to manage specification and demand;
- Apply our financial strength to invest in order to deliver on going positive returns;
- Ensure that outcomes in the local community are delivered on a sustainable basis;
- Strengthen our reputation with residents, local businesses, the Local Government sector, staff, other customers, partners, and stakeholders in general;
- Become a services provider to new and existing customers both from within the local authority environment and beyond, particularly where we are uniquely placed to do so;
- Develop and cultivate our commercial/transformational knowledge.

6.0 How will the Strategy be Delivered?

Newark and Sherwood will follow a **three tier** approach to the delivery of this strategy:

Tier 1: Business Units commercialisation;

Tier 2: Shared Services (with private or/and private sector)

Tier 3: Corporate Investment and Trading.

This strategy will be supported by a communications (internal and external) and training programme delivered as part of the roll-out project.

The development and roll out of the three tiers of Commercialisation will be conducted as formal projects.

In support of the development of the commercial business plan framework and subsequent implementation and delivery, a new internal team will be formed: the **Commercial Projects Development Team (CPDM)** and the Corporate Management Team (CMT) will assume some new, specific responsibilities.

6.1 Tier 1: Business Units Commercialisation.

Newark and Sherwood, is restricted by statute in that there are some services it has to provide. The Council cannot choose to enter or exit certain markets (and the levels of fees it may charge for these statutory services are set or/and restricted by central government). There are, however, a number of services which are discretionary and the Council can decide whether or not to provide these services or to add new services. The Council can also decide how much to charge for these services depending on social, economic and political considerations.

This mix of statutory and non- statutory services means that the Council will be constrained as to how commercial it can be in practice. It is therefore important that business plans are developed for each business unit which incorporate the following:

- **Commissioning** – Business Units will conduct a commissioning exercise to confirm exactly what outcomes are required from their Service(s). This exercise will first identify those outcomes that add no value to the target recipient and therefore should be stopped. The next stage will be to assess whether it is more cost effective to continue to provide the service directly or to externalise the service to the third sector or private sector. **The objective of commissioning is to ensure that the Council is allocating resources to outcomes that support its Corporate Plan, and not wasting resources delivering unnecessary or unwanted outcomes.**

- **Business Improvement.** - This will be followed up by process mapping and action costing (and a review of whether services are being delivered in a cost effective manner); allowing the creation of accurate baseline business plans, from which it will be possible to measure the impacts of Commercialisation and also to challenge for value services that are being bought internally. Corporate Business Improvement methodologies will be applied in collaboration with the Service in order to achieve the desired level of service at the best price. **The objective of Business Improvement is to reduce the overall cost of Newark and Sherwood's service delivery.**

- **Charging –** Newark and Sherwood already undertakes charging, and the revenue received represents a substantial level of income. The Finance Business Unit already factors charging revenue into net service costs to give a net service spend. The revenue received through charging will be shown in the Business Unit's commercial business plans, in detail. When measured against the costs identified from Business Improvement, it will be possible to more accurately show profitability (or otherwise); work out the true costs of delivery (including accurate overheads and required reinvestment as allowed by the Local Government Act 2003), and ensuring fees reflect this (within the constraints made by the Corporate Fee and Charging Policy); to analyse the impact of fee variations on demand and thereby ensure fees are set at the maximum possible level. As the 'profit' rules under the Act allow Newark and Sherwood to take one financial year with another, Charging also represents opportunities to test ideas identified under 'Trading' of this paragraph before moving to trading proper; and then eventually to an external trading company. **The objective is to ensure that the maximum revenues possible; allowed by the**

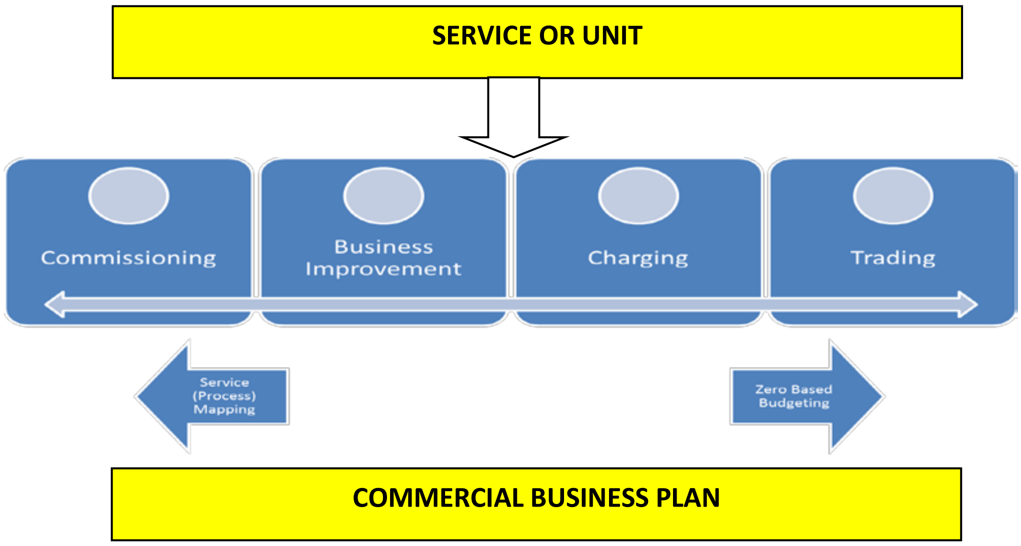
Corporate Fees and Charges Policy, and at levels that are socially and politically acceptable are being charged and received.

- **Trading –** Not every Business Unit will have the opportunity to trade, but a review will be conducted by the business unit to assist with modelling these opportunities for inclusion in the commercial business plan; and bidding for resources, if required, to implement the trading activity. **The objective of trading will be to introduce the net profit into the Service revenues.**

The framework of commercial business plans will be developed and rolled out across units and services within Newark and Sherwood by means of a formal project. The commercial business plans will show how a Unit or Service intends to achieve their annual targets.

A percentage (to be set by the Director of Resources in consultation with the Chief Executive and CMT) of positive contribution to the general fund will be available for reinvestment back into the Service which generated it; it effectively becoming a part of the Commercial Investment Fund. Services will bid for this reinvestment via CMT.

COMMERCIALISATION



6.2 Tier 2: Shared Services

The Council has previously investigated significant time and resources in exploring the potential for shared services with other Councils within Nottinghamshire and has had a little success. Business Units will continue to look for opportunities to share services with neighbouring councils and where appropriate the private sector.

The Commercial Projects Development Team will develop and agree a criteria framework for exploring shared service(s) opportunities.

6.3 Tier 3: Corporate Investment and Trading.

6.3.1 Treasury Investments. Newark and Sherwood will maintain a level of core investments in accordance with its approved Treasury and Investment Policy. The Council will however develop and agree a wider **Investment Plan** that will sit between this Commercialisation Strategy and the Treasury Strategy.

- **6.3.2 Corporate Property Investment** – Newark and Sherwood will start to develop a property portfolio either directly or through a wholly owned company, from which three main benefits will be derived:
  - Net revenue.
  - Appreciating assets through market movement or development.
  - A positive impact to housing within the Borough.

The rules about borrowing against the Council's owned assets make developing a portfolio of investment property extremely difficult to do **'in-house'**. There is also a risk to Newark and Sherwood's housing investments presented by Right to Buy. Newark and Sherwood will, therefore, explore creating a company limited by share to develop its portfolio. This is an increasingly common vehicle local authorities are using to hold property. The advantages of establishing a wholly owned development company are as follows:

- The need to increase the supply of homes in Newark and Sherwood in order to meet wider housing demand
- The need to meet the challenging local housing targets set by central government.
- Increase investment in regeneration in the District.
- Have a positive impact on the local economy by increasing the number of people who live in the District.
- Make the very best use of land assets in the ownership of the Council.
- Safeguard the character of the District by controlling the housing mix and design standards to be complimentary to existing dwellings.
- Enable the Council to retain full control of the development and construction process, including the marketing
- Generate long term revenue for the Council. As stated throughout this strategy, it is imperative that new revenue streams are being delivered by 2020/21 when there will minimum (if any) support from Central Government.
- To have the flexibility to develop commercial property for sale or lease.

The Council has identified land suitable for residential development and is, at the time of writing this strategy, working on developing a business case with the assistance of external legal advisers to support, or not support, the setting up of a development company. It is anticipated that the business case will be presented to Council for approval by November 2017

- **6.3.3 Corporate Trading** – Where trading a service has reached a level where it is profitable and where it would be possible to bid for clients other than Newark and Sherwood, then consideration will be given to the formation of an external trading company. The Teckal rules allow Newark and Sherwood to award a company which it owns contracts without recourse to tender, under certain conditions, and this will put any new company on a sound footing to bid for further work. If it is successful, however, in bidding for external work, then it may have to re-bid for the Council's contracts as Teckal may no longer apply. Legal advice will be sought on a case by case basis.

  Newark and Sherwood, in the course of delivering its core activities, facilitates the flow of large amounts of public money to the private sector, or creates commercial opportunity. Examples might include the funding of emergency housing; or the awarding of enforcement to third parties. These are situations where corporate trading can flourish and bring this money back to the public purse.

7.0 Organisational Changes.

In support of the development of the commercial business plan framework a new internal team will be formed: the Commercial Projects Development Team (CPDT). The team will be supported by new specific responsibilities assumed by the Corporate Management Team.

7.1 Corporate Management Team (CMT)

Although CMT is clearly not a new group, it will have new special responsibilities to execute as part of this strategy, as follows:

- To receive recommendations for projects and proposed Service commercial business plans for final review before submission to Policy and Finance Committee, or council.
- To 'hold' the Commercial Investment Fund outlined at para……………. and weigh the cost/benefit (opportunity cost) of a proposal and make recommendations to Policy and Finance Committee/Council accordingly.
- To act as the final arbiter where potential internal conflicts of commercial interest are raised by CPDT or the Business Unit.

There may be a need to provide development support in upskilling members of CMT.

7.2 Commercial Projects Development Team (CPDT).

The CPDT will be a permanent but ad-hoc group providing support to Business Unit Managers, when required. It will be chaired by the Director of Resources and supported by the Council's Business Development Manager, Senior Accountant, Procurement Manager and the Administrations Manager. Other officers will attend meetings on an ad-hoc basis, depending upon the project, and will be drawn from the following departments: Legal; Property; ICT; Communications; Policy and Customer Services.

It will be necessary for the core members of CPDT to be provided with upskilling development in commercialism. It may also be necessary to engage external expertise in support of CPDT's functions, where skills or knowledge gaps are identified, or where there may be a conflict of interest.

Functions of the CPDT will be as follows:

- To provide advice to Business Unit Managers on the development of commercial opportunities.
- To assist with Commercial Business Plan writing, and financial modelling.
- To provide analysis of the impact of projects or plans to the General Fund.
- To provide recommendations and advice to CMT and Policy and Finance Committee on the approval of commercial business plans.
- To hold the corporate commercial projects register.
- To identify commercial conflicts of interest, or to highlight them to CMT for direction.
- To hold the approved framework of approved Commercial Business Plans across Newark and Sherwood District Council.
- To measure and monitor performance against the Commercial Business Plans.
- To look for trading projects that prioritise capture of commercial opportunities afforded by our existing statutory and non-statutory services, so that synergy exists between our commercial and other desired outcomes.

8.0 Measuring Success.

The only proper measure of success is the net effect of commercialisation to the General Fund, expressed in monetary terms.

In order to plan for, and measure success, it is going to be essential to 'benchmark' each service as Commercialisation is introduced to it. In practice, this means identifying its net financial impact to the Corporate Budgets (its net Service Spend) at a given point; which, it is envisioned will be the current total budget. The Director of Resources will set and confirm these start points.

This gives the basis for handing a Service or Unit a target to alter that financial impact. This has happened historically, but the Service will no longer be targeted to reduce its financial impact through reduced budgets, alone. Now the Service will be allowed to undertake wide reaching commercial activity in order to generate net profit, which can be counted towards its target. Business Unit Managers will have discretion to plan activity: cost-cutting or generating net profit to achieve those targets, using the measures highlighted in this Strategy.

Business Unit Managers can now plan for those actions with the assistance of the Commercial Development Unit and produce a Commercial Business Plan for approval by their Director and the Commercial Projects Development Team..

9.0 Organisation wide activity:

In view of the potential opportunities, it is intended to move at pace with the implementation of this strategy. The following activities can be progressed first:

9.1 Pricing review

This activity will review our current subsidy position across all non-statutory services that we charge for to ascertain whether it warrants amendments to our pricing if full cost recovery is the agreed goal.

9.2 Trading vehicle

The Council is at an advanced stage of investigating the possibility and ramifications of establishing a wholly owned development company to support the delivery of new revenue streams. A business case and a recommended governance structure will be brought to Policy and Finance Committee in November

9.3 Culture and capability review

A review of the Council's workforce to determine whether a new governance approach and mind-set shift is required to achieve the maximum benefits from a Council-wide commercialisation programme. Training, objective setting, revision of job descriptions, and resources are some of the measures being considered within this activity.

9.4 Action Plan

A detailed action plan, with timelines, will be developed to support this strategy; setting out the short (one year) and medium term (one to three years) service reviews and activities.

POLICY & FINANCE COMMITTEE **AGENDA ITEM NO. 11**
21 SEPTEMBER 2017

INVESTMENT PLAN

1.0 Purpose of Report

1.1 To introduce the Council's investment Plan which supports the Commercial Strategy and the Medium Term Financial Plan (MTFP) and to seek the Committee's recommendation for approval to Council.

2.0 Background Information

2.1 Newark and Sherwood's Medium Term Financial Plan (MTFP), 2017/18 to 2020/21, identifies the need to take steps to ensure that the Council maintains its financial resilience and protects its long term financial position, by exploring and developing alternative sources of funding that reduce its reliance on government grants and council tax increases in the future.

2.2 The MTFP stresses the importance of innovation in the delivery of services in the interests of Newark and Sherwood's residents and businesses and the need to develop the Council's approach to revenue generation through reviewing fees for services, trading and investment.

2.3 In addition, as part of its transformation programme, as set out in the Council's Commercial Strategy, the Council needs to increase its future local tax base income (Council tax and NNDR) by investing capital resources within Newark and Sherwood to stimulate growth.

3.0 Proposals

3.1 The proposal is for Council to adopt the Investment Plan, the main objectives of which are:

- to support the Council's MTFP and Commercialisation Plan;
- develop a balanced portfolio of investments that support the Council's stated intentions of enhancing financial resilience in the longer term;
- the establishment of appropriate governance arrangements, including the creation of an **Investment Advisory Board (IAB)** to provide advice to the Policy and Finance Committee, on the implementation of the Investment Plan.
- The proposal to establish, subject to a full business case, a wholly owned Property Development Company.

In addition, these arrangements will also allow for investment in schemes that will support economic growth in Newark and Sherwood provided that these schemes are consistent with the Investment Plan outlined in this report.

4.0 Equalities Implications

4.1 There are no equalities implications in adopting the Investment Plan. Equality implications will be considered on a case by case basis on the delivery of the objectives set out in the Plan.

5.0 Impact on Budget/Policy Framework

5.1 There is no impact on the adoption of the Investment Plan. In order to meet the objectives of income generation, there will be necessary cash outlay in order to generate "new" income. Each investment will need to be assessed in accordance with the criteria set out in the Investment Plan, which will include a thorough assessment of associated risk.

6.0 Comments of Director

6.1 The adoption of this Plan will provide a framework that supports the Council's MTFP, Commercialisation Strategy in order to ensure the future resilience of Council services without significant reliance on central government funding.

7.0 RECOMMENDATIONS that:

(a) the Investment Plan be approved and recommend to Council for adoption; and

(b) the establishment of the Investment Advisory Board be recommended to Council for approval.

Reason for Recommendations

The adoption of this Investment Plan meets the Council's objectives as set out in the MTFP and Commercial Plan; primarily to increase revenue generation in order to become financially independent and ensure future sustainability of Council services.

Background Papers

Corporate Plan
Medium Term Financial Strategy (MTFP)
Commercial Plan

For further information please contact Sanjiv Kohli on 01636 655303

Sanjiv Kohli
Director - Resources and Section 151 Officer

Newark & Sherwood District Council

Investment Plan

2017 to 2021

Newark and Sherwood – Draft Investment Plan 2017 - 2020

1.0 Introduction

1.1 Newark and Sherwood's Medium Term Financial Plan (MTFP), 2017/18 to 2020/21 identifies the need to take steps to ensure that the Council maintains its financial resilience and protects its long term financial position by exploring and developing alternative sources of funding that reduce its reliance on government grants and council tax increases in the future.

1.2 The MTFP stresses the importance of innovation in the delivery of services in the interests of Newark and Sherwood's residents and businesses and the need to develop the Council's approach to revenue generation through reviewing fees for services, trading and investment.

1.3 In addition, as part of its efficiency plan and transformation programme, as set out in the Council's Commercial Strategy, the Council needs to increase its future local tax base income (Council tax and NNDR) by investing capital resources within Newark and Sherwood to stimulate growth. Capital resources could be a combination of asset purchase, co investment in projects or capital loan(s).

1.4 Following further work to examine the scope for such initiatives, this paper sets out:

- The Investment Plan to enhance income to the council in the longer term.
- the proposed governance framework, including establishment of an **Investment Advisory Board (IAB)** to advise the Council's Policy and Finance Committee on implementation of the investment Plan.
- The proposal to establish, subject to a full business case, a wholly owned Property Development Company

This Investment Plan supports the Council's MTFP and Commercialisation Plan.

2.0 Current Approach to Investments.

2.1 Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is at least equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

2.2 The Council's current 2017/18 Treasury Strategy identifies the following investment types:

Banks Unsecured: Deposit accounts, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB+ is restricted to overnight deposits.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 20 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services they retain the likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Property Funds: The Council may consider investing in Property Funds. Discussions with the Councils treasury advisers Arlingclose have identified the potential to invest in managed property funds, whereby a third party pools investments from local authorities to purchase commercial properties and earn lease income from them. The third party manages the property portfolio removing the need for local authorities to have the relevant expertise, and the return on investment is usually higher than for equivalent investments with financial institutions. These funds should only be used for longer term investments to achieve a reasonable return; therefore the decision to invest in them will be made in conjunction with consideration of the use of internal reserves to fund the capital programme.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These would allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these 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 investment objectives would be monitored regularly.

2.3 The Council has historically adopted) a very cautious approach to investments and has not sought to develop a balanced portfolio of investments. The investments have almost exclusively been with secured and unsecured banks with little or no investments with institutions and funds listed in the Council's Treasury Strategy, as listed in 2.2 above. A typical profile of investments is reflected in the Council's investments as at 31 March, 2017, as follows:

Investment	**Interest Rate**	**Type**	**Date Invested**	**Balance at 31 March 2017**
NatWest SIBA Account	0.25%	Call	N/A	0
Santander	0.40%	Call	N/A	0
Santander	1.15%	180 day Notice	15/01/16	5,000,000
Handelsbanken	0.10%	Call	N/A	5,000
Goldman Sachs Treasury Money Market Fund	0.20%	Call	N/A	6,134,000
Deutsche Bank Sterling Money Market Fund	0.17%	Call	N/A	3,345,000
Invesco	0.31%	Call	N/A	8,380,000
Lloyds TSB	0.32%	32 day Notice	N/A	5,000,000

3.0 A Balanced Portfolio Approach

3.1 The development of a balanced portfolio of investments supports the Council's stated intentions of enhancing financial resilience in the longer term and will be delivered through:

- the adoption of this Investment Plan which supports the Council's MTFP and Commercialisation Plan; and
- the establishment of appropriate governance arrangements, including the creation of an Investment Advisory Board (IAB) to provide advice to the Policy and Finance Committee on the implementation of the Investment Plan.

In addition, these arrangements will also allow for investment in schemes that will support economic growth in Newark and Sherwood provided that these schemes are consistent with the Investment Plan outlined in this report.

3.2 The proposed strategic approach to investment is based upon the following:

- prioritising use of the Council's cash reserves and balances to support income generating investment through a revolving Investment Fund (the Investment Fund) to meet the initial revenue costs of funding initiatives that will deliver savings and enhance income in the longer term (some of which may be used to replenish the Investment Fund);

- using the Investment Fund to support investments in order to generate additional income for the council that can be used to provide additional financial support for the delivery of functions and services;

- investing in a diversified and balanced portfolio to manage risk and secure an annual overall rate of return to the Council;

- investing in schemes that have the potential to support economic growth in the District (and the County);

- retaining assets where appropriate; undertaking effective property and asset management, and if necessary associated investment, to enhance income generation.

4.0 The Property Investment Fund (PIF)

4.1 As clarification, the following descriptions have been used in this section:

- **"Investments – Yield"** .These are property investments where the objective is to increase rental income to the Council

- **"Investments – Tax base"** .These are property investments where the objective is to increase NNDR or Council tax income to the Council

- **"Investments – Loans"** .These are loans to business for capital expenditure where the objective is to increase rental income to the Council or to increase NNDR or Council tax income to the Council.

- **Investments "Co Investment"** is where Council with another investor provides finance or jointly purchases.

- **Investments "Property Purchase"** –purchase of land and/or buildings

Residential and Commercial Property Developments have been excluded from this Plan as this activity will be carried out by the Council's Wholly Owned Development Company (WODC) and will be subject to its own business case and business plan(s).

4.2 Risk and Reward. This Plan reflects a suitable balance between the risks inherent in the types of property/investments to be acquired and the financial rewards obtainable whilst limiting risks appropriately. In addition, the portfolio of investments being acquired should be diversified in order to spread risks via a balanced portfolio, such diversification principally being across geographical location and the use type of properties held.

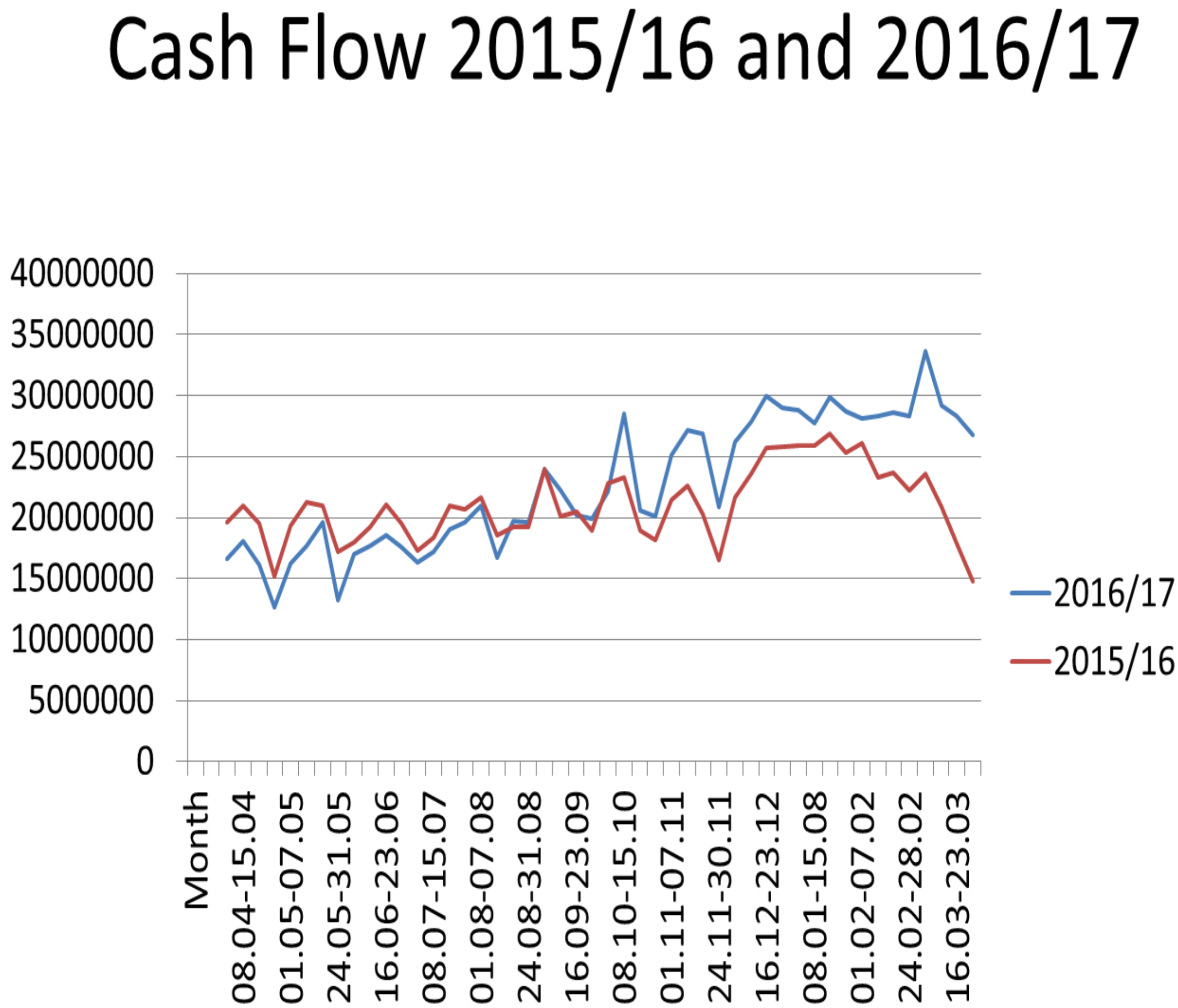
4.3 Available Funds.

4.3.1 Review of Daily Cash Flow

The amounts invested monthly for the last 2 financial years are summarised in the table below:

	2015/16 £000	**2016/17 £000**
Monthly Minimum	13.184	11.140
Monthly Maximum	29.310	35.924
Monthly Average (over 12 months)	21.010	22.537

A further review of the Council's daily cash flow reveals the following pattern of money flow for the last two financial years:



This diagram demonstrates the following:

- The flow of funds follows a consistent pattern with peaks and troughs occurring around the same period each year.
- In 2016/17, the flow of funds was at a lower level for the first 2 months than in 2015/16 (and previous years). This was principally due to the change for 2016/17 in direct debit collections as Council Tax and Business Rates customers moved from making payments by direct debit over a 12 month period instead (as previously) over a 10 month period. This, together with an increased take up of direct debit payments, has resulted in a reduction in cash flow for the first two months as the terms of payments to the Council's major Preceptors remained unchanged from previous years.
- The cash flow in 2016/17, however, improves significantly for the remainder 10 months of the year as direct debit payments accumulate and reaches a peak of £35m in February 2017.

- The minimum cash balance for 2016/17 is therefore lower at £11.140m when compared to the minimum balance in 2015/16 which was £13.184m. Further examination shows that the cash flow is at this minimum level of around £12m for about 12 days between 20th April and 2nd May and for 5 days between 26th May and 31st May. This, as stated above, is due to payments to Preceptors which are not yet fully matched by timings of cash inflows from Council Tax and Business Rates collections.
- Following this initial short term dip in cash, the Council holds cash balances close to £16m for the rest of the financial year.

This analyses of the cash flow suggests that the Council could:

- invest a minimum of £11m to £12m from existing funds without the need to borrow
- invest £15m to £16m with some very short term borrowing during the periods stated above when cash balances are at the minimum.
- Invest up to £22m, being the average cash flow, and bridge the short term gap with further borrowing. The Council should only consider this option if there is a business case that supports a substantial (6% plus), sustainable return on the investments as set out in this Investment Plan.

4.3.2 Usable Reserves and Balances

The Council's approved financial statements for the year ended 31 March 2017 show the Change Management Reserve to be £10.944m. Adding to this the contractual remaining receipt for the sale of Kelham Hall (of £4m less deposit and rent) and adding also the NHB allocation for 2017/18 received post year end of £1.980m gives a total of funds available to **£16m.**

4.3.3 Property Investment Fund (PIF)

The cash flow analyses in 4.3.1 above, and the review of reserves and balances in 4.3.2, suggests that the Council could invest up to £16m with the need to only borrow for a short period at the end of April and May each year. This is on the premise that the Council's chosen investments deliver a return as stated in this Plan, i.e. a minimum of 2% above borrowing costs.

Since 31 March 2017, there have been approvals of draw down totalling around £210K. In addition, the MTFP identified and provided for £100K for any pressures to the refuse, recycling and street cleansing service (with the increases in housing in the District) and £100K for setting up costs for wholly owned company. Allowing a further £250K for additional unknown (at the time of this strategy) service pressures, leaves £15.34m available to invest.

It is proposed that £15m of this fund be allocated as follows:

- £4.620m for the purchase of Lowfield Land Balderton
- £10.4m be available to form the Investment Fund which will be controlled and managed by the Investment Advisory Board (IAB). THE IAB will consider whether £3.5m of this fund should be allocated for equity investment in the proposed wholly owned development company; subject to a viable and sustainable business case. This assumes 30%:70% equity to loan funding
- The remaining IF to be allocated to a balanced portfolio of investments that will generate a return of at least 6% gross and 2% net.

The Council's Treasury advisers, Arlingclose have provided the following useful summary of types of investments with the corresponding returns for each type of investment for the past 10 years:

Rank by % return	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1	Hedge 12.56%	All Gilts 13.05%	UK Equities 26.34%	Property 14.50%	All Gilts 16.92%	Corporates 13.33%	UK Equities 20.86%	Property 16.40%	Property 12.00%	UK Equities 29.44%
2	UK Equities 7.26%	Cash 6.30%	Hedge 18.57%	UK Equities 12.31%	Corporates 7.16%	UK Equities 12.40%	Hedge 9.73%	All Gilts 14.68%	Corporates 0.72%	All Gilts 10.60%
3	Cash 5.79%	Corporates (3.62%)	Corporates 11.09%	Hedge 10.95%	Property 6.70%	Hedge 6.67%	Property 9.00%	Corporates 12.35%	All Gilts 0.47%	Corporate Bonds 10.60%
4	All Gilts 5.20%	Hedge (19.07%)	Cash 1.62%	Corporates 8.41%	Cash 0.67%	All Gilts 2.80%	Corporates 0.76%	Hedge 4.13%	Cash 0.45%	Property 2.30%
5	Corporates 1.81%	UK Equities (27.71%)	All Gilts (1.26%)	All Gilts 7.60%	Hedge (2.52%)	Cash 0.84%	Cash 0.39%	UK Equities 1.47%	Hedge (0.71%)	Hedge 1.24%
6	Property (6.70%)	Property (32.00%)	Property (5.40%)	Cash 0.54%	UK Equities (3.07%)	Property 0.20%	All Gilts (4.25%)	Cash 0.42%	UK Equities (2.50%)	Cash 0.44%
Average	4.32%	(10.51%)	8.49%	9.05%	4.31%	6.04%	6.08%	8.24%	1.74%	9.10%
Cash	5.79%	6.30%	1.62%	0.54%	0.67%	0.84%	0.39%	0.42%	0.45%	0.44%
Relative	(1.47%)	(16.81%)	6.87%	8.51%	3.64%	5.20%	5.69%	7.83%	1.29%	8.67%

Investment In Property

Historic data shows that a 6% income return from property is achievable over the longer term and through a full economic cycle.

4.4 Factors affecting returns. Various factors will affect the level of income return a property investment Plan will deliver over time including;

- **general economic environment** (driving rent growth or reductions)
- **interest rates** (low rates drive prices up and property yields down)
- **investment demand** (high liquidity drives prices up and property yields down)

The Investment Property Database analyses global property performance, reflecting different methods of investing in property (direct, unlisted funds and listed property shares/ funds) and analyses the returns and risks associated with each over various time periods. In addition, comparable return and risk analysis is provided for other types of investments – bonds and general equities. This shows that investing in direct property has the second lowest risk (after bonds) as measured by volatility and that higher returns can be earned from investing in listed property shares

5.0 Investment Criteria

5.1 The objectives of the Property Investment Fund, will be met in accordance with the foll owing Investment Criteria:

- The Council will invest in a balanced portfolio of property assets with a focus on traditional, lower risk sectors including offices, retail, industrial and residential with a focus on Freehold (or Long Leasehold). The portfolio will be developed through a range of means including acquisition of existing investments, and investment in property funds and shares.

- Development opportunities that exploit existing Council assets and the Council's knowledge of the District to maximise competitive advantage will be prioritised.

- Investments will achieve an overall target yield of 6% although a balance of lower and higher yielding investments will be considered on their merits to ensure an appropriate balance between risk and return.

5.2 Achieving Greater Return

The Council is planning for a growing shortfall in Central Government funding which may result in a need to achieve greater than a 6% income return on its initial Investment Fund over time. This can potentially be achieved in two ways:

- Firstly by increasing the amount of the Property Investment Fund (PIF) investment while still achieving a target 6% income return, and

- Secondly by taking greater risk in the investment Plan.

There are a range of investment strategies with different financial risk and timing profiles. Below is a potential model for taking progressively increased, measured, risk over time:

Newark and Sherwood – Draft Investment Plan 2017 - 2020

Risk

Option 1
Invest in existing income producing assets:
- Immediate Revenue
- Low level management input
- Generally full control
- No competitive market advantage

Option 2
Develop with risk sharing partner:
- Different risk sharing models available
- Delayed revenue but forward funding can deliver early revenue
- Shared Control
- Competitive advantage in sites controlled by **NSDC**

Option 3
Direct Development:
- Retain full control, full risk and full economic benefit
- No short term revenue
- Flexible to retain as long-term investment
- Competitive advantage in sites controlled by **NSDC**

Potential Reward

Options 1

Initial investment in existing income producing assets, i.e. property funds and listed property shares. This investment is proposed in the most liquid categories of delivery methods to generate immediate income.

Options 2

Higher value adding/risk activities, with or without partners i.e. direct property investments will be focused initially within Newark and Sherwood as the Council's knowledge creates a competitive advantage and allows it to better manage risk and deliver wider NSDC objectives.

Option 3

Higher value adding/risk activities without partners including construction either directly or through wholly owned development company.

The intention will be that a blend of risk profiles are employed and that the proceeds of higher risk (and shorter term) activities are partly redeployed back into the lower risk, long term sustainable "core" investment plan.

Achieving a spread of risk across a greater number of assets and by acquiring properties across the range of different property asset classes, namely retail, leisure, office and industrial, will be desired, however it has to be recognised that opportunities to do this may not arise, and ultimately if individual business cases are robust groupings in any individual property class should not pose any increased risk to the Council.

The IAB will from the onset set guideline limits on individual, and, or categories of investments.

The principle of being relatively risk-averse by limiting fresh investment to properties with minimum unexpired lease terms of five years at the date of acquisition, and with tenants of strong financial standing, will be adopted.

Minimum and maximum yield

	Investment - Yield	**Investment - Tax base**	**Investment- loans & co investment**
Yield	**Rental**	**NNDR**	**Loan repayments or rental**
Minimum Yield Required (before costs)	6% of purchase price (or 2% above estimated borrowing costs)	Increased Council NNDR income (after multiplier) equivalent and/or rental yield to 6% of purchase price (or 2% above estimated borrowing costs)	6% of investment value (or 2% above estimated borrowing costs) If capital loan prevailing borrowing rates + 2%
Maximum Yield	10%	10%	10%
Benchmarked Yield (linked to rate/size)	Yes	Yes	Yes

Acquisitions of assets will be pursued at a target minimum yield (before costs) of 6.0% and, as a guide to potential risk, maximum yield of 10.0%.

Assets producing initial yields in excess of 10.0% are likely to exhibit high risk characteristics, such as very short unexpired leases, or financially weak or insubstantial tenants, or obsolete buildings and are therefore to be avoided. Assets with a projected yield of over 10% will be discounted unless officers can demonstrate that risk characteristics are acceptable and avoid very short unexpired leases, financially weak tenants or obsolete buildings.

5.3 Sector spread

Traditionally, the highest returns come from the office and industrial sub-sectors. Offices can provide an income return of 5.5% in quality in-town areas and between 7.5% and 8.5% for reasonable quality offices in regional and sub-regional centers. Industrial income yields can range from 6.0% up to 7.5% for acceptable quality assets. The retail sub-sector for prime retail property is lower than comparable office/industrial assets with typical yields ranging between 5% and 7% for high quality in-town properties. On this evidence it is likely that predominantly office and industrial/warehouse will be targeted for acquisition with a lesser emphasis on retail. Leisure and mixed use investments will also be eligible under the Plan.

Residential property tends to be management intensive and requires specialist expertise. It is therefore proposed that this sector is excluded from this Investment Fund Plan and is covered by the Business Plan of the Wholly Owned Development Company (WODC)

5.4 Locations

	Investment - Yield	Investment - Tax base	Investment- loans & co investment
Location	National (UK)	NSDC	NSDC
Location – Diversity	25% in any Council area	100% NSDC	100% NSDC

Newark and Sherwood would be the preferred location for fresh acquisitions of investment properties, so that reinvestment is retained within the local economy and any additional capital expenditure is made in the local area. However, there is a finite and limited supply of property within the local area, and of that supply only a small proportion may be available for purchase at any time. A wider area should also be considered for fresh acquisitions. Tax base investments, loans and co investments will be for investments only within the Newark and Sherwood area.

5.5 Target assets

The following assets will be sought;

(i) **Retail investments** with the following characteristics;

- Good locations in town centers or in good out-of-town retail clusters/parks
- ·Well let to sound tenants on leases with a minimum of five years unexpired terms
- Income yield range from 6% to 10.0%

(ii) **Office investments** with the following characteristics;

- Modern specification, likely to be built since 1990
- Good locations in commercially strong town/city centres or in good out-of-town

business parks

- Well let to sound tenants on leases with a minimum of five years unexpired terms
- Multi-let properties to be considered with average unexpired lease terms of 3 years, subject to a spread of expiry dates
- Income yield range from 6% to 10.0%

(iii) **Industrial/Warehouse** investments with the following characteristics;

Modern specification with flexible standard layout, built since 1980

- Good locations on major road routes and good access to motorways
- Well let to sound tenants on leases with a minimum of five years unexpired terms
- Multi-let properties to be considered with average unexpired lease terms of 3 years, subject to a spread of expiry dates
- Income yield range from 6% to 10.0%

(iv) Leisure investments, such as public houses, restaurants and health & fitness centres with similar characteristics as above will also be sought.

(v) Mixed-use investments would also be potentially suitable additions to the portfolio. These may include a mixture of commercial uses or a mixture of retail and office use. Again, similar characteristics as set out above for office investments will apply.

Residential investment – tends to be significantly more management intensive than the types of commercial property investment envisaged under this Plan and requires specialist residential management expertise, so is proposed to be excluded from the Plan under the proposals set out in this report and will be covered by the WODC.

6.0 Leveraging the Investment Pot

6.1 Whilst there are a number of potential constraints imposed upon the Council, which will result in the Investment Fund operating differently from a commercial entity; as the Council has a higher duty of care for public funds than a privately operated property company. There are, however, areas where the Council has an advantage as a local authority to enhance the performance of the Investment Fund, or create/ identify opportunities that may not be available to the private sector..

6.2 **Use of Prudential Borrowing** – The Council does not have any borrowing through its General Fund. It can access funding at significant lower rates than the private sector. Comparatively, this results in better return on investment or improved development margin. The Council’s Treasury advisers, Arlingclose, have advised that the Council has a General Fund borrowing head room of £34m, based on the Council’s Balance Sheet as at 31 March 2016.

6.3 **Tax Efficiencies –** there may be opportunities where investment can be made directly through the Council which may be potentially more tax efficient than making the investment through a wholly owned development company.

6.4 **Access to Public Sector Grants** – whilst recognising potential State Aid issues, there is potential to use sources of public sector grant to support and benefit investment made through the Investment Fund.

6.5 **Use of existing assets** – there will be opportunities to optimise the value of existing assets through acquisition of neighbouring sites using the Investment Fund. The marriage value' of existing and acquired sites is likely to be greater than individual sites.

7.0 Resources

It is proposed that the Director of Resources will manage the Investment Business Plan and programme delivery. This will be using resources and expertise primarily from within that team, however, where specialist external advice, such as Treasury advisers or a Property specialist, is needed, this work will be commissioned on an 'as required' basis, funded from the income from the Property Investment Fund. This approach will be reviewed regularly as part of the Investment Business Plan.

7.1 The detailed market searches and acquisition process will be undertaken either by the Estates Services or external agents as determined by the current review being carried out on the Estates and Assets Business Unit. After acquisition, the new property will form part of the Council's Investment Property Portfolio.

8.0 Governance

8.1 Investment Advisory Board (IAB)

Decisions on taking forward each investment opportunity will be taken by Policy and Finance Committee. However, the development of the Investment Plan will likely mean more decisions coming forward for consideration and an Investment Advisory Board will be established to provide advice to Committee. This will ensure appropriate rigour in advance of Policy and Finance Committee's decision by ensuring only credible options are progressed to Policy and Finance Committee, and providing the forum for strategically managing the overall portfolio of investments consistent with the aims of the Investment Plan. The Investment Advisory Board will comprise:

3 Elected Members ,advised by the Chief Executive and Director of Resources with appropriate timely support from CMT and CPDT (see below)

The IAB will consider all proposals that contribute to the delivery of the investment Plan and meet the investment criteria. In some cases these could be investments which form part of wider proposals which have a primary focus on improving services but which may, for example, involve property or assets, or trading as part of the delivery mechanism

Officers will provide advice on each proposal coming forward to the Board for consideration. This advice will include how each investment proposal could be taken forward, including consideration of the risks, how it is structured in terms of appropriate delivery mechanisms, and how it will be financed.

The role of the Investment Advisory Board would be to advise on any investment opportunities which are involved in the development of proposals for new trading ventures before those proposals are considered by Policy and Finance Committee.

This structure will allow the council to respond in a timely manner to market opportunities whilst ensuring that decisions are made in accordance with a process against which independent professional advice will be provided. It is recommended that this arrangement should be reviewed periodically, and at least annually, to ensure that it is providing an efficient and effective governance framework consistent with the objectives of the Investment. Plan.

The IAB will additionally be supported by appropriate professional advisors, when required, including, Treasury advisers, Property investment advisors, legal and financial specialists, including taxation advice. Officers will commence the procurement process to put in place appropriate arrangements. The cost of these advisors will be set against the income delivered as a result of the Investment Plan.

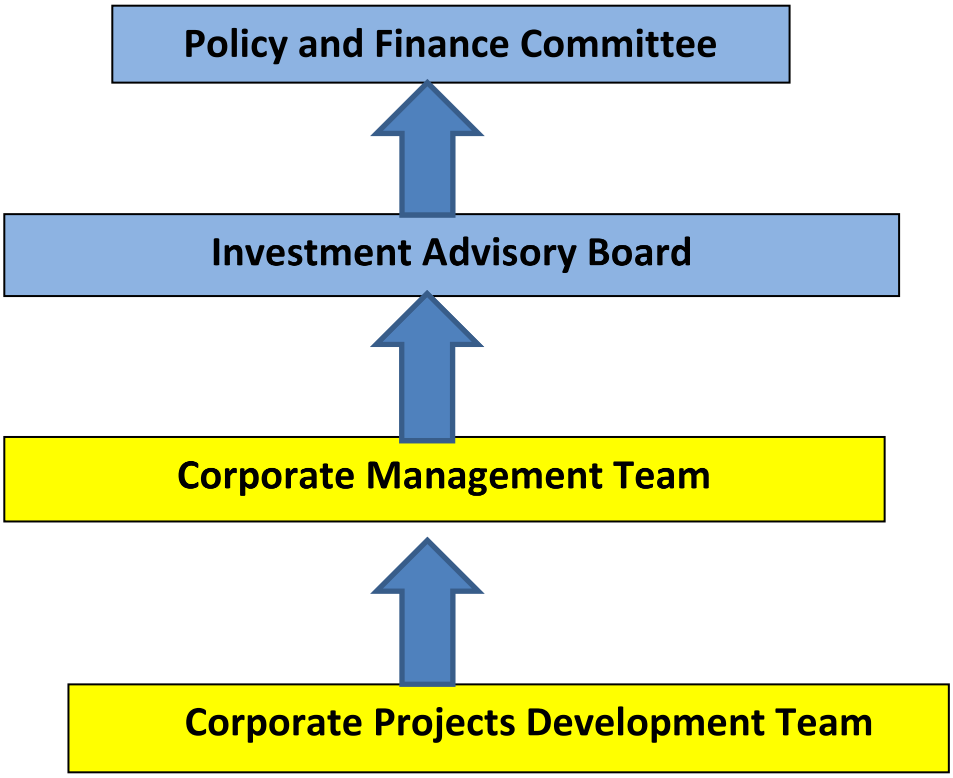
8.2 Commercial Projects Development Team (CPDT).

The CPDT will be established on approval of the Commercial Plan. This will be a permanent but ad-hoc group providing support to Business Unit Managers, when required. It will be chaired by the Director of Resources. Other members of the unit will be called in depending upon the project, and will be drawn from the following departments: Legal; Finance; Procurement; Property; ICT; Communications; Policy and Customer Services. It will also be able to retain external expertise in support of its functions where skills or knowledge gaps are identified, or where there may be a conflict of interest. As part of it's commercialisation remit, the CPDT will provide advice to Business Unit Managers on the development of commercial, investment opportunities assist and advise on the writing up of options appraisals and business plans and present proposals for consideration by CMT and IAB.

The full terms of reference of the CPDT are set out in the Council's Commercial Strategy.

8.3 Decision making structure:

The decision making process will be as follows:



8.2 Assessment Process and Investment Criteria

The objective for this Investment Plan is to help ensure that the Council has a sustainable financial position over the medium to long term. The Investment Advisory Board will consider and provide advice to Policy and Finance Committee on all opportunities that require an initial investment, including property, assets and service delivery vehicles. Each investment opportunity will be assessed through a two stage/Gateway process.

Gateway One comprises a number of criteria to determine whether there is an opportunity to consider and take forward. Stage One establishes whether the opportunity can be recommended to IPD and for in-principle agreement or full agreement, or that the opportunity does not meet the decision criteria and therefore proceeds no further.

Gateway Two involves the development of a much more detailed business case to be considered by the Investment Advisory Board, and for approval by Policy and Finance Committee as appropriate.

Gateway One

Gateway One will address the criteria listed below. Some of the criteria relate to the characteristics of the specific opportunity; others are concerned with the effect of that opportunity on the overall portfolio. The Plan envisages that the balance between different types of investment as in (d) below will be achieved over a period of 3 to 5 years. An opportunity needs to meet each of the following criteria:

(a) The acquisition or investment is within the powers of the Council and can be undertaken with appropriate regard to tests of reasonableness, fiduciary duty and value for money. If this is the case, then the following criteria will be evaluated:
(b) The amount of investment required is less than, or equal to, than threshold for investment which has been set for the Investment Plan (initially **£10 million** except for Trading opportunities where this threshold will not apply).
(c) The period over which a return will be made is consistent with the overall balance that the Investment Plan has set for a medium and longer term return (less or more than 5 years respectively).
(d) The opportunity will fit within the ceilings which have been set for the Investment Plan in terms of the balance between property investment and other forms of investment.
(e) The return on the investment is consistent with the rate of return that has been set for the level of risk involved (within tolerances) which will be considered as part of the development of the full business case.

Gateway Two

Gateway Two will identify whether the investment is appropriate to achieve the recommended balance between types of property, geographic mix and risk profile.

The conclusion of the Gateway One and Two process will determine whether the opportunity is worth further consideration, if that is the case, the Investment Advisory Board would recommend the opportunity proceeds to Policy and Finance Committee (i.e. a full business case will be available) for decision.

Where further work is required to develop a full business case, the opportunity will proceed to Policy and Finance Committee to sanction any additional spend necessary to complete the due diligence and full business case, ahead of a final decision to proceed going back to Committee if the opportunity continues to be supported by the Investment Advisory Board.

9.0 Wholly Owned Development Company (WODC)

To comply with legislation, as explained below, to operate property investment on a commercial basis, the Council would need to establish a property development company. Section 1 of the Localism Act 2011 ('the power of general competence) enables local authorities to do anything that a private individual is empowered to do, subject to certain statutory limitations. The power includes the ability to do such things for a commercial purpose but any such commercial activity must be undertaken through a company within the meaning of section 1 of the Companies Act 2006.

Local authorities also have powers to trade under section 95 of the Local Government Act 2003. It is likely that aspects of the investment scheme will overlap the S95 power to trade and so the Council would be bound by the conditions set out in the Local Government (Best Value Authorities) (Power to Trade) Order 2009 which requires that before exercising such powers the authority should prepare and approve a business case.

The Business Case for the creation of a Wholly Owned Development Company (WODC) will be developed for consideration at a future Policy and Finance Committee meeting and will cover the following aspects:

- The objectives of the business
- The investment and other resources required to achieve those objectives
- Any risks the business might face and how significant those risks are and
- The expected financial results of the business, together with any relevant outcomes the business is expected to achieve.

The precise funding mechanism for the Company will be considered as part of the development of the full business case. However, such a mechanism will include a loan or series of loans by the Council to the Company to allow it to invest in accordance with the Plan, decision making and investment criteria described above. Under such circumstances, borrowing costs would be met by the Company. Loans would be made available to the Company on a basis which is compliant with the Market Economy Investor Principle so that the terms of funding are similar to those which would be achievable by a private funder given the structure and risks associated with the portfolio. This is important both in the context of Competition law and State Aid rules and further specialist legal advice will be sought as part of the development of the business case.

Once investments have been made, ensuring that target rate of return is achieved for the property investment portfolio will require specialist advice on:

(a) investment management to optimise value with annual Business Plans for each investment which examine the scope to add value, the risks involved and the time scale for delivering the investment opportunity and which, taken together, allow for portfolio management. Performance analysis will take place on an annual basis including benchmarking against similar funds and will be supported by independent valuations.

(b) asset and property management to maintain and improve the financial performance of an investment property including ensuring statutory and regulatory compliance, tenant compliance, landlord responsibilities, securing receipt of rents, dealing with voids and insurance matters.

10.0 Risk Management Implications

This is a medium to long-term Plan for the Council which will test the statutory and legal boundaries set by the Localism Act 2011. The council may be also subject to increased scrutiny because it is innovative, and it will be essential that the Investment Plan and the governance arrangements are deemed to be reasonable and robust by external auditors.
The implementation of the Investment Plan means the council will be managing different financial risks. Investments will be subject to inherent economic and market risks, and therefore a balanced portfolio of investment is recommended. However a balanced portfolio will take some time to create and will be dependent upon appropriate opportunities coming to the market.

Investment in property and the carrying out of development activities carries risks at both macro and micro levels. Property rentals, values and occupancy rates typically fluctuate broadly in line with the regional, national and increasingly, the global economy.

The timing of acquisitions and sales can thus have a significant impact on the rate of return as can complementary investment in lower risk or countercyclical investments such as private rental residential property. Historically, however, property rentals and capital returns have delivered growth and as it is the Council's intention to be a long term investor it is considered that these risks can be mitigated through a balanced portfolio approach. Individual Investments will be the subject of pre-acquisition due diligence and risk assessments and regular updates to the Council's Investment Board.

10.1 The following are the types of risks that will need to be assessed:

Asset-specific risks

Income and capital returns for property will depend principally on the following five main characteristics;

- Location of property
- Building specification quality
- Length of lease unexpired
- Financial strength of tenant(s)
- Rental levels payable relative to current open market rental values

Location – this is the single most important factor in considering any property investment. In the retail sector prime or good secondary locations in major regional or sub-regional shopping centres are likely to provide good long-term prospects, or alternatively prime locations in sub-regional or market towns.

Industrial and warehouse property has a wider spectrum of acceptable locations with accessibility on good roads to the trunk road and motorway network being the key aspect.

Experienced knowledge will be required to ensure that good locations are selected where property will hold its value in the long term.

Building specification quality – In office property especially, it is important to minimise the risk of obsolescence in building elements, notably mechanical and electrical plant. Modern, recently built office and industrial property should be acquired to ensure longer-term income-production and awareness of the life-cycle of different building elements and costs of replacement is critical in assessing each property’s merits. For town centre, retail property trends have been towards larger standard retail units being in strongest demand from retailers.

Length of lease unexpired – At present capital values are highest for long-term leased property and values tend to reduce significantly when unexpired lease terms fall below five years, as owners expect significant capital expenditure to be necessary when leases expire and tenants may not renew leases and continue to occupy. Fresh investments should be made ensuring that diminishing lease terms will not either adversely affect capital value or that significant capital expenditure and voids are experienced. A Plan to dispose of investments before unexpired lease terms reach terms of shorter than three years should be adopted.

Financial strength of tenant(s) – assessment will be required of each tenant of potential acquisitions through analysis of their published accounts and management accounts where necessary. Risk of tenant default in rent payment is the main issue but the relative strength of a tenant’s financial standing also impacts upon capital value of property which is let to that tenant and careful analysis of financial strength is a key part of due diligence prior to purchase of investments.

Rental levels – following the banking crash in 2007/8 rental levels fell across most occupier markets, particularly in office and retail markets. As a result rents payable on leases that were granted before 2007 may be at levels which are higher than current rental values. Rents in some sub-sectors have recovered back to pre-2007 levels but care is required in all purchases to assess market rents local to each property to check whether rents payable under leases are above or below current levels, as this will impact on whether growth in rents in the future will be fully reflected in the specific property being analysed.

Environmental and regulatory risks - Risks such as flooding and energy performance are taken into account during the due diligence process on every property purchase.

Reputational risks - A policy on specific types of commercial tenant which may not be acceptable to the Council such as tobacco, gambling or alcohol-related companies should be adopted. Properties tenanted by such companies would not then be considered for purchase. However, this would not necessarily protect the Council in the event of a future transfer of any tenancy to a prohibited company.

10.2 Mitigation Process

The governance process recommended in the Plan is designed to mitigate these risks. All investment opportunities will be based upon a robust business case, developed using appropriate technical advisors and which take into account due and proper consideration of the balance between risk and reward and an assessment of the underlying security of the investment to ensure compliance with the fiduciary duty the council holds.

Specific mitigation measures in relation to property investment additionally include:

- Annual valuation and reporting by an investment advisor to inform the acquisition and disposal Plan to achieve a balanced portfolio at any given time;
- A target rate of return which allows for the financing costs of delivering the Investment Plan to be met and the generation of an annual surplus and which will be subject to annual assessment;
- Each investment acquisition will be subject to a detailed business case that clearly sets out the risks and associated mitigation measures and addresses market, legal, financial, property and reputational issues;
- Property assets will be of good quality with income derived from good covenanted tenants in good or growth locations to include mixed schemes avoiding, at least in the short term, asset management requirements;
- An overall investment scheme provision that there will be an agreed cap on the percentage of income that is derived from a single organisation or tenant and a cap on the single asset value as a percentage of Gross Asset Value.
- Professional advice on asset management will be sought as part of the appointment of investment advisors given the significance of asset management to the generation of return

Communications

A communications Plan will be developed to ensure that Political Leaders, Ward Councillors and wider stakeholders are informed of decisions, acquisitions and disposals at appropriate times without compromising commercial confidentiality.

Newark and Sherwood – Draft Investment Plan 2017 - 2020

POLICY & FINANCE COMMITTEE **AGENDA ITEM NO. 12**
21 SEPTEMBER 2017

SOUTHWELL FLOOD MITIGATION SCHEME - FUNDING

1.0 Purpose of Report

1.1 To consider the District Council's level of contribution to be made, by way of partnership funding, towards the Southwell Flood Mitigation Scheme.

2.0 Background Information

2.1 Following the major flooding event in 2007 and 2013, an in-depth study of the complex interaction on the Southwell water catchment and possible flood mitigation schemes was commissioned by Nottinghamshire County Council as the lead local authority in respect of flooding. The results of the modelling study have now concluded that the best way forward, in terms of mitigating flooding for the maximum number of properties in the town, is for a combined set of measures to be implemented. This includes larger scale capital engineering works, and more localised measures around individual property flood resilience products for those areas that will not be directly protected by the larger capital schemes.

3.0 Proposals

3.1 The Scheme is now being prepared by Nottinghamshire County Council for submission in September, via the Environment Agency, to the National Project Assurance team (NPAS) to gain approval for the release of national funding relating to Flood Defence Grant in Aid (FDGiA) and Local Levy. The confirmation and securing of contributions from the other various stakeholders, including the District Council, is key to gaining these national funding approvals.

3.2 As indicated above, the modelling work for Southwell is now complete. The County Council has indicated that they are in the process of completing the economic and financial case sections of the grant applications. However when running the economic analysis they are not yet hitting the necessary cost benefit number and need to increase the levels of partnership funding.

3.3 Currently the economic analysis is showing £26m of benefits on a scheme cost of £3.6m. This includes an optimism bias of 30% which at this stage of the process is reasonable and seen as quite low risk. Confirmed partner contributions currently sit at £0.9m, made up of £600k from NCC and £300k from Local Levy. With these contributions the calculator sits at 80% which means more benefits/contributions are needed. By illustration, and to demonstrate the importance of the partner funding contributions, an additional contribution of £500k on top of those already secured would increase the score to 92%. A 100% is required to be considered for FDGIA funding.

3.4 The cost benefit calculator, which forms an integral part of the business case, requires an indication of the partnership funding amounts. The County Council has now requested confirmation from the other partners, including the District Council, of its intention to support the business case and the levels of funding that could be expected. Previously the District Council had indicated its willingness to financially support the scheme but no actual amount has been agreed. There is still some way to go with the Southwell flood mitigation, scheme including finalising a costed scheme, and many things can change as it goes forward. However partnership support with indicative amounts now needs to be demonstrated, as it was in the original bid to secure a place with DEFRA in the six year programme.

3.5 For clarification, the modelling results show the number of existing properties at risk of flooding in Southwell as being 212, with a post flood risk scheme of 73 properties being completely defended. Property Flood Resilience measures will need to be implemented to assist the remaining 73 identified properties at risk and it is intended to progress works for these as soon as a 'signed off' business case has been achieved. There are significant pressures around the (circa) £230k renew and repair grant funds that are being held by DEFRA, as we are told the funds need to be spent quickly and work needs to commence by the end of this financial year.

3.6 At its meeting on 11 September, the Homes and Communities Committee considered an update report on the various flood alleviation schemes proposed within the Newark and Sherwood District. The report contained an update on the Southwell Flood Mitigation Scheme and the County Council's request for the District Council to indicate the level of its partner funding support. The Committee resolved to recommend to the Policy and finance Committee that it consider a funding figure of £220,000.

4.0 <u>Equalities Implications</u>

4.1 There are no equalities implications in respect of a decision by the District Council to giving a firm indication of its funding commitment towards the cost of the Southwell Flood Mitigation Scheme. All relevant equalities considerations will need to be considered by the County Council when commissioning and implementing the actual Scheme.

5.0 <u>Impact on Budget/Policy Framework</u>

5.1 The Council has a remaining grant funded allocation of £140,000 for 'Major Flood Alleviation' within the capital programme. There is also an additional £250,000 within the Council's capital reserves for supporting flood mitigation schemes across the District which has not yet been allocated.

6.0 <u>RECOMMENDATION</u>

That the Committee consider the level of funding that the District Council should commit towards the cost of the Southwell Flood Mitigation Scheme, in order to support the submission of the Scheme for funding to the National Project Assurance Team.

<u>Reason for Recommendation</u>

The District Council's funding support will assist the Southwell Flood Mitigation Scheme to attract the necessary funding from the relevant national funding bodies.

Background Papers

Nil

For further information please contact Karen White on Ext 5240

Karen White
Director - Safety

POLICY & FINANCE COMMITTEE **AGENDA ITEM NO. 13**
21 SEPTEMBER 2017

INFORMATION REQUESTS, COMPLAINTS AND RIPA UPDATE

1.0 Purpose of Report

1.1 To inform Members of the activity in relation to requests made to the Council during the 2016/17 financial year under the Data Protection Act 1998, Freedom of Information Act 2000 and Environmental Information Regulations 2004.

1.2 To inform Members of the complaints made to the Local Government Ombudsman during 2016/17.

1.3 To inform Members of the use by the Council of the Regulation of Investigatory Powers Act 2000 (RIPA) during 2016/17.

2.0 Background Information

2.1 Formal requests for information can be made to the Council in accordance with the following pieces of legislation, Data Protection Act 1998 (DPA), Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 (EIR) and the Re-Use of Public Sector Information Regulations 2015(RPSI). These legislative areas are all regulated by the information Commissioner who has powers to fine organisations if they breach any of the provisions.

2.2 The Local Government Ombudsman (LGO) earlier this year published its annual review statistics for the year ending 31 March 2017. The LGO is the final stage for complaints - the person affected must have gone through the Council's complaints process before escalating their complaint to the LGO. In some cases it is very clear to the LGO that the customer has not taken their complaint to the Council and will advise the customer that they must do so before the LGO can assess their complaint. The Council is not always notified of such cases.

3.0 Information Governance Activity

3.1 The total number of information requests received during 2016/17 was 1614, representing an increase of 56% over the 1034 received in the previous financial year. Of these, 649 requests were made under FOIA, 889 under EIR and 76 under DPA.

3.2 Despite the increase in requests, all responses continue to be made within the statutory timescales. FOIA and EIR requests have to be responded to within 20 working days and during the year the average response times were 5.64 days and 7.41 days respectively. Requests made under DPA must be responded to within 40 calendar days and the average response time was 6.75 days.

3.3 Over 75% of requests related to three areas of the Council's activity – development control, revenues and environmental health issues:

- 898 requests were referred to the Growth and Regeneration business unit, the majority of these being property search requests which can be made under EIR.
- 200 requests were referred to revenues and benefits, mainly from a small number of businesses wishing to identify companies and charitable organisations liable for business rates within the district so that they could offer assistance in obtaining reliefs.
- 124 requests were referred to environmental health covering a range of issues from licencing to public health funerals.

4.0 Ombudsman

4.1 The LGO made decisions on 25 complaints and enquiries against the council in the financial year 2016/17. This compares to 18 in 2015/16. The outcomes were as follows:

Incomplete or invalid	1
Advice given	1
Referred back for local resolution	13
Closed after initial enquiries	7
Detailed investigations – not upheld	3
Detailed investigations –upheld	0
Total	**25**

These figures are from the figures which the LGO hold which do not align with the figures the council hold. For example the LGO numbers include enquires from people who the LGO signpost back to the council but never contact us. There is no way of us knowing who these customers are.

4.2 It is pleasing to note that out of the twenty five complaints none were upheld. This compares to six complaints upheld in 2015/16.

4.3 The table below details the type of enquiries logged by the LGO together with those logged by the council. The reason there is one more decision made than enquiries received is that the decisions made figure includes all decisions made during 2016/17 which includes a decision made on a complaint received in a previous year.

Ombudsman Category	Received by Ombudsman	Received by Council
Benefits and Council Tax	6	2
Corporate/Other Services	1	1
Education/Other Services	1	1
Environmental Services	1	1
Housing	4	3
Planning and Development	11	6
Total	**24**	**14**

5.0 Regulation of Investigatory Powers Act

5.1 The Regulation of Investigatory Powers Act 2000 (RIPA) is the law governing the use of covert surveillance techniques by public authorities. Local authorities are only permitted to carry out covert surveillance for the purposes of preventing or detecting crime, or preventing disorder and only where such action is necessary, proportionate, justified and compatible with human rights. The Council endeavours to keep such surveillance to a minimum.

5.2 Since 1 November 2012 local authorities have been required to obtain judicial approval prior to using covert techniques. Additionally, since this date local authority use of directed surveillance under RIPA has been limited to the investigation of crimes which attract a six month or more custodial sentence, with the exception of offences relating to the underage sale of alcohol and tobacco.

5.3 Under the legislation it is the responsibility of the designated 'Senior Responsible Officer' (Director-Safety) to ensure regular reports to Members on the Council's use of RIPA powers.

5.4 The Council's usage of RIPA has always been low, and it should be noted that there have been **NO** authorisations of covert surveillance by the Council for the last five years. The last inspection of the Council's use of RIPA took place on 20 April 2016. The outcome of that inspection, which is undertaken by the Office of Surveillance Commissioner every three years, was reported to the Committee on 1 December 2016. There are a number of reasons for the Council's low usage of RIPA, which reflect similar findings with other local authorities, namely:

- The transfer of benefit fraud investigation from local authorities to the DWP;
- The constraints introduces by the change in the legislation now requiring judicial authorisation for surveillance;
- Reduced resources;
- A concentration on deterrence rather than prosecution;
- Adverse reporting in the national media affecting attitudes of both elected members and officers to covert surveillance; and
- A concentration on using overt as opposed to covert surveillance as a means of investigation.

6.0 Equalities Implications

6.1 There are no equality implications as a result of the content of this report.

7.0 Finance Comments

7.1 There are no financial implications arising from this report.

8.0 RECOMMENDATION

That the report be noted.

Background Papers

Nil

For further information please contact: Karen White regarding RIPA on ext. 5240 and Jill Baker regarding Information Governance and Ombudsman enquiries on ext. 5810.

Karen White
Director - Safety

POLICY & FINANCE COMMITTEE **AGENDA ITEM NO. 14**
21 SEPTEMBER 2017

URGENCY ITEMS - MINUTE OF DECISION

Delegation arrangements for dealing with matters of urgency

Paragraph 7.2.1 of the Council's Constitution provides that Chief Officers may take urgent decisions if they are of the opinion that circumstances exist which make it necessary for action to be taken by the Council prior to the time when such action could be approved through normal Council Procedures. They shall, where practicable, first consult with the Leader and Chairman (or in their absence the Vice-Chairman) and the Opposition Spokesperson of the appropriate committee.

Subject: **DISCRETIONARY REVALUATION SUPPORT**

Appropriate Committee: **Policy & Finance Committee**

1.0 Details of Item

1.1 Business rates (also known as non-domestic rates) are a tax on organisations that are using a building or office space for business purposes.

1.2 From 1 April 2017, all commercial buildings and offices in the district have been given a new 'rateable value' used to calculate the amount of business rates a business occupying that space has to pay. This process is known as the **'revaluation'** and is controlled by the Government.

1.3 In this year's Budget, the Government announced a £300 million fund to assist local councils to provide **revaluation support** by way of business rates relief. The Government's extra funding will only support relief schemes targeted at businesses facing an increase in their business rate bills following the 2017 revaluation.

The Government's allocation of funding for Newark and Sherwood is set out below.

	Amount of discretionary pot awarded (£000s)				
LA	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**Total**
Newark and Sherwood	349	170	70	10	599

2.0 Proposed Scheme

- Revaluation support is available for those businesses and organisations that are facing an increase in business rates of more than 11.0% (following the April 2017 revaluation) compared to the 2016/17 bill.
- The rateable value of the property is less than £200,000.

Additional criteria:-

- There has been an increase in the 2017/18 business rates bill compared to the 2016/17 business rates bill after all other reliefs are applied of more than £700.
- The property is occupied – revaluation support will **not** be available for empty properties.

(Revaluation support will **not** be available to properties occupied by Newark and Sherwood District Council, precepting organisations and other public sector organisations).

2.1 Based on the level of available discretionary funding and the proposed criteria above, revaluation support would be granted at the following percentages.

Financial Year	Percentage revaluation support
2017/18	48
2018/19	23
2019/20	10
2020/21	1

2.2 The table below illustrates how much extra relief businesses would receive under this proposal, depending on the amount by which their business rate bill has increased by between 2016-17 and 2017-18:

Increase in business rate bills following the revaluation, comparing 2016-17 bill to 2017-18 bill	**Amount of extra relief they would receive for 'revaluation support' under the proposed scheme, set at 48% discount on their year on year business rate bill increase**
£20,000 bill increase	£9,600
£10,000 bill increase	£4,800
£5000 bill increase	£2,400
£2500 bill increase	£1,200
£1000 bill increase	£480
£700 bill increase	£336

2.3 This method would be the **fairest** way of distributing Newark and Sherwood's allocation of Government funding for extra business rates relief for 'revaluation support,' because:

- It would ensure that the value of the extra relief given out is **proportional** to the amount that a businesses' bill has increased by. Those local businesses facing the most significant increases in their bills following the revaluation, would receive the most support under the proposed scheme.
- It would ensure that the extra relief available **supports different types and sizes of business across the whole district**, rather than just being concentrated on a very small number of businesses or any one particular high street or sector.
- It provides for a **consistent method** of calculating how much relief to award any one business, ensuring that the relief scheme is **transparent** and that businesses are treated fairly against a clear criteria

2.4 We propose that only businesses that have seen their business rate bills increase by **£700 or more** would be eligible for the relief scheme. This is because the value of any extra relief applied under this threshold would be negligible, and this needs to be balanced against the high administrative burden and cost for the Council to apply relief to every business with a minor bill increase.

2.5 Where a qualifying ratepayer's 2017/18 and, or 2016/17 rates bill is reduced for any of the following reasons, the amount of their revaluation support will be reduced or removed accordingly:

- A reduction in rateable value in the 2010 and, or 2017 rating lists.
- The provision of a certified value for the 2010 rating list or historical change.
- The application of any additional rate relief or exemption.
- Vacation and reoccupation of the property.

3.0 **State Aid**

3.1 The state aid provisions that govern this relief come under Section 69 of the Localism Act which amended Section 47 Local Government Finance Act 1988.

3.2 The support offered under this policy is given under the State Aid Regulations (1407/2013). This allows an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous years).

3.3 There will be a requirement for ratepayers receiving revaluation support to confirm that they have not received any other State Aid that, together, exceeds in total €200,000, in accordance with the above.

3.4 Further information on State Aid can be found at https://www.gov.uk/state-aid

Record of Decision:

- Approve the proposed Revaluation Support scheme subject to any concerns made by Nottinghamshire County Council and the Combined Fire Authority.

Members Consulted:

Councillor Roger Blaney
Councillor David Staples

Reason for Decision:

To gain Member approval for the proposed scheme so that it can be implemented as soon as possible.

Signed Date 23/8/17